OP Corporate Bank plc's Half-year Financial Report 1 January–30 June 2020

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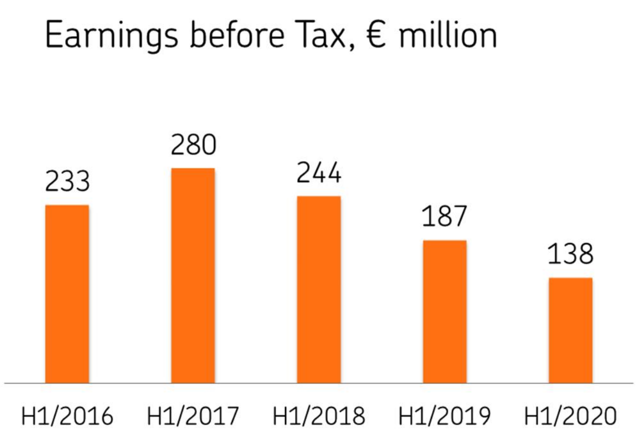
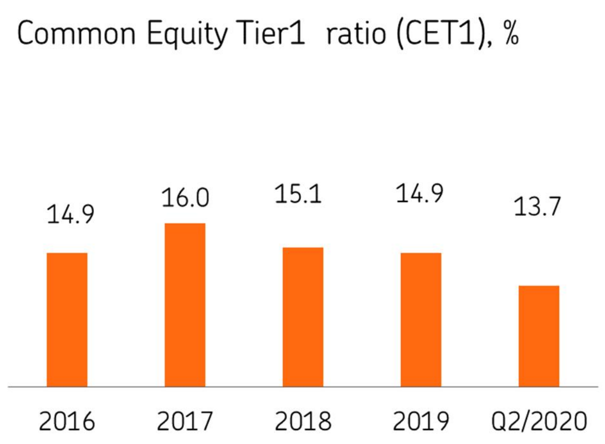
Earnings before tax H1/2020	Net interest income H1/2020	Net insurance income H1/2020	CET1 ratio 30 June 2020
€138 million	+21%	+8%	13.7%

- **Consolidated earnings** before tax were EUR 138 million (187). Total income decreased by 14% to EUR 488 million (568). Including the overlay approach, total income increased by 3% to EUR 537 million (524). Net interest income increased by 21% to EUR 165 million (136) and net insurance income by 8% to EUR 288 million (267). Impairment loss on receivables, EUR 67 million, increased by EUR 53 million year on year. The effects of the COVID-19 pandemic on capital market developments weakened investment income particularly in the first quarter. Investment income fell by 30% year on year, to EUR 75 million (106).
- **Corporate Banking** earnings before tax fell by 27% to EUR 89 million (121). Impairment loss on receivables increased by EUR 54 million to EUR 68 million (14). Net interest income increased by 9% to EUR 202 million (185) and net investment income by 17% to EUR 59 million (50). The loan portfolio grew in the year to June by 7% to EUR 24.7 billion (23.2).
- **Insurance** earnings before tax weakened by 11% to EUR 86 million (97). Net insurance income increased by EUR 21 million to EUR 288 million. Investment income fell by 71% to EUR 13 million (44). The operating combined ratio was 89.3% (92.5).
- **Other Operations** earnings before tax were EUR –36 million (–31). Liquidity remained good despite the COVID-19 crisis.
- The Group's CET1 ratio was 13.7% (14.9). The lower ratio was affected by the increase in the loan portfolio and the adoption of the new definition of default in the first quarter.

Earnings before tax, € million	H1/2020	H1/2019	Change, %	Q1–4/2019
Corporate Banking	89	121	-26.8	262
Insurance	86	97	-11.2	200
Other Operations	-36	-31	-	-50
Group total	138	187	-26.3	412
Return on equity (ROE), %	5.2	7.4	-2.3*	7.8
Return on assets (ROA), %	0.30	0.46	-0.17*	0.49
	30 Jun 2020	30 Jun 2019	Change, %	31 Dec 2019
CET1 ratio, %	13.7	13.6	0.2*	14.9
Loan portfolio, € billion	24.7	23.2	6.8	23.7
Deposits, € billion	13.6	10.4	30.1	11.1
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	0.5	0.6*	0.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.48	0.11	0.38*	0.19

Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2019 are used as comparatives.
*Change in ratio





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Business environment

The economic crisis caused by the COVID-19 pandemic escalated in the second quarter. The deepest plunge was seen in April, but the economy began to pick up in May–June when restrictions were eased.

In the financial market, the crisis came to a head already in March. Central banks reacted rapidly to increased market uncertainties and took sizeable exceptional measures to support market liquidity. In the second quarter, share prices rebounded clearly from the March bottom and bond market risk premiums fell. The uncertainty caused by the crisis also affected Euribor rates, but in June the rates dropped back close to pre-crisis levels.

The Finnish economy contracted already in the first quarter and the decline steepened further in April. While the economy began to recover in May–June, total GDP fell dramatically during the second quarter.

The sudden crisis lead to a record increase in lay-offs. Most lay-offs were temporary, however, and in June the number of people laid off was already much smaller. Based on payment card data, households cut their spending by over one-fifth in late March and early April. As restrictions were lifted and the greatest uncertainty reduced, household purchases returned to pre-crisis levels in June.

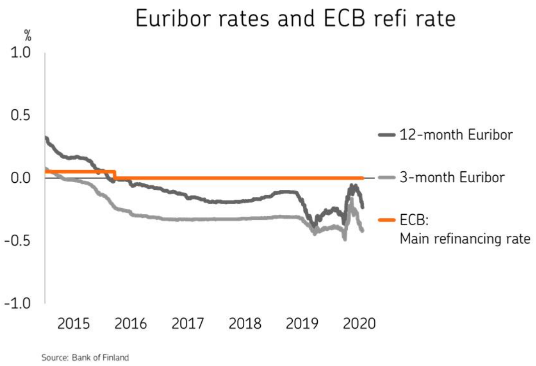
The housing market was hit hard. Home sales volumes plunged, but picked up in early summer. Home prices, in turn, were not directly affected by the crisis.

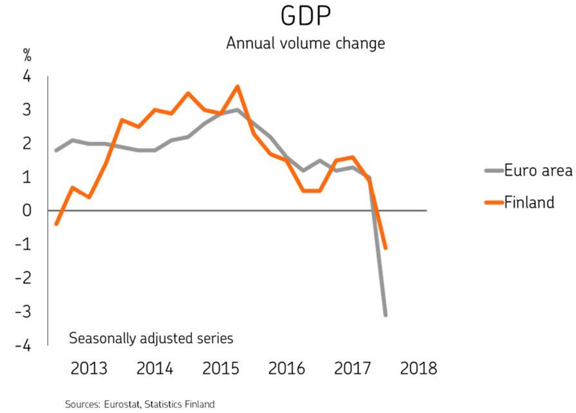
The economic outlook is still exceptionally uncertain in spite of the tentative recovery. Uncertainties in the financial market may increase rapidly if the pandemic outbreak worsens again. Recession in the export markets may also affect the Finnish economy with a lag, even if the direct effects of the pandemic gradually waned.

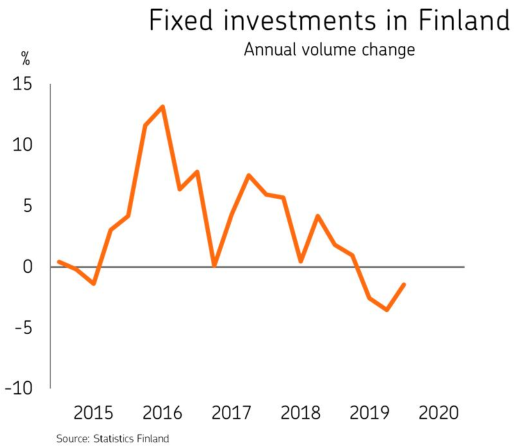
COVID-19 had a significant impact on banking in the second quarter. In April and May, the loan portfolio increased by 6.8% and the deposit portfolio by 11.2%. The growth in the loan portfolio was explained by the demand for new loans and by the repayment holidays granted. The corporate loan portfolio continued its strong growth rate, 12.1%, while the growth rate in private customer loans remained relatively stable at 3%. In April and May, the home loan portfolio grew by 2.8%.

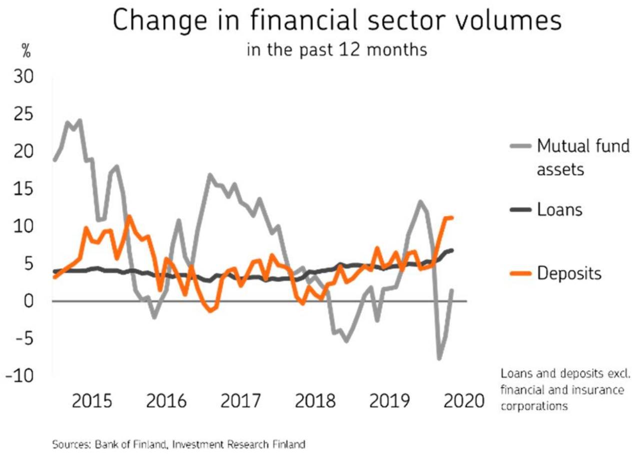
The value of the mutual funds registered in Finland increased by EUR 10.7 billion to EUR 117.2 billion in April–June. This rise was mainly due to positive value changes.

The economic slowdown caused by COVID-19 reduced the sales of some insurance lines during the second quarter, but the number of claims fell too. The sharp rise in stock prices during the second quarter supported insurance companies' investments.









Consolidated earnings

€ million	H1/ 2020	H1/ 2019	Change, %	Q2/ 2020	Q2/ 2019	Change, %	Q1–4/ 2019
Net interest income	165	136	21.3	84	69	22.1	295
Net insurance income	288	267	7.8	157	158	-0.6	402
Net commissions and fees	-5	-15	-	-6	-10	-	-28
Net investment income	25	150	-83.1	82	64	27.4	450
Other operating income	15	30	-51.0	5	20	-76.5	47
Total income	488	568	-14.1	322	302	6.7	1,165
Personnel costs	98	97	1.2	49	51	-5.2	184
Depreciation/amortisation and impairment loss	24	25	-4.9	12	13	-7.7	63
Other operating expenses	208	199	4.5	99	97	1.5	386
Total expenses	330	321	2.8	159	161	-1.3	632
Impairment loss on receivables	-67	-13	-	-18	-9	-	-51
OP bonuses to owner-customers	-2	-2	-	-1	-1	-	-4
Temporary exemption (overlay approach)	49	-44	-	-32	-6	-	-66
Total earnings before tax	138	187	-26.3	111	124	-10.4	412

January–June

Consolidated earnings before tax were EUR 138 million (187). Total income decreased by 14.1% to EUR 488 million and total expenses increased by 2.8% to EUR 330 million. Earnings were mainly increased by higher net interest income and net insurance income. Market developments caused by the COVID-19 pandemic decreased investment income particularly in the first quarter, increasing impairment loss on receivables. Earnings were also affected by the adoption of a new definition of default that increased impairment loss on receivables, and growth in expenses.

Net interest income rose to EUR 165 million (136). Growth in the Corporate Banking segment's loan portfolio and a rise in lending margins increased net interest income. In the year to June, OP Corporate Bank's loan portfolio grew by 6.8% to EUR 24.7 billion and deposits by 30.1% to EUR 13.6 billion. The deposit portfolio increased especially in the second quarter. Net insurance income rose to EUR 288 million (267). Insurance premium revenue increased by 1.9% and claims incurred decreased by 1.8%. The operating combined ratio was 89.3% (92.5) in the Insurance segment.

Net commissions and fees increased by EUR 10 million to EUR –5 million. Commission income, EUR 82 million, was EUR 2 million lower than a year ago and commission expenses, EUR 87 million, decreased by EUR 12 million. Commission income was increased by commissions and fees from securities brokerage that were higher than a year ago. It was mainly decreased by lower commission income from health and wellbeing services. Commission expenses were reduced by lower expenses from insurance operations and from health and wellbeing services.

The fees OP Corporate Bank Group pays to OP Financial Group's member cooperative banks for non-life insurance and derivatives sales increase commission expenses. Commission expenses paid to member banks decreased by EUR 1 million year on year.

Net investment income decreased by EUR 125 million to EUR 25 million. Net income from financial assets at fair value through profit or loss fell by EUR 95 million to EUR 24 million. This mainly resulted from a reduction in the fair values of equities and notes and bonds in the first quarter due to the COVID-19 pandemic. Net income from financial assets recognised at fair value through other comprehensive income decreased by EUR 26 million to EUR 12 million. Capital gains on notes and bonds that were lower than a year ago mainly decreased these items through other comprehensive income. Net investment income fell by EUR 125 million to EUR –36 million in the Insurance segment and by EUR 10 million to EUR 2 million in Other Operations, but rose by EUR 9 million to EUR 59 million in the Corporate Banking segment. A temporary exemption (overlay approach) is applied to non-life insurance equity instruments recognised at fair value through profit or loss, which improved investment income for the reporting period by EUR 49 million whereas it decreased earnings by EUR 44 million a year ago. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under equity. Including the overlay approach, Group investment income, EUR 75 million, decreased by EUR 31 million year on year. Investment income reported by the Insurance segment decreased by EUR 31 million to EUR 13 million. Return on investments by Non-life Insurance at fair value was 1.1% (6.7).

Other operating income, EUR 15 million, was EUR 15 million lower than a year ago when it was increased by the sale of the occupational healthcare service business.

Total expenses increased by EUR 9 million year on year to EUR 330 million. Personnel costs, EUR 98 million, increased by EUR 1 million. Depreciation/amortisation and impairment loss on receivables, EUR 24 million, decreased by EUR 1 million. Other operating expenses rose by EUR 9 million to EUR 208 million. This increase is mainly explained by higher ICT costs and higher year-on-year charges of financial authorities.

The impairment loss on receivables recognised that reduce earnings totalled EUR 67 million (13). Impairment loss on receivables was increased by the effects of the COVID-19 pandemic on the loan portfolio and the first quarter adoption of a new definition of default used in the impairment loss calculation. Additional factors increasing impairment loss on receivables included the update of the macroeconomic parameters used in the calculation of expected credit losses and the transfer of loans between impairment stages. Final net loan losses recognised totalled EUR 6 million (1). The ratio of non-performing exposures to the loan and guarantee portfolio rose to 1.1% (0.5). Impairment loss on loans and receivables accounted for 0.48% (0.11) of the loan and guarantee portfolio.

Comprehensive income of EUR 32 million (251) for the reporting period was decreased by changes in the fair value reserve. The fair value reserve fell by EUR 76 million to EUR –6 million from the end of 2019. The fair values of equities, and notes and bonds decreased significantly in the first quarter but rebounded in the beginning of the second quarter. The fair values of notes and bonds recognised through other comprehensive income decreased by EUR 52 million, and the fair values of equities within the scope of the overlay approach decreased by EUR 42 million.

April–June

Earnings before tax in April–June were EUR 111 million (124). Total income increased by 6.7% and total expenses decreased by 1.3%. Earnings were boosted by higher net interest income, higher net commissions and fees and lower expenses. Earnings were weakened by lower investment income and higher impairment loss on receivables and other operating income that was lower than a year ago.

Net interest income increased by 22.1% to EUR 84 million. Net insurance income weakened by EUR 1 million to EUR 157 million. Net commissions and fees were EUR –6 million, while a year ago they totalled EUR –10 million. Commission income totalled EUR 41 million (42). Commission expenses fell by EUR 4 million to EUR 47 million, reduced by lower expenses from insurance operations and from health and wellbeing services. Fees paid to member banks were EUR 4 million higher than a year ago.

Net investment income rebounded in the second quarter and grew by 27.4% to EUR 82 million. Net income from financial assets recognised at fair value through profit or loss rose by EUR 35 million to EUR 93 million. Net income from financial assets recognised at fair value through other comprehensive income decreased by EUR 8 million to EUR 1 million. Including the overlay approach applied to equity investments, which weakened investment income by EUR 32 million (–6), investment income fell by EUR 9 million year on year to EUR 50 million.

Other operating income fell by EUR 15 million year on year to EUR 5 million. A year ago, other operating income was increased by the sale of the occupational healthcare service business.

Total expenses fell year on year to EUR 159 million (161), mainly due to a 3-million euro decrease in personnel costs. ICT costs and charges of financial authorities rose year on year.

Impairment loss on receivables, EUR 18 million, increased by EUR 9 million year on year. The second-quarter increase in impairment loss on receivables was due especially to the effects of the COVID-19 pandemic on the loan portfolio and the update of the macroeconomic parameters used in calculation.

The second-quarter comprehensive income of EUR 192 million (132) was increased by changes in the fair value reserve. The fair value reserve grew by EUR 137 million since the end of March, to EUR –6 million.

Measures taken by OP Corporate Bank amid the COVID-19 crisis

During the COVID-19 crisis, OP Corporate Bank provided its SME customers with the opportunity to get a corporate loan repayment holiday if the COVID-19 pandemic has caused disruptions in their businesses. No separate fee was charged for the repayment holiday. By the end of June, OP Corporate Bank had received over five thousand applications from SMEs for changes to loan repayment schedules.

Pohjola Hospital has given its personnel's contribution in public healthcare tasks that are critical to society during the COVID-19 crisis. They have helped, for example, in tracking the chains of infection. Pohjola Hospital has paid the personnel's salaries during the time of temporary work.

OP Corporate Bank has enabled safe working conditions for its personnel in their workplace. Extensive remote working is also encouraged in those jobs where it is possible. Through these measures, OP has ensured that services critical to the society are available during the COVID-19 crisis too.

OP Corporate Bank has drawn up detailed plans for a safe, gradual and well-controlled return to in-office work. As of the beginning of June, employees have been able to return to offices so that a maximum of 30% of employees are present at the same time. After the main summer holiday season in August, OP Corporate Bank aims to return to work practices that are as normal as possible, while taking into account the safety and wellbeing of employees and customers, and business performance.

April–June highlights

OP Bank Group Pension Fund transferred the majority of its pension liability and the management of earnings-related pension insurance portfolio to Ilmarinen Mutual Pension Insurance Company on 31 December 2018. Transfer of the pension liability remaining with OP Bank Group Pension Fund is planned to take place at the end of 2020. According to the present-day estimate, the transfer would affect earnings by around EUR 50 million. The transfer has no effect on capital adequacy. The estimated figures are highly sensitive to changes in parameters and the final earnings effect cannot be confirmed until at the time of transfer. If the transfer is executed as planned, the earnings effect will be recognised as a deduction in OP Corporate Bank's personnel costs on 31 December 2020.

Corporate responsibility

OP Financial Group's core values and principles governing corporate responsibility also guide the operations of OP Corporate Bank.

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

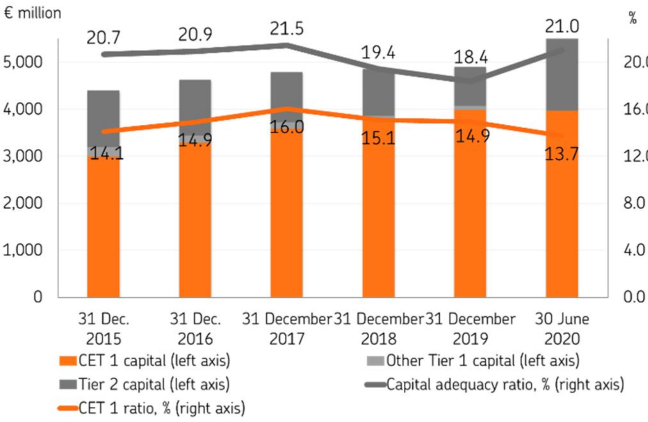
To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 27% (26) at the end of June.

In February, OP published its first Green Bond Report that contains a description of the green bond of EUR 500 million issued by OP Corporate Bank in February 2019, including examples of businesses and projects financed and the environmental impacts achieved. Proceeds raised with the green bond were used to finance renewable energy, green buildings and sustainable land use. During the first year, significant positive environmental impacts were achieved with the proceeds of the green bond. OP Corporate Bank maintains a register of corporate loans eligible for green bonds. The green bond register includes the loan amount corresponding to the green bond's size and the reserve of unallocated green assets that covers, for example, maturing loans.

In its Lunches for Families campaign launched in June 2020 and aiming to support families in need and restaurant owners, Pohjola Insurance donates 9,600 lunches to low-income families. The campaign is organised together with Hope ry.

Group's capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 13.7% (14.9) on 30 June 2020.

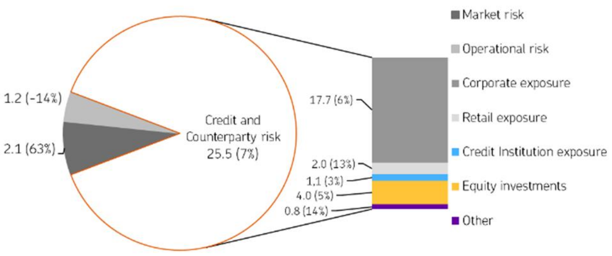
As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of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

The CET1 capital totalled EUR 4.0 billion (4.0) on 30 June 2020. Insurance business result is not included in CET1 capital.

On 30 June 2020, the risk exposure amount (REA) totalled EUR 28.9 billion (26.7), or 8.3% higher than on 31 December 2019. Because of the adoption of the new definition of default, the average corporate exposure risk weights rose as result of the risk parameters set by the European Central Bank (ECB). The corporate loan portfolio grew from the end of 2019. OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 3.9 billion (3.7) in risk-weighted assets of the Group's internal insurance holdings. Because of the adoption of the new definition of default, the risk-weighted assets of insurance holdings rose as result of the risk weighting factors set by the ECB. OP Corporate Bank Group is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In June 2020, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

Risk Exposure Amount 30 June 2020
Total €28.9 billion
(change from year end 8%)



In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include obligations, if any, imposed by the supervisor due to the ECB's targeted review of internal (IRBA) models (TRIM), and changes resulting from the update of the EU capital requirements regulation (CRR2). The ECB review of internal (IRBA) models for corporate exposures (TRIM) is expected to reduce OP Corporate Bank's CET1 ratio by around 1.3 percentage points. More detailed information on the effects is expected in the second half of 2020. The CRR2 changes are expected to reduce OP Corporate Bank's CET1 ratio by around 1.0 percentage point during 2021.

OP Financial Group has begun discussions with the ECB on reassessing the extent of the IRBA application. Based on the current estimate, the change in the extent of IRBA would not have any substantial effect on OP Corporate Bank's capital adequacy. The final effect and its schedule will be specified after discussions with the supervisor and the approval process related to the scope of IRBA.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at EUR 14.1 billion, accounting for 27% of the total risk exposure amount at the end of 2018. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio was an estimated 43% at the end of the reporting period. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

Solvency of non-life insurance companies

The solvency position of non-life insurance companies was good. The capital base was reduced by the lower value of investments. On the other hand, an increase in the discount rate decreased insurance liability while increasing the capital base.

€ million	30 Jun 2020	31 Dec 2019
Capital base, € million*	989	1,008
Solvency capital requirement (SCR), € mill.*	712	699
Solvency ratio, %*	139	144
Solvency ratio, % (excluding transitional provision)	139	144

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 June 2020

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

Pohjola Insurance Ltd's financial strength ratings on 30 June 2020

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

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

On 19 May 2020, Standard & Poor's revised the outlook on OP Corporate Bank plc's long-term credit rating from stable to negative after the trend in Finland's Banking Industry Country Risk Assessment (BICRA) changed from stable to negative. Standard & Poor's also changed the outlook on Pohjola Insurance Ltd's credit rating to negative alongside its revision of the parent company OP Corporate Bank plc.

Other ratings of OP Corporate Bank plc or Pohjola Insurance Ltd did not change during the reporting period.

Risk exposure

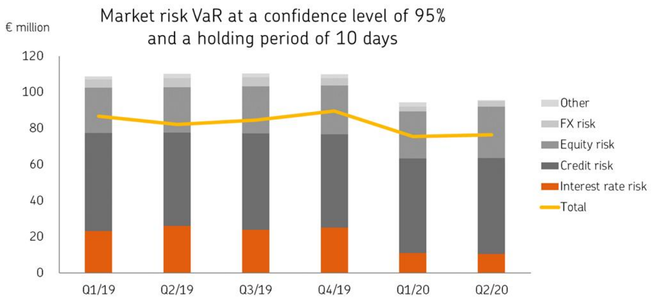
OP Corporate Bank's strategy is based on moderate risk-taking, strong capital base and responsible operations. When entering 2020, OP Corporate Bank had a strong risk-bearing capacity and sufficient capital base, capital buffers and liquidity.

The COVID-19 pandemic that spread widely in early 2020 had a global effect on societies, which has further affected economic development and operating conditions in the financial sector, including in Finland. Engaged in business covering various areas of the financial sector, OP Corporate Bank is exposed to a variety of direct and indirect business implications of the COVID-19 pandemic. If materialised, they may affect the sufficiency of capital and business continuity.

The COVID-19 pandemic affects OP Corporate Bank in three ways. Customers' success affects OP Corporate Bank Group's account funds and the credit risk and insurance risk exposure. The volume of deposit funds has increased during the crisis. The COVID-19 pandemic has weakened customers' debt-servicing capacity. The need for our personnel to protect themselves from the pandemic and the health situation may endanger the continuity of our operational business processes. The measures taken to secure the continuity of business operations have ensured that operations have continued without disruption. The view that investors in the international financial market have on the market, OP Corporate Bank and OP Financial Group may affect the availability of market-based funding. OP Corporate Bank has been able to maintain its strong liquidity and successfully execute long-term funding transactions in the market. Overall, its liquidity and capital are sufficient to secure business continuity.

The Group's funding and liquidity position is good. The availability of funding has remained good. In general, the COVID-19 crisis has been reflected in the price and availability of wholesale funding for banks.

The market risk level of the Group's long-term investments remained moderate. No major changes were made to the asset class allocation during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 77 million (90) on 30 June 2020. The VaR risk metric includes the balance sheet total of the non-life insurance company concerned, the liquidity buffer and long-term banking bond investments. The non-life insurance balance sheet total contains investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. The 2020 figures no longer include risk associated with trading nor the interest rate risk exposure of Group Treasury.



The expected shortfall (ES) metrics have been used to measure trading risk since the beginning of 2020. Expected shortfall is a risk measure similar to the VaR measure, but instead of choosing from the return distribution the smallest loss of the losses remaining outside the confidence level, the expected value of the tail is calculated under ES, i.e. one-day expected shortfall at a given confidence level.

The market risk associated with trading increased in April but then returned to the first-quarter end level.

The Group expects its operational risks to be moderate as targeted. Materialised operational risks resulted in a gross loss of approximately EUR 1.2 million (0.4) during the reporting period. From the operational risk perspective, the implications of the COVID-19 pandemic on OP Corporate Bank Group were mild during the reporting period.

Corporate Banking

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

In banking, credit risk exposure has remained stable and credit risk moderate for the time being, but the COVID-19 pandemic will weaken banking credit risk exposure in 2020. During the first half of the year, the main consequences were the increased demand for loan repayment holidays and higher impairment loss on receivables.

Due to the COVID-19 crisis, OP Corporate Bank granted repayment holidays and changes in repayment plans to corporate exposures worth a total of EUR 1.4 billion in March–June. In OP Corporate Bank's 20-tier internal system for rating corporate customers, 38% of the corporate exposures to which a repayment plan change or repayment holiday was granted were categorised in the highest nine rating grades (excellent or good creditworthiness), while 6% were in the lowest five rating grades. Of the corporate exposures involving repayment holidays or repayment plan changes, 24% concerned transportation and storage, while 20% concerned operating and renting of real estate. Services accounted for 19%, of which hotels accounted for 19%, restaurants and cafés for 12% and reservation and tourist guide services for 10%.

In March–June, expected credit losses were recognised the most for exposures of companies operating in services, trade, operating of real estate or manufacturing and industries.

Corporate Banking's interest rate risk in the banking book measured as the effect of a one-percentage point change on a 12-month net interest income was EUR -25 million at the end of June. A rise in interest rates increases interest income risk. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Forborne loans and non-performing receivables

	Performing forborne exposures (gross)		Non-performing receivables (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
More than 90 days past due, € billion			0.13	0.13	0.13	0.13	0.11	0.11	0.02	0.02
Unlikely to be paid, € billion			0.37	0.24	0.37	0.24	0.16	0.13	0.22	0.12
Forborne exposures, € billion	0.18	0.10	0.09	0.02	0.27	0.13	0.04	0.01	0.23	0.11
Total	0.18	0.11	0.59	0.39	0.78	0.50	0.30	0.25	0.47	0.25

In March 2020, OP Financial Group adopted a new definition of default, which increased the number of defaulted contracts.

Key ratios	30 Jun 2020	31 Dec 2019
Ratio of doubtful receivables to loan and guarantee portfolio, %	1.7	0.9
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	0.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.48	0.19
Ratio of performing forborne exposures to loan and guarantee portfolio, %	0.6	0.4
Ratio of performing forborne exposures to doubtful receivables, %	35.5	42.1
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	44.9	59.3

Performing forborne exposures are stated without expected credit losses. The comparatives have been adjusted.

For OP Corporate Bank plc, three customers' exposure exceeded 10% of the capital base covering customer risk, after allowances and other recognition of credit risk mitigation. Large customer risks amounted to EUR 1.6 billion.

Exposures by the Baltic operations were EUR 3.7 billion (3.8), accounting for 9.5% (9.8) of total banking exposures of the Corporate Banking segment.

Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 47 million (48). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 28 million (26).

No significant changes took place in non-life insurance's underwriting risks. Non-life insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. The Group uses derivative contracts to dampen earnings volatility caused by changes in interest rates used in insurance liability valuation.

The market risk level of investments remained moderate. No major changes were made to the asset class allocation during the reporting period. Changes in the bond portfolio and equity prices raised the risk level. The VaR, a measure of market risk, was EUR 63 million (54) on 30 June 2020.

Other Operations

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

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

OP Financial Group secures its liquidity through a liquidity buffer maintained by OP Corporate Bank and consisting mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 180% (138) at the end of the reporting period.

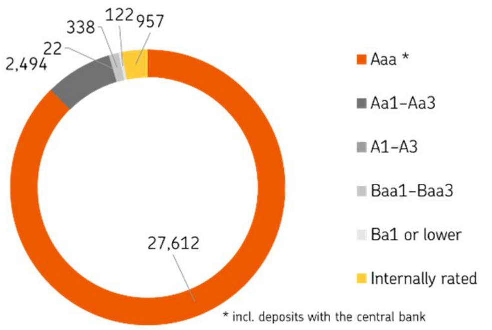
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. OP Financial Group's NSFR was 113% (111) on 31 May 2020.

Liquidity buffer

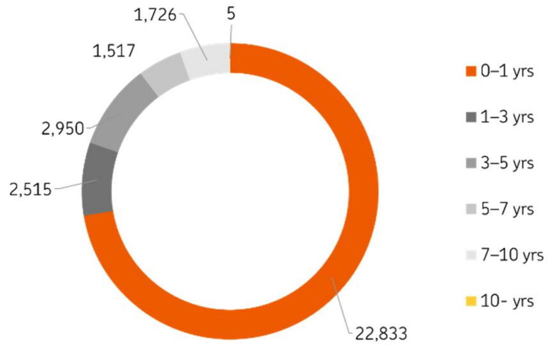
€ billion	30 Jun 2020	31 Dec 2019	Change, %
Deposits with central banks	21.8	11.9	83.5
Notes and bonds eligible as collateral	8.3	11.1	-25.1
Corporate loans eligible as collateral	-	0.0	-
Total	30.2	23.0	30.9
Receivables ineligible as collateral	1.4	2.0	-30.2
Liquidity buffer at market value	31.5	25.0	26.1
Collateral haircut	-0.6	-0.8	-33.3
Liquidity buffer at collateral value	31.0	24.2	28.2

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

Financial assets included in the liquidity buffer by credit rating on 30 June 2020, € million



Financial assets included in the liquidity buffer by maturity on 30 June 2020, € million



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the segments Other Operations and Corporate Banking, exposures of OP Financial Group represented 16.3%. These exposures decreased during the first half by EUR 1.8 billion. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

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

Corporate Banking

- Earnings before tax decreased by 26.8% to EUR 89 million due to higher impairment loss on receivables.
- Total income increased by 11.1%. Net interest income increased by 9.4%. Net investment income increased by 17.1%. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 21 million (7).
- Total expenses rose by 5.8% to EUR 125 million (118), of which the increase in ICT costs accounted for EUR 3 million and the increase in the EU stability contribution for EUR 2 million.
- The loan portfolio grew in the year to June by 6.8% to EUR 24.7 billion.
- Impairment loss on receivables increased by EUR 54 million to EUR 68 million (14). Non-performing receivables accounted for 1.1% (0.5) of the loan and guarantee portfolio.
- The most significant development investments involved the development of finance and payment systems.

Key figures and ratios

€ million	H1/2020	H1/2019	Change, %	Q1–4/2019
Net interest income	202	185	9.4	383
Net commissions and fees	11	5	110.9	11
Net investment income	59	50	17.1	115
Other operating income	10	14	-26.3	26
Total income	282	254	11.1	536
Personnel costs	30	30	-0.3	58
Depreciation/amortisation and impairment loss	7	8	-15.0	14
Other operating expenses	89	80	10.1	148
Total expenses	125	118	5.8	220
Impairment loss on receivables	-68	-14	381.3	-51
OP bonuses	-1	-1	14.6	-2
Earnings before tax	89	121	-26.8	262
Cost/income ratio, %	44.3	46.5	-2.19*	41.1
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	0.5	0.6*	0.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.49	0.11	0.38*	0.19
Return on assets (ROA), %	0.57	0.68	-0.11*	0.91
Return on assets, excluding OP bonuses, %	0.58	0.68	-0.10*	0.92
	30 Jun 2020	30 Jun 2019	Change, %	31 Dec 2019
Loan portfolio, € billion	24.7	23.2	6.8	23.7
Guarantee portfolio, € billion	3.1	2.6	19.9	3.1
Deposits, € billion	13.6	10.3	32.6	11.2

*Change in ratio.

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

Corporate Banking's loan portfolio increased in the year to June by 6.8% to EUR 24.7 billion. The guarantee portfolio totalled EUR 3.1 billion (2.6) and committed standby credit facilities amounted to EUR 3.9 billion (4.4). Demand for capital market products increased from the previous year.

During the reporting period, uncertainty caused by the COVID-19 pandemic affected Corporate Banking through capital markets and resulted in higher demand for loans. Credit spreads and volatility increased especially in the first quarter. On the other hand, trading on the capital market became more active. The effects of COVID-19 and developments in the economic environment are reflected in demand for services, the capital market and developments in the amount of impairment loss on receivables.

Financial performance for the reporting period

Corporate Banking earnings before tax fell by 26.8% to EUR 89 million (121). Total income increased by 11.1%. Total expenses increased by 5.8%. The cost/income ratio improved to 44.3% (46.5) year on year.

Net interest income grew by 9.4% to EUR 202 million (185) as a result of an increase in the loan portfolio and higher lending margins. Net commissions and fees increased to EUR 11 million (5). The increase in net commissions and fees was affected by the decrease in commissions paid to cooperative banks within OP Financial Group.

Net investment income totalled EUR 59 million, up 17.1% year on year. CVA valuation weakened earnings by EUR 21 million whereas a year ago it reduced earnings by EUR 7 million. The narrowing of credit spreads increased the valuation of the trading book in the second quarter. Income from client trading rose. Changes made in the valuation models of derivatives reduced net investment income a year ago by EUR 22 million.

Other operating income amounted to EUR 10 million (14). Impairment loss on receivables totalled EUR 68 million (14). The new definition of default adopted in March and changes in the macroeconomic parameters used in the calculation of expected credit losses contributed to the increase in impairment loss on receivables. Non-performing receivables accounted for 1.1% (0.5) of the loan and guarantee portfolio.

Total expenses were EUR 125 million (118). Personnel costs remained at the previous year's level at EUR 30 million (30). Other operating expenses increased by 10.1% to EUR 89 million. ICT costs increased by EUR 3 million and the EU stability contribution by EUR 2 million.

Insurance

- Earnings before tax decreased by 11.2% to EUR 86 million (97).
- Insurance premium revenue increased by 1.9% and claims incurred decreased by 1.6%.
- Investment income totalled EUR 13 million (44), including the overlay approach. Net return on investments at fair value totalled EUR –60 million (51).
- The operating combined ratio was 89.3% (92.5) and operating risk ratio 62.0% (64.4). The operating cost ratio was 27.3% (28.2).
- Development investments focused on development of electronic services and the core system upgrade.

Key figures and ratios

€ million	H1/2020	H1/2019	Change, %	Q1–4/2019
Insurance premium revenue	740	726	1.9	1,479
Claims incurred	451	459	-1.6	1,077
Net insurance income	288	267	7.9	402
Non-life insurance, net commissions and fees	-18	-23	-	-49
Health and wellbeing, net commissions and fees	4	5	-26.3	13
Net commissions and fees	-15	-18	-	-36
Net investment income	-36	88	-141.1	308
Other net income	-1	4	-119.2	-4
Total income	237	342	-30.7	671
Personnel costs	66	66	0.5	125
Depreciation/amortisation and impairment loss	16	17	-1.3	47
Other operating expenses	116	116	-0.7	230
Total expenses	198	199	-0.3	403
OP bonuses to owner-customers	-1	-1	-	-2
Temporary exemption (overlay approach)	49	-44	-	-66
Earnings before tax	86	97	-11.2	200
Return on assets (ROA), %	2.43	2.79	-0.36*	2.93
Return on assets, excluding OP bonuses, %	2.46	2.82	-0.36*	2.96
Operating combined ratio, %	89.3	92.5		92.7
Operating risk ratio, %	62.0	64.4		65.1
Operating cost ratio, %	27.3	28.2		27.7

* Change in ratio.

The Insurance segment comprises non-life insurance plus the health and wellbeing business, consisting of Pohjola Insurance Ltd and Pohjola Hospital Ltd. A-Insurance Ltd merged into Pohjola Insurance Ltd on 31 March 2020. Non-life insurance products include non-life products sold to corporate and private customers. The Insurance segment also includes Pohjola Hospital Ltd which runs five hospitals.

During the spring, the COVID-19 pandemic increased customer inquiries and the number of travel and business interruption insurance claims filed. In many other insurance lines, the number of claims decreased as a result of lower activity in general.

Pohjola Hospital has given its personnel's contribution in public healthcare tasks that are critical to society during the COVID-19 crisis. and various hospitals. They have helped, for example, in tracking the chains of infection.

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

Key development investments focused on the development of electronic transaction and purchase services and the non-life insurance core system upgrade.

Financial performance for the reporting period

Earnings before tax amounted to EUR 86 million (97). Net insurance income increased to EUR 288 million (267).

The operating combined ratio was 89.3% (92.5). Operating ratios do not include changes in discount rate.

Insurance premium revenue

€ million	H1/2020	H1/2019	Change, %
Private Customers	422	406	4.0
Corporate Customers	318	321	-0.8
Total	740	726	1.9

Insurance premium revenue from private customers increased and that from corporate customers decreased during the reporting period. Insurance premium revenue increased by a total of 1.9%.

Claims incurred decreased by 1.6%. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 52 (41) in January–June, with their claims incurred retained for own account totalling EUR 69 million (38). The COVID-19 pandemic in particular increased claims expenditure related to travel losses and event interruptions. Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 10 million during the reporting period while reducing it by EUR 1 million a year ago.

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 12 million (–1). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 62.0% (64.4).

Expenses decreased by 0.3%, down EUR 1 million from a year ago. The operating cost ratio (including indirect loss adjustment expenses) was 27.3% (28.2).

Investment

The value performance in the capital market was exceptionally poor because of the COVID-19 pandemic.

Investment income

€ million	H1/2020	H1/2019
At fair value through other comprehensive income	9	31
At fair value through profit or loss	-33	70
Amortised cost	-2	1
Non-life insurance items	-11	-14
Associated companies	1	0
Net investment income	-36	88
Overlay approach	49	-44
Total	13	44

Non-life insurance: key investment indicators

€ million	H1/2020	H1/2019
Net return on investments at fair value, € million*	-60	51
Return on investments at fair value, %	1.1	6.7
Fixed income investments' running yield, %	1.3	1.5
	30 Jun 2020	31 Dec 2019
Investment portfolio, € million	3,919	3,952
Investments within the investment grade category, %	90	92
A-rated receivables, minimum, %	59	61
Modified duration, %	3.5	4.0

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

Other Operations

- Earnings before tax amounted to EUR –36 million (–31).
- The EBT included EUR 1 million (6) in capital gains on notes and bonds.
- Liquidity remained good despite the COVID-19 crisis.

Key figures and ratios

€ million	H1/2020	H1/2019	Change, %	Q1–4/2019
Net interest income	-32	-37	-	-64
Net commissions and fees	-1	-1	-	-2
Net investment income	2	11	-84.7	26
Other operating income	6	3	92.3	7
Total income	-25	-23	-	-33
Personnel costs	2	1	93.4	1
Other expenses	10	8	25.9	17
Total expenses	11	9	33.3	18
Impairment loss on receivables	1	1	15.0	0
Earnings before tax	-36	-31	-	-50
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-8.1	-3.3		-3.8

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

Financial performance for the reporting period

Other Operations earnings before tax amounted to EUR –36 million (–31). Earnings before tax at fair value were EUR –57 million (–15). The widening of credit spreads due to the COVID-19 crisis reduced the fair value reserve in the first quarter. In the second quarter, the European Central Bank's stimulus measures narrowed credit spreads and the fair value reserve has thus recovered.

Net interest income was EUR –32 million (–37). Net interest income was improved by the change in the European Central Bank's deposit facility rate that came into effect in late 2019.

Net investment income totalled EUR 2 million (11). Net investment income included EUR 1 million (6) in capital gains on notes and bonds.

OP Corporate Bank's access to funding remained good. In January–June, OP Corporate Bank issued long-term bonds worth EUR 4.1 billion. In March, the wholesale funding market was disrupted due to the COVID-19 crisis and the prices of long-term unsecured wholesale funding rose fast and significantly. In the second quarter, the wholesale funding market recovered markedly, although prices did not return to pre-crisis levels. In January, OP Corporate Bank issued a senior non-preferred bond of EUR 500 million with a maturity of 7 years. In May and June, it issued two senior bonds of EUR 1 billion with a maturity of 5.25 and 4 years. In May and June, OP Corporate Bank also issued two Tier 2 bonds, one worth SEK 3.25 billion and the other worth EUR 1 billion. The Tier 2 bonds have a maturity of 10 years, but they can be called in after 5 years from the issue date.

In March, OP Corporate Bank took out a loan worth USD 500 million with a maturity of less than one year offered by the ECB to banks. In June, OP Corporate Bank participated in the third series of the ECB's targeted longer-term refinancing operations (TLTRO-III) with a total of EUR 6.0 billion.

Liquidity remained good during the reporting period despite the COVID-19 crisis. At the end of June, the average margin of senior and senior non-preferred wholesale funding and TLTRO funding was 28 basis points (22).

On 30 June 2020, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 8.1 billion higher than funding borrowed by them from Group Treasury. The change in the net position was mainly due to OP Mortgage Bank's covered bond funding which results in higher volumes of OP cooperative banks' investments in Group Treasury than before. In addition, in April the member credit institutions made a liquidity deposit in Group Treasury, enabling the allocation of the liquidity requirement to the member credit institutions.

Service development

OP Corporate Bank invests in developing its operations and improving customer experience on an ongoing basis. ICT investments make up a significant portion of the costs of developing these services.

The January–June ICT costs of OP Corporate Bank's service development and production maintenance totalled EUR 108 million (101). These include licence fees, purchased services, other external costs related to projects and in-house work. Production ICT costs increased by EUR 22 million to EUR 89 million. Total development costs declined by EUR 13 million to EUR 38 million. The capitalised development expenditure totalled EUR 20 million (17).

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

More detailed information on OP Corporate Bank's investments can be found in each business segment's section in this Half-year Financial Report.

Group restructuring

A-Insurance Ltd merged into Pohjola Insurance Ltd on 31 March 2020.

On 28 April 2020, OP Corporate Bank plc and Kaivokadun PL-hallinto Oy accepted a merger plan, according to which the latter will merge into the former. The planned date for registration of the merger is 31 October 2020.

Corporate governance and management

On 21 July 2020, the Board of Directors elected Jari Jaulimo (LL.M, Trained on the bench, MBA), Head of Transaction Banking, as new Deputy President and CEO of OP Corporate Bank. He will take up his duties on 1 August 2020 when the current Deputy President and CEO Hannu Jaatinen retires.

Personnel and remuneration

On 30 June 2020, the Group had 2,935 employees (2,675). Personnel increased from the 2019-end level in the Insurance segment in particular. The increase was chiefly caused by the transfer of OP cooperative banks' non-life insurance sales to Pohjola Insurance. In the second quarter, the recruitment of summer employees also increased personnel.

Personnel at period end

	30 Jun 2020	31 Dec 2019
Corporate Banking	800	700
Insurance	2,095	1,947
Other Operations	40	28
Total	2,935	2,675

Variable remuneration applied by OP Financial Group and OP Corporate Bank in 2020 consists of the performance-based bonus scheme and the personnel fund covering all personnel. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. OP Financial Group's remuneration statement presents more detailed information of the variable remuneration.

Outlook towards the year end

Due to the COVID-19 pandemic, the global economy declined sharply in the second quarter. However, it began to recover already in early summer as restrictions were eased. The financial market picked up during the second quarter as well, helped by central banks' sizeable support measures. While the Finnish economy directly suffered less from restrictions than the economies of many other countries, Finnish GDP also plunged in the spring.

The economic outlook is still exceptionally uncertain in spite of the tentative recovery. Uncertainties in the financial market may increase rapidly if the pandemic outbreak worsens again. Recession in the export markets may also affect the Finnish economy with a lag, even if the direct effects of the pandemic gradually waned. A recession caused by the pandemic may have lagged effects on banks and insurance companies, if customers' financial difficulties persist.

The most significant uncertainties affecting earnings performance due to the COVID-19 crisis relate to changes in the interest rate and investment environment and to the developments in impairment losses. In addition, future earnings performance will be affected by the market growth rate, change in the competitive situation and the effect of large claims on claims expenditure.

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

All forward-looking statements in this Half-year Financial Report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the business environment and the future financial performance of OP Corporate Bank Group and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Formulas for key figures and ratios

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

Alternative Performance Measures

Return on equity (ROE), %	$\frac{\text{Financial performance for the reporting period x (days of financial year/days of reporting period)}}{\text{Equity capital (average at beginning and end of period)}}$ x 100
Return on equity (ROE) excluding OP bonuses, %	$\frac{\text{(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period)}}{\text{Equity capital (average at beginning and end of period)}}$ x 100
Return on assets (ROA), %	$\frac{\text{Financial performance for the reporting period x (days of financial year/days of reporting period)}}{\text{Average balance sheet total (average at beginning and end of period)}}$ x 100
Return on assets (ROA) excluding OP bonuses, %	$\frac{\text{(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period)}}{\text{Average balance sheet total (average at beginning and end of period)}}$ x 100
Investment income	Net investment income + Overlay approach
Loan portfolio	Balance sheet item Receivables from customers excluding guarantee receivables
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	$\frac{\text{Impairment loss on receivables x (days of financial year/days of reporting period)}}{\text{Loan and guarantee portfolio at period end}}$ x 100
Deposits	Deposits included in balance sheet item Liabilities to customers
Cost/income ratio, %	$\frac{\text{Total expenses}}{\text{Total income}}$ x 100
Coverage ratio, %	$\frac{\text{Loss allowance}}{\text{Receivables from customers (on-balance-sheet and off-balance-sheet items)}}$ x 100
Default capture rate, %	$\frac{\text{New defaulted contracts at step 2 a year ago}}{\text{New defaulted contracts during the period}}$ x 100

Non-life insurance key ratios

Operating loss ratio, %	Claims incurred, excl. changes in reserving bases and amortisation on intangible assets arising from company acquisitions / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating expense ratio, %	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	
Operating risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. changes in reserving bases	x 100
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases	x 100

Indicators based on a separate calculation

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

Ratio of non-performing receivables to loan and guarantee portfolio, %	Non-performing receivables (net)** / Loan and guarantee portfolio at period end	x 100
Ratio of doubtful receivables to loan and guarantee portfolio, %	Doubtful receivables (net)*** / Loan and guarantee portfolio at period end	x 100
Ratio of performing forborne exposures to loan and guarantee portfolio, %	Performing forborne exposures (net)*** / Loan and guarantee portfolio at period end	x 100
Ratio of performing forborne exposures to doubtful receivables, %	Performing forborne exposures (net)*** / Doubtful receivables at period end	x 100
Guarantee and loan portfolio	Guarantee portfolio + loan portfolio	
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	Loss allowance for receivables from customers in the balance sheet / Doubtful receivables at period end	x 100

*Transitional provisions have been taken into account in the FiCo solvency.
**Non-performing receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne receivables related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties.
***Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

Non-life insurance operating result

€ million	H1/2020	H1/2019	Q1-4/2019
Insurance premium revenue	740	726	1,478
Claims incurred	514	518	1,060
Operating expenses	147	154	311
Balance on technical account	79	54	107
Reduction in discount rate			-136
Investment income and expenses	-33	87	307
Other income and expenses	-3	-12	-23
Earnings before tax	43	130	255
Temporary exemption (overlay approach)	48	-40	-65
Earnings before tax	90	89	190

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

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	30 Jun 2020	31 Dec 2019
OP Corporate Bank Group's equity	4,386	4,374
The effect of insurance companies on the Group's equity is excluded	-196	-202
Fair value reserve, cash flow hedge	-3	0
Common Equity Tier 1 (CET1) before deductions	4,186	4,171
Intangible assets	-46	-51
Excess funding of pension liability and valuation adjustments	-31	-26
Planned profit distribution and profit distribution unpaid for the previous period		
Shortfall of ECL minus expected losses	-146	-112
CET1 capital	3,964	3,982
Hybrid capital to which transitional provision is applied	55	82
Additional Tier 1 capital (AT1)	55	82
Tier 1 capital (T1)	4,019	4,064
Debenture loans	2,053	811
Excess of ECL minus expected losses		26
Tier 2 capital (T2)	2,053	837
Total capital	6,072	4,900

Risk exposure amount, € million	30 Jun 2020	31 Dec 2019
Credit and counterparty risk	25,296	23,753
Standardised Approach (SA)	3,043	2,687
Central government and central banks exposure	107	78
Credit institution exposure	7	8
Corporate exposure	2,868	2,540
Retail exposure	0	8
Equity investments	8	8
Other	52	45
Internal Ratings-based Approach (IRB)	22,141	21,066
Credit institution exposure	1,056	1,023
Corporate exposure	14,856	14,148
Retail exposure	1,962	1,725
Equity investments	3,955	3,772
Other	425	399
Market and settlement risk (Standardised Approach)	2,131	1,309
Operational risk (Standardised Approach)	1,190	1,387
Valuation adjustment (CVA)	242	191
Other risks		11
Total risk exposure amount	28,859	26,651

Ratios, %	30 Jun 2020	31 Dec 2019
CET1 capital ratio	13.7	14.9
Tier 1 ratio	13.9	15.2
Capital adequacy ratio	21.0	18.4

Ratios, fully loaded, %	30 Jun 2020	31 Dec 2019
CET1 capital ratio	13.7	14.9
Tier 1 ratio	13.9	14.9
Capital adequacy ratio	20.8	18.1

Capital requirement, EUR million	30 Jun 2020	31 Dec 2019
Capital base	6,072	4,900
Capital requirement	3,032	2,824
Buffer for capital requirements	3,039	2,077

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the changing capital conservation buffers by country for foreign exposures.

Income statement

EUR million	Notes	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Net interest income	2	165	136	84	69
Net insurance income	3	288	267	157	158
Net commissions and fees	4	-5	-15	-6	-10
Net investment income	5	25	150	82	64
Other operating income		15	30	5	20
Total income		**488**	**568**	**322**	**302**
Personnel costs		98	97	49	51
Depreciation/amortisation		24	25	12	13
Other expenses	6	208	199	99	97
Total expenses		**330**	**321**	**159**	**161**
Impairments loss on receivables	7	-67	-13	-18	-9
OP bonuses to owner-customers		-2	-2	-1	-1
Temporary exemption (overlay approach)		49	-44	-32	-6
Earnings before tax		**138**	**187**	**111**	**124**
Income tax expense		26	34	21	21
Profit for the period		**112**	**154**	**90**	**103**
Attributable to:					
Profit for the period attributable to owners		112	152	91	102
Profit for the period attributable to non-controlling interest		1	2	-1	1
Profit for the period		**112**	**154**	**90**	**103**

Statement of comprehensive income

EUR million	Notes	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Profit for the period		**112**	**154**	**90**	**103**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-6	-13	-30	-8
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-53	89	140	38
Cash flow hedge		3	0	-5	0
Temporary exemption (overlay approach)		-45	45	36	6
Translation differences			0		
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		1	3	-4	2
Items that may be reclassified to profit or loss					
Measurement at fair value		11	-18	-28	-8
Cash flow hedge		-1	0	1	0
Temporary exemption (overlay approach)		9	-9	-7	-1
Total comprehensive income for the period		**32**	**251**	**192**	**132**
Attributable to:					
Total comprehensive income for the period attributable to owners		31	248	193	131
Total comprehensive income for the period attributable to non-controlling interests		1	2	-1	1
Total comprehensive income for the period		**32**	**251**	**192**	**132**

Balance sheet

EUR million	Notes	30 June 2020	31 Dec 2019
Cash and cash equivalents		21,883	11,914
Receivables from credit institutions		9,108	9,126
Derivative contracts	15	5,522	4,874
Receivables from customers		25,101	23,829
Investment assets		18,751	17,174
Intangible assets		709	709
Property, plant and equipment (PPE)		114	114
Other assets		2,074	1,334
Tax assets		56	51
Total assets		**83,318**	**69,126**
Liabilities to credit institutions		25,478	15,334
Derivative contracts		4,689	3,882
Liabilities to customers		17,262	15,503
Insurance liabilities	8	3,532	3,234
Debt securities issued to the public	9	22,520	22,726
Provisions and other liabilities		2,254	2,148
Tax liabilities		425	452
Subordinated liabilities		2,771	1,474
Total liabilities		**78,931**	**64,752**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	10	-6	70
Other reserves		1,093	1,093
Retained earnings		2,816	2,710
Non-controlling interests		**57**	**74**
Total equity capital		**4,387**	**4,374**
Total liabilities and equity capital		**83,318**	**69,126**

Statement of changes in equity capital

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2019	428	-12	1,093	2,559	4,067	80	4,147
Total comprehensive income for the period		107		141	248	2	251
Profit for the period				152	152	2	154
Other comprehensive income		107		-10	97		97
Profit distribution				-173	-173	-5	-177
Other			0	0	0	0	0
Balance at 30 June 2019	428	95	1,093	2,528	4,143	78	4,221

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2020	428	70	1,093	2,710	4,299	74	4,374
Total comprehensive income for the period		-76		107	31	1	32
Profit for the period				112	112	1	112
Other comprehensive income		-76		-4	-80		-80
Profit distribution						-1	-1
Other				0	0	-17	-18
Balance at 30 June 2020	428	-6	1,093	2,816	4,330	57	4,387

Cash flow statement

EUR million	Q1–2 2020	Q1–2 2019
Cash flow from operating activities		
Profit for the period	112	154
Adjustments to profit for the period	-20	111
Increase (-) or decrease (+) in operating assets	**-5,110**	**-1,048**
Receivables from credit institutions	-876	451
Derivative contracts	-592	-39
Receivables from customers	-1,354	-848
Investment assets	-1,550	-206
Other assets	-737	-406
Increase (+) or decrease (-) in operating liabilities	**11,892**	**-687**
Liabilities to credit institutions	10,047	1,370
Derivative contracts	-287	17
Liabilities to customers	1,759	-2,425
Insurance liabilities	58	119
Provisions and other liabilities	315	231
Income tax paid	-37	-45
Dividends received	11	13
A. Net cash from operating activities	**6,848**	**-1,501**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	
Purchase of PPP and intangible assets	-1	-18
Proceeds from sale of PPE and intangible assets	0	1
B. Net cash used in investing activities	**-1**	**-17**
Cash flow from financing activities		
Increases in subordinated liabilities	1,312	
Decreases in subordinated liabilities	-9	
Increases in debt securities issued to the public	16,520	15,417
Decreases in debt securities issued to the public	-16,253	-15,728
Increases in cooperative and share capital	4	
Dividends paid and interest on cooperative capital	0	-173
Lease liabilities	-3	
C. Net cash used in financing activities	**1,570**	**-483**
Net change in cash and cash equivalents (A+B+C)	**8,417**	**-2,002**
Cash and cash equivalents at period-start	**12,902**	**13,355**
Effect of foreign exchange rate changes	657	
Cash and cash equivalents at period-end	**21,976**	**11,353**
Interest received	**509**	**532**
Interest paid	**-380**	**-424**
Cash and cash equivalents		
Liquid assets	21,883	10,468
Receivables from credit institutions payable on demand	93	885
Total	**21,976**	**11,353**

Segment reporting

Segment information

Q1–2 earnings 2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	202	-3	-32	-2	165
of which internal net income before tax	-6	0	0	6	
Net insurance income	0	288	0	0	288
Net commissions and fees	11	-15	-1	0	-5
Net investment income	59	-36	2	1	25
Other operating income	10	2	6	-4	15
Total income	**282**	**237**	**-25**	**-6**	**488**
Personnel costs	30	66	2	0	98
Depreciation/amortisation	7	16	1	0	24
Other operating expenses	89	116	9	-5	208
Total expenses	**125**	**198**	**11**	**-5**	**330**
Impairments loss on receivables	-68	0	1	0	-67
OP bonuses to owner-customers	-1	-1	0	0	-2
Temporary exemption (overlay approach)	0	49	0	0	49
Earnings before tax	**89**	**86**	**-36**	**-1**	**138**

Q1–2 earnings 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	185	-10	-37	-2	136
of which internal net income before tax	-1	-7	8	0	0
Net insurance income	0	267	0	0	267
Net commissions and fees	5	-18	-1	-1	-15
Net investment income	50	88	11	0	150
Other operating income	14	14	3	-1	30
Total income	**254**	**342**	**-23**	**-5**	**568**
Personnel costs	30	66	1	0	97
Depreciation/amortisation	8	17	1	0	25
Other operating expenses	80	116	7	-5	199
Total expenses	**-118**	**-199**	**-9**	**5**	**-321**
Impairments loss on receivables	-14	0	1	0	-13
OP bonuses to owner-customers	-1	-1	0	0	-2
Temporary exemption (overlay approach)	0	-44	0	0	-44
Earnings before tax	**121**	**97**	**-31**	**0**	**187**

Balance sheet 30 June 2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Cash and cash equivalents	41	0	21,842	0	21,883
Receivables from credit institutions	110	733	9,011	-746	9,108
Derivative contracts	5,219	68	241	-7	5,522
Receivables from customers	25,498	0	356	-753	25,101
Investment assets	705	3,501	14,585	-40	18,751
Intangible assets	40	651	18	0	709
Property, plant and equipment (PPE)	4	108	2	0	114
Other assets	610	867	604	-7	2,074
Tax assets	0	8	48	0	56
Total assets	**32,227**	**5,936**	**46,708**	**-1,553**	**83,318**
Liabilities to credit institutions	697	0	25,524	-744	25,478
Derivative contracts	4,161	2	534	-8	4,689
Liabilities to customers	13,669	136	4,203	-746	17,262
Insurance liabilities	0	3,532	0	0	3,532
Debt securities issued to the public	886	0	21,673	-40	22,520
Provisions and other liabilities	1,054	486	728	-14	2,254
Tax liabilities	1	69	355	0	425
Subordinated liabilities	-17	135	2,653	0	2,771
Total liabilities	**20,452**	**4,360**	**55,671**	**-1,552**	**78,931**
Equity					**4,387**

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

Notes

Note 1. Accounting policies

The Half-year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the consolidated financial statements 2019.

The Half-year Financial Report is based on unaudited figures. Given that all figures in the Half-year Financial Report have been rounded off, the sum total of individual figures may deviate from the presented sums.

The Half-year Financial Report is available in Finnish, English and Swedish. The Finnish version of the Report is official and will be used if there is any discrepancy between the language versions.

Critical accounting estimates and judgements

The preparation of the Half-year Financial Report 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. In preparing the Half-year Financial Report, management judgment has been used especially in the calculation of expected credit losses.

The determination of the measurement models for expected credit losses (ECL) involves several factors requiring management judgement, such as:

- selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- different assumptions and expert assessments made in the models
- selection of the estimation methods of the parameters for the ECL models
- determination of the contract's maturity for non-maturing loans (revolving credit facilities)
- determination of model risk associated with the quality of the available modelling data and other data
- proper grouping of contracts into different segments so that their ECL can be calculated using the appropriate model
- selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default
- forecasting future macroeconomic scenarios and their probabilities.

Management judgement has also been used in the assessment of a significant increase in credit risk, such as in:

- the expert assessment used in the assessment of change in relative credit risk associated with private customers to ensure a true number of contracts that move to stage 2 before moving to stage 3 (so-called default capture rate)
- the selection of the absolute threshold that is based on historical default behaviour and OP Corporate Bank's credit risk process
- the determination of the length of a period during which the customer must prove proper payment behaviour so that the impairment stage 3 can improve to stage 2 or 1.

The actual calculation of ECL figures is performed using the ECL models without management judgement, except if a large corporate exposure in stage 3 is involved, in which case the ECL is calculated using the cash flow based ECL method based on expert assessment.

Note 7 Impairment loss on receivables includes information on choices made in calculating expected credit losses during the coronavirus crisis.

Goodwill and assets with indefinite useful lives are subject to an annual impairment test or whenever there is any indication that the value of the cash-generating unit applied in testing in may have lowered. 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 of the discount rate level applied in calculating their present value. A total of EUR 419 million in goodwill and EUR 162 million in the value of brands are covered by impairment tests. In the reporting period, the cash flow forecasts of cash-generating units for the upcoming five years were updated, and the change was compared to the corresponding forecasts at the time of testing in 2019. Despite the COVID-19 crisis, expectations on future cash flows did not change markedly during the reporting period, so there were no such indications of impairment that would have required the performance of new actual impairment tests.

Definition of default

In the IFRS 9 based calculation, OP Corporate Bank applies the same definition of default as in internal credit risk models (IRB). OP Corporate Bank assesses default using its internal rating system based on payment behaviour. For private customers, the definition of default is applied on a contract-by-contract basis whereas corporate customers are reviewed in terms of a group of connected clients. A customer is classified as a default customer when it is probable that the customer will not pay their loan obligations in full without OP Corporate Bank resorting to measures (e.g. realisation of collateral) or no later than when payment related to financial assets is more than 90 days past due.

The definition of default is based on Article 178 of Regulation No. 575/2013 (CRR) of the European Parliament and of the Council.

In the first quarter of 2020, OP Corporate Bank adopted the European Banking Authority's (EBA) guidelines on the application of the definition of default (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013: EBA/GL/2016/07 and EBA/RTS/2016/06). The Guidelines harmonise the definition of default applied by European banks on their customers. The process in accordance with the Guidelines recognises default earlier, for example, based on the unlikeliness to pay criteria that include, for example, payment defaults registered in external credit registers or granted forbearance where the present value of the loan decreases by more than 1 per cent. The Guidelines also extend default among private customers to all credit obligations of an obligor when a significant proportion (20%) of private customer exposures are defaulted. In addition, the materiality threshold for exposures of over 90 days past due has been lowered to 100 euros and 1 per cent of the contract's or the customer's balance sheet exposures in retail exposures and to 500 euros and 1 per cent of the contract's or the customer's balance sheet exposures in exposures other than retail exposures.

The customer's default ends when it no longer meets the criteria for the definition of default and the subsequent probation period of 6–12 months has ended.

OP Corporate Bank will apply a so-called two-step approach of the EBA Guidelines. The first step involved the change of the definition of default during the first quarter of 2020. The second step to be taken later involves the calibration of credit risk parameters. The adoption of the first step increased the number of defaulted exposures and that of the number of transfers to impairment stage 3. Expected credit losses increased by 13 million euros, which was recognised as a change in the accounting estimate in profit or loss. Impairment loss on receivables is presented in Note 7.

Calculation of expected credit loss on notes and bonds

OP Corporate Bank used two separate models in the calculation of the expected credit loss on notes and bonds. The primary model was the Bloomberg tool. For the bonds that the Bloomberg tool did not support on each ECL measurement date, OP Corporate Bank used its own model based on credit rating information.

On 30 June 2020, OP Corporate Bank discontinued the use of the Bloomberg tool and started using only its own model based on credit rating information. This model is based on external credit ratings and, where these are not available, OP Corporate Bank's internal ratings. OP Corporate Bank's model based on credit rating information takes better account of collateral in the LGD component and ensures the transfer of notes and bonds between impairment stages at the right time. In addition, the model harmonises and speeds up the calculation process. The change of model had no major effect on the amount of expected credit loss on notes and bonds.

Notes to the income statement

Note 2. Net interest income

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Interest income				
Receivables from credit institutions				
Interest	11	8	7	4
Negative interest	8	7	6	3
Total	19	15	12	8
Receivables from customers				
Loans	180	166	92	85
Finance lease receivables	18	15	9	8
Impaired loans and other commitments	0	0	0	
Negative interest	11	7	6	3
Total	210	188	107	95
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	0
At fair value through other comprehensive income	33	42	16	20
Amortised cost	0		0	
Total	33	42	16	21
Derivative contracts				
Fair value hedge	-48	-52	-22	-26
Cash flow hedge		0		0
Ineffective portion of cash flow hedge		0		0
Other	2	2	1	1
Total	-45	-49	-21	-24
Other	4	2	2	1
Total	**221**	**198**	**116**	**100**
Interest expenses				
Liabilities to credit institutions				
Interest	39	45	20	24
Negative interest	36	35	20	17
Total	75	80	41	41
Liabilities to customers	8	8	4	4
Notes and bonds issued to the public	87	85	43	42
Subordinated liabilities				
Subordinated loans	2	2	1	1
Other	24	22	13	11
Total	26	24	14	12
Derivative contracts				
Cash flow hedge	-83	-77	-39	-39
Other	-60	-60	-29	-29
Total	-142	-138	-68	-69
Other	2	2	1	1
Total	**57**	**62**	**35**	**31**
Net interest income before fair value adjustment under hedge accounting	**164**	**136**	**81**	**69**
Hedging derivatives	17	22	3	18
Value changes of hedged items	-16	-22	-1	-18
Total	**165**	**136**	**84**	**69**

Note 3. Net insurance income

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Net insurance premium revenue				
Premiums written	955	946	294	305
Insurance premiums ceded to reinsurers	6	0	13	11
Change in provision for unearned premiums	-238	-236	61	52
Reinsurers' share	17	16	5	4
Total	739	726	372	372
Net non-life insurance claims				
Claims paid	-487	-523	-232	-230
Insurance claims recovered from reinsurers	13	10	8	1
Change in provision for unpaid claims	28	55	16	15
Reinsurers' share	-3	0	-6	1
Total	-449	-457	-214	-213
Other non-life insurance items	-3	-2	-1	-1
Total	**288**	**267**	**157**	**158**

Note 4. Net commissions and fees

Q1-2 2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q2 2019
Commission income						
Lending	23		0	-1	22	11
Deposits	1		0	0	1	1
Payment transfers	12		0	-1	12	6
Securities brokerage	15				15	6
Securities issuance	4		0	0	4	3
Mutual funds	0		0		0	0
Asset management	7			0	7	4
Legal services	0				0	0
Guarantees	6		0	0	6	3
Insurance brokerage		6			6	3
Health and wellbeing services		6		0	6	3
Other	3		0	0	3	2
Total	**71**	**12**	**0**	**-1**	**82**	**41**
Commission expenses						
Payment transfers	1	1	0	0	1	0
Securities brokerage	2		0	0	2	1
Securities issuance	1		0		1	1
Mutual funds		0			0	0
Asset management	2	0	1		2	1
Insurance operations		24		0	24	10
Health and wellbeing services		2		0	2	1
Other*	54	0	0	0	54	33
Total	**60**	**27**	**1**	**-1**	**87**	**47**
Total net commissions and fees	**11**	**-15**	**-1**	**0**	**-5**	**-6**

* The item includes EUR 50 million in commission expenses paid to member banks arising from derivatives trading. In April–June, commissions paid totalled EUR 30 million.

Q1-2 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q2 2019
Commission income						
Lending	22	0	0	-1	21	11
Deposits	1		0	0	1	0
Payment transfers	12		0	0	11	6
Securities brokerage	10		0	0	10	4
Securities issuance	4		0	0	4	2
Mutual funds	0		0		0	0
Asset management	6			0	6	3
Legal services	0				0	0
Guarantees	6		0	0	6	3
Insurance brokerage		7			7	3
Health and wellbeing services		11		0	11	5
Other	7		0	0	7	4
Total	**68**	**17**	**0**	**-2**	**84**	**42**
Commission expenses						
Payment transfers	1	1	0	0	1	0
Securities brokerage	4			0	4	2
Securities issuance	2		0		2	1
Asset management	1	0	0		2	1
Insurance operations		29			29	16
Health and wellbeing services		6			6	3
Other*	55	0	0	0	56	28
Total	**63**	**36**	**1**	**-1**	**99**	**51**
Total net commissions and fees	**5**	**-18**	**-1**	**-1**	**-15**	**-10**

* The item includes EUR 52 million in commission expenses paid to member banks arising from derivatives trading. In April–June, commissions paid totalled EUR 27 million.

Note 5. Net investment income

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	15	19	8	9
Other income and expenses	-2	-2	-1	-1
Capital gains and losses	6	18	3	3
Currency fair value gains and losses	-1	1	-5	-3
Impairment losses and their reversal*	-7	2	-4	2
Total	**12**	**38**	**1**	**9**

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

	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	1	3	-1	1
Fair value gains and losses	-2	5	5	2
Total	-1	8	5	3
Shares and participations				
Fair value gains and losses	0	1	-1	1
Dividend income and share of profits	2	0	0	0
Total	1	1	0	1
Derivatives				
Interest income and expenses	11	4	12	6
Fair value gains and losses	46	43	40	35
Total	57	47	52	41
Total	**58**	**55**	**57**	**46**
Financial assets that must measured at fair value through profit or loss				
Notes and bonds				
Interest income	1	1	1	1
Fair value gains and losses	3	1	5	0
Total	4	2	5	1
Shares and participations				
Fair value gains and losses	-47	49	29	6
Dividend income and share of profits	9	13	2	5
Total	-38	62	31	11
Total	**-34**	**63**	**36**	**12**
Total net income from financial assets recognised at fair value through profit or loss	**24**	**119**	**93**	**57**

Net income from investment property				
Rental income	13	13	6	7
Fair value gains and losses	2	6	-2	3
Maintenance charges and expenses	-16	-10	-9	-5
Other	1	-2	0	-1
Net income from investment property total	0	7	-4	4
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	1	2	0	1
Interest expenses	-1	0	-1	0
Impairment losses and their reversal	0	-1	-1	0
Loans and receivables total	0	1	-2	1
Non-life insurance				
Unwinding of discount, Non-life Insurance	-11	-14	-6	-7
Associated companies				
Consolidated using the equity method	1	0	0	0
Total	1	0	0	0
Total net investment income	**25**	**150**	**82**	**64**

Note 6. Other operating expenses

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
ICT costs				
Production	89	67	45	32
Development	19	34	8	19
Buildings	0	4	0	1
Government charges and audit fees	34	27	10	8
Purchased services	17	17	9	9
Data communications	5	5	3	2
Marketing	5	6	3	3
Corporate social responsibility	1	1	1	1
Insurance and security costs	2	2	1	1
Other	35	37	19	21
Total	**208**	**199**	**99**	**97**

Development costs

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
ICT development costs	19	34	8	19
Share of own work	0	1	0	0
Total development costs in the income statement	**19**	**35**	**8**	**19**
Capitalised ICT costs	20	17	11	8
Capitalised share of own work		0		0
Total capitalised development costs	**20**	**17**	**11**	**8**
Total development costs	**38**	**51**	**19**	**27**
Depreciation/amortisation and impairment loss	19	19	10	9

Note 7. Impairment losses on receivables

EUR million	Q1–2 2020	Q1–2 2019	Q2 2020	Q2 2019
Receivables written down as loan and guarantee losses	-7	-1	-1	0
Recoveries of receivables written down	0	0	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-61	-13	-19	-9
Expected credit losses (ECL) on notes and bonds*	1	1	2	0
Total	**-67**	**-13**	**-18**	**-9**

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 30 June 2020

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Corporate Banking	25,601	1,498	332	1,830	588	28,019
Total	**25,601**	**1,498**	**332**	**1,830**	**588**	**28,019**
Off-balance-sheet limits						
Corporate Banking	9,257	463	139	602	68	9,926
Total	**9,257**	**463**	**139**	**602**	**68**	**9,926**
Other off-balance-sheet commitments						
Corporate Banking	6,182	293		293	108	6,584
Total	**6,182**	**293**		**293**	**108**	**6,584**
Notes and bonds						
Other Operations	14,132	44		44		14,176
Insurance	2,296	21		21	9	2,326
Total	**16,428**	**65**		**65**	**9**	**16,502**
Total exposures within the scope of accounting for expected credit losses	**57,468**	**2,319**	**471**	**2,790**	**773**	**61,031**

Loss allowance by stage 30 June 2020

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-34	-28	-2	-30	-284	-348
Total	**-34**	**-28**	**-2**	**-30**	**-284**	**-348**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-2		-2	-18	-22
Total	**-3**	**-2**		**-2**	**-18**	**-22**
Notes and bonds***						
Other Operations	-2	-1		-1		-2
Insurance	-3	-1		-1	-3	-7
Total notes and bonds	**-5**	**-2**		**-2**	**-3**	**-10**
Total	**-42**	**-31**	**-2**	**-34**	**-305**	**-381**

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

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

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

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

Summary and key indicators 30 June 2020	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	41,040	2,255	471	2,726	764	44,529
Loss allowance						
Corporate Banking	-37	-30	-2	-32	-302	-371
Coverage ratio, %						
Corporate Banking	-0.09%	-1.31%	-0.51%	-1.17%	-39.50%	-0.83%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**41,040**	**2,255**	**471**	**2,726**	**764**	**44,529**
Total loss allowance	**-37**	**-30**	**-2**	**-32**	**-302**	**-371**
Total coverage ratio, %	**-0.09%**	**-1.31%**	**-0.51%**	**-1.17%**	**-39.50%**	**-0.83%**
Carrying amount, notes and bonds						
Other Operations	14,132	44		44		14,176
Insurance	2,296	21		21	9	2,326
Loss allowance						
Other Operations	-2	-1		-1		-2
Insurance	-3	-1		-1	-3	-7
Coverage ratio, %						
Other Operations	-0.01%	-1.90%		-1.90%		-0.02%
Insurance	-0.14%	-3.95%		-3.95%	-38.48%	-0.32%
Total notes and bonds	**16,428**	**65**		**44**	**9**	**16,502**
Total loss allowance	**-5**	**-2**		**-1**	**-3**	**-10**
Total coverage ratio, %	**-0.03%**	**-2.57%**		**-1.90%**	**-38.48%**	**-0.06%**

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

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Corporate Banking	25,103	1,388	306	1,693	384	27,180
Total	**25,103**	**1,388**	**306**	**1,693**	**384**	**27,180**
Off-balance-sheet limits						
Corporate Banking	4,674	318	151	470	60	5,204
Total	**4,674**	**318**	**151**	**470**	**60**	**5,204**
Other off-balance-sheet commitments						
Corporate Banking	7,011	1,216		1,216	70	8,297
Total	**7,011**	**1,216**		**1,216**	**70**	**8,297**
Notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	1,990	2		2	5	1,998
Total	**14,250**	**95**		**95**	**5**	**14,350**
Total exposures within the scope of accounting for expected credit losses	**51,038**	**3,017**	**457**	**3,474**	**519**	**55,031**

Loss allowance by stage 31 December 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-25	-18	-3	-21	-248	-294
Total	**-25**	**-18**	**-3**	**-21**	**-248**	**-294**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-4		-4	-10	-16
Total	**-2**	**-4**		**-4**	**-10**	**-16**
Notes and bonds***						
Other Operations	-2	-1		-1		-3
Insurance	-2	0		0	-3	-5
Total notes and bonds	**-4**	**-1**		**-1**	**-3**	**-8**
Total	**-31**	**-24**	**-3**	**-27**	**-260**	**-318**

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

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

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

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

Summary and key indicators 31 December 2019	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	36,788	2,922	457	3,379	514	40,681
Loss allowance						
Corporate Banking	-27	-22	-3	-26	-258	-310
Coverage ratio, %						
Corporate Banking	-0.07%	-0.77%	-0.71%	-0.76%	-50.12%	-0.76%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**36,788**	**2,922**	**457**	**3,379**	**514**	**40,681**
Total loss allowance	**-27**	**-22**	**-3**	**-26**	**-258**	**-310**
Total coverage ratio, %	**-0.07%**	**-0.77%**	**-0.71%**	**-0.76%**	**-50.12%**	**-0.76%**
Carrying amount, notes and bonds						
Other Operations	12,259	93		93		12,352
Insurance	1,990	2		2	5	1,998
Loss allowance						
Other Operations	-2	-1		-1		-3
Insurance	-2	0		0	-3	-5
Coverage ratio, %						
Other Operations	-0.02%	-0.81%		-0.81%		-0.02%
Insurance	-0.09%	-18.51%		-18.51%	-53.78%	-0.24%
Total notes and bonds	**14,250**	**95**		**95**	**5**	**14,350**
Total loss allowance	**-4**	**-1**		**-1**	**-3**	**-8**
Total coverage ratio, %	**-0.03%**	**-1.18%**		**-1.18%**	**-53.78%**	**-0.06%**

The following flow statements shows the changes in loss allowance by impairment stage during Q1-2 2020 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2020	**27**	**26**	**257**	**310**
Transfers from Stage 1 to Stage 2	-2	13	0	11
Transfers from Stage 1 to Stage 3	-1	0	30	29
Transfers from Stage 2 to Stage 1	0	-3	0	-2
Transfers from Stage 2 to Stage 3	0	-4	30	26
Transfers from Stage 3 to Stage 2	0	0	-1	-1
Transfers from Stage 3 to Stage 1	0	0	0	0
Increases due to origination and acquisition	4	2	10	17
Decreases due to derecognition	-4	-5	-9	-18
Changes in risk parameters (net)	13	3	-12	4
Decrease in allowance account due to write-offs			-5	-5
Net change in expected credit losses	**11**	**6**	**44**	**61**
Loss allowance 30 June 2020	**38**	**32**	**301**	**371**
Net change in expected credit losses Q2 2020	**4**	**10**	**5**	**20**

Effect of the application of the new definition of default

OP Corporate Bank will apply a so-called Two-Step Approach to the definition of default based on the EBA's guidelines. The first step involved the change of the definition of default during the first quarter of 2020. The second step to be taken later involves the calibration of credit risk parameters. The adoption of the first step increased the number of defaulted contracts and that of the number of transfers to Stage 3. Expected credit losses increased by EUR 13 million in the first quarter.

Coronavirus pandemic (COVID-19)

To prevent the significant economic effects caused by the coronavirus pandemic (COVID-19), the EU member states have implemented a variety of financial support measures. On 2 April 2020, the European Banking Authority (EBA) published clarification to relief on processing payment moratoria due to the COVID-19 pandemic in the capital requirements regulation for applying, for example, to forborne exposures and default (EBA/GL/2020/02 "Guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the COVID-19 crisis"). On 7 July 2020, the EBA also published a report on the implementation of selected COVID-19 policies (EBA/REP/2020/19). However, the relief applies to legislative payment moratorium or payment moratorium jointly agreed within the banking sector that have not been carried out in Finland. In Finland, the financial support measures for lending consist of raising the Finnvera's (Government guarantee institution) financing authorisation to EUR 12 billion. Consequently, SMEs can apply for working capital backed up by a guarantee from Finnvera to get through the coronavirus crisis.

The Finnvera guarantees will reduce the ECL amount through LGD components in the ECL calculation.

OP Corporate Bank provides independently its customers with the opportunity to get a repayment holiday for corporate loans. Changes in repayment schedules are evaluated on a case-by-case basis. In addition, guarantees provided by Finnvera will be used extensively. In loan modifications, forborne loans and customers in default are identified according to the normal set of instructions. During the coronavirus crisis, most of the repayment holidays have been granted to private customers and to SME customers.

In the ECL measurement, the coronavirus crisis has been taken into account by updating macroeconomic factors in both the first and the second quarter. When the crisis began in the first quarter, a larger weight was given to the downside scenario; downside 40%, baseline 50% and upside 10%. As the situation levelled off in the second quarter, the scenario weights were reinstated to normal; downside 20%, baseline 60% and upside 20%. For example, GDP growth for 2020 is predicted to be negative, from –4.5% to –7.5% in different scenarios, and that for 2021 is predicted to be positive, from 1.6% to 5.5% in different scenarios. The unemployment rate for 2020 is predicted to be from 7.7% to 9.0% in different scenarios, and that for 2021 is predicted to be from 7.3% to 10.1% in different scenarios.

In the first half of 2020, the effect of the coronavirus crisis on growth in expected credit loss totalled approximately EUR 23 million. This was reflected in the transfer of contracts from impairment stages 1 and 2 to impairment stages 2 and 3, and in growth in risk parameters, especially in PD. Uncertainty still exists related to the economic development caused by the coronavirus crisis.

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2020	**4**	**1**	**3**	**8**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		0	0
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 2 to Stage 3		0	1	0
Transfers from Stage 3 to Stage 1	1		-1	0
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	0	-1		-1
Changes in risk parameters (net)	0			-1
Changes due to update in the methodology for estimation (net)	0		1	1
Net change in expected credit losses	**1**	**1**	**1**	**3**
Loss allowance 30 June 2020	**5**	**2**	**4**	**11**
Net change in expected credit losses Q2 2020	**4**	**0**	**1**	**5**

The table below shows the change in loss allowance by impairment stage during 2019 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**27**	**30**	**207**	**263**
Transfers from Stage 1 to Stage 2	-1	9		8
Transfers from Stage 1 to Stage 3	-4		7	3
Transfers from Stage 2 to Stage 1	0	-3		-3
Transfers from Stage 2 to Stage 3		-7	9	2
Transfers from Stage 3 to Stage 2		0	-2	-2
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	8	4	6	19
Decreases due to derecognition	-4	-4	-7	-14
Changes in risk parameters (net)	0	-4	40	37
Decrease in allowance account due to write-offs			-2	-2
Net change in expected credit losses	**0**	**-4**	**51**	**47**
Loss allowance 31 December 2019	**27**	**26**	**257**	**310**
Net change in expected credit losses Q2 2019	**5**	**4**	**1**	**9**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**4**	**2**	**2**	**9**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	0	-1		-1
Transfers from Stage 3 to Stage 2	0	0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	1	0	0	1
Decreases due to derecognition	-2	-1	0	-3
Changes in risk parameters (net)	-1	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**0**	**-1**	**1**	**-1**
Loss allowance 31 December 2019	**4**	**1**	**3**	**8**
Net change in expected credit losses Q2 2019	**0**	**-1**	**-2**	**-2**

Note 8. Insurance liabilities

EUR million	30 June 2020	31 Dec 2019
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,563	1,571
Other provision for unpaid claims	1,092	1,101
Reserve for decreased discount rate (value of hedges of insurance liability)	56	-22
Total	2,710	2,650
Provisions for unearned premiums	822	584
Total	**3,532**	**3,234**

Note 9. Debt securities issued to the public

EUR million	30 June 2020	31 Dec 2019
Bonds	10,581	11,955
Subordinated bonds (SNP)	1,685	1,156
Other		
Certificates of deposit	119	
Commercial paper	10,218	9,716
Included in own portfolio in trading (–)*	-84	-101
Total debt securities issued to the public	**22,520**	**22,726**

*Own bonds held by OP Group have been set off against liabilities.

Note 10. Fair value reserve after income tax

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**3**	**-15**	**0**	**-12**
Fair value changes	77	60	0	137
Capital gains transferred to income statement	13	-9		4
Impairment loss transferred to income statement		-7		-7
Transfers to net interest income			0	0
Deferred tax	-18	-9	0	-27
Closing balance 30 June 2019	**75**	**20**	**0**	**95**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2020	**31**	**38**	**0**	**70**
Fair value changes	-52	-42	3	-90
Capital gains transferred to income statement	-1	-4		-5
Impairment loss transferred to income statement		0		0
Deferred tax	11	9	-1	19
Closing balance 30 June 2020	**-11**	**2**	**3**	**-6**

The fair value reserve before tax amounted to EUR -8 million at the end of the reporting period and the related deferred tax liability was EUR 2 million. At the end of 2019, the fair value reserve totalled EUR 87 million and the related deferred tax liability was EUR 17 million. During the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 32 million (51) and negative mark-to-market valuations EUR 30 million (3), owing to the application of the overlay approach. The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR –3 million (2) in the fair value reserve during the reporting period.
The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

Note 11. Collateral given

EUR million	30 June 2020	31 Dec 2019
Given on behalf of own liabilities and commitments		
Pledges	39	79
Others	4,947	3,496
Total collateral given*	**4,986**	**3,575**
Secured derivative liabilities	1,403	1,098
Other secured liabilities	3,049	2,093
Total	**4,452**	**3,191**

* In addition, bonds with a book value of EUR 3.6 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 12. Classification of financial assets and liabilities

			Fair value through profit or loss			
Assets, EUR million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	21,883					21,883
Receivables from credit institutions	9,108					9,108
Derivative contracts			5,278		244	5,522
Receivables from customers	25,101					25,101
Notes and bonds	816	16,189	555	37		17,597
Equity instruments		0	22	683		704
Other financial assets	2,109					2,109
Financial assets						**82,024**
Other than financial instruments						1,294
Total 30 June 2020	**59,018**	**16,189**	**5,854**	**719**	**244**	**83,318**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		25,478		25,478
Derivative contracts	4,148		540	4,689
Liabilities to customers		17,262		17,262
Insurance liabilities		3,532		3,532
Debt securities issued to the public		22,520		22,520
Subordinated loans		2,771		2,771
Other financial liabilities		1,977		1,977
Financial liabilities				**78,229**
Other than financial liabilities				701
Total 30 June 2020	**4,148**	**73,541**	**540**	**78,931**

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June 2020, the fair value of these debt instruments was approximately EUR 175 million (232) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 13. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	306	72	327	704
Debt instruments	196	237	158	592
Derivative financial instruments	0	5,475	46	5,522
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	13,954	1,659	576	16,189
Total financial instruments	**14,456**	**7,443**	**1,107**	**23,006**
Investment property			332	332
Total	**14,456**	**7,443**	**1,439**	**23,338**

Fair value of assets on 31 December 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	334	58	325	717
Debt instruments	484	82	510	1,076
Derivative financial instruments	11	4,789	74	4,874
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,470	1,556	874	14,899
Total financial instruments	**13,299**	**6,485**	**1,783**	**21,566**
Investment property			339	339
Total	**13,299**	**6,485**	**2,121**	**21,905**

Fair value of liabilities on 30 June 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	1	4,612	75	4,689
Total	**1**	**4,612**	**75**	**4,689**

Fair value of liabilities on 31 December 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		12		12
Derivative financial instruments	9	3,841	32	3,882
Total	**9**	**3,853**	**32**	**3,894**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change. Transfers between the levels are mainly due to the number of available market quotes.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2020	**834**	**74**	**875**	**1,783**
Total gains/losses in profit or loss	-496	-28	0	-523
Total gains/losses in other comprehensive income			0	0
Purchases	35		1	36
Sales	-26		0	-26
Settlements	-2			-2
Transfers into Level 3	138		-205	-67
Transfers out of Level 3			-94	-94
Closing balance 30 June 2020	**485**	**46**	**576**	**1,107**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2020	**32**	**32**
Total gains/losses in profit or loss	43	43
Closing balance 30 June 2020	**75**	**75**

Total gains/losses included in profit or loss by item for the financial year on 30 June 2020

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-487	-8	0	-496
Unrealised net gains (losses)	-71		0	-71
Total net gains (losses)	**-558**	**-8**	**0**	**-566**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2020.

Note 14. Off-balance-sheet commitments

EUR million	30 June 2020	31 Dec 2019
Guarantees	715	550
Other guarantee liabilities	1,760	1,882
Loan commitments	5,193	5,146
Commitments related to short-term trade transactions	266	315
Other*	689	699
Total off-balance-sheet commitments	**8,624**	**8,593**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 182 million (194).

Note 15. Derivative contracts

Total derivatives 30 June 2020

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	57,287	80,444	93,552	231,283	3,996	2,796
Cleared by the central counterparty	12,438	40,322	47,300	100,060	34	25
Currency derivatives	44,400	4,829	2,410	51,638	957	1,294
Equity and index-linked derivatives	1	2		3		
Credit derivatives	93	114	4	211	1	23
Other derivatives	226	409	11	646	39	52
Total derivatives	**102,006**	**85,796**	**95,978**	**283,780**	**4,993**	**4,165**

Total derivatives 31 December 2019

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	47,526	87,484	86,157	221,167	3,198	2,506
Cleared by the central counterparty	10,791	36,126	42,208	89,126	52	53
Currency derivatives	45,365	6,954	2,414	54,733	1,250	972
Equity and index-linked derivatives	1	2		3	0	
Credit derivatives	59	892	112	1,063	14	12
Other derivatives	233	435	18	686	68	38
Total derivatives	**93,185**	**95,766**	**88,701**	**277,652**	**4,530**	**3,529**

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

Note 16 Investment distribution of the Insurance segment

Investment asset portfolio allocation	30 June 2020 Fair value, EUR million*	%	31 Dec 2019 Fair value, EUR million*	%
Money market total	**480**	**12**	**547**	**14**
Money market instruments and deposits**	475	12	541	14
Derivative instruments***	5	0	6	0
Total bonds and bond funds	**2,584**	**66**	**2,644**	**67**
Governments	462	12	447	11
Investment Grade	1,622	41	1,669	42
Emerging markets and High Yield	312	8	253	6
Structured investments****	187	5	275	7
Total equities	**428**	**11**	**426**	**11**
Finland	91	2	116	3
Developed markets	189	5	172	4
Emerging markets	78	2	67	2
Fixed assets and unlisted equities	6	0	6	0
Private equity investments	64	2	65	2
Total alternative investments	**34**	**1**	**35**	**1**
Hedge funds	34	1	35	1
Total property investments	**393**	**10**	**300**	**8**
Direct property investments	250	6	159	4
Indirect property investments	143	4	141	4
Total	**3,919**	**100**	**3,952**	**100**

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

Note 17 Related-party transactions

The related parties of OP Corporate Bank Group comprise its parent OP Cooperative, consolidated subsidiaries, associated companies, key management personnel and other related party entities. OP Corporate Bank's key management personnel comprises the company's CEO, Board members and their close family members. Related parties also include companies over which key management persons or their close family member exercises significant influence. The other related party entities include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and sister companies in OP Cooperative Consolidated.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2019.

Financial reporting in 2020

Schedule for Interim Reports in 2020:

Interim Report Q1–3/2020 22 October 2020

Helsinki, 21 July 2020

OP Corporate Bank plc
Board of Directors

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