OP Financial Group's Financial Statements Bulletin 1 January–31 December 2021

OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2021:

Earnings before tax improved to EUR 1,127 million – strong growth in income from customer business, costs under control

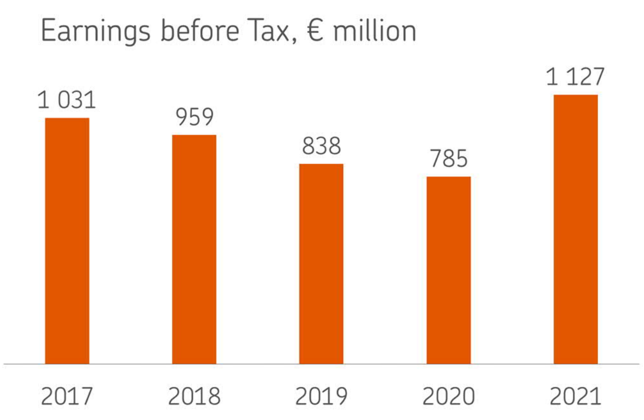
Earnings before tax Q1–4/2021	Net interest income Q1–4/2021	Net insurance income Q1–4/2021	Net commissions and fees Q1–4/2021	CET1 ratio 31 Dec 2021
€1,127 mill.	+10%	+30%	+11%	18.2%

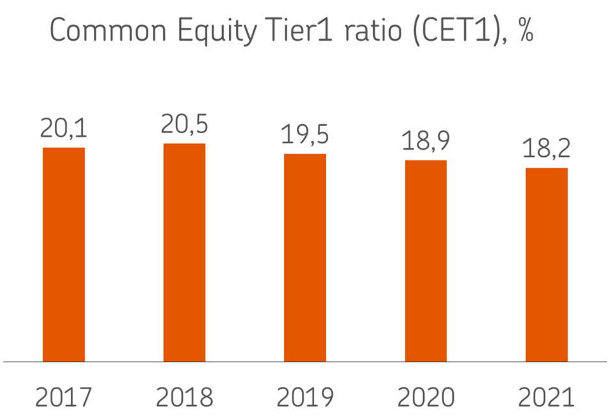
- Earnings before tax improved by 44% to EUR 1,127 million (785).
- Income from customer business increased by a total of 14% to EUR 3,186 million (2,787). Net interest income increased by 10% to EUR 1,409 million (1,284), net insurance income by 30% to EUR 743 million (572) and net commissions and fees by 11% to EUR 1,034 million (931).
- Investment income rose by 42% to EUR 257 million (181).
- Total income increased by 17% to EUR 3,616 million (3,103).
- Total expenses increased by 9% to EUR 2,007 million (1,839). The transfer of the remaining statutory earnings-related pension liability to Ilmarinen Mutual Pension Insurance Company reduced OP Financial Group's pension costs by EUR 96 million in 2020. Excluding the transfer, total expenses increased by 4%.
- Impairment loss on receivables was EUR 158 million (225), accounting for 0.16% (0.23) of the loan and guarantee portfolio.
- OP Financial Group's loan portfolio grew by 4% to EUR 97 billion (94) and the deposit portfolio by 7% to EUR 76 billion (71).
- The CET1 ratio was 18.2% (18.9). Proactive recognition of changes related to the internal models method weakened capital adequacy by one percentage point.
- Retail Banking earnings before tax improved to EUR 304 million (115). Net interest income increased by 4% and net commissions and fees by 8%. Impairment loss on receivables decreased by EUR 88 million to EUR 84 million (172). The loan portfolio increased by 2% and deposits by 5%.
- Corporate Banking earnings before tax improved to EUR 474 million (349). Net interest income increased by 5%, net commissions and fees by 34% and net investment income by 20%. Impairment loss on receivables increased by EUR 21 million to EUR 74 million (53).
- Insurance earnings before tax improved to EUR 504 million (348). Net insurance income grew by 30% to EUR 754 million (582). Investment income rose by EUR 86 million to EUR 170 million (84). The operating combined ratio improved to 85.5% (87.8) in non-life insurance.
- Other Operations earnings before tax were EUR –109 million (3). A year ago, the sale of the Vallila property improved earnings by EUR 96 million.
- New OP bonuses accrued to owner-customers totalled EUR 210 million (255). The accrual of OP bonuses was changed as of 1 November 2020.
- OP Financial Group paid interest on Profit Shares for 2020 to holders of those shares on 4 October 2021. In the payment of interest, OP Financial Group complied with the ECB's recommendation that limited banks' profit distribution, which expired on 30 September 2021.
- In honour of its 120th anniversary in 2022, OP Financial Group increases the return target for Profit Shares by 1.20 percentage points. This means that the return target for 2022 is at 4.45%.
- The sale of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy was finalised on 1 February 2022.
- Earnings before tax for 2022 are expected to be lower than in 2021. For more detailed information on the outlook, see "Outlook for 2022".

OP Financial Group's key indicators

	Q1–4/2021	Q1–4/2020	Change, %
Earnings before tax, € million	1,127	785	43,6
Retail Banking	304	115	165.3
Corporate Banking	474	349	35.8
Insurance	504	348	44.5
Other Operations	-109	3	-
New OP bonuses accrued to owner-customers, € million	-210	-255	-
Return on equity (ROE), %	6.6	5.0	1.6*
Return on equity, excluding OP bonuses, %	7.8	6.6	1.3*
Return on assets (ROA), %	0.54	0.42	0.12*
Return on assets, excluding OP bonuses, %	0.64	0.55	0.09*
	31 Dec 2021	31 Dec 2020	Change, %
CET1 ratio, %	18.2	18.9	-0.7*
Loan portfolio, € billion	96.9	93.6	3.5
Deposits, € billion	75.6	70.9	6.6
Ratio of non-performing exposures to exposures, %**	2.4	2.5	-0.1*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.16	0.23	-0.08*
Owner-customers (1,000)	2,049	2,025	1.2

Comparatives deriving from the income statement are based on figures for the corresponding periods a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2020 are used as comparatives.
*Change in ratio
** The name and content of the ratio was changed in Q1/2021. Comparatives have been adjusted accordingly. More detailed information on the change can be found under table Forborne loans and non-performing receivables in the Risk exposure section of this Financial Statements Bulletin.





Comments by President and Group Chief Executive Officer Timo Ritakallio

OP Financial Group's earnings for 2021 were record high, at EUR 1,127 million. All three business segments – Retail Banking, Corporate Banking and Insurance – markedly improved their earnings year on year. Income from customer business increased by 14%, due to higher net commissions and fees, net interest income and net insurance income. Investment income also showed strong growth.

OP Financial Group reported controlled growth in expenses. The pension liability transfer to Ilmarinen Mutual Pension Insurance Company reduced pension costs in 2020. Excluding this effect, expenses grew by 4%. Our income clearly grew faster than expenses, in line with our strategic target. Total income increased by 17%.

Our customers' repayment capacity remained good as reflected by the year-on-year decrease in impairment loss on receivables. At EUR 158 million, impairment loss on receivables was 0.16% of the loan and guarantee portfolio.

OP Financial Group's capital adequacy continues to be strong – among the best in the European banking sector. The CET1 ratio was 18.2% at the end of December.

In 2021, our customers were more active than ever in the capital market. OP's mutual funds attracted almost 190,000 new unitholders, or 46% of all new unitholders in mutual funds registered in Finland. Measured by the number of unitholders, OP-Climate was the most popular fund in Finland; the number of unitholders rose by 85% in 2021. As part of our revised owner-customer benefits, we launched an investor benefits package in early 2021, encouraging owner-customers to build their wealth by saving and investing on a long-term basis. Overall, the investment assets of households increased by 16% and those of SME customers by 21% in 2021.

Responsible business is one of our strategic priorities. We are continuously developing our responsible products, which have become increasingly popular in the investment and financing markets. Exposures from our sustainable corporate finance doubled to EUR 3 billion. As part of our corporate responsibility programme, we promote financial literacy in Finland by providing services for the management of personal finances and guidance in financial and digital skills. Despite the challenges caused by the Covid-19 pandemic in 2021, we taught financial skills to more than 39,000 children and young people, and digital skills to more than 8,400 people.

We focus on banking and insurance – our core business. In early 2022, we finalised arrangements to simplify the structure of the central cooperative consolidated. The Finnish Competition and Consumer Authority approved the sale of Pohjola Hospital to Pihlajalinna. The transaction was finalised on 1 February 2022.

More merger projects were implemented between OP cooperative banks than at any other time this century: there were 121 OP cooperative banks at the end of 2021, compared to 137 a year earlier. A major merger project was launched in the Helsinki Metropolitan Area when Helsinki Area Cooperative Bank, Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki decided to merge to form a single, more competitive bank offering even better services.

The economic recovery continued in the fourth quarter of 2021, although the number of infections caused by the Omicron virus variant began to rise sharply. Inflation continued to accelerate towards the end of the year, and central banks announced the gradual tightening of monetary policy. Uncertainty increased in the financial market due to expectations of higher inflation and interest rates.

The Finnish economy has recovered from the Covid-19 pandemic faster than the euro area on average, with household finances improving due to the positive employment trend. The housing market was lively in 2021, although peak growth began to level off towards the end of the year. Businesses are in good financial health, which has increased their willingness to invest. Uncertainty prevails, despite the positive economic outlook: risks are posed by the exceptional business cycle as well as non-economic factors such as Covid-19 and geopolitical developments.

Due to expectations of rising interest rates, our customers have shown increasing interest in interest-rate hedging for home loans and housing company loans. At the end of 2021, 29.6% of personal customers' home loans were covered by interest rate protection, characterised by long hedging periods and low levels of interest rate caps.

OP Financial Group has been helping people to grow their wealth and wellbeing, and building a sustainable future, for 120 years. As we celebrate the Group's 120th anniversary this year, we are offering our owner-customers the possibility of an additional interest rate of 1.2 percentage points on Profit Shares, bringing the return target for 2022 to 4.45%.

Our warm thanks to our customers for trusting in us, and to our personnel and governing bodies for their excellent and fruitful cooperation!

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Business environment

In 2021, the world economy recovered from the crisis caused by the Covid-19 pandemic. During the last quarter of the year, the economy grew briskly despite growth in the rate of infections caused by the Omicron variant. Inflation sped up strongly towards the end of the year, reaching the fastest rate in decades in many countries. The Euribor rates remained steady but long-term interest rates rose moderately during the year.

Finland's GDP exceeded its pre-pandemic level already in the spring and recovery continued at a brisk pace in the autumn. Employment has recovered from the crisis rapidly and unemployment has clearly decreased. Inflation in Finland accelerated more moderately than in the euro area on the whole although the increase was at its highest since the early 2010s. Home prices too rose at the fastest rate in many years. Towards the year end, activity on the housing market began to slow down but remained strong.

Growth in Covid-19 infections is likely to temporarily slow down economic growth at the beginning of 2022 but the economic recovery is expected to continue during the year. Inflation is expected to slow down but to remain quite high. The Covid-19 pandemic, geopolitical tensions and uncertainty related to the inflation outlook cast a shadow over the economic outlook. In December, the European Central Bank announced that it would gradually reduce its asset purchases during 2022.

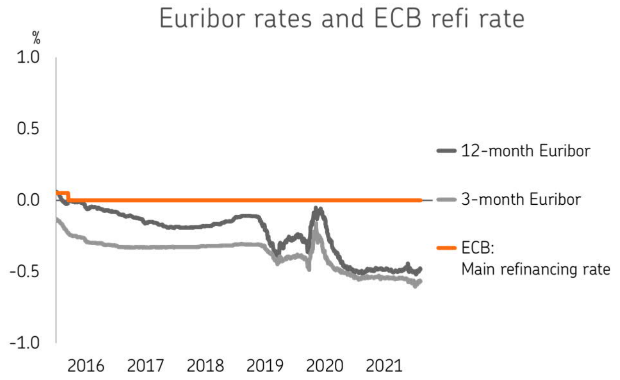
Total loans increased by 3.3 per cent in 2021. Household and housing company loans showed the strongest growth.

Household loans increased by 4.0 per cent, housing company loans by 5.9 per cent and corporate loans by 1.1 per cent. Growth in home loans as a driver of growth in household loans slowed down towards the year end, reaching 4.1 per cent, whereas the growth rate in consumer loans strengthened to 2.5 per cent.

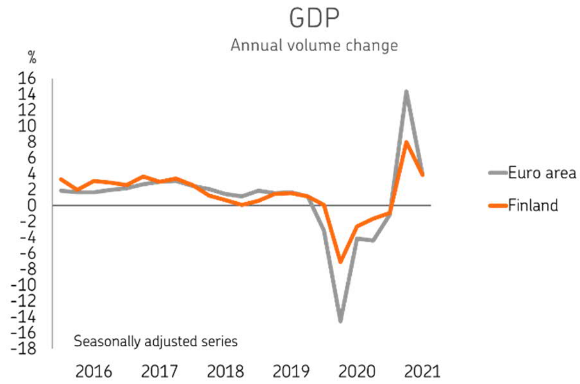
Total deposits rose by 4.7 per cent in 2021. Corporate deposits increased by 10.9 per cent and household deposits by 5.1 per cent.

The value of mutual funds registered in Finland rose to a record of EUR 158.8 billion at the end of 2021. New capital invested in mutual funds during 2021 totalled EUR 9.1 billion. A rise in stock prices also increased the value of mutual fund investments.

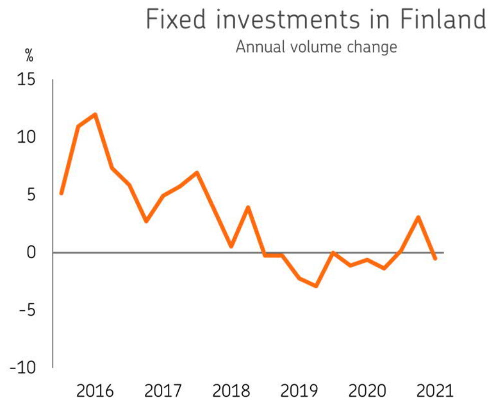
In the insurance sector, 2021 was favourable. The economic recovery supported demand for insurance products and the effects of the Covid-19 pandemic did not weaken the profitability of insurance companies. Strong performance in the capital market was also favourable to insurance companies.



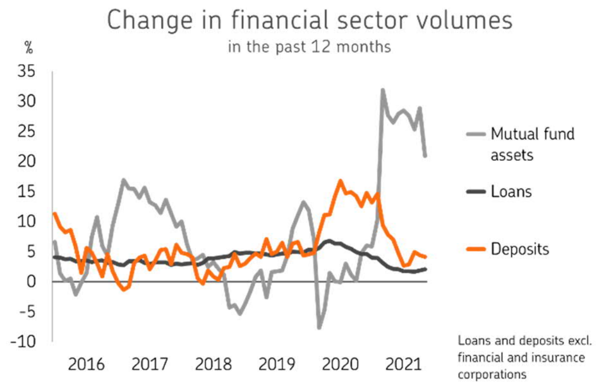
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1–4/2021	Q1–4/2020	Change, %	Q4/2021	Q4/ 2020	Change, %
Earnings before tax	1,127	785	43.6	270	259	4.1
Retail Banking	304	115	165.3	80	14	461.8
Corporate Banking	474	349	35.8	119	128	-7.3
Insurance	504	348	44.5	123	154	-19.8
Other Operations	-109	3	-	-39	-36	-
Income						
Net interest income	1,409	1,284	9.7	438	324	35.3
Net insurance income	743	572	29.9	201	95	111.1
Net commissions and fees	1,034	931	11.0	273	252	8.3
Net investment income	376	184	104.4	123	153	-19.5
Other operating income	54	132	-58.8	8	11	-31.5
Total income	3,616	3,103	16.5	1,043	835	24.9
Expenses						
Personnel costs*	914	715	27.9	258	120	114.6
Depreciation/amortisation and impairment loss	283	273	3.6	91	77	17.8
Other operating expenses	810	852	-4.9	237	228	4.1
Total expenses	2,007	1,839	9.1	586	425	37.9
Impairment loss on receivables	-158	-225	-	-63	-42	-
Overlay approach	-118	-3	-	-70	-48	-
New OP bonuses accrued to owner-customers	-210	-255	-	-54	-61	-

*The transfer of the remaining statutory earnings-related pension liability reduced pension costs for 2020 by EUR 96 million in the fourth quarter.

Key indicators, € million	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio	96,947	93,644	3.5
Home loans	41,522	40,036	3.7
Corporate loans	23,128	22,587	2.4
Housing company and other loans	32,297	31,021	4.1
Guarantee portfolio	4,047	3,100	30.5
Other exposures	15,314	13,941	9.8
Deposits	75,612	70,940	6.6
Assets under management (gross)	111,836	89,126	25.5
Mutual funds	32,515	27,598	17.8
Institutional clients	38,336	25,330	51.3
Private Banking	27,831	24,888	11.8
Unit-linked insurance assets	13,154	11,310	16.3
Balance sheet total	174,110	160,207	8.7
Investment assets	22,945	23,562	-2.6
Insurance liabilities	8,773	9,374	-6.4
Debt securities issued to the public	34,895	34,706	0.5
Equity capital	14,184	13,112	8.2

January–December

OP Financial Group's earnings before tax amounted to EUR 1,127 million (785), up by EUR 342 million from the previous year. Income from customer business, or net interest income, net insurance income and net commissions and fees, showed strong growth. Earnings were also improved by higher investment income and lower impairment loss on receivables.

Net interest income increased by 9.7% to EUR 1,409 million. Net interest income reported by the Retail Banking segment increased by EUR 34 million, that by the Corporate Banking segment by EUR 20 million and that by the Other Operations segment by EUR 70 million. The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The margin was recognised in accordance with IFRS 9 as OP Financial Group fulfilled the criteria for net lending performance. OP Financial Group's loan portfolio grew by 3.5% to EUR 96.9 billion and deposits by 6.6% to EUR 75.6 billion. New loans drawn down by customers during the reporting period totalled EUR 26.4 billion (22.6).

Net insurance income increased by 29.9% to EUR 743 million. The Insurance segment's non-life insurance premium revenue increased by 3.3% to EUR 1,555 million. Claims incurred decreased by 2.3% to EUR 899 million. Operating combined ratio reported by non-life insurance improved to 85.5% (87.8).

Net commissions and fees totalled EUR 1,034 million (931). Net commissions and fees for mutual funds increased by EUR 46 million and those for deposits by EUR 20 million. Life insurance total expense loading increased by EUR 15 million and net commissions and fees for payment transfer services by EUR 11 million.

Net investment income increased by EUR 192 million to EUR 376 million. Net income from financial assets at fair value through other comprehensive income totalled EUR 67 million (37), of which capital gains accounted for EUR 14 million (22).

Net income from financial assets recognised at fair value through profit or loss totalled EUR 129 million (438). Net income from financial assets held for trading decreased by a total of EUR 472 million due to changes in the fair value of derivatives. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 15 million (–16). The figure a year ago has been adjusted to correspond to the current accounting. Income from equity instruments recognised at fair value in the income statement increased by a total of EUR 293 million year on year. When the Covid-19 crisis broke out a year ago, the fair value of equities decreased significantly. Net income from investment property increased by EUR 75 million due to positive changes in fair value. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 385 million to EUR 122 million.

An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity. The overlay approach decreased investment income by EUR 118 million (–3). Total investment income rose by EUR 77 million year on year, to EUR 257 million. Capital gains on all financial instruments recognised through fair value reserve totalled EUR 139 million (43). The combined return on investments at fair value of OP Financial Group's insurance companies was 1.7% (4.9).

Other operating income decreased year on year to EUR 54 million (132). The sale of Checkout Finland Ltd to Paytrail Oyj on 30 April 2021 increased other operating income. A year ago, the sale of the Vallila property increased other operating income, for which OP Financial Group recognised a capital gain of EUR 98 million in other operating income and an expense of EUR 2 million in other operating expenses. The Group will continue operating in the property under a long-term lease agreement, and the property was recognised as a right-of-use asset in the balance sheet.

Total expenses increased by 9.1% year on year, to EUR 2,007 million. Personnel costs increased by 27.9% to EUR 914 million due to higher provisions for performance-based bonuses and a higher headcount. In addition, the transfer of the remaining statutory earnings-related pension liability at the end of 2020 reduced pension costs for 2020 by EUR 96 million. Excluding the effect of the pension liability transfer, total expenses rose by 3.7% and personnel costs by 12.8%. Depreciation/amortisation and impairment loss on PPE and intangible assets increased by 3.6% to EUR 283 million. Impairment write-downs were EUR 10 million higher than the year before.

Other operating expenses decreased by 4.9% to EUR 810 million. ICT costs decreased by 7.8% to EUR 364 million. A one-off investment in the IT environment increased ICT costs a year ago. Development costs were EUR 195 million (183). Charges of financial authorities increased by 23.1% to EUR 64 million as a result of a higher EU stability contribution.

Impairment loss on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 164 million (244), of which EUR 158 million (225) concerned loans and receivables. Impairment loss on receivables was increased in particular by the tightened management of the measurement of exposures that have been non-performing for a long time and by the update of the collateral values of riskier collateral assets. A year ago, customers actively applied for repayment holidays on their loans and changes to their repayment schedules due to the Covid-19 pandemic. Combined with the changes in macroeconomic parameters applied in the calculation of expected credit losses, this increased impairment loss on receivables by EUR 88 million in January–December 2020. In addition, the adoption of the new definition of default in the first quarter of 2020 increased impairment loss on receivables by EUR 44 million in January–December 2020. Final net loan losses recognised totalled EUR 113 million (107). Loss allowance was EUR 751 million (708) at the end of the reporting period. Non-performing exposures accounted for 2.4% (2.5) of the exposures. Impairment loss on loans and receivables accounted for 0.16% (0.23) of the loan and guarantee portfolio.

OP Financial Group's income tax amounted to EUR 224 million (144). The effective tax rate was 19.8% (18.3). A year ago, the rate decreased due to the transfer of statutory earnings-related pension liability and the group contributions provided.

Non-life insurance will focus on its core business and sell its hospital business. In the second quarter, Pohjola Hospital was classified as a non-current asset held for sale. Hospital business assets recognised in the balance sheet totalled EUR 8 million and liabilities EUR 8 million at the end of the reporting period.

OP Financial Group's equity amounted to EUR 14.2 billion (13.1). Equity included EUR 3.2 billion (3.0) in Profit Shares, terminated Profit Shares accounting for EUR 0.3 billion (0.3). The return target for Profit Shares for 2021 is 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 96 million (95). The amount of interest paid for 2020 on 4 October 2021 totalled EUR 95 million and that paid for 2019 on 8 February 2021 totalled EUR 97 billion.

Comprehensive income after tax totalled EUR 897 million (734). Changes in the fair value reserve decreased comprehensive income by EUR 59 million. A year ago, changes in the fair value reserve increased comprehensive income by EUR 131 million.

October–December

Earnings before tax amounted to EUR 270 million (259). Income from customer business showed strong growth. A year ago, the transfer of the statutory earnings-related pension liability to Ilmarinen Mutual Pension Insurance Company increased earnings by EUR 96 million.

Total income of EUR 1,043 million increased by 24.9% year on year. Net interest income rose by 35.3% to EUR 438 million. The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The margin was recognised in accordance with IFRS 9 as OP Financial Group fulfilled the criteria for net lending performance. Net insurance income increased by 111.1% to EUR 201 million. The changed mortality model improved net insurance income by EUR 42 million. A year ago, the reduction in the discount rate for insurance liability increased claims incurred by EUR 45 million. Net commissions and fees rose by 8.3% to EUR 273 million.

In total, investment income decreased by EUR 52 million to EUR 53 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR 31 million (179). Net income from financial assets held for trading decreased by a total of EUR 124 million due to changes in the fair value of derivatives. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 50 million year on year. Net income from investment property increased by EUR 75 million due to positive changes in fair value. The overlay approach decreased investment income by EUR 70 million (–48).

Other operating income decreased by EUR 3 million to EUR 8 million.

Total expenses rose by 37.9% to EUR 586 million. Personnel costs increased by 114.6% to EUR 258 million due to higher provisions for performance-based bonuses and a higher headcount. In addition, the transfer of statutory earnings-related pension liability at the end of 2020 reduced OP Financial Group's pension costs for 2020 by EUR 96 million. Excluding the effect of the pension liability transfer, total expenses rose by 12.5% and personnel costs by 19.4%. Depreciation/amortisation and impairment loss increased by 17.8% from the previous year, to EUR 91 million. Impairment write-downs were EUR 8 million higher than the year before. Other operating expenses grew by 4.1% to EUR 237 million.

Impairment loss on receivables, EUR 63 million, increased by EUR 22 million year on year. The increase in impairment loss on receivables was particularly explained by the tightened management of the measurement of exposures that have been non-performing for a long time and by the update of the collateral values of riskier collateral assets. Final net loan losses recognised totalled EUR 15 million (25).

Comprehensive income totalled EUR 225 million (299). Changes in the fair value reserve increased comprehensive income by EUR 6 million (99).

Measures taken by OP Financial Group amid the Covid-19 pandemic

OP Financial Group has offered financial relief in the form of repayment holidays to its personal and corporate customers who have run into financial problems due to the Covid-19 pandemic. Households have been offered the opportunity to get a repayment holiday of up to 12 months on their home loans. With respect to corporate customers, changes in repayment schedules are always evaluated on a case-by-case basis. In addition, guarantees provided by Finnvera have been used.

OP cooperative banks have granted brief rent concessions to their customers on a case-by-case basis during the Covid-19 pandemic.

OP Financial Group has ensured that services critical to society are available during the Covid-19 pandemic too. The Group has enabled safe working conditions for its personnel in its offices and branches. Extensive remote working has also been encouraged in those jobs where it is possible.

OP Financial Group has supported the work of UNICEF in India due to the worsened Covid-19 situation. Funds raised from the related campaign are directed towards supporting hospital work and increasing testing capacity. Around 600 persons work for OP Financial Group in India through various partners.

In October, OP Financial Group approved the principles of the future ways of working, or hybrid work. These shared principles will help Group organisations and teams to plan how to work in diverse ways from multiple locations. In future, OP Financial Group will combine in-office and remote work systematically, smoothly and productively while taking account of occupational safety. Customers' needs and business goals primarily guide the types and locations of work.

October–December highlights

OP Financial Group paid interest on Profit Shares for 2020 in early October

OP Financial Group paid interest on Profit Shares for 2020 to holders of those shares on 4 October 2021. In the payment of interest, OP Financial Group complied with the recommendation of the European Central Bank (ECB) that limited banks' profit distribution, which expired on 30 September 2021. The interest payable on Profit Shares for 2020 totalled EUR 95 million based on the original return target of 3.25%. In future, OP Financial Group will reassume its normal payment schedule for interest on Profit Shares. This means paying interest for the previous year in June of the following year, if the distribution criteria are fulfilled. The return target for Profit Shares for 2021 is 3.25%. The final amount of payable interest will be confirmed after the end of the financial year.

Appointments in the Executive Management Team of OP Financial Group's central cooperative

On 26 October 2021, OP Cooperative's Board of Directors appointed Chief Risk Officer Markku Pehkonen as member of OP Cooperative's Executive Management Team as of 1 January 2022. Pehkonen has served as OP Financial Group's Chief Risk Officer since 2018.

Vesa Aho, Chief Financial Officer of OP Financial Group, was appointed Executive Vice President of OP Financial Group's Insurance Customers segment and as Executive Vice President, Chief Executive Officer of Pohjola Insurance. Aho will take up his duties as EVP and CEO of Pohjola Insurance on 1 March 2022. In his new position, Aho will also continue as member of the Executive Management Team of OP Cooperative. Olli Lehtilä, the current EVP, CEO of Pohjola Insurance, will become the Managing Director of the new Uudenmaan Osuuspankki.

Mikko Timonen was appointed Chief Financial Officer of OP Financial Group as of 1 March 2022. Timonen currently works as Head of Business Control in OP Financial Group's Corporate Banking segment. In his new position, Timonen will also become member of the Executive Management Team of OP Cooperative.

OP Financial Group increases the return target for Profit Shares for 2022 in honour of the jubilee year

OP Financial Group will celebrate its 120th anniversary by increasing the return target for its owner-customers' Profit Shares by 1.20 percentage points. This means that the return target for 2022 will stand at 4.45%. Interest payment and its amount depend on the financial performance of the OP cooperative bank in question.

OP Corporate Bank plc's partial demerger

On 29 November 2021, OP Corporate Bank plc implemented a partial demerger in such a way that the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, were transferred to the direct ownership of OP Cooperative. The aim of the restructuring is to simplify the structure and governance of OP Financial Group's central cooperative consolidated and to clarify its management structure. The restructuring had no effect on OP Financial Group's capital adequacy, earnings or business segments.

OP Financial Group's strategic targets and focus areas

OP Financial Group has a strategy process in which it assesses, reshapes and implements its strategy on an ongoing basis. The Group systematically assesses its business environment and operating model to be able to make and implement new strategic choices when needed.

OP Financial Group's mission, core values, vision and strategic priorities form a whole whose parts complement each other. OP Financial Group's vision is to be the leading and most appealing financial services group in Finland. Continuous monitoring of the business environment and the strategic priorities will help achieve the shared vision and guide all actions.

The Supervisory Council of OP Financial Group's central cooperative confirmed the Group's strategy at its meeting on 25 August 2021. The updated strategy defines OP Financial Group's key strategic priorities for the next few years. The strategic priorities are as follows:

- Value for customers
- Profitable growth
- Efficient, high-quality operations
- Responsible business
- Highly skilled, motivated and satisfied personnel.

On 30 October 2019, the Supervisory Board (as of 1 January 2020, the Supervisory Council) of OP Financial Group's central cooperative confirmed OP Financial Group's strategic long-term targets. The targets entered into force as of 1 January 2020.

On 25 August 2021, the Supervisory Council specified the long-term target for brand recommendations by dividing the NPS target between banking and insurance business.

OP Financial Group's strategic targets	31 Dec 2021	31 Dec 2020	Target 2025
Return on equity (ROE excluding OP bonuses), %	7.8	6.6	8.0
CET1 ratio, %	18.2	18.9	At least CET1 require-ment + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers)**	Banking: 27 Insurance: 16	Banking: 29 Insurance: 17	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

*OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the December-end capital adequacy requirement was 13.7%.
**Average of quarters (per year)

Promotion of the success of owner-customers and operating region

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. The Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. The Group's core values are people first, responsibility, and succeeding together.

Allocation of earnings

As a cooperative business, OP Financial Group aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for 2021 that is to be confirmed after the end of the financial year:

*) Customers = OP bonuses, discounts and interest on Profit Shares to owner-customers

Implementing OP Financial Group's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. A stronger capital base will require efficiency and earnings power of the Group in the years to come too. In addition to the part returned to owner-customers, a significant part of earnings is used to strengthen OP Financial Group's capital base.

According to the fundamental cooperative business principle, benefits are allocated on the basis of the extent to which each member uses the cooperative's services. The owner-customers' loyalty benefit programme consists of OP bonuses – accrued on the basis of an owner-customer's transactions with OP – as well as benefits and discounts related to OP's banking services, insurance contracts and savings and investment services. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be paid annually on Profit Shares as the banks' profit distribution.

OP Financial Group is one of the largest taxpayers in Finland measured by tax on profits. As a major taxpayer, the Group is contributing to prosperity in the whole of Finland.

Customer relationships and customer benefits

OP Financial Group had a total of 2.0 million (2.0) owner-customers at the end of the reporting period. The number of our owner-customers increased by 24,000.

The number of banking customers totalled 3.6 million (3.6). Retail Banking had a total of 3.3 million customers (3.3) and Corporate Banking 0.3 million customers (0.3). Non-life insurance had a total of 1.6 million customers (1.6) and life insurance 0.4 million customers (0.4).

The number of joint banking and insurance customers totalled 1.3 million (1.3).

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.4 billion (3.2).

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–December totalled EUR 210 million (255). The accrual of OP bonuses was changed as of 1 November 2020. During the reporting period, a total of 107 million euros (119) of OP bonuses were used to pay for banking and wealth management services and EUR 112 million (130) to pay non-life insurance premiums.

Owner-customers benefitted EUR 57 million (27) from the reduced price of the daily services package of Retail Banking. Owner-customers were provided with EUR 58 million (66) in non-life insurance loyalty discounts. They also bought, sold and switched units in most mutual funds without separate charges. The value of this benefit amounted to EUR 7 million (6).

The abovementioned OP bonuses and customer benefits totalled EUR 332 million (354), accounting for 22.8% (31.1) of OP Financial Group's earnings before tax and granted benefits.

Interest paid on Profit Shares for the financial year 2020 totalled EUR 95 million (97). The return target for Profit Shares for 2021 was an interest rate of 3.25% (3.25). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 96 million (95).

Corporate responsibility

Corporate responsibility is an integral part of OP Financial Group's business and strategy. Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's aim is to be a forerunner of corporate responsibility within its sector in Finland. OP Financial Group's Corporate Responsibility Programme is built around four themes: we improve financial literacy in Finland, we foster a sustainable economy, we support local vitality and community spirit, and we use our information capital responsibly.

OP Financial Group is committed to complying 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. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 30% (28) at the end of December.

Corporate responsibility highlights in October–December

In October, OP Financial Group invited owner-customers to have their say in the selection of corporate responsibility actions for their respective OP cooperative bank. Owner-customers' proposals were collected for the first time through an online survey under the heading, Good deeds across time. The Group received more than 40,000 replies. The themes of the online survey derived from OP Financial Group's corporate responsibility programme and were the same for all OP cooperative banks. Of the proposed themes, owner-customers gave the most votes to supporting the employment and education of young people. Actions benefiting nature and the environment received the second highest number of votes.

In October, OP Corporate Bank committed to becoming carbon neutral in its corporate loan portfolios by 2050. At the same time, OP Asset Management and OP Fund Management Company made the same commitment regarding the funds they manage. These companies also tightened their stance on coal in their financing and investments. Right now, OP Corporate Bank is creating a road map for reducing emissions significantly before 2050, especially in Finland, its main market for corporate financing. OP Asset Management will halve the greenhouse gas emission intensity of its funds by 2030 compared with the 2019 level.

OP Financial Group has already set itself the target of being carbon neutral in terms of its own direct emissions and emissions caused by energy consumption by 2025.

In December, OP Financial Group's climate actions scored, for the third time in a row, an A- in CDP's international climate impact assessment.

OP Financial Group has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. The combined exposures of these loans and limits increased to EUR 3.0 billion (1.5) in 2021.

OP Financial Group offers four sustainability-themed funds: OP-Sustainable World, OP-Climate, OP-Clean Water and OP-Low-carbon World. In addition to theme funds, responsible investment funds include index funds and the OP-Target funds related to the OP Investment Partner service. Assets managed in responsible investment funds totalled EUR 8.8 billion (4.9) at the end of 2021.

In 2021, OP Financial Group continued its long-term efforts to improve financial literacy in Finland. Despite the challenges caused by the Covid-19 pandemic, OP taught financial skills to more than 39,000 children and young people (51,000), partly through remote teaching. OP provided digital guidance for more than 8,400 older people (4,500).

Taxonomy eligibility

The aim of the EU Taxonomy for sustainable finance that entered into force in 2021 is to determine the sustainability of financing and investment activities. Taxonomy-aligned information regarding OP Financial Group in 2021 is presented below. In future years, the Group will present key performance indicators for sustainable finance on its taxonomy-eligible assets.

Home loans contribute to economic activities classified in taxonomy regulation, in other words, they are taxonomy eligible.

31 Dec 2021	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
Home loans	41,522	23.8	100.0

As regards Insurance business, the proportion of taxonomy-eligible economic activities related to non-life insurance is reported for 2021. Insurance contracts are taxonomy eligible if they fall within the lines of insurance specified in the EU Taxonomy criteria and if, based on the insurance terms and conditions, the insurance contracts cover losses arising from threats related to climate change. The indicator applied is gross premiums written. The taxonomy-eligible proportion of reinsurance is reported on a voluntary basis, based on an estimate.

Insurance business, Q1–4/2021	€ million	%
Non-life insurance gross premiums written	1,543	100.0
Taxonomy-eligible	1,357	87.9
Taxonomy-non-eligible	186	12.1
Reinsurance gross premiums written	70	100.0
Taxonomy-eligible	49	70.5
Taxonomy-non-eligible	21	29.5

As regards other functions, OP Financial Group reports on a voluntary basis its estimate of the taxonomy-eligibility of items aligned with the EU Taxonomy.

31 Dec 2021	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
Corporate lending, NFRD exposures*	7,802	4.5	33.1
Non-life insurance investments**	4,235	2.4	37.3
Life insurance investments**	19,473	11.2	12.9
Banking notes and bonds***	7,899	4.5	3.4
Total	39,409	22.6	

*Companies subject to the NFRD (Non-financial Reporting Directive) includes listed European companies with more than 500 employees. As regards corporate lending, the information covers Finnish companies only.
**Fair value of investments. Life insurance investments include unit-linked investments and separated balance sheets.
***Excluding notes and bonds held for trading.

The companies' taxonomy figures are based on the estimates of an external supplier concerning the taxonomy eligibility of the activities of OP Financial Group customers and activities subject to investment. The supplier assessed the companies' business and, based on such assessments, determined their taxonomy eligibility. OP Financial Group has neither performed such assessments nor collected such information from customers or investees. The companies' official information on taxonomy eligibility is not yet available. The reporting will be further specified in future years as information reported by companies subject to financing and investment can be used instead of estimates.

Balance sheet information, 31 Dec 2021	€ million	Share of balance sheet assets, %
Total balance sheet assets	174,110	100.0
Exposures to central governments, central banks and supranational issuers	36,236	20.8
Derivative contracts, assets	3,467	2.0
Financial assets held for trading	409	0.2
Receivables from credit institutions payable on demand	283	0.2

Taxonomy-aligned information supplementing this Financial Statements Bulletin will be published in OP Financial Group's Report by the Board of Directors 2021.

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In December, the Group's mobile channels (OP-mobile, OP Business mobile, OP Junior) had around 1.3 million active users (1.2). The Group provides personal customer service both at branches and digitally.

Mobile and online services, no. of logins (million)	Q1–4/ 2021	Q1–4/ 2020	Change, %
OP-mobile	481.3	403.8	19.2
OP Business mobile	20.9	15.2	36.9
Pivo	44.4	43.7	1.7
Op.fi	53.4	68.1	-21.5
	31 Dec 2021	31 Dec 2020	Change, %
Siirto payment, registered customers (OP)	1,054,931	899,402	17.3

In February, OP launched a new SMS service to its customers. OP Account SMS sends automatically an SMS notification of all account transactions to the customer's mobile phone.

In March, OP introduced the Apple Pay service to its customers in Finland. The service enables customers to pay for their purchases using iPhone, iPad, Apple Watch or Mac. Customers have quickly adopted the service.

OP Financial Group has an extensive branch network with 324 branches (342) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group has extensive presence in the most common social media channels where it has around 630,000 followers (570,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own social media accounts where they share publications targeted at local customers.

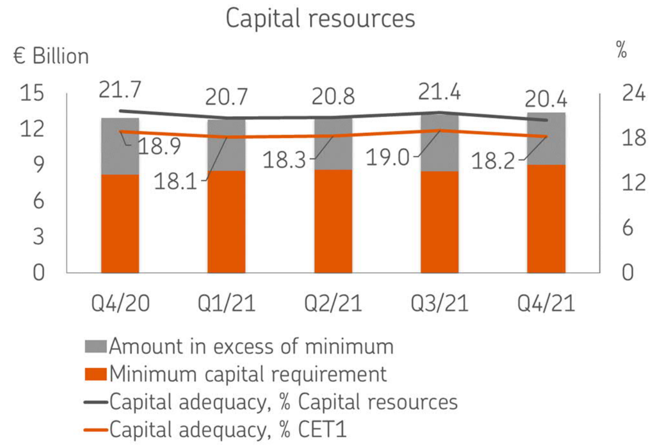
Capital adequacy and capital base

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

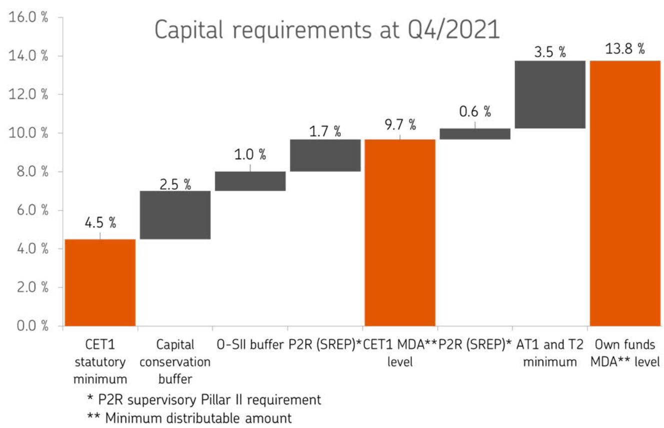
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.5 billion (4.4). Banking capital requirement remained unchanged at 13.8%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 146% (150). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 18.2% (18.9). The ratio was lowered by the ECB's decision, which increased the risk-weighted assets of corporate exposures, and by the proactive addition to the amount of risk-weighted assets to account for future changes in the scope of application of internal models and in the method for measuring insurance companies' risk weights. The ratio was improved by the favourable earnings performance and the issues of Profit Shares.



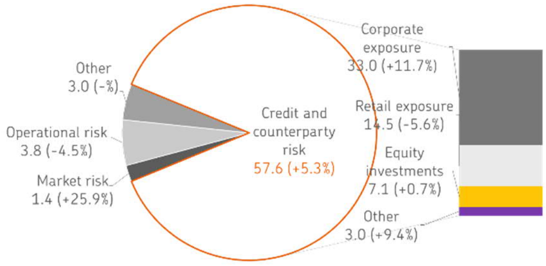
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 13.8% and the minimum CET1 ratio to 9.7%.



The CET1 capital of OP Financial Group as credit institution was EUR 12.0 billion (11.3). The CET1 capital was improved by Banking earnings and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 3.1 billion (2.8).

The risk exposure amount (REA) totalled EUR 65.7 billion (59.7), or 10% higher than at the turn of the year. In March, the ECB set a parameter factor for corporate exposures, based on the TRIM (Targeted Review of Internal Models) on corporate exposures, which increased the risk-weighted assets of corporate exposures. In March OP Financial Group added conservatism to the credit conversion factor for retail exposures, which increased the risk-weighted assets of retail exposures. The revised Capital Requirements Directive and Regulation (CRR2) came into force in June, which increased counterparty risk associated with derivatives as anticipated. In September, OP Financial Group adopted calibrated parameters in retail and corporate exposures. This adoption slightly increased risk-weighted assets and slightly decreased expected loss. In December, OP Financial Group proactively increased the amount of risk-weighted assets (RWA) to account for future changes in the scope of application of internal models (IRBA) and in the method for measuring insurance companies' risk weights. The proactive RWA add-on weakened the CET1 ratio by approximately 1.0 percentage point.

Risk Exposure Amount 31 December 2021
Total 65.7 € billion
(change from year end 10.1%)



OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 6.8 billion in risk-weighted assets of the Group's internal insurance holdings.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In December 2021, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

The minimum leverage ratio for OP Financial Group's Banking was 7.4% (7.8). The ratio decreased as a result of an increase in central bank deposits. The regulatory minimum requirement is 3%.

OP Financial Group is in discussions with the ECB on reassessing the scope of application of internal models (IRBA, Internal Ratings-Based Approach). The estimated effect of the change has been added to risk-weighted assets, but its final effect and the implementation schedule will be specified after discussions with the supervisor and the approval process related to the scope of the IRBA.

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III, are not assessed to have a substantial effect on the capital adequacy of OP Financial Group.

The OP Amalgamation capital adequacy tables of 31 December 2021 will be published in English in week 10.

Insurance

The solvency position of insurance companies is strong. A good balance on technical account and an increase in the value of investments strengthened the capital base. A rise in market risks increased the solvency capital requirement. Furthermore, higher interest rates, for their part, strengthened solvency.

	Non-life insurance		Life insurance	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Capital base, € mill.*	1,464	1,205	1,656	1,436
Solvency capital requirement (SCR), € mill.*	840	762	833	746
Solvency ratio, %*	174	158	199	193
Solvency ratio, % (excl. transitional provision)	174	158	173	161

*including transitional provisions

ECB's supervision

OP Financial Group is supervised by the European Central Bank (ECB).

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met.

On 19 February 2020, OP Financial Group received the ECB's decision concerning the change in the definition of default, in which the ECB set risk weighting factors for corporate and retail exposures. These risk-weighting factors will be valid until the qualitative requirements set out in the decision have been met.

On 11 December 2020, OP Financial Group received the ECB's decision concerning increases in the risk weights of retail exposures. The decision overruled the ECB's earlier decision issued on 2 February 2017.

On 18 March 2021, OP Financial Group received the ECB's decision concerning an increase in the risk parameter of corporate exposures. This risk parameter factor will be valid until the qualitative requirements set out in the decision have been met.

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 2.25% as of 1 January 2020.

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 confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

On 14 May 2021, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 25.8% of the risk-weighted assets (RWA) and 10.12% of the leverage ratio exposures (LRE). The requirement entered into force on 1 January 2022.

As part of the MREL, the resolution authority has set a new subordination requirement for OP Financial Group in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be met with own funds or with subordinated liabilities. From the beginning of 2022, the subordination requirement supplementing the MREL is 22% of the total risk exposure amount and 10.11% of the leverage ratio exposure. From the beginning of 2024, the subordination requirement will be 24% of the total risk exposure amount and 10.12% of the leverage ratio exposure. The requirements include a combined buffer requirement (CBR) of 3.5%.

OP Financial Group's buffer for the MREL was EUR 6.5 billion and for the subordination requirement EUR 1.1 billion. The MREL was based on the RWA and the subordination requirement on the LRE. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 3.9 billion. These bonds provide funds for the MREL subordination requirement.

Risk exposure

OP Financial Group's risk-taking starts from the fact that the Group assumes risks that are mainly associated with executing the Group's mission. In its risk-taking, OP Financial Group emphasises moderation, responsibility and careful action. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by Group Executive Management.

OP Financial Group has created a foundation for successful operations if it has diverse knowledge of factors affecting its customers' future, and skills in using this knowledge, in addition to capital of trust, financial capital and liquidity. Risk-taking is based on understanding matters affecting customers' future operations and success in the current business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

OP Financial Group analyses the business environment as part of the continuous strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Financial Group and its customers. Such factors shaping the business environment include sustainable development and responsibility (ESG), demographic change in the population and fast technological progress.

For example, climate and environmental changes are considered thoroughly so that their effects on the customers' future success are understood. Through advice and business decisions, OP Financial Group encourages its customers in bolstering their sustainable and successful business in the future. At the same time, OP Financial Group ensures that its operations are profitable and in compliance with its core values in the long term.

Considering that OP Financial Group's business covers various areas of the financial sector on an extensive basis, unexpected external shocks may cause direct and indirect effects on the prosperity of OP Financial Group's customers and on the Group's premises, IT infrastructure and personnel that may come in many forms. If materialised, they may affect risk exposure, capitalisation, liquidity and the continuity of daily business in various ways. The Group makes the effects of such potential shocks visible by means of scenario work.

Operational risks were well managed at Group level. Their materialisation resulted in gross losses of EUR 10 million (8). From the operational risk perspective, the implications of the Covid-19 pandemic on OP Financial Group were mild during the reporting period and mainly affected OP cooperative banks. As regards exposure to other risks, these are discussed in more detail by business segment.

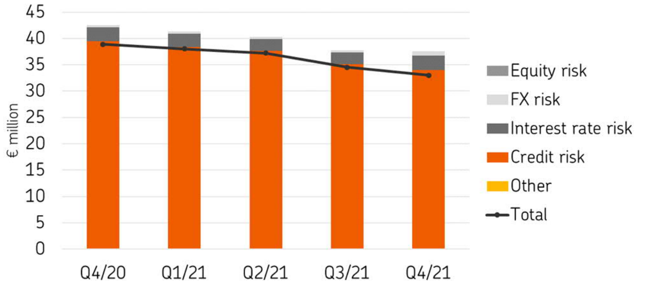
Retail Banking and Corporate Banking

Major risks in banking are associated with credit risk arising from customer business, and market risk.

Credit risk exposure by Banking remained stable and credit risk remained moderate, despite the Covid-19 pandemic.

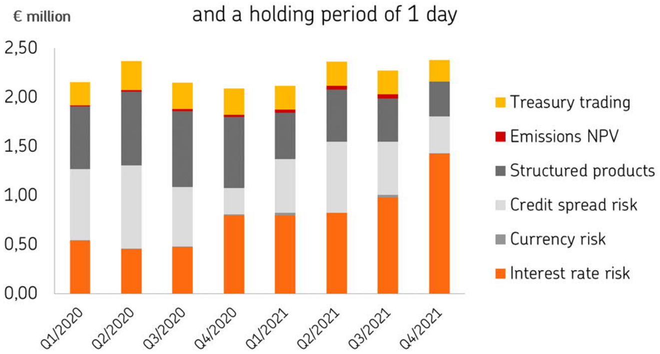
During the reporting period, the market risk level of corporate banking's long-term investments decreased. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 33 million (39) on 31 December 2021. The VaR risk metric includes the liquidity buffer and banking's long-term bond investments as well as derivatives that hedge their interest rate risks.

Corporate banking's market risk VaR at a confidence level of 95% and a retention period of 10 days



Expected Shortfall (ES), a measure of market risk associated with the interest rate risk position of Markets and Treasury, increased slightly. Interest rate risk, in particular, and its proportion of the total risk increased clearly as a result of the market movements seen in the last quarter.

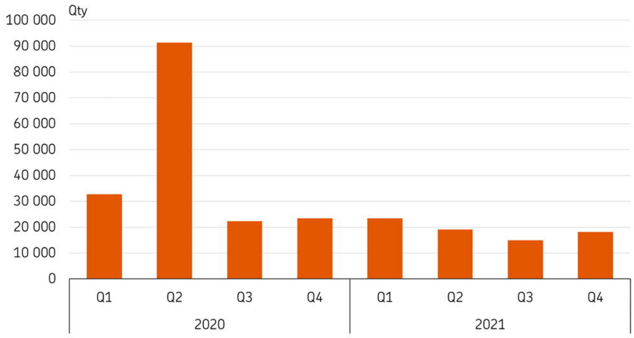
Market risk ES at a confidence level of 97.5 % and a holding period of 1 day



Personal customers' repayment holidays

During the fourth quarter of 2021, exposures affected by new repayment holidays totalled EUR 1.2 billion (1.4).
In the summer of 2020, the volume of repayment holidays granted to personal customers returned to its pre-pandemic level. During the pandemic, exposures affected by repayment holidays were at their highest level in April–June 2020, totalling EUR 6.3 billion.

Personal customers' repayment holidays



The graph shows the actual number (qty) of personal customers' repayment holidays for the reporting period and for 2020. The quarter is determined by the date of execution of the repayment holiday.

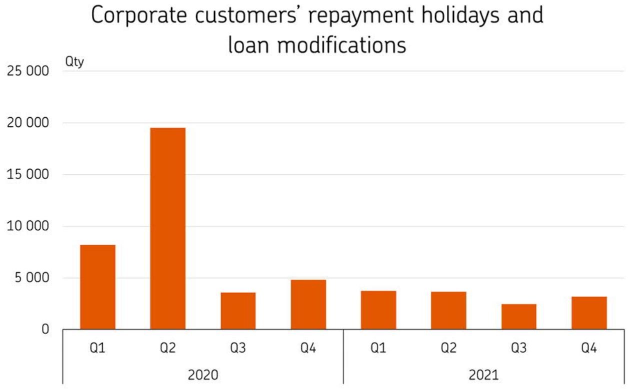
Repayment holidays that were in effect at the end of the reporting period affected exposures totalling EUR 2.5 billion (5.0). A large number of 12-month repayment holidays, granted to personal customers in spring 2020 due to the Covid-19 pandemic, expired during the second quarter of 2021.

Personal customers' repayment holidays in force

The graph shows the total amount of exposures (EUR million) affected by personal customers' repayment holidays in force.

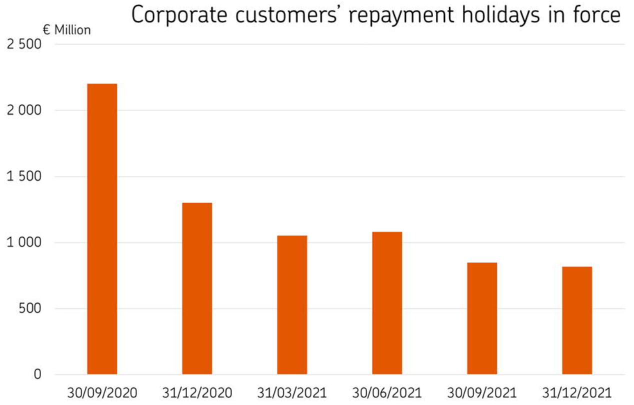
Corporate customers' repayment holidays and loan modifications

Repayment holidays and loan modifications granted in the fourth quarter of 2021 applied to exposures worth EUR 1.9 billion (1.8). Monitoring has been brought into line with the monitoring of personal customers and the comparison data has been adjusted. The number of repayment holidays and loan modifications granted to corporate customers returned to their pre-pandemic levels after the summer of 2020. During the Covid-19 pandemic, exposures affected by new repayment holidays and loan modifications granted to corporate customers were at their highest level in April–June 2020, totalling EUR 4.3 billion.

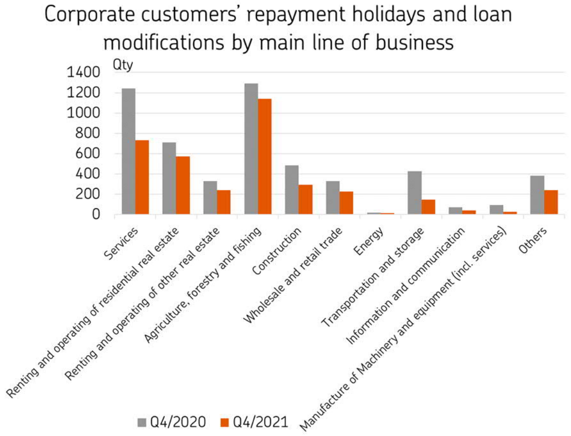


The graph shows the actual number (qty) of corporate customers' loan modifications and repayment holidays by quarter for 2021 and for 2020. The quarter is determined by the date of execution of the change. Monitoring has been brought into line with the monitoring of personal customers and the comparison data has been adjusted between quarters.

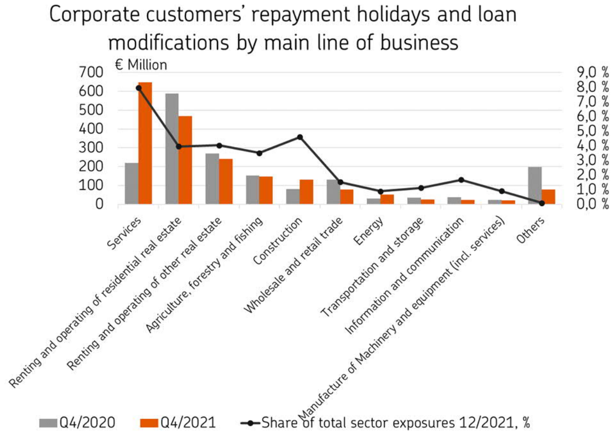
In most cases, loan modifications will remain effective until the loan maturity, whereas repayment holidays are granted for a specific period of time. Corporate customers' repayment holidays that were in effect at the end of the reporting period affected exposures totalling EUR 0.8 billion (1.3).



The graph shows the total amount of exposures (EUR million) affected by corporate customers' repayment holidays in force.



The graph shows by sector the number of repayment holidays and loan modifications implemented on corporate exposures during the fourth quarter of 2021 and 2020.



The graph shows by sector the corporate exposures (EUR million) affected by repayment holidays and loan modifications implemented during the fourth quarter of 2021 and 2020. The graph also shows by sector the percentage of exposures for which a repayment holiday or loan modification was agreed during the reporting period.

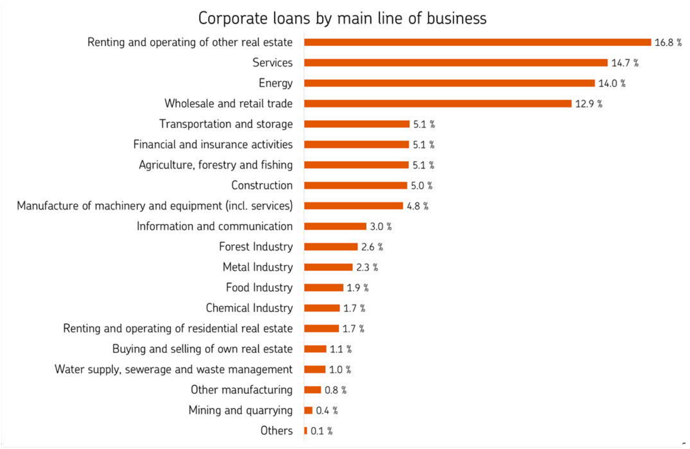
Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Over 90 days past due, € billion			0.64	0.66	0.64	0.66	0.24	0.24	0.40	0.42
Unlikely to be paid, € billion			0.78	0.95	0.78	0.95	0.13	0.18	0.65	0.77
Forborne exposures, € billion	3.41	3.29	1.34	1.12	4.75	4.41	0.20	0.15	4.55	4.26
Total, € billion	3.41	3.29	2.76	2.73	6.17	6.02	0.58	0.57	5.59	5.45

Key ratios	OP Financial Group		Retail Banking		Corporate Banking	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Ratio of doubtful receivables to exposures, %	5.31	5.44	6.57	6.40	2.29	2.99
Ratio of non-performing exposures to exposures, %	2.37	2.47	2.61	2.56	1.77	2.22
Ratio of performing forborne exposures to exposures, %	2.93	2.97	3.95	3.84	0.52	0.77
Ratio of performing forborne exposures to doubtful receivables, %	55.3	54.6	60.2	60.0	22.9	25.8
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	11.9	11.5	7.5	7.6	41.5	32.1

Key ratios were changed from net to gross as of the beginning of 2021, i.e. non-performing exposures no longer include loss allowance. At the same time, a more comprehensive concept of doubtful receivables was adopted which includes all off-balance-sheet non-performing exposures. In the key ratios, the new denominator includes the loan and guarantee portfolio, deferred interest income and unused standby credit facilities. Comparatives have been adjusted accordingly.

No single customer's exposure exceeded 10% of OP Financial Group's capital base after allowances and other recognition of credit risk mitigation.

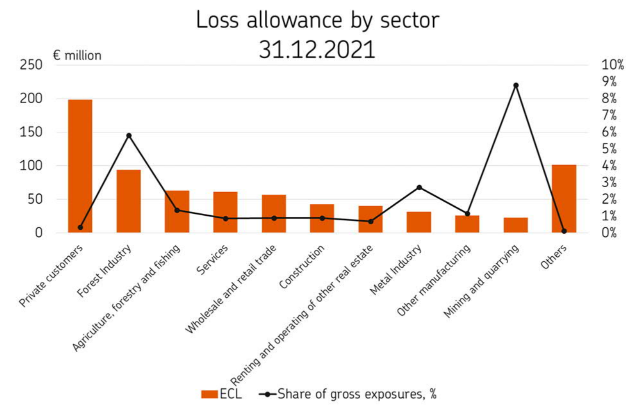


The graph shows the distribution of OP Financial Group's corporate loans by sector as percentages.

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –90 million (–57) at the end of December. 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.

Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 43.0 billion (41.2) at the end of December. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Loss allowance by sector



The graph shows the loss allowance of different sectors at the end of the reporting period and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period.

Insurance

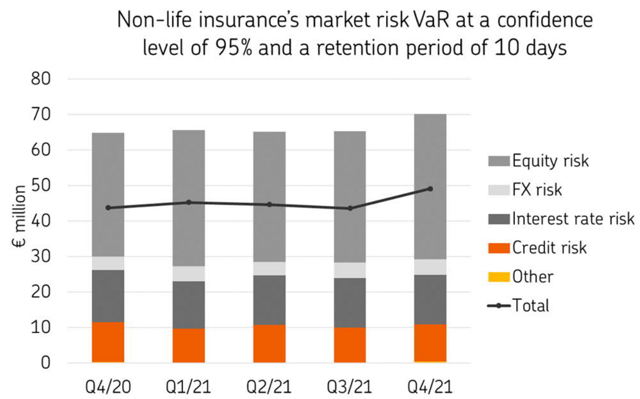
Non-life insurance

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 45 million (48). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 29 million (30). The figure a year ago has been adjusted to correspond to the current accounting.

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

The market risk level of the investments of non-life insurance has developed steadily during the current year. The VaR, a measure of market risk, was EUR 49 million (44) on 31 December 2021. Favourable developments in the equity market have increased the equity risk in non-life insurance investments. VaR includes the company's investment balance including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Data from the reference years has been adjusted to correspond to the current monitoring.



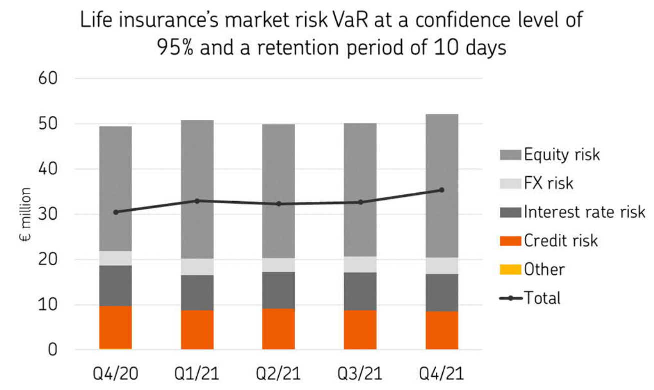
Life insurance

The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance liabilities, a faster-than-expected life expectancy increase among those insured, and the lapse and surrender risk arising from changes in customer behaviour.

A one-year increase in life expectancy would increase insurance liability by EUR 28 million (27). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 26 million (31).

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 292 million (281) on 31 December 2021.

The market risk level of the investments of life insurance at the end of the reporting period was almost the same as last year. VaR, a measure of market risk, was EUR 35 million (31) on 31 December 2021. Favourable developments in the equity market have increased the equity risk in life insurance investments. VaR includes life insurance's investment balance, including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation. Data from the reference years has been adjusted to correspond to the current monitoring.



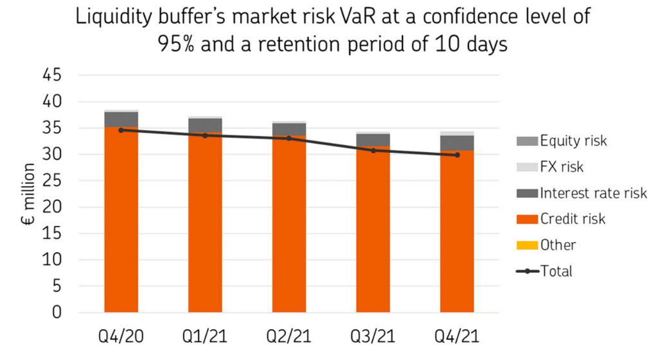
Other Operations

Major risks related to Other Operations 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.

OP Financial Group's funding position and liquidity is strong. In January–December, the Group issued long-term bonds worth EUR 3.8 billion (8.9).

The loan-to-deposit ratio remained stable during the reporting period.

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) decreased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 30 million (35) on 31 December 2021. The VaR risk metric includes long-term bond investments within the liquidity buffer and the derivative contracts that hedge their interest rate risks.



OP Financial Group secures its liquidity through a liquidity buffer which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing.
The liquidity buffer 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 212% (197) at the end of the reporting period.

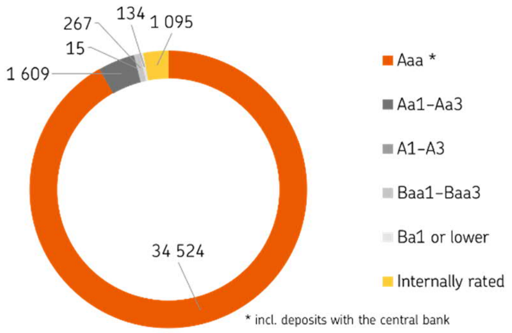
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, a minimum requirement of 100% has been set for the NSFR as of 30 June 2021. OP Financial Group's NSFR was 130% (123) at the end of the reporting period.

Liquidity buffer

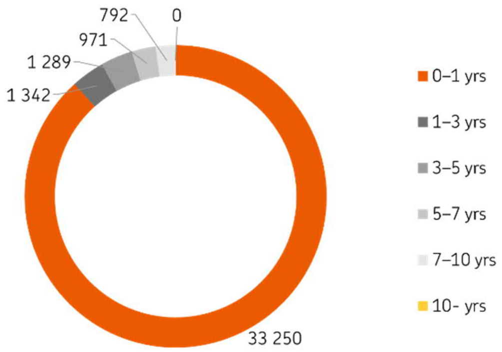
€ billion	31 Dec 2021	31 Dec 2020	Change, %
Deposits with central banks	32.6	21.6	51.3
Notes and bonds eligible as collateral	4.0	8.7	-53.5
Corporate loans eligible as collateral	0.0	-	-
Total	36.7	30.2	21.2
Receivables ineligible as collateral	1.0	1.0	-2.6
Liquidity buffer at market value	37.6	31.3	20.4
Collateral haircut	-0.3	-0.5	-
Liquidity buffer at collateral value	37.3	30.8	21.3

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 December 2021, € million



Financial assets included in the liquidity buffer by maturity on
31 December 2021, € million



Credit ratings

31 Dec 2021

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

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor’s Global Ratings Europe Limited and Moody’s Investors Service (Nordics) AB. When assessing OP Corporate Bank’s credit rating, credit rating agencies take account of the entire OP Financial Group's financial position.

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Personal and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). Non-business segment operations are presented under the Other Operations segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Retail Banking

- Earnings before tax improved to EUR 304 million (115). Impairment loss on receivables decreased by EUR 88 million to EUR 84 million. A year ago, impairment loss was increased by the adoption of the new definition of default and the effects of the Covid-19 pandemic on loan portfolio quality.
- Total income increased by 7.3% to EUR 1,773 million. Income from customer business increased by a total of 8.3%: net interest income increased by 3.7% to EUR 959 million and net commissions and fees by 7.9% to EUR 753 million.
- Total expenses increased by 5.9% to EUR 1,221 million. Personnel costs increased by 8.3% to EUR 447 million. Depreciation/amortisation and impairment losses increased by 14.8% to EUR 69 million and other operating expenses by 3.7% to EUR 705 million.
- OP bonuses to owner-customers decreased to EUR 165 million (214) due to changes made in bonus accrual in 2020.
- The loan portfolio increased by 2.3% and the deposit portfolio by 5.2%.
- Non-performing exposures (gross) accounted for 2.6% (2.6) of the exposures.
- The most significant development investments focused on enhancing customer experience and customer processes and upgrading the account and financing systems.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	959	925	3.7
Net commissions and fees	753	698	7.9
Net investment income	-16	2	-
Other income	78	29	167.6
Total income	1,773	1,653	7.3
Personnel costs	447	412	8.3
Depreciation/amortisation and impairment loss	69	60	14.8
Other operating expenses	705	680	3.7
Total expenses	1,221	1,152	5.9
Impairment loss on receivables	-84	-172	-
OP bonuses to owner-customers	-165	-214	-
Earnings before tax	304	115	165.3
Cost/income ratio, %	68.8	69.7	-0.9*
Ratio of non-performing exposures to exposures, %**	2.6	2.6	0.0*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.12	0.24	-0.13*
Return on assets (ROA), %	0.26	0.11	0.15*
Return on assets, excluding OP bonuses, %	0.40	0.30	0.09*
€ million			
Home loans drawn down	8,805	7,429	18.5
Corporate loans drawn down	2,639	2,411	9.5
No. of brokered residential property and property transactions	13,177	11,998	9.8
€ billion	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio			
Home loans	41.5	40.0	3.7
Corporate loans	8.2	8.1	1.0
Housing company and other loans	21.3	21.3	0.1
Total loan portfolio	71.0	69.4	2.3
Guarantee portfolio	0.9	0.9	6.2
Other exposures	9.6	8.7	10.0
Deposits			
Current and payment transfer deposits	41.4	39.3	5.4
Investment deposits	20.8	19.8	4.8
Total deposits	62.2	59.1	5.2

* Change in ratio ** The name and content of the ratio were changed in Q1/2021. Comparatives have been adjusted accordingly. More detailed information on the change can be found under table Forborne loans and non-performing receivables in the Risk exposure section of this Financial Statements Bulletin.

OP Financial Group's Retail Banking segment consists of banking and asset management services for personal and SME customers at OP cooperative banks and at the central cooperative consolidated.

The loan portfolio grew by 2.3% to EUR 71.0 billion. New home loan drawdowns increased by 18.5% year on year. The home loan portfolio grew by 3.7% to EUR 41.5 billion. This growth was attributable to the demand for new loans in particular. The corporate loan portfolio increased by 1% to EUR 8.2 billion.

Customers showed continued interest in protecting home loans and housing company loans against risks. On 31 December 2021, a total of 29.6% (27.1) of personal customers' home loans were covered by interest rate protection.

The lively housing market increased the volume of homes and real property sold and bought through the OP Koti real estate agents by 9.8%.

The deposit portfolio increased by 5.2% to EUR 62.2 billion. The increase came from current and payment transfer accounts as well as from investment deposits. Household deposits showed the strongest growth.

OP's customers' continued interest in saving and investing reached record high levels in the reporting period. OP mutual funds attracted 187,000 new unitholders, most of whom began to invest systematically. Furthermore, the share trading volume was 14% higher than a year ago. In March, OP Financial Group launched a new investment benefits package for owner-customers.

During the reporting period, cash volumes remained clearly below their pre-pandemic level. OP is continuously developing its payment services. In March, OP introduced to its customers the Apple Pay service that enables them to pay for purchases using smart devices by Apple. Customers have quickly adopted the service. In June, OP Financial Group's Pivo, Danske Bank's MobilePay and the Norwegian Vipps announced plans for a new mobile payment platform combining mobile wallets, used by 11 million Nordic customers, to create one of Europe's leading mobile payment services. The plan is subject to approval by the competition authorities.

During the reporting period, the most significant development investments focused on enhancing customer experience and customer processes and upgrading the account and financing systems.

In March, OP Mortgage Bank issued a EUR 750 million green covered bond with a maturity of 10 years.

Merger projects between OP cooperative banks are underway in different parts of Finland. After the implementation of mergers decided during the reporting period, the number of OP cooperative banks was 121 at the end of 2021 (137).

At the end of September, the Representative Assemblies of OP Helsinki, OP Itä-Uusimaa and OP Uusimaa decided on the merger of these banks. The aim is to create a unified OP cooperative bank that will start providing excellent customer experience in Finland's largest high-growth region in August 2022.

Financial performance for the reporting period

Retail Banking earnings before tax improved to EUR 304 million (115). Total income increased by 7.3% to EUR 1,773 million. Net interest income increased by 3.7% to EUR 959 million and net commissions and fees by 7.9% to EUR 753 million mainly due to the increase in commissions for daily banking and wealth management. The EUR 49 million rise in other income was caused by the additional margin under TLTRO III funding allocated to the segment.

Total expenses increased by 5.9% to EUR 1,221 million. Personnel costs increased by 8.3% to EUR 447 million. Depreciation/amortisation and impairment losses increased by 14.8% to EUR 69 million due to a year-on-year increase in impairment write-downs. Other operating expenses rose by 3.7% to EUR 705 million as a result of additional investments in risk management and financial crime prevention.

Impairment loss on receivables decreased by EUR 88 million to EUR 84 million. Impairment loss on receivables for the reporting period was affected by the tightened management of the measurement of exposures that have been non-performing for a long time and by the update of the collateral values of riskier collateral assets. A year ago, customers actively applied for repayment holidays on their loans and changes to their repayment schedules due to the Covid-19 pandemic. Combined with the changes in macroeconomic parameters applied in the measurement of expected credit losses, this increased the amount of expected credit losses. A year ago, the adoption of the new definition of default also increased the amount of expected credit losses. Final net loan losses recognised for the reporting period totalled EUR 67 million (52). Non-performing exposures accounted for 2.6% (2.6) of the exposures.

OP bonuses to owner-customers decreased by EUR 49 million to EUR 165 million as a result of changes in the accrual of bonuses that became effective in November 2020. After the change, customers earn OP bonuses from home loans, student loans, secured bank loans, savings accounts and mutual fund assets as well as unit-linked insurance assets and insurance premiums.

Corporate Banking

- Earnings before tax improved to EUR 474 million (349).
- Total income increased by 25.3% to EUR 886 million. Net interest income increased by 5.0% to EUR 414 million, net commissions and fees by 33.7% to EUR 204 million and net investment income by 19.6% to EUR 171 million.
- Total expenses increased by 11.1% to EUR 318 million. Other operating expenses rose by 7.4% to EUR 211 million due to a higher EU stability contribution.
- The loan portfolio grew by 6.9% to EUR 25.7 billion and deposits by 18.4% to EUR 15.6 billion. Assets under management by Corporate Banking increased by 28.2% to EUR 82.3 billion.
- Impairment loss on receivables amounted to EUR 74 million (53). Non-performing exposures (gross) accounted for 1.8% (2.2) of the exposures.
- The most significant development investments involved the upgrades of payment and asset management systems.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	414	394	5.0
Net commissions and fees	204	153	33.7
Net investment income	171	143	19.6
Other income	97	17	480.2
Total income	886	707	25.3
Personnel costs	93	71	31.3
Depreciation/amortisation and impairment loss	14	18	-26.2
Other operating expenses	211	197	7.4
Total expenses	318	286	11.1
Impairment loss on receivables	-74	-53	39.1
OP bonuses to owner-customers	-20	-18	8.1
Earnings before tax	474	349	35.8
Cost/income ratio, %	35.9	40.4	-4.6*
Ratio of non-performing exposures to exposures, %**	1.8	2.2	-0.4*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.25	0.20	0.05*
Return on assets (ROA), %	1.24	0.86	0.38*
Return on assets, excluding OP bonuses, %	1.29	0.91	0.38*

€ billion	31 Dec 2021	31 Dec 2020	Change, %
Loan portfolio			
Corporate loans	14.5	14.4	0.4
Housing company and other loans	11.2	9.6	16.8
Total loan portfolio	25.7	24.0	6.9
Guarantee portfolio	3.5	2.6	35.9
Other exposures	5.7	5.4	0.3
Deposits	15.6	13.1	18.4
Assets under management (gross)			
Mutual funds	32.5	27.6	17.8
Institutional clients	38.3	25.3	51.3
Private Banking	11.5	11.3	1.7
Total (gross)	82.3	64.2	28.2

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net inflows			
Private Banking clients	-174	225	-
Institutional clients	76	190	-60.2
Total	-98	415	-

*Change in ratio
** The name and content of the ratio was changed in Q1/2021. Comparatives have been adjusted accordingly. More detailed information on the change can be found under table Forborne loans and non-performing receivables in the Risk exposure section of this Financial Statements Bulletin.

OP Financial Group's Corporate Banking segment consists of banking and asset management services for corporate and institutional customers. The segment comprises OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd, OP Custody Ltd and OP Real Estate Asset Management Ltd.

The loan portfolio grew by 6.9% to EUR 25.7 billion. The deposit portfolio increased by 18.4% to EUR 15.6 billion.

The most significant Corporate Banking development investments involved the upgrades of payment, finance and asset management systems. The upgrade of core payment systems and improvement of digital services will continue further. In asset management, fund management processes and customer service will be further upgraded.

In October, OP launched the equity savings account for its customers on OP-mobile.

As the first bank in Finland, OP enabled multi-banking for businesses during the reporting period. OP's multi-banking feature makes it possible for companies to make payments from the accounts of different banks and to view their account transactions. This new feature simplifies the companies' daily business and cash flow management by providing a broader and more real-time view to their cash position. The users of OP Corporate Hub have been able to use the multi-banking feature since June. OP Corporate Hub is a digital financial management service provided by OP.

Total income increased on a wide front by a total of 25.3%, to EUR 886 million. Within asset management, net assets inflow was negative at EUR –98 million (415). Assets under management by Corporate Banking increased by 28.2% to EUR 82.3 billion (64.2). Assets under management included about EUR 24 billion (11) in assets of the companies belonging to OP Financial Group.

During the reporting period, the number of OP mutual fund unitholders exceeded the milestone of one million unitholders. The number of unitholders increased in gross terms by about 187,000, to 1,154,000 unitholders. The Morningstar rating for OP mutual funds was 3.17 (3.15).

Customers' interest in responsible investment fund products has remained strong. Among OP mutual funds, the OP-Climate fund continued to be by far the most popular investment option.

With the agreement signed between OP Financial Group and the European Investment Bank (EIB) in May 2021, OP provides new financing worth EUR 300 million to mid-size Finnish companies. The new financing will improve companies' investment opportunities and support them amid the challenges they have faced due to the Covid-19 pandemic. Financing guaranteed by the EIB and intermediated by OP is intended to finance profitable investments and the working capital of companies.

Financial performance for the reporting period

Corporate Banking earnings before tax improved to EUR 474 million (349). Total income increased to EUR 886 million (707) and total expenses to EUR 318 million (286). The cost/income ratio was 35.9% (40.4).

Net interest income increased by 5.0% to EUR 414 million (394). Net commissions and fees totalled EUR 204 million (153). In the year to December, mutual fund assets under management grew by 17.8%, which increased net commissions and fees from funds. Other commissions and fees increased on a wide front, and OP Financial Group's internal commission expenses decreased.

Corporate Banking segment's net commissions and fees

€ million	Q1–4/2021	Q1–4/2020	Change, %
Mutual funds	137	112	22.3
Asset management	28	17	66.9
Other	40	24	63.1
Total	204	153	33.7

Net investment income increased to EUR 171 million (143) as a result of higher income from derivatives business. Market changes, in particular the rise in long-term interest rates, reduced derivative receivables and their valuation adjustments recognised through profit or loss. Other income increased as a result of the sale of Checkout Finland Ltd as well as the additional margin of EUR 50 million under TLTRO III funding, allocated to the segment.

Total expenses increased by 11.1% to EUR 318 million. Personnel costs rose by 31.3% to EUR 93 million. A year ago, the transfer of statutory earnings-related pension liability reduced pension costs by EUR 11 million. In the reporting period, the provisions for performance-based bonuses increased personnel costs. Other operating expenses grew by 7.4% to EUR 211 million. The EU stability contribution increased by 23.5% to EUR 24 million and intra-Group charges by EUR 8 million.

Impairment loss on receivables reduced earnings by EUR 74 million (53). The increase in impairment loss on receivables was particularly explained by the tightened management of the measurement of exposures that have been non-performing for a long time. Non-performing exposures accounted for 1.8% (2.2) of the exposures.

Insurance

- Earnings before tax improved to EUR 504 million (348). Net insurance income improved as insurance premium revenue increased and claims incurred decreased. Capital gains improved investment income.
- Non-life insurance premium revenue increased by 3.3% to EUR 1,556 million and operational claims incurred decreased by 2.3% to EUR 899 million.
- Total expenses rose by 28.4% to EUR 493 million. Excluding the pension liability transfer in 2020, total expenses rose by 5.2%.
- Investment income totalled EUR 170 million (84). Net return on investments at fair value reported by non-life insurance was EUR 222 million (25) and that by life insurance EUR 142 million (14).
- The non-life insurance operating combined ratio improved to 85.5% (87.8) and operating risk ratio to 57.8% (61.1). The operating cost ratio was 27.7% (26.6).
- In life insurance, unit-linked insurance assets increased by 16.4% to EUR 13.1 billion from the 2020-end level. Premiums written in term life insurance grew by 2.4%.
- Development investments focused on upgrading the core system, improving the accessibility of web and mobile services and enhancing opportunities to buy insurance products.
- Pohjola Insurance focuses on its core business and sold its hospital business.

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net insurance income	754	582	29.7
Net commissions and fees	96	78	23.2
Net investment income	288	88	228.2
Other net income	-2	8	-128.9
Total income	1,135	755	50.4
Personnel costs	160	140	14.3
Transfer of statutory earnings-related pension liability		-85	
Depreciation/amortisation and impairment loss	66	60	10.6
Other operating expenses	267	269	-0.7
Total expenses	493	384	28.4
OP bonuses to owner-customers	-21	-19	13.7
Overlay approach	-117	-4	-
Earnings before tax	504	348	44.5
Return on assets (ROA), %	1.64	1.16	0.48*
Return on assets, excluding OP bonuses, %	1.71	1.22	0.49*

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance business. The segment includes Pohjola Insurance Ltd and OP Life Assurance Company Ltd.
On 14 January 2022, the Competition and Consumer Authority approved the corporate transaction whereby Pohjola Insurance would sell Pohjola Hospital to Pihlajalinna Terveys, part of Pihlajalinna Group. Pohjola Hospital was transferred to Pihlajalinna's ownership on 1 February 2022.

The first implementation of the non-life insurance core system upgrade took place in March 2021 when new sales of occupational accident and occupational disease insurance products transferred to a new platform.

Financial performance for the reporting period

Earnings before tax improved to EUR 504 million (348). Net insurance income increased by 29.7% to EUR 754 million. Total expenses rose by 28.4% to EUR 493 million. A year ago, the transfer of statutory earnings-related pension liability reduced pension costs by EUR 85 million. Excluding this effect, total expenses rose by 5.2%. Personnel costs increased by 14.3% due to a higher headcount in claims services, backsourcing and higher provisions for performance-based bonuses.

Investment income totalled EUR 170 million (84), including the overlay approach. Capital gains on investment amounted to EUR 67 million (23) in non-life insurance and to EUR 59 million (26) in life insurance.

Investment income

€ million	Q1–4/2021	Q1–4/2020
At fair value through other comprehensive income	45	47
At fair value through profit or loss	66	215
Amortised cost	-5	-5
Life insurance items*	186	-154
Unwinding of discount**	-17	-21
Associated companies	14	4
Net investment income	288	88
Overlay approach	-117	-4
Total	170	84

*Include credited interest on customers' insurance assets, changes in supplementary interest rate provisions and other technical items, and changes in the fair value of unit-linked and separated balance sheet's investments.
**Non-life insurance.

Non-life insurance operating result

Non-life insurance's earnings improved to EUR 382 million (314). The balance on technical account and net investment income improved earnings.

€ million	Q1–4/2021	Q1–4/2020	Change, %
Insurance premium revenue	1 556	1 506	3.3
Claims incurred	899	921	-2.3
Operating expenses	431	401	7.5
Balance on technical account, operational	225	184	21.9
Change in reserving bases	42	-45	194.4
Balance on technical account	267	139	91.6
Investment income and expenses	189	99	89.8
Other income and expenses	-11	79	-114.2
Overlay approach	-62	-4	-
Earnings before tax	382	314	21.7
Operating combined ratio	85.5	87.8	
Operating risk ratio	57.8	61.1	
Operating cost ratio	27.7	26.6	

Non-life insurance: premium revenue

€ million	Q1–4/2021	Q1–4/2020	Change, %
Personal customers	879	857	2.5
Corporate customers	677	649	4.3
Total	1,556	1,506	3.3

Premium revenue increased by 3.3% to EUR 1,556 million. Among personal customers, the number of loyal customer households increased. Premium revenue from corporate customers increased by 4.3%.

Excluding the changes in reserving bases, claims incurred decreased by 2.3% to EUR 899 million. The changed mortality model improved balance on technical account by EUR 42 million. A year ago, the reduction in the discount rate reduced the balance by EUR 45 million. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 115 (119) in January–December, with their claims incurred retained for own account totalling EUR 134 million (131). Business interruption losses related to the Covid-19 pandemic increased claims expenditure. Changes in claims for previous years, excluding the effect of the changed mortality model, improved the balance on technical account by EUR 91 million (39). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 57.8% (61.1). Claims expenditure for workers' compensation and travel insurance claims remained low. Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 30 million (10).

In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 27.7% (26.6).

Operating combined ratio reported by non-life insurance improved to 85.5% (87.8).

Non-life insurance: key investment indicators

€ million	Q1–4/2021	Q1–4/2020
Net return on investments at fair value, € million*	222	25
Return on investments at fair value, %	2.7	4.8
Fixed income investments' running yield, %	0.9	1.0
	31 Dec 2021	31 Dec 2020
Investment portfolio, € million	4,287	4,102
Investments within the investment grade category, %	92	92
At least A-rated receivables, %	54	58
Modified duration	3.3	3.5

*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.

Life insurance operating result

Capital market developments were strong during the reporting period. Unit-linked insurance assets, EUR 13.1 billion, were 16.4% higher than on 31 December 2020. Net asset inflow of unit-linked insurance contracts amounted to EUR 472 million (193). The amount of life insurance surrenders remained moderate. Premiums written in term life insurance grew by 2.4%.

Earnings before tax doubled and came to EUR 118 million (60). This improvement was due to higher income and lower expenses.

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net risk results	34	25	31.1
Net investment income	98	14	600.0
Net commissions and fees	128	106	20.1
Other income	0	2	-
Total income	260	148	75.7
Personnel costs	10	9	10.6
Depreciation/amortisation and impairment loss	21	23	-5.5
Other operating expenses	37	40	-10.8
Total expenses	68	72	-6.3
OP bonuses	-19	-16	15.3
Overlay approach	-55	0	-
Earnings before tax	118	60	97.3
Operating ratio	34.0	42.1	

Life insurance: key investment indicators*

€ million	Q1–4/2021	Q1–4/2020
Net return on investments at fair value, € million**	142	14
Return on investments at fair value, %	0.6	5.0
Fixed income investments' running yield, %	0.9	1.0
	31 Dec 2021	31 Dec 2020
Investment portfolio, € million	3,646	3,602
Investments within the investment grade category, %	94	90
A-rated receivables, minimum, %	56	58
Modified duration	3.0	3.2

*Excluding the separated balance sheets
**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. These investments exclude separated balance sheets.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. In life insurance, the net change in short-term supplementary interest rate provisions was EUR 1 million (–2). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 355 million (490) on 31 December 2021. Short-term supplementary interest rate provisions accounted for EUR 45 million (44) of these provisions.

Other Operations

Key figures and ratios

€ million	Q1–4/2021	Q1–4/2020	Change, %
Net interest income	10	-60	-
Net commissions and fees	-2	9	-119.7
Net investment income	-5	12	-139.7
Other operating income	684	744	-8.0
Total income	687	705	-2.5
Personnel costs	216	177	22.1
Depreciation/amortisation and impairment loss	137	138	-1.0
Other operating expenses	444	388	14.6
Total expenses	797	703	13.4
Impairment loss on receivables	0	1	-20.0
Earnings before tax	-109	3	-

The Other Operations segment consists of functions that support the business segments. The segment includes OP Cooperative and OP Corporate Bank plc's treasury functions.

Financial performance for the reporting period

Earnings before tax amounted to EUR –109 million (3). Total income decreased by 2.5% to EUR 687 million. A year ago, the sale of the Vallila property improved earnings by EUR 96 million.

Net interest income was EUR 10 million (–60). The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Net investment income was EUR –5 million (12). Other operating income decreased by 8.0% to EUR 684 million. A year ago, the sale of the Vallila property increased other operating income. OP Financial Group recognised a capital gain of EUR 98 million on the sale in other operating income and an expense of EUR 2 million in other operating expenses. OP Financial Group will continue operating in the property under a long-term lease agreement.

Total expenses increased by 13.4% to EUR 797 million. Personnel costs increased by 22.1% to EUR 216 million due to higher provisions for performance-based bonuses, backsourcing arrangements and a higher headcount. The number of personnel increased in functions such as development, risk management and financial crime prevention. Depreciation/amortisation and impairment loss on PPE and intangible assets were at the previous year's level at EUR 137 million (138). Other operating expenses grew by 14.6% to EUR 444 million. The allocation of the margin exceeding the ECB's deposit facility rate based on the TLTRO programme to the Retail Banking and Corporate Banking segments increased other operating expenses by EUR 106 million (0). ICT costs decreased by 7.1% to EUR 254 million.

On 31 December 2021, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding, TLTRO funding and covered bonds was 16 basis points (19). Covered bonds are reported as part of the Retail Banking segment.

OP Financial Group's funding position and liquidity is strong.

OP Corporate Bank participated in the seventh TLTRO III operation for EUR 5.0 billion in March and in the eighth operation for EUR 3.0 billion in June. OP Corporate Bank's TLTRO III funding amounted to a total of EUR 16.0 billion at the end of December.

OP Corporate Bank issued two senior non-preferred bonds in March and one in June, one in September and one in October. The bonds issued in March were worth EUR 500 million with a 5-year maturity and EUR 300 million with a 10-year maturity. The bonds issued in June and September were worth EUR 500 million with a 7-year maturity and the bond issued in October was worth GBP 400 million with a 5-year maturity.

In January–December, OP Financial Group issued long-term bonds worth EUR 3.8 billion (8.9).

In 2020, the Governing Council of the European Central Bank modified the terms and conditions of TLTRO III to stimulate bank lending to those hardest hit by the Covid-19 pandemic. According to the modified conditions, the interest rate between 24 June 2020 and 23 June 2022 can be the ECB's deposit facility rate (–0.50% on the reporting date) minus 0.50%. For the subsequent loan maturity, the interest rate can be, at its best, the ECB's deposit facility rate. The reduced interest rate is conditional on fulfilling the criteria for net lending performance.

In respect of the interest period for 24 June 2020–23 June 2021, the Bank of Finland has confirmed that OP Financial Group has fulfilled the criteria for net lending performance. In respect of the interest period for 24 June 2021–23 June 2022, OP Financial Group assesses that it has fulfilled the criteria, and the resulting earnings effect is treated in accordance with IFRS 9. The final interest rate will be determined when the TLTRO III operation matures.

Service development

OP Financial Group invests in developing its operations and improving customer experience on an ongoing basis. The central cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments make up a significant portion of the costs of developing these services.

OP Financial Group's development expenditure for January–December totalled EUR 294 million (282). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 99 million (97). More detailed information on OP Financial Group's investments can be found under each business segment's text section in this Financial Statements Bulletin.

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 transfer of ICT infrastructure services to TCS was completed as planned in February 2021.

In February 2021, OP Financial Group signed a new five-year agreement with CGI on producing IT application services in the fields of insurance and centres of excellence, in particular. In May, OP Financial Group signed a new five-year agreement with Accenture on producing IT application services especially in the field of banking. In June, OP Financial Group signed a new six-year agreement with Elisa on the production of workstation and support services. The agreements are part of increasing the effectiveness of and reforming practices and partnerships related to IT operations.

Personnel

On 31 December 2021, OP Financial Group had 13,079 employees (12,604). The number of employees averaged 13,009 (12,486). During the reporting period, the number of employees increased in customer service, development & technologies, claims services, risk management and financial crime prevention.

Personnel at period end

	31 Dec 2021	31 Dec 2020
Retail Banking	7,108	7,069
Corporate Banking	898	899
Insurance	2,550	2,260
Other Operations	2,523	2,376
Total	13,079	12,604

During the reporting period, 234 OP Financial Group employees (282) retired at an average age of 62.0 years (62.3).

Business and commerce students ranked OP Financial Group as the most attractive employer in Finland for the first time in the employer branding survey carried out by Universum in spring 2021. In addition, the Group maintained its position as the most attractive employer in the financial sector among students in other fields, too.

In the survey carried out by Universum in autumn 2021, professionals ranked OP Financial Group as the financial sector's most attractive employer in commercial, IT, law and humanities sectors. Business professionals ranked OP as the second most attractive employer in Finland.

Variable remuneration applied by OP Financial Group in 2021 consisted of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

The Remuneration Report for Governing Bodies at OP Financial Group 2021, and the Remuneration Policy for Governing Bodies at OP Financial Group will be published as separate reports in week 10.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period included the accounts of 121 OP cooperative banks (137) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Ruukin Osuuspankki and Vihannin Osuuspankki merged into Raahen Seudun Osuuspankki on 31 March 2021. Consequently, the business name of Raahen Seudun Osuuspankki was changed to Raahentienoon Osuuspankki.

Lokalahden Osuuspankki and Taivassalon Osuuspankki merged into Lounaisrannikon Osuuspankki on 31 March 2021.

Mynämäen-Nousiaisten Osuuspankki merged into Auranmaan Osuuspankki on 30 April 2021. Consequently, the business name of Auranmaan Osuuspankki changed to Osuuspankki Vakka-Auranmaa.

Artjärven Osuuspankki merged into Länsi-Kymen Osuuspankki on 31 July 2021.

Oripään Osuuspankki merged into Alastaron Osuuspankki on 31 July 2021. Consequently, the business name of Alastaron Osuuspankki changed to Osuuspankki Harjuseutu.

Kurun Osuuspankki merged into Tampereen Seudun Osuuspankki on 31 August 2021.

Kiikoisten Osuuspankki merged into Länsi-Suomen Osuuspankki on 31 August 2021.

The OP cooperative banks of Himanka and Perho merged into Nivalan Osuuspankki on 30 September 2021. Consequently, the business name of Nivalan Osuuspankki changed to Joki-Pohjanmaan Osuuspankki.

Oulaisten Osuuspankki merged into Suomenselän Osuuspankki on 30 September 2021.

The OP cooperative banks of Halsua-Ylipää, Toholampi and Ullava merged into Perhonjokilaakson Osuuspankki on 31 October 2021. Consequently, the business name of Perhonjokilaakson Osuuspankki changed to Jokilaaksojen Osuuspankki.

Loimaan Osuuspankki merged into Lounais-Suomen Osuuspankki on 31 December 2021.

On 7 September 2021, Luhangan Osuuspankki and Keski-Suomen Osuuspankki approved a merger plan according to which the former will merge into the latter. The planned date for registration of the implementation of the merger is 28 February 2022.

On 14 October 2021, Luopioisten Osuuspankki and Kangasalan Seudun Osuuspankki approved a merger plan according to which the former will merge into the latter. The planned date for registration of the implementation of the merger is 31 March 2022.

On 13 October 2021, Sastamalan Osuuspankki, Satakunnan Osuuspankki and Satapirkan Osuuspankki approved a merger plan according to which Sastamalan Osuuspankki and Satapirkan Osuuspankki will merge into Satakunnan Osuuspankki. The planned date for registration of the implementation of the merger is 30 April 2022. Consequently, the business name of Satakunnan Osuuspankki will change to Satapirkan Osuuspankki.

On 29 September 2021, Itä-Uudenmaan Osuuspankki, Uudenmaan Osuuspankki and Helsinki Area Cooperative Bank approved merger plans according to which Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki will merge into Helsinki Area Cooperative Bank. The planned date for registration of the implementation of the mergers is 31 July 2022. Consequently, the business name of Helsinki Area Cooperative Bank will change to Uudenmaan Osuuspankki.

Simplifying OP Cooperative Consolidated's structure

The legal restructuring of OP Financial Group's central cooperative consolidated streamlines the group structure, simplifies management and makes the cost structure slimmer.

OP Asset Management Execution Services Oy merged into OP Asset Management Ltd through a subsidiary merger on 30 April 2021.

OP Cooperative sold all shares of its subsidiary, Checkout Finland Ltd, to Paytrail Oyj. The transaction was finalised on 30 April 2021.

The business name of OP Card Company Plc changed to OP Retail Customers Plc as of 1 June 2021.

OP Corporate Bank plc's Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) merged into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border subsidiary merger.

OP-Services Ltd merged into OP Cooperative on 30 November 2021 through a subsidiary merger.

On 29 November 2021, OP Corporate Bank plc implemented a partial demerger in such a way that the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, were transferred to the direct ownership of OP Cooperative. Technically, this was implemented in such a way that OP Corporate Bank plc demerged through a partial demerger into OP Insurance Holding Ltd, an ancillary company wholly owned by OP Cooperative, on 29 November 2021, which merged into OP Cooperative through a subsidiary merger on 30 November 2021.

Pohjola Insurance Ltd sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price is EUR 31.8 million. The Finnish Competition and Consumer Authority approved the corporate transaction on 14 January 2022. Pohjola Hospital was transferred to Pihlajalinna's ownership on 1 February 2022.

OP Corporate Bank plc sold all shares of its subsidiary OP Custody Ltd to OP Cooperative on 30 November 2021.

Governance of OP Cooperative

On 18 November 2020, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to

31 December 2021. The composition of the Board of Directors remained unchanged.

All former members continued on the Board in 2021: Leif Enberg (Chair of the Board of Directors, Oy Mapromec Ab), Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Jari Himanen (Managing Director, OP Suur-Savo), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki) and Mervi Väisänen (Senior Lecturer in Marketing, Kajaani University of Applied Sciences).

On 15 December 2020, OP Cooperative's Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen continued as Chair and Jarna Heinonen as Vice Chair of the Board of Directors. The compositions of Board Committees remained unchanged.

On 2 December 2021, the Supervisory Council elected Petri Sahlström to OP Cooperative's Board of Directors as a new member, for the term of office of 2022. Leif Enberg stepped down from the Board of Directors on 31 December 2021. Other members of the Board will continue in their position for the term 1 January–31 December 2022. On 3 January 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 21 April 2021, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Procurement Manager Päivi Hakasuo, Managing Director Mika Helin, Bachelor of Hospitality Management, MBA Mervi Hinkkanen, Professor Juha-Pekka Junttila, entrepreneur Taija Jurmu, Senior Rural Economist Päivi Kujala, APA Katja Kuosa-Kaartti, Managing Director Pekka Lehtonen, Managing Director Sirpa Leppäkoski, Director Timo Metsä-Tokila, Senior Manager Anssi Mäkelä, CFO Annukka Nikola, D.Sc. (Agr. & For.) Yrjö Niskanen, Managing Director Ulf Nylund, farmer-entrepreneur Johanna Pättiniemi, Development Director Tiina Rajala, Professor Petri Sahlström, entrepreneur Carolina Sandell, farmer-entrepreneur Timo Saukkonen, Professor Markku Sotarauta, entrepreneur Timo Syrjälä, Managing Director Pauliina Takala and Managing Director Ari Väänänen. The membership of Juha-Pekka Junttila ended on 20 September 2021 and that of Petri Sahlström on 31 December 2021.

New members elected to the Supervisory Council were Managing Director Raili Hyvönen, Associate Professor Saara Julkunen, Development Manager Mika Kainusalmi, Managing Director Matti Kiuru, Regional Assistant Vicar Toivo Loikkanen, farmer-entrepreneur Veijo Manninen, Managing Director Kaisa Markula, Service Supervisor Jarmo Nurmela, Managing Director Heikki Palosaari, Managing Director Teuvo Perätalo, Managing Director Tuomas Puttonen, Managing Director Jyrki Rantala and Managing Director Teemu Sarhemaa.

At its reorganising meeting, the Supervisory Council elected the presiding officers of the Supervisory Council. CFO Annukka Nikola will continue as the Supervisory Council Chair and Professor Markku Sotarauta and Managing Director Ari Väänänen as Vice Chairs.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2021, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Events after the reporting period

Pohjola Insurance sold its hospital business

Pohjola Insurance Ltd, part of OP Financial Group, has sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. On 14 January 2022, the Finnish Competition and Consumer Authority approved the corporate transaction, which was finalised on 1 February 2022. The net debt free transaction price was EUR 31.8 million.

OP Corporate Bank plc issued a new green bond

OP Corporate Bank plc issued a green bond worth EUR 500 million in accordance with its updated Green Bond Framework. The green bond will support the green transition, and proceeds raised with it will be allocated to sustainable corporate lending. Targeted at international responsible institutional investors, the bond is OP Corporate Bank's first senior non-preferred, unsecured green bond, which amounts to EUR 500 million and has a maturity of 5.5 years. Eligible sectors to be funded include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use. The green bond was priced on 20 January 2022 and issued on 27 January 2022.

Outlook for 2022

In 2021, both the world and Finnish economy recovered from the crisis caused by the Covid-19 pandemic, and economic growth was exceptionally strong due to a weak reference level. In the last quarter of the year, the economy continued to grow strongly although the strongest recovery was over. Energy raw material prices rose clearly during the latter half of the year, which sped up inflation, reaching the fastest rate in decades in many countries. In Finland, inflation accelerated more moderately than in many other countries.

Nevertheless, consumer prices rose at the fastest pace in a decade.

In the financial market, stock prices increased strongly during 2021. Towards the end of the year, inflation acceleration and the central bank's preparation for tightening monetary policy made markets nervous. Short-term interest rates remained low but longer-term rates rose gradually during the year.

The higher number of Covid-19 cases and the resulting restrictions are expected to temporarily slow down economic growth at the beginning of the year. Economic recovery is expected to continue but to slow down gradually. Inflation growth is predicted to level off but remain high throughout the early part of the year. The monetary policy is expected to be gradually tightened but the European Central Bank is not expected to raise its benchmark interest rates during the first half of the year.

Economic uncertainty is expected to remain elevated. The Covid-19 pandemic may unexpectedly slow down economic growth or cause major bottlenecks in production. Even if the economic development remained sluggish, the inflation period may prove to be longer than anticipated. This may tighten the financing conditions and increase uncertainty in the financial market.

A sudden worsening of the pandemic could affect OP Financial Group in three ways: economic, financial and capital market uncertainty would increase, a rise in financial difficulties among customers would increase credit risk and decrease the demand for services, and a worsening disease situation could make it more difficult for OP Financial Group to run its operations efficiently.

OP Financial Group's earnings before tax for 2022 are expected to be lower than in 2021. The most significant uncertainties affecting earnings performance due to the Covid-19 pandemic and inflation relate to changes in the interest rate and investment environment and to the developments in impairment losses.

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

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. The formulas for the key figures and ratios can be derived from the figures presented in this Financial Statements Bulletin, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity capital (average at beginning and end of period) x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity capital (average at beginning and end of period) x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Investment income	Net investment income + Overlay approach	The figure describes the development of all investment income. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity.
Loan portfolio	Balance sheet item Receivables from customers	The loan portfolio is presented in Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end x 100	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers	Deposits are presented under Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items) x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period x 100	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words, how many contracts were in stage 2 before moving to stage 3.

Income from customer business	Net interest income + net insurance income + net commissions and fees	Income from customer business describes the development of net interest income, net insurance income and net commissions and fees. Income directly from customers is presented mainly under these items.
Non-life insurance:		
Operating loss ratio, %	(Claims incurred excl. changes in reserving bases / Insurance premium revenue, excl. net changes in reserving bases) x 100	The ratio describes how much of the insurance premium revenue is spent on claims paid and claims management. The ratio is calculated after reinsurers' share.
Operating expense ratio, %	(Operating expenses / Insurance premium revenue, excl. net changes in reserving bases) x 100	The ratio describes how much of the insurance premium revenue is spent on operating expenses (insurance acquisition, management and administration costs). The ratio is calculated after reinsurers' share.
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	The combined ratio is a key indicator of efficiency for non-life insurance companies. The ratio describes whether the insurance premium revenue is sufficient to cover the company's expenses during the reporting period.
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	The ratio describes how much of the insurance premium revenue is spent on claims paid. The ratio is calculated after reinsurers' share.
Operating cost ratio, %	(Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases) x 100	The ratio describes the ratio of the company's operating costs (acquisition, management, administration and claims settlement expenses) to its insurance premium revenue.
Life insurance:		
Operating ratio, %	(Total expenses / Expense loading + refund of management fee) x 100	The ratio describes the company's efficiency, or how well the expenses charged on insurance policies and the management fee refunds received on insurance policies cover the company's operating expenses.

Key indicators based on a separate calculation

Capital adequacy ratio, %	(Total capital / Total risk exposure amount) x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	(Total Tier 1 capital / Total risk exposure amount) x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	(CET1 capital / Total risk exposure amount) x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Solvency ratio, %	(Capital base / Solvency capital requirement (SCR)) x 100	The ratio describes an insurance company's solvency and shows the ratio of the capital base to the total risk exposure amount.
Leverage ratio, %	(Tier 1 capital (T1) / Exposure amount) x 100	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total exposure amount.

Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
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	The ratio describes the capital adequacy of the financial conglomerate and shows the ratio of the capital base to the minimum amount of the capital base.
Ratio of non-performing exposures to exposures, %	Non-performing exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of doubtful receivables to exposures, %	Doubtful receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forborne exposures, doubtful receivables include non-performing 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. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of performing forborne exposures to exposures, %	Performing forborne exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of performing forborne exposures to the entire exposure portfolio. 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 forborne exposures.

Ratio of performing forborne exposures to doubtful receivables, %	Performing forborne exposures (gross) / Doubtful receivables at period end	x 100	The ratio describes the ratio of performing forborne exposures to doubtful receivables that include not only performing forborne exposures but also non-performing exposures. 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 forborne exposures.
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	Loss allowance for receivables from customers in the balance sheet / Doubtful receivables at period end	x 100	The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forborne exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio		The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities		The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

*Transitional provisions have been taken into account in the FiCo solvency.

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	31 Dec 2021	31 Dec 2020
OP Financial Group's equity capital	14,184	13,112
Effect of insurance companies on the Group's shareholders' equity is excluded	-988	-498
Fair value reserve, cash flow hedge	-96	-203
Common Equity Tier 1 (CET1) before deductions	13,101	12,410
Intangible assets	-351	-391
Excess funding of pension liability and valuation adjustments	-132	-93
Cooperative capital deducted from capital base	-160	-126
Planned profit distribution and unpaid profit distribution for previous period	-96	-95
Shortfall of ECL minus expected losses	-356	-413
Insufficient coverage for non-performing exposures	-41	
CET1 capital	11,965	11,293
Hybrid capital to which transitional provision is applied		40
Additional Tier 1 capital (AT1)		40
Tier 1 capital (T1)	11,965	11,333
Debenture loans	1,308	1,599
Debentures to which transitional provision applies	141	
Tier 2 capital (T2)	1,448	1,599
Total capital	13,413	12,933

Risk exposure amount, € million	31 Dec 2021	31 Dec 2020
Credit and counterparty risk	57,361	54,522
Standardised Approach (SA)	4,822	4,562
Central government and central banks exposure	298	347
Credit institution exposure	5	9
Corporate exposure	3,180	3,068
Retail exposure	1,142	1,026
Equity investments	6	32
Other	190	80
Internal Ratings-based Approach (IRB)	52,539	49,960
Credit institution exposure	1,191	1,029
Corporate exposure	29,808	26,461
Retail exposure	13,320	14,295
Equity investments	7,112	7,036
Other	1,109	1,140
Market and settlement risk (Standardised Approach)	1,380	1,096
Operational risk (Standardised Approach)	3,786	3,964
Valuation adjustment (CVA)	204	138
Other risks*	3,000	
Total risk exposure amount	65,731	59,720

*OP Financial Group proactively increased the amount of risk-weighted assets (RWA add-on) to account for future changes in the scope of application of internal models (IRBA) and in the method for measuring insurance companies' risk weights.

Ratios, %	31 Dec 2021	31 Dec 2020
CET1 capital ratio	18.2	18.9
Tier 1 ratio	18.2	19.0
Capital adequacy ratio	20.4	21.7

Ratios, fully loaded, %	31 Dec 2021	31 Dec 2020
CET1 capital ratio	18.2	18.9
Tier 1 ratio	18.2	18.9
Capital adequacy ratio	20.2	21.6

Capital requirement, EUR million	31 Dec 2021	31 Dec 2020
Capital base	13,413	12,933
Capital requirement	9,041	8,213
Buffer for capital requirements	4,373	4,719

The capital requirement of 13.8% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 1.0%, the minimum requirement (P2R) of 2.25% set by the ECB and the country-specific countercyclical capital buffers for foreign exposures.

Leverage ratio, EUR million	31 Dec 2021	31 Dec 2020
Tier 1 capital (T1)	11,965	11,333
Total exposure	161,415	144,799
Leverage ratio, %	7.4	7.8

The leverage ratio describes indebtedness. The minimum requirement for the leverage ratio is 3%.

OP Financial Group's capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

€ million	31 Dec 2021	31 Dec 2020
OP Financial Group's equity capital	14,184	13,112
Hybrid instruments and debenture loans	1,448	1,640
Other sector-specific items excluded from capital base	-392	-331
Goodwill and intangible assets	-1,097	-1,147
Insurance business valuation differences*	794	623
Planned profit distribution and unpaid profit distribution for previous period	-96	-95
Items under IFRS deducted from capital base**	-181	-184
Shortfall of ECL minus expected losses	-330	-387
Conglomerate's total capital base	14,331	13,231
Regulatory capital requirement for credit institutions***	8,111	7,284
Regulatory capital requirement for insurance operations*	1,672	1,508
Conglomerate's total minimum capital requirement	9,783	8,791
Conglomerate's capital adequacy	4,547	4,439
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	146	150

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR.
** Excess funding of pension liability, portion of cash flow hedge of fair value reserve.
*** Total risk exposure amount x 13.8%
Transitional provisions have been taken into account in figures.

TABLES

Income statement

EUR million	Notes	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net interest income	3	1,409	1,284	438	324
Net insurance income	4	743	572	201	95
Net commissions and fees	5	1,034	931	273	252
Net investment income	6	376	184	123	153
Other operating income		54	132	8	11
Total income		**3,616**	**3,103**	**1,043**	**835**
Personnel costs		914	715	258	120
Depreciation/amortisation		283	273	91	77
Other operating expenses	7	810	852	237	228
Total expenses		**2,007**	**1,839**	**586**	**425**
Impairment loss on receivables	8	-158	-225	-63	-42
OP bonuses to owner-customers		-205	-251	-54	-61
Temporary exemption (overlay approach)		-118	-3	-70	-48
Earnings before tax		**1,127**	**785**	**270**	**259**
Income tax expense		224	144	59	34
Profit for the financial year		**904**	**641**	**210**	**225**
Attributable to:					
Profit for the financial year attributable to owners		900	641	207	229
Profit for the financial year attributable to non-controlling interest		4	0	4	-4
Profit for the financial year		**904**	**641**	**210**	**225**

Statement of comprehensive income

EUR million	Notes	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Profit for the financial year		**904**	**641**	**210**	**225**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		50	-47	11	-32
Change in revaluation reserve		15			
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-57	81	-24	68
Cash flow hedge		-135	78	-38	13
Temporary exemption (overlay approach)		118	5	70	43
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-10	9	-2	6
Change in revaluation reserve		-3			
Items that may be reclassified to profit or loss					
Measurement at fair value		11	-16	5	-14
Cash flow hedge		27	-16	8	-3
Temporary exemption (overlay approach)		-24	-1	-14	-9
Total comprehensive income for the financial year		**897**	**734**	**225**	**299**
Attributable to:					
Total comprehensive income for the financial year attributable to owners		893	734	221	302
Total comprehensive income for the financial year attributable to non-controlling interests		4	0	4	-4
Total		**897**	**734**	**225**	**299**

Balance sheet

EUR million	Notes	31 Dec 2021	31 Dec 2020
Cash and cash equivalents		32,846	21,827
Receivables from credit institutions		541	306
Derivative contracts	17	3,467	5,215
Receivables from customers		96,947	93,644
Investment assets		22,945	23,562
Assets covering unit-linked contracts		13,137	11,285
Intangible assets		1,212	1,311
Property, plant and equipment (PPE)		446	633
Other assets		2,419	2,236
Tax assets		141	188
Non-current assets held for sale		8	
Total assets		**174,110**	**160,207**
Liabilities to credit institutions		16,650	8,086
Derivative contracts		2,266	3,424
Liabilities to customers		77,898	73,422
Insurance liabilities	9	8,773	9,374
Liabilities from unit-linked insurance and investment contracts	10	13,210	11,323
Debt securities issued to the public	11	34,895	34,706
Provisions and other liabilities		3,134	3,431
Tax liabilities		1,109	1,069
Subordinated liabilities		1,982	2,261
Liabilities associated with non-current assets held for sale		8	
Total liabilities		**159,926**	**147,095**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		215	212
Profit shares		3,244	2,962
Fair value reserve	12	323	382
Other reserves		2,184	2,172
Retained earnings		8,090	7,248
Non-controlling interests		128	137
Total equity capital		14,184	13,112
Total liabilities and equity capital		174,110	160,207

Statement of changes in equity

	Attributable to owners						
EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2020	**3,238**	**251**	**2,185**	**6,730**	**12,404**	**166**	**12,570**
Total comprehensive income for the financial year		131		604	**734**	0	**734**
Profit for the financial year				641	**641**	0	**641**
Other comprehensive income		131		-38	**93**		**93**
Profit distribution				-98	**-98**	-11	**-109**
Change in membership and profit shares	-64				**-64**		**-64**
Transfer of reserves			-14	14			
Other				-1	**-1**	-18	**-20**
Balance at 31 December 2020	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**

	Attributable to owners						
EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2021	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**
Total comprehensive income for the financial year		-59	12	939	**893**	4	**897**
Profit for the financial year				900	**900**	4	**904**
Other comprehensive income		-59	12	40	**-7**		**-7**
Profit distribution				-94	**-94**	-7	**-101**
Change in membership and profit shares	285				**285**		**285**
Other				-3	**-3**	-5	**-9**
Balance at 31 December 2021	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**

Cash flow statement

EUR million	Q1–4 2021	Q1–4 2020
Cash flow from operating activities		
Profit for the period	904	641
Adjustments to profit for the period	540	111
Increase (-) or decrease (+) in operating assets	**-3,948**	**-2,878**
Receivables from credit institutions	-114	-11
Derivative contracts	169	-35
Receivables from customers	-3,663	-2,287
Assets covering unit-linked contracts	-513	-8
Investment assets	430	-128
Other assets	-256	-410
Increase (+) or decrease (-) in operating liabilities	**13,435**	**10,247**
Liabilities to credit institutions	8,557	5,660
Derivative contracts	248	-305
Liabilities to customers	4,679	4,829
Insurance liabilities	10	0
Liabilities from unit-linked insurance and investment contracts	368	98
Provisions and other liabilities	-427	-34
Income tax paid	-135	-89
Dividends received	89	44
A. Net cash from operating activities	**10,883**	**8,077**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	1	
Disposal of subsidiaries, net of cash disposed	35	
Purchase of PPP and intangible assets	-135	-131
Proceeds from sale of PPE and intangible assets	11	637
B. Net cash used in investing activities	**-88**	**506**
Cash flow from financing activities		
Subordinated liabilities, change	-254	978
Debt securities issued to the public, change	646	68
Increases in cooperative and share capital	412	78
Decreases in cooperative and share capital	-126	-142
Dividends and interest on cooperative capital	-189	0
Lease liabilities	-36	-34
Other increases in equity items	0	
C. Net cash used in financing activities	**451**	**948**
Net change in cash and cash equivalents (A+B+C)	**11,247**	**9,530**
Cash and cash equivalents at period-start	**22,055**	**12,168**
Effect of foreign exchange rate changes	-173	357
Cash and cash equivalents at period-end	**33,129**	**22,055**
Interest received	**1,476**	**1,778**
Interest paid	**-350**	**-552**
Cash and cash equivalents		
Liquid assets	32,846	21,827
Receivables from credit institutions payable on demand	283	229
Total	**33,129**	**22,055**

Notes

1. Accounting policies
2. Segment reporting
3. Net interest income
4. Net insurance income
5. Net commissions and fees
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7. Other operating expenses
8. Impairment losses on receivables
9. Insurance liabilities
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14. Classification of financial assets and liabilities
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16. Off-balance-sheet commitments
17. Derivative contracts
18. Investment distribution of the Insurance segment
19. Related-party transactions

Note 1. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2020.

The Financial Statements Bulletin is based on unaudited information. Given that all figures in the Financial Statements Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

The Financial Statements Bulletin 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.

1. Critical accounting estimates and judgements

The preparation of the Financial Statements Bulletin requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies. In preparing the Financial Statements Bulletin, management judgment has been used especially in the calculation of expected credit losses.

Expected credit losses

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

- selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- different assumptions and expert assessments made in the models
- selection of the estimation methods of the parameters for the ECL models
- determination of the contract's maturity for non-maturing loans (revolving credit facilities)
- determination of model risk associated with the quality of the available modelling data and other data
- proper grouping of contracts into different segments so that their ECL can be measured using the appropriate model
- selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default
- forecasting future macroeconomic scenarios and their probabilities
- extra provisions based on management judgement related to a certain industry due to Covid-19, for example
- reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

The actual measurement of ECL figures is performed using the ECL models without management judgement, except if it is the question of a large corporate exposure in stage 2 or 3 and on the watch list, in which case the ECL is calculated using the cash flow based ECL method based on expert assessment.

Management overlays directly to the ECL figures (post-model adjustments) are intended only for temporary use until an unpredictable event caused by the overlay provision or circumstance could have been taken into account in the ECL models. The existing ECL models do not take account of the Environmental, Social and Governance (ESG) risks as a separate component.

Management judgement and estimates included in the calculation of expected credit losses in respect of other than that presented above are included in the 2020 financial statements.

Note 8. Impairment loss on receivables includes information on choices made in calculating expected credit losses during the Covid-19 pandemic.

Goodwill and assets with indefinite useful lives:

Goodwill and assets with indefinite useful lives are subject to an annual impairment test or whenever there is any indication that the value of the cash-generating unit applied in testing in may have lowered. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows and of the discount rate level applied in calculating their present value. A total of EUR 629 million in goodwill and EUR 162 million in the value of brands were covered by impairment tests. Despite the Covid-19 pandemic, expectations of future cash flows have not substantially changed, so no impairment loss was recognised based on the test.

2. Effective interest rate of TLTRO III loans

The effective interest rate has been calculated on TLTRO loans based on management judgement related to the fulfilment of net lending criteria for upcoming review periods. If changes occur later in this management judgement, they will be treated as changes in the loan's carrying amount. The gross carrying amount of the loan is recalculated in such a way that it corresponds to the present value of the reassessed cash flows that is discounted at the loan's original effective interest rate. The resulting adjustment is recognised through profit or loss.

In 2021, the conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Note 3. Net interest income presents the revenue recognition of the conditional additional margin exceeding the ECB's deposit facility rate under TILTRO III funding. In the segment report, the revenue recognition of the additional margin is presented in net interest income of the Other Operations segment, from where it was allocated to other operating income of the Retail Banking and Corporate Banking segments through other operating expenses of the Other Operations segment.

3. Effect of Interest Rate Benchmark Reform on accounting policies

On 1 January 2021, OP Financial Group adopted a document entitled Interest Rate Benchmark Reform (Phase 2) that will amend IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16. These amendments are a continuation of the Interest Rate Benchmark Reform document (Phase 1) adopted in 2020.

The amendments to Phase 2 bring two practical reliefs and they are applied from the date when the benchmark rate has changed. The first one applies to financial instruments carried at amortised cost so that changing contractual cash flows due to the Interest Rate Benchmark Reform is treated by updating the effective interest rate, in which case the change does not cause a direct profit or loss. This amendment will have no significant effect on OP Financial Group because the majority of receivables and liabilities are linked to the Euribor and the Euribor is still a reference interest rate in use. Libor-linked liabilities and receivables are only small in number. The other amendment applies to hedge accounting which is not discontinued although the reference interest rate changes during the hedging relationship but the risk to be hedged and related cash flows are redetermined when the reference rate changes. Similarly, hedging documentation will be changed in respect of the hedged risk and the hedging instrument. The resulting change in valuation is presented as part of hedge effectiveness. This change will have no significant effect on OP Financial Group because hedges are mostly linked to the Euribor.

4. Classification of Pohjola Hospital as a non-current asset held for sale

Based on decisions made, OP Financial Group classified Pohjola Hospital as a non-current asset held for sale in the second quarter. Pohjola Hospital is a hospital chain that specialises in orthopaedic care, i.e. treatment for musculoskeletal conditions and injuries, in five Finnish cities with university hospitals: Helsinki, Tampere, Turku, Oulu and Kuopio. The company had 266 employees, on average, in 2020. Pohjola Hospital was in its entirety presented in the Insurance segment's balance sheet of 31 December 2021.

Itemised non-current assets held for sale:

Assets, € million	31 Dec 2021
Property, plant and equipment	0
Intangible assets	1
Other assets	8
Total assets (A)	8
Liabilities, € million	31 Dec 2021
Provisions and other liabilities	8
Total liabilities (B)	8
Balance sheet net worth (A–B)	1

Pohjola Insurance Ltd has sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price was EUR 31.8 million. The Finnish Competition and Consumer Authority approved the corporate transaction on 14 January 2022. Pohjola Hospital was transferred to Pihlajalinna's ownership on 1 February 2022.

5. Accounting for configuration or customisation costs in a cloud computing arrangement

In April 2021, the IFRS Interpretations Committee issued a final agenda decision on accounting for configuration or customisation costs in a cloud computing arrangement. In its agenda decision, the Committee considered whether an intangible asset, applying IAS 38, is recognised for the configuration or customisation of the application and if no intangible asset is recognised, how such configuration or customisation costs is recognised. During autumn 2021, OP Financial Group analysed the effect of the agenda decision on the accounting policies applied to the costs of implementing a cloud computing solution. Based on the analysis, there was no need to make adjustments to the figures previously reported by OP Financial Group. OP Financial Group updated its accounting policies regarding the cloud computing arrangements as described below.

Cloud computing arrangements

In cloud computing arrangements, in other words Software as a Service (SaaS) or Infrastructure as a Service (IaaS), the software vendor has partial or full control over the software or service concerned, and OP Financial Group does not capitalise fees for software or services controlled by the vendor as intangible assets.

The development costs of a cloud computing arrangement, before its implementation, are recognised in prepayments under other assets. The amount capitalised in prepayments constitutes costs related to the implementation project and customisation that are performed by the service provider before the service provider is able to produce the service for OP Financial Group. Costs capitalised in prepayments are an integral part of the service and they are not separable from the service itself. Prepayment costs are spread over the contract period from the date when the service is ready for use.

Note 2. Segment reporting

Segment information

Q1–4 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	959	414	-2	10	29	1,409
of which internal net income before tax		-9		9		
Net insurance income			754		-11	743
Net commissions and fees	753	204	96	-2	-18	1,034
Net investment income	-16	171	288	-5	-62	376
Other operating income	78	97	0	684	-804	54
Total income	**1,773**	**886**	**1,135**	**687**	**-866**	**3,616**
Personnel costs	447	93	160	216	-1	914
Depreciation/amortisation	69	14	66	137	-2	283
Other operating expenses	705	211	267	444	-819	810
Total expenses	**1,221**	**318**	**493**	**797**	**-822**	**2,007**
Impairment loss on receivables	-84	-74	0	0	0	-158
OP bonuses to owner-customers	-165	-20	-21		0	-205
Temporary exemption (overlay approach)			-117		-1	-118
Earnings before tax	**304**	**474**	**504**	**-109**	**-46**	**1,127**

Q1–4 earnings 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	925	394	-1	-60	27	1,284
of which internal net income before tax		-25		25		
Net insurance income			582		-10	572
Net commissions and fees	698	153	78	9	-6	931
Net investment income	2	143	88	12	-61	184
Other operating income	29	17	9	744	-667	132
Total income	**1,653**	**707**	**755**	**705**	**-717**	**3,103**
Personnel costs	412	71	55	177	0	715
Depreciation/amortisation	60	18	60	138	-3	273
Other operating expenses	680	197	269	388	-683	852
Total expenses	**1,152**	**286**	**384**	**703**	**-686**	**1,839**
Impairment loss on receivables	-172	-53	0	1	0	-225
OP bonuses to owner-customers	-214	-18	-19		0	-251
Temporary exemption (overlay approach)			-4	0	0	-3
Earnings before tax	**115**	**349**	**348**	**3**	**-31**	**785**

Balance sheet 31 December 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Cash and cash equivalents	57	183	0	32,606		32,846
Receivables from credit institutions	26,228	138	1,908	13,950	-41,683	541
Derivative contracts	324	3,441	85	271	-653	3,467
Receivables from customers	70,952	25,666	0	580	-251	96,947
Investment assets	624	492	9,472	21,714	-9,356	22,945
Assets covering unit-linked contracts			13,137			13,137
Intangible assets	27	189	768	234	-5	1,212
Property, plant and equipment (PPE)	299	4	13	137	-7	446
Other assets	397	567	988	827	-360	2,419
Tax assets	48	0	26	19	49	141
Non-current assets held for sale			8			8
Total assets	**98,957**	**30,679**	**26,405**	**70,337**	**-52,267**	**174,110**
Liabilities to credit institutions	12,196	111	68	43,439	-39,163	16,650
Derivative contracts	285	2,553	27	117	-715	2,266
Liabilities to customers	62,222	15,448		2,801	-2,573	77,898
Insurance liabilities			8,773		0	8,773
Liabilities from unit-linked insurance and investments contracts			13,210			13,210
Debt securities issued to the public	16,420	1,406		21,355	-4,286	34,895
Provisions and other liabilities	707	776	430	1,454	-232	3,134
Tax liabilities	471	11	226	399	1	1,109
Subordinated liabilities			380	1,994	-392	1,982
Liabilities associated with non-current assets held for sale			8			8
Total liabilities	**92,301**	**20,304**	**23,123**	**71,559**	**-47,360**	**159,926**
Equity						**14,184**

Balance sheet 31 December 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Cash and cash equivalents	63	224	0	21,540		21,827
Receivables from credit institutions	20,668	103	1,653	11,845	-33,965	306
Derivative contracts	722	5,144	341	209	-1,199	5,215
Receivables from customers	69,362	24,701	0	495	-915	93,644
Investment assets	676	494	9,597	19,053	-6,257	23,562
Assets covering unit-linked contracts			11,285			11,285
Intangible assets	35	207	782	291	-3	1,311
Property, plant and equipment (PPE)	341	4	130	165	-9	633
Other assets	278	588	979	627	-235	2,236
Tax assets	91	2	10	45	40	188
Total assets	**92,237**	**31,467**	**24,777**	**54,270**	**-42,543**	**160,207**
Liabilities to credit institutions	11,117	564		28,709	-32,303	8,086
Derivative contracts	425	4,082	2	192	-1,278	3,424
Liabilities to customers	59,436	13,118		3,221	-2,352	73,422
Insurance liabilities			9,374			9,374
Liabilities from unit-linked insurance and investments contracts			11,323			11,323
Debt securities issued to the public	13,932	855		21,207	-1,288	34,706
Provisions and other liabilities	903	774	682	1,254	-183	3,431
Tax liabilities	496	4	176	395	-1	1,069
Subordinated liabilities	-6		380	2,294	-407	2,261
Total liabilities	**86,302**	**19,396**	**21,937**	**57,271**	**-37,811**	**147,095**
Equity						**13,112**

Note 3. Net interest income

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Interest income				
Receivables from credit institutions	0	1	0	0
Receivables from customers				
Loans	1,238	1,254	317	314
Finance lease receivables	31	30	7	8
Impaired loans and other commitments		0		
Total	1,269	1,285	324	322
Notes and bonds				
Measured at fair value through profit or loss	0	1	0	0
At fair value through other comprehensive income	52	62	13	14
Amortised cost	0	3	0	1
Total	52	66	13	15
Derivative contracts				
Fair value hedge	-144	-128	-36	-35
Cash flow hedge	49	49	11	12
Ineffective portion of cash flow hedge	-4	-3	-1	-7
Total	-99	-83	-26	-29
Liabilities to credit institutions				
Negative interest	172	43	117	17
Liabilities to customers				
Negative interest	35	22	10	7
Other	12	10	3	3
Total	**1,441**	**1,344**	**441**	**335**
Interest expenses				
Liabilities to credit institutions	-1	3	-2	0
Liabilities to customers	12	55	2	7
Notes and bonds issued to the public	136	226	25	48
Subordinated liabilities				
Subordinated loans	0	0	0	0
Other	58	53	13	15
Total	58	53	13	15
Derivative contracts				
Cash flow hedge	-262	-267	-64	-69
Other	-35	-87	-7	-12
Total	-296	-354	-71	-81
Receivables from credit institutions				
Negative interest	120	68	35	23
Other	5	6	2	1
Total	**34**	**58**	**5**	**13**
Net interest income before fair value adjustment under hedge accounting	**1,408**	**1,286**	**437**	**321**
Hedging derivatives	-154	96	-2	-12
Value changes of hedged items	156	-99	3	14
Total	**1,409**	**1,284**	**438**	**324**

The conditional additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million (18). The future cash flows of TLTRO III funding were changed in the cash flow measurement as a result of the fulfilment of the criteria for net lending performance that were the condition for the additional margin. In this change, the conditional additional margin for the current interest period was added to cash flows and the repayment periods of the funding were updated. The gross carrying amount of TLTRO funding was determined under IFRS 9 to correspond to the present value of the reassessed cash flows by discounting them by the original effective interest rates for tranches of finance. The resulting adjustment was recognised through profit or loss under IFRS 9.

Note 4. Net insurance income

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net insurance premium revenue				
Premiums written	1,543	1,499	272	259
Insurance premiums ceded to reinsurers	14	7	17	3
Change in provision for unearned premiums	-13	-8	128	127
Reinsurers' share	0	-1	-12	-11
Total	1,545	1,497	404	378
Net non-life insurance claims				
Claims paid	-892	-954	-230	-249
Insurance claims recovered from reinsurers	47	27	5	11
Change in provision for unpaid claims	-5	-24	-11	-47
Reinsurers' share	17	8	19	4
Total	-834	-943	-217	-282
Other non-life insurance items	-1	-7	3	-5
Life insurance risk premiums collected	34	26	11	4
Total	**743**	**572**	**201**	**95**

Note 5. Net commissions and fees

Q1–4 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2021
Commission income							
Lending	96	51		0	-1	146	36
Deposits	21	3		0	0	24	6
Payment transfers	282	39		12	-12	321	81
Securities brokerage	11	28			-10	28	6
Securities issuance	0	6			0	6	1
Fund fees	47	253	95	0	-115	279	76
Asset management	30	40		1	-25	45	17
Legal services	25	0			0	25	8
Guarantees	11	13		0	0	24	6
Housing service	78				0	78	20
Insurance brokerage	106		24		-76	53	7
Life insurance total expense loadings			104			104	39
Health and wellbeing services			14		0	14	4
Other	84	2		1	-81	7	2
Total	**790**	**436**	**237**	**13**	**-321**	**1,155**	**309**
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	27	5	1	3	-10	25	7
Securities brokerage		4	0	0	0	4	1
Securities issuance	0	2		1	-2	1	0
Mutual funds		116	0		-115	1	0
Asset management		10	0	4	0	14	4
Guarantees		0				0	0
Insurance brokerage	-6		134		-76	53	16
Health and wellbeing services			5		0	5	1
Other	16	93	0	8	-98	20	7
Total	**37**	**231**	**141**	**15**	**-303**	**121**	**36**
Total net commissions and fees	**753**	**204**	**96**	**-2**	**-18**	**1,034**	**273**

Q1–4 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2020
Commission income							
Lending	92	47		5	-1	144	36
Deposits	1	3		0	0	3	1
Payment transfers	273	36		14	-13	310	83
Securities brokerage	9	27			-8	27	7
Securities issuance	0	11		0	0	11	3
Fund fees	38	211	82	0	-99	233	63
Asset management	38	27		0	-13	52	20
Legal services	23	0			0	23	7
Guarantees	8	12		0	0	21	6
Housing service	72					72	19
Insurance brokerage	94		23		-67	50	7
Life insurance total expense loadings			90			90	25
Health and wellbeing services			13		0	12	3
Other	85	7		1	-86	6	4
Total	732	381	207	21	-287	1,054	284
Commission expenses							
Lending	0	1		0	0	1	1
Payment transfers	26	6	1	3	-11	25	7
Securities brokerage		12	0	0	-1	11	3
Securities issuance	0	2		0	-2	0	0
Mutual funds		100	0		-99	0	0
Asset management		9	0	1	0	10	3
Guarantees		0			0	0	0
Insurance brokerage	-7		117		-61	49	13
Health and wellbeing services			5		0	4	1
Other	16	98	0	7	-100	21	4
Total	34	228	122	12	-274	123	32
Total net commissions and fees	698	153	85	9	-13	931	252

Note 6. Net investment income

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	37	50	9	11
Other income and expenses	-3	-14	-3	-15
Capital gains and losses	14	22	4	6
Currency fair value gains and losses	18	-26	4	-13
Impairment losses and their reversal*	2	5	0	17
Total	**67**	**37**	**15**	**6**

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

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	3	5	1	0
Fair value gains and losses	-5	4	-2	2
Total	-2	8	-1	2
Shares and participations				
Fair value gains and losses	1	-0	0	0
Dividend income and share of profits	4	12	-1	3
Total	5	12	-1	4
Derivatives				
Interest income and expenses	35	118	4	21
Fair value gains and losses	-130	242	-20	79
Total	-95	360	-16	100
Total	**-92**	**380**	**-18**	**106**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Interest income	18	23	4	6
Fair value gains and losses	-55	7	-15	0
Total	-38	29	-10	6
Shares and participations				
Fair value gains and losses	219	-22	62	42
Dividend income and share of profits	71	30	22	10
Total	290	8	84	52
Total	**252**	**37**	**74**	**58**
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	37	31	5	7
Fair value gains and losses	-57	29	-14	15
Total	-20	61	-8	22
Shares and participations				
Fair value gains and losses	-4	-26	-15	-7
Dividend income and share of profits	7	11	2	4
Total	3	-15	-13	-3
Derivatives				
Fair value gains and losses	-15	-25	-4	-5
Total	-15	-25	-4	-5
Total	**-32**	**21**	**-26**	**14**
Total net income from financial assets recognised at fair value through profit or loss	**129**	**438**	**31**	**179**

Net income from investment property				
Rental income	51	54	13	14
Fair value gains and losses	31	-35	50	-29
Maintenance charges and expenses	-37	-51	-9	-7
Other	1	1	0	0
Net income from investment property total	45	-30	54	-21
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	8	8	2	2
Interest expenses	-8	-4	-6	-2
Capital gains and losses		0		
Impairment losses and their reversal	3	1	0	0
Loans and receivables total	3	4	-3	0
Non-life insurance				
Unwinding of discount, Non-life Insurance	-17	-21	-4	-5
Life insurance				
Interest credited on customers' insurance savings	-79	-82	-19	-20
Change in supplementary interest rate provisions	135	-65	21	22
Other technical items**	66	-116	22	-27
Total	122	-263	24	-26

** Other technical items include changes in other technical provisions than those in supplementary interest rate provisions.

Associated and joint ventures				
Accounted for using the fair value method	18	4	3	11
Consolidated using the equity method	10	15	4	9
Total	27	18	7	20
Total net investment income	**376**	**184**	**123**	**153**

Note 7. Other operating expenses

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
ICT costs				
Production	231	268	63	76
Development	133	127	51	33
Buildings	53	48	15	11
Government charges and audit fees	69	58	12	12
Purchased services	115	130	32	32
Data communications	32	36	8	8
Marketing	31	30	12	11
Corporate social responsibility	9	10	3	3
Insurance and security costs	10	9	2	2
Other	125	136	38	40
Total	**810**	**852**	**237**	**228**

Development costs

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
ICT development costs	133	127	51	33
Share of own work	62	56	17	16
Total development costs in the income statement	**195**	**183**	**68**	**49**
Capitalised ICT costs	84	84	30	20
Capitalised share of own work	15	14	4	4
Total capitalised development costs	**99**	**97**	**34**	**24**
Total development costs	**294**	**282**	**102**	**74**
Depreciation/amortisation and impairment loss	177	184	44	48

Note 8. Impairment losses on receivables

EUR million	Q1–4 2021	Q1–4 2020	Q4 2021	Q4 2020
Receivables written down as loan and guarantee losses	126	117	19	27
Recoveries of receivables written down	-13	-10	-4	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	46	119	49	17
Expected credit losses (ECL) on notes and bonds*	0	-1	0	0
Total	**158**	**225**	**63**	**42**

* 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 December 2021

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61,835	7,608	8	7,615	2,095	71,545
Corporate Banking	24,673	1,058	247	1,304	508	26,486
Total	**86,508**	**8,665**	**254**	**8,919**	**2,603**	**98,031**
Off-balance-sheet limits						
Retail Banking	6,445	277	10	286	36	6,767
Corporate Banking	4,279	190	88	278	75	4,631
Total	**10,724**	**466**	**98**	**564**	**110**	**11,398**
Other off-balance-sheet commitments						
Retail Banking	3,397	46		46	16	3,458
Corporate Banking	7,196	121		121	78	7,396
Total	**10,593**	**166**		**166**	**94**	**10,854**
Notes and bonds						
Other Operations	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Total	**17,340**	**67**		**67**	**7**	**17,414**
Total exposures within the scope of accounting for expected credit losses	**125,165**	**9,365**	**352**	**9,717**	**2,815**	**137,697**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-59	-2	-61	-319	-398
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-42**	**-82**	**-4**	**-86**	**-588**	**-715**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-1	-2
Corporate Banking	-3	-3		-3	-14	-20
Total	**-4**	**-3**		**-3**	**-15**	**-22**
Notes and bonds***						
Other Operations	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Total notes and bonds	**-8**	**-2**		**-2**	**-3**	**-14**
Total	**-54**	**-87**	**-4**	**-91**	**-606**	**-751**

* 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 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	71,676	7,930	17	7,947	2,146	81,770
Corporate Banking	36,149	1,368	335	1,703	661	38,513
Loss allowance						
Retail Banking	-20	-59	-2	-61	-319	-400
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Retail Banking	-0.03%	-0.75%	-12.91%	-0.77%	-14.87%	-0.49%
Corporate Banking	-0.07%	-1.85%	-0.63%	-1.61%	-42.83%	-0.88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**107,825**	**9,298**	**352**	**9,650**	**2,808**	**120,283**
Total loss allowance	**-46**	**-85**	**-4**	**-89**	**-603**	**-737**
Total coverage ratio, %	**-0.04%**	**-0.91%**	**-1.23%**	**-0.92%**	**-21.46%**	**-0.61%**
Carrying amount, notes and bonds						
Other Operations	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Loss allowance						
Other Operations	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Coverage ratio, %						
Other Operations	-0.01%	-2.00%		-2.00%		-0.02%
Insurance	-0.16%	-4.16%		-4.16%	-49.03%	-0.28%
Total notes and bonds	**17,340**	**67**		**67**	**7**	**17,414**
Total loss allowance	**-8**	**-2**		**-2**	**-3**	**-14**
Total coverage ratio, %	**-0.05%**	**-3.17%**		**-3.17%**	**-49.03%**	**-0.08%**

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

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61,405	6,649	58	6,707	1,865	69,977
Corporate Banking	23,609	1,190	156	1,346	499	25,454
Total	**85,013**	**7,839**	**214**	**8,053**	**2,365**	**95,431**
Off-balance-sheet limits						
Retail Banking	6,219	379	2	381	24	6,624
Corporate Banking	4,048	377	69	446	65	4,558
Total	**10,267**	**756**	**71**	**826**	**88**	**11,182**
Other off-balance-sheet commitments						
Retail Banking	3,348	61		61	13	3,422
Corporate Banking	6,267	262		262	99	6,628
Total	**9,615**	**324**		**324**	**111**	**10,050**
Notes and bonds						
Other Operations	13,141	50		50		13,191
Insurance	4,403	48		48	17	4,469
Total	**17,544**	**98**		**98**	**17**	**17,660**
Total exposures within the scope of accounting for expected credit losses	**122,439**	**9,017**	**285**	**9,302**	**2,582**	**134,323**

Loss allowance by impairment stage 31 December 2020

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-28	-62	-1	-63	-290	-382
Corporate Banking	-25	-28	-1	-29	-227	-281
Total	**-53**	**-90**	**-3**	**-92**	**-518**	**-663**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1		-2
Corporate Banking	-12	-1		-1	-14	-27
Total	**-13**	**-2**		**-2**	**-14**	**-29**
Notes and bonds***						
Other Operations	-1	-1		-1		-2
Insurance	-5	-2		-2	-6	-14
Total notes and bonds	**-7**	**-3**		**-3**	**-6**	**-16**
Total	**-72**	**-95**	**-3**	**-97**	**-538**	**-708**

* 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 2020	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	70,972	7,089	60	7,149	1,902	80,023
Corporate Banking	33,923	1,829	225	2,054	663	36,640
Loss allowance						
Retail Banking	-29	-63	-1	-64	-290	-383
Corporate Banking	-37	-29	-1	-30	-242	-309
Coverage ratio, %						
Retail Banking	-0.04%	-0.89%	-2.34%	-0.90%	-15.27%	-0.48%
Corporate Banking	-0.11%	-1.59%	-0.55%	-1.48%	-36.48%	-0.84%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**104,895**	**8,918**	**285**	**9,203**	**2,564**	**116,663**
Total loss allowance	**-65**	**-92**	**-3**	**-95**	**-532**	**-692**
Total coverage ratio, %	**-0.06%**	**-1.03%**	**-0.93%**	**-1.03%**	**-20.75%**	**-0.59%**
Carrying amount, notes and bonds						
Other Operations	13,141	50		50		13,191
Insurance	4,403	48		48	17	4,469
Loss allowance						
Other Operations	-1	-1		-1		-2
Insurance	-5	-2		-2	-6	-14
Coverage ratio, %						
Other Operations	-0.01%	-1.34%		-1.34%		-0.02%
Insurance	-0.12%	-4.16%		-4.16%	-36.09%	-0.31%
Total notes and bonds	**17,544**	**98**		**98**	**17**	**17,660**
Total loss allowance	**-7**	**-3**		**-3**	**-6**	**-16**
Total coverage ratio, %	**-0.04%**	**-2.72%**		**-2.72%**	**-36.09%**	**-0.09%**

The following flow statements show the changes in loss allowance by impairment stage during 2021.

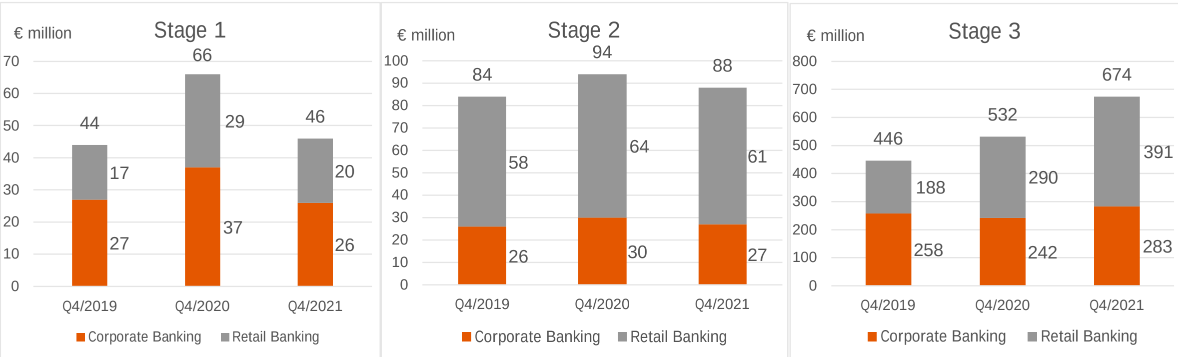
Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**65**	**93**	**533**	**692**
Transfers from Stage 1 to Stage 2	-3	30		26
Transfers from Stage 1 to Stage 3	-1		34	33
Transfers from Stage 2 to Stage 1	2	-13		-10
Transfers from Stage 2 to Stage 3		-19	78	60
Transfers from Stage 3 to Stage 2		5	-16	-11
Transfers from Stage 3 to Stage 1	1		-6	-5
Increases due to origination and acquisition	15	11	27	53
Decreases due to derecognition	-21	-14	-55	-89
Changes in risk parameters (net)	-16	-6	86	65
Decrease in allowance account due to write-offs		0	-78	-78
Net change in expected credit losses	**-19**	**-6**	**70**	**45**
Loss allowance 31 December 2021	**46**	**89**	**603**	**737**
Net change in expected credit losses Q4 2021	**0**	**-1**	**50**	**49**

In Q1/2021, OP Financial Group calibrated its internal rating model for retail customers to correspond to the new 2020 definition of default. This had an effect in April on the PD model under IFRS 9 and on the quantitative SICR model that is used to decide on transferring the agreement from impairment stage 1 to stage 2. OP Financial Group calibrated the original PD curves used in the SICR model to be comparable, in which case the calibration had no significant effect on the amount of the ECL. As part of its normal model update, OP Financial Group will update the actual PD model for retail customers under IFRS 9 and the quantitative SICR model during Q4/2021.

The PD model for retail customers under IFRS 9 was updated based on data complying with the new definition of default, among other things. In addition, we further specified segmentation for the model and the 12-month Euribor, with the effect of inflation and change in GDP deducted, the real 3-month Euribor, with the effect of inflation deducted and change in the unemployment rate deducted (previously GDP change, 12-month Euribor and change in the unemployment rate). ECL increased by 2 million euros; it is presented as a change in model assumptions and methodology.

OP Financial Group has exercised management discretion and made an additional 31-million euro ECL provision, concerning mainly CRE-backed loans in stage 3. The provision is aimed at anticipating growth in the ECL caused by the update of the collateral assessment of riskier collateral real estate holdings and probable default statutes. The provision will be reversed after the collateral assessment probably ends during 2022.

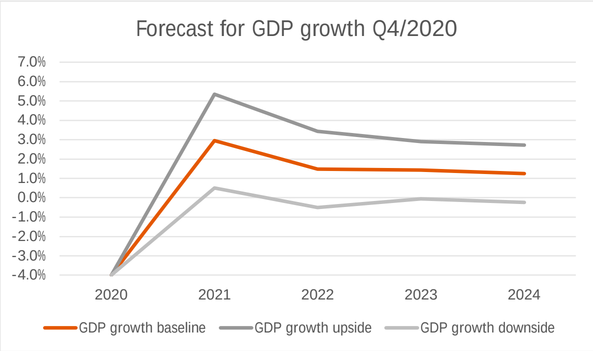
The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years. The graphs show their growth during the Covid-19 pandemic and how they have levelled off.

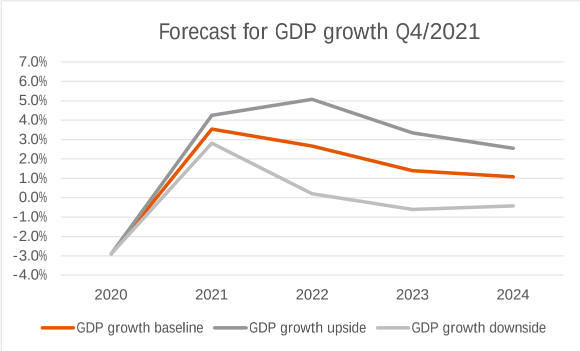


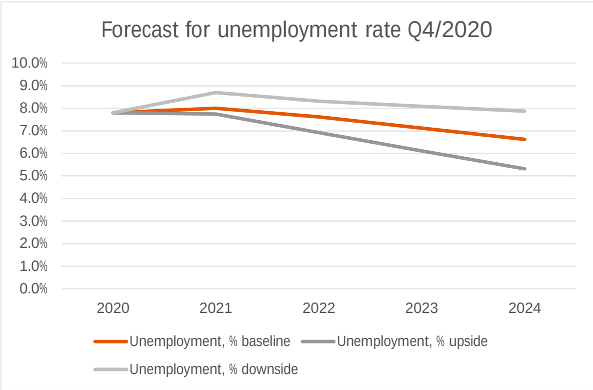
OP Financial Group provides its customers with the opportunity to get a maximum of 12-month repayment holiday on their home loans. As regards corporate customers, changes in repayment schedules will be evaluated on a case-by-case basis, and guarantees provided by Finnvera will be used extensively. In loan modifications, forborne loans and customers in default are identified according to the normal set of instructions.

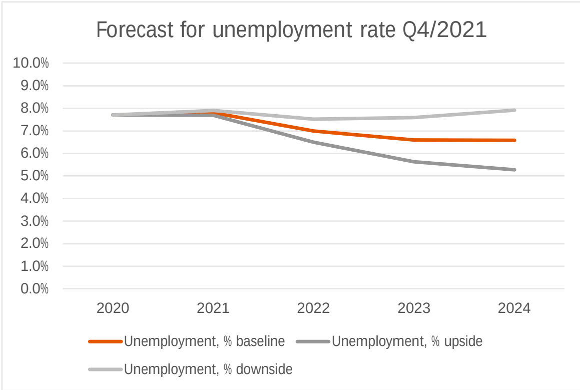
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the fourth quarter of 2021, the update of the macroeconomic forecasts did not have any significant effect on the ECL.

The following graphs illustrate change in forecasts for GDP and the unemployment rate.









Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2021	**7**	**3**	**6**	**16**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	2		0	2
Decreases due to derecognition	-2	-1	-1	-4
Changes in risk parameters (net)	0	0	0	0
Net change in expected credit losses	**0**	**-1**	**-1**	**-2**
Loss allowance 31 December 2021	**7**	**2**	**5**	**14**
Net change in expected credit losses Q4 2021	**0**	**0**	**0**	**0**

The table below shows the change in loss allowance by impairment stage during 2020.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2020	**44**	**83**	**446**	**573**
Transfers from Stage 1 to Stage 2	-3	21		18
Transfers from Stage 1 to Stage 3	-1		53	52
Transfers from Stage 2 to Stage 1	2	-15		-13
Transfers from Stage 2 to Stage 3		-20	101	81
Transfers from Stage 3 to Stage 2		1	-7	-6
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	21	14	18	53
Decreases due to derecognition	-9	-14	-47	-70
Changes in risk parameters (net)	19	28	34	81
Decrease in allowance account due to write-offs		0	-62	-62
Net change in expected credit losses	**22**	**10**	**88**	**119**
Loss allowance 31 December 2020	**65**	**93**	**533**	**692**

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2020	**6**	**1**	**5**	**13**
Transfers from Stage 1 to Stage 2	-1	2		1
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	3	1	2	5
Decreases due to derecognition	-1	-1	-1	-3
Changes in risk parameters (net)	0	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**1**	**1**	**1**	**3**
Loss allowance 31 December 2020	**7**	**3**	**6**	**16**

Note 9. Insurance liabilities

EUR million	31 Dec 2021	31 Dec 2020
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,535	1,596
Other provision for unpaid claims	1,204	1,121
Reserve for decreased discount rate (value of hedges of insurance liability)	-48	16
Total	2,691	2,733
Provisions for unearned premiums	606	593
Life insurance insurance liabilities	5,475	6,047
Total	**8,773**	**9,374**

Note 10. Liabilities from unit-linked insurance and investment contracts

EUR million	31 Dec 2021	31 Dec 2020
Liabilities from unit-linked insurance	10,969	9,449
Investment contracts	2,242	1,873
Total	**13,210**	**11,323**

Note 11. Debt securities issued to the public

EUR million	31 Dec 2021	31 Dec 2020
Bonds	10,838	12,217
Subordinated bonds (SNP)	3,926	1,689
Covered bonds	12,353	13,252
Other		
Certificates of deposit	297	273
Commercial paper	7,539	7,347
Included in own portfolio in trading (–)*	-58	-72
Total debt securities issued to the public	**34,895**	**34,706**

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

Note 12. 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 2020	**44**	**65**	**141**	**251**
Fair value changes	94	-7	124	210
Capital gains transferred to income statement	-13	-3		-16
Impairment loss transferred to income statement		15		15
Transfers to net interest income			-46	-46
Deferred tax	-16	-1	-16	-33
Closing balance 31 December 2020	**109**	**70**	**203**	**382**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2021	**109**	**70**	**203**	**382**
Fair value changes	-43	167	-88	36
Capital gains transferred to income statement	-14	-56		-70
Impairment loss transferred to income statement		7		7
Transfers to net interest income			-47	-47
Deferred tax	11	-24	27	15
Closing balance 31 December 2021	**63**	**164**	**96**	**323**

The fair value reserve before tax amounted to EUR 404 million (478) at the end of the reporting period and the related deferred tax asset/liability was EUR -81 million (-96). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 2 million (-3) in the fair value reserve during the reporting period.

Note 13. Collateral given

EUR million	31 Dec 2021	31 Dec 2020
Given on behalf of own liabilities and commitments		
Pledges	1	136
Loans (as collateral for covered bonds)	19,429	15,722
Others	18,526	9,784
Total collateral given*	**37,955**	**25,643**
Secured derivative liabilities	744	1,078
Other secured liabilities	16,004	8,143
Covered bonds	12,353	13,252
Total	**29,101**	**22,473**

* In addition, bonds with a book value of EUR 2.0 billion have been pledged in the central bank, of which EUR 1.0 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 14. Classification of financial assets and liabilities

			Fair value through profit or loss				
Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	32,846						32,846
Receivables from credit institutions	541						541
Derivative contracts			2,672			796	3,467
Receivables from customers	96,947						96,947
Assets covering unit-linked contracts				13,137			13,137
Notes and bonds	1	17,411	331	1,987	356		20,087
Equity instruments		0	78	218	1,624		1,921
Other financial assets	2,469						2,469
Financial assets							**171,415**
Other than financial instruments							2,695
Total 31 December 2021	**132,805**	**17,412**	**3,080**	**15,342**	**1,981**	**796**	**174,110**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	21,827						21,827
Receivables from credit institutions	306						306
Derivative contracts			4,296			920	5,215
Receivables from customers	93,644						93,644
Assets covering unit-linked contracts				11,285			11,285
Notes and bonds	1	18,134	330	2,172	408		21,044
Equity instruments		-21	73	206	1,419		1,678
Other financial assets	2,290						2,290
Financial assets							**157,289**
Other than financial instruments							2,919
Total 31 December 2020	**118,067**	**18,113**	**4,698**	**13,663**	**1,827**	**920**	**160,207**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		16,650		16,650
Derivative contracts	1,933		333	2,266
Liabilities to customers		77,898		77,898
Insurance liabilities		8,773		8,773
Liabilities from unit-linked insurance and investment contracts	13,210			13,210
Debt securities issued to the public		34,895		34,895
Subordinated loans		1,982		1,982
Other financial liabilities		2,581		2,581
Financial liabilities				**158,256**
Other than financial liabilities				1,670
Total 31 December 2021	**15,143**	**142,780**	**333**	**159,926**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		8,086		8,086
Derivative contracts	2,954		470	3,424
Liabilities to customers		73,422		73,422
Insurance liabilities		9,374		9,374
Liabilities from unit-linked insurance and investment contracts	11,323			11,323
Debt securities issued to the public		34,706		34,706
Subordinated loans		2,261		2,261
Other financial liabilities		2,448		2,448
Financial liabilities				**145,044**
Other than financial liabilities				2,052
Total 31 December 2020	**14,276**	**130,297**	**470**	**147,095**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was approximately EUR 337 (810) million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 15. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	909	316	696	1,920
Debt instruments	1,814	640	221	2,675
Unit-linked contracts	8,517	4,619		13,137
Derivative financial instruments	1	3,360	106	3,467
Fair value through other comprehensive income				
Debt instruments	14,119	2,758	534	17,411
Total financial instruments	**25,360**	**11,694**	**1,557**	**38,610**
Investment property			724	724
Total	**25,360**	**11,694**	**2,281**	**39,335**

Fair value of assets on 31 December 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	772	268	638	1,678
Debt instruments	1,970	661	278	2,909
Unit-linked contracts	7,481	3,804		11,285
Derivative financial instruments	0	5,154	61	5,215
Fair value through other comprehensive income				
Debt instruments	16,064	1,768	301	18,134
Total financial instruments	**26,287**	**11,655**	**1,278**	**39,221**
Investment property			623	623
Total	**26,287**	**11,655**	**1,902**	**39,844**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	8,565	4,645		13,210
Other		0		0
Derivative financial instruments	2	2,234	30	2,266
Total	**8,566**	**6,879**	**30**	**15,476**

Fair value of liabilities on 31 December 2020, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,506	3,817		11,323
Other		0		0
Derivative financial instruments	0	3,382	42	3,424
Total	**7,506**	**7,199**	**42**	**14,747**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank'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 2021	**916**	**61**	**301**	**1,278**
Total gains/losses in profit or loss	-197	45	0	-152
Total gains/losses in other comprehensive income			0	0
Purchases	99		2	101
Sales	-88		-8	-96
Settlements	-5		-3	-8
Transfers into Level 3	193		378	571
Transfers out of Level 3			-137	-137
Closing balance 31 December 2021	**916**	**106**	**534**	**1,557**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2020	**42**	**42**
Total gains/losses in profit or loss	-11	-11
Closing balance 31 December 2021	**30**	**30**

Total gains/losses included in profit or loss by item for the financial year on 31 December 2021

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)	-233	36	0	-198
Unrealised net gains (losses)	57		0	56
Total net gains (losses)	**-177**	**36**	**0**	**-141**

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 2021.

Note 16. Off-balance-sheet commitments

EUR million	31 Dec 2021	31 Dec 2020
Guarantees	641	686
Other guarantee liabilities	2,727	2,160
Loan commitments	15,203	13,826
Commitments related to short-term trade transactions	679	255
Other*	1,378	1,535
Total off-balance-sheet commitments	**20,629**	**18,461**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 195 million (174).

Note 17. Derivative contracts

Total derivatives 31 December 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,176	74,987	86,509	182,671	2,453	1,447
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,610	5,508	757	50,874	782	669
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	783	110	926	2	35
Other derivatives	260	1,744	28	2,032	104	43
Total derivatives	**66,081**	**83,021**	**87,403**	**236,506**	**3,342**	**2,195**

Total derivatives 31 December 2020

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	30,868	71,044	81,706	183,618	3,993	2,173
Cleared by the central counterparty	9,805	42,800	48,980	101,586	19	21
Settled-to-market (STM)	6,579	27,094	35,623	69,296	14	16
Collateralised-to-market (CTM)	3,226	15,706	13,357	32,290	5	5
Currency derivatives	48,773	4,121	1,880	54,774	1,038	1,059
Equity and index-linked derivatives		2		2	0	
Credit derivatives	90	82		172	1	0
Other derivatives	133	458	11	602	52	28
Total derivatives	**79,864**	**75,707**	**83,597**	**239,168**	**5,085**	**3,260**

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

Note 18. Investment distribution of the Insurance segment

Non-life Insurance	31 December 2021		31 December 2020	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**596**	**14**	**461**	**11**
Money market instruments and deposits**	590	14	456	11
Derivatives***	7	0	5	0
Total bonds and bond funds	**2,555**	**60**	**2,684**	**65**
Governments	432	10	605	15
Inflation-linked bonds			10	0
Investment Grade	1,750	41	1,602	39
Emerging markets and High Yield	187	4	280	7
Structured Investments****	187	4	188	5
Total equities	**629**	**15**	**525**	**13**
Finland	113	3	112	3
Developed markets	328	8	237	6
Emerging markets	114	3	110	3
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	69	2	59	1
Total alternative investments	**33**	**1**	**33**	**1**
Hedge funds	33	1	33	1
Total property investment	**473**	**11**	**398**	**10**
Direct property investment	301	7	251	6
Indirect property investment	172	4	148	4
Total	**4,287**	**100**	**4,102**	**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).

**** Includes covered bonds, bond funds and illiquid bonds.

Life Insurance	31 December 2021		31 December 2020	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**748**	**21**	**493**	**14**
Money market investments and deposits**	743	20	490	14
Derivatives***	5	0	3	0
Total bonds and bond funds	**2,126**	**58**	**2,414**	**67**
Governments	256	7	447	12
Inflation-linked bonds			9	0
Investment Grade	1,586	44	1,497	42
Emerging markets and High Yield	121	3	191	5
Structured investments****	163	4	270	7
Total equities	**546**	**15**	**471**	**13**
Finland	91	3	86	2
Developed markets	283	8	214	6
Emerging markets	98	3	101	3
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	70	2	67	2
Total alternative investments	**40**	**1**	**40**	**1**
Hedge funds	40	1	40	1
Total real property investments	**186**	**5**	**185**	**5**
Direct property investments	23	1	50	1
Indirect property investments	163	4	135	4
Total	**3,646**	**100**	**3,602**	**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 equivalent).

**** Includes covered bonds, bond funds and illiquid bonds.

Note 19. Related-party transactions

OP Financial Group's related parties comprise subsidiaries consolidated into OP Financial Group, associates, key management personnel and their close family members, and other related-party entities. OP Financial Group's key management personnel comprises OP Financial Group's President and Group Chief Executive Officer, members of OP Cooperative's Executive Management Team and directors directly reporting to the President and Group Chief Executive Officer, the Chair and members of OP Cooperative's Board of Directors as well as members of the Supervisory Council. Related parties of the management also include companies over which key management persons or their close family member exercises significant influence. Other entities regarded as related parties include OP Financial Group's Personnel Fund and OP Bank Group Pension Foundation.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2020.

Financial reporting

Time of publication of 2021 reports:

OP Financial Group's Report by the Board of Directors and Financial Statements for 2021	Week 10
OP Financial Group's Corporate Governance Statement 2021	Week 10
OP Financial Group's Annual Review 2021 (incl. CSR Reporting)	Week 10
OP Financial Group's Capital Adequacy and Risk Management Report 2021	Week 10
Remuneration Report for Governing Bodies at OP Financial Group 2021	Week 10
Remuneration Policy for Governing Bodies at OP Financial Group	Week 10

Schedule for Interim Reports and Half-year Financial Report in 2022:

Interim Report Q1/2022	4 May 2022
Half-year Financial Report H1/2022	27 July 2022
Interim Report Q1–3/2022	26 October 2022
OP Amalgamation capital adequacy tables 31 March 2022	Week 19
OP Amalgamation capital adequacy tables 30 June 2022	Week 31
OP Amalgamation capital adequacy tables 30 September 2022	Week 44

Helsinki, 9 February 2022

OP Cooperative
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