

OP Financial Group

Report by the Executive Board and Financial Statements 2014



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Report by the executive board

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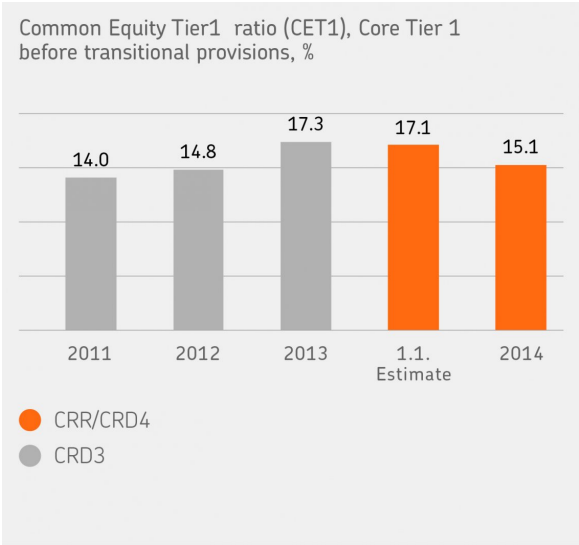
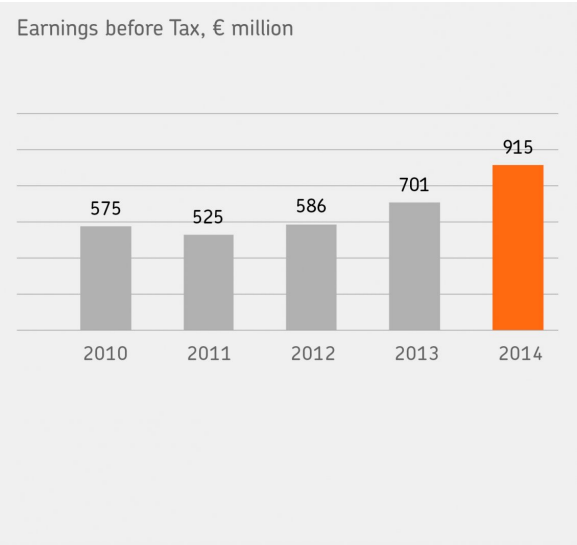
2014 in Brief

- Earnings before tax for 2014 were EUR 915 million (701), year-on-year improvement 31%.
- Group total income increased by 8%, while expenses decreased.
- Impairment loss on receivables totalled EUR 88 million (84), that is, at a low level of 0.12% of the loan and guarantee portfolio.
- The Group's owner-members and OP bonus customers received bonuses and income from equity investments in 2014 to an estimated total of EUR 216 million (193).
- The Group's taxes for the financial year were EUR 337 million (120).
- Each of the three business segments improved its performance markedly.
 - Banking earnings before tax increased by 45% to EUR 587million (404). The cost/income ratio improved by 6 percentage points to 56%. The loan portfolio grew by 3.8% and deposits by 3.0% during the year.
 - Earnings before tax by Non-life Insurance increased by 34% to EUR 223 million (166). The operating combined ratio reached a record level of 84.7%. Premiums written increased in the financial year by 5%.
 - Wealth Management earnings before tax increased by 43% to EUR 161 million (113). Mutual fund assets increased during the year by 21% and unit-linked insurance savings by 21%.
 - The number of joint banking and non-life insurance customers increased by 72,000 to 1,590,000.
- During 2014, OP Financial Group redeemed Pohjola Bank plc shares held by shareholders outside the Group by EUR 2.4 billion, and Pohjola Bank plc's shares were delisted from Helsinki Stock Exchange on 30 September 2014.
- Despite the purchase of Pohjola Bank plc shares, the Group's capital adequacy is strong. On 31 December, Common Equity Tier 1 (CET1) was 15.1% (17.1). Profit shares that support CET1 were issued by the end of the year for EUR 1,561 million.
- Earnings before tax in 2015 are expected to be equal or higher than in 2014. For more information, see "Outlook for 2015".

OP Financial Group's key indicators

	2014	2013	Change, %
Earnings before tax, € million	915	701	30.6
Banking	587	404	45.1
Non-life Insurance	223	166	34.4
Wealth Management	161	113	42.5
Returns to owner-members and OP bonus customers	195	193	0.7
	31 Dec 2014	31 Dec 2013	Change, %
Common Equity Tier 1 (CET1) ratio, % **	15.1	17.1	-2,0*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates)**	1.89	2.19	-0,3*
Ratio of receivables more than 90 days overdue to loan and guarantee portfolio, %	0.38	0.42	-0,04*
Joint banking and insurance customers (1,000)	1,590	1,518	4.7

* Change in ratio ** The comparatives are presented based on the regulatory framework that came into effect on 1 January 2014.



Operating environment

The world economy continued to grow in 2014 at a below-average rate, with considerable differences from country to country. In the euro area, the economy first began to recover after a two-year recession, but confidence in the recovery suffered setbacks during the year owing to the crisis in Ukraine, for example.

Inflation in the euro area slowed down during the year, ending up being negative when oil prices suddenly plummeted. The European Central Bank (ECB) reduced its main refinancing rate to as low as 0.05 per cent in September, bringing down Euribor rates. The ECB went to unusual lengths towards the end of the year to boost the economy, such as by buying covered bonds on the market.

The Finnish economy was sluggish, with GDP failing to grow, investments decreasing and employment increasing. Home prices fell by almost one per cent, and home sales decreased. Later in the year, the economy improved a fraction as industrial orders increased and exports were up by a little towards the end of the year. The fall of oil prices slowed down inflation to 0.5% in December.

Banks' total consumer loan volumes grew last year at a slow annual rate of 2%. The number of new home mortgages levelled off closer to the year-end. Corporate loans increased slightly more than household loans owing to a greater volume of working capital financing. Demand for credit is expected to be below average in 2015.

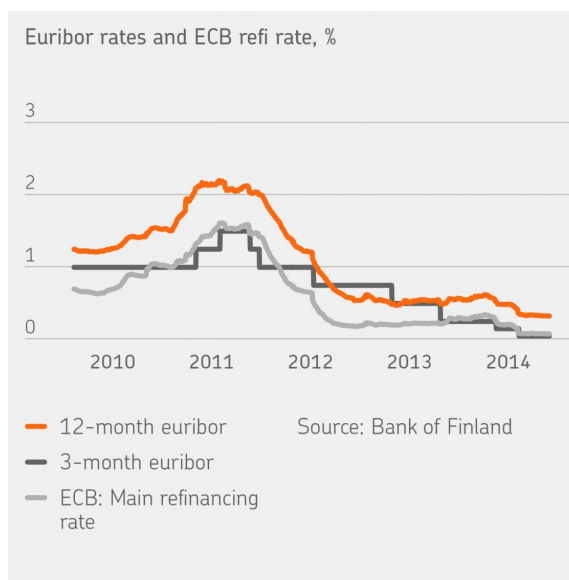
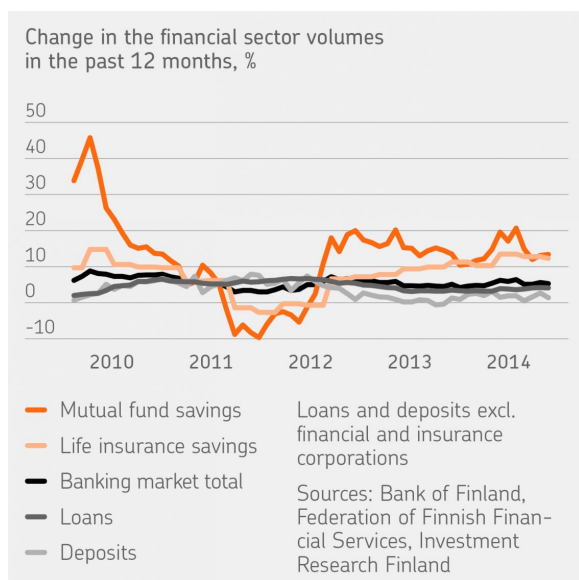
Deposits made by private and corporate customers increased in the low-interest-rate environment by only a

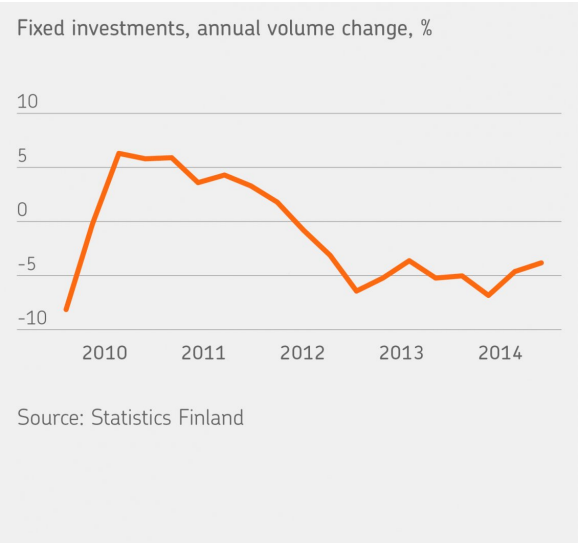
fraction year on year. Term deposits continued to decrease vigorously, as assets were allocated to current accounts and riskier savings and investments.

Capital markets developed favourably, although the markets' risk indicators increased a little in the second half of the year. Mutual fund assets and insurance savings in Finland increased by 13%. Net asset inflows continued to develop favourably throughout the year, with the highest demand being for corporate bond funds. Life Insurance's premiums written increased by 10% year on year. The trend in insurance savings continued as people shifted away from products with guaranteed technical interest in favour of unit-linked products.

Non-life Insurance's premiums written increased according to preliminary figures by 5% in 2014. The growth of claims expenditure was still slower than the growth of premiums written.

World economy prospects have improved thanks to the lower price of oil, but there are still a number of exceptional risks that cast a shadow on economic development. The euro area economy is still growing slowly and is susceptible to disturbances. The ECB will commence an asset purchase programme in March, set to continue until at least September 2016. Euribor rates will probably remain near zero throughout the year. An increase in exports will give a boost to the Finnish economy, but economic development will on the whole remain weak.





OP Financial Group's earnings analysis and some key balance sheet indicators

Earnings analysis

€ million	2014	2013	Change, %
Banking	587	404	45.1
Non-life Insurance	223	166	34.4
Wealth Management	161	113	42.5
Earnings before tax	915	701	30.6
Gross change in fair value reserve	152	-39	
Earnings before tax at fair value	1,067	662	61.2
Return on economic capital, % *)	16.5	15.2	1,3*
Return on economic capital at fair value, % *)	19.1	15.0	4,2*
Income			
Net interest income	1,043	915	14.0
Net income from Non-life Insurance	593	524	13.2
Net income from Life Insurance	197	175	12.5
Net commissions and fees	727	694	4.8
Net trading and investment income	162	182	-10.8
Other operating income	67	85	-21.6
Other income, total	1,746	1,660	5.2
Total income	2,789	2,575	8.3
Expenses			
Personnel costs	741	791	-6.4
Other administrative expenses	414	384	7.6
Other operating expenses	437	422	3.6
Total expenses	1,592	1,598	-0.4
Impairment loss on receivables	88	84	5.4

Returns to owner-members and OP bonus customers			
Bonuses	189	182	3.6
Interest on ordinary and supplementary cooperative capital	6	11	-48.1
Total returns	195	193	0.7

*) 12-month rolling, change in percentage

Key balance sheet items

€ million	31 Dec 2014	31 Dec 2013	Change, %
Receivables from customers	70,683	68,142	3.7
Life Insurance assets	11,238	9,872	13.8
Non-life Insurance assets	3,797	3,479	9.1
Liabilities to customers	51,163	50,157	2.0
Debt securities issued to the public	24,956	21,428	16.5
Equity capital	7,213	7,724	-6.6
Total assets	110,427	100,991	9.3

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2013. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2013 are used as comparatives. Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

January–December

OP Financial Group's earnings before tax grew by 31% to EUR 915 million (701). Earnings were boosted especially by an increase in net interest income and Non-life Insurance's net income. Net commissions and fees and net income from Life Insurance increased, too. Expenses no longer increased, which improved results of the entire Group.

Net interest income increased by 14%. The increase in net interest income was the result of an increase in the average margin and the growth of the balance sheet. The favourable development of net interest income from capital market products and the decrease in deposit funding costs also promoted the growth of net interest income.

The Group's total expenses decreased by 0.4%, being EUR 6 million lower than a year ago. Other operating expenses were increased in the financial year by non-recurring expenses incurred by the purchase of Pohjola Bank plc shares, amounting to a total of EUR 12 million. Without these non-recurring items' effect on comparability, the decrease in expenses was 1.1%.

Because of efficiency-enhancement measures and the outsourcing of ICT services, the Group's personnel costs decreased by 6.4%, being EUR 50 million lower than a year ago. Outsourcing and the reform of related operating models, on the other hand, increased ICT and other costs.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 113 million (131), of which EUR 88 million (84) concerned loans and receivables. Net impairment loss on loans and other receivables were low, at 0.12% (0.12) of the loan and guarantee portfolio. A cumulative EUR 65 million of collective provisions, that is, incurred but not reported losses was recorded, representing a growth of EUR 7 million from the beginning of the year.

OP Financial Group's taxes for the financial year 2014 increased by EUR 217 million to EUR 337 million. The Group's income taxes, following a change in the deferred taxes, were EUR 308 million (36). The effective tax rate is 33.6% (5.1). The effective tax rate was increased during the financial year by the capital gains tax on the purchase of Pohjola Bank plc shares within the Group, and the income tax resulting from the liquidation of equalisation

provisions related to OP Bank Group Mutual Insurance Company. The effective tax rate decreased considerably in the comparison period as a result of tax rate changes.

Earnings before tax recorded by Banking amounted to EUR 587 million (404). Banking's performance was particularly supported by an increase in net interest income. Net commissions and fees were also higher than a year ago. Expenses decreased by 0.8% to EUR 1,082 million (1,090). Personnel costs decreased by 5.6% to EUR 456 million (483). ICT costs were EUR 12 million higher than in the previous year.

Non-life Insurance's operating combined ratio for the whole year was historically low at 84.7% (86.9). Excluding the effect of changes in reserving bases, profitability improved due to an increase in insurance premiums and favourable claims development. Changes in reserving bases of insurance liability recorded during the financial year reduced earnings by EUR 62 million (38). The expense ratio also developed favourably. Net investment income increased by EUR 40 million year on year.

Earnings before tax posted by the Wealth Management segment improved as net commissions and fees and net investment income by Life Insurance increased year on year. The segment's net commissions and fees were 19% higher than a year ago owing to a higher volume of wealth under management.

OP Financial Group's fair value reserve before tax totalled EUR 531 million (409) on 31 December. Earnings before tax at fair value were EUR 1,067 million (662).

Equity capital amounted to EUR 7.2 billion (7.7) on 31 December. The purchase of Pohjola Bank plc shares in the financial year reduced the Group's equity capital by EUR 2.4 billion. On the other hand, equity capital was increased by the Group's earnings and the issuance of Profit shares. On 31 December, EUR 1.6 billion (0) of Profit shares were included in the equity.

OP Financial Group's long-term financial targets

	31 Dec 2014	31 Dec 2013	Target
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.89	2.19	1.6
Return on economic capital, % (12-month rolling)	16.5	15.2	20%
Growth differential between income and expenses, pps (within 3 years)	13.8	-2.8	>0 %- points

Return on economic capital decreased as a result of capital gains tax of EUR 109 million related to the purchase of Pohjola Bank plc shares within the Group and the EUR 50 million income tax resulting from the liquidation of equalisation provisions related to OP Bank Group Mutual Insurance Company. Excluding the tax effect of these internal measures, return on economic capital would have increased to 19.9%.

Key income statement items by quarter

	2014				2014	2013	Change
€ million	Q1	Q2	Q3	Q4			%
Net interest income	251	254	269	269	1,043	915	14.0
Net income from Non-life Insurance	151	159	143	139	593	524	13.2
Net income from Life Insurance	80	41	47	29	197	175	12.5
Net commissions and fees	197	173	177	179	727	694	4.8
Other income	56	75	52	46	229	267	-14.3
Total income	736	703	688	663	2,789	2,575	8.3
Personnel costs	195	190	166	190	741	791	-6.4
Other administrative expenses	112	102	98	101	414	384	7.6
Other operating expenses	113	107	107	110	437	422	3.6
Total expenses	420	400	371	401	1,592	1,598	-0.4
Impairment loss on receivables	10	23	17	38	88	84	5.4
Returns to owner-members and OP bonus customers	49	49	49	48	195	193	0.7
Earnings before tax	257	231	251	176	915	701	30.6

Customer relationships

On 31 December, the Group member cooperative banks had 1.4 million owner-members, up by 30,000 year on year.

Following the buy-out of Pohjola Bank plc's minority shareholders, OP Financial Group is fully owned by Group member bank members. Cooperative bank members may invest in OP Financial Group member cooperative banks' equity instruments called Profit shares.

Contributions made by Group member banks' owner-members to Group member banks' Profit shares, membership capital and supplementary cooperative capital totalled EUR 1.9 billion (0.8) on 31 December.

Cooperative banks are expected to pay dividend on Profit shares and supplementary cooperative capital worth EUR 27 million (11) in 2014. The profit target of Profit shares is 3.25%, calculated from the date the investment was made.

The Group member cooperative banks and Helsinki OP Bank plc, which operates in the Helsinki Metropolitan Area, had a total of 1.4 million OP bonus customers at the end of December.

The combined amount of bonuses earned by OP bonus customers for the whole year for using OP as their main bank and insurer was worth EUR 189 million (182). Bonuses were used for banking services for a total of EUR 86 million (88), and EUR 12 million for Wealth Management Services (11) and EUR 95 million (89) for non-life insurance products' insurance premiums. Bonuses were used to pay 1,912,000 insurance bills (1,783,000), with 255,000 (253,000) of them paid in full using bonuses.

OP Financial Group had 4,284,000 customers in Finland at the end of December. The number of private customers totalled 3,848,000 and that of corporate customers 436,000. The number of joint banking and non-life insurance customers increased in the financial year by 72,000 to 1,590,000, as a result of cross-selling.

The number of non-life insurance loyal customer households increased by 40,000 (46,000) during the financial year. Loyal customer households numbered 655,000 on 31 December. Loyal customer households were provided with EUR 72 million in loyalty discounts during the financial year.

Returns to OP-bonus customers, € million



Service channels

OP Financial Group's service network consists of multichannel online and mobile services, telephone services and the country's most extensive branch network. The operation of our own service network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

A change in customer behaviour and the general trend of digitalisation of a number of aspects in people's daily lives will change how financial services providers meet their customers considerably. OP Financial Group is prepared for this change in a many ways. Investments in the development of mobile and online services has increased considerably.

There is a clear shift in the use of financial services being accessed more and more through mobile devices. In response to a radical shift in customer behaviour, OP Financial Group established a Digital Solutions unit to develop mobile services and the saleability and usability of Internet Services. At the end of December, the unit had a staff of almost 100.

Payment and retail services are an area where digitalisation is probably making the greatest advances. OP Financial Group enhanced its pioneering position in digital payment services by acquiring the entire share capital of Checkout Finland Ltd, which offers payment services to Finnish online shops. Online shops can use the service to offer their customers a wide range of payment options. The range of services includes, for example, banks' payment buttons, card payments and credit payment methods.

At the end of the financial year, Checkout Finland Ltd served almost 10,000 online retailers in Finland and is the largest broker of online payments in terms of the number of customers. Through this acquisition, OP Financial Group wants to promote Finnish online trade and payments transmission. Together with the Pivo mobile application, OP Financial Group can now offer retailers and entrepreneurs competitive payment and purchasing services that bring together online services, mobile applications and the physical shop.

The number of users of OP-mobile increased in the financial year by 77% to 540,000. OP Financial Group's Pivo mobile wallet application had been downloaded more than 450,000 times by 31 December. Pivo mobile wallet has quickly become users' most popular service channel, with over 30% of them opening it every day. The rise in the number of active web bank users has slowed down, with almost 80% using online banking.

OP Financial Group has telephone service centres in Helsinki, Joensuu, Kuopio, Tampere and Vaasa. At the end of the financial year, the telephone service centre had a permanent staff of 425. They received a total of 1.9 million phone calls during the financial year, and contacted clients either by phone or online message 715,000 times.

The Group has Finland's most extensive branch network, the figure at the end of December being 456 (485).

Acquisition of Pohjola Bank plc shares

OP Cooperative (formerly OP-Pohjola Group Central Cooperative) completed its public voluntary bid announced in February 2014 and gained ownership of all Pohjola Bank plc shares by decision of the Arbitral Tribunal in accordance with Chapter 18, Section 6 of the Finnish Limited Liability Companies Act. As a result of the decision of the Arbitration Court, trading in the series A shares of Pohjola Bank plc ceased on 29 September 2014, and the shares were removed from the Helsinki Stock Exchange on 30 September 2014. On 7 October 2014, OP Cooperative was entered as the only shareholder in Pohjola Bank plc's shareholder register.

Pohjola Bank plc shares were removed from the book-entry system on 28 November 2014.

According to the Redemption Committee, the squeeze-out procedure instituted by the Arbitration Court will last an average of approximately six months. On this basis, the overall redemption proceedings pertaining to Pohjola's minority shares are expected to last until the first half of 2015. OP Cooperative paid the undisputed part of the redemption price to Pohjola's minority shareholders on 29 October 2014.

Capital base and capital adequacy

On 31 December, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates, exceeded the minimum amount specified in the Act by EUR 2,984 million (3,764). The reference figures for capital adequacy presented here have been estimated in accordance with the regulations that entered into force on 1 January 2014. The buffer specified in the said Act was decreased by the purchase of Pohjola Bank plc shares and increased by the Group's earnings and the issue of Profit shares. The ratio of the total amount of capital resources to the minimum amount of capital resources was, even after the purchase of Pohjola Bank plc's shares, at a high level of 1.89 (2.19).

As a result of the financial crisis, the regulatory framework for banks' capital adequacy requirements became more rigorous in an effort to improve the quality of their capital base, to increase capital buffers, to reduce the cyclic nature of capital requirements, to decrease banks' indebtedness and to set quantitative limits to liquidity risk. These changes will take effect between 2014 and 2019. The most significant effects of the changes on OP Financial Group's capital adequacy under the abovementioned Act will depend on the level of credit institutions' capital buffer requirements and the calculation method. The effect of the changes on capital adequacy specified in the Act on Credit Institutions is discussed in more detail below under Banking, Capital base and capital adequacy.

The solvency regulations of the insurance sector are changing, too. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The regulations are still being prepared and will come into effect at the beginning of 2016.

The rules and regulations will on the one hand increase capital requirements, and on the other increase the capital base, which will decrease the capital adequacy ratio on a net basis under the Act on the Supervision of Financial and Insurance Conglomerates. According to the current estimate, capital adequacy under the Act will, however, remain on a solid basis.

The Group's Non-life and Life Insurance businesses already completely fulfil the solvency capital requirement (SCR) under the proposed Solvency II framework.

Moving under European Central Bank (ECB) supervision

OP Financial Group's credit institution was transferred to the direct supervision by the ECB in November 2014. This involved a supervisory risk assessment by the ECB, a comprehensive asset quality review and a stress test on OP Financial Group as a credit institution during 2014. The purpose of the AQRs and stress tests was to make European banks more transparent and to ensure that they have enough capital. A total of 130 European banks took part in the new type of review carried out using uniform principles and a tight schedule.

The results of the comprehensive assessment were published on 26 October 2014, stating that OP Financial Group's risk-bearing capacity was high. The results were used to update the credit and counterparty risk models used for the valuation of derivatives, and the collective provision model. The changes did not have any material effect on the financial statement or its accounting policies.

Risk and capital adequacy management and risk exposure

Risk and capital adequacy management: key objectives, principles and organisation in a nutshell

The purpose of risk and capital adequacy management is to secure OP Financial Group's and its institutions' risk-bearing capacity and, thereby, ensure the continuity of operations. Risk-bearing capacity is made up of good risk management that is proportionate to the extent and complexity of operations and of sufficient capital adequacy based on profitable business operations.

Risk and capital adequacy management involves risk identification, measurement, assessment and mitigation. It also involves determining reliably and independently the size of the capital buffer required for various risks and business operations, and allocating capital systematically in line with current and planned risk-taking. The Group's liquidity management is also part of risk and capital adequacy management.

OP Financial Group's strategy outlines the Group's risk appetite and risk management priorities that help to ensure strategy implementation. According to the strategy, the Group will secure its risk-bearing capacity in all circumstances and keep risk-taking moderate vis-à-vis the risk-bearing capacity. Each Group institution focuses on carrying out its role according to its service capabilities and risk-bearing capacities in accordance with shared business models.

OP Cooperative (the central cooperative) is responsible for the Group's risk and capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date. The central cooperative issues Group institutions with guidelines for ensuring risk management and ensures, through supervision, that the institutions operate in accordance with official regulations, their own rules, guidelines issued by the central cooperative, OP Financial Group's internal procedures and procedures that are appropriate and ethically sound for customer relationships. Institutions belonging to OP Financial Group are responsible for their own risk and capital adequacy management in accordance with the nature and extent of their operations.

OP Financial Group's quantifiable risks are restricted by means of limits and a system of control limits that guide operations at Group level, in Group cooperative banks and institutions belonging to OP Cooperative Consolidated.

The central cooperative's Supervisory Board has determined risk limits for 2014 concerning OP Financial Group's capital adequacy as well as for credit, liquidity, market and underwriting risks.

A more detailed description of OP Financial Group's risk and capital adequacy management principles can be found in Note 2 "OP Financial Group's risk management and capital adequacy management principles".

OP Financial Group's risk exposure

Risk-bearing capacity

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

OP Cooperative's Supervisory Board has set limits for capital adequacy as prescribed in the Act on the Supervision of Financial and Insurance Conglomerates, for Common Equity Tier 1 (CET1) under the EU capital requirements regulation and directive, and for risk-based capital adequacy.

The legal minimum requirement for capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates is 1. On 31 December 2014, the ratio of the capital base to the minimum amount of capital base was 1.89 (2.19). On 31 December 2014, the Group's capital base was EUR 2,984 million (3,764) above the legal minimum.

The legal minimum requirement for CET1 is 4.5%. The Group's CET was 15.1% on 31 December 2014, and the capital base EUR 3,936 million higher than the legal minimum requirement.

Credit risks

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

The loan and guarantee portfolio increased in the financial year by EUR 2.6 billion to EUR 73.6 billion. Private customers accounted for 62% and companies and housing corporations 36% of the loan and guarantee portfolio. The amount of receivables over 90 days overdue was EUR 279 million (295), that is,

less than a year ago in proportion to the loan and guarantee portfolio. Net impairment loss on loans and other receivables were low, at 0.12% (0.12) of the loan and guarantee portfolio.

OP Financial Group's industry and customer risks are diversified. On 31 December 2014, the largest single counterparty-related customer risk accounted for 6.6% (5.8) of the Group's capital base. The total amount of significant customer exposure was 23.8% (5.8) of the Group's capital base. The total amount of significant customer exposure increased as a result of a higher number of customers whose loan capital represents more than 5% of the Group's capital base.

On 31 December 2014, the highest industry risk was 11.8% (11.1) by housing corporations. For more information about intra-Group industry and customers risk limits, see the Financial Statement's Note 60 "OP Financial Group's risk exposure".

Of corporate customer exposure, the investment-grade exposure represented 49% (46) and the exposure of the lowest two rating categories amounted to EUR 501 million (634), accounting for 1.5% (1.9) of the total corporate exposure.

Of the six main categories for private customer exposure, 81% (77) of the exposures belonged to the top two categories, and 4% (4) in the two poorest.

The ratio of expected losses to exposure at default (EAD) was 0.22% (0.37). Expected losses are an estimate of the average annual losses caused by credit risks calculated using OP Financial Group's own credit risk models. Updates to the credit risk models reduced the key ratio from the level a year ago.

The majority of OP Financial Group's country exposure is in EU countries. The distribution of Group exposure is described in more detail in Note 62 of the 2014 Financial Statements.

Information concerning credit risk specified in the EU capital requirements regulation and directive (EU 575/2013) (CRR) are presented in the notes of the 2014 Financial Statements and the Pillar III disclosures.

Liquidity risk

OP Financial Group's funding and liquidity position is strong. OP Financial Group's access to funding has remained excellent. During the financial year, the Group issued three covered bonds worth EUR 3.0 billion, and other long-term bonds worth a total of EUR 3.5 billion. The loan-to-deposit ratio remained stable throughout the financial year.

OP Financial Group secures its liquidity with a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is managed by a central bank which belongs to OP Financial Group.

The liquidity buffer's collateral value was EUR 15.5 billion (12.3) on 31 December 2014. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

For more information about the liquidity buffer and its risk exposure, see below under Other Operations.

Market risks

OP Financial Group's market risk exposure was within the set limits in 2014.

The most significant market risks within Banking are associated with the effect of a change in interest rates on net interest income. The interest rate risk by Banking measured as the effect of a 1-percentage point decrease on a 12-month net interest income decreased during the financial year, due to a fall market interest rates.

No significant changes occurred in the investment risk level of Non-Life and Life Insurance, and the risk exposure has remained stable. The market risk of the liquidity buffer presented under Other Operations grew.

OP Financial Group's biggest currency risk is associated with Non-life and Life Insurance investments. The open net currency exposure by both Life and Non-life Insurance against the euro increased slightly. In Banking, currency risk is centralised within Pohjola Bank plc where the currency risk was low throughout the year.

Investment assets

€ million	31 Dec 2014	31 Dec 2013	Change
Pohjola Bank plc	8,545	8,117	428
Non-life Insurance	3,483	3,168	315
Life Insurance	3,996	3,545	452
Group member cooperative banks	796	950	-154
OP Bank Group Mutual Insurance Company	412	396	16
Total	17,232	16,174	1,058

Operational risks

The most significant operational risks are related to external factors, such as electronic data security and denial-of-service attacks, and outsourcing of operations.

At the turn of the year, OP Financial Group was the target of denial-of-services attack. As a result of the attacks, the Group's services, especially Internet Services, were unavailable. The direct financial consequences of the attacks were moderate considering the entire Group. OP has filed a report of an offence to the police, and the National Bureau of Investigation is investigating the matter. The Group took immediate measures to prevent the effects of similar attacks on service availability.

Underwriting risks

No significant changes took place to the underwriting risks of Non-life Insurance or Life Insurance. Low market interest rates increased the risk level of the discount rate associated with Non-life Insurance's insurance liability.

For more information about the risk exposure and capital adequacy of Non-life and Life Insurance, see the section dealing with business segments, and the 2014 Financial Statements' notes 94–105 (Non-life Insurance) and 107–114 (Life Insurance).

Other risks

Key risks associated with the Group's defined benefit pension plans relate to the discount rate for pension obligation and return on investment assets covering the pension obligation. The increase of net liabilities related to defined benefit pension plans entered in the comprehensive income during the financial year weakened the comprehensive income before taxes by EUR 380 million. The sensitivity of defined benefit pension liability to a change in discount interest is described in the 2014 Financial Statements' Note 39 Provisions and other liabilities, under "Sensitivity analysis of key actuarial assumptions".

Credit ratings

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Negative	AA-	Negative
Moody's	P-1	Negative	Aa3	Negative
Fitch	F1+	Stable	A+	Stable

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

The credit ratings of OP Financial Group and Pohjola did not change in 2014.

Standard & Poor's affirmed on 22 October 2014 Pohjola Bank plc's credit ratings while keeping the outlook negative.

Moody's affirmed on 29 May 2014 Pohjola Bank plc's long-term debt rating and changed the outlook from stable to negative as part of its extensive review of the European banking sector.

On 24 June 2014, Fitch Ratings affirmed OP Financial Group's and Pohjola Bank plc's long- and short-term debt ratings and kept the outlook stable.

Outlook for 2015

The euro area's economy is still growing at a slow rate and is susceptible to disruptions despite the European Central Bank's easy monetary policy and other measures taken to support economic growth. Economic growth is also expected to be weak in Finland, although exports are slowly increasing. Tension in international politics is still a significant factor of uncertainty for the Finnish economy, slowing Finland's recovery from recession.

Modest economic development combined with the tensions of international politics are weakening growth prospects in the financial sector. Historically low interest rates will erode banks' net interest income and weaken insurance institutions' investment income. The significance of measures that support capital adequacy and profitability is heightened by changes in the operating environment and the tightening of regulation.

Despite the challenging operating environment, OP Financial Group's earnings before taxes are expected to be equal or higher than in 2014. The greatest sources of uncertainty relate to the earnings estimate concern the effects of low interest rates, impairment losses on receivables and unfavourable changes in the investment environment.

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

Operations and earnings by business segment

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

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2014	Earnings before tax 2013	Change, %
Banking	1,933	1,082	-264	587	404	45.1
Non-life Insurance	595	372	0	223	166	34.4
Wealth Management	256	95	0	161	113	42.5
Other Operations	473	516	0	-43	13	-429.5
Eliminations	-468	-474	-19	-13	4	-395.6
Total	2,789	1,592	-283	915	701	30.6

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

Banking

- Earnings before tax increased by 45% to EUR 587 million (404).
- Banking earnings improved significantly due to an increase in net interest income and a reduction in personnel costs. Net interest income increased by 19%.
- Loan portfolio growth slowed down to 3.8% but showed signs of improvement in the second half of the year.
- Deposits grew in terms of payment transaction accounts, increasing by 12% year on year.
- Credit risk exposure has remained stable – impairment losses in the loan and guarantee portfolios were at the low level of 0.12%.

Banking, key figures and ratios

€ million	2014	2013	Change, %
Net interest income	1,093	915	19.4
Impairment loss on receivables	88	81	8.4
Other income	840	853	-1.7
Personnel costs	456	483	-5.6
Other expenses	626	608	2.9
Returns to owner-members and OP bonus customers	176	193	-8.8
Earnings before tax	587	404	45.3
 Cost/income ratio, %	 56.0	 61.6	 -5.6
 € million			
Home loans drawn down	5,977	6,340	-5.7
Corporate loans drawn down	6,468	7,235	-10.6
No. of brokered property transactions	12,341	13,540	-8.9
 € billion	 31 Dec 2014	 31 Dec 2013	 Change, %
Loan portfolio			
Home loans	34.0	33.1	2.5
Corporate loans *	16.9	16.2	4.3
Other loans *	19.8	18.8	5.7
Total	70.7	68.1	3.8
Guarantee portfolio	2.9	2.9	-0.2
 Deposits			
Current and payment transfer	29.8	26.6	11.9
Investment deposits	19.0	20.7	-8.2
Total deposits	48.8	47.3	3.0
 Market share, % **			
Of loans	34.4	34.6	-0,2***)
Of deposits	37.6	36.8	0,8***)

* Figures for 2013 have been restated owing to a change by Statistics Finland in January 2014 on how it classifies sectors. Because of the sector change, some EUR 1,7 billion of the corporate loan portfolio a year ago was transferred to 'Other loans'.

** Excluding financial and insurance institutions' credit and deposits *** change in percentage

Weak economic growth and waning demand have also slowed down the growth of the loan portfolio. The number of new loans taken out has decreased by 1.0% during the year. However, in the second half of the year, demand for credit showed signs of improvement.

OP Financial Group's deposits increased by 3.0%. Because of an exceptionally long period of low interest rates and lower term deposit margins, investment deposits decreased by 8.2% during the year. The focus of growth in deposits is still on payment transaction accounts, which increased by 12%, or EUR 3.2 billion during the year. During the financial year, cooperative banks' combined amount of supplementary shares and Profit shares increased by EUR 1.2 billion.

The loan portfolio grew by 3.8%. Year on year, the volume of new home loans drawn down decreased by 5.7% and that of corporate loans by 11%. Demand for consumer credit was high, with the volume of consumer credit increasing by 27%. The average margin of new home and corporate loans was somewhat lower than a year ago.

OP Financial Group's market share of home loans and corporate financing and deposits has remained stable. OP Financial Group's share of the home loan market increased during the financial year by 0.3 percentage points and was 38.0% (37.7).

The housing market is still sluggish during 2014, with the volume of homes sold and bought through the Group's real estate agents decreasing by 9% over the previous year.

Earnings

Earnings before tax by Banking increased significantly year on year to EUR 587 million (404). This improvement can be attributed to an increase in net interest income and a decrease in personnel costs. Impairment losses increased by EUR 7 million to EUR 88 million, being still at a low 0.12% (0.12) level in relation to the loan and guarantee portfolio.

Net interest income increased by EUR 178 million, being 19% higher than a year ago due to a growth in credit portfolio and a higher level of margins. The favourable development of net interest income from capital market products and the decrease in deposit funding costs also promoted the growth of net interest income.

Other income decreased by EUR 14 million from its level a year ago.

Net commissions and fees were EUR 12 million higher than a year ago because of higher commissions from payment transactions.

Net trading and investment income decreased by a total of EUR 22 million year on year. Net trading income was reduced by a change in the credit and counterparty risk model used for the valuation of derivatives. Other operating income decreased by EUR 6 million.

Expenses decreased by 0.8% to EUR 1,082 million (1,090). Owing to the efficiency-enhancement measures, personnel costs decreased by 5.6% to EUR 456 million (483). ICT costs increased by EUR 12 million year on year.

OP bonuses related to Banking were EUR 170 million (182). Since the beginning of the financial year, part of the bonuses are related to the Non-life Insurance and Wealth Management segments. At Group level, bonuses increased by 3.6%.

Risk exposure

Major risks within Banking include credit risk, market risks and liquidity risk.

Banking's credit risk exposure remained stable, at a moderate risk level. The loan and guarantee portfolio increased in the financial year by EUR 2.6 billion to EUR 73.6 billion. The amount of receivables over 90 days overdue was EUR 279 million (295), that is, less than a year ago in proportion to the loan and guarantee portfolio. At the end of the year, there was a total of EUR 1.8 billion of over 90 days past due receivables, other doubtful receivables, and receivables that have been subject to forbearance measures in accordance with the guidelines by the European Banking Authority (EBA) that will enter into force in 2015. This amount was at the same level as last year. Forbearance measures consist of concessions to contractual payment terms towards customers to make it easier for them to manage through temporary payment difficulties. Cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties.

Corporate customers' (including housing corporations) exposures represent 36% (36) of the loan and guarantee portfolio. Of corporate exposure, investment-grade exposure represented 49% (46) and the exposure of the lowest two rating categories amounted to EUR 501 million (634), accounting for 1.5% (1.9) of the total corporate exposure.

Of the six main categories for private customer exposure, 81% (77) of the exposures belonged to the top two categories, and 4% (4) in the two poorest.

The Banking capital base covering major customer exposure amounted to EUR 7.3 billion (6.3). No single customer's exposure exceeded 10% of the capital base.

Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 54 million (99) at the end of December.

Ratio of receivables more than 90 days overdue to loan and guarantee portfolio

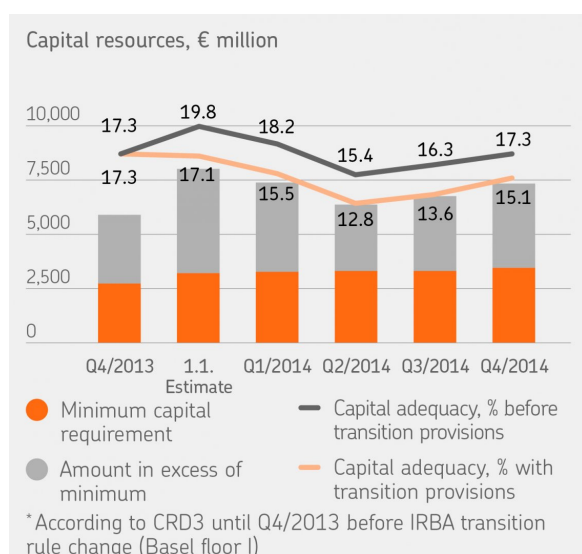
	31 Dec 2014		31 Dec 2013	
	€ million	%	€ million	%
Receivables over 90 days overdue, net	279	0.38	295	0.42
Impairment loss on receivables since 1 January, net	88	0.12	84	0.12

Capital base and capital adequacy

The Group's Common Equity Tier 1 (CET1) was 15.1% (17.1) at the end of the financial year, including the financial year's earnings. The reference figures for capital adequacy presented here have been estimated in accordance with the regulations that entered into force on 1 January 2014. The purchase of Pohjola Bank plc shares reduced the CET1 ratio by about six percentage points, while on the other hand it was increased by the issue of Profit shares by about 3.7 percentage points. The Group's CET1 target is 18% by the end of 2016.

OP Financial Group's credit institution has a strong capital base compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the Common Equity Tier 1 it is 4.5%.

The new Capital Requirements Directive and Regulation (CRD IV/CRR) was published in the EU Official Journal on 27 June 2013. These new rules and regulations will be phased in from 1 January 2014 and will implement the Basel III standards within the EU during 2014–2019. Changes to national legislation related to the new regulations came into force in August.



The Common Equity Tier 1 (CET1) capital was EUR 6,384 million (6,896) on 31 December, with CET1 being reduced by the purchase of Pohjola Bank plc shares. CET1 capital was increased by the issue of Profit shares, Banking's earnings for the financial year and dividends from the Group's insurance institutions. The insurance companies paid dividends worth EUR 280 million during the financial year. Profit shares accounted for EUR 1,561 million of CET1 capital at the end of December. A total of EUR 339 million (384) were deducted from CET1 capital as a shortfall of expected losses and impairment losses.

Risk-weighted assets totalled EUR 42,252 million (40,405) at the end of the financial year, being 4.6% higher than a year ago. The average risk weight of the total exposure portfolio decreased as a result of a slight decrease of average riskweight of retail exposures. The updated categorisation models for corporate exposure are expected to be adopted in early 2015 following approval by the Financial Supervisory Authority. These updates are expected to have a positive effect on capital adequacy ratios.

Risk-weighted assets 31 Dec 2014, total €42.3 billion
change from beginning of year, 4.6%



Equity investments include EUR 6,446 million in risk-weighted assets of the Group's internal insurance holdings.

On 27 November 2013, OP Financial Group received permission from the Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets. The permission was valid from 1 January 2014 to 31 December 2014, because the ECB took up single supervisory responsibility. The method applied to insurance holdings leads to a risk-weight of approximately 280%. A request for an extension is being processed by the ECB.

The requirements for capital buffers implemented through national legislation will add to capital requirements. As of the beginning of 2015, the fixed capital add-on is 2.5% of all risk-weighted assets. No capital add-on concerning other significant credit institutions to a financing system that will enter

into force at the beginning of 2016 has yet been confirmed for OP Financial Group. The Financial Supervisory Authority has the right to enforce a capital add-on that will reduce the cyclic nature of capital requirements. The upcoming liquidity regulation will add to liquidity management costs. Profitability will play a key role when preparing for regulatory changes.

The new regulations include a ratio on the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 6.4% according to the current interpretations, with the minimum level in the draft legislation being 3%.

Non-Life Insurance

- Earnings before tax amounted to EUR 223 million (166). Earnings before tax at fair value were EUR 272 million (149). A reduction in the discount rate for pension liabilities reduced earnings by EUR 62 million (38).
- Insurance premium revenue increased by 5% (11).
- Operating profitability improved from the previous year. The operating combined ratio was 84.7% (86.9) and operating expense ratio 18.4% (18.7).
- Return on investments at fair value was 6.7% (3.5).
- The number of loyal customer households grew during the financial year by 40,000 (46,000).

Non-life Insurance, key figures and ratios

€ million	2014	2013	Change, %
Insurance premium revenue	1,310	1,249	4.9
Insurance claims and benefits*	845	809	4.4
Net investment income	171	131	30.3
Unwinding of discount and other items included in net income	-42	-43	-2.8
Net income from Non-life Insurance	595	529	12.6
Other net income	0	3	-97.1
Personnel costs	102	107	-3.8
Other expenses	270	260	3.9
Earnings before tax	223	166	34.4
Gross change in fair value reserve	49	-17	-388.5
Earnings/loss before tax at fair value	272	149	82.3

Insurance premium revenue			
Private Customers	687	630	9.1
Corporate and institutional customers	568	567	0.1
Baltic States	55	52	6.1
Total insurance premium revenue	1,310	1,249	4.9
Key ratios, %			
Return on investments at fair value**, %	6.7	3.5	3.2
Operating combined ratio**, %	84.7	86.9	-2.2
Operating expense ratio**, %	18.4	18.7	-0.3
Operating loss ratio**, %	66.3	68.2	-1.9

* Insurance claims and benefits do not include loss adjustment expenses.

** These operating figures exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.

Growth in insurance premium revenue remained strong among private customers and in the Baltic States. In terms of corporate customers, the general economic situation was reflected in insurance premium revenue, which remained at the previous year's level. Insurance sales grew slightly year on year.

OP Financial Group's market share of non-life insurance premiums written in 2013 was 30.3%. Measured by this market share, OP Financial Group is Finland's largest non-life insurer. The market share is expected to have increased further during the financial year.

The year-end number of loyal customer households totalled 655,000 (616,000), of which as many as 75% (73) also use OP Financial Group cooperative banks as their main bank.

OP Financial Group has decided to expand its hospital business: the first hospital was Omasairaala Oy in Helsinki, and now there are plans to have another four private hospitals in Finland. It will also expand to new fields of specialised medicine and occupational health. The nationwide hospital network is built under the Pohjola brand. Omasairaala will change its name to Pohjola Health Ltd in the autumn of 2015.

Earnings

Earnings before tax improved to EUR 223 million (166) as a result of solid investment activities and an improved operating balance on technical account.

The discount rate for pension liabilities was reduced in the financial year from 2.8% to 2.5%, which increased claims incurred by EUR 62 million (38).

Insurance premium revenue increased by 5% (11). Operating expenses were 3% higher than a year ago. The operating combined ratio improved year on year, achieving a historically low level of 84.7% (86.6). The combined ratio was 91.0% (91.6). The balance on technical account, excluding the effect of a decrease in the discount rate, improved as a result of favourable development of loss numbers and the solid growth of private customers and of premium income in the Baltic countries.

Claims incurred increased by 2%, excluding the effect of the reduction in the discount rate for pension liabilities, i.e. more slowly than insurance premium revenue. Claims development was favourable apart from major losses. Claims incurred arising from new large claims regarding operations and assets were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 82 (77) in the financial year, with their claims incurred retained for own account totalling EUR 79 million (72). The change in provisions for unpaid claims under statutory pension increased year on year, being EUR 62 million (59) in January–December. Changes to claims incurred in previous years, without considering the change in discount rate, increased the balance on technical account by EUR 27 million (10). The operating risk ratio excluding indirect loss adjustment expenses was 60.2% (61.7).

The operating expense ratio improved thanks to higher earnings to 18.4% (18.7). The operating cost ratio (including indirect loss adjustment expenses) was 24.4% (25.4).

Investment income at fair value was better than the previous year because of a significant decline in interest rates. Return on investments at fair value totalled EUR 220 million (115), or 6.7% (3.5). Net investment income recognised in the income statement amounted to EUR 171 million (131). Impairment charges on receivables amounted to EUR 2 million (10).

Risks exposure and capital adequacy

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, and the discount rate applied to insurance liabilities.

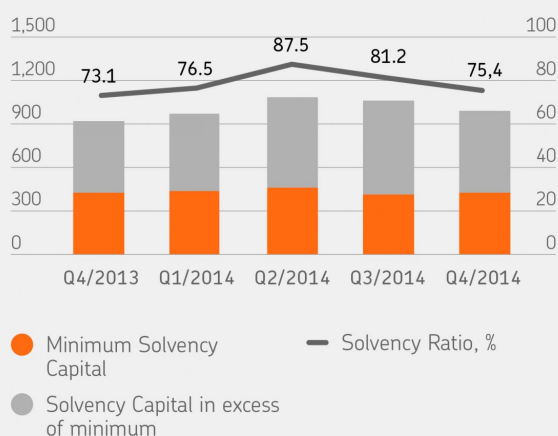
No significant changes took place in Non-life Insurance's underwriting risks. The low market rates increased the risk level of its liability's discount rate. On the whole, no major changes took place to investment risk levels. The equity risk associated with the investment portfolio was reduced slightly. The risk level of bonds and illiquid investments was raised moderately.

At the end of the financial year, the investment portfolio totalled EUR 3,522 million (3,219). The fixed-income portfolio by credit rating remained healthy, with investments within the "investment-grade" category accounted for 94% (91), and 71% (74) of the investments were rated at least A-. The average residual term to maturity of the fixed-income portfolio was 4.5 years (4.4) and the duration 4.3 years (3.7).

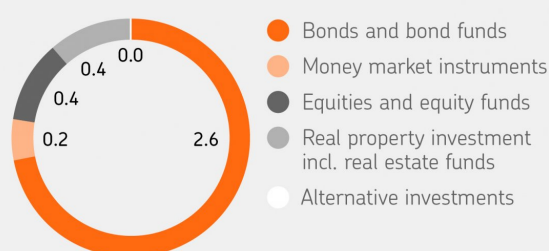
amounted to EUR 988 million (913) and the ratio of solvency capital to insurance premium revenue (solvency ratio) was 75% (73). Equalisation provisions were EUR 215 million (248).

The Solvency II Directive regulating the solvency requirements of insurance companies will come into force at the beginning of 2016. On 31 December, the Non-life Insurance capital base under Solvency II totalled EUR 804 million (894) and capital requirement EUR 685 million (713). The solvency ratio conforming to Solvency II was 117% (125). These figures do not include the effects of transitional provisions. The transitional provisions increase the capital buffer.

Solvency Capital and Solvency Ratio, € million



Investment assets 31 Dec 2014, €3.5 billion



On 31 December, Non-life Insurance solvency capital

Wealth Management

- Earnings before tax increased to EUR 161 million (113); earnings before tax at fair value were EUR 211 million (96).
- The gross amount of assets managed by the Group was EUR 61.3 billion (52.0) on 31 December.
- Unit-linked insurance savings increased from 1 January 2014 by 20.8%, and their proportion of all insurance savings increased to 71.2%.
- Return on investments by Life Insurance at fair value was 6.0% (3.5).

Wealth Management, key figures and ratios

€ million	2014	2013	Change, %
Life Insurance's net interest and risk result	66	50	31.7
Net commissions and fees			
Funds and asset management	140	116	20.6
Life insurance	156	139	11.7
Expenses	-121	-108	11.3
of which returns to OP bonus customers	18		
Total net commissions and fees	175	147	19.1
Other income	14	13	6.1
Personnel costs	24	24	-2.8
Other expenses	72	74	-3.2
Earnings before tax	161	113	42.5
Cross change in fair value reserve	51	-17	-395.7
Earnings before tax at fair value	211	96	120.9
€ billion	31 Dec 2014	31 Dec 2013	Change, %
Insurance savings	10.6	9.4	12.8
Assets under management (gross)			
Mutual funds	17.5	14.4	20.9
Institutional Customers	23.5	20.9	12.6
Private Banking	12.8	10.5	21.6
Unit-linked insurance savings	7.6	6.3	20.8
Total assets under management (gross)	61.3	52.0	17.7

Market share, %

Insurance savings	24.7	24.6	0.1
Unit-linked insurance savings	28.0	29.1	-1.1
Mutual fund assets	20.5	19.2	1.3

The gross amount of assets managed by the Group was EUR 61.3 billion (52.0). This amount includes EUR 14.0 billion in assets of the companies belonging to OP Financial Group.

Net asset inflows to OP Financial Group's mutual funds and unit-linked insurance totalled EUR 2,490 million (2,530). Assets invested in mutual funds increased in the financial year by 20.9% to EUR 17.5 billion (14.4). Unit-linked insurance savings increased by 20.8% to EUR 7.6 billion (6.3).

The number of saver and investor customers was 755,000 at the end of the financial year, that is, 19,000 more than a year ago. OP Financial Group's customer market share of mutual fund shareholders registered in Finland increased to 22.8% (19.9).

Earnings

Earnings before tax increased to EUR 161 million year on year (113). Earnings after a change in the fair value reserve amounted to EUR 211 million (96).

Net commissions and fees increased by 19%, owing to growth of wealth under management compared to last year, to EUR 175 million (147).

Life Insurance's return on investments at fair value was 6.0% (3.5). Investment income included in Life Insurance's net interest and risk result but excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities totalled EUR 169 million (147).

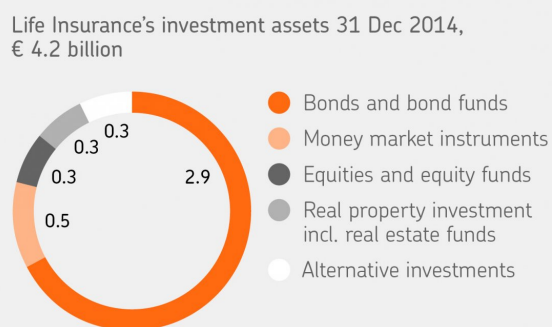
Preparations for the persistence of low interest rate levels were made through supplementary technical interest rate provisions worth EUR 38 million (12) to insurance liabilities through profit and loss.

Expenses were EUR 3 million lower than a year ago. Personnel costs decreased by EUR 1 million and other costs by EUR 2 million. Expenses were increased during the financial year by a EUR 2 million non-recurring system amortisation. Wealth Management's operating cost/income ratio improved to 40.8% (49.4).

Risks exposure and capital adequacy

The key risks associated with Wealth Management are the market risks of investment assets, the interest rate used for the discounting of insurance liabilities and the faster-than-expected life expectancy increase.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, amounted to EUR 4.2 billion (3.9), and were divided as follows:



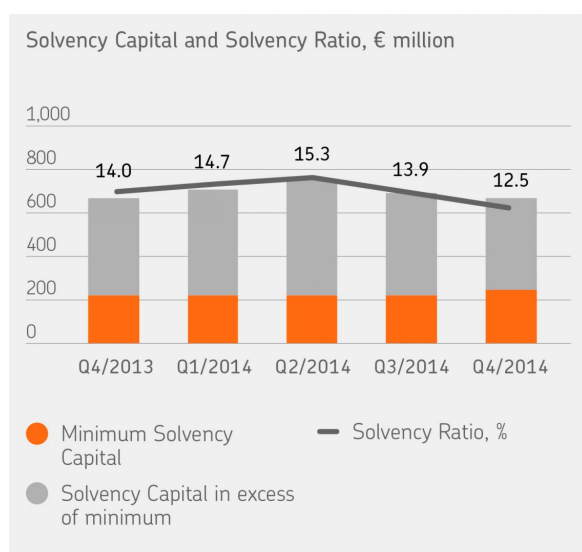
Investments within the "investment-grade" category accounted for 94% (90) of the fixed-income portfolio. The portfolio's modified duration was 3.1 (2.4) on 31 December.

No major changes took place in Life Insurance's underwriting risks or its investment risk level. On the whole, Life Insurance's risk exposure has remained stable.

OP Financial Group is prepared for any change in the interest rate used for the discounting of insurance liabilities by hedging a considerable part of the exposure using interest rate derivatives. Supplementary interest rate provisions related to insurance liabilities totalled EUR 475 million (128) at the end of the financial year.

Life Insurance's solvency margin was EUR 666 million (664). The solvency ratio, or the ratio of solvency capital to weighted insurance liabilities, was 12.5% (14.0).

The Solvency II Directive regulating the solvency requirements of insurance companies will come into force at the beginning of 2016. Life Insurance's preliminary Solvency II capital at the end of December amounted to EUR 804 million (789) and the preliminary economic capital was EUR 806 million (793). The solvency ratio conforming to Solvency II was 100% (99). These figures do not include the effects of transitional provisions. The transitional provisions increase the capital buffer.



Other Operations

Other Operations, key figures and ratios

€ million	2014	2013	Change, %
Net interest income	-34	11	-398.9
Net trading income	-8	-11	-31.6
Net investment income	49	45	8.5
Other income	465	443	5.1
Expenses	516	472	9.3
Impairment loss on receivables	0	2	-100.0
Earnings/loss before tax	-43	13	-429.5

€ billion	31 Dec 2014	31 Dec 2013	Change, %
Receivables from credit institutions	10.0	9.0	6.9
Investment assets	12.0	9.0	43.7
Liabilities to credit institutions	5.0	4.0	8.1
Debt securities issued to the public	17.0	17.0	1.8

Earnings

Other Operations' earnings before tax amounted to EUR -43 million (13). The result was eroded by lower net interest income and higher expenses.

Preparation for tighter liquidity regulations reduced the net interest income from the liquidity buffer, as a result of which the net interest income of Other Operations decreased to EUR -34 million (11). Other Income consists to a large extent of intra-Group service charges, which are presented as business segment expenses. Net commissions and fees outside the Group were EUR 6 million higher than a year ago because of higher commissions from payment transactions.

Expenses from Other Operations grew by 9%, being EUR 44 million higher than a year ago. Of the Other Operations expenses, personnel costs accounted for EUR 158 million (178) and ICT costs for EUR 174 million (136). The outsourcing of ICT services in late 2013 reduced personnel costs but increased ICT costs. During the financial year, expenses incurred from Other Operations were increased by EUR 20 million of non-recurring fees related to the public voluntary bid for Pohjola Bank shares. Approximately a third of this amount represents internal expenses.

Liquidity buffer

€ billion	31 Dec 2014	31 Dec 2013	Change, %
Deposits with central banks	3.8	2.0	90.0
Notes and bonds eligible as collateral	7.8	7.4	6.0
Corporate loans eligible as collateral	4.3	3.3	31.0
Total	15.9	12.7	26.0
Receivables ineligible as collateral	0.7	0.7	6.0
Liquidity buffer at market value	16.6	13.3	25.0
Collateral haircut	-1.1	-1.0	12

Risk exposure and liquidity reserve

Major risks exposed by Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The market risk is highest in notes and bonds included in the liquidity buffer.

The market risks of liquidity buffer investments increased in the financial year as a result of an increase in the liquidity buffer and allocation changes.

OP Financial Group secures its liquidity with a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

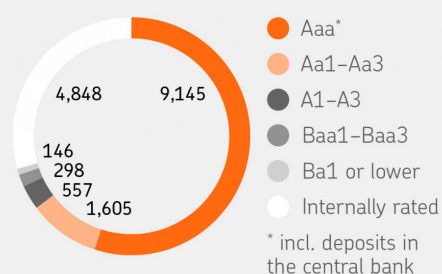
Liquidity buffer at collateral value**15.5****12.3****26.0**

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on market-to-market valuations.

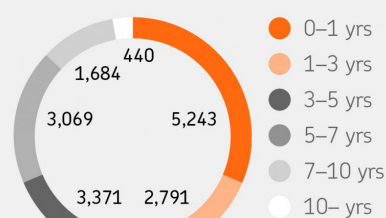
OP Mortgage Bank, which is part of OP Financial Group, issued three covered bonds each worth EUR 1 billion. The maturity of the bond issued in March is 7 years, that of the bond issued in June 5 years and that in November 10 years.

Pohjola Bank plc issued long-term bonds worth EUR 3.5 billion in the financial year. In March, Pohjola issued two senior bonds in the international capital market, each worth EUR 750 million with a maturity of three and seven years. In June, it issued a EUR 750 million senior bond with a maturity of five years, and two Samurai bonds worth a total of 60 billion yen (EUR 432 million).

Financial assets included in the liquidity buffer by credit rating on 31 Dec 2014, € million



Financial assets included in the liquidity buffer by maturity on 31 Dec 2014, € million



Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements include the accounts of 181 member cooperative banks (183) including Group companies, OP Cooperative Consolidated and OP Bank Group Mutual Insurance Company.

OP-Pohjola renewed its brand and became simply OP. In the future, the banking, non-life insurance and asset management businesses will all come under the OP brand. The new name of the OP-Pohjola Group, OP Financial Group, was adopted on 1 January 2015. On the same date, the name of the central cooperative, OP-Pohjola Group Central Cooperative, was changed to OP Cooperative.

Koillis-Savon Seudun Osuuspankki merged into Pohjois-Savon Osuuspankki on 28 February 2014.

Juuan Osuuspankki merged into Joensuun Seudun Osuuspankki on 31 March 2014, changing its name to Pohjois-Karjalan Osuuspankki.

Itä-Uudenmaan Osuuspankki and Porvoon Osuuspankki accepted a merger plan on 9 December 2014, according to which Itä-Uudenmaan Osuuspankki will be merged into Porvoon Osuuspankki, taking the name Itä-Uudenmaan Osuuspankki. The planned date for the merger is 31 July 2015.

The structural organisation of OP Financial Group's central cooperative and the planning and background work for the organisation's legal structure implementation is ongoing. During further planning of structural changes, it will be assessed whether OP Financial Group's central bank functions, which are currently part of Pohjola Bank plc, can be moved into a subsidiary fully owned by OP Cooperative. OP Financial Group's banking operations will continue to be governed in full by joint responsibility as prescribed by law. As to the detailed implementation or timetable, no decisions have been made yet.

Pohjola Group is planning to carry out structural changes in accordance with the tender offer made by OP Financial Group's central cooperative, in practice, for example, by transferring the Non-life Insurance and Wealth Management segments from Pohjola Group to direct ownership of the Central Cooperative. As to asset management, the transfer has been scheduled to take place during 2015. In addition, some business operations of Helsinki OP Bank Plc and Pohjola Bank plc will be combined under joint management. These structural changes will have no immediate effect on OP Financial Group's business segment reporting.

OP Financial Group has acquired Checkout Finland Oy, a company providing payment transaction services for Finnish online shops.

OP Financial Group is prepared to support POP banks in finding solutions concerning their future and in implementing them. Any move by a bank in POP Group to OP Financial Group must be initiated by the former, and before any decision is made, it must be ascertained that it is in the interest of both OP Financial Group and its member cooperative banks.

Osuuspankki Poppia, Laihian Osuuspankki and Multian Osuuspankki, which are part of POP Group, have decided to join OP Financial Group as independent cooperative banks. Osuuspankki Poppia's Cooperative Meeting decided on the matter on 18 November 2014, Laihian Osuuspankki's Cooperative Meeting on 15 January 2015 and Multian Osuuspankki's Extraordinary Cooperative Meeting on 29 January 2015.

Keiteleen Osuuspankki, which is part of POP Group, and Pielaveden Osuuspankki of OP Financial Group accepted on 15 October 2014 a merger plan, according to which Keiteleen Osuuspankki will merge into Pielaveden Osuuspankki, changing its name to Nilakan Seudun Osuuspankki. The planned date for the merger is 31 May 2015.

Personnel and remuneration

At the end of the financial year, OP Financial Group had 12,356 employees (12,856). The annual average number of personnel was 12,548 employees (13,461). The reorganisations and enhancement measures carried out in cooperative banks and OP Cooperative Consolidated had an effect on the reduction of the number of personnel during the review period.

A total of 323 people (343) retired from OP Financial Group during the financial year at an average age of 61.7 years (61.7).

OP Financial Group's scheme for variable remuneration comprises short-term company-specific incentives and long-term Group-wide incentives.

The long-term scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff.

The long-term incentive scheme for management was extended by a new three-year performance period for the years 2014–2016. OP Financial Group's personnel fund remuneration system will also be extended by one-year performance periods.

OP Cooperative's Supervisory Board decided in spring 2014 on new Group-level targets within OP Financial Group's long-term remuneration schemes. The Group-level targets are congruent both in the management incentive scheme and OP Financial Group's Personnel Fund.

The regulations regarding the financial industry's incentive systems have been taken into account in drawing up the Group's incentive systems. As a rule, the incentive system for 2014–2016 follows the principles observed during the previous three-year earning period.

As new long-term performance indicators, the Supervisory Board of OP Cooperative Consolidated set the earnings of OP Financial Group before taxes, the Group's CET1 and the growth rate of loyal customers.

Executive Board members' and Chief Audit Executive's executive contracts

The presiding officers of the central cooperative's Supervisory Board shall decide on remuneration and other benefits of OP Financial Group's Executive Chairman and CEO, who is also the central cooperative's CEO, and of the other central cooperative's

Board members, deputy members and Chief Audit Officer. A written executive contract, approved by the Supervisory Board, stipulates the terms and conditions governing each Executive Board member's, deputy member's and the Chief Audit Executive's employment.

Information required by the EU capital requirements regulation and directive concerning the remuneration of persons affecting OP Financial Group's risk exposure are published annually on OP's website.

OP's Executive Chairman and CEO received EUR 754,392 in salary, EUR 18,134 in fringe benefits and EUR 209,028 in both short-term and long-term bonuses, totalling EUR 981,554. The other Board members, deputy members and the Chief Audit Officer received EUR 2,297,047 and the fringe benefits EUR 101,767, and the short-term and long-term bonuses EUR 477,673, totalling EUR 2,876,488.

Salaries and bonuses include the amount of the performance-based bonuses for 2011, 2012 and 2013 paid in 2014. A total of EUR 199,589 of the performance-based bonuses earned by the Executive Chairman and CEO and Executive Board members in 2013 has been deferred to be paid in three instalments in 2015–2017. The deferment is based on a procedure prescribed in the Act on Credit Institutions (610/2014), which is described in Note 57 of OP Financial Group's IFRS Financial Statements on variable remuneration.

The Executive Chairman and CEO, the other Board members, deputy member and the Chief Audit Executive retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans.

The Executive Chairman and CEO is covered by OP Bank Group Pension Foundation's supplementary pension scheme. Pension accrued under the supplementary pension scheme may begin to be paid out as a paid-up pension before the old-age pension if employment with OP Financial Group terminates.

Three other Executive Board members are covered by OP Bank Group Pension Foundation's supplementary pension scheme. Supplementary pension for the other Executive Board member, deputy member and the Chief Audit Executive have been arranged through OP Life Assurance Company Ltd.

	Executive Chairman and CEO	Other Executive Board members, deputy member and Chief Audit Executive	Total
Regular pay	754.392	2,297,047	3,051,439
Fringe benefits	18.134	101.767	119.901
Amount of performance-based bonuses earned for prior years and paid in 2014 (*)	77.725	97.312	175.037
Earned performance-based bonus for 2013	218.838	492.414	711.252
Amount paid in 2014	131.303	380.361	511.664
Cash-settled	65.651	296.322	361.973
Equity-settled	65.651	84.04	149.691
Deferred amount (**)	87.536	112.053	199.589
Total salaries, bonuses and fringe benefits paid in 2014	981.554	2,876,488	3,858,042
Total salaries, bonuses and fringe benefits, and deferred performance-based bonuses paid in 2014	1,069,089	2,988,541	4,057,630

*) Includes the amount of performance-based bonuses earned in 2011 and 2012 and paid in 2014. The remaining portion of the 2011 and 2012 bonuses has been deferred for payment between 2015 and 2016. Payment of deferred amounts requires a separate decision.

**) Capital adequacy according to the Credit Institutions Act (610/2014)

In 2014, no costs were recognised under the OP Bank Group Pension Foundation supplementary pension scheme. The supplementary pension insurance costs of OP Life Assurance Company Ltd totalled EUR 460,310. Supplementary pension costs have been published in the credit institutions' remuneration data collected annually by the European Banking Authority (EBA) in accordance with EU capital requirement regulation and directive (EU 575/2013) and Capital Requirements Directive (2013/36/EU, CRD IV).

The period of notice for the Executive Chairman and CEO, other Executive Board members, deputy member and the Chief Audit Executive is 6 months. Upon termination of employment in cases specifically stipulated in their executive contracts, the Executive Chairman and CEO is entitled to a severance pay and a sum equivalent to a maximum of 12 months' pay, while other Board members, deputy members and the Chief Audit Officer are entitled to a sum equivalent to a maximum of 6 months' pay.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting 20 March 2014. Of the members who were due to resign, Managing Director Vesa Lehtikainen, Professor Jaakko Pehkonen, Managing Director Ari Kakkori, Principal Seppo Laaninen, Senior Nursing Officer Marita Marttila and Chairman of the Board of Directors Timo Parmasuo were re-elected for the term ending in 2017 as Supervisory Board members. Development Secretary Raita Joutsensaari was elected to the Supervisory Board for the remaining term of 2014–15 to replace Professor Paavo Pelkonen, who will resign due to the upper age limit set for Supervisory Board members, while Managing Director Ari Väänänen was elected for the remaining term of 2014–15 to replace Managing Director Seppo Pääkkö who had requested resignation from the Supervisory Board. The Supervisory Board comprises 33 members.

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

KPMG Oy Ab, a firm of authorised public accountants, was appointed as the company's auditor, with authorised public accountant Raija-Leena Hankonen as the Chief Auditor.

The core of the new management system of OP Cooperative Consolidated consists of three business segments: Banking, Non-life Insurance and Wealth Management.

As part of this management reorganisation, in spring 2014 the Supervisory Board appointed the following Executive Board members, effective as of 1 October 2014:

Karhinen Reijo, Executive Chairman and CEO, Chairman
Vepsäläinen Tony, Group Services, Vice Chairman

Geber-Teir Carina, Identity and Communications
Himanen Jari, Group Control
Lehtilä Olli, Non-life Insurance
Luhtala Harri, Finance and ALM
Nummela Harri, Wealth Management
Palmén Erik, Risk Management
Pölönen Jouko, Banking
Sarajärvi Teija, HR

Markku Koponen will continue to act as Executive Board secretary and deputy Executive Board member in charge of legal affairs.

OP Cooperative's Executive Board and Pohjola Bank plc's ("Pohjola") Board of Directors approved on 16 December 2014 OP Financial Group's Group-level Communications and Disclosure Policy. This replaces the Disclosure Policy issued by Pohjola on 17 December 2013. The Communications and Disclosure Policy has been published on OP Financial Group website op.fi > OP Financial Group > Corporate Governance.

OP Financial Group's efficiency-enhancement programme

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

Based on the actions completed by 31 December 2014, annualised savings reached about EUR 139 million, of which personnel-related costs account for EUR 55 million.

Capital expenditure and service development

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

OP Cooperative Consolidated's development expenditure totalled EUR 111 million (109) in January–December. These include licence fees, purchased services and capitalised expenses for development work within OP Cooperative Consolidated.

ICT capital expenditure capitalised in the balance sheet totalled EUR 83 million (103) in the financial year. Of the investments in the financial year, EUR 72 (85) million concerned Banking, EUR 9 million (12) Non-life Insurance and EUR 2 million (6) Wealth Management.

OP Financial Group began to rebuild its premises in the Vallila campus in 2012, which is due to be completed by the summer of 2015. The total costs will be almost EUR 250 million. By the end of the financial year, realised costs totalled some EUR 165 million.

Corporate social responsibility

Corporate social responsibility (CSR) forms a key part of OP Financial Group's core values and strategy, according to which CSR is an integral part of business. The basis of CSR is built around the Group's core values, strong capital base and professional risk management. According to the strategy, CSR at OP is visible in daily operations to both customers and employees. CSR activities take economic, social and environmental responsibility into consideration.

For more information, see the 'OP Year 2014' report and OP Financial Group's GRI Corporate Responsibility Data, which form the CSR report conforming to GRI G4 guidelines.

Legal structure of the amalgamation of the cooperative banks and the OP Financial Group

Amalgamation of OP Financial Group member cooperative banks, and OP Financial Group

The amalgamation of cooperative banks belonging to OP Financial Group is formed by OP Cooperative, companies belonging to its consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights of the amalgamation.

OP Financial Group is comprised of the amalgamation of member cooperative banks and those companies outside the amalgamation of which entities belonging to the amalgamation hold more than half of the total votes. The extent of OP Financial Group differs from that of the amalgamation of the member cooperative banks in that OP Financial Group subsumes companies other than credit institutions, financial institutions or service companies. The most important of these are the insurance companies with which the amalgamation forms a financial and insurance conglomerate.

Control, risk management and capital adequacy of the amalgamation of cooperative banks

Pursuant to the Act on the Amalgamation of Deposit Banks, the consolidated capital base and liquidity of the companies within the amalgamation are controlled on a consolidated basis. The central cooperative is under an obligation to supervise its member credit institutions, issue instructions to them on risk management, good

corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with standardised accounting policies in the preparation of the consolidated financial statements. In the manner as specified in its bylaws, the central cooperative may also confirm general principles to be followed by its member credit institutions in operations relevant to their amalgamation.

However, the obligation to issue guidelines and exercise supervision does not authorise the central cooperative to dictate the course of the member credit institutions' business operations. Each member credit institution carries on its business independently within the scope of its own resources and guidelines provided by the central cooperative.

A company belonging to the amalgamation may not, in the course of its operations, take any risk of such magnitude that it poses a substantial danger to the combined capital base or liquidity of the companies within the amalgamation. The central cooperative must by law pursue good corporate governance that enables effective risk management and have in place adequate internal control and risk management systems in view of the performance of the amalgamation. The risk management principles applied to the amalgamation of the cooperative banks are included in OP Financial Group's risk management and capital adequacy management principles described in greater detail in other parts of the Report by the Executive Board and OP Financial Group's IFRS Financial Statements.

The amalgamation must fulfil the legal requirements concerning its financial position. The amalgamation must have the minimum capital base specified in Chapter 10, Section 1 of the Act on Credit Institutions.

Member credit institution's capital adequacy and its supervision

Pursuant to the Act on Credit Institutions, the supervisor may allow the central cooperative to decide on the following exceptions regarding its member credit institutions:

- The capital base may be no more than 80% lower than what is required by the Act on Credit Institutions
- Customer exposure may not exceed 40% of the capital base
- Liquidity requirements are not applied
- Relief of qualitative management of exposures.

The central cooperative may not make an exception to a member credit institution that has to a significant extent or repeatedly failed to comply with guidelines issued by the central cooperative pursuant to Section 17 of the Act on Credit Institutions or the member credit institution's obligations prescribed in Section 23 or issued pursuant to the said supervisor's regulations. Permission of this kind may be given for a maximum period of three years. The central cooperative has given permission, authorised by the supervisor, with regard to member credit institutions' customer exposure, liquidity and qualitative management of exposure.

A member credit institution is under no obligation to publish an interim report in accordance with Chapter 12, Section 12 of the Act on Credit Institutions. Member credit institutions are under no obligation to publish capital adequacy information (that is, Pillar III disclosures) in their entirety; this is done of the amalgamation of OP Financial Group cooperative banks.

Joining the amalgamation of the cooperative banks and withdrawal from its membership

Central cooperative members may include credit institutions if their bylaws or articles of association correspond to what is prescribed by the Act on the Amalgamation of Deposit Banks and if their bylaws or articles of association have been approved by the central cooperative. The central cooperative's Supervisory Board decides on admitting members.

A member credit institution has the right to withdraw from its membership of the central cooperative. Even if a member credit institution withdraws from membership, the aggregate amount of capital resources of companies belonging to the amalgamation must be maintained at the level as required by the Act on the Amalgamation of Deposit Banks.

A member credit institution may also be expelled from membership of the central cooperative in accordance with the Co-operatives Act. A member credit institution may also be expelled if it has not complied with instructions issued by the central cooperative by virtue of Section 17 of the Act on the Amalgamation of Deposit Banks in a way that significantly jeopardises liquidity or capital adequacy management, the application of the standardised principles related to the preparation of financial statements or the supervision of adherence to them within the amalgamation. Expulsion is also possible if a member credit institution is in material breach of the amalgamation's general operating principles approved by the central cooperative.

The provisions of the Act on the Amalgamation of

Deposit Banks governing payment liability of a member credit institution shall also apply to a former member credit institution which has withdrawn or been expelled from the central cooperative, if less than five years have passed from the end of the calendar year of the member credit institution's withdrawal or expulsion from the central cooperative when a demand regarding payment liability is presented to the member credit institution.

OP Financial Group's financial statements and audit

According to the Act on the Amalgamation of Deposit Banks, OP Financial Group's financial statements must be prepared in compliance with the International Financial Reporting Standards, as referred to in the Accounting Act. The Financial Supervisory Authority has issued more detailed regulations on the preparation of OP Financial Group's financial statements. The accounting policies applied are presented in the notes to OP Financial Group's financial statements.

The central cooperative has a statutory obligation to issue instructions to the member credit institutions on observing uniform accounting policies in preparing the OP Financial Group's financial statements. The member credit institutions are obliged to provide the central cooperative with the information necessary for OP Financial Group's consolidated financial statements. The central cooperative's auditors are authorised to obtain a copy of the documents relating to a member credit institution's audit for auditing OP Financial Group's financial statements.

The central cooperative's auditors audit OP Financial Group's financial statements observing, as appropriate, the provisions of the Act on Credit Institutions. The financial statements are presented and distributed to the Annual Cooperative Meeting of the central cooperative.

Supervision of the amalgamation of the cooperative banks

The central cooperative and the amalgamation of the cooperative banks is supervised by the European Central Bank (ECB), while the central cooperative's member credit institutions are supervised by the ECB and the central cooperative.

The central cooperative exercises oversight to ensure that the companies within the amalgamation operate in compliance with the laws, decrees and regulations issued by the relevant authorities governing financial markets, and with their own bylaws or articles of associations and the instructions issued by the central cooperative by virtue of Section 17 of the Act on the Amalgamation

of Deposit Banks. Furthermore, the central cooperative supervises the financial position of the companies within the amalgamation.

The ECB oversees the central cooperative so that it controls and supervises the member credit institutions in accordance with the provisions of the Act on the Amalgamation of Deposit Banks and that the companies within the amalgamation fulfil their legal requirements.

The audit of the central cooperative and its member credit institutions is carried out by Internal Audit, which reports to the central cooperative's Executive Chairman. It is responsible for the internal audit of the central cooperative's member credit institutions and companies belonging to their consolidation groups and the central cooperative and its subsidiaries.

Audit performed by OP Financial Group's Audit is an independent and objective assessment, assurance and consulting activity designed to add value to OP Financial Group and improve its operations. Internal Audit helps OP Financial Group to reach its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes with the focus on the identification of risk factors and the inspection of the performance of internal controls. In its reports, Internal Audit issues recommendations for remedying any defects discovered.

Audits are carried out by adhering to international standards for internal audits, and to good auditing practices.

Central cooperative's liability for debt and joint liability of member credit institutions

As a support measure referred to in the Act on the Amalgamation of Deposit Banks, the central cooperative is liable to pay any of its member credit institutions an amount that is necessary to prevent the credit institution from being placed in liquidation. The central cooperative is liable for the debts of a member credit institution which cannot be paid using the member credit institution's capital.

Each member credit institution is liable to pay a proportion of the amount which the central cooperative has paid to either another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue which the creditor has not received from the member credit institution. Furthermore, in the case of the central cooperative's default, a member credit institution has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member credit institution's liability for the amount the central cooperative has paid to the creditor on behalf of a member credit institution is divided between the member credit institutions in proportion to their last adopted balance sheets. The combined annual amount collected from each member credit institution in order to prevent liquidation of one of the member credit institutions may in each financial year account for a maximum of five thousandths of the last adopted balance sheet of each member credit institution.

Protection afforded by the Deposit Guarantee Fund and the Investors' Compensation Fund

According to the law concerning the Deposit Guarantee Fund, the deposit banks belonging to the amalgamation of the cooperative banks are considered to constitute a single bank in respect of deposit insurance. The Deposit Guarantee Fund reimburses a maximum total of 100,000 euros to an individual account holder who has receivables from deposit banks belonging to the amalgamation of cooperative banks.

Under the law concerning the Investors' Compensation Fund, the amalgamation of the cooperative banks is also considered to constitute a single credit institution in respect of investors' compensation. The Investors' Compensation Fund's assets may be used to compensate an investor's receivables from companies belonging to the amalgamation of the cooperative banks up to a total maximum of 20,000 euros.

As of the beginning of 2015, deposit guarantee will be the responsibility of the new Financial Stability Board, run from the Ministry of Finance.

Financial and insurance conglomerate

OP Financial Group forms a financial and insurance conglomerate as defined in the Act on the Supervision of Financial and Insurance Conglomerates. The amalgamation's central cooperative operates as the company at the head of the amalgamation pursuant to Section 3 of said Act.

The Act stipulates a specific capital adequacy requirement for a financial and insurance conglomerate. OP Financial Group's capital adequacy is stated as the amount of its own funds in excess of the minimum capital requirement and as a ratio of the total amount of own funds to the minimum amount of own funds.

The Act also stipulates the maximum limits for customer risks of a financial and insurance conglomerate. Moreover, Section 19 of the Act on the Amalgamation of Deposit Banks governing the amalgamation's customer registers applies to the financial and insurance conglomerate formed by OP Financial Group.

The set of norms governing financial statements under the Act on the Supervision of Financial and Insurance Conglomerates does not apply to OP Financial Group on the basis of Section 30 of the Act, because the Group prepares its financial statements in compliance with IFRS.

Key income statement and balance sheet items, and financial indicators

€ million	2010	2011	2012	2013	2014
Key income statement items, € million					
Net interest income	917	1,030	1,003	915	1,043
Net income from Non-life Insurance	382	312	433	524	593
Net income from Life Insurance	100	72	108	175	197
Net commissions and fees	563	574	584	694	727
Other income	210	173	243	267	229
Personnel costs	643	689	764	791	741
Other expenses	643	669	730	806	851
Impairment loss on receivables	149	101	99	84	88
Returns to owner-members	163	176	192	193	195
Earnings before tax	575	525	586	701	915
Key balance sheet items – Assets, € million					
Receivables from credit institutions	1,121	1,104	840	849	686
Receivables from customers	56,834	60,331	65,161	68,142	70,683
Non-life Insurance assets	3,164	3,205	3,492	3,479	3,797
Life Insurance assets	7,544	7,006	9,173	9,872	11,238
Financial assets at fair value through profit or loss and investment assets	7,958	8,624	6,954	9,290	9,927
Property, plant and equipment, and intangible assets	1,875	1,871	2,030	2,065	2,113
Other assets	5,220	9,765	12,120	7,294	11,983
Total assets	83,715	91,905	99,769	100,991	110,427
Key balance sheet items – Liabilities and equity, € million					
Liabilities to credit institutions	1,696	1,783	1,965	1,039	1,776
Liabilities to customers	39,205	45,974	49,650	50,157	51,163
Debt securities issued to the public	19,577	20,005	19,270	21,428	24,956
Subordinated liabilities	1,825	1,555	1,736	1,466	1,212
Non-life Insurance liabilities	2,350	2,508	2,592	2,746	2,972
Life Insurance liabilities	7,290	6,932	8,970	9,771	11,230
Other liabilities	5,232	6,907	8,452	6,660	9,904
Equity capital	6,539	6,242	7,134	7,724	7,213

Total liabilities	83,715	91,905	99,769	100,991	110,427
Key ratios, %					
Return on equity	6.9	6.8	7.0	8.9	8.1
Return on equity at fair value	9.5	0.4	14.1	8.7	5.7
Return on assets	0.5	0.5	0.5	0.7	0.6
Equity ratio	7.8	6.8	7.2	7.6	6.5
Cost/income ratio	59	63	63	62	57
Common Equity Tier 1 ratio, %	12.6	14.0	14.8	17.3	15.1
Capital adequacy ratio, %	12.8	14.0	14.8	17.3	17.3
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	1.70	1.80	1.90	1.90	1.89

*) The ratios for 2010-13 are shown without transitional provisions, and Core Tier 1 is presented as Common Equity Tier 1.

Formulas for key figures and ratios

Return on equity (ROE), %	=	$\frac{\text{Profit for the financial year}}{\text{Equity capital (average of the beginning and end of year)}} \times 100$
Return on equity at fair value, %	=	$\frac{\text{Total comprehensive income for the financial year}}{\text{Equity capital (average of the beginning and end of year)}} \times 100$
Return on assets (ROA), %	=	$\frac{\text{Profit for the financial year}}{\text{Balance sheet total (average of the beginning and end of year)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity capital}}{\text{Balance sheet total}} \times 100$
Cost/income ratio, %	=	$\frac{\text{Personnel costs + Other administrative expenses + Other operating expenses}}{\text{Net interest income + net income from Non-life Insurance operations + net income from Life Insurance + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses}} \times 100$
Core Tier 1 ratio, %	=	$\frac{\text{Total Tier 1 capital, excl. hybrid capital and shortfall of Tier 2 capital covered by hybrid capital}}{\text{Total minimum capital requirement}} \times 8$
Common Equity Tier 1 capital ratio, % (CET1)*	=	$\frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk exposure amount}} \times 100$

*) Common Equity Tier 1 capital (CET1) as defined in Article 26 of EU Regulation 575/2103 and total risk exposure amount as defined in Article 92.

$$\text{Tier 1 ratio, \%} = \frac{\text{Tier 1 capital}}{\text{Total minimum capital requirement}} \times 8$$

$$\text{Capital adequacy ratio, \%} = \frac{\text{Total capital}}{\text{Total minimum capital requirement}} \times 8$$

$$\text{Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates} = \frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's total minimum capital base}}$$

In addition, the following key ratios appear elsewhere in the Report by the Executive Board:

Non-life insurance:

$$\begin{aligned} \text{Combined ratio} & \quad \text{Loss ratio + expense ratio} \\ \text{(excl. unwinding of discount), \%} & \quad \text{Risk ratio + cost ratio} \end{aligned}$$

$$\text{Loss ratio (excl. unwinding of discount), \%} = \frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

$$\text{Expense ratio, \%} = \frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$$

$$\text{Risk ratio (excl. unwinding of discount), \%} = \frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

$$\begin{aligned} \text{Operating combined ratio} & \quad \text{Operating loss ratio + operating expense ratio} \\ & \quad \text{Operating risk ratio + Operating cost ratio} \end{aligned}$$

Operating risk ratio (excl. unwinding of discount), %	=	$\frac{\text{Claims excl. loss adjustment expenses and changes in calculation bases}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$
Operating loss ratio, %	=	$\frac{\text{Claims incurred excl. changes in calculation bases}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$
Operating expense ratio, %	=	$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$
Cost ratio, %	=	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Operating cost ratio, %	=	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue, excl. net changes in calculation bases}} \times 100$
Solvency ratio , %	=	$\frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$
Life insurance:		
Operating cost ratio, %	=	$\frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Total expense loadings}} \times 100$

OP FINANCIAL GROUP INCOME STATEMENT

EUR million	Notes	2014	2013 Restated*	Change, %
Interest income		2,685	2,514	7
Interest expenses		1,642	1,599	3
Net interest income before impairment losses	5	1,043	915	14
Impairment losses on receivables	6	88	84	5
Net interest income after impairment losses		955	831	15
Net income from Non-life Insurance	7	593	524	13
Net income from Life Insurance	8	197	175	13
Net commissions and fees	9	727	694	5
Net trading income	10	88	114	-22
Net investment income	11	74	68	9
Other operating income	12	64	86	-26
Total net income		2,698	2,493	8
Personnel costs	13	741	791	-6
Other administrative expenses	14	414	384	8
Other operating expenses	15	437	422	4
Total expenses		1,592	1,598	0
Returns to owner-members	16	195	193	1
Share of profits/losses of associates accounted for using the equity method		3	-1	
Earnings before tax		915	701	31
Income tax expense	17	308	36	
Profit for the financial year		607	665	-9
Attributable to, EUR million				
Profit for the period attributable to owners		599	661	-9
Profit for the period attributable to non-controlling interest		8	4	
Total		607	665	-9

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

OP Financial Group statement of comprehensive income

EUR million	Notes	2014	2013 Restated*	Change, %
Profit for the financial year		607	665	-9
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans		-380	19	
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value		85	-9	
Cash flow hedge		67	-30	
Translation differences		0	0	-67
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		-76	26	
Items that may be reclassified to profit or loss				
Measurement at fair value		17	-19	
Cash flow hedge		13	-9	
Total comprehensive income for the financial year		424	647	-34
Attributable to, EUR million				
Total comprehensive income for the period attributable to owners		393	643	-39
Total comprehensive income for the period attributable to non-controlling interests		32	4	
Total		424	647	-34

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Key figures and ratios	2014	2013
Return on equity, %	8.1	8.9
Return on equity at fair value, %	5.7	8.7
Return on assets, %	0.57	0.66
Cost/income ratio, %	57	62
Average personnel	12,548	13,461
Full-time	11,663	12,536
Part-time	885	925

OP FINANCIAL GROUP BALANCE SHEET

EUR million	Notes	31 Dec. 2014	31 Dec. 2013 Restated*	1 Jan. 2013 Restated*
Liquid assets	18	3,888	2,172	5,784
Receivables from credit institutions	19	686	849	841
Financial assets at fair value through profit or loss	20	427	537	358
Derivative contracts	21	5,920	3,423	4,436
Receivables from customers	22	70,683	68,142	65,051
Non-life Insurance assets	23	3,797	3,479	3,476
Life Insurance assets	24	11,238	9,872	9,173
Investment assets	25	9,500	8,753	6,719
Investments accounted for using the equity method	27	56	54	53
Intangible assets	28	1,332	1,339	1,321
Property, plant and equipment (PPE)	29	781	726	664
Other assets	30	1,951	1,554	1,752
Tax assets	31	168	91	137
Total assets		110,427	100,991	99,766
Liabilities to credit institutions	32	1,776	1,039	1,966
Financial liabilities at fair value through profit or loss	33	4	4	3
Derivative contracts	34	5,489	3,157	4,162
Liabilities to customers	35	51,163	50,157	49,627
Non-life Insurance liabilities	36	2,972	2,746	2,598
Life Insurance liabilities	37	11,230	9,771	8,970
Debt securities issued to the public	38	24,956	21,428	19,270
Provisions and other liabilities	39	3,447	2,691	3,303
Tax liabilities	40	964	808	990
Supplementary cooperative capital	41	192	606	622
Subordinated liabilities	42	1,020	861	1,115
Total liabilities		103,214	93,267	92,627

Equity capital**Capital and reserves attributable to OP Financial Group's owners**

Share capital		-	199	200
Cooperative capital, cooperative contributions		148	140	136
Cooperative capital, Profit shares		1,561	-	-
Translation differences		0	0	0
Reserves		2,421	3,067	3,021
Retained earnings		3,014	4,218	3,709
Non-controlling interests		69	100	73
Total equity capital	43	7,213	7,724	7,139
Total liabilities and equity capital		110,427	100,991	99,766

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

STATEMENT OF CHANGES IN OP FINANCIAL GROUP EQUITY CAPITAL

EUR million	Attributable to OP Financial Group's owners						Total equity capital
	Share and cooperative capital	Fair value reserve***	Other reserves	Retained earnings	Total	Non-controlling interests	
Balance at 1 January 2013	336	339	2,682	3,752	7,110	24	7,134
Effect of the adoption of IFRS 10 Consolidated Financial Statements, less taxes	-	0	0	-43	-43	48	5
Restated* equity capital 1 Jan. 2013	336	339	2,682	3,709	7,067	73	7,139
Total comprehensive income for the period	-	-11	-	654	643	5	648
Profit for the period	-	-	-	661	661	4	665
Other comprehensive income	-	-11	-	-7	-18	1	-17
Increase in cooperative capital	4	-	-	-	4	-	4
Transfer of reserves	-	-	40	-40	-	-	-
Profit distribution	-	-	-	-71	-71	-	-71
Share-based payments	-	-	-	-1	-1	-	-1
Other	-1	-	17	-33	-17	22	4
Balance at 31 Dec. 2013	339	328	2,739	4,218	7,625	100	7,724

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

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

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

*** Note 43

OP FINANCIAL GROUP CASH FLOW STATEMENT

EUR million	2014	2013 Restated*
Cash flow from operating activities		
Profit for the financial year	607	665
Adjustments to profit for the financial year	168	724
Increase (-) or decrease (+) in operating assets	-4,230	-5,828
Receivables from credit institutions	99	215
Financial assets at fair value through profit or loss	433	-326
Derivative contracts	65	26
Receivables from customers	-2,617	-3,215
Non-life Insurance assets	-199	-63
Life Insurance assets	-698	-421
Investment assets	-393	-2,297
Other assets	-920	253
Increase (+) or decrease (-) in operating liabilities	3,799	-934
Liabilities to credit institutions	732	-907
Financial liabilities at fair value through profit or loss	0	1
Derivative contracts	60	-18
Liabilities to customers	1,006	530
Non-life Insurance liabilities	149	48
Life Insurance liabilities	1,284	189
Provisions and other liabilities	566	-777
Income tax paid	-201	-173
Dividends received	102	106
A. Net cash from operating activities	244	-5,440
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-	-4
Decreases in held-to-maturity financial assets	80	135
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-3	-5
Disposal of subsidiaries, net of cash and cash equivalents disposed	3	-
Purchase of PPP and intangible assets	-214	-228
Proceeds from sale of PPE and intangible assets	6	17
B. Net cash used in investing activities	-128	-85

Cash flow from financing activities		
Increases in subordinated liabilities	60	-
Decreases in subordinated liabilities	-	-234
Increases in debt securities issued to the public	38,820	24,466
Decreases in debt securities issued to the public	-35,953	-22,003
Increases in cooperative and share capital	2,432	183
Decrease in cooperative and share capital	-1,278	-195
Dividends paid and interest on cooperative capital	-76	-81
Returns to owner-members	-	-7
Holdings in Pohjola Bank plc purchased from non-controlling interests	-2,422	-
C. Net cash used in financing activities	1,583	2,129
Net change in cash and cash equivalents (A+B+C)	1,699	-3,396
 Cash and cash equivalents at period-start	 2,476	 5,873
Cash and cash equivalents at period-end	4,175	2,476
 EUR million	 2014	 2013 Restated*
Interest received	2,765	2,533
Interest paid	-1,697	-1,694

Adjustments to profit for the financial year**Non-cash items and other adjustments**

Impairment losses on receivables	101	99
Unrealised net earnings in Non-life Insurance	50	108
Unrealised net earnings in Life Insurance	-431	316
Change in fair value for trading	159	-214
Unrealised net gains on foreign exchange operations	79	2
Change in fair value of investment property	6	-12
Planned amortisation and depreciation	149	146
Share of associates' profits/losses	-1	3
Other	48	262

Items presented outside cash flow from operating activities

Capital gains, share of cash flow from investing activities	1	-3
Interest on cooperative capital	6	11
Other returns to owner-members	0	7

Total adjustments	168	724
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Cash and cash equivalents

Liquid assets**	3,942	2,179
Receivables from credit institutions payable on demand	233	298
Total	4,175	2,476

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

** Of which Non-life Insurance liquid assets amount to 40 million euros (4) and Life Insurance liquid assets 13 million euros (3).

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Notes to OP Financial Group Financial Statements

Note 1. OP Financial Group's accounting policies under IFRS

1. General

The amalgamation of cooperative banks engaging in banking and insurance operations (hereinafter OP Financial Group) is a financial entity defined in the Act on Cooperative Banks and Other Cooperative Credit Institutions (hereinafter the Cooperative Banks Act) and the Act on the Amalgamation of Deposit Banks. Within the Group, OP Cooperative and its member credit institutions are ultimately jointly and severally responsible for each other's liabilities and commitments. OP Financial Group does not form a corporate group, as referred to in the Accounting Act, or a consolidation group, as referred to in the Act on Credit Institutions. OP Cooperative and its member cooperative banks do not have control over each other, as referred to in general consolidated accounting principles, and therefore OP Financial Group has no designated parent company.

OP Cooperative acts as the entire OP Financial Group's strategic owner institution and as a central cooperative in charge of Group control and supervision.

The Act on the Amalgamation of Deposit Banks requires OP Financial Group's central institution, OP Cooperative, to prepare consolidated financial statements for OP Financial Group. OP Cooperative's Executive Board is responsible for preparing the financial statements in accordance with applicable regulations.

In 2014, OP Financial Group adopted the following standards and interpretations:

- IFRS 10 – Consolidated Financial Statements builds on the existing principles according to which control determines whether the parent company consolidates an entity. The standard includes new guidance on circumstances where control is difficult to assess. As a result of the change in the standard, the number of companies to be consolidated in OP Financial Group's financial statements increased as OP-Kiinteistökeskus real estate agencies owned by the cooperative banks and various mutual funds were also included. The effects of the change in the standard are presented in Note 3, Changes to accounting policies in financial statements.
- IFRS 11 – Joint Arrangements focuses on the accounting treatment of joint arrangements on the rights and obligations arising from such arrangements rather than on their legal form. The standard classifies joint arrangement into two types: joint operations and joint ventures. In addition, the standard requires that joint ventures be accounted for only using the equity method. This amendment only had a minor effect on OP Financial Group's balance sheet and statement of comprehensive income. Property companies owned by OP Financial Group have been reported as joint operations and consolidated proportionally. As a result of the consolidation, receivables from customers reduced in the balance sheet, while real property assets increased accordingly. The effects of the change in the standard are presented in Note 3, Changes to accounting policies in financial statements.

OP Cooperative is domiciled in Helsinki and the address of its registered office is Teollisuuskatu 1 b, P.O. Box 308, FI-00101 Helsinki.

A copy of OP Financial Group's consolidated financial statements is available at www.op.fi or the Group's office at Vääksyntie 4, P.O. Box 308, FI-00101 Helsinki.

The Executive Board of OP Cooperative has approved these financial statements for issue on 5 February 2015.

1.1 Basis of preparation

OP Financial Group's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2014. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. OP Financial Group's obligation to prepare its financial statements in accordance with IFRS is based on the Act on the Amalgamation of Deposit Banks. OP Financial Group's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

- IFRS 12 – Disclosure of Interests in Other Entities includes disclosure requirements for all forms of interests in other entities, including subsidiaries, associates, joint arrangements, structured entities and other unconsolidated entities. The new standard expanded Notes 27 Investments accounted for using the equity method and 55 Ownership in subsidiaries, structured entities and joint operations.
- IAS 32 – Financial Instruments: amendment to the presentation of Offsetting Financial Assets and Financial Liabilities. The amendment clarified the regulations on the net presentation of financial assets and liabilities and added application guidance concerning the subject. The amendment did not have a significant effect on OP Financial Group's financial statements.
- IAS 36 Asset impairment change "Information in the financial statements concerning recoverable amount disclosures for non-financial assets". The change clarified disclosure requirements for cash generating units that have been subject to impairment.
- IAS 39 – Financial Instruments: change in recognition and measurement "Novation of derivatives and the continuation of hedge accounting". The amendment concerned hedge accounting application criteria when a derivative contract is novated to a central counterparty. As a result of the amendment, hedge accounting can continue in such novation cases if specific conditions are met.
- IFRIC 21 Interpretation Levies applied to the accounting treatment for an obligation to pay a levy. The interpretation addressed what the obligating event is that gives rise to pay the levy and when a liability should be recognised. In OP Financial Group, this interpretation was applied, for example, to the recognition of bank levy liability and to liability arising from contribution to the Deposit Guarantee Fund.

OP Financial Group's consolidated financial statements were prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, hedged items in fair value hedging (for hedged risk) and investment property measured at fair value.

The financial statements are presented in millions of euro.

According to the Act on the Amalgamation of Deposit Banks and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, OP Cooperative's Executive Board must confirm any applicable accounting policies for which the IFRSs provide no guidelines. In accordance with the above, OP Cooperative's Executive Board has confirmed the principle that OP Financial Group's technical parent company consists of OP Financial Group member cooperative banks.

OP Financial Group presents Pillar 3 capital adequacy information, consistent with EU Regulation No. 575/2013 of the European Parliament and of the Council, as part of its financial statements and, where applicable, in the report by the Executive Board.

1.2 Use of estimates

The preparation of the financial statements in conformity with IFRS requires the Group's management to make judgements, estimates and assumptions in the application of the accounting policies. Section 1.8 "Critical accounting estimates and judgements" provides more detailed information on applying accounting policies requiring management assessment and judgement.

1.3 Consolidation principles

1.3.1 Technical parent company

The Act on the Amalgamation of Deposit Banks Act prescribes that the consolidated financial statements of OP Financial Group must be a combination of the financial statements or consolidated financial statements of OP Cooperative and its member credit institutions. The consolidated financial statements also include the accounts of institutions over which the abovementioned institutions jointly have control as prescribed in the Accounting Act. The Group's equity capital comprises the Group member cooperative banks' equity capital and in 2013 also the part of Pohjola Bank plc's equity capital that was owned by others than those belonging to the amalgamation. OP Cooperative completed its public voluntary bid announced in February 2014 for all Pohjola Bank plc shares, and on 7 October 2014 OP Cooperative was entered as the only shareholder in Pohjola's shareholder register. In accordance with the above principle, OP Financial Group has formed a technical parent company.

Within the technical parent company, intra-Group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated. Cooperative capital comprises such cooperative contributions paid by members of cooperative banks which the member banks have an unconditional right to refuse the redemption. OP Financial Group's share capital consisted in 2013 of investments by shareholders outside OP Financial Group into Pohjola Bank plc's share capital.

1.3.2 Subsidiaries, associates and joint arrangements

The financial statements of the technical parent company and companies over which it exercises control are consolidated into those of OP Financial Group. OP Financial Group has control over an entity

if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including structured entities). Most of the subsidiaries are fully owned by OP Financial Group, which means that the Group's control is based on votes.

OP Financial Group both acts as investor and manages various mutual funds in order to gain investment income and various commissions. Funds that have been classified as structured entities have been consolidated into the Group's financial statements when OP Financial Group's control is not based on votes but the control of significant operations, exposure to variable returns from the fund, and organising the fund's management. Changes in control concerning various fund investments consolidated into OP Financial Group are monitored quarterly. When estimating the amount of control, we take into account the investor's power to direct relevant activities over an investee and the investor's exposure to variable returns. When the group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

Intra-Group holdings have been eliminated using the acquisition method. The consideration transferred and the acquiree's identifiable assets acquired and liabilities assumed are measured at fair value at the time of acquisition. Acquisition cost in excess of net assets is presented under goodwill. If the acquisition cost is lower than the fair value of net assets, the difference is entered in the profit and loss.

Acquisition-related costs are expensed as incurred. Any contingent consideration is measured at fair value and classified as a liability or equity. Contingent consideration classified as a liability is measured at fair value in the income statement on the balance sheet date.

Associated companies over which OP Financial Group companies exercise significant influence are accounted for using the equity method. Significant influence generally arises if the Group holds 20–50% of the other company's votes or otherwise exercises influence, not control, over the company. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. OP Financial Group's investment in associates includes goodwill identified

on the acquisition date. If the Group's share of losses in an associate exceeds its interest in the associate, the investment is entered in the balance sheet at zero value, and further losses exceeding the carrying amount are not recognised unless the Group is committed to fulfil the obligations of associates. Private equity funds treated as associates are measured at fair value as permitted by IAS 28.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement in which the Group has rights to the arrangement's net assets, while in a joint operation the Group has both rights to assets and obligations for the liabilities relating to the arrangement. Property companies are incorporated into OP Financial Group's financial statements as joint operations by consolidating the proportionate share of OP Financial Group's holding of the property company's assets and liabilities.

Subsidiaries, associates or joint arrangements acquired during the financial year are consolidated from the date on which control or significant influence is transferred to OP Financial Group while those that have been sold are de-consolidated from the date on which control or significant influence ceases.

Intra-Group transactions, receivables, liabilities and profit distribution are eliminated in the preparation of the financial statements.

1.3.3 Non-controlling interests

Profit for the financial year attributable to the technical owners of the parent and non-controlling interests is presented in the income statement, and total comprehensive income attributable to the owners of the parent and non-controlling interests is presented in the statement of comprehensive income. Profit shown in the income statement and the statement of comprehensive income is also attributed to non-controlling interests in the event that their share, as a result, would become negative. Non-controlling interests are presented as part of equity capital in the balance sheet. If the investees equity does not fulfil the equity classification criteria under IAS 32, the non-controlling parties' share of the net assets is presented as liability.

Non-controlling interests in an acquiree are measured either at fair value or as the proportionate share of net assets of the acquiree. The valuation principle applied is determined separately for each acquiree.

1.4 Foreign currency translation

OP Financial Group's financial statements are presented in euros, which is the functional and presentation currency of the parent. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance-sheet items into euros are recognised as foreign exchange gains or losses under "Net trading income" in the income statement.

The income statements of foreign subsidiaries, whose functional currency is other than the euro, are translated into euros using the average exchange rate for the financial year, while their balance sheets are translated into euros using the exchange rate quoted on the balance sheet date. The resulting exchange rate differences are recognised as translation differences in other comprehensive income. For foreign subsidiaries, translation differences arising from the use of the acquisition method and from post-acquisition equity items are recognised in other comprehensive income. If a subsidiary is sold, any accumulated translation differences will be recognised as part of capital gain or loss in the income statement.

1.5 Financial instruments

1.5.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (Level 3).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is determined using either prices quoted in an active market or the Group's own valuation techniques where no active market exists. Markets are deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available (eg OTC derivatives), the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

It is typical of illiquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model that uses market prices, is recognised in the income statement over the term of the agreement. However, the non-recognised amount

will be recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market.

The amount of illiquid financial assets is insignificant in OP Financial Group's balance sheet.

The illiquid financial liabilities (investment contracts) of Aurum Investment Insurance Ltd are measured at fair value according to IAS 39. The investment contracts' fair value is measured using a valuation technique which takes account, for example, of the time value of money and the fair value of financial assets that are used to cover them. However, the value of the liability may not be lower than the contract's surrender value. These contracts have been categorised on Level 3 in the fair value hierarchy above.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- significant decline in the issuer's financial results, credit rating, balance sheet, payment status or business plans, and unfavourable changes in the issuer's economic and operating environment;
- a bona fide bid for the same or similar investment from the market below acquisition value;
- events or circumstances that significantly weaken the issuer's ability to operate on a going concern basis, such as negative cash flows resulting from operations, insufficient capital and shortage of working capital
- debtor's bankruptcy or other reorganisation becomes probable.
- debtor's breach of contract;
- a concession granted to the debtor;
- impairment recognised earlier; and
- the disappearance of an active market for a financial asset.

In addition, a significant or prolonged decline in the equity instrument's fair value below its cost constitutes objective evidence of impairment.

A more detailed description of recognition of impairments can be found under the various financial instruments below.

1.5.3 Securities sale and repurchase agreements

The purchase price of securities bought under 'resell conditions' binding on both parties is recognised as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is treated as interest income and accrued over the term of the agreement.

The selling price of securities sold under 'resell conditions' binding on both parties is recognised as a financial liability under the balance sheet item determined by the counterparty. The difference between the selling price and repurchase price is treated as interest expenses and accrued over the term of the agreement. Securities sold under the repurchase obligation and the corresponding securities provided as maintenance margin are included in the original balance sheet item despite the agreement.

1.5.2 Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset other than that carried at fair value through profit or loss is impaired.

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

1.5.4. Classification and recognition of OP Financial Group's financial instruments

Upon initial recognition, financial assets and liabilities are classified as follows: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortised cost, using the effective interest method.

The purchase and sale of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised in the balance sheet on the transaction date, or the date on which the Group agrees to buy or sell the asset or liability in question. Notes and bonds classified as loans and receivables are recognised as financial assets on the transaction date and loans granted on the date on which the customer draws down the loan.

Financial assets and liabilities are offset in the balance sheet if OP Financial Group currently has a

legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis. OTC interest rate derivatives for central counterparty clearing are offset in the balance sheet, which are cleared in the daily clearing process with London Clearing House.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

1.5.4.1 Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets and liabilities held for trading, derivative contracts held for trading, financial assets at fair value through profit or loss at inception, and liabilities from investment contracts with no entitlement to discretionary participation feature granted by insurance companies. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are charged to expenses. A subsequent change in fair value as well as capital gains and losses, interest income and expenses, and dividend income are recognised in the item by their nature in the income statement.

1.5.4.1.1 Financial assets and liabilities held for trading and derivative contracts held for trading

Assets held for trading include notes and bonds, and shares and participations acquired with a view to generating profits from short-term fluctuations in market prices. Liabilities held for trading refer to the obligation to deliver securities which have been sold but which have not been owned at the time of selling (short selling). Derivatives are also treated as held for trading unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives.

1.5.4.1.2 Financial assets at fair value through profit or loss at inception

Financial assets at fair value through profit or loss at inception include financial assets which are designated as at fair value through profit or loss upon their initial recognition.

Financial assets recognised at fair value through profit or loss at inception comprise bonds which the Group, in accordance with its risk management principles, manages and assesses their performance at fair value

in order to receive a true and real-time picture of investment operations. Reporting to the Group's management is based on fair values. Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

Financial assets at fair value through profit or loss also include hybrid instruments in which the fair value of an embedded derivative cannot be determined separately, and investments related to unit-linked insurance policies.

1.5.4.2 Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset class.

Loans and receivables are initially recognised at cost, which is the fair value of consideration given plus directly attributable transaction costs. Loans and receivables are carried at amortised cost after their initial recognition.

Impairment losses on loans and receivables are recognised on an individual or collective basis. Impairments will be assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairments are assessed on a collective basis.

Impairment is recognised when impairment loss is incurred and there is objective evidence that the receivable cannot be collected in full. The receivable has impaired if its present value of the estimated future cash flows – collateral included – is lower than the aggregate carrying amount of the loan and the related unpaid interest. Estimated future cash flows are discounted at the loan's original effective interest rate. If the loan carries a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the agreement. Impairment loss recognised in profit or loss equals the difference between the loan carrying amount and the lower present value of future cash flows.

Impairment assessment is a two-phase process. Impairment is assessed individually for significant loans and receivables. If loans and receivables are not assessed individually, they will be assessed collectively for impairment. Collectively assessed impairment includes losses incurred but not yet reported, which cannot yet be allocated to a certain loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital requirement. The model is derived from the expected credit loss model used in capital adequacy measurement, adjusted to correspond to the requirements under IFRS. The largest adjustments relate to minimum limits

set for capital adequacy and to the materialisation of a loss event. In the model, receivables are classified into groups with similar credit risk by rating category. Collectively assessed impairment is measured based on the expected loss by rating category, and the measurement also takes account of the discounted present values of collateral and the average past loss experience.

If the contractual payment terms of a loan are modified, the reason for such modification and the severity class are documented using an internally defined scale. Loans may also be modified for reasons related to the management of customer relationships, not to the financial difficulties of the customer. Such modifications do not affect loan impairment assessment. In some cases, the Group may, due to the customer's financial difficulties, modify the loan terms and conditions, such as in terms of repayment holiday for a limited period or another loan modification, which are aimed at securing the customer's repayment capacity and limiting credit risk associated with liabilities. Such renegotiated credit is reported as doubtful receivables. Modifications in the contractual payment terms that are due to the customer's financial difficulties are forbearance measures and together with other criteria reduce the customer's credit rating and thereby increase collective impairment allowance. Modifications with the highest severity class are also forbearance measures that will have an effect on the loan being assessed for impairment on an individual basis. If the customer has adhered to the new payment terms and no impairment allowance has been recognised for the customer's exposure, it will be removed from troubled debt classification. Modifications in payment terms are subject to regular monitoring and reporting to the management as an indicator anticipating customer solvency.

Loans and receivables are categorised in the notes to evaluate the credit quality also on the basis of how the debtor is estimated to be able to fulfil its payment obligations. A loan is categorised as non-performing if payments are more than 90 days past due, if the customer has been rated in the Group's internal 12-grade rating system in the weakest two categories (11 or 12) or if an individual impairment loss has been recognised. In all other cases the loan is reported under performing category.

Both individual and collective impairments are recorded in a separate allowance account to reduce the carrying amount of receivables in the balance sheet. Impairment losses on loans are presented in the income statement in a separate line item "Impairment losses on receivables". Recognition of interest on the reduced amount continues after the recognition of impairment.

The loan is derecognised after the completion of all debt-collection measures if the loan terms are substantially modified (such as refinancing) or otherwise based on

the management's decision. Following the derecognition, payments received are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

1.5.4.3 Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value to which transaction costs are added. These investments are subsequently carried at amortised cost after their initial recognition.

Impairment of investments held to maturity is reviewed on the basis of the same principles as that of loans and receivables. The difference between the carrying amount of notes and bonds and a lower present value of future cash flows is recognised as an impairment loss in the income statement.

Investments included in the financial assets held to maturity category are sold before their maturity only in exceptional cases mentioned in IAS 39.

1.5.4.4 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, comprising notes and bonds, shares and participations.

At the time of their acquisition, available-for-sale financial assets are recognised at cost, which equals the fair value of the consideration paid plus transaction costs directly attributable to their acquisition. Available-for-sale financial assets are subsequently measured at fair value. Any changes in their fair value are recognised in the other comprehensive income, from where they are transferred to the income statement when the asset is derecognised or there is objective evidence that the asset is impaired.

In the case of available-for-sale financial assets, for example, a significant downgrade of the credit rating of the issuer of bonds and notes, or a significant or prolonged decline in the equity instrument's fair value below its cost, constitutes objective evidence.

If a security's market value continues to fall following impairment recognition, the impairment loss will be recognised in the income statement.

If the fair value of impaired notes and bonds classified as available-for-sale financial assets increases subsequently and this increase can be objectively regarded as being related to an event after their impairment loss recognition, the impairment loss will be reversed and recorded in the income statement. If the fair value of an impaired equity instrument increases subsequently, this increase will be recognised in other comprehensive income.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest income over the estimated residual term to maturity, using the effective interest method.

1.5.5 Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand.

1.5.6 Other financial liabilities

Other financial liabilities include financial liabilities other than those at fair value through profit or loss, comprising deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities. Other financial liabilities are recognised in the balance sheet on the settlement date and carried at amortised cost after initial recognition.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest expenses over the estimated residual term to maturity.

1.5.7 Derivative contracts

Derivative contracts are classified as hedging derivative contracts and derivative contracts held for trading, containing interest rate, currency, equity, commodity and credit derivatives. Derivatives are measured at fair value at all times.

1.5.7.1 Hedging derivatives

OP Financial Group has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument. In accordance with the hedging principles, OP Financial Group can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Fair value hedging refers to hedging against changes in the value of the hedged asset, and cash flow hedging to hedging against changes in the fair value of future cash flows.

Contracts may not be accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. OP Financial Group also

concludes derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are netted and shown as a net change in cash. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

1.5.7.2 Derivatives held for trading

The difference between interest received and paid on interest-rate swaps held for trading is recorded in net interest income or expenses and the corresponding interest carried forward is recognised in other assets or other liabilities. Changes in the fair value of derivatives held for trading are recorded under "Net trading income", "Net income from Non-life Insurance" or "Net income from Life Insurance". Derivatives are carried as assets under "Derivative contracts", "Non-Life Insurance assets" or "Life Insurance assets" when their fair value is positive and as liabilities under "Derivative contracts", "Non-life Insurance liabilities" or "Life Insurance liabilities" when their fair value is negative.

Embedded derivatives associated with structured bonds issued and certain loan agreements are separated from the host contract and measured at fair value in the balance sheet, and changes in the fair value of these embedded derivatives and derivatives designated as hedging instruments are recognised in "Net interest income".

1.5.8 Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging and hedged instrument. The hedge is considered effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80-125%.

In hedge accounting, the Group does not apply an accounting model for macro hedging or the EU carve-out of IAS 39 standard

1.5.8.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (such as the Group's own issues and certain term deposit issues), individual bond and loan portfolios, as well as individual loans. The Group uses forward exchange contracts and interest-rate and currency swaps (OTC swaps) as hedging instruments. Hedging against equity and foreign currency risks applies to Non-life Insurance's and Life Insurance's equity fund investments.

Changes in the fair value of derivative contracts that are documented as hedging the fair value and are highly effective hedges are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss.

In fair value hedge accounting, changes in the fair value of the hedged item and hedging instrument are recorded in Banking in the income statement under 'Net interest income' (loans and own issues) and 'Net investment income' (bonds are included in available-for-sale financial assets). In Non-life and Life Insurance, they are recorded under net investment income (bonds are included in available-for-sale financial assets).

1.5.8.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedging is used to hedge the future interest flows of the loans defined on the basis of reference interest rate linkage. Interest rate swaps are mainly used as hedging instruments.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffective portion of changes in the fair value is recognised immediately in profit or loss. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

1.6 Investment property

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment

assets, Non-life Insurance assets or Life Insurance assets in OP Financial Group's balance sheet.

Investment property is initially recognised at cost which includes transaction costs. It is subsequently carried at fair value. Investment property under construction is also measured at fair value only if the fair value can be determined reliably. Any changes in fair value are recognised in "Net income from investment property" under Non-life Insurance, Life Insurance or investment.

If no comparable market data is available on the actual transaction prices of the property comparable with the property under review, the Group uses the income approach and internal methods based on property-specific net income to determine the fair value of commercial, office and industrial premises. We use the Group's internal and external information in the income approach. A property's net income comprises the difference between rental income and maintenance charges and it is based on income under current leases or, if no lease is in force, on average market rents. Expenses deducted from income are mainly based on actual expenses. Assumption of underutilisation of the property is also taken into account in the calculation. For the income approach, we obtain information on market rental and cost levels from sources outside the Group, in addition to our own expertise. The return requirements for investment property holdings are determined on the basis of the property's purpose of use, location and condition/modernity and are based on market data provided by KTI Property Information Ltd.

The fair value of residential buildings and land areas is primarily determined using the market approach, based on information on the actual transaction prices of similar properties and on OP Financial Group's internal expertise. In the fair value of undeveloped plots, we have taken account of the planning and market situation at the time of appraisal. The fair value of major property holdings is based on valuation reports drawn up by Authorised Property Valuers. External valuers use a cash flow analysis as the basis for their appraisal.

1.7 Intangible assets

1.7.1 Goodwill

For business combinations on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree and the previous holding exceed the Group's share of the fair value of the acquired assets and assumed liabilities.

For acquisitions before the above date, goodwill represents at the time of acquisition the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of an acquiree.

Goodwill is tested annually for any impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are either business segments or entities belonging to them. Goodwill is carried at cost less accumulated impairment losses.

1.7.2 Value of acquired insurance portfolio

An intangible asset corresponding to the value of an acquired insurance portfolio is recognised if the insurance portfolio is acquired directly from another insurance company or through the acquisition of a subsidiary. The fair value of acquired insurance policies is determined by estimating the present value of future cash flows on the basis of the insurance portfolio on the date of acquisition. Upon initial recognition, the fair value of acquired insurance policies is divided into two parts: a liability associated with insurance contracts measured in accordance with the applicable principles on the acquisition date, and an intangible asset. Subsequent to the acquisition, the intangible asset is amortised, depending on the business, either on a front-loaded basis or on a straight-line basis over the estimated effective lives of the acquired contracts. The effective lives are reviewed annually and the value is amortised over 1–4 years for non-life insurance and 15 years for life insurance. An intangible asset is assessed annually for impairment in connection with testing the adequacy of the liability associated with insurance contracts.

1.7.3 Deferred acquisition costs of insurance contracts

OP Financial Group defers in Baltic non-life insurance operations commissions and other costs associated with the acquisition of new insurance contracts or the renewal of existing contracts. The resulting intangible asset is amortised on a straight-line basis over the effective lives of the contracts. An intangible asset is assessed annually for impairment in connection with testing the adequacy of the liability associated with insurance contracts.

1.7.4 Customer relationships

Identifiable customer relationships

The estimated useful lives are mainly as follows:

Buildings	20–50 years
Emergency power units and generators	15 years
Machinery and equipment	3–10 years
IT equipment	3–5 years
Cars	5–6 years
Other PPE assets	3–10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate

acquired through business combinations are measured at fair value upon acquisition. This intangible asset arising from customer relationships is amortised on a straight-line basis over the asset's estimated useful life. The estimated useful life of OP Financial Group's acquired customer relationships is 5–13 years.

1.7.5 Brands

Identifiable brands acquired through business combinations are measured at fair value upon acquisition. The estimated useful lives of brands are indefinite, since they will generate cash flows for an indefinable period. The value of brands is tested annually for impairment.

1.7.6 Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any impairment losses. Computer software and licences are amortised over 2–10 years and other intangible assets over 5 years in general. Expenditure on the development of internally-generated intangibles (software) is capitalised starting from the time when the software is found to generate future economic benefits. The asset will be amortised from the time it is ready for use, mainly 3–10 years. An asset that is not yet ready for use is assessed annually for impairment.

1.8 Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less accumulated depreciation and any impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation. Subsequent expenditures are capitalised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated.

if expectations differ from previous estimates with respect to economic benefits.

1.8.1 Impairment of PPE and intangible assets

On each balance sheet date, the Group assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. Regardless of the existence of such indication, the recoverable amount is estimated for assets not yet available for use, goodwill and intangible assets with indefinite useful lives (brands). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The need for impairment of the annually tested assets stated above is always determined on the basis of value-in-use calculations.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or the business segment or its company, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised. Impairment losses on goodwill may not be reversed under any circumstances.

1.9 Leases

On the date of inception, leases (also when part of other arrangements) are classified as finance leases or operating leases depending on the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. Lease classification is performed at the inception of the lease.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet, to the amount equal to the net investment in the lease. Finance income is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased under finance lease are recognised as property, plant and equipment and the corresponding finance lease liability is included in other liabilities. At the inception of the lease term, these leased assets are recorded as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments. Assets held under finance lease are depreciated over the shorter of the lease term or the life of the asset. Finance charges are recognised in interest expenses so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets leased out under operating lease are shown under property, plant and equipment and lease income is recognised on a straight-line basis over the lease term. Lease payments for leased assets under operating lease are recognised as expenses on a straight-line basis over the lease term.

1.10 Employee benefits

1.10.1 Pension benefits

Statutory pension cover for OP Financial Group companies' employees is arranged through pension insurance taken out with OP Bank Group Pension Fund or pension insurance companies. Some OP Financial Group companies provide their employees with supplementary pension cover through OP Bank Group Pension Foundation or an insurance company.

OP Financial Group has both defined benefit and defined contribution plans. With respect to funded disability and old-age pensions, pensions managed by OP Bank Group Pension Fund are defined benefit plans. Pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP Bank Group Pension Foundation are defined benefit plans.

Expenses arising from pension plans are recognised under "Personnel costs" in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans.

Defined benefit plans managed by insurance companies, OP Bank Group Pension Fund and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets.

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses

over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods.

Plan curtailments are recognised when the curtailment occurs.

1.10.2 Long-term incentive scheme

OP Financial Group has short-term and long-term management incentive schemes in place, on the basis of which the person covered by the schemes may receive the related compensation for services rendered during each performance period fully in cash or as a reward settled as a combination of cash and a debenture loan issued by OP. The maximum amount of the incentive scheme is calculated at the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs and the corresponding adjustment is made in deferred expenses.

1.11 Insurance assets and liabilities

1.11.1 Classification of financial assets within insurance business

The section "Classification and recognition" under Financial Instruments contains information on the classification of financial assets within OP Financial Group's insurance operations.

1.11.2 Classification of insurance contracts issued by insurers

An insurance contract is a contract which transfers significant insurance risk from the policyholder to the insurer, as defined in IFRS 4. Other contracts which the company may issue under its licence represent investment contracts. If a contract does not involve any significant insurance risk on the balance sheet date but the policyholder has the right to change the contract in such a way that the contract transfers significant insurance risk to the insurer, the contract is classified as an insurance contract. The contracts are categorised by contract or by types of contract containing homogenous risks. If several contracts are concluded simultaneously with a single counterparty or if contracts are otherwise interdependent, the significance of insurance risk is assessed jointly.

The savings and insurance components of insurance contracts are not unbundled.

Almost all of the contracts issued by non-life insurers are insurance contracts. Contracts in which the difference between realised and estimated losses are balanced with a supplementary premium and which involve no underwriting risk have been categorised as investment contracts.

Since capital redemption contracts issued by life insurance companies do not involve insurance risk, they are classified as investment contracts. All of Aurum Investment Insurance's pension contracts are investment contracts, because they do not involve a significant insurance risk nor are the policyholders allowed to change them into such.

Insurance contracts are classified into risk groups in such a way that the risks of contracts are homogeneous in each group. This classification of non-life contracts takes account of the insured object, differences in the duration of contracts or the average length of the period between the occurrence of a loss event and the date of the fully-paid claim (claim settlement period). As to life insurance policies, we take into account whether savings are accumulated, how the return of the savings is determined and whether the contract is for life or death or disability risk.

The main insurance contract categories are short-term non-life contracts, long-term non-life contracts and life insurance contracts.

Short-term non-life insurance contracts usually have a policy term of 12 months or less, very rarely more than 24 months. In particular, policies for private individuals, motor-vehicle policies and statutory workers' compensation policies are usually automatically renewable annual policies that are treated as short-term contracts.

Long-term non-life insurance contracts refer to contracts with an average minimum policy term of two years. These include perpetual insurance policies and decennial insurance policies under the Housing Transactions Act.

Life insurance contracts include single and regular premium endowment policies where the sum is usually paid at the end of the policy period, individual pension policies, group pension policies supplementing statutory pension, and term insurance policies issued mainly for death or disability. Life and pension insurance savings can have either a guaranteed interest rate, with a discretionary participation in the profit of the insurer, or unit-linked in which the investment risk has been transferred to policyholders.

1.11.3 Recognition and measurement of insurance contracts issued by insurers

Contracts are recognised when an insurer's obligation to pay out the related claim begins following the occurrence of an insurance event.

Insurance contracts and investment contracts where the contract holder has the right of discretionary participation feature or the right to transfer the savings for a guaranteed interest rate and thereby be entitled to the discretionary participation feature are treated and measured according to Insurance Contracts standard IFRS 4. Other investment contracts are measured according to IAS 39.

Liabilities of contracts issued by insurers and measured under IFRS 4 are calculated mainly in accordance with national accounting standards. However, equalisation provisions are not included in these liabilities but are included in equity capital. In addition, part of the liability is measured by taking account of the current interest rate.

The liabilities comprise provisions for unearned premiums and claims liability. The life insurance provisions for unearned premiums consist of the net liability calculated from the expected claims and operating expenses during the contracts' remaining maturities less future premiums during the remaining coverage periods of the recognised policies. Non-life provisions for unearned premiums equal the liabilities arising from claims and other expenses expected for the remaining coverage periods of the recognised policies. The claims liability arises from reported and non-reported claims incurred and from their claims and settlement expenses paid in the future.

1.11.3.1 Measurement of insurance contracts issued by non-life insurers

Premiums are primarily recognised as revenue over the term of the contract. However, revenue recognition in decennial and perpetual insurance policies is based on the distribution of underwriting risk. In these policies, the portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet and recognised as premium revenue relative to risk over the policy term.

Claims paid out and direct and indirect claim settlement expenses are charged to claims incurred on the basis of the date of loss occurrence. Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims incurred but not yet reported (IBNR) – are reserved in the provision for unpaid claims consisting of both claims reserved for individual cases and statistically reserved claims. The provision, included in the provision for unpaid claims, for the future settlement of expenses is based on estimated costs.

Provision for unearned premiums for decennial insurance and perpetual insurance policies and provision for unpaid claims for annuities are discounted based on a constant discount rate for the entire pension period. When specifying the rate, the general trend for the interest rate is taken into account. The discount rate may not exceed the expected return on the assets covering the liability or the level set by the authorities. An increase in liabilities due to the passage of time (unwinding of discount) is shown in the income statement as a separate item within "Other Non-life Insurance items" under "Net income from Non-life Insurance". Non-life Insurance's interest rate risk of the insurance liability is reduced by entering into interest rate derivative contracts that are recognised at fair value through profit or loss. The value of derivatives is included in the insurance liability, because any benefit from the derivatives is used for the cash flows payable from the contracts.

1.11.3.2 Measurement of insurance contracts issued by life insurers

The portion of premiums written for risk insurance policies' post-balance sheet date, less any yet unpaid insurance premiums, is recognised as provision for unearned premiums in the balance sheet.

The liabilities of savings-type insurance contracts are calculated as the capital value of future benefits, policy administration costs and future premiums. The capital value is calculated mainly by the discount rate, mortality, probability of disability and assumptions of operating expenses used for pricing. The decided additional bonuses are included in the insurance liability.

The claims liability arises from reported and non-reported claims incurred and from their claims and settlement expenses paid in the future.

The liabilities discount rate, according to the Insurance Companies Act, cannot be any higher than what were used for insurance pricing. The discount rate may not exceed the expected return on the assets covering the liability or the level set by the authorities.

The company has savings at its own risk with interest rate guarantees ranging between 1.5 and 4.5%. The insurance liability of contracts whose interest rate guarantee is 4.5% has been supplemented so that the technical interest rate of insurance liabilities in the financial statements is 3.5%. In addition to this, supplementary interest rate provisions have been applied to reduce the discount rate for a specific period. Otherwise, the technical interest rate of discounts is the interest rate guarantee. The claims liability of life insurance policies is not discounted.

The Group reduces the interest rate risk of the life insurance liability by entering into interest

rate derivative contracts that are recognised at fair value through profit or loss. The value of derivatives is included in the insurance liability, because any benefit from the derivatives is used for the guaranteed cash flows of the contracts.

The main assumption when calculating the liability of unit-linked insurance contracts and investment contracts is that the market income of assets covering the insurance liability is credited as income to the policy.

Some investment contracts are measured in accordance with IAS 39, of which the largest investment contract class consists of pension contracts issued by Aurum Investment Insurance Ltd. Investment contracts in the balance sheet are presented under "Life Insurance liabilities" as part of other liabilities.

1.11.4 Liability adequacy test on insurance contracts

On each balance sheet date, the Group tests for the adequacy of liabilities in the balance sheet, using current estimates of future cash flows from insurance contracts. If the test shows that the carrying amount of insurance liabilities, less intangible assets related to capitalised policy acquisition costs and acquired insurance portfolios, is inadequate, the deficiency is recognised in profit or loss primarily by recording an additional amortisation on intangible assets and secondarily by increasing the liabilities.

1.11.5 Premiums written

Premiums written included in net income from insurance operations in the income statement are a consideration of the insurance coverage that began during the period.

Insurance premium tax, but not commissions and credit loss on insurance premiums, is deducted from premiums written.

Insurance premiums based on non-life insurance contracts are recognised as premiums written when the insurance period begins.

Life insurance premiums and investment contract payments are recognised under premiums written on an accrual basis in such a way that contracts other than defined benefit contracts do not generate insurance receivables. Commissions or credit losses are not deducted from premiums written.

1.11.5.1 Receivables and payables related to insurance contracts

Non-life Insurance premium receivables are recognised at the beginning of the insurance period when the right to the receivable is established. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries.

Prepaid insurance premiums are included in "Direct insurance liabilities" under Non-life Insurance and Life Insurance liabilities.

Non-life Insurance receivables based on insurance contracts are tested for impairment on each balance sheet date. If there is objective evidence of an impaired receivable, its carrying amount is reduced through profit or loss. Both final impairment losses (credit losses) and impairment losses established statistically on the basis of the phase of collecting the charge are deducted from receivables.

1.11.6 Salvage and subrogation reimbursements

Subrogation reimbursements and damaged property that has come into the Group's possession are recognised at fair value under "Non-life Insurance assets" in the balance sheet when the claim is settled.

1.11.7 Reinsurance contracts

Reinsurance taken out by OP Financial Group refers to an insurance contract which meets the classification requirements set for insurance contracts and under which the Group may be paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

Assets based on reinsurance contracts are tested for impairment on each balance sheet date. If there is objective evidence that OP Financial Group may not receive all amounts to which it is entitled on the basis of the contract terms, the carrying amount of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement.

Non-life insurance benefits received under reinsurance contracts held are included in "Loans and receivables" or receivables "From reinsurance under Other assets", with the latter receivables corresponding to reinsurers' share of provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by OP Financial Group. Items included in "Loans and receivables" are shorter-term receivables. Premiums unpaid to reinsurers are included in "Reinsurance liabilities" under Non-life Insurance liabilities.

Life insurance amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised under either "Life Insurance assets" or "Life Insurance liabilities" in the balance sheet.

1.11.8 Coinsurance and pools

OP Financial Group is involved in a few coinsurance arrangements with other reinsurers. Of coinsurance contracts, OP Financial group treats only its share of the contract as insurance contracts and the Group's liability is limited to this share.

OP Financial Group also underwrites shares of insurance contracts through pools, whose members are primarily responsible for their own proportionate share of the underwriting risk. These shares are based on contracts confirmed annually. OP Financial Group treats as insurance contracts its own proportionate share of the direct insurance business managed by pools and of the reinsurance business from the pool to its members.

The pool's share of these insurance contracts is treated as reinsurance. In some pools, members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. OP Financial Group recognises liabilities and receivables based on joint liability if joint liability is likely to materialise.

1.11.9 Principle of equity concerning life insurance

With the exception of unit-linked parts of life insurance contracts, almost all life insurance contracts and some capital redemption contracts entitle to a discretionary share of any surplus, as a supplement to guaranteed benefits, which may account for a significant portion of the total contractual benefits, but whose amount and timing is at the discretion of the company under the contract. Some unit-linked policies include an option for a discretionary participation feature. Additional benefits are distributed as additional return in excess of technical interest, additional death benefit or reduced premiums.

The distribution of the surplus is based on the principle of equity referred to in the Insurance Companies Act which requires that a reasonable amount of the surplus to which the contracts are entitled is distributed to these policyholders, provided the solvency requirements prevent this. It is necessary to aim at continuity with respect to the level of additional benefits. Nevertheless, the principle of equity will not enable policyholders to demand any funds as debt. OP Life Assurance Company Ltd has published its additional benefit principles and its realisation on its website. OP Life Assurance Company Ltd's Board of Directors decides on any additional benefits. Contracts with Aurum Investment Insurance Ltd have no entitlement to discretionary additional benefits.

1.12 Provisions and contingent liabilities

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

A contingent liability is a possible obligation arising from past events, whose existence will be confirmed only by the realisation of an uncertain future event beyond the Group's control. A present obligation that probably does not require fulfilment of payment obligation or that the amount cannot be defined reliably, is also considered as contingent liability. A contingent liability is presented as a note.

1.13 Cooperative capital

OP Financial Group categorises instruments it has issued on the basis of their nature either as equity or financial liability. Incremental costs directly attributable to the issue or purchase of equity instruments are shown in equity as a deduction.

Cooperative capital, divided into cooperative bank members' cooperative contributions and Profit shares, are considered equity instruments. Cooperative banks have an unconditional right to refuse to redeem both cooperative contributions and Profit shares. However, cooperative banks may decide to redeem cooperative contributions, within the limits set by the authorities. Cooperative banks' supplementary cooperative capital is presented in the consolidated financial statements as liability.

Cooperative contributions and the following customer ownership entitle the customer to take part in the bank's decision-making. Cooperative banks have an unconditional right to refuse redemption of cooperative contributions. No interest is paid on cooperative contributions.

Profit shares confer no voting rights. Cooperative banks have an unconditional right to refuse payment of Profit share capital or interest. Any interest payable on Profit shares is the same for all Profit shares. The interest is recognised as liability and deducted from equity once the decision for payment has been made.

1.14 Income tax and deferred tax

Income tax expense shown in the income statement includes current tax, based on the taxable income of OP Financial Group companies for the financial year, and income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are directly linked to items entered into equity capital or other items in the statement of comprehensive income. In this case also the tax will be entered in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group companies operate and generate taxable income.

Deferred tax liabilities are recognised for temporary differences between the carrying amount

of assets and liabilities and their tax base. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The greatest temporary differences in OP Financial Group are caused by tax provisions (such as loan loss provision), valuation of investments at fair value, and elimination of equalisation provision within non-life insurance.

Deferred tax assets and liabilities are offset separately for each company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date.

1.15 Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised on an accrual basis. Interest on receivables with non-settled,

due payments is also recognised as revenue and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is allocated to interest income and that between the amount received and nominal value of the liability to interest expenses. The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised as interest income or expenses over the residual term to maturity.

Commission income and expenses for services are recognised when the service is rendered. For one-off commissions covering several years that may have to be refunded at a later date, only the portion of their revenue related to the period is recognised.

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders by the distributing entity.

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

Summary of presentation of income statement items:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging
Net income from Non-life Insurance	Premiums written, change in insurance liability, investment income and expenses (interest, dividends, realised capital gains and losses, impairment losses) and claims paid
Net income from Life Insurance	Premiums written, change in insurance liability, investment income and expenses (interest, dividends, realised capital gains and losses, impairment losses) and claims paid
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net trading income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends
Net investment income	Realised capital gains and losses on available-for-sale financial assets, impairment losses, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income
Personnel costs	Wages and salaries, pension costs, management long-term incentive scheme, social expenses
Other administrative expenses	Office expenses, ICT costs, other administrative expenses
Other operating expenses	Bank levy, depreciation/amortisation, rents and other expenses

1.16 Returns to owner-members

Returns to owner-members are presented in the income statement as a separate line item, consisting of OP bonuses and supplementary cooperative capital interest. Customers accumulate OP bonuses when they use OP as their main bank and insurer. OP bonuses are expensed in the income statement as they are earned and recognised as accrued liabilities in the balance sheet. Accrued bonuses are used automatically for banking and wealth management service fees and non-life insurance premiums starting from the oldest ones, and the accrued liabilities are reversed.

1.17 Segment reporting

Financial information, which the executive in charge monitors regularly, serves as the basis of defining operating segments.

OP Financial Group reports income statements and balance sheets for the following segments: Banking, Non-life Insurance, and Wealth Management. Non-segment operations are presented in "Other Operations". Segments are reported in a way that is uniform with internal reporting submitted to the management. In segment reporting, Pohjola Group's Central Banking is reported as part of Other Operations, as are income, expenses, investment and capital not included in actual business operations.

A description of the operating segments and segment accounting policies can be found as part of segment information.

1.18 Critical accounting estimates and judgements

The preparation of financial statements requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies.

Liabilities arising from insurance contracts involve several discretionary factors and uncertainty. With respect to Non-life Insurance, estimates are based on assumptions about the operating environment and on the actuarial analyses of Group's own claims statistics. An especially high degree of management judgement is required for determining the discount rate and estimating claims expenditure arising from the already occurred loss events (Note 96. Risk sensitivity of Non-life Insurance).

Liabilities arising from life insurance contracts involve several discretionary factors and uncertainty. When calculating life insurance liabilities,

the Group primarily uses assumptions on the date when the contract was made concerning insurance risk realisation, operating expenses and investment income. The Group follows the assumptions continuously and if it turns out that the liability calculated based on these assumptions is too small, the liability is increased to meet the latest observations. The management's judgement is required especially in determining the discount rate of the liability, mortality assumption and operating expenses related to the future management of insurance policies (Note 108. Information on the nature of Life Insurance and sensitivity analysis of insurance liabilities).

When estimating the control over structured entities, the Group takes into account the investor's power to direct investee's relevant activities and the exposure or right to variable returns from its involvement with the investee. Discretion is exercised when estimating power to direct relevant activities and variable returns. The control is evaluated in more detail when the investment accounts for 10–20% of the investee's net assets and returns. The investee is consolidated as a subsidiary at the latest when OP Financial Group's share of the variable returns exceeds 37% and there is a link between the power and the returns.

The values of insurance contracts, customer relationships and brands acquired through business combinations are based on estimates of eg future cash flows and the applicable discount rate.

Goodwill, assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows and the applicable discount rate (Note 28. Intangible assets).

Impairment tests of receivables are performed on an individual or collective basis. An impairment test carried out for an individual receivable is based on the management's estimate of the future cash flows of the individual loan. The most critical factor in testing an individual loan for impairment is to determine the cash flow whose realisation is the most probable.

Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital, in which expected future losses are adjusted for incurred losses based on historical data. In such a case, the management's judgement is required to assess how estimates of expected future losses adjusted for historical data correspond to the incurred losses and whether any possible adjustments for these are needed.

Available-for-sale financial assets, notes and bonds included in loans and receivables, and investments held to maturity must be tested for impairment on each balance sheet date. If there is objective evidence of an impaired

asset, the impairment loss will be recognised in the income statement. Verifying objective evidence involves management judgement. Impairment loss on an equity instrument must also be recognised if there is a significant or prolonged decline in the fair value. Determining a significant and prolonged decline in the fair value is part of the normal management judgement. Defining objective evidence is a two-step approach where at first instruments that exceed certain indicators are regularly listed and put under closer review. The Group continuously assesses such instruments under review for impairment. Impairment loss will be recognised at the latest when the maximum limits specified for each instrument are exceeded with respect to the prolonged criteria (an average of 18 months) or the significant criteria of 40%.

The management must assess when markets for financial instruments are not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable

valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used.

The present value of pension obligations depends on several factors determined based on actuarial calculations and using several assumptions. The discount rate, future increases in salaries and pension payments and the inflation rate are the assumptions used to determine net costs (or income) arising from pensions. Changes in actuarial assumptions have an effect on the carrying amount of pension obligations (Note 39. Provisions and other liabilities).

The measurement of investment property at fair value is partially based on the management's estimates of the market value of property holdings. Investment property is also measured using a calculation model based on the income capitalisation approach utilising estimates of future net yield on property holdings (Note 49. Recurring fair value measurements by valuation technique).

1.19 New standards and interpretations

In 2015, OP Financial Group will adopt the following standards and interpretations:

- IAS 19, Change in employee benefits, Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014). These changes have clarified accounting treatment when a defined benefit pension plan requires the employees or third parties to contribute. These standard changes have no effect on OP Financial Group's financial statements.

The IASB (International Accounting Standards Board) has also issued other significant future IFRS amendments.

- IFRS 9 Financial Instruments and amendments to it (effective for accounting periods beginning on or after January 2018). The new standard replaces the current IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement of financial assets and includes a new expected credit losses model for the assessment of financial asset impairments. The classification and valuation of financial liabilities correspond to a large extent with the existing IAS 39 requirements. The hedge accounting types remain unchanged. A larger number of risk positions can be included in hedge accounting, and the hedge accounting principles have been aligned with risk management. OP Financial Group is currently evaluating the effects of the standard.
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017). The new standard is not applied to the recognition of financial instruments or insurance policies, and mainly concerns various commissions and fees. The standard contains 5-stage guidelines for revenue recognition, and replaces the current IAS 18 standard. The revenue is recognised over a period or at a specific time, and the key criterion is transfer of control. The standard will also increase the number of notes to be disclosed. OP Financial Group is currently evaluating any effects the standard may have.

These standard changes have not yet been adopted in the EU.

Notes to OP Financial Group Financial Statements

Note 2. OP Financial Group's risk management and capital adequacy management principles

1 General principles of risk and capital adequacy management

1.1 Risk management in OP Financial Group's strategy

OP Financial Group's core values, strategic goals and financial targets form the basis for risk and capital adequacy management. The strategy outlines the Group's risk appetite and risk management priorities that help to ensure strategy implementation. Strategic indicators include capital adequacy and profitability targets at Group, business segment and company level, and risk limits at Group level. Risk management helps to achieve the targets set in the strategy by ensuring that risks are proportional to risk-bearing capacity. OP Financial Group adopts a policy of moderate risk-taking.

1.2. Internal control

Internal control refers to procedures or practices within the organisation to ensure that the organisation achieves the targets sets in the strategy, uses resources economically and the information in support of management decisions is reliable. Internal control also ensures that risk management, custody of client assets and asset protection are adequately organised. Internal controls also ensure compliance with regulations and approved ethical principles.

Effective and reliable internal control forms the basis for compliance with sound and prudent business practices.

Internal controls cover all operations, involving all Group entities and sites. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control covers all organisational levels. Internal control in its most extensive form primarily takes place

at the operational level, characterised by continuous processes and forming part of daily routines.

Internal control is complemented by the opportunity of anyone employed by OP Financial Group to report through an independent channel if they suspect that rules or regulations have been violated.

1.3 Risk and capital adequacy management

Risk and capital adequacy management forms part of internal control. The purpose of risk and capital adequacy management is to secure OP Financial Group's and its institutions' risk bearing capacity and, thereby, ensure the continuity of operations . Risk-bearing capacity is made up of good risk management that is proportionate to the extent and complexity of operations and of adequate capital resources based on profitable business operations.

OP Financial Group's risk and capital adequacy management has been integrated as an integral part of the Group's business and its management. Each Group institution focuses on carrying out its role according to its service capabilities and risk-bearing capacities in accordance with shared business models.

Risk and capital adequacy management involves

- identifying, measuring, assessing and mitigating risks
- determining reliably and independently how much capital is required for various risk types and business operations
- allocating capital systematically by business segment in line with current and planned risk-taking, and
- managing the Group's liquidity.

Liquidity management is discussed in connection with liquidity risks.

OP Financial Group's risk and capital adequacy management principles provide a guideline on how the Group should organise its Group-level risk and capital-adequacy management process.

At Group level, risk management is carried out independent of business operations. The application of the independence principle is determined separately in the Group entities' own guidelines, taking into consideration the extent and nature of their business. Risk and capital adequacy assessment is carried out so that it is in sufficient proportion to the nature, extent and diversity of the Group and each business segment and company.

OP Financial Group's risk policy confirms annually the principles, actions, objectives and restrictions that the Group's business segments and companies must follow to implement the principles agreed on in the strategy.

The Group's incentive schemes do not encourage excessive risk-taking. The incentive scheme takes into account the Group's capital adequacy and profitability.

According to the Laki talletuspankkien yhteenliittymästä Act (Act on the amalgamation of deposit banks), OP Cooperative (the central cooperative) controls and supervises its member credit institutions. The entities that are part of the amalgamation of the cooperative banks are monitored on a consolidated basis for capital adequacy and liquidity. The central cooperative fulfils these obligations through Group-level instructions and a system that reaches each bank.

The main purpose of OP Financial Group's entity-specific control is to prevent an individual entity from having to resort to the Group's capital adequacy or support. Another objective is to help entities recover from problem situations that have threatened or jeopardised their operations. The central cooperative's risk management function maintains and develops a risk category system that is used to establish risk categories for all OP Financial Group member banks. The risk category reflects the view of independent risk management on the bank's risk-bearing capacity and the bank's risk of having to resort to financial aid, or any possible risk to the Group's reputation.

1.3.1 Risk identification, assessment, measurement and restriction

The risk and ICAAP process consists of the continuous identification and assessment of business and operating environment risks. Before any of the Group's new operating models or products are launched, their risks are assessed as laid down by the Central Cooperative's Risk Management function.

Quantifiable risks are restricted by means of limits and Group member banks' control limits. These guide operations at Group level and in cooperative banks and central cooperative entities. The risk limit system ensures that the Group does not take excessive risks to endanger the Group's capital adequacy, profitability, liquidity and continued operations. The limits and control limits also define the boundaries for implementing the strategy with moderate risk appetite.

The central cooperative's independent Risk Management monitors the development of the Group's and its entities' risk exposure and risk-bearing capacity. It provides regular reports on its observations and assessments to the Executive Board and the Supervisory Board's Risk Management Committee.

The capital base of OP Financial Group and its entities are assessed in relation to the economic capital requirement and the existing and predictable regulatory minimum capital requirements. Such assessment also makes use of the results of stress tests.

1.3.2 Economic capital requirement

The economic capital requirement is OP Financial Group's own estimate of the amount of capital sufficient to cover any annual losses with a 99.97% level of confidence that may arise from risks associated with business and the operating environment. Economic capital is calculated using models for each risk type, the results of which are combined taking account of correlations between the risk types and the resulting diversification benefits.

Economic capital requirement is divided into quantitative and qualitative, or assessed, risks. Quantitative risks include credit risk; interest rate, equity, property and investment spread risk associated with Banking; and market and underwriting risks associated with insurance operations. The risks assessed are divided into operational risks and other risks. 'Other risks' include any major risks that have not been taken into consideration

in any other risk-specific models related to economic capital requirement. These risks are typically caused by external factors, such as changes in competition or the market situation or official regulations. About a third of OP Financial Group's economic capital requirement consists of credit risks and about a fourth of market risks associated with insurance operations.

In the model for economic capital requirement, several risk types are assessed in more detail than required by the authorities. Such risk types include banking interest rate risk, insurance market risks and other risks. The key difference in the calculation of economic capital for credit risks is related to concentration risk. Moreover, the calculation of economic capital differs from capital adequacy measurement in that the property and equity risks associated with Banking are calculated separately in terms of economic capital, while in capital adequacy calculations they are included in the capital requirement.

Indicators based on economic capital requirements are used in OP Financial Group's target, limit and control limit indicators, credit and insurance policy pricing and capital planning when defining the capital conservation buffer.

1.3.3 Stress tests

Stress tests are used to assess how various exceptionally serious situations may affect the liquidity, profitability or capital adequacy of the Group or its institution. Stress tests assess the effect of both individual stress factors and the joint effect of multiple variables acting simultaneously. Stress tests cover all major risk affecting the Group's financial position.

Sensitivity analyses are used as part of risk analysis for various risk types. Sensitivity analyses help to understand how certain assumptions affect the risk indicator values. Sensitivity analyses conducted at different shock levels give a concrete idea of the effects of different risks and the probability of losses of various sizes.

Scenario analyses are used, in particular for analysing the impact of risks in the operating environment. They are derived from the financial estimate following the valid strategy which is based on the prevailing levels of different market variables and the Group's best estimates of future development. In scenario analyses, this basic estimate is strained using the impact of different risks.

Stress test methods are utilised not only for the calculation of economic capital requirement but also as complementary methods for the purposes of, for example, the Group's capital planning, liquidity management and contingency and recovery planning.

1.3.4 Capital planning

The purpose of capital planning is to ensure that the Group and its entities have sufficient capital adequacy even under exceptional conditions so that operations can

continue without interruption. Capital planning consists of, for example, quantitative and qualitative targets concerning capital adequacy, a contingency plan, and capital adequacy monitoring and control procedures per threshold level.

The central cooperative updates the Group-level capital plan at least annually, submitting it to the central cooperative's Executive Board for approval. The main conclusions of the capital plan are communicated to the central cooperative's Supervisory Board. The latter will instruct Group entities on how to conduct their capital planning.

Each OP Financial Group institution is responsible for its capital adequacy and must set its capital adequacy targets and limits according to guidelines set by the central cooperative.

1.4 Supervision and reporting

Risk Management within the central cooperative controls the risk and capital adequacy management of the Group and its entities and analyses their risk exposure. Risk Management reports regularly to the Executive Board and the Supervisory Board and its Risk Management Committee. The fact that reports on measureable risks are produced for Group entities on a centralised basis and separate from any business operations also ensures the independence of risk reporting.

2 Organisation of risk and capital adequacy management

The central cooperative is responsible for Group-level risk and capital adequacy management and for ensuring that the Group's risk management system is sufficient and kept up to date.

Institutions belonging to OP Financial Group are responsible for their own risk and capital adequacy management in accordance with the nature and extent of their operations.

The central cooperative provides Group entities with instructions on how to ensure their liquidity and capital adequacy through capital adequacy and risk management, good corporate governance and internal control. The central cooperative supervises that the companies operate in accordance with the laws and decrees governing their financial position, regulations issued by the relevant authorities, their own bylaws, articles of association, instructions issued by the central cooperative, OP Financial Group's internal procedures, and procedures that are appropriate and ethically sound for customer relationships.

2.1 Risk and capital adequacy management's three lines of defence

OP Financial Group's risk and capital adequacy management organisation are based on three lines of defence.

THREE DEFENCE LINES OF RISK MANAGEMENT



The first line consists of risk management applied within business and other operations. It supervises risk decisions and ensures that risk exposure and risk-bearing capacity are under sufficient Group-level control. Risk management is included in business models and processes.

The second line of defence consists of risk management centralised to the central cooperative which is independent of operative business organisations. It is in charge of the Group's risk management framework, controls the risk exposure process and is responsible for the Group's consolidated risk exposure management and risk-bearing capacity monitoring.

The third line of defence is centralised internal audit. It audits and evaluates both the Group's risk management framework and its application in the central cooperative and other Group entities.

is to secure the Group's and its entities' sufficient risk-bearing capacity and to ensure that any business risks taken do not threaten profitability, capital adequacy, liquidity, continued operations and the reaching of strategic targets.

Risk management is in charge of the Group's risk management process and risk transfer, and supports Group entities in the risk management implementation. It is also responsible for maintaining and developing risk management systems and methods at Group level and for the entities. Moreover risk management maintains, develops and prepares risk management principles for approval by the Executive Board and Supervisory Board.

Risk Management reports regularly to the Executive Board, the Supervisory Board and its Risk Management Committee.

2.2 OP Financial Group's risk management

OP Financial Group's risk management is a function independent of business that defines policy, and steers and supervises the overall risk management of the Group and its institutions, and analyses their risk exposure. Risk management focuses on preventive work, preparation and predictive analysis of risk exposure. The objective

The risk management organisation structure supports on the one hand an approach per risk type and on the other consolidated risk exposure monitoring at Group and entity level. Risk Management is divided into five areas of responsibility:

- Capital adequacy management
- Lending Support and Control
- Credit Risk Process Control and Management
- Operational Risk Management and Compliance
- Market and Underwriting Risk Management.

Risk Management is complemented by the Risk Management Committee and Credit Risk Committee appointed by the Executive Board.

The Risk Management Committee is responsible for OP Financial Group's long-term operating ability by ensuring that the Group's risk and capital adequacy management system principles, methods, models and indicators correspond to the best estimates of the independent risk management comply with the principles based on the risk modelling and stress test guidelines issued by the Executive Board.

The Credit Risk Committee controls the Group's counterparty risk limiting system, using it to make credit and exposure limit decisions, monitor utilisation rates and follow credit portfolio development in terms of quantity, quality and structure. The Credit Risk Committee's observations and assessments are included in the Group's regular risk reviews and analyses.



2.3 Supervisory Board

OP Cooperative's Supervisory Board adopts, among other things, OP Financial Group's strategy, containing the main risk management policies and other joint objectives and operating principles. It confirms the Group's principles of both internal control and risk and capital

adequacy management; the control system principles required by joint liability; capital planning principles; the Group's annual plan; and Group-level risk limits concerning capital adequacy and risk types. It also approves the principles and policies concerning OP Financial Group's remuneration development and decides about the Group's long-term incentive schemes. The

Supervisory Board follows regularly the business, the risk-bearing capacity and risk exposure development of the Group and OP Financial Group Central Cooperative.

2.3.1 Supervisory Board committees

To support its work, OP Cooperative's Supervisory board has established a Working Committee, Audit Committee, Remuneration Committee and Risk Management Committee. The most important committees in terms of risk and capital adequacy management are the Risk Management Committee and the Audit Committee. The committees are not as a rule authorised to make decisions independently.

The new Risk Management Committee established in spring 2014 assists the Supervisory Board in matters related to OP Financial Group Central Cooperative's and the Group's risk-taking and risk management and risk-based supervision to ensure that the executive management complies with the risk-taking policy in accordance with the Group strategy and the risk limits issued by the Supervisory Board. The Risk Management Committee assists the Supervisory Board to ensure that a sufficient risk management system is in place and that no exposure is so large that it can jeopardise continued operations, capital adequacy, liquidity and strategy implementation.

The Audit Committee assists the Supervisory Board to ensure that the OP Financial Group Central Cooperative and OP Financial Group have in place a sufficient and well-functioning control system to cover all operations and that the Central Cooperative's and OP Financial Group's accounting and asset management control is organised appropriately. The Committee is also responsible for ensuring that OP Financial Group Central Cooperative and OP Financial Group's operations and internal control are organised in accordance with laws, regulations and the principles of good corporate governance, and for supervising the performance of internal audit.

2.4 Executive Board

The duties of OP Cooperative's Executive Board Central include controlling the amalgamation's operations and providing its credit institutions guidelines on risk management, good corporate governance and internal control in order to ensure their liquidity and capital adequacy. It also supervises that the companies within the amalgamation operate in accordance with the laws and decrees governing their financial position, regulations issued by the relevant authorities, their own bylaws or articles of association, and instructions issued by the central cooperative.

At least once a year, the Executive Board ensures that OP Financial Group's strategy, risk limits, capital plan and proactive contingency plan for capital

resources are up to date. The Executive Board annually approves OP Financial Group's risk policy and OP Financial Group Central Cooperative's entities' risk limits and cooperative banks' control limits. It also approves the exposures included in the economic capital requirements and the general guidelines for capital requirement calculation, and the stress testing framework. It is also responsible for ensuring that the systems and procedures concerning risk and capital adequacy management are sufficient and up to date.

The Executive Board approves the control methods of monitoring system for each bank in accordance with the joint liability. The Board also decides about banks belonging into lower risk categories and related control methods.

The Executive Board reports to the Supervisory Board and its Risk Management Committee on changes in the business, risk-bearing capacity and risk exposure of the Group, the central cooperative and its institutions.

2.4.1 Executive Board committees

OP Cooperative's Executive Board has established, in support of its duties, an HR Committee, Development Committee, Cooperative Bank Steering Committee and Balance Sheet and Risk Management Committee. The most important ones in terms of risk management are the Balance Sheet and Risk Management Committee and Cooperative Bank Steering Committee. The committees have no independent decision-making powers but the Executive Board makes decisions based on preparations by the committees.

The Balance Sheet and Risk Management Committee supports the Executive Board in steering and managing the Group's risk-bearing capacity and risk appetite according to confirmed operating principles and decisions. The Committee also assists the Executive Board in ensuring that the central cooperative and its consolidated group have adequate capital adequacy management and risk management systems in place covering all operations.

The Cooperative Bank Steering Committee's primary duty is to support the Executive Board in the central cooperative's implementation of control over cooperative banks under the guidelines of the central cooperative's Supervisory Board. The Committee is engaged in general control on all cooperative banks and in bank-specific control.

2.5 Internal Audit

Internal Audit is responsible for Group-level internal auditing within OP Financial Group. Internal audit is aimed at assisting senior and operational management by performing audits to assess the achievement of the strategic and operational goals, the quality of

risk management, the reliability of reporting, compliance with laws and instructions and the efficiency and appropriateness of operations.

Internal Audit audits and evaluates both the Group's risk management framework and its application in the central cooperative and other Group entities. The Chief Audit Executive shall regularly report audits and any resulting observations to the Supervisory Board's Audit Committee and the central cooperative's Executive Board.

2.6 Entities belonging to the central cooperative

Entities belonging to the central cooperative apply the risk and capital adequacy management principles approved by the central cooperative's Supervisory Board as required by the nature and extent of their business.

The executive management is responsible for the implementation of risk and capital adequacy management according to the principles and operating policies that have been agreed on, and report regularly on the entity's business, risk-bearing capacity and risk exposure to the Board.

The duties of risk and capital adequacy management of OP Financial Group's and the central cooperative's subsidiaries (the second line of defence) have been centralised in the parent institution.

2.7 Cooperative banks

Group cooperative banks apply the central cooperative's risk and capital adequacy management principles as required by the nature and extent of their business.

The Supervisory Board approves Group cooperative banks' internal audit and risk and capital adequacy management principles and supervises their implementation. The purpose of the Supervisory Board's Audit Committee is to assist the Supervisory Board in the latter's duties, paying particular attention to ensuring that the cooperative bank and its Group are managed in a professional manner, following sound and prudent business principles and

in compliance with the law, rules, official regulations and instructions as well as the risk and capital adequacy management principles confirmed by the Supervisory Board.

The Board confirms, for example, procedures and instructions relating to internal audit and risk management, business targets, risk limits for various risk types and capital plan. It is also responsible for risk management adequacy and supervises the bank's business, risk exposure and risk-bearing capacity. In controlling the banks' operations, the Board adheres to the Group's guidelines.

The executive management is in charge of implementation of internal audit and risk management according to agreed principles and procedures, and report regularly on the institution's business, risk-bearing capacity and risk exposure to the Board.

The largest OP Financial Group member cooperative banks have a risk management function independent of operational decision making. In small and medium-sized member cooperative banks, the Managing Director is responsible for risk management. For these banks, the central cooperative also offers expert support for the independent management of credit risks, operational risks and compliance risks.

In cooperative banks, the independence of the assessment of risk management from business operations is based on reports produced by the central cooperative's risk management function, the bank risk categorisation carried out by the central cooperative as well as the assessments by OP Financial Group's Audit function concerning the adequacy of the bank's capital adequacy management.

OP Financial Group's Internal Audit supports cooperative banks to reach its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal audit is based on an independent and objective assessment, assurance and consulting activities.

3 OP Financial Group's risks

The table below presents OP Financial Group's major risks. The paragraphs after the table describe the nature of the risks and how they can be managed.

STRATEGIC RISKS	<ul style="list-style-type: none"> • Risk caused by changes in the competitive environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.
OPERATIONAL RISKS	<ul style="list-style-type: none"> • Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor.
COMPLIANCE RISK	<ul style="list-style-type: none"> • Risks caused by non-compliance with external regulations, internal policies and appropriate procedures and ethical principles governing customer relationships.
REPUTATIONAL RISK	<ul style="list-style-type: none"> • Risk of deterioration of reputation or trust caused by negative publicity or realisation of some risk.
CREDIT RISK	<ul style="list-style-type: none"> • Credit risk refers to a risk of the counterparty not being able to fulfil its obligations.
MARKET RISK	<ul style="list-style-type: none"> • Market risk consists of interest rate risk, investment risk and real estate risk
LIQUIDITY RISK	<ul style="list-style-type: none"> • Liquidity risk and structural funding risk
NON-LIFE INSURANCE RISKS	<ul style="list-style-type: none"> • Risk of loss or damage and provision risk
LIFE INSURANCE RISKS	<ul style="list-style-type: none"> • Biometric risks, customer behaviour and expense risks

4 Strategic risks

Strategic risks are managed by analysing the risks when drawing up the strategy and by continuously monitoring and analysing changes in the operating environment and the realisation of the strategy. Strategic risk is reduced by regular planning, based on analyses and forecasts of customer future needs, developments in different sectors and market areas, and of competition. The Group's strategic risks are reported on a regularly basis. The strategic guidelines are processed extensively within the Group before being confirmed.

5 Operational risks

Operational risk management ensures that operations have been organised appropriately and that risks do not result in unforeseeable financial losses or other negative consequences, such as loss of reputation. OP Financial Group is continually maintaining and enhance a corporate culture that takes a positive approach to operational risk management and internal control.

No risk limit in terms of risk-taking has been set for operational risks, but the target level for risk management is moderate. The main thing in operational risk management is to identify and assess risks and to assess the effectiveness and adequacy of risk control and management tools. Before any new operating models (including outsourcing) are carried out or products or services are launched, their risks are assessed as laid down by the central cooperative's Risk Management. OP Financial Group only offers to customers products and applies business models that have been approved at Group level. Risks that may disrupt business operations continuity are prepared against by means of contingency planning in key business divisions. Contingency planning also forms the basis for preparation against emergency conditions referred to in the Emergency Powers Act. Contingency plans are tested according to testing plans that have been made.

Any effect of a realised operational risk may be transferred outside the Group through insurance. The evaluation of the necessity for insurance depends on the nature of each company's business and the level of risk management.

In its operational risk management, OP Financial Group adheres to a uniform, system-supported operating model. In this model, the Group's institutions assess operational risks, that is, identify and analyse business risks and define and monitor measures designed to reduce them. We also monitor risk events and close calls and losses that have occurred to other financial sector players, and analyse them to ensure that we have sufficient readiness to prevent similar losses.

Group entities are responsible for the management of their own operational risks as required by the nature and extent of their business (including outsourced operations).

5.1 Monitoring and reporting

OP Financial Group institutions identify operational risks associated with major products, services, functions, processes and systems, and outsourcing. Risk identification also involves paying attention to the illegal use of banking systems, such as money laundering and financing of terrorism. The Group assesses the significance of identified risks on the basis of their financial effect and probability. The information obtained is used to support planning, decision-making and management.

Operational risks are reported regularly to the management of the central cooperative and the institutions.

6 Compliance risks

Forming part of operational risk, the objective of compliance operations is to ensure that all OP Financial Group entities comply with laws, official instructions and orders, self-regulation of the markets, and internal guidelines, policies and instructions of the Group and the entities. Compliance also ensures that customer relationships are conducted with appropriate and ethically sound principles and practices.

Realisation of a compliance risk may result not only in financial loss but also other sanctions. Such sanctions may include a corporate fine and separate administrative fines for violation of obligations, and public warnings and reprimands. Compliance risk may also materialise in terms of loss or deterioration of reputation or trust.

Responsibility for regulatory compliance and its controls within OP Financial Group entities rests with the senior and line management and all supervisors and managers. Everyone employed by OP Financial Group is responsible for their own part for compliance with regulations.

The central cooperative's independent risk management function is in charge of guidelines, advice and support concerning compliance within OP Financial Group. Institutions within the central cooperative have centralised compliance functions within Risk Management. Each cooperative bank has a designated person to ensure compliance with the regulations.

6.1 Management tools

Managing compliance risks forms part of sound corporate governance practices and internal control and, as such, an integral part of business management duties and the corporate culture. Compliance risk is managed by monitoring legislative amendments and by providing the organisation with guidelines, training and consultation. The Compliance function also supervises that the procedures chosen conform to the regulations.

6.2 Monitoring and reporting

Compliance risks are identified, assessed and reported regularly according to the operational risk management model. Any observations made within compliance are reported regularly to the business line, the central cooperative's Executive Board and the Supervisory Board's Risk Management and Audit Committees.

7 Reputational risk

Reputational risk is managed proactively and in the long term by following regulations, good practices of the financial sector and the Group's Code of Business Ethics and by emphasising transparency of operations and communications. The Group adheres to international

financial, social and environmental responsibility principles and international commitments.

Reputational risks are reported regularly to the management of the central cooperative and the institutions. Any threat to imminent reputational risk will be reported immediately.

8 Credit risks

OP Financial Group's credit risk is primarily related to banking operations. Counterparty risk is also included in insurance investments, reinsurance and premiums. In insurance operations, credit risk management is based not only on customer selection but also on credit control and investment plans. Reinsurance credit risk is managed by using companies that have a sufficient credit rating.

Credit risk exposure is controlled by applying the Group's risk policy. Credit risk policy defines the target exposure level, risk-taking policies, the principles governing customer selection and the use of collateral and covenants, with a view to ensuring, a sufficiently diversified loan portfolio in order to avoid excessive risk concentrations by customer group or sector. Targets have been set for the Group and its member banks per credit rating category concerning new credit and credit portfolio in order to retain the credit portfolio as high as possible. The credit rating controls customer choice, consequences of insufficient collateral, and pricing of liabilities. Credit decisions must always be based on valid and up-to-date credit ratings.

Lending will primarily be carried out on the basis of the customer's sufficient and verified debt servicing ability. A controlled and uniform financing process, guided by credit risk policies, decision-making financing authorisations and operating instructions, plays a key role in credit risk management. The starting point and biggest strength is our local and thorough understanding of our customers.

The repayment capacity of private customers is tested in the case of an interest rate increase, and customers are offered payment protection insurance in the case of illness or unemployment. OP Financial Group avoids high financing percentages.

The assessment of corporate customers' debt servicing ability and credit risk is made by means of not only credit ratings but also payment behaviour data; financial statements analyses and forecasts; corporate analyses, statements and sector reviews; and customer needs analyses, credit rating assessments and other documents produced by the banks' customer care representatives. The corporate customer business is based on service models into which risk management has been closely integrated while ensuring that risk management remains independent.

Counterparty and exposure limits are allocated to Group entities by means of a Group-specific limiting system per counterparty, sector and country. The limiting systems cover financing, investments and trading.

The Group uses central counterparty clearing, collateral and netting agreements as well as exchange-traded products to mitigate counterparty risk. Country risk is restricted by limiting the amount of exposures of destination countries and contracting parties within them. In settlement risk management, it is vital to ensure the reliability of counterparties. The Group mitigates risks by concluding standard agreements and using only reliable clearing centres.

Any foreseeable problems will be reacted to as early as possible. The operating models of weak and problem customers have been described separately to ensure uniform treatment of private, corporate and agricultural customers. Customers whose financial status performance, credit risk and payment behaviour justify a more detailed examination are subject to special observation. In this context, the Group also analyses the need to change the customer's credit rating, the probability of a credit loss and the need to recognise an impairment loss. This often means that changes must be made to credit decision levels.

The majority of credit and country risks related to credit institutions arise from liquidity management by banking and investment by insurance institutions. Counterparty and country risks affecting credit institutions may also be the result of interest rate trading and management of the notes and bonds portfolio and trade financing.

Country limits determine an individual country's maximum exposure and maturity. Country limits are primarily based on the country's external credit rating, but other information about the country is also utilised. In addition to imposing country limits, companies set limits on certain products based on the country's external rating.

8.1 Monitoring and reporting

Credit risk developments are monitored at least monthly in relation to the limits set and control limits. Credit rating reports number among other monitoring tools. Monitoring also covers major customer exposure, reports on credit portfolio quality and structure, adequacy of collateral, late payments and non performing receivables.

Credit risks are restricted at Group level through limits. A limit for an individual customer exposure measures the amount of exposure of a group of connected clients in relation to OP Financial Group's capital base specified under the Act on the Supervision of Financial and Insurance Conglomerates (RAVA). The limit for the total amount of major customer exposure encompasses all

customer exposure that is at least 5% of the Group's capital base. The limit for industry risk limits the percentage of an individual industry of all of Group's Banking's corporate sector receivables and commitments and Non-life and Life Insurance's direct equity and bond investments. In addition to concentration risks, credit risks have limits that restrict the ratio of non-performing receivables to the loan and guarantee portfolio, and the ratio of expected losses to liabilities. In addition to the above limits for risk concentrations and the quality of the credit portfolio, limits are also set at entity level.

8.2 Mitigating credit risks

In order to ensure the repayment of commitments, collateral must be provided for exposure, and any retail banking must primarily have collateral security. However, the customer's cash flows form the basis of all lending. Collateral is assessed by an independent appraiser and using a conservative approach to fair value. The Group exercises special care in assessing the value of collateral deemed as cyclical in nature. Developments in collateral values are monitored on a regular basis. Whenever a financing decision is made, the Group will check whether the collateral must be reassessed. A similar

reassessment is made when the value of collateral has changed significantly or the client's financial standing has weakened substantially. The fair values of housing used as collateral is updated once a year on the basis of indexes derived from official sales price statistics.

Especially in the case of the largest corporate customers, covenants in loan agreements are used in addition to collateral. Monitoring these enables the Group to ensure that it receives an accurate picture of the company's status and can reassess the loan terms and conditions, collateral requirements or pricing if the risk situation changes.

8.3 Credit rating

At OP Financial Group, credit risk models are used to control credit risk taking and assess the amount of risk involved. Credit rating covers models for risk parameters involving Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

CREDIT RISK INDICATORS WITHIN INTERNAL CREDIT RATINGS

Probability of loan defaults within 12 months

=

PROBABILITY OF DEFAULT (PD), %

Estimate of the loss caused by a loan default

=

LOSS GIVEN DEFAULT (LGD), %

Estimate of the sum the customer would owe the bank in case of insolvency

=

EXPOSURE AT DEFAULT (EAD), €

In practice, credit risk models are utilised, for example, in

- credit approval and pricing
- specifying financing decision-making authorisations
- setting and monitoring the loan portfolio's qualitative objectives
- credit risk reporting
- capital adequacy measurement using the Internal Ratings Based Approach (IRBA)
- measuring economic capital requirement and expected loss
- calculation of impairment losses on a collective basis.

8.3.1 Credit rating and probability of default

The purpose of credit rating is to divide customers into different groups according to the risk involved. A customer's credit rating is an estimate of the risk of some of the customer's exposures becoming non-performing receivables to OP Financial Group within 12 months, or of the customer having more serious payment defaults. The size of this risk for OP Financial Group is explained by probability of default, or PD, estimated for each credit rating category, which is the average probability within one year over the economic cycle. In other words, when the economy is thriving, the actual proportion of defaulted customers in a given credit rating category is lower than the estimated PD, and when economic trends are poor, higher than the estimated PD.

OP Financial Group uses several methods to evaluate customers' probability of default. Private customers' loans included in retail exposures in capital adequacy measurement are categorised using specific models in the application stage and as part of the bank's loan portfolio. Small business exposures included in retail exposures in capital adequacy measurement are categorised using an 'A' rating or a rating model for low exposures. Mid-size and large companies' exposures included in corporate exposures are categorised using an 'R' rating. Small business exposures included in corporate exposures are categorised using an 'A' rating. An internal credit rating model is used for credit institution counterparties.

8.3.2 Assessing private customer's probability of default

In the assessment of probability of default of private customers, exposures are divided into 16 rating categories from A to F, the latter representing exposures of defaulted customers. In this assessment, the Group uses a credit rating model of the customer's loan portfolio and the rating of the application

stage. The rating of private customers is based on information available from the loan application, the customer's payment behaviour and other transaction history data. The scores calculated on the basis of this data determine the exposure's credit rating. Average PD has been calculated for each category for a period of 12 months.

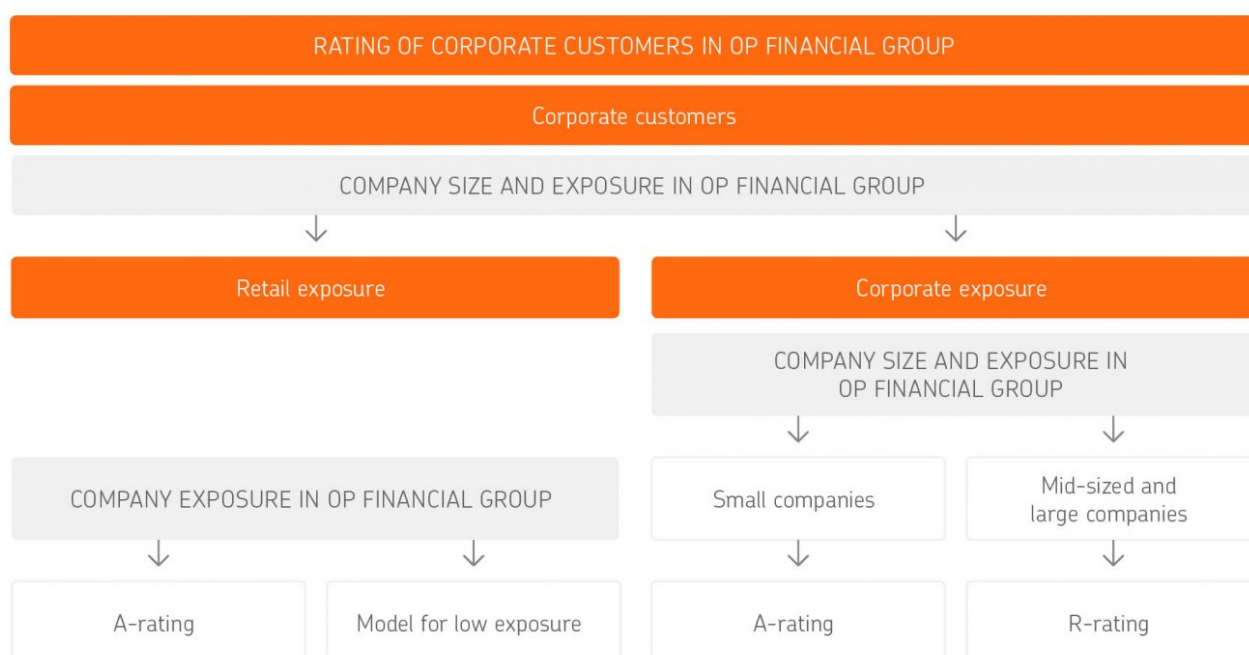
When a loan is granted, Group member cooperative banks use the home mortgage and secured consumer credit application stage rating model. The Group's finance company product and unsecured consumer credit have their own application stage models. Updated versions of application stage models were commissioned in spring 2014.

The rating based on the application stage supports the credit approval process, credit risk assessment and the pricing of new loans. This rating takes place as part of OP Financial Group's credit process.

The rating model for private customers' loan portfolio is used to categorise the exposures of private customers. The loan portfolio's rating categories are updated once a month. This model was adopted in 2006 and its current version dates back to 2013. The rating model for the loan portfolio is used in the assessment of credit risk and the measurement of capital requirement.

8.3.3 Assessing a corporate customer's probability of default

OP Financial Group assesses the probability of default of its corporate customers using its internal 20-step credit rating system. Corporate exposure is put into categories ranging from 1.0 to 12.0, with defaulted customers falling into categories 11 or 12.



Probability of default assessment of mid-size and large corporate customers ('R' rating) is based on the companies' financial indicators and qualitative background information transferred into a statistical scoring model. An expert familiar with the customer will make a rating proposal on the basis of what is suggested by the model and of any other information available. Any changes and uncertainties relating to the future outlook will be regarded as warning signs and exceptions to the rating provided by the model. Based on the expert's proposal, a decision on the customer's credit rating will be made annually. The model used in 'R' rating was adopted at the beginning of 2008 and is annually validated according to the IRB requirements.

Suomen Asiakastieto Oy's rating model, Rating Alfa forms the basis of small corporate customers' 'A' ratings. This is a statistical regression model in which variables cover a comprehensive range of factors related to the company's payment method, key indicators based on financial statements, and other background information. The rating model has been supplemented with safety and backup clauses restricting the credit rating of a company if, for example, no financial statements are available. Scores provided by Rating Alfa have been calibrated with

OP Financial Group's internal credit ratings. The rating given to corporate exposures by the statistical model will be assessed annually and may be adjusted to correspond to the company's actual probability of default. The model has been used since the beginning of 2008 and was last partly updated in 2012. Low exposure corporate customers are rated using a rating model for low exposures. Rating is based on customer history and payment behaviour data available from information systems. Each rating is updated once a month. The rating model for low exposures was adopted in 2009 and updated in 2012.

Irrespective of the model, each credit rating category is subject to the same probability of default, i.e. credit rating categories deriving from various models are comparable with one another. In deriving probability of default, the Group has used recent years' actual payment default data, long-term credit loss data and bankruptcy statistics and the cyclical nature of the model. The need for updating probabilities of default for each category is assessed annually.

The table below shows the correspondence between OP Financial Group's credit rating categories for corporate exposure and the credit rating categories of an international rating agency.

OP Financial Group's credit ratings for corporate customers and Standard & Poor's (S&P) equivalent

S&P Rating	AAA...AA+	AA...BBB+	BBB...BBB-	BB+...BB-	B+...B	B-...CCC
OP Financial Group	1.0–2.0	2.5–4.0	4.5–5.0	5.5–7.0	7.5–8.5	9.0–10.0

8.3.4 Assessing a credit institution's probability of default

A specific 'L' rating model used to assess the probability of default of credit institutions is based on the probability of default deriving from qualitative and quantitative factors. Credit institution exposure is divided into 20 categories ranging from 1.0 to 12.0, with defaulted customers falling into categories 11–12.

The statistical model that forms the basis of credit ratings is based on empirical data on OP Financial Group's

international credit institutions as counterparties. The model applies the so-called sovereign ceiling rule according to which a private-sector counterparty cannot have a higher credit rating than the government. The Group decides on the credit ratings of credit institutions at least once a year or more frequently in the case of any changes in the credit institution's creditworthiness. The 'L' credit rating model was adopted in 2009 and last updated in 2012.

The table below shows the correspondence between OP Financial Group's credit rating categories for credit institution exposure and the credit rating categories of an international rating agency.

OP Financial Group's credit ratings for credit institutions and Standard & Poor's (S&P) equivalent

S&P Rating	AAA...AA+	AA...BBB+	BBB...BBB-	BB+...BB-	B+...B	B-...CCC
OP Financial Group	1.0–2.0	2.5–4.5	5.0	5.5–7.0	7.5–8.0	8.5–10.0

8.3.5 Loss given default (LGD) and exposure at default (EAD)

In addition to the models used for assessing the probability of default, Pohjola uses models for predicting loss given default (LGD) and exposure at default (EAD) to measure credit risk. In OP Financial Group's credit risk models, LGD is an estimate of a financial loss (as a share of customer exposures at default) which the bank would incur if the customer would default within one year. EAD refers to the estimated amount of the bank's receivable from the customer at default. Off-balance-sheet exposures are assessed by means of a Conversion Factor (CF), which describes how much of off-balance-sheet exposures have been assessed to be utilised at the time of default.

8.3.6 Use of credit risk models in capital adequacy measurement

OP Financial Group uses the Foundations Internal Ratings Based Approach (FIRBA) to measure its capital adequacy requirement for credit risk on corporate and credit institution exposures. In FIRBA, an estimate of probability of default (PD) generated by OP Financial Group's credit risk models affects the capital adequacy requirement for credit risk associated with the customer. The Group uses the so-called standard estimates supplied by the authorities on loss given default (LGD) and exposure at default (EAD). When FIRBA is used to measure the capital requirement for credit risk on retail exposures, PD, LDG and EAD values based on OP Financial Group's internal models are used to calculate the risk weight. The Group uses the Standardised Approach (SA) for government and central bank exposures and for some other exposure categories (like those of the Baltic countries). As a rule, a simple model applies to equity investments. The PD/LGD method applies to OP Financial Group's strategic investments, where the PD values are based on internal models and LGD values on standard estimates.

8.3.7 Decision-making and assessment related to credit risk models

OP Financial Group's Risk Management Committee decides on the adoption of any significant changes in the credit risk models. These decisions are based on the general principles governing credit ratings and the validation of credit risk models approved by the Central Cooperative's Executive Board. The models are developed and maintained by the Central Cooperative's Risk Management, independent of business lines/divisions.

The effectiveness of the credit rating process and credit risk models is subject to regular monitoring and supervision. The Central Cooperative's Risk Management function collects continuous feedback from the business lines/divisions on the effectiveness of the credit rating process and credit risk models. It monitors monthly the models that automatically create a credit rating category, with a view to following changes in the credit portfolio and lending that may, for example, indicate errors in IT implementation.

In addition, the quality of the models is assured at least once a year in accordance with the validation instructions approved by OP Financial Group's Risk Management Committee. The set of the validation instructions contains requirements for quality assurance that must be carried out when adopting a model. Validation uses statistical methods to test, for example, the model's sensitivity and the validity of risk parameter estimates (PD, LGD and EAD). Validation also involves qualitative assessment, such as an analysis of user feedback, and a peer group analysis. The results of validation and any recommendations for required measures are reported to the Risk Management Committee, which decides on any improvements on the basis of the validation.

The central cooperative's Internal Audit ensures that validation is performed independent of businesses. It also reviews the credit risk models and their use in the Central Cooperative's companies and member banks as a part of their regular auditing.

8.4 Securitised assets

OP Financial Group has not acted as an originator or manager of securitisation transactions but has invested in asset-backed securities issued by special purpose vehicles. In calculating the total amount of the risk-weighted assets of securitisation exposures, the Group has used IRBA to credit risk when the securitisation exposure belongs to the exposure category to which the assessment model based on credit rating is applied.

The Group applies credit ratings affirmed by Moody's, Fitch and Standard & Poor's to securitised exposures. If two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the lower rating will apply. If more than two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the two highest ratings will apply. If the two highest ratings differ from one another, the lower rating will apply.

9 Liquidity risk

Liquidity risk comprises structural funding risk and funding liquidity risk. Liquidity risk refers to a situation in which a Group company cannot meet its payment obligations without difficulty. Structural funding risk refers to refinancing risk that is the result of a maturity difference between long-term lending and short-term borrowing.

Liquidity risk management is based on the Group's risk policy and approved risk limits. The central cooperative's Executive Board approves the qualitative targets set for the liquidity buffer, a funding plan, a business continuity and contingency funding plan in the case of threat scenarios. The business continuity and contingency plan contains a control model concerning liquidity for various threshold levels, funding sources and a contingency funding plan at operational level.

OP Financial Group's liquidity is controlled by means of proactive planning of funding structures; the Group's risk limits; and limits, control limits and target levels derived for Group companies. OP Financial Group's liquidity management tools also include the monitoring of the liquidity status and well-balanced liquidity buffer, planning and management of daily liquidity, as well as effective control of the Group's liquidity status. Funding liquidity management is governed by the regulations concerning the minimum reserve and marginal lending facility systems by the European Central Bank.

OP Financial Group ensures its liquidity by means of long-term funding planning, a liquidity buffer and funding sources under the contingency plan for twelve months in the event that both money and capital markets were to close and deposit funding was to decrease moderately. The liquidity buffer has the size required for the time to implement the contingency plan in a liquidity crisis. Liquid funding may be made available by selling notes and bonds in the liquidity buffer or using them as collateral. The liquidity buffer is mainly formed by deposits to the Central Bank and receivables that are valid as collateral for Central Bank refinancing.

As the financial services group's central bank, Pohjola Bank plc is tasked with securing the liquidity of the entire Group and each Group member cooperative bank or Group institution. The Group's daily liquidity management refers to managing liquidity of the Group's companies engaged in banking. The liquidity of OP Financial Group's insurance and pension institutions is transferred through bank accounts to the Group's overall liquidity. Any changes in their liquidity position will change Pohjola's liquidity position. The liquidity reserve of Banking within the entire OP Financial Group is managed at the Group's central bank.

The Group's funding planning is based on the proactive planning of the funding structure and on the risk limit set for the asset/liability structure. Deposits from the general public and wholesale funding form the basis of the Group's funding. Wholesale funding is planned on the basis of deposit funding and increase in lending. In order to secure access to funding, we utilise a diverse range of financial instruments while diversifying the sources of funding by maturity, geographic location, market and investor. Any surplus deposits to member banks are mainly channelled to OP Cooperative Consolidated accounts or instruments it has issued in order not to increase the Group's wholesale funding unnecessarily. Pohjola manages on a centralised basis the Group's wholesale funding in the form of senior bonds and equity capital, while OP Mortgage Bank manages funding based on covered bonds.

OP Cooperative's Executive Board is responsible for OP Cooperative's liquidity risk management, and controls liquidity management using various threshold levels. In cases of market disruption, liquidity management relies

on the business continuity and contingency plan. Each entity within OP Financial Group manages its liquidity within the framework of control limits issued by the central cooperative and guidelines and account, deposit and credit terms and conditions.

Institutions engaged in insurance operations are primarily responsible for managing their liquidity. The institutions' liquidity requirements are taken into account in the allocation of the investment portfolio.

9.1 Monitoring and reporting

Monitoring and reporting liquidity risks exposed by Group institutions vary from real-time to quarterly practices, depending on the nature and extent of their business. Monitoring and reporting are based on the Group's risk limits and target figures. Depending on the entity and reporting level, reporting practices may vary from daily cash flow monitoring (funding liquidity) to the monitoring and forecasting of long-term funding structure (refinancing risk).

For each of those liquidity levels, the Group has specified control and monitoring practices which become more rigorous when moving up to the next level. The Group reports liquidity risks to the Central Cooperative's Executive Board on a regular basis and, with a heightened threshold level of liquidity status, will adopt weekly or daily progress reporting practices whenever necessary. Group entities report liquidity risks to their boards of directors regularly, applying at least the level which has been set for control limit indicators and limits.

The effect of threats and future scenarios related to structural funding risk and funding liquidity risk on the Group's liquidity, financial performance and capital adequacy is stress-tested as part of its risk and capital adequacy assessment.

OP Financial Group's risk limits for liquidity risk have been set for net cash flows under time category which guide the structural funding risk and for the indicator concerning liquidity risk. The risk indicator for the structural funding risk indicates the maximum portion of the net cash flows in the Group's balance sheet that may have a maturity within different time periods. Agreements with a maturity date are included in the analysis of structural financing risk according to the maturity date or any earlier repayment date. The maturities of accounts with no maturity date and premature repayments have been modelled.

The funding liquidity risk indicator shows for how long the primary liquidity buffer will cover the known and predictable net cash flows payable daily outside the Group and any unexpected liquidity stress scenario.

Group-level reporting and limits also derive from the liquidity coverage ratio (LCR) – which will be phased in from October 2015 and gradually tightened – based on the new Capital Requirements Directive and Regulation (CRD IV/CRR).

The allocation breakdown of insurance investment portfolios is subject to regular reporting. Stress tests are also used to assess sensitivity to funding liquidity risk.

10 Market risks

Market risks are the result of price, volatility and market liquidity changes in the financial market. Market risk is divided into interest rate risk, price risks concerning investments, and real estate risk.

The greatest market risk for banking relates to the effect of a change in interest rates on net interest income, i.e., interest income risk in the banking book. Market interest is also composed of investments by Banking and of the trading book. The biggest market risks related to non-life and life insurance operations concern those associated with investments and insurance liabilities, primarily interest rate risk.

Market risk can also occur as a result of real estate risk and market liquidity. Real estate risk refers to risk to an investment's market-based income caused by market changes and property occupancy rate, both with reference to property holdings and similar instruments. Real estate risk is present in insurance institutions' investment portfolios. Group member cooperative banks' real estate investments are primarily related to the banks' needs for premises. Market liquidity risk is realised when OP Financial Group cannot realise or cover its market exposures at the prevailing market price, since the market lacks sufficient depth or are inactive due to a market disruption.

The purpose of market risk management is to identify and assess market risks included in business operations, mitigate them to an acceptable level, and report them regularly and efficiently. This ensures that changes in market prices or other external market factors will not deteriorate the long-term profitability or capital adequacy of any individual entity within the Group or of OP Financial Group in its entirety.

Guidelines that control and mitigate market risks include OP Financial Group's risk and capital adequacy management principles and the Group's risk management guidelines that supplement them, and the Central Cooperative's risk management policy and limits and control limit indicators.

10.1 Interest rate risk

The most significant sources of the interest rate risk of OP Financial Group are associated with the retail banking's banking book and its insurance operations. In Non-life Insurance and Life Insurance, interest rate risk arises when changes in the interest rate affect the value of and income from investment assets and the cash flows of insurance liabilities. The Banking interest rate risk is derived from the banking book and Pohjola Bank plc's trading portfolio. The interest rate risk of items not in the trading book is by nature related to structural interest income from financing.

The interest rate risk associated with the banking book of Group member banks is mainly managed by the choice of borrowing and lending products and the terms and conditions offered. Group member banks may also protect against interest rate risk in their banking book by means of interest-rate derivatives as approved within the Group. In addition to the interest rate monitoring standardised throughout the Group, Pohjola Bank plc interest rate risk is reduced by means of interest rate risk limits specific to responsibility areas. Interest rate risk related to trading and the banking book are limited at Pohjola using the same principles and indicators.

In Life Insurance, interest rate risk is significant in obligations to policyholders that are included in insurance liabilities. These obligations consist of promises of fixed profits and any customer benefits. The purpose of Life Insurance's asset/liability management is to measure and manage the company's entire net interest risk exposure. Interest rate risk for insurance liabilities is hedged fully or partly using interest rate derivatives in order to bring the overall risk exposure to the target level.

10.2 Investment risk

Investment activities are carried out in OP Financial Group within Banking, Insurance and Other operations. The purpose of investments under Other operations is to maintain OP Financial Group's liquidity reserve. The purpose of investment by Banking is to engage in short-term trading. Items included in the liquidity buffer are liquid notes and bonds eligible as collateral for central bank refinancing. The purpose of trading is to trade actively in various instruments and derivative contracts and to invest in Finnish and foreign notes and bonds to support customer business. Investments made by insurance companies are aimed at ensuring customer income (Life Insurance), obtaining assets covering insurance liabilities, and gaining a profit on insurance premiums invested.

Transactions executed by Group member cooperative banks and Helsinki OP Bank Plc in the money and capital market have been restricted in such a way that the number of trading portfolios per bank does not exceed the number permitted to small trading portfolios

in the capital adequacy regulations related to market risk. According to capital adequacy regulations, the value of a small trading book may not permanently exceed 5% and never more than 6% of the balance sheet total and the total amount of off-balance-sheet investments. The value of a small trading book may not permanently exceed EUR 15 million and never EUR 20 million.

Managing investment risks is based on diversification through effective allocation. OP Financial Group's risk policy controls and restricts investment risk-taking. The risk policy provides the Group and its institutions with quantitative and qualitative restrictions in terms of products, regions and creditworthiness.

The risk policy consists of OP Financial Group's risk limits and control limit indicators, supplemented by the central cooperative's risk management guidelines. Annual investment plans, confirmed by the boards of directors of Group institutions, determining the desired risk and return level are also very important. The boards of insurance companies also confirm separate instructions and policies governing the risk management of investments. These investment plans also specify the mix, range and benchmark indices for investment assets as well as other restrictions on investment.

Insurance business investment assets are allocated under restrictions set by the insurance companies' insurance liabilities in terms of return on investment assets, investment asset liquidity and the company's risk-bearing capacity. In Life Insurance, the application of the principle of equity also affects investment targets and the amount of risk taken. We diversify investments effectively among various asset classes and investment instruments, both by region and industry. Market risk is managed by limiting the duration and percentage of fixed-income investments in the investment allocation.

The financial services group's derivatives business is mostly done by Pohjola Bank plc, using the derivatives both for trading and hedging purposes. Group member banks use derivatives to hedge Euribor-linked interest rate risk against a decrease in interest rates and fluctuations in net interest income. Insurance institutions manage market risks associated with investment and insurance liabilities by means of various investment instruments and derivative contracts. The extent and principle of derivatives use is determined annually in the companies' investment plans and the principles governing the use of derivatives.

10.3 Real estate risks

The objective of real estate risk management is to recognise, assess, mitigate and monitor the impairment risk, rental income risk and risk of damage associated with property holdings. In Non-life and Life Insurance, the investment plan includes the confirmed principles of real estate risk management, specifying the amount and diversification of real estate investments.

10.4 Monitoring and reporting

The extent and frequency of market risk reporting in OP Financial Group entities vary by the nature and extent of their business from real-time to monthly monitoring. Pohjola monitors and reports market risks on a daily basis and, to some extent, on a real-time basis. Other entities provide monthly reports to management but perform monitoring on a daily basis whenever necessary. The Central Cooperative's Risk Management provides market risk reports for the member banks and regularly reports the development of the entire OP Financial Group's balance sheet structure and market risks to the Central Cooperative's management.

Market risks are evaluated by means of sensitivity analyses, statistical volatility and correlation analyses, VaR (Value-at-Risk) analyses, and stress tests. The Group monitors derivative risks as part of the exposure using the same benchmarks as for balance sheet exposure.

The Group uses four limits to restrict market risks. Interest rate, credit spread, currency, equity and commodity risk related to trading, and the price risk related to structured products, are limited by means of a VaR limit. The market risk limit for insurance operations has been set on the basis of the ratio between the economic capital requirement and the Group's capital resources concerning the risk in question. Within insurance operations, the economic capital for interest rate, currency, credit spread, equity and commodity risks are calculated using the historical simulation VaR model. The third Group limit has been set for financing interest rate risk and the fourth for present value risk in the banking book.

10.4.1 Interest rate risk

The calculation of interest rate risk for Banking includes all interest-bearing balance sheet items and off-balance-sheet items. This calculation does not make any assumptions of business growth. The effect of customer behaviour on deposits and premature repayment of credit has been taken into account in interest risk assessment. The limit of the financial operation interest risk has been set for an interest income risk, which measures the effect of interest rate changes on net interest income for the next 12 months. As part of regular interest rate risk measurements and reporting, the Group carries out stress tests to analyse the effects of various interest rate changes on the present value of the interest rate risk position.

Interest rate risk arising from insurance companies' investments and insurance liabilities is managed and measured using the economic capital model as part of market risk associated with insurance operations. Interest rate risk is also monitored by the effect of a change of one percentage point or basis point on the value of investments and the insurance liabilities.

10.4.2 Investment risk

In the measurement of risk exposure of investments, the Group uses allocations based on the investments' historical value performance and return, risk, VaR and correlation models. Investment assets undergo sensitivity analyses to assess the effects of changes in share prices, interest rates and the value of real estates. A sensitivity analysis of the credit risk is also carried out for each investment. The effects of exceptional market conditions are assessed by means of stress tests..

10.4.3 Real estate risk

The real estate risks of both cooperative banks and insurance companies are included in the economic capital requirement, which is reported on regularly.

11 Underwriting risks associated with Non-life Insurance

Underwriting risks in non-life insurance comprise risk of loss or damage, and provision risk.

Risk of loss or damage occurs when there is an above-average number of losses or they are exceptionally extensive. This results in profits made of the policies being reduced owing to higher claims expenditure.

Provision risk occurs when the claims expenditure of past losses are higher than forecast on the balance sheet date. The uncertainty concerning the timing of compensation payments also has an effect on the amount of indemnification liability.

A specific risk type consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. In such a case, one catastrophic event may in practice give rise to simultaneously payable claims for a large number of insured risks at high amounts. The resulting total claims expenditure may be extremely large.

Unidentified background factors may also affect underwriting risks. Examples from recent history include cases of occupational diseases caused by exposure to asbestos dust, and the effect of higher life expectancy than predicted on the pension portfolio of statutory insurance.

11.1 Management tools

The most important tasks in managing underwriting risks are risk assessment, selection and rating, obtaining reinsurance, and assessment of insurance liabilities.

Risk assessment, selection and pricing is emphasised in operational models. The purpose of customer

selection is to ensure that a new customer relationship has the ability to succeed. The important thing about premium rating is that the policy price at least covers the expenses arising from the policy. The Group limits the size and extent of risk for each insurance line and risk concentration. Non-life Insurance's insurance portfolio is extremely diversified.

Insurance terms and conditions are a vital tool in limiting risks. In addition, the Group carries out risk analyses by customer or insurance line to limit risks.

Reinsurance is mainly focused on specific objects of insurance and on events that result in losses. In addition to this reinsurance cover for individual risk categories, the non-life insurance company has reinsurance for claim accumulation. The reinsurance principles and the maximum retention levels by claim are annually specified in OP Financial Group's risk policy and approved by the insurance company's Board of Directors. Only reinsurance companies with a sufficiently high credit rating are accepted as reinsurers. Moreover, maximum amounts have been confirmed for the amounts of risk that can be ceded to any one reinsurer. These limits depend on the nature of the risk involved and on the reinsurance company's solvency.

OP Financial Group operates in an area where the risk of natural catastrophes is considered relatively low and the Group can acquire protection against the risk through reinsurance.

Provision risk lies mainly in insurance lines characterised by a long claims settlement period. The assessment of insurance liabilities always involves uncertainties which may be due, for instance, to the forecast of the claims trend, delays in verifying losses, cost inflation, legislative amendments and general economic development. The Group manages insurance liability by monitoring the sufficiency of insurance liabilities on a regular basis.

11.2 Monitoring and reporting

Non-life Insurance uses a probability model for the assessment of insurance risks to assess an optimal solvency level. As regards insurance risks, the model takes account of the different nature of insurance lines and the level of reinsurance.

The Group monitors the adequacy of insurance liabilities on an annual basis. Insurance liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise payable claims and loss adjustment expenses. The amount of insurance liabilities has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and then by determining a safety loading based on the degree of uncertainty related to the liability.

In order to ensure that the pricing corresponds with the risks, claims expenditure is monitored regularly in relation to insurance premiums.

In Group-level risk limit indicators, underwriting risks are restricted using an indicator that measures the ratio between economic capital and the Group's capital base. Economic capital for underwritings risk is measured using the insurance company's own risk model.

More detailed information on Non-life Insurance risks can be found in Pohjola's financial statements.

12 Underwriting risks associated with Life Insurance

In life insurance, underwriting risks comprise biometric risk, customer behaviour risk and cost risk.

Biometric risks occur when disability, death or illness causes compensations to be higher than predicted, or pensions being paid for a longer period than expected.

Mortality and life expectancy affect a life insurance company's risk exposure in pure life insurance policies and pension policies. Longevity risk is particularly prevalent in group pension insurance policies under a defined benefit plan, because these contracts do not contain any significant amount of the opposite mortality risk.

Disability risk is included in insurance contracts on the basis of which compensation is paid for reduced incapacity for work or losses caused by this.

The policyholders' customer behaviour may give rise to lapse risk and repurchase risk. Policyholders have the right to stop paying their premiums, terminate the contract prematurely or change the contract if there is an option provided for this; this will result in higher exposure by the company. One example of such options is the customer's right to change the profit type of his assets from unit-linked to one with a guaranteed interest rate, which increases the market risk. Another example is the postponement of pension, which increases the longevity risk. Savings insurance policies and capital redemption contracts with the right of surrender are particularly susceptible to risk of termination related to customer behaviour. Surrender of pension insurance is possible only in exceptional circumstances.

Expense risk refers to a situation in which incurred insurance contract management expenses differ from those estimated in pricing.

12.1 Management tools

Underwriting risk management tools include prudent pricing, careful selection of exposure and reinsurance. Diversifying insurance between different insurance types also reduces risks. Life insurance reinsures, when necessary, any major individual risks and risk concentrations.

Risks related to mortality and longevity are priced in a secure way on the basis of the conditions and situation prevailing when the policy is issued. The company may change the prices of these long-term contracts to a very limited extent. This is why the risk for any later changes in the pricing bases will be borne by the insurance company so that the premiums of new policies are increased and the company records an insurance liability supplement to sold policies. Offering insurance policies that have opposite risk exposures reduces the net risk of the entire insurance portfolio.

The primary method for managing disability risk is by appropriate pricing.

Termination risk related to customer behaviour and risk of a customer's option to change the profit type of his assets to one with the guaranteed interest rate are managed through a competitive range of products, suitable product structures and incentives and sanctions in the contract terms and conditions. Termination of insurance policies may also jeopardise the accuracy of cost assumptions used for pricing and thereby contribute to the materialisation of the expense risk.

The Group manages expense risk by means of sufficient cost control and appropriate pricing. The Group monitors regularly the realisation of assumptions made with regard to pricing and, if necessary, increases the premiums of new policies and records a supplement to insurance liabilities with regard to the sold policies.

12.2 Monitoring and reporting

The Group monitors changes in underwriting risks by insurance type on a monthly basis, with more detailed analyses carried out when necessary. A more detailed analysis is carried out annually, showing risk materialisation by insurance type and age group. The Group monitors operating expenses by main category on a monthly basis. A more detailed report is made annually to analyse performance by insurance type and function. The Group also monitors customer behaviour, payments, terminations and transfer of savings between different types of profit performance bases.

Legislative amendments may lead to such changes in the insurance terms and conditions that may have an effect especially on the sales of new policies and customer behaviour. Such amendments include

amendments to laws or directives affecting long-term saving products or the premium rating bases of life insurance policies. Life insurance companies follow any legislative amendments and, whenever necessary, adjust their insurance contract pricing and terms and conditions as required by laws and in the manner as required by the companies' solvency management.

A Group-level limit has been set for Life Insurance's underwriting risk which describes economic capital of the underwriting risk in relation to the Group's capital base. Economic capital for underwritings risk is measured using the insurance company's own risk model.

Notes to OP Financial Group Financial Statements

Note 3. Change in accounting policy

OP Financial Group has applied the following standards since 1 January 2014: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" revised as a result of the standards. According to IFRS 10, control determines whether the parent company consolidates an entity. The Group has control over an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. As a result of the adoption of the standards, the accounts of 65 OP-Kiinteistökeskus real estate agencies, seven real estate investment trusts and private equity funds and three property investment companies have been included in OP Financial Group's financial statements as new subsidiaries. In addition, four private equity funds are consolidated as associates using the equity method. Around 1,200 property companies have been reported as joint operations to which proportionate consolidation applies. New subsidiaries and associates are reported in the operating segments of Banking, Wealth Management, Non-life Insurance and Other Operations. The proportion of non-controlling interests has increased in OP Financial Group.

Effect on consolidated income statement for 1 Jan.–31 Dec. 2013

EUR million	1 Jan.–31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan.–31 Dec. 2013 (restated)
Interest income	2,512	1	2,514
Interest expenses	1,599	0	1,599
Net interest income before impairment losses	913	1	915
Impairments of receivables	84		84
Net interest income after impairments	830	1	831
Net income from Non-life Insurance operations	524	0	524
Net income from Life Insurance operations	175	0	175
Net commissions and fees	625	69	694
Net trading income	114	0	114
Net investment income	66	2	68
Other operating income	95	-9	86
Total net income	2,429	64	2,493
Personnel costs	753	38	791
Other administrative expenses	373	11	384
Other operating expenses	404	18	422
Total expenses	1,530	67	1,598
Returns to owner-members	193	0	193
Share of associates' profits/losses	0	-1	-1
Earnings before tax for the period	705	-4	701
Income tax expense	32	3	36
Profit for the period	673	-8	665
Attributable to, EUR million			
Owners	672	-11	661
Non-controlling interests	0	4	4
Total	673	-8	665

Effect on the consolidated statement of comprehensive income for 1 Jan.–31 Dec. 2013

EUR million	1 Jan.–31 Dec. 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.–31 Dec. 2014 (restated)
Profit for the period	673	-8	665
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	19		19
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value	-13	4	-9
Cash flow hedge	-30		-30
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	26		26
Items that may be reclassified to profit or loss			
Measurement at fair value	-20	1	-19
Cash flow hedge	-9		-9
Total comprehensive income for the period	651	-5	647
Attributable to, EUR million			
Owners	651	-8	643
Non-controlling interests	0	4	4
Total	651	-5	647

Effect on the consolidated balance sheet on 1 Jan. 2013 and 31 Dec. 2013

EUR million	1 Jan. 2013 (as presented previously)	Effect of change in accounting policy	1 Jan. 2013 (restated)	31 Dec. 2013 (as presented previously)	Effect of change in accounting policy	31 Dec. 2013 (restated)
Cash and cash equivalents	5,784		5,784	2,172		2,172
Receivables from credit institutions	840	1	841	848	0	849
Financial assets at fair value through profit or loss	358		358	537		537
Derivative contracts	4,436	0	4,436	3,423		3,423
Receivables from customers	65,161	-110	65,051	68,255	-112	68,142
Non-life Insurance assets	3,492	-16	3,476	3,497	-18	3,479
Life Insurance assets	9,173	1	9,173	9,880	-7	9,872
Investment assets	6,596	123	6,719	8,613	141	8,753
Investments in associates	39	14	53	40	15	54
Intangible assets	1,320	1	1,321	1,338	1	1,339
Property, plant and equipment (PPE)	710	-45	664	760	-34	726
Other assets	1,745	7	1,752	1,548	7	1,554
Tax assets	115	21	137	72	19	91
Total assets	99,769	-4	99,766	100,981	9	100,991
Liabilities to credit institutions	1,965	1	1,966	1,032	7	1,039
Financial liabilities at fair value through profit or loss	3		3	4		4
Derivative contracts	4,162	0	4,162	3,157		3,157
Liabilities to customers	49,650	-23	49,627	50,175	-18	50,157
Non-life Insurance liabilities	2,592	6	2,598	2,746		2,746
Life Insurance liabilities	8,970		8,970	9,771		9,771
Debt securities issued to the public	19,270		19,270	21,428		21,428
Provisions and other liabilities	3,297	6	3,303	2,680	11	2,691
Tax liabilities	990	0	990	807	1	808
Cooperative capital	622		622	606		606
Subordinated liabilities	1,114	1	1,115	860	1	861
Total liabilities	92,635	-9	92,627	93,265	2	93,267

Equity capital**Share of OP-Pohjola Group's owners**

Share and cooperative capital	336	0	336	339	0	339
Fair value reserve	339	0	339	325	3	328
Other reserves	2,683	0	2,683	2,739	0	2,739
Retained earnings	3,752	-43	3,709	4,277	-59	4,218
Non-controlling interests	24	48	73	36	64	100
Total equity capital	7,134	5	7,139	7,717	8	7,724
Total liabilities and equity capital	99,769	-4	99,766	100,981	9	100,991

Effect on the consolidated cash flow statement 1 Jan.–31 Dec. 2013

Milj. e	2013 (as presented previously)	Effect of change in accounting policy	2013 (restated)
Cash flow from operating activities			
Profit for the financial year	673	-8	665
Adjustments to profit for the financial year	710	15	724
Increase (-) or decrease (+) in operating assets	-5,833	5	-5,828
Receivables from credit institutions	215		215
Financial assets at fair value through profit or loss	-326		-326
Derivative contracts	26		26
Receivables from customers	-3,217	2	-3,215
Non-life Insurance assets	-65	2	-63
Life Insurance assets	-412	-9	-421
Investment assets	-2,310	14	-2,297
Other assets	257	-4	253
Increase (+) or decrease (-) in operating liabilities	-944	10	-934
Liabilities to credit institutions	-913	6	-907
Financial liabilities at fair value through profit or loss	1		1
Derivative contracts	-18		-18
Liabilities to customers	525	5	530
Non-life Insurance liabilities	48	0	48
Life Insurance liabilities	189		189
Provisions and other liabilities	-776	-1	-777
Income tax paid	-172	-1	-173
Dividends received	105	0	106
A. Net cash from operating activities	-5,461	21	-5,440
Cash flow from investing activities			
Increases in held-to-maturity financial assets	-4		-4
Decreases in held-to-maturity financial assets	135		135
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-5	0	-5
Purchase of PPP and intangible assets	-206	-22	-228
Proceeds from sale of PPE and intangible assets	17	0	17
B. Net cash used in investing activities	-63	-22	-85

Cash flow from financing activities

Decreases in subordinated liabilities	-234		-234
Increases in debt securities issued to the public	24,466		24,466
Decreases in debt securities issued to the public	-22,003		-22,003
Increases in cooperative and share capital	183		183
Decrease in cooperative and share capital	-195		-195
Dividends paid and interest on cooperative capital	-81		-81
Returns to owner-members	-7		-7
C. Net cash used in financing activities	2,129		2,129
Net change in cash and cash equivalents (A+B+C)	-3,396	0	-3,396
 Cash and cash equivalents at period-start	 5,872	 1	 5,873
Cash and cash equivalents at period-end	2,476	0	2,476

EUR million	2013 (as presented previously)	Effect of change in accounting policy	2013 (restated)
Interest received	2,533		2,533
Interest paid	-1,694		-1,694
Adjustments to profit for the financial year			
Non-cash items and other adjustments			
Impairment losses on receivables	99		99
Unrealised net earnings in Non-life Insurance	108		108
Unrealised net earnings in Life Insurance	316		316
Change in fair value for trading	-214		-214
Unrealised net gains on foreign exchange operations	2		2
Change in fair value of investment property	-12		-12
Planned amortisation and depreciation	135	11	146
Share of associates' profits/losses	3	0	3
Other	259	3	262
Items presented outside cash flow from operating activities			
Capital gains, share of cash flow from investing activities	-3	0	-3
Interest on cooperative capital	11		11
Other returns to owner-members	7		7
Total adjustments	710	15	724
Cash and cash equivalents			
Liquid assets	2,179		2,179
Receivables from credit institutions payable on demand	297	0	298
Total	2,476	0	2,476

Notes to OP Financial Group Financial Statements

Note 4. Business combinations during the financial year

In September, OP Cooperative, the central cooperative of OP Financial Group bought all shares in Checkout Finland Oy, a provider of payment services for Finnish web shops. The consolidation of Checkout Finland Oy had no major effect on the Group's earnings and balance sheet.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 5. Net interest income

EUR million	2014	2013 Restated*
Interest income		
Receivables from credit institutions	4	11
Receivables from customers		
Loans	1,305	1,233
Finance lease receivables	24	22
Impaired loans and other commitments	0	3
Notes and bonds		
Held for trading	15	11
At fair value through profit or loss	0	1
Available for sale	171	157
Held to maturity	5	6
Loans and receivables	8	9
Derivative contracts		
Held for trading	1,237	1,134
Fair value hedge	-116	-104
Cash flow hedge	30	25
Ineffective portion of cash flow hedge	2	3
Other	4	4
Total	2,688	2,514

Interest expenses

Liabilities to credit institutions	3	5
Financial liabilities at fair value through profit or loss	0	0
Liabilities to customers	210	268
Notes and bonds issued to the public	424	339
Subordinated liabilities		
Subordinated loans	6	6
Other	36	39
Derivative contracts		
Held for trading	1,104	1,098
Cash flow hedge	-150	-155
Other	8	1
Total	1,643	1,600
 Net interest income before fair value adjustment under hedge accounting	 1,045	 914
Hedging derivatives	-121	-257
Value changes of hedged items	119	257
Total net interest income	1,043	915

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 6. Impairment losses on receivables

EUR million	2014	2013
Receivables written down as loan and guarantee losses	71	61
Recoveries of receivables written down	-13	-15
Increase in impairment losses	110	110
Reversal of impairment losses	-87	-72
Collectively assessed impairment losses	7	-1
Total	88	84

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 7. Net income from Non-life Insurance

EUR million	2014	2013 Restated*
Insurance premium revenue		
Premiums written	1,393	1,346
Change in provision for unearned premiums	-29	-37
Gross insurance premium revenue	1,364	1,309
Reinsurers' share	-54	-60
Total	1,310	1,249
Net investment income	169	126
Claims incurred		
Claims paid (excl. loss adjustment expenses)	828	786
Change in provision for unpaid claims**	61	65
Gross total claims incurred	889	851
Reinsurers' share	-44	-42
Total	845	809
Other Non-life Insurance items	42	43
Net income from Non-life Insurance	593	524

Insurance premium revenue and insurance premiums ceded to reinsurers

Short-term insurance contracts		
Premiums written	1,390	1,342
Change in provision for unearned premiums	-31	-38
Long-term insurance contracts		
Premiums written	3	4
Change in provision for unearned premiums	2	1
Gross insurance premium revenue	1,364	1,309

Reinsurers' share of short-term insurance contracts		
Premiums written	-54	-56
Change in provision for unearned premiums	1	-3
Reinsurers' share of long-term insurance contracts		
Premiums written	-1	-1
Change in provision for unearned premiums	0	0
Total reinsurers' share	-54	-60
Net insurance premium revenue	1,310	1,249

Net investment income from Non-life Insurance

Loans and receivables

Interest income	5	5
Interest expenses	-1	-1
Capital gains and losses	0	-
Fair value gains and losses	1	-1
Loans and receivables total	5	3

Net income from financial assets recognised at fair value through profit or loss

Interest income

Notes and bonds	0	1
Derivatives	0	0
Total	0	1

Capital gains and losses

Notes and bonds	-	2
Derivatives	-22	-1
Total	-22	1

Fair value gains and losses

Notes and bonds	1	3
Derivatives	-2	4
Total	-1	6

Total net income from financial assets recognised at fair value through profit or loss	-24	8
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Net income from available-for-sale financial assets

Notes and bonds

Interest income	51	52
Other income and expenses	0	0

Capital gains and losses	35	-2
Transferred from fair value reserve during the financial year	25	21
Fair value gains and losses	1	-1
Impairment losses	0	-1
Total	112	68
Shares and participations		
Dividends	18	25
Other income and expenses	1	2
Capital gains and losses	13	3
Transferred from fair value reserve during the financial year	41	19
Fair value gains and losses	-1	-2
Impairment losses	-2	-5
Total	70	41
Total net income from available-for-sale financial assets	181	110
Net income from investment property		
Rental income	16	15
Capital gains and losses	0	-1
Value changes from fair value measurement	2	4
Maintenance charges and expenses	-10	-12
Other	-1	-1
Total net income from investment property	7	5
Total net investment income from Non-life Insurance	169	126

Unwinding of discount, Non-life Insurance

The increase in the discounted insurance liabilities of Non-life Insurance due to the passage of time (Note 36) (unwinding of discount) totals EUR 41 million (43). Unwinding of discount is computed monthly applying the discount rate at the end of the previous month and the insurance liabilities at the beginning of the current month. The discount rate is about 2.5% (2.8).

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

* The item includes EUR 62 million (38) as a result of the changed discount rate for insurance liabilities.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 8. Net income from Life Insurance

EUR million	2014	2013 Restated*
Premiums written	1,230	1,074
Insurance premiums ceded to reinsurers	-23	-25
Net investment income	1,111	521
Claims incurred		
Benefits paid	738	750
Change in provision for unpaid claims	9	16
Reinsurers' share	-9	-11
Change in insurance contract liabilities		
Change in life insurance provision	168	597
Reinsurers' share	-1	1
Other	1,215	42
Total net income from Life Insurance	197	175

Premiums written in Life Insurance

Premiums written from insurance contracts

Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)

Savings insurance	16	18
Personal pension insurance	32	38
Group pension insurance	64	60
Term insurance		
Personal insurance	77	77
Supplementary group insurance	2	2
Employees' group life insurance	11	12
Total term insurance	90	92
Total	201	207

Premiums written from unit-linked insurance contracts		
Savings insurance	944	775
Personal pension insurance	71	79
Group pension insurance	13	13
Total	1,028	867
Total	1,230	1,074

Premiums written from investment contracts

Premiums written from investment contracts with entitlement to discretionary portion of surplus	0	1
Premiums written from unit-linked investment contracts	124	130
Total	124	131

Total direct insurance	1,354	1,205
Assumed reinsurance	2	0
Total premiums written	1,355	1,205

Regular premiums from insurance contracts	844	728
Regular premiums from investment contracts	63	75
Single premiums from insurance contracts	386	345
Single premiums from investment contracts	63	56
Total	1,355	1,205

Net investment income from Life Insurance

Loans and receivables

Interest income	4	7
Interest expenses	0	-1
Capital gains and losses	1	6
Fair value gains and losses	1	-2
Impairment losses	0	0
Loans and receivables total	5	10

Net income from financial assets recognised at fair value through profit or loss

Interest income

Notes and bonds	0	8
Derivatives	12	0
Other	-	3
Total	12	11

Capital gains and losses

Notes and bonds	1	-4
Derivatives	249	1
Total	250	-3

Fair value gains and losses

Notes and bonds	0	1
Derivatives	40	-81
Total	40	-81

Total net income from financial assets recognised at fair value through profit or loss	302	-73
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Net income from available-for-sale financial assets

Notes and bonds

Interest income	34	38
Capital gains and losses	26	-9
Transferred from fair value reserve during the financial year	6	16
Fair value gains and losses	1	0
Impairment losses	-1	-9
Total	67	36

Shares and participations

Dividends	42	46
Other income	1	1
Capital gains and losses	2	3
Transferred from fair value reserve during the financial year	61	55
Fair value gains and losses	-1	-1
Impairment losses	-12	-21
Total	93	83

Total net income from available-for-sale financial assets	160	119
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Net income from investment property		
Rental income	7	9
Capital gains and losses	0	4
Value changes from fair value measurement	1	5
Maintenance charges and expenses	-6	-9
Other	-1	-1
Total net income from investment property	2	9
Assets serving as cover for unit-linked policies		
Shares, participations and others		
Interest income	0	0
Capital gains and losses	81	86
Fair value gains and losses	511	328
Other	51	41
Total assets serving as cover for unit-linked policies	643	455
Total net income from investment operations	1,111	521

Benefits paid in Life Insurance

Benefits paid from insurance contracts

Benefits paid from insurance contracts entitling to discretionary portion of surplus

Savings insurance

Maturities	75	120
Death benefits	41	43
Surrenders	26	25
Total	141	187

Personal pension insurance

Annuities	69	65
Death benefits	2	2
Surrenders	3	3
Total	73	70

Group pension insurance

Annuities	67	65
Lump-sum benefits	1	1
Surrenders	3	2
Total	71	68

Term insurance		
Personal insurance	23	24
Supplementary group insurance	0	1
Employees' group life insurance	7	8
Total	30	32
Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	60	38
Death benefits	74	52
Surrenders	271	288
Total	405	378
Personal pension insurance		
Annuities	10	7
Death benefits	2	2
Surrenders	6	7
Total	17	15
Group pension insurance		
Annuities	0	0
Death benefits	0	0
Surrenders	0	0
Total	0	0
Total benefits paid from insurance contracts	738	750
Benefits paid from investment contracts		
Benefits paid from unit-linked investment contracts		
Maturities	3	5
Surrenders	41	39
Total	44	45
Total benefits paid from investment contracts	44	45
Total direct insurance	782	795
Total benefits paid in Life Insurance	782	795

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 9. Net commissions and fees

EUR million	2014	2013 Restated*
Commissions and fees		
Lending	207	199
Deposits	5	6
Payment transfers	238	212
Securities brokerage	23	22
Securities issuance	11	11
Mutual fund brokerage	109	90
Asset management and legal services	82	74
Insurance brokerage	55	61
Guarantees	22	23
Housing service	70	71
Other	25	25
Total	847	794
Commission expenses		
Payment transfers	60	44
Securities	8	7
Other	52	49
Total	120	100
Net commissions and fees	727	694

The item Other commission expenses includes EUR 15 million (EUR 12 million) of commissions paid for asset management and legal assignments and EUR 36 million (EUR 37 million) of other commissions paid.

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 10. Net trading income

EUR million	2014	2013 Restated*
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	7	4
Shares and participations	4	5
Derivatives	25	69
Total	35	77
Fair value gains and losses		
Notes and bonds	3	-2
Shares and participations	1	3
Derivatives	21	12
Total	25	13
Dividend income from assets held for trading	1	1
Total financial assets and liabilities held for trading	61	90
Assets and liabilities recognised at fair value through profit or loss		
Capital gains and losses		
Notes and bonds	1	0
Derivatives	0	1
Total	1	1
Fair value gains and losses		
Notes and bonds	-1	1
Total	-1	1
Total assets and liabilities recognised at fair value through profit or loss	0	2
Net income from foreign exchange operations		
Exchange-rate differences	-78	-1
Other	105	23
Total net income from foreign exchange operations	28	22
Total net trading income	88	114

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 11. Net investment income

EUR million	2014	2013 Restated*
Available-for-sale financial assets		
Notes and bonds		
Capital gains and losses	10	14
Transferred from fair value reserve during the financial year	4	2
Impairment losses and their reversal	0	0
Total	15	16
Shares and participations		
Capital gains and losses	8	1
Transferred from fair value reserve during the financial year	15	2
Impairment losses	-3	-2
Total	19	1
Carried at amortised cost		
Capital gains and losses**	0	1
Transferred from fair value reserve during the financial year	0	0
Total	0	0
Dividend income	39	32
Total net income from available-for-sale financial assets	73	49
Net income from investment property		
Rental income	43	42
Capital gains and losses	-5	8
Gains on fair value measurement	-1	5
Maintenance charges and expenses	-36	-36
Other	1	1
Net income from investment property total	1	19
Other	0	0
Total net investment income	74	68

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

** Note 26 contains information on capital losses recognised on financial assets carried at amortised cost.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 12. Other operating income

EUR million	2014	2013 Restated*
Rental income from property in Group use	14	13
Capital gains on property in Group use	1	4
Income from corporate transactions	0	1
Insurance claims and benefits	0	0
Other income from Non-life and Life Insurance	2	2
Leasing agreements	5	5
ADP income	3	12
Income from debt collection	2	2
Other	37	47
Total	64	86

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 13. Personnel costs

EUR million	2014	2013 Restated*
Wages and salaries	544	570
Variable remuneration	53	71
Pension costs		
Defined contribution plans	75	84
Defined benefit plans	31	30
Other personnel related costs	37	37
Total personnel costs	741	791

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 14. Other administrative expenses

EUR million	2014	2013 Restated*
Office expenses	74	72
ICT costs	193	160
Telecommunications	35	37
Marketing	35	35
Corporate social responsibility expenses	7	6
Other administrative expenses	71	73
Total other administrative expenses	414	384

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 15. Other operating expenses

EUR million	2014	2013 Restated*
Rental expenses	5	4
Expenses for property in Group use	86	84
Capital losses on property in Group use	1	1
Depreciation and amortisation		
Buildings	23	22
Machinery and equipment	14	21
Intangible assets	50	46
Intangible assets related to business combinations	41	42
Other	12	14
Total	140	145
Impairments		
Property in Group use	10	2
Goodwill	0	0
Total	10	2
Bank levy	43	46
Contribution to the Deposit Protection Fund	29	29
Other	124	111
Total other operating expenses	437	422

The item Other in Other operating expenses includes EUR 14 million (EUR 13 million) in supervision, inspection and membership fees, EUR 11 million (EUR 10 million) in insurance and security expenses, EUR 9 million (EUR 11 million) in other expenses of Non-life Insurance and EUR 89 million (EUR 77 million) in other operating expenses.

Audit fees paid to auditors total EUR 2,2 million (EUR 1.8 million), whereas assignments as referred to in Section 1, Sub-paragraph 1(2) of the Auditing Act were EUR 0.2 million (EUR 0.3 million), fees for legal counselling EUR 0.1 million (EUR 0.2 million) and fees for other services EUR 1.1 million (EUR 1.2 million).

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 16. Returns to owner-members

EUR million	2014	2013
Bonuses	189	182
Interest on cooperative capital	6	11
Total returns to owner-members	195	193

Returns to owner-members include interest on cooperative capital payable to the members of OP Financial Group member cooperative banks for the financial year and bonuses earned by owner-members due to their regular use of banking services as loyal customers in the financial year.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 17. Income tax

EUR million	2014	2013 Restated*
Current tax	337	133
Tax for previous financial years	25	-11
Deferred tax	-54	-87
Income tax expense	308	36
Corporate income tax rate	20	24.5

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Earnings before tax	915	701
Tax calculated at a tax rate of 20.0% (2013 24.5%)	183	172
Tax for previous financial years	25	-11
Income not subject to tax	-33	-16
Expenses not deductible for tax purposes	28	25
Re-evaluation of unrecognised tax losses	4	8
Tax adjustments	-10	6
Effect of internal Group capital gains on Pohjola transaction	109	-
Tax rate change on 1 Jan 2014	-	-153
Other items	3	5
Tax expense	308	36

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 18. Liquid assets

EUR million	31 Dec. 2014	31 Dec. 2013
Cash	116	126
Deposits with central banks repayable on demand		
Pohjola Bank's minimum reserve deposit	537	527
Cheque account	3,236	1,518
Total liquid assets	3,888	2,172

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 1% of the reserve base. Credit institutions within OP Financial Group place a reserve deposit with Pohjola Bank plc, which acts as an intermediary authorised by OP Financial Group credit institutions and is responsible for OP Financial Group's obligation to place a deposit with the Bank of Finland.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 19. Receivables from credit institutions

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Receivables from credit institutions		
Deposits		
Repayable on demand	234	298
Other	3	14
Total	237	311
Loans and receivables		
Other	261	316
Notes and bonds	188	222
Total	449	538
Total	686	849
Total receivables from credit institutions	686	849

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 20. Financial assets at fair value through profit or loss

EUR million	31 Dec. 2014	31 Dec. 2013
Financial assets held for trading		
Government notes and bonds	6	14
Certificate of deposits and commercial papers	29	4
Debentures	20	8
Perpetual loans	1	6
Bonds	293	401
Other notes and bonds	4	6
Shares and participations	73	87
Loans acquired and other receivables	-	-
Total	426	525
Financial assets at fair value through profit or loss at inception		
Bonds	1	7
Other notes and bonds	-	5
Total	1	11
Total financial assets at fair value through profit or loss	427	537

Notes and bonds at fair value through profit or loss and shares and participations by quotation and issuer

Financial assets held for trading	31 Dec. 2014		31 Dec. 2013	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
EUR million				
Quoted				
From public corporations	4	-	9	-
From others	316	72	422	86
Other				
From public corporations	29	-	4	-
From others	4	0	4	1
Total	353	73	438	87
Financial assets at fair value through profit or loss at inception	31 Dec. 2014		31 Dec. 2013	
	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
EUR million				
Quoted				
From others	0	-	7	-
Other				
From others	0	-	5	-
Total	1	-	11	-
Total financial assets at fair value through profit or loss	354	73	450	87

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 21. Derivative contracts

EUR million	31 Dec. 2014	31 Dec. 2013
Held for trading		
Interest rate derivatives	4,533	2,592
Currency derivatives	647	169
Equity and index derivatives	62	108
Credit derivatives	2	3
Commodity derivatives	54	55
Total	5,299	2,927
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	479	424
Currency derivatives	83	38
Cash flow hedge		
Interest rate derivatives	10	18
Total	572	479
Other hedging derivatives		
Interest rate derivatives	49	17
Other	0	0
Total	49	17
Total derivative contracts	5,920	3,423

The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 22. Receivables from customers

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Loans to the public and public corporations	65,441	63,439
Notes and bonds	20	52
Finance lease receivables	1,162	1,148
Guarantee receivables	23	13
Other receivables	4,519	3,940
Total	71,166	68,591
Impairment losses	-483	-449
Total receivables from customers	70,683	68,142

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Changes in impairment losses on loans and guarantee receivables in receivables from customers and credit institutions

EUR million	Loans	Notes and bonds	Bank guarantee recei- vables	Interest recei- vables	Total
Impairment losses 1 January 2014	446	-	9	-6	449
Increase in impairments of individually assessed loans and receivables	101	-	11	-15	97
Change in impairments of collectively assessed loans and receivables	7	-	-	0	7
Reversal of impairments of loans and receivables individually assessed	-47	-	0	19	-28
Loans and guarantee receivables derecognised from the balance sheet, of which an individually assessed impairment was recognised	-43	-	-	-	-43
Exchange rate difference adjustments	-	-	-	-	-
Impairment losses 31 December 2014	464	-	19	-2	483

EUR million					
Impairment losses 1 January 2013	404	7	7	-5	413
Increase in impairments of individually assessed loans and receivables	107	-	2	-13	96
Change in impairments of collectively assessed loans and receivables	-1	-	-	-	-1
Reversal of impairments of loans and receivables individually assessed	-37	-	0	13	-24
Loans and guarantee receivables derecognised from the balance sheet, of which an individually assessed impairment was recognised	-28	-7	-	-	-35
Exchange rate difference adjustments	-	0	-	-	0
Impairment losses 31 December 2013	446	-	9	-6	449

Finance lease receivables

Pohjola Bank plc within OP Financial Group leases transport equipment and industrial machinery and equipment through finance leases.

EUR million	31 Dec. 2014	31 Dec. 2013
Maturity of finance leases		
Not later than one year	307	322
1-5 years	550	528
Over 5 years	393	390
Gross investment in finance leases	1,250	1,240
Unearned finance income (-)	-88	-93
Present value of minimum lease payments	1,162	1,148
Present value of minimum lease payment receivables		
Not later than one year	288	302
1-5 years	509	487
Over 5 years	365	358
Total	1,162	1,148
Gross increase in the financial period	359	487

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 23. Non-life Insurance assets

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Investments		
Loans and receivables	14	15
Shares and participations	463	471
Investment property	161	152
Notes and bonds	2,297	2,014
Derivative contracts	12	4
Other	207	300
Total	3,154	2,956
Other assets		
Prepayments and accrued income	33	40
Other		
From direct insurance	404	324
From reinsurance	100	90
Cash in hand and at bank	41	4
Other receivables	66	64
Total	643	523
Total Non-life Insurance assets	3,797	3,479

Non-life Insurance investments	31 Dec. 2014	31 Dec. 2013 Restated*
Loans and receivables		
Loans	14	14
Deposits with ceding undertakings	1	1
Total	14	15

Financial assets recognised at fair value through profit or loss		
Notes and bonds	7	6
Derivative contracts	12	4
Total	19	10
Available-for-sale financial assets		
Notes and bonds	2,290	2,007
Shares and participations	463	471
Other participations	207	300
Total	2,960	2,779
Investment property		
Land and water areas	23	22
Buildings	138	131
Total	161	152
Total Non-life Insurance investments	3,154	2,956

Breakdown of Non-life Insurance notes and bonds recognised through profit or loss, shares and participations and derivatives by quotation and issuer.

EUR million	31 Dec. 2014			31 Dec. 2013		
	Notes and bonds	Shares and participations	Derivative contracts	Notes and bonds	Shares and participations	Derivative contracts
Quoted						
From others	7	-	-	6	-	-
Other						
From others	-	-	12	-	-	4
Total	7	-	12	6	-	4

Available-for-sale financial assets of Non-life Insurance, 31 December 2014

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total*
Quoted						
From public corporations	503	-	503	-	-	-
From others	1,787	-	1,787	412	-	412
Other						
From others	-	-	0	258	-	258
Total	2,290	-	2,290	670	-	670
Impairment losses for the financial year	0	-	0	-2	-	-2

* Available-for-sale shares and participations include EUR 463 million (EUR 471 million) in equities and mutual funds with equity risk and EUR 207 million (EUR 300 million) in other participations. Other participations consist mainly of units in bond, money market, convertible bond, commodities, hedge funds and real estate funds.

The available-for-sale financial assets of Non-life Insurance include EUR 2 million (EUR 4 million) in pledged items. The items mainly consist of notes and bonds in collateral for derivatives trading.

Available-for-sale financial assets of Non-life Insurance, 31 December 2013 restated*

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total
Quoted						
From public corporations	465	-	465	-	-	-
From others	1,527	-	1,527	581	-	581
Other						
From others	14	-	14	191	-	191
Total	2,007	-	2,007	771	-	771
Impairment losses for the financial year	-1	-	-1	-5	-	-5

Changes in Non-life Insurance investment property	2014	2013 Restated*
Acquisition cost 1 January	133	143
Increase	11	18
Decrease	-5	-8
Transfers between items	0	-20
Acquisition cost 31 December	138	133
Accumulated changes in fair value 1 January	19	17
Changes in fair value during financial year	2	4
Decrease	1	-2
Accumulated changes in fair value 31 December	22	19
Carrying amount 31 December	161	152

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Constructions and repair obligations regarding investment property in the accounting period amounted to EUR 2 million (2). The fair value of investment property holdings excludes the portion of debt.

A total of 86% of Non-life Insurance's investment property holdings, or EUR 90 million, was appraised by external property valuers, all of them being authorised property valuers (AKA). These valuers were Olli Kantanen and Antti Hänninen employed by Realia Group Oy.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 24. Life Insurance assets

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Investments		
Loans and receivables	59	77
Shares and participations	1,160	1,369
Investment property	101	108
Notes and bonds	2,209	1,815
Derivative contracts	66	71
Total	3,594	3,440
Investments serving as cover for unit-linked policies		
Shares, participations and other investments	7,492	6,300
Other assets		
Prepayments and accrued income	49	47
Other		
Direct insurance operations	11	5
Reinsurance operations	79	77
Cash in hand and at bank	13	3
Total	153	132
Total Life Insurance assets	11,238	9,872

	31 Dec. 2014	31 Dec. 2013 Restated*
Life Insurance investments		
Loans and receivables		
Loans	42	63
Other receivables	17	14
Total	59	77
Financial assets recognised at fair value through profit or loss		
Notes and bonds	7	16
Shares and participations	0	0
Derivative contracts	66	71
Total	73	87
Available-for-sale financial assets		
Notes and bonds	2,202	1,799
Shares and participations	1,160	1,369
Total	3,362	3,168
Investment property		
Land and water areas	16	17
Buildings	85	91
Total	101	108
Total investments	3,594	3,440

Breakdown of Life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations by quotation and issuer

EUR million	31 Dec. 2014			31 Dec. 2013		
	Notes and bonds	Shares and parti- cipations	Derivative contracts	Notes and bonds	Shares and parti- cipations	Derivative contracts
Quoted						
From others	7	-	66	16	-	71
Total	7	-	66	16	-	71

Available-for-sale financial assets of Life Insurance, 31 December 2014

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total
Quoted						
From public corporations	605	-	605	-	-	-
From others	1,597	-	1,597	1,160		1,160
Total	2,202	-	2,202	1,160	-	1,160
Impairment losses for the financial year	-1	-	-1	-12	-	-12

Available-for-sale financial assets of Life Insurance, 31 December 2013 Restated*

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations		
	At fair value	At amortised cost	Total	At fair value	At cost	Total
Quoted						
From public corporations	522	-	522	-	-	-
From others	1,276	-	1,276	1,369		1,369
Total	1,799	-	1,799	1,369	-	1,369
Impairment losses for the financial year	-9	-	0	-21	-	-21

Changes in Life Insurance investment property	31 Dec. 2014	31 Dec. 2013 Restated*
Acquisition cost 1 January	90	133
Increase	4	16
Decrease	-12	-59
Transfers between items	0	-
Acquisition cost 31 December	82	90
Accumulated changes in fair value 1 January	18	23
Changes in fair value during financial year	1	-5
Accumulated changes in fair value 31 December	19	18
Carrying amount	101	108

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

The fair value of investment property holdings excludes the portion of debt. Constructions and repair obligations regarding investment property amounted to EUR 0 million (0).

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 25. Investment assets

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Available-for-sale financial assets		
Notes and bonds	8,282	7,602
Shares and participations	525	359
Total	8,807	7,961
Held-to-maturity investments	191	271
Investment property		
Land and water areas	66	66
Buildings	435	454
Total	502	521
Total investment assets	9,500	8,753

Held-to-maturity investments include bonds worth EUR 113 million (164) and other notes and bonds totalling EUR 78 million (107). Investment property contains property used as collateral worth EUR 6 million (8).

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Available-for-sale financial assets and held-to-maturity investments, 31 December 2014

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations			Held-to-maturity investments
	At fair value	At amortised cost	Total	At fair value	At cost	Total	
Quoted							
From public corporations	8,244	-	8,244	-	-	-	-
From others	-	-	-	398	-	398	51
Other							
From others	37	-	37	44	83	127	140
Total	8,282	-	8,282	442	83	525	191
Impairment losses for the financial year	0	-	0	-3	-	-3	-

Available-for-sale financial assets include EUR 17 million (EUR 15 million) in subordinated publicly-quoted notes and bonds from others

Available-for-sale financial assets and held-to-maturity investments, 31 December 2013

EUR million	Available-for-sale notes and bonds			Available-for-sale shares and participations			Held-to-maturity investments
	At fair value	At amortised cost	Total	At fair value	At cost	Total	
Quoted							
From public corporations	7,511	-	7,511	-	-	-	-
From others	-	-	-	187	-	187	64
Other							
From others	91	-	91	124	48	172	207
Total	7,602	-	7,602	311	48	359	271
Impairment losses for the financial year	0	-	0	-2	-	-2	-

Changes in investment property	2014	31 Dec. 2013 Restated*
Acquisition cost 1 Jan.	502	466
Increases	17	43
Decreases	-31	-10
Transfers between items	4	4
Acquisition cost 31 Dec.	491	502
Accumulated changes in fair value	19	22
Changes in fair value during the financial year	-1	5
Decreases	-5	-5
Other changes	-3	-3
Accumulated changes in fair value 31 Dec.	11	19
Carrying amount 31 Dec.	502	521

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Increases in investment property include EUR 9 million (EUR 3 million) in capitalised expenses recognised after the acquisition. Depreciation, impairment losses and their reversals under PPE are charged to Other operating expenses. Changes in the fair value of investment property are recognised under Net investment income. The fair value of investment property holdings excludes the portion of debt.

OP Financial Group companies own investment property subject to restrictions concerning their assignment and sales price under the legislation on state-subsidized housing loans, such property being worth EUR 2 million (2). Group companies had EUR 16 million (23) in construction and repair obligations regarding investment properties that were based on preliminary agreements.

Within OP Financial Group, Pohjola Bank primarily offers passenger cars through operating leases. A breakdown of investment property and tangible assets leased out under operating lease can be found in Note 50.

Notes to OP Financial Group Financial Statements

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Note 26. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

EUR million, 31 Dec. 2014	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	270	291	5.6	-
Investments held to maturity*	59	56	4.3	-
Available-for-sale financial assets	45	45	4.2	-
Total	375	393		-

EUR million, 31 Dec. 2013	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	354	369	5.3	-
Investments held to maturity*	99	89	4.2	-
Available-for-sale financial assets	42	42	4.2	-
Total	494	500		-

If notes and bonds were not reclassified and had been measured using fair values available in the market:

EUR million	31 Dec. 2014		31 Dec. 2013	
	Income statement	Fair value reserve	Income statement	Fair value reserve
Banking	2	0	-1	-
Non-life Insurance	0	0	0	-1
Life Insurance	3	-1	5	-2
Group Functions	12	-1	29	-3
Total	16	-1	32	-5

Loans and receivables and held-to-maturity investments were reclassified in 2008. Available-for-sale financial assets were reclassified in 2012.

Interest accrued on reclassified notes and bonds totalled EUR 10 million (15) in January–December. A total of EUR 2 million (5) was recognised as the price difference between the nominal value and purchase value. Capital gains recognised on notes and bonds amounted to EUR 1 million (2). Impairment loss recognised on notes and bonds amounted EUR 0 million (0). Interest rate risk was hedged using derivatives to which hedge accounting has been applied since 1 October 2008. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 3 million (6).

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 27. Investments accounted for using the equity method

Amounts entered in the balance sheet:

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Associates	56	53
Joint ventures	0	1
Total	56	54

Amounts entered in the income statement:

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Associates	3	-1
Total	3	-1

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Investments in associates and joint ventures

OP Financial Group has 4 (3) significant associated companies as of 31 December 2014. Automatia pankkiautomaatit Oy maintains and develops the Otto cash dispenser network and takes care of cash management for banks. The company's other owners are Nordea and Danske Bank. Access Capital Partners is one of the leading fund management companies for private equity funds and assets under its management total around EUR 2.9 billion. The company specialises in buyout funds investing in small and mid-size European companies. Access has offices in Paris, Brussels, Helsinki, Munich and London. Turun Teknologiaikiinteistöt Oy is a property investment company based in the Turku Science Park which develops real property and services in the region rents office premises for companies and other organisations. It aims to be a profitable company with personal touch that provides its customers with the best environment in Finland to operate and grow. The floor area of buildings owned by Turun Teknologiaikiinteistöt is around 105,000 m² and their average occupancy rate is 95%. Uudenmaan Pääomarahasto Oy is engaged in private equity investments in Uusimaa and Itä-Uusimaa. The purpose of the fund is to make equity and debt instrument investments for the corporate transactions of small and mid-sized companies. In its investment operations, the fund seeks high return. Canelco Capital Oy, a venture capital firm, is in charge of the fund's operations and investments. OP Financial Group has no major investments in joint ventures.

Name	Domicile	Interest, % 2014	Interest, % 2013	Valuation method
Associates				
Automatia Pankkiautomaatit Oy*	Helsinki	33.3	33.3	Equity method
Access Capital Partners Group S.A.*	Belgium	45.0	45.0	Equity method
Turun Teknologiaikiinteistöt Oy*	Turku	28.2	19.2	Equity method
Uudenmaan Pääomarahasto Oy*	Helsinki	31.9	31.9	Fair value

* The company belongs to the consolidation group with respect to capital adequacy

OP Financial Group's investments in associates and joint ventures have no quoted market price.

No contingent liabilities are involved in the associates or joint ventures. No such unrecognised commitments are related to the joint ventures that concern the provision of financing or resources or an obligation to buy another investor's interest in case certain future events occur.

Summary of associates' financial information

The table below presents the financial information on OP Financial Group's major associates that has also been reconciled with respect to the carrying amount of the associates and joint ventures. The financial information corresponds to the figures presented in the financial statements of the associates and joint ventures (i.e. not OP Financial Group's proportion), for which, for example, fair value restatements have been made to correspond to OP Financial Group's accounting policies

	Automatia Pankkiautomaatit Oy		Access Capital Partners S.A		Turun Teknologia- kiinteistöt Oy		Uudenmaan Pääomarahasto Oy	
Balance sheet in summary	2014	2013	2014	2013	2014	2013	2014	2013
EUR million								
Cash and cash equivalents	293	312	6	3	6	-	2	2
Other current assets	5	5	2	3	2	-	0	1
Total current assets	298	317	8	6	8	-	2	2
Non-current assets	17	16	11	11	220	-	10	13
Total assets	315	333	19	17	229	-	13	15
Financial liabilities (excl. accounts payable)	151	153	2	2	7	-	-	-
Other current liabilities (incl. accounts payable)	4	4	11	10	3	-	-	0
Total current liabilities	155	156	13	12	11	-	-	0
Non-current financial liabilities	135	150	-	-	183	-	-	-
Other non-current liabilities	-	-	-	-	19	-	-	-
Total liabilities	290	306	13	12	212	-	-	0
Net assets (100%)	26	26	6	5	16	-	13	15
Share of the associate's net assets	9	9	3	2	5	-	4	5
Goodwill	-	-	24	24	-	-	-	-
Carrying amount	8	8	27	27	3	-	5	5
Statement of comprehensive income in summary								
Net sales	53	54	29	25	17	-	-	-
Profit or loss of continuing operations after tax	3	3	3	0	5	-	-2	0
Comprehensive income (100%)	3	3	3	0	5	-	-2	0
Dividends received	1	1	1	1	-	-	-	-
Group's share of the associate's comprehensive income	1	1	1	0	1	-	-1	0

	Automatia Pankkiautomaatit Oy		Access Capital Partners S.A		Turun Teknologiakiinteistöt Oy		Uudenmaan Pääomarahasto Oy	
EUR million	2014	2013	2014	2013	2014	2013	2014	2013
Investment 1 January	8	8	27	24	0	-	5	5
Business acquisitions	-	-	-	4	2	-	-	-
Share of profits for the financial year	1	1	1	0	1	-	-	-
Dividends	-1	-1	-1	-1	-	-	-	-
Value change	-	-	-	-	-	-	-1	0
Investment 31 December	8	8	27	27	3	-	5	5

Summary of financial information on associates and joint ventures other than major ones whose accounts have been included in the consolidated financial statements

OP Financial Group has 4 (3) associates and 3 (4) joint ventures which are not significant when reviewing them one by one. The table below shows OP Financial Group's share of the profit/loss of these associates and joint ventures. Three (3) of the private equity funds treated as associates have been measured at fair value in accordance with IAS 28.

	Associates consolidated using equity method		Associates measured at fair value		Joint ventures	
EUR million	31 Dec. 2014	31.12.2013 Restated*	31 Dec. 2014	31.12.2013 Restated*	31 Dec. 2014	31.12.2013 Restated*
Profit of continuing operations	-	-	0	-1	0	0
Comprehensive income	-	-	0	-1	0	0

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

The above summary of associates measured at fair value is based on the companies' financial statements.

Notes to OP Financial Group Financial Statements

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Note 28. Intangible assets

Changes in intangible assets	Goodwill	Brands	2014		Total
			Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	
Acquisition cost 1 January	633	179	493	565	1,869
Business operations acquired	2	-	-	0	2
Increases*	-	-	-	87	87
Decreases	-	-	-	-9	-9
Transfers between items	-	-	-	0	0
Acquisition cost 31 December	635	179	493	644	1,950
Acc. amortisation and impairments 1 January	-	-7	-258	-265	-623
Amortisation during the financial year	-	-	-41	-48	-85
Decreases	-	-	-	1	178
Other changes	-	-	-	0	0
Acc. amortisation and impairments 31 December	-	-7	-299	-312	-618
Carrying amount 31 December	635	172	194	332	1,332

* Internal development work accounts for EUR 5 million (EUR 9 million). Other intangible assets include computer software to the carrying amount of EUR 186 million (EUR 187 million) and EUR 134 million (EUR 100 million) in computer software under development. Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

Changes in intangible assets	2013 Restated*				Total
	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	
Acquisition cost 1 January	633	179	493	639	1,943
Business operations acquired	-	-	-	-	-
Increases*	0	-	-	103	104
Decreases	0	-	-	-178	-178
Transfers between items	-	-	-	0	0
Acquisition cost 31 December	633	179	493	565	1,869
Acc. amortisation and impairments 1 January	-	-7	-217	-399	-623
Amortisation for the period	-	-	-42	-43	-85
Decreases	-	-	-	178	178
Other changes	-	-	-	0	0
Accumulated amortisation and impairments 31 December	-	-7	-258	-265	-530
Carrying amount 31 December	633	172	234	300	1,339

Intangible assets with indefinite economic lives

EUR million	31 Dec. 2014	31 Dec. 2013
Goodwill	635	633
Brands	172	172
Total	807	805

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite, since they affect the accrual of cash flows for an indefinable period.

Other most significant intangible assets

	31 Dec. 2014	31 Dec. 2013
EUR million	Carrying amount	Carrying amount
Customer relationships	92	114
Insurance contracts	101	120
Software	186	187
Software under development	134	100

Goodwill was acquired as part of the acquisition of Pohjola Group plc's business operations in 2005 and as part of the acquisition of Pohjola Finance Ltd (formerly K-Finance Ltd) in 2008. Goodwill increased in 2011 as a result of the acquisition of Excenta Ltd, a strategic corporate wellness services provider, and in 2013 as a result of OP-Kiinteistökeskus Oy's acquisition of Espoon 1-Housing Oy's real estate business related housing in Finland. Brands, customer relationships and a significant part of computer software were acquired as part of the acquisition of the businesses of Pohjola Group plc.

Goodwill impairment test

	Goodwill	
EUR million	31 Dec. 2014	31 Dec. 2013
Non-life Insurance	390	390
Asset management	97	97
Mutual funds	71	71
Life Insurance	49	49
Systems service business	10	10
Finance company services	13	13
Wellbeing-at-work services	3	3
Other business	2	0
Total	635	633

Testing goodwill for impairment

Goodwill of OP Financial Group originates entirely from the acquisition of the business operations of Pohjola Group Plc, Pohjola Finance Ltd', Excenta Oy and Checkout Finland Oy. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which were either business segments or entities included in them. Impairment testing of goodwill was carried out in accordance with IAS 36 on those CGUs for which acquisition cost calculations in accordance with PPA were made, i.e. for Non-life Insurance, Life Insurance, Asset Management, mutual fund and systems service business and finance company services. During the financial year, Pohjola Health Ltd merged into Pohjola Insurance Ltd. For testing goodwill of wellbeing-at-work services, the Group no longer determine a separate CGU, which is why said goodwill has been tested as part of the goodwill of Non-life Insurance.

The value of the CGUs of OP Financial Group was, for the goodwill testing, determined by the 'Excess Returns' method. Accordingly, the profits for the current and future periods were reduced by the return requirement on equity capital. Any excess return was discounted by a discount rate corresponding to the return rate on equity capital in order to determine the present value of cash flows.

The testing period was determined to be five years under IFRS 36, including residual values.

The forecasts used in the cash flow statements are based on OP Financial Group's long-term business strategy, confirmed in 2012 by OP Financial Group Central Cooperative's Supervisory Board, and expectations derived from them concerning business development in 2015–2017. Growth in cash flows for periods after 2017 ranges between 2 and 9%. Within Life Insurance, however, premiums written in interest-bearing investment are expected to fall further throughout the testing period, as specified in the valid strategy.

The discount rate used in the calculations was the market-based equity cost, which is in line with the applied value determination methods (i.e. through cash flows, only the value of equity belonging to investors was determined and the value was discounted by using the return requirement rate on equity capital). The discount rate used in the calculations before tax (i.e. IFRS WACC) varied from 6.7 to 11.3%. In 2013, it varied from 9.9 to 15.3%. OP Group increased the discount rate for Asset Management and the mutual fund business by 0.4 percentage points to correspond to the discount rate based on market information. Based on the market information, the Group decreased the discount rate for Non-life and Life Insurance by 0.9 percentage points and that for system service by 2.5 percentage points and that for finance company services by 1.1 percentage points.

The impairment testing of goodwill did not lead to recognition of impairment losses.

A sensitivity analysis was carried out separately on each CGU on the basis of essential parameters of each CGU.

The discount rate, combined ratio and net investment return (%) were used as key parameters in Non-life Insurance's sensitivity analysis – the same as in the previous year. The results of the sensitivity analysis did not undergo any major changes over the previous year. A 8.9-percentage point increase in the discount rate, a 6.7-percentage point increase in the combined ratio and a 2.4-percentage point decrease in net investment return compared with forecasts throughout the testing period, with one tested parameter changing and other parameters remaining unchanged, would entail an impairment risk. In 2013, the results were as follows: a 6.1-percentage point increase in the discount rate, a 4.1-percentage point increase in the combined ratio and a 1.6-percentage point decrease in net investment return compared with forecasts throughout the testing period, would have entailed an impairment risk.

In the sensitivity analysis, Life Insurance key parameters were the discount rate, the growth rate in operating expenses, and the margin percentage of investment. The parameters used were the same as last year. The results of the sensitivity analysis have not changed significantly from last year. A 5.3-percentage point increase in the discount rate, an 9.1-percentage point increase in operating expenses and a 1.0-percentage point decrease in investment margin compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 6.1-percentage point increase in the discount rate, a 11-percentage point increase in operating expenses and a 1.1-percentage point decrease in investment margin percentage compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, growth rate (%) of assets under management and growth rate (%) of expenses were used as key parameters in Wealth Management's sensitivity analysis. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. A 31-percentage point increase in the discount rate, a 16-percentage point decrease in assets under management and a 17-percentage increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 25-percentage point increase in the discount rate, a 12-percentage point decrease in assets under management and a 14-percentage point growth in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Mutual funds' key parameters were the discount rate, the growth rate in mutual fund assets and the growth rate of fixed-nature expenses. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. A 24.0-percentage point increase in the discount rate, a 19-percentage point decrease in mutual fund assets and a 21-percentage point increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: an 8.1-percentage point increase in the discount rate, a 6.5-percentage point decrease in mutual fund assets and an 11-percentage point growth in fixed-nature expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, the growth rate and the margin of service income were used as key parameters in the sensitivity analysis of the systems service business. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. A 56-percentage point increase in the discount rate, a 71-percentage point decrease in service income and a 2.7-percentage point decrease in margin compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 31-percentage point increase in the discount rate, a 30-percentage point decrease in service income and a 2.3-percentage point decrease in margin compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, the growth rate (%) of the loan portfolio and the growth rate (%) of expenses were used as key parameters in finance company services' sensitivity analysis. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. An 11-percentage point increase in the discount rate, a 16-percentage point decrease in the loan portfolio and a 23-percentage increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 7.5-percentage point increase in the discount rate, a 9.7-percentage point decrease in the loan portfolio and a 10-percentage point increase in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Impairment testing of brands

OP Financial Group's brands originate entirely from the acquisition of Pohjola Group plc's business operations. Impairment testing was carried out separately for the Pohjola, Eurooppalainen, A-Vakuutus (A-Insurance) and Seesam brands, in accordance with IAS 36.

The value of the brands was determined by using the 'Relief from Royalty' method. Accordingly, their value was determined to be royalty savings accrued in the future from owning the brands, discounted to the present. The discount rate used in the calculations was the market-based equity cost defined for Non-life Insurance, plus an asset-specific risk premium. OP Financial Group decreased the discount rate for Non-life Insurance by 0.9-percentage points to correspond to the discount rate based on market information. In addition, the same risk premium and the corresponding royalty percentages were applied in 2014 as in the PPA procedure and in previous years' tests.

The testing period of brands was mainly determined to be five years under IAS 36. The testing period of the Pohjola brand was determined to be an exceptional period of 15 years because the use of the brand will be extended to cover a completely new business that will grow strongly in the next few years. The forecasts used in cash flow statements are based on strategy figures for 2015–17 updated for Non-life Insurance and post-strategy-period expectations derived from them regarding the business line's future developments. A 2% inflationary expectation was used as growth in cash flows for post-forecast periods.

In the autumn of 2014, OP Financial Group Central Cooperative's Supervisory Board decided to put Non-life Insurance together with Banking and Wealth Management under the OP brand. The Pohjola brand will be used mainly in the healthcare and wellbeing business and the closely related non-life products. As part of testing the Pohjola brand for impairment, the Group assessed the effect of the abovementioned change on the useful life and the length of the testing period, the discount rate, risk premium and royalty rate used in testing. As a result, the Group stated that the brand is, according to IAS 36, an intangible asset in terms of its useful life. Because the brand will be used in the new business that is expected to grow strongly in the initial stage, the testing period was extended to 15 years. The Group did not make any major changes in parameters because the new healthcare and wellbeing business is closely related to Non-life Insurance. In the testing of the brand, the Group took account of the cash flows comparable with the net sales of the businesses that will operate under the brand.

As a result of testing brands for any impairment, OP did not recognise any impairment loss on brands in its financial statements 2014. An impairment loss of EUR 1 million related to the Seesam brand was recognised in the 2011 and EUR 3 million in the 2009 and 2008 financial statements.

Impairment testing of other essential intangible assets

OP Financial Group's customer relationships, insurance contracts and a significant part of computer software were acquired as part of the acquisition of the business operations of Pohjola Group plc. In connection with the acquisition of Aurum Investment Insurance Ltd in 2012, intangible assets were recognised relating to customer relationships and insurance contracts.

Intangible assets originating from customer relationships and insurance contracts are charged to expenses using either accelerated appreciation or straight-line amortisation, depending on the business line, over their estimated useful lives. No indications of the need for impairment recognition have been discovered. Intangible assets derived from software used by Non-life Insurance, Life Insurance, Asset Management, and mutual funds expensed in full in prior financial years.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 29. Property, plant and equipment

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Property in Group use		
Land and water areas	90	91
Buildings	614	542
Machinery and equipment	43	48
Other tangible assets	17	17
Leased-out assets	17	27
Total property, plant and equipment	781	726
of which construction in progress	139	57

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

	2014				
Changes in property, plant and equipment (PPE), and investment property	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 January	955	238	33	51	1,278
Increases	115	10	2	2	129
Decreases	-8	-38	-1	-17	-64
Transfers between items	-4	0	-1	-	-4
Acquisition cost 31 December	1,057	211	33	36	1,338
Accumulated depreciation and impairments 1 January	-322	-190	-16	-24	-552
Depreciation for the financial year	-22	-14	-1	-8	-45
Impairments for the financial year	-15	-	-	-	-15
Reversal of impairments during the financial year	0	0	-	-	0
Decreases	9	36	0	12	58
Other changes	-3	0	-	-	-3
Accumulated depreciation and impairments 31 December	-353	-168	-16	-20	-557
Carrying amount 31 December	705	43	17	17	781

Changes in property, plant and equipment (PPE), and investment property	2013				Total PPE
	Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	
Acquisition cost 1 January	849	259	32	68	1,209
Increases	107	14	1	8	130
Decreases	-17	-35	0	-25	-78
Transfers between items	17	0	0	-	17
Acquisition cost 31 December	955	238	32	51	1,278
Accumulated depreciations and impairments 1 January	-299	-202	-15	-28	-544
Depreciation for the financial year	-29	-21	-1	-11	-62
Impairments for the financial year	-7	-	-	-	-7
Reversal of impairments during the financial year	1	0	-	-	1
Decreases	14	33	0	15	63
Other changes	-1	-	-	-	-1
Accumulated depreciations and impairments 31 December	-322	-190	-16	-24	-552
Carrying amount 31 December	633	48	17	27	726

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 30. Other assets

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Payment transfer receivables	10	35
Pension assets	-	46
Accrued income and prepaid expenses		
Interest	710	790
Other accrued income and prepaid expenses	33	29
Derivatives receivables	105	55
Securities receivables	29	71
Other	1,064	528
Total	1,951	1,554

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 31. Tax assets

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Income tax assets	12	17
Deferred tax assets	155	74
Total tax assets	168	91

Deferred tax assets	31 Dec. 2014	31 Dec. 2013 Restated*
Due to available-for-sale financial assets	1	1
Due to depreciation and impairments	2	1
Due to provisions and impairments on loans	19	27
Due to losses related to taxation	12	15
Due to hedging of interest rate risk associated with technical provisions	11	17
Due to timing difference of securities issued to the public	13	18
Due to timing difference of derivatives	6	5
Due to defined-benefit pension plans	79	11
Due to consolidation of Group accounts	21	24
Due to other items	36	15
Set-off against deferred tax liabilities	-44	-60
Total	155	74

	31 Dec. 2014	31 Dec. 2013 Restated*
Deferred tax liabilities		
Due to appropriations	525	512
Due to available-for-sale financial assets	114	72
Cash flow hedge	23	8
Due to elimination of equalisation provision	53	108
Due to fair value measurement of investment	13	43
Allocation of price of corporate acquisitions	71	77
Defined benefit pension plans	0	14
Due to consolidation of Group accounts	-1	4
Due to other items	29	5
Set-off against deferred tax assets	-44	-60
Total	783	784
Net deferred tax asset (+)/liability (-)	-628	-710

	31 Dec. 2014	31 Dec. 2013 Restated*
Changes in deferred taxes		
Deferred tax assets/liabilities 1 January	-710	-822
Effect of changes in accounting policies, total	-	21
Deferred tax assets /liabilities 1 January	-710	-801
Recognised in the income statement		
Effect of losses	-3	-26
Provisions and impairments on receivables	-13	-4
Appropriations	-18	-25
Amortisation/depreciation and impairments	8	-8
Eliminations of equalisation provisions	55	7
Defined-benefit pension plans	3	4
Due to hedging of interest rate risk associated with technical provisions	-6	-19
Due to provisions and impairment losses on receivables	-5	-4
Due to timing difference of derivatives	1	-3
Investment valuation	7	26
Change in tax rate 1 Jan. 2014	-	153
Other	25	-13
Recognised in statement of comprehensive income		
Available-for-sale financial assets		
Changes in fair value	-66	-21
Cash flow hedge	-15	7
Transfers to the income statement	31	24
Change in tax rate 1 Jan. 2014	-	18
Actuarial gains/losses on post-employment benefit obligations	79	-5
Change in tax rate 1 Jan. 2014	-	-21
Other	-	1
Total deferred tax assets 31 December, asset (+)/liability (-)	-628	-710
Income tax assets, asset (+)/liability (-)	-168	-7
Total tax assets, asset (+)/liability (-)	-796	-718

Tax losses for which a deferred tax asset was not recognised came to EUR 54 million (EUR 41 million) at the end of 2014. The losses will expire before 2024.

A deferred tax liability has not been recognised for the EUR 38 million (EUR 31 million) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 32. Liabilities to credit institutions

EUR Million	31 Dec. 2014	31 Dec. 2013 Restated*
Liabilities to central banks	250	73
Liabilities to credit institutions		
Repayable on demand		
Deposits	163	184
Other liabilities	0	0
Total	163	184
Other than repayable on demand		
Deposits	1,273	727
Other liabilities	90	55
Total	1,363	782
Total liabilities to credit institutions and central banks	1,776	1,039

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 33. Financial liabilities at fair value through profit or loss

EUR million	31 Dec. 2014	31 Dec. 2013
Financial liabilities held for trading		
Short selling of securities	4	4
Total financial liabilities at fair value through profit or loss	4	4

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 34. Derivative contracts

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Held for trading		
Interest rate derivatives	4,333	2,634
Currency derivatives	686	192
Equity and index derivatives	25	32
Other	52	52
Total	5,097	2,910
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	392	230
Currency derivatives	-	13
Other	0	0
Cash flow hedge		
Interest rate derivatives	0	4
Total	392	248
Total derivative contracts	5,489	3,157

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 35. Liabilities to customers

EUR million	31 Dec. 2014	31 Dec. 2013
Deposits		
Repayable on demand		
Private	26,202	24,652
Companies and public corporations	16,011	13,749
Total	42,213	38,401
Other		
Private	4,100	5,969
Companies and public corporations	2,462	2,980
Total	6,562	8,949
Total deposits	48,775	47,350
Other financial liabilities		
Repayable on demand		
Private	12	11
Companies and public corporations	9	3
Total	21	14
Other		
Companies and public corporations	2,367	2,811
Total	2,367	2,811
Total other financial liabilities	2,388	2,825
Total liabilities to customers	51,163	50,175

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 36. Non-life insurance liabilities

EUR million	31 Dec. 2014	31 Dec. 2013
Insurance liabilities	2,737	2,593
Direct insurance liabilities	203	134
Reinsurance liabilities	9	9
Derivative contracts	2	0
Other	21	10
Total Non-life Insurance liabilities	2,972	2,746

Non-life Insurance contract liabilities and reinsurers' share

EUR million	31 Dec. 2014			31 Dec. 2013		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	1,316	-7	1,308	1,253	-4	1,249
Other provisions by case	188	-65	124	160	-55	105
Special provision for occupational diseases	22		22	25		25
Collective liability (IBNR)	612	-7	605	603	-6	597
Reserved loss adjustment expenses	63		63	60		60
Provision for unearned premiums	523	-13	511	493	-12	481
Interest rate hedge for insurance liabilities	12		12			
Total Non-life Insurance insurance liabilities	2,737	-92	2,645	2,593	-77	2,517

Changes in insurance liabilities arising from insurance contracts and in receivables arising from reinsurance contracts

EUR million	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Provision for unpaid claims						
Provision for unpaid claims 1 Jan.	2,100	-65	2,035	1,993	-62	1,932
Claims paid in financial year	-913	29	-884	-866	39	-827
Change in liability/receivable	974	-44	930	931	-42	889
Current period claims	931	-34	897	908	-46	862
Increase (decrease) from previous financial years	-16	-10	-27	-14	4	-10
Change in discount rate	60		60	38		38
Other change in reserving basis						
Unwinding of discount	40		40	42		42
Value change in interest rate hedges	12		12			
Foreign exchange gains (losses)	0	0	0	-1		-1
Provision for unpaid claims 31 Dec.	2,213	-79	2,134	2,100	-65	2,035
Provision for unearned premiums						
Provision for unearned premiums 1 Jan.	493	-12	481	455	-15	440
Increase	483	-13	470	451	-9	442
Decrease	-456	12	-444	-415	12	-404
Exchange rate gains (losses)						
Change in discount rate	2		2	1		1
Unwinding of discount	1		1	1		1
Provision for unearned premiums 31 Dec.	523	-13	511	493	-12	481
Total Non-life Insurance insurance liabilities	2,737	-92	2,645	2,593	-77	2,516

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end.

Determination of insurance liabilities arising from non-life insurance contracts

a) Methods and assumptions used

The amount of insurance liability has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and, after that, by determining a safety margin based on the degree of uncertainty related to the liability.

The provision for unearned premiums arising from insurance contracts has mainly been determined in accordance with the pro rata parte temporis rule for each contract.

The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate is determined taking account of the current interest rate, security required by law and the maximum discount rate set by the authorities and expected reasonable return on assets covering insurance liabilities. On 31 December 2014, the discount rate used was 2.5% (31 Dec. 2013: 2.8%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current trend of an increase in life expectancy to continue.

The provision for unpaid claims includes asbestos liabilities which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis which takes account of to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. Trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

Determining collective liability is based on different statistical methods: Bornhuetter-Ferguson, Cape Cod and Chain Ladder. When applying these methods, other selections must also be made, in addition to the selection of the method, such as deciding on how many occurrence years' statistics the methods will be applied.

Bornhuetter-Ferguson

The Bornhuetter-Ferguson (BF) -method is based on the assumption that, in each development year, a certain portion of claims is paid of the measure of exposure of the occurrence year. This measure of exposure can, for instance, be the number of policy years or insurance premium revenue adjusted by the loss ratio assumption. BF reacts slowly to changes in the development triangle of claims. In addition, BF is sensitive to the selection of the measure of exposure.

Cape Cod

The Cape Cod -method corresponds to the BF method in such a way that the portion of claims paid out in a development year relative to the measure of exposure is evened out between the occurrence years. In the traditional Cape Cod method, the claims' proportion of the measure of exposure is the same evened constant for all occurrence years. In the generalised Cape Cod method, the claims' proportion of the measure of exposure for the year of occurrence is evened out on the basis of the observations made in the occurrence year and close to the occurrence year.

Chain Ladder

In the Chain Ladder (CL) -method, the total claims expenditure for each occurrence year is determined by annual development factors. A development factor describes the relation between the successive development years in the cumulative claims development triangle. CL is sensitive to the observations in the first development years.

In the valuation of collective liability, the largest risks relate to

- Estimating the future rate of inflation (excl. indemnities for loss of income payable on the basis of statutory insurance)
- Adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future)
- Adequacy of historical information over dozens of years.

Of the collective liability, only the liability for annuities has been discounted.

For the assessment of collective liability, the Group's non-life insurance portfolio is divided into several categories by risk and eg maturity of the cash flow applying to compensation paid. In each category, collective liability is first calculated using each statistical method stated above, and the method that best suits the category under review is chosen. The selection criteria used includes how well the model would have predicted developments in prior years of occurrence and the sensitivity of the estimate generated by the model with respect to the number of statistical years used. The safety margin of 2-10% is added to the expected value generated by the selected model. The safety margin is determined by the uncertainty associated with future cash flows and duration, as well as the quality of historical data.

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, the Group has taken account of the fact claims paid for losses occurred more than 10 years ago are financed through the pay-as-you-go system.

b) Changes in assumptions

As a result of a reduction in the lower discount rate, the provision for unpaid claims for annuities rose by EUR 62 million (38).

Effect of changes in methods and assumptions on amount of liability	2014	2013
Change in discount rate	62	38
Total	62	38

c) Claims development

The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business is presented over a period of ten years. The claims triangle does not monitor the shares of pools and the trends in the rights of recourse related to statutory workers' compensation insurance. The capital value of finalised annuities is treated as if the annuities had been paid equalling the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed as final and asbestos-related claims, information on the adequacy of insurance liabilities is provided.

Claims triangles, gross business, EUR million

Occurrence year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimated total claims expenditure											
0*	540	603	638	707	666	738	784	815	903	931	7,325
n+1	540	611	633	693	633	746	751	802	879		
n+2	535	591	627	691	640	744	752	805			
n+3	529	594	622	689	641	743	757				
n+4	532	594	622	704	651	750					
n+5	532	587	647	726	653						
n+6	529	587	657	734							
n+7	536	591	661								
n+8	536	594									
n+9	540										
Current estimate of total claims expenditure											
	540	594	661	734	653	750	757	805	879	931	7,304
Accumulated claims paid											
	-516	-561	-615	-669	-576	-684	-662	-696	-704	-484	-6,167
Provision for unpaid claims for											
2005–2014	24	33	46	66	76	66	95	109	175	447	1,136
Provision for unpaid claims for previous years											155

* = At the end of the occurrence year

Development of claims due to latent occupational diseases, EUR million

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2005	45	39	-4	-2	1	-1
2006	43	40	-4	-3		-3
2007	41	40	-4	-2	-1	-2
2008	40	41	-4	-4	3	-2
2009	42	43	-4	-8	4	-4
2010	38	44	-3	0		0
2011	35	50	-3	-6	5	-2
2012	32	53	-4	-4	2	-1
2013	28	53	-4	-1	1	0
2014	22	53	-4	-2	2	0

Development of annuities confirmed as final, EUR million

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving basis*	Adequacy
2006	681	731	77	26		1
2007	731	745	60	28	-15	3
2008	745	766	55	30		4
2009	763**	771	42	32		2
2010	771	794	60	34		3
2011	794	895	66	35	77	7
2012	895	940	66	34	31	18
2013	940	965	51	37	23	12
2014	965	1,010	54	40	36	5

* Effect of changes in the discount rate and the mortality model on final annuity capital.

** A small amount of healthcare and senior housing provisions was eliminated from 2009 figures.

Claims triangles, net business, EUR million

Occurrence year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
Estimated total claims expenditure											
0*	511	580	621	656	649	693	721	796	861	897	6,987
n+1	519	593	623	656	620	707	697	782	829		
n+2	509	575	619	658	629	705	710	786			
n+3	509	577	615	656	629	705	714				
n+4	513	577	615	670	633	712					
n+5	513	569	624	684	633						
n+6	513	569	634	691							
n+7	518	573	637								
n+8	519	576									
n+9	522										
Current estimate of total claims expenditure											
	522	576	637	691	633	712	714	786	829	897	6,996
Accumulated claims paid											
	-499	-543	-592	-628	-569	-647	-624	-681	-677	-479	-5,939
Provision for unpaid claims for											
2005–2014	23	33	45	63	64	65	90	104	152	418	1,057
Provision for unpaid claims for previous years											155

* = At the end of the occurrence year

Change in claims incurred based on loss events for prior financial years

Claims incurred based on loss events for prior financial years increased by EUR 36 million (27). The change in technical interest, EUR 62 million (38), added to claims incurred. Change in claims incurred based on loss events for prior financial years describes the adequacy of insurance liabilities, which on average is positive due to the security of insurance liabilities.

Claims administration contracts

On 31 December 2014, liabilities related to claims administration contracts totalled EUR 80 million (81).

Claims administration contracts are contracts which are not insurance contracts, but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are captive arrangements in which the insured risk is reinsured with a captive company belonging to the same Group of companies with the customer; index increases in annuities of statutory workers' compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident; as well as public sector patient insurance.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 37. Life Insurance liabilities

EUR million	31 Dec. 2014	31 Dec. 2013
Unit-linked contract liabilities	7,502	6,288
Liabilities for unit-linked insurance contracts	6,164	5,039
Liabilities for unit-linked investment contracts	1,339	1,249
Other than unit-linked contract liabilities	3,660	3,400
Other insurance liability than guaranteed portion of unit-linked insurance	3,649	3,389
Other liability than guaranteed portion of unit-linked investment contracts	10	11
Derivative contracts	8	9
Other liabilities		
Accrued expenses and deferred income	2	2
Other		
Direct insurance operations	1	1
Reinsurance operations	1	2
Other	56	69
Total	61	74
Total Life Insurance liabilities	11,230	9,771

Changes in insurance liabilities 2014

Liabilities, EUR million	1 Jan. 2014	Growth in liability arising from insurance premiums	Dis- charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2014
Unit-linked contract liabilities	6,288	1,152	-465	590	-59	-5	7,502
Liabilities for unit-linked insurance contracts	5,041	1,016	-401	459	-36	-8	6,071
Liabilities for unit-linked investment contracts	1,246	136	-64	132	-22	3	1,432
Other than unit-linked contract liabilities	3,400	111	-288	99	-16	354	3,660
Other insurance liability than unit-linked liability discounted with interest rate guarantee	3,210	111	-287	98	-16	-4	3,113
Other liability than unit-linked investment contracts discounted with interest rate guarantee	11	0	-1	0	0	0	10
Liability for bonus reserves	-	-	-	-	-	-	-
Reserve for decreased discount rate	44	-	-	-	-	384	428
Effect of discounting with market interest rate	84	-	-	-	-	-36	47
Other items	51	-	-	-	-	10	60
Total	9,688	1,264	-753	689	-75	349	11,162

The dependence of unit-linked contracts is the policyholder's choice. At company level, the value change cannot be compared with any benchmark index. Similarly, return from guaranteed-interest investment contracts cannot reliably be compared with any benchmark index. The return is based on the return on assets covering the liability and management judgement when it distributes customer bonuses. Company assets have no benchmark.

Changes in insurance liabilities 2013

Liabilities, EUR million	1 Jan. 2013	Growth in liability arising from insurance premiums	Dis- charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2013
Unit-linked contract liabilities	5,363	997	-440	414	-47	0	6,288
Liabilities for unit-linked insurance contracts	4,293	867	-392	305	-31	0	5,041
Liabilities for unit-linked investment contracts	1,070	130	-48	109	-16	1	1,246
Other than unit-linked contract liabilities	3,592	208	-343	103	-90	-70	3,400
Other insurance liability than unit-linked liability discounted with interest rate guarantee	3,353	1	-339	103	-90	-23	3,005
Other liability than unit-linked investment contracts discounted with interest rate guarantee	14	1	-3	0	0	0	11
Liability for bonus reserves	1	-	-	-	-	-1	-
Reserve for decreased discount rate	28	-	-	-	-	16	44
Effect of discounting with market interest rate	163	-	-	-	-	-80	84
Other items	32	-	-	-	-	19	51
Total	8,955	1,204	-783	517	-137	-69	9,688

When determining the liabilities related to insurance and investment contracts other than unit-linked contracts and to unit-linked policies, OP Financial Group has complied with the Finnish Accounting Standards, with the exception of two principles. The equalisation provision is not insurance contract liability as stated in IFRS but part of equity capital, and OP Financial Group has started using the discount rate for insurance liabilities that is closer to the current interest rate. Insurance and capital redemption contract savings have been entered in the life insurance company's balance sheet at its own investment risk with their interest rate guarantees ranging between 1.5% and 4.5% and discounted to the amount of the interest guarantee in the national financial accounts' insurance liabilities. Part of the interest rate risk between the market and discount rate has been hedged using interest rate derivatives, the value of which has been entered as part of the liability from insurance and capital redemption contracts.

Unit-linked investment contracts are measured at fair value.

The liability of unit-linked policies is valued at the market values of assets associated with contracts on the balance sheet date.

Life insurance liabilities act as term life insurance liabilities.

Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised in the balance sheet separately.

Group pension insurance liabilities have been annually increased since 2011 owing to the higher life expectancy.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 38. Debt securities issued to the public

EUR million	Average interest rate %	31 Dec. 2014	Average interest rate %	31 Dec. 2013
Bonds	1.75	10,165	2.19	8,730
Covered bonds		7,811		5,892
Other				
Certificates of deposit	0.49	833	0.22	1,807
Commercial paper	0.37	6,198	0.28	4,994
Other	1.71	14	0.57	101
Included in own portfolio in trading (-)*		-66		-95
Total debt securities issued to the public		24,956		21,428

* Own bonds held by OP Pohjola Group have been set off against liabilities.

Most significant issues in 2014	Nominal amount, EUR million	Interest rate
Pohjola Bank plc		
Pohjola Bank plc Issue of EUR 750,000,000 Floating Rate Instruments due 3 March 2017 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	750.0	EUB3M + 0.35%
Pohjola Bank Plc Japanese Yen Bonds JPY 17,600,000,000 – Third Series (2014)	121.2	Fixed 0.303%
Pohjola Bank plc Issue of EUR 750,000,000 1.125 per cent. Instruments due 17 June 2019 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 1.125%
Pohjola Bank Plc Japanese Yen Bonds JPY 42,400,000,000 – Fourth Series (2014)	292.0	Fixed 0.434%
Pohjola Bank plc Issue of SEK 750,000,000 Floating Rate Note due September 2019 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	79.8	SES3M+0.52%
Pohjola Bank plc Issue of EUR 750,000,000 2 per cent. Instruments due 3 March 2021 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 2.000%
Pohjola Bank plc Issue of CHF 300,000,000 1.000 per cent. Instruments due 14 July 2021 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	249.5	Fixed 2.000 %

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 39. Provisions and other liabilities

EUR million	31 Dec. 2014	31 Dec. 2013 Restated*
Provisions	2	2
Other liabilities		
Payment transfer liabilities	835	934
Accrued expenses		
Interest payable	771	825
Other accrued expenses	374	375
Derivative liabilities	728	360
Pension liabilities	420	50
Accounts payable on securities	30	15
Payables based on purchase invoices	30	36
Other	257	94
Total	3,445	2,688
Total provisions and other liabilities	3,447	2,691

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Changes in provisions

EUR million	Reorganisation	Other provisions	Total
1 Jan. 2014	2	-	2
Increase in provisions	-	1	1
Provisions used	-1	-	-1
31 Dec. 2014	1	1	2

EUR million	Reorganisation	Other provisions	Total
1 Jan. 2013	14	1	15
Increase in provisions	-	-	-
Provisions used	-12	-1	-13
31 Dec. 2013	2	0	2

Reorganisation

Provision for reorganisation has arisen from expenses incurred due to personnel reductions in 2012. This provision was mainly realised during 2013.

Defined benefit pension plans

OP Financial Group has funded assets of its pension schemes through OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. Schemes related to supplementary pensions in the Pension Foundation and insurance company, as well as the TyEL (Employees' Pensions Act) funded old-age and disability pension schemes managed by the Pension Fund are treated as defined benefit plans. Contributions to the TyEL pay-as-you-go system are treated as defined contribution plans. The amount of the Group's pension liabilities is not substantial.

OP Bank Group Pension Fund

OP Bank Group Pension Fund manages statutory pension insurance for the employees of OP Financial Group employers as the Fund's members.

The statutory pension scheme under TyEL (Employees Pensions Act) provides pension benefits based on the years of employment and earnings as prescribed in the Act. Benefits under the employees pension scheme comprise old-age pension, part-time pension, disability pension, survivor's pension and rehabilitation benefits. The retirement age of the old-age pension under TyEL is 63–68 years.

The TyEL pension scheme is based on a system that is partly a funded system and partly a pay-as-you go system. A pension insurance institution, which has insured each employment, manages funding for each employee. The funded portion of the pension benefits disbursed annually by the Pension Fund accounts for an average of a quarter.

The Pension Fund aims to manage statutory pension insurance in such a way that the level of contributions will remain steady year after year and be below the average contribution level of the employees pension scheme. The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the actual average investment return under the pension scheme. If such a risk materialises in several consecutive years, this would result in increasing the level of insurance contributions.

The most significant actuarial risks of OP Bank Group Pension Fund are associated with interest rate and market risks, future increases in pension benefits and systematically increasing life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Under the Employee Benefit Funds Act, the Pension Fund shall invest its assets securely and profitably and in view of its liquidity. The Pension Fund must cover the insurance liability arising from pension obligations. When covering the insurance liability, the Pension Fund must consider what type of insurance business it conducts and, accordingly, must ensure the security of, return on and cashability of its assets and that they are appropriately versatile and properly diversified. The Employee Benefit Funds Act specifies in greater detail the assets and commitments with which the insurance liability must cover. As prescribed by law, the Pension Fund has a specific solvency limit which it must cover through its solvency capital.

Responsible for investment, the Board of Trustees of the Pension Fund approves the Pension Fund's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Fund's risk-bearing capacity.

OP Bank Group Pension Foundation

OP-Bank Group Pension Foundation manages supplementary pension cover for employees provided by the employers within OP Financial Group. The purpose of the Pension Foundation is to grant old-age and disability pension benefits and sickness benefits to employees covered by the Pension Foundation activities, and survivors' pension benefits to their beneficiaries, and burial grant. In addition, the Pension Foundation may grant said employees benefits related to rehabilitation. Given that providing supplementary pension is voluntary, not all employers belonging to the Pension Fund belong automatically to the Pension Foundation. Supplementary pension cover provided by the Pension Foundation is fully funded.

The Pension Foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by the employer within the Pension Foundation and whose employment has begun before 1 July 1991. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees' Pensions Act, TEL, in force until 31 December 2006. The retirement age of those covered by the Pension Foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the Pension Foundation rules.

The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the target set for the minimum return. If such a risk materialises in several consecutive years, this would result in charging contributions.

The most significant actuarial risks of OP Bank Group Pension Foundation are associated with interest rate and market risks, systematically increasing life expectancy and inflation risk. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Responsible for investment, the Board of Trustees of the Pension Foundation approves the Foundation's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Foundation's risk-bearing capacity.

	Defined benefit obligations		Fair value of pension assets		Net liabilities (assets)	
Balance sheet value of defined benefit plans, EUR million	2014	2013	2014	2013	2014	2013
Opening balance 1 Jan.	1,441	1,400	-1,438	-1,394	4	6
Defined benefit pension costs recognised in income statement						
Current service cost	31	32	-	-	31	32
Interest expense (income)	49	48	-49	-48	0	0
Effect of plan curtailment or fulfilment of obligation	-1	-8	0	6	-1	-3
Administrative expenses	-	-	1	1	1	1
Total	80	72	-48	-42	31	30
Losses (gains) recognised in other comprehensive income arising from remeasurement						
Actuarial losses (gains) arising from changes in economic expectations	487	7	-	-	487	7
Return on TyEL interest rate difference and growth in old-age pension liabilities (net)	4	6	-4	-6	-	-
Experience adjustments	93	5	-	-	93	5
Return on plan assets, excluding amount (-) of net defined benefit liability (asset)	-	-	-180	-31	-180	-31
Total	585	18	-184	-37	401	-19
Other						
Employer contributions	-	-	-16	-13	-16	-13
Benefits paid	-55	-48	55	48	-	-
Total	-55	-48	39	35	-16	-13
Closing balance 31 Dec.	2,051	1,441	-1,631	-1,438	420	4

Liabilities and assets recognised in the balance sheet, EUR million	31 Dec. 2014	31 Dec. 2013
Net liabilities/assets (Pension Foundation)	33	-46
Net liabilities/assets (Pension Fund)	362	33
Net liabilities/assets (Other pension plans)	25	18
Total net liabilities/assets	420	4

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2014, EUR million

	Level 1	Level 2	Level 3	Total
Shares and participations	39	20	36	95
Notes and bonds	156	257	8	421
Real property	-	-	131	131
Mutual funds	542	-	292	833
Structured investment vehicles	-	-	9	9
Derivatives	0	-	-	0
Other assets	103	7	0	109
Total	838	283	476	1,597

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2013, EUR million

	Level 1	Level 2	Level 3	Total
Shares and participations	82	1	51	134
Notes and bonds	155	225	8	388
Real property	-	-	140	140
Mutual funds	416	28	249	693
Structured investment vehicles	-	-	11	11
Derivatives	1	0	-	1
Other assets	57	6	-	62
Total	710	260	460	1,430

The fair value of Level 1 assets is determined on the basis of the quotes in markets.

The fair value of Level 2 assets means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data,

The fair value Level 3 assets is determined using a pricing model whose input parameters involve uncertainty.

	31 Dec. 2014	31 Dec. 2013
Proportion of the most significant assets of total fair value of plan assets, %		
Shares and participations	6	10
Financial sector	-	5
Forest	3	3
Real estate	-	1
Other	3	1
Notes and bonds	26	27
Government bonds	1	6
Other	25	21
Real property	8	10
Mutual funds	52	48
Equity funds	33	27
Bond funds	8	11
Real estate funds	5	6
Hedge funds	7	5
Structured investment vehicles	1	1
Other	7	4
Total	100	100

	31 Dec. 2014	31 Dec. 2013
Pension plan assets include, EUR million,		
Pohjola Bank plc shares	-	76
Securities issued by OP Financial Group companies	28	15
Other receivables from OP Financial Group companies	142	51
Real property in OP Financial Group's use	5	16
Total	175	158

Contributions payable under the defined benefit pension plan in 2015 are estimated at EUR 17 million.

The duration of the defined benefit pension obligation in the Pension Fund on 31 December 2014 was 23.1 years and in the Pension Foundation 16.0 years.

Key actuarial assumptions used, 31 December 2014, EUR million	Pension Fund	Pension Foundation	Other
Discount rate, %	2.0	1.8	1.9
Future pay increase assumption, %	2.5	2.5	2.5
Future pension increases, %	2.1	2.0	2.0-2.1
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	2.0	2.0	2.0
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

Key actuarial assumptions used, 31 December 2013, EUR million	Pension Fund	Pension Foundation	Other
Discount rate, %	3.5	3.4	3.3
Future pay increase assumption, %	3.0	3.0	3.0
Future pension increases, %	2.1	2.0	2.0
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	2.0	2.0	2.0
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

Sensitivity analysis of key actuarial assumptions, 31 Dec. 2014	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-145	-9.9	-37	-7.1
0.5 pp decrease	170	11,6	42	8.0
Pension increases				
0.5 pp increase	160	10.9	36	6.9
0.5 pp decrease	-144	-9.8	-34	-6.5
Mortality				
1-year increase in life expectancy	55	3.7	16	3.1
1-year decrease in life expectancy	-53	-3.6	-16	-3.0

Sensitivity analysis of key actuarial assumptions, 31 Dec. 2013	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-87	-8.8	-26	-6.2
0.5 pp decrease	101	10.2	29	6.9
Pension increases				
0.5 pp increase	96	9.7	25	6.0
0.5 pp decrease	-88	-8.8	-24	-5.7
Mortality				
1-year increase in life expectancy	31	3.1	11	2.6
1-year decrease in life expectancy	-30	-3.1	-11	-2.5

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 40. Tax liabilities

EUR million	31 Dec. 2014	31 Dec. 2013
Income tax liabilities	180	24
Deferred tax liabilities	783	784
Total tax liabilities	964	808

A specification of deferred tax liabilities can be found in Note 31.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 41. Supplementary cooperative capital

EUR million	31 Dec. 2014	31 Dec. 2013
Opening balance 1 Jan. 2014	606	622
Converted into profit shares	-359	-
Refunds of supplementary cooperative capital	-45	-4
Cancelled supplementary cooperative capital	-9	-12
Closing balance 31 Dec. 2014	192	606

Supplementary cooperative capital, which OP Financial Group member banks have no absolute right to refuse to refund to members, included in equity in the national financial statements of the member cooperative banks are classified as liability under IFRS financial statements.

Supplementary cooperative capital will be refunded after six months of the end of the financial period on the basis of with the refund may be performed for the first time. If it has not been possible to refund the cancelled supplementary cooperative capital in full, the refund can be made later if it is feasible on the basis of the following three financial statements. Interest will be paid on supplementary cooperative capital until the date when it is available for withdrawal as specified in the Co-operatives Act.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 42. Subordinated liabilities

EUR million	Average interest rate %	31 Dec. 2014	Average interest rate %	31 Dec. 2013
Subordinated loans	2.31	204	2.68	192
Other				
Perpetual loans	-	-	-	0
Debentures	5.23	816	5.38	668
Total subordinated liabilities		1,020		861

Principal terms and conditions of the hybrid bonds/subordinated loans are as follows:

Hybrid bonds included in Tier 1

1) Subordinated loan of 10 billion Japanese yen (equivalent of EUR 68.9 million)

This is a perpetual loan (a loan without a due date) carrying a fixed interest rate of 4.23% until 18 June 2034 and subsequently a variable 6-month Yen Libor + 1.58% (step up). Interest will be annually payable on 18 June and 18 December. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014 and can be annually repaid after 2014 on the interest due date on 18 June or 18 December. The loan's entire principal must be repaid in one instalment.

2) Perpetual bond of EUR 50 million

This is a perpetual loan without interest-rate step-ups, but with an 8% interest rate cap. The loan was issued on 31 March 2005 and its interest rate for the first year was 6.5% and thereafter CMS 10 years + 0.1%. Interest payments are made annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in on 11 April 2010 at the earliest, subject to authorisation by the Financial Supervisory Authority. The loan's entire principal must be repaid in one instalment.

3) Perpetual bond of EUR 60 million

This perpetual loan carries a variable interest rate based on 3-month Euribor + 0.65% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and thereafter on the interest due dates. After 2015, the loan carries a variable interest rate based on 3-month Euribor +1.65% (step up). The entire loan principal must be repaid in one instalment.

4) Perpetual bond of EUR 40 million

This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. Subject to authorisation by the Financial Supervisory Authority, the loan may be called in on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

Loans 1 and 3 are included in hybrid instruments.

The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Debentures

- 1) A debenture loan of CHF 100 million (euro equivalent 83 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.
- 2) A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.
- 3) A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 22 August 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.
- 4) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 14 May 2024. The loan carries a fixed interest rate of 3.25% p.a.
- 5) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 18 June 2024. The loan carries a fixed interest rate of 3.25% p.a. until 18 June 2019 and thereafter a 6-month Euribor + 2.54% p.a.
- 6) A debenture loan of EUR 6 million, which is a 10-year bullet loan, will mature on 22 August 2024. The loan carries a fixed interest rate of 3.25% p.a. until 22 August 2019 and thereafter a 6-month Euribor + 2.67% p.a.
- 7) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 10 October 2024. The loan carries a fixed interest rate of 3.25% p.a. until 10 October 2019 and thereafter a 6-month Euribor + 2.78% p.a.
- 8) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 14 November 2024. The loan carries a fixed interest rate of 3.25% p.a. until 14 November 2019 and thereafter a 6-month Euribor + 2.81% p.a.
- 9) A debenture loan of EUR 8 million, which is a 10-year bullet loan, will mature on 29 December 2024. The loan carries a fixed interest rate of 3.25% p.a. until 29 December 2019 and thereafter a 6-month Euribor + 2.86% p.a.

Loans 1–3 were issued in international capital markets.

Pohjola Bank plc has no breaches of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 0 million recognised for the price difference of the loans (2).

Other subordinated loans

On 27 October 1999, OP Life Assurance Company issued a subordinated loan worth EUR 25,830,000 with a fixed coupon rate of 7.0% for 70 years.

On 20 September 2001, OP Life Assurance Company issued a subordinated loan worth EUR 10,000,000 with a fixed coupon rate of 6.15% for 10 years.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 43. Equity capital

EUR million	31 Dec. 2014	31 Dec. 2013
Capital and reserves attributable to OP Financial Group owners		
Share capital	0	199
Cooperative capital, cooperative contributions	143	140
of which cancelled cooperative contributions	5	-
Cooperative capital, profit shares	1,424	-
of which cancelled profit shares	136	-
Reserves		
Restricted reserves		
Share premium account	0	498
Reserve fund	713	805
Reserves according to the Articles of Association/regulations		
Fair value reserve		
Cash flow hedge	80	27
Measurement at fair value		
Notes and bonds	139	63
Shares and participations	206	238
Other restricted reserves	1	1
Non-restricted reserves		
Reserve for invested non-restricted equity	-	143
Other non-restricted reserves	1,282	1,292
Retained earnings		
Profit (loss) for previous financial years	2,415	3,557
Profit (loss) for the financial year	599	661
Equity capital attributable to OP Financial Group's owners	7,144	7,625
Non-controlling interests	69	100
Total equity capital	7,213	7,724

The fair value reserve before tax totalled EUR 531 million (409) and the related deferred tax liability EUR 106 million (82). On 31 December, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 315 million (293) and negative mark-to-market valuations EUR 15 million (20). In 2014, impairment loss recognised from the fair value reserve through profit or loss totalled EUR 4 million (21), of which equity instruments accounted for EUR 4 million (16).

Share capital and shares

OP Financial Group's share capital consisted of investments made by external shareholders in Pohjola Bank plc Series A shares. OP Cooperative completed its public voluntary bid announced in February 2014 for all Pohjola Bank plc shares, and on 7 October 2014 OP Cooperative was entered as the only shareholder in Pohjola's shareholder register. Pohjola Series A shares were delisted from Nasdaq OMX Helsinki on 30 September 2014. The shares have no nominal value and their stated value is EUR 1.34 (not an exact figure) per share.

Changes in shareholdings of external shareholders

	Number of shares (1,000)
1 Jan. 2013	149,104
Equity trades with external parties	-597
31 Dec. 2013	148,507
Equity trades with external parties	-148,507
31 Dec. 2014	0

Cooperative capital, cooperative contributions

The equity capital of OP Financial Group includes cooperative contributions paid by Group member cooperative bank members, and the bank has an absolute right to refuse to pay interest on them and refund the capital. Cooperative contributions and the following customer ownership entitle the customer to take part in the bank's administration and decision-making.

Cooperative capital, profit shares

The equity capital of OP Financial Group also includes investments in profit shares made by members of the Group member cooperative bank members, and the bank has an absolute right to refuse to pay interest on them and refund the capital. For 2014-15, OP Financial Group seeks an interest rate of 3.25% and will each year confirm afterwards the interest payable. The return target may change on an annual basis. No customer-owner rights are involved in profit shares and they do not confer any voting rights.

During the financial year, supplementary cooperative capital converted into profit shares amounted to EUR 359 million.

If a member cooperative bank has not refused a refund, the cooperative contribution and the profit share contribution may be refunded within 12 months after the end of the financial year when membership terminated or the profit share has been cancelled by its holder. If the refund cannot be made in full in any given year, the balance will be refunded from disposable equity capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements. No interest will be paid on the balance.

Reserves

Reserve fund

The reserve fund consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund may be used to cover losses for which non-restricted equity capital is not sufficient. The reserve fund may also be used to raise the share capital and it can be lowered in the same way as the share capital. In cooperative credit institutions, the reserve fund can only be used to cover losses. In a limited liability company, it has not been possible to increase the reserve fund since 1 September 2006.

Fair value reserve

The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in this reserve will be derecognised and recorded in the income statement when an available-for-sale financial asset is disposed of or is subject to impairment. The reserve also includes the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Fair value reserve after income tax

EUR million	Available-for-sale financial assets			Total
	Notes and bonds	Shares, participations and mutual funds	Cash flow hedging	
Opening balance 1 Jan. 2013* restated	85	206	48	339
Fair value changes	2	84	-3	83
Capital gains transferred to income statement	-40	-76	-	-116
Impairment loss transferred to income statement	5	16	-	21
Transfers to net interest income	-	-	-27	-27
Deferred tax	12	8	9	28
Closing balance 31 Dec. 2013	63	238	27	328

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

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

The fair value reserve before tax amounted to EUR 531 million (409) and the related deferred tax liability amounted to EUR 106 million (82). On 31 Dec, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 315 million (293) million and negative mark-to-market valuations EUR 15 million (20).

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

Other restricted reserves

These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Other non-restricted reserves

These reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the General Meeting, Representatives' Meeting, or Cooperative Meeting.

Retained earnings

Retained earnings also contain untaxed reserves (voluntary provisions and accelerated depreciation) included in the statutory financial statements of Group companies, and the equalisation provision of insurance companies, which have been recognised in retained earnings less deferred tax in the IFRS financial statements.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 44. Notes and bonds eligible for central bank refinancing

EUR million	31 Dec. 2014	31 Dec. 2013
Financial assets at fair value through profit or loss	189	212
Available for sale		
measured at fair value	7,317	6,697
Held to maturity	120	187
Total notes and bonds eligible for central bank refinancing	7,626	7,096

Only Pohjola Bank plc within OP Financial Group is eligible for central bank refinancing.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 45. Subordinated notes and bonds

EUR million	31 Dec. 2014	31 Dec. 2013
Publicly quoted		
From others	19	5
Total	19	5
Other		
From others	2	9
Total	2	9
Total included financial assets at fair value through profit or loss	21	14
Investment assets		
Publicly quoted		
From others	17	15
Total	17	15
Other		
From others	1	1
Total	1	1
Total included in investment assets	17	15

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 46. Collateral given

EUR million	31 Dec. 2014 Balance sheet value	31 Dec. 2013 Balance sheet value
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	6	12
Loans (as collateral for covered bonds)	8,937	7,542
Others	999	485
Other collateral given		
Pledges*	6,273	5,705
Total collateral given	16,216	13,744
Other secured liabilities	474	490
Covered bonds	7,811	5,892
Total secured liabilities	8,285	6,382

* Of which EUR 2,000 million in intraday settlement collateral

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 47. Financial collateral held

Within OP Financial Group, Pohjola Bank has received collateral, in accordance with the Financial Collateral Act, which it may resell or repledge.

Fair value of collateral received	31 Dec. 2014	31 Dec. 2013
Other	722	359
Total	722	359

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 722 million on the balance sheet date (359). The Group had no securities received as collateral on the balance sheet date.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 48. Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Carrying amount total
Cash and balances with central banks	3,888	-	-	-	-	3,888
Receivables from credit institutions and central banks	686	-	-	-	-	686
Derivative contracts	-	-	5,348	-	572	5,920
Receivables from customers	70,683	-	-	-	-	70,683
Non-life Insurance assets**	657	-	180	2,960	-	3,797
Life Insurance assets***	212	-	7,665	3,362	-	11,238
Notes and bonds	-	191	354	8,282	-	8,827
Shares and participations	-	-	73	525	-	598
Other financial assets	1,951	-	-	-	-	1,951
Financial assets	-	-	-	-	-	107,589
Other than financial instruments	-	-	-	-	-	2,838
Total 31 December 2014	78,077	191	13,620	15,129	572	110,427

Assets, EUR million	Loans and other recei- vables	Invest- ments held to maturity	Financial assets at fair value through profit or loss*	Available- for-sale financial assets	Hedging deriva- tives	Carrying amount total
Cash and balances with central banks	2,172	-	-	-	-	2,172
Receivables from credit institutions and central banks	849	-	-	-	-	849
Derivative contracts	-	-	2,943	-	479	3,423
Receivables from customers	68,142	-	-	-	-	68,142
Non-life Insurance assets**	538	-	162	2,779	-	3,479
Life Insurance assets***	210	-	6,495	3,168	-	9,872
Notes and bonds	-	271	450	7,602	-	8,323
Shares and participations	-	-	87	359	-	446
Other financial assets	1,554	-	-	-	-	1,554
Financial assets	-	-	-	-	-	98,260
Other than financial instruments	-	-	-	-	-	2,731
Total 31 December 2013* restated	73,465	271	10,137	13,908	479	100,991

Liabilities, EUR million	Financial liabilities at fair value through profit or loss****	Other liabilities	Hedging deriva- tives	Carrying amount total
Liabilities to credit institutions	-	1,776	-	1,776
Financial liabilities held for trading (excl. derivatives)	4	-	-	4
Derivative contracts	5,103	-	386	5,489
Liabilities to customers	-	51,163	-	51,163
Non-life Insurance liabilities	2	2,970	-	2,972
Life Insurance liabilities	7,520	3,710	-	11,230
Debt securities issued to the public	-	24,956	-	24,956
Subordinated loans	-	1,020	-	1,020
Other financial liabilities	-	2,587	-	2,587
Financial liabilities	-	-	-	101,199
Other than financial liabilities	-	-	-	2,015
Total 31 December 2014	12,630	88,183	386	103,214

Liabilities, EUR million	Financial liabilities at fair value through profit or loss****	Other liabilities	Hedging deriva- tives	Carrying amount total
Liabilities to credit institutions	-	1,039	-	1,039
Financial liabilities held for trading (excl. derivatives)	4	-	-	4
Derivative contracts	2,908	-	250	3,157
Liabilities to customers	-	50,157	-	50,157
Non-life Insurance liabilities	-	2,746	-	2,746
Life Insurance liabilities	6,308	3,463	-	9,771
Debt securities issued to the public	-	21,428	-	21,428
Subordinated loans	-	861	-	861
Other financial liabilities	-	2,777	-	2,777
Financial liabilities	-	-	-	91,940
Other than financial liabilities	-	-	-	1,327
Total 31 December 2013* restated	9,219	82,471	250	93,267

* Assets at fair value through profit or loss include financial assets for trading, financial assets at fair value through profit or loss at inception, and investments and investment property covering unit-linked contracts.

** Non-life Insurance assets are specified in Note 23.

** Life Insurance assets are specified in Note 24.

**** Includes the balance sheet value of insurance liabilities related to unit-linked contracts.

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was approximately EUR 559 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Subordinated liabilities are carried at amortised cost. Their fair values are lower than the carrying amounts, but it is difficult to determine fair values reliably in the current market situation.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 49. Recurring fair value measurements by valuation technique

	31 Dec. 2014			
	Fair value			
Financial assets measured at fair value, EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Banking	183	244	0	427
Non-life Insurance	-	7	-	7
Life Insurance*	7,202	289	7	7,499
Derivatives				
Banking	7	5,711	202	5,920
Non-life Insurance	1	11	-	12
Life Insurance	-	66	-	66
Available-for-sale financial assets				
Banking	6,631	2,150	27	8,807
Non-life Insurance	1,546	1,156	258	2,960
Life Insurance	1,944	1,076	341	3,362
Total financial instruments	17,514	10,710	835	29,060
Investment property				
Banking	-	-	502	502
Non-life Insurance	-	-	161	161
Life Insurance	-	-	101	101
Total Investment property	-	-	763	763
Total	17,514	10,710	1,599	29,823

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

	31 Dec. 2013*			
	Fair value			
Financial assets measured at fair value, EUR million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Banking	152	384	-	537
Non-life Insurance	-	6	-	6
Life Insurance**	6,061	239	16	6,316
Derivatives				
Banking	10	3,201	212	3,423
Non-life Insurance	4	0	-	4
Life Insurance	1	70	-	71
Available-for-sale financial assets				
Banking	6,184	1,756	21	7,961
Non-life Insurance	1,648	940	214	2,802
Life Insurance	1,800	999	427	3,226
Total financial instruments	15,860	7,596	889	24,345
Investment property				
Banking	-	-	521	521
Non-life Insurance	-	-	152	152
Life Insurance	-	-	108	108
Total Investment property	-	-	781	781
Total	15,860	7,596	1,669	25,126

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

** Includes 6,300 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,061 million and Level 2 for 239 million euros.

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

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

	31 Dec. 2013			
	Restated*			
	Fair value			
Financial liabilities measured at fair value, EUR million	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Banking	-	4	-	4
Non-life Insurance	-	-	-	-
Life Insurance	6,060	239	-	6,299
Derivatives				
Banking	35	2,992	131	3,157
Non-life Insurance	-	-	-	-
Life Insurance	-	9	-	9
Total	6,095	3,243	131	9,469

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

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

Fair value measurement

Banking derivatives

OP obtains the price of listed derivatives directly from markets. In the fair value measurement of OTC derivatives, OP uses models and techniques commonly used in markets. These are needed, for instance, to create yield curves and currency conversion charts and volatility surfaces as well as for option valuation. The input data of these models can generally be derived from markets. In the fair value measurement of some contracts, however, OP has to use models where input data cannot be observed in the market and therefore they must be assessed. Such contracts are included in Level 3.

Pohjola Bank's Middle Office is responsible for the fair value measurement of Banking derivatives and the quality and reliability of market data, valuation curves and volatility surfaces used in them, as part of its daily fair value measurement process, including the measurement of Level 3 hierarchy. Middle Office compares regularly at contract level valuation prices with valuations supplied by CSA counterparties and central counterparties and, whenever necessary, determine any possible significant valuation differences.

OP Financial Group's Risk Management Control is responsible for approval of new fair value measurement models and techniques and for supervision of the fair value measurement process. Verifying fair values is based, for example, on valuation using alternative sources for market prices and other input data. In this verification process, valuation prices can be compared with prices supplied by CSA counterparties and central counterparties. In addition, it is possible to use valuation services provided by third parties.

The fair value measurement of OTC derivatives takes account of the credit risk of the parties to a transaction. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debt Valuation Adjustment (DVA). CVAs and DVAs are calculated for each counterparty.

Non-life Insurance's available-for-sale financial investments

The prices of securities are primarily obtained from market information sources and valued on a daily basis. Some securities are subject to less frequent pricing, such as once a month. In such a case, pricing is based on official valuations published by brokers, issuers or other market participants or their estimates. Such contracts are included in Level 3.

Level 1: Quoted prices in active markets

This level includes equities listed on major stock exchanges, quoted corporate debt instruments, bonds issued by governments and financial institutions with credit rating of at least A-, and exchange-traded derivatives. The fair value of these instruments is determined on the basis of quotes in active markets.

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the financial instruments included within this level contains inputs not based on observable market data (unobservable inputs). This level includes the most complex OTC derivatives, certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

During 2014, EUR 56.3 million were transferred from level 1 to 2 and EUR 55.0 million in bonds were transferred from level 2 to level 1, due to changes in credit ratings.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Derivative contracts		Total assets
	Banking	Insurance	Banking	Insurance	Banking	Insurance	
Opening balance 1 Jan. 2014	1	16	36	560	212	560	825
Total gains/losses in profit or loss	0	-	-10	-2	-1	-2	-13
Total gains/losses in other comprehensive income	-	-	-	75	-2	75	73
Purchases	-	-	-	83	0	83	83
Sales	0	-9	-	-116	-7	-116	-133
Settlements	-	-	-	-	0	-	-
Transfers out of Level 3	-	-	-	-	-	-	-
Closing balance 31 Dec. 2014	0	7	27	599	202	-	835

Financial assets, EUR million	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Derivative contracts		Total assets
	Banking	Insurance	Banking	Insurance	Banking	Insurance	
Opening balance 1 Jan. 2013	16	86	16	936	190	-	1,244
Total gains/losses in profit or loss	-16	1	-1	-22	22	-	-17
Total gains/losses in other comprehensive income	-	-	6	30	-	-	37
Purchases	-	1	-	51	-	-	52
Sales	-	-50	-	-290	-	-	-340
Settlements	-	-22	-	-	-	-	-22
Transfers out of Level 3	-	-	-	-65	-	-	-65
Closing balance 31 Dec. 2013	-	16	21	640	212	-	889

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Derivative contracts		Total assets
	Banking	Insurance	Banking	Insurance	Banking	Insurance	
Opening balance 1 Jan. 2014	-	-	-	-	131	-	131
Total gains/losses in profit or loss	-	-	-	-	-1	-	-1
Closing balance 31 Dec. 2014	-	-	-	-	130	-	130

Financial liabilities, EUR million	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Derivative contracts		Total assets
	Banking	Insurance	Banking	Insurance	Banking	Insurance	
Opening balance 1 Jan. 2013	-	-	-	-	159	-	159
Total gains/losses in profit or loss	-	-	-	-	-28	-	-28
Closing balance 31 Dec. 2013	-	-	-	-	131	-	131

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2014

EUR Million	Net interest income or net trading income		Net income from Non-life Insurance		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
	investment income	Net income	from Life Insurance	Net income		
Realised net gains (losses)	0	0	0	0	-	0
Unrealised net gains (losses)	-8	-2	37	39	73	138
Total net gains (losses)	-8	-1	43	30	73	137

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2013

EUR million	Net interest income or net trading income		Net income from Non-life Insurance		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
	investment income	Net income	from Life Insurance	Net income		
Realised net gains (losses)	-16	-1	-5	-17	-	-39
Unrealised net gains (losses)	50	-	-	-	37	87
Total net gains (losses)	34	-1	-5	-17	37	48

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 Pohjola, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table.

Sensitivity of Level 3 measurements to reasonably possible alternative assumptions

No major changes occurred in valuation techniques in 2014.

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2014

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Structured investment vehicles	7	-	7	0.7	10%
Derivatives					
Index-linked bond hedges and structured derivatives*	202	-130	72	7.92	11%
Available-for-sale					
Illiquid investments	119	-	119	17.85	15%
Private equity funds**	354	-	354	35.4	10%
Real estate funds***	153	-	153	30.6	20%
Investment property					
Investment property***	763	-	763	152.6	20%

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2013

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Structured investment vehicles	17	-	17	1.7	10%
Derivatives					
Index-linked bond hedges and structured derivatives*	212	-131	81	9.1	11%
Available-for-sale					
Illiquid investments	168	-	168	25.2	15%
Private equity funds**	319	-	319	31.9	10%
Real estate funds***	213	-	213	42.6	20%
Investment property					
Investment property***	663	-	663	132.6	20%

* Following stress scenarios: the combined value change of volatility of shares (30%), dividends of shares (30%), credit risk premiums (30%) and significant correlation changes.

** The value of private equity funds depends mainly on the profit performance of portfolio companies and the PE ratios of similar listed companies. The Total Value to Paid-in (TVPI) multiple, which has changed an average of 10%, is used to monitor the progress of the fair value of private equity funds.

*** In the valuation of real estate funds and investment property, Pohjola mainly uses the income approach whose main components are yield requirement and net rent. A +/- 1 percentage point change in the yield requirement leads on average to around 20% change in the fair value.

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 50. Off-balance-sheet commitments

EUR million	31 Dec. 2014	31 Dec. 2013
Guarantees	878	931
Other guarantee liabilities	2,007	1,967
Pledges	3	3
Loan commitments	8,839	9,772
Commitments related to short-term trade transactions	319	265
Other	522	490
Total off-balance-sheet commitments	12,567	13,428

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 51. Contingent liabilities and assets

Insurance companies belonging to OP Financial Group underwrite insurance policies through pools. Pool members are primarily responsible for their own proportionate share of the risk. Proportionate shares are based on contracts confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Group insurance companies recognise liabilities and receivables based on joint liability if joint liability is likely to materialise.

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 52. Operating leases

OP Financial Group as Lessee

Some OP Financial Group companies have leased the office premises they use. The term of these leases varies between one and ten years and they usually include the option of extending the lease after the original date of termination. OP Financial Group companies have subleased some of their premises. In addition, some companies have leased motor vehicles and office equipment. Other operating expenses include EUR 30 million (29) in rental expenses.

Future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec. 2014	31 Dec. 2013
No later than 1 year	11	14
Later than 1 year and no later than 5 years	12	14
Later than 5 years	4	1
Total	27	30
Expected future minimum lease payments from non-cancellable subleases	1	5

OP Financial Group as Lessor

OP Financial Group companies have leased out investment properties they own, which generated lease income of EUR 65 million (65) in 2014.

Future minimum lease payments receivable under non-cancellable operating leases

EUR million	31 Dec. 2014	31 Dec. 2013
No later than 1 year	46	44
Later than 1 year and no later than 5 years	89	97
Later than 5 years	90	85
Total	225	227

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 53. Derivative contracts

Derivatives held for trading 31 December 2014

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	14,009	54,805	30,854	99,668	3,659	3,694	4,374
Cleared by the central counterparty	4,207	21,163	11,936	37,305	697	665	980
OTC interest rate options							
Call and caps							
Purchased	3,730	4,535	2,441	10,707	398	2	464
Written	2,358	3,505	3,141	9,004	-	341	6
Put and floors							
Purchased	5,337	3,985	1,895	11,218	138	8	205
Written	5,903	5,767	1,632	13,303	7	92	51
Total OTC interest rate derivatives	31,337	72,598	39,963	143,899	4,202	4,137	5,100
Interest rate futures	12,461	4,602	-	17,063	3	14	-
Interest rate options							
Call							
Written	500	-	-	500	-	0	-
Put							
Purchased	2,000	-	-	2,000	-	0	-
Written	-	-	-	-	-	-	-
Total exchange traded derivatives	14,961	4,602	-	19,563	3	15	-
Total interest rate derivatives	46,298	77,200	39,963	163,462	4,205	4,151	5,100

Currency derivatives

Forward exchange agreements	13,428	307	65	13,800	274	168	429
Interest rate and currency swaps	360	7,728	5,164	13,252	669	697	1,447
Currency options							
Call							
Purchased	188	17	-	205	4	-	7
Written	226	17	-	243	-	5	-
Put							
Purchased	496	8	-	504	11	-	17
Written	426	9	-	436	-	8	-
Total OTC currency derivatives	15,125	8,086	5,229	28,440	959	878	1,900
Total currency derivatives	15,125	8,086	5,229	28,440	959	878	1,900

Equity and index derivatives

Equity options							
Call							
Purchased	266	271	-	537	35	0	73
Equity index options							
Call							
Purchased	0	9	-	9	2	-	3
Written	-	2	-	2	-	0	-
Put							
Purchased	-	2	-	2	0	-	0
Written	-	2	-	2	-	0	-
Total OTC equity and index derivatives	266	285	-	551	37	1	76
Total equity and index derivatives	266	285	-	551	37	1	76

Credit derivatives

Credit default swaps	9	73	102	184	12	5	12
Total credit derivatives	9	73	102	184	12	5	12

Other

Other forward contracts	1	2	-	3	0	1	0
Other swaps	70	760	56	886	67	29	150
Other options							
Call							
Purchased	17	11	-	28	0	-	3
Written	17	-	-	17	-	0	-
Put							
Purchased	10	-	-	10	2	-	3
Written	10	-	-	10	-	2	-
Total other OTC derivatives	124	772	56	953	69	31	157
Other futures contracts	108	68	0	176	4	35	-
Total other derivatives	232	840	56	1,129	73	67	157
Total derivatives held for trading	61,931	86,484	45,350	193,766	5,286	5,101	7,244

Derivatives held for trading 31 December 2013

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	12,513	55,139	29,999	97,651	2,239	1,968	2,953
Cleared by the central counterparty	2,350	9,295	4,419	16,065	70	51	183
OTC interest rate options							
Call and caps							
Purchased	3,113	5,330	2,179	10,623	179	4	244
Written	2,270	5,109	2,634	10,014	0	136	5
Put and floors							
Purchased	2,806	5,958	1,202	9,966	201	0	263
Written	3,276	7,285	979	11,539	0	138	27
Total OTC interest rate derivatives	23,978	78,821	36,993	139,793	2,619	2,246	3,492

Interest rate futures	4,109	6,624	-	10,733	8	3	-
Interest rate options							
Call							
Written	-	-	-	-	-	-	-
Put							
Purchased	2,000	-	-	2,000	-	0	-
Written	4,000	-	-	4,000	1	-	-
Total exchange traded derivatives	10,109	6,624	-	16,733	9	3	-
Total interest rate derivatives	34,087	85,445	36,993	156,526	2,628	2,249	3,492
Currency derivatives							
Forward exchange agreements	13,553	338	84	13,976	132	143	290
Interest rate and currency swaps	344	1,353	1,303	3,001	160	177	329
Currency options							
Call							
Purchased	178	11	-	189	3	-	5
Written	208	8	-	217	0	8	0
Put							
Purchased	167	8	-	175	1	-	3
Written	101	0	-	101	-	1	-
Total OTC currency derivatives	14,552	1,719	1,387	17,659	296	328	628
Total currency derivatives	14,552	1,719	1,387	17,659	296	328	628
Equity and index derivatives							
Equity options							
Call							
Purchased	-	-	-	-	-	-	-
Equity index options							
Call							
Purchased	194	582	-	776	77	-	135
Written	-	-	-	-	-	-	-
Put							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Total OTC equity and index derivatives	194	582	-	776	77	-	135
Total equity and index derivatives	194	582	-	776	77	-	135

Credit derivatives

Credit default swaps	4	99	15	118	13	0	13
Total credit derivatives	4	99	15	118	13	0	13

Other

Other forward contracts	3	0	-	4	1	0	1
Other swaps	204	499	166	869	55	30	141
Other options							
Call							
Purchased	18	11	-	29	0	-	3
Written	18	-	-	18	-	0	-
Put							
Purchased	9	-	-	9	0	-	1
Written	9	-	-	9	-	0	-
Total other OTC derivatives	261	510	166	937	56	30	146
Other futures contracts	105	118	6	229	8	34	-
Total other derivatives	367	627	172	1,167	64	64	146
Total derivatives held for trading	49,204	88,473	38,568	176,245	3,077	2,641	4,414

Derivative contracts for hedging purposes – fair value hedging 31 December 2014

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	5,688	14,951	7,888	28,527	812	568	1,005
Cleared by the central counterparty	163	2,964	3,072	6,199	165	202	226
OTC interest rate options							
Call and caps							
Purchased	-	-	-	-	-	-	-
Written	-	-	-	-	-	-	-
Put and floors							
Written	-	-	-	-	-	-	-
Total OTC interest rate derivatives	5,688	14,951	7,888	28,527	812	568	1,005
Total interest rate derivatives	5,688	14,951	7,888	28,527	812	568	1,005

Currency derivatives

Interest rate and currency swaps	1,044	942	410	2,396	75	97	163
Total OTC currency derivatives	1,044	942	410	2,396	75	97	163
Total currency derivatives	1,044	942	410	2,396	75	97	163
Total derivative contracts, fair value hedge	6,733	15,893	8,298	30,924	888	665	1,168

Derivative contracts for hedging purposes – cash flow hedge 31 Dec. 2014

EUR million	Nominal values /residual term to maturity			Total	Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years		Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	331	2,133	748	3,212	127	-	149
Cleared by the central counterparty	-	400	-	400	14	-	16
Total OTC interest rate derivatives	331	2,133	748	3,212	127	-	149
Total interest rate derivatives	331	2,133	748	3,212	127	-	149
Total derivative contracts, cash flow hedge	331	2,133	748	3,212	127	-	149
Total derivative contracts held for hedging	7,064	18,026	9,046	34,135	1,015	665	1,317

Derivative contracts for hedging purposes – fair value hedging 31 December 2013

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	4,197	11,448	5,084	20,728	348	244	467
Cleared by the central counterparty	40	1,139	601	1,779	5	17	20
OTC interest rate options							
Call and caps							
Purchased	-	11	10	-	-	0	0
Written	0	0	0	0	-	-	-
Put and floors							
Written	-	11	10	21	-	-	-
Total OTC interest rate derivatives	4,197	11,469	5,104	20,749	348	245	468
Total interest rate derivatives	4,197	11,469	5,104	20,769	348	245	468
Currency derivatives							
Interest rate and currency swaps	1,628	803	137	2,567	46	83	113
Total OTC currency derivatives	1,628	803	137	2,567	46	83	113
Total currency derivatives	1,628	803	137	2,567	46	83	113
Total derivative contracts, fair value hedge	5,824	12,272	5,240	23,337	394	328	580

Derivative contracts for hedging purposes – cash flow hedge 31 Dec. 2013

EUR million	Nominal values /residual term to maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	250	1,933	611	2,794	49	5	67
Cleared by the central counterparty	-	200	-	200	0	1	1
Total OTC interest rate derivatives	250	1,933	611	2,794	49	5	67
Total interest rate derivatives	250	1,933	611	2,794	49	5	67
Total derivative contracts, cash flow hedge							
	250	1,933	611	2,794	49	5	67
Total derivative contracts held for hedging							
	6,074	14,205	5,851	26,131	443	332	647

Total derivatives 31 December 2014

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives	52,318	94,284	48,599	195,201	5,144	4,719	6,254
Cleared by the central counterparty	4,370	24,526	15,008	43,904	876	867	1,222
Currency derivatives	16,170	9,028	5,639	30,837	1,034	975	2,063
Equity and index-linked derivatives	266	285	-	551	37	1	76
Credit derivatives	9	73	102	184	12	5	12
Other derivatives	232	840	56	1,129	73	67	157
Total derivatives	68,995	104,510	54,396	227,901	6,301	5,766	8,561

Total derivatives 31 December 2013

EUR million	Nominal values/residual maturity				Fair values*		Potential future exposure
	<1 year	1-5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives	38,534	98,847	42,708	180,089	3,025	2,498	4,026
Cleared by the central counterparty	2,390	10,634	5,020	18,044	76	69	204
Currency derivatives	16,180	2,522	1,524	20,226	342	411	741
Equity and index-linked derivatives	194	582	-	776	77	-	135
Credit derivatives	4	99	15	118	13	0	13
Other derivatives	367	627	172	1,167	64	64	146
Total derivatives	55,278	102,678	44,419	202,375	3,520	2,974	5,061

* Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet.

Interest rate derivatives for central counterparty clearing are offset in the balance sheet. The effects of netting can be found in Note 54 below. Other derivative contracts are presented on a gross basis in the balance sheet. In capital adequacy measurement, Pohjola Group also applies netting of derivatives. The effects of netting on counterparty risk can be found in Note 98 above. Netting would reduce the credit equivalent of Pohjola Bank plc's derivative contracts by EUR 6,233 million (3,381).

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 54. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Financial assets***	Collateral received	Net amount
Banking derivatives	6,791	-871	5,920	-3,956	-722	1,242
Life Insurance derivatives	66	-	66	-8	-	58
Non-life Insurance derivatives	12	-	12	-1	-	11
Total derivatives	6,869	-871	5,998	-3,965	-722	1,311

31 Dec. 2013, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Financial assets***	Collateral received	Net amount
Banking derivatives	3,498	-71	3,423	-2,362	-359	702
Life Insurance derivatives	71	-	71	-9	-	62
Non-life Insurance derivatives	4	-	4	-	-	4
Total derivatives	3,573	-71	3,498	-2,371	-359	768

Financial liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Financial liabilities***	Collateral given	Net amount
Banking derivatives	6,351	-862	5,489	-3,956	-862	671
Life Insurance derivatives	8	-	8	-8	-	0
Non-life Insurance derivatives	2	-	2	-1	-	2
Total derivatives	6,361	-862	5,499	-3,965	-862	672

31 Dec. 2013, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Financial liabilities***	Collateral given	Net amount
Banking derivatives	3,221	-64	3,157	-2,362	-377	418
Life Insurance derivatives	9	-	9	-9	-	-
Non-life Insurance derivatives	-	-	-	-	-	-
Total derivatives	3,230	-64	3,166	-2,371	-377	418

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling 9 (8) million euros.

** Fair values excluding accrued interest

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

Central counterparty clearing for OTC derivatives

In anticipation of entry into force of central counterparty clearing required by the European Market Infrastructure Regulation (Regulation (EU) No. 648/2012), Pohjola Bank plc adopted in February 2013 central counterparty clearing in London Clearing House for new interest rate derivatives covering standardised OTC derivative transactions entered into with financial counterparties. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or OP Financial Group will apply to derivative transactions between OP Financial Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Notes to OP Financial Group Financial Statements

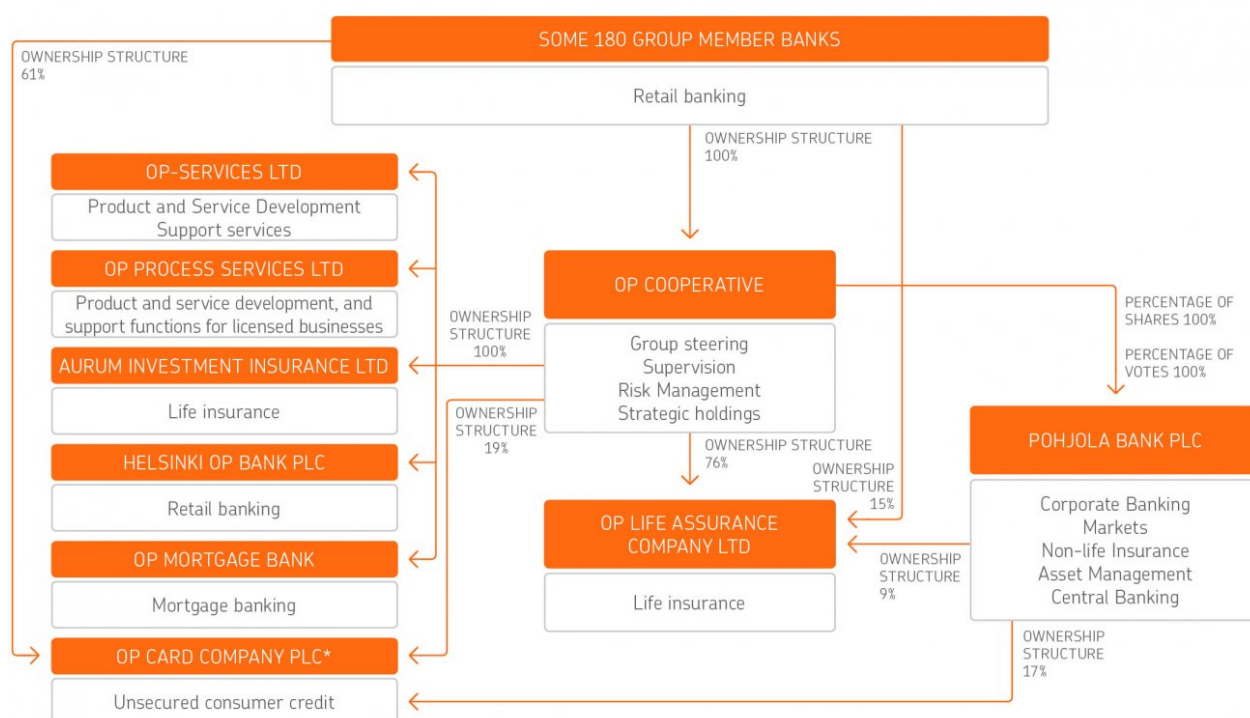
OTHER NOTES

Note 55. Ownership interests in subsidiaries, structured entities and joint operations

OP Financial Group's structure

The following figure describes the structure of OP Financial Group. Group member cooperative banks constitute the Group's technical parent company. In addition to the member cooperative banks, the most important subsidiaries, OP Cooperative (central cooperative) and its subsidiaries, associates and various joint arrangements are consolidated into OP Financial Group.

STRUCTURE, OWNERSHIP AND DIVISION OF WORK AT OP FINANCIAL GROUP



Credit institutions within OP Financial Group are liable for each other's debts and commitments. OP Financial Group is supervised by FSA on a consolidated basis.

* OP Financial Group's ownership is 100%, of which OP Cooperative Consolidated accounts for 39%

Changes occurred in subsidiaries and structured entities during the financial year

OP Cooperative has acquired all shares of Pohjola Bank plc. At the beginning of the financial year, OP Cooperative held 37.24 of Pohjola Bank plc shares and 61.31% of the votes conferred by the shares.

OP Cooperative has bought all shares in Checkout Finland Oy, a provider of payment services for Finnish web shops. Note 4 Business combinations during the period provides more information.

In addition, OP Financial Group has been interpreted to establish control over R2 Alpha Strategies Plc, an Irish umbrella fund, which is a structured entity.

On 30 October 2014, Pohjola Health Ltd merged with Pohjola Insurance Ltd.

The financial year saw no reductions in the ownership interests in subsidiaries.

Major subsidiaries included in the financial statements of OP Financial Group in 2014

Major OP Financial Group subsidiaries include companies whose business is subject to licence and other major companies relevant to business operations. All major consolidated subsidiaries are wholly owned and accordingly they have no major non-controlling interests.

Company	Domicile/home country	Interest, %	Votes, %	Company belongs to the consolidation group with respect to capital adequacy
OP Cooperative	Helsinki	100.0	100.0	x
Aurum Investment Insurance Ltd	Helsinki	100.0	100.0	
Helsinki OP Bank Plc	Helsinki	100.0	100.0	x
OP Mortgage Bank	Helsinki	100.0	100.0	x
OP Life Assurance Company Ltd	Helsinki	100.0	100.0	
OP Card Company Plc	Helsinki	100.0	100.0	x
OP-Services Ltd*)	Helsinki	100.0	100.0	x
OP Process Services Ltd	Helsinki	100.0	100.0	x
OP Fund Management Company Ltd	Helsinki	100.0	100.0	x
OP Bank Group Mutual Insurance Company	Helsinki	100.0	100.0	x
Pivo Wallet Oy	Helsinki	100.0	100.0	
Pohjola Bank plc	Helsinki	100.0	100.0	x
Checkout Finland Oy	Tampere	100.0	100.0	x
Pohjola Group companies :				
A-Insurance Ltd	Helsinki	100.0	100.0	
Omasairaala Oy	Helsinki	100.0	100.0	
Pohjola Finance Estonia AS	Estonia	100.0	100.0	x
Pohjola Finance SIA	Latvia	100.0	100.0	x
Pohjola Property Management Ltd	Helsinki	100.0	100.0	
Pohjola Insurance Ltd	Helsinki	100.0	100.0	
Pohjola Asset Management Limited	Helsinki	100.0	100.0	x
Seesam Insurance AS	Estonia	100.0	100.0	
UAB Pohjola Finance	Lithuania	100.0	100.0	x
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0	

In addition to the subsidiaries, 60 (65) OP-Kiinteistökeskus real estate agencies are consolidated into the financial statements of OP Financial Group. These real estate agencies, which are wholly owned subsidiaries, provide services for buying and selling real property and homes and house management services. In addition to the real estate agencies, 16 other subsidiaries have been consolidated.

Member cooperative banks forming the technical parent company of OP Financial Group in 2014

Name	Balance sheet 2014, EUR million	Capital adequacy, % 31 Dec. 2014	Managing Director 31 Dec. 2014
Akaan Seudun Op	143	71.2	Tuomo Smått
Alajärven Op	251	52.8	Jari Leivo
Alastaron Op	57	45.6	Sanna Metsänranta
Alavieskan Op	63	54.5	Antero Alahautala
Alavuden seudun Op	196	43.9	Jussi Ruuhela
Andelsbanken för Åland	325	23.5	Johnny Nordqvist
Andelsbanken Raseborg	376	26.4	Lars Björklöf
Artjärven Op	46	53.2	Reijo Hurskainen
Askolan Op	113	46.6	Tuulikki Kyyhkynen
Auran Op	86	39.2	Sauli Nuolemo
Enon Op	115	49.9	Raili Hyvönen
Etelä-Hämeen Op	1,200	48.9	Seppo Runsamo
Etelä-Karjalan Op	1,270	44.7	Petri Krohns
Etelä-Pohjanmaan Op	1,014	26.3	Olli Tarkkanen
Etelä-Päijänteen Op	161	49.1	Jari Laaksonen
Euran Op	170	56.0	Timo Viitanen
Haapamäen Seudun Op	57	49.4	Hannu Petjoi
Hailuodon Op	37	68.7	Eija Sipola
Halsuan Op	36	61.2	Heidi Pöyhönen
Hartolan Op	71	58.4	Kari Leskinen
Haukivuoren Op	62	60.5	Seppo Laurila
Heinäveden Op	77	62.0	Jukka Tuomisto
Himangan Op	79	32.3	Kalevi Humalajoki
Hirvensalmen Op	43	66.3	Kirsi Hännikäinen
Honkilahden Op	33	71.0	Jukka-Pekka Koivisto
Humppilan Op	60	55.4	Jari Salokangas
Ilomantsin Op	135	30.5	Raija Tahvanainen
Itä-Uudenmaan Op	375	22.3	Arto Nurmi-Aro
Janakkalan Op	334	69.2	Vesa Lehtikainen
Jokioisten Op	101	52.0	Vesa Rantanen
Jämsän Seudun Op	243	62.6	Kyösti Myller

Kainuun Op	486	39.4	Seppo Rytivaara
Kalajoen Op	214	33.3	Leena Kälviä
Kalkkisten Op	19	61.6	Heikki Leppähaara
Kangasalan Seudun Op	404	32.7	Timo Silvan, vt tj
Kangasniemen Op	178	69.6	Leo Pakkanen
Kannuksen Op	94	34.9	Juha Lundström
Karjalan Op	30	52.3	Mari Karsio
Karkun Op	22	69.2	Tiina Kankkio
Kaustisen Op	92	39.5	Asko Ahonen
Kemin Seudun Op	280	50.3	Jari Anttila
Kerimäen Op	70	64.6	Jarmo Kaivonurmi
Keski-Suomen Op	1,838	31.9	Keijo Manner
Keski-Uudenmaan Op	1,377	54.3	Juhani Rinta-Kartano
Kesälahden Op	76	56.2	Toni Ruokanen
Kihniön Op	35	58.7	Pirjo Haapa-aho Vehniä
Kiihtelysvaaran Op	94	44.4	Pasi Leppänen
Kiikoisten Op	29	62.6	Pirjo Koponen
Kiteen Seudun Op	268	49.1	Olli Koivula
Koitin-Pertunmaan Op	72	63.8	Jouko Iso-Kuortti
Kokkolan Op	715	26.9	Kimmo Peuranto
Korpilahden Op	85	61.9	Tuomas Kupsala
Korsnäs Andelsbank	130	39.5	Jan-Erik Westerdahl
Kronoby Andelsbank	125	46.1	Sten-Ole Nybäck
Kuhmoisten Op	52	49.9	Teemu Sarhema
Kuhmon Op	161	35.2	Hannu Kurkinen
Kuortaneen Op	65	42.7	Markku Jaatinen
Kurun Op	50	51.2	Marja-Leena Siuro
Kuusamon Op	184	37.8	Kari Kivelä
Kymenlaakson Op	1,395	46.3	Marjo Partio
Kärkölän Op	77	54.3	Arto Haavikko
Käylän Op	27	62.3	Katja Koskinen
Köyliön Op	65	43.7	Jari Valonen
Lapin Op	83	58.3	Juha Teerialho
Lehtimäen Op	53	33.6	Veli-Jussi Haapala
Lemin Op	78	45.2	Eero Innanen
Leppävirran Op	147	49.8	Jukka Kilpeläinen

Limmingan Op	85	44.0	Petteri Juusola
Liperin Op	176	55.3	Jalo Lehtovaara
Loimaan Seudun Op	226	55.5	Juha Pullinen
Lokalahden Op	35	60.6	Ville Aarnio
Lounaismaan OP	1,322	38.4	Jukka Hulkkonen
Lounaisrannikon Op	482	33.1	Juha-Pekka Nieminen
Lounais-Suomen Op	273	60.6	Vesa Viitaniemi
Luhangan Op	51	45.1	Tuomas Puttonen
Luopioisten Op	36	57.0	Esa Jokinen
Luumäen Op	91	67.3	Mikko Antikainen
Länsi-Kymen Op	270	36.9	Pertti Olander
Länsi-Suomen Op	2,307	43.8	Simo Kauppi
Länsi-Uudenmaan Op	783	31.2	Jarmo Viitanen
Maaningan Op	89	55.6	Ari Väänänen
Marttilan Op	79	57.5	Matti Vahalahti
Mellilän Seudun Op	36	64.4	Aarre Anttila
Merimaskun Op	35	71.8	Marjo Linnakoski
Metsämaan Op	30	86.6	Jussi Nieminen
Miehikkälän Op	62	53.9	Kalevi Salonen
Mouhijärven Op	70	35.0	Rainer Sillanpää
Mynämäen Op	148	57.7	Kimmo Ranta
Myrskylän Op	21	75.1	Mikko Purmonen
Mäntsälän Op	191	47.4	Heikki Kananen
Mäntän Seudun Op	217	41.1	Janne Nuutinen
Nagu Andelsbank	46	43.4	Johan Broos
Nakkila-Luvian Op	194	61.8	Jussi Kuvaja
Niinijoen Op	36	61.1	Jouni Tammelin
Nivalan Op	192	32.6	Markku Niskala
Nousiaisten Op	180	48.3	Ville Aakula
Op Kantrisalo	92	59.4	Bo Hellen
Orimattilan Op	191	70.5	Jukka Sipilä
Oripään Op	62	24.4	Jouko Rekolainen
Oriveden seudun Op	176	44.7	Pertti Pyykkö
Oulaisten Op	209	43.5	Mika Korkia-aho
Oulun Op	2,615	27.3	Timo Levo
Outokummun Op	119	41.1	Eero Eskelinen

Paattisten Op	83	63.6	Soile Noren
Paltamon Op	59	64.8	Jorma Niemi
Parikkalan Op	118	57.1	Tuomo Liukka
Pedersörenejdens Andelsbank	428	29.0	Thomas Hulten
Perhon Op	76	49.7	Pekka Pajula
Peräseinäjoen Op	105	58.5	Juha Mäki
Pielaveden Op	94	47.6	Jouni Karhinen
Pielisen Op	456	31.7	Jaana Reimasto- Heiskanen
Pihtiputaan Op	78	47.4	Vesa Isosalo
Pohjois-Karjalan Op	759	30.1	Esko Mononen
Pohjois-Savon Op	2,061	40.5	Jaakko Ojanperä
Pohjolan Op	963	30.6	Markku Salomaa
Polvijärven Op	118	38.3	Ari Noponen
Porvoon Op	610	32.5	Mauri Molander
Posion Op	101	76.4	Vesa Jurmu
Pudasjärven Op	168	77.2	Teuvo Perätalo
Pukkilan Op	64	62.9	Ari Talkara
Pulkkilan Op	40	90.0	Eero Keskitalo
Punkalaitumen Op	94	38.8	Petri Antila
Puolangan Op	77	49.5	Jouni Ahokumpu
Purmo andelsbank	36	36.1	Stig-Göran Jansson
Pyhålaakson Op	199	37.0	Timo Suhonen
Päijät-Hämeen Op	1,236	25.0	Timo Laine
Pöytyän Op	85	42.6	Tuomo Jokinen
Raahen seudun Op	316	46.5	Ari Pohjola
Rantasalmen Op	134	54.9	Martti Pulkkinen
Rautalammin Op	72	39.5	Esko-Pekka Markkanen
Riistaveden Op	108	36.7	Pauli Kröger
Ruoveden Op	134	35.4	Leena Selkee
Ruukin Op	125	46.5	Kalle Arvio
Rymättylän Op	62	48.0	Antero Nikki
Rääkkylän Op	84	44.2	Olli Koivula
Sallan Op	72	43.1	Anne Harju
Satakunnan Op	439	51.7	Olli Näsi
Satapirkan Op	276	33.5	Ari Heinonen

Savitaipaleen Op	103	57.1	Leo-Petteri Nevalainen
Siikajoen Op	38	57.8	Anna Hanhineva
Siikalatvan Op	81	39.6	Ismo Välijärvi
Simpeleen Op	74	66.0	Asko Imppola
Sonkajärven Op	96	60.9	Esko Nissinen
Sotkamon Op	122	67.6	Juhajouni Karttunen
Sulkavan Op	68	44.3	Kari Haverinen
Suomenselän Op	338	35.2	Kari Ahola
Suomussalmen Op	123	54.7	Timo Polo
Suonenjoen Op	118	49.4	Antti Hult
Suur-Savon Op	1,711	37.7	Kari Manninen
Sysmän Op	106	62.1	Sakari Kangas
Säkylän Op	75	40.3	Jari Katila
Taivalkosken Op	67	63.3	Riitta-Liisa Ahokumpu
Taivassalon Op	59	36.0	Sari Kaivola-Murto
Tampereen Seudun Op	2,846	24.4	Mikko Rosenlund
Tarvasjoen Op	47	56.0	Esa Hentula
Tervolan Op	70	46.4	Hannu Neuvonen
Tervon Op	55	45.6	Jani Kääriäinen
Toholammin Op	104	40.2	Juha Pajumaa
Tornion Op	269	32.4	Pentti Alaperä
Turun Seudun Op	2,630	16.4	Olli-Pekka Saario
Tuupovaaran Op	57	64.8	Simo Penttinen
Tyrnävän Op	79	43.3	Antto Joutsiniemi
Ullavan Op	39	29.3	Jorma Somero
Urjalan Op	113	61.4	Sami Pietilä
Utajärven Op	212	32.3	Raimo Tuovinen
Vaasan Op	844	30.6	Ulf Nylund
Valkeakosken Op	201	42.3	Juha Luomala
Vammalan Seudun Op	229	27.4	Jyrki Rantala
Vampulan Op	79	49.3	Kari Hänti
Vehmersalmen Op	62	59.2	Petri Tyllinen
Vesannon Op	62	31.0	Markku Niskanen
Vetelin Op	33	43.6	Jarmo Lehojärvi
Vetelin Ylipään Op	30	44.5	Mikael Hanhilahti
Vihannin Op	111	37.5	Jari Kantomaa

Vimpelin Op	63	56.6	Kari Jukantupa
Virtain Op	166	45.8	Ari Kakkori
Ylitornion Op	106	36.0	Terttu Hagelin
Ylivieskan Op	257	27.5	Jarmo Somero
Yläneen Op	82	45.5	Heikki Eskola
Ypäjän Op	64	64.5	Kirsi-Marja Hiidensalo
Östra Korsholms Andelsbank	8	84.6	Jussi Lahti

Structured entities included in the consolidated financial statements

OP Financial Group both acts as investor and manages various mutual funds in order to gain investment income and various commissions. The financial statements of OP Financial Group include the accounts of 1 (0) mutual fund, of 0 (6) private equity funds and of 2 (2) real estate funds. These funds that have been classified as structured entities because OP Financial Group's control is not based on votes but the control of significant operations, exposure to variable returns from the fund, and organising the fund's management. These funds also involve non-controlling interests most relevant to the Group.

The table below structured entities with a significant number of non-controlling interests

Name	Place of business	Main line of business	Interest, % 2014	Interest, % 2013	Non-controlling interests, %
Real Estate Funds of Funds II Ky	Helsinki	Real Estate Fund	27.8	27.8	72.3

Summary of financial information on subsidiaries with a significant proportion of non-controlling interests

The table below presents a summary of financial information on subsidiaries with a significant proportion of non-controlling interests from OP Financial Group's perspective. The financial information corresponds to the figures presented in the financial statements of the subsidiaries to which, for example, fair value adjustments have been made to correspond to OP Financial Group's accounting policies. The figures below are before the elimination of internal transactions.

Balance sheet in summary	Real Estate Fund of Funds II Ky	
	2014	2013
EUR million		
Cash and cash equivalents	6	0
Investments	65	80
Total assets	72	81
Net assets (100%)	72	81
Accrued share of non-controlling interests	55	62

Statement of comprehensive income in summary

Net sales	11	4
Profit or loss of continuing operations after tax	10	3
Other comprehensive income	1	2
Comprehensive income (100%)	11	5
Comprehensive income attributable to non-controlling interests	8	4
Share of profit paid to non-controlling interests	5	2

Cash flows in summary

Net cash flow from operating activities	-1	-1
Net cash flow from investing activities	27	-4
Net cash flow from financing activities	-20	5
Net change in cash flows	6	0
Cash and cash equivalents at year start	0	1
Cash and cash equivalents at year end	6	0

Joint operations

Some 1,300 (1290) property companies are incorporated into OP Financial Group's financial statements as joint operations by consolidating the proportionate share of OP Financial Group's holding of the property company's assets. Classification into joint operations has been made according to the nature of the business although OP Financial Group has control over some of the property companies. The shares of the property companies entitle to the occupancy of certain apartments some of which are in OP Financial Group's own use. Each shareholder of the mutual real estate company is responsible for its/his/her share of the company's loans. Some of these joint operations constitute OP Financial Group's branch network in Finland and are included in property, plant and equipment in the balance sheet as shown in Note 29. The rest of the property companies are investment property included in Notes 23., 24 and 25.

Summary of the effect of consolidation of joint operations on the balance sheet

EUR million	31 Dec. 2014	31 Dec. 2013
Land	136	134
Buildings	1,060	991
Total assets	1,196	1,124
Total liabilities	5	6

Most significant joint operations consolidated into OP Financial Group's financial statements in 2014

Name	Domicile	Sector	Holding	Company belongs to the consolidation group with respect to capital adequacy
Asunto Oy Oulun Kalevankulma	Oulu	Property holding and management	100.0	
Kiinteistö Oy Ansatie 5	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Grand Cargo Terminal 1	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0	x
Kiinteistö Oy Hämeenkivi	Tampere	Property holding and management	100.0	
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0	
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4	
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0	
Kiinteistö Oy Koskikatu 9	Joensuu	Property holding and management	100.0	
Kiinteistö Oy OPK-Vallila	Helsinki	Property holding and management	100.0	

Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0	x
Kiinteistö Oy Quartetto Intermezzo	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0	x
Kiinteistö Oy Tampereen Hämeenkatu 12	Tampere	Property holding and management	100.0	
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0	x
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49.5	
Kiinteistö Oy Uusi Paino	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0	
Kiinteistö Oy Vääksyntie 2	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Vääksyntie 4	Helsinki	Property holding and management	100.0	
Mikkelin Forum Oy	Mikkeli	Property holding and management	87.1	
Companies owned by Pohjola Group				
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0	
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0	
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0	
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7	
Kiinteistö Oy Vuosaaren Pohjoinen Shopping centres	Helsinki	Property holding and management	100.0	

The consolidated financial statements include the share of assets and related liabilities under joint control.

Most significant joint operations consolidated into OP Financial Group's financial statements in 2013

Name	Domicile	Sector	Holding
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0
Kiinteistö Oy Jyväskylän Torikulma	Jyväskylä	Property holding and management	41.7
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0
Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49.5
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0
Kiinteistö Oy Ansatie 5	Helsinki	Property holding and management	100.0
Kiinteistö Oy Uusi Paino	Helsinki	Property holding and management	100.0
Kiinteistö Oy Quartetto Intermezzo	Helsinki	Property holding and management	100.0
Kiinteistö Oy Grand Cargo Terminal 1	Helsinki	Property holding and management	87.1
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0
Kiinteistö Oy Tampereen Hämeenkatu 12	Tampere	Property holding and management	87.1
Mikkelin Forum Oy	Mikkeli	Property holding and management	100.0
Kiinteistö Oy Hämeenkivi	Tampere	Property holding and management	
Pohjola Group companies			
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0

The consolidated financial statements include the share of assets and related liabilities under joint control.

Interests in unconsolidated structured entities

OP Fund Management Company Ltd within OP Financial Group manages OP Mutual Funds OP Fund Management Company Ltd uses Pohjola Asset Management Ltd as the portfolio manager for many of the mutual funds it manages In addition, Pohjola Property Management Ltd within the Group manages several real estate funds. In many funds, the fund management company controls significant operations by making investment decisions in accordance with the fund rules. OP Financial Group companies have no interests in the funds managed by the abovementioned companies that would significantly expose the Group to the varying return on the investment and would thereby cause a consolidation obligation.

OP Financial Group receives management fee income from unconsolidated funds that is included in net commissions and fees in the income statement. In addition, OP Financial Group as investor receives from unconsolidated funds income which is recognised in net income from Non-life Insurance, net income from Life Insurance or net investment income, depending on in which balance sheet items the investments are recognised in the balance sheet.

OP Financial Group's investments in OP Mutual Funds and the funds of Pohjola Property Management Ltd have been recognised in Non-life Insurance assets, Life Insurance assets and investment property in the balance sheet. The Group's risk of loss is limited to the investment's balance sheet value.

EUR million	2014	2013
Non-life Insurance assets	294	329
Life Insurance assets	671	818
Investment assets	116	157
Total investments in mutual funds managed by OP Financial Group	1,081	1,304

Notes to OP Financial Group Financial Statements

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Note 56. Related-party transactions

OP Financial Group's related parties:

The related parties of OP Financial Group include associates, administrative personnel and other related party companies. The administrative personnel comprise OP Financial Group's Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members and deputy members of the Executive and Supervisory Boards and their close relatives. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

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

The period of notice observed by OP Financial Group's Executive Chairman, other OP Central Cooperative's Executive Board members and a deputy member and the employer is a maximum of 6 months. Upon termination of employment in cases specifically stipulated in the executive contract, the Executive Chairman and CEO is entitled to a severance pay and a sum equivalent to a maximum of 12 months' pay, while other Board members, deputy members and the Chief Audit Officer are entitled to a sum equivalent to a maximum of 6 months' pay.

OP Cooperative has purchased, on the basis of the tender offer published on 6 February 2014, 46.1 million series A shares in Pohjola Bank plc and 6.9 million series K shares from related party companies. The purchased shares account for 16.6% of Pohjola Bank's share capital and for 13.7% of the votes.

The price paid in accordance with the tender offer was EUR 16.80 for each share, representing a premium of approximately 18.1% to the closing price of the series A share of EUR 14.23 on NASDAQ OMX Helsinki Ltd on 5 February 2014, the last trading day before the announcement of the tender offer. The price paid by OP Cooperative for the shares is based on an estimate made by an external financial advisor. Relating to the tender offer, Pohjola Bank plc has received a fairness opinion from its financial advisor, Deutsche Bank AG (London Branch), on the fairness of the price offered for the shares from a financial perspective with respect to shareholders that are not OP Cooperative's associated companies or similar parties.

Related-party transactions 2014

EUR million	Associates	Admini- strative personnel	Others
Loans	112	3	-
Other receivables	0	-	0
Deposits	2	2	135
Interest income	-	0	-
Interest expenses	0	0	0
Insurance premium revenue	-	-	5
Commission income	0	0	0
Commission expenses	0	0	0
Off-balance-sheet commitments			
Guarantees	-	-	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	5	-
Related-party holdings			
Number of shares	-	-	-
Number of participations	-	847	-

Related-party transactions 2013

EUR million	Associates	Admini- strative personnel	Others
Loans	92	47	-
Other receivables	0	10	2
Deposits	2	97	57
Interest income	0	0	-
Interest expenses	0	0	0
Insurance premium revenue	0	0	4
Commission income	0	0	0
Commission expenses	0	0	0
Off-balance-sheet commitments			
Guarantees	-	1	-
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	6	-
Related-party holdings			
Number of shares	-	277,733	5,784,097
Number of participations	-	849	-

Pension obligations regarding members of the Executive Board

OP Cooperative has an Executive Board acting as a directorate. The Executive Board comprises a chairman acting as the CEO and called as Executive Chairman and CEO; a deputy to the Executive Chairman and CEO; and a minimum of two and a maximum of five other members and a maximum of four deputy members.

The Executive Chairman and CEO's retirement age is 63, while the other Executive Board members and deputy members retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. Note 39 provides more detailed information on OP Financial Group's pension plans.

EUR 1,000	Pension costs under TyEL plan*		IFRS expense of voluntary supplementary pension	
	2014	2013	2014	2013
Executive Chairman and CEO Reijo Karhinen, Executive Board Chairman	122	121	97	94
Tony Vepsäläinen	154	154	181	120
Carina Geber-Teir, Executive Board member	56	60	38	27
Jari Himanen, Executive Board member	54	53	16	15
Olli Lehtilä, Executive Board member	69	70	-	-
Harri Luhtala, Executive Board member	55	61	42	33
Harri Nummela, Executive Board member	68	65	15	12
Erik Palmén, Executive Board member	61	60	58	36
Jouko Pölönen, Executive Board member	60	49	-	-
Teija Sarajärvi, Executive Board member	55	51	38	28
Tom Dahlström, former Executive Board member	48	50	43	25

* IFRS expense has been used for the portion of the TyEL defined benefit plan and the equalisation portion of an employee's contribution less the employee's portion of the contribution has been used for the defined contribution plan.

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Note 57. Variable remuneration

Personnel fund

About 94% of all personnel are members of OP Financial Group's Personnel Fund.

Payment of profit-based bonuses to OP Personnel Fund in 2014 was based on the achievement of the following targets: OP Financial Group's EBT and CET1, both having a weight of 30%, and growth in the number of loyal customers with a weight of 40%. Profit-based bonuses for 2014 transferred to the Fund account for some 4.2% (4.6) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2014 totalled EUR 10 million (27).

Terminated long-term management incentive scheme in 2010 and before

The previous long-term management incentive scheme comprised people selected by employers within OP Financial Group. Depending on how well they had achieved targets set annually, those covered by the scheme were entitled to a bonus calculated on the basis of their monthly salary. The bonus was paid in two years' time following the end of the performance period as a combination of equity-settled transactions (Pohjola Bank plc series A shares) and cash-settled transactions. The bonus payments were recognised as personnel costs over the performance periods until 2013.

Valid long-term incentive schemes

OP Financial Group's remuneration schemes are in compliance with regulation in the financial sector and are based on OP Financial Group's strategic targets

OP Financial Group's variable remuneration principles take account of the Group's risk exposure and risk management methods. The performance indicator targets have been set at a level that does not encourage excessive risk-taking. Long-term variable remuneration is based on reaching OP Financial Group's targets, whereas short-term variable remuneration is based on how an individual Group company or business unit reaches its targets. The maximum amount of remuneration is limited in all schemes.

Long-term scheme

Managers and designated persons in key positions in OP Central Cooperative Consolidated and Group member banks and their subsidiaries, whom the management of the company in question or the central cooperative's Supervisory Board have appointed, are included in the long-term management incentive scheme. The 2011–13 scheme covered a total of 363 (367) persons and the 2014–16 328 persons.

The bonus is determined by the management position. If the set targets are annually achieved at 100%, the management and key employees will be entitled to a bonus equalling their regular 2–12-month salary subject to PAYE tax.

The scheme consists of consecutive three-year performance periods, the first of which is 1 January 2011–31 December 2013. The bonus for the 2011–2013 performance period will be paid after a deferment period in three equal instalments by the end of each June in 2015–2017. The second performance period is 1 January 2014–31 December 2016 and the bonuses will be paid after a deferment period in three equal instalments by the end of June in 2018–20.

The target bonus was determined at the beginning of the 2011–13 scheme, i.e. the maximum remuneration in terms of Pohjola Bank plc Series A shares. This target bonus for the 2011–13 performance period was 5.1 million shares (5.1) which would be partly based on cash-settled payments (the amount of tax withheld) and equity-settled payments. OP Central Cooperative made a public voluntary bid for all Series A and K shares issued by Pohjola Bank plc and not held by OP Central Cooperative. As a result, the bonus payout for the performance period of 2011–13 applies the scheme's condition under which bonuses will be fully paid in cash if any of Pohjola's shareholders has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) the shares on the grounds that the shareholder has more than 90% of the company's shares and of the votes conferred by the shares. Bonuses that were to be paid as a combination of Pohjola's series A shares and cash will be paid in cash in 2015, 2016 and 2017 according to the original payout schedule. The bonus was converted into cash by multiplying the number of shares by the redemption price.

Provided that the targets are achieved at the maximum levels set for them for the 2014–16 scheme, those included in the scheme have the opportunity to receive annually a bonus equalling their 2–8-month regular salary subject to PAYE tax. The bonus amount depends on the achievement of the target after the performance period and will be paid in three equal instalments in 2018–2020. Bonuses that may be paid under the scheme will be paid in terms of debentures issued by OP. The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount paid in cash will be deducted from the bonus to cover related taxes and fiscal charges.

The Supervisory Board of OP Cooperative determines the performance indicators for the scheme and targets set for them separately for each performance period. The targets for the 2011–2013 scheme were based on the following criteria:

- Growth in the number of customers using OP as the main bank and insurer
- Change in the market share of corporate customer business
- Return on economic capital

In setting targets for the 2014–16 scheme, OP has taken account of the Capital Requirements Directive IV (CRD IV) of the European Parliament and of the Council, which will limit the maximum variable remuneration to the amount of a person's annual fixed remuneration. The targets for the 2014–16 are based on the following criteria:

- OP Financial Group's EBT
- OP Financial Group's CET1
- Growth in the number of customers using OP as their main bank and insurer

Bonuses will be paid to their beneficiaries provided that OP Financial Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is 1.3 or higher on the bonus payout date and that the person within the scheme is employed by OP Financial Group up to the payout date.

Previously, the 2011–13 scheme was accounted for as cash settlements in OP Financial Group companies other than Pohjola Group. Shares were accounted for as equity-settled payments in Pohjola Group. Due to the change in the method of payment under the scheme, the scheme's accounting treatment has been changed to correspond to treatment of employee benefits specified in IAS 19. Expenses for both schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses. The liability recognised under the schemes amounted to EUR 30 million (15) on 31 December 2014.

OP Central Cooperative's Supervisory Board manages the long-term scheme and supervises compliance with it. The Supervisory Board may exercise discretion to change the terms and conditions of the scheme and postpone bonus payments for compelling reasons.

Short-term incentive schemes

In short-term schemes, the performance period is one calendar year and the bonus is paid in cash. Short-term incentive schemes are based on targets set by each company and entity, covering all personnel of OP Financial Group.

Expenses for the schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses.

Deferment of variable remuneration

The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (identified staff) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

Identified staff in OP Financial Group include managing directors and other key management personnel, other people with a major impact of the company's risk exposure, Internal Control and other designated persons or special groups.

The deferment of variable remuneration payment applies to identified staff if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority – or two months' fixed gross salary above this amount. The remuneration of the identified staff is reviewed up to the EUR 50,000 deferment limit as a whole, considering both long- and short-term remuneration.

If the euro maximum for deferment is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years. In such a case of deferment, any short-term scheme bonuses are always paid half in cash and half as debenture loans issued by OP.

Expenses recognised for variable remuneration*

EUR million	2014	2013
Personnel fund	10	27
Short-term schemes	36	31
Previous long-term schemes		
Schemes for 2008–10	-	5
Extended long-term schemes:		
Scheme for 2011–13	3	8
Scheme for 2014–16	3	-
Total	53	71

* Excl. social expenses

More information on the remuneration schemes is available at www.op.fi.

Notes to OP Financial Group Financial Statements

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Note 58. Events after the balance sheet date

No significant events took place after the balance sheet date.

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Note 59. Segment reporting

Segment information

OP Financial Group's business segments are Banking, Non-life Insurance and Wealth Management. Non-segment operations are presented under 'Other Operations'. OP Financial Group prepares its segment reporting in compliance with its accounting policies

Companies within Banking are the member banks, Helsinki OP Bank Plc, OP Card Company Plc, OP Mortgage Bank and certain smaller companies supporting banking services in their entirety, such as Pivo Wallet Oy and Checkout Finland Oy. Pohjola Group's Banking segment is also included in the Banking segment. The operations of OP Bank Group Mutual Insurance Company's are also included under Banking, because the majority of the company's business consists of credit insurance to OP Financial Group's retail banks.

Net interest income is the most significant income component. Income also comes from commissions and fees, and investments. Expenses arise mainly from personnel and other administrative costs, from the network of offices and from returns to owner-members. The most significant risk category pertains to credit risks but business also involves market risks and operational risks.

The Wealth Management segment comprises OP Life Assurance Company Ltd and Aurum Investment Insurance Ltd engaged in the Group's life and pension insurance business, OP Fund Management Company Ltd engaged in mutual fund business, and Pohjola Group's Asset Management segment. The most significant items of income generated by the Wealth Management include life insurance net interest and risk results and commissions and fees arising from life insurance, asset management and mutual fund operations. The commissions and fees of the Wealth Management segment consist of those from asset and mutual fund management and life insurance policies.

The Non-life Insurance segment encompasses the operations of OP Financial Group's non-life insurance companies, i.e. Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

Non-life insurance products include non-life insurance policies sold to corporate and private customers. Net income generated by Non-life Insurance derives mainly from premiums written and investment income. The most significant risks in Non-life Insurance pertain to insurance risks and investment risks.

Other Operations includes operations that support the business segments, particularly the operations of OP Cooperative, OP-Services Ltd and OP Process Services Ltd as well as Pohjola Group's central banking and Group administration. Costs of the services for the business segments are allocated to the segments in the form of internal service charges. The allocation of other equity capital to the business segments is carried out through an internal bank under Other Operations, which means that any positive results in excess of the target level will be shown under Other Operations

Segment accounting policies

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

Equity allocated to retail banking operations accounts for 9% of the risk-weighted assets required by the Credit Institutions Act and equity allocated to Pohjola Group's banking services operations for 11% of the risk-weighted assets. The unallocated part of equity is assigned to 'Other operations' outside the business lines.

Income statement and balance sheet by segment in 2014

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Interest income	2,868	0	2	574	-758	2,685
Interest expenses	1,775	26	0	608	-766	1,642
Net interest income before impairment losses	1,093	-26	2	-34	8	1,043
Impairment losses on receivables	88	-	-	0	0	88
Net interest income after impairment losses	1,005	-26	2	-34	8	955
Net income from Non-life Insurance	-	595	-	-4	1	593
Net income from Life Insurance	-	-	-	-	197	197
Life Insurance's net interest and risk result	-	-	66	-	-66	-
Net commissions and fees	677	15	-	17	17	727
Commissions and fees from fund and asset management	-	-	140	-	-140	-
Commissions and fees from life insurance	-	-	156	-	-156	-
Commission expenses	-	-	-121	-	121	-
Net trading income	93	0	0	-8	3	88
Net investment income	31	-	0	49	-6	74
Other operating income	38	11	11	452	-448	64
Personnel costs	456	102	24	158	0	741
Other administrative expenses	354	124	36	257	-357	414
Other operating expenses	272	146	36	101	-118	437
Returns to owner-members	176	-	0	-	19	195
Share of associates' profits/losses	1	0	1	0	0	3
Earning before tax	587	223	161	-43	-13	915
Income tax expense						308
Profit for the financial year						607

Balance sheet 31 Dec. 2014	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Liquid assets	157	0	-	3,732	-	3,888
Receivables from credit institutions	4,270	5	35	10,101	-13,725	686
Financial assets at fair value through profit or loss	466	-	7,499	-12	-7,527	427
Derivative contracts	6,085	-30	103	314	-552	5,920
Receivables from customers	71,299	-	37	537	-1,191	70,683
Non-life Insurance assets	-	4,150	-	0	-353	3,797
Life Insurance assets	-	-	0	-	11,238	11,238
Investment assets	5,420	16	3,610	12,281	-11,827	9,500
Investment in associates	26	2	27	0	0	56
Intangible assets	73	704	370	189	-3	1,332
Property, plant and equipment	491	51	9	243	-13	781
Other assets	871	7	785	1,408	-1,120	1,951
Tax assets	88	4	8	46	22	168
Total assets	89,247	4,909	12,484	28,838	-25,051	110,427

Balance sheet 31 Dec. 2014	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Liabilities to credit institutions	10,277	-	-	5,052	-13,553	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Derivative contracts	5,640	-30	15	357	-493	5,489
Liabilities to customers	48,912	-	-	3,284	-1,032	51,163
Non-life Insurance liabilities	-	3,116	-	-	-144	2,972
Life Insurance liabilities	-	-	11,162	-	68	11,230
Debt securities issued to the public	9,016	-	-	16,996	-1,057	24,956
Provisions and other liabilities	2,321	109	124	1,233	-340	3,447
Tax liabilities	492	105	78	287	2	964
Cooperative capital	385	-	-	4,311	-4,504	192
Subordinated liabilities	48	50	91	1,054	-222	1,020
Total liabilities	77,096	3,349	11,469	32,574	-21,274	103,214
Equity capital						7,213

Net income from the Baltic countries came to EUR 6 million and net assets to EUR 54 million.

Income statement and balance sheet by segment in 2013

Income statement, EUR Million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Interest income	2,652	0	3	523	-664	2,514
Interest expenses	1,737	24	0	512	-674	1,599
Net interest income before impairment losses	915	-24	2	11	10	915
Impairment losses on receivables	81	-	-	2	-	84
Net interest income after impairment losses	834	-24	2	9	10	831
Net income from Non-life Insurance	-	529	-	-	-5	524
Net income from Life Insurance	-	-	-	-	175	175
Life Insurance's net interest and risk result	-	-	50	-	-50	-
Net commissions and fees	665	17	-	11	1	694
Commissions and fees from fund and asset management	-	-	116	-	-116	-
Commissions and fees from life insurance	-	-	139	-	-139	-
Commission expenses	-	-	-108	-	108	-
Net trading income	115	0	0	-11	10	114
Net investment income	30	-	0	45	-7	68
Other operating income	44	10	11	433	-412	86
Personnel costs	483	107	24	178	0	791
Other administrative expenses	339	124	38	209	-325	384
Other operating expenses	269	136	36	86	-106	422
Returns to owner-members	193	-	-	-	-	193
Share of associates' profits/losses	1	0	0	-2	-1	-1
Earning before tax	404	166	113	13	4	701
Income tax expense						36
Profit for the financial year						665

Balance sheet 31 Dec. 2013	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Liquid assets	193	0	-	1,979	-	2,172
Receivables from credit institutions	4,693	4	28	9,451	-13,327	849
Financial assets at fair value through profit or loss	608	-	6,316	-41	-6,346	537
Derivative contracts	3,444	-	99	272	-391	3,423
Receivables from customers	68,787	-	54	291	-990	68,142
Non-life Insurance assets	-	3,750	-	0	-270	3,479
Life Insurance assets	-	-	0	-	9,872	9,872
Investment assets	3,424	16	3,524	8,547	-6,758	8,753
Investment in associates	8	2	27	1	16	54
Intangible assets	68	728	388	161	-5	1,339
Property, plant and equipment	517	50	9	163	-13	726
Other assets	847	2	565	984	-844	1,554
Tax assets	50	3	10	18	10	91
Total assets	82,639	4,555	11,019	21,826	-19,048	100,991

Balance sheet 31 Dec. 2013	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Liabilities to financial institutions	9,709	-	-	4,487	-13,157	1,039
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Derivative contracts	3,005	-	12	471	-331	3,157
Liabilities to customers	47,518	-	-	3,351	-712	50,157
Non-life Insurance liabilities	-	2,844	-	-	-98	2,746
Life Insurance liabilities	-	-	9,688	-	82	9,771
Debt securities issued to the public	5,773	-	-	16,700	-1,045	21,428
Provisions and other liabilities	2,080	56	140	804	-389	2,691
Tax liabilities	380	100	62	283	-17	808
Cooperative capital	797	-	-	1,443	-1,634	606
Subordinated liabilities	198	50	91	934	-413	861
Total liabilities	69,466	3,050	9,992	28,473	-17,713	93,267
Equity capital						7,724

Net income from the Baltic countries came to EUR 6 million and net assets to EUR 47 million.

Notes to OP Financial Group Financial Statements

NOTES TO RISK MANAGEMENT

OP Financial Group's capital adequacy and risk management principles are described in Note 2. OP Financial Group's exposure is presented in notes 60–63; Banking risk exposure, including capital adequacy information in accordance with Pillar III, in notes 64–94; Non-life Insurance's risk exposure in notes 95–106 and that of Life Insurance in notes 107–115.

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 60. OP Financial Group's risk limits

The limit system ensures that the Group or any of its entity does not take excessive risks to endanger the Group's or the entity's capital adequacy, profitability, liquidity and continued operations. The limits define the boundary for implementing risk appetite under the strategy. OP Cooperative's Supervisory Board annually confirms risk limits related to the Group's capital adequacy and credit and liquidity, market and underwriting risks. These limits are used to control the Group's risk-taking. The Group's risks have been within the set limits.

Indicator	Risk limit	31 Dec. 2014	31 Dec. 2013
Capital adequacy			
Capital adequacy ratio, (Act on the Supervision of Financial and Insurance Conglomerates)	1.30	1.89	2,19 *)
CET1, %	10.0	15.11	17,11 *)
Capital adequacy/economic capital requirement	1.20	1.42	1.65
Credit risks			
Largest single customer risk / capital resources, %	10.0	6.6	5.8
Total of significant customer risks / capital resources under RAVA, %	75.0	23.8	5.8
Industry risk / corporate receivables and commitments, %	15.0	11.8	11.1
Ratio of receivables over 90 days overdue and zero-interest receivables to the loan and guarantee portfolio, %	1.00	0.38	0.42
Expected losses / exposure in default, %	0.6	0.22	0.37

Liquidity risks

Funding liquidity risk, days

Adequacy of primary liquidity buffer, days	30 pv	82	46
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Adequacy of liquidity buffer, days	30 pv	117	56
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Banking structural funding risk, EUR million

≤ 12 months net funding position	-2,000	2,197	-890
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1-2 yrs net funding position	0	6,256	5,768
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2-3 yrs net funding position	0	2,411	4,919
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3-5 yrs net funding position	0	2,657	2,589
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Market risks

Financing interest income risk, EUR million	150	54.0	99.0
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Banking book present value risk to 2-pp change in interest rate, %	-20	-9.2	-12.7
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Trading VaR, 99%, 1 day, EUR million	5	2.3	2.2
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Insurance market risks / capital resources, %	30	20.9	16.1
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Underwriting risks

Non-life Insurance underwriting risk / capital resources, %	8	5.5	5.0
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Life Insurance underwriting risk / capital resources, %	8	2.9	5.4
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* According to regulation entered into force on 1 January 2014

Credit risks

OP Financial Group uses credit risk limits to spread risk by sector and counterparty and to limit the formation of doubtful receivables. The Group's sector and customer risks are diversified. At the end of 2014, customer risk deriving from an individual counterparty and the total of significant customer risk was clearly within the limits. Any customer exposure that accounts for at least 5% of the Group's capital base covering customer exposure under the Act on the Supervision of Financial and Insurance Conglomerates is taken into account in measuring significant customer exposure. In calculating sector risk the Group uses its internal sector breakdown and, in addition to Banking receivables and commitment, takes account of direct investments by insurance institutions, incomplete housing associations and guarantees from public sector entities. At the end of 2014, trade constituted the greatest sector risk.

The ratio of expected losses to exposure (EAD) is clearly within the risk limit. Expected losses are an estimate of the average annual losses caused by credit risks calculated using the Group's own credit risk models. Net impairment loss on receivables recognised in 2014 amounted to EUR 88 million (84), accounting for 0.12% of the loan and guarantee portfolio (0.12).

Ratio of receivables more than 90 days past due and impairment losses to loan and guarantee portfolio	31 Dec. 2014		31 Dec. 2013	
	EUR million	%	EUR million	%
Net receivables more than 90 days past due	279	0.38	295	0.42
Net impairment loss on receivables from year start	88	0.12	84	0.12

Liquidity risk

OP Group's risk limit for liquidity risk has been set for net cash flows by maturity that guide the structural funding risk and for funding liquidity risk indicator.

The risk indicator for the structural funding risk indicates the maximum portion of the net cash flows in the Group's balance sheet that may mature in different maturities. On 31 December 2014, the maturing net cash flows in the Group's balance sheet were in all maturity periods within the limits of risk limits.

The funding liquidity risk indicator shows for how long the primary liquidity buffer will cover the Group's net cash flows paid out daily that are known or expected, and an unexpected liquidity stress scenario. At the end of the year, the primary liquidity buffer and the entire buffer were sufficient to cover a period that was considerably longer than the 30 days that was used as a risk limit.

Group-level reporting and limits also derive from the liquidity coverage ratio (LCR) – which will be phased in from October 2015 and gradually tightened – based on the new Capital Requirements Directive and Regulation (CRD IV/CRR). At the end of the year, OP Financial Group fulfilled the 60% limit set by the regulation.

Market risks

OP Financial Group limits its Trading market risk using the VaR limit (99% confidence level, 1-day time horizon) within its risk limit system. At the end of the year, the VaR of Trading was clearly within the limit set for it.

The market risk limit for insurance operations has been set on the basis of the ratio between the economic capital and the Group's capital resources concerning the risk in question. At the end of the year, the market risk associated with insurance operations was clearly within limit set for it.

Insurance risks

Within the risk limit system, the Group limits underwriting risk using the ratio of Non-life and Life Insurance underwriting risk economic capital to capital resources. On 31 December 2014, underwriting risks were within the set limits.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 61. OP Financial Group's capital adequacy

Note 2, OP Financial Group's risk and capital adequacy management principles, provides a description of how the Group organises its Group-level risk and capital-adequacy management process. OP Financial Group and all of its institutions fulfil the capital adequacy requirements set by the authorities.

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

EUR million	31 Dec. 2014	1 Jan. 2014	31 Dec. 2013
OP Financial Group's equity capital	7,213	7,724	7,724
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,072	1,335	1,488
Other sector-specific items excluded from capital base	-72	-82	-5
Goodwill and intangible assets	-1,286	-1,308	-1,308
Equalisation provision	-179	-205	-205
Proposed profit distribution	-22	-99	-99
Items under IFRS deducted from capital base*	-79	-90	-135
Impairments – shortfall of expected losses	-313	-358	-358
Conglomerate's total capital base	6,334	6,918	7,104
Regulatory capital requirement for credit institutions**	2,864	2,717	3,307
Regulatory capital requirement for insurance operations***	485	437	437
Minimum amount of conglomerate's capital resources	3,350	3,154	3,744
Conglomerate's capital adequacy	2,984	3,764	3,359
Conglomerate's capital adequacy ratio (capital base/minimum of capital base)	1.89	2.19	1.90

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

** Risk-weighted assets x 8%

*** Minimum solvency margin

Capital adequacy

The Group has two risk limit indicators for its capital adequacy. The first is capital adequacy prescribed in the Act on the Supervision of Financial and Insurance Conglomerates. The Group's risk limit for this capital adequacy ratio is 1.3, while the minimum statutory requirement is 1. On 31 December 2014, this ratio was 1.89 (1.90). On 31 December 2014, OP Financial Group's capital base was EUR 1,979 million (2,236) above the Group's internal risk limit and EUR 2,984 million (3,359) above the limit required by law.

The other risk limit indicator for capital adequacy is the ratio of capital base to economic capital, for which the risk limit is 1.2. On 31 December 2014, the ratio of capital base to economic capital was 1.42 (1.65). The capital buffer above the Group's internal risk limit was EUR 1,058 million (1,892). The strong capital base acts as a buffer against unexpected losses and paves the way for business growth.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 62. OP Financial Group's exposure split by geographic region and exposure class

The majority of OP Financial Group's country exposure is in EU countries. The exposures cover all balance-sheet and off-balance-sheet items and are based on values used in capital adequacy.

Exposure split by geographic region 31 Dec. 2014

EUR million	Exposures to governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity investmentst*	Collateralised notes and bondst**	Other	Total exposures
Finland	6,531	202	36,621	50,241	627	400	989	95,612
Baltic countries	189	2	791	15	0	-	0	997
Other Nordic countries	117	659	593	115	13	1,191	10	2,698
Germany	1,633	214	33	275	4	424	-	2,583
France	313	583	129	184	32	910	-	2,151
GIIPS countries***	16	23	126	17	17	362	0	561
Other EU countries	1,351	1,410	303	539	957****	668	2	5,231
Rest of Europe	-	165	95	42	7	87	-	395
USA	-	295	107	178	107	-	-	686
Russia	-	79	37	17	2	-	-	134
Asia	-	381	74	38	55	-	-	549
Other countries	9	64	12	62	556****	515	-	1,218
Total	10,159	4,077	38,922	51,723	2,376	4,557	1,002	112,816

* Also includes EUR 694 million in bond funds.

** Comprises RMBS, ABS and Covered Bond investments.

*** Exposures to Spain totalled EUR 161 million and to Italy EUR 143 million.

**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Exposure split by geographic region 31 Dec. 2013

EUR million	Exposures to governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity investmentst*	Collateralised notes and bondst**	Other	Total exposures
Finland	4,216	282	34,693	49,293	778	489	979	90,732
Baltic countries	214	5	642	17	0	-	-	878
Other Nordic countries	148	632	595	65	52	1,182	13	2,686
Germany	1,730	216	269	19	4	341	5	2,583
France	101	433	274	4	34	795	-	1,641
GIIPS countries***	27	27	151	15	18	361	-	598
Other EU countries	901	1,413	602	33	1 244****	544	-	4,738
Rest of Europe	-	305	136	45	89	37	-	611
USA	-	232	129	20	224	7	23	636
Asia	-	259	62	14	106	-	-	441
Other countries	10	59	94	7	330****	247	-	748
Total	7,348	3,862	37,648	49,532	2,879	4,003	1,020	106,292

* Also includes EUR 857 million in bond funds.

** Comprises RMBS, ABS and Covered Bond investments.

*** Exposures to Spain totalled EUR 175 million and to Italy EUR 162 million.

**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 63. OP Financial Group's financial assets and cumulative impairment losses recognised on them

EUR million	31 Dec. 2014		31 Dec. 2013 Restated*	
	Balance sheet value	Impair- ment losses	Balance sheet value	Impair- ment losses
Liquid assets	3,888	-	2,172	-
Receivables from credit institutions	686	-	849	-
Financial assets recognised at fair value through profit or loss				
Notes and bonds	354	-	450	-
Shares and participations	73	-	87	-
Derivative contracts				
Held for trading	5,299	-	2,927	-
Hedging	572	-	479	-
Otherwise hedging derivatives	49	-	17	-
Loans and receivables				
Loans granted	69,518	462	66,991	440
Finance lease receivables	1,162	-	1,148	-
Bank guarantee receivables	3	21	4	9
Other receivables	8,537	-	7,705	-
Available-for-sale financial assets				
Notes and bonds	8,282	-	7,602	-
Shares and participations	525	-	359	-
Held-to-maturity investments				
Notes and bonds	191	-	271	-
Off-balance-sheet commitments				
Bank guarantees	2,885	-	2,898	-
Total financial assets	102,025	483	93,958	449

* Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 64. Receivables from credit institutions and customers, and doubtful receivables

31 Dec. 2014	Receivable base			Total impair- ments	Balance sheet value
	Not impaired (gross)	Impaired (gross)	Total		
Receivables					
Receivables from credit institutions	686	-	686	-	686
Receivables from customers	69,445	558	70,003	483	69,521
Bank guarantee receivables	3	20	23	21	3
Finance leases	1,162	-	1,162	-	1,162
Overdrafts	-	-	-	-	-
Total	71,293	558	71,851	483	71,369
Receivables by sector					
Non-banking corporate sector	23,199	450	23,649	385	23,264
Financial institutions and insurance companies	1,420	-	1,420	-	1,420
Households	45,381	103	45,483	98	45,385
Non-profit organisations	617	5	622	0	622
Public corporations	677	-	677	-	677
Total	71,293	558	71,851	483	71,369

31 Dec. 2013	Receivable base			Total impair- ments	Balance sheet value
	Not impaired (gross)	Impaired (gross)	Total		
Receivables					
Receivables from credit institutions	848	-	848	-	848
Receivables from customers	67,018	538	67,556	449	67,107
Bank guarantee receivables	4	9	13	9	4
Finance leases	1,148	-	1,148	-	1,148
Overdrafts	0	-	0	-	0
Total	69,014	538	69,552	449	69,103

Receivables by sector

Non-banking corporate sector	22,342	453	22,795	375	22,420
Financial institutions and insurance companies	985	-	985	-	985
Households	44,382	79	44,462	72	44,389
Non-profit organisations	683	5	688	2	686
Public corporations	622	-	622	-	622
Total	69,014	538	69,552	449	69,103

31 Dec. 2014	Impairments					
	Not impaired (gross)	Impaired (gross)	Total	Arrears	Individually assessed	Collectively assessed
Doubtful receivables						
Receivables from customers	1,652	558	2,210	283	417	65
Bank guarantee receivables	3	20	23	11	20	1
Finance leases	-	-	0	0	-	-
Total	1,652	558	2,210	283	417	65
Doubtful receivables by sector						
Non-banking corporate sector	488	450	937	153	354	31
Financial institutions and insurance companies	0	-	0	0	-	-
Households	1,156	103	1,259	128	63	35
Non-profit organisations	6	6	11	3	0	-
Public corporations	3	-	3	0	-	-
Total	1,652	558	2,210	283	417	65

31 Dec. 2013	Impairments					
	Not impaired (gross)	Impaired (gross)	Total	Arrears	Individually assessed	Collectively assessed
Doubtful receivables						
Receivables from customers	1,767	538	2,305	284	391	58
Bank guarantee receivables	4	9	13	10	9	0
Finance leases	-	-	0	0	-	-
Overdrafts	0	-	0	0	-	-
Total	1,767	538	2,305	284	391	58
Doubtful receivables by sector						
Non-banking corporate sector	477	453	930	145	348	27
Financial institutions and insurance companies	0	-	0	0	-	-
Households	1,286	79	1,365	137	41	31
Non-profit organisations	1	5	6	2	2	-
Public corporations	4	-	4	0	-	-
Total	1,767	538	2,305	284	391	58

Doubtful receivables

31 Dec. 2014	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	Receivables from credit institutions and customers (net)
Over 90 days past due		511	511	241	270
Classified as default		505	505	148	357
Forborne loans					
Zero-interest	7	1	8	1	8
Underpriced	146	2	148	1	148
Renegotiated	832	205	1,037	27	1,010
Total	985	1,225	2,210	417	1,793

	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
31 Dec. 2013			
Over 90 days past due	456	164	292
Classified as default	1,130	201	930
Forborne loans			
Zero-interest	10	7	3
Underpriced	175	1	174
Renegotiated	534	19	516
Total	2,305	391	1,915

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest two credit ratings (11–12) are reported as defaulted. Forborne receivables include zero-interest and under-priced receivables as well as receivables that have been renegotiated due to the customer's financial difficulties. Zero-interest receivables have been agreed to carry zero interest for the purpose of securing customer payment capacity. Under-priced receivables have been priced below market prices to secure customer payment capacity. 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. The definitions of non-performing and renegotiated receivables in the 2014 financial statements have been changed to correspond with the European Banking Authority's guidelines on forborne and non-performing receivables. According to the new definition, for example, the probation period of forborne receivables has been extended considerably, increasing the level of doubtful receivables compared to the previous definition. Comparative information has been restated accordingly.

Key ratio, %	2014	2013
Exposures individually assessed for impairment, % of doubtful receivables	18.9%	16.9%

Past due but not impaired financial assets by maturity

31 Dec. 2014	Less than 30 days	30–90 days	90–180 days	Over 180 days.	Total
Matured receivables, not impaired	590	300	99	117	1,106
31 Dec. 2013	Less than 30 days	30–90 days	90–180 days	Over 180 days.	Total
Matured receivables, not impaired	671	376	82	139	1,268

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 65. Loan losses and impairment losses

EUR million	2010	2011	2012	2013	2014
Impairment losses on receivables	231	200	175	171	181
Reversal of impairment losses	-79	-97	-60	-72	-87
Payments on eliminated receivables	-10	-11	-14	-15	-13
Net change in impairments of collectively assessed loans and receivables	7	10	-2	-1	7
Total	149	101	99	84	88

In 2014, loan and guarantee losses and impairment losses accounted for 0.12% (0.12) of the loan and guarantee portfolio.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 66. Private customer exposure by credit category

Category	31 Dec. 2014		31 Dec. 2013	
	Net exposure	%	Net exposure	%
A	28,679	58.5	25,305	52.9
B	11,100	22.6	11,340	23.7
C	4,306	8.8	5,371	11.2
D	3,184	6.5	4,029	8.4
E	1,565	3.2	1,176	2.5
F	224	0.5	651	1.4
Total	49,058	100.0	47,873	100.0

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 67. Corporate exposure by sector

31 Dec. 2014	Net exposure			Percentage-distribution
	Balance sheet	Off-balance sheet	Total	
Renting and operation of residential real estate	6,154	808	6,962	21.0
Operating of other real estate	2,924	409	3,333	10.0
Trade	2,660	505	3,165	9.5
Energy	1,201	1,147	2,348	7.1
Services	1,735	453	2,188	6.6
Construction	1,112	904	2,016	6.1
Manufacture of machinery and equipment (incl. maintenance)	1,008	884	1,892	5.7
Transportation and storage	1,390	398	1,789	5.4
Agriculture, forestry and fishing	1,061	133	1,193	3.6
Forest industry	799	331	1,131	3.4
Financial and insurance activities	1,022	115	1,138	3.4
Buying and selling of own real estate	702	315	1,017	3.1
Information and communication	609	374	982	3.0
Food industry	631	342	973	2.9
Metal industry	498	381	879	2.7
Chemical industry	371	408	778	2.3
Other manufacturing	360	140	499	1.5
Water supply and waste management	245	122	368	1.1
Mining and quarrying	145	62	207	0.6
Other sectors	136	170	306	0.9
Total	24,763	8,400	33,164	100

31 Dec. 2013	Net exposure			Percentage- distribution
	Balance sheet	Off- balance sheet	Total	
Renting and operation of residential real estate	5,529	781	6,310	19.4
Operating of other real estate	3,025	449	3,474	10.7
Trade	2,568	720	3,287	10.1
Construction	1,179	1,046	2,225	6.8
Services	1,577	539	2,116	6.5
Manufacture of machinery and equipment (incl. maintenance)	946	1,032	1,978	6.1
Energy	1,010	815	1,825	5.6
Transportation and storage	1,370	333	1,704	5.2
Information and communication	695	453	1,148	3.5
Forest industry	691	450	1,140	3.5
Buying and selling of own real estate	820	304	1,124	3.5
Financial and insurance activities	881	150	1,031	3.2
Metal industry	575	438	1,012	3.1
Agriculture, forestry and fishing	862	106	969	3.0
Food industry	612	336	948	2.9
Manufacture of chemicals and chemical products	352	514	866	2.7
Other manufacturing	389	238	626	1.9
Water supply and waste management	263	110	373	1.1
Mining and quarrying	146	103	250	0.8
Other sectors	84	90	174	0.5
Total	23,574	9,006	32,580	100

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 68. Corporate exposure by rating category

Rating	31 Dec. 2014		31 Dec. 2013	
	Net exposure	%	Net exposure	%
1,0–2,0	1,322	4.0	1,299	4.0
2,5–5,0	14,818	44.7	13,735	42.2
5,5–7,0	10,955	33.0	11,314	34.7
7,5–8,5	4,585	13.8	4,513	13.9
9,0–10,0	981	3.0	1,085	3.3
11,0–12,0	502	1.5	634	1.9
Total	33,164	100.0	32,580	100.0

Probabilities of default related to credit ratings are explained in Note 86.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 69. Corporate exposure by the amount of customer's exposure

31 Dec. 2014

Amount of exposure, EUR million	Finland	Other countries	Total	%
0–1	6,677	258	6,934	20.9
1–10	7,595	550	8,145	24.6
10–50	5,461	821	6,282	18.9
50–100	4,368	431	4,799	14.5
Over 100	7,003	–	7,003	21.1
Total	31,104	2,060	33,164	100.0

31 Dec. 2013

Amount of exposure, EUR million	Finland	Other countries	Total	%
0–1	6,697	213	6,911	21.2
1–10	7,744	565	8,309	25.5
10–50	5,295	794	6,089	18.7
50–100	4,464	109	4,573	14.0
Over 100	6,698	–	6,698	20.6
Total	30,898	1,682	32,580	100.0

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 70. Structure of OP Financial Group funding

EUR million	31 Dec. 2014	%	31 Dec. 2013	%
Liabilities to credit institutions	1,776	2.1	1,039	1.3
Financial liabilities at fair value through profit or loss	4	0.0	4	0.0
Liabilities to customers				
Deposits	48,775	57.9	47,333	61.4
Other	2,388	2.8	2,825	3.7
Debt securities issued to the public				
Certificates of deposit, commercial papers and ECPs	6,980	8.3	6,807	8.8
Bonds	17,976	21.3	14,622	19.0
Other liabilities	3,447	4.1	2,691	3.5
Subordinated liabilities	1,020	1.2	861	1.1
Share capital	-	-	199	0.3
Supplementary cooperative capital	192	0.2	606	0.8
Membership capital contributions	148	0.2	140	0.2
Profit shares	1,561	1.9	-	-
Total	84,267	100.0	77,124	100.0

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 71. Maturity of financial assets and liabilities by residual maturity

31 Dec. 2014	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	3,888	-	-	-	-	3,888
Financial assets at fair value through profit or loss						
Notes and bonds	30	58	209	54	3	354
Receivables from credit institutions	280	165	228	12	0	686
Receivables from customers	4,624	6,788	26,562	16,055	16,653	70,683
Investment assets						
Available-for-sale notes and bonds	255	642	3,289	4,068	27	8,282
Held-to-maturity notes and bonds	50	48	70	22	0	191
Total financial assets	9,128	7,702	30,359	20,211	16,683	84,084
Transfer of financial assets held for trading	-30	-58	-209	-54	-3	-354
to less-than-3-months category	354	-	-	-	-	354
Total financial assets in internal reporting	9,452	7,644	30,150	20,157	16,681	84,084

	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial liabilities						
Liabilities to credit institutions	1,475	251	50	-	-	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Liabilities to customers	46,494	3,288	889	273	218	51,163
Debt securities issued to the public	5,168	5,362	10,762	3,492	172	24,956
Subordinated liabilities	-	129	211	680	1	1,020
Total financial liabilities	53,141	9,030	11,912	4,446	391	78,920
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the 3-12-months category	-26,214	26,214	-	-	-	-
Total financial liabilities in internal reporting	26,927	35,244	11,912	4,446	391	78,920
Guarantees	24	226	539	8	81	878
Other guarantee liabilities	282	440	514	70	701	2,007
Loan commitments	8,839	-	-	-	-	8,839
Commitments related to short-term trade transactions	76	183	59	0	1	319
Other	259	2	7	244	12	524
Total off-balance-sheet commitments	9,480	851	1,120	322	795	12,567
31 Dec. 2013 Restated*						
Financial assets						
Liquid assets	2,172	-	-	-	-	2,172
Financial assets at fair value through profit or loss						
Notes and bonds	38	36	288	80	8	450
Receivables from credit institutions	384	186	262	14	2	848
Receivables from customers	4,010	6,599	26,028	15,630	15,875	68,142
Investment assets						
Available-for-sale notes and bonds	134	414	3,844	3,185	26	7,602
Held-to-maturity notes and bonds	67	25	175	4	0	271
Total financial assets	6,804	7,261	30,597	18,913	15,910	79,486
Transfer of financial assets at fair value through profit or loss to the less-than-3-months category	-38	-36	-288	-80	-8	-450
	450	-	-	-	-	450
Total financial assets in internal reporting	7,217	7,225	30,309	18,834	15,902	79,486

	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial liabilities						
Liabilities to credit institutions	992	32	15	-	-	1,039
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Liabilities to customers	43,734	4,667	1,057	291	407	50,157
Debt securities issued to the public	5,651	5,074	10,308	231	165	21,428
Subordinated liabilities	41	119	90	611	-	861
Total financial liabilities	50,421	9,892	11,471	1,133	572	73,489
Transfer of private customers' deposit repayable on demand from the less-than-3-months category to the 3-12-months category	-24,663	24,663	-	-	-	-
Total financial liabilities in internal reporting	25,758	34,555	11,471	1,133	572	73,489
Guarantees	80	76	486	38	251	931
Other guarantee liabilities	315	496	603	55	498	1,967
Loan commitments	9,772	-	-	-	-	9,772
Commitments related to short-term trade transactions	85	86	77	15	3	265
Other	251	2	17	222	1	492
Total off-balance-sheet commitments	10,503	660	1,182	330	752	13,428

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 72. Maturities of financial assets and liabilities by maturity or repricing

31 Dec. 2014	1 month or less	>1-3 months	>3-12 months	>1-2 years	>2-5 years	Over 5 years	Total
Financial assets							
Liquid assets	3,888	-	-	-	-	-	3,888
Financial assets at fair value through profit or loss							
Notes and bonds	7	105	53	17	119	53	354
Receivables from credit institutions	269	105	135	82	95	0	686
Receivables from customers	20,553	19,574	27,125	342	1,827	1,262	70,683
Available-for-sale financial assets							
Notes and bonds	302	323	475	616	2,515	4,051	8,282
Held-to-maturity financial assets							
Notes and bonds	95	39	13	12	32	0	191
Total financial assets	25,114	20,145	27,801	1,068	4,588	5,367	84,084
Financial liabilities							
Liabilities to credit institutions	863	662	251	-	-	-	1,776
Financial liabilities at fair value through profit or loss							
	4	-	-	-	-	-	4
Liabilities to customers	44,445	2,557	3,272	594	69	227	51,163
Debt securities issued to the public	1,607	5,694	4,778	1,940	7,719	3,217	24,956
Subordinated liabilities	-	136	4	65	0	816	1,020
Total financial liabilities	46,920	9,049	8,304	2,599	7,788	4,260	78,920

31 Dec. 2013	1 month or less	>1-3 months	>3-12 months	>1-2 years	>2-5 years	Over 5 years	Total
Financial assets							
Liquid assets	2,172	-	-	-	-	-	2,172
Financial assets at fair value through profit or loss							
Notes and bonds	19	91	55	27	176	82	450
Receivables from credit institutions	383	224	69	5	165	2	848
Receivables from customers	20,668	18,952	24,764	679	1,886	1,194	68,142
Available-for-sale financial assets							
Notes and bonds	433	379	330	717	2,566	3,177	7,602
Held-to-maturity financial assets							
Notes and bonds	139	66	2	19	41	4	271
Total financial assets	23,813	19,712	25,220	1,447	4,834	4,459	79,486
Financial liabilities							
Liabilities to credit institutions	732	275	32	-	-	-	1,039
Financial liabilities at fair value through profit or loss							
	4	-	-	-	-	-	4
Liabilities to customers	42,075	2,418	4,652	742	88	182	50,157
Debt securities issued to the public	1,574	5,917	4,430	1,957	7,155	395	21,428
Subordinated liabilities	0	71	121	0	0	668	861
Total financial liabilities	44,385	8,681	9,235	2,700	7,243	1,245	73,489

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 73. Sensitivity analysis of market risk

EUR million	Risk parameter	Change	31 Dec. 2014		31 Dec. 2013	
			Effect on earnings	Effect on equity capital	Effect on earnings	Effect on equity capital
Interest rate risk	Interest rate	1 pp	75	7	88	13
Currency risk	Market value	10 pps	7	-	5	-
Volatility risk						
Interest rate volatility	Volatility	10 basis points	1	-	2	-
Currency volatility	Volatility	10 pps	1	-	1	-
Credit risk premium	Credit risk margin	0.1 pp	1	36	1	31
Price risk						
Equity portfolio	Market value	10%	-	8	-	12
Private equity funds	Market value	10%	1	5	1	6
Property risk	Market value	10%	44	-	46	-

Interest rate risk has been calculated as the sum of the intrinsic values of Group member banks' 12-month net interest income volatility and the volatility of the present values of the Group's other balance sheet cash flows.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Notes 74–94 disclose information on the capital adequacy of the consolidated group of the amalgamation of member cooperative banks, as specified in the Capital Requirements Regulation of the European Parliament and of the Council (Pillar III disclosures). Figures for the previous year have been calculated in accordance with the rules in force on 31 December 2013. Capital base, risk-weighted assets and capital adequacy ratios are also presented as estimates in compliance with regulation in force since 1 January 2014. Given that this information is based on the consolidated capital adequacy on the amalgamation of member cooperative banks, it is not directly comparable with information disclosed on OP Financial Group.

The amalgamation of the member cooperative banks consists of the amalgamation's central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups. Although OP Financial Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. More detailed information on companies within the consolidation group can be found in Notes 27 and 55.

OP Financial Group's Corporate Governance and steering systems are available on websites covering respective issues (<https://www.op.fi/> op financial group /op financial group/corporate governance).

Pohjola has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories.

OP has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans. A maximum of 80% of the amounts outstanding on 31 December 2012 are included in the capital base.

Negative unrealised valuations are included in common equity tier 1 capital. Positive unrealised valuations are included in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

* The row of CET1 based on CRD III figures shows Core Tier 1 as defined by the EBA.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 75. Minimum capital requirement

OP Financial Group has used the Foundation Internal Ratings Based Approach (FIRBA) to measure capital requirement for corporate and credit institution exposures. This approach uses internal credit ratings to determine a customer's probability of default (PD), whereas loss given default (LDG) and credit conversion factor (CF) are standard estimates supplied by the authorities. The Group has used the Internal Ratings Based Approach (IRBA) to measure capital requirement for retail exposures. This approach uses internal credit ratings to determine a customer's PD, and LGD and CF are estimated internally.

It is possible to use various methods to measure capital adequacy requirement for equity investments. In the PD/LGD method, investments' risk-weighted exposure is calculated using PD, based on internal credit rating, and the official LDG. According to the Simple Risk Weight Approach, investments' risk-weighted exposure amount derives from multiplying each investment by the risk-weight determined by the type of investment.

OP Financial Group has used the Standardised Approach to measure capital requirement for operational risks.

EUR million	31 Dec. 2014		31 Dec. 2013	
	Capital require- ment*	Risk- weighted assets	Capital require- ment*	Risk- weighted assets
Credit and counterparty risk	2,983	37,288	2,414	30,175
Standardised Approach	209	2,609	151	1,885
Exposures to central government and central banks	1	15	7	86
Exposures to regional government or local authorities	1	15	-	-
Exposures to institutions	2	27	1	17
Exposures to corporates	113	1,418	76	951
Retail exposures	66	821	64	806
Exposures secured by mortgages on immovable property	0	1	-	-
Exposures in default	1	16	-	-
Other items	24	297	2	25
Internal Ratings-based Approach (IRB)	2,774	34,679	2,263	28,290
Exposures to institutions	100	1,249	88	1,101
Exposures to corporates	1,580	19,755	1,560	19,499
Retail exposures	353	4,413	368	4,598
Exposures secured by mortgages on immovable property	212	2,653	219	2,740
Other retail exposures	141	1,760	149	1,857
Equity investments	613	7,663	121	1,511
PD/LGD method	516	6,455	1	7
Simple Risk Weight Approach	97	1,208	120	1,504
Private equity investments	19	231	15	192
Listed investments	21	257	19	243
Other	58	720	86	1,069
Securitisation exposures	35	436	51	636
Other non-credit obligations	93	1,164	76	946
Market risk (Standardised Approach)	110	1,377	73	909
Notes and bonds	106	1,327	71	889
Equities	0	5	-	-
Commodities	4	45	2	20
Operational risk	255	3,182	241	3,007
Risk associated with exposure value adjustment	32	405	-	-
Transition period requirement (Basel I floor)	-	-	580	7,247
Total risk	3,380	42,252	3,307	41,339

* Capital requirement = Risk-weighted assets * 0.08

Total risk-weighted asset on 31 December 2013 would have amounted to 40,405 million euros in accordance with regulation that entered into force on 1 January 2014. Risk-weighted assets were increased by treatment of insurance holdings in equity investments instead of deduction from CET1. Risk-weighted assets and capital requirement in the table are shown as exposure categories in compliance with new regulation, which is why comparatives do not in all respects correspond to new exposure.

The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group. On 27 November 2013, OP Financial Group received permission from the Financial Supervisory Authority to treat insurance holdings within the conglomerate as risk-weighted assets according to the PD/LGD method. This permission will be valid until the end of 2014.

EUR 273 million of Other items represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

Capital requirement for counterparty risk amounts to EUR 59 million (EUR 42 million).

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 76. Capital ratios

Ratios, %	31 Dec. 2014	1 Jan. 2014	31 Dec. 2013
CET1 ratio	15.1	17.1	14.3
Tier 1 ratio	15.5	17.5	14.3
Core Tier 1 ratio	17.3	19.8	14.3

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 77. Total exposures by exposure class

31 Dec. 2014, EUR million	On- balance- sheet expo- sures	Off- balance- sheet expo- sures	Deriva- tives expo- sures	Gross expo- sures	Average exposure during the year	Average CF
Standardised Approach	10,239	2,655	842	13,736	13,510	
Exposures to central government and central banks	4,516	128	352	4,996	5,664	
Exposures to regional government or local authorities	1,723	521	232	2,477	2,220	
Exposures to public sector entities	175	-	-	175	171	
Exposures to multilateral development banks	406	-	169	575	413	
Exposures to international organisations	687	-	-	687	585	
Exposures to institutions	126	21	68	215	162	
Exposures to corporates	1,362	138	20	1,520	1,299	
Retail exposures	1,096	1,848	0	2,944	2,903	
Exposures secured by mortgages on immovable property	1	-	-	1	1	
Exposures in default	11	-	-	11	12	
Other items	134	-	-	134	81	
Internal Ratings-based Approach	78,892	14,285	1,646	94,823	91,967	
Exposures to central government and central banks	-	-	-	-	-	
Exposures to institutions	5,108	593	975	6,676	6,400	
Exposures to corporates	24,227	11,658	671	36,555	35,610	
Retail exposures	45,500	2,034	0	47,534	47,102	81%
Exposures secured by mortgages on immovable property	41,337	981	-	42,317	41,584	78%
Other retail exposures	4,163	1,053	0	5,217	5,519	83%
Qualifying revolving retail exposures	-	-	-	-	-	
Equity investments	2,717	-	-	2,717	1,597	
Securitisation exposures	177	-	-	177	204	
Other non-credit obligations	1,164	-	-	1,164	1,055	
Total	89,131	16,940	2,488	108,559	105,478	

31 Dec. 2013, EUR million	On- balance- sheet expo- sures	Off- balance- sheet expo- sures	Deriva- tives expo- sures	Gross expo- sures	Average exposure during the year	Average CF
Standardised Approach	7,487	2,450	471	10,408	11,259	
Exposures to central government and central banks	5,351	512	468	6,332	7,300	
Exposures to regional government or local authorities	-	-	-	-	-	
Exposures to public sector entities	-	-	-	-	-	
Exposures to multilateral development banks	-	-	-	-	-	
Exposures to international organisations	-	-	-	-	-	
Exposures to institutions	79	29	1	110	140	
Exposures to corporates	968	109	1	1,078	988	
Retail exposures	1,061	1,800	-	2,861	2,814	
Exposures secured by mortgages on immovable property	-	-	-	-	-	
Exposures in default	-	-	-	-	-	
Other items	27	-	-	27	17	
Internal Ratings-based Approach	74,291	13,722	1,099	89,112	87,947	
Exposures to central government and central banks	-	-	-	-	-	
Exposures to institutions	5,059	501	565	6,124	5,977	
Exposures to corporates	22,972	11,158	533	34,664	34,317	
Retail exposures	44,635	2,035	1	46,671	45,911	81%
Mortgage-backed retail exposures	39,769	1,082	-	40,850	40,370	80%
Other retail exposures	4,866	954	1	5,821	5,541	81%
Qualifying revolving retail exposures	-	-	-	-	-	
Equity investments	448	28	-	476	488	
Items representing securitisation positions	231	-	-	231	276	
Other non-credit obligations	946	-	-	946	978	
Total	81,778	16,172	1,570	99,520	99,206	

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 78. Exposure split by geographic region and exposure class

31 Dec. 2014, EUR million	Central govern- ment and central banks	Credit institu- tions	Corporate	Retail	Equity invest- ments	Securi- tation positions	Other
Finland	5,886	551	36,311	50,230	2,694	-	1,310
Other Nordic countries	189	2	760	15	-	-	0
Baltic States	0	1,402	445	73	2	-	0
Rest of EU	2,827	3,602	415	81	17	177	0
Rest of Europe	-	221	11	18	4	-	-
USA	-	73	10	20	-	-	-
Asia	-	381	74	16	-	-	-
Other	9	658	49	25	0	-	-
Total exposure	8,911	6,891	38,075	50,478	2,717	177	1,310

Finland accounts for 96% of exposures calculated using the Internal Ratings-based Approach (IRBA)

31 Dec. 2013, EUR million	Central govern- ment and central banks	Credit institu- tions	Corporate	Retail	Equity invest- ments	Securi- tation positions	Other
Finland	3,943	566	34,141	49,293	449	9	973
Other Nordic countries	52	1,490	400	65	4	-	-
Baltic States	214	5	615	17	-	-	-
Rest of EU	2,113	3,192	458	71	19	222	-
Rest of Europe	-	324	57	45	5	-	-
USA	-	98	8	20	-	-	-
Asia	-	259	46	14	0	-	-
Other	9	299	16	7	-	-	-
Total exposure	6,332	6,234	35,742	49,532	476	231	973

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 79. Exposure split by residual maturity and exposure class

31 Dec. 2014, EUR million	< 3 months	3–12 months	1–5 yrs	5–10 yrs	> 10 yrs	Total
Exposures to central governments and central banks	4,630	169	1,052	2,530	530	8,911
Exposures to institutions	1,978	2,080	1,991	788	53	6,891
Exposures to corporates	8,523	3,773	13,253	4,981	7,546	38,075
Retail exposures	3,509	1,060	6,196	8,026	31,687	50,478
Equity investments	-	-	-	-	-	2,717
Securitisation positions	-	67	21	88	1	177
Other items	693	3	31	583	1	1,310
Total	19,669	7,152	22,562	19,356	39,820	108,559

31 Dec. 2013, EUR million	< 3 months	3–12 months	1–5 yrs	5–10 yrs	> 10 yrs	Total
Exposures to central governments and central banks	2,965	35	935	2,024	373	6,332
Exposures to institutions	908	569	3,111	1,549	98	6,234
Exposures to corporates	7,559	3,320	13,288	4,656	6,919	35,742
Retail exposures	3,597	941	6,048	7,618	31,327	49,532
Equity investments	-	-	-	-	-	476
Securitisation positions	33	27	104	66	1	231
Other items	129	4	10	831	-	973
Total	15,190	4,895	23,495	16,745	38,718	99,520

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 80. Past due and impaired exposures by exposure class

31 Dec. 2014, EUR million	Past due loans	Impaired loans	Impairment loss
Exposures to central governments and central banks	-	-	-
Exposures to institutions	0	-	-
Exposures to corporates	860	444	412
Retail exposures	366	113	75
Equity investments	0	51	12
Other positions	11	0	0
Total	1,237	608	500

31 Dec. 2013, EUR million	Past due loans	Impaired loans	Impairment loss
Exposures to central governments and central banks	0	-	-
Exposures to institutions	0	-	-
Exposures to corporates	897	449	401
Retail exposures	319	93	54
Equity investments	-	48	11
Other items	0	0	0
Total	1,217	590	466

A total of 95% (95) of past due exposures, 96% (95) of impaired exposures and 97% (96) of impairment losses originate in Finland.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 81. Corporate exposures by sector

31 Dec. 2014, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss
Renting and operation of residential real estate	6,731	3,277	7	2	1
Trade	3,859	2,372	66	25	19
Operating of other real estate	3,809	2,451	56	30	13
Services	3,181	1,893	68	28	20
Energy	2,839	760	4	2	2
Construction	2,750	1,734	52	15	11
Financial and insurance activities	2,128	987	11	7	7
Other manufacturing	1,972	898	81	28	24
Manufacture of machinery and equipment (incl. maintenance)	1,878	681	100	59	53
Transportation and storage	1,740	1,219	35	13	10
Agriculture, forestry and fishing	1,388	967	35	8	6
Forest industry	1,324	880	200	122	107
Food industry	1,129	485	62	43	34
Buying and selling of own real estate	1,050	642	3	1	1
Metal industry	1,016	761	95	44	31
Information and communication	1,004	524	13	5	5
Other sectors	957	793	1	-	62
Water supply and waste management	389	128	4	1	1
Manufacture of chemicals and chemical products	271	109	2	0	0
Mining and quarrying	224	133	35	24	16
Total	39,639	21,691	929	457	423

31 Dec. 2013, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss
Renting and operation of residential real estate	6,457	3,254	6	2	1
Food industry	3,661	2,193	136	75	50
Energy	3,602	2,334	56	21	10
Information and communication	2,805	1,037	98	60	55
Trade	2,779	1,676	68	37	25
Operating of other real estate	2,472	1,592	56	13	10
Manufacture of machinery and equipment (incl. maintenance)	2,150	567	6	0	0
Construction	1,880	812	14	7	6
Services	1,674	1,292	41	13	10
Financial and insurance activities	1,286	880	204	123	109
Transportation and storage	1,142	935	23	7	5
Forest industry	1,140	743	6	0	0
Buying and selling of own real estate	1,131	895	92	43	32
Metal industry	1,073	511	3	1	1
Agriculture, forestry and fishing	994	615	16	12	9
Manufacture of chemicals and chemical products	834	656	2	0	59
Other sectors	814	269	4	0	0
Other manufacturing	797	539	87	22	12
Mining and quarrying	392	122	20	4	2
Water supply and waste management	264	183	33	20	14
Total	37,348	21,103	969	460	411

Corporate exposures by sector also include corporate customers with retail exposures. This standard industrial classification is based on the latest TOL 2008 classification issued by Statistics Finland.

Past due exposures in the Standardised Approach are exposures whose interest or capital are over 90 days overdue. In the FIRB Approach, past due exposures are exposures to customers at default belonging to rating categories 11–12 or F.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 82. Exposures by credit rating before and after credit risk mitigation

Risk weight %, EUR million	31 Dec. 2014			31 Dec. 2013		
	Exposure before credit risk mitigation	Exposure after credit risk mitigation	RWA	Exposure before credit risk mitigation	Exposure after credit risk mitigation	RWA
0	8,797	11,300	-	6,129	8,489	-
20	322	322	52	209	210	41
50	11	11	6	140	140	70
75	2,944	2,944	821	2,848	2,848	786
100	1,542	1,542	1,442	1,066	1,061	967
150	11	11	16	13	13	20
250	109	109	273	-	-	-
Other risk weights	0	0	0	1	1	0
Total	13,736	16,239	2,609	10,408	12,763	1,885

In its capital adequacy measurement for credit risk under the Standardised Approach to determine the exposure's risk weight, OP Financial Group applies credit ratings by Moody's Investors Service or Fitch Ratings to receivables from central governments and central banks and corporations. External credit assessment determines the receivable's credit rating category. In the capital adequacy requirement for receivables, the risk weight is determined by the credit rating category. OP Financial Group has also applied risk weights based on the credit rating category to government exposures.

The risk weight of international development banks' receivables may also be determined on the basis of other than credit rating based on external credit assessment. If the risk weight is affected by external credit assessment, credit ratings issued by the aforementioned rating agencies will also apply to the risk weighting of international development banks' receivables in capital adequacy measurement.

For a receivable in capital adequacy measurement, the security-specific credit rating of the issue programme or arrangement to which the receivable belongs must be used. If such a rating is not available, the issuer's general credit rating will be used, provided that it is available.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 83. Retail exposures by rating category (AIRB)

All retail exposures

Rating category	31 Dec. 2014			31 Dec. 2013		
	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %
Personal customers, total	45,654	0.9	8.5	44,754	1.0	8.8
A	27,075	0.0	1.4	25,562	0.0	1.5
B	10,492	0.1	4.6	10,607	0.1	4.8
C	3,922	0.5	14.4	4,255	0.5	14.4
D	2,352	2.2	38.6	2,467	2.3	36.0
E	1,514	21.4	82.5	1,629	21.3	81.9
F	298	100.0	99.3	234	100.0	91.9
Corporate customers, total	1,486	5.2	34.7	1,536	5.2	42.5
1,0–2,0	0	0.0	1.0	-	-	-
2,5–5,0	361	0.3	7.1	357	0.4	9.7
5,5–7,0	673	1.4	25.8	717	1.4	32.9
7,5–8,5	252	5.4	42.8	256	5.4	55.4
9,0–10,0	137	36.4	68.1	139	36.4	88.0
11,0–12,0	64	100.0	180.8	67	100.0	176.3
Total	47,140	1.1	9.4	46,291	1.1	9.9

Mortgage-backed retail exposures

Rating category	31 Dec. 2014			31 Dec. 2013		
	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %
Personal customers, total	41,285	0.8	6.1	39,833	0.9	6.5
A	25,865	0.0	1.2	23,900	0.0	1.2
B	9,274	0.1	3.7	9,331	0.1	3.6
C	3,125	0.5	10.1	3,369	0.5	10.1
D	1,662	2.3	28.4	1,854	2.3	28.4
E	1,127	21.8	75.0	1,204	21.9	77.4
F	232	100.0	94.4	176	100.0	85.3
Corporate customers, total	821	4.9	17.7	800	4.9	20.4
1,0–2,0	0	0.0	0.2	-	-	-
2,5–5,0	262	0.3	2.6	247	0.4	3.1
5,5–7,0	341	1.4	11.2	344	1.4	13.2
7,5–8,5	116	0.0	30.6	110	5.4	37.7
9,0–10,0	72	36.8	49.0	69	37.7	60.5
11,0–12,0	30	100.0	97.6	30	100.0	87.8
Total	42,107	0.9	6.3	40,633	0.9	6.7

* The defaults, or rating categories F, 11.0 and 12.0, are not included in the average PD.

In setting PD values given by rating models assessing solvency of personal customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, OP Financial Group has made use of the unemployment rate since 1989. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism.

In setting PD values given by rating models of corporate customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, the Group has used bankruptcy statistics since 1986. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 84. Corporate exposures (FIRB) by rating category

Rating category	31 Dec. 2014			31 Dec. 2013		
	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %
1,0–2,0	955	0.0	14.7	1,185	0.0	14.8
2,5–5,0	12,842	0.2	40.8	11,183	0.2	42.0
5,5–7,0	8,769	1.5	93.8	8,638	1.3	93.7
7,5–8,5	3,834	4.7	124.5	3,726	5.0	132.4
9,0–10,0	771	28.8	177.6	799	30.5	200.2
11,0–12,0	778	100.0	–	810	100.0	–
Total	27,949	2.1	70.7	26,341	2.2	74.0

* The defaults, or rating categories 11.0 and 12.0, are not included in the average PD.

In setting PD values given by rating models of exposures to corporates, OP Financial Group has used its own payment default data and external data. As external data, the Group has used bankruptcy statistics since 1986. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 85. Credit institution exposures (FIRB) by rating category

Rating category	31 Dec. 2014			31 Dec. 2013		
	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %	Exposure value (EAD), MEUR	*Average PD, %	Average risk weight, %
1,0–2,0	2,210	0.0	5.1	2,037	0.0	5.4
2,5–5,0	3,740	0.1	20.9	3,598	0.1	23.2
5,5–7,0	330	1.2	86.5	150	1.4	66.0
7,5–8,5	110	6.3	60.9	101	4.5	50.5
9,0–10,0	1	20.5	262.6	2	27.8	263.4
11,0–12,0	0	100.0	–	0	100.0	–
Total	6,390	0.3	19.5	5,889	0.2	18.7

* The defaults, or rating categories 11.0 and 12.0, are not included in the average PD.

For defining the score limits for each rating category and PD values, OP Financial Group has used L rating scores from 2008 until 2010 and external credit ratings and the corresponding payment default data from 1983 until 2010. PD values have also been adjusted with a margin of conservatism in order to take account of uncertainties associated with the data.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 86. Equity investments by rating category (IRBA)

PD/LGD method

Rating category	31 Dec. 2014			31 Dec. 2013		
	Exposure value (EAD), MEUR	Average PD, %	Average risk weight, %	Exposure value (EAD), MEUR	Average PD, %	Average risk weight, %
2,5–5,0	2,309	1.3	279.2	-	-	-
5,5–7,0	3	1.3	279.7	3	1.3	248.2
Total	2,312	1.3	279.2	3	1.3	248.2

The PD/LGD method related to equity investments is applied to strategic investments outside OP Financial Group. The Group treats insurance holdings in equity investments based on the regulator's permission. The minimum PD for these investments according to the PD/LGD method is 1.25.

Simple Risk Weight Approach

Milj. e	31 Dec. 2014			31 Dec. 2013		
	Exposure	Risk-weighted assets	Minimum capital requirement	Exposure	Risk-weighted assets	Minimum capital requirement
Private equity investments, risk weight 190%	122	231	19	101	192	15
Listed investments, 290%	89	257	21	84	243	19
Other, risk weight 370%	195	720	58	289	1,069	86
Total	405	1,208	97	474	1,504	120

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 87. Expected loss and impairments

Loss, EUR million	Retail exposures					Total
	Credit institution exposures	Corporate exposures	Exposures secured by real estates	Other	Equity investments	
31 Dec. 2014						
(EL)	4	282	31	71	32	419
Impairments	-	411	31	40	12	494
31 Dec. 2013						
(EL)	3	303	51	87	8	453
Impairments	-	396	19	34	11	460
31 Dec. 2012						
(EL)	4	307	53	95	8	467
Impairments	1	348	16	35	12	412
31 Dec. 2011						
(EL)	17	293	58	102	6	476
Impairments	9	284	13	29	3	339
31 Dec. 2010						
(EL)	-	219	-	-	11	229
Impairments	-	182	-	-	2	184

The expected loss shown in the above table is based on parameters generated by OP Financial Group's internal credit risk models. These parameters include a considerable number of various factors of conservatism preventing risk underestimation but do not fully correspond to those used in capital adequacy measurement. For corporate and credit institution exposures, the Group uses only PD parameters in capital adequacy measurement.

Capital adequacy measurement parameters include a larger number of factors of conservatism compared with the internal credit risk models. Due to the factors of conservatism involved in the parameters, the expected loss of capital adequacy measurement was substantially high, EUR 810 million (808). Shortfall of expected losses of capital adequacy measurement over impairment losses related to IRBA-based exposure classes has been deducted from the capital base. Impairment losses on equity investments are not taken into account in calculating the deduction.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 88. Collateral used in capital adequacy calculation

31 Dec. 2014, EUR million	Exposure	Guaran- tees	Financial collateral	Other collateral	Average LGD, %
Standardised Approach	13,736	581	-	-	
Exposures to central government and central banks	4,996	52	-	-	
Exposures to regional government or local authorities	2,477	92	-	-	
Exposures to public sector entities	175	175	-	-	
Exposures to multilateral development banks	575	-	-	-	
Exposures to international organisations	687	261	-	-	
Exposures to institutions	215	0	-	-	
Exposures to corporates	1,520	-	-	-	
Retail exposures	2,944	-	-	-	
Exposures secured by mortgages on immovable property	1	-	-	-	
Exposures in default	11	-	-	-	
Other items	134	-	-	-	
Internal Ratings-based Approach	94,823	3,228	395	59,789	
Exposures to central government and central banks	-	-	-	-	
Exposures to institutions	6,676	-	-	-	23.2
Exposures to corporates	36,555	-	190	1,243	44.4
Retail exposures	47,534	3,228	206	58,546	15.1
Exposures secured by mortgages on immovable property	42,317	1,427	94	57,678	11.6
Other retail exposures	5,217	1,801	111	868	44.8
Equity investments	2,717	-	-	-	
PD/LGD method	2,312	-	-	-	
Simple Risk Weight Approach	405	-	-	-	
Items representing securitisation positions	177	-	-	-	
Other non-credit obligations	1,164	-	-	-	
Total	108,559	3,809	395	59,789	

31 Dec. 2013, EUR million	Exposure	Guaran- tees	Financial collateral	Other collateral	Average LGD, %
Standardised Approach	10,408	18	-	-	
Exposures to central government and central banks	6,332	17	-	-	
Exposures to regional government or local authorities	-	-	-	-	
Exposures to public sector entities	-	-	-	-	
Exposures to multilateral development banks	-	-	-	-	
Exposures to international organisations	-	-	-	-	
Exposures to institutions	110	1	-	-	
Exposures to corporates	1,078	-	-	-	
Retail exposures	2,861	-	-	-	
Exposures secured by mortgages on immovable property	-	-	-	-	
Exposures in default	-	-	-	-	
Other items	27	-	-	-	
Internal Ratings-based Approach	89,112	5,593	339	57,957	
Exposures to central government and central banks	-	-	-	-	
Exposures to institutions	6,124	41	-	0	25.9
Exposures to corporates	34,664	2,369	122	1,149	44.5
Retail exposures	46,671	3,184	217	56,808	15.7
Exposures secured by mortgages on immovable property	40,850	1,380	100	55,949	11.6
Other retail exposures	5,821	1,803	117	859	44.8
Equity investments	476	-	-	-	
PD/LGD method	474	-	-	-	
PD/LGD method	3	-	-	-	
Items representing securitisation positions	231	-	-	-	
Other items	946	-	-	-	
Total	99,520	5,611	339	57,957	

The average LDG has been calculated as the weighted average of the exposure value (EAD).

Guarantees and collateral related to retail exposures are treated as part of LGD.

In the SA and IRBA applied to credit institution and corporate exposures, OP Financial Group utilises the following real collateral securities specified in the capital adequacy regulations: residential buildings and shares entitling their holders to the possession of an apartment, deposits and securities (equities). Deposits and securities are financial collateral, as referred to in the regulatory framework, and alternative methods are available for their accounting treatment. OP Financial Group has treated financial collateral in the above approaches using the so-called comprehensive method and volatility adjustments ordered by the relevant regulator.

In the SA and IRBA applied to credit institution and corporate exposures, only approved guarantors specified in the capital adequacy regulations may be used, such as guarantees granted by the Finnish State and other states, and those granted by municipalities and banks. Guarantees issued by companies or credit derivatives were not used. Offsetting balance-sheet or off-balance-sheet items was not applied in capital adequacy measurement.

In the IRBA applied to retail exposures, it is possible to use collateral securities on a more extensive basis than in the SA applied to credit institution and corporate exposures. In determining LDG estimates for retail exposures, the Group has used contract, customer, default, collateral and debt-collection data from 2003 until 2011. The Group applies the definition of payment default as in the PD models.

Residential buildings and shares entitling their holders to the possession of an apartment lodged as collateral constitute the largest collateral type used in capital adequacy. The effect of other real securities on the capital adequacy of credit risks is much less significant. Collateral used have been given by a number of sources, the largest single one being the State of Finland. In addition, the model uses the cash flow data on uncollateralised returns and the recovery rate of default probabilities.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 89. Derivative contracts and counterparty risk

Credit risk arising from derivative contracts is defined as a credit equivalent based on the daily market valuation of derivative contracts.

The size of customer limits are defined on the basis of assets included in derivative contracts and the estimated validity of the contracts.

Counterparty risk associated with derivative contracts arises from receivables which Pohjola Bank plc may have from its counterparties in case they default. The Group measures counterparty risk using a fair value model, whereby the amount of liability comprises the contract market value and the expected potential future exposure.

Pohjola Bank plc manages counterparty risks associated with derivative contracts through master agreements which enables netting of contractual obligations in counterparty defaults as well as through collaterals and optional early termination clauses. There are legal opinions ensuring the enforceability of netting provisions of the master agreements in each derivative counterparty's national legislation. OP Financial Group uses netting for counterparty exposure arising from derivative contracts in both capital adequacy measurement and the monitoring of credit risk limits. With respect to credit institutions as counterparties, Pohjola also always uses credit support annex to derivative master agreements, in which case the received collateral reduces counterparty risk.

The Group confirms corporate counterparty exposure limits once a year and in this connection also checks the status of collateral applying to the limits for derivative transactions.

Credit risk arising from bank counterparties is through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides cash or securities in security for the receivable. Matching between counterparties are performed on a daily basis.

If S&P had downgraded OP Financial Group's credit rating from AA- to A on 31 December 2014, an additional collateral worth EUR 4 million would have been required. Downgrading credit rating a year ago would not have required additional collateral.

Capital adequacy requirement due to counterparty risk may arise from items related to financing operations and the trading book. Capital adequacy requirement due to counterparty risk is calculated, for example, on OTC derivatives and sale and repurchase agreements.

Counterparty risk contract types, 31 Dec. 2014, EUR million	Gross exposure value	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts	8,625	5,415	3,210	722	2,488
Interest rate derivatives	6,317	4,146	2,171	445	1,726
Currency derivatives	2,064	1,189	874	261	613
Equity and index derivatives	144	80	65	16	49
Other	100	-	100	-	100
Total	8,625	5,415	3,210	722	2,488

Counterparty risk contract types, 31 Dec. 2013, EUR million	Gross exposure value	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts	4,821	2,844	1,977	408	1,570
Interest rate derivatives	3,784	2,408	1,376	314	1,062
Currency derivatives	742	363	379	36	343
Equity and index derivatives	194	72	122	58	64
Other	101	-	101	-	101
Total	4,821	2,844	1,977	408	1,570

Note 54 presents the positive gross fair value of contracts.

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PILLAR III DISCLOSURES

Note 90. Securitisation positions

Securitisation positions by rating category, Moody's equivalent, EUR million	2014		2013	
	Exposure	Risk-weighted assets	Exposure	Risk-weighted assets
Non-trading book positions				
Securitisation positions	177	436	231	636
Aaa	10	1	48	4
Aa1-Aa3	42	4	25	2
A1-A3	57	9	19	4
Baa1-Baa3	29	20	64	54
Ba1-Ba3	12	56	44	176
B1 or lower	26	347	30	397
Total	177	436	231	636

EUR 26 million of the securitised items have been treated with a risk weight of 1,250%.

Matured and impaired securitisation positions by exposure type, 31 Dec. 2014, EUR million				Impairment losses
	Exposure	Matured	Impaired	
Non-trading book positions				
Securitisation positions	177	-	-	-
CDO	-	-	-	-
ABS	-	-	-	-
RMBS	177	-	-	-
Total	177	-	-	-

Matured and impaired securitisation positions by exposure type, 31 Dec. 2013, EUR million				
	Exposure	Matured	Impaired	Impairment losses
Non-trading book positions				
Securitisation positions	231	-	-	-
CDO	2	-	-	-
ABS	0	-	-	-
RMBS	228	-	-	-
Total	231	-	-	-

The IRBA has been applied to securitisation positions. Pohjola pays special attention to bonds' structural and collateral-related features in its investment in securitised assets.

OP Financial Group follows regularly changes related to the credit and market risk of securitised loans.

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PILLAR III DISCLOSURES

Note 91. Reconciliation of consolidated balance sheet and consolidation group balance sheet

31 Dec. 2014, EUR million	Consolidated balance sheet	Consolidation group balance sheet	Difference
Cash and cash equivalents	3,888	3,888	-
Receivables from credit institutions	686	683	3
Financial assets at fair value through profit or loss	427	427	-
Derivative contracts	5,920	5,977	-57
Receivables from customers	70,683	70,885	-202
Non-life Insurance assets	3,797	-	3,797
Life Insurance assets	11,238	-	11,238
Investment assets	9,500	11,416	-1,916
Investments in associates	56	47	9
Intangible assets	1,332	426	906
Property, plant and equipment	781	759	22
Other assets	1,951	2,128	-176
Tax assets	168	121	46
Total assets	110,427	96,757	13,670

31 Dec. 2014, EUR million	Consolidated balance sheet	Consolidation group balance sheet	Difference
Liabilities to credit institutions	1,776	1,770	6
Financial liabilities recognised at fair value through profit or loss	4	4	-
Derivative contracts	5,489	5,576	-87
Liabilities to customers	51,163	51,906	-743
Non-life Insurance liabilities	2,972	-	2,972
Life Insurance liabilities	11,230	-	11,230
Debt securities issued to the public	24,956	25,109	-154
Provisions and other liabilities	3,447	3,260	187
Tax liabilities	964	722	241
Supplementary cooperative capital	192	192	-
Subordinated liabilities	1,020	1,009	11
Total liabilities	103,214	89,549	13,665
Equity capital			
Share of OP Financial Group owners			
Cooperative capital, cooperative contributions	148	148	-
Cooperative capital, Profit shares	1,561	1,561	-
Translation differences	0	0	0
Reserves	2,421	2,041	343
Retained earnings	3,014	3,458	-254
Non-controlling interests	69	-	69
Total equity capital	7,213	7,208	5
Total liabilities and equity capital	110,427	96,757	13,670

The differences between the balance sheets of OP Financial Group and the consolidation group are due to differences in the content and extent of consolidation. Within the consolidation group, insurance companies have not been consolidated but are shown in investments made by the consolidation group and the insurance companies' equity capital is not included in the equity capital of the consolidation group. The consolidation group has applied the materiality threshold specified in Article 19 of CRR in the consolidation of its companies. Note 74 presents items deducted from the capital base.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 92. Capital base under transitional provisions

According to the European Commission implementing regulation, a credit institution must present its own funds using the transition period model for disclosure for own funds determined by the European Banking Authority.

	(A) Amount on disclosure data	(B) Article of regulation (EU) no. 575/2013 to which is referred	(C) Amounts to which treatment prior to regulation (EU) no. 575/2013 or the remaining amount set out in regulation
31 Dec. 2014			
CET1: Instruments and reserves			
Capital instruments and related share premium accounts	1,709	Paragraph 1 of Article 26, Articles 27, 28 and 29, EBA's list related to Paragraph 3 of Article 26	-
of which: cooperative contribution	148	EBA's list, paragraph 3 of Article 26	-
of which: profit share	1,561	EBA's list, paragraph 3 of Article 26	-

Retained earnings	3,416	Paragraph 1, sub-paragraph 3a of Article 26	-
Accumulated other comprehensive income (and any other reserves; also covers unrealised gains and losses by virtue of applicable financial reporting standards)	1,379	Paragraph 1 of Article 26	-
The amount of qualifying items as referred to in Article 484 (3) and the related share premium accounts that will be phased out from CET1.	192	Paragraph 2 of Article 486	192
Interim profits audited by an independent party, from which all foreseeable charges and dividends have been deducted	648	Paragraph 2 of Article 26	-
CET1 before regulatory adjustments:	7,343		192
CET1): Regulatory adjustments			
Intangible assets	-450	Paragraph 1, sub-paragraph b of Article 37, Article 37, paragraph 4 of Article 472	-
Items included in the fair value reserve that relate to gains or losses on cash flow hedging	-80	Paragraph a of Article 33	-
Negative amounts resulting from the calculation of expected loss amounts	-339	Paragraph 1, sub-paragraph 1 d of Article 36, Article 159, paragraph 6 of Article 472	-
Gains or losses on liabilities measures at fair value resulting from changes in the institution's own credit standing	-1	Paragraph b of Article 33	-

Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-90		-
of which: filter for unrealised loss 1	-	Article 467	-
of which: positive fair value reserve of notes and bonds	-28	Article 468	-
of which: positive fair value reserve of equities	-	Article 468	-
of which: revaluation reserve	-1	Article 468	-
of which: positive valuation of real property	-61	Article 468	-
Total regulatory adjustments to CET1	-960		-
CET1 before regulatory adjustments:	6,384		192
Additional Tier 1 (AT1): Instruments			
The amount of qualifying items as referred to in Article 484 (4) and the related share premium accounts that will be phased out from AT1.	161	Paragraph 3 of Article 486	202
AT1 before regulatory adjustments:	161		202
AT1: regulatory adjustments			
AT1	161		202
Tier 1 (T1 = CET1 + AT1)	6,544		394
Tier 2 (T2): Instruments and provisions			
Capital instruments and related share premium accounts	743	Articles 62 and 63	-
T2 before regulatory adjustments	743		-
T2: regulatory adjustments			
Amount deducted from T2 capital or added to it due to their additional filters and deductions which were required before the capital adequacy regulation	29	Articles 467, 468 and 481	-
of which: positive fair value reserve of notes and bonds	28	Article 468	-
of which: revaluation reserve	1	Article 468	-
Total regulatory adjustments to T2	29		-
T2	772		-
Total capital (T1 + T2 = TC)	7,316		394
Total risk-weighted assets	42,252		-

Capital adequacy ratios and capital buffers

CET1 as percentage of total risk	15.1	Paragraph 2, sub-paragraph a of Article 92, Article 465	-
T1 as percentage of total risk	15.5	Paragraph 2, sub-paragraph b of Article 92, Article 465	-
Total capital as percentage of total risk	17.3	Paragraph 2, sub-paragraph c of Article 92	-
Available CET1 capital required for the fulfilment of capital buffer requirements (as percentage of total risk)	15.1	Article 128 of Capital Requirements Directive	-

Caps that are applied to the inclusion of provisions in T2 capital

Caps applied to inclusion of credit risk adjustments in T2 capital when applying the Internal Ratings-based Approach	34,706	Article 62	-
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Capital instruments subject to phase-out arrangements (1 January 2013–1 January 2022)

Current cap for CET1 instruments subject to phase-out arrangements	494	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-
Current cap for AT1 instruments subject to phase-out arrangements	161	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-
Amount deducted from AT1 due to the cap (amount above the cap after redemptions and maturities)	41	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-

Note 93. Capital instruments' main features

Capital instruments' main features template		Cooperative contributions
1	Issuer	Group member banks
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Finnish law, CRR
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1 (CET1)
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	CET1 as published in the EBA list
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date) EUR	148
9	Nominal amount of instrument (in millions)	EUR 148
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Cooperative's share
11	Original date of issuance	Not applicable
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Cooperative banks refund unitholders their cooperative contributions upon termination of membership. However, cooperative banks have the right to refuse to refund the contributions while the bank is operating. If a cooperative bank has not refused to refund the contribution, this may take place within 12 months after the end of the financial year when membership terminated. If the refund cannot be made in full in any given year, the balance will be refunded from disposable cooperative capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements.
16	Subsequent call dates, if applicable	See item 15
Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Yes
31	If write-down, write-down triggers	Accumulation of losses
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Through increase of cooperative capital
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	If a cooperative bank is dissolved either through liquidation or bankruptcy, any supplementary cooperative capital is refunded other cooperative capital or, if the funds are insufficient, that part of supplementary cooperative capital that is proportional to the supplementary cooperative capital paid.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Profit share	Supplementary cooperative capital	EUR 60,000,000 Perpetual Step-Up Hybrid Tier 1
Group member banks	Group member banks	Pohjola Bank plc
Not applicable	Not applicable	Not applicable
Finnish law, CRR	Finnish law, CRR	British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied
Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)	Additional Tier 1 capital (AT1)
Common Equity Tier 1 (CET1)	Not applicable	Not applicable
Solo and consolidated	Solo and consolidated	Solo and consolidated
CET1 as published in the EBA list	CET1 as published in the EBA list	Not applicable
1 561	192	35
EUR 1 561	EUR 192	EUR 60
100 %	100 %	100 %
100 %	100 %	100 %
Cooperative's share	Cooperative's share	Liability - carried at amortised cost
Not applicable	Not applicable	30.11.05
Perpetual	Perpetual	Perpetual
No maturity	No maturity	No maturity
Yes	Yes	Yes
Cooperative banks refund unitholders the subscription price of their Profit shares upon termination of membership. A Profit share's subscription price is also refunded to the unitholder when the unitholder has cancelled the Profit share. However, cooperative banks have the right to refuse to refund the Profit share contributions while the bank is operating. If a cooperative bank has not refused to refund the Profit share contribution, this may take place within 12 months after the end of the financial year when membership terminated or the Profit share has been cancelled. If the refund cannot be made in full in any given year, the balance will be refunded from disposable cooperative capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements.	Cooperative banks refund unitholders their supplementary cooperative contributions upon termination of membership or cancellation of the contribution by the unitholder. A supplementary cooperative contribution will be refunded within 6 months after the end of the financial year when membership ended or the contribution was terminated by the unitholder. If it has not been possible to refund the supplementary cooperative capital in full, the refund can be made later if it is feasible on the basis of the following three financial statements.	1) Right to redeem on 30 November 2010 or the following interest payment dates: 28 February, 30 May, 30 August or 30 November; 2) Right to redeem if, owing to (i) change in law, (ii) official interpretation or (iii) Financial Supervisory Authority decision, the issuer cannot include the instrument under its Tier 1 capital; 3) Right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra or not being able to deduct interest. Redemption price 100%
See item 15	See item 15	See item 15
Floating	Floating	Floating
Not applicable	Not applicable	Until 30 November 2015, 3-month EURIBOR + 0.65% per annum, after which 3-month EURIBOR + 1.65% per annum.
No	No	Yes
Fully discretionary	Täysin harkinnanvarainen	Partially discretionary
Fully discretionary	Fully discretionary	Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]
Not applicable	Not applicable	Yes
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Yes	Yes	Not applicable
Accumulation of losses	Accumulation of losses	Not applicable
Full or partial	Full or partial	Not applicable
Temporary	Temporary	Not applicable
Through increase of cooperative capital	Through increase of cooperative capital	Not applicable
If a cooperative bank is dissolved either through liquidation or bankruptcy, any supplementary cooperative capital is refunded other cooperative capital or, if the funds are insufficient, that part of supplementary cooperative capital that is proportional to the supplementary cooperative capital paid.	Not applicable	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument
No	No	Yes
Not applicable	Not applicable	No loss cover mechanism

Capital instruments' main features template

EUR 40,000,000 Perpetual Non-Step-Up Hybrid Tier 1

1	Issuer	Pohjola Bank plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied
Regulatory treatment		
4	Transitional CRR rules	Additional Tier 1 capital (AT1)
5	Post-transitional CRR rules	Not applicable
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date) EUR	32
9	Nominal amount of instrument (in millions)	EUR 40
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	30.11.05
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	1) Right to redeem on 30 November 2010 or the following interest payment dates: 28 February, 30 May, 30 August or 30 November; 2) Right to redeem if, owing to (i) change in law, (ii) official interpretation or (iii) Financial Supervisory Authority decision, the issuer cannot include the instrument under its Tier 1 capital; 3) Right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra or not being able to deduct interest. Redemption price 100%
16	Subsequent call dates, if applicable	See item 15
Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	3-month EURIBOR + 1.25% per annum
19	Existence of dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary:[If the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	No loss cover mechanism

YEN 10,000,000,000 Loan Agreement American Family Life Assurance Company of Columbus, Japan Branch	EUR 50,000,000 Non-cumulative Perpetual Capital Securities	EUR 500,000,000 Subordinated Instruments due 2022
Pohjola Bank plc	Pohjola Bank plc	Pohjola Bank plc
Not applicable	ISIN: XS0213603177	ISIN: XS0750702507 [(EMTN Series 130)]
British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied	British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied	British law, except for conditions relating to creditor order of priority, to which Finnish law is applied
Additional Tier 1 capital (AT1)	Additional Tier 1 capital (AT1)	Tier 2 Capital (T2)
Not applicable	Not applicable	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
59	35	466
YEN 10 000	EUR 50	EUR 500
100 %	100 %	99,977 %
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
18.6.14	31.3.05	28.2.12
Perpetual	Perpetual	Dated
No maturity	No maturity	28.2.22
Yes	Yes	Yes
1) The issuer has the right to capital refund for the first time on the interest-payment date in June 2014 and after that on each interest-payment date. 2) Before the first refund date, the issuer has the right to redeem an instrument if, owing to, (i) change in law, (ii) official interpretation or (iii) decision by the Financial Supervisory Authority, the issuer cannot include the instrument under its Tier 1 capital. 3) The issuer also has right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra or not being able to deduct interest Redemption price 100%	The issuer has the right to capital payment. Right to redeem if, owing to (i) change in law, (ii) official interpretation or (iii) Financial Supervisory Authority decision, the issuer cannot include the instrument under its Tier 1 capital; The issuer also has right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra or not being able to deduct interest. Redemption price 100%	The issuer has the right of redemption, which begins on the date of issuance and ends 90 calendar days after CRD IV entered into force and the directive was adopted in Finland, provided the Financial Supervisory Authority decides that the issuer may no longer include the instrument under its Tier 2 capital, in part or in full. Redemption price 101% Also the right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%
See item 15	See item 15	See item 15
Floating	From fixed to floating	Fixed
6-month YEN Reuters Screen Libor01 + 1.58.% per annum	6.5% per annum until 11 April 2006, after which 10-year Swap interest + 0.1% per annum, maximum interest 8% per annum	5.75% per annum
Yes	Yes	No
Partially discretionary	Partially discretionary	Mandatory
Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]	Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument	Issuer's senior instruments
Yes	Yes	No
No loss cover mechanism	No loss cover mechanism	Not applicable

Capital instruments' main features template

EUR 100,000,000 5.25 per cent. Subordinated Instruments due 14 September 2021

1	Issuer	Pohjola Bank plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS0677081993 [(EMTN Series 127)]
3	Governing law(s) of the instrument	British law, except for conditions relating to creditor order of priority, to which Finnish law is applied
Regulatory treatment		
4	Transitional CRR rules	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date) EUR	100
9	Nominal amount of instrument (in millions)	EUR 100
9a	Issue price	99,612 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	14.9.11
12	Perpetual or dated	Dated
13	Original maturity date	14.9.21
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%
16	Subsequent call dates, if applicable	See item 15
Coupons/dividends		
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	5.25% per annum
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Issuer's senior instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

CHF 100,000,000 3.375 Subordinated Instruments Helsinki OP Fixed Debenture 1/2014

Helsinki OP Fixed Debenture 2/2014

Pohjola Bank plc	Helsinki OP Bank Plc	Helsinki OP Bank Plc
ISIN: CH0132112993	ISIN: FI4000090360	ISIN: FI4000096938
British law, except for conditions relating to creditor order of priority, to which Finnish law is applied	Finnish law	Finnish law
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
83	11	11
CHF 100	EUR 11	EUR 11
100,208 %	100 %	100 %
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
14.7.11	14.5.14	18.6.14
Dated	Dated	Dated
14.7.21	14.5.24	18.6.24
Yes	Yes	Yes
Right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%	The debenture is refunded in full in one instalment on 14 May 2024, on early refund date on 14 May 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 18 June 2024, on early refund date on 18 June 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
See item 15	See item 15	See item 15
Fixed	Fixed	From fixed to floating
3.375% per annum	3.25% per annum	3.25% per annum until 18 June 2019, after which 6-month EURIBOR + 2.54.% per annum
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Issuer's senior instruments	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
No	No	No
Not applicable	Not applicable	Not applicable

Capital instruments' main features template		Helsinki OP Fixed Debenture 3/2014
1	Issuer	Helsingin OP Pankki Oyj
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000100409
3	Governing law(s) of the instrument	Finnish law
Regulatory treatment		
4	Transitional CRR rules	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date) EUR	6
9	Nominal amount of instrument (in millions)	EUR 6
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	22.8.14
12	Perpetual or dated	Dated
13	Original maturity date	22.8.24
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	The debenture is refunded in full in one instalment on 22 August 2024, on early refund date on 22 August 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
16	Subsequent call dates, if applicable	See item 15
Coupons/dividends		
17	Fixed or floating dividend/coupon	From fixed to floating
18	Coupon rate and any related index	3.25% per annum until 22 August 2019, after which 6-month EURIBOR + 2.67% per annum
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Helsinki OP Fixed Debenture 4/2014	Helsinki OP Fixed Debenture 5/2014	Helsinki OP Fixed Debenture 6/2014
Helsinki OP Bank Plc	Helsingin OP Pankki Oyj	Helsinki OP Bank Plc
FI4000106398	FI4000113063	FI4000115530
Finnish law	Finnish law	Finnish law
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
11	11	8
EUR 11	EUR 12	EUR 8
100 %	100 %	100 %
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
10.10.14	14.11.14	29.12.14
Dated	Dated	Dated
10.10.24	14.11.24	29.12.24
Yes	Yes	Yes
The debenture is refunded in full in one instalment on 10 October 2024, on early refund date on 10 October 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 11 November 2024, on early refund date on 11 November 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 29 December 2024, on early refund date on 29 December 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
See item 15	See item 15	See item 15
From fixed to floating	From fixed to floating	From fixed to floating
3.25% per annum until 22 August 2019, after which 6-month EURIBOR + 2.78% per annum	3.25% per annum until 22 August 2019, after which 6-month EURIBOR + 2.81% per annum	3.25% per annum until 22 August 2019, after which 6-month EURIBOR + 2.86% per annum
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
No	No	No
Not applicable	Not applicable	Not applicable

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 94. Disclosure on asset encumbrance

The tables below provide information on asset encumbrance and liabilities related to encumbered assets. The figures pertain to the assets of the amalgamation of OP Financial Group member cooperative banks on 31 December 2014. An asset is considered encumbered if it has been pledged or given as collateral or it secures transactions recognised in the balance sheet (e.g. to secure debt). Other assets that are not freely available within the Group are also classified as encumbered. Encumbered assets mainly relate to collateral pertaining to Pohjola Bank plc's derivatives and collateral with respect to covered bonds issued by OP Mortgage Bank. Of the collateral related to covered bonds, EUR 1 106 million is overcollateralised. 75 % of unencumbered assets is not eligible as collateral (e.g. intangible assets, and property, plant and equipment, adjusting entries for assets and tax assets). Encumbered or off-balance-sheet collateral eligible as collateral does not exist.

Assets

EUR million	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	409	379
Debt securities	-	-	9,169	9,210
Loans	9,013	-	62,114	-
Other assets	1,022	-	15,029	-
Total assets	10,035	-	86,722	9,589

The table below presents collateral received by asset type

Collateral received

EUR million	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other collateral received	-	723
Total collateral received	-	723

Encumbered assets and collateral received accounted for 10.3 % of the assets of the amalgamation of the Group's member cooperative bank.

Encumbered assets and associated liabilities

EUR million	Liabilities associated with encumbered assets	Encumbered assets
Covered bonds	7,758	8,865
Other secured debt	5,815	995

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 95. Risk-bearing capacity

On 31 December 2014, the solvency capital of Non-life Insurance amounted to EUR 988 million (913) and the solvency ratio stood at 75% (73). The financial strength rating of Pohjola Insurance affirmed by Standard & Poor's is AA-. The Board of Directors has confirmed A as the targeted rating.

Non-life Insurance must fulfil all capital adequacy requirements set by regulatory authorities mainly at company level. All non-life insurance companies are governed by the same requirement set for their minimum solvency margin based on EU directives. In addition, Finnish legislation also lays down capital adequacy requirements for Finnish insurance companies.

The risk-bearing capacity describes the proportion of a company's solvency capital to various income statement and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks. Solvency capital proportioned to insurance liabilities describes the company's ability to cope with risks related to the estimation of insurance liabilities. Similarly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	31 Dec. 2014		31 Dec. 2013	
	EUR million	Risk- bearing capacity, %	EUR million	Risk- bearing capacity, %
Solvency capital	988		913	
Claims incurred*	930	106	882	104
Insurance premium revenue*	1,310	75	1,249	73**
Insurance liabilities*	2,645	37	2,517	36
Investment portfolio	3,534	28	3,219	28

* Reinsurers' share (net business) deducted

** Solvency ratio

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 96. Sensitivity analysis

The table below shows the effect of various risk parameters on profit and solvency capital:

Risk parameter	Total in 2014, EUR million	Change in risk parameter	Effect on profit/solvency, EUR million	Effect on combined ratio
Insurance premium revenue *	1,310	Up by 1%	13	Up by 0.9 pps
Claims incurred *	930	Up by 1%	-9	Down by 0.7 pps
		1 large		
Large claim, over EUR 5 million		claim	-5	Down by 0.4 pps
Personnel costs *	102	Up by 8%	-8	Down by 0.6 pps
Expenses by function */**	320	Up by 4%	-13	Down by 1.0 pps
		Up by		
Inflation for collective liability	603	0.25 pps	-4	Down by 0.3 pps
Life expectancy for discounted insurance liabilities	1,658	Up 1 year	-40	Down by 3.0 pps
		Down by		
Discount rate for discounted insurance liabilities	1,658	0.1 pps	-21	Down by 1.6 pps

* Moving 12-month

** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 97. Premiums written and sums insured by class

Premiums written by EML* class in corporate property insurance

The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5–20	20–50	50–100	100–300
2014	14	14	11	11
2013	13	14	14	9

* EML = Estimated Maximum Loss per object of insurance

Division of premiums written by TSI* class in corporate liability insurance

The degree of risk in liability insurance can be evaluated by dividing risks into classes by their TSI* amounts. The table below shows premiums written calculated for each risk class.

EUR million	2–4	4–10	10–30	30–90
2014	3	6	7	3
2013	3	6	8	3

* TSI = Total Sum Insured

Sums insured in decennial insurance

The sum insured of insurance contracts depicts the volume of decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised in the table below. The liability period of decennial insurance is 10 years.

EUR million	Gross		Net*	
	2014	2013	2014	2013
Decennial insurance	2249	2287	2249	2282

* For insurance company's own account after reinsurers' share but before counter guarantee

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 98. Trend in large claims

Number of detected large claims by year of detection for 2009–2014

Non-life Insurance monitors carefully claims expenditure arising from large claims. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from large claims helps to detect any changes in risks or risk selection. In this analysis, large claims are those whose gross amount exceeds EUR 2 million. Most large claims occur in property and business interruption insurance. In statutory policies, the risk of large claim is small relative to the large volume of the line of business.

Gross amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2010	1	-	-	12	-	-
2011	-	-	-	5	-	1
2012	3	-	-	7	1	-
2013	4	-	-	6	1	-
2014	6	-	-	8	1	-
				Total claims, EUR million		256

Gross amount, total claims, EUR million

2010–2014	32	0	0	189	27	8
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Net amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long- term
2010	-	-	-	10	-	-
2011	-	-	-	4	-	1
2012	3	-	-	6	1	-
2013	4	-	-	6	1	-
2014	6	-	-	7	-	-
				Total claims, EUR million		175

Net amount, total claims, EUR million

2010–2014	30	-	-	123	19	3
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Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 99. Insurance profitability

Trends in insurance premium revenue (gross and net) and combined ratio (net)

Insurance premium revenue describes the volume of an insurance class, enabling the evaluation of the importance of the insurance class in relation to the whole portfolio. Similarly, the combined ratio (CR) is used to evaluate fluctuations in the results of the insurance class and the profitability of the class. The combined ratio is presented separately adjusted for one-off items relating to previous insurance periods.

2014, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	457	455	96%	82%
Other accident and health	180	180	86%	86%
Hull and cargo	287	285	81%	81%
Property and business interruption	353	312	89%	89%
Liability and legal expenses	83	76	97%	97%
Long-term	5	4	1%	1%
Total	1,364	1,310	89%	85%

2013, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	459	458	93%	85%
Other accident and health	158	158	88%	88%
Hull and cargo	264	261	90%	90%
Property and business interruption	343	296	89%	88%
Liability and legal expenses	80	73	82%	82%
Long-term	5	4	15%	15%
Total	1,309	1,249	90%	87%

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net). Amortisation on intangible rights has not been taken into account.

** One-off changes affecting the balance on technical account have been eliminated.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 100. Information on the nature of insurance liabilities

Information on the nature of liabilities	2014	2013
Net insurance contract liabilities (EUR million)		
Latent occupational diseases	22	26
Other	2,622	2,491
Total (before transfers)	2,645	2,517
Duration of debt (years)		
Discounted insurance contract liabilities	12.7	12.6
Undiscounted insurance contract liabilities	2.1	2.1
Total	8.7	8.7
Discounted net debt (EUR million)		
Provision for known unpaid claims for annuities	1,308	1,252
Collective liability (IBNR)	313	275
Provision for unearned premiums	38	37
Total	1,658	1,564

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 101. Insurance contract liabilities by estimated maturity

31 Dec. 2014, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	over 15 yrs	Total
Provision for unearned premiums*	371	107	19	5	9	511
Provision for unpaid claims						
Undiscounted	261	180	48	9	3	501
Discounted	95	431	325	246	523	1,621
Total insurance contract liabilities**	727	717	392	261	536	2,633

* Includes EUR 38 million in discounted liability.

** Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

31 Dec. 2013, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15yrs	over 15 yrs	Total
Provision for unearned premiums*	349	100	18	5	9	481
Provision for unpaid claims						
Undiscounted	264	183	49	9	4	508
Discounted	93	418	311	232	474	1,527
Total insurance liabilities	707	701	377	246	486	2,517

* Includes EUR 37 million in discounted liability.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 102. Risk exposure of insurance investments

Allocation of investment portfolio	31 Dec. 2014		31 Dec. 2013	
	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	173	5	113	4
Money market instruments and deposits**	173	5	113	3
Derivatives***	-1	0	1	0
Total bonds and bond funds	2,557	73	2,309	72
Governments	507	14	471	15
Inflation-linked bonds	46	1	90	3
Investment Grade	1,779	51	1,485	46
Emerging markets and High Yield	200	6	236	7
Structured Investments	24	1	27	1
Total equities	373	11	426	13
Finland	67	2	88	3
Developed markets	143	4	191	6
Emerging markets	43	1	47	1
Unlisted equities	3	0	4	0
Private equity investments	117	3	95	3
Equity derivatives***	0	0	-	-
Total alternative investments	35	1	41	1
Hedge funds	23	1	23	1
Commodities	4	0	5	0
Convertible bonds	7	0	13	0
Total property investment	386	11	329	10
Direct property investment	230	7	219	7
Indirect property investment	156	4	110	3
Total	3,522	100	3,219	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)

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 103. Sensitivity analysis of investment risks

The table below shows the sensitivity of investment risks by investment category. The discount rate sensitivity analysis related to the calculation of insurance liabilities is presented in Note 101 dealing with insurance liabilities. Effects of changes in investment and insurance liabilities offset one another.

Non-life Insurance, EUR million	Portfolio at fair value, 31 Dec. 2014	Risk parameter	Change	Effect on solvency capital, EUR million	
				31 Dec. 2014	31 Dec. 2013
Bonds and bond funds*	2,564	Interest rate	1 pp	101	72
Equities**	276	Market value	10%	28	35
Venture capital funds and unlisted shares	120	Market value	10%	12	10
Commodities	4	Market value	10%	0	1
Real property	386	Market value	10%	39	33
Currency	157	Value of currency	10%	16	14
Credit risk premium***	2,729	Credit risk margin	0.1 pp	11	8
Derivatives****	-	Volatility	10 pps	0	2

* Include money market investments, convertible bonds and interest-rate derivatives

** Include hedge funds and equity derivatives

*** Includes bonds and convertible bonds and money-market investments, excluding government bonds issued by developed countries

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 104. Interest-rate risk

The market risk arising from changes in interest rates is monitored by classifying investments by instrument, in accordance with duration. The table below does not indicate the balancing effect which the insurance contract liabilities have on the interest-rate risk, because only some of the insurance contract liabilities have been discounted using an administrative interest rate (Note 36)

Fair value by duration or repricing date*, EUR million	31 Dec. 2014	31 Dec. 2013
0–1 year	332	331
>1–3 years	618	568
>3–5 years	699	761
>5–7 years	700	358
>7–10 years	281	225
>10 years	70	141
Total	2,700	2,384
Modified duration	4.3	3.7
Effective interest rate, %	1.1	2.0

* Includes money market investments and deposits, bonds, convertible bonds and bond funds.

Fixed-income portfolio by maturity and credit rating on 31 Dec 2014, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa	62	181	87	266	57	47	698	25.9%
Aa1–Aa3	179	66	70	82	34	15	445	16.5%
A1–A3	27	215	269	165	111	0	786	29.1%
Baa1–Baa3	26	88	246	159	75	4	600	22.2%
Ba1 or lower	38	68	28	28	4	4	170	6.3%
Internally rated	1	0	-	0	-	-	1	0.0%
Total	332	618	699	700	281	70	2,700	100.0%

* Excludes credit derivatives.

The maturity is presented until the end of the term to maturity. If the paper includes a Call option, the maturity is presented until the first possible Call date.

The average credit rating of the Non-life Insurance fixed-income portfolio is Moody's A3.

The term to maturity of the Non-life Insurance fixed-income portfolio averages 4.5 years (calculated on the basis of the Call date and the maturity date).

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 105. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2014	31 Dec. 2013
USD	40	54
SEK	5	-3
JPY	1	2
GBP	21	14
Other	89	62
Total*	157	136

* The currency exposure was 4.4% (4.2) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 106. Counterparty risk

Credit rating, consistent with Moody's, EUR million	31 Dec. 2014		31 Dec. 2013	
	Investment*	Insurance**	Investment*	Insurance**
Aaa	698	-	872	-
Aa1-Aa3	445	14	308	8
A1-A3	786	38	585	23
Baa1-Baa3	600	0	402	0
Ba1 or lower	170	-	189	-
Internal rating	1	41	27	49
Total	2,700	93	2,384	80

* Includes money market investments, deposits and bonds and bond funds.

** Includes the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

The Wealth Management segment includes products and services in the field of insurance saving, personal risk insurance, mutual funds and discretionary and advisory mandates. Wealth Management business consists of the Group's life insurance, asset management and fund management companies.

The key risks associated with Wealth Management are the market risks of investment assets, the interest rate used for the discounting of insurance liabilities, the faster-than-expected life expectancy increase and operational and compliance risks associated with wealth management products and processes.

Note 107. Assets managed by Wealth Management

Assets managed by Wealth Management totalled EUR 61.3 billion on 31 December 2014. Mutual funds account for EUR 17.5 billion of these assets, unit-linked life policies for EUR 7.6 billion, institutional clients for EUR 23.5 billion and private banking clients for EUR 12.8 billion.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 108. Information on the nature of insurance liabilities and their sensitivity analysis

Risk-bearing capacity of Life Insurance based on statutory indicators

Life insurance companies must fulfil the solvency requirements prescribed by law. The focus is on ensuring that the solvency margin is higher than the minimum requirement and that life insurance companies' early warning supervision requirements are fulfilled. The main principles of early warning supervision are in line with Solvency II that is being prepared by the EU with the intention of preparing life insurance companies for new legislation in force as of 1 January 2016 that will replace, for example, the former solvency margin requirement.

On 31 December 2014, the life insurance companies' solvency margin amounted to EUR 666 million while year ago it amounted to EUR 664 million. The minimum solvency margin is EUR 238 million (215).

Life insurance risk-bearing capacity is measured in terms of solvency ratio, which means the ratio of the sum of solvency margin and equalisation provisions, or solvency capital, to the sum of technical provisions under FAS. Based on the Group's strategy, the target solvency ratio set for life insurance is 14 %. The Group also monitors the ratio of solvency capital in excess of the minimum of the solvency margin to the risk associated with investment.

Portfolio of insurance and investment contracts in Life Insurance 31 Dec. 2014

	Liability, 31 Dec. 2014, EUR million	Number of insureds or contracts	Duration on yield curve, 31 Dec. 2014
Unit-linked contracts	7,478	364,530	9.9
Unit-linked insurance contracts	6,047	293,922	9.9
Life Insurance/Savings	4,874	159,271	9.6
Individual pension insurance	1,099	128,067	10.3
Group pension insurance	73	6,584	19.6
Unit-linked investment contracts	1,432	70,608	9.7
Pension contracts	1,255	69,635	10.0
Capital redemption contracts	177	973	7.9
Other than unit-linked contracts	3,684	468,001	10.7
Insurance contracts discounted with technical interest rate	3,566	467,977	10.7
Life Insurance/Savings	921	32,994	9.2
Rate of guaranteed interest 4.5%	66	1,619	7.3
Rate of guaranteed interest 3.5%	580	15,614	11.3
Rate of guaranteed interest 2.5%	271	15,564	5.4
Rate of guaranteed interest 1.5%	3	197	7.5
Individual pension insurance	1,094	56,853	9.6
Rate of guaranteed interest 4.5%	303	9,319	6.8
Rate of guaranteed interest 3.5%	498	23,063	9.0
Rate of guaranteed interest 2.5%	292	24,361	14.2
Rate of guaranteed interest 1.5%	1	110	9.0
Group pension insurance	1,367	35,832	13.1
Defined benefit 3.5%	1,229	29,768	12.9
Defined benefit 2.5%	85	2,364	11.5
Defined benefit 1.5%	10	268	14.2
Defined contribution 3.5%	5	70	14.9
Defined contribution 2.5%	34	3,164	18.4
Defined contribution 1.5%	5	198	18.2
Individual risk life insurance	171	336,023	4.3
Group life insurance	13	6,275	0.9
Other than unit-linked investment contracts discounted with technical interest rate	10	24	1.9
Capital redemption contracts	10	24	1.9
Rate of guaranteed interest 2.5%	10	21	1.8
Rate of guaranteed interest 1.5%	0	3	4.1
Effect of discounting with market interest rate	47	-	-
Other insurance liability items	60	-	0.5
Total	11,162	832,531	10.1

Portfolio of insurance and investment contracts in Life Insurance 31 Dec. 2013

	Liability, 31 Dec. 2013, EUR million	Number of insureds or contracts	Duration on yield curve, 31 Dec. 2013
Unit-linked contracts	6,265	365,572	9.4
Unit-linked insurance contracts	5,018	293,292	9.2
Life Insurance/Savings	3,977	158,729	8.8
Individual pension insurance	984	129,019	10.5
Group pension insurance	57	5,544	14.4
Unit-linked investment contracts	1,246	72,280	10.2
Pension contracts	1,138	71,663	10.6
Capital redemption contracts	108	617	6.4
Other than unit-linked contracts	3,419	468,783	9.3
Insurance contracts discounted with technical interest rate	3,269	468,755	9.4
Life Insurance/Savings	967	39,809	7.7
Rate of guaranteed interest 4.5%	64	1,894	7.1
Rate of guaranteed interest 3.5%	567	17,747	10.2
Rate of guaranteed interest 2.5%	331	19,847	4.0
Rate of guaranteed interest 1.5%	4	321	5.6
Individual pension insurance	928	59,854	8.9
Rate of guaranteed interest 4.5%	283	9,978	6.5
Rate of guaranteed interest 3.5%	432	24,259	8.6
Rate of guaranteed interest 2.5%	212	25,509	12.9
Rate of guaranteed interest 1.5%	1	108	8.3
Group pension insurance	1,193	35,468	11.7
Defined benefit 3.5%	1,115	30,847	11.6
Defined benefit 2.5%	35	1,005	10.0
Defined benefit 1.5%	5	148	10.0
Defined contribution 3.5%	5	68	14.4
Defined contribution 2.5%	29	3,110	14.8
Defined contribution 1.5%	4	290	13.7
Individual risk life insurance	167	326,444	4.0
Group life insurance	14	7,180	0.9
Other than unit-linked investment contracts discounted with technical interest rate	11	28	2.7
Capital redemption contracts	11	28	2.7
Rate of guaranteed interest 2.5%	11	26	2.7
Rate of guaranteed interest 1.5%	0	2	4.4
Effect of discounting with market interest rate	84	-	0.0
Other insurance liability items	55	-	0.5
Total	9,684	834,355	9.4

In addition to other items presented in Note 37 above, Other insurance liability items include income recognised on interest rate derivatives hedging sold insurance liabilities with supplementary interest rate provisions for the derivative's residual term to maturity. These supplementary interest rate provisions for the financial year have been distributed by insurance line and removed from other insurance liability items.

Sensitivity of life insurance liabilities to changes in calculation principles

Because a great deal of very long-term savings insurance and investment insurance policies have been sold, some policyholders surrender their policies before their maturity, if their circumstances so require. For this reason, the number of surrenders is large. The company takes account of the resulting loss of surpluses or deficits when making the early warning calculations for life insurance companies.

The risk of surrender for individual pension plans is very small, since by law this can only be done in specific cases such as divorce and long-term unemployment. The accumulated surrender value of insurance is paid back to the policyholder upon surrender.

Many people are putting off claiming their individual pensions. Often, when taking out a pension, policyholders do not have a realistic view of when they will actually retire. Tax laws have also changed over the decades, allowing people to claim their individual pensions later.

Pension companies' mortality data show that the life expectancy figures used in calculating pensions are too low. However, the mortality risk and longevity risk of individual pensions offset each other, to the point that there is no need for a mortality supplement despite the rise in life expectancy. On the other hand, in group pension insurance, the longevity risk is higher than the mortality risk, and the liabilities have therefore had to be supplemented. If the mortality assumption is modified, by increasing the life expectancy of policyholders by one year on average, the liabilities will grow by EUR 24 million (24).

Since in savings insurance and investment insurance, the mortality and longevity risks almost offset each other, no mortality supplement has been needed.

The company has complied with the FAS in establishing insurance liabilities, with the exception of two aspects. First, equalisation provisions are not included in insurance liabilities. Second, the company has begun to use a discount rate that is closer to the current interest rate. The company has insurance contract savings at its own risk with interest rate guarantee ranging between 1.5% and 4.5%. Insurance liabilities of contracts whose interest rate guarantee is 4.5% have been permanently supplemented so that the technical interest rate of insurance liabilities is 3.5%. In addition, insurance liabilities of contracts with a discount rate of at least 2.5% have been supplemented with supplementary short-term interest rate provisions until 31 December 2015 and income recognised on the sale of interest rate derivatives hedging sold insurance liabilities has been allocated to insurance liabilities as supplementary interest rate provisions for the residual term to maturity. Following the supplementary interest rate provisions, the company's discount rate based on technical interest is 0.3% until 31 December 2015, 2.0% for the following ten years and 3.0% thenceforth. The company has used interest rate derivatives to hedge against some of the interest rate risk that exists between the market and discount rate. Since the benefit deriving from derivatives are used for guaranteed benefits involved in insurance and capital redemption contracts, their liability is increased to the amount under the national financial accounts by EUR 47 million (84).

In financial statements based on national regulation, lowering the discount rate by 0.1 percentage point would increase the technical provisions by EUR 25 million (26).

The liability of unit-linked policies is measured at the market values of assets associated with the policies on the balance sheet date.

Investment contracts come in two types: OP Life Assurance Company Ltd's investment contracts are capital redemption contracts and Aurum Investment Insurance Ltd's pension contracts. Some capital redemption contracts include entitlement to a discretionary participation feature and they are measured in the same way as insurance contracts as specified in the Insurance Contracts standard (IFRS4). Some exclude this entitlement and they are measured and classified as contracts recognised at fair value through profit or loss, in accordance with IAS 39. All pension insurance contracts issued by Aurum Investment Insurance Ltd are measured in compliance with IAS 39.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 109. Expected maturity of life insurance and investment contracts

31 Dec. 2014, EUR million	Duration						
	2015- 2016	2017- 2018	2019- 2023	2024- 2028	2029- 2033	2034- 2038	2039-
Unit-linked contracts	-1,048	-851	-1,596	-1,154	-824	-516	-766
Insurance contracts	-891	-709	-1,281	-889	-596	-411	-697
Life Insurance/Savings	-816	-621	-1,042	-685	-459	-326	-574
Individual pension insurance	-70	-82	-221	-183	-118	-68	-59
Group pension insurance	-5	-6	-18	-21	-19	-17	-64
Investment contracts	-157	-142	-315	-265	-228	-105	-69
Pension contracts	-136	-124	-267	-248	-182	-105	-69
Capital redemption contracts	-21	-18	-48	-17	-46	-	-
Other than unit-linked contracts	-740	-606	-1,299	-815	-535	-364	-685
Insurance contracts	-594	-525	-1,160	-761	-515	-361	-684
Life Insurance/Savings	-258	-182	-304	-185	-123	-81	-161
Rate of guaranteed interest 4.5%	-13	-21	-20	-12	-10	-3	-4
Rate of guaranteed interest 3.5%	-101	-99	-203	-130	-94	-69	-144
Rate of guaranteed interest 2.5%	-143	-61	-80	-42	-19	-9	-13
Rate of guaranteed interest 1.5%	-1	-1	-1	-1	-	-	-
Individual pension insurance	-126	-161	-447	-238	-133	-81	-125
Rate of guaranteed interest 4.5%	-42	-68	-151	-69	-26	-8	-1
Rate of guaranteed interest 3.5%	-62	-77	-213	-116	-69	-39	-35
Rate of guaranteed interest 2.5%	-22	-16	-82	-53	-38	-34	-89
Rate of guaranteed interest 1.5%	-	-	-1	-	-	-	-
Group pension insurance	-162	-159	-380	-328	-256	-198	-398
Defined benefit 3.5%	-150	-147	-356	-304	-233	-180	-345
Defined benefit 2.5%	-7	-6	-9	-6	-5	-4	-10
Defined benefit 1.5%	-2	-1	-2	-2	-2	-1	-4
Defined contribution 3.5%	-1	-1	-2	-1	-1	-1	-3
Defined contribution 2.5%	-2	-3	-9	-14	-14	-11	-31
Defined contribution 1.5%	-	-1	-2	-1	-1	-1	-5

Individual pure risk insurance	-36	-22	-29	-10	-3	-1	-
Group life insurance	-12	-1	-	-	-	-	-
Investment contracts	-11	-4	-1	-	-	-	-
Capital redemption contracts	-11	-4	-1	-	-	-	-
Rate of guaranteed interest 3.5%	0	0	0	-	-	-	-
Rate of guaranteed interest 2.5%	-11	-4	-1	-	-	-	-
Rate of guaranteed interest 1.5%	-	-	-	-	-	-	-
Reserve for decreased discount rate	-135	-77	-138	-54	-20	-3	-1
Other items in insurance liabilities	60	-	-	-	-	-	-
Total	-1,728	-1,457	-2,895	-1,969	-1,359	-880	-1,451

31 Dec. 2013 EUR million	Duration						
	2014- 2015	2016- 2017	2018- 2022	2023- 2027	2028- 2032	2033- 2037	2038-
Unit-linked contracts	-899	-842	-1,546	-1,194	-872	-581	-831
Insurance contracts	-775	-709	-1,199	-875	-599	-423	-713
Life Insurance/Savings	-710	-619	-970	-671	-455	-323	-590
Individual pension insurance	-61	-85	-212	-192	-133	-92	-95
Group pension insurance	-4	-5	-17	-13	-11	-7	-28
Investment contracts	-123	-133	-347	-319	-273	-158	-119
Pension contracts	-103	-119	-310	-309	-253	-158	-119
Capital redemption contracts	-20	-14	-37	-11	-21	0	0
Other than unit-linked contracts	-694	-569	-1,174	-782	-529	-365	-687
Insurance contracts	-677	-554	-1,159	-776	-526	-364	-687
Life Insurance/Savings	-348	-205	-335	-204	-134	-86	-176
Rate of guaranteed interest 4.5%	-12	-18	-26	-12	-11	-3	-4
Rate of guaranteed interest 3.5%	-109	-96	-220	-143	-103	-75	-162
Rate of guaranteed interest 2.5%	-226	-90	-87	-47	-20	-9	-10
Rate of guaranteed interest 1.5%	-2	-1	-2	-1	0	0	0
Individual pension insurance	-114	-175	-425	-240	-137	-85	-132
Rate of guaranteed interest 4.5%	-41	-74	-147	-69	-29	-9	-1
Rate of guaranteed interest 3.5%	-53	-77	-205	-123	-69	-46	-37
Rate of guaranteed interest 2.5%	-19	-24	-73	-48	-39	-29	-94
Rate of guaranteed interest 1.5%	0	0	0	0	0	0	0
Group pension insurance	-165	-152	-370	-322	-251	-193	-378
Defined benefit 3.5%	-154	-143	-348	-302	-235	-180	-347
Defined benefit 2.5%	-7	-6	-9	-6	-5	-4	-10
Defined benefit 1.5%	-1	-1	-1	-1	-1	0	-1
Defined contribution 3.5%	0	-1	-2	-1	-1	-1	-4
Defined contribution 2.5%	-2	-2	-8	-11	-10	-7	-14
Defined contribution 1.5%	0	0	-1	-1	-1	-1	-2

Individual pure risk insurance	-38	-21	-28	-10	-3	-1	0
Group life insurance	-12	-1	0	-	-	-	-
Investment contracts	-4	-8	-2	-	-	-	-
Capital redemption contracts	-4	-8	-2	-	-	-	-
Rate of guaranteed interest 3.5%	0	0	0	-	-	-	-
Rate of guaranteed interest 2.5%	-4	-8	-2	-	-	-	-
Rate of guaranteed interest 1.5%	0	0	0	-	-	-	-
Reserve for decreased discount rate	-13	-6	-13	-6	-3	-1	0
Other items in insurance liabilities	-	-	-	-	-	-	-
Total	-1,593	-1,410	-2,720	-1,976	-1,401	-947	-1,518

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 110. Life insurance profitability

EUR million	2014			2013		
	Risk income	Claims incurred	Claim ratio	Risk income	Claims incurred	Claim ratio
Life insurance	340	319	94%	307	291	95%
Pure risk insurance	33	14	41%	31	15	50%
Insurance saving	307	306	100%	276	275	100%
Pension insurance	34	34	101%	32	33	102%
Defined benefit	22	23	101%	22	22	102%
Defined contribution	11	11	101%	11	11	103%
OP Life Assurance Company	373	353	95%	339	324	95%

The defined-benefit group pension includes the longevity provision of EUR 4.3 million in 2013 and EUR 4.4 million in 2014.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 111. Life Insurance asset allocation

	31 Dec. 2014		31 Dec. 2013	
	Fair value, EUR million	%	Fair value, EUR million	%
Allocation of investment assets				
Fixed-income investments*				
Bonds	2,362	48	1,811	48
Other money market instruments****	363	9	329	9
Mutual funds	519	17	644	17
Shares and participations				
Equities and mutual funds****	296	8	313	8
Alternative investments**	262	8	307	8
Properties***	255	9	345	9
Total	4,056	100	3,749	100

* Include accrued interest and notes and bonds reclassified into loans and receivables within financial assets. Exclude interest rate derivatives used to hedge interest rate risk associated with insurance liabilities.

** Incl. investments in hedge funds and private equity investments

*** Only direct investments in properties

**** Incl. effect of equity futures

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 112. Life Insurance investment sensitivity analysis

				Effect on equity capital, EUR million	
31 Dec. 2014	Portfolio at fair value, EUR million	Risk parameter	Change	31 Dec. 2014	31 Dec. 2013
Bonds and bond funds	2,725	Interest rate	1 pp	98	70
Shares and alternatives	558	Market value	10 per cent	56	62
Properties	255	Market value	10 per cent	26	34

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 113. Risk exposure of Life Insurance investments in fixed-income securities

Fair value by duration or repricing date, EUR million	31 Dec. 2014	31 Dec. 2013
0–1 year	736	584
>1–5 years	1725	1314
>5–10 years	717	836
>10–20 years	61	39
>20 years	13	9
Total	3,252	2,783
Modified duration	3.1	2.4
Average interest rate, %	1.0	1.7

Fixed-income portfolio by maturity and credit rating on 31 Dec 2014, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion
Aaa	71	20	434	17	42	18	602	18.5%
Aa1–Aa3	412	84	184	50	30	11	772	23.7%
A1–A3	73	221	244	187	165	31	921	28.3%
Baa1–Baa3	87	199	253	138	66	12	755	23.2%
Ba1 or lower	29	62	22	16	6	3	137	4.2%
Internally rated	63	3	0	0	0	0	65	2.0%
Total	736	588	1,137	407	310	74	3,252	100.0%

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until the first possible Call date.

The average credit rating of a Life Insurance portfolio by Moody's is A1.

The average residual term to maturity of a Life Insurance fixed-income portfolio is 3.6 years (calculated on the basis of the Call date and maturity date).

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 114. Currency risk associated with Life Insurance investments

Foreign currency exposure, EUR million	31 Dec. 2014	31 Dec. 2013
USD	110	84
SEK	2	2
JPY	1	1
GBP	17	13
Other	104	70
Total*	234	170

* Total net currency exposure

The currency exposure was 5.8% (4.5) of the investment portfolio.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 115. Counterparty risk associated with Life Insurance investments

Credit rating distribution, EUR million

	31 Dec. 2014	31 Dec. 2013
Moody's equivalent		
AAA	602	595
AA	772	430
A	921	739
BBB	755	760
BB+ or lower	137	188
Not Rated	65	72
Total*	3,252	2,783

* Includes money-market investments and deposits, bonds and bond funds.

STATEMENT CONCERNING THE FINANCIAL STATEMENTS

We have adopted the Report by the Executive Board of the amalgamation of cooperative banks (OP Financial Group) and the consolidated financial statements for financial year 1 January–31 December 2014, as referred to in the Act on Cooperative Banks and Other Cooperative Institutions and the Act on the Amalgamation of Deposit Banks. The Report by the Executive Board and the financial statements will be presented and distributed to the Annual Cooperative Meeting of the central cooperative.

Helsinki, 10 February 2015

Executive Board of OP Cooperative

Reijo Karhinen Tony Vepsäläinen

Carina Geber-Teir Jari Himanen

Olli Lehtilä Harri Luhtala

Harri Nummela Erik Palmén

Jouko Pölönen Teija Sarajärvi

AUDITOR'S REPORT

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

To the members of OP Cooperative

We have audited the consolidated financial statements and the Report by the Executive Board for the year ended on 31 December 2014 of the amalgamation of the cooperative banks (OP Financial Group) pursuant to the Act on the Amalgamation of Deposit Banks as well as to the Act on Cooperative Banks and Other Cooperative Credit Institutions. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement and notes to the financial statements.

The Responsibility of the Executive Board and the President of OP Cooperative

The Executive Board and the President of OP Cooperative are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the financial statements, as well as for the preparation of the Report by the Executive Board that give a true and fair view in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and on the Report by the Executive Board based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Report by the Executive Board are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Report by the Executive Board. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the

auditor considers internal control relevant to the entity's preparation of financial statements and Report by the Executive Board that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Report by the Executive Board. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the Group's member institutions, as well as the auditors' reports submitted for the audit of the OP Financial Group's consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of OP Financial Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Report by the Executive Board

In our opinion, the Report by the Executive Board gives a true and fair view of OP Financial Group's financial performance and financial position in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland. The information in the Report by the Executive Board is consistent with the information in the consolidated financial statements.

Helsinki, 11 February 2015
KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant

<http://op-year2014.fi/en>