

A group of young people are sitting on a concrete bench under a bridge. In the foreground, a young man with long, wavy brown hair is holding a smartphone and looking at it. Next to him, a young woman with short, light purple hair is looking at the same phone. They are both wearing dark jackets and jeans. In the background, other young people are sitting on the bench, and a basketball hoop is visible under the bridge structure. The scene is lit with warm, golden light, suggesting late afternoon or early evening.

OP Amalgamation Capital Adequacy Report 2019

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Annex 1. Main features of capital instruments

Introduction

This report discloses information on the capital adequacy of the consolidated group of the amalgamation of member cooperative banks, as specified in Part 8 of the Capital Requirements Regulation of the European Parliament and of the Council No. 575/2013 (CRR) (Pillar III disclosures) in compliance with the guidelines issued by the European Banking Authority (EBA/GL/2016/11). 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 Report is unaudited.

The amalgamation of 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 point 5.3 (L13) and in Financial Statement's Notes 22 and 45.

OP Financial Group's risk management practices and goals can be found in the 2019 Financial Statements Notes 2 and 51. OP Financial Group's Corporate Governance and steering systems are available on websites covering respective issues (op.fi > OP Financial Group > About us > Corporate Governance) and in OP Financial Group's Corporate Governance Statement.

A description of the remuneration schemes and practices can be found in Notes 47 and 48 in the financial statements 2019, OP Financial Group's website dealing with remuneration (op.fi > OP Financial Group > About us > Corporate governance > Remuneration) as well as in OP Financial Group's Remuneration Statement and Corporate Governance Statement.

OP Financial Group received IRBA permission in stages between 2008–2011. OP Financial Group 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. The Standardised Approach is used for OP Card Company's exposures. OP Card Company aims to adopt IRBA for its exposures. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

1 Capital base and capital adequacy

1.1 Capital base

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

The table presents how OP Amalgamation's CET1 capital derives from OP Financial Group's equity capital. The CET1 capital was increased by banking earnings and decreased by a higher expected loss (EL) caused by growth in risk parameters and by the change in the accounting policy applied to certain income from derivatives, which was not restated in the comparatives for capital adequacy measurement. The amount of Profit Shares in CET1 capital was EUR 2.9 billion (2.9). The amount of debtenture loans included in Tier 2 capital (T2) decreased as the loans were transferred to the maturity of less than 5 years, in which case they are not included in the capital base in full.

OP Financial Group has applied transitional provisions regarding old capital instruments to subordinated loans.

1.2 Overview of RWAs (EU-OV1)

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

The risk exposure amount (REA) totalled EUR 55.5 billion (52.1), or 6% higher than on 31 December 2018. The risk-weight floor for retail exposures set by the ECB decreased to EUR 0.5 billion, due to an increase in the risk weights of mortgage-backed retail exposures. The average risk weights of retail exposures increased as a result of added conservatism in risk parameters and of risk parameter factors set by the ECB. The loan portfolio grew in corporate and retail exposures.

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met. The decision has no substantial effect on OP Financial Group's capital adequacy in the current situation where both the IRBA risk weight floor set previously by the ECB and the 15% risk weight floor on home loans set by the Finnish Financial Supervisory Authority are in force. The ECB's risk weight floors apply to retail exposures other than SME corporate exposures. In these, floors set for the average risk weight are 15.4% for mortgage-backed securities and 32.7% for other than mortgage-backed securities.

1.3 Minimum capital requirement

OP Financial Group has used the Foundation Internal Ratings Based Approach (FIRB) 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 (LGD) and credit conversion factor (CCF) are regulatory standard estimates. 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. Also LGD and CCF 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 a regulatory standard LGD. 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 and market risks.

EUR million	31 Dec. 2019		31 Dec. 2018	
	Capital requirement*	Risk weighted assets	Capital requirement*	Risk weighted assets
Credit and counterparty credit risk	3,937	49,216	3,328	41,602
Standardised Approach	328	4,101	310	3,878
Exposures to central government and central banks	22	279	21	261
Exposures to public sector entities	2	25	3	33
Exposures to multilateral development banks			0	0
Exposures to institutions	1	8	1	7
Exposures to corporates	212	2,645	203	2,533
Retail exposures	86	1,069	77	961
Exposures secured by mortgages on immovable property	0	1	2	29
Exposures in default	2	23	2	19
Exposures in the form of units or shares in collective investment undertakings (CIU)	0	0	0	0
Equity exposures	2	22	1	12
Other items	2	30	2	24
Internal Ratings-based Approach (IRB)	3,609	45,115	3,018	37,724
Exposures to institutions	82	1,023	87	1,083
Exposures to corporates	2,046	25,580	1,878	23,474
Retail exposures	826	10,320	422	5,276
Exposures secured by mortgages on immovable property	636	7,946	264	3,302
Other retail exposures	190	2,374	158	1,974
Equity investments	552	6,898	533	6,659
PD/LGD method	516	6,447	516	6,454
Simple Risk Weight Approach	36	451	16	205
Private equity investments	3	39	12	152
Other	33	412	4	52
Securitisation exposures	4	46	4	46
Other non-credit obligations	100	1,247	95	1,188
Clearing/settlement risk	0	0	0	0
Market risk (Standardised Approach)	105	1,309	106	1,319
Position risk	105	1,308	105	1,309
Commodity risk	0	1	1	11
Operational risk	339	4,232	331	4,136
Risk associated with exposure value adjustment	15	191	14	175
Other risks	1	11		
Risk exposure amount	4,397	54,959	3,779	47,233
Risk weight floors based on ECB's decision	40	505	391	4,893
Total risk exposure amount including risk weight floors	4,437	55,464	4,170	52,126

* Capital requirement = Risk-weighted assets x 0.08

1.4 Capital Ratios

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

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

The lower ratio was affected by an increase in the loan portfolio and increase in the risk weights of retail exposures.

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

As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The capital requirement of 14.5% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 2.0%, the minimum requirement (P2R) of 2.0% (1.75 a year ago) set by the ECB and the changing capital conservation buffers by country for foreign exposures. As of 1 January 2020, the ECB has set the capital buffer requirement (P2R) at 2.25%. Accordingly, the new minimum CET1 ratio will be 11.3% and the new minimum capital adequacy ratio 14.8%.

In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include obligations, if any, imposed by the supervisor due to ECB's targeted review of internal (IRBA) models (TRIM), and obligations imposed by the supervisor due to the new definition of default. The process based on the new definition of default recognises defaulted customers earlier, for example, based on information in external credit registers or in retail customers by extending the default to cover all exposures of an individual obligor. This new definition is expected to mean a larger number of default observations and to weaken credit risk parameters. OP Financial Group will apply a so-called Two-Step Approach. The first step involves the change of the definition of default, which is planned to take place in March 2020. The second step to be taken later involves the calibration of credit risk parameters. The supervisory obligation related to the adoption of the new definition of default is expected to weaken OP Financial Group's CET1 ratio by 1.3 percentage points in the first stage. The effects of the ECB's targeted review of internal (IRBA) models (TRIM) on corporate exposures are still open. More detailed information on the effects is expected in the first half of 2020.

2 Credit Risk

The figures presented in the credit risk section excludes items treated within the scope of counterparty credit risk.

2.1 Total and average net amount of exposures (EU CRB-B)

	a		b	
	Net value of exposures at the end of the period		Average net exposures over the period	
EUR million	31 Dec. 2019			
IRB approach				
2 Institutions	7,822		7,644	
3 Corporates	49,808		49,421	
5 Of which: SMEs	19,051		18,719	
6 Retail	57,052		57,031	
7 Secured by real estate property	47,891		47,544	
8 SMEs	1,106		1,122	
9 Non-SMES	46,785		46,422	
11 Other retail	9,161		9,487	
12 SMEs	917		924	
13 Non-SMES	8,244		8,563	
14 Equity	2,441		2,449	
14a Other non-credit obligations	1,247		1,150	
15 Total IRB approach	118,369		117,696	
Standardised approach				
16 Central government and central banks	14,290		13,671	
17 Regional government or local authorities	4,816		4,425	
18 Public sector entities	266		298	
19 Multilateral development banks	287		297	
20 International organisations	525		492	
21 Institutions	34		150	
22 Corporates	3,053		3,176	
23 Of which: SMEs	2,102		2,130	
24 Retail	3,886		3,709	
25 Of which: SMEs	16		7	
26 Secured by mortgages on immovable property	1		22	
27 Of which: SMEs	1		1	
28 Exposures in default	20		20	
32 Collective investments undertakings	0		0	
33 Equity exposures	22		8	
34 Other exposures	30		107	
35 Total standardised approach	27,231		26,368	
36 Total	145,600		144,064	

The loan portfolio continued to grow in corporate and retail exposures. 83% of sovereign exposures are deposits with the central bank.

2.2 Geographical breakdown of exposures (EU CRB-C)

	a	b	c	d	e	f	g	h	i
Net value, 31 Dec. 2019, EUR million	Finland	Other Nordic countries	Baltic States	Rest of EU	Rest of Europe	USA	Asia	Other	Total
IRB approach									
1 Central government and central banks									
2 Institutions	628	1,778		3,901	33	39	242	1,201	7,822
3 Corporates	46,819	1,344	530	858	101	25	45	87	49,808
4 Retail	56,733	95	14	108	28	23	35	17	57,052
5 Equity	2,377	8		4	3	49			2,441
5a Other non-credit obligations	1,246	0							1,247
6 Total IRB approach	107,803	3,225	543	4,870	164	137	322	1,305	118,369
Standardised approach									
7 Central government and central banks	12,873	6	324	1,087					14,290
8 Regional government or local authorities	3,347	92	115	1,231				32	4,816
9 Public sector entities	117			148					266
10 Multilateral development banks	59			228					287
11 International organisations				525					525
12 Institutions	28	0		6					34
13 Corporates	950	0	2,103		0				3,053
14 Retail	3,863	5	1	9	1	2	2	1	3,886
15 Secured by mortgages on immovable property	1								1
16 Exposures in default	10		9						20
20 Collective investments undertakings	0								0
21 Equity exposures	22								22
22 Other exposures	30								30
23 Total standardised approach	21,302	103	2,552	3,235	1	2	2	33	27,231
24 Total	129,105	3,328	3,095	8,105	165	139	324	1,338	145,600

A total of 89% of total exposures are in Finland. A total of 91% of exposures within the scope of IRBA are in Finland. No substantial changes have taken place in the geographical breakdown of exposures.

2.3 Concentration of exposures by industry or counterparty types (EU CRB-D)

Net value, 31 Dec. 2019, EUR million		IRB Corporates	Of which SME exposures	IRB Retail	Of which SME exposures	IRB Institutions	SA Central government and central banks	Other	Total
a	Renting and operation of residential real estate	8,973	7,266	445	431			3	9,420
b	Operating of other real estate	4,983	2,496	118	73		72	724	5,898
c	Trade	5,028	1,025	496	255			487	6,011
d	Energy	4,015	431	4	2		3	304	4,326
e	Services	4,983	1,504	1,110	343		599	234	6,926
f	Construction	4,325	1,917	687	290		1	124	5,137
g	Other manufacturing	1,963	360	64	32			750	2,778
h	Manufacture of machinery and equipment (incl. maintenance)	2,464	159	64	25			17	2,545
i	Transportation and storage	1,446	417	448	260			313	2,207
j	Financial and insurance activities	2,953	960	34	15	1,335	2,519	2,568	9,410
k	Central bank deposits						11,909		11,909
l	Covered bonds					6,486			6,486
m	Agriculture, forestry and fishing	1,963	1,140	3,299	166		5	108	5,374
n	Forest industry	1,389	76	24	12			55	1,468
o	Metal industry	1,208	306	59	31			11	1,278
p	Food industry	748	80	21	12			82	851
q	Buying and selling of own real estate	631	111	14	3			18	662
r	Information and communication	1,319	291	69	23			39	1,427
s	Other sectors	288	227	27	18	0		1,220	1,535
t	Water supply and waste management	345	101	20	14		24	64	452
u	Mining and quarrying	219	49	27	16			5	251
v	Manufacture of chemicals and chemical products	322	26	2	1			2	326
x	Activities of households as employers; undifferentiated goods and services producing activities of households for own use	1	0	411	0			165	576
y	Public administration and defence (incl. compulsory social security)	242	109	1	1		5,054	80	5,377
z	Activities of extraterritorial organisations and bodies	0	0	0	0				0
ā	Households			49,607				3,362	52,968
ā	Total	49,808	19,051	57,052	2,024	7,822	20,184	10,734	145,600

The table presents the breakdown by industry concerning material exposure classes while immaterial exposure classes are presented under other sectors. Central government exposures include exposures from central banks, local governments, public-sector entities, international development banks and international organisations.

2.4 Maturity of exposures (EU CRB-E)

Net value, 31 Dec. 2019, EUR million	Net exposure value					
	a		b		c	
	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
IRB approach						
2 Institutions	173	1,161	3,555	2,920	13	7,822
3 Corporates		7,026	17,743	18,657	6,382	49,808
4 Retail		894	6,026	46,969	3,163	57,052
5 Equity		1	53	1,301	1,086	2,441
5a Other non-credit obligations		119	223	34	870	1,247
6 Total IRB approach	173	9,202	27,600	69,881	11,514	118,369
Standardised approach						
7 Central government and central banks	11,981	64	626	1,322	298	14,290
8 Regional government or local authorities		1,100	651	2,334	732	4,816
9 Public sector entities		102	0	162	1	266
10 Multilateral development banks		70	156	62		287
11 International organisations		30	107	388		525
12 Institutions				0	34	34
13 Corporates		235	1,115	621	1,083	3,053
14 Retail		2,060	186	367	1,273	3,886
15 Secured by mortgages on immovable property				1		1
16 Exposures in default		7	1	6	7	20
20 Collective investments undertakings					0	0
21 Equity exposures				12	10	22
22 Other exposures		9	18	3	0	30
23 Total standardised approach	11,981	3,676	2,860	5,277	3,437	27,231
24 Total	12,154	12,878	30,460	75,158	14,951	145,600

Due to growth in the loan portfolio, the maturity distribution showed a slight shift to longer maturities. The maturity is presented according to the contractual maturity.

2.5 Credit quality of exposures by exposure class and instrument (EU CR1-A)

	a	b	c	e	f	g
	Gross carrying values of		Specific credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures				
Net value, 31 Dec. 2019, EUR million						
IRB approach						
2 Institutions	0	7,822	1		-1	7,822
3 Corporates	887	49,349	428	31	25	49,808
5 Of which: SMEs	314	18,854	120	17	-12	19,047
6 Retail	489	56,677	114	18	8	57,052
7 Secured by real estate property	371	47,573	52	2	1	47,891
8 SMEs	29	1,080	3	0	-1	1,106
9 Non-SMES	342	46,492	49	2	2	46,785
11 Other retail	118	9,104	62	16	7	9,161
12 SMEs	28	900	11	3	-2	917
13 Non-SMEs	90	8,205	51	13	8	8,244
14 Equity		2,441			-5	2,441
14a Other non-credit obligations	2	1,245			-1	1,247
15 Total IRB approach	1,378	117,534	542	48	27	118,369
Standardised approach						
16 Central government and central banks		14,291	0		0	14,290
17 Regional government or local authorities		4,817	1		0	4,816
18 Public sector entities		266	0		0	266
19 Multilateral development banks		287				287
20 International organisations		525				525
21 Institutions		34				34
22 Corporates		3,062	9		2	3,053
23 Of which: SMEs		2,106	4		-2	2,102
24 Retail		3,901	15	3	0	3,886
25 Of which: SMEs		16	0	0	0	16
26 Secured by mortgages on immovable property		1			0	1
28 Exposures in default	30		10	17	4	20
32 Collective investments undertakings		0				0
33 Equity exposures		22			0	22
34 Other exposures		30				30
35 Total standardised approach	30	27,236	34	20	5	27,231
36 Total	1,407	144,770	577	68	32	145,600
37 Of which: Loans	1,256	95,666	537	68	45	96,385
38 Of which: Debt securities		11,958		0		11,958
39 Of which: Off-balance-sheet exposures	133	25,462	2		-3	25,592

The quality of the loan portfolio remained good. Defaulted exposures increased over the previous year. Credit risk adjustment charges for the period are presented in net terms for the whole year. Defaulted exposures are exposures belonging to rating categories 11–12 or F. In the Standardised Approach exposures are defaulted in case interest or capital are over 90 days overdue.

2.6 Credit quality of exposures by industry or counterparty types (EU CR1-B)

	a	b	c	e	f	g
	Gross carrying values of		Specific credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c)
	Defaulted exposures	Non-defaulted exposures				
Net value, 31 Dec. 2019, EUR million						
1 Renting and operation of residential real estate	112	9,340	32	1	6	9,420
2 Operating of other real estate	61	5,854	18	5	-5	5,898
3 Trade	49	5,981	19	7	-4	6,011
4 Energy	46	4,316	36		1	4,326
5 Services	108	6,859	41	3	7	6,926
6 Construction	192	5,004	59	2	29	5,137
7 Other manufacturing	36	2,778	37	1	20	2,778
8 Manufacture of machinery and equipment (incl. maintenance)	32	2,529	15	1	-2	2,545
9 Transportation and storage	44	2,176	13	5	-8	2,207
10 Financial and insurance activities	7	9,407	4		-9	9,410
11 Central bank deposits		11,909				11,909
12 Covered bonds		6,486				6,486
13 Agriculture, forestry and fishing	120	5,289	34	5	-2	5,374
14 Forest industry	142	1,423	97	1	-3	1,468
15 Metal industry	39	1,254	15	0	-8	1,278
16 Food industry	18	845	12	5	-4	851
17 Buying and selling of own real estate	4	661	2	0	0	662
18 Information and communication	19	1,420	11	0	3	1,427
19 Other sectors	7	1,541	12	0	2	1,535
20 Water supply and waste management	1	452	1	0	0	452
21 Mining and quarrying	30	244	22	0	0	251
22 Manufacture of chemicals and chemical products	1	325	0		0	326
Activities of households as employers; undifferentiated goods and services producing activities of households for own use	2	576	2	1	0	576
24 Public administration and defence (incl. compulsory social security)		5,378	1		0	5,377
25 Activities of extraterritorial organisations and bodies	0	0	0		0	0
26 Households	338	52,723	93	31	9	52,968
24 Total	1,407	144,770	577	68	32	145,600

Credit risk adjustments in the real estate sector are low due to extensive collateral securities. The defaulted exposure amount in the construction industry increased as the general industry outlook became weaker. The amount of defaulted exposures in Agriculture, forestry and fishing relative to credit risk adjustments is explained by technical defaults resulting from aid payment schedules. The high amount of defaulted exposures in Forest industry, Mining and quarrying relative to exposures is due to individual cases where the exposure amount is highlighted in comparison with the total exposure amount in the sector.

2.7 Credit quality of exposures by geography (EU CR1-C)

Net value, 31 Dec. 2019, EUR million	a		b	c	e	f	g
	Gross carrying values of		Specific credit risk adjustments	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c)	
	Defaulted exposures	Non-defaulted exposures					
1 Finland	1,384	128,286	565	68	30	129,105	
2 Other Nordic countries	1	3,328	1	0	0	3,328	
3 Baltic States	15	3,089	8	0	2	3,096	
4 Rest of EU	4	8,102	1	0	-1	8,105	
5 Rest of Europe	0	165	0	0	0	165	
6 USA	0	139	0	0	0	139	
7 Asia	0	324	0	0	0	324	
8 Other	2	1,337	1	0	0	1,338	
11 Total	1,407	144,770	577	68	32	145,600	

A total of 89% of total exposures are in Finland and other distribution is presented applying the materiality principle. A total of 98% of defaulted exposures and 98% credit risk adjustments are in Finland.

2.8 Changes in the stock of general and specific credit risk adjustments (EU CR2-A)

	a
Net value, 31 Dec. 2019, EUR million	Accumulated specific credit risk adjustment
1 Opening balance 30 June 2019	546
2 Increases due to amounts set aside for estimated loan losses during the period	119
3 Decreases due to amounts reversed for estimated loan losses during the period	-49
4 Decreases due to amounts taken against accumulated credit risk adjustments	-31
9 Closing balance 31 Dec 2019	577

Credit risk adjustments under IFRS 9 (ECL) are presented as specific credit risk adjustments. Impairment loss changes have been presented for the latter half of the year.

2.9 Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)

Net value, 31 Dec. 2019, EUR million	a	
	Gross carrying value defaulted exposures	
1 Opening balance 30 June 2019		1,248
2 Loans and debt securities that have defaulted or impaired since the last reporting period		285
3 Returned to non-defaulted status		-90
4 Amounts written off		-38
5 Other changes		3
6 Closing balance 31 Dec 2019		1,407

Defaulted exposures increased from the previous year.

2.10 CRM techniques – Overview (EU CR3)

Net value, 31 Dec. 2019, EUR million	a	b	c	d	e
	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1 Total loans	36,071	60,314	54,844	5,469	
2 Total debt securities	4,975	6,983	6,486	497	
3 Total exposures	76,594	69,006	62,672	6,334	
4 Of which defaulted	488	440	395	45	

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. Guarantees and collateral related to retail exposures are treated as part of LGD. Several collateral securities or guarantees may apply to the same exposure in the table.

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 given 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. Credit derivatives have not been used in the calculation. Offsetting balance-sheet or off-balance-sheet items was not applied in credit risk.

Residential buildings and shares entitling their holders to the possession of an apartment in Finland lodged as collateral constitute the largest collateral type used in capital adequacy. The effect of other physical securities on the capital adequacy of credit risks is much less significant. Guarantees have been given by a number of sources, the largest single one being the State of Finland.

2.11 Collateral used in capital adequacy calculation

31 Dec. 2019, EUR million	Exposure	Guarantees	Financial collateral	Other collateral
Standardised Approach	28,559	109		1
Exposures to central government and central banks	14,574			
Exposures to regional government or local authorities	5,193			
Exposures to public sector entities	267	109		
Exposures to multilateral development banks	596			
Exposures to international organisations	525			
Exposures to institutions	360			
Exposures to corporates	3,062			
Retail exposures	3,901			
Exposures secured by mortgages on immovable property	1			1
Exposures in default	30			
Exposures in the form of units or shares in collective investment undertakings (CIU)	0			
Equity exposures	22			
Other items	30			
Internal Ratings-based Approach	121,137	6,843	1,025	75,879
Exposures to institutions	8,557	210	453	0
Exposures to corporates	51,102	3,065	341	5,518
Retail exposures	57,166	3,568	231	70,361
Exposures secured by mortgages on immovable property	47,943	1,097	144	69,133
Other retail exposures	9,223	2,471	87	1,228
Equity investments	2,441			
PD/LGD method	2,309			
Simple Risk Weight Approach	132			
Items representing securitisation positions	624			
Other non-credit obligations	1,247			
Total	149,696	6,953	1,025	75,880

The table contains information on both credit risk and counterparty risk, i.e. the information does not match with the amounts of net exposures presented in other tables. The amount of immovable property collateral securities is not comparable with that previously reported due to change in reporting. The amount of guarantees has increased from the end of 2018.

2.12 Standardised approach – Credit risk exposure and CRM effects (EU CR4)

Exposure classes, EUR million	a		b		c		d		e		f	
	Exposures before CCF and CRM		Exposures post CCF and CRM		Exposures post CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density (%)		RWAs and RWA density (%)	
	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density (%)	RWAs	RWA density (%)
1 Central governments or central banks	13,797	493	15,624	162					279	1.8		
2 Regional government or local authorities	3,542	1,274	4,397	352								
3 Public sector entities	159	107	54	51					23	22.3		
4 Multilateral development banks	287		431	5								
5 International organisations	525		525									
6 Institutions	34	0	40	0					1	3.5		
7 Corporates	2,326	727	2,327	347					2,645	98.9		
8 Retail	1,429	2,457	1,429	0					1,069	74.8		
9 Secured by mortgages on immovable property	1		1						1	50.0		
10 Exposures in default	19	1	19						23	118.2		
14 Collective investment undertakings	0		0						0	100.0		
15 Equity	22		22						22	100.0		
16 Other items	30		30						30	98.9		
17 Total	22,172	5,059	24,899	918					4,094	15.9		

The exposure amount and RWAs under the Standardised Approach increased slightly during the year. Central government exposures include deferred tax assets which have not been deducted from the Group's own assets; these are treated with a risk weight of 250%.

2.13 Standardised approach (EU CR5)

Exposure classes, EUR million	Risk weight									Total	Of which unrated
	0 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	Others		
1 Central governments or central banks	15,674							112		15,786	12,827
2 Regional government or local authorities	4,749									4,749	3,405
3 Public sector entities	10	89				6				105	16
4 Multilateral development banks	436									436	149
5 International organisations	525									525	
6 Institutions	33	7							0	40	40
7 Corporates	0	1				2,556			117	2,674	2,566
8 Retail	0				1,414				15	1,429	1,429
9 Secured by mortgages on immovable property				1						1	1
10 Exposures in default						12	7		0	19	19
14 Collective investment undertakings						0				0	0
15 Equity						22				22	22
16 Other items	0					30				30	30
17 Total	21,428	97		1	1,414	2,627	7	112	132	25,817	20,505

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, Fitch Ratings or Standard & Poor's Financial Services to receivables from central governments and central banks (and comparable items, above lines 2–5) 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. If two credit rating applies to the counterparty or receivable, the lowest rating category is used to determine the rating category.

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. Items under the Standardised approach do not include items deducted from the capital base.

2.14 IRB approach – Credit risk exposures by exposure class and PD range (EU CR6)

The table below presents the PD class breakdown of credit exposures within the scope of the IRB approach, specification of risk parameters and other information. The defaults, or PD 100, are not included in the average PD and risk weight. The minimum PD is 0.03%. CCF stands for a credit conversion factor. Off-balance-sheet exposures include loans not drawn down and unused commitments. Exposure amounts do not include counterparty credit risk.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Retail												
0,00 - < 0,15	40,459	3,448	53.2 %	38,821	0.1 %	572,927	26.5 %	15	1,758	4.5 %	5	
0,15 - < 0,25	4,139	129	63.3 %	4,087	0.2 %	92,444	26.2 %	15	560	13.7 %	2	
0,25 - < 0,50	2,668	175	63.7 %	2,598	0.4 %	121,465	30.7 %	10	540	20.8 %	3	
0,50 - < 0,75	1,624	62	55.0 %	1,594	0.6 %	68,659	35.4 %	11	534	33.5 %	3	
0,75 - < 2,50	4,209	181	62.9 %	4,134	1.3 %	111,623	33.3 %	12	1,990	48.1 %	18	
2,50 - < 10,00	2,198	82	67.2 %	2,162	5.1 %	75,939	36.9 %	10	2,037	94.2 %	42	
10,00 - < 100,00	1,380	21	73.8 %	1,373	30.5 %	40,646	34.1 %	11	2,223	161.9 %	137	
100,00	489	5	0.3 %	484	100.0 %	13,320	35.6 %	17	677	139.9 %	124	
Total	57,166	4,104	54.6 %	55,254	1.2 %	1,097,023	28.1 %	14	10,320	17.6 %	335	114

The average private customer PDs and LGDs increased especially as a result of the ECB's risk parameter factors, and conservatism added to the models also increased the parameters. The higher risk parameters also had an impact on the average risk weight and expected losses.

In setting PD values given by rating models assessing solvency of personal customers' retail exposures, OP Financial Group has used its own 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 assessing corporate customers in retail exposures, OP Financial Group has used its own default data and external data. As external data, the Group has used bankruptcy statistics since 1987. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism. The current corporate customer PDs in use were adopted in the first quarter of 2015.

In determining LGD estimates for retail exposures, the Group has used contract, customer, default, collateral and debt-collection data from 2008 until 2014. The Group applies the definition of default as in the PD models. In addition, the model uses product level cash flow data on uncollateralised returns and the recovery rate of default probabilities as well as recession valuation adjustments for collateral values based on the recession of the early 1990s. The Group has taken account of uncertainty associated with the data using a margin of conservatism.

In the risk weight calculation, the Group applies the regulatory LGD minimum of 10% and 15% to residential mortgage-backed exposures and commercial mortgage-backed exposures, respectively.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Retail - Secured by real estate property												
0,00 - < 0,15	35,686	724	54.7 %	35,358	0.1 %	422,888	25.2 %	15.0	1,529	4.3 %	5	
0,15 - < 0,25	3,549	45	52.3 %	3,527	0.2 %	40,887	27.1 %	15.0	508	14.4 %	2	
0,25 - < 0,50	1,557	65	61.6 %	1,532	0.4 %	27,092	23.4 %	12.5	258	16.8 %	1	
0,50 - < 0,75	1,032	12	54.2 %	1,027	0.5 %	14,029	28.0 %	14.6	278	27.1 %	1	
0,75 - < 2,50	3,213	86	62.8 %	3,181	1.2 %	42,347	27.6 %	13.7	1,460	45.9 %	11	
2,50 - < 10,00	1,484	30	67.4 %	1,474	4.7 %	20,606	27.8 %	12.8	1,482	100.6 %	19	
10,00 - < 100,00	1,052	11	71.5 %	1,049	32.8 %	13,666	28.0 %	12.3	1,835	174.9 %	98	
100,00	371	2	0.6 %	369	100.0 %	4,728	21.5 %	16.0	595	161.4 %	38	
subtotal	47,943	975	56.2 %	47,516	1.0 %	586,243	25.6 %	14.7	7,946	15.6 %	175	52
Retail - Other												
Retail - Other - Non-SMEs												
0,00 - < 0,15	4,772	2,724	52.8 %	3,463	0.1 %	207,697	39.7 %	10.3	229	6.6 %	1	
0,15 - < 0,25	590	84	70.1 %	559	0.2 %	53,424	20.0 %	13.7	51	9.2 %	0	
0,25 - < 0,50	918	88	64.0 %	883	0.4 %	92,701	37.8 %	8.2	228	25.8 %	1	
0,50 - < 0,75	591	50	55.2 %	567	0.7 %	55,252	48.8 %	5.5	256	45.2 %	2	
0,75 - < 2,50	593	50	58.9 %	569	1.4 %	62,498	42.8 %	6.5	296	52.0 %	3	
2,50 - < 10,00	486	17	70.1 %	478	6.2 %	50,128	45.2 %	5.7	351	73.3 %	14	
10,00 - < 100,00	254	2	83.6 %	253	23.1 %	25,871	47.5 %	5.2	290	114.6 %	27	
100,00	90	0	0.0 %	90	100.0 %	6,064	67.0 %	18.8	39	43.0 %	57	
subtotal	8,295	3,016	53.8 %	6,861	1.6 %	553,635	39.9 %	9.2	1,739	25.1 %	105	51
Retail - Other - SMEs												
0,00 - < 0,15	0	0	79.3 %	0	0.0 %	13	74.8 %	2.5	0	6.0 %	0	
0,15 - < 0,25	1	0	53.9 %	1	0.2 %	70	103.9 %	6.3	0	32.1 %	0	
0,25 - < 0,50	193	22	70.5 %	184	0.4 %	3,345	57.6 %	3.8	54	29.5 %	0	
0,50 - < 0,75												
0,75 - < 2,50	403	45	68.2 %	384	1.4 %	11,665	66.9 %	4.0	234	61.0 %	4	
2,50 - < 10,00	228	35	65.4 %	209	5.0 %	8,358	82.0 %	4.1	204	97.5 %	9	
10,00 - < 100,00	74	8	75.8 %	71	23.0 %	3,259	77.2 %	4.0	98	137.1 %	13	
100,00	28	2	0.0 %	26	100.0 %	3,309	128.0 %	19.1	44	169.2 %	30	
subtotal	928	114	67.0 %	876	3.9 %	30,019	71.3 %	4.4	635	69.5 %	55	11
Total	57,166	4,104	54.6 %	55,254	1.2 %	1,169,897	28.1 %	13.9	10,320	17.6 %	335	114

The average PD and LGD of risk weights of mortgage-backed retail exposures increased, especially as a result of the ECB's risk parameter factors, conservatism added to the models increased the parameters while the average risk weight also increased from the end of 2018. Considering that the one and the same customer may include in several sub-exposure classes, the sums of the number of obligors differ between the tables.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Corporates												
0,00 - < 0,15	11,095	4,573	67.8 %	8,456	0.1 %	586	44.2 %	4.7	2,080	24.6 %	3	
0,15 - < 0,25	4,937	1,899	69.5 %	3,859	0.2 %	615	44.3 %	4.1	1,657	42.9 %	3	
0,25 - < 0,50	10,427	2,885	59.5 %	8,757	0.4 %	9,440	43.3 %	10.2	4,510	51.5 %	15	
0,50 - < 0,75												
0,75 - < 2,50	12,100	3,791	61.5 %	10,074	1.2 %	9,987	42.8 %	8.4	8,525	84.6 %	53	
2,50 - < 10,00	10,022	2,232	62.1 %	5,814	4.4 %	9,495	43.4 %	7.9	7,045	121.2 %	109	
10,00 - < 100,00	829	157	54.4 %	739	24.3 %	1,520	42.2 %	6.2	1,377	186.3 %	75	
100,00	826	124	59.0 %	766	100.0 %	844	44.0 %	16.4			337	
Total	50,236	15,660	63.6 %	38,465	1.6 %	32,487	43.5 %	7.6	25,192	66.8 %	594	428

The average risk weight of corporate exposures increased slightly from the 2018-end level.

In setting PD values given by rating models assessing solvency of corporate customers' retail exposures, OP Financial Group has used its own default data and external data. As external data, the Group has used bankruptcy statistics since 1987. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism. The current corporate customer PDs in use were adopted in the first quarter of 2015.

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Corporates - Other												
0,00 - < 0,15	9,405	3,756	68.2 %	7,300	0.1 %	348	44.2 %	4.3	1,810	24.8 %	2	
0,15 - < 0,25	4,447	1,735	69.3 %	3,447	0.2 %	166	44.3 %	3.5	1,509	43.8 %	3	
0,25 - < 0,50	4,809	2,063	68.7 %	3,706	0.4 %	1,337	43.8 %	5.3	2,286	61.7 %	6	
0,50 - < 0,75												
0,75 - < 2,50	6,426	2,587	62.9 %	5,004	1.2 %	1,798	42.7 %	6.2	4,928	98.5 %	26	
2,50 - < 10,00	5,036	1,361	62.4 %	2,716	4.2 %	1,810	44.2 %	7.3	3,885	143.0 %	49	
10,00 - < 100,00	396	109	55.5 %	328	25.1 %	211	41.8 %	5.2	746	227.4 %	34	
100,00	549	113	59.9 %	496	100.0 %	186	44.1 %	15.4			219	
subtotal	31,068	11,723	66.3 %	22,998	1.3 %	5,856	43.8 %	5.4	15,165	67.4 %	339	308
Corporates - SMEs												
0,00 - < 0,15	1,690	817	65.5 %	1,157	0.1 %	238	44.6 %	7.1	270	23.3 %	0	
0,15 - < 0,25	490	164	71.4 %	412	0.2 %	449	44.0 %	8.5	147	35.8 %	0	
0,25 - < 0,50	5,617	822	39.0 %	5,050	0.4 %	8,105	43.0 %	13.8	2,224	44.0 %	9	
0,50 - < 0,75												
0,75 - < 2,50	5,674	1,204	59.1 %	5,071	1.2 %	8,201	42.9 %	10.7	3,597	70.9 %	26	
2,50 - < 10,00	4,986	871	61.7 %	3,097	4.5 %	7,691	42.6 %	8.5	3,159	102.0 %	60	
10 - < 100	433	48	52.5 %	411	23.5 %	1,313	42.5 %	7.0	630	153.4 %	41	
100	277	11	47.0 %	270	100.0 %	658	43.8 %	18.2			118	
subtotal	19,167	3,937	56.4 %	15,468	2.1 %	26,655	43.0 %	11.0	10,028	66.0 %	255	120
Total	50,236	15,660	63.6 %	38,465	1.6 %	32,511	43.5 %	7.6	25,192	66.8 %	594	428

	a	b	c	d	e	f	g	h	i	j	k	l
PD scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Impairments and value adjustments
Institutions												
0,00 - < 0,15	6,537	434	69.9 %	6,431	0.0 %	172	14.5 %	5.4	514	8.0 %	0	
0,15 - < 0,25	564	90	75.3 %	548	0.2 %	22	15.9 %	2.7	101	18.4 %	0	
0,25 - < 0,50	84	59	57.9 %	62	0.4 %	43	45.0 %	4.7	49	79.5 %	0	
0,50 - < 0,75	442	27	40.7 %	220	0.7 %	48	13.1 %	5.2	70	31.7 %	0	
0,75 - < 2,50	12	7	64.9 %	13	1.3 %	22	45.0 %	15.0	18	134.9 %	0	
2,50 - < 10,00	178	150	48.3 %	91	3.5 %	52	45.0 %	1.5	154	169.1 %	1	
10,00 - < 100,00	5	4	42.1 %	3	11.8 %	13	45.0 %	0.0	6	246.7 %	0	
Total	7,822	771	65.2 %	7,368	0.1 %	373	15.3 %	5.2	913	12.4 %	3	1

The average risk weights of credit institution exposures decreased slightly during the year. Some 88% of the credit institution exposures are covered bonds.

For setting PD values given by the credit institution exposure rating model, OP Financial Group has used rating scores for credit institution exposure and external credit ratings and the corresponding default data. PD values have been adjusted with a margin of conservatism in order to take account of uncertainties associated with the data.

2.15 Equities (EU CR10, EU CR6)

Equities under the simple risk-weighted approach

Categories	On-balance-sheet amount	Off-balance-sheet amount	Risk weight	Exposure amount	RWAs	Capital requirements
Private equity exposures	21		190 %	21	39	3
Other equity exposures	111		370 %	111	412	33
Total	132			132	451	36

Equity investments increased slightly during the year. Listed investments are measured at market value.

PD/LGD method

	a	b	c	d	e	f	g	h	i	j	k	l
PD Scale	Original on-balance-sheet gross exposures	Off-balance-sheet exposures pre-CCF	Average CCF	EAD post CRM and post CCF	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density	EL	Value adjustments and provisions
0,75 - < 2,50	2,309			2,309	1.3	4	90.0	21.5	6,447	279.2	26	

The PD/LGD method for equity investments has been used to treat the Group's strategic investments, of which the most significant ones (EAD EUR 2,306 million) include investments in the Group's insurance companies. In these exposures, EAD is the same as gross exposures and the exposures do not include off-balance-sheet items. PD for unlisted investments is 1.25 which is determined by regulation. No major changes have occurred in the amount of exposures. Maturity has been presented for instruments with a contractual maturity.

2.16 Non-deducted participations in insurance undertakings (EU INS1)

31 Dec. 2019, EUR million	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	2,306
Total RWAs	6,438

The Group treats insurance holdings in equity investments based on the supervisor's permission. In October 2015, the Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice.

2.17 RWA flow statements of credit risk exposures under the IRB approach (EU-CR8)

EUR million	a	b
	RWA amounts	Capital requirements
1 RWAs as at the end of the previous reporting period 30 Sept 2019	36,444	2,307
2 Asset size	0	0
3 Asset quality	-18	-1
9 RWAs as at the end of the reporting period 31 Dec 2019	36,425	2,914

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

2.18 IRB approach – Backtesting of PD per exposure class (EU CR9)

The following tables compare the probability of default (PD) applied in capital adequacy measurement with the actual historical average default. The calculation of the weighted average PD has not taken account of defaulted exposures (PD = 100%).

a	b	d	e	f		g	h	i
Exposure class	PD Range	Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
				End of previous year	End of the year			
Retail	0,00 -< 0,15	0.1 %	0.1 %	593,680	572,927			
	0,15 -< 0,25	0.2 %	0.2 %	76,959	92,444			
	0,25 -< 0,50	0.4 %	0.4 %	141,111	121,465			
	0,50 -< 0,75	0.6 %	0.7 %	53,018	68,659			
	0,75 -< 2,50	1.3 %	1.3 %	88,971	111,623			
	2,50 -< 10,00	5.1 %	5.7 %	71,111	75,939			
	10,00 -< 100,00	30.5 %	25.6 %	33,986	40,646			
	100.00	100.0 %	100.0 %	12,172	13,320	11,345	701	
	Total	1.2 %	1.6 %	1,071,008	1,097,023	11,345	701	0.8 %

a	b	c	d	e	f	g	h	i	
Exposure class	PD Range		Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Retail - Secured by real estate property	0,00 -< 0,15		0.1 %	0.1 %	453,719	422,888			
	0,15 -< 0,25		0.2 %	0.2 %	23,215	40,887			
	0,25 -< 0,50		0.4 %	0.4 %	38,152	27,092			
	0,50 -< 0,75		0.5 %	0.5 %	10,555	14,029			
	0,75 -< 2,50		1.2 %	1.2 %	25,529	42,347			
	2,50 -< 10,00		4.7 %	4.7 %	17,165	20,606			
	10,00 -< 100,00		32.8 %	30.9 %	10,321	13,666			
	100.00		100.0 %	100.0 %	4,619	4,728	4,567	17	
	Total		1.0 %	1.0 %	583,275	586,243	4,567	17	0.7 %
Retail - Other - Non-SMEs	0,00 -< 0,15		0.1 %	0.1 %	198,042	207,697			
	0,15 -< 0,25		0.2 %	0.2 %	54,940	53,424			
	0,25 -< 0,50		0.4 %	0.4 %	102,363	92,701			
	0,50 -< 0,75		0.7 %	0.7 %	43,100	55,252			
	0,75 -< 2,50		1.4 %	1.4 %	54,683	62,498			
	2,50 -< 10,00		6.2 %	6.2 %	48,365	50,128			
	10,00 -< 100,00		23.1 %	23.2 %	22,470	25,871			
	100.00		100.0 %	100.0 %	5,196	6,064	5,660	208	
	Total		1.6 %	2.0 %	529,159	553,635	5,660	208	1.1 %
Retail - Other - SMEs	0,00 -< 0,15		0.0 %	0.0 %	16	13			
	0,15 -< 0,25		0.2 %	0.2 %	33	70			
	0,25 -< 0,50		0.4 %	0.4 %	3,299	3,345			
	0,50 -< 0,75								
	0,75 -< 2,50		1.4 %	1.3 %	11,848	11,665			
	2,50 -< 10,00		5.0 %	5.2 %	8,190	8,358			
	10,00 -< 100,00		23.0 %	20.9 %	3,163	3,259			
	100.00		100.0 %	100.0 %	3,112	3,309	1,118	476	
	Total		3.9 %	4.8 %	29,661	30,019	1,118	476	2.3 %

In calculating the historical default rate, the Group has used seven years as the average in other exposure classes but five years in exposures secured by real estate property. In retail exposures, the average PD is around 40% higher than the average historical default rate. The classification scale of retail exposures has not been linked to external credit ratings.

a	b	c	d	e	f		g	h	i
Exposure class	PD Range		Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Corporates	0,00 -< 0,15	AAA...BBB+	0.1 %	0.1 %	540	586			
	0,15 -< 0,25	BBB	0.2 %	0.2 %	590	615			
	0,25 -< 0,50	BBB-...BB+	0.4 %	0.4 %	8,618	9,440			
	0,50 -< 0,75	BB+							
	0,75 -< 2,50	BB...BB-	1.2 %	1.3 %	9,084	9,987			
	2,50 -< 10,00	B+...B	4.4 %	3.2 %	8,537	9,495			
	10,00 -< 100,00	B-...C	24.3 %	23.3 %	1,428	1,520			
	100.00	D	100.0 %	100.0 %	919	844	322	18	
	Total		1.6 %	2.7 %	29,716	32,487	322	18	1.0 %

a	b	c	d	e	f		g	h	i
Exposure class	PD Range		Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Corporates – Other	0,00 -< 0,15	AAA...BBB+	0.1 %	0.1 %	334	348			
	0,15 -< 0,25	BBB+...BBB	0.2 %	0.2 %	167	166			
	0,25 -< 0,50	BBB...BB+	0.4 %	0.4 %	1,287	1,337			
	0,50 -< 0,75	BB+...BB							
	0,75 -< 2,50	BB...BB-	1.2 %	1.4 %	1,683	1,798			
	2,50 -< 10,00	BB-...B	4.2 %	3.0 %	1,546	1,810			
	10,00 -< 100,00	B...C	25.1 %	21.6 %	187	211			
	100.00	D	100.0 %	100.0 %	170	186	62	10	
	Total		1.3 %	2.3 %	5,374	5,856	62	10	0.7 %
Corporates – SMEs	0,00 -< 0,15	AAA...BBB+	0.1 %	0.1 %	206	238			
	0,15 -< 0,25	BBB+...BBB	0.2 %	0.2 %	423	449			
	0,25 -< 0,50	BBB...BB+	0.4 %	0.4 %	7,333	8,105			
	0,50 -< 0,75	BB+...BB							
	0,75 -< 2,50	BB...BB-	1.2 %	1.3 %	7,403	8,201			
	2,50 -< 10,00	BB-...B	4.5 %	3.3 %	6,992	7,691			
	10,00 -< 100,00	B...C	23.5 %	23.6 %	1,241	1,313			
	100.00	D	100.0 %	100.0 %	749	658	260	8	
	Total		2.1 %	2.7 %	24,347	26,655	260	8	1.4 %

In the calculation of the historical default rate, the Group has used six years as the average. In corporate exposures, the average PD is around 50% higher than the average historical default rate. The external credit rating equivalent has been presented according to the credit rating by Standard & Poor's.

a	b	c	d	e	f		g	h	i
Exposure class	PD Range		Weighted average PD	Arithmetic average PD by obligors	Number of obligors		Defaulted obligors in the year	Of which new obligors	Average historical annual default rate
					End of previous year	End of the year			
Institutions	0,00 -< 0,15	AAA...A	0.0 %	0.1 %	160	172			
	0,15 -< 0,25	A-	0.2 %	0.2 %	24	22			
	0,25 -< 0,50	BBB+...BBB-	0.4 %	0.4 %	42	43			
	0,50 -< 0,75	BB+	0.7 %	0.5 %	49	48			
	0,75 -< 2,50	BB+...BB	1.3 %	1.6 %	21	22			
	2,50 -< 10,00	BB-...B-	3.5 %	5.0 %	47	52			
	10,00 -< 100,00	CCC+...CC	11.8 %	12.9 %	11	13			
	100.00	D	100.0 %	100.0 %		1	1		
	Total		0.1 %	1.4 %	354	373	1		0.0 %

In the calculation of the historical default rate, the Group has used six years as the average. In credit institution exposures, the average PD is considerably higher than the average historical default rate. The Group applies the definition of default on a customer-specific basis to credit institution exposures. The external credit rating equivalent has been presented according to the credit rating by Standard & Poor's.

2.19 Credit quality of forborne exposures (Template 1, EU CQ1)

	a	b	c	d	e	f	g	h
	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne		Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
		Of which defaulted						
31 Dec. 2019, EUR million								
1 Loans and advances	2,044	428	330	225	10	57	2,327	386
5 Other financial corporations		0	0	0			0	0
6 Non-financial corporations	289	161	143	91	6	34	381	133
7 Households	1,755	267	187	134	4	23	1,946	253
8 Debt Securities								
9 Loan commitments given	25	0	0	0	0		25	0
10 Total	2,070	429	331	225	10	57	2,352	386

2.20 Credit quality of performing and non-performing exposures by past due days (Template 3, EU CQ3)

	a b c		
	Gross carrying amount/nominal amount		
	Performing exposures		
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days
31 Dec. 2019, EUR million			
1 Loans and advances	102,842	102,688	154
2 Central banks	11,993	11,993	
3 General governments	2,012	2,012	
4 Credit institutions	243	243	
5 Other financial corporations	911	911	
6 Non-financial corporations	34,501	34,471	30
7 Of which SMEs	13,687	13,669	18
8 Households	53,182	53,058	124
9 Debt securities	13,707	13,707	
11 General governments	4,213	4,213	
12 Credit institutions	7,264	7,264	
13 Other financial corporations	132	132	
14 Non-financial corporations	2,099	2,099	
15 Off-balance-sheet exposures	25,659		
17 General governments	2,060		
18 Credit institutions	751		
19 Other financial corporations	449		
20 Non-financial corporations	15,957		
21 Households	6,440		
22 Total	142,208	116,396	154

	d	e	f	g	h	j	k	l	
	Gross carrying amount/nominal amount								
	Non-performing exposures								
	Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 year	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted	
31 Dec. 2019, EUR million									
1 Loans and advances	1,510	842	134	100	130	170	91	44	1,275
5 Other financial corporations	0				0				0
6 Non-financial corporations	851	497	62	35	65	88	74	30	763
7 Of which SMEs	527	305	33	21	32	80	45	9	461
8 Households	659	345	71	65	65	81	18	13	512
9 Debt securities	1	1							1
14 Non-financial corporations	1	1							1
15 Off-balance-sheet exposures	139								131
20 Non-financial corporations	134								129
21 Households	5								2
22 Total	1,648	843	134	100	130	170	91	44	1,407

2.21 Performing and non-performing exposures and related provisions (Template 4, EU CR1)

31 Dec. 2019, EUR million	a	b	c	d	e	f
	Gross carrying amount/nominal amount					
	Performing exposures			Non-performing exposures		
	Of which stage 1	Of which stage 2			Of which stage 2	Of which stage 3
1 Loans and advances	102,842	94,756	8,086	1,510	184	1,272
2 Central banks	11,993	11,993				
3 General governments	2,012	2,001	11			
4 Credit institutions	243	243				
5 Other financial corporations	911	909	3	0		0
6 Non-financial corporations	34,501	31,350	3,151	851	39	784
7 Of which SMEs	13,687	12,107	1,580	527	32	482
8 Households	53,182	48,260	4,922	659	145	488
9 Debt securities	13,707	13,613	94	1		1
11 General governments	4,213	4,213				
12 Credit institutions	7,264	7,264				
13 Other financial corporations	132	132				
14 Non-financial corporations	2,099	2,005	94	1	0	1
15 Off-balance-sheet exposures	25,659	24,732	926	139	3	104
17 General governments	2,060	2,058	2			
18 Credit institutions	751	751				
19 Other financial corporations	449	446	3			
20 Non-financial corporations	15,957	15,107	851	134	2	103
21 Households	6,440	6,370	70	5	1	1
22 Total	142,208	133,101	9,107	1,649	187	1,376

		g		h		i		j		k		l		m		n		o	
		Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions										Accumulated partial write-off		Collateral and financial guarantees received					
		Performing exposures – accumulated impairment and provisions				Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions													
										Of which stage 1				Of which stage 2		Of which stage 2		Of which stage 3	
31 Dec. 2019, EUR million																			
1	Loans and advances	114		40		74		441		4		437				75,694		1,043	
3	General governments	1		1		0										298			
4	Credit institutions	0		0												4			
5	Other financial corporations	1		1		0		0				0				635		0	
6	Non-financial corporations	75		31		43		348				349				25,837		486	
7	Of which SMEs	29		9		20		196				191				12,739		326	
8	Households	36		6		30		93		4		88				48,919		557	
9	Debt securities	3		2		1										1,073			
11	General governments	0		0												685			
12	Credit institutions	1		1												197			
13	Other financial corporations	0		0												1			
14	Non-financial corporations	1		1		1										191			
15	Off-balance-sheet exposures	8		3		5		10		0		10				5,408		80	
17	General governments	0		0												156			
18	Credit institutions	0		0												12			
19	Other financial corporations	0		0		0										33			
20	Non-financial corporations	8		3		5		10		0		10				4,384		79	
21	Households	0		0		0		0		0						824		1	
22	Total	125		45		80		451		4		447				82,175		1,123	

2.22 Collateral obtained by taking possession and execution processes (Template 9, EU CQ7)

		a	b
		Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E	5	-1
4	Commercial Immovable property	5	-1
8	Total	5	-1

3 CCR and Market Risk

3.1 Analysis of CCR exposure by approach (EU CCR1)

Counterparty credit risk arising from derivative contracts is 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 credit risk associated with derivative contracts arises from receivables which OP Financial Group may have from its counterparties in case they default. OP Financial Group measures counterparty risk using a fair value model, whereby the value of exposure comprises the contract market value and the expected potential future exposure. The exposure amount based on the fair value model is used in the calculation of regulatory capital requirement and of economic capital.

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 reduced 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. Collateral matching between counterparties are performed on a daily basis. In respect of guarantees and collateral securities, the Group applies the same practice as in credit risks. The Group ensures sufficient collateral as part of its daily liquidity management through stress tests.

If S&P had downgraded OP Financial Group's credit rating from AA- to A on 31 December 2019, an additional collateral worth EUR 55 million would have been required. If the credit rating had been downgraded in 2018, additional collateral of EUR 59 million would have been required.

Capital adequacy requirement due to counterparty credit risk may arise from items related to banking book and the trading book. Capital adequacy requirement due to counterparty credit risk is calculated, for example, on OTC derivatives and sale and repurchase agreements.

	b	c	f	g
	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
Net value, 31 Dec. 2019, EUR million				
1 Mark to market	2,067	828	2,896	506

Counterparty credit risk exposures increased from their level at the end of 2018.

3.2 CVA capital charge (EU CCR2)

	a	b
	Exposure value	RWAs
Net value, 31 Dec. 2019, EUR million		
4 All portfolios subject to the standardised method	291	191
5 Total subject to the CVA capital charge	291	191

No major changes took place in the CVA capital requirement.

3.3 Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR3)

Exposure classes, EUR million	Risk Weight						Of which unrated
	0 %	2 %	50 %	100 %	Others	Total	
1 Central governments or central banks	283					283	
2 Regional government or local authorities	376					376	
3 Public sector entities				1		1	1
4 Multilateral development banks	309					309	
6 Institutions		326				326	326
11 Total	968	326		1		1,295	327

Exposures for central counterparty clearing are shown in column 2%. Exposure amounts increased from their 2018-end level.

3.4 IRB approach – CCR exposures by portfolio and PD scale (EU CCR4)

PD scale	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Corporates							
0,00 - < 0,15	434	0.1 %	98	0.0 %	13.8	103	23.6 %
0,15 - < 0,25	146	0.2 %	35	1.2 %	14.9	65	44.5 %
0,25 - < 0,50	89	0.3 %	60	1.8 %	9.5	53	59.6 %
0,75 - < 2,50	152	1.2 %	113	0.9 %	11.9	124	82.1 %
2,50 - < 10,00	33	3.8 %	71	3.3 %	6.0	40	122.5 %
10,00 - < 100,00	1	37.2 %	6	0.0 %	6.0	3	243.7 %
100.00	12	100.0 %	2	0.0 %	9.1		
Total	866	0.5 %	385	0.7 %	12.8	388	44.8 %

PD scale	a	b	c	d	e	f	g
	EAD post CRM	Average PD	Number of obligors	Average LGD	Average maturity	RWAs	RWA density
Institutions							
0,00 - < 0,15	585	0.1 %	27	0.0 %	8.7	71	12.1 %
0,15 - < 0,25	33	0.2 %	12	0.0 %	6.6	5	14.1 %
0,25 - < 0,50	117	0.3 %	7	0.0 %	12.7	35	30.0 %
Total	735	0.1 %	46	0.0 %	9.7	111	15.1 %

The average risk weights of corporate exposures and credit institution exposures decreased from their 2018-end level. No information has been presented on retail exposures; the amount of counterparty risk exposures under retail exposures is not material.

3.5 Impact of netting and collateral held on exposure values (EU CCR5-A)

Net value, 31 Dec. 2019, EUR million	a	b	c	d	e
	Gross positive fair value	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1 Derivatives	5,506	1,903	3,603	707	2,896
4 Total	5,506	1,903	3,603	707	2,896

The positive gross fair value of derivatives increased from the 2018-level and the amount of collateral securities and net exposures increased too.

3.6 Composition of collateral for exposures to CCR (EU CCR5-B)

Net value, 31 Dec. 2019, EUR million	a	b	c	d
	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated
1 Cash		707	0	432
2 Sovereign debt			375	222

Collateral given to the central counterparty is segregated. Collateral with other counterparties are unsegregated. The majority of the collateral is cash.

3.7 Credit derivatives exposures (EU CCR6)

Net value, 31 Dec. 2019, EUR million	a	b	c
	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Index credit default swaps			153
Other credit derivatives			80
Total notionals			233
Fair values			0
Positive fair value (asset)			4
Negative fair value (liability)			-4

The amount of credit derivatives was at the same level as at the end of 2018.

3.8 Exposures to CCPs (EU CCR8)

Net value, 31 Dec. 2019, EUR million	a	b
	EAD post CRM	RWAs
1 Exposures to QCCPs (total)	326	7
2 Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	326	7
3 (i) OTC derivatives	326	7
7 Segregated initial margin	375	

The amount of exposures related to the central counterparty increased slightly during the year. The initial margin depends on the risk level of the position; the margin amount increased during the year.

3.9 Market risk under the standardised approach (EU MR1)

		a	b
		RWAs	Capital require- ments
Net value, 31 Dec. 2019, EUR million			
Outright products			
1	Interest rate risk (general and specific)	1,159	93
2	Equity risk (general and specific)	0	0
4	Commodity risk	1	0
Options			
6	Delta-plus method	148	12
9	Total	1,309	105

The general risk increased slightly during the year. The specific risk increased slightly due to the position increase and the deterioration of the average credit rating level. The amount of the risk-weighted assets based on the Delta-plus method decreased.

4 Securitisation positions

4.1 Securitisation positions

		2019		2018	
Securitisation positions by rating category, Moody's equivalent, EUR million		Exposure	Risk-weighted assets	Exposure	Risk-weighted assets
Non-trading book positions					
Securitisation positions					
	Aaa	624	46		
	A1–A3			613	46
	Baa1–Baa3				
Total		624	46	613	46

OP Financial Group acts as an investor in the securitisation process and it has no resecuritised positions. Securitised positions did not contain past due or impaired receivables.

The IRBA has been applied to securitisation positions. OP Financial Group 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.

5 Scope of application, capital base and countercyclical capital buffer

5.1 Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories (EU LI1)

	a	b	c	d	e	f	g
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				Not subject to capital requirements or subject to deduction from capital
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	
31 Dec 2019, EUR million							
Assets							
Cash and cash equivalents	11,988	11,981	11,981				
Receivables from credit institutions	246	239	239				
Derivative contracts	4,824	4,514		4,514		3,567	
Receivables from customers	91,463	91,537	91,537				
Investment assets	23,289	16,268	14,851		624	794	
Assets covering unit-linked contracts	10,831						
Investments in associates	220	43	30				
of which goodwill in associates	13	13					13
Intangible assets	1,406	617					617
Property, plant and equipment (PPE)	524	463	463				
Other assets	1,684	953	904	48			
of which pension assets	44	44					35
Tax assets	235	157	157				
Non-current assets held for sale	314	314	314				
Total assets	147,024	127,084	120,161	4,562	624	4,361	630
Liabilities							
Liabilities to credit institutions	2,632	2,629					2,629
Derivative contracts	3,316	3,280					3,280
of which DVA	-12	-12					-10
Liabilities to customers	68,289	69,833					69,833
Insurance liabilities	9,476						
Liabilities from unit-linked insurance and investment contracts	10,862						
Debt securities issued to the public	34,369	34,432					34,432
Provisions and other liabilities	3,163	2,467					2,467
Tax liabilities	1,050	786					786
Subordinated liabilities	1,290	1,317					1,317
Liabilities associated with non-current assets held for sale	6	6					6
Total liabilities	134,454	114,751					114,745
Equity capital							
Share of OP Financial Group's owners							
Cooperative capital							
Cooperative share	209	209					209
Profit share (Non-voting cooperative share)	3,029	3,029					3,029
Fair value reserve	251	116					116
of which cash flow hedge reserve	141	141					141
Other reserves	2,185	2,137					2,137
Retained earnings	6,730	6,843					6,843
Profit for previous financial years	6,470	6,880					6,880
Actuarial gains and losses	-403	-404					-404
Profit for the financial year	663	367					367
Non-controlling interests	166						
Total equity capital	12,570	12,333					12,333
Total liabilities and equity capital	147,024	127,084					127,078

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. Points 1.1 and 5.4 present items deducted from the capital base.

5.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements (EU LI2)

	a	b	c	d	e
	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk
31 Dec. 2019, € million					
1 Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	129,708	120,161	4,562	624	4,361
2 Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)					
4 Off-balance-sheet amounts	25,594	10,043			
6 Differences due to different netting rules, other than those already included in row 2	-1,666		-1,666		
7 Differences due to consideration of provisions	542	542			
9 Other adjustments	-166	-166			
10 Exposure amounts considered for regulatory purposes	154,012	130,580	2,896	624	4,361

In capital adequacy regulation, it is possible to take account of netting on a more extensive basis than in accounting. Given that certain accounting items cannot be unambiguously divided into risk types, these items have been removed from calculation to avoid their overlapping treatment. Of off-balance-sheet items, contractual exposure amount has been presented in column a and in column b exposure amount after applying the credit conversion factor.

5.3 Outline of the differences in the scopes of consolidation (entity by entity) (EU LI3)

Name of the entity	a	b	c	d	e	f
	Method of accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full consolidation	Proportional consolidation	Neither consolidated nor deducted	Supervisor's permission to risk weighting	
OP Cooperative	Full consolidation	x				Entity assisting in financial intermediation
OP-Services Ltd	Full consolidation	x				Activities serving financing
OP Mortgage Bank	Full consolidation	x				Banking
OP Custody Ltd	Full consolidation	x				Asset management
OP-Card Company Plc	Full consolidation	x				Banking
OP Fund Management Company Ltd	Full consolidation	x				Fund management company
Helsinki Area Cooperative Bank	Full consolidation	x				Banking
Checkout Finland Oy	Full consolidation	x				Activities serving financing
OP Asset Management Ltd	Full consolidation	x				Asset management
Pivo Wallet Oy	Full consolidation	x				Activities serving financing
OP Life Assurance Company Ltd	Full consolidation			x	x	Insurance business
OP Koti Helsinki Oy	Full consolidation			x		Real estate agent services
OP Asset Management Execution Services Oy	Full consolidation			x		Activities serving financing and investment
PAM USA Funds Oy	Full consolidation			x		Activities serving financing and investment
OP Property Management Ltd	Full consolidation	x				Real-estate investment operations
Real Estate Fund Finland Oy	Full consolidation			x		Real-estate investment operations
Real Estate Fund of Funds Finland Oy	Full consolidation			x		Real-estate investment operations
Real Estate Fund Finland III GP Oy	Full consolidation			x		Real-estate investment operations
Real Estate Debt And Secondaries GP Oy	Full consolidation			x		Real-estate investment operations
OP Asuntorahasto I GP Oy	Full consolidation			x		Real-estate investment operations
OP Toimitilakiinteistö GP Oy	Full consolidation			x		Real-estate investment operations
OP Rent Oy	Full consolidation			x		Real-estate investment operations
OP Tonttirahasto GP Oy	Full consolidation			x		Real-estate investment operations
Access Capital Partners Group S.A.	Equity method		x			Activities serving financing and investment
PAM USA Fund I Ky				x		Mutual fund business
Oy Kaisaniemenkatu 1	IFRS11		x			Ownership and possession of real estate
Kiinteistö Oy Arkadiankatu 23	IFRS11			x		Ownership and possession of real estate
Kiint. Oy Ansatie 5	IFRS11			x		Ownership and possession of real estate
Kiint. Oy Uusi Paino	IFRS11			x		Ownership and possession of real estate
Tampereen Areenahotelli Ky	Equity method			x		Ownership and possession of real estate
Tampereen Monitoimiareena Ky	Equity method			x		Ownership and possession of real estate
Tampereen Tornit Ky	Equity method			x		Ownership and possession of real estate
OP Helsinki property (less than MEUR 10)	IFRS11			x		Ownership and possession of real estate
OP Life Assurance Company's property (less than MEUR 10)	IFRS11			x		Ownership and possession of real estate
Automatia Pankkiautomaatit Oy	Equity method		x			Activities serving financing
Finanssi-Kontio Oy	Equity method		x			IT hardware and software consulting
Paja Finanssipalvelut Oy	Equity method		x			Business and other management consultancy activities
Opset Oy				x		Other mail delivery and courier services
Real Estate Fund of Funds II Ky	Full consolidation			x		Property investment
Real Estate Fund Finland III Ky	Full consolidation			x		Property investment
OP-Vallila Rahasto VYM Oy	Full consolidation			x		Property investment
OP-Vallila Rahasto Ky	Full consolidation	x				Property investment
Kiint. Oy Vääksyntie 2	IFRS11		x			Property company
Kiint. Oy Vääksyntie 4	IFRS11		x			Property company
Kiinteistö Oy OPK-Vallila	IFRS11		x			Property company
Aino Holdingyhtiö Ky	Equity method			x		Mutual fund business
Joukahainen Oy	Equity method			x		Asset management
Otso Infrastruktuuri I Ky	Full consolidation			x		Asset management
Real Estate Fund of Funds V Gp Oy	Full consolidation			x		Financial services unclassified elsewhere
Real Estate Fund of Funds V Ky	Equity method			x		Financial services unclassified elsewhere
European Real Estate Senior Debt 1	Full consolidation			x		Financial services unclassified elsewhere
European Real Estate Senior Debt 2	Full consolidation			x		Financial services unclassified elsewhere
European Real Estate Senior Debt 3	Full consolidation			x		Financial services unclassified elsewhere
OP Co-Ride Oy	Full consolidation			x		Rental and lease of cars and light motor vehicles
CapMan Hotels RE Ky	Equity method			x		Buying and selling of own real estate
European Fund Investments II L.P.	Equity method			x		Mutual fund business
HRJ Global Buy-Out III (Asia) L.P.	Equity method			x		Mutual fund business
Certior Credit Opportunities Fund Ky	Equity method			x		Mutual fund business
Certior Credit Investments I Ky	Equity method			x		Mutual fund business
Access Capital Private Debt Fund II Ky	Equity method			x		Mutual fund business
ShipFunk Oy	Equity method			x		Software development and manufacture
OP Corporate Bank plc	Full consolidation	x				Banking
OP Finance Estonia AS	Full consolidation	x				Other lending/Leasing company
OP Finance SIA	Full consolidation	x				Other lending/Leasing company
OP Finance UAB	Full consolidation	x				Other lending/Leasing company
Pohjola Insurance Ltd	Full consolidation			x	x	Non-life insurance
A-Insurance Ltd	Full consolidation			x	x	Non-life insurance
Kaivokadun PL-hallinto Oy	Full consolidation			x		No activities
						Medical centres, private doctors and comparable specialists
Pohjola Health Ltd	Full consolidation			x		physician services
Tikkurilan Kauppatalo Oy	IFRS11			x		Property company
Kiint. Oy Helsingin Puutarhurinkuja 2	IFRS11			x		Property company
Kiinteistö Oy Vantaan Kisällintie 13	IFRS11			x		Property company
Kiint. Oy STC Viinikkala	IFRS11			x		Property company
Kiint. Oy Aleksis Kiven katu 21-23	IFRS11		x			Ownership and possession of real estate
Kiint. Oy Kouvola Karhut	IFRS11		x			Ownership and possession of real estate
OP Corporate Bank property (less than MEUR 10)	IFRS11			x		Property company

OP Insurance property (less than MEUR 10)	IFRS11	x	Property company
Kiint. Oy Grand Cargo Terminal 1	IFRS11	x	Property company
Kiint. Oy Grand Cargo Terminal 2	IFRS11	x	Property company
Kiint. Oy Tampereen Ratinankaari	IFRS11	x	Property company
Kiinteistö Oy Vuosaaren Pohjoinen Ostoskeskus	IFRS11	x	Property company
Kiinteistö Oy Kanta-sarvis I	IFRS11	x	Property company
Kiinteistö Oy Koskitammi	IFRS11	x	Property company
Kiinteistö Oy Helsingin Topeliuksenkatu 41b	IFRS11	x	Property company
Kiinteistö Oy Helsingin Franzéninkatu 13	IFRS11	x	Property company
Kiinteistö Oy Turun Joukahaisenkadun Pysäköinti	IFRS11	x	Property company
Kiinteistö Oy Turun Joukahaisenkatu 9	IFRS11	x	Property company
Kiinteistö Oy Oulun Kiilakivi	IFRS11	x	Property company
Kiinteistö Oy Kuopion Isabella	IFRS11	x	Property company
Kiinteistö Oy Espoon Siuntiontie 3	IFRS11	x	Property company
Kiinteistö Oy Kanta-Sarvis II	IFRS11	x	Property company
Kiinteistö Oy Asiakkaankatu 3	IFRS11	x	Property company
Kiinteistö Oy Hatanpääkatu 1	IFRS11	x	Property company
Kiinteistö Oy Tuusulan Jatke	IFRS11	x	Property company
Keskinäinen kiinteistö Oy Marikko	IFRS11	x	Property company
Kiinteistö Oy Koivuhaan Yrityskeskus	IFRS11	x	Property company
Kiinteistö Oy Kaarlenkadun Fenno	IFRS11	x	Property company
Prime Property Oy	Full consolidation	x	Buying and selling of own real estate
Alajärven Op	Full consolidation	x	Banking
Alastaron Op	Full consolidation	x	Banking
Alavieskan Op	Full consolidation	x	Banking
Alavuden seudun Op	Full consolidation	x	Banking
Andelsbanken för Åland	Full consolidation	x	Banking
Andelsbanken Raseborg	Full consolidation	x	Banking
Artjärven Op	Full consolidation	x	Banking
Askolan Op	Full consolidation	x	Banking
Auranmaan Op	Full consolidation	x	Banking
Etelä-Hämeen Op	Full consolidation	x	Banking
Etelä-Karjalan Op	Full consolidation	x	Banking
Etelä-Pirkanmaan Op	Full consolidation	x	Banking
Etelä-Pohjanmaan Op	Full consolidation	x	Banking
Euran Op	Full consolidation	x	Banking
Haapamäen Seudun Op	Full consolidation	x	Banking
Hailuodon Op	Full consolidation	x	Banking
Halsuan-Ylipään Op	Full consolidation	x	Banking
Himangan Op	Full consolidation	x	Banking
Honkilahden Op	Full consolidation	x	Banking
Humppilän-Metsämäen Op	Full consolidation	x	Banking
Itä-Uudenmaan Op	Full consolidation	x	Banking
Janakkalan Op	Full consolidation	x	Banking
Jokioisten Op	Full consolidation	x	Banking
Jämsän Seudun Op	Full consolidation	x	Banking
Järvi-Hämeen Op	Full consolidation	x	Banking
Kainuun Op	Full consolidation	x	Banking
Kalajoen Op	Full consolidation	x	Banking
Kangasalan Seudun Op	Full consolidation	x	Banking
Kangasniemen Op	Full consolidation	x	Banking
Kannuksen Op	Full consolidation	x	Banking
Kemin Seudun Op	Full consolidation	x	Banking
Kerimäen Op	Full consolidation	x	Banking
Keski-Pohjanmaan Op	Full consolidation	x	Banking
Keski-Suomen Op	Full consolidation	x	Banking
Kesälahden Op	Full consolidation	x	Banking
Kihniön Op	Full consolidation	x	Banking
Kiikoisten Op	Full consolidation	x	Banking
Kiteen Seudun Op	Full consolidation	x	Banking
Koitin-Pertunmaan Op	Full consolidation	x	Banking
Korpilahden Op	Full consolidation	x	Banking
Korsnäs Andelsbank	Full consolidation	x	Banking
Kronoby Andelsbank	Full consolidation	x	Banking
Kuhmon Op	Full consolidation	x	Banking
Kuortaneen Op	Full consolidation	x	Banking
Kurun Op	Full consolidation	x	Banking
Kuusamon Op	Full consolidation	x	Banking
Kymenlaakson Op	Full consolidation	x	Banking
Kärkölän Op	Full consolidation	x	Banking
Köyliön Op	Full consolidation	x	Banking
Laihian Op	Full consolidation	x	Banking
Lapin Op	Full consolidation	x	Banking
Lehtimäen Op	Full consolidation	x	Banking
Lemin Op	Full consolidation	x	Banking
Limingan Op	Full consolidation	x	Banking
Liperin Op	Full consolidation	x	Banking
Loimaan Seudun Op	Full consolidation	x	Banking
Lokalahden Op	Full consolidation	x	Banking
Lounaismaan OP	Full consolidation	x	Banking
Lounaisrannikon Op	Full consolidation	x	Banking
Lounais-Suomen Op	Full consolidation	x	Banking
Luhangan Op	Full consolidation	x	Banking
Luopioisten Op	Full consolidation	x	Banking

Luumäen Op	Full consolidation	x	Banking
Länsi-Kymen Op	Full consolidation	x	Banking
Länsi-Suomen Op	Full consolidation	x	Banking
Maaningan Op	Full consolidation	x	Banking
Miehkälän Op	Full consolidation	x	Banking
Mouhijärven Op	Full consolidation	x	Banking
Multian Op	Full consolidation	x	Banking
Mynämäen-Nousiaisten Op	Full consolidation	x	Banking
Mäntsälän Op	Full consolidation	x	Banking
Nagu Andelsbank	Full consolidation	x	Banking
Nakkila-Luvian Op	Full consolidation	x	Banking
Niinijoen Op	Full consolidation	x	Banking
Nilakan Seudun Op	Full consolidation	x	Banking
Nivalan Op	Full consolidation	x	Banking
Op Kantrisola	Full consolidation	x	Banking
Oirimattilan Op	Full consolidation	x	Banking
Oripään Op	Full consolidation	x	Banking
Oulaisten Op	Full consolidation	x	Banking
Oulun Op	Full consolidation	x	Banking
Outokummun Op	Full consolidation	x	Banking
Paltamon Op	Full consolidation	x	Banking
Parikkalan Op	Full consolidation	x	Banking
Pedersörenejdens Andelsbank	Full consolidation	x	Banking
Perhon Op	Full consolidation	x	Banking
Perhonjokilaakson Op	Full consolidation	x	Banking
Peräseinäjoen Op	Full consolidation	x	Banking
Petäjäveden Op	Full consolidation	x	Banking
Pohjois-Hämeen Op	Full consolidation	x	Banking
Pohjois-Karjalan Op	Full consolidation	x	Banking
Pohjois-Savon Op	Full consolidation	x	Banking
Pohjolan Op	Full consolidation	x	Banking
Polvijärven Op	Full consolidation	x	Banking
Posion Op	Full consolidation	x	Banking
Pudasjärven Op	Full consolidation	x	Banking
Pukkilan Op	Full consolidation	x	Banking
Pulkilan Op	Full consolidation	x	Banking
Punkalaitumen Op	Full consolidation	x	Banking
Purmo Andelsbank	Full consolidation	x	Banking
Päijät-Hämeen Op	Full consolidation	x	Banking
Raahen seudun Op	Full consolidation	x	Banking
Rantasalmen Op	Full consolidation	x	Banking
Rautalammin Op	Full consolidation	x	Banking
Riistaveden Op	Full consolidation	x	Banking
Ruoveden Op	Full consolidation	x	Banking
Ruukin Op	Full consolidation	x	Banking
Rymättylän Op	Full consolidation	x	Banking
Rääkkylän Op	Full consolidation	x	Banking
Sallan Op	Full consolidation	x	Banking
Sastamalan Op	Full consolidation	x	Banking
Satakunnan Op	Full consolidation	x	Banking
Satapirkkan Op	Full consolidation	x	Banking
Savitaipaleen Op	Full consolidation	x	Banking
Siikajoen Op	Full consolidation	x	Banking
Siikalatvan Op	Full consolidation	x	Banking
Simpeleen Op	Full consolidation	x	Banking
Suomenselän Op	Full consolidation	x	Banking
Suur-Savon Op	Full consolidation	x	Banking
Säkylän Op	Full consolidation	x	Banking
Taivalkosken Op	Full consolidation	x	Banking
Taivassalon Op	Full consolidation	x	Banking
Tampereen Seudun Op	Full consolidation	x	Banking
Tervolan Op	Full consolidation	x	Banking
Tervon Op	Full consolidation	x	Banking
Toholammin Op	Full consolidation	x	Banking
Tornion Op	Full consolidation	x	Banking
Turun Seudun Op	Full consolidation	x	Banking
Tuusniemen Op	Full consolidation	x	Banking
Tyrmävän Op	Full consolidation	x	Banking
Ullavan Op	Full consolidation	x	Banking
Utajärven Op	Full consolidation	x	Banking
Uudenmaan Op	Full consolidation	x	Banking
Vaara-Karjalan Op	Full consolidation	x	Banking
Vaasan Op	Full consolidation	x	Banking
Vampulan Op	Full consolidation	x	Banking
Vehmersalmen Op	Full consolidation	x	Banking
Vesannon Op	Full consolidation	x	Banking
Vihannin Op	Full consolidation	x	Banking
Vimpelin Op	Full consolidation	x	Banking
Virtain Op	Full consolidation	x	Banking
Ylitornion Op	Full consolidation	x	Banking
Ylä-Kainuun Op	Full consolidation	x	Banking
Yläneen Op	Full consolidation	x	Banking
Ylä-Savon Op	Full consolidation	x	Banking
Ypäjän Op	Full consolidation	x	Banking

OP-Kiinteistökeskus real estate agencies around 60 (excl. Helsinki OPKK)	Full consolidation		x	Real estate agent services
Saimaa Capital Oy	Fair value	x		Financial services unclassified elsewhere
Länsi-Suomen Pääomarahasto Oy	Fair value		x	Financial services unclassified elsewhere
Uudenmaan Pääomarahasto Oy	Fair value	x		Financial services unclassified elsewhere
Turun TeknologiaKiinteistöt Oy	Equity method	x		Renting and operating other real property
Pohjois-Karjalan Kiinteistöt Oy	IFRS11		x	Renting of residential real estate
Pyhäselän Ranta Oy	IFRS11		x	Buying and selling of own real estate
TOP Rahastosijoitukset Oy	IFRS11		x	Activities of holding companies in the financial sector
Jyväskylän Kassatalo Oy	IFRS11	x		Ownership and possession of real estate
Kiinteistö Oy Vammalan Torikeskus	IFRS11	x		Ownership and possession of real estate
Mikkelin Forum Oy	IFRS11	x		Ownership and possession of real estate
Kiinteistö Oy Tampereen Hämeenkatu 12	IFRS11	x		Ownership and possession of real estate
Kiinteistö Oy Hämeenkiivi	IFRS11	x		Ownership and possession of real estate
Kiinteistö Oy Joensuun Koskikatu 9	IFRS11	x		Ownership and possession of real estate
Asunto Oy Oulun Kalevankulma	IFRS11	x		Ownership and possession of real estate
As Oy Lappeenrannan Kirkkokatu 9	IFRS11	x		Ownership and possession of real estate
OP Turun seudun kiinteistöt Oy	IFRS11		x	Business and other management consultancy
OP cooperative banks' real estate management companies (less than MEUR 10)	IFRS11		x	Property company

According to the definition of the consolidation group, insurance companies have not been consolidated into capital adequacy but are treated as investments. Other non-consolidated entities are less than EUR 10 million in terms of their balance sheet. There are no investments that are deducted from own funds.

5.4 Capital base using formula by the European Banking Authority

According to the European Commission implementing regulation, a credit institution must present its own funds using the model for disclosure for own funds determined by the European Banking Authority.

31 Dec. 2019, EUR million		Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and related share premium accounts	3,096 26 (1), 27, 28, 29
	of which: cooperative shares	209 EBA list, 26 (3)
	of which: profit shares (Non-voting cooperative share)	3,029 EBA list, 26 (3)
	of which: cooperative capital deducted from own funds	-142
2	Retained earnings	6,880 26 (1) c
3	Accumulated other comprehensive income (and other reserves)	1,848 26 (1)
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	270 26 (2)
6	CET1 before regulatory adjustments:	12,095
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments	-31 34, 105
8	Intangible assets	-630 36 (1) b, 37
11	Fair value reserves related to gains or losses on cash flow hedges	-141 33 (1) a
12	Negative amounts resulting from the calculation of expected loss amounts	-428 36 (1) d, 40, 159
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-10 33 (1) b
15	Defined benefit pension fund assets	-35 36 (1) e, 41
28	Total regulatory adjustments to CET1	-1,275
29	Common Equity Tier 1 (CET1) capital	10,819
Additional Tier 1 (AT1) capital: instruments		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1.	60 486 (3)
36	Additional Tier 1 (AT1) capital before regulatory adjustments	60
Additional Tier 1 (AT1) capital: regulatory adjustments		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	
44	Additional Tier 1 (AT1) capital	60
45	Tier 1 capital (T1 = CET1 + AT1)	10,879
Tier 2 (T2) capital: Instruments and provisions		
46	Capital instruments and the related share premium accounts	806 62, 63
51	T2 before regulatory adjustments	806
Tier 2 (T2): regulatory adjustments		
57	Total regulatory adjustments to Tier 2 (T2) capital	
58	Tier 2 (T2) capital	806
59	Total capital (TC = T1 + T2)	11,685
60	Total risk weighted assets	55,464
Capital ratios and buffers		
61	Common Equity Tier 1 (CET1) (as a percentage of total risk exposure amount)	19.5 92 (2) a
62	Tier 1 (T1) (as a percentage of total risk exposure amount)	19.6 92 (2) b
63	Total capital (as a percentage of total risk exposure amount)	21.1 92 (2) c
64	Institution specific buffer requirement expressed as a percentage of risk exposure amount	9.0 CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.5
66	of which: countercyclical buffer requirement	0.0
67a	of which: Global Systemically Important Institution (G-SII) of Other Systemically Important Institution (O-SII) buffer	2.0 CRD 131
68	Common Equity Tier 1 (CET1) available to meet buffers (as a percentage of risk exposure amount)	19.5 CRD 128
Amounts below the thresholds for deduction (before risk weighting)		
Applicable caps on the inclusion of provisions in Tier 2		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	45,115 62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
82	Current cap on AT1 instruments subject to phase out arrangements	60 484 (4), 486 (3),(5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	21 484 (4), 486 (3),(5)

5.5 Institution-specific countercyclical capital buffer

Table 1: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer, EUR million

Row		General credit exposures		Trading book exposure		Securitisation exposure	
		Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB
		010	020	030	040	050	060
010	Breakdown by country*						
	Finland	2,435	97,248	536			45
	Sweden	1	793	42			
	Norway	0	130	11			
	Iceland	0	1				
	Denmark	0	18	1			
	Czech	0	19				
	Slovakia	0	0				
	United Kingdom	0	35	0			
	Lithuania	738	130				
	Ireland	0	15	0			
	France	0	155	5			31
	Bulgaria	0	0				
	Other	999	1,110	40			548
020	Total	4,175	99,654	635			624

Row		Own funds requirements				Own funds requirement weights	Counter-cyclical capital buffer rate
		Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		070	080	090	100	110	120
010	Breakdown by country*						
	Finland	3,474	31	0	3,605	0.93	0.00 %
	Sweden	34	3		38	0.01	2.50 %
	Norway	5	1		6	0.00	2.50 %
	Iceland	0			0	0.00	1.75 %
	Denmark	1	0		1	0.00	1.00 %
	Czech	2			2	0.00	1.50 %
	Slovakia	0			0	0.00	1.50 %
	United Kingdom	1	0		1	0.00	1.00 %
	Lithuania	67			67	0.02	1.00 %
	Ireland	0	0		0	0.00	1.00 %
	France	7	0	0	8	0.00	0.25 %
	Bulgaria	0			0	0.00	0.50 %
	Other	138	3	3	144	0.04	0.00 %
020	Total	3,729	38	4	3,870	1.00	

Table 2: Amount of institution-specific countercyclical capital buffer

Row		Column
		010
010	Total risk exposure amount	55,464
020	Institution specific countercyclical buffer rate	0.05 %
030	Institution specific countercyclical buffer requirement	26

* Exposures calculated based on Article 140.4 of the Capital Requirements Directive exclude government exposures, exposures comparable to them and credit institution exposures.

6 Leverage

6.1 Leverage

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

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

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		2019
1	Total assets as per published financial statements	147,024
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-19,940
4	Adjustments for derivative financial instruments	1,556
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	8,260
7	Other adjustments	-5,396
8	Leverage ratio total exposure measure	131,504

Table LRCom: Leverage ratio common disclosure CRR

On-balance sheet exposures (excluding derivatives and SFTs)		CRR leverage ratio exposures
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	121,332
2	Asset amounts deducted in determining Tier 1 capital	-1,093
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	120,239
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	1,810
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	1,086
9	Adjusted effective notional amount of written credit derivatives	125
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-15
11	Total derivatives exposures	3,006
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	25,594
18	Adjustments for conversion to credit equivalent amounts	-17,335
19	Other off-balance sheet exposures	8,260
Capital and total exposure measure		
20	Tier 1 capital	10,879
21	Leverage ratio total exposure measure	131,504
Leverage ratio		
22	Leverage ratio	8.3
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	121,332
EU-2	Trading book exposures	719
EU-3	Banking book exposures, of which:	120,613
EU-4	Covered bonds	6,486
EU-5	Exposures treated as sovereigns	18,151
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	159
EU-7	Institutions	571
EU-8	Secured by mortgages of immovable properties	47,736
EU-9	Retail exposures	9,969
EU-10	Corporate	32,292
EU-11	Exposures in default	886
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	4,362

Table LRQua: Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage
	By means of ALM and capital management, the Group ensures that leverage will remain controlled in view of maturity transformation and that adequate tools will remain available for leverage management. OP Financial Group has set its capital adequacy target sufficiently high, in which case leverage will not be high or the minimum leverage ratio will not decrease close to the minimum level. The Group monitors leverage by means of its internal target levels for the leverage ratio and of capital adequacy; in addition, the Group monitors, for example, the net stable funding ratio (NSFR) and the asset encumbrance (AE).
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers
	Exposures increased less than the capital base. As a result, the leverage ratio rose. The amount of exposures decreased due to specifications of the treatment of off-balance-sheet items. The balance sheet grew in line with the growth targets set for the loan portfolio and the liquidity buffer. The Report by the Executive Board describes changes in the operating environment.

7 Liquidity Coverage Ratio (LCR) and Asset Encumbrance (AE)

7.1 LCR disclosure template (EU LIQ1)

Scope of consolidation

Consolidated

EUR million

Quarter ending on (31, Dec 2019)

Number of data points used in the calculation of averages: 12

HIGH-QUALITY LIQUID ASSETS

	Total unweighted value (average)				Total weighted value (average)			
	31 Dec 2019	30 Sept 2019	30 June 2019	31 March 2019	31 Dec 2019	30 Sept 2019	30 June 2019	31 March 2019
1 Total high-quality liquid assets (HQLA)					20,026	19,462	19,916	20,295
CASH - OUTFLOWS								
2 Retail deposits and deposits from small business customers, of	44,906	44,196	43,621	43,069	2,734	2,698	2,674	2,651
3 stable deposits	35,199	34,517	33,849	33,226	1,760	1,726	1,692	1,661
4 Less stable deposits	9,707	9,679	9,772	9,844	974	972	982	989
5 Unsecured wholesale funding	22,077	21,931	22,423	22,578	9,952	9,833	10,153	10,300
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	8,222	8,189	8,269	8,253	2,040	2,032	2,052	2,049
7 Non-operational deposits (all counterparties)	11,864	11,767	12,065	12,231	5,922	5,826	6,012	6,157
8 Unsecured debt	1,990	1,975	2,089	2,094	1,990	1,975	2,089	2,094
9 Secured wholesale funding					0	0		
10 Additional requirements	13,377	13,164	12,940	12,743	1,901	1,872	1,843	1,894
11 Outflows related to derivative exposures and other collateral requirements	582	555	548	629	582	555	548	629
12 Outflows related to loss of funding on debt	83	92	92	92	83	92	92	92
13 Credit and liquidity facilities	12,712	12,518	12,300	12,022	1,236	1,226	1,203	1,174
14 Other contractual funding obligations	182	187	216	223	55	61	89	96
15 Other contingent funding obligations	13,019	12,755	12,527	12,347	614	599	587	579
16 TOTAL CASH OUTFLOWS					15,256	15,063	15,347	15,521
CASH - INFLOWS								
18 Inflows from fully performing exposures	2,154	2,137	2,107	2,035	1,219	1,215	1,196	1,159
19 Other cash inflows	2,161	2,061	1,919	1,952	1,014	1,042	918	971
20 TOTAL CASH INFLOWS	4,315	4,198	4,026	3,987	2,233	2,256	2,114	2,130
EU-20c Inflows subject to 75% cap	4,315	4,198	4,026	3,987	2,233	2,256	2,114	2,130
					TOTAL ADJUSTED VALUE			
21 LIQUIDITY BUFFER					20,026	19,462	19,916	20,295
22 TOTAL NET CASH OUTFLOWS					13,023	12,807	13,233	13,390
23 LIQUIDITY COVERAGE RATIO (%)					154 %	152 %	151 %	152 %

7.2 Disclosure on asset encumbrance

The tables below provide information on asset encumbrance and liabilities related to encumbered assets. The figures are presented as the quarterly median for 2019. An asset is considered encumbered if it has been pledged or given as collateral or they secure 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 OP Corporate Bank plc's derivatives, loans with collateral of central bank refinancing and collateral with respect to covered bonds issued by OP Mortgage Bank. Of the collateral related to covered bonds, EUR 2 809 million is overcollateralised. EUR 8 922 million of unencumbered assets is not eligible as collateral (e.g. intangible assets, and property, plant and equipment, adjusting entries for assets and tax assets).

EUR million		Carrying amount of encumbered assets	of which notionally eligible EHQLA and HQLA	Fair value of encumbered assets	of which notionally eligible EHQLA and HQLA	Carrying amount of unencumbered assets	of which EHQLA and HQLA	Fair value of unencumbered assets	of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	Assets of the reporting institution	19,068	1,532			106,532	9,633		
030	Equity instruments					75			
040	Debt securities	1,632	1,532	1,632	1,532	11,905	9,633	11,719	9,633
050	of which: covered bonds	887	820	887	820	5,521	5,461	5,521	5,461
060	of which: asset-backed securities	155	155	155	155	413	389	413	389
070	of which: issued by general governments	652	566	651	565	3,380	2,907	3,263	2,907
080	of which: issued by financial corporations	924	856	924	856	6,455	6,044	6,350	6,044
090	of which: issued by non-financial corporations	119	119	119	119	2,029	647	2,078	647
120	Other assets	17,308				94,544			
121	of which: Loans and advances other than loans on demand	16,763				74,098			

The table below presents collateral received by asset type

Collateral received, EUR million		Fair value of encumbered collateral received or own debt securities	of which notionally eligible EHQLA and HQLA	Fair value of collateral received or own debt securities issued available	of which EHQLA and HQLA
		010	030	040	060
130	Collateral received by the reporting institution			665	
140	Loans on demand			665	
150	Equity instruments				
241	Own covered bonds and asset-backed securities issued and not yet pledged			20	
250	Total assets, collateral received and own debt securities issued	19,068	1,532		

Encumbered assets and collateral received accounted for 15.0 % of the assets of the amalgamation of the Group's member cooperative bank.

Encumbered assets and associated liabilities, EUR million		010	030
		Liabilities associated with encumbered assets	Encumbered assets
010	Carrying amount of selected financial liabilities	17,786	19,068
011	Covered bonds	11,317	14,243
012	Other secured debt	6,469	4,825

8 Signatures

The Board of Directors confirms that information in this report has been provided in compliance with Part 8 of the CRR and the related EBA guidelines and the report has been prepared applying the principles of capital adequacy disclosure adopted by OP Financial Group's Executive Management Team in 2019. The principles define methods used to verify the accuracy of information to be disclosed and the assessment of the materiality of the information.

Helsinki, 18 February 2020

Jaakko Pehkonen
Chair of the Board of Directors

Timo Ritakallio
President and
Group CEO

Jarna Heinonen

Leif Enberg

Jari Himanen

Kati Levoranta

Riitta Palomäki

Olli Tarkkanen

Mervi Väisänen

9 Requirements

9.1 Compliance with disclosure requirements

CRR Article	Reference
431 Scope of disclosure requirements	
1	This report, OP Financial Group's financial statements 2019 and information disclosed at www.op.fi
2	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 10 and the introduction and point 1.3 of this report
3	Disclosure principles of capital adequacy information approved by OP Financial Group's management
4	To be delivered on request
432 Non-material, proprietary or confidential information	
1-4	Point 9.2
	Information is disclosed on the date of publication of the financial statements. Information disclosed quarterly and half-yearly is presented in connection with interim reports. The frequency of disclosure will be assessed according to the disclosure principles of capital adequacy information.
433 Frequency of disclosure	
434 Means of disclosures	www.op.fi
435 Risk management objectives and policies	
1 a)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU OVA, EU CRA, EU CCRA, EU MRA, LIQA)
1 b)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, points 2. and 3. (EU OVA, EU CRA, EU CCRA, EU MRA, LIQA)
1 c)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU OVA, EU CRA, EU CCRA, EU MRA, LIQA) and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > Corporate Governance Statement, point 6.
1 d)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU OVA, EU CRA, EU CCRA, EU MRA, LIQA), and points 2.10 (EU CR3) and 2.11 of this report.
1 e)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, point 5. (EU OVA, EU CRA, EU CCRA, EU MRA, LIQA)
1 f)	Note 51. to the 2019 financial statements OP Financial Group's risk tolerances
The EBA's guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 (EBA/GL/2017/1)	Point 7.1. (LIQ1) and Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, especially point 4. (LIQA) www.op.fi : OP Financial Group > About us > Corporate governance and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > Corporate Governance Statement
2 a)-e)	
436 Scope of application	
a)	Introduction
b)	Introduction and points 5.1 (EU LI1), 5.2 (EU LI2) and 5.3 (EU LI3)
c)	Not applicable.
d)	Not applicable.
e)	Not applicable.
437 Own funds	
1a)	Points 1.1 and 5.1. (EU LI1)
1b)	Annex 1. Main features of capital instruments
	The terms and conditions of instruments can be found on the websites of issuers. The terms and conditions of CET1 instruments can be found in the bylaws of each Group member cooperative bank on their websites: op.fi > OP Financial Group > About us > Group member cooperative banks The terms and conditions of AT1 and T2 capital instruments can be found on OP Corporate Bank's website: op.fi > OP Financial Group > Debt Investors
1c)	Points 1.1, 5.1 (EU LI1) and 5.4
1d)	Points 1.1 and 5.4
1e)	Points 1.1 and 5.4
1f)	Not applicable.
2) Commission Implementing Regulation (EU) No 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements for institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council	Points 1.1, 5.1 (EU LI1), 5.4 and annex 1. Main features of capital instruments
438 Capital requirements	
	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles and note 51. to the 2019 financial statements OP Financial Group's risk tolerances
a)	
b)	Point 1.4.
c)	Points 1.2 (EU OV1) and 1.3
c)	Points 1.2 (EU OV1) and 1.3
i)	Points 1.2 (EU OV1) and 1.3
ii)	Points 1.2 (EU OV1) and 1.3
iii)	Not applicable.
iv)	Not applicable.
e)	Points 1.2 (EU OV1), 1.3 and 3.9 (MR1)
f)	Points 1.2 (EU OV1) and 1.3
Exposures related to financing for special objects and equity exposures, basic method – risk weights	Point 2.15 (EU CR10)
439 Exposure to counterparty credit risk	
a)	Point 3.1 (EU CCR1), (EU CCRA) and Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU CCRA), section 4.8
b)	Point 3.1 (EU CCR1), (EU CCRA) and Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU CCRA), section 4.8
c)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles (EU CCRA), point 4.8
d)	Point 3.1 (EU CCR1), (EU CCRA)
e)	Point 3.5 (EU CCR5-A)
f)	Point 3.4 (EU CCR4)
g)	Point 3.7. (EU CCR6)

h)	Point 3.7. (EU CCR6)
i)	Not applicable.
440 Capital buffers	
1a)	Point 5.5
1b)	Point 5.5
441 Indicators of global systemic importance	Not applicable
442 Credit risk adjustments	
a)	Note 1. to the 2019 financial statements Accounting policies and Note 56. Receivables from credit institutions and customers, and doubtful receivables
b)	Note 1. to the 2019 financial statements Accounting policies
c)	Point 2.1 (EU CRB-B)
d)	Points 2.2 (EU CRB-C) and 2.7 (EU CR1-C)
e)	Points 2.3 (EU CRB-D) and 2.6 (EU CR1-B)
f)	Specified material exposure classes.
g)	Point 2.20 (Template 3, EU CQ3)
a.	Points 2.5 (EU CR1-A) and 2.6 (EU CR1-B)
b.	Points 2.5 (EU CR1-A) and 2.6 (EU CR1-B)
c.	Points 2.5 (EU CR1-A) and 2.6 (EU CR1-B)
h)	Points 2.5 (EU CR1-A) and 2.6 (EU CR1-B)
i)	Point 2.7 (EU CR1-C)
i.	Point 2.8 (EU CR2-A)
ii.	Point 2.8 (EU CR2-A)
iii.	Point 2.8 (EU CR2-A)
iv.	Point 2.8 (EU CR2-A)
v.	Point 2.8 (EU CR2-A)
Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately.	Not applicable.
443 Unencumbered assets	
EBA/GL/2014/03 Guidelines on disclosure of encumbered and unencumbered assets	Point 7.2
444 Use of ECAIs	
a)	Point 2.13 (EU CRD)
b)	Point 2.13 (EU CRD)
c)	Point 2.13 (EU CRD)
d)	Not applicable.
e)	Points 2.12 (EU CR4) and 2.13 (EU CR5)
445 Exposure to market risk	Points 1.3 and 3.9 (EU MR1)
446 Operational risk	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.9 and point 1.3 of this report
447 Exposures in equities not included in the trading book	
a)	Note 1. to the 2019 financial statements Accounting policies
b)	Point 2.15 (EU CR10)
c)	Point 2.15 (EU CR10)
d)	Note 7. to the 2019 financial statements Net investment income
e)	Note 35. to the 2019 financial statements Equity and Note 20. Investment assets
448 Exposures in equities not included in the trading book	
a)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.5 and Note 58. Sensitivity analysis of interest rate and market risk
b)	Note 58. to the 2019 financial statements Sensitivity analysis of interest rate and market risk
449 Exposure to securitisation positions	
a)	Information is available in Note 2. OP Financial Group's risk and capital adequacy management principles, section 4.3 to the extent they apply to OP Financial Group.
b)	Information is available in Note 2. OP Financial Group's risk management and capital adequacy management principles to the extent they apply to OP Financial Group.
c)	OP Financial Group has no re-securitised items.
d)	Information is available in Note 2. OP Financial Group's risk and capital adequacy management principles, section 4.3 to the extent they apply to OP Financial Group. OP Financial Group acts only as an investor.
e)	Information is available in Note 2. OP Financial Group's risk management and capital adequacy management principles to the extent they apply to OP Financial Group. OP Financial Group acts only as an investor.
f)	Information is available in Note 2. OP Financial Group's risk management and capital adequacy management principles to the extent they apply to OP Financial Group as well as point 4.1 in this report.
g)	Not applicable.
h)	Note 2. OP Financial Group's risk and capital adequacy management principles, and point 4.1 of this report
i)	OP Financial Group does not act as an arranger
j)	OP Financial Group does not act as an arranger
i)	OP Financial Group does not act as an arranger
ii)	OP Financial Group does not act as an arranger
iii)	OP Financial Group does not act as an arranger
iv)	OP Financial Group does not act as an arranger
v)	OP Financial Group does not act as an arranger
vi)	OP Financial Group does not act as an arranger
k)	OP Financial Group does not act as a securitiser
l)	Not applicable.
m)	OP Financial Group does not act as a securitiser
n)	OP Financial Group does not act as a securitiser
i)	OP Financial Group does not act as a securitiser
ii)	OP Financial Group does not act as a securitiser
iii)	OP Financial Group does not act as a securitiser
iv)	OP Financial Group does not act as a securitiser
v)	OP Financial Group does not act as a securitiser
vi)	OP Financial Group does not act as a securitiser
o)	Point 4.1
i)	Point 4.1
ii)	Point 4.1
p)	Point 4.1

q)	Not applicable.
r)	Not applicable.
450 Remuneration policy	
1a)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration and www.op.fi > OP Financial Group > To the media > Publications > OP's reports > Year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. Variable remuneration to the financial statements.
1b)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration > EBA-report and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1c)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1d)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1e)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1f)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1g)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration > EBA-report www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration > EBA-report and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1h)	www.op.fi: OP Financial Group > About us > Corporate governance > Remuneration > EBA-report and www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1i)	www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Note 48. to the financial statements Variable remuneration
1j)	www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Financial Statement's Note 47. Related-party transactions and Note 48. Variable remuneration
2)	www.op.fi > OP Financial Group > To the media > Reports > OP's reports > year 2019 > OP Financial Group's Remuneration Statement and Corporate Governance Statement and Financial Statement's Note 47. Related-party transactions and Note 48. Variable remuneration
451 Leverage	
a)	Point 6.1
b)	Point 6.1
c)	Point 6.1
d)	Point 6.1
e)	Point 6.1
452 Use of the IRB Approach to credit risk	
a)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3 and the introduction of this report (EU CRE)
b)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3 and the introduction of this report (EU CRE)
i)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3 and the introduction of this report (EU CRE)
ii)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3. (EU CRE)
iii)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3. (EU CRE)
iv)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3. (EU CRE)
c)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3.
i)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3.
ii)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3.
iii)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3.
iv)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 10.
v)	Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 10.
d)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
e)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
i)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
ii)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
iii)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
f)	Points 2.14 (EU CR6) and 2.15 (EU CR6), (EU CR10)
g)	Point 2.5 (EU CR1-A)
h)	Point 2.14 (EU CR6)
i)	Point 2.18 (EU CR9)
j)	
i)	Point 9.2
ii)	Point 9.2

When applying the c) above, the description must incorporate the types of exposure included in the exposure class; definitions, techniques and information used in the estimation and validation of PD figures (and, if need be, LGD figures and credit conversion factors) including the assumptions used in the calculation of the variables concerned; description of material deviations from the definition of default under Article 178, including general segments which the deviations concerned affect.

Note 2. to the 2019 financial statements OP Financial Group's risk and capital adequacy management principles, section 4.3 and point 2.14 of this report (EU CR6)

453 Use of credit risk mitigation techniques	
a)	Point 2.10 (EU CRC)
b)	Point 2.10 (EU CRC)
c)	Point 2.10 (EU CRC)
d)	Point 2.10 (EU CRC)
e)	Point 2.10 (EU CRC)
f)	Points 2.10 (EU CR3) and 2.11
g)	Points 2.10 (EU CR3) and 2.11
454 Use of the Advanced Measurement Approaches to operational risk	Not applicable.
455 Use of Internal Market Risk Models	Not applicable.

9.2 Immaterial items not disclosed

Disclosure requirement	
CRR Article 452 j)	A total of over 90% of OP Financial Group's IRBA exposures are in Finland. The average PD and LGD is not presented according to the split by geographic region.
Template EU CR6 based on the EBA's guidelines (EBA/GL/2016/11)	The exposure class Retail exposures - Mortgage-backed exposures is not presented with division SMEs / non-SMEs because the EAD share of exposures of SMEs with mortgage-backed exposures account for 2% of the mortgage-backed retail exposures.
Template EU CCR4 based on the EBA's guidelines (EBA/GL/2016/11)	Retail exposures are not presented in the table concerned because they amount to less than EUR 200,000.
Template EU CRB-D based on the EBA's guidelines (EBA/GL/2016/11)	Material exposure classes are broken down in the table.
CRR Article 437 1b) Main features of capital instruments	The fixed debenture has not been specified; the amount included in own funds is less than EUR 15,000
Information required on a half-yearly basis by Commission Implementing Regulation (EU) No 1423/2013	No material change
Blank templates and zero lines based on the EBA's guidelines (EBA/GL/2016/11) are not presented.	

Annex 1. Capital instruments' main features

Capital instruments' main features template		Cooperative share	Profit share (Non-voting cooperative share)
1	Issuer	Group member cooperative banks	Group member cooperative banks
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable	Not applicable
3	Governing law(s) of the instrument	Finnish law, especially the Co-operatives Act and the Act on the Amalgamation of Deposit Banks, the EU Capital Requirements Regulation (575/2013 (CRR))	Finnish law, especially the Co-operatives Act and the Act on the Amalgamation of Deposit Banks, CRR
	Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	CET1 as published in the EBA list	CET1 as published in the EBA list
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	206	2 890
9	Nominal amount of instrument (in millions)	EUR 206	EUR 2 890
9a	Issue price	100 %	100 %
9b	Redemption price	100 %	100 %
10	Accounting classification	Central cooperative's share, cooperative capital	Central cooperative's share, cooperative capital
11	Original date of issuance	Not applicable	Not applicable
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Cooperative banks refund shareholders 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.	Cooperative banks refund shareholders the subscription price of their Profit shares upon termination of membership. A Profit share's subscription price is also refunded to the shareholder when the shareholder 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.
16	Subsequent call dates, if applicable	See item 15	See item 15
	Coupons/dividends		
17	Fixed or floating dividend/coupon	Floating	Floating
18	Coupon rate and any related index	Not applicable	Not applicable
19	Existence of dividend stopper	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable	Not applicable
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down features	Yes	Yes
31	If write-down, write-down triggers	Accumulation of losses	Accumulation of losses
32	If write-down, full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Through increase of cooperative capital	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 before other cooperative capital or, if the funds are insufficient, that part of supplementary cooperative capital that is proportional to the supplementary cooperative capital paid.	If a cooperative bank is dissolved either through liquidation or bankruptcy, any supplementary cooperative capital is refunded before 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	No
37	If yes, specify non-compliant features	Not applicable	Not applicable

The terms and conditions of CET1 instruments can be found in the bylaws of each Group member cooperative bank on their website: [op.fi](#) > OP Financial Group >

The terms and conditions of AT1 and T2 capital instruments can be found on OP Corporate Bank's website: [op.fi](#) > OP Financial Group > Debt Investors

Annex 1. Capital instruments' main features

Capital instruments' main features template		EUR 50,000,000 Non-cumulative Perpetual Capital Securities	EUR 40,000,000 Perpetual Non-Step-Up Hybrid Tier 1
1	Issuer	OP Corporate Bank plc	OP Corporate Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS0213603177	ISIN: XS0237073498
3	Governing law(s) of the instrument	English 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	English 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)	Additional Tier 1 capital (AT1)
5	Post-transitional CRR rules	Not applicable	Not applicable
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	31	30
9	Nominal amount of instrument (in millions)	EUR 50	EUR 40
9a	Issue price	100 %	100 %
9b	Redemption price	100 %	100 %
10	Accounting classification	Liability - carried at amortised cost	Liability - carried at amortised cost
11	Original date of issuance	31.3.2005	30.11.2005
12	Perpetual or dated	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	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%	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	See item 15
	Coupons/dividends		
17	Fixed or floating dividend/coupon	From fixed to floating	Floating
18	Coupon rate and any related index	6.5% per annum until 11 April 2006, after which 10-year Swap interest + 0.1% per annum, maximum interest 8% per annum	3-month EURIBOR + 1.25% per annum
19	Existence of dividend stopper	Yes	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary	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.]	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	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable
30	Write-down features	Not applicable	Not applicable
31	If write-down, write-down triggers	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	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	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument
36	Non-compliant transitioned features	Yes	Yes
37	If yes, specify non-compliant features	No loss cover mechanism and dividend stopper	No loss cover mechanism and dividend stopper

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The terms and conditions of AT1 and T2 capital instruments can be found on OP Corporate Bank's website: [op.fi](#) > OP Financial Group > Debt Investors

Annex 1. Capital instruments' main features

Capital instruments' main features template		EUR 500,000,000 Subordinated Instruments due 2022	EUR 100,000,000 5.25 per cent. Subordinated Instruments due 14 September 2021	CHF 100,000,000 3.375 Subordinated Instruments
1	Issuer	OP Corporate Bank plc	OP Corporate Bank plc	OP Corporate Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS0750702507 [[EMTN Series 130]]	ISIN: XS0677081993 [[EMTN Series 127]]	ISIN: CH0132112993
3	Governing law(s) of the instrument	English law, except for conditions relating to creditor order of priority, to which Finnish law is applied	English law, except for conditions relating to creditor order of priority, to which Finnish law is applied	English 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)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable	Not applicable	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	202	34	26
9	Nominal amount of instrument (in millions)	EUR 500	EUR 100	CHF 100
9a	Issue price	99.977%	99.612%	100.208%
9b	Redemption price	100 %	100 %	100 %
10	Accounting classification	Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
11	Original date of issuance	28.2.2012	14.9.2011	14.7.2011
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	28.2.2022	14.9.2021	14.7.2021
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	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%	Right to early redemption on the basis of such changes in tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%	Right to early redemption on the basis of such changes in 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	See item 15	See item 15
Coupons/dividends				
17	Fixed or floating dividend/coupon	Fixed	Fixed	Fixed
18	Coupon rate and any related index	5.75% per annum	5.25% per annum	3.375% per annum
19	Existence of dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down features	Not applicable	Not applicable	Not applicable
31	If write-down, write-down triggers	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Issuer's senior instruments	Issuer's senior instruments	Issuer's senior instruments
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

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The terms and conditions of AT1 and T2 capital instruments can be found on OP Corporate Bank's website: [op.fi](#) > OP Financial Group > Debt Investors

Annex 1. Capital instruments' main features

Capital instruments' main features template		JPY 10,000,000,000 Subordinated Floating Rate Instruments due 3 July 2025	SEK 3,500,000,000 Callable Floating Rate Dated Tier 2 Instruments due 2025	EUR 100,000,000 2.405 per cent Dated Tier 2 Instruments due 2025
1	Issuer	OP Corporate Bank plc	OP Corporate Bank plc	OP Corporate Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS1255402288	ISIN: XS1280147569	ISIN: XS1296897579
3	Governing law(s) of the instrument	English law, except for the subordination provisions which are governed by Finnish law	English law, except for the subordination provisions which are governed by Finnish law	English law, except for the subordination provisions which are governed by Finnish law
Regulatory treatment				
4	Transitional CRR rules	Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable	Not applicable	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	72	371	100
9	Nominal amount of instrument (in millions)	JPY 10 000	SEK 3 500	EUR 100
9a	Issue price	100 %	100 %	100 %
9b	Redemption price	100 %	100 %	100 %
10	Accounting classification	Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
11	Original date of issuance	3.7.2015	25.8.2015	25.9.2015
12	Perpetual or dated	Dated	Dated	Dated
13	Original maturity date	3.7.2025	25.8.2025	25.9.2025
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	Right to early redemption on the basis of such changes in tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%.	The issuer's opportunity to redeem on 25 August 2020. The right of redemption at nominal value at any time due during the loan term due to a capital transaction or taxable event. Right to early redemption on the basis of such changes in tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%.	The right of redemption at nominal value at any time due during the loan term due to a capital transaction or taxable event. Right to early redemption on the basis of such changes in 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	See item 15	See item 15
Coupons/dividends				
17	Fixed or floating dividend/coupon	Floating	Floating	Fixed
18	Coupon rate and any related index	3-month JPY Libor + 0.735% per annum	3-month Stibor + 1.6 % per annum. Minimum interest rate of 0% per annum	2.405% per annum
19	Existence of dividend stopper	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable	Not applicable	Not applicable
25	If convertible, fully or partially	Not applicable	Not applicable	Not applicable
26	If convertible, conversion rate	Not applicable	Not applicable	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
30	Write-down features	Not applicable	Not applicable	Not applicable
31	If write-down, write-down triggers	Not applicable	Not applicable	Not applicable
32	If write-down, full or partial	Not applicable	Not applicable	Not applicable
33	If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Issuer's senior instruments	Issuer's senior instruments	Issuer's senior instruments
36	Non-compliant transitioned features	No	No	No
37	If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

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