OP Financial Group Report by the Executive Board and Financial Statements 2015

Contents

Report by the Executive Board and Financial Statements

2015 in summary

- The Group's earnings before tax increased by 20% to EUR 1,101 million (915). This figure is OP Financial Group's all-time high.
- Total income increased by 5% and expenses decreased by 2% year on year.
- The CET1 ratio improved by 4 percentage points to 19.5% (15.1), supported by strong earnings, which, for its part, enabled strong growth in lending:
    - The home loan portfolio grew by 3.9% in the year to December.
    - The corporate loan portfolio increased by 9.3%.
    - The total loan portfolio increased by 6.4% and the number of loans drawn down by 8.7%.
- New customer bonuses totalled EUR 197 million, up 4.5% year on year.
- Contributions made by owner-customers to cooperative capital increased to EUR 2.8 billion (1.9). OP Financial Group anticipates paying interest of 3.25% on Profit Shares for 2015. Interest payable totals about EUR 66 million.
- Each of the three business segments improved its performance markedly:
    - Banking earnings before tax increased by 12% to EUR 642 million (571). The cost/income ratio improved by 2 percentage points to 54%. The deposit portfolio grew by 6.5%. Impairment loss on receivables remained low at 0.10% of the loan and guarantee portfolio.
    - Non-life Insurance earnings before tax increased by 16% to EUR 259 million (223). The operating combined ratio of 87.3% was the best ever recorded. Insurance premium revenue rose by 7%.
    - Wealth Management earnings before tax increased by 28% to EUR 213 million (167). Assets under management grew by 12% to EUR 68 billion.
- Full-year earnings for 2016 are expected to be about the same as in 2015. For more detailed information on the outlook, see "Outlook for 2016".

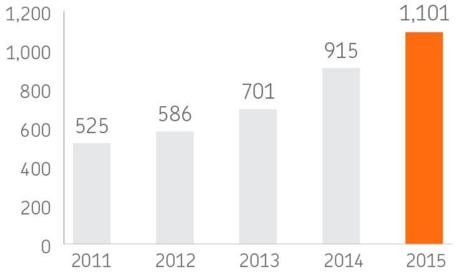
OP Financial Group's key indicators

OP Financial Group's key indicators

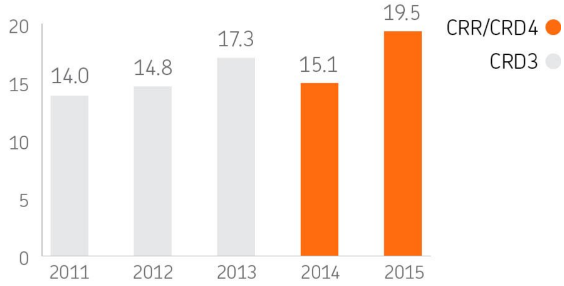
	2015	2014	Change, %
Earnings before tax, € million	1,101	915	20.4
Banking	642	571	12.5
Non-life Insurance	259	223	16.0
Wealth Management	213	167	27.6
New accrued customer bonuses	197	189	4.5
	31 Dec 2015	**31 Dec 2014**	**Change, %**
Common Equity Tier 1 (CET1) ratio, %	19.5	15.1	4,4*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), %	207	189	18*
Ratio of receivables more than 90 days past due to loan and guarantee portfolio, %	0.42	0.37	0,05*
Joint banking and insurance customers (1,000)	1,656	1,590	4.2

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2014.
Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2014 are used as comparatives.
* Change in ratio

EARNINGS BEFORE TAX, € MILLION



COMMON EQUITY TIER1 RATIO (CET1), CORE TIER 1 BEFORE TRANSITIONAL PROVISIONS, %



Operating environment

World economic growth remained sluggish in 2015 when growth in emerging economies stumbled. Commodity prices fell and the inflation rate decelerated on a global scale. The euro-area economy picked up, growing at a moderate rate.

The European Central Bank (ECB) intensified its accommodative monetary policy measures as the inflation rate decelerated. In March, the ECB began buying government bonds, resulting in pushing the short-term market interest rates negative. In December, the ECB announced new measures. It cut the deposit rate and extended the bond buying programme until March 2017. Market interest rates continued to decrease slightly.

The Finnish economic picture remained grim. Total output remained stagnant and unemployment increased. Capital expenditure was down and exports continued its downward trend. On the positive side, household spending rose. Construction picked up towards the year end. The housing market became slightly livelier but home prices decreased by less than one per cent.

The world economy is expected to continue to grow at a rate below the long-term average. The euro-area economy should continue to grow at a moderate pace. The Euribor rates are expected to remain lower than at the end of 2015. In Finland, household spending and a recovery in fixed investments are anticipated to maintain some economic growth.

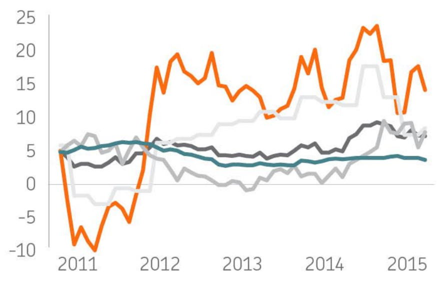
During the financial year, new home loans drawn down were about ten per cent higher than a year ago. At the same time, the growth rate of total consumer home loan volumes increased to almost three per cent and the average loan term for new home loans lengthened to slightly less than 19 years. The total volume of corporate and housing corporation loans increased by six per cent. A slightly positive mood for demand for loans is expected to continue.

The total volume of deposits showed growth throughout the year, aided by growth in deposits by corporations and public-sector-entities, whereas growth in total household deposits was weaker. The total term-deposit volume continued to decline as a result of extremely low interest rates.

Domestic mutual fund assets and insurance savings climbed notably thanks to favourable market developments and greater net asset inflows. Some 70 per cent of the growth in mutual fund assets came from net asset inflows.

According to the statistics by the Federation of Finnish Financial Services, non-life insurance premiums written were 2.1 per cent lower than in the previous year. Claims paid out decreased by 3.1 per cent.

CHANGE IN THE FINANCIAL SECTOR VOLUMES IN THE PAST 12 MONTHS, %



- Mutual fund savings
- Life insurance savings
- Banking market total
- Deposits
- Loans

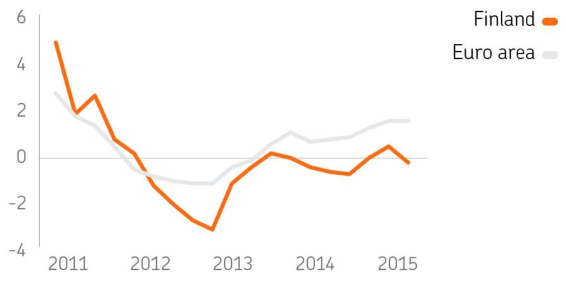
Sources: Bank of Finland, Federation of Finnish Financial Services, Investment Research Finland
Loans and deposits excl. financial and insurance corporations

EURIBOR RATES AND ECB REFI RATE, %

- 12-month euribor
- 3-month euribor
- ECB: Main refinancing rate

Source: Bank of Finland

GDP, ANNUAL VOLUME CHANGE, %



Seasonally adjusted series
Sources: Eurostat. Statistics Finland

FIXED INVESTMENTS, ANNUAL VOLUME CHANGE, %

Source: Statistics Finland

OP Financial Group's earnings analysis and balance sheet

Earnings analysis

€ million	2015	2014	Change, %
Banking	642	571	12.5
Non-life Insurance	259	223	16.0
Wealth Management	213	167	27.6
Earnings before tax	**1,101**	**915**	**20.4**
Gross change in fair value reserve	-219	152	
Earnings before tax at fair value	**883**	**1,067**	**-17.3**
Return on economic capital, % *)	21.5	16.5	5,0*
Return on economic capital at fair value, % *)	17.7	19.1	-1,4*
Income			
Net interest income	1,026	1,043	-1.7
Net income from Non-life Insurance	639	589	8.5
Net income from Life Insurance	278	197	41.0
Net commissions and fees	704	707	-0.5
Net trading and investment income	193	162	19.1
Other operating income	54	55	-0.7
Other income, total	**1,868**	**1,710**	**9.2**
Total income	**2,894**	**2,753**	**5.1**
Expenses			
Personnel costs	781	741	5.4
Other administrative expenses	420	414	1.5
Other operating expenses	319	401	-20.4
Total expenses	**1,520**	**1,555**	**-2.3**

Impairment loss on receivables	**78**	**88**	**-11.9**
New accrued customer bonuses	**197**	**189**	**4.5**

*) 12-month rolling, change in percentage

Other key indicators

€ million	31 Dec 2015	31 Dec 2014	Change, %
Receivables from customers	75,192	70,683	6.4
Life Insurance assets	13,858	11,238	23.3
Non-life Insurance assets	4,067	3,797	7.1
Liabilities to customers	58,220	51,163	13.8
Debt securities issued to the public	27,706	24,956	11.0
Equity capital	9,324	7,213	29.3
Total assets	125,145	110,427	13.3

January–December

Earnings before tax increased by 20.4% to EUR 1,101 million (915), being almost 10% higher than the previous record figure for 2007. This improvement was due especially to a 9% increase in other income. Net income posted by Life Insurance and Non-life Insurance increased as a result of improved insurance profitability. Net commissions and fees were at the level reported a year ago. Estate agent fees and lending fees were lower than a year ago whereas fees related to mutual funds and payment transaction fees increased. Net trading income rose due to income from derivatives trading. Capital gains on securities added to net investment income.

Net interest income decreased by 1.7% to EUR 1,026 million. Net interest income from retail and corporate banking increased but that from Markets and the liquidity buffer decreased. Net interest income from the liquidity buffer was reduced by narrower credit spreads of bonds and the Group's preparation for tighter liquidity regulation. The reduced net interest income from Markets was compensated by an increase in its other income.

Total expenses decreased by 2.3%, being EUR 35 million lower than a year ago. Higher personnel costs were explained by a EUR 40 million increase in pension costs and a non-recurring EUR 9 million in expenses related to the reorganisation of the central cooperative consolidated. Higher pension costs were explained, among other things, by amended pension laws adopted at the end of the year. Wages and salaries were at the previous year's level. In addition to business expansion, the non-recurring expenses of EUR 18 million related to intra-Group ownership reorganisation and the reconstruction of the Vallila premises increased other expenses. ICT costs increased by 5.7%, being EUR 11 million higher than in the previous year. A year ago, statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 72 million, and non-recurring expenses of EUR 12 million, related to the purchase of Pohjola Bank plc shares, increased other expenses.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 114 million (113), of which EUR 78 million (88) concerned loans and receivables. Net impairment loss on loans and receivables were low, at 0.10% (0.12) of the loan and guarantee portfolio.

The Group's income tax amounted to EUR 251 million (337). The effective tax rate was 22.5% (33.6). The Group's income tax after changes in deferred tax totalled EUR 249 million (308). The effective tax rate was increased by the capital gains tax of EUR 37 million (109) arising from transactions related to intra-Group ownership reorganisation.

Earnings before tax recorded by Banking amounted to EUR 642 million (571). The earnings performance by Banking was supported by higher income and lower expenses. Higher net interest income from Banking was due to growth in the loan portfolio and a rise in its average margin as well as a decrease in deposit funding costs. Net commissions and fees increased as a result of higher fees from Wealth Management and Non-life Insurance. Expenses decreased by 2.5% to EUR 1,037 million. Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 70 million in Banking, increased other operating expenses a year ago.

Non-life Insurance earnings before tax amounted to EUR 259 million (223). The operating combined ratio was 87.3% (89.4). Premiums written increased faster than claims incurred. The change in the discount rate for insurance liability increased claims incurred by EUR 62 million (62), which weakened the operating combined ratio by 4.5 percentage points. The expense ratio decreased by 0.7 percentage points to 17.7%. Net investment income recognised in the income statement decreased by EUR 7 million year on year.

Earnings before tax posted by Wealth Management were EUR 213 million (167). This year-on-year earnings improvement was a result of improved Life Insurance profitability. The segment's net commissions and fees decreased by 5.6% year on year.

On 19 May 2015, six former POP Group member banks joined OP Financial Group. Their accounts have been consolidated into the Group's accounts since they joined the Group. As a result of the consolidation, the Group's net interest income grew by EUR 9 million, net commissions and fees by EUR 3 million and expenses by EUR 10 million. As a whole, the effect on earnings was slightly positive. As a result of the consolidation, the Group's loan portfolio grew by EUR 643 million and deposit portfolio by EUR 694 million on the date of transfer.

Earnings before tax at fair value amounted to EUR 883 million (1,067). OP Financial Group's fair value reserve before tax totalled EUR 302 million (531) on 31 December.

Equity capital amounted to EUR 9.3 billion (7.2) on 31 December. This increase was due to both Group earnings and the issues of Profit Shares. On December 31, EUR 2.5 billion (1.6) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.3 billion. In March 2015, the central cooperative's Executive Board decided to raise the target level of Profit Shares by EUR 0.4 billion to EUR 2.3 billion. This target amount has virtually been met.

OP Financial Group's financial targets

OP Financial Group achieved all of its key financial targets at the end of the financial year.

OP Financial Group's financial targets

	31 Dec 2015	31 Dec 2014	Target
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates, %	207	189	160%
CET 1 ratio, %	19.5	15.1	18%*
Return on economic capital, % (12-month rolling)	21.5	16.5	20%
Growth differential between income and expenses, Group level, pps (for 3 years)	21.1	14.0	>0%-points
Growth differential between income and expenses, Banking, pps (12-month rolling)	4.1	9.6	>0%-points
Growth differential between income and expenses, Wealth Management, pps (12-month rolling)	18.6	18.6	>0%-points
Operating combined ratio by Non-life Insurance, %	87.3%	89.4%	<92 %

* By end of year 2016.

Key income statement items by quarter

€ million	2015 Q1	Q2	Q3	Q4	2015	2014	Change %
Net interest income	256	256	256	259	1,026	1,043	-1.7
Net income from Non-life Insurance	169	174	154	142	639	589	8.5
Net income from Life Insurance	104	45	61	68	278	197	41.0
Net commissions and fees	199	175	169	161	704	707	-0.5
Other income	58	100	50	40	248	217	14.1
Total income	**785**	**749**	**690**	**669**	**2,894**	**2,753**	**5.1**
Personnel costs	214	187	172	208	781	741	5.4
Other administrative expenses	102	102	90	126	420	414	1.5
Other operating expenses	82	87	69	81	319	401	-20.4
Total expenses	**399**	**375**	**331**	**415**	**1,520**	**1,555**	**-2.3**
Impairment loss on receivables	21	15	10	31	78	88	-11.9
Returns to owner-customers and OP bonus customers	46	51	50	48	195	195	-0.1
Earnings before tax	**320**	**308**	**299**	**175**	**1,101**	**915**	**20.4**

OP Financial Group's operational bases

OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. Cooperative values include People-first approach, Responsibility, and Prospering together. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

OP Financial Group's customer interests guide all of the Group's operations. Ongoing and active efforts to operate in the interests of customers are crystallised in the Group's customer promise: "We exist to serve our customers". Customers always come first and deserve undivided attention. Customer respect shows in the Group personnel's service attitude. The people elected in the Group's administrative bodies enable a powerful voice of customers in decision-making and the development of operations.

A long-term customer-driven approach is reflected in OP Financial Group's continuous renewal. The Group develops its services and products to meet customer needs. The Group takes different customer groups as well as the regional coverage and availability of financial services effectively into consideration. Group member cooperative banks and their offices across Finland, together with user-friendly electronic services, enable effective interaction with customers and the local community.

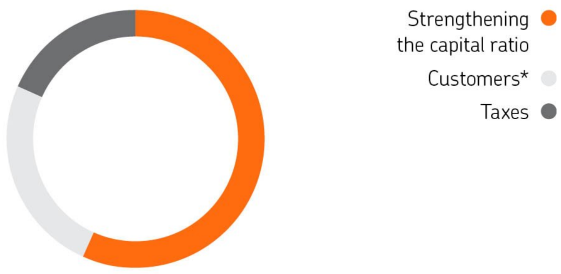
As a financial services provider owned by its customers, OP Financial Group has not only its business role but also another significant role, a social role. In its business role, the Group provides competitive services needed by its customers and ensures its operating efficiency and strong capital base that generates competitive advantage. A cooperative as a type of business organisation creates community spirit and continuity in the Group's operating region. In its social role, the Group assumes responsibility for both its owner-customers and, on a more comprehensive basis, for society and local communities. Successful performance in the business role enables the Group to lead its social role.

The strong capital base enables OP Financial Group to successfully lead its double role. The Group maintains its capital adequacy markedly above the regulated level to secure its role as a finance and insurance provider for businesses and even during a prolonged recession. Meanwhile, according to the Group strategy, the Group will keep risk-taking moderate vis-à-vis the risk-bearing capacity.

OP Financial Group is owned by its customers. Being a customer and owner is combined in OP Financial Group. OP Financial Group with a cooperative foundation aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. A substantial amount of earnings returns to owner-customers while the rest is used to strengthen the Group's balance sheet and secure lending. In addition to financial benefits, owner-customers have a genuine opportunity to contribute to their own cooperative bank's decisions and, thus, influence developments in their neighbourhood.

OP Financial Group's benefit and added value of the business operations are channelled, via customer relationships, to owner-customers and other customers. Member cooperative banks use their profits for the benefit of their customers by providing loyalty benefits and other financial benefits and by developing their service capabilities. Cooperative banks are often among the largest taxpayers in their localities. After expenses required for business, OP Financial Group allocated its earnings during the financial year, as follows:

ESTIMATE OF THE ALLOCATION OF 2015 EARNINGS



* Customers = customer bonuses, discounts on insurance policies and interest on contributions made by owner-customers

The estimate will be confirmed after the end of the financial year.

The estimate will be confirmed after the end of the financial year. The Group's operations also have other, larger indirect impacts on both local and nationwide economic vitality.

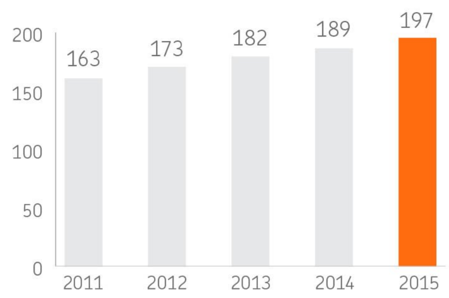
Customer relationships and customer benefits

The number of OP Financial Group's owner-customers increased by 57,000 in the year to December to 1,491,000. Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.8 billion (1.9) on 31 December.

On 31 December, OP Financial Group had 4,303,000 customers (excluding the customers of POP Group banks that joined the Group) in Finland. The number of private customers totalled 3,869,000 and that of corporate customers 434,000. The number of joint banking and non-life insurance customers increased in the year to December by 66,000 to 1,656,000. The POP Group banks that joined the Group had approximately 90,000 customers.

Member cooperative banks' owner-customers and Helsinki OP Bank customers earn OP bonuses through banking and insurance transactions. The combined amount of new bonuses earned by OP bonus customers in January-December for using OP as their main bank and insurer was worth EUR 197 million (189). A total of EUR 99 million (98) of bonuses were used to pay for banking and wealth management services and EUR 101 (95) million to pay non-life insurance premiums. OP bonuses were used to pay 2,023,000 insurance bills (1,912,000), with 273,000 (255,000) of them paid in full using bonuses. At the end of 2015, the Group updated its OP bonus scheme by abandoning the minimum transactions of EUR 5,000. OP bonuses can now be earned through all transactions entitling to the bonuses without the minimum threshold. This change enables a larger number of owner-customers to benefit from bonuses.

NEW ACCRUED CUSTOMER BONUSES, € MILLION



Non-life Insurance premier customer households were provided with EUR 79 million (73) in loyalty discounts during the financial year.

Member cooperative banks paid EUR 27 million (11) in interest on Profit Shares and supplementary cooperative capital contributions for 2014. Interest payable on the Profit Shares and supplementary cooperative capital contributions accrued during the financial year is estimated to total EUR 68 million. The return target for Profit Shares is 3.25%, calculated from the date the investment was made.

Multichannel service

The Group has a multichannel service network comprising branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the financial sector.

A change in customer behaviour and the general trend of digitisation of a number of aspects in people's daily lives will considerably change the way how financial services providers meet their customers. The Group aims to offer a channel for each particular need of the customer and enable him/her to switch flexibly between channels.

OP has made considerable investments in the development of online and mobile services. Digital services are the main channels for customers' daily transactions in banking, insurance and wealth management services. During the financial year, OP invested in OP-mobile, for example, by developing the service to be more user-friendly and extensive and by bringing new features. Banking, non-life insurance and wealth management services are now available on mobile. For example, OP developed wealth management investment reporting for OP-mobile during the financial year. The application also enables non-life customers to file a claim. The number of OP-mobile users has already increased to the level of op.fi. In 2015, the number of monthly op.fi visits averaged 10.3 million, that of OP-mobile 7.6 million and that of the Pivo mobile wallet application 1.7 million.

Despite the expansion of online and mobile services, the Group still has Finland's most extensive branch network with some 450 branches across the country. The Group's own branch network is also supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

As customer behaviour and demand for services change, the Group is modernising its branch concepts. An example of a new type of a future branch is the one opened in the Vallila office block in September 2015. The Vallila branch seeks to offer the best possible customer experience by promoting digitality. It also acts as the entire Group's test laboratory for new operating models and tools.

In addition to services provided at branches, customers have access to personal service by telephone and through online meetings. At online meetings, customers discuss with a bank's expert through audio/video conferencing.

The Group has extensive presence in the most common social media channels where it has more than 200,000 followers.The Group reaches its customers on Facebook and Twitter, in particular, publishing topical issues of interest to customers and other stakeholders and also replying to the general questions asked by customers. In addition to the Group national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers.

The Group wants to reach its customers through the most convenient channel for them and therefore continuously maps out new types of service encounters. During 2015, OP Financial Group was the first financial services provider to join Snapchat, a popular messaging application among teenagers, and send its first video clip on the Periscope streaming service.

The Group should open its second private hospital in Tampere in the summer of 2016. Establishing the hospital forms part of the health and wellbeing development programme whereby the Group will expand its hospital network nationwide and branch out from orthopaedics into other medical specialties.

Squeeze-out procedure related to Pohjola Bank plc shares

The Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce issued its award on 20 February 2015 regarding the squeeze-out of Pohjola's minority shareholders. Based on the award, the squeeze-out price was EUR 16.13 per share which equals the price offered by OP Cooperative for Pohjola shares in the public voluntary bid. The arbitration award was not appealed, i.e. the squeeze-out price based on the award was final.

Request for clarification from the Finnish Competition and Consumer Authority

On 14 December 2015, OP Financial Group received a request for clarification from the Finnish Competition and Consumer Authority, based on If P&C Insurance Company Ltd's request submitted to the authorities. The authorities are investigating OP Financial Group's market position in retail banking services and the pricing of non-life insurance products.

Due to the request, OP Financial Group entities have for the time being refrained from lobbying as members of the Federation of Finnish Financial Services, except for labour market issues.

Risk and capital adequacy management and risk exposure

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

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

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

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

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

OP Financial Group's quantifiable risks are restricted by means of limits and a system of control limits that guide operations at Group level, in member cooperative banks and entities belonging to OP Cooperative Consolidated. The central cooperative's Supervisory Board has determined risk limits for 2015 concerning OP Financial Group's capital adequacy as well as for credit, liquidity, market and underwriting risks.

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

Solvency

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

On 31 December, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4,6 billion (3,0). The FiCo buffer was increased by the Group's earnings, Profit Share issues and a decrease in the risk exposure amount (REA) in Banking and, on the other hand, the buffer was decreased by the capital conservation buffer of 2.5% adopted in banking capital adequacy in Finland at the beginning of 2015. The capital conservation buffer increased the consolidated capital adequacy requirement from 8% to 10.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 207% (189), with the requirement for the capital conservation buffer reducing the ratio by 54 percentage points. As a result of the buffer requirements, the FiCo solvency does no longer reflect the minimum level of capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level. The former POP Group banks which joined the Group had a minor effect on capital adequacy.

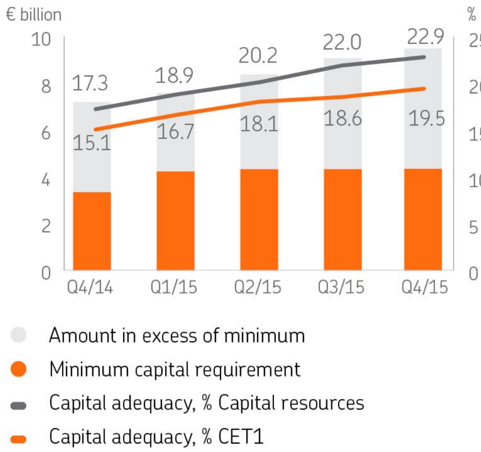
Capital adequacy for credit institutions

The Group's CET1 ratio was 19.5% (15.1) on 31 December. The issues of Profit Shares increased the CET1 ratio by 2.2 percentage points. In the first quarter, OP adopted updated probabilities of default (PD) according to permission from the supervisor. This adoption improved the CET1 ratio by 0.8 percentage points. Gains arising from the remeasurement of defined benefit pension plans (IAS 19) increased the Group's CET1 ratio by around 0.9 percentage points in the financial year.

OP Financial Group's banking capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the

CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the CET1 ratio to 7%.

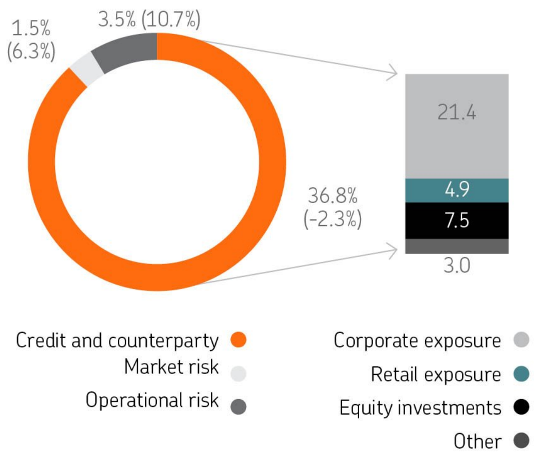
CAPITAL RESOURCES



The Group's CET1 capital was EUR 8.2 billion (6.4) on 31 December. CET1 capital was increased by the issue of Profit Shares, Banking performance for the period, IAS 19 items and dividends from the Group's insurance institutions. Profit shares accounted for EUR 2.5 billion of CET1 capital at the end of December.

On 31 December, REA totalled EUR 41.8 billion (42.3), or 1.0% lower than on 31 December 2014. The updated PD values for corporate exposure reduced REA by around 4.2%. In view of the PD changes, the average risk weights of corporate exposures increased slightly. Average risk weights of other major exposure classes went down slightly.

RISK WEIGHTED ASSETS 31 DECEMBER 2015, TOTAL 41.8 € BILLION (CHANGE FROM YEAR-END, -0.1%)



Equity investments include EUR 6.5 billion in risk-weighted assets of the Group's internal insurance holdings.

In October 2015, OP Financial Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice. The method applied to insurance holdings leads to a risk weight of approximately 280%. However, the ECB has the option of cancelling the permission as part of the harmonisation of supervisory options. OP Financial Group's CET1 ratio would decrease by about 0.6 percentage points if the special permission were cancelled and OP transferred to the deduction treatment of insurance holdings. Such a change in treatment would not, however, have any effect on OP Financial Group's real risk-bearing capacity.

The requirements for capital buffers implemented through national legislation will add to capital requirements further. In July 2015, the Financial Supervisory Authority set the requirement for the O-SII buffer for OP Financial Group as an Other Systemically Important Institution at 2%, effective as of 7 January 2016. Upon entry into force, the O-SII buffer will reduce the FiCo capital adequacy ratio by an estimated 22 percentage points. The Group already fulfils the capital conservation buffer requirement. In December 2015, the Financial Supervisory Authority decided not for the time being to impose a countercyclical capital buffer requirement on banks, but began preparations for setting higher risk weights on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis.

The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 7.2% based on the existing interpretations, calculated using the December-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

The solvency regulations of the insurance sector changed in early 2016 and are not included in statutory audit in accordance with the Insurance Companies Act that entered into force on 1 January 2016. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe. The regulations will on the one hand increase capital requirements, and on the other increase the capital base, which will decrease the capital adequacy ratio on a net basis under the Act on the Supervision of Financial and Insurance Conglomerates.

	Non-life Insurance		Life Insurance	
Solvency II	**31 Dec. 2015**	**31 Dec. 2014**	**31 Dec. 2015**	**31 Dec. 2014**
Capital base, € million	972	804	1,078	804
Capital requirement, € million	698	685	722	806
Solvency ratio, %	**139**	**117**	**149**	**100**

Solvency II figures do not include the effects of any possible transitional provisions.

EFFECT OF REGULATORY CHANGES TO FICO SOLVENCY AT START OF YEAR 2016, € BILLION

Due to regulatory changes, the FiCo capital adequacy will decrease from the current 207% to 156% at beginning of 2016.

ECB banking supervision

OP Financial Group is supervised by the ECB. The ECB has imposed on OP Financial Group a discretionary capital requirement buffer as part of the supervisory review and evaluation process (SREP). When taking account of the requirement for CET1 capital, the discretionary capital requirement buffer is 9.75% In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for the Group's capital adequacy position or business. To OP Financial Group's knowledge, the ECB has imposed on all banks under its supervision a comparable discretionary capital buffer requirement based on the comprehensive assessment uniformly applied to banks.

Risk exposure

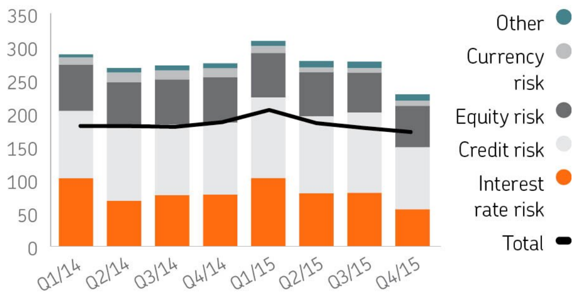
OP Financial Group's risk exposure has remained stable. The Group has a strong risk-bearing capacity that secures business continuity.

The strong risk-bearing capacity and moderate target risk exposure level helped to maintain the Group's credit risk exposure stable in a situation where the operating environment remained challenging.

OP Financial Group's funding and liquidity position is good. OP Financial Group had good access to funding. During the financial year, the Group issued long-term bonds worth EUR 6.5 billion. The loan-to-deposit ratio remained stable during the financial year.

OP Financial Group's market risk exposure was stable during the financial year. The Group's VaR, a measure of market risk, was EUR 174 million (188) on 31 December. The Group's VaR includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.

MARKET RISK VAR AT A CONFIDENCE LEVEL OF 95% AND A RETENTION PERIOD OF 10 DAYS, € MILLION



The Group expects its operational risks to be moderate although outsourced services still involve increased risk. During 2015, the Group improved its capabilities to prevent the detrimental effects of denial-of-service attacks and successfully managed to prevent the effects.

Risks associated with the Group's defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the financial year improved comprehensive income before tax by EUR 519 million.

Banking

Major risks within Banking include credit risk and market risk.

Banking's credit risk exposure remained stable, at a moderate risk level. Doubtful receivables totalled EUR 2.1 billion (1.6). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties. Impairment losses remained low, accounting for 0.10% (0.12) of the loan and guarantee portfolio.

During the financial year, the loan and guarantee portfolio increased by EUR 4.2 billion to EUR 77.8 billion. Private customers accounted for 60% (62) of the loan and guarantee portfolio. Of the six main categories for private customer exposure, 83% (81) of the exposures belonged to the top two categories, and 3% (4) to the two lowest.

Corporate customers' (including housing corporations) exposures represented 36% (36) of the loan and guarantee portfolio. Of corporate exposure, the highest rating category 1–5.5 exposure represented 59% (58) and the exposure of the lowest two rating categories amounted to EUR 441 million (501), accounting for 1.2% (1.5) of the total corporate exposure.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The Banking capital base covering major customer exposure amounted to EUR 9.4 billion (7.3).

In the Companies and housing associations sector, the most significant industries measured by exposure were Renting and Operation of Residential Real Estate representing 21.9% (21.6), Renting and Operating of Other Real Estate representing 11.7% (10.7) and Trade representing 9.6% (10.0). A total of 91% of exposures within Renting and Operation of Residential Real Estate were those by housing associations and 16% those guaranteed by general government.

Non-life Insurance

Major risks within Non-life Insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates.

No significant changes took place in Non-life Insurance's underwriting risks. Non-life Insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. Despite volatile long-term market interest rates, the solvency position under Solvency II was clearly stronger at the end of the financial year than the year before. The investment risk level (VaR with 95% confidence) at the end of the financial year was slightly lower than at the turn of the previous year. OP has reduced equity and credit risks associated with the investment portfolio. OP has moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. OP has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

Wealth Management

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

No major changes took place in Life Insurance's underwriting risks. The Life Insurance solvency position under Solvency II was clearly stronger at the end of the financial year than the year before. The insurance portfolio transferred from Suomi Mutual Life Assurance Company (Suomi Mutual) on 31 December 2015 increased the investment portfolio's market value by about EUR 1.3 billion, or about 30%. As a result of the portfolio transfer, the investment risk level (VaR with 95% confidence) increased by around 25%. The market risk level associated with the total balance sheet did not change at the time of the transfer. Before the portfolio transfer, the risk level was at the level recorded at the previous turn of the year. During the financial year, OP reduced equity and credit risk and moderately increased the portfolio duration with respect to hedging insurance liability against interest rate risks. OP has also used interest rate derivatives to hedge against interest rate risk associated with insurance liability.

Other Operations

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

Despite an increase in investments in the liquidity buffer, market risks (VaR with 95% confidence) decreased slightly during the financial year as a result of allocation changes.

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

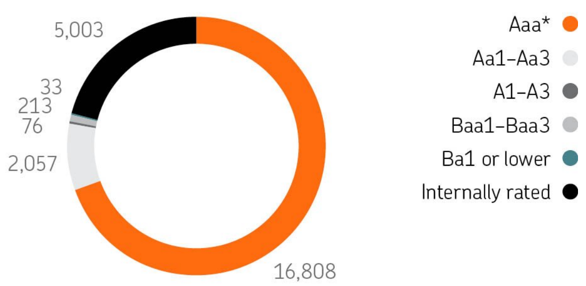
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 60% during the fourth quarter of 2015 and at least 100% from the beginning of 2018. In accordance with the European Commission Liquidity Delegated Act, the calculated estimate of OP Financial Group's LCR ratio was 116% at the end of December.

Liquidity buffer

€ billion	31 Dec 2015	31 Dec 2014	Change, %
Deposits with central banks	8.5	3.8	124
Notes and bonds eligible as collateral	10.6	7.8	35
Corporate loans eligible as collateral	4.3	4.3	0
Total	**23.4**	**15.9**	**47**
Receivables ineligible as collateral	0.8	0.7	19
Liquidity buffer at market value	**24.2**	**16.6**	**46**
Collateral haircut	-1.2	-1.1	12
Liquidity buffer at collateral value	**23.0**	**15.5**	**48**

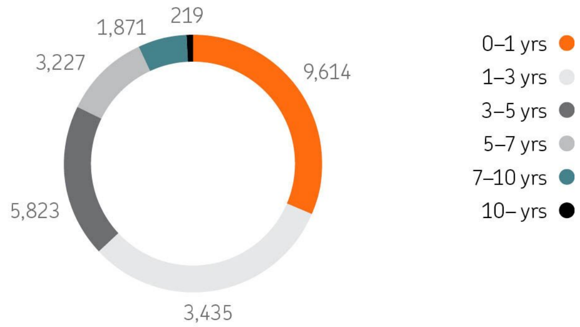
The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

FINANCIAL ASSETS INCLUDED IN THE LIQUIDITY BUFFER BY CREDIT RATING ON 31 DEC 2015, € MILLION



* incl. deposits with the central bank

FINANCIAL ASSETS INCLUDED IN THE LIQUIDITY BUFFER BY MATURITY ON 31 DEC 2015, € MILLION



Investment assets

€ million	31 Dec 2015	31 Dec 2014	Change, %
Banking	1,888	2,105	-10
Non-life Insurance	3,687	3,522	5
Wealth Management	4,032	4,056	-1
Other Operations	10,536	7,659	38
Total	**20,143**	**17,343**	**16**

The table excludes investments covering unit-linked insurance and the separated balance sheet transferred from Suomi Mutual.

Credit ratings

Credit ratings

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

Pohjola Bank plc has credit ratings affirmed by Standard & Poor's Credit Market Services Europe Limited and Moody's Investors Service Ltd. When assessing Pohjola's credit rating, the credit rating agencies take account of the entire OP Financial Group's financial position.

The credit ratings of OP Financial Group or Pohjola Bank plc did not change in 2015.

In November 2015, OP Financial Group and Pohjola Bank plc terminated the agreement relating to Fitch credit ratings, effective since 31 December 2015. Fitch Ratings affirmed and removed on 6 January 2016 OP Financial Group's and Pohjola Bank plc's long-term debt rating at A+ and short-term rating at F1.

On 2 December 2015, Standard & Poor's affirmed Pohjola Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative.

On 29 June 2015, Moody's affirmed Pohjola Bank plc's long-term debt rating at Aa3 and short-term debt rating at P-1 and kept the outlook stable.

Strategic development programmes

In June, the Supervisory Board of OP Cooperative confirmed five new development programmes for the Group in response to the drastically changing operating environment and the need for reforms stemming from changing customer behaviour. These programmes will require significant investments in the development of products, services, technology and expertise.

The development programmes address the efforts to strengthen the customer ownership-based foundation of the Group, to tap the opportunities and meet the challenges entailed by digitisation and to develop the three business segments on a broad scope. Moreover, OP has approved and initiated a health and wellbeing development project. In December 2015, the central cooperative Supervisory Board decided to begin to update the strategy on a comprehensive basis.

Outlook for 2016

The world economy is expected to grow at a rate below the average. Economic growth in the euro area is anticipated to remain moderate. Finnish economic growth has been modest for a long time now. Weak export demand, eroding price competitiveness and slow reform of economic structures are threatening to make the Finnish economic growth rate clearly lag behind the euro area for several years. Implementing the structural reforms may tighten the political situation, which may, for its part, threaten the recovery of the domestic market. The current exceptional world economic situation with low interest rates and quantitative easing measures by central banks will also cause major uncertainty to the future economic development.

The weak Finnish economy will keep long-term growth expectations low in the financial sector. Low interest rates will erode banks' net interest income and weaken insurance institutions' investment income. Then again, low interest rates support customers' loan repayment capacity that has remained stable despite the prolonged period of slow growth. Capital adequacy and profitability in the financial sector have come to play an ever-increasing role because of the unstable operating environment and the tighter regulatory framework.

OP Financial Group expects its earnings before tax for 2016 to be at about the same level as in 2015. The most significant uncertainties associated with the earnings estimate are related to unfavourable changes in the interest rate and investment environment. Some uncertainty is also associated with developments in impairment loss on receivables.

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

Events after the balance sheet date

In November 2015, Visa Inc. announced a definitive agreement to acquire Visa Europe Ltd. The transaction is expected to be completed in the first half of 2016 but it is subject to regulatory approval. In January, OP Cooperative's Executive Board, for its part, approved the bid. If completed, the transaction will, based on preliminary and unconfirmed estimates, bring OP Financial Group approximately EUR 70 million in capital gains in 2016.

In January 2016, OP Financial Group and Suomi Mutual began to negotiate over transfer of Suomi Mutual's individual pension insurance portfolio of about EUR 3.2 billion to OP Life Assurance Company Ltd. The parties aims to draw up a plan for the transfer of the insurance portfolio during March and submit the case to the shareholders' meetings during the spring 2016.

Operations and earnings by business segment

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

Summary of earnings by business segment

€ million	Income	Expenses	Other items *)	Earnings before tax 2015	Earnings before tax 2014	Change, %
Banking	1,927	1,037	-248	642	571	12.5
Non-life Insurance	561	302	0	259	223	16.0
Wealth Management	321	108	0	213	167	27.6
Other Operations	538	551	0	-13	-34	-61.2
Eliminations	-454	-478	-24	0	-13	
Total	**2,894**	**1,520**	**-272**	**1,101**	**915**	**20.4**

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

Banking

- Earnings before tax amounted to EUR 642 million (571). Income increased by 1.6% and expenses decreased by 2.5%.
- The cost/income ratio improved by 2 percentage points to 54%.
- The loan portfolio grew by 6.4% in the year to December.
- Impairment losses of EUR 77 million (86) accounted for 0.10% (0.12) of the loan and guarantee portfolio.

Banking, key figures and ratios

€ million	2015	2014	Change, %
Income			
Net interest income	1,108	1,092	1.4
Net commissions and fees	663	655	1.3
Net trading and investment income	120	115	4.7
Other operating income	36	34	4.4
Total income	**1,927**	**1,896**	**1.6**
Expenses			
Personnel costs	472	446	5.9
Other administrative expenses	370	345	7.1
Other operating expenses	194	272	-28.6
Total expenses	**1,037**	**1,063**	**-2.5**
Impairment loss on receivables	77	86	-10.2
Returns to owner-customers and accrued customer bonuses	171	176	-2.9
Earnings before tax	**642**	**571**	**12.5**
Cost/income ratio, %	**53.8**	**56.1**	**-2.3**
€ million			
Home loans drawn down	6,577	5,977	10.0
Corporate loans drawn down	6,631	6,468	2.5
No. of brokered property transactions	12,149	12,341	-1.6
€ billion	**31 Dec 2015**	**31 Dec 2014**	**Change, %**
Loan portfolio			
Home loans	35.3	34.0	3.9
Corporate loans	18.5	16.9	9.3
Other loans	21.5	19.8	8.3
Total	**75.2**	**70.7**	**6.4**
Guarantee portfolio	2.6	2.9	9.5

Deposits			
Current and payment transfer	34.7	29.8	16.6
Investment deposits	17.2	19.0	-9.4
Total deposits	**51.9**	**48.8**	**6.5**
Market share,% **	**31 Dec 2015**	**31 Dec 2014**	**Change, %**
Loans	34.9	34.4	0,6*
Deposits	37.1	37.6	-0,5*

* Change in ratio
** Excluding financial and insurance institutions' loans and deposits

Despite weak economic growth, demand for loans continued to increase. The loan portfolio grew by 6.4% in the year to December as a result of the greater volumes of corporation and housing corporation loans and of home loans drawn down by households. The volume of new home loans drawn down increased year on year by 10%.

The deposit portfolio increased by 6.5% in the year to December. The volume of investment deposits declined between January and December, due to low interest rates and lower term deposit margins. However, the volume of deposits in payment transaction accounts grew in the year to December by 17% due mainly to growth in corporate and institutional deposits.

The Group's market share of home loans increased in the year to December by 0.6 percentage points, being 38.6% at the end of December. The market share of corporate loans increased during the same period by 1.8 percentage points to 37.5% (35.6). The Group's market share of the total euro-denominated deposits increased by 2.0 percentage points to 35.9%. Adjusted by financial and insurance institutions, this market share was 37.1% (37.6).

The combined amount of Profit Shares, ordinary and supplementary cooperative contributions of the member cooperative banks increased by EUR 0.9 billion in January-December, amounting to EUR 2.8 billion on 31 December.

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents decreased by 1.6% over the previous year.

The home loan repayment grace period offered by OP Financial Group as part of its #Suominousuun campaign (Putting Finland on a new growth path) was used for almost 100,000 loans during the February-June period. The deferred repayment of these loans totals around EUR 450 million.

In April, OP announced a new single financing process model for companies that need both bank loan and risk financing but are not ready to abandon their current ownership. This financing package is targeted at companies with net sales of EUR 10–50 million.

Earnings

Earnings before tax increased to EUR 642 million (571). Income increased by 1.6% and expenses decreased by 2.5%, as a result of which the cost/income ratio improved by 2.3 percentage points. Impairment losses of EUR 77 million (86) accounted for 0.10% of the loan and guarantee portfolio (0.12).

Net interest income rose to EUR 1,108 million (1,092) as a result of an increase in the loan portfolio and a higher average loan portfolio margin and lower deposit funding costs. As a result of a decrease in the Markets division's net interest income, Banking net interest income increased by only 1.4%.

Net commissions and fees increased by EUR 8 million to EUR 663 million (655). Commissions and fees related to Wealth Management increased by EUR 14 million and those to Non-life Insurance by EUR 3 million.

Net trading and investment income increased by a total of EUR 5 million year on year.

Expenses decreased by 2.5% to EUR 1,037 million (1,063). Statutory contributions to the Deposit Guarantee Fund and the bank levy, totalling EUR 70 million, increased other operating expenses a year ago.

Personnel costs increased by EUR 26 million to EUR 472 million (446) due mainly to higher social expenses.

Non-Life Insurance

- Earnings before tax amounted to EUR 259 million (223). Earnings before tax at fair value were EUR 171 million (272).
- Insurance premium revenue increased by 7% (5).
- The balance on technical account improved. The operating combined ratio was 87.3% (89.4) and operating expense ratio 17.7% (18.4). The combined ratio was 88.8% (91.0).
- Return on investments at fair value was 2.3% (6.7).

Non-life Insurance, key figures and ratios

€ million	2015	2014	Change, %
Insurance premium revenue	1,396	1,310	6.5
Claims incurred	-972	-930	4.5
Operating expenses	-247	-242	2.1
Amortisation adjustment of intangible assets	-21	-21	-0.1
Balance on technical account	**156**	**117**	**32.5**
Net investment income	164	171	-4.2
Other income and expenses	-61	-66	-7.2
Earnings before tax	**259**	**223**	**16.0**
Gross change in fair value reserve	-87	49	
Earnings before tax at fair value	**171**	**272**	**-36.9**
Combined ratio, %	88.8	91.0	
Operating combined ratio, % *	87.3	89.4	
Operating loss ratio, % *	69.6	71.0	
Operating expense ratio, %	17.7	18.4	
Operating risk ratio, %	64.2	65.0	
Operating cost ratio, %	23.1	24.4	
Return on investments at fair value, %	2.3	6.7	
Solvency ratio, %	70.4	75.4	
Solvency ratio (Solvency II), %**	139.3	117.3	
Large claims incurred retained for own account	-60	-79	
Changes in claims for provisions of previous years (run-off result)	32	27	

* The ratio for the corresponding period a year ago has beeb changed to correspond to the treatment of change of the discount rate applied since the beginning of 2015.
** The figure in shown without the effect of transitional provisions.

Growth in insurance premium revenue remained strong among Private Customers. Insurance premium revenue from Corporate Customers increased despite the recession. Profitability improved among Private and Corporate Customers. Insurance sales increased slightly year on year. Claims expenditure developed favourably due to the mild winter and lower large claims.

OP Financial Group's market share of non-life insurance premiums written in 2014 was 31.5% (30.3). Measured by this market share, OP Financial Group is clearly Finland's largest non-life insurer.

The number of premier customer households increased in the year to December by 22,000 to 677,000 (655,000), of which up to 76% (75) also use OP Financial Group member cooperative banks as their main bank.

Developing claims services further has been one of the Non-life Insurance priorities. In particular, Non-life Insurance has developed its electronic services in both online and mobile services. The financial year saw the launch of a new loss report service on OP-mobile. Over up to 50% of loss reports are filed online and over up to 75% of loss reports on personal injuries under voluntary insurance are filed online.

Using electronic services in managing non-life policies and claims has increased considerably. During the last 12 months, the number of customers receiving their insurance-related mail electronically has risen to 554,000 (365,000).

Earnings

Earnings before tax increased to EUR 259 million (223). The balance on technical account was good. Net investment income recognised in the income statement decreased by EUR 7 million. Earnings before tax at fair value amounted to EUR 171 million (272).

At the beginning of the financial year, OP Financial Group changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. On 31 December, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 62 million (62). According to the new valuation model, a change in the discount rate also affects the calculation of operating ratios. The operating ratios for the corresponding period a year ago have been changed accordingly. The changed discount rate weakened the operating combined ratio by 4.5 percentage points (4.7).

The operating combined ratio was 87.3% (89.4). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Non-life Insurance, Insurance premium

€ million	2015	2014	Change, %
Private Customers	730	687	6.3
Corporate Customers	609	568	7.3
Baltics	56	55	1.6
Total	**1,396**	**1,310**	**6.5**

Claims incurred, excluding the reduction in the discount rate, increased by 5% on a year earlier. Developments in large claims remained favourable. Claims incurred arising from new large claims were lower than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 70 (82) in January-December, with their claims incurred retained for own account totalling EUR 60 million (79). The change in provisions for unpaid claims under statutory pension increased year on year, being EUR 16 million (12) between January and December.

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 32 million (27). The operating loss ratio was 69.6% (71.0). The operating risk ratio excluding indirect loss adjustment expenses was 64.2% (65.0).

Operating expenses grew by 2%, being EUR 5 million higher than a year ago, due to higher sales commissions and portfolio management fees. The operating expense ratio was 17.7% (18.4). The operating cost ratio (including indirect loss adjustment expenses) was 23.1% (24.4).

Operating balance on technical accout and combined ratio (CR)

	1-12/2015		1-12/2014	
€ million	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	140	80.9	126	81.6
Corporate Customers	32	94.7	7	98.8
Baltics	5	90.9	6	90.0
Total	**177**	**87.3**	**139**	**89.4**

Private Customer profitability improved as a result of continued growth in premium revenue. Claims developments among Corporate Customers were more favourable than a year ago. The reduced discount rate is reflected in Corporate Customer profitability in particular. In Baltics, profitability weakened slightly because of large claims.

Investment

Return on investments at fair value totalled EUR 74 million (236), or 2.3% (6.7). The full-year return on investments was positive due to higher stock market prices. Net investment income recognised in the income statement amounted to EUR 164 million (171).

Non-life Insurance, Investment portfolio by asset class

%	31 Dec 2015	31 Dec 2014
Bonds and bond funds	77	73
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	10	11
Money markets	3	5
Total	**100**	**100**

On 31 December, the Non-life Insurance investment portfolio totalled EUR 3,687 million (3,552). The fixed-income portfolio by credit rating remained healthy, considering that investments within the highest rating category accounted for 93% (94), and 63% (71) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.7 years (4.5) and the duration 5.2 years (4.3).

The running yield for direct bond investments averaged 1.76% (1.94) at the end of December.

Wealth Management

- Earnings before tax amounted to EUR 213 million (167). Earnings before tax at fair value were EUR 159 million (218).
- Net investment income from Life Insurance increased year on year.
- Return on investments at fair value was 2.4% (6.0).
- The gross amount of assets under management increased by 12% in the year to December, totalling EUR 68 billion on 31 December.

Wealth Management, key figures and ratios

€ million	2015	2014	Change, %
Net commissions and fees			
Funds and asset management	188	175	7.9
Life insurance	171	166	2.7
Expenses	163	133	22.5
of which accrued customer bonuses	23	18	26.6
Total net commissions and fees	**196**	**208**	**-5.6**
Life Insurance's net risk results	21	20	7.0
Net Investment Income from Life Insurance	98	51	94.0
Other income	5	1	
Personnel costs	32	32	-1.0
Other expenses	76	80	-4.4
Earnings before tax	**213**	**167**	**27.6**
Gross change in fair value reserve	-54	51	
Earnings before tax at fair value	**159**	**218**	**-26.8**

€ billion	31 Dec 2015	31 Dec 2014	Change, %
Assets under management (gross)			
Mutual funds	21.7	17.5	24.3
Institutional Customers	23.5	23.5	-0.2
Private Banking	14.6	12.8	14.3
Unit-linked insurance savings	8.7	7.6	15.2
Total assets under management (gross)	**68.5**	**61.3**	**11.7**

€ million			
Net inflows			
Investor and saver customers	666	716	-7.0
Private Banking clients	469	1,363	-65.6
Institutional clients	-187	454	-141.2
Total net inflows	**948**	**2,534**	**-62.6**
Market share, %	**31 Dec 2015**	**31 Dec 2014**	**Change, %**
Mutual funds	22.2	20.5	1,7*

* Change in ratio

The gross amount of assets under management increased by 11.7% during the financial year, as a result of good value performance in stock markets and the positive total net inflows. Assets under management totalled EUR 68.5 billion (61.3), this amount including EUR 11 billion in assets of the companies belonging to OP Financial Group.

Year on year, net inflows declined in all customer segments, amounting to EUR 948 million (2,534). This decline was due to uncertainty associated with the general economic outlook.

The number of investor and saver customers grew by 26,000 in the financial year, totalling 754,000 on 31 December. In particular, the number of clients of Saver's funds made good progress, with the number of unitholders increasing by 51,000 from the end of 2014.

With the consent from the Finnish Financial Supervisory Authority, the individual life insurance portfolio worth around EUR 1.3 billion was transferred to OP Financial Group on 31 December. A separate balance sheet was created out of the transferred savings policy portfolio that differs from other life insurance operations in terms of the profit distribution policy.

The risk-adjusted return of OP Mutual Funds remained good in the financial year. The Morningstar rating for OP Mutual Funds was 3.2 (3.3).

During the financial year, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 40% (28) of mutual fund subscriptions.

As part of the #Suominousuun (Putting Finland on a new growth path) campaign, trading in Finnish equities on the NASDAQ OMX Helsinki is free of charge for around four months for the customers of OP eServices online and mobile. OP also provides, free of charge, equity research containing analyses of companies to all those interested. These benefits will be effective for a fixed period of 7 December 2015-31 March 2016. Moreover, OP permanently quit charging subscription fees for OP mutual funds investing in Finland in all of its channels.

Earnings

Earnings before tax increased to EUR 213 million (167). Earnings before tax at fair value were EUR 159 million (218).

Net commissions and fees decreased by 5.6% year on year, amounting to EUR 196 million (208). Net commissions and fees accounted for 0.29% (0.35) of the gross amount of the assets under management.

Life Insurance's return on investments at fair value was 2.4% (6.0). Life Insurance's net investment income, excluding the performance of derivatives that hedge the interest rate risk of insurance liabilities and the technical rate of interest, totalled EUR 185 million (169).

Expenses were EUR 4 million lower than a year ago. Wealth Management's operating cost/income ratio decreased to 45.6% (40.8). Expenses accounted for 0.16% (0.18) of the gross amount of the assets under management.

Interest-rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. Accrued supplementary interest rate provisions related to insurance liabilities totalled EUR 404 million (475) on 31 December. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 52 million (54) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance and the separated balance sheet transferred from Suomi Mutual, amounted to EUR 4,078 million (4,148). Investments within the highest rating category accounted for 96% (94) of the fixed-income portfolio. On 31 December, the portfolio's modified duration was 4.7 (3.1).

Investment portfolio by asset class

€ milion	**31 Dec 2015**	**31 Dec 2014**
Bonds and bond funds	76	68
Alternative investments	6	6
Equities and equity funds	5	7
Real property	7	6
Money markets	6	12
Total	**100**	**100**

Other Operations

Other Operations, key figures and ratios

€ million	2015	2014	Change, %
Net interest income	-52	-33	-56.7
Net trading income	0	-9	
Net investment income	89	59	50.9
Other income	501	473	5.7
Expenses	551	524	5.1
Earnings/loss before tax	**-13**	**-34**	**61.2**
€ billion	**31 Dec 2015**	**31 Dec 2014**	**Change, %**
Receivables from credit institutions	11	10	3.8
Investment assets	16	13	29.8
Liabilities to credit institutions	4	5	-9.9
Debt securities issued to the public	18	17	5.3

Earnings

Earnings before tax reported by Other Operations amounted to EUR -13 million (-34). The earnings were eroded by lower net interest income and higher expenses. Net investment income and other income increased year on year.

Net interest income was EUR -52 million (-33). Net interest income was reduced by persistently low interest rates, narrower credit spreads of bonds included in the liquidity buffer and the Group's preparation for tighter liquidity regulation. On 31 December, the average margin of OP Financial Group's senior wholesale funding was 39 basis points (41).

Net investment increased by EUR 30 million to EUR 89 million as a result of higher capital gains on securities. Dividend income included in net investment income fell by EUR 16 million to EUR 21 million.

Other income increased to EUR 501 million, being EUR 28 million larger than a year ago. Other income consists to a large extent of intra-Group service charges, which are presented as business segment expenses.

Expenses rose by EUR 27 million to EUR 551 million. Personnel costs increased by EUR 16 million to EUR 176 million. Other operating expenses included the non-recurring expenses of EUR 18 million related to the intra-Group ownership reorganisation and the reconstruction of the Vallila premises. A year ago, non-recurring EUR 20 million fees related to the tender offer for Pohjola Bank plc shares was recognised in 'Other operating expenses'.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements include the accounts of 178 member cooperative banks (181) including Group companies, OP Cooperative Consolidated and OVY Insurance Ltd. During the financial year, mergers of member cooperative banks reduced the number of member cooperative banks and the six former POP Group banks that joined OP Financial Group added to the number of member cooperative banks.

The Supervisory Board of OP Financial Group's central cooperative has made a decision in principle whereby Helsinki OP Bank Plc will be converted from a limited liability company to a cooperative bank during 2016. The new bank will be renamed Helsinki Area Cooperative Bank (Helsingin Seudun Osuuspankki) (OP Helsinki). This decision has made customer ownership within OP Financial Group possible across Finland.

According to plan, OP Helsinki will be part of OP Financial Group central cooperative consolidated as its subsidiary. Since the central cooperative will continue to play a major role in capitalising the new bank, the bank's bylaws are meant to be formulated in such a way that OP Financial Group has a controlling interest of 2/3 in the bank.

The abovementioned planned changes require regulatory approval from the relevant authorities.

Pohjola Bank plc will be renamed OP Corporate Bank plc in the spring of 2016. Omasairaala Oy will be renamed Pohjola Health Ltd in the summer of 2016 when the Tampere hospital unit is opened.

The process of planning and implementation regarding the legal structures of OP Financial Group's central cooperative consolidated is still underway. The Wealth Management segment was transferred from Pohjola Group to direct ownership of the central cooperative at the end of 2015. There is also a plan to transfer Non-life Insurance from Pohjola Group. The transfer of OP Financial Group's central banking operations, being presently part of Pohjola Bank plc, to another subsidiary wholly owned by OP Cooperative, is also under consideration. OP has not yet made decisions on the implementation method of the separation of central banking and the transfer of Non-life Insurance or the related schedule.

As part of internal restructuring, OP Cooperative purchased in June 2015 all OP Life Assurance Company Ltd and OP Card Company Plc shares held by member cooperative banks and Helsinki OP Bank Plc. As a result, the central cooperative consolidated holds all OP Life Assurance Company Ltd and OP Card Company Plc shares.

Aurum Investment Insurance Ltd merged into OP Life Assurance Company Ltd on 31 December 2015.

Suomi Mutual's individual pension insurance portfolio was transferred to OP Life Assurance Company Ltd on 31 December 2015, excluding non-life policy type personal insurance that was transferred to Pohjola Insurance Ltd. During the portfolio transfer, EUR 1.3 billion in assets and insurance liability measured at fair value transferred from Suomi Mutual. The portfolio transfer has no direct earnings effect on OP Financial Group.

Osuuspankki Poppia, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki, Keiteleen Osuuspankki and Tuusniemen Osuuspankki, which were part of POP Group, decided in their Cooperative Meetings to join OP Financial Group as independent cooperative banks. Since 19 May 2015, these banks have officially been Group member cooperative banks and their customers have fallen within the scope of OP Financial Group's deposit insurance.

Sotkamon Osuuspankki merged into Kainuun Osuuspankki on 31 May 2015.

Itä-Uudenmaan Osuuspankki merged on 31 July 2015 into Porvoon Osuuspankki that was renamed Itä-Uudenmaan Osuuspankki.

Mynämäen Osuuspankki merged on 31 August 2015 into Nousiaisten Osuuspankki that was renamed Mynämäen-Nousiaisten Osuuspankki.

Hartolan Osuuspankki and Sysmän Osuuspankki merged on 31 August 2015 into Etelä-Päijänteen Osuuspankki that was renamed Järvi-Hämeen Osuuspankki.

Myrskylän Osuuspankki merged into Orimattilan Osuuspankki on 30 September 2015.

Karkun Osuuspankki merged into Tampereen Seudun Osuuspankki on 31 October 2015.

Pyhälaakson Osuuspankki merged into Suomenselän Osuuspankki on 31 December 2015.

Ylivieskan Osuuspankki merged into Kokkolan Osuuspankki on 31 December 2015.

Östra Korsholms Andelsbank and Vasa Andelsbank have accepted a merger plan, according to which the former will merge into the latter. The planned date for registration of the merger execution is 29 February 2016.

Keiteleen Osuuspankki and Pielaveden Osuuspankki have accepted a merger plan, according to which the former will merge into latter. The merged banks will be renamed Nilakan Seudun Osuuspankki.

Personnel and remuneration

On 31 December, OP Financial Group had 12,130 employees (12,356). The number of employees averaged 12,174 (12,548). The reorganisation and streamlining measures carried out in OP Financial Group reduced the number of employees during the financial year. Six POP Group banks that have been OP Financial Group member cooperative banks since 19 May 2015 increased the number of employees by 133.

During the financial year, 241 OP Financial Group employees (323) retired, at an average age of 61.5 years (61.7). OP Financial Group's scheme for variable remuneration comprises short-term company-specific incentives and long- term Group-wide incentives.

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

The long-term management incentive scheme has been confirmed for 2014–2016. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2014–2016 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance indicators: OP Financial Group's EBT, the Group's CET1 ratio and the growth rate of the number of customers using OP as their main bank and insurer. The Group-level targets are the same both in the management incentive scheme and OP Financial Group's Personnel Fund.

OP Financial Group's policies worth around EUR 100 million under TyEL (Employees Pensions Act) with Ilmarinen Mutual Pension Insurance Company were transferred to OP Bank Group Pension Fund on 31 December 2015.

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

Remuneration and other benefits of OP Financial Group's President and Group Executive Chairman, who is also the central cooperative's CEO, and of the other central cooperative's Executive Board members, deputy members and Chief Audit Executive are decided on by the presiding officers of the central cooperative's Supervisory Board. A written executive contract, approved by the Supervisory Board, stipulates the terms and conditions governing each Executive Board member's, deputy member's and the Chief Audit Executive's employment.

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

OP Financial Group's President and Group Executive Chairman received EUR 754,392 in salary, EUR 21,600 in fringe benefits and EUR 250,100 in bonuses for 2014 based on the short-term scheme, i.e. a total of EUR 1,026,092. In 2015, the amount of deferred bonuses earned for 2011, 2012 and 2013 under the short-term and long-term schemes totalled EUR 671,669.

Other Executive Board members, deputy members and the Chief Audit Executive received a total of EUR 3,205,111 in salary and EUR 159,807 in fringe benefits. The amount of deferred bonuses earned for 2011–2014 under the short-term and long-term schemes totalled EUR 2,340,496. Salaries and bonuses paid to other Executive Board members, deputy members and the Chief Audit Executive totalled EUR 5,705,414.

Salaries and bonuses include the amount of the performance-based bonuses earned for 2011, 2012, 2013 and 2014 and paid in 2015. Payment of performance-based bonuses earned by the President and Group Executive Chairman and Executive Board members for 2014 under the short-term scheme has not been deferred. The deferral procedure is based on a procedure prescribed in the Act on Credit Institutions (610/2014), which is described in Note 59 of OP Financial Group's IFRS Financial Statements on variable remuneration.

Executive Board members' supplementary pension cover has been arranged through OP Bank Group Pension Foundation and supplementary pension taken out with OP Life Assurance Company. The President and Group Executive Chairman, the other Executive Board members, deputy members and the Chief Audit Executive retire at 63.

Supplementary pension insurance costs for 2015 totalled EUR 599,000. In 2015, no costs were recognised under the OP Bank Group Pension Foundation supplementary pension scheme.

Supplementary pension costs have been published in the credit institutions' remuneration data collected annually by the European Banking Authority (EBA) in accordance with the capital requirements regulation (EU 575/2013) and directive of the (2013/36/EU, CRD IV) of the European Parliament and of the Council.

EUR	President, Group Executive Chairman	Other Executive Board members, deputy member and Chief Audit Executive	Total
Regular pay	754,392	3,205,111	3,959,503
Fringe benefits	21,600	159,807	181,407
Short-term performance-based bonus for 2014	250,100	743,262	993,362
Total salaries, bonuses and fringe benefits paid in 2015	1,026,092	4,108,180	5,134,272
Deferred amount of performance-based bonuses, as specified by financial-sector regulations, earned for 2011, 2012 and 2013, and paid in 2015 *	671,669	1,597,234	2,268,903
Total salaries, bonuses and fringe benefits, and deferred performance-based bonuses paid in 2015	1,697,761	5,705,414	7,403,175

* Include the amount of performance-based bonuses earned for 2011, 2012 and 2013 and paid in 2015 as well as the amount of long-term performance-based bonuses earned for 2011–2013 and paid in 2015. Of the remaining portion of bonuses earned for 2012 and 2013 has been deferred for payment between 2016 and 2017. Payment of deferred amounts requires a separate decision.

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

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 19 March 2015. The Meeting elected for the term of 2015–2018 the following members to the Supervisory Board to replace those who were due to resign: Managing Director Jari Anttila, R&D Director Ilmo Aronen, Managing Director Kalle Arvio, Managing Director Tapani Eskola, Professor Jarna Heinonen, MSc (Econ.) Jorma Hyrskyluoto, Senior Lecturer Ulla Järvi, Executive Director Jukka-Pekka Kataja, Managing Director Simo Kauppi, Director Jaakko Kiander, Farmer Seppo Kietäväinen, Headmaster Juha Kiiskinen, Lecturer Jaakko Korkonen, Managing Director Tuomas Kupsala, Managing Director Petri Krohns, Assistant Director Jukka Kääriäinen, Director Ari Mikkola, Managing Director Esko Mononen, Director, Administration Annukka Nikola, Managing Director Juha Pullinen, Managing Director Olli Tarkkanen, and Managing Director Ari Väänänen. In addition, Lecturer Sirkka Keuru was elected for the remaining term of 2015–2017 to replace Marita Marttila, Senior Nursing Officer, who had requested resignation from the Supervisory Board. The Supervisory Board comprises 34 members.

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

Supervisory Board member Jukka-Pekka Kataja has been appointed special adviser to Kimmo Tiilikainen, Minister of Agriculture and the Environment, which is why he has notified of not participating for the time being in OP Cooperative Supervisory Board work as of 29 June 2015.

Teija Sarajärvi, Executive Vice President, Human Resources, and Executive Board member resigned from Executive Board membership on 30 September 2015.

At its meeting on 23 September 2015, the Supervisory Board decided on changes in the composition of the Executive Board. Harri Nummela was appointed Executive Vice President, Digital Business and Customer Experience. Karri Alameri was appointed new Executive Vice President, Wealth Management. Outi Taivainen was appointed new Executive Vice President, Human Resources.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Raija-Leena Hankonen, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

OP Financial Group’s efficiency-enhancement programme

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

Capital expenditure and service development

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

OP Cooperative Consolidated's development expenditure for January-December totalled EUR 162 million (111). These include licence fees, purchased services and capitalised expenses for development work within OP Cooperative Consolidated.

ICT capital expenditure for the financial year capitalised in the balance sheet totalled EUR 131 million (53). Banking accounted for the most of the capital expenditure.

The first stage of the reconstruction of the Vallila premises started by OP Financial Group in 2012 has been completed and the premises are now fully operational. The total costs of the first stage of the project amounted to around EUR 240 million. The second stage of the project has begun and is to be completed in autumn 2017.

Corporate social responsibility

Corporate social responsibility (CSR) is an integral part of OP's business and strategy. The basis of CSR is built around the Group's shared core values, strong capital base and professional risk management. CSR activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a pioneer in CSR within its sector in Finland.

Read more about OP's 2015 report and OP Financial Group's CSR GRI Corporate Social Responsibility Data report which comprise the CSR report in accordance with the CRI G4 framework.

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

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

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

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

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

Pursuant to the Act on the Amalgamation of Deposit Banks, the consolidated capital base and liquidity of the companies within the amalgamation are controlled on a consolidated basis. The central cooperative is under an obligation to supervise its member credit institutions, issue instructions to them on risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with standardised accounting policies in the preparation of the consolidated financial statements. In the manner as specified in its Bylaws, the central cooperative may also confirm general principles to be followed by its member credit institutions in operations relevant to their amalgamation.

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

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

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

Member credit institution's capital adequacy and its supervision

In accordance with the Act on the Amalgamation of Deposit Banks, the supervisor may give the central cooperative permission to decide on exceptions to its member credit institutions related to the capital base amount and capital requirements, custom risks and liquidity and the qualitative management of risks.

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

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

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

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

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

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

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

OP Financial Group's financial statements and audit

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

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

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

Supervision of the amalgamation of the cooperative banks

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

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

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

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

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

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

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

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

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

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

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

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

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

A new authority founded in 2015, the Financial Stability Board, manages the Financial Stability Fund outside the government budget. The Fund consists of a resolution fund financed through stability contributions and a deposit guarantee fund financed through deposit guarantee contributions.

Financial and insurance conglomerate

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

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

The Act also stipulates the maximum limits for customer risks of a financial and insurance conglomerate. Moreover, Section 21 of the Act on the Amalgamation of Deposit Banks governing the amalgamation's customer registers applies to the financial and insurance conglomerate formed by OP Financial Group.

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

Key income statement and balance sheet items, and financial indicators

€ million	2011	2012	2013	2014	2015
Key income statement items, € million					
Net interest income	1,030	1,003	915	1,043	1,026
Net income from Non-life Insurance	307	428	518	589	639
Net income from Life Insurance	72	108	175	197	278
Net commissions and fees	551	558	664	707	704
Other income	171	241	265	217	248
Personnel costs	689	764	791	741	781
Other expenses	639	698	769	814	739
Impairment loss on receivables	101	99	84	88	78
Returns to owner-customers	176	192	193	195	195
Earnings before tax	525	586	701	915	1,101
Key balance sheet items – Assets, € million					
Receivables from credit institutions	1,104	840	849	686	425
Receivables from customers	60,331	65,161	68,142	70,683	75,192
Non-life Insurance assets	3,205	3,492	3,479	3,797	4,067
Life Insurance assets	7,006	9,173	9,872	11,238	13,858
Financial assets at fair value through profit or loss and investment assets	8,624	6,954	9,290	9,927	13,351
Property, plant and equipment, and intangible assets	1,871	2,030	2,065	2,113	2,238
Other assets	9,765	12,120	7,294	11,983	16,014
Total assets	91,905	99,769	100,991	110,427	125,145
Key balance sheet items – Liabilities and equity, € million					
Liabilities to credit institutions	1,783	1,965	1,039	1,776	1,673
Liabilities to customers	45,974	49,650	50,157	51,163	58,220
Debt securities issued to the public	20,005	19,270	21,428	24,956	27,706
Subordinated liabilities	1,555	1,736	1,466	1,212	1,696
Non-life Insurance liabilities	2,508	2,592	2,746	2,972	3,159
Life Insurance liabilities	6,932	8,970	9,771	11,230	13,532
Other liabilities	6,907	8,452	6,660	9,904	9,836
Equity capital	6,242	7,134	7,724	7,213	9,324
Total liabilities and equity capital	91,905	99,769	100,991	110,427	125,145

Key ratios, %					
Return on equity	6.8	7.0	8.9	8.1	10.3
Return on equity at fair value	0.4	14.1	8.7	5.7	13.2
Return on assets	0.5	0.5	0.7	0.6	0.7
Equity ratio	6.8	7.2	7.6	6.5	7.5
Cost/income ratio	64	64	61	56	53
Common Equity Tier 1 ratio, %	14.0	14.8	17.3	15.1	19.5
Capital adequacy ratio, %	14.0	14.8	17.3	17.3	22.9
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates	180	190	190	189	207

*) The ratios for 2011-13 are shown without transitional provisions, and Core Tier 1 is presented as Common Equity Tier 1.

Formulas for key figures and ratios

Formulas for key ratios

Return on equity (ROE), %

$$= \frac{\text{Profit for the financial year}}{\text{Equity capital (average of the beginning and end of year)}} \times 100$$

Return on equity at fair value, %

$$= \frac{\text{Total comprehensive income for the financial year}}{\text{Equity capital (average of the beginning and end of year)}} \times 100$$

Return on assets (ROA), %

$$= \frac{\text{Profit for the financial year}}{\text{Balance sheet total (average of the beginning and end of year)}} \times 100$$

Equity ratio, %

$$= \frac{\text{Equity capital}}{\text{Balance sheet total}} \times 100$$

Cost/income ratio, %

$$= \frac{\text{Personnel costs + other administrative expenses + other operating expenses}}{\text{Net interest income + net income from Non-life Insurance operations + net income from Life Insurance + net commissions and fees + net trading income + net investment income + other operating income + share of associates' profits/losses}} \times 100$$

Tier 1 capital ratio, %

$$= \frac{\text{Tier 1 capital (Tier 1)}}{\text{Total risk exposure}} \times 100$$

Common Equity Tier 1 capital ratio, % (CET1)*)

$$= \frac{\text{Common Equity Tier 1 (CET1)}}{\text{Total risk exposure}} \times 100$$

*) Common Equity Tier 1 capital (CET1) as defined in Article 26 of EU Regulation 575/2013 and total risk exposure amount as defined in Article 92.

Capital adequacy ratio, %	=	Total capital / Total risk exposure	x 100
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	=	Conglomerate's total capital base / Conglomerate's total minimum capital base	x 100
Return on economic capital, %	=	Earnings + customer bonuses after tax (12-month rolling) / Average economic capital	x 100

Non-life insurance:

Combined ratio (excl. unwinding of discount), %		Loss ratio + expense ratio Risk ratio + cost ratio	
Loss ratio (excl. unwinding of discount), %	=	Claims and loss adjustment expenses / Net insurance premium revenue	x 100
Expense ratio, %	=	Operating expenses + amortisation/adjustment of intangible assets related to company acquisition / Net insurance premium revenue	x 100
Risk ratio (excl. unwinding of discount), %	=	Claims excl. loss adjustment expenses / Net insurance premium revenue	x 100
Operating combined ratio		Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	

Operating risk ratio (excl. unwinding of discount), %

$$= \frac{\text{Claims excl. loss adjustment expenses and changes in calculation bases}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$$

Operating loss ratio, %

$$= \frac{\text{Claims incurred excl. changes in calculation bases}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$$

Operating expense ratio, %

$$= \frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in calculation bases}} \times 100$$

Cost ratio, %

$$= \frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Operating cost ratio, %

$$= \frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue, excl. net changes in calculation bases}} \times 100$$

Solvency ratio, %

$$= \frac{\text{Solvency capital}}{\text{Insurance premium revenue}} \times 100$$

Solvency ratio, %*)

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

*) According to the Solvency II draft

Life Insurance:

Operating cost ratio, %

$$= \frac{\text{Operating expenses before change in deferred acquisitions costs + loss adjustment expenses}}{\text{Total expense loadings}} \times 100$$

OP Financial Group income statement

EUR million	Notes	2015	2014	Change, %
Interest income		2,486	2,685	-7
Interest expenses		1,460	1,642	-11
Net interest income before impairment losses	7	**1,026**	**1,043**	**-2**
Impairment losses on receivables	8	78	88	-12
Net interest income after impairment losses		**948**	**955**	**-1**
Net income from Non-life Insurance	9	639	589	8
Net income from Life Insurance	10	278	197	41
Net commissions and fees	11	704	707	0
Net trading income	12	107	88	20
Net investment income	13	87	74	18
Other operating income	14	46	52	-12
Total net income		**2,807**	**2,662**	**5**
Personnel costs	15	781	741	5
Other administrative expenses	16	420	414	2
Other operating expenses	17	319	401	-20
Total expenses		**1,520**	**1,555**	**-2**
Returns to owner-customers and accrued customer bonuses	18	195	195	0
Share of profits/losses of associates accounted for using the equity method		9	3	
Earnings before tax		**1,101**	**915**	**20**
Income tax expense	19	249	308	-19
Profit for the financial year		**853**	**607**	**40**

Attributable to, EUR million				
Profit for the period attributable to owners		845	599	41
Profit for the period attributable to non-controlling interest		8	8	
Total		**853**	**607**	**40**

OP Financial Group statement of comprehensive income

EUR million	Notes	2015	2014	Change, %
Profit for the financial year		**853**	**607**	**40**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans		519	-380	
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value		-205	85	
Cash flow hedge		-14	67	
Translation differences		0	0	
Income tax on other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans		-104	76	
Items that may be reclassified to profit or loss				
Measurement at fair value		41	-17	
Cash flow hedge		3	-13	
Total comprehensive income for the financial year		**1,093**	**424**	

Attributable to, EUR million		2015	2014	
Total comprehensive income for the period attributable to owners		1,077	393	
Total comprehensive income for the period attributable to non-controlling interests		16	32	
Total		**1,093**	**424**	

Key figures and ratios	2015	2014
Return on equity, %	10.3	8.1
Return on equity at fair value, %	13.2	5.7
Return on assets, %	0.72	0.57
Cost/income ratio, %	53	56
Average personnel	12,174	12,548
Full-time	11,330	11,663
Part-time	844	885

OP Financial Group balance sheet

EUR million	Notes	31 Dec. 2015	31 Dec. 2014	Change, %
Liquid assets	20	8,581	3,888	
Receivables from credit institutions	21	425	686	-38
Financial assets at fair value through profit or loss	22	928	427	
Derivative contracts	23	5,696	5,920	-4
Receivables from customers	24	75,192	70,683	6
Non-life Insurance assets	25	4,067	3,797	7
Life Insurance assets	26	13,858	11,238	23
Investment assets	27	12,423	9,500	31
Investments accounted for using the equity method	29	93	56	66
Intangible assets	30	1,395	1,332	5
Property, plant and equipment (PPE)	31	843	781	8
Other assets	32	1,526	1,951	-22
Tax assets	33	118	168	-30
Total assets		**125,145**	**110,427**	**13**

Liabilities to credit institutions	34	1,673	1,776	-6
Financial liabilities at fair value through profit or loss	35	–	4	
Derivative contracts	36	5,345	5,489	-3
Liabilities to customers	37	58,220	51,163	14
Non-life Insurance liabilities	38	3,159	2,972	6
Life Insurance liabilities	39	13,532	11,230	20
Debt securities issued to the public	40	27,706	24,956	11
Provisions and other liabilities	41	3,625	3,447	5
Tax liabilities	42	866	964	-10
Supplementary cooperative capital	43	106	192	-45
Subordinated liabilities	44	1,590	1,020	56
Total liabilities		**115,821**	**103,214**	**12**
Equity capital				
Capital and reserves attributable to OP Financial Group's owners				
Cooperative capital, cooperative contributions		154	148	4
Cooperative capital, Profit shares		2,502	1,561	60
Translation differences		0	0	-7
Reserves		2,327	2,421	-4
Retained earnings		4,271	3,014	42
Non-controlling interests		70	69	1
Total equity capital	45	**9,324**	**7,213**	**29**
Total liabilities and equity capital		**125,145**	**110,427**	**13**

Statement of changes in OP Financial Group equity capital

EUR million	Notes	Attributable to OP Financial Group's owners: Share and cooper-ative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan. 2014		**339**	**328**	**2,739**	**4,218**	**7,625**	**100**	**7,724**
Total comprehensive income for the period		-	175	-	279	**454**	32	**486**
Profit for the period		-	-	-	599	**599**	8	**607**
Other comprehensive income		-	175	-	-321	**-145**	24	**-121**
Holdings in Pohjola Bank plc purchased from non-controlling interests*		-199	-78	-512	-1,633	**-2,422**	-	**-2,422**
Increase in cooperative capital	45	1,568	-	0	-	**1,568**	-	**1,568**
Transfer of reserves		-	-	26	-26	**-**	-	**-**
Profit distribution		-	-	0	-76	**-76**	-	**-76**
Share-based payments		-	-	-	-2	**-2**	-	**-2**
Other		0	-	-257	254	**-3**	-62	**-65**
Balance at 31 Dec. 2014		**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**

		Attributable to OP Financial Group's owners						
EUR million	Notes	Cooper-ative capital	Fair value reserve**	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 Jan. 2015		**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period		-	-185	-	1,260	**1,075**	16	**1,091**
Profit for the period		-	-	-	845	**845**	8	**853**
Other comprehensive income		-	-185	-	415	**230**	8	**239**
One-off effect of transfer of POP Group banks to OP Financial Group		-	1	67	48	**116**	-	**116**
Increase in cooperative capital	45	947	-	-	-	**947**	-	**947**
Transfer of reserves		-	-	22	-22	**-**	-	**-**
Profit distribution		-	-	-	-21	**-21**	-	**-21**
Other		-	-	-	-8	**-8**	-15	**-22**
Balance at 31 Dec. 2015		**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**

* The total purchase price paid by OP Cooperative for Pohjola Bank plc shares based on the tender offer has been subtracted from equity capital.
** Note 43

OP Financial Group cash flow statement

EUR million	2015	2014
Cash flow from operating activities		
Profit for the financial year	853	607
Adjustments to profit for the financial year	1,431	168
Increase (-) or decrease (+) in operating assets	**-9,052**	**-4,230**
Receivables from credit institutions	169	99
Financial assets at fair value through profit or loss	148	433
Derivative contracts	9	65
Receivables from customers	-4,003	-2,617
Non-life Insurance assets	-351	-199
Life Insurance assets	-2,414	-698
Investment assets	-3,071	-393
Other assets	462	-920
Increase (+) or decrease (-) in operating liabilities	**8,121**	**3,799**
Liabilities to credit institutions	-120	732
Financial liabilities at fair value through profit or loss	-4	0
Derivative contracts	-4	60
Liabilities to customers	6,360	1,006
Non-life Insurance liabilities	70	149
Life Insurance liabilities	1,325	1,284
Provisions and other liabilities	495	566
Income tax paid	-359	-201
Dividends received	94	102
A. Net cash from operating activities	**1,088**	**244**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-2	-
Decreases in held-to-maturity financial assets	85	80
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-27	-3
Disposal of subsidiaries, net of cash and cash equivalents disposed	0	3
Purchase of PPP and intangible assets	-301	-214
Proceeds from sale of PPE and intangible assets	17	6
B. Net cash used in investing activities	**-227**	**-128**

Cash flow from financing activities		
Increases in subordinated liabilities	1,242	60
Decreases in subordinated liabilities	-698	-
Increases in debt securities issued to the public	29,711	38,820
Decreases in debt securities issued to the public	-27,444	-35,953
Increases in cooperative and share capital	3,238	2,432
Decrease in cooperative and share capital	-2,395	-1,278
Dividends paid and interest on cooperative capital	-30	-76
Holdings in Pohjola Bank plc purchased from non-controlling interests	-	-2,422
Other	0	-
C. Net cash used in financing activities	**3,623**	**1,583**
Net change in cash and cash equivalents (A+B+C)	**4,485**	**1,699**
POP Group banks' cash and cash equivalents	**47**	**-**
Cash and cash equivalents at period-start	**4,176**	**2,476**
Cash and cash equivalents at period-end	**8,708**	**4,176**

EUR million	**2015**	**2014**
Interest received	**2,552**	**2,765**
Interest paid	**-1,537**	**-1,697**

Adjustments to profit for the financial year

Non-cash items and other adjustments		
Impairment losses on receivables	93	101
Unrealised net earnings in Non-life Insurance	77	50
Unrealised net earnings in Life Insurance	762	-431
Change in fair value for trading	26	159
Unrealised net gains on foreign exchange operations	-117	79
Change in fair value of investment property	7	6
Planned amortisation and depreciation	162	149
Share of associates' profits/losses	-6	-1
Other	427	48
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-2	1
Interest on cooperative capital	1	6
Total adjustments	**1,431**	**168**

Cash and cash equivalents		
Liquid assets*	8,619	3,942
Receivables from credit institutions payable on demand	89	234
Total	**8,708**	**4,176**

* Of which Non-life Insurance liquid assets amount to 5 million euros (40) and Life Insurance liquid assets 33 million euros (13).

CONTENTS

NOTES TO THE INCOME STATEMENT

NOTES TO ASSETS

NOTES TO LIABILITIES AND EQUITY CAPITAL

OTHER NOTES TO THE BALANCE SHEET

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

OTHER NOTES

NOTES TO RISK MANAGEMENT

Notes to OP Financial Group Financial Statements

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

General

OP Financial Group is a financial entity as referred to in §9 of the Act on the Amalgamation of Deposit Banks. OP Financial Group's financial statements have been prepared as a combination of the financial statements and consolidated financial statements of OP Cooperative and its subsidiaries and member credit institutions.

OP Financial Group does not form a consolidation group, as referred to in the Accounting Act, because OP Cooperative and its member cooperative banks do not have control over each other, as referred to in general consolidated accounting principles. For this reason, a technical parent company has been determined for OP Financial Group.

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

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

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

A copy of OP Financial Group's consolidated financial statements is available at www.op.fi or the Group's office at Gebhardinaukio 1, P.O. Box 308, FI-00101 Helsinki.

The Executive Board of OP Cooperative has approved these financial statements for issue on 4 February 2016.

1 Basis of preparation

OP Financial Group's financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2015. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EC) No. 1606/2002 of the European Parliament and of the Council. OP Financial Group's obligation to prepare its financial statements in accordance with IFRS is based on the Act on the Amalgamation of Deposit Banks. OP Financial Group's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

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

- IAS 19 Employee Benefits amendment to Defined Benefit Plans: Employee Contributions. These changes have clarified accounting treatment when a defined benefit pension plan requires the employees or third parties to contribute. These standard changes have no effect on OP Financial Group's financial statements.
- Annual improvements to IFRS for cycles 2010-2012 and 2011-2013 (applicable mainly to accounting periods beginning on or after 1 July 2014.) Minor amendments are annually made to standards through the Annual Improvements process. The effects of the amendments vary by standard but they are not significant.

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

The financial statements are presented in millions of euros.

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

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

2 Use of estimates

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

3 Consolidation principles

3.1 Technical parent company

The Act on the Amalgamation of Deposit Banks Act prescribes that the consolidated financial statements of OP Financial Group must be a combination of the financial statements or consolidated financial statements of OP Cooperative and its member credit institutions. The consolidated financial statements also include the accounts of entities over which the abovementioned entities jointly have control as prescribed in the Accounting Act. The Group's cooperative capital comprises such cooperative contributions paid by members of cooperative banks which the member banks have an unconditional right to refuse the redemption. In accordance with the above principles, OP Financial Group has formed a technical parent company.

Within the technical parent company, intra-Group holdings, transactions, receivables and liabilities, distribution of profit and margins are eliminated.

3.2 Subsidiaries, associates and joint arrangements

The financial statements of the technical parent company and companies over which it exercises control are consolidated into those of OP Financial Group. OP Financial Group has control over an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including structured entities). Most of the subsidiaries are wholly owned by OP Financial Group, which means that the Group's control is based on votes.

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

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

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

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

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

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

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

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

3.3 Non-controlling interests

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

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

4 Foreign currency translation

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

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

5 Financial instruments

5.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

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

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

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

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

5.2 Impairment of financial assets

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

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

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

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

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

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

5.3 Securities sale and repurchase agreements

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

The selling price of securities sold under 'resell conditions' binding on both parties is recognised as a financial liability under the balance sheet item determined by the counterparty. The difference between the selling price and repurchase price is treated as interest expenses and accrued over the term of the agreement.

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

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

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

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

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

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

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

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

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

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

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

Bonds, which the Group, in accordance with its risk management principles, manages and assesses their performance at fair value in order to receive a true and real-time picture of investment operations, are defined as those recognised at fair value through profit or loss at inception. Reporting to the Group's management is based on fair values. Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

Investments covering life-insurance unit-linked policies are classified as those at fair value through profit or loss because the corresponding insurance liability or investment contract liability is recognised at fair value through profit or loss.

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

5.4.2 Loans and receivables

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

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

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

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

Impairment assessment is a two-phase process. Impairment is assessed individually for loans and receivables. If it is not necessary to assess impairment for financial assets included in loans and receivables on an individual basis, they will be assessed collectively for impairment. Collectively assessed impairment includes losses incurred but not yet reported, which cannot yet be allocated to a certain loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital. The model is derived from the expected credit loss model used in capital adequacy measurement, adjusted to correspond to the requirements under IFRS. Through-the-cycle component and the official minimum capital adequacy requirements have been eliminated from the PD and LGD estimates used in the economic capital requirement model so that they better reflect the point in time approach and the current economic cycle. In the model, the so-called emergence period is used to measure the identification of a loss event. The emergence period is based on OP Financial Group's impairment assessment process by customer segment from the loss event to testing a loan for impairment on an individual basis. In addition, the receivables in the model are grouped into customer segments on the basis of similar credit risk characteristics.

Collectively assessed impairment is measured by customer segment on the basis of the expected loss and the measurement also takes account of the emergence period and the discounted present values of collateral.

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

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

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

The loan is derecognised after the completion of all debt-collection measures if the loan terms are substantially modified (such as refinancing). Following the derecognition, payments received are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

5.4.3 Investments held to maturity

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

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

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

5.4.4 Available-for-sale financial assets

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

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

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

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

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

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

5.5 Cash and cash equivalents

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

5.6 Other financial liabilities

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

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

5.7 Derivative contracts

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

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

5.7.1 Hedging derivatives

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

Contracts are not accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. OP Financial Group also concludes derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

5.7.2 Derivatives held for trading

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

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

5.8 Hedge accounting

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

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

5.8.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (such as the Group's own issues and certain term deposit issues), individual bond and loan portfolios, as well as individual loans. The Group applies a fair-value portfolio hedging model to hedging against interest rate risk involved in certain demand deposit current and savings accounts with a fixed interest rate or an interest-rate cap. The Group uses forward exchange contracts and interest-rate and currency swaps (OTC swaps) as hedging instruments. Hedging against equity and foreign currency risks applies to Non-life Insurance's and Life Insurance's equity fund investments.

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

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

5.8.2 Cash flow hedges

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

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

6 Investment property

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment assets, Non-life Insurance assets or Life Insurance assets in OP Financial Group's balance sheet.

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

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

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

7 Intangible assets

7.1 Goodwill

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

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

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

7.2 Value of acquired insurance portfolio

An intangible asset corresponding to the value of an acquired insurance portfolio is recognised if the insurance portfolio is acquired directly from another insurance company or through the acquisition of a subsidiary. The fair value of acquired insurance policies is determined by estimating the present value of future cash flows on the basis of the insurance portfolio on the date of acquisition. Upon initial recognition, the fair value of acquired insurance policies is divided into two parts: a liability associated with insurance contracts measured in accordance with the applicable principles on the acquisition date, and an intangible asset. Subsequent to the acquisition, the intangible asset is amortised, depending on the business, either on a front-loaded basis or on a straight-line basis over the estimated effective lives of the acquired contracts. The effective lives are reviewed annually and the value is amortised over 1–4 years for non-life insurance and 10–15 years for life insurance. An intangible asset is assessed annually for impairment in connection with testing the adequacy of the liability associated with insurance contracts.

7.3 Deferred acquisition costs of insurance contracts

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

7.4 Customer relationships

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

7.5 Brands

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

7.6 Other intangible assets

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

8 Property, plant and equipment

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

The estimated useful lives are mainly as follows:

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

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

8.1 Impairment of PPE and intangible assets

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

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

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

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

9 Leases

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

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

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

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

10 Employee benefits

10.1 Pension benefits

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

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

Expenses arising from pension plans are recognised under "Personnel costs" in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Changing or curtailing defined benefit pension plans is recognised through profit or loss at the time of occurrence.

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

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

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

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

10.2 Long-term incentive scheme

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

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

11 Insurance assets and liabilities

11.1 Classification of financial assets within insurance business

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

11.2 Classification of insurance contracts issued by insurers

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

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

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

Capital redemption contracts issued by life insurance companies and pension contracts acquired through previous portfolio transfers are classified as investment contracts since they do not involve a significant insurance risk nor are the policyholders allowed to change them into such.

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

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

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

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

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

11.3 Recognition and measurement of insurance contracts issued by insurers

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

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

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

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

11.3.1 Measurement of insurance contracts issued by non-life insurers

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

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

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

11.3.2 Measurement of insurance contracts issued by life insurers

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

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

Provision for unpaid claims arises from reported and non-reported claims incurred and from their claims and settlement expenses paid in the future.

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

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

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

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

Most of the insurance contracts are measured in accordance with IAS 39. Investment contracts in the balance sheet are presented under "Life Insurance liabilities" as part of other liabilities.

11.4 Liability adequacy test on insurance contracts

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

11.5 Premiums written

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

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

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

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

11.5.1 Receivables and payables related to insurance contracts

Non-life Insurance premium receivables are recognised at the beginning of the insurance period when the right to the receivable is established. These receivables are mainly those from policyholders and to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in "Direct insurance liabilities" under Non-life Insurance and Life Insurance liabilities.

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

11.6 Salvage and subrogation reimbursements

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

11.7 Reinsurance contracts

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

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

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

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

11.8 Coinsurance and pools

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

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

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

11.9 Principle of equity concerning life insurance

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

The distribution of the surplus is based on the principle of equity referred to in the Insurance Companies Act which requires that a reasonable amount of the surplus to which the contracts are entitled is distributed to these policyholders, provided the solvency requirements prevent this. It is necessary to aim at continuity with respect to the level of additional benefits. Nevertheless, the principle of equity will not enable policyholders to demand any funds as debt. OP Financial Group has published its life-insurance additional benefit principles and its realisation on its website.

12 Provisions and contingent liabilities

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

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

13 Cooperative capital

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

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

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

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

14 Income tax and deferred tax

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

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

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

15 Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. Interest on receivables with non-settled, due payments is also recognised as revenue and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is recognised in interest income and that between the amount received and nominal value of the liability in interest expenses. The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised as interest income or expenses over the residual term to maturity.

Commission income and expenses

for services are recognised when the service is rendered. One-off commissions covering several years and including a possible subsequent refund obligation are recognised only to the amount related to the period.

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

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

Summary of presentation of income statement items:

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

16 Financial authority contributions and fees

The Finnish deposit guarantee scheme and related legislation changed on 1 January 2015. The former Deposit Guarantee Fund took charge of deposit guarantee until the end of 2014 and a new authority, the Financial Stability Authority, has been in charge of deposit guarantee since the beginning of 2015. The Financial Stability Authority is tasked with managing the new Financial Stability Fund which comprises a resolution fund financed through stability contributions and a deposit insurance fund (the new deposit guarantee fund) financed through deposit guarantee contributions. The financial authority contributions and fees are recognised under other operating expenses.

16.1 Stability contribution

Stability contributions are charged in 2015 in such a way that their combined amount accounts for 0.1% of the eligible deposits under the scheme in Finland on 31 July 2015. Credit institutions pay stability contributions to the EU's Single Resolution Fund administered by the EU's Single Resolution Board (SRB). In 2015, each bank's stability contributions are credited in the same proportion as it previously paid bank levy (the Act on Temporary Bank Levy was in force during 2013-2014). The stability contribution has no effect on OP Financial Group in 2015 in terms of expenses. In 2014, OP Financial Group recognised the bank levy under other operating expenses.

16.2 Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund will determine the contribution for OP Financial Group but will charge the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution has no effect on OP Financial Group in 2015 in terms of expenses.

16.3 Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

16.4 Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

16.5 European Central Bank's supervisory fee

OP Financial Group is supervised by the European Central Bank (ECB). The ECB supervisory fee is determined based on the bank's importance and risk profile.

17 Returns to owner-customers

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

18 Segment reporting

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

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

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

19 Critical accounting estimates and judgements

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

Liabilities arising from insurance contracts involve several discretionary factors and uncertainty. With respect to Non-life Insurance, estimates are based on assumptions about the operating environment and on the actuarial analyses of the Group's own claims statistics. An especially high degree of management judgement is required for determining the discount rate and estimating claims expenditure arising from the already occurred loss events (Note 72. Risk sensitivity of Non-life Insurance).

Liabilities arising from life insurance contracts involve several discretionary factors and uncertainty. When calculating life insurance liabilities, the Group primarily uses assumptions on the date when the contract was made concerning insurance risk materialisation, operating expenses and investment income. The Group follows the assumptions continuously and if it turns out that the liability calculated based on these assumptions is too small, the liability is increased to meet the latest observations. The management's judgement is required especially in determining the discount rate of the liability, mortality assumption and operating expenses related to the future management of insurance policies (Note 84. Information on the nature of Life Insurance and sensitivity analysis of insurance liabilities).

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

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

Goodwill, assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows and the applicable discount rate (Note 30. Intangible assets).

Impairment tests for receivables are carried out on an individual or collective basis. An impairment test carried out on an individual basis is based on the management's estimate of the expected future cash flows of the individual loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital, in which expected future losses are adjusted by means of the emergence period so that the Group can assess the amount of losses incurred but not yet reported on the balance sheet date. In such a case, the management's judgement is required to determine the length of the emergence period.

Available-for-sale financial assets, notes and bonds included in loans and receivables, and investments held to maturity must be tested for impairment on each balance sheet date. If there is objective evidence of an impaired asset, the impairment loss will be recognised in the income statement. Verifying objective evidence involves management judgement. Impairment loss on an equity instrument must also be recognised if there is a significant or prolonged decline in the fair value. Defining objective evidence is a two-step approach where at first instruments that exceed certain indicators are regularly listed and put under closer review. The Group continuously assesses such instruments under review for impairment. Impairment loss will be recognised at the latest when the maximum limits are exceeded with respect to the 12-month prolonged criteria or the significant criterion of 30%.

The management must assess when markets for financial instruments are not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used.

The present value of pension obligations depends on several factors determined by using several assumptions. The discount rate, future increases in salaries and pension benefits and the inflation rate are the assumptions used to determine net costs (or income) arising from pensions. Changes in actuarial assumptions have an effect on the carrying amount of pension obligations (Note 41. Provisions and other liabilities).

The measurement of investment property at fair value is partially based on the management's estimates of the market value of property holdings. Investment property is also measured using a calculation model based on the income capitalisation approach utilising estimates of future net yield on property holdings (Note 51. Recurring fair value measurements by valuation technique).

20 New standards and interpretations

The IASB (International Accounting Standards Board) has issued the following significant future IFRS amendments.

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

These amendments to standards have not yet been adopted by the EU.

Notes to OP Financial Group Financial Statements

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

1 General principles of risk and capital adequacy management

1.1 Risk management in OP Financial Group's strategy

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

1.2. Internal control

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

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

Internal controls cover all operations, involving all Group entities and sites, organisational levels, processes and relevant individual tasks. The nature and extent of operations and, whenever necessary, special characteristics related to international operations are taken into consideration in specifying internal controls. Internal control in its most extensive form primarily takes place at the operational level, characterised by continuous processes and forming part of daily routines.

1.3 Risk and capital adequacy management

Risk and capital adequacy management forms part of internal control. Its purpose is to ensure the risk-bearing capacity and liquidity of OP Financial Group and its entities and thereby ensure continued operations. Risk-bearing capacity is made up of effective risk management that is proportionate to the extent and complexity of operations and of adequate capital resources based on profitable business operations.

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

Risk and capital adequacy management involves

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

Liquidity management is discussed in connection with liquidity risks.

OP Financial Group's risk and capital adequacy management principles define how the Group organises its risk and internal capital adequacy assessment (ICAAP) process.

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

In OP Financial Group's risk policy, the central cooperative's Executive Board confirms annually risk-management principles, actions, objectives and restrictions that the Group's business segments and entities must follow to implement the principles agreed on in the strategy.

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

As specified in the Act on the Amalgamation of Deposit Banks, OP Cooperative (the central cooperative) controls and supervises its member credit institutions. The entities that are part of the amalgamation of the cooperative banks are monitored on a consolidated basis at the amalgamation level for capital adequacy and liquidity. The central cooperative fulfils these obligations through Group-level instructions and a system that reaches each bank.

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

1.3.1 Risk identification, assessment, measurement and mitigation

The risk management and ICAAP process consists of the continuous identification and assessment of risks associated with business and the operating environment. Before the Group launches any products or services or adopts new operating models or systems, it assesses their risks using procedures as laid down by the Central Cooperative's Risk Management.

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

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

OP Financial Group assesses its capital base and that of its entities in relation to the economic capital requirement and the existing and expected regulatory minimum capital requirements and the requirement for the capital conservation buffer. Such assessment also makes use of the results of stress tests.

1.3.2 Economic capital requirement

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

Economic capital is divided into quantitative and qualitative, or assessable, risks. Quantitative risks include credit risk, Banking interest rate, equity and property, market risk associated with the liquidity buffer, and market and underwriting risks associated with insurance operations. The assessable risks are divided into operational risks and other risks. 'Other risks' include any major risks that have not been taken into consideration in any other risk-specific models related to economic capital requirement. These risks are typically caused by external factors, such as changes in competition or the market situation or regulatory measures. About a third of OP Financial Group's economic capital requirement consists of credit risks and about a fourth of market risks associated with insurance operations.

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

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

1.3.3 Stress tests

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

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

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

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

1.3.4 Capital planning

Capital planning is aimed at ensuring the Group's capital adequacy and business continuity in all circumstances. A capital plan consists, for example, of quantitative and qualitative targets set for capital adequacy, a contingency plan, and capital adequacy monitoring and control procedures.

The central cooperative Executive Board adopts at least once a year a Group-level capital plan. The main conclusions of the capital plan are communicated to the central cooperative's Supervisory Board.

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

1.4 Control and reporting

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

2 Organisation of risk and capital adequacy management

The central cooperative is in charge of the OP Financial Group level risk and capital adequacy management. OP Financial Group entities are responsible for their own risk and capital adequacy management in accordance with the nature and extent of their operations.

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

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

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

Three defence lines of risk management

I Operational risk management APPLIES THE RISK MANAGEMENT FRAMEWORK • Risk management integrated as part of the operational units • Risk decisions and operational monitoring	Responsibility for risk exposure and its monitoring
II Independent risk management "OWNS" THE RISK MANAGEMENT FRAMEWORK • Group's independent risk management function • Steering the risk decision process and managing consolidated risk exposure	Responsible for conditions for good risk management and control
III Internal Audit INSPECTS AND ASSESSES THE RISK MANAGEMENT FRAMEWORK AND ITS APPLICATION • Internal Audit • Independent audit function	Responsibility for independent assessment of risk management

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

The second line of defence consists of risk management independent of operational business organisations that is run from the central cooperative. It is in charge of the Group's risk management framework, controls the risk-decision process and is responsible for the Group's consolidated risk exposure management and risk-bearing capacity monitoring.

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

2.2 OP Financial Group's risk management

OP Financial Group's Risk Management is a function independent of business that provides guidelines for, controls and supervises the overall risk management of the Group and its entities, and analyses their risk exposure. Risk management focuses on preventive work, preparation and proactive analysis of risk exposure. The objective is to secure the Group's and its entities' sufficient risk-bearing capacity and to ensure that any business risks taken does not threaten profitability, capital adequacy, liquidity, business continuity and the achievement of strategic targets.

Risk Management is in charge of the Group's risk management process and risk transfer, and supports Group entities in risk management implementation.

It is also responsible for maintaining and developing risk management systems and methods at Group level and for the entities. Moreover, it maintains, develops and prepares risk management principles for approval by the Executive Board and Supervisory Board.

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

The risk management organisation structure supports both an approach per risk type and consolidated risk exposure monitoring at Group and entity level. Risk Management is divided into the following four areas of responsibility:

- Risk exposure and capital requirement
- Lending support and control
- Credit risk process control and management
- Operational risk management and compliance

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

The Risk Management Committee is responsible for ensuring that OP Financial Group has the ability to operate successfully in the long term by making sure that the principles, methodologies, models and indicators of the Group's risk and capital adequacy management systems correspond to the best estimates of the independent Risk Management and comply with the principles based on the Risk Management Guidelines adopted by the Executive Board.

The Credit Risk Committee controls the Group's counterparty risk limiting system and makes credit and exposure limit decisions within the framework of the risk policy adopted by the Executive Board, monitors utilisation rates and follows credit portfolio development in terms of quantity, quality and structure. The Credit Risk committee reports to the ALM and Risk Management Committee set up by the Executive Board.

Central cooperative's decision-making system

2.3 Supervisory Board

OP Cooperative's Supervisory Board adopts, among other things, OP Financial Group's strategy, containing the main risk management policies and other shared objectives and operating principles. It confirms the Group's principles of both internal control and risk and capital adequacy management; the control system principles required by joint and several liability; capital planning principles; the Group's annual plan; and Group-level risk limits concerning capital adequacy and risk types. It also adopts the principles and policies concerning OP Financial Group's remuneration development and decides on the Group's long-term remuneration schemes. The Supervisory Board follows regularly the business, risk-bearing capacity and risk exposure of the Group and the central cooperative consolidated.

2.3.1 Supervisory Board committees

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

The Risk Management Committee assists the Supervisory Board in matters related to the central cooperative consolidated's and the Group's risk-taking and risk management and risk-based supervision to ensure that the executive management complies with the risk-taking policy in accordance with the Group strategy and the risk limits issued by the Supervisory Board. The Risk Management Committee assists the Supervisory Board to ensure that a sufficient risk management system is in place and that no exposure is so large that it can jeopardise business continuity, capital adequacy, liquidity and strategy implementation.

The Audit Committee assists the Supervisory Board in ensuring that the central cooperative consolidated and OP Financial Group have in place a sufficient and effective control system to cover all operations and that the central cooperative consolidated's and OP Financial Group's accounting and asset management control is organised appropriately. The Committee is also responsible for ensuring that the central cooperative consolidated's and OP Financial Group's operations and internal control are organised in a manner as required by laws, regulations and the principles of good corporate governance, and for supervising the performance of internal control.

2.4 Executive Board

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

At least once a year, the Executive Board ensures that OP Financial Group's strategy, risk limits, capital plan and proactive contingency plan for capital resources are up to date. The Executive Board annually adopts OP Financial Group's risk policy and the risk limits of the central cooperative consolidated's entities and cooperative banks' control limits. It also adopts the risks included in economic capital and the general guidelines for capital requirement measurement, and the stress testing framework. It is also responsible for ensuring that the systems and procedures concerning risk and capital adequacy management are sufficient and up to date.

The Executive Board adopts the control methods under the guidelines for each bank based on the control system required for joint and several liability. It also decides on banks belonging to lower risk categories and related control methods.

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

2.4.1 Executive Board committees

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

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

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

2.5 Internal Audit

Internal Audit is responsible for Group-level internal auditing within OP Financial Group. Internal audit is aimed at assisting senior and operations management by performing audits to assess the achievement of the strategic and operational goals, the quality of risk management, the reliability of reporting, compliance with laws and instructions and the efficiency and appropriateness of operations.

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

2.6 Central cooperative subsidiaries

The central cooperative Executive Board is in charge of the entire Group's operational management. It is responsible for the central cooperative consolidated's management and its appropriate organisation. In the entire central cooperative consolidated, decisions are made as extensively as possible at Group level by the central cooperative's Executive Board. The board of directors of each subsidiary discusses issues related to them primarily on the basis of the policy guidelines issued by the central cooperative's Executive Board or after having heard the Executive Board. The boards of directors of the subsidiaries mainly discuss only issues required by law.

In their operations, the central cooperative subsidiaries apply the risk and capital adequacy management principles adopted by the central cooperative's Supervisory Board as required by the nature and extent of their business.

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

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

2.7 Member cooperative banks

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

The cooperative bank's supervisory board approves internal audit and risk and capital adequacy management principles and supervises their implementation.

The supervisory board's Audit Committee is tasked with assisting the supervisory board in overseeing the administration managed by the board of directors and the managing director. The rules of procedure of the Audit Committee confirmed by the supervisory board describe the responsibilities and composition of the Audit Committee.

The board of directors of the member cooperative bank confirms, for example, internal procedures and instructions relating to internal audit and risk management, business targets, risk limits for various risk types and a capital plan. It is also responsible for risk management adequacy and supervises and monitors the bank's business, risk exposure and risk-bearing capacity on a regular basis. In controlling the banks' operations, the board of directors adheres to the Group's guidelines.

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

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

In member cooperative banks, the risk-management assessment independence of business operations is based on reports produced by the central cooperative's Risk Management, the bank risk categorisation carried out by the central cooperative as well as the assessment by OP Financial Group's Internal Audit concerning the status of the bank's capital adequacy management.

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

3 OP Financial Group's risks

The table below describes OP Financial Group's most significant risks. The paragraphs below the table describe the nature of the risks and how they can be managed.

OP Financial Group's risks

Strategic risks	Risk caused by changes in the competitive environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.
Operational risks	Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor.
Compliance risk	Risks caused by non-compliance with external regulations, internal policies and appropriate procedures and ethical principles governing customer relationships.
Reputational risk	Risk of deterioration of reputation or trust caused by negative publicity or realisation of some risk.
Credit risk	Credit risk refers to a risk of the counterparty not being able to fulfil its obligations.
Market risk	Market risk arises from structural market risk associated with the balance sheet as well as market risk associated with trading and long-term investment.
Liquidity risk	Liquidity risk and structural funding risk
Non-life Insurance risks	Risk of loss or damage and provision risk
Life Insurance risks	Biometric risks, customer behaviour and expense risks

4 Strategic risks

Identifying strategic risks and opportunities forms an integral part of the Group's strategic planning and continuous business development. The strategic guidelines are processed extensively within the Group before being confirmed. The Group manages its most significant strategic development initiatives through either strategic development programmes or individual development initiatives.

Strategic risks are managed by analysing the risks when drawing up the strategy and by continuously monitoring and analysing changes in the operating environment and the implementation of the strategy. Strategic risk is reduced by regular planning, based on analyses and forecasts of customer future needs, developments in different sectors and market areas, and of competition. The Group's strategic risks are subject to regular reporting and the central cooperative Executive Board and Supervisory Board monitor related actions and the progress of strategic development programmes.

5 Operational risks

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

The Group has not set a risk limit for operational risks in terms of risk-taking, but the target level for risk management is moderate. The key area of operational risk management involves identifying and assessing risks and assessing the effectiveness and adequacy of risk control and management tools. Before any new business models (including outsourcing) are carried out or products or services are launched, their risks are assessed as laid down by the central cooperative's Risk Management. All OP Financial Group products offered to customers and operating models in use have been approved at Group level. Risks that may disrupt business continuity are prepared against by means of business continuity planning in key business divisions. Business continuity planning also forms the basis for preparation against emergency conditions referred to in the Emergency Powers Act. Business continuity plans are tested according to testing plans that have been made.

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

In its operational risk management, OP Financial Group adheres to a uniform, system-supported operating model. In this model, the Group's entities assess operational risks, involving identifying and assessing business risks and defining and monitoring measures designed to reduce them. The Group also monitors occurred risk events and close calls and losses suffered by other financial sector players, and analyses them and ensures adequate methods to prevent similar losses.

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

5.1 Monitoring and reporting operational risks

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

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

6 Compliance risks

Compliance risk forms part of operational risk. Compliance activities are aimed at ensuring that all OP Financial Group entities comply with laws, official instructions and regulations, self-regulation of markets, and internal guidelines, policies and instructions of the Group and the entities. Compliance also ensures that customer relationship management complies with appropriate and ethically sound principles and practices.

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

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

Guidelines, advice and support concerning compliance within OP Financial Group are the responsibility of Risk Management that is independent of the central cooperative. The central cooperative consolidated entities have centralised compliance functions within Risk Management. Each member cooperative bank has a designated person to ensure regulatory compliance.

6.1 Compliance risk management tools

Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Compliance risk management tools include monitoring legislative developments, providing the organisation concerned with guidelines, training and consultation in respect of observing practices based on regulation as well as supervising the regulatory compliance with procedures applied within the organisation.

6.2 Compliance risk monitoring and reporting

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

7 Reputational risk

Reputational risk is managed proactively and in the long term by complying with regulation, good practices of the financial sector and the Group's Code of Business Ethics and by emphasising transparency of operations and communications. The Group adheres to international financial, social and environmental responsibility principles and international commitments.

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

8 Credit risks

OP Financial Group's credit risk derives primarily from banking. Credit risk also derives from investment by insurance operations and reinsurance as well as insurance premiums. Credit risk includes country risks and settlement risks.

OP Financial Group's risk policy is used to control credit risk exposure. The credit risk policy defines, for example, the target risk exposure level, risk-taking principles and restrictions as well as the principles governing customer selection, collateral and financial covenants.

Limits set for the loan portfolio quality and concentrations, among other things, are used to ensure the sufficient diversification of the loan portfolio at Group and entity level. To manage country risks, the Group determines country limits for different countries which help to monitor, control and prevent the Group's country risk concentrations.

Credit rating controls customer selection, consequences of insufficient collateral and exposure pricing. Target values by credit rating have been set for the Group's and its banks new lending and loan portfolio to maintain good loan portfolio quality.

The day-to-day credit approval process and its effectiveness play a key role in the management of credit risks. A customer's sufficient debt-servicing capacity is the prerequisite for all lending. Credit approval decisions are based on the up-to-date credit rating in force.

The Group ensures the repayment capacity of private customers against higher interest rates as well. In lending, the Group avoids high financing percentages. Customers are offered payment protection insurance in the case of illness or unemployment.

The assessment of corporate customers' debt-servicing capacity and credit risk uses not only credit ratings but also payment behaviour data, financial statements analyses and forecasts, corporate analyses, statements and sector reviews, and customer needs analyses, credit rating assessments and other documents produced by the banks' account managers. The corporate financing business is based on service models into which risk management is closely integrated while ensuring that risk management remains independent.

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

In insurance operations, credit risk management is based not only on customer selection but also on credit control and investment plans. Reinsurance credit risk is managed by using companies with a sufficient creditworthiness.

The Group responds to any foreseeable problems as early as possible. The operating models for potential default and default customers are described separately to ensure uniform treatment of private, corporate and agricultural customers. Customers whose financial status performance, credit risk and payment behaviour justify a more detailed review are subject to special control. In this context, the Group also analyses the need to revise the customer's credit rating, the probability of a credit loss and the need to recognise an impairment loss. This often means changes in loan decision levels.

8.1 Mitigating credit risks

The Group mitigates credit risks by using collateral, central counterparty clearing, netting agreements and exchange-traded products. In settlement risk management, it is vital to ensure the reliability of counterparties. The Group mitigates risk by concluding standard agreements and using only reliable clearing centres.

In order to ensure repayment, collateral must be provided for exposure, and any retail banking exposure must primarily be secured by hard collateral. Insufficient collateral may be acceptable in the best borrower grades. Especially in the case of the largest corporate customers, financial covenants are used in addition to collateral. Monitoring these enables the Group to ensure that it receives an accurate picture of the company's status and can reassess the loan terms and conditions, collateral requirements or pricing if the risk status changes.

Unsecured retail exposures and leasing and factoring have been centralised within the central cooperative's Banking.

Collateral is evaluated by an independent party and using a conservative approach to fair value. The Group exercises special care in assessing the value of collateral deemed as cyclical in nature. The Group monitors developments in collateral values on a regular basis. The fair values of housing used as collateral is updated once a year on the basis of indices derived from official sales price statistics. Whenever a financing decision is made, the Group checks whether the collateral must be reassessed. Similar reassessment is made if there is reason to expect that the value of collateral has changed significantly or the customer's financial standing has weakened substantially.

8.2 Credit risk monitoring and reporting

The Group monitors developments in credit risk regularly relative to the set limits, control limits and targets. In addition, it monitors the quality and structure of the loan portfolio, the adequacy of collateral and doubtful receivables.

8.3 Credit risk models

OP Financial Group uses credit risk models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Credit risk models

Probability of loan defaults within 12 months	=	Probability of default (PD), %
Estimate of the loss caused by a loan default	=	Loss given default (LGD), %
Estimate of the sum the customer would owe the bank in case of default	=	Exposure at default (EAD), €

The Group makes extensive use of credit risk models in measuring and managing credit risk, such as in

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

8.3.1 Credit rating and probability of default

The purpose of credit rating is to group customers (agreements in the case of private customers) by borrower grade based on probability of default.

Default means that some of the customer’s exposures becomes a receivable to OP Financial Group that is over 90 days past due or some other more severe payment default. Probability of default, or PD, is the average proportion of default events estimated for each borrower grade during one year over the economic cycle. When the economy is thriving, the actual proportion of defaulted customers in a given borrower grade is lower than the estimated PD, and when economic trends are poor, higher than the estimated PD.

8.3.2 Assessing private customers' probability of default

OP Financial Group uses a 16-level scale of A-F to assess the probability of default for its private customer agreements, with F representing defaulting borrowers.

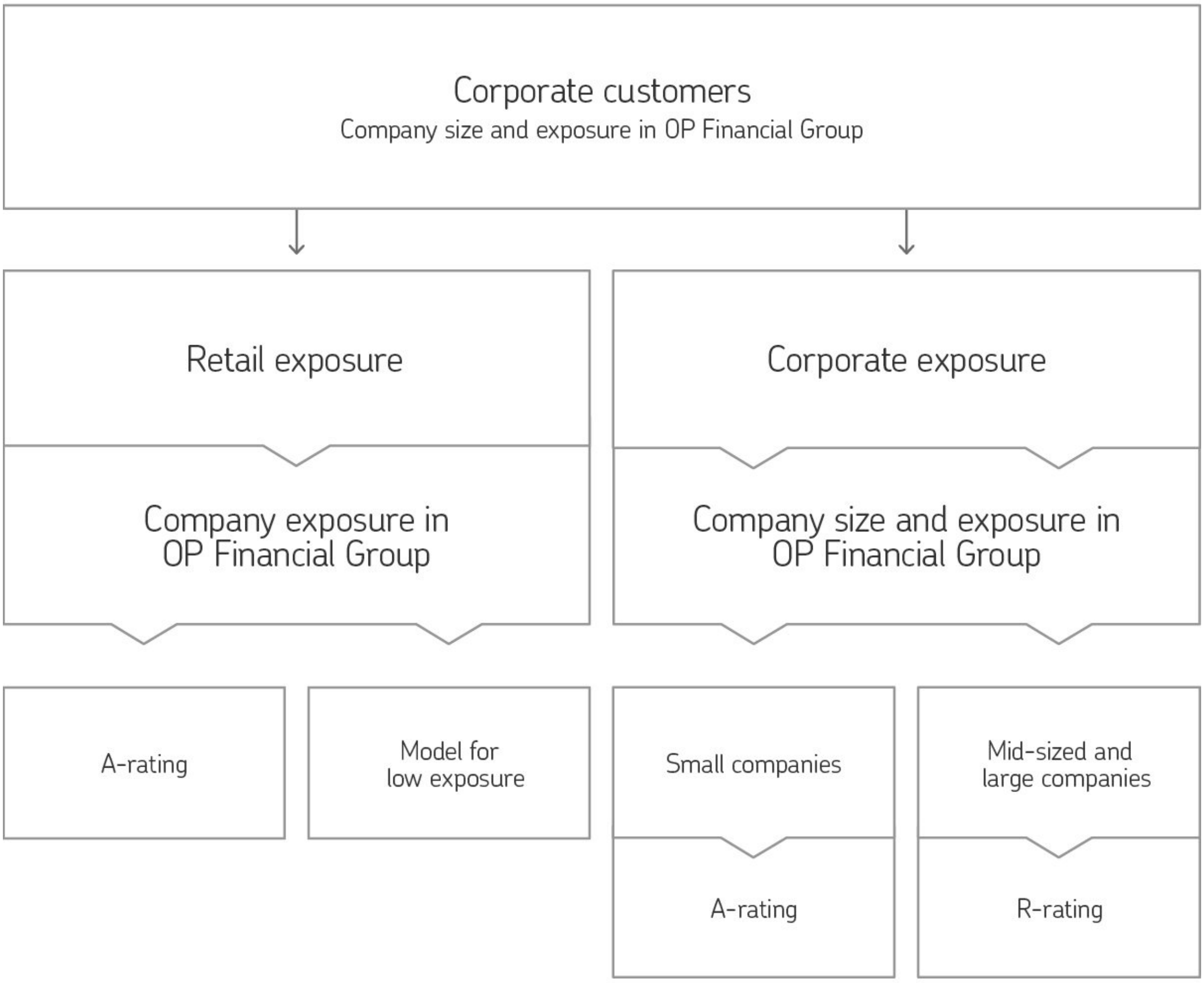
The Group assesses monthly all private customer agreements' PD using a loan portfolio rating model. The loan portfolio rating is based on a customer's basic data, payment behaviour and other transaction history data. The scores calculated on the basis of this data determine the borrower grade. Average PDs have been calculated for each borrower grade for a period of 12 months. This credit rating model was adopted in 2006 and its current version dates back to 2013. The loan portfolio rating model is used for credit risk assessment and capital requirement calculation.

When a loan is granted, Group member cooperative banks use the home mortgage and secured consumer credit application stage rating model. The Group's finance company products and unsecured consumer credit have their own application stage models. The application stage rating takes place as part of OP Financial Group’s loan approval process. The rating based on the application stage supports the loan approval process, credit risk assessment and the pricing of new loans. The Group adopted updated versions of application stage models in spring 2014.

8.3.3 Assessing corporate customers' probability of default

OP Financial Group assesses the probability of default of its corporate customers using its internal 20-level credit rating system on a scale of 1.0-12.0, with 11-12 borrower grades representing defaulting customers.

Rating of corporate customers in OP Financial Group



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

Suomen Asiakastieto Oy's rating model, Rating Alfa, forms the basis of small corporate customers' 'A' ratings. The rating Alfa variables include information on payment default and payment practices of the company or its persons in charge, key indicators based on financial statements and the customer's basic data. Scores provided by Rating Alfa have been described (calibrated) into OP Financial Group's internal credit ratings. The model has been used since the beginning of 2008 and was last partly updated in 2012.

Low exposure corporate customers are rated using a rating model for low exposures. The rating model is an automated rating model calculated on a monthly basis that is created on the basis of the customer's basic data, transaction data and payment behaviour data. The rating model for low exposures was adopted in 2009 and updated in 2012.

Borrower grades generated by the corporate rating models are comparable because, irrespective of the model, each borrower grade is subject to the same probability of default. In deriving probability of default, the Group has used recent years' actual payment default data, long-term loan loss data and bankruptcy statistics and the cyclical nature of the model. The need for updating probabilities of default for each category is assessed annually.

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

S&P Rating	AAA...AA-	A+...A-	BBB+...BBB-	BB+... BB-	B+...B-	CCC+...C
OP Financial Group	1,0–2,5	3,0–4,0	4,5–5,5	6,0–7,0	7,5–8,5	9,0–10,0

8.3.4 Assessing a credit institution's probability of default

Credit institution exposure is divided into 20 categories, such as corporate customer exposure, ranging from 1.0 to 12.0, with defaulted customers falling into categories 11–12.

A specific L rating model is used to assess the probability of default of credit institutions as counterparties, the structure of which corresponds to the R rating model.

The statistical model as the basis of the credit rating is based on financial indicators in financial statements and on qualitative background data. Such rating can be revised by an expert with warning signs and, in many cases, rating is also affected by the parent company's support to the banking group and by the Sovereign Ceiling rule whereby the counterparty cannot be better than the country concerned in terms of creditworthiness. The Group decides on credit institution ratings at least once a year. The L credit rating model was adopted in 2009 and last updated in 2012.

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

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

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

In addition to the models used for assessing probability of default, the Group uses models for predicting loss given default (LGD) and exposure at default (EAD) to measure credit risk. Exposure at default, or EAD, refers to the estimated amount of the bank's receivable from the customer at default. In the calculation of EAD, a Conversion Factor (CF) is used to assess the utilised exposures that describes how much of off-balance-sheet exposures have been assessed to be utilised at the time of default. Loss Given Default, or LGD, is an estimate of a financial loss incurred by the bank, as a share of EAD, if the customer defaults.

8.3.6 Use of credit risk models in capital adequacy measurement

The Group applies the Foundations Internal Ratings Based Approach (FIRBA) to measure capital adequacy requirement for credit risk on corporate and credit institution exposures. In FIRBA, an estimate of probability of default (PD) generated by OP Financial Group's credit risk models affects the capital adequacy requirement for credit risk associated with the customer. Standard estimates issued by the authorities are used for LGD and CF.

The Group uses FIRBA to calculate the capital requirement for credit risk on retail exposures, in which the capital requirement is affected by the PD, LGD and EAD values of OP Financial Group's internal credit risk models. The Group uses the Standardised Approach (SA) for government and central bank exposures and for some other exposure categories (like those of the Baltic countries and POP Group banks). As a rule, a simple model applies to equity investments. The PD/LGD method applies to OP Financial Group's strategic investments, where the PD values are based on internal models and LGD values on standard estimates.

8.3.7 Decision-making and assessment related to credit risk models

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

The effectiveness of the credit rating process and credit risk models is subject to regular monitoring and supervision. OP Financial Group's Risk Management collects continuous feedback from the business lines/divisions on the effectiveness of the credit rating process and credit risk models. On a monthly basis, it monitors the models that automatically create a credit rating category. The purpose of this monitoring is to follow changes in the loan portfolio and lending that may, for example, indicate errors in IT implementation.

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

OP Financial Group's Internal Audit performs audits to ensure the independence of validation. It also inspects the credit risk models and their use in the central cooperative's companies and member cooperative banks as part of its regular auditing.

8.4 Securitised assets

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

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

9 Liquidity risks

Liquidity risk comprises funding liquidity risk and structural funding risk. Liquidity risk refers to a situation in which a Group entity cannot meet its payment obligations without difficulty. Structural funding risk refers to refinancing risk resulting from a maturity difference between long-term lending and short-term borrowing.

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

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

OP Financial Group ensures its liquidity by means of a liquidity buffer and funding sources under the contingency plan for 12 months in the event that both money and capital markets were to close and deposit funding was to decrease moderately. The liquidity buffer has the size required for the time to implement the contingency plan in a liquidity crisis. Liquid funding may be made available by selling notes and bonds in the liquidity buffer or using them as collateral. The liquidity buffer consists mainly of deposits with the central bank and receivables eligible as collateral for central bank refinancing.

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

The Group's funding planning is based on the proactive planning of the funding structure and on the risk limits set for the liquidity risk. Deposits from the general public and wholesale funding form the basis of the Group's funding. The Group plans its wholesale funding on the basis of deposit funding and an increase in lending. In order to secure access to funding, the Group uses a diverse range of financial instruments while diversifying the sources of funding by maturity, geography, market and investor. Any surplus deposits with member banks are mainly channelled to the central cooperative consolidated accounts or instruments it has issued in order not to increase the Group's wholesale funding unnecessarily. Pohjola manages on a centralised basis the Group's wholesale funding in the form of senior bonds and equity capital, while OP Mortgage Bank manages funding based on covered bonds.

OP Cooperative's Executive Board is responsible for OP Cooperative's liquidity risk management, and controls liquidity management using various threshold levels. In cases of market disruption, liquidity management relies on the business continuity and contingency plan. Each entity within OP Financial Group controls its liquidity management within the framework of control limits issued by the central cooperative and guidelines and of account, deposit and loan terms and conditions.

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

9.1 Monitoring and reporting liquidity risks

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

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

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

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

The calculation of LCR is based on CRD IV/CRR and the EU Commission Delegated Act on Liquidity Coverage Ratio Requirement. The LCR requires that a bank have sufficient liquid assets that cover the net cash outflows from the bank under stressed conditions.

Furthermore, OP Financial Group monitors liquidity risk in scenarios based on liquidity stress testing it has determined. The funding liquidity risk indicators show for how long the liquidity buffer will cover the known and predictable net cash flows payable daily outside the Group and any unexpected liquidity stress scenario.

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

10 Market risks

In OP Financial Group, market risk is associated with Banking and the liquidity buffer involved in Other Operations, and insurance operations. Market risk is divided into the balance sheet structural market risk and market risks associated with trading and long-term investment. Market risks include the following risks both on and off the balance sheet: interest rate risks, investment price risks, real estate risks, credit spread risks associated with investment operations, and market liquidity risks. Market risks are the result of price, volatility and market liquidity changes in the financial market. Market risk also affects the valuation adjustment with an effect on the income statement and balance sheet (CVA and DVA).

The most significant sources of the structural market risk in the balance sheet include the interest rate risk associated with the banking book and that associated with insurance liability. The interest risk associated with the banking book relates to the net interest income from financing. In Non-life Insurance and Life Insurance, interest rate risk arises when changes in the interest rate affect the value of and income from investment assets and the cash flows of insurance liabilities.

Market risks associated with trading are caused by interest rate risk, several price risks and market liquidity. Market liquidity risk is realised when the Group is not able to realise or cover its market exposures at the prevailing market price, since the market lacks sufficient depth or are inactive due to a market disruption.

Long-term investment is exposed to market risks resulting from daily changes of prices and values in the financial market. Market risks involved in investment assets include equity, interest rate, interest rate basis, credit, property, currency, commodity and volatility risks.

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

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

The Group assesses its market risks by means of sensitivity analyses, statistical volatility and correlation analyses, VaR (Value-at-Risk) analyses, and stress tests. The VaR method has the advantage of being able to combine various risk types to from a single figure considering the sensitivity of the position to changes in market variables, interdependencies between market variables and uncertainty associated with market variables. Risk management must also takes account of the continuous opportunity for the emergence of new risk factors and the limited perspective of risk measurement performed on the basis of historical time series data. For the above reasons, the Group supplements the risk analysis with stress tests.

Derivative risks are monitored as part of the exposure using the same benchmarks as for balance sheet exposure.

10.1 Structural market risk associated with the balance sheet

The most significant sources of the interest rate risk of OP Financial Group are associated with the retail banking's banking book and insurance operations. The interest rate risk associated with banking is by nature structural interest rate risk related to interest income from financing. In Non-life Insurance and Life Insurance, interest rate risk arises when changes in the interest rate affect the value of and income from investment assets and the cash flows of insurance liabilities.

The interest rate risk associated with the banking book of Group member cooperative banks is mainly managed by the choice of the range of borrowing and lending products and the terms and conditions offered. Group member cooperative banks may also hedge against interest rate risk in their banking book by means of interest-rate derivatives as approved within the Group. In addition to the interest rate monitoring standardised throughout the Group, the Group's central bank controls interest rate risk by means of interest rate risk limits specific to responsibility areas. Interest rate risk associated with trading and the banking book is controlled using the same principles and indicators.

In Life Insurance, interest rate risk is involved in obligations to policyholders that are included in insurance liabilities. These obligations consist of promises of fixed profits and any customer benefits. The Group hedges fully or partly interest rate risk for insurance liabilities using the investment portfolio and interest rate derivatives in order to bring the overall risk exposure to the target level set in the investment plan.

In Non-life Insurance, interest rate risk relates to the value of insurance liability under Solvency II and to the technical interest rate in profit and loss. The Group hedges fully or partly interest rate risk for insurance liabilities using the investment portfolio and interest rate derivatives in order to bring the overall risk exposure to the target level set in the investment plan.

10.2. Market risks associated with trading

The purpose of trading is to trade actively for own account and trading for customers in various financial instruments. The market risks associated with trading realise when changes in market quotes used for the fair value measurement of contracts (e.g. swap rates) have a negative effect on the value of the contracts and the value change is recognised through profit or loss.

Market risks associated with trading are caused by interest rate risk and several price risks. The Group restricts market risks, for example, by setting limits based on sensitivity indicators and statistical methods.

The Group monitors market risk limits on a daily basis because a constantly changing position is typical of trading. The member cooperative banks' trading books must fulfil the terms and conditions of the small trading book determined under capital adequacy regulation, in which case the management of market risks and capital adequacy is executed as with the banking book.

OP Financial Group uses derivatives for trading and hedging purposes. Group member cooperative banks use derivatives to hedge Euribor-linked interest rate risk against a decrease in interest rates and fluctuations in net interest income.

10.3 Market risks associated with long-term investment

OP Financial Group carries out investment activities in investment operations and Other Operations, mainly limited to the management of the Group's liquidity buffer. Items included in the liquidity buffer are liquid notes and bonds eligible as collateral for central bank refinancing. Investments made by insurance companies are aimed at ensuring customer income (Life Insurance), obtaining assets covering insurance liabilities, and investing profitably.

OP Financial Group’s risk policy controls and restricts investment risk-taking. The risk policy provides the Group and its entities with quantitative and qualitative restrictions in terms of products, regions and creditworthiness. The risk policy consists of OP Financial Group’s risk limits and control limit indicators, supplemented by the central cooperative's risk management guidelines.

Annual investment plans, confirmed by the boards of directors of Group entities, determining the desired risk and return level are also very important. The boards of insurance companies also confirm separate instructions and policies governing the risk management of investments. These investment plans also specify the mix, range and benchmark indices for investment assets as well as other restrictions on investment.

The investment asset allocation of insurance operations takes account of the insurance companies' risk-bearing capacity, structural interest rate risk and other requirements set by insurance liability on investment assets and their liquidity. In Life Insurance, the application of the principle of equity also affects investment targets and the amount of risk taken. The Group diversifies investments effectively among various asset classes and investment instruments, both by region and industry.

Insurance companies manage market risks associated with investment and insurance liabilities by means of various investment instruments and derivative contracts. The extent and principles of use of derivatives are determined annually in the companies’ investment plans and the principles governing the use of derivatives.

10.4 Market risk monitoring and reporting

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

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

All interest-bearing on- and off-balance sheet items are included in the Banking interest-rate risk analysis. This analysis does not make any assumptions of business growth. The effect of customer behaviour on the deposit portfolio and of early repayment of loans has been taken into account in the interest risk assessment. The limit of the interest rate risk associated with financing has been set for an interest income risk, which measures the effect of interest rate changes on net interest income for the next 12 months. As part of regular interest rate risk measurement and reporting, the Group carries out stress tests to analyse the effects of various interest rate changes on the present value of the interest rate risk exposure.

Interest rate risk arising from insurance companies’ investment and insurance liabilities is managed and measured using the economic capital model as part of market risk associated with insurance operations. The Group also monitors interest rate risk by assessing the effect of a change of the interest rate on the value of investments and the insurance liabilities.

The Group restricts market risks associated with trading, for example, by setting limits based on sensitivity indicators and statistical methods. The Group monitors market risk limits on a daily basis because a constantly changing position is typical of trading.

The risk exposure of investments is measured by means of the profit, risk, VaR and correlation models. Investment assets undergo sensitivity analyses to assess the effects of changes in share prices, interest rates and real property values. A sensitivity analysis of the credit risk is also carried out for each investment. The Group uses stress tests to assess the effects of exceptional market conditions.

11 Underwriting risks associated with Non-life Insurance

11.1 Risks of insurance operations

The insurance business is based on taking and managing risks. The largest risks pertain to risk selection and pricing, the acquisition of reinsurance cover, and the adequacy of insurance liabilities. The risk inherent in insurance liabilities lies mainly in insurance lines characterised by a long claims settlement period. In addition to underwriting risks, a significant insurance business risk consists of the investment risk related to the assets covering insurance liabilities.

11.2 Underwriting risks

Underwriting risks associated with Non-life Insurance comprise risk of loss or damage, and provision risk.

Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. This results in assets covering technical provisions differing due to expected higher claims incurred. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date. The uncertainty related to the timing of claims paid out also has an effect on the amount of provision for unpaid claims. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty relates to the assessment of unknown losses.

The majority of claims expenditure in statutory lines of insurance for bodily injuries consists of compensation for loss of income and for medical care. In addition to accidental injuries, statutory workers' compensation insurance covers occupational diseases, which tend to develop slowly. For this reason, major uncertainty is involved in assessing claims incurred in the case of occupational diseases.

It is typical of the statutory lines of insurance that the period from the date of the occurrence of loss until the date on which the claim is fully paid is often long. Such underwriting business generates a long-term cash flow, on the evaluation of which the mortality of beneficiaries, medical-cost inflation and return to work have the greatest impact. With respect to statutory workers' compensation insurance and motor liability insurance, the insurance company is not, however, liable for the index increments of compensation for loss of income nor for any medical expenses that are paid for over ten years after the accident's occurrence. These are financed through the pay-as-you-go system. The pay-as-you-go system is a scheme based on special laws governing each statutory line of insurance. Under this system, the financing of benefits, the so-called pay-as-you-go benefits, specified in these laws, has been arranged through the pay-as-you-go system. The pay-as-you-go system does not generate any financial benefit or harm to the insurance company that would lead to changes in equity.

Individual claims are usually small in voluntary accident and health insurance. The largest claims may arise from catastrophes with a large number of injured people. Medical-cost inflation has a major impact on projecting cash flows in medical expenses insurance, with respect to illnesses for which compensation is paid for a long time. Rapid progress in medicine and rising pharmaceuticals costs increase medical-cost inflation. Developments in public healthcare will also affect future cash flows. If tax-funded public healthcare services decline, people will increasingly start paying for their medical care through medical expenses insurance.

In motor vehicle and cargo insurance, weather conditions have the greatest effect on the number and size of claims. Claims expenditure is therefore larger during the winter than during the summer. The greatest risks within cargo insurance are associated with risk concentrations caused by sea transport and trading stock. In addition, weather conditions, such as storms and floods, and snow and icy roads during the winter relating to motor vehicle insurance may involve accumulation risks covering a geographically large region.

The largest single risks within property and business interruption insurance include fire, natural phenomenon and breakage risks exposed by companies' production facilities and buildings, and the related business interruption risks. Households' individual property risks are small and the related individual claims have no material effect on the Non-life Insurance earnings. The majority of claims expenditure for households is due to leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic region. However, studies have suggested that there are indications of a change in climatic conditions in the Group's operating region at least in the long-term. The projected temperature increase will probably be reflected in changes in summer and winter conditions and, for instance, in higher precipitation and wind speeds.

Laws and legal practice governing the liability to pay damages have a major impact on the number and size of liability claims. For private individuals, claims have a minor effect on earnings. In addition, private individuals' risks account for a minor share of the total risk within the class. The majority of corporate liability policies consist of product liability and commercial general liability policies. Liability insurance is characterised by losses being revealed and settled slowly, especially in respect of product liability insurance in North America.

Decennial insurance and perpetual insurance are long-term contracts. Decennial insurance is a statutory policy where a loss event requires both a construction defect and the builder's default. The underwriting of perpetual insurance was terminated in the 1970s and their sums insured and associated risks are small due to low inflation. The policyholders consist mainly of private individuals.

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

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

11.2.1 Underwriting risk management

The most important tasks within underwriting risk management relate to risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities. The highest underwriting risk decision-making body is the Underwriting (UW) Executives tasked with managing Non-life Insurance underwriting risks. The Underwriting Executives make underwriting decisions within the framework of powers confirmed by the boards of directors of the insurance companies, and report its decisions to these boards.

Decisions on customer and insurance object selection and risk pricing are made according to the UW Guidelines. The UW Executives approve risks with the most significant effect and the most demanding risks while decisions on smaller risks, depending on the size and severity of the risk, require decisions made jointly by several underwriters or managers. For basic insurance lines, decisions are made on a system-supported basis and customers and the objects of insurance are selected within the powers determined by instructions specifically approved.

11.2.2 Risk selection and pricing

Operating models highlight the role of risk selection and pricing. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. Non-life Insurance has a centralised data warehouse and analysis applications in place to support risk selection and pricing. Insurance terms and conditions play a substantial role in risk mitigation. In addition, the Group performs risk analyses on a customer or insurance line specific basis to mitigate risks.

11.2.3 Reinsurance

The reinsurance principles and the maximum risk per claim retained for own account are annually adopted by the boards of directors of the insurance companies, in accordance with the principles of the central cooperative's Executive Board. In practice, the Group's own retention levels can be kept lower than the maximum retention levels adopted by the board of directors, if the reinsurance pricing supports this. Retention in both risk-specific reinsurance and catastrophe reinsurance is a maximum of EUR 5 million. Reinsurance has an effect on the solvency capital requirement. Only reinsurance companies with a sufficiently high financial strength rating are accepted as reinsurers. The reinsurer's counterparty risk is managed by means of reinsurance diversification limits.

11.2.4 Risk concentrations

The Group takes account of local risk concentrations in EML (Estimated Maximum Loss) estimates for property and business interruption risks and through EML breakthrough cover included in reinsurance cover. Our operating region has no major risk of earthquakes. With respect to risks associated with other natural disasters, such as storms and floods, Finland is a stable area. However, the Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover whose size has been dimensioned to correspond to the calculated size of a catastrophe loss occurring once every 200 years. The catastrophe accumulation cover applies to property damage and personal injuries.

11.2.5 Evaluation of insurance liabilities

The Group monitors the adequacy of insurance liabilities on an annual basis. Insurance liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise claims paid out and loss adjustment expenses.

The amount of insurance liabilities has been estimated securely in such a way that it would be sufficient to fulfil the obligations arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and then by determining a safety loading based on the degree of uncertainty related to the liability.

The evaluation of insurance liabilities always involves uncertainties which may be due, for instance, to the prediction of the claims trend, delays in verifying losses, cost inflation, legislative amendments and general economic development. Every three years, an external actuary performs for Non-life Insurance an analysis of the appropriateness of the calculation bases and the amount of insurance liabilities.

The provision for unpaid claims for annuities consists mainly of annuities of statutory insurance lines. Discounting is used in the computation of the provision for unpaid claims for annuities and the discount rate used is of great significance for the provision. Due to low interest rates, Non-life Insurance reduces the discount rate on a controlled basis.

12 Underwriting risks associated with Life Insurance

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

Biometric risks occur when disability, death or illness causes higher claims paid out than expected, or pension disbursements being paid for a longer period than expected.

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

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

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

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

12.1 Life Insurance underwriting risk management tools

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

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

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

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

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

12.2 Monitoring and reporting underwriting risks associated with Life Insurance

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

Legislative amendments may lead to such changes in the insurance terms and conditions that may have an effect especially on the sales of new policies and customer behaviour. Such amendments include amendments to laws or directives affecting long-term saving products or the premium rating bases of life insurance policies. Life insurance companies follow any legislative amendments and, whenever necessary, adjust their insurance contract pricing and terms and conditions as required by laws and in the manner as required by the companies' solvency management.

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

Notes to OP Financial Group Financial Statements

Note 3. Change in accounting policy

Amortisation of the effect of a reduction in the discount rate
OP Financial Group has changed the valuation model for non-life insurance liability in such a way that it takes account of a change in the discount rate as one continuously updated variable of an accounting estimate. Previously, the discount rate was subject to quarterly assessment in which case the effect of the change deteriorated the comparability between reporting periods. As a result of the change, OP has since 1 January 2015 assessed changes in the discount rate on a monthly basis and their effects on financial results are spread evenly over the financial year thereby providing more reliable and relevant information on the Group's financial results in accordance with IFRS 4.22. Because this concerns a change in the accounting estimate, no comparatives have been restated. Since the beginning of 2015, a change in the discount rate has also affected the calculation of the operating combined ratio (CR).

Presentation of Non-life Insurance commission income and expenses
The presentation of the consolidated financial statements has changed as of the beginning of 2015 with respect to certain sales and reinsurance commissions related to Non-life Insurance. Items previously presented under "Other operating income" have been, according to its nature, transferred to be presented under "Net commission income". In addition, impairment loss related to non-life insurance has been transferred to "Net income from Non-life Insurance". Likewise, Life Insurance management fees previously presented under "Other operating income" have been transferred to be presented under "Net commissions and fees". These changes will harmonise accounting for commissions and fees related to non-life insurance operations in OP Financial Group and give a more accurate picture of the nature of the items. The changes will have no impact on earnings and segment reporting. OP has applied the changes retrospectively, providing more reliable and relevant information on the Group's financial results.

Effect on consolidated income statement for 1 Jan.–31 Dec. 2014

EUR million	1 Jan.–31 Dec. 2014 (as presented previously)	Effect of change in accounting policy	1 Jan.–31 Dec. 2014 (restated)
Interest income	2,685		2,685
Interest expenses	1,642		1,642
Net interest income before impairment losses	**1,043**		**1,043**
Impairments of receivables	88		88
Net interest income after impairments	**955**		**955**
Net income from Non-life Insurance operations	593	-4	589
Net income from Life Insurance operations	197		197
Net commissions and fees	727	-20	707
Net trading income	88		88
Net investment income	74		74
Other operating income	64	-12	52
Total net income	**2,698**	**-37**	**2,662**
Personnel costs	741		741
Other administrative expenses	414		414
Other operating expenses	437	-37	401
Total expenses	**1,592**	**-37**	**1,555**
Returns to owner-customers and accrued customer bonuses	195		195
Share of associates' profits/losses	3		3
Earnings before tax for the period	**915**		**915**
Income tax expense	308		308
Profit for the period	**607**		**607**

Attributable to, EUR million			
Owners	599		599
Non-controlling interests	8		8
Total	**607**		**607**

Critical accounting estimates and judgements

Collective assessment for impairment

OP Financial Group has used an updated model for collective assessment for impairment since May 2015. The model is still based on the statistical model used in the measurement of the economic capital requirement. Through-the-cycle component has been eliminated from the PD and LGD estimates used in the economic capital requirement model to better reflect the point in time approach and current economic cycle. The model has changed measurement method for the identification of loss event that is calculated by means of the so-called emergence period in the new model (the calculation was previously based on past loss experience). In addition, the receivables have been grouped more accurately on the basis of shared similar credit risk characteristics in the new model. This model update did not cause any substantial change to the collective impairment loss amount.

Impairment loss on equity instruments

OP Financial Group has revised the previous determination of impairment loss on equity instruments as of 1 May 2015. Impairment loss will be recognised at the latest when the maximum limits of 12 months for the prolonged criterion or the significant criterion of 30% are exceeded. (previously: an average of 18 months and 40 %, respectively). This change increased impairment loss on equity instruments slightly in the first half.

Notes to OP Financial Group Financial Statements

Note 4. Changes in OP Financial Group's structure

Six POP Group cooperative banks, or Osuuspankki Poppia, Keiteleen Osuuspankki, Laihian Osuuspankki, Multian Osuuspankki, Petäjäveden Osuuspankki and Tuusniemen Osuuspankki became OP Financial Group member cooperative banks on 19 May 2015 since when they have been consolidated into OP Financial Group's financial statements. The tables below show the effects of this consolidation on the Group's income statement and balance sheet on 31 Dec 2015. As a result, OP Financial Group's equity increased by EUR 116 million as the POP Group banks' equity capital is included as part of the equity of the technical parent company of OP Financial Group. Combining the operations into the shared information systems is in progress.

Effect on income statement	**Other OP Financial Group**	**POP Group banks total**	**OP Financial Group total**
EUR million	**1 Jan.– 31 Dec. 2015**	**19 May– 30 Sep. 2015**	**1 Jan.– 31 Dec. 2015**
Interest income	2,475	11	2,486
Interest expenses	1,458	3	1,460
Net interest income before impairment losses	**1,017**	**9**	**1,026**
Impairments of receivables	77	1	78
Net interest income after impairments	**940**	**8**	**948**
Net income from Non-life Insurance operations	639	-	639
Net income from Life Insurance operations	278	-	278
Net commissions and fees	701	3	704
Net trading income	107	0	107
Net investment income	87	-1	87
Other operating income	45	1	46
Total net income	**2,796**	**11**	**2,807**
Personnel costs	777	4	781
Other administrative expenses	416	4	420
Other operating expenses	317	2	319
Total expenses	**1,510**	**10**	**1,520**

Returns to owner-customers and accrued customer bonuses	195	-	195
Share of associates' profits/losses	9	-	9
Earnings before tax for the period	**1,100**	**1**	**1,101**
Income tax expense	248	1	249
Profit for the period	**852**	**0**	**853**

Effect on balance sheet	**Other OP Financial Group**	**POP Group banks total**	**OP Financial Group total**
EUR million	**31 Dec. 2015**	**31 Dec. 2015**	**31 Dec. 2015**
Liquid assets	8,577	4	8,581
Receivables from credit institutions	349	76	425
Financial assets at fair value through profit or loss	922	5	928
Derivative contracts	5,693	4	5,696
Receivables from customers	74,532	660	75,192
Non-life Insurance assets	4,067	-	4,067
Life Insurance assets	13,858	-	13,858
Investment assets	12,248	175	12,423
Investments accounted for using the equity method	93	-	93
Intangible assets	1,395	0	1,395
Property, plant and equipment (PPE)	836	7	843
Other assets	1,523	3	1,526
Tax assets	117	1	118
Total assets	**124,211**	**934**	**125,145**

Liabilities to credit institutions	1,607	66	1,673
Financial liabilities at fair value through profit or loss	0	-	0
Derivative contracts	5,345	-	5,345
Liabilities to customers	57,511	709	58,220
Non-life Insurance liabilities	3,159	-	3,159
Life Insurance liabilities	13,532	-	13,532
Debt securities issued to the public	27,694	12	27,706
Provisions and other liabilities	3,616	9	3,625
Tax liabilities	861	5	866
Supplementary cooperative capital	89	17	106
Subordinated liabilities	1,590	-	1,590
Total liabilities	**115,004**	**818**	**115,822**
Equity capital			
Capital and reserves attributable to OP Financial Group's owners			
Cooperative capital, cooperative contributions	154	-	154
Cooperative capital, Profit shares	2,502	-	2,502
Translation differences	241	1	242
Reserves	2,018	67	2,085
Retained earnings	4,223	48	4,271
Non-controlling interests	**70**	**-**	**70**
Total equity capital	**9,207**	**116**	**9,324**
Total liabilities and equity capital	**124,211**	**934**	**125,145**

Notes to OP Financial Group Financial Statements

Note 5. Portfolio transfer from Suomi Mutual Life Assurance Company Ltd

Suomi Mutual Life Assurance Company Ltd's (Suomi Mutual) individual life insurance portfolio transferred to OP Life Assurance Company Ltd on 31 December 2015, excluding non-life policy type personal insurance that transferred to Pohjola Insurance Ltd.

Suomi Mutual's individual life insurance portfolio includes about 130,000 contracts with some 300,000 policies. As a rule, the policies were sold to customers before 1 July 1997. Suomi Mutual has not underwritten new business since 2005. In the transfer of the insurance portfolio, insurance contracts transfer on the previous terms and conditions, which means that the additional benefits granted by Suomi Mutual will remain. Suomi Mutual has been a run-off company for 10 years now when OP has managed the transferring insurance portfolio and been in charge of customer service for Suomi Mutual's customers.

During the portfolio transfer, EUR 1.3 billion in assets and insurance liability measured at fair value transferred from Suomi Mutual. The portfolio transfer has no direct earnings effect on OP Financial Group.

EUR million	Values used in transfer
Life Insurance assets	
Intangible assets	
Insurance contracts	20
Investment assets	1,238
Other assets	2
Non-life Insurance assets	
Cash in hand and at bank	31
Total assets	**1,291**
Life Insurance liabilities	
Insurance liabilities	1,260
Non-life Insurance liabilities	
Insurance liabilities	31
Total liabilities	**1,291**

In September 2014, OP Cooperative, the central cooperative of OP Financial Group, bought all shares in Checkout Finland Oy, a provider of payment services for Finnish webshops. The consolidation of Checkout Finland Oy had no major effect on the Group's earnings and balance sheet.

Notes to OP Financial Group Financial Statements

Note 6. Segment reporting

Segment information
OP Financial Group's business segments are Banking, Non-life Insurance and Wealth Management. Non-segment operations are presented under 'Other Operations'. OP Financial Group prepares its segment reporting in compliance with its accounting policies

The Banking segment companies consist of Group member cooperative banks, Helsinki OP Bank Ltd, OP Card Company Plc, OP Mortgage Bank and Pohjola Group's Banking segment.

Net interest income is Banking's most significant income item. Income also comes from commissions and fees and investment. Expenses arise mainly from personnel costs and other administrative expenses and the costs of the branch network and returns to owner-customers. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

The Wealth Management segment comprises OP Life Assurance Company Ltd engaged in life and pension insurance business, OP Fund Management Company Ltd engaged in mutual fund business, Pohjola Asset Management Ltd and its subsidiaries as well as Pohjola Markets Equities. The most significant items of income generated by the Wealth Management segment include life insurance net interest and risk results and commissions and fees arising from life insurance, asset management and mutual fund operations. The commissions and fees of the Wealth Management segment consist of those from asset and mutual fund management and life insurance policies.

The Non-life Insurance segment encompasses the operations of OP Financial Group's non-life insurance companies, i.e. Pohjola Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd, the Seesam companies operating in the Baltic countries, as well as the operations of service companies supporting non-life insurance.

Non-life insurance products include non-life insurance policies sold to corporate and private customers. Net income generated by Non-life Insurance derives mainly from premiums written and investment income. The most significant risks in Non-life Insurance pertain to insurance risks and investment risks.

Other Operations includes operations that support the business segments, particularly the operations of OP Cooperative, OP-Services Ltd and OP Process Services Ltd as well as Pohjola Group's Treasury and Group administration. In addition, OVY Insurance Ltd, Pivo Wallet Oy and Checkout Finland are reported under the Other Operations segment. Costs of the services for the business segments are allocated to the segments in the form of internal service charges. The allocation of other equity capital to the business segments is carried out through an internal bank under Other Operations, which means that any positive results in excess of the target level are shown under Other Operations.

Segment accounting policies
OP Financial Group's segment reporting is based on accounting policies applied in its financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments and inter-segment Group eliminations are reported under 'Group eliminations'. The segments' earnings and profitability is assessed in terms of pre-tax earnings.

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to banking in such a way that the CET1 ratio is 18% (11%). Capital has been allocated to insurance operations in such a way that the solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Income statement and balance sheet by segment in 2015

Income statement, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	2,678	0	3	340	-535	2,486
Interest expenses	1,570	22	0	392	-524	1,460
Net interest income before impairment losses	**1,108**	**-22**	**3**	**-52**	**-11**	**1,026**
– of which internal net income before tax	-26	-20	3	43	0	**0**
Impairment losses on receivables	77	0	-	0	1	78
Net interest income after impairment losses	**1,031**	**-22**	**3**	**-52**	**-12**	**948**
Net income from Non-life Insurance	-	632	-	-3	10	639
Net income from Life Insurance	-	-	-	-	278	278
Life Insurance's net interest and risk result	-	-	119	-	-119	-
Net commissions and fees	663	-55	-	20	76	704
Commissions and fees from fund and asset management	-	-	166	-	-166	-
Commissions and fees from life insurance	-	-	171	-	-171	-
Commission expenses	-	-	-163	-	163	-
Net trading income	115	0	0	0	-8	107
Net investment income	5	-	0	89	-7	87
Other operating income	29	7	1	484	-475	46
Personnel costs	472	101	32	176	0	781
Other administrative expenses	370	121	41	276	-388	420
Other operating expenses	194	79	35	100	-90	319
Returns to owner-customers and accrued customer bonuses	171	-	0	-	24	195
Share of associates' profits/losses	7	0	1	-	0	9
Earning before tax	**642**	**259**	**213**	**-13**	**0**	**1,101**
Income tax expense						249
Profit for the financial year						**853**

Balance sheet 31 Dec. 2015	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	130	0	-	8,451	-	8,581
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets at fair value through profit or loss	939	-	-	5	-17	928
Derivative contracts	5,735	-	-	337	-375	5,696
Receivables from customers	75,633	-	-	801	-1,242	75,192
Non-life Insurance assets	-	4,332	-	0	-265	4,067
Life Insurance assets	-	-	14,311	-	-453	13,858
Investment assets	6,425	16	-2	16,446	-10,463	12,423
Investment in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment	494	47	16	299	-13	843
Other assets	1,030	9	41	617	-171	1,526
Tax assets	47	4	10	40	16	118
Total assets	**94,958**	**5,111**	**14,694**	**37,795**	**-27,412**	**125,145**

Balance sheet 31 Dec. 2015	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liabilities to credit institutions	10,712	-	-	4,374	-13,414	1,673
Financial liabilities at fair value through profit or loss	0	-	-	-	-	0
Derivative contracts	5,389	-	-	326	-369	5,345
Liabilities to customers	53,586	-	0	6,106	-1,472	58,220
Non-life Insurance liabilities	-	3,171	-	-	-12	3,159
Life Insurance liabilities	-	-	13,558	-	-26	13,532
Debt securities issued to the public	10,971	-	-	17,893	-1,158	27,706
Provisions and other liabilities	2,122	83	32	1,704	-316	3,625
Tax liabilities	406	84	69	299	8	866
Cooperative capital	255	-	-	5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**83,520**	**3,473**	**13,939**	**38,092**	**-23,203**	**115,822**
Equity capital						**9,324**

Net income from the Baltic countries came to EUR 7 million and net assets to EUR 60 million.

Income statement and balance sheet by segment in 2014

Income statement, EUR Million	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Interest income	2,863	0	2	578	-758	2,685
Interest expenses	1,771	26	4	611	-770	1,642
Net interest income before impairment losses	**1,092**	**-26**	**-2**	**-33**	**12**	**1,043**
- of which internal net income before tax	-20	-24	2	42	0	**0**
Impairment losses on receivables	86	-	-	0	2	88
Net interest income after impairment losses	**1,006**	**-26**	**-2**	**-33**	**9**	**955**
Net income from Non-life Insurance	-	591	-	-4	1	589
Net income from Life Insurance	-	-	0	-	197	197
Life Insurance’s net interest and risk result	-	-	70	-	-70	-
Net commissions and fees	655	-47	-	17	82	707
Commissions and fees from fund and asset management	-	-	152	-	-152	-
Commissions and fees from life insurance	-	-	166	-	-166	-
Commission expenses	-	-	-133	-	133	-
Net trading income	94	0	0	-9	3	88
Net investment income	21	-	0	59	-6	74
Other operating income	33	9	1	460	-451	52
Personnel costs	446	102	32	160	0	741
Other administrative expenses	345	124	42	257	-355	414
Other operating expenses	272	78	38	107	-95	401
Returns to owner-customers and accrued customer bonuses	176	-	0	-	19	195
Share of associates' profits/losses	1	0	1	0	0	3
Earning before tax	**571**	**223**	**167**	**-34**	**-13**	**915**
Income tax expense						308
Profit for the financial year						**607**

Balance sheet 31 Dec. 2014	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi-nations	OP Financial Group
Liquid assets	157	0	-	3,732	-	3,888
Receivables from credit institutions	4,249	5	35	10,122	-13,726	686
Financial assets at fair value through profit or loss	466	-	0	-11	-28	427
Derivative contracts	6,085	-30	-	314	-448	5,920
Receivables from customers	71,299	-	-	538	-1,154	70,683
Non-life Insurance assets	-	4,150	-	0	-353	3,797
Life Insurance assets	-	-	11,978	-	-740	11,238
Investment assets	5,037	16	9	12,667	-8,230	9,500
Investment in associates	26	2	27	-	0	56
Intangible assets	66	704	370	195	-3	1,332
Property, plant and equipment	491	51	9	243	-13	781
Other assets	884	7	46	1,418	-404	1,951
Tax assets	88	4	8	46	22	168
Total assets	**88,848**	**4,909**	**12,484**	**29,263**	**-25,077**	**110,427**

Balance sheet 31 Dec. 2014	Banking	Non-life Insurance	Wealth Management	Other operations	Elimi- nations	OP Financial Group
Liabilities to financial institutions	10,278	-	-	5,052	-13,553	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Derivative contracts	5,640	-30	-	357	-478	5,489
Liabilities to customers	48,912	-	-	3,284	-1,032	51,163
Non-life Insurance liabilities	-	3,116	-	-	-144	2,972
Life Insurance liabilities	-	-	11,271	-	-41	11,230
Debt securities issued to the public	9,019	-	-	16,996	-1,060	24,956
Provisions and other liabilities	2,315	109	35	1,255	-268	3,447
Tax liabilities	432	105	78	347	2	964
Cooperative capital	335	-	-	4,361	-4,504	192
Subordinated liabilities	48	50	91	1,054	-222	1,020
Total liabilities	**76,983**	**3,349**	**11,475**	**32,706**	**-21,300**	**103,214**
Equity capital						**7,213**

Net income from the Baltic countries came to EUR 6 million and net assets to EUR 54 million.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 7. Net interest income

EUR million	2015	2014
Interest income		
Receivables from credit institutions	4	4
Receivables from customers		
Loans	1,246	1,305
Finance lease receivables	16	24
Impaired loans and other commitments	3	0
Notes and bonds		
Held for trading	11	15
At fair value through profit or loss	0	0
Available for sale	149	171
Held to maturity	3	5
Loans and receivables	3	8
Derivative contracts		
Held for trading	1,136	1,237
Fair value hedge	-120	-116
Cash flow hedge	34	30
Ineffective portion of cash flow hedge	-1	2
Other	3	4
Total	**2,487**	**2,688**

Interest expenses		
Liabilities to credit institutions	12	3
Financial liabilities at fair value through profit or loss	0	0
Liabilities to customers	153	210
Notes and bonds issued to the public	351	424
Subordinated liabilities		
Subordinated loans	7	6
Other	41	36
Derivative contracts		
Held for trading	1,039	1,104
Cash flow hedge	-146	-150
Other		
Other	5	8
Total	**1,461**	**1,643**
Net interest income before fair value adjustment under hedge accounting	**1,026**	**1,045**
Hedging derivatives	-90	-121
Value changes of hedged items	91	119
Total net interest income	**1,026**	**1,043**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 8. Impairment losses on receivables

EUR million	2015	2014
Receivables written down as loan and guarantee losses	83	71
Recoveries of receivables written down	-15	-13
Increase in impairment losses	107	110
Reversal of impairment losses	-88	-87
Collectively assessed impairment losses	-9	7
Total	**78**	**88**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 9. Net income from Non-life Insurance

EUR million	2015	2014
Insurance premium revenue		
Premiums written	1,453	1,393
Change in provision for unearned premiums	-8	-29
Gross insurance premium revenue	1,445	1,364
Reinsurers' share	-50	-54
Total	1,396	1,310
Net investment income	171	169
Claims incurred		
Claims paid (excl. loss adjustment expenses)	-804	-828
Change in provision for unpaid claims*	-114	-61
Gross total claims incurred	-919	-889
Reinsurers' share	34	44
Total	-885	-845
Other Non-life Insurance items	-43	-46
Net income from Non-life Insurance	**639**	**589**

Insurance premium revenue and insurance premiums ceded to reinsurers

	2015	2014
Short-term insurance contracts		
Premiums written	1,448	1,390
Change in provision for unearned premiums	-12	-31
Long-term insurance contracts		
Premiums written	5	3
Change in provision for unearned premiums	4	2
Gross insurance premium revenue	**1,445**	**1,364**

Reinsurers' share of short-term insurance contracts		
Premiums written	-45	-54
Change in provision for unearned premiums	1	1
Reinsurers' share of long-term insurance contracts		
Premiums written	-3	-1
Change in provision for unearned premiums	-3	0
Total reinsurers' share	-50	-54
Net insurance premium revenue	**1,396**	**1,310**

Net investment income from Non-life Insurance

Loans and receivables		
Interest income	5	5
Interest expenses	-1	-1
Capital gains and losses	-	0
Fair value gains and losses	0	1
Loans and receivables total	3	5
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Derivatives	0	0
Total	0	0
Capital gains and losses		
Notes and bonds	-1	-
Derivatives	-1	-22
Total	-2	-22
Fair value gains and losses		
Notes and bonds	0	1
Derivatives	7	-2
Total	7	-1
Total net income from financial assets recognised at fair value through profit or loss	6	-24

Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	42	51
Capital gains and losses	-5	35
Transferred from fair value reserve during the financial year	21	25
Fair value gains and losses	1	1
Impairment losses	0	0
Total	59	112
Shares and participations		
Dividends	27	18
Other income and expenses	0	1
Capital gains and losses	24	13
Transferred from fair value reserve during the financial year	57	41
Fair value gains and losses	-11	-1
Impairment losses	-8	-2
Total	98	70
Total net income from available-for-sale financial assets	157	181
Net income from investment property		
Rental income	16	16
Capital gains and losses	0	0
Value changes from fair value measurement	0	2
Maintenance charges and expenses	-9	-10
Other	-1	-1
Total net income from investment property	5	7
Total net investment income from Non-life Insurance	**171**	**169**

Unwinding of discount, Non-life Insurance
The increase in the discounted insurance liabilities in Non-life Insurance (Note 38) due to passage of time (unwinding of discount) totals EUR 38 million (41). Unwinding of discount is computed monthly using the discount rate for the end of the previous month and the insurance liabilities at the beginning of the current month. On 31 December 2015, the used discount rate used was 2.25% (2.5) for losses occurred before 2015 and 1.5% for losses occurred in 2015.

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

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 10. Net income from Life Insurance

EUR million	2015	2014
Premiums written	1,430	1,230
Insurance premiums ceded to reinsurers	-23	-23
Net investment income	596	1,111
Claims incurred		
Benefits paid	795	738
Change in provision for unpaid claims	10	9
Reinsurers' share	-11	-9
Change in insurance contract liabilities		
Change in life insurance provision	723	168
Reinsurers' share	-3	-1
Other	211	1,215
Total net income from Life Insurance	**278**	**197**

Premiums written in Life Insurance

Premiums written from insurance contracts		
Premiums written from insurance contracts with entitlement to discretionary portion of surplus (DPF)		
Savings insurance	12	16
Personal pension insurance	29	32
Group pension insurance	53	64
Term insurance		
Personal insurance	81	77
Supplementary group insurance	2	2
Employees' group life insurance	9	11
Total term insurance	92	90
Total	187	201
Premiums written from unit-linked insurance contracts		
Savings insurance	1,135	944
Personal pension insurance	91	71
Group pension insurance	17	13
Total	1,243	1,028
Total	**1,430**	**1,230**
Premiums written from investment contracts		
Premiums written from investment contracts with entitlement to discretionary portion of surplus	–	0
Premiums written from unit-linked investment contracts	126	124
Total	**126**	**124**
Total direct insurance	**1,556**	**1,354**
Assumed reinsurance	0	2
Total premiums written	**1,556**	**1,355**
Regular premiums from insurance contracts	1,025	844
Regular premiums from investment contracts	35	63
Single premiums from insurance contracts	404	386
Single premiums from investment contracts	93	63
Total	**1,556**	**1,355**

Net investment income from Life Insurance

Loans and receivables		
Interest income	3	4
Interest expenses	0	0
Capital gains and losses	1	1
Fair value gains and losses	0	0
Impairment losses	0	0
Loans and receivables total	3	4
Net income from financial assets recognised at fair value through profit or loss		
Interest income		
Notes and bonds	0	0
Derivatives	11	12
Other	–	0
Total	11	12
Capital gains and losses		
Notes and bonds	0	1
Derivatives	-18	249
Total	-19	250
Fair value gains and losses		
Notes and bonds	–	0
Derivatives	-30	40
Total	-30	40
Total net income from financial assets recognised at fair value through profit or loss	-37	302

Net income from available-for-sale financial assets		
Notes and bonds		
Interest income	37	34
Capital gains and losses	0	26
Transferred from fair value reserve during the financial year	13	6
Fair value gains and losses	2	1
Impairment losses	-1	-1
Total	50	67
Shares and participations		
Dividends	44	42
Other income	0	1
Capital gains and losses	28	2
Transferred from fair value reserve during the financial year	57	61
Fair value gains and losses	–	-1
Impairment losses	-14	-12
Total	116	93
Total net income from available-for-sale financial assets	166	160
Net income from investment property		
Rental income	7	7
Capital gains and losses	–	0
Value changes from fair value measurement	2	1
Maintenance charges and expenses	-6	-6
Other	0	-1
Total net income from investment property	3	2
Assets serving as cover for unit-linked policies		
Shares, participations and others		
Interest income	0	0
Capital gains and losses	211	81
Fair value gains and losses	187	511
Other	64	51
Total assets serving as cover for unit-linked policies	461	643
Exchange rate gains (losses)		
Total net income from investment operations	**596**	**1,110**

Benefits paid in Life Insurance

Benefits paid from insurance contracts		
Benefits paid from insurance contracts entitling to discretionary portion of surplus		
Savings insurance		
Maturities	52	75
Death benefits	36	41
Surrenders	20	26
Total	107	141
Personal pension insurance		
Annuities	71	69
Death benefits	2	2
Surrenders	2	3
Total	74	73
Group pension insurance		
Annuities	67	67
Lump-sum benefits	1	1
Surrenders	1	3
Total	69	71
Term insurance		
Personal insurance	24	23
Supplementary group insurance	0	0
Employees' group life insurance	7	7
Total	31	30

Benefits paid from unit-linked insurance contracts		
Savings insurance		
Maturities	121	60
Death benefits	90	74
Surrenders	280	271
Total	491	405
Personal pension insurance		
Annuities	12	10
Death benefits	5	2
Surrenders	6	6
Total	22	17
Group pension insurance		
Annuities	0	0
Death benefits	0	0
Surrenders	0	0
Total	1	0
Total benefits paid from insurance contracts	**796**	**738**
Benefits paid from unit-linked investment contracts		
Maturities	4	3
Surrenders	33	41
Total	37	44
Total benefits paid from investment contracts	**37**	**44**
Total direct insurance	**833**	**782**
Total benefits paid in Life Insurance	**833**	**782**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 11. Net commissions and fees

EUR million	2015	2014
Commissions and fees		
Lending	203	207
Deposits	5	5
Payment transfers	256	238
Securities brokerage	22	23
Securities issuance	13	11
Mutual fund brokerage	129	109
Asset management and legal services	82	82
Insurance brokerage	60	67
Guarantees	21	22
Housing service	61	70
Other	26	25
Total	**878**	**859**
Commission expenses		
Payment transfers	65	60
Securities	14	8
Insurance operations	39	36
Other	56	48
Total	**174**	**152**
Net commissions and fees	**704**	**707**

The item Other commission expenses includes EUR 20 million (15) of commissions paid for asset management and legal assignments and EUR 35 million (32) of other commissions paid.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 12. Net trading income

EUR million	2015	2014
Financial assets and liabilities held for trading		
Capital gains and losses		
Notes and bonds	-7	7
Shares and participations	6	4
Derivatives	98	25
Total	97	35
Fair value gains and losses		
Notes and bonds	-5	3
Shares and participations	-2	1
Derivatives	-15	21
Total	-22	25
Dividend income from assets held for trading	0	1
Total financial assets and liabilities held for trading	75	61

Assets and liabilities recognised at fair value through profit or loss		
Capital gains and losses		
Notes and bonds	0	1
Derivatives	1	0
Total	1	1
Fair value gains and losses		
Notes and bonds	0	-1
Total	0	-1
Total assets and liabilities recognised at fair value through profit or loss	1	0
Net income from foreign exchange operations		
Exchange-rate differences	119	-78
Other	-88	105
Total net income from foreign exchange operations	30	28
Total net trading income	**107**	**88**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 13. Net investment income

EUR million	2015	2014
Available-for-sale financial assets		
Notes and bonds		
Capital gains and losses	31	10
Transferred from fair value reserve during the financial year	0	4
Impairment losses and their reversal	0	0
Total	30	15
Shares and participations		
Capital gains and losses	5	8
Transferred from fair value reserve during the financial year	35	15
Impairment losses	-2	-3
Total	38	19
Carried at amortised cost		
Capital gains and losses*	-1	0
Total	-1	0
Dividend income	20	39
Total net income from available-for-sale financial assets	87	73
Net income from investment property		
Rental income	42	43
Capital gains and losses	-4	-5
Gains on fair value measurement	-7	-1
Maintenance charges and expenses	-32	-36
Other	0	1
Net income from investment property total	-1	1
Other	0	0
Total net investment income	**87**	**74**

* Note 28 contains information on capital losses recognised on financial assets carried at amortised cost.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 14. Other operating income

EUR million	2015	2014
Rental income from property in Group use	11	14
Capital gains on property in Group use	2	1
Income from corporate transactions	0	0
Insurance claims and benefits	0	0
Leasing agreements	4	5
ICT income	2	3
Income from debt collection	1	2
Other	24	27
Total	**46**	**52**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 15. Personnel costs

EUR million	2015	2014
Wages and salaries	531	544
Variable remuneration	66	53
Pension costs		
Defined contribution plans	79	75
Defined benefit plans	68	31
Other personnel related costs	37	37
Total personnel costs	**781**	**741**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 16. Other administrative expenses

EUR million	2015	2014
Office expenses	79	74
ICT costs	204	193
Telecommunications	37	35
Marketing	32	35
Corporate social responsibility expenses	8	7
Other administrative expenses	60	71
Total other administrative expenses	**420**	**414**

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 17. Other operating expenses

EUR million	2015	2014
Rental expenses	6	5
Expenses for property in Group use	83	86
Capital losses on property in Group use	0	1
Depreciation and amortisation		
Buildings	39	23
Machinery and equipment	13	14
Intangible assets	57	50
Intangible assets related to business combinations	39	41
Other	9	12
Total	157	140
Impairments		
Property in Group use	4	10
Goodwill	–	0
Total	4	10
Government charges		
Bank levy	–	43
Contribution to the Deposit Guarantee Fund	0	29
Other administrative and supervisory fees	16	14
Other	52	73
Total other operating expenses	**319**	**401**

OP Financial Group's stability contribution of EUR 11.8 million calculated for 2015 has been fully covered by the bank levy paid previously.

OP Financial Group's deposit guarantee contribution of EUR 24.1 million calculated for 2015 has been fully covered by the statutory contribution to the Deposit Guarantee Fund paid previously.

The item "Other" under "Other operating expenses" include EUR 11 million (11) in insurance and security expenses, EUR 3 million (3) in other Non-life Insurance expenses and EUR 39 (59) million in other operating expenses.

Audit fees paid to auditors total EUR 2.2 million (2.2), whereas assignments as referred to in Section 1, Sub-paragraph 1(2) of the Auditing Act were EUR 0.3 million (0.2), fees for tax consultation EUR 0.0 million (0.1) and fees for other services EUR 0.7 million (1.1).

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 18. Returns to owner-customers and accrued customer bonuses

EUR million	2015	2014
Customer bonuses	193	189
Interest on cooperative capital	1	6
Total returns to owner-customers	**195**	**195**

Returns to owner-customers include interest on cooperative capital payable to the members of OP Financial Group member cooperative banks for the financial year and bonuses earned by owner-customer due to their regular use of banking services as loyal customers in the financial year.

Notes to OP Financial Group Financial Statements

NOTES TO THE INCOME STATEMENT

Note 19. Income tax

EUR million	2015	2014
Current tax	251	337
Tax for previous financial years	-5	25
Deferred tax	3	-54
Income tax expense	**249**	**308**
Corporate income tax rate	20	20

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Earnings before tax	1,101	915
Tax calculated at current tax rate	220	183
Tax for previous financial years	-5	25
Income not subject to tax	-16	-33
Expenses not deductible for tax purposes	14	28
Re-evaluation of unrecognised tax losses	-1	4
Tax adjustments	1	-10
Effect of capital gain on intra-Group transaction	37	109
Other items	-2	3
Tax expense	**249**	**308**

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 20. Liquid assets

EUR million	31 Dec. 2015	31 Dec. 2014
Cash	118	116
Deposits with central banks repayable on demand		
Pohjola Bank's minimum reserve deposit	590	537
Cheque account	7,873	3,236
Total liquid assets	**8,581**	**3,888**

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 1% of the reserve base. Credit institutions within OP Financial Group place a reserve deposit with Pohjola Bank plc, which acts as an intermediary authorised by OP Financial Group credit institutions and is responsible for OP Financial Group's obligation to place a deposit with the European Central Bank.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 21. Receivables from credit institutions

EUR million	31 Dec. 2015	31 Dec. 2014
Receivables from credit institutions		
Deposits		
Repayable on demand	89	234
Other	90	3
Total	178	237
Loans and receivables		
Repayable on demand	1	-
Other	216	261
Notes and bonds	30	188
Total	247	449
Total	425	686
Total receivables from credit institutions	**425**	**686**

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 22. Financial assets at fair value through profit or loss

EUR million	31 Dec. 2015	31 Dec. 2014
Financial assets held for trading		
Government notes and bonds	560	4
Certificate of deposits and commercial papers	82	29
Debentures	19	20
Perpetual loans	6	1
Bonds	185	295
Other notes and bonds	6	4
Shares and participations	70	73
Total	**928**	**426**
Financial assets at fair value through profit or loss at inception		
Bonds	0	1
Total	**0**	**1**
Total financial assets at fair value through profit or loss	**928**	**427**

Notes and bonds at fair value through profit or loss and shares and participations by quotation and issuer

Financial assets held for trading	31 Dec. 2015		31 Dec. 2014	
EUR million	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From public-sector entities	562	-	4	-
From others	210	70	316	72
Other				
From public-sector entities	82	-	29	-
From others	4	0	4	0
Total	**858**	**70**	**353**	**73**

Financial assets at fair value through profit or loss at inception	31 Dec. 2015		31 Dec. 2014	
EUR million	Notes and bonds	Shares and participations	Notes and bonds	Shares and participations
Quoted				
From others	0	-	0	-
Other				
From others	0	-	0	-
Total	**0**	**-**	**1**	**-**
Total financial assets at fair value through profit or loss	**858**	**70**	**354**	**73**

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 23. Derivative contracts

EUR million	31 Dec. 2015	31 Dec. 2014
Held for trading		
Interest rate derivatives	3,775	4,533
Currency derivatives	1,256	647
Equity and index derivatives	29	62
Credit derivatives	2	2
Commodity derivatives	61	54
Total	5,123	5,299
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	365	479
Currency derivatives	166	83
Cash flow hedge		
Interest rate derivatives	5	10
Total	536	572
Other hedging derivatives		
Interest rate derivatives	37	49
Other	0	0
Total	37	49
Total derivative contracts	**5,696**	**5,920**

The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 24. Receivables from customers

EUR million	31 Dec. 2015	31 Dec. 2014
Loans to the public and public-sector entities	69,620	65,441
Notes and bonds	10	20
Finance lease receivables	1,166	1,162
Guarantee receivables	23	23
Receivables	4,867	4,519
Total	75,686	71,166
Impairment losses	-494	-483
Total receivables from customers	**75,192**	**70,683**

Changes in impairment losses on loans and guarantee receivables in receivables from customers and credit institutions

EUR million	Loans	Notes and bonds	Bank guarantee recei-vables	Interest recei-vables	Total
Impairment losses 1 January 2015	465	0	20	-2	483
Increase in impairments of individually assessed loans and receivables	113	-3	0	-20	89
Change in impairments of collectively assessed loans and receivables	-10	-	0	-	-10
Reversal of impairments of loans and receivables individually assessed	-28	-	-2	20	-10
Loans and guarantee receivables derecognised from the balance sheet, of which an individually assessed impairment was recognised	-58	-	-	-	-58
Impairment losses 31 December 2015	482	-3	17	-3	494

EUR million					
Impairment losses 1 January 2014	446	0	9	-6	448
Increase in impairments of individually assessed loans and receivables	101	-	11	-15	97
Change in impairments of collectively assessed loans and receivables	7	-	1	-	7
Reversal of impairments of loans and receivables individually assessed	-46	-	-1	19	-27
Loans and guarantee receivables derecognised from the balance sheet, of which an individually assessed impairment was recognised	-43	-	-	-	-43
Impairment losses 31 December 2014	465	0	20	-2	483

Finance lease receivables
Pohjola Bank plc within OP Financial Group leases transport equipment and industrial machinery and equipment through finance leases.

EUR million	31 Dec. 2015	31 Dec. 2014
Maturity of finance leases		
Not later than one year	303	307
1–5 years	586	550
Over 5 years	352	393
Gross investment in finance leases	1,242	1,250
Unearned finance income (-)	-76	-88
Present value of minimum lease payments	**1,166**	**1,162**
Present value of minimum lease payment receivables		
Not later than one year	285	288
1–5 years	552	509
Over 5 years	328	365
Total	**1,166**	**1,162**
Gross increase in the financial period	**411**	**359**

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 25. Non-life Insurance assets

EUR million	31 Dec. 2015	31 Dec. 2014
Investments		
Loans and receivables	23	14
Equities	480	463
Investment property	170	161
Notes and bonds	2,548	2,297
Derivative contracts	9	12
Other	185	207
Total	3,414	3,154
Other assets		
Prepayments and accrued income	33	33
Other		
From direct insurance	436	404
From reinsurance	106	100
Cash in hand and at bank	5	41
Other receivables	73	66
Total	653	643
Total Non-life Insurance assets	**4,067**	**3,797**

Non-life Insurance investments	31 Dec. 2015	31 Dec. 2014
Loans and receivables		
Loans	23	14
Deposits with ceding undertakings	1	1
Total	23	14
Financial assets recognised at fair value through profit or loss		
Notes and bonds	–	7
Derivative contracts	9	12
Total	9	19
Available-for-sale financial assets		
Notes and bonds	2,548	2,290
Shares and participations	480	463
Other participations	185	207
Total	3,212	2,960
Investment property		
Land and water areas	24	23
Buildings	146	138
Total	170	161
Total Non-life Insurance investments	**3,414**	**3,154**

Breakdown of Non-life Insurance notes and bonds recognised through profit or loss, shares and participations and derivatives by quotation and issuer.

	31 Dec. 2015			31 Dec. 2014		
EUR million	Notes and bonds	Shares and parti-cipations	Derivative contracts	Notes and bonds	Shares and parti-cipations	Derivative contracts
Quoted						
From others	-	-	-	7	-	-
Other						
From others	-	-	9	-	-	12
Total	**0**	**-**	**9**	**7**	**-**	**12**

Available-for-sale financial assets of Non-life Insurance, 31 December 2015

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total*
Quoted						
From public-sector entities	551	-	551	-	-	-
From others	1,997	-	1,997	419	-	419
Other						
From others	-	-	0	246	-	246
Total	**2,548**	**-**	**2,548**	**665**	**-**	**665**
Impairment losses for the year	0	-	0	-8	-	-8

* Available-for-sale shares and participations include EUR 466 million (463) in equities and mutual funds with equity risk and EUR 222 million (231) in other participations. Other participations consist mainly of units in bond, money market, convertible bond, commodities, hedge funds and real estate funds.

The available-for-sale financial assets of Non-life Insurance include EUR 2 million (2) in pledged items. The items mainly consist of notes and bonds in collateral for derivatives trading.

Available-for-sale financial assets of Non-life Insurance, 31 December 2014

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	**At fair value**	**At amortised cost**	**Total**	**At fair value**	**At cost**	**Total**
Quoted						
From public-sector entities	503	-	503	-	-	-
From others	1,787	-	1,787	412	-	412
Other						
From others	-	-	0	258	-	258
Total	**2,290**	**-**	**2,290**	**670**	**-**	**670**
Impairment losses for the year	0	-	0	-2	-	-2

Changes in Non-life Insurance investment property	**2015**	**2014**
Acquisition cost 1 January	138	133
Increase	11	11
Decrease	-3	-5
Transfers between items	0	0
Acquisition cost 31 December	146	138
Accumulated changes in fair value 1 January	22	19
Changes in fair value during financial year	0	2
Decrease	1	1
Accumulated changes in fair value 31 December	23	22
Carrying amount 31 December	170	161

Constructions and repair obligations regarding investment property in the accounting period amounted to EUR 0 million (0). The fair value of investment property holdings excludes the portion of debt.

A total of 72% of Non-life Insurance's investment property holdings, or EUR 121 million, was appraised by external property valuers, all of them being authorised property valuers (AKA).

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 26. Life Insurance assets

EUR million	31 Dec. 2015	31 Dec. 2014
Investments		
Loans and receivables	78	59
Equities and shares	1,222	1,160
Investment property	146	101
Notes and bonds	3,529	2,209
Derivative contracts	58	66
Total	5,033	3,594
Investments serving as cover for unit-linked policies		
Shares, participations and other investments	8,640	7,492
Other assets		
Prepayments and accrued income	66	49
Other		
Direct insurance operations	5	11
Reinsurance operations	81	79
Cash in hand and at bank	33	13
Total	185	153
Total Life Insurance assets	**13,858**	**11,238**

Life Insurance investments	31 Dec. 2015	31 Dec. 2014
Loans and receivables		
Loans	58	42
Other receivables	20	17
Total	78	59
Financial assets recognised at fair value through profit or loss		
Notes and bonds	–	7
Shares and participations		
Derivative contracts	58	66
Total	58	73
Available-for-sale financial assets		
Notes and bonds	3,529	2,202
Shares and participations	1,222	1,160
Total	4,751	3,362
Investment property		
Land and water areas	17	16
Buildings	129	85
Total	146	101
Total investments	**5,033**	**3,594**

Breakdown of Life Insurance notes and bonds recognised at fair value through profit or loss and shares and participations by quotation and issuer

	31 Dec. 2015			31 Dec. 2014		
EUR million	Notes and bonds	Shares and parti-cipations	Derivative contracts	Notes and bonds	Shares and parti-cipations	Derivative contracts
Quoted						
From others	–	–	58	7	–	66
Total	**–**	**–**	**58**	**7**	**–**	**66**

Available-for-sale financial assets of Life Insurance, 31 December 2015

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total
Quoted						
From public-sector entities	1,024	–	1,024	–	–	–
From others	2,415	–	2,415	1,222	–	1,222
Other						
From public-sector entities	7	–	7	–	–	–
From others	83	–	83	–	–	–
Total	**3,529**	**–**	**3,529**	**1,222**	**–**	**1,222**
Impairment losses for the financial year	-1	–	-1	-14	–	-14

Available-for-sale financial assets of Life Insurance, 31 December 2014

	Available-for-sale notes and bonds			Available-for-sale shares and participations		
EUR million	**At fair value**	**At amortised cost**	**Total**	**At fair value**	**At cost**	**Total**
Quoted						
From public-sector entities	605	-	605	-	-	-
From others	1,597	-	1,597	1,160	-	1,160
Total	**2,202**	**-**	**2,202**	**1,160**	**-**	**1,160**
Impairment losses for the financial year	1	-	1	-12	-	-12

Changes in Life Insurance investment property	**2015**	**2014**
Acquisition cost 1 January	82	90
Business operations acquired	43	-
Increase	3	4
Decrease	-3	-12
Transfers between items	0	0
Acquisition cost 31 December	125	82
Accumulated changes in fair value 1 January	19	18
Changes in fair value during financial year	2	1
Accumulated changes in fair value 31 December	21	19
Carrying amount	146	101

The fair value of investment property holdings excludes the portion of debt. Constructions and repair obligations regarding investment property amounted to EUR 0 million (0).

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 27. Investment assets

EUR million	31 Dec. 2015	31 Dec. 2014
Available-for-sale financial assets		
Notes and bonds	11,295	8,282
Shares and participations	501	525
Total	11,796	8,807
Held-to-maturity investments	108	191
Investment property		
Land and water areas	76	66
Buildings	443	435
Total	519	502
Total investment assets	**12,423**	**9,500**

Held-to-maturity investments include bonds worth EUR 80 million (113) and other notes and bonds totalling EUR 28 million (78). Investment property contains property used as collateral worth EUR 6 million (6).

Available-for-sale financial assets and held-to-maturity investments, 31 December 2015

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity investments
Quoted							
Eligible as collateral	10,537	-	10,537	-	-	-	-
Ineligible as collateral	586	-	586	453	-	453	49
Other							
From others	172	-	172	24	23	47	59
Total	**11,295**	**-**	**11,295**	**477**	**23**	**500**	**108**
Impairment losses for the financial year	0	-	0	-2	-	-2	-

Available-for-sale financial assets include EUR 17 million (EUR 15 million) in subordinated publicly-quoted notes and bonds from others

Available-for-sale financial assets and held-to-maturity investments, 31 December 2014

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity investments
Quoted							
Eligible as collateral	7,317	-	7,317	-	-	-	-
Ineligible as collateral	928	-	928	398	-	398	51
Other							
From others	37	-	37	44	83	127	140
Total	**8,282**	**-**	**8,282**	**442**	**83**	**525**	**191**
Impairment losses for the financial year	0	-	0	-3	-	-3	-

Changes in investment property	2015	2014
Acquisition cost 1 Jan.	491	502
Business operations acquired	11	-
Increases	41	17
Decreases	-27	-31
Transfers between items	3	4
Acquisition cost 31 Dec.	520	491
Accumulated changes in fair value	11	19
Changes in fair value during the financial year	-7	-1
Decreases	-3	-5
Other changes	-1	-3
Accumulated changes in fair value 31 Dec.	-1	11
Carrying amount 31 Dec.	519	502

Increases in investment property include EUR 7 million (9) in capitalised expenses recognised after the acquisition. Depreciation, impairment losses and their reversals under PPE are charged to Other operating expenses. Changes in the fair value of investment property are recognised under Net investment income. The fair value of investment property holdings excludes the portion of debt.

OP Financial Group companies own investment property subject to restrictions concerning their assignment and sales price under the legislation on state-subsidised housing loans, such property being worth EUR 2 million (2). Group companies had EUR 0 million (16) in construction and repair obligations regarding investment properties that were based on preliminary agreements.

Within OP Financial Group, Pohjola Bank primarily offers passenger cars through operating leases. A breakdown of investment property and tangible assets leased out under operating lease can be found in Note 52.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 28. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

EUR million, 31 Dec. 2015	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	74	80	6.0	-
Investments held to maturity	39	35	4.4	-
Total	**113**	**115**		**-**

EUR million, 31 Dec. 2014	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	270	291	5.6	-
Investments held to maturity	59	56	4.3	-
Available-for-sale financial assets*	45	45	4.2	-
Total	**375**	**393**		**-**

If notes and bonds were not reclassified and had been measured using fair values available in the market:

	31 Dec. 2015		31 Dec. 2014	
EUR million	Income statement	Fair value reserve	Income statement	Fair value reserve
Banking	-1	0	2	0
Non-life Insurance	0	-1	0	0
Life Insurance	3	-3	3	-1
Group Functions	-2	-1	12	-1
Total	**0**	**-5**	**16**	**-1**

Loans and receivables and held-to-maturity investments were reclassified in 2008. Available-for-sale financial assets were reclassified in 2012.

* Of the held-to-maturity investments, the Group sold Irish RMBS with a carrying amount of EUR 36 million in the third quarter of 2012, due to a probable local legislative amendment. In this connection, the Group reclassified EUR 38 million in Irish RMBS within held-to-maturity investments to available-for-sale financial assets. These RMBS were sold during the first quarter of 2015.

Interest accrued on reclassified notes and bonds totalled EUR 5 million (10) in January–December. A total of EUR 2 million (2) was recognised as the price difference between the nominal value and purchase value. Capital gains recognised on notes and bonds amounted to EUR 5 million (1). Interest rate risk was hedged using derivatives to which hedge accounting has been applied since 1 October 2008. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 1 million (3).

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 29. Investments accounted for using the equity method

Amounts entered in the balance sheet:

EUR million	31 Dec. 2015	31 Dec. 2014
Associates	92	56
Joint ventures	0	0
Total	**93**	**56**

Amounts entered in the income statement:

EUR million	31 Dec. 2015	31 Dec. 2014
Associates	9	3
Total	**9**	**3**

Investments in associates and joint ventures
OP Financial Group has 5 (4) significant associated companies as of 31 December 2015. Automatia pankkiautomaatit Oy maintains and develops the Otto cash dispenser network and takes care of cash management for banks. The company's other owners are Nordea and Danske Bank. Access Capital Partners is one of the leading fund management companies for private equity funds and assets under its management total around EUR 5.9 billion. The company specialises in buyout funds investing in small and mid-size European companies. Access has offices in Paris, Brussels, Helsinki, Munich and London. Aino Holdingyhtiö Ky's line of business and the only purpose is to buy and hold Fingrid Oyj shares. Turun Teknologiakiinteistöt Oy is a property investment company based in the Turku Science Park which develops real property and services in the region and rents office premises for companies and other organisations. It aims to be a profitable company with personal touch that provides its customers with the best environment in Finland to operate and grow. The floor area of buildings owned by Turun Teknologiakiinteistöt is around 132,000 m^2 Uudenmaan Pääomarahasto Oy is engaged in private equity investments in Uusimaa and Itä-Uusimaa. The purpose of the fund is to make equity and debt instrument investments for the corporate transactions of small and mid-sized companies. In its investment operations, the fund seeks high return. Canelco Capital Oy, a venture capital firm, is in charge of the fund's operations and investments. OP Financial Group has no major investments in joint ventures.

Name	Domicile	Interest, % 2015	Interest, % 2014	Consolidation method
Associates				
Aino Holdingyhtiö Ky	Helsinki	21.5	-	Equity method
Automatia Pankkiautomaatit Oy*	Helsinki	33.3	33.3	Equity method
Access Capital Partners Group S.A.*	Belgium	45.0	45.0	Equity method
Turun Teknologiakiinteistöt Oy*	Turku	28.2	28.2	Equity method
Uudenmaan Pääomarahasto Oy*	Helsinki	31.9	31.9	Fair value

* The company belongs to the consolidation group with respect to capital adequacy.

OP Financial Group's investments in associates and joint ventures have no quoted market price.
No contingent liabilities are involved in the associates or joint ventures. No such unrecognised commitments are related to the joint ventures that concern the provision of financing or resources or an obligation to buy another investor's interest in case certain future events occur.

Summary of associates' financial information
The table below presents the financial information on OP Financial Group's major associates that has also been reconciled with respect to the carrying amount of the associates and joint ventures. The financial information corresponds to the figures presented in the financial statements of the associates and joint ventures (i.e. not OP Financial Group's proportion), for which, for example, fair value restatements have been made to correspond to OP Financial Group's accounting policies

Balance sheet in summary

	Aino Holding-yhtiö Ky	Automatia Pankkiautomaatit Oy		Access Capital Partners S.A		Turun Teknologia-kiinteistöt Oy		Uudenmaan Pääomarahasto Oy	
EUR million	**2015**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Cash and cash equivalents	0	299	293	5	6	4	2	3	2
Other current assets	-	5	5	4	2	1	1	0	0
Total current assets	0	303	298	10	8	6	3	3	2
Non-current assets	223	17	17	11	11	237	220	9	10
Total assets	**223**	**321**	**315**	**21**	**19**	**243**	**224**	**13**	**13**

Financial liabilities (excl. accounts payable)	–	169	151	2	2	21	3	–	–
Other current liabilities (incl. accounts payable)	0	3	4	11	11	3	3	0	–
Total current liabilities	0	172	155	14	13	25	6	0	–
Non-current financial liabilities	110	120	135			138	141	–	–
Other non-current liabilities						61	60	–	–
Total liabilities	110	292	290	14	13	223	208	0	–
Net assets (100%)	**113**	**29**	**26**	**7**	**6**	**19**	**17**	**13**	**13**
Share of the associate's net assets	24	10	9	3	3	5	5	4	4
Goodwill	–	–	–	24	24	–	–	–	–
Carrying amount	**21**	**9**	**9**	**27**	**27**	**16**	**3**	**4**	**5**
Statement of comprehensive income in summary									
Net sales	–	55	53	28	29	22	17	–	–
Profit or loss of continuing operations after tax	-1	6	3	3	3	2	5	0	-2
Other comprehensive income									
Comprehensive income (100%)	**-1**	**6**	**3**	**3**	**3**	**2**	**5**	**0**	**-2**
Dividends received	–	1	1	1	1	–	–	–	–

Group's share of the associate's comprehensive income	**0**	**2**	**1**	**1**	**1**	**1**	**1**	**0**	**-1**

	Aino Holding-yhtiö Ky	Automatia Pankkiautomaatit Oy		Access Capital Partners S.A		Turun Teknologia-kiinteistöt Oy		Uudenmaan Pääomarahasto Oy	
EUR million	**2015**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Investment 1 January	-	8	8	27	27	3	0	5	5
Business acquisitions	21	-	-	-	-	8	2	-1	-
Share of profits for the financial year	0	2	1	1	1	4	1	-	-
Dividends	-	-1	-1	-1	-1	-	-	-	-
Value change	-	-	-	-	-	-	-	0	-1
Investment 31 December	21	9	8	27	27	16	3	4	5

Summary of financial information on associates and joint ventures other than major ones whose accounts have been included in the consolidated financial statements

OP Financial Group has 5 (4) associates and 3 (3) joint ventures which are not significant when reviewing them one by one. The table below shows OP Financial Group's share of the profit/loss of these associates and joint ventures. Three (3) of the private equity funds treated as associates have been measured at fair value in accordance with IAS 28.

	Associates consolidated using equity method		Associates measured at fair value		Joint ventures	
EUR million	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014	31 Dec. 2015	31 Dec. 2014
Profit of continuing operations	-	-	1	0	-	-
Comprehensive income	**-**	**-**	**1**	**0**	**-**	**-**

The above summary of associates measured at fair value is based on the companies' financial statements.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 30. Intangible assets

Changes in intangible assets	Goodwill	Brands	2015 Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 January	635	179	493	644	1,950
Business operations acquired	-	-	20	2	22
Increases*	-	-	-	132	132
Decreases	-	-	-	-3	-3
Other changes	0	-	-	7	7
Acquisition cost 31 December	634	179	513	782	2,108
Acc. amortisation and impairments 1 January		-7	-299	-312	-618
Business operations acquired	-	-	-	-2	-2
Amortisation during the financial year	-	-	-39	-56	-95
Decreases	-	-	-	2	2
Acc. amortisation and impairments 31 December	0	-7	-338	-368	-713
Carrying amount 31 December	634	172	174	414	1,395

* Internal development work accounts for EUR 6 million (5). Other intangible assets include computer software to the carrying amount of EUR 190 million (186) and EUR 209 million (134) in computer software under development. Amortisation, impairment losses and their reversals were recognised on the income statement under Other operating expenses.

Changes in intangible assets	Goodwill	Brands	2014 Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 January	633	179	493	565	1,869
Business operations acquired	2	-	-	0	2
Increases*	-	-	-	87	87
Decreases	-	-	-	-1	-9
Transfers between items	-	-	-	-7	0
Acquisition cost 31 December	635	179	493	644	1,950
Acc. amortisation and impairments 1 January	-	-7	-258	-265	-530
Amortisation for the period	-	-	-41	-48	-88
Decreases	-	-	-	1	1
Other changes	-	-	-	0	0
Accumulated amortisation and impairments 31 December	-	-7	-299	-312	-618
Carrying amount 31 December	635	172	194	332	1,332

Intangible assets with indefinite economic lives

EUR million	31 Dec. 2015	31 Dec. 2014
Goodwill	634	635
Brands	172	172
Total	**807**	**807**

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite, since they affect the accrual of cash flows for an indefinable period.

Other most significant intangible assets

EUR million	31 Dec. 2015 Carrying amount	31 Dec. 2014 Carrying amount
Customer relationships	110	92
Insurance contracts	64	101
Software	190	186
Software under development	209	134

Goodwill was acquired as part of the acquisition of Pohjola Group plc's business operations in 2005 and as part of the acquisition of Pohjola Finance Ltd (formerly K-Finance Ltd) in 2008. Goodwill increased in 2011 as a result of the acquisition of Excenta Ltd, a strategic corporate wellness services provider, and in 2013 as a result of OP-Kiinteistökeskus Oy's acquisition of Espoon 1-Housing Oy's real estate business related to housing in Finland. Brands and customer relationships were acquired as part of the acquisition of the businesses of Pohjola Group plc.

Goodwill impairment test

	Goodwill	
EUR million	31 Dec. 2015	31 Dec. 2014
Non-life Insurance	390	390
Asset management	97	97
Mutual funds	71	71
Life Insurance	49	49
Systems service business	10	10
Finance company services	13	13
Wellbeing-at-work services	3	3
Other business	2	2
Total	**635**	**635**

Testing goodwill for impairment
Goodwill of OP Financial Group originates entirely from the acquisition of the business operations of Pohjola Group Plc, Pohjola Finance Ltd, Excenta Oy and Checkout Finland Oy. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which were either business segments or entities included in them. Impairment testing of goodwill was carried out in accordance with IAS 36 on those CGUs for which acquisition cost calculations in accordance with PPA were made, i.e. for Non-life Insurance, Life Insurance, Asset Management, mutual fund and systems service business and finance company services. For testing goodwill of wellbeing-at-work services, the Group no longer determine a separate CGU, which is why said goodwill has been tested as part of the goodwill of Non-life Insurance.

The value of the CGUs of OP Financial Group was, for the goodwill testing, determined by the 'Excess Returns' method. Accordingly, the profits for the current and future periods were reduced by the return requirement on equity capital. Any excess return was discounted by a discount rate corresponding to the return rate on equity capital in order to determine the present value of cash flows.

The testing period was determined to be five years under IAS 36, including residual values.

The forecasts used in the cash flow statements are based on OP Financial Group's long-term business strategy, confirmed in in 2012 by OP Financial Group Central Cooperative's Supervisory Board, and expectations derived from them concerning business development in 2016–2018. Growth in cash flows for periods after 2018 ranges between 2 and 8%. Within Life Insurance, however, premiums written in interest-bearing investment are expected to fall further throughout the testing period, as specified in the valid strategy.

The discount rate used in the calculations was the market-based equity cost, which is in line with the applied value determination methods (i.e. through cash flows, only the value of equity belonging to investors was determined and the value was discounted by using the return requirement rate on equity capital). The discount rate used in the calculations before tax (i.e. IFRS WACC) varied from 7.4 to 10.9%. In 2014, it varied from 6.7 to 11.3%. Based on the market information, OP Financial Group increased the discount rate for Non-life and Life Insurance by 0.2 percentage points and that for system service by 0.6 percentage points. The Group decreased the discount rate for Wealth Management and the mutual fund business by 0.5 percentage points and that for finance company services by 0.4 percentage points to correspond to the discount rate based on market information.

The impairment testing of goodwill did not lead to recognition of impairment losses.

A sensitivity analysis was carried out separately on each CGU on the basis of essential parameters of each CGU.

The discount rate, combined ratio and net investment return (%) were used as key parameters in Non-life Insurance's sensitivity analysis – the same as in the previous year. The results of the sensitivity analysis did not undergo any major changes over the previous year. A 7.7-percentage point increase in the discount rate, a 6.3-percentage point increase in the combined ratio and a 3.0-percentage point decrease in net investment return compared with forecasts throughout the testing period, with one tested parameter changing and other parameters remaining unchanged, would entail an impairment risk. In 2014, the results were as follows: a 8.9-percentage point increase in the discount rate, a 6.7-percentage point increase in the combined ratio and a 2.4-percentage point decrease in net investment return compared with forecasts throughout the testing period, would have entailed an impairment risk.

In the sensitivity analysis, Life Insurance key parameters were the discount rate, the growth rate in operating expenses, and the margin percentage of investment. The parameters used were the same as last year. The results of the sensitivity analysis have not changed significantly from last year. A 4.9-percentage point increase in the discount rate, an 9.4-percentage point increase in operating expenses and a 0.8-percentage point decrease in investment margin compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 5.3-percentage point increase in the discount rate, a 9.1-percentage point increase in operating expenses and a 1.0-percentage point decrease in investment margin percentage compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, growth rate (%) of assets under management and growth rate (%) of expenses were used as key parameters in Wealth Management's sensitivity analysis. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. A 22-percentage point increase in the discount rate, a 11-percentage point decrease in assets under management and a 13-percentage point increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 31-percentage point increase in the discount rate, a 16-percentage point decrease in assets under management and a 17-percentage point growth in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Mutual funds' key parameters were the discount rate, the growth rate in mutual fund assets and the growth rate of fixed-nature expenses. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. A 34-percentage point increase in the discount rate, a 30-percentage point decrease in mutual fund assets and a 32-percentage point increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: an 24-percentage point increase in the discount rate, a 19-percentage point decrease in mutual fund assets and an 21-percentage point growth in fixed-nature expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, the growth rate and the margin of service income were used as key parameters in the sensitivity analysis of the systems service business. The parameters used were the same as last year. The results of the sensitivity analysis did not change significantly from last year. A 40-percentage point increase in the discount rate, a 54-percentage point decrease in service income and a 2.5-percentage point decrease in margin compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 56-percentage point increase in the discount rate, a 71-percentage point decrease in service income and a 2.7-percentage point decrease in margin compared with forecasts throughout the testing period would have entailed an impairment risk.

The discount rate, the growth rate (%) of the loan portfolio and the growth rate (%) of expenses were used as key parameters in finance company services' sensitivity analysis. The parameters used were the same as last year. The results of the sensitivity analysis changed significantly from last year. An 18-percentage point increase in the discount rate, a 25-percentage point decrease in the loan portfolio and a 26-percentage increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. Last year, the results were as follows: a 11-percentage point increase in the discount rate, a 16-percentage point decrease in the loan portfolio and a 23-percentage point increase in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Impairment testing of brands
OP Financial Group's brands originate entirely from the acquisition of Pohjola Group plc's business operations. Impairment testing was carried out separately for the Pohjola, Eurooppalainen, A-Vakuutus (A-Insurance) and Seesam brands, in accordance with IAS 36.

The value of the brands was determined by using the 'Relief from Royalty' method. Accordingly, their value was determined to be royalty savings accrued in the future from owning the brands, discounted to the present. The discount rate used in the calculations was the market-based equity cost defined for Non-life Insurance, plus an asset-specific risk premium. OP Financial Group increased the discount rate for Non-life Insurance by 0.2-percentage points to correspond to the discount rate based on market information. In addition, the same risk premium and the corresponding royalty percentages were applied in 2015 as in the PPA procedure and in previous years' tests.

The testing period of brands was mainly determined to be five years under IAS 36. The testing period of the Pohjola brand was determined to be an exceptional period of 15 years because the use of the brand will be extended to cover a completely new business that will grow strongly in the next few years. The forecasts used in cash flow statements are based on strategy figures for 2016–18 updated for Non-life Insurance and post-strategy-period expectations derived from them regarding the business line's future developments. A 3% inflationary expectation was used as growth in cash flows for post-forecast periods.

In the autumn of 2014, OP Financial Group Central Cooperative's Supervisory Board decided to put Non-life Insurance together with Banking and Wealth Management under the OP brand. The Pohjola brand will be used mainly in the healthcare and wellbeing business and the closely related non-life products. As part of testing the Pohjola brand for impairment, the Group assessed the effect of the abovementioned change on the useful life and the length of the testing period, the discount rate, risk premium and royalty rate used in testing. As a result, the Group stated that the brand is, according to IAS 36, an intangible asset in terms of its useful life. Because the brand will be used in the new business that is expected to grow strongly in the initial stage, the testing period was extended to 15 years. The Group did not make any major changes in parameters because the new healthcare and wellbeing business is closely related to Non-life Insurance. In the testing of the brand, the Group took account of the cash flows comparable with the net sales of the businesses that will operate under the brand.

As a result of testing brands for any impairment, OP Financial Group did not recognise any impairment loss on brands in its financial statements 2015. An impairment loss of EUR 1 million related to the Seesam brand was recognised in the 2011 and EUR 3 million in the 2009 and 2008 financial statements.

Impairment testing of other essential intangible assets
OP Financial Group's customer relationships and insurance contracts were acquired as part of the acquisition of the business operations of Pohjola Group plc. In addition, intangible assets related to customer relationships and insurance contracts were allocated to OP Financial Group's balance sheet in 2012 as part of the acquisition of Aurum Investment Insurance Ltd.

Intangible assets originating from customer relationships and insurance contracts are charged to expenses using either accelerated appreciation or straight-line amortisation, depending on the business line, over their estimated useful lives. No indications of the need for impairment recognition have been discovered. Intangible assets derived from software used by Non-life Insurance, Life Insurance, Asset Management, and mutual funds expensed in full in prior financial years.

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 31. Property, plant and equipment

EUR million	31 Dec. 2015	31 Dec. 2014
Property in Group use		
Land and water areas	90	90
Buildings	683	614
Machinery and equipment	46	43
Other tangible assets	17	17
Leased-out assets	7	17
Total property, plant and equipment	**843**	**781**
of which construction in progress	5	139

Changes in property, plant and equipment (PPE), and investment property	**Property in Group use**	**Machinery and equipment**	**Other tangible assets**	**Leased-out assets**	**Total PPE**
Acquisition cost 1 January	1,057	211	33	36	1,338
Business operations acquired	8	4	0	-	12
Increases	128	17	3	0	148
Decreases	-29	-19	-3	-20	-71
Transfers between items	-3	0	-	-	-3
Acquisition cost 31 December	1,161	212	33	17	1,424
Accumulated depreciation and impairments 1 January	-353	-168	-16	-20	-557
Business operations acquired	-3	-3	0	0	-6
Depreciation for the financial year	-41	-13	-1	-4	-59
Impairments for the financial year	-3	-	-	-	-3
Reversal of impairments during the financial year	1	0	-	-	1
Decreases	13	18	1	14	45
Other changes	-2	-	-	-	-2
Accumulated depreciation and impairments 31 December	-388	-167	-16	-10	-581
Carrying amount 31 December	773	46	17	7	843

Changes in property, plant and equipment (PPE), and investment property	2014 Property in Group use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 January	955	238	33	51	1,278
Increases	115	10	2	2	129
Decreases	-8	-38	-1	-17	-64
Transfers between items	-4	0	-1	-	-4
Acquisition cost 31 December	1,057	211	33	36	1,338
Accumulated depreciations and impairments 1 January	-322	-190	-16	-24	-552
Depreciation for the financial year	-22	-14	-1	-8	-45
Impairments for the financial year	-15	-	-	-	-15
Reversal of impairments during the financial year	0	0	-	-	0
Decreases	9	36	0	12	58
Other changes	-3	0	-	-	-3
Accumulated depreciations and impairments 31 December	-353	-168	-16	-20	-557
Carrying amount 31 December	705	43	17	17	781

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 32. Other assets

EUR million	31 Dec. 2015	31 Dec. 2014
Payment transfer receivables	13	10
Pension assets	61	0
Accrued income and prepaid expenses		
Interest	203	215
Interest on derivatives receivables	442	495
Other accrued income and prepaid expenses	31	33
Derivatives receivables, central counterparty clearing	66	104
CSA receivables from derivative contracts	508	862
Securities receivables	31	29
Other	174	203
Total	**1,526**	**1,951**

Notes to OP Financial Group Financial Statements

NOTES TO ASSETS

Note 33. Tax assets

EUR million	31 Dec. 2015	31 Dec. 2014
Income tax assets	25	12
Deferred tax assets	93	155
Total tax assets	**118**	**168**

Deferred tax assets	31 Dec. 2015	31 Dec. 2014
Due to available-for-sale financial assets	7	1
Due to depreciation and impairments	2	2
Due to provisions and impairments on loans	16	19
Due to losses related to taxation	4	12
Due to hedging of interest rate risk associated with technical provisions	1	11
Due to timing difference of securities issued to the public	7	13
Due to timing difference of derivatives	9	6
Due to defined-benefit pension plans	3	79
Due to consolidation of Group accounts	22	21
Due to other items	39	36
Set-off against deferred tax liabilities	-17	-44
Total	**93**	**155**

Deferred tax liabilities	31 Dec. 2015	31 Dec. 2014
Due to appropriations	536	525
Due to available-for-sale financial assets	74	114
Cash flow hedge	19	23
Due to elimination of equalisation provision	55	53
Due to fair value measurement of investment	14	13
Allocation of price of corporate acquisitions	63	71
Defined benefit pension plans	14	0
Due to consolidation of Group accounts	1	-1
Due to other items	26	29
Set-off against deferred tax assets	-17	-44
Total	**786**	**783**
Net deferred tax asset (+)/liability (-)	**-693**	**-628**

Changes in deferred taxes	31 Dec. 2015	31 Dec. 2014
Deferred tax assets/liabilities 1 January	-628	-710
Recognised in the income statement		
Effect of losses	-8	-3
Provisions and impairments on receivables	-3	-13
Appropriations	-6	-18
Amortisation/depreciation and impairments	7	8
Eliminations of equalisation provisions	-1	55
Defined-benefit pension plans	13	3
Due to hedging of interest rate risk associated with technical provisions	-9	-6
Due to provisions and impairment losses on receivables	-5	-5
Due to timing difference of derivatives	9	1
Investment valuation	-2	7
Other	2	25
Recognised in statement of comprehensive income		
Available-for-sale financial assets		
Changes in fair value	7	-66
Cash flow hedge	-4	-15
Transfers to the income statement	41	31
Actuarial gains/losses on post-employment benefit obligations	-104	79
Other	-3	-
Total deferred tax assets 31 December, asset (+)/liability (-)	**-693**	**-628**
Income tax assets, asset (+)/liability (-)	**-55**	**-168**
Total tax assets, asset (+)/liability (-)	**-748**	**-796**

Tax losses for which a deferred tax asset was not recognised came to EUR 45 million (54) at the end of 2015. The losses will expire before 2024.

A deferred tax liability has not been recognised for the EUR 41 million (38) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 34. Liabilities to credit institutions

EUR million	31 Dec. 2015	31 Dec. 2014
Liabilities to central banks	13	250
Liabilities to credit institutions		
Repayable on demand		
Deposits	167	163
Other liabilities	0	0
Total	168	163
Other than repayable on demand		
Deposits	1,415	1,273
Other liabilities	77	90
Total	1,492	1,363
Total liabilities to credit institutions and central banks	**1,673**	**1,776**

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 35. Financial liabilities at fair value through profit or loss

EUR million	31 Dec. 2015	31 Dec. 2014
Financial liabilities held for trading		
Short selling of securities	-	4
Total financial liabilities at fair value through profit or loss	**-**	**4**

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 36. Derivative contracts

EUR million	31 Dec. 2015	31 Dec. 2014
Held for trading		
Interest rate derivatives	3,781	4,333
Currency derivatives	1,136	686
Equity and index derivatives	14	25
Other	57	52
Total	4,988	5,097
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	356	392
Other	0	0
Cash flow hedge		
Interest rate derivatives	1	0
Total	357	392
Total derivative contracts	**5,345**	**5,489**

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 37. Liabilities to customers

EUR million	31 Dec. 2015	31 Dec. 2014
Deposits		
Repayable on demand		
Private	28,314	26,202
Companies and public-sector entities	20,041	16,011
Total	48,355	42,213
Other		
Private	2,925	4,100
Companies and public-sector entities	660	2,462
Total	3,585	6,562
Total deposits	51,941	48,775
Other financial liabilities		
Repayable on demand		
Private	14	12
Companies and public-sector entities	21	9
Total	34	21
Other		
Companies and public-sector entities	6,245	2,367
Total	6,245	2,367
Total other financial liabilities	6,279	2,388
Total liabilities to customers	**58,220**	**51,163**

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 38. Non-life Insurance liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Insurance liabilities	2,917	2,737
Direct insurance liabilities	211	203
Reinsurance liabilities	7	9
Derivative contracts	4	2
Other	20	21
Total Non-life Insurance liabilities	**3,159**	**2,972**

Non-life Insurance contract liabilities and reinsurers' share

	31 Dec. 2015			31 Dec. 2014		
EUR million	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	1,386	-7	1,379	1,316	-7	1,308
Other provisions by case	180	-59	121	188	-65	124
Special provision for occupational diseases	19		19	22	0	22
Collective liability (IBNR)	707	-21	685	612	-7	605
Reserved loss adjustment expenses	65		65	63	0	63
Provision for unearned premiums	560	-11	550	523	-13	511
Interest rate hedge for insurance liabilities	0		0	12	0	12
Total Non-life Insurance insurance liabilities	**2,917**	**-98**	**2,819**	**2,737**	**-92**	**2,645**

Changes in insurance liabilities arising from insurance contracts and in receivables arising from reinsurance contracts

	2015			2014		
EUR million	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims						
Provision for unpaid claims 1 Jan.	2,213	-79	2,134	2,100	-65	2,035
Claims paid in financial year	-891	25	-866	-913	29	-884
Change in liability/receivable	1,005	-34	972	974	-44	930
Current period claims	960	-19	942	931	-34	897
Increase (decrease) from previous financial years	-17	-15	-32	-16	-10	-27
Change in discount rate	62		62	60		60
Other change in reserving basis						
Unwinding of discount	38		38	40		40
Value change in interest rate hedges	-12		-12	12		12
Acquired business operations 31 Dec.	3		3			
Foreign exchange gains (losses)	0		0	0	0	0
Provision for unpaid claims 31 Dec.	2,357	-87	2,269	2,213	-79	2,134
Provision for unearned premiums						
Provision for unearned premiums 1 Jan.	523	-13	511	493	-12	481
Increase	499	-11	488	483	-13	470
Decrease	-491	13	-478	-456	12	-444
Exchange rate gains (losses)						
Change in discount rate				2		2
Acquired business operations 31 Dec.	28		28			
Unwinding of discount	1		1	1		1
Provision for unearned premiums 31 Dec.	560	-11	550	523	-13	511
Total Non-life Insurance insurance liabilities	**2,917**	**-99**	**2,819**	**2,737**	**-92**	**2,645**

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end.

Determination of insurance liabilities arising from non-life insurance contracts

a) Methods and assumptions used

The amount of insurance liability has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and, after that, by determining a safety margin based on the degree of uncertainty related to the liability.

The provision for unearned premiums arising from insurance contracts has mainly been determined in accordance with the pro rata parte temporis rule for each contract.

The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate is determined taking account of the current interest rate, security required by law and the maximum discount rate set by the authorities and expected reasonable return on assets covering insurance liabilities. On 31 December 2015, the used discount rate used was 2.25% for losses occurred before 2015 and 1.5% for losses occurred in 2015 (2.5%). The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current trend of an increase in life expectancy to continue.

The provision for unpaid claims includes asbestos liabilities which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis which takes account of to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. Trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

Determining collective liability is based on different statistical methods: Bornhuetter-Ferguson, Cape Cod and Chain Ladder. When applying these methods, other selections must also be made, in addition to the selection of the method, such as deciding on how many occurrence years' statistics the methods will be applied.

Bornhuetter-Ferguson

The Bornhuetter-Ferguson (BF) method is based on the assumption that, in each development year, a certain portion of claims is paid of the measure of exposure of the occurrence year. This measure of exposure can, for instance, be the number of policy years or insurance premium revenue adjusted by the loss ratio assumption. BF reacts slowly to changes in the development triangle of claims. In addition, BF is sensitive to the selection of the measure of exposure.

Cape Cod
The Cape Cod method corresponds to the BF method in such a way that the portion of claims paid out in a development year relative to the measure of exposure is evened out between the occurrence years. In the traditional Cape Cod method, the claims' proportion of the measure of exposure is the same evened constant for all occurrence years. In the generalised Cape Cod method, the claims' proportion of the measure of exposure for the year of occurrence is evened out on the basis of the observations made in the occurrence year and close to the occurrence year.

Chain Ladder
In the Chain Ladder (CL) method, the total claims expenditure for each occurrence year is determined by annual development factors. A development factor describes the relation between the successive development years in the cumulative claims development triangle. CL is sensitive to the observations in the first development years.

In the valuation of collective liability, the largest risks relate to
- Estimating the future rate of inflation (excl. indemnities for loss of income payable on the basis of statutory insurance).
- Adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future).
- Adequacy of historical information over dozens of years.

Of the collective liability, only the liability for annuities has been discounted.

For the assessment of collective liability, the Group's non-life insurance portfolio is divided into several categories by risk and eg maturity of the cash flow applying to compensation paid. In each category, collective liability is first calculated using each statistical method stated above, and the method that best suits the category under review is chosen. The selection criteria used includes how well the model would have predicted developments in prior years of occurrence and the sensitivity of the estimate generated by the model with respect to the number of statistical years used. The safety margin of 2–10% is added to the expected value generated by the selected model. The safety margin is determined by the uncertainty associated with future cash flows and duration, as well as the quality of historical data.

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, the Group has taken account of the fact claims paid for losses occurred more than ten years ago are financed through the pay-as-you-go system.

b) Changes in assumptions
As a result of a reduction in the lower discount rate, the provision for unpaid claims for annuities rose by EUR 62 million (62).

Effect of changes in methods and assumptions on amount of liability	2015	2014
Change in discount rate	62	62
Total	**62**	**62**

c) Claims development
The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business is presented over a period of ten years. The claims triangle does not monitor the shares of pools and the trends in the rights of recourse related to statutory workers' compensation insurance. The capital value of finalised annuities is treated as if the annuities had been paid equalling the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed as final and asbestos-related claims, information on the adequacy of insurance liabilities is provided.

Claims triangles, gross business, EUR million

Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimated total claims expenditure											
0*	603	638	707	666	738	784	815	903	931	976	7,761
n+1	611	633	693	633	746	751	802	879	905		
n+2	591	627	691	640	744	752	805	861			
n+3	594	622	689	641	743	757	821				
n+4	594	622	704	651	750	771					
n+5	587	647	726	653	760						
n+6	587	657	734	659							
n+7	591	661	741								
n+8	594	664									
n+9	599										
Current estimate of total claims expenditure											
	599	664	741	659	760	771	821	861	905	976	7,758
Accumulated claims paid											
	-576	-638	-698	-606	-707	-694	-735	-755	-726	-494	-6,627
Provision for unpaid claims for 2006–2015											
	23	**27**	**43**	**54**	**54**	**78**	**86**	**106**	**179**	**482**	**1,130**

Provision for unpaid claims for previous years	141

* = at the end of the occurrence year

Development of claims due to latent occupational diseases, EUR million

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2006	43	40	-4	-3		-3
2007	41	40	-4	-2	-1	-2
2008	40	41	-4	-4	3	-2
2009	42	43	-4	-8	4	-4
2010	38	44	-3	0		0
2011	35	50	-3	-6	5	-2
2012	32	53	-4	-4	2	-1
2013	28	53	-4	-1	1	0
2014	22	53	-4	-2	2	0
2015	19	54	-4	-2	2	-1

Development of annuities confirmed as final, EUR million

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving basis*	Adequacy
2006	681	731	77	26		1
2007	731	745	60	28	-15	3
2008	745	766	55	30		4
2009	763**	771	42	32		2
2010	771	794	60	34		3
2011	794	895	66	35	77	7
2012	895	940	66	34	31	18
2013	940	965	51	37	23	12
2014	965	1,010	54	40	36	5
2015	1,010	1,046	53	44	30	2

* Effect of changes in the discount rate and the mortality model on final annuity capital.
** A small amount of healthcare and senior housing provisions was eliminated from 2009 figures.

Claims triangles, net business, EUR million

Occurrence year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Estimated total claims expenditure											
0*	580	621	656	649	693	721	796	861	897	957	7,433
n+1	593	623	656	620	707	697	782	829	868		
n+2	575	619	658	629	705	710	786	819			
n+3	577	615	656	629	705	714	804				
n+4	577	615	670	633	712	727					
n+5	569	624	684	633	721						
n+6	569	634	691	635							
n+7	573	637	698								
n+8	576	640									
n+9	572										
Current estimate of total claims expenditure											
	572	640	698	635	721	727	804	819	868	957	7,440
Accumulated claims paid											
	-549	-614	-658	-596	-669	-655	-720	-721	-716	-494	-6,392
Provision for unpaid claims for 2006–2015											
	23	**26**	**40**	**39**	**52**	**72**	**84**	**98**	**151**	**464**	**1,048**
Provision for unpaid claims for previous years											141

* = at the end of the occurrence year

Change in claims incurred based on loss events for prior financial years
Claims incurred based on loss events for prior financial years increased by EUR 15 million (36). The change in technical interest, EUR 62 million (62), added to claims incurred. Change in claims incurred based on loss events for prior financial years describes the adequacy of insurance liabilities, which on average is positive due to the security of insurance liabilities.

Claims administration contracts
On 31 December 2015, liabilities related to claims administration contracts totalled EUR 169 million (152).

Claims administration contracts are contracts which are not insurance contracts, but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are captive arrangements in which the insured risk is reinsured with a captive company belonging to the same Group of companies with the customer; index increases in annuities of statutory workers' compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident; as well as public sector patient insurance.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 39. Life Insurance liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Unit-linked contract liabilities	8,631	7,478
Liabilities for unit-linked insurance contracts	7,053	6,047
Liabilities for unit-linked investment contracts	1,578	1,432
Other than unit-linked contract liabilities	4,822	3,684
Other insurance liability than guaranteed portion of unit-linked insurance	4,816	3,673
Other liability than guaranteed portion of unit-linked investment contracts	6	10
Derivative contracts	20	8
Other liabilities		
Accrued expenses and deferred income	1	2
Other		
Direct insurance operations	2	1
Reinsurance operations	2	1
Other	53	56
Total	59	61
Total Life Insurance liabilities	**13,532**	**11,230**

Changes in insurance liabilities 2015

Liabilities, EUR million	1 Jan. 2015	Growth in liability arising from insurance premiums	Dis-charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2015
Unit-linked contract liabilities	**7,478**	**1,369**	**-550**	**395**	**-60**	**-1**	**8,631**
Liabilities for unit-linked insurance contracts	6,047	1,222	-461	296	-39	-12	7,053
Liabilities for unit-linked investment contracts	1,432	147	-89	99	-21	11	1,578
Other than unit-linked contract liabilities	**3,684**	**186**	**-269**	**97**	**-87**	**1,211**	**4,822**
Other insurance liability than unit-linked liability discounted with interest rate guarantee	3,137	186	-264	96	-87	1,280	4,349
Other liability than unit-linked investment contracts discounted with interest rate guarantee	10	0	-5	0	0	0	6
Reserve for decreased discount rate	428	-	-	-	-	-27	401
Effect of discounting with market interest rate	47	-	-	-	-	-44	4
Other items	60	-	-	-	-	3	63
Total	**11,162**	**1,555**	**-818**	**491**	**-147**	**1,210**	**13,453**

The dependence of unit-linked contracts is the policyholder's choice. At company level, the value change cannot be compared with any benchmark index. Similarly, return from guaranteed-interest investment contracts cannot reliably be compared with any benchmark index. The return is based on the return on assets covering the liability and management judgement when it distributes customer bonuses. Company assets have no benchmark.

Changes in insurance liabilities 2014

Liabilities, EUR million	1 Jan. 2014	Growth in liability arising from insurance premiums	Dis-charged liabilities	Credited interest and changes in value	Other charges and credits	Other items	31 Dec. 2014
Unit-linked contract liabilities	**6,288**	**1,152**	**-465**	**590**	**-59**	**-29**	**7,478**
Liabilities for unit-linked insurance contracts	5,041	1,016	-401	459	-36	-32	6,047
Liabilities for unit-linked investment contracts	1,246	136	-64	132	-22	3	1,432
Other than unit-linked contract liabilities	**3,400**	**111**	**-288**	**99**	**-16**	**378**	**3,684**
Other insurance liability than unit-linked liability discounted with interest rate guarantee	3,210	111	-287	98	-16	20	3,137
Other liability than unit-linked investment contracts discounted with interest rate guarantee	11	0	-1	0	0	0	10
Reserve for decreased discount rate	44	-	-	-	-	384	428
Effect of discounting with market interest rate	84	-	-	-	-	-36	47
Other items	51	-	-	-	-	10	60
Total	**9,688**	**1,264**	**-753**	**689**	**-75**	**349**	**11,162**

When determining the liabilities related to insurance and investment contracts other than unit-linked contracts and to unit-linked policies, OP Financial Group has complied with the Finnish Accounting Standards, with the exception of two principles. The equalisation provision is not insurance contract liability as stated in IFRS but part of equity capital, and OP Financial Group has started using the discount rate for insurance liabilities that is closer to the current interest rate. Insurance and capital redemption contract savings have been entered in the life insurance company's balance sheet at its own investment risk with their interest rate guarantees ranging between 1.5% and 4.5% and discounted to the amount of the interest guarantee in the national financial accounts' insurance liabilities. Part of the interest rate risk between the market and discount rate has been hedged using interest rate derivatives, the value of which has been entered as part of the liability from insurance and capital redemption contracts.

Unit-linked investment contracts are measured at fair value.

The liability of unit-linked policies is valued at the market values of assets associated with contracts on the balance sheet date.

Life insurance liabilities act as term life insurance liabilities.

Amounts recovered from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and are recognised in the balance sheet separately.

Group pension insurance liabilities have been annually increased since 2011 owing to the higher life expectancy.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 40. Debt securities issued to the public

EUR million	Average interest rate %	31 Dec. 2015	Average interest rate %	31 Dec. 2014
Bonds	1.45	12,292	1.75	10,165
Covered bonds		9,003		7,811
Other				
Certificates of deposit	0.30	249	0.49	833
Commercial paper	0.50	6,290	0.37	6,198
Other	0.00	0	1.71	14
Included in own portfolio in trading (–)*		-128		-66
Total debt securities issued to the public		**27,706**		**24,956**

*Own bonds held by OP Pohjola Group have been set off against liabilities.

Most significant issues in 2015	Nominal amount	Interest rate
Pohjola Bank plc		
Pohjola Bank plc Issue of GBP 300,000,000 Floating Rate Instruments due May 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	408.7	GBL3M + 0.450%
Pohjola Bank plc Issue of EUR 300,000,000 Floating Rate Instruments due 11 March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	300.0	Fixed 0.303%
Pohjola Bank plc Issue of EUR 150,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	150.0	EUB3M + 0.280%
Pohjola Bank plc Issue of HKD 850,000,000 Floating Rate Note due May 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	100.7	Fixed 2.140%
Pohjola Bank Plc Japanese Yen Bonds JPY 28,500,000,000 – Third Series (2015)	217.4	Fixed 0.325%
Pohjola Bank plc. Issue of EUR 1,000,000,000 0.75 per cent. Instruments due March 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1,000.0	Fixed 0.750%
Pohjola Bank plc Issue of GBP 400,000,000 2.500 per cent. Instruments due 20 May 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	545.0	Fixed 2.500%
Pohjola Bank plc Issue of EUR 57,000,000 1.07 per cent. Notes due 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	57.0	Fixed 2.500%
Pohjola Bank plc Issue of HKD 1,270,000,000 Floating Rate Note due September 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	150.5	Fixed 3.001%

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 41. Provisions and other liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Provisions	3	2
Other liabilities		
Payment transfer liabilities	1,057	835
Accrued expenses		
Interest payable	311	331
Interest payable on derivatives	382	439
Other accrued expenses	375	374
CSA liabilities from derivatives	1,023	728
Pension liabilities	15	420
Accounts payable on securities	32	30
Payables based on purchase invoices	39	30
Other	387	257
Total	3,621	3,445
Total provisions and other liabilities	**3,625**	**3,447**

Changes in provisions

EUR million	Reorganisation	Other provisions	Total
1 Jan. 2015	1	1	2
Increase in provisions	0	3	3
Provisions used	-1	-	-1
31 Dec. 2015	0	4	4

EUR million	Reorganisation	Other provisions	Total
1 Jan. 2014	2	0	2
Increase in provisions	-	1	1
Provisions used	-1	-	-1
31 Dec. 2014	1	1	2

Defined benefit pension plans

OP Financial Group has funded assets of its pension schemes through OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. Schemes related to supplementary pensions in the Pension Foundation and insurance company, as well as the TyEL (Employees' Pensions Act) funded old-age and disability pension schemes managed by the Pension Fund are treated as defined benefit plans. Contributions to the TyEL pay-as-you-go system are treated as defined contribution plans.

OP Bank Group Pension Fund

OP Bank Group Pension Fund managed statutory pension insurance for the employees of OP Financial Group employers as the Fund's members in 2015. On 31 December 2015, statutory pension insurance policies that were outside of the Group were transferred from the insurance company to OP Bank Group Pension Fund. After the transfer, all OP Financial Group's statutory pension policies are managed by OP Bank Group Pension Fund. The effect of the transfer is recognised in the income statement. The effect, EUR 6.7 million, was recognised in the income statement. It consists of an expense of EUR 98.3 million that is included in the effects of plan curtailment and fulfilment of obligation or previous service cost in plan assets, EUR 117 million, and an increase in plan assets on the same line, EUR 104.9 million.

The statutory pension scheme under TyEL (Employees' Pensions Act) provides pension benefits based on the years of employment and earnings as prescribed in the Act. Benefits under the employees pension scheme until the end of 2016 comprise old-age pension, part-time pension, disability pension, survivor's pension and rehabilitation benefits. The retirement age of the old-age pension under TyEL is 63–68 years. In 2015, the Finnish parliament passed an amended TyE law that will enter into force at the beginning of 2017. The law will change benefits, replace part-time pension with partial early-age pension and includes a new benefit for the years-of-service pension. This legislative amendment has been taken into account in calculation and its effect, EUR -20.6 million, has been recognised in the income statement.

The TyEL pension scheme is based on a system that is partly a funded system and partly a pay-as-you go system. A pension insurance institution, which has insured each employment, manages funding for each employee. The funded portion of the pension benefits disbursed annually by the Pension Fund accounts for an average of a quarter.

The Pension Fund aims to manage statutory pension insurance in such a way that the level of contributions will remain steady year after year and be below the average contribution level of the employees pension scheme. The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the actual average investment return under the pension scheme. If such a risk materialises in several consecutive years, this would result in increasing the level of insurance contributions.

The most significant actuarial risks of OP Bank Group Pension Fund are associated with interest rate and market risks, future increases in pension benefits and systematically increasing life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Under the Employee Benefit Funds Act, the Pension Fund shall invest its assets securely and profitably and in view of its liquidity. The Pension Fund must cover the insurance liability arising from pension obligations. When covering the insurance liability, the Pension Fund must consider what type of insurance business it conducts and, accordingly, must ensure the security of, return on and cashability of its assets and that they are appropriately versatile and properly diversified. The Employee Benefit Funds Act specifies in greater detail the assets and commitments with which the insurance liability must cover. As prescribed by law, the Pension Fund has a specific solvency limit which it must cover through its solvency capital.

Responsible for investment, the Board of Trustees of the Pension Fund approves the Pension Fund's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Fund's risk-bearing capacity.

OP Bank Group Pension Foundation

OP-Bank Group Pension Foundation manages supplementary pension cover for employees provided by the employers within OP Financial Group. The purpose of the Pension Foundation is to grant old-age and disability pension benefits and sickness benefits to employees covered by the Pension Foundation activities, and survivors' pension benefits to their beneficiaries, and burial grant. In addition, the Pension Foundation may grant said employees benefits related to rehabilitation. Given that providing supplementary pension is voluntary, not all employers belonging to the Pension Fund belong automatically to the Pension Foundation. Supplementary pension cover provided by the Pension Foundation is fully funded.

The Pension Foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by the employer within the Pension Foundation and whose employment has begun before 1 July 1991. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees' Pensions Act, TEL, in force until 31 December 2006. The retirement age of those covered by the Pension Foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the Pension Foundation rules.

The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the target set for the minimum return. If such a risk materialises in several consecutive years, this would result in charging contributions.

The most significant actuarial risks of OP Bank Group Pension Foundation are associated with interest rate and market risks, systematically increasing life expectancy and inflation risk. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Responsible for investment, the Board of Trustees of the Pension Foundation approves the Foundation's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Foundation's risk-bearing capacity.

	Defined benefit obligations		Fair value of pension assets		Net liabilities (assets)	
Balance sheet value of defined benefit plans, EUR million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Opening balance 1 Jan.	**2,051**	**1,441**	**-1,631**	**-1,438**	**420**	**4**
Defined benefit pension costs recognised in income statement						
Current service cost	47	31	-	-	47	31
Interest expense (income)	39	49	-31	-49	8	0
Effect of plan curtailment, fulfilment of obligation or previous service cost.	117	-1	-105	-	12	-1
Administrative expenses	-		1	1	1	1
Total	**204**	**80**	**-135**	**-48**	**68**	**31**
Losses (gains) recognised in other comprehensive income arising from remeasurement						
Actuarial losses (gains) arising from changes in economic expectations	-465	487	-	-	-465	487
Return on TyEL interest rate difference and growth in old-age pension liabilities (net)	5	4	-5	-4	-	-
Experience adjustments	8	93	-	-	8	93
Return on plan assets, excluding amount (–) of net defined benefit liability (asset)	-	-	-62	-180	-62	-180
Total	**-452**	**585**	**-67**	**-184**	**-519**	**401**
Other						
Employer contributions	0	-	-14	-16	-14	-16
Benefits paid	-56	-55	56	55	0	-
Total	**-56**	**-55**	**42**	**39**	**-14**	**-16**
Closing balance 31 Dec.	**1,746**	**2,051**	**-1,791**	**-1,631**	**-45**	**420**

Liabilities and assets recognised in the balance sheet, EUR million	31 Dec. 2015	31 Dec. 2014
Net liabilities/assets (Pension Foundation)	-61	33
Net liabilities/assets (Pension Fund)	0	362
Net liabilities/assets (Other pension plans)	15	25
Total net liabilities/assets	**-45**	420

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	42	1	51	94
Notes and bonds	108	203	18	329
Real property	0	-	131	131
Mutual funds	673	1	375	1,049
Structured investment vehicles	-	-	7	7
Derivatives	0	.	-	0
Other assets	140	6	-	146
Total	**963**	**212**	**582**	**1,756**

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2014, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	39	20	36	95
Notes and bonds	156	257	8	421
Real property	-	-	131	131
Mutual funds	542	-	292	833
Structured investment vehicles	-	-	9	9
Derivatives	0	-	-	0
Other assets	103	7	-	109
Total	**838**	**283**	**476**	**1,597**

The fair value of Level 1 assets is determined on the basis of the quotes in markets.
The fair value of Level 2 assets means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data.
The fair value Level 3 assets is determined using a pricing model whose input parameters involve uncertainty.

Proportion of the most significant assets of total fair value of plan assets, %	**31 Dec. 2015**	**31 Dec. 2014**
Shares and participations	**5**	**6**
Financial sector	0	-
Forest	1	3
Real estate	2	0
Other	2	2
Notes and bonds	**19**	**26**
Government bonds	1	1
Other	18	25
Real property	**7**	**8**
Mutual funds	**60**	**52**
Equity funds	32	33
Bond funds	14	8
Real estate funds	8	5
Hedge funds	6	7
Derivatives	**0**	**0**
Interest rate derivatives	0	-
Structured investment vehicles	**0**	**1**
Other	**8**	**7**
Total	**100**	**100**

Pension plan assets include, EUR million,	**31 Dec. 2015**	**31 Dec. 2014**
Securities issued by OP Financial Group companies	26	28
Other receivables from OP Financial Group companies	157	142
Real property in OP Financial Group's use	-	5
Total	**184**	**175**

Contributions payable under the defined benefit pension plan in 2016 are estimated at EUR 16 million.
The duration of the defined benefit pension obligation in the Pension Fund on 31 December 2015 was 18.5 years, in the Pension Foundation 14.3 years and in other plans 19.3 years.

Key actuarial assumptions used, 31 Dec. 2015, EUR million	**Pension Fund**	**Pension Foundation**	**Other**
Discount rate, %	2.3	2.1	2.4
Future pay increase assumption, %	1.6	1.6	1.6
Future pension increases, %	1.0	1.2	1.2
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	1.1	1.1	1.1
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

Key actuarial assumptions used, 31 Dec. 2014, EUR million	**Pension Fund**	**Pension Foundation**	**Other**
Discount rate, %	2,0	1.8	1.9
Future pay increase assumption, %	2.5	2.5	2.5
Future pension increases, %	2.1	2.0	2,0–2,1
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	2.0	2.0	2.0
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

Sensitivity analysis of key actuarial assumptions, 31 Dec. 2015	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-102	-8.1	-28	-6.4
0.5 pp decrease	117	9.3	31	7.1
Pension increases				
0.5 pp increase	110	8.7	27	6.3
0.5 pp decrease	-101	-8.0	-25	-5.9
Mortality				
1–year increase in life expectancy	37	2.9	12	2.8
1–year decrease in life expectancy	-36	-2.8	-12	-2.7

Sensitivity analysis of key actuarial assumptions, 31 Dec. 2014	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
	EUR million	%	EUR million	%
Discount rate				
0.5 pp increase	-145	-9.9	-37	-7.1
0.5 pp decrease	170	11,6	42	8.0
Pension increases				
0.5 pp increase	160	10.9	36	6.9
0.5 pp decrease	-144	-9.8	-34	-6.5
Mortality				
1-year increase in life expectancy	55	3.7	16	3.1
1-year decrease in life expectancy	-53	-3.6	-16	-3.0

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 42. Tax liabilities

EUR million	31 Dec. 2015	31 Dec. 2014
Income tax liabilities	79	180
Deferred tax liabilities	786	783
Total tax liabilities	**866**	**964**

A specification of deferred tax liabilities can be found in Note 33.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 43. Supplementary cooperative capital

EUR million	31 Dec. 2015	31 Dec. 2014
Opening balance 1 Jan. 2015	192	606
Converted into profit shares	-36	-359
Refunds of supplementary cooperative capital	-51	-55
POP Group banks' cooperative capital	2	-
Closing balance 31 Dec. 2015	**106**	**192**

Supplementary cooperative capital, which OP Financial Group member banks have no absolute right to refuse to refund to members, included in equity in the national financial statements of the member cooperative banks are classified as liability under IFRS financial statements.

Supplementary cooperative capital will be refunded after six months of the end of the financial period on the basis of with the refund may be performed for the first time. If it has not been possible to refund the cancelled supplementary cooperative capital in full, the refund can be made later if it is feasible on the basis of the following three financial statements. Interest will be paid on supplementary cooperative capital until the date when it is available for withdrawal as specified in the Co-operatives Act.

Given that terms and conditions of POP Group banks' capital have not been harmonised with those of OP Financial Group, they have been classified as liability in the 2015 IFRS financial statements.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 44. Subordinated liabilities

EUR million	Average interest rate %	31 Dec. 2015	Average interest rate %	31 Dec. 2014
Subordinated loans	2.57	214	2.31	204
Other				
Debentures	3.35	1,376	5.23	816
Total subordinated liabilities		**1,590**		**1,020**

Principal terms and conditions of the hybrid bonds/subordinated loans are as follows:

Hybrid bonds included in Tier 1
1) Subordinated loan of 10 billion Japanese yen (equivalent of EUR 68.9 million)
This is a perpetual loan (a loan without a due date) carrying a fixed interest rate of 4.23% until 18 June 2034 and subsequently a variable 6-month Yen Libor + 1.58% (step up). Interest will be annually payable on 18 June and 18 December. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in at the earliest in 2014 and can be annually repaid after 2014 on the interest due date on 18 June or 18 December. The loan's entire principal must be repaid in one instalment.

2) Perpetual bond of EUR 50 million
This is a perpetual loan without interest-rate step-ups, but with an 8% interest rate cap. The loan was issued on 31 March 2005 and its interest rate for the first year was 6.5% and thereafter CMS 10 years + 0.1%.Interest payments are made annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in on 11 April 2010 at the earliest, subject to authorisation by the Financial Supervisory Authority. The loan's entire principal must be repaid in one instalment.

3) Perpetual bond of EUR 60 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 0.65% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. It is possible to call in the loan at the earliest on 30 November 2015, subject to authorisation by the Financial Supervision Authority, and thereafter on the interest due dates. After 2015, the loan carries a variable interest rate based on 3-month Euribor +1.65% (step up). The entire loan principal must be repaid in one instalment.

4) Perpetual bond of EUR 40 million
This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. Subject to authorisation by the Financial Supervisory Authority, the loan may be called in on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Debentures

1) A debenture loan of CHF 100 million (euro equivalent 83 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.

2) A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.

3) A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 22 August 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.

4) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 14 May 2024. The loan carries a fixed interest rate of 3.25% p.a.

5) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 18 June 2024. The loan carries a fixed interest rate of 3.25% p.a. until 18 June 2019 and thereafter a 6-month Euribor + 2.54% p.a.

6) A debenture loan of EUR 6 million, which is a 10-year bullet loan, will mature on 22 August 2024. The loan carries a fixed interest rate of 3.25% p.a. until 22 August 2019 and thereafter a 6-month Euribor + 2.67% p.a.

7) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 10 October 2024. The loan carries a fixed interest rate of 3.25% p.a. until 10 October 2019 and thereafter a 6-month Euribor + 2.78% p.a.

8) A debenture loan of EUR 11 million, which is a 10-year bullet loan, will mature on 14 November 2024. The loan carries a fixed interest rate of 3.25% p.a. until 14 November 2019 and thereafter a 6-month Euribor + 2.81% p.a.

9) A debenture loan of EUR 8 million, which is a 10-year bullet loan, will mature on 29 December 2024. The loan carries a fixed interest rate of 3.25% p.a. until 29 December 2019 and thereafter a 6-month Euribor + 2.86% p.a.

10) Debenture loan of JPY 10,000 million (euro equivalent 76 million), which is a ten-year bullet loan, will mature on 3 July 2024 and its interest is a 3-month JPY Libor + 0.735% p.a.

11) Debenture loan of SEK 3,500 million (euro equivalent 381 million), which is a ten-year non-call 5 loan, will mature on 25 August 2025. The loan is linked to Stibor + 1.6% p.a.

12) Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. The loan carries a fixed interest rate of 2.405% p.a.

Loans 1–3 were issued in international capital markets.

Pohjola Bank plc has no breaches of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR 0 million recognised for the price difference of the loans (0).

Other subordinated loans

On 27 October 1999, OP Life Assurance Company issued a subordinated loan worth EUR 25,830,000 with a fixed coupon rate of 7.0% for 70 years.

On 20 September 2001, OP Life Assurance Company issued a subordinated loan worth EUR 10,000,000 with a fixed coupon rate of 6.15% for 10 years.

Notes to OP Financial Group Financial Statements

NOTES TO LIABILITIES AND EQUITY CAPITAL

Note 45. Equity capital

EUR million	31 Dec. 2015	31 Dec. 2014
Capital and reserves attributable to OP Financial Group owners		
Cooperative capital, cooperative contributions	148	143
of which cancelled cooperative contributions	5	5
Cooperative capital, profit shares	2,241	1,424
of which cancelled profit shares	261	136
Reserves		
Restricted reserves		
Reserve fund	735	713
Reserves according to the Articles of Association/Bylaws		
Fair value reserve		
Cash flow hedge	69	80
Measurement at fair value		
Notes and bonds	31	139
Shares and participations	142	206
Other restricted reserves	1	1
Non-restricted reserves		
Other non-restricted reserves	1,349	1,282
Retained earnings		
Profit (loss) for previous financial years	3,426	2,415
Profit (loss) for the financial year	845	599
Equity capital attributable to OP Financial Group's owners	**9,254**	**7,144**
Non-controlling interests	**70**	**69**
Total equity capital	**9,324**	**7,213**

Cooperative capital, cooperative contributions
The equity capital of OP Financial Group includes cooperative contributions paid by Group member cooperative bank members, and the bank has an absolute right to refuse to pay interest on them and refund the capital. Cooperative contributions and the following customer ownership entitle the customer to take part in the bank's administration and decision-making.

Cooperative capital, profit shares
The equity capital of OP Financial Group also includes investments in profit shares made by members of the Group member cooperative bank members, and the bank has an absolute right to refuse to pay interest on them and refund the capital. For 2015-16, OP Financial Group seeks an interest rate of 3.25% and will each year confirm afterwards the interest payable. The return target may change on an annual basis. No customer-owner rights are involved in profit shares and they do not confer any voting rights.
During the financial year, supplementary cooperative capital converted into profit shares amounted to EUR 36 million.
If a member cooperative bank has not refused a refund, the cooperative contribution and the profit share contribution may be refunded within 12 months after the end of the financial year when membership terminated or the profit share has been cancelled by its holder. If the refund cannot be made in full in any given year, the balance will be refunded from disposable equity capital based on subsequent financial statements. However, this entitlement to the refund for the balance will terminate after the fifth financial statements. No interest will be paid on the balance.

Number of Group cooperative shares

(1 000)	Cooperative capital, member shares	Cooperative capital, profit shares	Total number of cooperative shares
1 Jan. 2014	1,476	14,244	15,720
Increase in cooperative capital	57	1,364	1,422
Refund of cooperative capital	-31	-	-31
31 Dec. 2014	**1,503**	**15,608**	**17,111**
Increase in cooperative capital	90	9,414	9,504
Refund of cooperative capital	-32	-	-32
31 Dec. 2015	**1,560**	**25,021**	**26,582**

Reserves

Reserve fund

The reserve fund consists of profits transferred to it during previous periods and of the portion transferred to it from member cooperative banks' revaluation reserves and loan loss provisions. The reserve fund may be used to cover losses for which non-restricted equity capital is not sufficient. The reserve fund may also be used to raise the share capital and it can be lowered in the same way as the share capital. In cooperative credit institutions, the reserve fund can only be used to cover losses. In a limited liability company, it has not been possible to increase the reserve fund since 1 September 2006.

Fair value reserve

The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in this reserve will be derecognised and recorded in the income statement when an available-for-sale financial asset is disposed of or is subject to impairment. The reserve also includes the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Fair value reserve after income tax

	Available-for-sale financial assets			
EUR million	**Notes and bonds**	**Shares, participations and mutual funds**	**Cash flow hedging**	**Total**
Opening balance 1 Jan. 2015	**63**	**238**	**27**	**328**
Fair value changes	156	122	105	383
Capital gains transferred to income statement	-35	-98	-	-133
Impairment loss transferred to income statement	0	1	-	1
Transfers to net interest income	-	-	-32	-32
Holdings in Pohjola Bank plc purchased from non-controlling interests	-25	-65	-7	-97
Deferred tax	-19	8	-13	-24
Closing balance 31 Dec. 2015	**139**	**206**	**80**	**425**

EUR million	Available-for-sale financial assets: Notes and bonds	Available-for-sale financial assets: Shares, participations and mutual funds	Cash flow hedging	Total
Opening balance 1 Jan. 2014	**139**	**206**	**80**	**425**
Fair value changes	-105	59	18	-28
Capital gains transferred to income statement	-33	-149	-	-183
Impairment loss transferred to income statement	2	10	-	13
Transfers to net interest income	-	-	-33	-33
One-off effect of transfer of POP Group banks to OP Financial Group	0	1	1	2
Deferred tax	27	16	3	46
Closing balance 31 Dec. 2014	**31**	**142**	**69**	**242**

The fair value reserve before tax amounted to EUR 302 million (531) and the related deferred tax liability amounted to EUR 60 million (106). On 31 Dec, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 245 million (315) million and negative mark-to-market valuations EUR 21 million (15).
A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Other restricted reserves
These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Other non-restricted reserves
These reserves consist of retained earnings based on the Articles of Association or other rules, or decisions taken by the General Meeting, Representatives' Meeting, or Cooperative Meeting.

Retained earnings
Retained earnings also contain untaxed reserves (voluntary provisions and accelerated depreciation) included in the statutory financial statements of Group companies, and the equalisation provision of insurance companies, which have been recognised in retained earnings less deferred tax in the IFRS financial statements.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 46. Notes and bonds eligible for central bank refinancing

EUR million	31 Dec. 2015	31 Dec. 2014
Financial assets at fair value through profit or loss	646	189
Available for sale		
Measured at fair value	10,537	7,317
Held to maturity	40	120
Total notes and bonds eligible for central bank refinancing	**11,223**	**7,626**

Only Pohjola Bank plc within OP Financial Group is eligible for central bank refinancing.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 47. Subordinated notes and bonds

EUR million	31 Dec. 2015	31 Dec. 2014
Publicly quoted		
From others	23	19
Total	23	19
Other		
From others	2	2
Total	2	2
Total included financial assets at fair value through profit or loss	**25**	**21**
Investment assets		
Publicly quoted		
From others	15	17
Total	15	17
Other		
From others	1	1
Total	1	1
Total included in investment assets	**16**	**17**

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 48. Collateral given

EUR million	31 Dec. 2015 Balance sheet value	31 Dec. 2014 Balance sheet value
Given on behalf of own liabilities and commitments		
Mortgages	1	1
Pledges	5	6
Loans (as collateral for covered bonds)	10,053	8,937
Others	671	999
Other collateral given		
Pledges*	3,969	6,273
Total collateral given	**14,699**	**16,216**
Other secured liabilities	507	474
Covered bonds	9,003	7,811
Total secured liabilities	**9,510**	**8,285**

* Of which EUR 2,000 million in intraday settlement collateral

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 49. Financial collateral held

Within OP Financial Group, Pohjola Bank has received collateral, in accordance with the Financial Collateral Act, which it may resell or repledge.

Fair value of collateral received	**31 Dec. 2015**	**31 Dec. 2014**
Other	1,030	722
Total	**1,030**	**722**

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 1,030 million on the balance sheet date (722). The Group had no securities received as collateral on the balance sheet date.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 50. Classification of financial assets and liabilities

Assets, EUR million	Loans and other recei-vables	Invest-ments held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging deriva-tives	Carrying amount total
Cash and balances with central banks	8,581	-	-	-	-	8,581
Receivables from credit institutions and central banks	425	-	-	-	-	425
Derivative contracts	-	-	5,160	-	536	5,696
Receivables from customers	75,192	-	-	-	-	75,192
Non-life Insurance assets	676	-	178	3,212	-	4,067
Life Insurance assets	263	-	8,844	4,751	-	13,858
Notes and bonds	-	108	858	11,295	-	12,261
Shares and participations	-	-	70	501	-	570
Other financial assets	1,526	-	-	-	-	1,526
Financial assets	-	-	-	-	-	**122,178**
Other than financial instruments	-	-	-	-	-	2,968
Total 31 December 2015	**86,664**	**108**	**15,110**	**19,760**	**536**	**125,145**

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Hedging derivatives	Carrying amount total
Cash and balances with central banks	3,888	-	-	-	-	3,888
Receivables from credit institutions and central banks	686	-	-	-	-	686
Derivative contracts	-	-	5,348	-	572	5,920
Receivables from customers	70,683	-	-	-	-	70,683
Non-life Insurance assets	657	-	180	2,960	-	3,797
Life Insurance assets	212	-	7,665	3,362	-	11,238
Notes and bonds	-	191	354	8,282	-	8,827
Shares and participations	-	-	73	525	-	598
Other financial assets	1,951	-	-	-	-	1,951
Financial assets	-	-	-	-	-	**107,589**
Other than financial instruments	-	-	-	-	-	2,838
Total 31 December 2014	**78,077**	**191**	**13,620**	**15,129**	**572**	**110,427**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions	-	1,673	-	1,673
Financial liabilities held for trading (excl. derivatives)	0	-	-	0
Derivative contracts	4,993	-	352	5,345
Liabilities to customers	-	58,220	-	58,220
Non-life Insurance liabilities	4	3,155	-	3,159
Life Insurance liabilities	8,686	4,846	-	13,532
Debt securities issued to the public	-	27,706	-	27,706
Subordinated loans	-	1,590	-	1,590
Other financial liabilities	-	2,955	-	2,955
Financial liabilities	-	-	-	**114,179**
Other than financial liabilities	-	-	-	1,642
Total 31 December 2015	**13,683**	**100,144**	**352**	**115,822**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging deriva-tives	Carrying amount total
Liabilities to credit institutions	-	1,776	-	1,776
Financial liabilities held for trading (excl. derivatives)	4	-	-	4
Derivative contracts	5,103	-	386	5,489
Liabilities to customers	-	51,163	-	51,163
Non-life Insurance liabilities	2	2,970	-	2,972
Life Insurance liabilities	7,520	3,710	-	11,230
Debt securities issued to the public	-	24,956	-	24,956
Subordinated loans	-	1,020	-	1,020
Other financial liabilities	-	2,587	-	2,587
Financial liabilities	-	-	-	**101,199**
Other than financial liabilities	-	-	-	2,015
Total 31 December 2014	**12,630**	**88,183**	**386**	**103,214**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was approximately EUR 441 million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Notes to OP Financial Group Financial Statements

OTHER NOTES TO THE BALANCE SHEET

Note 51. Recurring fair value measurements by valuation technique

	31 Dec. 2015			
	Fair value			
Financial assets measured at fair value, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Banking	616	291	21	928
Non-life Insurance	-	-	-	-
Life Insurance*	6,425	2,215	-	8,640
Derivatives				
Banking	2	5,518	176	5,696
Non-life Insurance	0	9	-	9
Life Insurance	0	57	-	58
Available-for-sale financial assets				
Banking	9,757	1,746	294	11,796
Non-life Insurance	1,563	1,397	252	3,212
Life Insurance	2,401	1,891	460	4,751
Total financial instruments	**20,763**	**13,124**	**1,203**	**35,090**
Investment property				
Banking	-	-	519	519
Non-life Insurance	-	-	170	170
Life Insurance	-	-	146	146
Total Investment property	**-**	**-**	**835**	**835**
Total	**20,763**	**13,124**	**2,038**	**35,925**

*Includes 8,640 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 6,425 million and Level 2 for 2,215 million euros.

	31 Dec. 2014			
	Fair value			
Financial assets measured at fair value, EUR million	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Banking	183	244	0	427
Non-life Insurance	-	7	-	7
Life Insurance**	7,202	289	7	7,499
Derivatives				
Banking	7	5,711	202	5,920
Non-life Insurance	1	11	-	12
Life Insurance	-	66	-	66
Available-for-sale financial assets				
Banking	6,631	2,150	27	8,807
Non-life Insurance	1,546	1,156	258	2,960
Life Insurance	1,944	1,076	341	3,362
Total financial instruments	**17,514**	**10,710**	**835**	**29,060**
Investment property				
Banking	-	-	502	502
Non-life Insurance	-	-	161	161
Life Insurance	-	-	101	101
Total Investment property	**-**	**-**	**763**	**763**
Total	**17,514**	**10,710**	**1,599**	**29,823**

*Includes 7,492 million euros in the fair value of assets covering unit-linked policies, with Level 1 accounting for 7,202 million euros and Level 2 for 289 million euros.

Financial liabilities measured at fair value, EUR million	31 Dec. 2015 Fair value Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Life Insurance*	6,444	2,222	-	8,666
Derivatives				
Banking	35	5,175	135	5,345
Non-life Insurance	0	4	-	4
Life Insurance	-	20	-	20
Total	**6,480**	**7,421**	**135**	**14,035**

* Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

Financial liabilities measured at fair value, EUR million	31 Dec. 2014 Fair value Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Banking	-	4	-	4
Life Insurance*	7,223	290	-	7,513
Derivatives				
Banking	57	5,303	130	5,489
Non-life Insurance	2	0	-	2
Life Insurance	-	8	-	8
Total	**7,282**	**5,604**	**130**	**13,016**

* Includes the fair value of liabilities of unit-linked policies and unit-linked investment contracts.

Fair value measurement

Banking derivatives

OP obtains the price of listed derivatives directly from markets. In the fair value measurement of OTC derivatives, OP uses models and techniques commonly used in markets. These are needed, for instance, to create yield curves and currency conversion charts and volatility surfaces as well as for option valuation. The input data of these models can generally be derived from markets. In the fair value measurement of some contracts, however, OP has to used models where input data cannot be observed in the market and therefore they must be assessed. Such contracts are included in Level 3.
Pohjola Bank's Middle Office is responsible for the fair value measurement of Banking derivatives and the quality and reliability of market data, valuation curves and volatility surfaces used in them, as part of its daily fair value measurement process, including the measurement of Level 3 hierarchy. Middle Office compares regularly at contract level valuation prices with valuations supplied by CSA counterparties and central counterparties and, whenever necessary, determine any possible significant valuation differences.

OP Financial Group's Risk Management Control is responsible for approval of new fair value measurement models and techniques and for supervision of the fair value measurement process. Verifying fair values is based, for example, on valuation using alternative sources for market prices and other input data. In this verification process, valuation prices can be compared with prices supplied by CSA counterparties and central counterparties. In addition, it is possible to use valuation services provided by third parties.

The fair value measurement of OTC derivatives takes account of the credit risk of the parties to a transaction. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debt Valuation Adjustment (DVA). CVAs and DVAs are calculated for each counterparty.

CVA and DVA adjustments are calculated by simulating the market values of derivatives and events of default based primarily on data obtained from markets. In assessing probabilities of default, the Group utilises market data through illiquid counterparties too by combining the counterparties with liquid market data.

Non-life Insurance's available-for-sale financial investments

The prices of securities are primarily obtained from market information sources and valued on a daily basis. Some securities are subject to less frequent pricing, such as once a month. In such a case, pricing is based on official valuations published by brokers, issuers or other market participants or their estimates. Such contracts are included in Level 3.

Fair value hierarchy

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs
Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. The fair value hierarchy level at Pohjola Group includes OTC derivatives, quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special uncertainty. The fair value determination of the instruments included within this level contains inputs not based on observable market data (unobservable inputs). Level 3 also includes bonds for which there is little, if any, market activity. This level includes the most complex OTC derivatives and derivatives with a long maturity for which the Group had to extrapolate the market data used in their value measurement, as well as certain private equity investments, and illiquid bonds, structured bonds, including securitised bonds and structured debt securities, and hedge funds. In many cases, the Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy
Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change.

Changes in the levels of hierarchy
At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Valuation techniques whose input parameters involve uncertainty (Level 3)

Specification of financial assets and liabilities

	Financial assets at fair value through profit or loss		Available-for-sale financial assets		Derivative contracts		
Financial assets, EUR million	**Banking**	**Insurance**	**Banking**	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan. 2015	**0**	**7**	**27**	**599**	**202**	**-**	**835**
Total gains/losses in profit or loss	21	-	3	-60	-26	-	-62
Total gains/losses in other comprehensive income	-	-	-3	53	-	-	51
Purchases	-	-	-1	231	-	-	231

Sales	-	-	-13	-112	-	-	-125
Settlements	-	-7	-	-	-	-	-7
Transfers into Level 3	-	-	281	-	-	-	281
Closing balance 31 Dec. 2015	**21**	**0**	**294**	**712**	**176**	**-**	**1,203**

	Financial assets at fair value through profit or loss		**Available-for-sale financial assets**		**Derivative contracts**		
Financial assets, EUR million	**Banking**	**Insurance**	**Banking**	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan. 2014	**1**	**16**	**36**	**560**	**212**	**-**	**825**
Total gains/losses in profit or loss	0	-	-10	-2	-1	-	-13
Total gains/losses in other comprehensive income	-	-	-	75	-2	-	73
Sales	0	-9	-	-116	-7	-	-133
Closing balance 31 Dec. 2014	**0**	**7**	**27**	**599**	**202**	**-**	**835**

			Available-for-sale financial assets		**Derivative contracts**		
Financial liabilities, EUR million	**Banking**	**Insurance**	**Banking**	**Insurance**	**Banking**	**Insurance**	**Total assets**
Opening balance 1 Jan. 2015	**-**	**-**	**-**	**-**	**130**	**-**	**130**
Total gains/losses in profit or loss	-	-	-	-	5	-	5
Closing balance 31 Dec. 2015	**-**	**-**	**-**	**-**	**135**	**-**	**135**

Financial liabilities, EUR million	Banking	Insurance	Available-for-sale financial assets Banking	Available-for-sale financial assets Insurance	Derivative contracts Banking	Derivative contracts Insurance	Total assets
Opening balance 1 Jan. 2014	**-**	**-**	**-**	**-**	**131**	**-**	**131**
Total gains/losses in profit or loss	-	-	-	-	-1	-	-1
Closing balance 31 Dec. 2014	**-**	**-**	**-**	**-**	**130**	**-**	**130**

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2015

EUR Million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	21	-	-42	-19	-	-39
Unrealised net gains (losses)	-31	3	15	38	51	76
Total net gains (losses)	**-10**	**3**	**-27**	**20**	**51**	**37**

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2014

EUR million	Net interest income or net trading income	Net investment income	Net income from Non-life Insurance	Net income from Life Insurance	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	0	1	6	-8	-	-1
Unrealised net gains (losses)	-8	-2	37	39	73	138
Total net gains (losses)	**-8**	**-1**	**43**	**30**	**73**	**137**

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

Sensitivity of Level 3 measurements to reasonably possible alternative assumptions
At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2015

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Structured investment vehicles	21	0	21	2.1	10%
Derivatives:					
Index-linked bond hedges and structured derivatives, and derivatives with a long-term maturity*	177	-135	42	5.6	13%
Available-for-sale:					
Illiquid investments	70	-	70	10.5	15%
Private equity funds**	694	-	694	69.4	10%
Real estate funds***	240	-	240	48	20%
Investment property					
Investment property***	835	-	835	167	20%

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2014

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Structured investment vehicles	7	-	7	0.7	10%
Derivatives:					
Index-linked bond hedges and structured derivatives*	202	-130	72	7.9	11%
Available-for-sale:					
Illiquid investments	119	-	119	17.9	15%
Private equity funds**	354	-	354	35.4	10%
Real estate funds***	153	-	153	30.6	20%
Investment property					
Investment property***	763	-	763	152.6	20%

* Following stress scenarios: the combined value change of volatility of shares (30%), dividends of shares (30%), credit risk premiums (30%) and significant correlation changes.
** The value of private equity funds depends mainly on the profit performance of portfolio companies and the PE ratios of similar listed companies. The Total Value to Paid-in (TVPI) multiple, which has changed an average of 10%, is used to monitor the progress of the fair value of private equity funds.
*** In the valuation of real estate funds and investment property, Pohjola mainly uses the income approach whose main components are yield requirement and net rent. A +/– 1 percentage point change in the yield requirement leads on average to around 20% change in the fair value.

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 52. Off-balance-sheet commitments

	31 Dec. 2015	31 Dec. 2014
Guarantees	764	878
Other guarantee liabilities	1,848	2,007
Pledges	1	3
Loan commitments	10,042	8,839
Commitments related to short-term trade transactions	194	319
Other	587	522
Total off-balance-sheet commitments	**13,436**	**12,567**

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 53. Contingent liabilities and assets

Insurance companies belonging to OP Financial Group underwrite insurance policies through pools. Pool members are primarily responsible for their own proportionate share of the risk. Proportionate shares are based on contracts confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Group insurance companies recognise liabilities and receivables based on joint liability if joint liability is likely to materialise.

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 54. Operating leases

OP Financial Group as Lessee
Some OP Financial Group companies have leased the office premises they use. The term of these leases varies between one and ten years and they usually include the option of extending the lease after the original date of termination. OP Financial Group companies have subleased some of their premises. In addition, some companies have leased motor vehicles and office equipment. Other operating expenses include EUR 25 million (30) in rental expenses.

Future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec. 2015	31 Dec. 2014
No later than 1 year	8	11
Later than 1 year and no later than 5 years	12	12
Later than 5 years	5	4
Total	**25**	**27**
Expected future minimum lease payments from non-cancellable subleases	0	1

OP Financial Group as Lessor
OP Financial Group companies have leased out investment properties they own, which generated lease income of EUR 65 million (65) in 2015.

Future minimum lease payments receivable under non-cancellable operating leases

EUR million	31 Dec. 2015	31 Dec. 2014
No later than 1 year	44	46
Later than 1 year and no later than 5 years	86	89
Later than 5 years	109	90
Total	**238**	**225**

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 55. Derivative contracts

Derivatives held for trading 31 December 2015

EUR million	Nominal values/residual maturity <1 year	1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	19,541	44,642	37,475	101,659	3,175	3,184	3,937
Cleared by the central counterparty	7,047	21,304	18,226	46,577	708	675	1,088
OTC interest rate options							
Call and caps							
Purchased	1,535	5,058	3,379	9,973	308	2	391
Written	1,344	5,332	3,084	9,760	1	257	2
Put and floors							
Purchased	3,739	2,444	1,607	7,791	132	4	189
Written	4,752	3,569	1,465	9,785	11	97	47
Total OTC interest rate derivatives	30,911	61,045	47,011	138,968	3,627	3,543	4,566
Interest rate futures	4,127	3,224	-	7,351	1	6	-
Total exchange traded derivatives	4,127	3,224	-	7,351	1	6	-
Total interest rate derivatives	35,038	64,270	47,011	146,319	3,628	3,549	4,566

Currency derivatives							
Forward exchange agreements	27,361	358	53	27,772	218	301	514
Interest rate and currency swaps	1,141	7,415	5,472	14,029	1,178	1,086	1,970
Currency options							
Call							
Purchased	233	13	–	246	4	–	7
Written	321	12	–	333	–	4	–
Put							
Purchased	262	20	–	282	4	–	8
Written	224	22	–	246	–	4	–
Total OTC currency derivatives	29,542	7,841	5,525	42,908	1,404	1,394	2,499
Currency futures	–	–	–	–	–	–	–
Total currency derivatives	29,542	7,841	5,525	42,908	1,404	1,394	2,499
Equity and index derivatives							
Equity options							
Call							
Purchased	243	5	–	248	13	–	28
Equity index options							
Call							
Purchased	6	1	–	7	1	–	2
Equity index futures	33	–	–	33	0	–	–
Total exchange traded derivatives	33	–	–	33	0	–	–
Total equity and index derivatives	282	6	–	288	15	–	30
Credit derivatives							
Credit default swaps	15	126	82	223	10	13	10
Total credit derivatives	15	126	82	223	10	13	10
Other							
Other forward contracts	6	1	–	7	0	0	1
Other swaps	88	687	14	788	80	29	155
Other options							
Call							
Purchased	27	0	–	27	0	–	3
Written	16	–	–	16	–	0	–

Put							
Purchased	4	-	-	4	1	-	1
Written	4	-	-	4	-	1	-
Total other OTC derivatives	145	688	14	847	81	31	160
Other futures contracts	40	34	-	74	2	31	-
Total other derivatives	185	722	14	921	83	61	160
Total derivatives held for trading	**65,062**	**72,964**	**52,632**	**190,659**	**5,140**	**5,017**	**7,265**

Derivatives held for trading 31 December 2014

	Nominal values/residual maturity				Fair values		Potential
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**future exposure**
Interest rate derivatives							
Interest rate swaps	14,009	54,805	30,854	99,668	3,659	3,694	4,374
Cleared by the central counterparty	4,207	21,163	11,936	37,305	697	665	980
OTC interest rate options							
Call and caps							
Purchased	3,730	4,535	2,441	10,707	398	2	464
Written	2,358	3,505	3,141	9,004	0	341	6
Put and floors							
Purchased	5,337	3,985	1,895	11,218	138	8	205
Written	5,903	5,767	1,632	13,303	7	92	51
Total OTC interest rate derivatives	31,337	72,598	39,963	143,899	4,202	4,137	5,100
Interest rate futures	12,461	4,602	-	17,063	3	14	-
Interest rate options							
Call							
Written	500	-	-	500	-	0	-
Put							
Purchased	2,000	-	-	2,000	-	0	-
Total exchange traded derivatives	14,961	4,602	-	19,563	3	15	-
Total interest rate derivatives	46,298	77,200	39,963	163,462	4,205	4,151	5,100

Currency derivatives							
Forward exchange agreements	13,428	307	65	13,800	274	168	429
Interest rate and currency swaps	360	7,728	5,164	13,252	669	697	1,447
Currency options							
Call							
Purchased	188	17	-	205	4	-	7
Written	226	17	-	243	-	5	-
Put							
Purchased	496	8	-	504	11	-	17
Written	426	9	-	436	-	8	-
Total OTC currency derivatives	15,125	8,086	5,229	28,440	959	878	1,900
Total currency derivatives	15,125	8,086	5,229	28,440	959	878	1,900
Equity and index derivatives							
Equity options							
Call							
Purchased	266	271	-	537	35	0	73
Equity index options							
Call							
Purchased	0	9	-	9	2	-	3
Written	-	2	-	2	-	0	-
Put							
Purchased	-	2	-	-	0	-	-
Written	-	2	-	2	-	0	-
Total OTC equity and index derivatives	266	285	-	549	37	1	75
Total equity and index derivatives	266	285	-	549	37	1	75
Credit derivatives							
Credit default swaps	9	73	102	184	12	5	12
Total credit derivatives	9	73	102	184	12	5	12

Other							
Other forward contracts	1	2	-	3	0	1	0
Other swaps	70	760	56	886	67	29	150
Other options							
Call							
Purchased	17	11	-	28	0	-	3
Written	17	-	-	17	-	0	-
Put							
Purchased	10	-	-	10	2	-	3
Written	10	-	-	10	-	2	-
Total other OTC derivatives	124	772	56	953	69	31	157
Other futures contracts	108	68	0	176	4	35	-
Total other derivatives	232	840	56	1,129	73	67	157
Total derivatives held for trading	**61,931**	**86,484**	**45,350**	**193,764**	**5,286**	**5,101**	**7,244**

Derivative contracts for hedging purposes – fair value hedging 31 December 2015

	Nominal values/residual maturity				Fair values		Potential future
EUR million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**	**exposure**
Interest rate derivatives							
Interest rate swaps	2,914	17,076	10,661	30,652	666	427	912
Cleared by the central counterparty	564	5,203	6,438	12,206	170	189	292
Total OTC interest rate derivatives	2,914	17,076	10,661	30,652	666	427	912
Total interest rate derivatives	2,914	17,076	10,661	30,652	666	427	912
Currency derivatives							
Interest rate and currency swaps	1,414	1,926	1,181	4,520	123	85	322
Total OTC currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total derivative contracts, fair value hedge	**4,328**	**19,002**	**11,842**	**35,172**	**790**	**512**	**1,234**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2015

	Nominal values /residual term to maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	546	2,020	583	3,148	113	0	132
Cleared by the central counterparty	100	300	-	400	11	-	13
Total OTC interest rate derivatives	546	2,020	583	3,148	113	0	132
Total interest rate derivatives	**546**	**2,020**	**583**	**3,148**	**113**	**0**	**132**
Total derivative contracts, cash flow hedge	**546**	**2,020**	**583**	**3,148**	**113**	**0**	**132**
Total derivative contracts held for hedging	**4,874**	**21,021**	**12,425**	**38,320**	**903**	**512**	**1,366**

Derivative contracts for hedging purposes – fair value hedging 31 December 2014

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	5,688	14,951	7,888	28,527	812	568	1,005
Cleared by the central counterparty	163	2,964	3,072	6,199	165	202	226
Total OTC interest rate derivatives	5,688	14,951	7,888	28,527	812	568	1,005
Total interest rate derivatives	5,688	14,951	7,888	28,527	812	568	1,005
Currency derivatives							
Interest rate and currency swaps	1,044	942	410	2,396	75	97	163
Total OTC currency derivatives	1,044	942	410	2,396	75	97	163
Total currency derivatives	1,044	942	410	2,396	75	97	163
Total derivative contracts, fair value hedge	**6,733**	**15,893**	**8,298**	**30,924**	**888**	**665**	**1,168**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2014

EUR million	Nominal values /residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives							
Interest rate swaps	331	2,133	748	3,212	127	-	149
Cleared by the central counterparty	-	400	-	400	14	-	16
Total OTC interest rate derivatives	331	2,133	748	3,212	127	0	149
Total interest rate derivatives	331	2,133	748	3,212	127	0	149
Total derivative contracts, cash flow hedge	**331**	**2,133**	**748**	**3,212**	**127**	**0**	**149**
Total derivative contracts held for hedging	**7,064**	**18,026**	**9,046**	**34,135**	**1,015**	**665**	**1,317**

Total derivatives 31 December 2015

EUR million	Nominal values/residual maturity <1 year	1–5 years	>5 years	Total	Fair values Assets	Liabilities	Potential future exposure
Interest rate derivatives	38,498	83,365	58,255	180,119	4,408	3,977	5,610
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863	1,394
Currency derivatives	30,956	9,766	6,706	47,428	1,528	1,479	2,821
Equity and index-linked derivatives	282	6	-	288	15	-	30
Credit derivatives	15	126	82	223	10	13	10
Other derivatives	185	722	14	921	83	61	160
Total derivatives	**69,936**	**93,985**	**65,057**	**228,979**	**6,043**	**5,530**	**8,631**

Total derivatives 31 December 2014

	Nominal values/residual maturity				Fair values		
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	Potential future exposure
Interest rate derivatives	52,318	94,284	48,599	195,201	5,144	4,719	6,254
Cleared by the central counterparty	4,370	24,526	15,008	43,904	876	867	1,222
Currency derivatives	16,170	9,028	5,639	30,837	1,034	975	2,063
Equity and index-linked derivatives	266	285	-	551	37	1	75
Credit derivatives	9	73	102	184	12	5	12
Other derivatives	232	840	56	1,129	73	67	157
Total derivatives	**68,995**	**104,510**	**54,396**	**227,901**	**6,301**	**5,766**	**8,561**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet.

Interest rate derivatives for central counterparty clearing are offset in the balance sheet. The effects of netting can be found in Note 56 below. Other derivative contracts are presented on a gross basis in the balance sheet. In capital adequacy measurement, Pohjola Group also applies netting of derivatives. The effects of netting on counterparty risk can be found in Note 107 above. Netting would reduce the credit equivalent of Pohjola Bank plc's derivative contracts by EUR 6,248 million (6,233).

Notes to OP Financial Group Financial Statements

NOTES TO CONTINGENT LIABILITIES AND DERIVATIVES

Note 56. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Banking derivatives	6,567	-870	5,696	-3,389	-1,030	1,277
Life Insurance derivatives	58	-	58	-20	-	37
Non-life Insurance derivatives	9	-	9	-3	-	6
Total derivatives	**6,633**	**-870**	**5,763**	**-3,412**	**-1,030**	**1,321**

31 Dec. 2014, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Financial assets***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Banking derivatives	6,791	-871	5,920	-3,956	-722	1,242
Life Insurance derivatives	66	-	66	-8	-	58
Non-life Insurance derivatives	12	-	12	-1	-	11
Total derivatives	**6,869**	**-871**	**5,998**	**-3,965**	**-722**	**1,311**

Financial liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

31 Dec. 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Banking derivatives	6,185	-840	5,345	-3,389	-1,061	895
Life Insurance derivatives	20	-	20	-20	-	-
Non-life Insurance derivatives	4	-	4	-3	-	1
Total derivatives	**6,209**	**-840**	**5,369**	**-3,412**	**-1,061**	**896**

31 Dec. 2014, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Financial liabilities***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Banking derivatives	6,351	-862	5,489	-3,956	-862	671
Life Insurance derivatives	8	-	8	-8	-	0
Non-life Insurance derivatives	2	-	2	-1	-	2
Total derivatives	**6,361**	**-862**	**5,499**	**-3,965**	**-862**	**672**

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling 40 (9) million euros.
** Fair values excluding accrued interest
*** It is OP Financial Group's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives
In February 2013, OP Financial Group adopted central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or OP Financial Group will apply to derivative transactions between OP Financial Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Notes to OP Financial Group Financial Statements

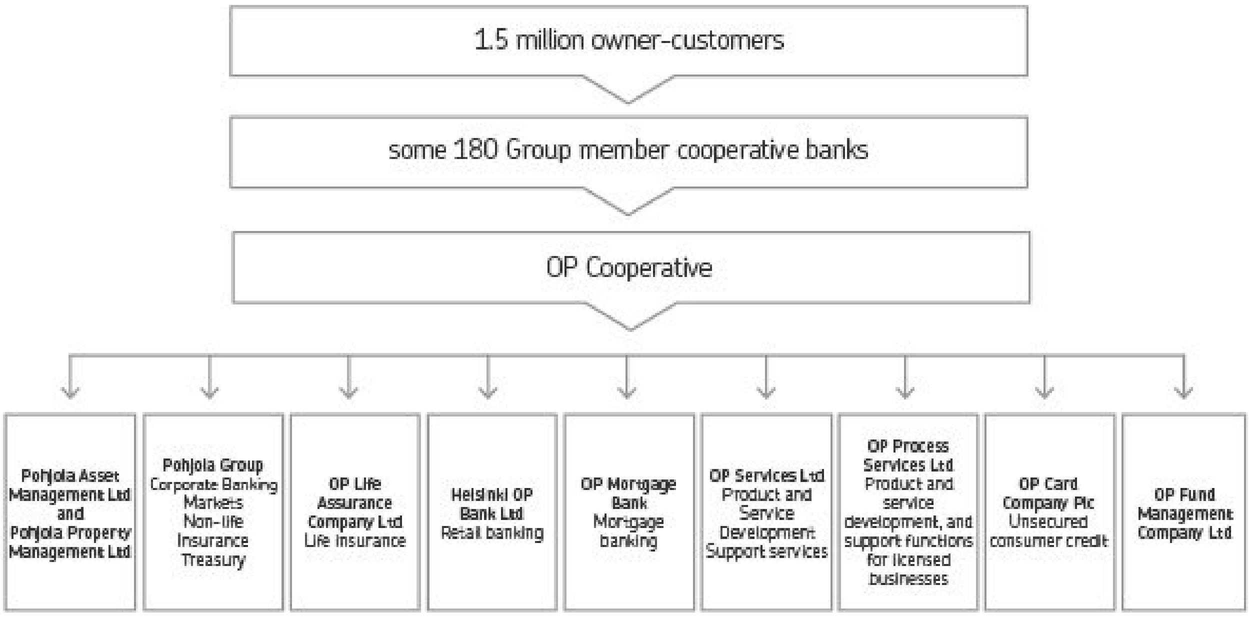
OTHER NOTES

Note 57. Ownership interests in subsidiaries, structured entities and joint operations

OP Financial Group's structure

The following figure describes the structure of OP Financial Group. Group member cooperative banks constitute the Group's technical parent company. In addition to the member cooperative banks, the most important subsidiaries, OP Cooperative (central cooperative) and its subsidiaries, associates and various joint arrangements are consolidated into OP Financial Group.

Legal structure of OP Financial Group



Credit institutions within OP Financial Group are liable for each other's debts. OP Financial Group is supervised by the ECB on a consolidated basis.

Changes occurred in subsidiaries and structured entities during the financial year
Aurum Investment Insurance Ltd merged into OP Life Assurance Company Ltd on 31 December 2015.

The financial year saw no reductions in the ownership interests in subsidiaries.

Major subsidiaries included in the financial statements of OP Financial Group in 2015
Major OP Financial Group subsidiaries include companies whose business is subject to licence and other major companies relevant to business operations. All major consolidated subsidiaries are wholly owned and accordingly they have no major non-controlling interests.

Company	Domicile/ home country	Interest, %	Votes, %	Company belongs to the consolidation group with respect to capital adequacy
OP Cooperative	Helsinki	100.0	100.0	x
Helsinki OP Bank Ltd	Helsinki	100.0	100.0	x
OP Mortgage Bank	Helsinki	100.0	100.0	x
OP Life Assurance Company Ltd	Helsinki	100.0	100.0	
OP Card Company Plc	Helsinki	100.0	100.0	x
OP-Services Ltd*)	Helsinki	100.0	100.0	x
OP Process Services Ltd	Helsinki	100.0	100.0	x
OP Fund Management Company Ltd	Helsinki	100.0	100.0	x
OVY Insurance Ltd	Helsinki	100.0	100.0	
Pivo Wallet Oy	Helsinki	100.0	100.0	
Pohjola Bank plc	Helsinki	100.0	100.0	x
Checkout Finland Oy	Tampere	100.0	100.0	x
Pohjola Property Management Ltd	Helsinki	100.0	100.0	
Pohjola Asset Management Limited	Helsinki	100.0	100.0	x

Pohjola Group companies:

A-Insurance Ltd	Helsinki	100.0	100.0	
Omasairaala Oy	Helsinki	100.0	100.0	
Pohjola Finance Estonia AS	Estonia	100.0	100.0	x
Pohjola Finance SIA	Latvia	100.0	100.0	x
Pohjola Insurance Ltd	Helsinki	100.0	100.0	
Seesam Insurance AS	Estonia	100.0	100.0	
UAB Pohjola Finance	Lithuania	100.0	100.0	x
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0	

In addition to the subsidiaries, 53 (60) OP-Kiinteistökeskus real estate agencies are consolidated into the financial statements of OP Financial Group. These real estate agencies, which are wholly owned subsidiaries, provide services for buying and selling real property and homes and house management services. In addition to the real estate agencies, 22 (16) other subsidiaries have been consolidated.

Member cooperative banks forming the technical parent company of OP Financial Group in 2015

Name	Balance sheet 2015, EUR million	Capital adequacy, % 31 Dec. 2015	Managing Director 31 Dec. 2015
Akaan Seudun Op	153	71.1	Tuomo Smått
Alajärven Op	267	56.2	Jari Leivo
Alastaron Op	58	46.9	Sanna Metsänranta
Alavieskan Op	65	53.7	Antero Alahautala
Alavuden seudun Op	200	49.2	Jussi Ruuhela
Andelsbanken för Åland	365	26.1	Johnny Nordqvist
Andelsbanken Raseborg	393	27.4	Lars Björklöf
Artjärven Op	47	65.9	Reijo Hurskainen
Askolan Op	124	54.2	Tuulikki Kyyhkynen
Auran Op	92	43.7	Sauli Nuolemo
Enon Op	119	53.2	Raili Hyvönen
Etelä-Hämeen Op	1,206	54.5	Seppo Runsamo
Etelä-Karjalan Op	1,271	49.5	Petri Krohns
Etelä-Pohjanmaan Op	1,039	28.0	Olli Tarkkanen
Euran Op	173	66.8	Timo Viitanen
Haapamäen Seudun Op	59	46.5	Hannu Petjoi
Hailuodon Op	37	72.5	Eija Sipola
Halsuan Op	36	64.1	Heidi Pöyhönen

Haukivuoren Op	65	57.2	Seppo Laurila
Heinäveden Op	77	66.2	Jukka Tuomisto
Himangan Op	81	35.5	Kalevi Humalajoki
Hirvensalmen Op	44	68.7	Kirsi Hännikäinen
Honkilahden Op	33	84.0	Jukka-Pekka Koivisto
Humppilan Op	60	58.8	Jari Salokangas
Ilomantsin Op	136	43.2	Raija Tahvanainen
Itä-Uudenmaan Op	1,058	30.2	Mauri Molander
Janakkalan Op	345	71.9	Vesa Lehikoinen
Jokioisten Op	107	61.0	Vesa Rantanen
Jämsän Seudun Op	264	66.8	Kyösti Myller
Järvi-Hämeen Op	336	59.5	Jari Laaksonen
Kainuun Op	628	50.2	Seppo Rytivaara
Kalajoen Op	219	35.4	Leena Kälviä
Kalkkisten Op	20	75.7	Heikki Leppähaara
Kangasalan Seudun Op	422	37.0	Mika Kivimäki
Kangasniemen Op	182	70.0	Leo Pakkanen
Kannuksen Op	99	37.6	Juha Lundström
Karjalan Op	30	54.6	Mari Karsio
Kaustisen Op	98	37.4	Asko Ahonen
Keiteleen Op	70	19.3	Aarno Konttinen
Kemin Seudun Op	300	50.0	Jari Anttila
Kerimäen Op	73	62.9	Jarmo Kaivonurmi
Keski-Pohjanmaan Op	749	31.1	Kimmo Peuranto
Keski-Suomen Op	1,936	35.6	Pasi Sorri
Keski-Uudenmaan Op	1,488	54.5	Juhani Rinta-Kartano
Kesälahden Op	83	64.9	Toni Ruokanen
Kihniön Op	37	57.3	Pirjo Haapa-aho Vehniä
Kiihtelysvaaran Op	96	46.7	Pasi Leppänen
Kiikoisten Op	29	65.5	Pirjo Koponen
Kiteen Seudun Op	269	55.5	Olli Koivula
Koitin-Pertunmaan Op	71	70.9	Jouko Iso-Kuortti
Korpilahden Op	84	65.1	Tuomas Kupsala
Korsnäs Andelsbank	141	43.0	Jan-Erik Westerdahl
Kronoby Andelsbank	125	54.6	Katja Koskinen

Kuhmoisten Op	57	55.5	Teemu Sarhemaa
Kuhmon Op	169	38.5	Hannu Kurkinen
Kuortaneen Op	70	52.5	Markku Jaatinen
Kurun Op	50	53.0	Marja-Leena Siuro
Kuusamon Op	194	40.4	Kari Kivelä
Kymenlaakson Op	1,597	49.1	Marjo Partio
Kärkölän Op	87	51.6	Arto Haavikko
Käylän Op	27	60.8	Piia Mourujärvi
Köyliön Op	65	46.3	Jari Valonen
Laihian Op	103	23.6	Seppo Hautala
Lapin Op	93	60.6	Juha Teerialho
Lehtimäen Op	60	39.4	Veli-Jussi Haapala
Lemin Op	80	46.9	Eero Innanen
Leppävirran Op	149	52.0	Jukka Kilpeläinen
Limingan Op	92	44.0	Petteri Juusola
Liperin Op	186	51.3	Jalo Lehtovaara
Loimaan Seudun Op	240	59.1	Juha Pullinen
Lokalahden Op	37	64.0	Ville Aarnio
Lounaismaan OP	1,382	43.0	Jukka Hulkkonen
Lounaisrannikon Op	494	34.7	Juha-Pekka Nieminen
Lounais-Suomen Op	280	63.3	Vesa Viitaniemi
Luhangan Op	53	48.6	Tuomas Puttonen
Luopioisten Op	38	59.6	Sirpa Leppäkoski
Luumäen Op	93	61.2	Mikko Antikainen
Länsi-Kymen Op	279	40.9	Pertti Olander
Länsi-Suomen Op	2,428	47.3	Simo Kauppi
Länsi-Uudenmaan Op	850	32.8	Jarmo Viitanen
Maaningan Op	96	55.4	Ari Väänänen
Marttilan Op	81	61.4	Matti Vahalahti
Mellilän Seudun Op	37	65.7	Aarre Anttila
Merimaskun Op	34	73.6	Sauli Jalonen
Metsämaan Op	30	93.5	Jussi Nieminen
Miehikkälän Op	68	53.2	Kalevi Salonen
Mouhijärven Op	74	41.4	Rainer Sillanpää
Multian Op	76	28.3	Arto Laitinen
Mynämäen-Nousiaisten Op	340	57.7	Kimmo Ranta

Mäntsälän Op	196	52.9	Heikki Kananen
Mäntän Seudun Op	216	42.4	Markku Martikainen
Nagu Andelsbank	49	45.5	Johan Broos
Nakkila-Luvian Op	208	67.0	Jussi Kuvaja
Niinijoen Op	36	90.1	Jouni Tammelin
Nivalan Op	196	42.1	Markku Niskala
Op Kantrisalo	93	61.2	Bo Hellen
Orimattilan Op	220	74.0	Jukka Sipilä
Oripään Op	64	28.5	Jouko Rekolainen
Oriveden seudun Op	187	48.7	Pertti Pyykkö
Osuuspankki Poppia	462	19.6	Timo Niskanen
Oulaisten Op	227	46.3	Mika Korkia-aho
Oulun Op	2,729	32.3	Timo Levo
Outokummun Op	124	43.9	Ari Karhapää
Paattisten Op	88	64.9	Soile Noren
Paltamon Op	60	60.3	Jorma Niemi
Parikkalan Op	120	61.8	Tuomo Liukka
Pedersörenejdens Andelsbank	442	31.5	Thomas Hulten
Perhon Op	81	52.8	Pekka Pajula
Peräseinäjoen Op	114	59.9	Juha Mäki
Petäjäveden Op	85	33.2	Jaakko Ylitalo
Pielaveden Op	98	56.0	Jouni Karhinen
Pielisen Op	471	33.0	Jaana Reimasto-Heiskanen
Pihtiputaan Op	79	34.7	Vesa Isosalo
Pohjois-Karjalan Op	795	33.2	Esko Mononen
Pohjois-Savon Op	2,134	45.8	Seppo Pääkkö
Pohjolan Op	998	34.0	Keijo Posio
Polvijärven Op	120	52.6	Ari Noponen
Posion Op	103	76.6	Vesa Jurmu
Pudasjärven Op	174	78.9	Teuvo Perätalo
Pukkilan Op	70	66.2	Ari Talkara
Pulkkilan Op	44	84.6	Eero Keskitalo
Punkalaitumen Op	93	40.5	Petri Antila
Puolangan Op	90	52.5	Jouni Ahokumpu
Purmo andelsbank	39	47.2	Stig-Göran Jansson

Päijät-Hämeen Op	1,311	30.2	Timo Laine
Pöytyän Op	88	45.1	Tuomo Jokinen
Raahen seudun Op	347	51.0	Ari Pohjola
Rantasalmen Op	129	61.4	Martti Pulkkinen
Rautalammin Op	78	43.0	Esko-Pekka Markkanen
Riistaveden Op	116	37.0	Pauli Kröger
Ruoveden Op	138	42.2	Leena Selkee
Ruukin Op	141	47.4	Kalle Arvio
Rymättylän Op	65	50.9	Antero Nikki
Rääkkylän Op	85	44.0	Heli Silvennoinen
Sallan Op	76	42.6	Anne Harju
Sastamalan Op	252	35.8	Jyrki Rantala
Satakunnan Op	446	56.7	Olli Näsi
Satapirkan Op	280	36.4	Antti Suomijärvi
Savitaipaleen Op	108	59.4	Leo-Petteri Nevalainen
Siikajoen Op	40	61.3	Anna Hanhineva
Siikalatvan Op	83	37.7	Ismo Välijärvi
Simpeleen Op	73	71.8	Asko Imppola
Sonkajärven Op	97	64.0	Esko Nissinen
Sulkavan Op	68	45.9	Kari Haverinen
Suomenselän Op	337	36.6	Kari Ahola
Suomussalmen Op	125	51.8	Timo Polo
Suonenjoen Op	121	53.0	Antti Hult
Suur-Savon Op	1,774	39.7	Kari Manninen
Säkylän Op	80	44.1	Jari Katila
Taivalkosken Op	69	62.6	Riitta-Liisa Ahokumpu
Taivassalon Op	60	38.5	Sari Kaivola-Murto
Tampereen Seudun Op	2,986	31.6	Mikko Rosenlund
Tarvasjoen Op	48	65.6	Esa Hentula
Tervolan Op	71	49.1	Hannu Neuvonen
Tervon Op	59	41.1	Jani Kääriäinen
Toholammin Op	113	45.1	Juha Pajumaa
Tornion Op	291	32.5	Pentti Alaperä
Turun Seudun Op	2,851	18.9	Olli-Pekka Saario
Tuupovaaran Op	58	65.6	Simo Penttinen

Tuusniemen Op	139	25.1	Esa Simanainen
Tyrnävän Op	87	47.6	Antto Joutsiniemi
Ullavan Op	41	36.7	Jorma Somero
Urjalan Op	115	66.0	Sami Pietilä
Utajärven Op	221	33.9	Raimo Tuovinen
Vaasan Op	853	33.0	Ulf Nylund
Valkeakosken Op	205	44.5	Juha Luomala
Vampulan Op	79	50.0	Kari Hänti
Vehmersalmen Op	70	61.6	Petri Tyllinen
Vesannon Op	64	34.6	Markku Niskanen
Vetelin Op	35	46.6	Jarmo Lehojärvi
Vetelin Ylipään Op	32	47.9	Mikael Hanhilahti
Vihannin Op	117	45.5	Jari Kantomaa
Vimpelin Op	69	58.1	Kari Jukantupa
Virtain Op	173	49.0	Ari Kakkori
Ylitornion Op	104	43.6	Terttu Hagelin
Yläneen Op	87	45.4	Heikki Eskola
Ypäjän Op	67	64.7	Kirsi-Marja Hiidensalo
Östra Korsholms Andelsbank	8	63.9	Jussi Lahti

Structured entities included in the consolidated financial statements

OP Financial Group both acts as investor and manages various mutual funds in order to gain investment income and various commissions. The financial statements of OP Financial Group include the accounts of 1 (1) mutual fund and of 2 (2) real estate funds. These funds that have been classified as structured entities because OP Financial Group's control is not based on votes but the control of significant operations, exposure to variable returns from the fund, and organising the fund's management. These funds also involve non-controlling interests most relevant to the Group.

The table below structured entities with a significant number of non-controlling interests

Name	Place of business	Main line of business	Interest, % 2015	Interest, % 2014	Non-controlling interests, %
Real Estate Funds of Funds II Ky	Helsinki	Real Estate Fund	28	28	72

Summary of financial information on subsidiaries with a significant proportion of non-controlling interests
The table below presents a summary of financial information on subsidiaries with a significant proportion of non-controlling interests from OP Financial Group's perspective. The financial information corresponds to the figures presented in the financial statements of the subsidiaries to which, for example, fair value adjustments have been made to correspond to OP Financial Group's accounting policies. The figures below are before the elimination of internal transactions.

Balance sheet in summary	Real Estate Fund of Funds II Ky	
EUR million	**2015**	**2014**
Cash and cash equivalents	2	6
Investments	51	65
Total assets	**53**	**72**
Financial liabilities		
Total liabilities		
Net assets (100%)	**53**	**72**
Accrued share of non-controlling interests	41	55

Statement of comprehensive income in summary		
Net sales	8	11
Profit or loss of continuing operations after tax	8	10
Profit or loss of discontinued operations after tax		
Other comprehensive income	-3	1
Comprehensive income (100%)	**5**	**11**
Comprehensive income attributable to non-controlling interests	4	8
Share of profit paid to non-controlling interests	5	5

Cash flows in summary		
Net cash flow from operating activities	-1	-1
Net cash flow from investing activities	20	27
Net cash flow from financing activities	-24	-20
Net change in cash flows	-4	6
Cash and cash equivalents at year start	6	0
Cash and cash equivalents at year end	2	6

Joint operations
Some 1,225 (1300) property companies are incorporated into OP Financial Group's financial statements as joint operations by consolidating the proportionate share of OP Financial Group's holding of the property company's assets. Classification into joint operations has been made according to the nature of the business although OP Financial Group has control over some of the property companies. The shares of the property companies entitle to the occupancy of certain apartments some of which are in OP Financial Group's own use. Each shareholder of the mutual real estate company is responsible for its/his/her share of the company's loans. Some of these joint operations constitute OP Financial Group's branch network in Finland and are included in property, plant and equipment in the balance sheet as shown in Note 31. The rest of the property companies are investment property included in Notes 25., 26 and 27.

Summary of the effect of consolidation of joint operations on the balance sheet

EUR million	31 Dec. 2015	31 Dec. 2014
Land	142	136
Buildings	1,196	1,060
Total assets	1,338	1,196
Total liabilities	3	5

Most significant joint operations consolidated into OP Financial Group's financial statements in 2015

Name	Domicile	Sector	Holding	Company belongs to the consolidation group with respect to capital adequacy
Asunto Oy Oulun Kalevankulma	Oulu	Property holding and management	100.0	x
Kiinteistö Oy Ansatie 5	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Grand Cargo Terminal 1	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0	
Kiinteistö Oy Hämeenkivi	Tampere	Property holding and management	100.0	x
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0	x
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4	x
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0	
Kiinteistö Oy Koskikatu 9	Joensuu	Property holding and management	67.0	x
Kiinteistö Oy OPK-Vallila	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0	
Kiinteistö Oy Quartetto Intermezzo	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0	
Kiinteistö Oy Tampereen Hämeenkatu 12	Tampere	Property holding and management	100.0	x
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0	

Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49.5	x
Kiinteistö Oy Uusi Paino	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0	x
Kiinteistö Oy Vääksyntie 2	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Vääksyntie 4	Helsinki	Property holding and management	100.0	x
Mikkelin Forum Oy	Mikkeli	Property holding and management	87.1	x
Kiinteistö Oy Eteläesplanadi	Helsinki	Property holding and management	100.0	
Companies owned by Pohjola Group				
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0	
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0	
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0	
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7	
Kiinteistö Oy Vuosaaren Pohjoinen Shopping centres	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Kanta-Sarvis I	Helsinki	Property holding and management	50.0	
Kiinteistö Oy Koskitammi	Tampere	Property holding and management	100.0	

The consolidated financial statements include the share of assets and related liabilities under joint control.

Most significant joint operations consolidated into OP Financial Group's financial statements in 2014

Name	Domicile	Sector	Holding	Company belongs to the consolidation group with respect to capital adequacy
Asunto Oy Oulun Kalevankulma	Oulu	Property holding and management	100.0	x
Kiinteistö Oy Ansatie 5	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Arkadiankatu 23	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Grand Cargo Terminal 1	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0	
Kiinteistö Oy Hämeenkivi	Tampere	Property holding and management	100.0	x
Kiinteistö Oy Jyväskylän Kassatalo	Jyväskylä	Property holding and management	100.0	x
Kiinteistö Oy Kaisaniemenkatu 1	Helsinki	Property holding and management	22.4	x
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0	
Kiinteistö Oy Koskikatu 9	Joensuu	Property holding and management	100.0	x
Kiinteistö Oy OPK-Vallila	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Piispankalliontie 13-15	Espoo	Property holding and management	100.0	
Kiinteistö Oy Quartetto Intermezzo	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Säästöraha	Oulu	Property holding and management	100.0	
Kiinteistö Oy Tampereen Hämeenkatu 12	Tampere	Property holding and management	100.0	x
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0	

Kiinteistö Oy Turun Asemanseutu	Turku	Property holding and management	49.5	x
Kiinteistö Oy Uusi Paino	Helsinki	Property holding and management	100.0	
Kiinteistö Oy Vammalan Torikeskus	Vammala	Property holding and management	100.0	x
Kiinteistö Oy Vääksyntie 2	Helsinki	Property holding and management	100.0	x
Kiinteistö Oy Vääksyntie 4	Helsinki	Property holding and management	100.0	x
Mikkelin Forum Oy	Mikkeli	Property holding and management	87.1	x
Pohjola Group companies				
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0	
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0	
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0	
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7	
Kiinteistö Oy Vuosaaren Pohjoinen Ostoskeskus	Helsinki	Property holding and management	100.0	

The consolidated financial statements include the share of assets and related liabilities under joint control.

Interests in unconsolidated structured entities

OP Fund Management Company Ltd within OP Financial Group manages OP Mutual Funds OP Fund Management Company Ltd uses Pohjola Asset Management Ltd as the portfolio manager for many of the mutual funds it manages In addition, Pohjola Property Management Ltd within the Group manages several real estate funds. In many funds, the fund management company controls significant operations by making investment decisions in accordance with the fund rules. OP Financial Group companies have no interests in the funds managed by the abovementioned companies that would significantly expose the Group to the varying return on the investment and would thereby cause a consolidation obligation.

OP Financial Group receives management fee income from unconsolidated funds that is included in net commissions and fees in the income statement. In addition, OP Financial Group as investor receives from unconsolidated funds income which is recognised in net income from Non-life Insurance, net income from Life Insurance or net investment income, depending on in which balance sheet items the investments are recognised in the balance sheet.

OP Financial Group's investments in OP Mutual Funds and the funds of Pohjola Property Management Ltd have been recognised in Non-life Insurance assets, Life Insurance assets and investment property in the balance sheet. The Group's risk of loss is limited to the investment's balance sheet value.

EUR million	**2015**	**2014**
Non-life Insurance assets	216	294
Life Insurance assets	475	671
Investment assets	112	116
Total investments in mutual funds managed by OP Financial Group	803	1,081

Notes to OP Financial Group Financial Statements

OTHER NOTES

Note 58. Related-party transactions

OP Financial Group's related parties:
The related parties of OP Financial Group include associates, administrative personnel and other related party companies. The administrative personnel comprise OP Financial Group's Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members and deputy members of the Executive and Supervisory Boards and their close relatives. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

The period of notice observed by OP Financial Group's Executive Chairman, other OP Central Cooperative's Executive Board members and a deputy member and the employer is a maximum of 6 months. Upon termination of employment in cases specifically stipulated in the executive contract, the Executive Chairman and CEO is entitled to a severance pay and a sum equivalent to a maximum of 12 months' pay, while other Board members, deputy members and the Chief Audit Officer are entitled to a sum equivalent to a maximum of 6 months' pay.

OP Cooperative purchased in June 2015 all OP Life Assurance Company Ltd and OP Card Company Plc shares held by member cooperative banks and Helsinki OP Bank Ltd. The price paid for the shares was based on the opinions of external appraisers.

Related-party transactions 2015

EUR million	Associates	Administrative personnel	Others
Loans	83	2	-
Receivables	0	-	5
Deposits	2	2	151
Interest income	-	0	-
Interest expenses	0	0	0
Insurance premium revenue	0	0	6
Dividend income	-	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	7	-
Related-party holdings			
Number of participations	-	67	-

Related-party transactions 2014

EUR million	Associates	Administrative personnel	Others
Loans	112	3	-
Receivables	0	-	0
Deposits	2	2	135
Interest income	-	0	-
Interest expenses	0	0	0
Insurance premium revenue	0	0	5
Dividend income	-	-	-
Commission income	0	0	0
Commission expenses	0	0	0
Salaries and other short-term benefits, and performance-based pay			
Salaries and other short-term benefits	-	5	-
Related-party holdings			
Number of participations	-	847	-

Pension obligations regarding members of the Executive Board

OP Cooperative has an Executive Board acting as a directorate. The Executive Board comprises a chairman acting as the CEO and called as President and Group Executive Chairman; a deputy to the Executive Chairman and CEO; and a minimum of two and a maximum of five other members and a maximum of four deputy members.

The President and Group Executive Chairman's retirement age is 63, while the other Executive Board members and deputy members retire at 63. Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. Note 41 provides more detailed information on OP Financial Group's pension plans.

	Pension costs under TyEL plan*		IFRS expense of voluntary supplementary pension	
EUR 1,000	**2015**	**2014**	**2015**	**2014**
President and Group Executive Chairman Reijo Karhinen, Executive Board Chairman	134	122	163	97
Tony Vepsäläinen	114	154	211	181
Carina Geber-Teir, Executive Board member	78	56	55	38
Jari Himanen, Executive Board member	59	54	26	16
Olli Lehtilä, Executive Board member	93	69	-	-
Harri Luhtala, Executive Board member	75	55	66	42
Harri Nummela, Executive Board member	89	68	37	15
Erik Palmén, Executive Board member	43	61	68	58
Jouko Pölönen, Executive Board member	86	60	-	-
Markku Koponen, Chief Legal Officer	34	-	60	-
Outi Taivainen, Executive Vice President, Human Resources, Executive Board member since 16 November 2015	4	-	-	-
Karri Alameri, Executive Vice President, Executive Board member since 1 October 2015	11	-	-	-
Teija Sarajärvi, former Executive Board member	-	55	-	38
Tom Dahlström, former Executive Board member	-	48	-	43

* IFRS expense has been used for the portion of the TyEL defined benefit plan and the equalisation portion of an employee's contribution less the employee's portion of the contribution has been used for the defined contribution plan.

Notes to OP Financial Group Financial Statements

OTHER NOTES

Note 59. Variable remuneration

Personnel fund
About 86% of all personnel are members of OP Financial Group's Personnel Fund.

Payment of profit-based bonuses to OP Personnel Fund in 2015 was based on the achievement of the following targets: OP Financial Group's EBT and CET1, both having a weight of 30%, and growth in the number of loyal customers with a weight of 40%. Profit-based bonuses for 2015 transferred to the Fund account for some 5.3% (4.2) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2015 totalled EUR 23 million (10).

Long-term remuneration schemes
OP Financial Group's remuneration schemes are in compliance with regulation in the financial sector and are based on OP Financial Group's strategic targets

OP Financial Group's variable remuneration principles take account of the Group's risk exposure and risk management methods. The performance indicator targets have been set at a level that does not encourage excessive risk-taking. Long-term variable remuneration is based on reaching OP Financial Group's targets, whereas short-term variable remuneration is based on how an individual Group company or business unit reaches its targets. The maximum amount of remuneration is limited in all schemes.

Long-term scheme
Managers and designated persons in key positions in OP Central Cooperative Consolidated and Group member banks and their subsidiaries, whom the management of the company in question or the central cooperative's Supervisory Board have appointed, are included in the long-term management incentive scheme. A total of 312 (363) people were included in the 2011-2013 scheme and 320 (328) in the 2014-2016 scheme.

The bonus is determined by the management position. If the set targets are annually achieved at 100%, the management and key employees will be entitled to a bonus equalling their regular 2–12-month salary subject to PAYE tax.

The scheme consists of consecutive three-year performance periods, the first of which is 1 January 2011–31 December 2013. The bonus for the 2011–2013 performance period will be paid after a deferment period in three equal instalments by the end of each June in 2015–2017. The second performance period is 1 January 2014–31 December 2016 and the bonuses will be paid after a deferment period in three equal instalments by the end of June in 2018–20.

The target bonus was determined at the beginning of the 2011–13 scheme, i.e. the maximum remuneration in terms of Pohjola Bank plc Series A shares. This target bonus for the 2011–13 performance period was 5.1 million shares (5.1) which would be partly based on cash-settled payments (the amount of tax withheld) and equity-settled payments. OP Central Cooperative made a public voluntary bid for all Series A and K shares issued by Pohjola Bank plc and not held by OP Central Cooperative. As a result, the bonus payout for the performance period of 2011–13 applies the scheme's condition under which bonuses will be fully paid in cash if any of Pohjola's shareholders has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) the shares on the grounds that the shareholder has more than 90% of the company's shares and of the votes conferred by the shares. Bonuses that were to be paid as a combination of Pohjola's series A shares and cash will be paid in cash in 2015, 2016 and 2017 according to the original payout schedule. The bonus was converted into cash by multiplying the number of shares by the redemption price.

Provided that the targets are achieved at the maximum levels set for them for the 2014–16 scheme, those included in the scheme have the opportunity to receive annually a bonus equalling their 2–8-month regular salary subject to PAYE tax. The bonus amount depends on the achievement of the target after the performance period and will be paid in three equal instalments in 2018– 2020. Bonuses that may be paid under the scheme will be paid in terms of debentures issued by OP. The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount paid in cash will be deducted from the bonus to cover related taxes and fiscal charges.

The Supervisory Board of OP Cooperative determines the performance indicators for the scheme and targets set for them separately for each performance period. The targets for the 2011–2013 scheme were based on the following criteria:
- Growth in the number of customers using OP as the main bank and insurer
- Change in the market share of corporate customer business
- Return on economic capital

In setting targets for the 2014–16 scheme, OP has taken account of the Capital Requirements Directive IV (CRD IV) of the European Parliament and of the Council, which will limit the maximum variable remuneration to the amount of a person's annual fixed remuneration. The targets for the 2014–16 are based on the following criteria:
- OP Financial Group's EBT
- OP Financial Group's CET1
- Growth in the number of customers using OP as their main bank and insurer

Bonuses will be paid to their beneficiaries provided that OP Financial Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is 1.3 or higher on the bonus payout date and that the person within the scheme is employed by OP Financial Group up to the payout date.

Previously, the 2011–2013 scheme was accounted for as cash settlements in OP Financial Group companies other than Pohjola Group. Shares were accounted for as equity-settled payments in Pohjola Group. Due to the change in the method of payment under the scheme, the scheme's accounting treatment was changed in 2014 to correspond to treatment of employee benefits specified in IAS 19. Expenses for both schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses. A liability recognised under the scheme amounted to EUR 40 million (30) on 31 December 2015.

OP Central Cooperative's Supervisory Board manages the long-term scheme and supervises compliance with it. The Supervisory Board may exercise discretion to change the terms and conditions of the scheme and postpone bonus payments for compelling reasons.

Short-term remuneration schemes
In short-term schemes, the performance period is one calendar year and the bonus is paid in cash. Short-term incentive schemes are based on targets set by each company and entity, covering all personnel of OP Financial Group.

Expenses for the schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses.

Deferment of variable remuneration
The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (identified staff) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

Identified staff in OP Financial Group include managing directors and other key management personnel, other people with a major impact of the company's risk exposure, Internal Control and other designated persons or special groups.

The deferment of variable remuneration payment applies to identified staff if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority – or two months' fixed gross salary above this amount. The remuneration of the identified staff is reviewed up to the EUR 50,000 deferment limit as a whole, considering both long-
and short-term remuneration.

If the euro maximum for deferment is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years. In such a case of deferment, any short-term scheme bonuses are always paid half in cash and half as debenture loans issued by OP.

Expenses recognised for variable remuneration*

EUR million	2015	2014
Personnel fund	23	10
Short-term schemes	36	36
Extended long-term schemes:		
Scheme for 2011–13	4	3
Scheme for 2014–16	3	3
Total	**66**	**53**

* Excl. social expenses

More information on the remuneration schemes is available at www.op.fi.

Notes to OP Financial Group Financial Statements

OTHER NOTES

Note 60. Events after the balance sheet date

In November 2015, Visa Inc. announced a definitive agreement to acquire Visa Europe Ltd. The transaction is expected to be completed in the first half of 2016 but it is subject to regulatory approval. In January, OP Cooperative's Executive Board, for its part, approved the bid. If completed, the transaction will, based on preliminary and unconfirmed estimates, bring OP Financial Group approximately EUR 70 million in capital gains in 2016.

In January 2016, OP Financial Group and Suomi Mutual began to negotiate over transferring the Suomi Mutual's individual pension insurance portfolio of about EUR 3.2 billion to OP Life Assurance Company Ltd. The parties aims to draw up a plan for the transfer of the insurance portfolio during March and submit the case to the shareholders' meetings during the spring.

Notes to OP Financial Group Financial Statements

NOTES TO RISK MANAGEMENT

Note 61. OP Financial Group's risk limits

The limit system ensures that the Group or any of its entity does not take excessive risks to endanger the Group's or the entity's capital adequacy, profitability, liquidity and continued operations. The limits define the boundary for implementing risk appetite under the strategy. OP Cooperative's Supervisory Board annually confirms risk limits related to the Group's capital adequacy and credit and liquidity, market and underwriting risks. These limits are used to control the Group's risk-taking. The Group's risks have been within the set limits.

Indicator	Risk limit	31 Dec. 2015	31 Dec. 2014
Capital adequacy			
Solvency ratio, % (FiCo Solvency II excluding transitional provisions)*	120	183	149
CET1, %	10.0	19.5	15.1
Capital base/economic capital, %	120	180	126
Credit risks			
Largest single customer risk/capital resources, %	10.0	5.7	6.6
Total of significant customer risks/capital resources under FiCo, %	75.0	5.7	23.8
Industry risk/corporate receivables and commitments, %	15.0	12.7	11.8
Ratio of receivables over 90 days overdue and zero-interest receivables to the loan and guarantee portfolio, %	1.00	0.42	0.38
Expected losses/exposure in default, %	0.6	0.19	0.22
Liquidity risks			
Funding liquidity risk			
Liquidity coverage (LCR) ratio, %	70.0	116	91
Banking structural funding risk, EUR million			
≤ 12 months net funding position	-1,500	10,329	2,197
1–2 yrs net funding position	0	3,181	6,256
2–3 yrs net funding position	0	3,145	2,411
3–5 yrs net funding position	-1,000	3,076	2,657

Market risks			
Financing interest income risk, EUR million	-125	-9.0	-54
Banking book present value risk to 2-pp change in interest rate, %	-20	-10	-9.2
Trading VaR, 99%, 1 day, EUR million	5	2.2	2.3
Insurance market risks / capital resources, %	30	15.1	20.9
Underwriting risks			
Non-life Insurance underwriting risk/capital resources, %	8	4.6	5.5
Life Insurance underwriting risk/capital resources, %	5	2.3	2.9

* The FiCo capital adequacy limits anticipate changes in Solvency II regulations. Note 62 shows the official FiCo capital base and adequacy.

Credit risks

OP Financial Group uses credit risk limits to spread risk by sector and counterparty and to limit the formation of doubtful receivables. The Group's sector and customer risks are diversified. At the end of 2014, customer risk deriving from an individual counterparty and the total of significant customer risk was clearly within the limits. Any customer exposure that accounts for at least 5% of the Group's capital base covering customer exposure under the Act on the Supervision of Financial and Insurance Conglomerates is taken into account in measuring significant customer exposure. In calculating sector risk the Group uses its internal sector breakdown and, in addition to Banking receivables and commitment, takes account of direct investments by insurance institutions, incomplete housing associations and guarantees from public sector entities. At the end of 2015, real estate management constituted the greatest sector risk.

The ratio of expected losses to exposure (EAD) is clearly within the risk limit. Expected losses are an estimate of the average annual losses caused by credit risks calculated using the Group's own credit risk models. Net impairment loss on receivables recognised in 2015 amounted to EUR 78 million (88), accounting for 0.10% of the loan and guarantee portfolio (0.12).

	31 Dec. 2015		31 Dec. 2014	
Ratio of receivables more than 90 days past due and impairment losses to loan and guarantee portfolio	**EUR million**	**%**	**EUR million**	**%**
Net receivables more than 90 days past due	326	0.42	279	0.38
Net impairment loss on receivables from year start	78	0.10	88	0.12

Liquidity risk

OP Group's risk limit for liquidity risk has been set for net cash flows by maturity that guide the structural funding risk and for funding liquidity risk indicator.

The risk indicator for the structural funding risk indicates the maximum portion of the net cash flows in the Group's balance sheet that may mature in different maturities. On 31 December 2015, the maturing net cash flows in the Group's balance sheet were in all maturity periods within the limits of risk limits.

Group-level reporting and limits also derive from the liquidity coverage ratio (LCR) – which has been in force since October 2015 and is gradually tightening – based on the new Capital Requirements Directive and Regulation (CRD IV/CRR). At the end of the year, OP Financial Group fulfilled the 60% limit set by the regulation.

Market risks
OP Financial Group limits its Trading market risk using the VaR limit (99% confidence level, 1-day time horizon) within its risk limit system. At the end of the year, the VaR of Trading was clearly within the limit set for it.

The market risk limit for insurance operations has been set on the basis of the ratio between the economic capital and the Group's capital resources concerning the risk in question. At the end of the year, the market risk associated with insurance operations was clearly within limit set for it.

Insurance risks
Within the risk limit system, the Group limits underwriting risk using the ratio of Non-life and Life Insurance underwriting risk economic capital to capital resources. On 31 December 2014, underwriting risks were within the set limits.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 62. OP Financial Group's capital adequacy

Note 2, OP Financial Group's risk and capital adequacy management principles, provides a description of how the Group organises its Group-level risk and capital-adequacy management process. OP Financial Group and all of its entities fulfil the capital adequacy requirements set by the authorities.

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

EUR million	31 Dec. 2015	31 Dec. 2014
OP Financial Group's equity capital	9,324	7,213
Cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,547	1,072
Other sector-specific items excluded from capital base	-76	-72
Goodwill and intangible assets	-1,356	-1,286
Equalisation provision	-220	-179
Proposed profit distribution	-66	-22
Items under IFRS deducted from capital base*	-57	-79
Impairments – shortfall of expected losses	-280	-313
Conglomerate's total capital base	**8,815**	**6,334**
Regulatory capital requirement for credit institutions**	3,707	2,865
Regulatory capital requirement for insurance operations***	557	485
Minimum amount of conglomerate's capital resources	**4,265**	**3,350**
Conglomerate's capital adequacy	**4,550**	**2,984**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base)	**207**	**189**

** Excess funding of pension liability, Fair value measurement of investment property, Amount of cash flow hedge of fair value reserve
** Risk-weighted assets x 10.5%
*** Minimum solvency margin

Capital adequacy
OP Financial Group has two risk limit indicators for its capital adequacy. The first one is capital adequacy as referred to in the Act on the Supervision of Financial and Insurance Conglomerates. The Group's risk limit for this ratio is 130%. The statutory minimum is 100%. On 31 December 2015, the ratio of the capital base to the minimum amount of the capital base was 207 (189). On 31 December 2015, the Group's capital base totalled EUR 3,270 million (1,979) above the Group's internal risk limit and EUR 4,550 million (2,984) more than the limit required by law.

The other risk limit indicator for capital adequacy is the ratio of capital base to economic capital, for which the risk limit is 1.2. On 31 December 2015, the ratio of capital base to economic capital was 1.80 (1.42). The capital buffer above the Group's internal risk limit was EUR 2,652 million (1,058). The strong capital base acts as a buffer against unexpected losses and paves the way for business growth.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 63. OP Financial Group's exposure split by geographic region and exposure class

The majority of OP Financial Group's country exposure is in EU countries. The exposures cover all balance-sheet and off-balance-sheet items and are based on values used in capital adequacy.

Exposure split by geographic region 31 Dec. 2015

EUR million	Exposures to central governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity invest-ments*	Collate-ralised notes and bonds**	Other	Total expo-sures
Finland	12,764	360	38,645	52,565	793	449	1,041	106,615
Baltic countries	71	0	1,294	19	0	-	-	1,385
Other Nordic countries	86	774	699	136	21	1,517	14	3,246
Germany	2,502	275	49	250	20	861	6	3,964
France	375	499	124	234	47	926	25	2,229
GIIPS countries***	82	21	75	24	29	39	60	332
Other EU countries	2,642	1,393	521	586	917****	1,068	16	7,144
Rest of Europe	2	225	87	80	24	82	1	501
USA	19	314	118	416	191	-	12	1,070
Russia	-	26	16	14	4	-	-	59
Asia	-	200	80	52	42	-	2	376
Other countries	39	52	58	46	478****	1,031	6	1,709
Total	**18,582**	**4,139**	**41,767**	**54,421**	**2,566**	**5,973**	**1,183**	**128,631**

* Also includes EUR 286 million in bond funds.
** Comprises RMBS, ABS and Covered Bond investments.
*** Exposures to Spain totalled EUR 97 million and to Italy EUR 99 million.
**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Exposure split by geographic region 31 Dec. 2014

EUR million	Exposures to central governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity invest-ments*	Collate-ralised notes and bonds**	Other	Total expo-sures
Finland	6,531	202	36,621	50,241	627	400	989	95,612
Baltic countries	189	2	791	15	0	-	0	997
Other Nordic countries	117	659	593	115	13	1,191	10	2,698
Germany	1,633	214	33	275	4	424	-	2,583
France	313	583	129	184	32	910	-	2,151
GIIPS countries***	16	23	126	17	17	362	0	561
Other EU countries	1,351	1,410	303	539	957****	668	2	5,231
Rest of Europe	-	165	95	42	7	87	-	395
USA	-	295	107	178	107	-	-	686
Russia	-	79	37	17	2	-	-	134
Asia	-	381	74	38	55	-	-	549
Other countries	9	64	12	62	556****	515	-	1,218
Total	**10,159**	**4,077**	**38,922**	**51,723**	**2,376**	**4,557**	**1,002**	**112,816**

* Also includes EUR 694 million in bond funds.
** Comprises RMBS, ABS and Covered Bond investments.
*** Exposures to Spain totalled EUR 161 million and to Italy EUR 143 million.
**** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Notes to OP Financial Group Financial Statements

OP FINANCIAL GROUP'S RISK EXPOSURE

Note 64. Impairment loss recognised on financial assets

EUR million	31 Dec. 2015	31 Dec. 2014
Derivative contracts		
Held for trading	0	0
Loans and receivables		
Loans granted	60	67
Guarantee receivables	18	21
Available-for-sale financial assets		
Shares and participations	2	4
Total financial assets	**79**	**92**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 65. Receivables from credit institutions and customers, and doubtful receivables

	Receivable base				
31 Dec. 2015	**Not impaired (gross)**	**Impaired (gross)**	**Total**	**Total impair-ments**	**Balance sheet value**
Receivables					
Receivables from credit institutions	426	-	426	1	425
Receivables from customers	73,903	620	74,523	497	74,026
Bank guarantee receivables	6	17	23	18	5
Finance leases	1,166	-	1,166	0	1,166
Total	**75,495**	**620**	**76,115**	**498**	**75,617**
Receivables by sector					
Non-banking corporate sector	25,491	471	25,961	391	25,571
Financial institutions and insurance companies	1,124	0	1,124	2	1,122
Households	47,528	143	47,671	101	47,570
Non-profit organisations	665	6	671	4	667
Public-sector entities	688	-	688	0	688
Total	**75,495**	**620**	**76,115**	**498**	**75,617**

31 Dec. 2014	Receivable base Not impaired (gross)	Impaired (gross)	Total	Total impair-ments	Balance sheet value
Receivables					
Receivables from credit institutions	686	-	686	-	686
Receivables from customers	69,445	558	70,003	483	69,521
Bank guarantee receivables	3	20	23	21	3
Finance leases	1,162	-	1,162	-	1,162
Total	**71,293**	**558**	**71,851**	**483**	**71,369**
Receivables by sector					
Non-banking corporate sector	23,199	450	23,649	385	23,264
Financial institutions and insurance companies	1,420	-	1,420	-	1,420
Households	45,381	103	45,483	98	45,385
Non-profit organisations	617	5	622	0	622
Public-sector entities	677	-	677	-	677
Total	**71,293**	**558**	**71,851**	**483**	**71,369**

31 Dec. 2015	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments Individually assessed	Impairments Collectively assessed
Doubtful receivables						
Receivables from credit institutions	-	-	-	-	-	1
Receivables from customers	1,920	620	2,540	386	441	56
Bank guarantee receivables	6	17	23	12	18	0
Finance leases	3	-	3	0	-	-
Total	**1,923**	**620**	**2,543**	**386**	**441**	**57**
Doubtful receivables by sector						
Non-banking corporate sector	476	471	947	255	358	32
Financial institutions and insurance companies	0	0	0	0	0	2
Households	1,440	143	1,583	128	79	22
Non-profit organisations	7	6	13	3	4	1
Public-sector entities	-	-	-	0	-	0
Total	**1,923**	**620**	**2,543**	**386**	**441**	**57**

31 Dec. 2014	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments Individually assessed	Impairments Collectively assessed
Doubtful receivables						
Receivables from customers	1,501	558	2,059	371	417	65
Bank guarantee receivables	3	20	23	11	20	1
Finance leases	0	-	0	0	-	-
Overdrafts	0	-	0	0	-	-
Total	**1,501**	**558**	**2,059**	**371**	**417**	**65**
Doubtful receivables by sector						
Non-banking corporate sector	480	450	930	239	354	31
Financial institutions and insurance companies	0	-	0	0	-	-
Households	1,015	103	1,118	130	63	35
Non-profit organisations	6	6	11	3	0	0
Public-sector entities	0	-	0	0	-	-
Total	**1,501**	**558**	**2,059**	**371**	**417**	**65**

Doubtful receivables

31 Dec. 2015	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Over 90 days past due		543	543	223	319
Classified as insolvent		499	499	175	325
Forborne loans					
Renegotiated	1,310	191	1,501	43	1,458
Total	**1,310**	**1,233**	**2,543**	**441**	**2,102**

Doubtful receivables

31 Dec. 2014	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Individually assessed	Receivables from credit institutions and customers (net)
Over 90 days past due		511	511	241	270
Classified as insolvent		507	507	149	358
Forborne loans					
Renegotiated	836	205	1,041	27	1,014
Total	**836**	**1,223**	**2,059**	**417**	**1,642**

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest two credit ratings (11–12) are reported as defaulted. Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6–12 months. Underpriced and zero-interest receivables previously reported under doubtful receivables have been removed from the definition of forborne loans.

Key ratio, %	2015	2014
Exposures individually assessed for impairment, % of doubtful receivables	17.3%	20.3%

Past due but not impaired financial assets by maturity

31 Dec. 2015	Less than 30 days	30–90 days	90–180 days	Over 180 days	Total
Matured receivables, not impaired	561	276	104	191	1,132

31 Dec. 2014	Less than 30 days	30–90 days	90–180 days	Over 180 days	Total
Matured receivables, not impaired	590	300	99	117	1,106

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 66. Loan losses and impairment losses

EUR million	31 Dec. 2011	31 Dec. 2012	31 Dec. 2013	31 Dec. 2014	31 Dec. 2015
Impairment losses on receivables	200	175	171	181	190
Reversal of impairment losses	-97	-60	-72	-87	-88
Payments on eliminated receivables	-11	-14	-15	-13	-15
Net change in impairments of collectively assessed loans and receivables	10	-2	-1	7	-9
Total	**101**	**99**	**84**	**88**	**78**

In 2015, loan and guarantee losses and impairment losses accounted for 0.10% (0.12) of the loan and guarantee portfolio.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 67. Structure of OP Financial Group funding

EUR million	31 Dec. 2015	%	31 Dec. 2014	%
Liabilities to credit institutions	1,673	1.8	1,776	2.1
Financial liabilities at fair value through profit or loss	-	0.0	4	0.0
Liabilities to customers				
Deposits	51,941	54.3	48,775	57.9
Other	6,279	6.6	2,388	2.8
Debt securities issued to the public				
Certificates of deposit, commercial papers and ECPs	6,411	6.7	6,980	8.3
Bonds	21,294	22.3	17,976	21.3
Other liabilities	3,625	3.8	3,447	4.1
Subordinated liabilities	1,590	1.7	1,020	1.2
Supplementary cooperative capital	106	0.1	192	0.2
Membership capital contributions	154	0.2	148	0.2
Profit shares	2,502	2.6	1,561	1.9
Total	**95,575**	**100.0**	**84,267**	**100.0**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 68. Maturity of financial assets and liabilities by residual maturity

31 Dec. 2015	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	8,581	-	-	-	-	8,581
Financial assets at fair value through profit or loss						
Notes and bonds	115	20	691	28	4	858
Receivables from credit institutions	181	163	79	0	1	425
Receivables from customers	5,444	7,245	28,328	16,891	17,285	75,192
Investment assets						
Available-for-sale notes and bonds	149	221	6,510	4,414	1	11,295
Held-to-maturity notes and bonds	0	11	71	26	0	108
Total financial assets	**14,471**	**7,661**	**35,678**	**21,357**	**17,292**	**96,459**
Transfer of financial assets held for trading	-115	-20	-691	-28	-4	-858
to less-than-3-months category	858	-	-	-	-	858
Total financial assets in internal reporting	**15,213**	**7,641**	**34,988**	**21,330**	**17,288**	**96,459**

Financial liabilities	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liabilities to credit institutions	1,523	93	28	30	-	1,673
Liabilities to customers	53,938	3,094	653	217	318	58,220
Debt securities issued to the public	6,477	3,142	11,709	6,023	355	27,706
Subordinated liabilities	70	167	505	847	0	1,590
Total financial liabilities	**62,007**	**6,496**	**12,895**	**7,118**	**673**	**89,188**
Transfer of private customers' deposit repayable on demand						
from the less-than-3-months category to the 3-12-months category	-28,328	28,328	-	-	-	-
Total financial liabilities in internal reporting	**33,680**	**34,824**	**12,895**	**7,118**	**673**	**89,188**
Guarantees	19	245	382	16	101	764
Other guarantee liabilities	212	442	503	51	640	1,848
Loan commitments	10,042	-	-	-	-	10,042
Commitments related to short-term trade transactions	89	74	30	0	0	194
Other	259	1	5	304	19	588
Total off-balance-sheet commitments	**10,621**	**762**	**921**	**371**	**761**	**13,436**

31 Dec. 2014	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Financial assets						
Liquid assets	3,888	-	-	-	-	3,888
Financial assets at fair value through profit or loss						
Notes and bonds	30	58	209	54	3	354
Receivables from credit institutions	280	165	228	12	0	686
Receivables from customers	4,624	6,788	26,562	16,055	16,653	70,683
Investment assets						
Available-for-sale notes and bonds	255	642	3,289	4,068	27	8,282
Held-to-maturity notes and bonds	50	48	70	22	0	191
Total financial assets	**9,128**	**7,702**	**30,359**	**20,211**	**16,683**	**84,084**
Transfer of financial assets at fair value through	-30	-58	-209	-54	-3	-354
profit or loss to the less-than-3-months category	354	-	-	-	-	354
Total financial assets in internal reporting	**9,452**	**7,644**	**30,150**	**20,157**	**16,681**	**84,084**

Financial liabilities	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liabilities to credit institutions	1,475	251	50	-	-	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	4
Liabilities to customers	46,494	3,288	889	273	218	51,163
Debt securities issued to the public	5,168	5,362	10,762	3,492	172	24,956
Subordinated liabilities	-	129	211	680	1	1,020
Total financial liabilities	**53,141**	**9,030**	**11,912**	**4,446**	**391**	**78,920**
Transfer of private customers' deposit repayable on demand						
from the less-than-3-months category to the 3-12-months category	-26,214	26,214	-	-	-	-
Total financial liabilities in internal reporting	**26,927**	**35,244**	**11,912**	**4,446**	**391**	**78,920**
Guarantees	24	226	539	8	81	878
Other guarantee liabilities	282	440	514	70	701	2,007
Loan commitments	8,839	-	-	-	-	8,839
Commitments related to short-term trade transactions	76	183	59	0	1	319
Other	259	2	7	244	12	524
Total off-balance-sheet commitments	**9,480**	**851**	**1,120**	**322**	**795**	**12,567**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 69. Maturities of financial assets and liabilities by maturity or repricing

31 Dec. 2015	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	Over 5 years	Total
Financial assets							
Liquid assets	8,581	-	-	-	-	-	8,581
Financial assets at fair value through profit or loss							
Notes and bonds	110	58	42	103	520	25	858
Receivables from credit institutions	180	60	130	47	7	1	425
Receivables from customers	18,579	20,687	31,879	554	2,186	1,306	75,192
Available-for-sale financial assets							
Notes and bonds	424	402	240	440	5,485	4,304	11,295
Held-to-maturity financial assets							
Notes and bonds	45	38	25	-	0	-	108
Total financial assets	**27,919**	**21,246**	**32,316**	**1,144**	**8,198**	**5,637**	**96,459**
Financial liabilities							
Liabilities to credit institutions	896	685	93	-	-	-	1,673
Liabilities to customers	51,694	2,823	3,078	320	66	238	58,220
Debt securities issued to the public	2,937	6,367	3,600	3,009	6,180	5,613	27,706
Subordinated liabilities	76	459	181	0	80	794	1,590
Total financial liabilities	**55,603**	**10,333**	**6,951**	**3,330**	**6,326**	**6,645**	**89,188**

31 Dec. 2014	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	Over 5 years	Total
Financial assets							
Liquid assets	3,888	-	-	-	-	-	3,888
Financial assets at fair value through profit or loss							
Notes and bonds	7	105	53	17	119	53	354
Receivables from credit institutions	269	105	135	82	95	0	686
Receivables from customers	20,553	19,574	27,125	342	1,827	1,262	70,683
Available-for-sale financial assets							
Notes and bonds	302	323	475	616	2,515	4,051	8,282
Held-to-maturity financial assets							
Notes and bonds	95	39	13	12	32	0	191
Total financial assets	**25,114**	**20,145**	**27,801**	**1,068**	**4,588**	**5,367**	**84,084**
Financial liabilities							
Liabilities to credit institutions	863	662	251	-	-	-	1,776
Financial liabilities at fair value through profit or loss	4	-	-	-	-	-	4
Liabilities to customers	44,445	2,557	3,272	594	69	227	51,163
Debt securities issued to the public	1,607	5,694	4,778	1,940	7,719	3,217	24,956
Subordinated liabilities	-	136	4	65	0	816	1,020
Total financial liabilities	**46,920**	**9,049**	**8,304**	**2,599**	**7,788**	**4,260**	**78,920**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY BANKING

Note 70. Sensitivity analysis of market risk*

			31 Dec. 2015		31 Dec. 2014	
EUR million	**Risk parameter**	**Change**	**Effect on earnings**	**Effect on equity capital**	**Effect on earnings**	**Effect on equity capital**
Interest rate risk	Interest rate	1 pp	16	2	51	7
Currency risk	Market value	10 pps	7	-	7	-
Volatility risk						
Interest rate volatility	Volatility	10 basis points	2	-	1	-
Currency volatility	Volatility	10 pps	1	-	1	-
Credit risk premium*	Credit spread	0.1 pp	2	51	1	36
Price risk						
Equity portfolio	Market value	10%	-	7	-	8
Private equity funds	Market value	10%	0	4	1	5
Property risk	Market value	10%	40	-	44	-

* Exclude POP Group banks.

Interest rate risk has been calculated as the sum of the intrinsic values of Group member banks' 12-month net interest income volatility and the volatility of the present values of the Group's other balance sheet cash flows.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 71. Risk-bearing capacity

On 31 December 2015, the solvency capital of Non-life Insurance amounted to EUR 983 million (988) and the solvency ratio stood at 70% (75). The financial strength rating of Pohjola Insurance affirmed by Standard & Poor's is A+. The Board of Directors has confirmed A as the targeted rating.

Non-life Insurance must fulfil all capital adequacy requirements set by regulatory authorities mainly at company level. All non-life insurance companies are governed by the same requirement set for their minimum solvency margin based on EU directives. In addition, Finnish legislation also lays down capital adequacy requirements for Finnish insurance companies.

The risk-bearing capacity describes the proportion of a company's solvency capital to various income statement and balance sheet items. Solvency capital proportioned to claims incurred and insurance premium revenue describes the company's ability to cope with underwriting risks. Solvency capital proportioned to insurance liabilities describes the company's ability to cope with risks related to the estimation of insurance liabilities. Similarly, solvency capital proportioned to the investment portfolio describes the company's ability to cope with the risks related to investments.

	31 Dec. 2015		31 Dec. 2014	
	EUR million	Risk-bearing capacity, %	EUR million	Risk-bearing capacity, %
Solvency capital	983		988	
Claims incurred*	972	101	930	106
Insurance premium revenue*	1,396	70	1,310	75
Insurance liabilities*	2,819	35	2,645	37
Investment portfolio	3,686	27	3,534	28

* Reinsurers' share (net business) deducted.
** Solvency ratio.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 72. Sensitivity analysis

The table below shows the effect of various risk parameters on profit and solvency capital:

Risk parameter	Total in 2015, EUR million	Change in risk parameter	Effect on profit/ solvency, EUR million	Effect on combined ratio
Insurance premium revenue *	1,396	Up by 1%	14	Up by 0.9 pps
Claims incurred *	972	Up by 1%	-10	Down by 0.7 pps
Large claim, over EUR 5 million		1 large claim	-5	Down by 0.4 pps
Personnel costs *	101	Up by 8%	-8	Down by 0.6 pps
Expenses by function **	323	Up by 4%	-13	Down by 1.0 pp
Inflation for collective liability	685	Up by 0.25 pps	-5	Down by 0.3 pps
Life expectancy for discounted insurance liabilities	1,768	Up 1 year	-41	Down by 2.9 pps
Discount rate for discounted insurance liabilities	1,768	Down by 0.1 pp	-22	Down by 1.6 pps

* Moving 12-month.
** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses.
for other services rendered

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 73. Premiums written and sums insured by class

Premiums written by EML* class in corporate property insurance
The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5–20	20–50	50–100	100–300
2015	14	14	11	12
2014	14	14	11	11

* EML = Estimated Maximum Loss per object of insurance.

Division of premiums written by TSI* class in corporate liability insurance
The degree of risk in liability insurance can be evaluated by dividing risks into classes by their TSI* amounts. The table below shows premiums written calculated for each risk class.

EUR million	2–4	4–10	10–30	30–90
2015	3	4	6	5
2014	3	6	7	3

* TSI = Total Sum Insured.

Sums insured in decennial insurance
The sum insured of insurance contracts depicts the volume of decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised in the table below. The liability period of decennial insurance is 10 years.

	Gross		Net*	
EUR million	2015	2014	2015	2014
Decennial insurance	2,209	2,249	2,209	2,249

* For insurance company's own account after reinsurers' share but before counter guarantee.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 74. Trend in large claims

Number of detected large claims by year of detection for 2011–2015

Non-life Insurance monitors carefully claims expenditure arising from large claims. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from large claims helps to detect any changes in risks or risk selection. In this analysis, large claims are those whose gross amount exceeds EUR 2 million. Most large claims occur in property and business interruption insurance. In statutory policies, the risk of large claim is small relative to the large volume of the line of business.

Gross amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2011	-	-	-	5	-	1
2012	3	-	-	7	1	-
2013	4	-	-	6	1	-
2014	6	-	-	8	1	-
2015	1	-	-	6	0	-
			Total claims, EUR million		211	
Gross amount, total claims, EUR million						
2011–2015	**31**	**-**	**-**	**140**	**32**	**8**

Net amount

Number of losses exceeding EUR 2 million	Statutory lines	Other accidents and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long-term
2011	-	-	-	4	-	1
2012	3	-	-	6	1	-
2013	4	-	-	6	1	-
2014	6	-	-	7	-	-
2015	1	-	-	6	0	-
			Total claims, EUR million		137	

Net amount, total claims, EUR million

2011–2015	**30**	**-**	**-**	**93**	**11**	**3**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 75. Insurance profitability

Trends in insurance premium revenue (gross and net) and combined ratio (net)
Insurance premium revenue describes the volume of an insurance class, enabling the evaluation of the importance of the insurance class in relation to the whole portfolio. Similarly, the combined ratio (CR) is used to evaluate fluctuations in the results of the insurance class and the profitability of the class. The combined ratio is presented separately adjusted for one-off items relating to previous insurance periods.

2015, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	482	480	100%	100%
Other accident and health	199	198	83%	83%
Hull and cargo	298	295	80%	80%
Property and business interruption	374	338	82%	82%
Liability and legal expenses	84	77	76%	76%
Long-term	9	8	2%	2%
Total	**1,445**	**1,396**	**87%**	**87%**

2014, EUR million	IP revenue	IP revenue	CR*	CR*
Statutory lines	457	455	96%	82%
Other accident and health	180	180	86%	86%
Hull and cargo	287	285	81%	81%
Property and business interruption	353	312	89%	89%
Liability and legal expenses	83	76	97%	97%
Long-term	5	4	1%	1%
Total	**1,364**	**1,310**	**89%**	**85%**

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net). Amortisation on intangible rights has not been taken into account.
** One-off changes affecting the balance on technical account have been eliminated.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 76. Information on the nature of insurance liabilities

Information on the nature of liabilities	**2015**	**2014**
Net insurance contract liabilities (EUR million)		
Latent occupational diseases	20	22
Other	2,799	2,622
Total (before transfers)	**2,819**	**2,645**
Duration of debt (years)		
Discounted insurance contract liabilities	13.2	12.7
Undiscounted insurance contract liabilities	2.1	2.1
Total	**9.1**	**8.7**
Discounted net debt (EUR million)		
Provision for known unpaid claims for annuities	1,379	1,308
Collective liability (IBNR)	328	313
Provision for unearned premiums	61	38
Total	**1,768**	**1,658**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 77. Insurance contract liabilities by estimated maturity

31 Dec. 2015, EUR million	**0–1 yr**	**1–5 yrs**	**5–10 yrs**	**10–15 yrs**	**Over 15 yrs**	**Total**
Provision for unearned premiums*	400	113	21	6	9	550
Provision for unpaid claims						
Undiscounted	291	203	54	10	4	562
Discounted	97	442	338	259	572	1,707
Total insurance contract liabilities**	**788**	**757**	**413**	**275**	**585**	**2,819**

* Includes EUR 38 million in discounted liability.
** Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

31 Dec. 2014, EUR million	**0–1 yr**	**1–5 yrs**	**5–10 yrs**	**10–15yrs**	**Over 15 yrs**	**Total**
Provision for unearned premiums*	371	107	19	5	9	511
Provision for unpaid claims						
Undiscounted	261	180	48	9	3	501
Discounted	95	431	325	246	523	1,621
Total insurance liabilities**	**727**	**717**	**392**	**261**	**536**	**2,633**

* Includes EUR 38 million in discounted liability.
** Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 78. Risk exposure of insurance investments

Allocation of investment portfolio	31 Dec. 2015 Fair value*, EUR million	%	31 Dec. 2014 Fair value*, EUR million	%
Money market total	**91**	**2**	**173**	**5**
Money market instruments and deposits**	61	2	173	5
Derivatives***	31	1	-1	0
Total bonds and bond funds	**2,825**	**77**	**2,557**	**73**
Governments	580	16	507	14
Inflation-linked bonds	45	1	46	1
Investment Grade	1,931	52	1,779	51
Emerging markets and High Yield	206	6	200	6
Structured Investments****	64	2	24	1
Total equities	**374**	**10**	**373**	**11**
Finland	67	2	67	2
Developed markets	171	5	143	4
Emerging markets	39	1	43	1
Unlisted equities	3	0	3	0
Private equity investments	127	3	117	3
Equity derivatives***	-33	-1	0	0
Total alternative investments	**31**	**1**	**35**	**1**
Hedge funds	28	1	23	1
Commodities	3	0	4	0
Convertible bonds		0	7	0
Total property investment	**366**	**10**	**386**	**11**
Direct property investment	214	6	230	7
Indirect property investment	151	4	156	4
Total	**3,687**	**100**	**3,522**	**100**

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

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 79. Sensitivity analysis of investment risks

The table below shows the sensitivity of investment risks by investment category. The discount rate sensitivity analysis related to the calculation of insurance liabilities is presented in Note 77 dealing with insurance liabilities Effects of changes in investment and insurance liabilities offset one another.

				Effect on solvency capital, EUR million	
Non-life Insurance	**Portfolio at fair value, 31 Dec. 2015, EUR million**	**Risk parameter**	**Change**	**31 Dec. 2015**	**31 Dec. 2014**
Bonds and bond funds*	2,759	Interest rate	1 pp	146	101
Equities**	272	Market value	10%	27	28
Venture capital funds and unlisted shares	130	Market value	10%	13	12
Commodities	3	Market value	10%	0	0
Real property	366	Market value	10%	37	39
Currency	322	Value of currency	10%	32	16
Credit risk premium***	2,651	Credit spread	0.1 pp	14	11
Derivatives****	-	Volatility	10 pps	1	0

* Include money market investments, convertible bonds and interest-rate derivatives
** Include hedge funds and equity derivatives
*** Includes bonds and convertible bonds and money-market investments, excluding government bonds issued by developed countries

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 80. Interest-rate risk

The market risk arising from changes in interest rates is monitored by classifying investments by instrument, in accordance with duration. The table below does not indicate the balancing effect which the insurance contract liabilities have on the interest-rate risk, because only some of the insurance contract liabilities have been discounted using an administrative interest rate (Note 40).

Fair value by duration or repricing date*, EUR million	31 Dec. 2015	31 Dec. 2014
0–1 year	158	332
>1–3 years	411	618
>3–5 years	948	699
>5–7 years	746	700
>7–10 years	246	281
>10 years	292	70
Total	**2,800**	**2,700**
Modified duration	5.2	4.3
Effective interest rate, %	1.5	1.1

* Includes money market investments and deposits, bonds, convertible bonds and bond funds

Fixed-income portfolio by maturity and credit rating on 31 Dec 2015, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa	13	41	277	140	84	201	756	27.0%
Aa1–Aa3	52	39	78	118	23	21	331	11.8%
A1–A3	24	124	265	150	70	39	671	24.0%
Baa1–Baa3	25	139	282	312	59	19	836	29.9%
Ba1 or lower	43	68	32	26	9	4	181	6.5%
Internally rated	1	0	15			7	24	0.9%
Total	**158**	**411**	**948**	**746**	**246**	**292**	**2,800**	**100.0%**

* Excludes credit derivatives.

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until the first possible Call date.

The average credit rating of the Non-life Insurance fixed-income portfolio is Moody's A3.

The term to maturity of the Non-life Insurance fixed-income portfolio averages 5.7 years (calculated on the basis of the Call date and the maturity date).

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 81. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2015	31 Dec. 2014
USD	121	40
SEK	55	5
JPY	17	1
GBP	78	21
Other	51	89
Total*	**322**	**157**

* The currency exposure was 8.7% (4.4) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE OF NON-LIFE INSURANCE

Note 82. Counterparty risk

	31 Dec. 2015		31 Dec. 2014	
Credit rating, consistent with Moody's, EUR million	**Investment***	**Insurance****	**Investment***	**Insurance****
Aaa	756	-	698	-
Aa1–Aa3	331	18	445	14
A1–A3	671	34	786	38
Baa1–Baa3	836	0	600	0
Ba1 or lower	181	-	170	-
Internal rating	24	47	1	41
Total	**2,800**	**99**	**2,700**	**93**

* Includes money market investments, deposits and bonds and bond funds.
** Includes the reinsurers' share of insurance contract liabilities, and receivables from reinsurers.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Risk exposure by Wealth Management

The Wealth Management segment includes products and services in the field of insurance saving, personal risk insurance, mutual funds and discretionary and advisory mandates. The Group's life insurance, asset management and mutual fund business are included in Wealth Management.

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

Note 83. Assets managed by Wealth Management

Assets managed by Wealth Management totalled EUR 60.4 billion (54.5) on 31 December 2015. Of the assets under management, mutual funds accounted for EUR 21.7 billion (17.5), unit-linked life policies for EUR 8.7 billion (7.6), institutional clients for EUR 23.5 billion (23.5) and private banking clients for EUR 6.5 billion (6).

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 84. Information on the nature of insurance liabilities and their sensitivity analysis

Risk-bearing capacity of Life Insurance based on statutory indicators
Life insurance companies must fulfil the solvency requirements prescribed by law. As of 31 December 2015, the focus is on ensuring that the solvency margin is higher than the minimum requirement and that life insurance companies' early warning supervision requirements are fulfilled. The Solvency II s regulations came into force on 1 January 2016. Accordingly, the minimum capital and solvency capital requirement replace, for example, the solvency margin requirement.

On 31 December 2015, the life insurance companies' solvency margin amounted to EUR 565 million while year ago it amounted to EUR 676 million. The minimum solvency margin is EUR 284 million (238).

Life insurance risk-bearing capacity is measured in terms of solvency ratio, which means the ratio of the sum of solvency margin and equalisation provisions, or solvency capital, to the sum of technical provisions under FAS. Based on the Group's strategy, the target solvency ratio set for life insurance is 14%. The Group also monitors the ratio of solvency capital in excess of the minimum of the solvency margin to the risk associated with investment.

Portfolio of insurance and investment contracts in Life Insurance 31 Dec. 2015

	Liability, 31 Dec. 2015, EUR million	Number of insureds or contracts	Duration on yield curve, 31 Dec. 2015
Unit-linked contracts	**8,631**	**366,915**	**12.0**
Unit-linked insurance contracts	**7,053**	**297,956**	**12.7**
Life Insurance/Savings	5,765	163,747	12.5
Individual pension insurance	1,195	126,584	12.4
Group pension insurance	93	7,625	29.0
Unit-linked investment contracts	**1,578**	**68,959**	**8.8**
Pension contracts	1,328	67,576	9.0
Capital redemption contracts	251	1,383	8.1
Other than unit-linked contracts	**4,822**	**577,556**	**12.6**
Insurance contracts discounted with technical interest rate	**4,750**	**577,537**	**12.6**
Life Insurance/Savings	2,089	102,744	10.6

Rate of guaranteed interest 4.5%	66	1,318	9.0
Rate of guaranteed interest 3.5%	539	13,458	11.9
Rate of guaranteed interest 2.5%	226	12,343	7.7
Rate of guaranteed interest 1.5%	2	167	10.0
Rate of guaranteed interest 4.5% (Separate balance sheet)	1,256	75,458	9.5
Individual pension insurance	1,084	54,281	10.9
Rate of guaranteed interest 4.5%	317	8,774	6.8
Rate of guaranteed interest 3.5%	506	21,969	9.6
Rate of guaranteed interest 2.5%	259	23,437	18.2
Rate of guaranteed interest 1.5%	1	102	7.7
Group pension insurance	1,374	34,635	15.9
Defined benefit 3.5%	1,178	27,523	15.5
Defined benefit 2.5%	114	2,784	14.0
Defined benefit 1.5%	33	803	31.1
Defined contribution 3.5%	5	74	18.5
Defined contribution 2.5%	39	3,172	23.2
Defined contribution 1.5%	5	279	26.6
Individual risk life insurance	192	379,717	4.3
Group life insurance	11	6,160	0.9
Other than unit-linked investment contracts discounted with technical interest rate	**6**	**19**	**1.8**
Capital redemption contracts	6	19	1.8
Rate of guaranteed interest 2.5%	6	17	1.6
Rate of guaranteed interest 1.5%	0	2	9.0
Effect of discounting with market interest rate	**4**		
Other insurance liability items	**63**		**0.5**
Total	**13,453**	**944,471**	**12.0**

Portfolio of insurance and investment contracts in Life Insurance 31 Dec. 2014

	Liability, 31 Dec. 2014, EUR million	Number of insureds or contracts	Duration on yield curve, 31 Dec. 2014
Unit-linked contracts	**7,478**	**364,530**	**9.9**
Unit-linked insurance contracts	**6,047**	**293,922**	**9.9**
Life Insurance/Savings	4,874	159,271	9.6
Individual pension insurance	1,099	128,067	10.3
Group pension insurance	73	6,584	19.6
Unit-linked investment contracts	**1,432**	**70,608**	**9.7**
Pension contracts	1,255	69,635	10.0
Capital redemption contracts	177	973	7.9
Other than unit-linked contracts	**3,684**	**468,001**	**10.7**
Insurance contracts discounted with technical interest rate	**3,566**	**467,977**	**10.7**
Life Insurance/Savings	921	32,994	9.2
Rate of guaranteed interest 4.5%	66	1,619	7.3
Rate of guaranteed interest 3.5%	580	15,614	11.3
Rate of guaranteed interest 2.5%	271	15,564	5.4
Rate of guaranteed interest 1.5%	3	197	7.5
Individual pension insurance	1,094	56,853	9.6
Rate of guaranteed interest 4.5%	303	9,319	6.8
Rate of guaranteed interest 3.5%	498	23,063	9.0
Rate of guaranteed interest 2.5%	292	24,361	14.2
Rate of guaranteed interest 1.5%	1	110	9.0
Group pension insurance	1,367	35,832	13.1
Defined benefit 3.5%	1,229	29,768	12.9
Defined benefit 2.5%	85	2,364	11.5
Defined benefit 1.5%	10	268	14.2
Defined contribution 3.5%	5	70	14.9
Defined contribution 2.5%	34	3,164	18.4
Defined contribution 1.5%	5	198	18.2
Individual risk life insurance	171	336,023	4.3
Group life insurance	13	6,275	0.9
Other than unit-linked investment contracts discounted with technical interest rate	**10**	**24**	**1.9**
Capital redemption contracts	10	24	1.9
Rate of guaranteed interest 2.5%	10	21	1.8

Rate of guaranteed interest 1.5%	0	3	4.1
Effect of discounting with market interest rate	**47**	**-**	**-**
Other insurance liability items	**60**	**-**	**0.5**
Total	**11,162**	**832,531**	**10.1**

In addition to other items presented in Note 39 above, Other insurance liability items include income recognised on interest rate derivatives hedging sold insurance liabilities with supplementary interest rate provisions for the derivative's residual term to maturity. These supplementary interest rate provisions for the financial year have been distributed by insurance line and removed from other insurance liability items.

Sensitivity of life insurance liabilities to changes in calculation principles

Since savings and single-premium savings policies have been sold in plenty as long-term contracts, policyholders may terminate their contracts by surrendering the policies according to their needs before the date of expiry under the contract. For this reason, the number of surrenders is large. The company takes account of the resulting loss of surpluses or deficits when making the early warning calculations for life insurance companies.

The risk of surrender for individual pension plans is very small, since by law this can only be done in specific cases such as divorce and long-term unemployment. The accumulated surrender value of insurance is paid back to the policyholder upon surrender.

Many people are putting off claiming their individual pensions. Often, when taking out a pension, policyholders do not have a realistic view of when they will actually retire. Tax laws have also changed over the decades, allowing people to claim their individual pensions later.

Pension companies' mortality data show that the life expectancy figures used in calculating pensions are too low. However, the mortality risk and longevity risk of individual pensions offset each other, to the point that there is no need for a mortality supplement despite the rise in life expectancy. On the other hand, in group pension insurance, the longevity risk is higher than the mortality risk, and the liabilities have therefore had to be supplemented. If the mortality assumption is modified, by increasing the life expectancy of policyholders by one year on average, the liabilities will grow by EUR 24 million (24).

Since in savings insurance and investment insurance, the mortality and longevity risks almost offset each other, no mortality supplement has been needed.

The company has complied with the FAS in establishing insurance liabilities, with the exception that the company has moved closer to a real-time interest rate in the discount rate. The company has insurance contract savings at its own risk with guaranteed interest rate ranging between 1.5% and 4.5%. The insurance liability of the contracts with a technical interest rate of 4.5% has been permanently supplemented in such a way that the discount rate of the insurance liability is 3.5% (excl. insurance assets transferred from Suomi Mutual on 31 December 2015 that are included on OP Life Assurance Ltd's balance sheet separated from the other balance sheet). In addition, insurance liabilities of contracts with guaranteed interest have been supplemented with supplementary short-term interest rate provisions until 31 December 2016 and income recognised on the sale of interest rate derivatives hedging sold insurance liabilities has been allocated to insurance liabilities as supplementary interest rate provisions for the residual term to maturity of the derivatives. Following the supplementary interest rate provisions, the company's discount rate based on technical interest is 0% until 31 December 2016, 2.0% for the following ten years and 3.0% thenceforth. The company has used interest rate derivatives to hedge against some of the interest rate risk that exists between the market and discount rate. Since the benefit deriving from derivatives are used for guaranteed benefits involved in insurance and capital redemption contracts, their liability is increased to the amount under the national financial accounts by EUR 4 million (47).

In financial statements based on national regulation, lowering the discount rate by 0.1 percentage point would increase the technical provisions by EUR 28 million (25).

On 31 December 2015, EUR 1,260 million in insurance liabilities transferred from Suomi Mutual to OP Life Assurance Company through a portfolio transfer. Individual pure risk policies accounted for EUR 4 million of the transferred insurance liabilities and endowment policies for EUR 1,256 million, for which the company has formed a separate balance sheet. A specific profit distribution policy applies to the separate balance sheet determined in the portfolio transfer plan. The separate balance sheet also includes liability of future supplementary benefits that buffers market and customer behaviour risk associated with the separate balance sheet.

The liability of unit-linked policies is measured at the market values of assets associated with the policies on the balance sheet date.

Investment contracts come in two types: OP Life Assurance Company Ltd's investment contracts are capital redemption contracts and Aurum Investment Insurance Ltd's pension contracts. Some capital redemption contracts include entitlement to a discretionary participation feature and they are measured in the same way as insurance contracts as specified in the Insurance Contracts standard (IFRS4). Some exclude this entitlement and they are measured and classified as contracts recognised at fair value through profit or loss, in accordance with IAS 39. All pension insurance contracts issued by Aurum Investment Insurance Ltd are measured in compliance with IAS 39.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 85. Expected maturity of life insurance and investment contracts

	Duration						
31 Dec. 2015, EUR million	**2016–2017**	**2018–2019**	**2020–2024**	**2025–2029**	**2030–2034**	**2035–2039**	**2040–**
Unit-linked contracts	**-847**	**-910**	**-2,172**	**-1,860**	**-1,456**	**-1,014**	**-1,643**
Insurance contracts	**-631**	**-666**	**-1,710**	**-1,508**	**-1,178**	**-897**	**-1,576**
Life Insurance/Savings	-562	-502	-1,199	-1,002	-768	-616	-1,222
Individual pension insurance	-92	-178	-499	-476	-381	-253	-292
Group pension insurance	23	14	-13	-30	-30	-28	-63
Investment contracts	**-216**	**-244**	**-462**	**-352**	**-277**	**-117**	**-66**
Pension contracts	-175	-206	-377	-305	-202	-112	-66
Capital redemption contracts	-41	-37	-85	-47	-75	-6	0
Other than unit-linked contracts	**-583**	**-522**	**-1,423**	**-986**	**-742**	**-478**	**-957**
Insurance contracts	**-441**	**-447**	**-1,293**	**-941**	**-726**	**-475**	**-956**
Life Insurance/Savings	-154	-141	-297	-188	-137	-90	-181
Rate of guaranteed interest 4.5%	-16	-16	-18	-15	-13	-5	-9
Rate of guaranteed interest 3.5%	-80	-80	-194	-124	-102	-72	-152
Rate of guaranteed interest 2.5%	-57	-45	-84	-48	-22	-13	-20
Rate of guaranteed interest 1.5%	0	0	-1	0	0	0	0
Rate of guaranteed interest 4.5% (Separate balance sheet)	-77	-70	-173	-178	-140	-44	-18
Individual pension insurance	-67	-120	-484	-231	-146	-86	-182
Rate of guaranteed interest 4.5%	-27	-58	-175	-63	-20	-5	-1
Rate of guaranteed interest 3.5%	-31	-59	-231	-126	-76	-39	-38

Rate of guaranteed interest 2.5%	-9	-4	-77	-41	-50	-42	-142
Rate of guaranteed interest 1.5%	0	0	-1	0	0	0	0
Group pension insurance	-93	-92	-309	-334	-298	-255	-575
Defined benefit 3.5%	-97	-93	-290	-307	-270	-229	-510
Defined benefit 2.5%	-5	-4	-9	-7	-5	-5	-14
Defined benefit 1.5%	4	2	-2	-5	-5	-5	-17
Defined contribution 3.5%	0	-1	-2	-1	-1	-1	-5
Defined contribution 2.5%	5	3	-5	-13	-17	-14	-25
Defined contribution 1.5%	1	0	-1	0	-1	-2	-4
Individual pure risk insurance	-38	-23	-30	-11	-4	-1	0
Group life insurance	-12	-1	0	-	-	-	-
Investment contracts	**-8**	**0**	**-2**	**0**	**0**	**-**	**-**
Capital redemption contracts	-8	0	-2	0	0	-	-
Rate of guaranteed interest 2.5%	-8	0	-2	-	-	-	-
Rate of guaranteed interest 1.5%	0	0	0	0	0	-	-
Reserve for decreased discount rate	-134	-74	-129	-45	-16	-3	-1
Other items in insurance liabilities	**60**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-1,371**	**-1,432**	**-3,595**	**-2,847**	**-2,197**	**-1,492**	**-2,600**

	Duration						
31 Dec. 2014 EUR million	**2015–2016**	**2017–2018**	**2019–2023**	**2024–2028**	**2029–2033**	**2034–2038**	**2039–**
Unit-linked contracts	**-1,048**	**-851**	**-1,596**	**-1,154**	**-824**	**-516**	**-766**
Insurance contracts	**-891**	**-709**	**-1,281**	**-889**	**-596**	**-411**	**-697**
Life Insurance/Savings	-816	-621	-1,042	-685	-459	-326	-574
Individual pension insurance	-70	-82	-221	-183	-118	-68	-59
Group pension insurance	-5	-6	-18	-21	-19	-17	-64
Investment contracts	**-157**	**-142**	**-315**	**-265**	**-228**	**-105**	**-69**
Pension contracts	-136	-124	-267	-248	-182	-105	-69
Capital redemption contracts	-21	-18	-48	-17	-46	0	0
Other than unit-linked contracts	**-740**	**-606**	**-1,299**	**-815**	**-535**	**-364**	**-685**
Insurance contracts	**-594**	**-525**	**-1,160**	**-761**	**-515**	**-361**	**-684**
Life Insurance/Savings	-258	-182	-304	-185	-123	-81	-161
Rate of guaranteed interest 4.5%	-13	-21	-20	-12	-10	-3	-4
Rate of guaranteed interest 3.5%	-101	-99	-203	-130	-94	-69	-144
Rate of guaranteed interest 2.5%	-143	-61	-80	-42	-19	-9	-13
Rate of guaranteed interest 1.5%	-1	-1	-1	-1	0	0	0
Individual pension insurance	-126	-161	-447	-238	-133	-81	-125
Rate of guaranteed interest 4.5%	-42	-68	-151	-69	-26	-8	-1
Rate of guaranteed interest 3.5%	-62	-77	-213	-116	-69	-39	-35
Rate of guaranteed interest 2.5%	-22	-16	-82	-53	-38	-34	-89
Rate of guaranteed interest 1.5%	0	0	-1	0	0	0	0
Group pension insurance	-162	-159	-380	-328	-256	-198	-398
Defined benefit 3.5%	-150	-147	-356	-304	-233	-180	-345
Defined benefit 2.5%	-7	-6	-9	-6	-5	-4	-10
Defined benefit 1.5%	-2	-1	-2	-2	-2	-1	-4
Defined contribution 3.5%	-1	-1	-2	-1	-1	-1	-3
Defined contribution 2.5%	-2	-3	-9	-14	-14	-11	-31
Defined contribution 1.5%	0	-1	-2	-1	-1	-1	-5
Individual pure risk insurance	-36	-22	-29	-10	-3	-1	0
Group life insurance	-12	-1	-	-	-	-	-

Investment contracts	**-11**	**-4**	**-1**	**-**	**-**	**-**	**-**
Capital redemption contracts	-11	-4	-1	-	-	-	-
Rate of guaranteed interest 2.5%	-11	-4	-1	-	-	-	-
Reserve for decreased discount rate	-135	-77	-138	-54	-20	-3	-1
Other items in insurance liabilities	**60**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-1,728**	**-1,457**	**-2,895**	**-1,969**	**-1,359**	**-880**	**-1,451**

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 86. Life Insurance profitability

	2015			2014		
EUR million	**Risk income**	**Claims incurred**	**Claim ratio**	**Risk income**	**Claims incurred**	**Claim ratio**
Life insurance	**360**	**353**	**98%**	**340**	**319**	**94%**
Pure risk insurance	32	14	42%	33	14	41%
Insurance saving	328	339	103%	307	306	100%
Pension insurance	**36**	**37**	**103%**	**34**	**34**	**101%**
Defined benefit	21	22	104%	22	23	101%
Defined contribution	15	15	101%	11	11	101%
OP Life Assurance Company	**396**	**390**	**98%**	**373**	**353**	**95%**

The defined-benefit group pension includes the longevity provision of EUR 4.4 million in 2014 and EUR 3.1 million in 2015.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 87. Life Insurance asset allocation

Allocation of investment assets	31 Dec. 2015 Fair value, EUR million	%	31 Dec. 2014 Fair value, EUR million	%
Fixed-income investments*				
Bonds	3,554	67	2,362	58
Other money market instruments****	245	5	363	9
Mutual funds	498	9	519	13
Shares and participations				
Equities and mutual funds****	260	5	296	7
Alternative investments**	363	7	262	6
Properties***	356	7	255	6
Total	**5,276**	**100**	**4,056**	**100**

* Include accrued interest and notes and bonds reclassified into loans and receivables within financial assets. Exclude interest rate derivatives used to hedge interest rate risk associated with insurance liabilities.
** Include investments in hedge funds and private equity investments
*** Only direct investments in properties
**** Include effect of equity futures

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 88. Life Insurance investment sensitivity analysis

				Effect on equity capital, EUR million	
31 Dec. 2015	**Portfolio at fair value, EUR million**	**Risk parameter**	**Change**	**31 Dec. 2015**	**31 Dec. 2014**
Bonds and bond funds	4,005	Interest rate	1 pp	174	98
Shares and alternatives	623	Market value	10 per cent	62	56
Properties	356	Market value	10 per cent	36	26

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 89. Risk exposure of Life Insurance investments in fixed-income securities

Fair value by duration or repricing date, EUR million	31 Dec. 2015	31 Dec. 2014
0–1 year	740	736
>1–5 years	1,935	1,725
>5–10 years	1,208	717
>10–20 years	262	61
>20 years	122	13
Total	**4,267**	**3,252**
Modified duration	4.2	3.1
Average interest rate, %	1.2	1.0

Fixed-income portfolio by maturity and credit rating on 31 Dec. 2015, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion
Aaa	16	159	430	127	76	206	1,014	23.8%
Aa1–Aa3	172	61	85	155	26	63	562	13.2%
A1–A3	192	148	322	250	124	32	1,068	25.0%
Baa1–Baa3	218	269	328	256	158	70	1,299	30.4%
Ba1 or lower	59	69	55	20	13	3	218	5.1%
Internally rated	84	5	5	2	0	10	106	2.5%
Total	**740**	**710**	**1,225**	**809**	**399**	**384**	**4,267**	**100.0%**

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until the first possible Call date.

The average credit rating of a Life Insurance portfolio by Moody's is A2.

The average residual term to maturity of a Life Insurance fixed-income portfolio is 5.0 years (calculated on the basis of the Call date and maturity date).

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 90. Currency risk associated with Life Insurance investments

Foreign currency exposure, EUR million	31 Dec. 2015	31 Dec. 2014
USD	106	110
SEK	2	2
JPY	0	1
GBP	63	17
Other	89	104
Total*	**260**	**234**

* Total net currency exposure.

The currency exposure was 4.9% (5.8) of the investment portfolio.

Notes to OP Financial Group Financial Statements

RISK EXPOSURE BY WEALTH MANAGEMENT

Note 91. Counterparty risk associated with Life Insurance investments

Credit rating distribution, EUR million

Moody's equivalent	31 Dec. 2015	31 Dec. 2014
AAA	1,014	602
AA	562	772
A	1,068	921
BBB	1,299	755
BB+ or lower	218	137
Not Rated	106	65
Total*	**4,267**	**3,252**

* Includes money-market investments and deposits, bonds and bond funds.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Pillar III disclosures

Notes 92–113 disclose information on the capital adequacy of the consolidated group of the amalgamation of member cooperative banks, as specified in the Capital Requirements Regulation of the European Parliament and of the Council (Pillar III disclosures). Given that this information is based on the consolidated capital adequacy on the amalgamation of member cooperative banks, it is not directly comparable with information disclosed on OP Financial Group.

The amalgamation of the member cooperative banks consists of the amalgamation's central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups. Although OP Financial Group's insurance companies do not belong to the amalgamation of the cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions. More detailed information on companies within the consolidation group can be found in Notes 29 and 57.

OP Financial Group's risk management practices and goals can be found in Notes 2 and 61. OP Financial Group's Corporate Governance and steering systems are available on websites covering respective issues (op.fi > OP Financial Group > Corporate Governance).

A description of remuneration schemes and practices can be found in Note 59 and on websites related to OP Financial Group's remuneration (op.fi > Corporate Governance > Remuneration).

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; the aim is to adopt IRBA for the company's exposures in 2017.

Note 92. Capital base

The Group has presented its capital base and capital adequacy in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

EUR million	31 Dec. 2015	31 Dec. 2014
OP Financial Group's equity capital	**9,324**	**7,213**
The effect of insurance companies on the Group's shareholders' equity is excluded	-200	-40
Fair value reserve, cash flow hedge	-69	-80
Supplementary cooperative capital to which transition provision applies, and cooperative capital not included in equity	143	192
Common Equity Tier 1 (CET1) before deductions	**9,197**	**7,285**
Intangible assets	-518	-450
Excess funding of pension liability and fair value fair value adjustments, indirect holdings and deferred tax assets on previous losses	-131	-1
Expected profit distribution	-66	-22
Unrealised gains under transitional provisions	-	-90
Impairments – shortfall of expected losses	-306	-339
Common Equity Tier 1 (CET1)*	**8,176**	**6,384**
Hybrid capital to which transitional provision is applied	141	161
Additional Tier 1 capital (AT1)	**141**	**161**
Tier 1 capital (T1)	**8,316**	**6,544**
Debenture loans	1,253	708
OVY's equalisation provision	-	35
Unrealised gains under transitional provisions	-	29
Tier 2 capital (T2)	**1,253**	**772**
Total capital base	**9,569**	**7,316**

The Group's ET1 capital was EUR 8.2 billion (6.4) on 31 December. CET1 capital was increased by the issue of Profit Shares, Banking performance for the period, IAS 19 items and dividends from the Group's insurance institutions. Profit shares accounted for EUR 2.5 billion of CET1 capital at the end of December.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans. A total of 70% of the amounts outstanding on 31 December 2012 are included in the capital base.

Unrealised valuations are included in CET1 capital. Negative unrealised valuations a year ago were included in CET1 capital and positive unrealised valuations in tier 2 capital according to a statement issued by the Financial Supervisory Authority.

A prudent valuation adjustment of EUR 69 million has been deducted from CET1 capital.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 93. Minimum capital requirement

OP Financial Group has used the Foundation Internal Ratings Based Approach (FIRBA) to measure capital requirement for corporate and credit institution exposures. This approach uses internal credit ratings to determine a customer's probability of default (PD), whereas loss given default (LDG) and credit conversion factor (CF) are 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; LGD and CF are estimated internally.

It is possible to use various methods to measure capital adequacy requirement for equity investments. In the PD/LGD method, investments' risk-weighted exposure is calculated using PD, based on internal credit rating, and 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.

	31 Dec. 2015		31 Dec. 2014	
EUR million	**Capital require-ment***	**Risk-weighted assets**	**Capital require-ment***	**Risk-weighted assets**
Credit and counterparty risk	**2,916**	**36,445**	**2,983**	**37,289**
Standardised Approach	**242**	**3,026**	**209**	**2,610**
Exposures to central government and central banks	0	5	1	15
Exposures to regional government or local authorities	0	6	1	15
Exposures to public sector entities	1	17	-	-
Exposures to institutions	2	29	2	27
Exposures to corporates	134	1,680	113	1,418
Retail exposures	73	910	66	822
Exposures secured by mortgages on immovable property	13	158	0	1
Exposures in default	2	19	1	16
Exposures associated with particularly high risk	0	1	-	-
Exposures in the form of covered bonds	0	0	-	-

Exposures to institutions and corporates for which a short-term credit assessment is available	0	0	-	-
Exposures in the form of units or shares in collective investment undertakings (CIU)	5	60	-	-
Equity exposures	1	11	-	-
Other items	11	132	24	297
Internal Ratings-based Approach (IRB)	**2,673**	**33,418**	**2,774**	**34,679**
Exposures to institutions	92	1,149	100	1,249
Exposures to corporates	1,567	19,587	1,580	19,755
Retail exposures	318	3,976	353	4,413
Exposures secured by mortgages on immovable property	199	2,493	212	2,653
Other retail exposures	119	1,483	141	1,760
Equity investments	593	7,412	613	7,663
PD/LGD method	522	6,525	516	6,455
Simple Risk Weight Approach	71	887	97	1,208
Private equity investments	6	78	19	231
Listed investments	7	89	21	257
Other	58	720	58	720
Securitisation exposures	4	46	35	436
Other non-credit obligations	100	1,247	93	1,164
Clearing/settlement risk	**0**	**0**	**-**	**-**
Market risk (Standardised Approach)	**117**	**1,464**	**110**	**1,377**
Notes and bonds	113	1,412	106	1,327
Equities	1	10	0	5
Foreign currency	1	14	-	-
Commodities	2	27	4	45
Operational risk	**282**	**3,521**	**255**	**3,182**
Risk associated with exposure value adjustment	**32**	**394**	**32**	**405**
Total risk	**3,346**	**41,824**	**3,380**	**42,254**

* Capital requirement = Risk-weighted assets * 0.08

On 31 December, the risk exposure amount (REA) totalled EUR 41.8 billion (42.3), or 1.0% lower than on 31 December 2014. The updated PD values for corporate exposure reduced REA by around 4.2%. In view of the PD changes, the average risk weights of corporate exposures increased slightly. Average risk weights of other major exposure classes went down slightly.

The risk weight of equity investments includes EUR 6.5 billion in insurance holdings within OP Financial Group.

EUR 100 million of Other items represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

Capital requirement for counterparty risk amounts to EUR 53 million (EUR 59 million).

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 94. Capital ratios

Ratios, %	31 Dec. 2015	31 Dec. 2014
CET1 ratio	19.5	15.1
Tier 1 ratio	19.9	15.5
Capital adequacy ratio	22.9	17.3

Ratios, fully loaded, %	31 Dec. 2015	31 Dec. 2014
CET1 ratio	19.2	14.9
Tier 1 ratio	19.2	14.9
Capital adequacy ratio	22.2	16.6

Capital requirement, EUR million	31 Dec. 2015	31 Dec. 2014
Capital base	9,569	7,316
Capital requirement with buffers	4,394	3,380
Buffer for capital requirements	5,175	3,936

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the institution-specific capital conservation buffer for foreign exposures. The mandatory capital conservation buffer entered into force on 1 January 2015.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 95. Total exposures by exposure class

31 Dec. 2015, EUR million	On-balance-sheet exposures	Off-balance-sheet exposures	Derivatives exposures	Gross exposures	Average exposure during the year
Standardised Approach	**18,208**	**4,658**	**703**	**23,569**	**18,652**
Exposures to central government and central banks	10,182	1,122	266	11,570	8,283
Exposures to regional government or local authorities	2,413	437	233	3,083	2,780
Exposures to public sector entities	240	160	-	400	288
Exposures to multilateral development banks	1,060	-	195	1,256	915
Exposures to international organisations	706	-	-	706	697
Exposures to institutions	361	91	5	457	336
Exposures to corporates	1,539	410	2	1,952	1,736
Retail exposures	1,073	2,431	0	3,504	3,224
Exposures secured by mortgages on immovable property	451	7	-	459	230
Exposures in default	15	0	-	15	13
Exposures associated with particularly high risk	0	-	-	0	0
Exposures in the form of covered bonds	1	-	-	1	0
Exposures in the form of units or shares in collective investment undertakings (CIU)	78	-	-	78	39
Equity exposures	11	-	-	11	6
Other items	76	-	-	76	105

Internal Ratings-based Approach	**83,309**	**15,062**	**1,671**	**100,042**	**97,432**
Exposures to institutions	5,917	415	1,045	7,377	7,027
Exposures to corporates	26,085	12,363	625	39,074	37,815
Retail exposures	47,108	2,274	1	49,382	48,458
Exposures secured by mortgages on immovable property	42,696	974	-	43,670	42,994
Other retail exposures	4,412	1,300	1	5,713	5,465
Equity investments	2,594	10	-	2,603	2,660
Securitisation exposures	358	-	-	358	267
Other non-credit obligations	1,247	-	-	1,247	1,205
Total	**101,517**	**19,720**	**2,374**	**123,611**	**116,085**

31 Dec. 2014, EUR million	On-balance-sheet exposures	Off-balance-sheet exposures	Derivatives exposures	Gross exposures	Average exposure during the year
Standardised Approach	**10,240**	**2,655**	**842**	**13,737**	**13,157**
Exposures to central government and central banks	4,516	128	352	4,996	4,996
Exposures to regional government or local authorities	1,723	521	232	2,477	2,220
Exposures to public sector entities	175	-	-	175	171
Exposures to multilateral development banks	406	-	169	575	413
Exposures to international organisations	687	-	-	687	585
Exposures to institutions	126	21	68	215	215
Exposures to corporates	1,362	138	20	1,520	1,520
Retail exposures	1,098	1,848	0	2,945	2,944
Exposures secured by mortgages on immovable property	1	-	-	1	1
Exposures in default	11	-	-	11	12
Other items	134	-	-	134	81
Internal Ratings-based Approach	**78,892**	**14,285**	**1,646**	**94,823**	**94,823**
Exposures to institutions	5,108	593	975	6,676	6,676
Exposures to corporates	24,227	11,658	671	36,555	36,555
Retail exposures	45,500	2,034	0	47,534	47,534
Mortgage-backed retail exposures	41,337	981	-	42,317	42,317
Other retail exposures	4,163	1,053	0	5,217	5,217
Equity investments	2,717	-	-	2,717	2,717
Items representing securitisation positions	177	-	-	177	177
Other non-credit obligations	1,164	-	-	1,164	1,164
Total	**89,133**	**16,940**	**2,488**	**108,560**	**107,980**

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 96. Exposure split by geographic region and exposure class

31 Dec. 2015, EUR million	Central govern-ment and central banks	Credit institu-tions	Corporate	Retail	Equity invest-ments	Securi-tisation positions	Other
Finland	11,759	822	38,960	52,616	2,677	19	1,341
Other Nordic countries	71	0	1,292	19	-	-	-
Baltic States	50	1,686	547	74	1	-	0
Rest of EU	5,097	3,782	516	93	12	340	0
Rest of Europe	-	205	11	19	3	-	-
USA	-	50	16	22	-	-	-
Asia	-	180	70	20	-	-	-
Other	39	1,109	71	24	0	-	0
Total exposure	**17,016**	**7,834**	**41,483**	**52,886**	**2,693**	**358**	**1,341**

Finland accounts for 91% (96) of exposures calculated using the Internal Ratings-based Approach (IRBA).

31 Dec. 2014, EUR million	Central govern-ment and central banks	Credit institu-tions	Corporate	Retail	Equity invest-ments	Securi-tisation positions	Other
Finland	5,886	551	36,311	50,231	2,694	-	1,310
Other Nordic countries	189	2	760	15	-	-	0
Baltic States	0	1,402	445	73	2	-	0
Rest of EU	2,827	3,602	415	81	17	177	0
Rest of Europe	-	221	11	18	4	-	-
USA	-	73	10	20	-	-	-
Asia	-	381	74	16	-	-	-
Other	9	658	49	25	0	-	-
Total exposure	**8,911**	**6,891**	**38,075**	**50,480**	**2,717**	**177**	**1,310**

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 97. Exposure split by residual maturity and exposure class

31 Dec. 2015, EUR million	< 3 months	3–12 months	1–5 yrs	5–10 yrs	> 10 yrs	Total
Exposures to central governments and central banks	10,802	146	2,964	2,639	465	17,016
Exposures to institutions	246	35	551	6,990	13	7,834
Exposures to corporates	8,460	4,090	14,944	5,622	8,367	41,483
Retail exposures	3,791	1,074	6,392	8,484	33,145	52,886
Equity investments	-	-	-	-	-	2,693
Securitisation positions	-	-	266	93	-	358
Other items	1,298	4	2	36	1	1,341
Total	**24,596**	**5,348**	**25,118**	**23,863**	**41,992**	**123,611**

31 Dec. 2014, EUR million	< 3 months	3–12 months	1–5 yrs	5–10 yrs	> 10 yrs	Total
Exposures to central governments and central banks	4,630	169	1,052	2,530	530	8,911
Exposures to institutions	1,978	2,080	1,991	788	53	6,891
Exposures to corporates	8,523	3,773	13,253	4,981	7,546	38,075
Retail exposures	3,509	1,060	6,196	8,026	31,688	50,480
Equity investments	-	-	-	-	-	2,717
Securitisation positions	-	67	21	88	1	177
Other items	693	3	31	583	1	1,310
Total	**19,669**	**7,152**	**22,562**	**19,356**	**39,820**	**108,560**

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 98. Past due and impaired exposures by exposure class

31 Dec. 2015, EUR million	Past due loans	Impaired loans	Impairment loss
Exposures to central governments and central banks	-	0	0
Exposures to institutions	0	1	1
Exposures to corporates	795	479	408
Retail exposures	392	143	89
Equity investments	1	7	5
Other positions	7	-	5
Total	**1,194**	**630**	**509**

31 Dec. 2014, EUR million	Past due loans	Impaired loans	Impairment loss
Exposures to institutions	0	-	-
Exposures to corporates	860	444	412
Retail exposures	366	113	75
Equity investments	0	51	12
Other items	11	0	0
Total	**1,237**	**608**	**500**

A total of 95% (95) of past due exposures, 95% (96) of impaired exposures and 96% (97) of impairment losses originate in Finland.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 99. Corporate exposures by sector

31 Dec. 2015, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss	Exposure as percentage
Renting and operation of residential real estate	7,478	3,499	5	2	1	17.3
Operating of other real estate	4,538	2,770	55	34	17	10.5
Trade	4,110	2,438	62	33	20	9.5
Energy	3,657	1,015	1	0	0	8.5
Services	3,282	1,770	81	36	29	7.6
Construction	2,831	1,692	59	17	14	6.6
Other manufacturing	2,330	902	78	40	33	5.4
Financial and insurance activities	2,109	985	9	7	7	4.9
Manufacture of machinery and equipment (incl. maintenance)	1,869	634	74	31	33	4.3
Transportation and storage	1,737	1,080	29	12	10	4.0
Agriculture, forestry and fishing	1,539	979	36	15	10	3.6
Forest industry	1,484	982	146	120	118	3.4
Food industry	1,125	508	47	40	39	2.6
Other sectors	1,033	663	1	0	0	2.4
Buying and selling of own real estate	1,032	529	3	2	1	2.4
Information and communication	987	489	9	6	7	2.3
Metal industry	986	577	120	71	53	2.3
Water supply and waste management	432	152	3	2	1	1.0
Manufacture of chemicals and chemical products	316	108	0	0	0	0.7
Mining and quarrying	229	114	33	25	25	0.5
Total	**43,107**	**21,884**	**853**	**492**	**419**	**100.0**

31 Dec. 2014, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss	Exposure as percentage
Renting and operation of residential real estate	6,731	3,277	7	2	1	17.0
Trade	3,859	2,372	66	25	19	9.7
Operating of other real estate	3,809	2,451	56	30	13	9.6
Services	3,181	1,893	68	28	20	8.0
Energy	2,839	760	4	2	2	7.2
Construction	2,750	1,734	52	15	11	6.9
Financial and insurance activities	2,128	987	11	7	7	5.4
Other manufacturing	1,972	898	81	28	24	5.0
Manufacture of machinery and equipment (incl. maintenance)	1,878	681	100	59	53	4.7
Transportation and storage	1,740	1,219	35	13	10	4.4
Agriculture, forestry and fishing	1,388	967	35	8	6	3.5
Forest industry	1,324	880	200	122	107	3.3
Food industry	1,129	485	62	43	34	2.8
Buying and selling of own real estate	1,050	642	3	1	1	2.6
Metal industry	1,016	761	95	44	31	2.6
Information and communication	1,004	524	13	5	5	2.5
Other sectors	957	793	1	0	62	2.4
Water supply and waste management	389	128	4	1	1	1.0
Manufacture of chemicals and chemical products	271	109	2	0	0	0.7
Mining and quarrying	224	133	35	24	16	0.6
Total	**39,639**	**21,691**	**929**	**457**	**423**	**100.0**

Corporate exposures by sector also include corporate customers with retail exposures. This standard industrial classification is based on the latest TOL 2008 classification issued by Statistics Finland.

Past due exposures in the Standardised Approach are exposures whose interest or capital are over 90 days overdue. In the FIRB Approach, past due exposures are exposures to customers at default belonging to rating categories 11–12 or F.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 100. Exposures by credit rating before and after credit risk mitigation

	31 Dec. 2015			31 Dec. 2014		
Risk weight %, EUR million	Exposure before credit risk mitigation	Exposure after credit risk mitigation	RWA	Exposure before credit risk mitigation	Exposure after credit risk mitigation	RWA
0	19,524	22,065	-	8,797	11,300	-
10	3	3	0	-	-	-
20	302	84	56	322	322	52
35	456	456	157	-	-	-
50	24	25	12	11	11	6
75	1,243	1,215	907	2,945	2,945	822
100	1,934	1,922	1,757	1,542	1,542	1,442
150	11	11	16	11	11	16
250	40	40	100	109	109	273
Other risk weights	32	32	22	0	0	0
Total	**23,569**	**25,852**	**3,026**	**13,737**	**16,241**	**2,610**

In its capital adequacy measurement for credit risk under the Standardised Approach to determine the exposure's risk weight, OP Financial Group applies credit ratings by Moody's Investors Service or Fitch Ratings to receivables from central governments and central banks and corporations. External credit assessment determines the receivable's credit rating category. In the capital adequacy requirement for receivables, the risk weight is determined by the credit rating category. OP Financial Group has also applied risk weights based on the credit rating category to government exposures.

The risk weight of international development banks' receivables may also be determined on the basis of other than credit rating based on external credit assessment. If the risk weight is affected by external credit assessment, credit ratings issued by the aforementioned rating agencies will also apply to the risk weighting of international development banks' receivables in capital adequacy measurement.

For a receivable in capital adequacy measurement, the security-specific credit rating of the issue programme or arrangement to which the receivable belongs must be used. If such a rating is not available, the issuer's general credit rating will be used, provided that it is available.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 101. Retail exposures by rating category (AIRB)

All retail exposures

	31 Dec. 2015							
Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**47,420**	**85.6**	**0.8**	**14.7**	**13.7**	**3,519**	**7.4**	**136**
A	30,327	85.2	0.0	13.2	14.4	446	1.5	1
B	9,697	86.7	0.1	15.6	13.1	449	4.6	2
C	3,685	89.4	0.5	18.9	11.6	540	14.7	3
D	2,033	84.0	2.3	19.9	11.5	697	34.3	9
E	1,346	78.1	21.1	19.9	11.0	1,053	78.3	55
F	333	-	100.0	25.0	20.5	334	100.5	65
Corporate customers, total	**1,543**	**70.8**	**3.9**	**23.0**	**5.4**	**457**	**29.6**	**26**
2,5–5,5	507	71.1	0.3	14.6	5.9	35	6.9	0
6,0–7,0	603	69.5	1.2	25.9	4.6	141	23.3	2
7,5–8,5	249	72.7	4.9	28.7	4.2	102	41.0	4
9,0–10,0	130	72.8	28.2	27.4	4.1	87	66.8	10
11,0–12,0	54	-	100.0	32.9	18.9	92	172.2	11
Total	**48,963**	**84.4**	**0.9**	**14.9**	**13.5**	**3,976**	**8.1**	**162**

All retail exposures

	31 Dec. 2014							
Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**45,654**	**84.8**	**0.9**	**14.9**	**13.7**	**3,898**	**8.5**	**146**
A	27,075	84.6	0.0	12.8	14.3	390	1.4	1
B	10,492	84.8	0.1	15.4	13.3	488	4.6	2
C	3,922	88.1	0.5	18.5	12.5	567	14.4	4
D	2,352	82.6	2.2	23.9	10.8	909	38.6	12
E	1,514	83.7	21.4	21.6	11.5	1,249	82.5	69
F	298	-	100.0	24.9	25.4	296	99.3	58
Corporate customers, total	**1,486**	**71.6**	**5.2**	**24.1**	**5.6**	**515**	**34.7**	**32**
1,0–2,0	0	76.7	0.0	12.6	2.2	0	1.0	0
2,5–5,5	458	72.6	0.4	15.0	6.0	40	8.7	0
6,0–7,0	576	70.0	1.5	27.1	4.6	159	27.6	2
7,5–8,5	252	72.9	5.4	29.0	4.2	108	42.8	4
9,0–10,0	137	74.1	36.0	28.4	4.6	93	68.1	14
11,0–12,0	64	-	100.0	32.9	20.0	115	180.8	12
Total	**47,140**	**83.6**	**1.1**	**15.1**	**13.5**	**4,413**	**9.4**	**179**

Mortgage-backed retail exposures

	31 Dec. 2015							
Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**42,617**	**79.9**	**0.7**	**11.7**	**14.1**	**2,363**	**5.6**	**65**
A	28,817	80.1	0.0	11.2	14.3	355	1.2	1
B	8,326	79.5	0.1	12.3	13.5	300	3.6	1
C	2,669	80.9	0.5	12.8	13.6	270	10.1	2
D	1,523	77.4	2.3	13.2	12.8	430	28.2	5
E	1,018	72.4	21.8	13.2	13.0	758	74.4	30
F	262	-	100.0	17.3	18.5	251	95.8	27
Corporate customers, total	**840**	**69.9**	**3.7**	**7.9**	**6.3**	**130**	**15.5**	**5**
2,5–5,5	290	71.0	0.3	4.5	7.1	6	2.1	0
6,0–7,0	347	68.6	1.0	8.6	5.7	33	9.4	0
7,5–8,5	107	70.7	5.0	11.1	4.9	31	29.2	1
9,0–10,0	70	73.0	29.1	11.3	4.7	35	49.8	2
11,0–12,0	26	-	100.0	13.7	15.1	25	94.7	2
Total	**43,457**	**78.7**	**0.7**	**11.6**	**13.9**	**2,493**	**5.7**	**70**

Mortgage-backed retail exposures

	31 Dec. 2014							
Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**41,285**	**80.3**	**0.8**	**11.7**	**14.1**	**2,508**	**6.1**	**66**
A	25,865	80.5	0.0	11.1	14.3	317	1.2	1
B	9,274	79.5	0.1	12.3	13.7	341	3.7	1
C	3,125	80.9	0.5	12.8	13.9	314	10.1	2
D	1,662	77.5	2.3	13.4	13.0	471	28.4	5
E	1,127	77.6	21.8	13.3	13.7	846	75.0	33
F	232	-	100.0	16.8	22.3	219	94.4	23
Corporate customers, total	**821**	**70.8**	**4.9**	**8.1**	**6.4**	**145**	**17.7**	**6**
1,0–2,0	0	60.0	0.0	3.2	7.4	0	0.2	0
2,5–5,5	262	72.5	0.3	4.6	7.1	7	2.6	0
6,0–7,0	341	69.5	1.4	8.5	5.6	38	11.2	0
7,5–8,5	116	70.2	5.6	11.3	4.9	35	30.6	1
9,0–10,0	72	73.9	36.8	11.7	5.4	35	49.0	3
11,0–12,0	30	-	100.0	13.3	15.5	30	97.6	2
Total	**42,107**	**79.1**	**0.9**	**11.6**	**14.0**	**2,653**	**6.3**	**71**

*The defaults, or rating categories F, 11.0 and 12.0, are not included in the average PD and risk weight.

In setting PD values given by rating models assessing solvency of personal customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, OP Financial Group has made use of the unemployment rate since 1989. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism.

In setting PD values given by rating models assessing solvency of corporate customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, the Group has used bankruptcy statistics since 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.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 102. Corporate exposures (FIRB) by rating category

31 Dec. 2015

Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1,0–2,0	1,042	91.6	0.0	44.7	11.2	152	14.6	0
2,5–5,5	16,922	70.8	0.2	44.5	6.1	7,035	41.6	17
6,0–7,0	6,269	71.3	1.3	44.3	7.5	5,491	87.6	35
7,5–8,5	4,299	70.3	4.5	44.4	7.0	5,369	124.9	86
9,0–10,0	819	58.9	22.8	44.0	13.7	1,541	188.0	82
11,0–12,0	745	58.5	100.0	45.2	16.3	0	0.0	337
Total	**30,096**	**71.1**	**1.7**	**44.5**	**7.2**	**19,587**	**65.1**	**557**

31 Dec. 2014

Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1,0–2,0	955	79.9	0.0	44.7	12.0	140	14.7	0
2,5–5,5	15,389	71.1	0.3	44.5	6.0	7,316	47.5	20
6,0–7,0	6,222	69.8	1.7	44.2	12.2	6,157	98.9	48
7,5–8,5	3,834	71.0	4.7	44.3	7.3	4,774	124.5	80
9,0–10,0	771	56.7	28.8	43.8	6.4	1,369	177.6	97
11,0–12,0	778	58.8	100.0	45.0	12.6	0	0.0	350
Total	**27,949**	**70.9**	**2.0**	**44.4**	**8.0**	**19,755**	**70.7**	**595**

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

In setting PD values given by rating models assessing solvency of corporate customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, the Group has used bankruptcy statistics since 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.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 103. Credit institution exposures (FIRB) by rating category

31 Dec. 2015

Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1,0–2,0	2,407	76.3	0.0	14.1	4.1	119	4.9	0
2,5–5,5	4,678	58.8	0.1	22.3	4.8	857	18.3	2
6,0–7,0	103	86.8	1.8	45.0	1.0	142	138.9	1
7,5–8,5	17	22.0	5.5	45.0	0.4	29	165.2	0
9,0–10,0	1	65.9	27.8	45.0	0.0	2	288.8	0
11,0–12,0	0	75.0	100.0	45.0	0.0	0	0.0	0
Total	**7,206**	**62.0**	**0.1**	**19.9**	**4.5**	**1,149**	**16.0**	**3**

31 Dec. 2014

Rating category	Exposure value (EAD), MEUR	Average CF, %	*Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1,0–2,0	2,210	75.1	0.0	14.5	4.1	112	5.1	0
2,5–5,5	3,969	51.0	0.1	28.3	4.4	1,005	25.3	2
6,0–7,0	101	62.4	2.4	20.2	1.8	61	61.1	0
7,5–8,5	110	22.8	6.3	16.2	1.5	67	60.9	1
9,0–10,0	1	58.2	20.4	45.0	0.1	3	262.6	0
11,0–12,0	0	-	100.0	45.0	1.4	0	0.0	0
Total	**6,390**	**51.5**	**0.2**	**23.2**	**4.2**	**1,249**	**19.5**	**4**

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

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 payment default data. PD values have been adjusted with a margin of conservatism in order to take account of uncertainties associated with the data.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 104. Equity investments by rating category (IRBA)

PD/LGD method

	31 Dec. 2015			31 Dec. 2014		
Rating category	**Exposure value (EAD), MEUR**	**Average PD, %**	**Average risk weight, %**	**Exposure value (EAD), MEUR**	**Average PD, %**	**Average risk weight, %**
2,5–5,5	2,334	1.3	279.2	2,309	1.3	279.2
6,0–7,0	3	1.3	279.2	3	1.3	279.7
Total	**2,337**	**1.3**	**279.2**	**2,312**	**1.3**	**279.2**

Equity investments include intra-Group insurance holdings of EUR 2.3 billion in exposure and EUR 6.5 billion as risk-weighted assets. The PD/LGD method related to equity investments is applied to strategic investments of OP Financial Group. The Group treats insurance holdings in equity investments based on the regulator's permission. The minimum PD for these investments according to the PD/LGD method is 1.25. In October 2015, OP Financial Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice. However, the ECB has the option of cancelling the permission as part of the harmonisation of supervisory options. OP Financial Group's CET1 ratio would decrease by about 0.6 percentage points if the permission were cancelled and OP transferred to the deduction treatment of insurance holdings. Such a change in treatment would not, however, have any effect on OP Financial Group's real risk-bearing capacity.

Simple Risk Weight Approach

	31 Dec. 2015			31 Dec. 2014		
EUR million	Exposure	Risk-weighted assets	Minimum capital require-ment	Exposure	Risk-weighted assets	Minimum capital require-ment
Private equity investments, risk weight 190%	41	78	6	122	231	19
Listed investments, 290%	31	89	7	89	257	21
Other, risk weight 370%	195	720	58	195	720	58
Total	**266**	**887**	**71**	**405**	**1,208**	**97**

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 105. Expected loss and impairments

Loss, EUR million	Credit institution exposures	Corporate exposures	Retail exposures: Exposures secured by real estates	Retail exposures: Other	Equity investments	Total
31 Dec. 2015						
(EL)	3	273	33	65	32	406
Impairments	1	408	40	48	5	501
31 Dec. 2014						
(EL)	4	282	31	71	32	419
Impairments	-	411	31	40	12	494
31 Dec. 2013						
(EL)	3	303	51	87	8	453
Impairments	-	396	19	34	11	460
31 Dec. 2012						
(EL)	4	307	53	95	8	467
Impairments	1	348	16	35	12	412
31 Dec. 2011						
(EL)	17	293	58	102	6	476
Impairments	9	284	13	29	3	339

The expected loss shown in the above table is based on parameters generated by OP Financial Group's internal credit risk models. These parameters include a considerable number of various factors of conservatism preventing risk underestimation but do not fully correspond to those used in capital adequacy measurement. For corporate and credit institution exposures, the Group uses only PD parameters in capital adequacy measurement.

Capital adequacy measurement parameters include a larger number of factors of conservatism compared with the internal credit risk models. Due to the factors of conservatism involved in the parameters, the expected loss of capital adequacy measurement was substantially high, EUR 754 million (810). Shortfall of expected losses of capital adequacy measurement over impairment losses related to IRBA-based exposure classes has been deducted from the capital base. Impairment losses on equity investments are not taken into account in calculating the deduction.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 106. Collateral used in capital adequacy calculation

31 Dec. 2015, EUR million	Exposure	Guaran-tees	Financial collateral	Other collateral
Standardised Approach	**23,569**	**830**	**3**	**1**
Exposures to central government and central banks	11,570	207	-	-
Exposures to regional government or local authorities	3,083	96	-	-
Exposures to public sector entities	400	292	-	-
Exposures to multilateral development banks	1,256	-	-	-
Exposures to international organisations	706	202	-	-
Exposures to institutions	457	-	-	-
Exposures to corporates	1,952	8	1	-
Retail exposures	3,504	26	2	0
Exposures secured by mortgages on immovable property	459	-	-	1
Exposures in default	15	0	0	-
Exposures associated with particularly high risk	0	-	-	-
Exposures in the form of covered bonds	1	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIU)	78	-	-	-
Equity exposures	11	-	-	-
Other items	76	-	-	-
Internal Ratings-based Approach	**100,042**	**5,821**	**401**	**61,938**
Exposures to institutions	7,377	65	-	-
Exposures to corporates	39,074	2,524	189	1,179
Retail exposures	49,382	3,232	212	60,759
Exposures secured by mortgages on immovable property	43,670	1,390	97	59,839
Other retail exposures	5,713	1,842	116	920
Equity investments	2,603	-	-	-
PD/LGD method	2,337	-	-	-
Simple Risk Weight Approach	266	-	-	-

Items representing securitisation positions	358	-	-	-
Other non-credit obligations	1,247	-	-	-
Total	**123,611**	**6,651**	**401**	**61,938**

31 Dec. 2014, EUR million	Exposure	Guaran-tees	Financial collateral	Other collateral
Standardised Approach	**13,737**	**581**	**0**	**1**
Exposures to central government and central banks	4,996	52	-	-
Exposures to regional government or local authorities	2,477	92	-	-
Exposures to public sector entities	175	175	-	-
Exposures to multilateral development banks	575	-	-	-
Exposures to international organisations	687	261	-	-
Exposures to institutions	215	0	-	-
Exposures to corporates	1,520	-	0	-
Retail exposures	2,945	-	-	-
Exposures secured by mortgages on immovable property	1	-	-	1
Exposures in default	11	-	-	-
Other items	134	-	-	-
Internal Ratings-based Approach	**94,823**	**5,772**	**395**	**59,827**
Exposures to institutions	6,676	36	-	-
Exposures to corporates	36,555	2,508	190	1,282
Retail exposures	47,534	3,228	206	58,546
Exposures secured by mortgages on immovable property	42,317	1,427	94	57,678
Other retail exposures	5,217	1,800	111	868
Equity investments	2,717	-	-	-
PD/LGD method	2,312	-	-	-
Simple Risk Weight Approach	405	-	-	-
Items representing securitisation positions	177	-	-	-
Other items	1,164	-	-	-
Total	**108,560**	**6,353**	**396**	**59,829**

Guarantees and collateral related to retail exposures are treated as part of LGD.

In the SA and IRBA applied to credit institution and corporate exposures, OP Financial Group utilises the following real collateral securities specified in the capital adequacy regulations: residential buildings and shares entitling their holders to the possession of an apartment, deposits and securities (equities). Deposits and securities are financial collateral, as referred to in the regulatory framework, and alternative methods are available for their accounting treatment. OP Financial Group has treated financial collateral in the above approaches using the so-called comprehensive method and volatility adjustments ordered by the relevant regulator.

In the SA and IRBA applied to credit institution and corporate exposures, only approved guarantors specified in the capital adequacy regulations may be used, such as guarantees granted by the Finnish State and other states, and those granted by municipalities and banks. Guarantees issued by companies or credit derivatives were not used. Offsetting balance-sheet or off-balance-sheet items was not applied in capital adequacy measurement.

In the IRBA applied to retail exposures, it is possible to use collateral securities on a more extensive basis than in the SA applied to credit institution and corporate exposures. In determining LGD estimates for retail exposures, the Group has used contract, customer, default, collateral and debt-collection data from 2003 until 2011. The Group applies the definition of payment default as in the PD models. In addition, the model uses the cash flow data on uncollateralised returns and the recovery rate of default probabilities.

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

The amounts of guarantees for the previous year have been revised.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 107. Derivative contracts and counterparty risk

Credit risk arising from derivative contracts is defined as a credit equivalent based on the daily market valuation of derivative contracts.

The size of customer limits are defined on the basis of assets included in derivative contracts and the estimated validity of the contracts.

Counterparty risk associated with derivative contracts arises from receivables which 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 liability comprises the contract market value and the expected potential future exposure.

OP Financial Group manages counterparty risks associated with derivative contracts through master agreements enabling netting related to bankruptcies, through collateral and optional early termination. With respect to master agreements, there exist written statements issued by an external legal expert of the legal validity of netting in each derivative counterparty's national legislation. OP Financial Group uses netting for counterparty exposure arising from derivative contracts in both capital adequacy measurement and the monitoring of credit risk limits. With respect to credit institutions as counterparties, the Group also always uses a collateral annex to derivative master agreements, in which case the received collateral reduces counterparty risk. Derivative contracts are also increasingly novated to a central counterparty.

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. Matching between counterparties are performed on a daily basis.

If S&P had downgraded OP Financial Group's credit rating from AA– to A on 31 December 2015, an additional collateral worth EUR 8 million would have been required. If the credit rating had been downgraded in 2014, additional collateral of EUR 4 million would have been required.

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

Counterparty risk contract types, 31 Dec. 2015, EUR million	Gross exposure value	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts					
Interest rate derivatives	5,602	3,583	2,019	490	1,529
Currency derivatives	2,824	1,601	1,222	504	718
Equity and index derivatives	92	38	54	35	19
Other	108	-	108	1	107
Total	**8,625**	**5,221**	**3,404**	**1,030**	**2,374**

Counterparty risk contract types, 31 Dec. 2014, EUR million	Gross exposure value	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts					
Interest rate derivatives	6,317	4,146	2,171	445	1,726
Currency derivatives	2,064	1,189	874	261	613
Equity and index derivatives	144	80	65	16	49
Other	100	-	100	-	100
Total	**8,625**	**5,415**	**3,210**	**722**	**2,488**

Note 55 presents the positive gross fair value of contracts.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 108. Securitisation positions

Securitisation positions by rating category, Moody's equivalent, EUR million	2015 Exposure	2015 Risk-weighted assets	2014 Exposure	2014 Risk-weighted assets
Non-trading book positions				
Securitisation positions	358	46	177	436
Aaa	319	24	10	1
Aa1–Aa3	-	-	42	4
A1–A3	28	5	57	9
Baa1–Baa3	6	2	29	20
Ba1–Ba3	6	16	12	56
B1 or lower	-	-	26	347
Total	**358**	**46**	**177**	**436**

In 2014, EUR 26 million of the securitised items were treated with a risk weight of 1,250%. Securitised items did not include 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.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 109. Reconciliation of consolidated balance sheet and consolidation group balance sheet

31 Dec. 2015, EUR million	Consolidated balance sheet	Consolidation group balance sheet	Difference
Cash and cash equivalents	8,581	8,581	-
Receivables from credit institutions	425	511	-86
Financial assets at fair value through profit or loss	928	928	-
Derivative contracts	5,696	5,724	-28
Receivables from customers	75,192	75,409	-216
Non-life Insurance assets	4,067	-	4,067
Life Insurance assets	13,858	-	13,858
Investment assets	12,423	14,382	-1,958
Investments in associates	93	62	30
Intangible assets	1,395	493	902
Property, plant and equipment	843	810	33
Other assets	1,526	1,568	-41
Tax assets	118	63	55
Total assets	**125,145**	**108,531**	**16,615**

31 Dec. 2015, EUR million	Consolidated balance sheet	Consolidation group balance sheet	Difference
Liabilities to credit institutions	1,673	1,755	-82
Financial liabilities recognised at fair value through profit or loss	-	0	-
Derivative contracts	5,345	5,368	-22
Liabilities to customers	58,220	58,556	-336
Non-life Insurance liabilities	3,159	-	3,159
Life Insurance liabilities	13,532	-	13,532
Debt securities issued to the public	27,706	27,865	-159
Provisions and other liabilities	3,625	3,498	126
Tax liabilities	866	638	228
Supplementary cooperative capital	106	182	-
Subordinated liabilities	1,590	1,579	11
Total liabilities	**115,822**	**99,440**	**16,382**
Equity capital			
Share of OP Financial Group owners			
Cooperative capital, cooperative contributions	154	154	-
Cooperative capital, Profit shares	2,502	2,502	-
Translation differences	0	0	0
Reserves	2,327	2,053	343
Retained earnings	4,271	4,381	-254
Non-controlling interests	70	**-**	**70**
Total equity capital	**9,324**	**9,090**	**233**
Total liabilities and equity capital	**125,145**	**108,531**	**16,615**

The differences between the balance sheets of OP Financial Group and the consolidation group are due to differences in the content and extent of consolidation. Within the consolidation group, insurance companies have not been consolidated but are shown in investments made by the consolidation group and the insurance companies' equity capital is not included in the equity capital of the consolidation group. The consolidation group has applied the materiality threshold specified in Article 19 of CRR in the consolidation of its companies. Note 92 presents items deducted from the capital base.

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 110. Capital base under transitional provisions

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

31 Dec. 2015		(A) Amount on disclosure data	(B) Article of regulation (EU) no. 575/2013 to which is referred	(C) Amounts to which treatment prior to regulation (EU) no. 575/2013 or the remaining amount set out in regulation
CET1: Instruments and reserves				
1	Capital instruments and related share premium accounts	2,689	Paragraph 1 of Article 26, Articles 27, 28 and 29, EBA's list related to Paragraph 3 of Article 26	-
	of which: cooperative contribution	186	EBA's list, paragraph 3 of Article 26	-
	of which: profit share	2,502	EBA's list, paragraph 3 of Article 26	-

2	Retained earnings	3,839	Paragraph 1, sub-paragraph 3a of Article 26	-
3	Accumulated other comprehensive income (and any other reserves; also covers unrealised gains and losses by virtue of applicable financial reporting standards)	1,796	Paragraph 1 of Article 26	-
3a	Reserves for general banking risks	18	Paragraph 1, sub-paragraph f of Article 26	
4	The amount of qualifying items as referred to in Article 484 (3) and the related share premium accounts that will be phased out from CET1.	143	Paragraph 2 of Article 486	143
5a	Interim profits audited by an independent party, from which all foreseeable charges and dividends have been deducted	716	Paragraph 2 of Article 26	-
6	**CET1 before regulatory adjustments:**	**9,200**		**143**
CET1): Regulatory adjustments				
7	Other value adjustments	-69	Articles 34 and 105	-
8	Intangible assets	-518	Paragraph 1, sub-paragraph b of Article 37, Article 37, paragraph 4 of Article 472	-

11	Items included in the fair value reserve that relate to gains or losses on cash flow hedging	-69	Paragraph a of Article 33	-
12	Negative amounts resulting from the calculation of expected loss amounts	-306	Paragraph 1, sub-paragraph 1 d of Article 36, Article 159, paragraph 6 of Article 472	-
14	Gains or losses on liabilities measures at fair value resulting from changes in the institution's own credit standing	-14	Paragraph b of Article 33	-
15	Defined benefit pension fund assets	-48	Paragraph 1, sub-paragraph e of Article 36, Article 41, paragraph 7 of Article 472	-
28	**Total regulatory adjustments to CET1**	**-1,024**		**-**
29	**CET1 before regulatory adjustments:**	**8,176**		**143**
Additional Tier 1 (AT1): Instruments				
33	The amount of qualifying items as referred to in Article 484 (4) and the related share premium accounts that will be phased out from AT1.	141	Paragraph 3 of Article 486	164
36	**AT1 before regulatory adjustments:**	**141**		**164**
AT1: regulatory adjustments				
43	**Total regulatory adjustments to AT1**	-		-
44	**AT1**	**141**		**164**
45	**Tier 1 (T1 = CET1 + AT1)**	**8,316**		**307**
Tier 2 (T2): Instruments and provisions				
46	Capital instruments and related share premium accounts	1,253	Articles 62 and 63	-

51	**T2 before regulatory adjustments**	**1,253**		**-**
T2: regulatory adjustments				
57	**Total regulatory adjustments to T2**	**-**		**-**
58	**T2**	**1,253**		**-**
59	**Total capital (T1 + T2 = TC)**	**9,569**		**307**
60	**Total risk-weighted assets**	**41,824**		**-**
Capital adequacy ratios and capital buffers				
61	CET1 as percentage of total risk	19.5	Paragraph 2, sub-paragraph a of Article 92, Article 465	-
62	T1 as percentage of total risk	19.9	Paragraph 2, sub-paragraph b of Article 92, Article 465	-
63	Total capital as percentage of total risk	22.9	Paragraph 2, sub-paragraph c of Article 92	-
64	Entity-specific buffer requirement as percentage of total risk	7.0	Articles 128, 129 and 130 of Capital Requirements Directive	-
65	of which: General capital buffer requirement	2.5		-
66	of which: countercyclical capital buffer requirement	0.0		-
67a	of which: a buffer related global systematically important institutions (G-SII) or other systematically important institutions (O-SII)	-	Article 131 of Capital Requirements Directive	-
68	Available CET1 capital required for the fulfilment of capital buffer requirements (as percentage of total risk)	19.5	Article 128 of Capital Requirements Directive	-
Caps that are applied to the inclusion of provisions in T2 capital				
79	Caps applied to inclusion of credit risk adjustments in T2 capital when applying the Internal Ratings-based Approach	33,418	Article 62	-
Capital instruments subject to phase-out arrangements (1 January 2013–1 January 2022)				

80	Current cap for CET1 instruments subject to phase-out arrangements	442	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-
81	Amount deducted from CET1 due to the cap (amount above the cap after redemptions and maturities)	-	Paragraph 4 of Article 484, paragraphs 3 and 5 of Article 486	-
82	Current cap for AT1 instruments subject to phase-out arrangements	141	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-
83	Amount deducted from AT1 due to the cap (amount above the cap after redemptions and maturities)	23	Paragraph 3 of Article 484, paragraphs 2 and 5 of Article 486	-

Note 111. Capital instruments' main features

	Capital instruments' main features template	Cooperative share
1	Issuer	Group member cooperative banks
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	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)
	Regulatory treatment	
4	Transitional CRR rules	Common Equity Tier 1 (CET1)
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	CET1 as published in the EBA list
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	186
9	Nominal amount of instrument (in millions)	EUR 186
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Central cooperative's share, cooperative capital
11	Original date of issuance	Not applicable
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Cooperative banks refund 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.
16	Subsequent call dates, if applicable	See item 15
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	Not applicable
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Yes
31	If write-down, write-down triggers	Accumulation of losses
32	If write-down, full or partial	Full or partial
33	If write-down, permanent or temporary	Temporary
34	If temporary write-down, description of write-up mechanism	Through increase of cooperative capital
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	If a cooperative bank is dissolved either through liquidation or bankruptcy, any supplementary cooperative capital is refunded 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
37	If yes, specify non-compliant features	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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsingin OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

Profit share (Non-voting cooperative share)	**Cooperative contribution (share) (new member cooperative banks)**	**Supplementary cooperative share**
Group member cooperative banks	New member cooperative banks	Group member cooperative banks
Not applicable	Not applicable	Not applicable
Finnish law, especially the Co-operatives Act and the Act on the Amalgamation of Deposit Banks, CRR	Finnish law, especially the Co-operatives Act and the Act on the Amalgamation of Deposit Banks, CRR	Finnish law, especially the Co-operatives Act and the Act on the Amalgamation of Deposit Banks, CRR
Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)
Common Equity Tier 1 (CET1)	Common Equity Tier 1 (CET1)	Not applicable
Solo and consolidated	Solo and consolidated	Solo and consolidated
CET1 as published in the EBA list	CET1 as published in the EBA list	CET1 as published in the EBA list
2 502	2	141
EUR 2 502	EUR 2	EUR 141
100 %	100 %	100 %
100 %	100 %	100 %
Central cooperative's share, cooperative capital	Central cooperative's share, liabilities	Central cooperative's share, liabilities
Not applicable	Not applicable	Not applicable
Perpetual	Perpetual	Perpetual
No maturity	No maturity	No maturity
Yes	Yes	Yes
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.	Upon termination of membership, cooperative contributions will be refunded as specified in chapter 10, section1 of the Co-operatives Act (1488/2001) and in section 19 of the Act on Cooperative Banks and Other Cooperative Credit Institutions (1504/2001) and on conditions stated in said sections. If, upon termination of membership, the cooperative contribution could not be refunded in full on the basis of chapter 10, section 1 of the Co-operatives Act or section 19 of the Act on Cooperative Banks and Other Cooperative Credit Institutions, the refund can be made later if that is feasible on the basis of the following three financial statements. The cooperative contribution will be refunded in twelve months of the closing of the financial year on the basis of which the refund first becomes possible.	Cooperative banks refund shareholders their supplementary cooperative contributions upon termination of membership or cancellation of the contribution by the shareholder. A supplementary cooperative contribution will be refunded within 6 months after the end of the financial year when membership ended or the contribution was terminated by the shareholder. If it has not been possible to refund the supplementary cooperative capital in full, the refund can be made later if it is feasible on the basis of the following three financial statements.
See item 15	See item 15	See item 15
Floating	Floating	Floating
Not applicable	Not applicable	Not applicable
No	No	No
Fully discretionary	Fully discretionary	Fully discretionary
Fully discretionary	Fully discretionary	Fully discretionary
Not applicable	Not applicable	Not applicable
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Yes	No	Yes
Accumulation of losses	Accumulation of losses	Accumulation of losses
Full or partial	Full or partial	Full or partial
Temporary	Temporary	Temporary
Through increase of cooperative capital	Through increase of cooperative capital	Through increase of cooperative capital
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.	Not applicable
No	Yes	Yes
Not applicable	The customer has the opportunity to redeem the cooperative contribution unilaterally	The customer has the opportunity to redeem the cooperative contribution unilaterally

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

	Capital instruments' main features template	EUR 50,000,000 Non-cumulative Perpetual Capital Securities
1	Issuer	Pohjola Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS0213603177
3	Governing law(s) of the instrument	British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied
	Regulatory treatment	
4	Transitional CRR rules	Additional Tier 1 capital (AT1)
5	Post-transitional CRR rules	Not applicable
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	43
9	Nominal amount of instrument (in millions)	EUR 50
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	31.3.2005
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	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%
16	Subsequent call dates, if applicable	See item 15
	Coupons/dividends	
17	Fixed or floating dividend/coupon	From fixed to floating
18	Coupon rate and any related index	6.5% per annum until 11 April 2006, after which 10-year Swap interest + 0.1% per annum, maximum interest 8% per annum
19	Existence of dividend stopper	Yes
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Partially discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument
36	Non-compliant transitioned features	Yes
37	If yes, specify non-compliant features	No loss cover mechanism and dividend stopper

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

EUR 40,000,000 Perpetual Non-Step-Up Hybrid Tier 1	YEN 10,000,000,000 Loan Agreement	EUR 500,000,000 Subordinated Instruments due 2022
Pohjola Bank plc	Pohjola Bank plc	Pohjola Bank plc
Not applicable	Not applicable	ISIN: XS0750702507 [(EMTN Series 130)]
British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied	British law, except for conditions relating to creditor order of priority and distributable assets, Dividend Stopper, permission for early redemption, and to capital adequacy, to which Finnish law is applied	British law, except for conditions relating to creditor order of priority, to which Finnish law is applied
Additional Tier 1 capital (AT1)	Additional Tier 1 capital (AT1)	Tier 2 Capital (T2)
Not applicable	Not applicable	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
34	63	466
EUR 40	YEN 10,000	EUR 500
100 %	100 %	99.977%
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
30.11.2005	18.6.2014	28.2.2012
Perpetual	Perpetual	Dated
No maturity	No maturity	28.2.2022
Yes	Yes	Yes
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%	1) The issuer has the right to capital refund for the first time on the interest-payment date in June 2014 and after that on each interest-payment date. 2) Before the first refund date, the issuer has the right to redeem an instrument if, owing to, (i) change in law, (ii) official interpretation or (iii) decision by the Financial Supervisory Authority, the issuer cannot include the instrument under its Tier 1 capital. 3) The issuer also has right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra or not being able to deduct interest Redemption price 100%	The issuer has the right of redemption, which begins on the date of issuance and ends 90 calendar days after CRD IV entered into force and the directive was adopted in Finland, provided the Financial Supervisory Authority decides that the issuer may no longer include the instrument under its Tier 2 capital, in part or in full. Redemption price 101% Also the right to early redemption on the basis of such tax laws and interpretations that would result in the issuer having to pay extra. Redemption price 100%
See item 15	See item 15	See item 15
Floating	Floating	Fixed
3-month EURIBOR + 1.25% per annum	4,23 % per annum until 18.6.2034, after which 6-month YEN Reuters Screen Libor01 + 1.58% per annum	5.75% per annum
Yes	Yes	No
Partially discretionary	Partially discretionary	Mandatory
Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]	Partially discretionary:[if the issuer's distributable funds were not be enough for the payment of interest on (i) the instrument, (ii) other subordinated loans or (iii) subordinated loans guaranteed by the issuer.]	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument	The issuer's Tier 2 instruments and other subordinated debt with a higher priority than the instrument	Issuer's senior instruments
Yes	Yes	No
No loss cover mechanism and dividend stopper	No loss cover mechanism and dividend stopper	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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

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

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

CHF 100,000,000 3.375 Subordinated Instruments	**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**
Pohjola Bank plc	Pohjola Bank plc	Pohjola Bank plc
ISIN: CH0132112993	ISIN: XS1255402288	ISIN: XS1280147569
British law, except for conditions relating to creditor order of priority, to which Finnish law is applied	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
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
83	72	371
CHF 100	JPY 10 000	SEK 3,500
100.208%	100 %	100 %
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
14.7.2011	3.7.2015	25.8.2015
Dated	Dated	Dated
14.7.2021	3.7.2025	25.8.2025
Yes	Yes	Yes
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%.	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%.
See item 15	See item 15	See item 15
Fixed	Floating	Floating
3.375% per annum	3-month JPY Libor + 0.735% per annum	3-month Stibor + 1.6 % per annum. Minimum interest rate of 0% per annum
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Issuer's senior instruments	Issuer's senior instruments	Issuer's senior instruments
No	No	No
Not applicable	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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

	Capital instruments' main features template	EUR 100,000,000 2.405 per cent Dated Tier 2 Instruments due 2025
1	Issuer	Pohjola Bank plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	ISIN: XS1296897579
3	Governing law(s) of the instrument	English law, except for the subordination provisions which are governed by Finnish law
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	100
9	Nominal amount of instrument (in millions)	EUR 100
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	25.9.2015
12	Perpetual or dated	Dated
13	Original maturity date	25.9.2025
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	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
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed
18	Coupon rate and any related index	2.405% per annum
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Issuer's senior instruments
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

Helsinki OP Fixed Debenture 1/2014	Helsinki OP Fixed Debenture 2/2014	Helsinki OP Fixed Debenture 3/2014
Helsinki OP Bank Plc	Helsinki OP Bank Plc	Helsinki OP Bank Plc
ISIN: FI4000090360	ISIN: FI4000096938	FI4000100409
Finnish law	Finnish law	Finnish law
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Tier 2 Capital (T2)	Tier 2 Capital (T2)	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated	Solo and consolidated
Not applicable	Not applicable	Not applicable
11	11	6
EUR 11	EUR 11	EUR 6
100 %	100 %	100 %
100 %	100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost	Liability - carried at amortised cost
14.5.2014	18.6.2014	22.8.2014
Dated	Dated	Dated
14.5.2024	18.6.2024	22.8.2024
Yes	Yes	Yes
The debenture is refunded in full in one instalment on 14 May 2024, on early refund date on 14 May 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 18 June 2024, on early refund date on 18 June 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 22 August 2024, on early refund date on 22 August 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
See item 15	See item 15	See item 15
Fixed	From fixed to floating	From fixed to floating
3.25% per annum	3.25% per annum until 18 June 2019, after which 6-month EURIBOR + 2.54.% per annum	3.25% per annum until 22 August 2019, after which 6-month EURIBOR + 2.67% per annum
No	No	No
Mandatory	Mandatory	Mandatory
Mandatory	Mandatory	Mandatory
No	No	No
Non-cumulative	Non-cumulative	Non-cumulative
Non-convertible	Non-convertible	Non-convertible
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Not applicable	Not applicable	Not applicable
Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
No	No	No
Not applicable	Not applicable	Not applicable

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

Capital instruments' main features template		Helsinki OP Fixed Debenture 4/2014
1	Issuer	Helsinki OP Bank Plc
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	FI4000106398
3	Governing law(s) of the instrument	Finnish law
	Regulatory treatment	
4	Transitional CRR rules	Tier 2 Capital (T2)
5	Post-transitional CRR rules	Tier 2 Capital (T2)
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Not applicable
8	Amount recognised in regulatory capital (currency as of most recent reporting date) EUR mln	11
9	Nominal amount of instrument (in millions)	EUR 11
9a	Issue price	100 %
9b	Redemption price	100 %
10	Accounting classification	Liability - carried at amortised cost
11	Original date of issuance	10.10.2014
12	Perpetual or dated	Dated
13	Original maturity date	10.10.2024
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	The debenture is refunded in full in one instalment on 10 October 2024, on early refund date on 10 October 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
16	Subsequent call dates, if applicable	See item 15
	Coupons/dividends	
17	Fixed or floating dividend/coupon	From fixed to floating
18	Coupon rate and any related index	3.25% per annum until 10 October 2019, after which 6-month EURIBOR + 2.78% per annum
19	Existence of dividend stopper	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down features	Not applicable
31	If write-down, write-down triggers	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

Helsinki OP Fixed Debenture 5/2014	Helsinki OP Fixed Debenture 6/2014
Helsinki OP Bank Plc	Helsinki OP Bank Plc
FI4000113063	FI4000115530
Finnish law	Finnish law
Tier 2 Capital (T2)	Tier 2 Capital (T2)
Tier 2 Capital (T2)	Tier 2 Capital (T2)
Solo and consolidated	Solo and consolidated
Not applicable	Not applicable
11	8
EUR 12	EUR 8
100 %	100 %
100 %	100 %
Liability - carried at amortised cost	Liability - carried at amortised cost
14.11.2014	29.12.2014
Dated	Dated
14.11.2024	29.12.2024
Yes	Yes
The debenture is refunded in full in one instalment on 14 November 2024, on early refund date on 14 November 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value	The debenture is refunded in full in one instalment on 29 December 2024, on early refund date on 29 December 2019 or on the date specified in the issuer's general loan terms. Amount to be refunded: Nominal value
See item 15	See item 15
From fixed to floating	From fixed to floating
3.25% per annum until 14 November 2019, after which 6-month EURIBOR + 2.81% per annum	3.25% per annum until 29 December 2019, after which 6-month EURIBOR + 2.86% per annum
No	No
Mandatory	Mandatory
Mandatory	Mandatory
No	No
Non-cumulative	Non-cumulative
Non-convertible	Non-convertible
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Not applicable	Not applicable
Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.	Debentures are debt instruments that have lower priority belonging to Tier 2 capital as specified in Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council, provided the other conditions in the article are met. The debenture has lower priority than the issuer's other commitments. The debenture cannot be used to set off counter receivables.
No	No
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 Ryhmä > Osuuspankit

The terms and conditions of AT1 and T2 capital instruments can be found on Pohjola Bank's website: pohjola.fi > Investor Relations > Debt Investors, and on the Helsinki OP Bank website: op.fi > OP Ryhmä > osuuspankit > Helsingin OP Pankki

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 112. Disclosure on asset encumbrance

The tables below provide information on asset encumbrance and liabilities related to encumbered assets. The figures pertain to the assets of the amalgamation of OP Financial Group member cooperative banks on 31 December 2015. An asset is considered encumbered if it has been pledged or given as collateral or it secures transactions recognised in the balance sheet (e.g. to secure debt). Other assets that are not freely available within the Group are also classified as encumbered. Encumbered assets mainly relate to collateral pertaining to Pohjola Bank plc's derivatives and collateral with respect to covered bonds issued by OP Mortgage Bank. Of the collateral related to covered bonds, EUR 977 million is overcollateralised. 57 % of unencumbered assets is not eligible as collateral (e.g. intangible assets, and property, plant and equipment, adjusting entries for assets and tax assets). Encumbered or off-balance-sheet collateral eligible as collateral does not exists.

Assets

EUR million	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	-	-	198	194
Debt securities	705	705	11,638	11,646
Loans	10,090	-	64,990	-
Other assets	636	-	19,340	-
Total assets	**11,431**	**705**	**96,165**	**11,840**

The table below presents collateral received by asset type

Collateral received

EUR million	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other collateral received	-	1,030
Total collateral received	**-**	**1,030**

Encumbered assets and collateral received accounted for 10.5 % of the assets of the amalgamation of the Group's member cooperative bank.

Encumbered assets and associated liabilities

EUR million	Liabilities associated with encumbered assets	Encumbered assets
Covered bonds	9,010	9,987
Other secured debt	5,629	1,444

Notes to OP Financial Group Financial Statements

PILLAR III DISCLOSURES

Note 113. Leverage

Leverage ratio, EUR million	31 Dec. 2015	31 Dec. 2014
Tier 1 capital (T1)	8,316	6,544
Total exposure	114,780	102,050
Leverage ratio, %	7.2	6.4

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with the new draft rules. According to these rules, the minimum ratio is three per cent. The minimum leverage ratio is based on December-end figures.

Statement concerning the Financial Statements

We have approved the Report by the Executive Board and the Financial Statements for 1 January-31 December 2015 of OP Financial Group, a financial entity as referred to Section 9 of the Act on the Amalgamation of Deposit Banks. The Report by the Executive Board and the Financial Statements are presented to, and passed out at, the Annual Cooperative Meeting.

Helsinki, 9 February 2016

Executive Board of OP Cooperative

Reijo Karhinen OP Financial Group's President, Group Executive Chairman	Tony Vepsäläinen
Karri Alameri	Carina Geber-Teir
Jari Himanen	Olli Lehtilä
Harri Luhtala	Harri Nummela
Erik Palmén	Jouko Pölönen

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.To the members of OP Cooperative

Auditor's Report

To the members of OP Cooperative

We have audited the consolidated financial statements and the Report by the Executive Board for the year ended on 31 December 2015 of the amalgamation of OP Financial Group pursuant to the Act on the Amalgamation of Deposit Banks. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and cash flow statement and notes to the financial statements.

The Responsibility of the Executive Board and the President of OP Cooperative

The Executive Board and the President of OP Cooperative are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU in a manner explained in more detail in the notes to the financial statements, as well as for the preparation of the Report by the Executive Board that give a true and fair view in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements and on the Report by the Executive Board based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Report by the Executive Board are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the Report by the Executive Board. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and Report by the Executive Board that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Report by the Executive Board. In carrying out the audit, we also acquainted ourselves with the financial statement policies adopted by the Group's member institutions, as well as the auditors' reports submitted for the audit of the OP Financial Group's consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of OP Financial Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Report by the Executive Board

In our opinion, the Report by the Executive Board gives a true and fair view of OP Financial Group's financial performance and financial position in accordance with the laws and regulations governing the preparation of the report of the Board of Directors in Finland. The information in the Report by the Executive Board is consistent with the information in the consolidated financial statements.

Helsinki, 11 February 2016

KPMG OY AB

Raija-Leena Hankonen
Authorized Public Accountant