OP Corporate Bank plc's Interim Report 1 January–31 March 2020

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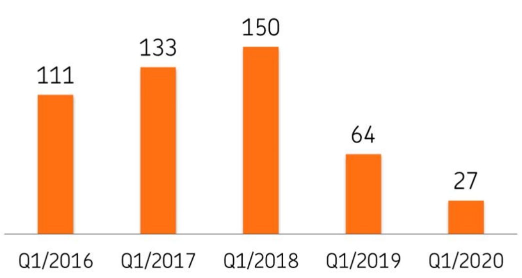
Earnings before tax Q1/2020	Net interest income Q1/2020	Net insurance income Q1/2020	CET1 ratio 31 March 2020
€27 million	+21%	+20%	13.6%

- Consolidated earnings before tax were EUR 27 million (64). Net interest income increased by 21% to EUR 81 million (67) and net insurance income by 20% to EUR 131 million (109). Impairment loss on receivables, EUR 49 million, increased by EUR 45 million year on year. Impairment loss on receivables was especially increased by the adoption of the new definition of default used in the impairment loss calculation, and the effects of the coronavirus pandemic on the credit risk outlook. Investment income decreased by 48% to EUR 25 million (48), mainly due to the coronavirus pandemic.
- Corporate Banking earnings before tax fell by 81% to EUR 9 million (45). Impairment loss on receivables weakened earnings by EUR 47 million (5). Net interest income increased by 12% to EUR 101 million (90). The loan portfolio increased in the year to March by 8% to EUR 24.3 billion (22.5).
- Insurance earnings before tax rose by 34% to EUR 39 million (29). Net insurance income, EUR 131 million, increased by EUR 22 million. Investment income fell by 49% to EUR 14 million (27). The operating combined ratio was 92.7% (97.5).
- Other Operations earnings before tax were EUR –20 million (–11). Liquidity remained good despite the coronavirus crisis.
- The Group's CET1 ratio was 13.6% (14.9). The lower ratio was especially affected by the adoption of the new definition of default.

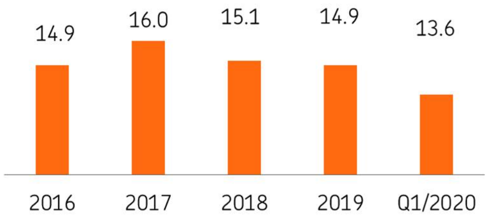
Earnings before tax, € million	Q1/2020	Q1/2019	Change, %	Q1–4/2019
Corporate Banking	9	45	-80.7	262
Insurance	39	29	33.9	200
Other Operations	-20	-11	-	-50
Group total	27	64	-57.3	412
Return on equity (ROE), %	2.1	5.0	-2.9*	7.8
Return on assets (ROA), %	0.13	0.30	-0.17*	0.49

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

Earnings before Tax, € million



Common Equity Tier1 ratio (CET1), %



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Business environment

The coronavirus pandemic derailed the global economy during the first quarter. Extensive restrictions have been imposed in an effort to stem the pandemic caused by the coronavirus. In the light of preliminary information, the world economy has rapidly slumped into recession. By way of exception, the service sector has suffered clearly more than industry.

Uncertainty in the financial market caused by the coronavirus began to escalate in February. The stock market tumbled. Risk premiums increased in the financial market and market operations were disrupted. The development of market interest rates was dichotomous. The interest rates decreased at first but began to increase slightly in March when expectations on rate cuts ran low and risk premiums increased.

Central banks launched exceptional operations to stabilise the market. The European Central Bank re-launched asset purchases and offered banks financing on easier terms.

The Bank of Finland announced that it would purchase commercial papers worth one billion euros on the market. Regulatory requirements for banks were temporarily alleviated in some respects.

The Government of Finland started to take historic measures to curb the spread of the coronavirus. As a result, the business in many service industries slackened drastically. The biggest impact of the exceptional measures will, however, take place in the second quarter.

The Government also announced extensive measures aimed at easing the negative effects of the restrictions on the economy. These include both direct financial support to companies and guarantees for bank loans they have raised.

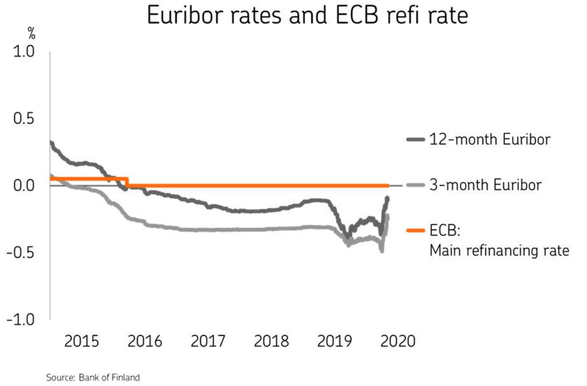
The economic outlook is exceptionally uncertain. The economy is expected to face a deep decline in the near future and to begin to recover gradually when the restrictions can be lifted. However, significant risks are involved in the development.

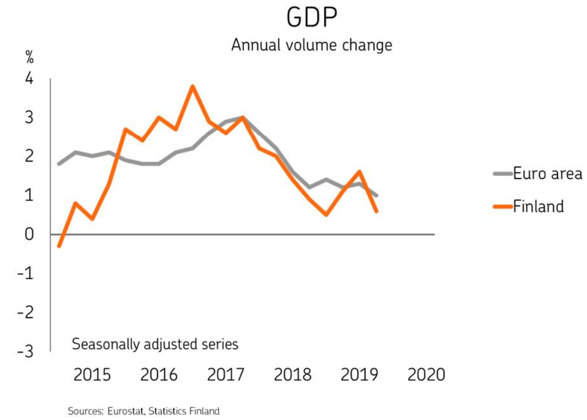
The coronavirus crisis had a stronger effect on banking towards the end of the first quarter. Total loans and deposits continued to grow in January–February mostly at the 2019-end pace, 5.2% and 4.8%, respectively.

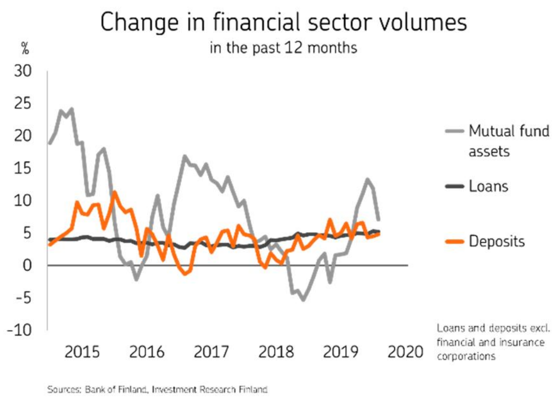
Demand for repayment holidays for corporate loans and home loans grew strongly in March due to the coronavirus crisis.

The value of the mutual funds registered in Finland sagged by EUR 18 billion to EUR 106.5 billion during the first quarter, mainly due to a negative value change. The net asset inflows of mutual funds were EUR 2.8 billion negative. The majority of redemptions made applied to bond funds.

In the insurance sector, the effects of the coronavirus pandemic are reflected in developments in premiums written and the amount of claims expenditure. In addition, the turbulent investment environment will present challenges to insurance companies.







Consolidated earnings

€ million	Q1/ 2020	Q1/ 2019	Change, %	Q1–4/ 2019
Net interest income	81	67	20.5	295
Net insurance income	131	109	20.2	402
Net commissions and fees	1	-5	116.4	-28
Net investment income	-57	86	-165.9	450
Other operating income	10	10	0.1	47
Total income	166	267	-37.6	1 165
Personnel costs	50	46	8.4	184
Depreciation/amortisation and impairment loss	12	13	-2.1	63
Other operating expenses	109	101	7.4	386
Total expenses	171	160	6.9	632
Impairment loss on receivables	-49	-4	-	-51
OP bonuses to owner-customers	-1	-1	-	-4
Temporary exemption (overlay approach)	82	-38	313.6	-66
Total earnings before tax	27	64	-57.3	412

January–March

Consolidated earnings before tax were EUR 27 million (64). Total income decreased by 37.6% to EUR 166 million and total expenses increased by 6.9% to EUR 171 million. Higher net interest income and net insurance income increased earnings. Development in the market caused by the coronavirus pandemic decreased income while increasing impairment loss on receivables. Earnings were also affected by the adoption the new definition of default that increased impairment loss on receivables.

Net interest income rose to EUR 81 million (67). Growth in the Corporate Banking segment's loan portfolio and a rise in lending margins increased net interest income. In addition, lower interest expenses improved net interest income. Net insurance income rose to EUR 131 million (109). Insurance premium revenue increased by 3.6% and claims incurred decreased by 3.8%. The operating combined ratio was 92.7% (97.5) in the Insurance segment.

Net commissions and fees increased by EUR 6 million to EUR 1 million. Commission income, EUR 41 million, decreased by EUR 1 million and commission expenses, EUR 40 million, decreased by EUR 8 million. Commission income rose due to commissions and fees from security brokerage and lending which were higher than a year earlier. Commission income from health and wellbeing services decreased year on year. 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 5 million year on year.

Net investment income decreased by EUR 143 million to EUR –57 million. Net income from financial assets at fair value through profit or loss fell by EUR 130 million to EUR –69 million. This mainly resulted from a reduction in the fair values of equities and notes and bonds in consequence of the coronavirus pandemic. Net income from financial assets recognised at fair value through other comprehensive income decreased by EUR 18 million to EUR 11 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 reported by the Insurance segment decreased by EUR 133 million to EUR –68 million. Net investment income for the Corporate Banking segment decreased to EUR 9 million (13) and that for Other Operations to EUR 1 million (8). 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 82 million whereas it decreased earnings by EUR 38 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 25 million, decreased by EUR 23 million year on year. Investment income reported by the Insurance segment decreased by EUR 13 million to EUR 14 million. Return on investments by Non-life Insurance at fair value was –2.8% (2.8).

Other operating income remained at the previous year's level at EUR 10 million.

Total expenses increased by EUR 11 million year on year to EUR 171 million. Personnel costs increased by EUR 4 million to EUR 50 million. Depreciation/amortisation and impairment loss on receivables, EUR 12 million, were at the same level as a year ago. Other operating expenses rose by EUR 8 million to EUR 109 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 49 million (4), of which EUR 47 million concerned loans and receivables and EUR 2 million notes and bonds. The new definition of default adopted in March increased impairment loss on receivables by EUR 13 million. In addition, higher impairment loss on receivables is explained by the update of the macroeconomic parameters used in the calculation of expected credit losses. The coronavirus pandemic for its part affected the macroeconomic parameters and increased impairment loss on receivables by EUR 14 million. As a result of the adoption of the new definition of default, the ratio of non-performing exposures to the loan and guarantee portfolio increased to 1% (0.5).

Comprehensive income of EUR –170 million (118) for the reporting period was decreased by changes in the fair value reserve. The fair value reserve fell by EUR 212 million to EUR –143 million from the end of 2019. Due mainly to the coronavirus crisis, the fair values of notes and bonds recognised through other comprehensive income decreased by EUR 194 million, and the fair values of equities within the scope of the overlay approach decreased by EUR 76 million.

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

OP Corporate Bank provides its SME customers with the opportunity to get a corporate loan repayment holiday if the coronavirus pandemic has caused disruptions in their businesses. No separate fee will be charged for the repayment holiday. In addition to the loan repayment holidays and working capital finance, OP Corporate Bank will support its customers by advising them on issues related to their finances and will also actively discuss with its large corporate customers on the development of the situation and on the preparation for it. By the end of March, the number of SME loan modification applications received by Corporate Banking totalled over two thousand. The number of loan modification requests from large corporations is considerably lower than that from SMEs.

Pohjola Hospital will give its personnel's contribution in public healthcare tasks that are critical to society during the corona crisis. They will help, for example, in tracking the chains of transmission. Pohjola Hospital will pay the personnel's salaries during the time of temporary work.

OP Corporate Bank has enabled safe working conditions for its personnel in the workplace. Remote working is also encouraged for those whose tasks allow it as much as possible. Through these measures, OP has ensured the availability of services that are critical to the society despite the coronavirus crisis.

January–March events

New definition of default

In the first quarter, OP Corporate Bank adopted the European Banking Authority's (EBA) guidelines on definition of default (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013). The Guidelines harmonise the definition of default across European banks. The new process in accordance with the Guidelines recognises defaulted customers earlier, for example, based on information in external credit registers. As regards retail customers, the new process extends the default to cover all exposures of an individual obligor. This change increased the number of observations of default and weakened the parameters of credit risk.

OP Corporate Bank will apply a so-called Two-Step Approach. 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 supervisory obligation related to the adoption of the new definition of default increased the average risk weights of OP Corporate Bank's loan portfolio at the first step. Growth in the expected credit losses (ECL) in the income statement caused by the change in the definition of default has been taken into account in the effect on capital adequacy. OP Corporate Bank applied the new definition of default to expected credit losses as a change in the accounting estimate. Consequently, OP Corporate Bank applied the new definition of default to expected credit losses as a change in the accounting estimate. Consequently, impairment loss on receivables in the income statement increased by EUR 13 million.

Corporate responsibility

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

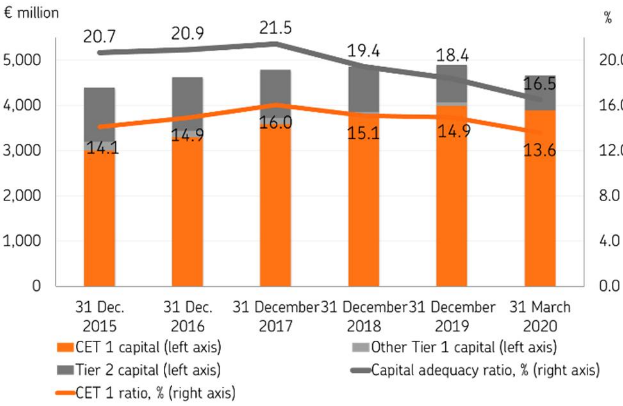
Corporate responsibility is an integral part of OP Financial Group's business and strategy. Corporate responsibility activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a forerunner of corporate responsibility within its sector in Finland. 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 managerial positions is at least 40%. Women accounted for 26% (26) at the end of March.

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 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.

Group's capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 13.6% (14.9) on 31 March 2020.

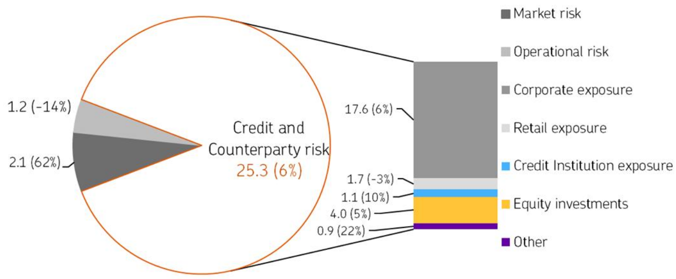
As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 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 3.9 billion (4.0) on 31 March 2020. Insurance business result is not included in CET1 capital.

On 31 March 2020, the risk exposure amount (REA) totalled EUR 28.6 billion (26.7), or 7.4% 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 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 European Central Bank (ECB). Equity investments include EUR 3.9 billion (3.7) in risk-weighted assets of OP Corporate Bank 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 factor 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 March 2020, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

Risk Exposure Amount 31 March 2020
Total €28.6 billion
(change from year end 7%)



In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include obligations, if any, imposed by the supervisor due to ECB's targeted review of internal (IRBA) models (TRIM), and 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 to discuss 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 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 13.4 billion, accounting for 27.3% of the total risk exposure amount at the end of 2017. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio was an estimated 42% 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	31 Mar 2020	31 Dec 2019
Capital base, € million*	941	1,008
Solvency capital requirement (SCR), € million*	688	699
Solvency ratio, %*	137	144
Solvency ratio, % (excluding transitional provision)	137	144

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 March 2020

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

Pohjola Insurance Ltd's financial strength ratings on 31 March 2020

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

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

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

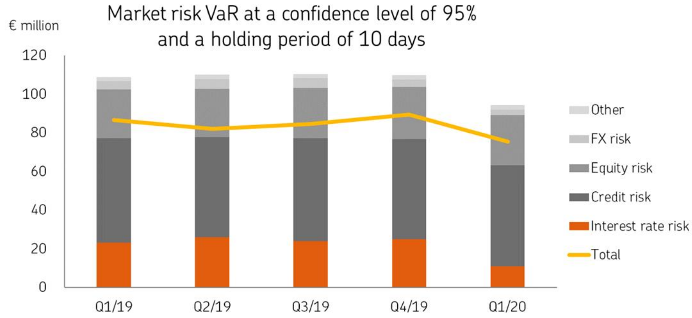
Group risk exposure

When entering 2020, OP Corporate Bank has a strong capital base, capital conservation buffers and risk-bearing capacity. The coronavirus 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. This is the case in Finland too.
As a result of the direct and indirect implications of the coronavirus pandemic, OP Corporate Bank is exposed to a variety of risks that may, if materialised, quickly affect the sufficiency of capital and undisrupted business continuity.

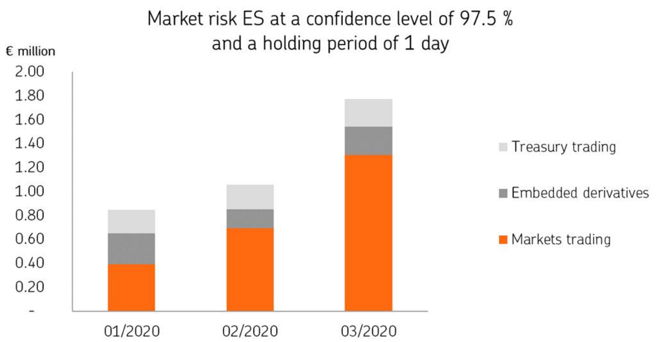
The good reputation of OP Corporate Bank is based on moderate risk-taking, strong capital base and responsible operations. The coronavirus pandemic may especially affect risks associated with lending, liquidity maintenance, investment assets and business processes. Based on the current information available, measures taken to secure operational continuity have been effective, and the capital of OP Corporate Bank and its Group is sufficient to secure business continuity.

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

The market risk level of the Group's long-term investments continued to remain moderate; no major changes were made to the asset class allocation during the reporting period. The market risk associated with Group investments remained stable. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 76 million (90) on 31 March 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 exposure of Group Treasury, which is why the VaR risk metric for the reporting period is smaller than that a year ago.



The expected shortfall metrics have been used to measure trading risk since the beginning of 2020. Expected shortfall (ES) 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.
During the first quarter, market risk associated with trading increased as a result of the changed market situation.



The Group expects its operational risks to be moderate as targeted. Losses caused by operational risks materialised during the reporting period were not significant.

Corporate Banking

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

For the time being, Banking's credit risk exposure has remained stable and credit risk moderate. The coronavirus pandemic will have a negative impact on Banking's credit risk exposure in 2020. The consequences have already been seen during the first quarter, mainly in increased demand for loan repayment holidays.

Corporate Banking's interest rate risk in the banking book measured as the effect of a one-percentage point change on 12-month net interest income was EUR +8 million at the end of March. 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)	
	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 2020	31 Dec 2019	31 Mar 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			0.38	0.24	0.38	0.24	0.16	0.13	0.21	0.12
Forborne exposures, € billion	0.11	0.11	0.05	0.02	0.17	0.13	0.02	0.01	0.14	0.11
Total	0.11	0.11	0.56	0.39	0.67	0.50	0.29	0.25	0.37	0.25

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

Key ratios	31 Mar 2020	31 Dec 2019
Ratio of doubtful receivables to loan and guarantee portfolio, %	1.37	0.92
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.97	0.53
Ratio of performing forborne exposures to loan and guarantee portfolio, %	0.40	0.39
Ratio of performing forborne exposures to doubtful receivables, %	27.11	42.09
Ratio of loss allowance to doubtful receivables, %	52.61	62.57

Four customers' exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. Large customer risks amounts to EUR 2.0 billion.

Exposures by the Baltic operations remained unchanged at EUR 3.8 billion (3.8), accounting for 9.8% (9.8) of total exposures of the Corporate Banking segment.

Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 47 million (48). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 26 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 bond investments and derivative contracts to dampen earnings volatility caused by changes in interest rates used in insurance liability valuation.

The market risk level of investments continued to remain moderate; no major changes were made to the asset class allocation during the reporting period. Market movements increased the risk level moderately. The VaR, a measure of market risk, was EUR 60 million (54) on 31 March 2020. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability.

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 138% (141) at the end of the reporting period.

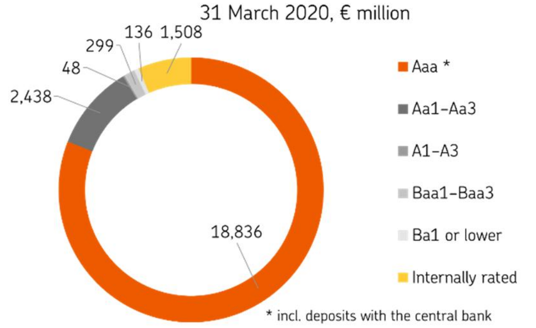
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. OP Financial Group's NSFR was 111% (112) at the end of the reporting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

Liquidity buffer

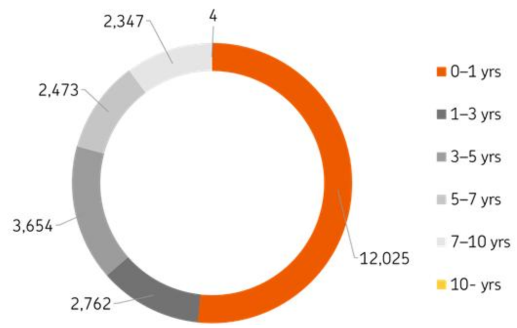
€ billion	31 Mar 2020	31 Dec 2019	Change, %
Deposits with central banks	10.1	11.9	-15.2
Notes and bonds eligible as collateral	11.0	11.1	-0.7
Corporate loans eligible as collateral	-	0.0	-
Total	21.1	23.0	-8.3
Receivables ineligible as collateral	2.1	2.0	8.2
Liquidity buffer at market value	23.3	25.0	-7.0
Collateral haircut	-0.9	-0.8	1.3
Liquidity buffer at collateral value	22.4	24.2	-7.3

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

Financial assets included in the liquidity buffer by credit rating on 31 March 2020, € million



Financial assets included in the liquidity buffer by maturity on 31 March 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 17.6%. These exposures increased during the reporting period by EUR 1.4 billion, or 11.5%. 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 80.7% to EUR 9 million due to higher impairment loss on receivables.
- Total income increased by 12.2%. Net interest income increased by 12.1%. Net investment income fell by 29.9%. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 15 million (7).
- Total expenses rose to EUR 72 million (64), of which the increase in ICT costs accounted for EUR 1 million and the increase in the EU stability contribution for EUR 3 million.
- The loan portfolio increased in the year to March by 8.1% to EUR 24.3 billion.
- Impairment loss on receivables weakened earnings by EUR 47 million (5). Non-performing receivables accounted for 1.0% (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	Q1/2020	Q1/2019	Change, %	Q1–4/2019
Net interest income	101	90	12.1	383
Net commissions and fees	11	3	222.6	11
Net investment income	9	13	-29.9	115
Other operating income	8	8	-4.5	26
Total income	128	114	12.2	536
Personnel costs	15	14	10.5	58
Depreciation/amortisation and impairment loss	3	4	-24.8	14
Other operating expenses	53	46	15.7	148
Total expenses	72	64	12.0	220
Impairment loss on receivables	-47	-5	-	-51
OP bonuses	-1	-1	-	-2
Earnings before tax	9	45	-80.7	262
Cost/income ratio, %	55.9	56.0	-0.1*	41.1
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.0	0.5	0.5*	0,5
Return on assets (ROA), %	0.12	0.65	-0.53*	0.91
Return on assets, excluding OP bonuses, %	1.13	0.66	-0.53*	0.92
	31 Mar 2020	31 Mar 2019	Change, %	31 Dec 2019
Loan portfolio, € billion	24.3	22.5	8.1	23.7
Guarantee portfolio, € billion	3.1	2.6	19.3	3.1

*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 March by 8.1% to EUR 24.3 billion. The guarantee portfolio totalled EUR 3.1 billion (3.1) and committed standby credit facilities amounted to EUR 3.7 billion (4.5). Demand for capital market products increased from the previous year.

In the reporting period, OP Corporate bank was ranked first in the benchmarking study on the best trade finance providers 2020 conducted by Prospera.

During the reporting period, uncertainty caused by the coronavirus pandemic affected Corporate Banking through capital markets, in particular. Credit spreads and volatility increased. On the other hand, trading on the capital market became more active. Change in the economic outlook affected impairment loss on receivables too. The effects of the coronavirus and developments in the economic environment are reflected in demand for services, the capital market and developments in the amount of impairment losses.

Financial performance for the reporting period

Corporate Banking earnings before tax fell by 80.7% to EUR 9 million (45). Total income increased by 12.2%. Total expenses increased by 12.0%. The cost/income ratio of 55.9% remained at the level reported a year ago (56.0).

Mainly as a result of an increase in the loan portfolio, net interest income grew by 12.1% to EUR 101 million (90). Lending margins widened too. Net commissions and fees increased to EUR 11 million (3). 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 9 million, representing a decrease of 29.9% year on year. Changes made in the valuation models of derivatives reduced net investment income by EUR 22 million a year ago. CVA valuation weakened earnings by EUR 15 million whereas a year ago it reduced earnings by EUR 7 million. Higher credit spreads reduced the valuation of the trading book. Income from client trading rose.

Other operating income remained at the previous year's level. Impairment loss on receivables totalled EUR 47 million (5). The new definition of default adopted in March increased impairment loss on receivables. Changes in the macroeconomic parameters used in the calculation of expected credit losses increased impairment loss on receivables too. Non-performing receivables accounted for 1.0% (0.5) of the loan and guarantee portfolio.

Total expenses were EUR 72 million (64). Personnel costs increased to EUR 15 million (14). Other operating expenses increased by 15.7% to EUR 53 million. ICT costs increased by EUR 1 million and the EU stability contribution by EUR 3 million. The amount of the stability contribution will be further specified during the second quarter.

Insurance

- Earnings before tax increased by 33.9% to EUR 39 million.
- Insurance premium revenue increased by 3.6% and claims incurred decreased by 3.8%.
- Investment income totalled EUR 14 million (27), including the overlay approach. Net return on investments at fair value totalled EUR –98 million (42).
- The operating combined ratio was 92.7% (97.5) and operating risk ratio 65.5% (70.5). The operating cost ratio was 27.2% (26.9).
- Development investments focused on development of electronic services and the core system upgrade.

Key figures and ratios

€ million	Q1/2020	Q1/2019	Change, %	Q1–4/2019
Insurance premium revenue	367	355	3.6	1,479
Claims incurred	236	245	-3.8	1,077
Net insurance income	131	109	20.1	402
Non-life insurance, net commissions and fees	-11	-11	3.5	-49
Health and wellbeing, net commissions and fees	2	3	-23.9	13
Net commissions and fees	-9	-8	12.4	-36
Net investment income	-68	65	-203.9	308
Other net income	0	-4	-	-4
Total income	55	163	-66.4	671
Personnel costs	33	31	5.8	125
Depreciation/amortisation and impairment loss	9	8	9.9	47
Other operating expenses	54	55	-1.1	230
Total expenses	97	95	2.1	403
OP bonuses to owner-customers	-1	0	4,2	-2
Temporary exemption (overlay approach)	82	-38	-313.6	-66
Earnings before tax	39	29	33.9	200
Return on assets (ROA), %	2.20	1.64	0.56*	2.93
Return on assets, excluding OP bonuses, %	2.22	1.67	0.56*	2.96
Operating combined ratio, %	92.7	97.5		92.7
Operating risk ratio, %	65.5	70.5		65.1
Operating cost ratio, %	27.2	26.9		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 with 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.

In March, the coronavirus pandemic meant a significant increase in customer contacts and filed travel insurance claims. In many other insurance lines, claims expenditure decreased as a result of lower activity in general.

Pohjola Hospital offers its personnel’s contribution to fighting the coronavirus pandemic. OP Corporate Bank assesses the need for such help with the Ministry of Social Affairs and Health and other hospitals. Tracking the chains of transmission is among the first duties.

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

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 39 million (29). Net insurance income increased to EUR 131 million (109).

The operating combined ratio was 92.7% (97.5). The operating ratios exclude the changed discount rate.

Insurance premium revenue

€ million	Q1/2020	Q1/2019	Change, %
Private Customers	208	197	5.3
Corporate Customers	159	157	1.5
Total	367	355	3.6

Insurance premium revenue from both private and corporate customers increased during the reporting period. Insurance premium revenue increased by a total of 3.6%.

Claims incurred decreased by 3.8%. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 24 (27) in January–March, with their claims incurred retained for own account totalling EUR 27 million (23). The coronavirus pandemic in particular increased claims expenditure related to travel losses. Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 6 million during the reporting period while reducing it by EUR 9 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 6 million (–15). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 65.5% (70.5).

Total expenses increased by 2.1%, being EUR 2 million higher than in the previous year. The operating cost ratio (including indirect loss adjustment expenses) was 27.2% (26.9).

Investment

The value performance in the capital market was exceptionally poor because of the coronavirus pandemic.

Investment income

€ million	Q1/2020	Q1/2019
At fair value through other comprehensive income	9	23
At fair value through profit or loss	-73	49
Amortised cost	1	0
Non-life insurance items	-5	-7
Associated companies	1	0
Net investment income	-68	65
Overlay approach	82	-38
Total	14	27

Non-life insurance: key investment indicators

€ million	Q1/2020	Q1/2019
Net return on investments at fair value, € million*	-98	42
Return on investments at fair value, %	-2.8	2.8
Fixed income investments' running yield, %	1.4	1.5
	31 Mar 2020	31 Dec 2019
Investment portfolio, € million	3,787	3,952
Investments within the investment grade category, %	93	92
A-rated receivables, minimum, %	61	61
Modified duration, %	4.2	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 –20 million (–11).
- The EBT included EUR 1 million in capital gains on notes and bonds (5).
- Liquidity remained good despite the coronavirus crisis.

Key figures and ratios

€ million	Q1/2020	Q1/2019	Change, %	Q1–4/2019
Net interest income	-17	-16	-	-64
Net commissions and fees	0	-1	-	-2
Net investment income	1	8	-83.1	26
Other operating income	3	2	33.5	7
Total income	-13	-7	-	-33
Personnel costs	1	0	169.9	1
Other expenses	5	4	17.4	17
Total expenses	5	4	28.9	18
Impairment loss on receivables	-2	0	-	0
Earnings before tax	-20	-11	-	-50
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-5.8	-3.8	-	-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

Earnings before tax amounted to EUR –20 million (–11). Earnings before tax at fair value were EUR –98 million (–1). The widening credit spread due to the coronavirus crisis reduced the fair value reserve.

Net investment income totalled EUR 1 million (8). Net investment income included EUR 1 million (5) in capital gains on notes and bonds.

OP Corporate Bank's access to funding remained good. However, the wholesale funding market was disrupted in March due to the coronavirus crisis and the prices of long-term unsecured wholesale funding rose significantly and apace. In January, OP Corporate Bank issued a senior non-preferred bond of EUR 500 million with a maturity of seven years. 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. Liquidity remained good during the reporting period despite the coronavirus crisis.

At the end of March, the average margin of senior and senior non-preferred wholesale funding and TLTRO funding was 25 basis points (22).

On 31 March 2020, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 5.8 billion higher than funding borrowed by them from Group Treasury. The change in the net position was mainly due to OP Mortgage Bank's covered bond funding which results in higher volumes of OP cooperative banks' investments in Group Treasury than before.

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–March ICT costs of OP Corporate Bank's service development and production maintenance totalled EUR 54 million (50). These include licence fees, purchased services, other external costs related to projects and in-house work. Production ICT costs increased by EUR 9 million to EUR 44 million. Development costs declined by EUR 6 million to EUR 19 million. The capitalised development expenditure totalled EUR 9 million (9).

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 Interim Report.

Group restructuring

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

Personnel and remuneration

On 31 March 2020, the Group had 2,652 employees (2,675).

Personnel at period end

	31 Mar 2020	31 Dec 2019
Corporate Banking	713	700
Insurance	1,901	1,947
Other Operations	38	28
Total	2,652	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. Detailed targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in 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 changing remuneration.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of 18 March 2020 adopted the Financial Statements for 2019 and discharged members of the Board of Directors and the EVP and CEO from liability. The AGM decided that no dividend be distributed and that the profit for the financial year 2019 is entered in the account of retained earnings/loss.

Timo Ritakallio, OP Financial Group's President and Group Chief Executive Officer, will continue as Chair of the Board of Directors of OP Corporate Bank in accordance with the Articles of Association.

Other re-elected Board members were Vesa Aho, Jarmo Viitanen, Pasi Sorri and Olli-Pekka Saario.

The AGM re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Outlook towards the year end

Measures to restrain the coronavirus spread threw the global economy into a recession during the first quarter. The early-year optimistic sentiment in the stock market turned into a sharp fall in prices. Interest rates in the fixed income market started to rise again at the end of the quarter as risk premiums increased. In the financial market, the funding costs of banks increased markedly. The market expects interest rates to remain somewhat unchanged towards the year end. However, there is exceptionally great uncertainty. The Government seeks to alleviate the direct effects of the corona crisis on the finances of banks' and insurance companies' customers, but, at this point, it is still difficult to evaluate the long-term effects of the crisis.

The most significant uncertainties affecting earnings performance due to the coronavirus crisis relate to changes in the interest rate and investment environment and to the growth 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 Interim 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), %	Financial performance for the reporting period / Equity capital (average at the beginning and end of the period)	x 100
Return on equity (ROE) excluding OP bonuses, %	Profit for the period + OP bonuses after tax / Equity capital (average at the beginning and end of the period)	x 100
Return on assets (ROA), %	Financial performance for the reporting period / Average balance sheet total (average at the beginning and end of financial year)	x 100
Return on assets (ROA), excluding OP bonuses, %	Profit for the period + OP bonuses after tax / Average balance sheet total (average at the beginning and end of financial year)	x 100
Investment income	Net investment income + Overlay approach	
Loan portfolio	Receivables from customers	
Deposits	Deposits included in balance sheet item Liabilities to customers	
Cost/income ratio, %	Total expenses / Total income	x 100
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts 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
Common Equity Tier 1 (CET1) capital ratio, %	Common Equity Tier 1 (CET1) / 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 to doubtful receivables, %	Loss allowance / 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 contractual payment terms towards the customer 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 contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

Non-life insurance operating result

€ million	Q1/2020	Q1/2019	Q1–4/2019
Insurance premium revenue	368	355	1,478
Claims incurred	269	275	1,060
Operating expenses	73	72	311
Balance on technical account	27	9	107
Reduction in discount rate			-136
Investment income and expenses	-69	64	307
Other income and expenses	-1	-6	-23
Earnings before tax	-43	67	255
Temporary exemption (overlay approach)	82	-33	-65
Earnings before tax	39	35	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	31 Mar 2020	31 Dec 2019
OP Corporate Bank Group's equity	4,199	4,374
The effect of insurance companies on the Group's equity is excluded	-103	-202
Fair value reserve, cash flow hedge	-7	0
Common Equity Tier 1 (CET1) before deductions	4,088	4,171
Intangible assets	-48	-51
Excess funding of pension liability and valuation adjustments	-45	-26
Planned profit distribution and profit distribution unpaid for the previous period		
Shortfall of ECL minus expected losses	-107	-112
Common Equity Tier 1 (CET1)	3,888	3,982
Hybrid capital to which transitional provision is applied	55	82
Additional Tier 1 capital (AT1)	55	82
Tier 1 capital (T1)	3,942	4,064
Debenture loans	778	811
ECL - excess of expected losses		26
Tier 2 Capital (T2)	778	837
Total capital	4,720	4,900

Risk exposure amount, € million	31 Mar 2020	31 Dec 2019
Credit and counterparty risk	25,045	23,753
Standardised Approach (SA)	2,925	2,687
Central government and central banks exposure	144	78
Credit institution exposure	22	8
Corporate exposure	2,697	2,540
Retail exposure	6	8
Equity investments	8	8
Other	47	45
Internal Ratings-based Approach (IRB)	22,001	21,066
Credit institution exposure	1,115	1,023
Corporate exposure	14,934	14,148
Retail exposure	1,683	1,725
Equity investments	3 956	3,772
Other	433	399
Market and settlement risk (Standardised Approach)	2,125	1,309
Operational risk (Standardised Approach)	1,190	1,387
Valuation adjustment (CVA)	256	191
Other risks		11
Total risk exposure amount	28,616	26,651

Ratios, %	31 Mar 2020	31 Dec 2019
CET1 capital ratio	13.6	14.9
Tier 1 ratio	13.8	15.2
Capital adequacy ratio	16.5	18.4

Ratios, fully loaded, %	31 Mar 2020	31 Dec 2019
CET1 capital ratio	13.6	14.9
Tier 1 ratio	13.6	14.9
Capital adequacy ratio	16.3	18.1

Capital requirement, € million	31 Mar 2020	31 Dec 2019
Capital base	4,720	4,900
Capital requirement with buffers	3,018	2,824
Buffer for capital requirements	1,702	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.

Consolidated income statement

EUR million	Note	Q1 2020	Q1 2019
Net interest income	2	81	67
Net insurance income	3	131	109
Net commissions and fees	4	1	-5
Net investment income	5	-57	86
Other operating income		10	10
Total income		**166**	**267**
Personnel costs		50	46
Depreciation/amortisation		12	13
Other expenses	6	109	101
Total expenses		**171**	**160**
Impairment of receivables	7	-49	-4
OP bonuses to owner-customers		-1	-1
Temporary exemption (overlay approach)		82	-38
Earnings before tax		**27**	**64**
Income tax expense		5	13
Profit for the period		**22**	**51**
Attributable to:			
Attributable to owners of the Parent		21	50
Attributable to non-controlling interest		2	1
Profit for the period		**22**	**51**

Consolidated statement of comprehensive income

EUR million	Q1 2020	Q1 2019
Profit for the period	**22**	**51**
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	24	-5
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	-193	51
Cash flow hedge	9	0
Temporary exemption (overlay approach)	-82	38
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	-5	1
Items that may be reclassified to profit or loss		
Measurement at fair value	39	-10
Cash flow hedge	-2	0
Temporary exemption (overlay approach)	16	-8
Total comprehensive income for the period	**-170**	**118**
Attributable to:		
Total comprehensive income attributable to owners of the Parent	-172	117
Total comprehensive income attributable to non-controlling interest	2	1
Total comprehensive income for the period	**-170**	**118**

Consolidated balance sheet

EUR million	Note	31 March 2020	31 Dec 2019
Cash and cash equivalents		10,141	11,914
Receivables from credit institutions		8,808	9,126
Derivative contracts	15	5,693	4,874
Receivables from customers		24,700	23,829
Investment assets		17,786	17,174
Intangible assets		708	709
Property, plant and equipment (PPE)		121	114
Other assets		1,982	1,334
Tax assets		94	51
Total assets		**70,034**	**69,126**
Liabilities to credit institutions		17,604	15,334
Derivative contracts		4,833	3,882
Liabilities to customers		15,694	15,503
Insurance liabilities	8	3,578	3,234
Debt securities issued to the public	9	19,623	22,726
Provisions and other liabilities		2,624	2,148
Tax liabilities		424	452
Subordinated liabilities		1,455	1,474
Total liabilities		**65,836**	**64,752**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	10	-143	70
Other reserves		1,093	1,093
Retained earnings		2,750	2,710
Non-controlling interest		71	74
Total equity capital		**4,199**	**4,374**
Total liabilities and equity capital		**70,034**	**69,126**

Consolidated statement of changes in equity

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**428**	**70**	**1,093**	**2,710**	**4,299**	**74**	**4,374**
Total comprehensive income for the period		-212		40	-172	2	-170
Profit for the period				21	21	2	22
Other comprehensive income		-212		20	-193		-193
Profit distribution						-1	-1
Other						-3	-3
Balance at 31 March 2020	**428**	**-143**	**1,093**	**2,750**	**4,127**	**71**	**4,199**

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**428**	**-12**	**1,093**	**2,559**	**4,067**	**80**	**4,147**
Total comprehensive income for the period		71		46	117	1	118
Profit for the period				50	50	1	51
Other comprehensive income		71		-4	68		68
Profit distribution				-173	-173	-3	-175
Other			0	0	0	1	1
Balance at 31 March 2019	**428**	**59**	**1,093**	**2,432**	**4,012**	**79**	**4,091**

Consolidated cash flow statement

EUR million	Q1 2020	Q1 2019
Cash flow from operating activities		
Profit for the period	22	51
Adjustments to profit for the period	127	197
Increase (-) or decrease (+) in operating assets	**-2,710**	**-469**
Receivables from credit institutions	-345	543
Derivative contracts	-38	-17
Receivables from customers	-961	-163
Investment assets	-663	-388
Other assets	-703	-445
Increase (+) or decrease (-) in operating liabilities	**2,956**	**1,886**
Liabilities to credit institutions	2,215	1,495
Derivative contracts	-26	-21
Liabilities to customers	191	-517
Insurance liabilities	73	59
Provisions and other liabilities	502	870
Income tax paid	-26	-22
Dividends received	9	8
A. Net cash from operating activities	**377**	**1,650**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-9	-10
Proceeds from sale of PPE and intangible assets	0	1
B. Net cash used in investing activities	**-9**	**-9**
Cash flow from financing activities		
Increases in debt securities issued to the public	5,902	8,169
Decreases in debt securities issued to the public	-8,706	-7,917
Dividends paid		-173
Lease liabilities	-1	
C. Net cash provided by (used in) financing activities	**-2,805**	**79**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-2,437**	**1,721**
Cash and cash equivalents at year-start	**12,902**	**13,355**
Cash and cash equivalents at year-end	**10,465**	**15,076**
Interest received	**221**	**264**
Interest paid	**-195**	**-245**
Cash and cash equivalents		
Liquid assets	10,141	14,483
Receivables from financial institutions payable on demand	324	593
Total	**10,465**	**15,076**

Segment information

Q1 earnings 2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	101	-1	-17	-1	81
- of which internal net income before tax	0		0		
Net insurance income		131		0	131
Net commissions and fees	11	-9	0	0	1
Net investment income	9	-68	1	1	-57
Other operating income	8	2	3	-2	10
Total income	**128**	**55**	**-13**	**-3**	**166**
Personnel costs	15	33	1	0	50
Depreciation/amortisation and impairment losses	3	9	0	0	12
Other operating expenses	53	54	4	-3	109
Total expenses	**72**	**97**	**5**	**-3**	**171**
Impairments loss on receivables	-47	0	-2		-49
OP bonuses to owner-customers	-1	-1			-1
Temporary exemption (overlay approach)		82			82
Earnings before tax	**9**	**39**	**-20**	**0**	**27**

Q1 earnings 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	90	-5	-16	-1	67
- of which internal net income before tax	-2	-4	5		
Net insurance income		109		0	109
Net commissions and fees	3	-8	-1	0	-5
Net investment income	13	65	8	0	86
Other operating income	8	1	2	-1	10
Total income	**114**	**163**	**-7**	**-3**	**267**
Personnel costs	14	31	0	0	46
Depreciation/amortisation and impairment losses	4	8	0	0	13
Other operating expenses	46	55	4	-3	101
Total expenses	**64**	**95**	**4**	**-3**	**160**
Impairments loss on receivables	-5	0	0		-4
OP bonuses to owner-customers	-1	0			-1
Temporary exemption (overlay approach)		-38			-38
Earnings before tax	**45**	**29**	**-11**		**64**

Balance sheet 31 March 2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Cash and cash equivalents	19	701	10,090	-669	10,141
Receivables from credit institutions	125	13	8,705	-35	8,808
Derivative contracts	5,353	51	314	-26	5,693
Receivables from customers	25,078		395	-773	24,700
Investment assets	938	3,419	13,462	-32	17,786
Intangible assets	42	647	19		708
Property, plant and equipment (PPE)	1	117	2		121
Other assets	468	899	622	-7	1,982
Tax assets	0	28	66	0	94
Total assets	**32,025**	**5,876**	**33,676**	**-1,543**	**70,034**
Liabilities to credit institutions	736		17,632	-765	17,604
Derivative contracts	4,471	15	373	-27	4,833
Liabilities to customers	11,108	136	5,154	-704	15,694
Insurance liabilities		3,578			3,578
Debt securities issued to the public	1,125		18,531	-33	19,623
Provisions and other liabilities	1,184	464	992	-15	2,624
Tax liabilities	3	67	355	0	424
Subordinated liabilities	9	135	1,311		1,455
Total liabilities	**18,636**	**4,395**	**44,348**	**-1,543**	**65,836**
Equity					**4,199**

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		15,361	-784	15,334
Derivative contracts	3,657	38	195	-8	3,882
Liabilities to customers	11,349	136	4,664	-646	15,503
Insurance liabilities		3,234			3,234
Debt securities issued to the public	1,441		21,318	-34	22,726
Provisions and other liabilities	764	388	998	-2	2,148
Tax liabilities	2	95	355	0	452
Subordinated liabilities	9	135	1,329		1,474
Total liabilities	**17,979**	**4,026**	**44,221**	**-1,474**	**64,752**
Equity					**4,374**

Notes

1. Accounting policies
2. Net interest income
3. Net insurance income
4. Net commissions and fees
5. Net investment income
6. Other operating expenses
7. Impairment loss on receivables
8. Insurance liabilities
9. Debt securities issued to the public
10. Fair value reserve after income tax
11. Collateral given
12. Classification of financial assets and liabilities
13. Recurring fair value measurements by valuation technique
14. Off-balance-sheet commitments
15. Derivative contracts
16. Investment distribution of the Insurance segment
17. Related-party transactions

Note 1 Accounting policies

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

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

The Interim Report is available in Finnish, English and Swedish. The Finnish version is official that will be used if there is any discrepancy between the language versions.

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. Default as definition for private customers 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, information 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 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.

Note 2 Net interest income

EUR million	Q1 2020	Q1 2019
Interest income		
Receivables from credit institutions		
Interest	5	4
Negative interest	2	3
Total	6	7
Receivables from customers		
Loans	88	82
Finance lease receivables	9	7
Impaired loans and other commitments	0	0
Negative interest	5	4
Total	103	93
Notes and bonds		
Measured at fair value through profit or loss	0	0
At fair value through other comprehensive income	17	21
Total	17	22
Derivative contracts		
Fair value hedge	-26	-26
Cash flow hedge		0
Ineffective portion of cash flow hedge		0
Other	2	1
Total	-24	-25
Other	2	1
Total	**104**	**98**
Interest expenses		
Liabilities to credit institutions		
Interest	18	22
Negative interest	16	18
Total	34	39
Liabilities to customers	4	4
Debt securities issued to the public	44	43
Subordinated liabilities		
Subordinated loans	1	1
Other	11	11
Total	12	12
Derivative contracts		
Cash flow hedge	-44	-38
Other	-31	-31
Total	-75	-69
Other	1	1
Total	**21**	**30**
Net interest income before fair value adjustment under hedge accounting	**83**	**67**
Hedging derivatives	8	4
Value changes of hedged items	-9	-4
Total	**81**	**67**

Note 3 Net insurance income

EUR million	Q1 2020	Q1 2019
Net insurance premium revenue		
Premiums written	661	641
Insurance premiums ceded to reinsurers	-7	-10
Change in provision for unearned premiums	-299	-288
Reinsurers' share	12	12
Total	**367**	**354**
Net Non-life Insurance claims		
Claims paid	-255	-293
Insurance claims recovered from reinsurers	5	9
Change in provision for unpaid claims	12	41
Reinsurers' share	3	-1
Total	**-235**	**-244**
Other Non-life Insurance items	-2	-1
Total	**131**	**109**

Note 4 Net commissions and fees

Q1/2020, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Commission income					
Lending	11		0	0	11
Deposits	0			0	0
Payment transfers	6		0	0	6
Securities brokerage	8				8
Securities issuance	1		0	0	1
Mutual funds	0		0	0	0
Asset management	3			0	3
Legal services	0				0
Guarantees	3		0	0	3
Insurance brokerage		3			3
Health and wellbeing services		3		0	3
Other	2		0	0	2
Total commission income	**35**	**6**	**0**	**-1**	**41**
Commission expenses					
Payment transfers	1	0	0	0	1
Securities brokerage	1		0		1
Securities issuance	1		0	0	1
Asset management	1	0	0	0	1
Insurance operations		14			14
Health and wellbeing services		1		0	1
Other*	21	0	0	0	21
Total commission expenses	**24**	**15**	**1**	**0**	**40**
Total net commissions and fees	**11**	**-9**	**0**	**0**	**1**

* The item includes EUR 20 million in commission expenses paid to member banks arising from derivatives trading.

Q1/2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Commission income					
Lending	10	0	0	0	10
Deposits	0		0	0	0
Payment transfers	6		0	0	6
Securities brokerage	6				6
Securities issuance	2		0	0	2
Mutual funds	0		0	0	0
Asset management	3			0	3
Legal services	0				0
Guarantees	3		0	0	3
Insurance brokerage		3			3
Health and wellbeing services		6		0	5
Other	4		0	0	4
Total commission income	34	9	0	-1	42
Commission expenses					
Payment transfers	0	0	0	0	0
Securities brokerage	1			0	1
Securities issuance	1		0	0	1
Asset management	1	0	0	0	1
Insurance operations		14			14
Health and wellbeing services		3			3
Other*	27	0	0	0	27
Total commission expenses	31	17	1	0	48
Total net commissions and fees	3	-8	-1	0	-5

* The item includes EUR 25 million in commission expenses paid to member banks arising from derivatives trading.

Note 5 Net investment income

EUR million	Q1 2020	Q1 2019
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Interest income	7	10
Other income and expenses	0	-1
Capital gains and losses	3	16
Currency fair value gains and losses	4	4
Impairment losses and their reversal*	-3	1
Total	11	28
Total	**11**	**28**
Net income recognised at fair value through profit or loss		
Financial assets held for trading		
Notes and bonds		
Fair value gains and losses	-7	3
Interest income and expenses	1	1
Total	-5	4
Shares and participations		
Fair value gains and losses	1	-1
Dividend income	1	0
Total	2	-1
Derivatives		
Fair value gains and losses	5	8
Interest income and expenses	0	-2
Total	5	6
Total	1	10
Financial assets that shall be measured at fair value through profit or loss		
Notes and bonds		
Interest income	1	0
Fair value gains and losses	-2	0
Total	-2	1
Shares and participations		
Fair value gains and losses	-76	43
Dividend income	8	8
Total	-68	51
Total	-70	52
Total net income recognised at fair value through profit or loss	**-69**	**61**

Net income from investment property		
Rental income	6	7
Fair value gains and losses	4	2
Maintenance charges and expenses	-6	-5
Other	-1	-1
Net income from investment property total	**4**	**3**
Net income from loans and receivables measured at amortised cost		
Loans and receivables		
Interest income	1	1
Interest expenses	-1	0
Impairment losses and their reversal	1	-1
Loans and receivables total	**2**	**0**
Non-life Insurance		
Unwinding of discount, Non-life Insurance	-5	-7
Associates		
Consolidated using the equity method	1	0
Total	**1**	**0**
Total net investment income	**-57**	**86**

* Expected credit losses (ECL) on notes and bonds.

Note 6 Other operating expenses

EUR million	Q1 2020	Q1 2019
ICT costs		
Production	44	35
Development	10	16
Buildings	0	2
Government charges and audit fees	24	19
Services purchased	8	8
Data communications	3	3
Marketing	2	2
Corporate social responsibility	1	0
Insurance and security	1	1
Other	16	16
Total	**109**	**101**

Development costs

EUR million	Q1 2020	Q1 2019
ICT development costs	10	16
Share of own work	0	0
Total development costs in the income statement	**10**	**16**
Capitalised ICT costs	9	9
Capitalised share of own work		0
Total capitalised development costs	**9**	**9**
Total development costs	**19**	**25**
Depreciation/amortisation and impairment loss	9	9

Note 7 Impairment loss on receivables

EUR million	Q1 2020	Q1 2019
Receivables written off as loan or guarantee losses	-5	-1
Recoveries of receivables written off	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-42	-4
Expected credit losses (ECL) on notes and bonds*	-2	0
Total	**-49**	**-4**

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 March 2020

Exposures EUR million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total exposure
Receivables from customers (gross)						
Corporate Banking	25,092	1,369	186	1,555	543	27,191
Total	**25,092**	**1,369**	**186**	**1,555**	**543**	**27,191**
Off-balance-sheet limits						
Corporate Banking	4,978	320	85	405	81	5,464
Total	**4,978**	**320**	**85**	**405**	**81**	**5,464**
Other off-balance-sheet commitments						
Corporate Banking	6,816	110		110	104	7,030
Total	**6,816**	**110**		**110**	**104**	**7,030**
Notes and bonds						
Other Operations	13,077	98		98		13,175
Insurance	2,263	6		6	5	2,274
Total	**15,340**	**105**		**105**	**5**	**15,449**
Total exposures within the scope of accounting for expected credit losses	**52,226**	**1,903**	**271**	**2,174**	**733**	**55,134**

Loss allowance by stage 31 March 2020

On-balance-sheet exposures and related off-balance-sheet limits* EUR million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total loss allowance
Receivables from customers						
Corporate Banking	-31	-19	-1	-20	-289	-340
Total	**-31**	**-19**	**-1**	**-20**	**-289**	**-340**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-1		-1	-8	-12
Total	**-3**	**-1**		**-1**	**-8**	**-12**
Notes and bonds***						
Other Operations	-4	-1		-1		-5
Insurance	-4	-0		0	-4	-8
Total notes and bonds	**-8**	**-1**		**-1**	**-4**	**-13**
Total	**-41**	**-22**	**-1**	**-23**	**-300**	**-364**

* 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 March 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	36,886	1,799	271	2,070	728	39,684
Loss allowance						
Corporate Banking	-33	-20	-1	-22	-296	-351
Coverage ratio, %						
Corporate Banking	-0.09%	-1.13%	-0.49%	-1.05%	-40.69%	-0.89%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**36,886**	**1,799**	**271**	**2,070**	**728**	**39,684**
Total loss allowance	**-33**	**-20**	**-1**	**-22**	**-296**	**-351**
Total coverage ratio, %	**-0.09%**	**-1.13%**	**-0.49%**	**-1.05%**	**-40.69%**	**-0.89%**
Carrying amount, notes and bonds						
Other Operations	13,077	98		98		13,175
Insurance	2,263	6		6	5	2,274
Loss allowance						
Other Operations	-4	-1		-1		-5
Insurance	-4	-0		-0	-4	-8
Coverage ratio, %						
Other Operations	-0.03%	-0.96%		-0.96%		-0.04%
Insurance	-0.17%	-6.47%		-6.47%	-75.24%	-0.34%
Total notes and bonds	**15,340**	**105**		**98**	**5**	**15,449**
Total loss allowance	**-8**	**-1**		**-1**	**-4**	**-13**
Total coverage ratio, %	**-0.05%**	**-1.30%**		**-0.96%**	**-75.24%**	**-0.08%**

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 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 2020	**27**	**26**	**257**	**310**
Transfers from Stage 1 to Stage 2	-1	6		4
Transfers from Stage 1 to Stage 3	-1		19	18
Transfers from Stage 2 to Stage 1	0	-1		-1
Transfers from Stage 2 to Stage 3		-5	25	21
Transfers from Stage 3 to Stage 2		0	-1	0
Transfers from Stage 3 to Stage 1	0		0	
Increases due to origination and acquisition	2	0		2
Decreases due to derecognition	-4	-4	0	-8
Changes in risk parameters (net)	10	1	0	11
Decrease in allowance account due to write-offs			-5	-5
Net change in expected credit losses	**7**	**-4**	**39**	**41**
Loss allowance 31 March 2020	**34**	**22**	**296**	**351**

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.

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 before 30 June 2020 (EBA/GL/2020/02 "Guidelines on legislative and non-legislative moratoria on loan payments applied in the light of the COVID-19 crisis"). 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.

The coronavirus crisis has been taken into account in the ECL measurement by updating macroeconomic factors to be in line with the March-end estimate and by giving a larger weight to the downside scenario; downside 40%, baseline 50% and upside 10% (previously downside 20%, baseline 60% and upside 20%). For instance, GDP growth for 2020 is predicted to range from –2.5% to –6.0% in different scenarios and that for 2021 from 2.1% to 4.8% in different scenarios (V-shaped recovery scenario).

The effect of the coronavirus crisis on growth in expected credit losses totalled EUR 14 million. Significant uncertainty still exists related to the economic development caused by the coronavirus crisis.

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2020	**4**	**1**	**3**	**8**
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	2	1	1	3
Decreases due to derecognition	0			0
Changes in risk parameters (net)	2	0	1	2
Changes due to update in the methodology for estimation (net)	0		0	1
Net change in expected credit losses	**4**	**0**	**1**	**5**
Loss allowance 31 March 2020	**8**	**1**	**4**	**13**

The table below shows the change in loss allowance by impairment stage during Q1 2020 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 Q1 2019	**-4**	**1**	**8**	**4**

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 Q1 2019	**0**	**-2**	**1**	**-1**

Note 8 Insurance liabilities

EUR million	31 March 2020	31 Dec 2019
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,565	1,571
Other provision for unpaid claims	1,099	1,101
Reserve for decreased discount rate (value of insurance liability hedges and recognition of sold hedges)	31	-22
Total	2,695	2,650
Provisions for unearned premiums	883	584
Total	**3,578**	**3,234**

Note 9 Debt securities issued to the public

EUR million	31 March 2020	31 Dec 2019
Bonds	10,292	11,955
Subordinated bonds (SNP)	1,659	1,156
Other		
Certificates of deposit	111	
Commercial paper	7,615	9,716
Included in own portfolio in trading (–)*	-54	-101
Total debt securities issued to the public	**19,623**	**22,726**

*Own bonds held by OP Corporate Bank 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	61	21	0	82
Capital gains transferred to income statement	-10	10		0
Impairment loss transferred to income statement		7		7
Transfers to net interest income			0	0
Deferred tax	-10	-8	0	-18
Closing balance 31 March 2019	**44**	**15**	**0**	**59**

	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	-194	-76	9	-260
Capital gains transferred to income statement	1	-6		-5
Impairment loss transferred to income statement		0		0
Deferred tax	39	16	-2	53
Closing balance 31 March 2020	**-123**	**-27**	**7**	**-143**

The fair value reserve before tax amounted to EUR -179 million at the end of the reporting period and the related deferred tax liability was EUR 36 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 26 million (51) and negative mark-to-market valuations EUR 60 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 –5 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	31 March 2020	31 Dec 2019
Given on behalf of own liabilities and commitments		
Pledges	39	79
Others	4,306	3,496
Total collateral given*	**4,345**	**3,575**
Secured derivative liabilities	**1,366**	1,098
Other secured liabilities	2,506	2,093
Total secured liabilities	**3,872**	**3,191**

* In addition, bonds with a book value of EUR 7.2 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 12 Classification of financial assets and liabilities

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	10,141					10,141
Receivables from credit institutions	8,808					8,808
Derivative contracts			5,389		304	5,693
Receivables from customers	24,700					24,700
Notes and bonds		15,897	715	44		16,657
Equity instruments		0	22	642		664
Other financial assets	2,025					2,025
Financial assets						68,688
Other than financial assets						1,346
Total 31 March 2020	**45,674**	**15,897**	**6,127**	**686**	**304**	**70,034**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		17,604		17,604
Derivative contracts	4,457		376	4,833
Liabilities to customers		15,694		15,694
Insurance liabilities		3,578		3,578
Debt securities issued to the public		19,623		19,623
Subordinated loans		1,455		1,455
Other financial liabilities		2,423		2,423
Financial liabilities				**65,210**
Other than financial liabilities				626
Total 31 March 2020	**4,457**	**60,377**	**376**	**65,836**

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 31 March 2020, the fair value of these debt instruments was approximately EUR 204 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 31 March 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	258	67	338	664
Debt instruments	138	186	435	759
Derivative financial instruments	3	5,682	8	5,693
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	10,517	4,458	923	15,897
Total financial instruments	**10,917**	**10,393**	**1,705**	**23,014**
Investment property			338	338
Total	**10,917**	**10,393**	**2,043**	**23,352**

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 31 March 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	2	4,825	6	4,833
Total	**2**	**4,825**	**6**	**4,833**

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2020	**834**	**74**	**875**	**1,783**
Total gains/losses in profit or loss	-466	-66	0	-532
comprehensive income			-2	-2
Purchases	22		5	27
Sales	-6		-1	-7
Settlements				0
Transfers into Level 3	389		105	494
Transfers out of Level 3			-59	-59
Closing balance 31 March 2020	**773**	**8**	**923**	**1,705**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2020	**32**	**32**
Total gains/losses in profit or loss	-26	-26
Closing balance 31 March 2020	**6**	**6**

Total gains/losses included in profit or loss by item for the financial year on 31 March 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)	-467	1	0	-466
Unrealised net gains (losses)	-40		-2	-41
Total net gains (losses)	**-507**	**1**	**-2**	**-507**

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	31 March 2020	31 Dec 2019
Guarantees	678	550
Other guarantee liabilities	1,720	1,882
Loan commitments	5,261	5,146
Commitments related to short-term trade transactions	283	315
Other*	710	699
Total off-balance-sheet commitments	**8,652**	**8,593**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 188 million (194).

Note 15 Derivative contracts

Total derivatives 31 March 2020

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	63,090	81,877	90,770	235,737	3,858	2,785
Cleared by the central counterparty	13,325	38,323	45,375	97,024	73	-52
Currency derivatives	43,439	6,228	2,389	52,057	1,315	1,417
Equity and index-linked derivatives	1	2		3		0
Credit derivatives	58	946	112	1,117	5	24
Other derivatives	316	380	11	708	40	83
Total derivatives	**106,905**	**89,433**	**93,283**	**289,621**	**5,218**	**4,309**

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 or in 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

	31 March 2020		31 December 2019	
Investment asset portfolio allocation	Fair value, EUR million*	%	Fair value, EUR million*	%
Money market total	459	12	547	14
Money market instruments and deposits**	455	12	541	14
Derivative instruments***	4	0	6	0
Total bonds and bond funds	2,604	69	2,644	67
Governments	476	13	447	11
Investment Grade	1,570	41	1,669	42
Emerging markets and High Yield	282	7	253	6
Structured investments****	277	7	275	7
Total equities	376	10	426	11
Finland	75	2	116	3
Developed markets	162	4	172	4
Emerging markets	65	2	67	2
Fixed assets and unlisted equities	6	0	6	0
Private equity investments	68	2	65	2
Total alternative investments	35	1	35	1
Hedge funds	35	1	35	1
Total property investments	313	8	300	8
Direct property investments	160	4	159	4
Indirect property investments	153	4	141	4
Total	**3,787**	**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:

Half-year Financial Report H1/2020	21 July 2020
Interim Report Q1–3/2020	22 October 2020

Helsinki, 28 April 2020

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