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COMPARATIVE FINANCIAL STATEMENT ANALYSIS OF THE BIG THREE BANKS OPERATING IN FINLAND 2015-2016

Bachelor Thesis

Supervisor: Karsten Staehr

Tallinn 2017

I declare I have written the Bachelor Thesis independently.

All works and major viewpoints of the other authors, data from other sources of literature and elsewhere used for writing this paper have been referenced.

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The paper conforms to the requirements set for the Bachelor Thesis

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ABSTRACT

This Bachelor Thesis provides comparative financial statement analyses of the three banks operating in Finland: Nordea, Danske Bank and OP. The goal of the paper is to analyze companies' financial reports and find the areas where they are performing well and on the other hand areas where their performance is poor. The research is based on the financial data of the three banks in question and on the financial ratio analysis among the banks. Key points of the Bachelor Thesis are companies balance sheets, income statements, cash flow statements and the financial ratios based on information gathered from companies' financial data. When analyzing data from the company it is important to keep in mind the industry in where they operate.

financial analysis, balance sheet, income statement, cash flow statement, ratios

INTRODUCTION

Bachelor Thesis is focusing on the comparative financial analysis of the companies Nordea Bank Finland Plc, Danske Bank Plc and OP Financial Group it is important to analyze companies’ performance among each other to discover differences in their operations and reasons behind them. Comparing is also vital in order to find possible red flags in companies’ performance now and in the future. Goal is to find solutions to the possible areas of weakness for each company. Comparative financial analysis of the banks is also important because of the events in the banking industry during recent years.

The Objective of the Bachelor Thesis is to discover differences among companies’ operations and what kind of influence those differences have on the companies’ performances. How has one company been able to generate bigger profits in some area than other´s and on the other hand why is one company performing worse than other companies? How companies use of their assets and equity among each other differs and what are the consequences of it? What is the future of the industry and how has the companies prepared for the possible changes in the bank industry´s future in order to grow profitability or at least maintain profitability?

Comparative financial statement analysis is done by studying 2015-2016 financial data´s of the companies Nordea Suomi (Nordea Bank Finland Plc), Danske Pankki Suomi (Danske Bank Plc) and OP Finanssiryhmä (OP Financial Group), comparing financial data among companies using different analyzing tools such as ratio analysis to find differences among companies and reasons for the them. Assumptions for the Bachelor thesis are that banks financial statements will look pretty much similar to each other and the possible differences in the financial statements are caused by poor operational standards of a company.

The rest of the Bachelor Thesis is organized as follows. Chapter 1 contains theoretical framework of the comparative financial statement analysis and reasons for its importance in the business field. Chapter 2contains overview of the banking industry and history of the banks chosen to be financially analyzed among each other. Chapter 3 contains overview of Nordea

Finland Plc its income statements 2015-2016, balance sheets 2015-2016, cash flow statements 2015-2016 and their short analysis. Secondly chapter contains overview of Danske Bank Plc its income statements 2015-2016, balance sheets 2015-2016, cash flow statements 2015-2016 and their short analysis. Last part of the chapter consists of overview of OP Financial Group its income statements 2015-2016, balance sheets 2015-2016, cash flow statements 2015-2016 and their short analysis. Chapter 4 consists of the financial analysis among companies using ratio analysis and cash flow analysis. At first the view is on liquidity ratio analysis and comparison among the companies. Second part of the chapter consist of coverage ratio analysis and comparison among the companies. Third part of the chapter concentrates on profitability ratio analysis and comparison among the companies. Fourth part of the chapter consists of the cash flow analysis among the companies. Final part of the chapter consists of the future analysis of the companies based on the financial analysis of the companies and conclusion of the chapter.

1. FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is important for many reasons and for many people." The skills of financial analysis are important to a wide range of people, including investors, creditors, and regulators. But nowhere are they more important than within the company. Regardless of functional specialty or company size, managers who possess these skills are able to diagnose their firm's ills, prescribe useful remedies, and anticipate the financial consequences of their actions." (Higgins 2001, 3). Financial analysis is vital for the company itself because analysis tells companies how they are performing in different areas of the business like liquidity which measures company´s ability to pay its debts or activity which measures company´s ability to convert inventory and receivables into cash. Companies can also predict future trends and performance based on the past years financial analysis. Companies know better in which areas to focus on more or even if some areas of business aren´t performing well enough and they should be considered to be changed or dropped out completely from companies' operations.

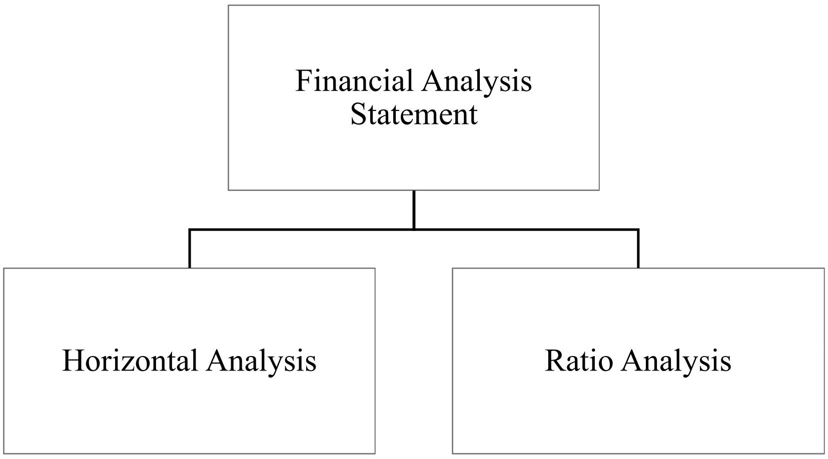
Financial statement analysis is an important tool also for many people outside the company, including possible investors, creditors and regulators of the company. Analysis for investors and creditors is important because they are looking for profits for their selves and in order to maintain highest possible profits investors and creditors are looking for possible red flags in the companies' financial performance. Companies itself recognize the importance of investors and creditors for them and often include some key factors in their financial statements. Accounting and reporting is also strictly regulated by law (accounting law) and therefore it is possible to compare companies among each other because data can be considered reliable and in case numbers are misleading companies will be legally responsible for those mistakes.

Financial statement analysis is usually based on three main sources for data: balance sheet, income statement and cash flow statement. Balance sheet (statement of financial position) reports the categories and amounts of assets (firm resources), liabilities (claims on those resources), and stockholders' equity at specific points in time. (White et al. 1997,69) Balance sheet consists companies' assets, liabilities and shareholders' equity, these are divided into two sides which equal each other assets side and liabilities + shareholders' equity side meaning that companies assets are acquired with shareholders' equity or with companies' liabilities. Assets expected to be converted to cash or used within one year (or one operating cycle, if longer than one year) are classified as current assets. Current liabilities include obligations the firm expects to settle within one year (or one operating cycle, if longer). Assets expected to provide benefits and services over periods exceeding one year and liabilities to be repaid after one year are classified as long-term assets and liabilities. (White et al. 1997, 69) Assets and liabilities are divided into long-term and short-term sections because it helps companies and others to see how companies' operations work in short-term or in the long-term. Shareholders´ equity measures the net value of the company meaning that in case all the assets of the company would be liquidated and debts paid how much money would the shareholders´ get from those operations.

Goal of the income statement is to summarize how the accounting periods income has been generated (Accounting act 1336/1997). Income statement is divided into two sections operating and non-operating. Operating part shows companies expenses and revenues which are from companies' normal business transactions. Non-operating part of the income statement shows companies' expenses and revenues from operations that are not normal for the company for example clothing company sells one of its stores, these gains are listed as non-operating profits. Income statement shows company´s revenues, expenses and income which is the difference between revenues and expenses. Revenue is the amount of money companies get selling their products or services. Expenses are costs that companies have when they are doing business to earn revenues. Income is the amount of money that company gets profit from its business operations.

The statement of cash flows reports cash receipts and payments in the period of their occurrence, classified as to operating, investing and financing activities. It also provides supplementary disclosures about noncash investing and financing activities (White et al. 1997,19). Cash flow statement shows the difference between money coming in to the company and money going out of the company in some specific period of time. Cash receipts are money that company receives during the certain time period. Cash payments are money that company pays out while doing business during the certain time period. All three sources of financial analysis data are usually reported annually or quarterly so that periods performance can be easily compared to each other and see the possible changes that have happened.

Table 1.1 Structure of the Bachelor Thesis Financial Statement Analysis



Source: Compiled by author

Horizontal analysis is the analysis of different time periods inside the company or among different companies', ratio analysis is the analysis of different ratios like profitability ratios or solvency ratios inside the company among the years in question or among the companies in question.

Financial analysis of the company concentrates on financial ratios based on income statement and balance sheet as well as to analysis of the cash flow statement. Analysis consists of past performance, future performance and comparative performance analysis of the company. (Kieso et al. 2011, 1351) posits that "in analyzing financial statement data, analysts use various devices to bring out the comparative and relative significance of the financial information presented. These devices include ratio analysis, comparative analysis, percentage analysis, and examination of related data. Ratio analysis presents vital information about company´s performance, but calculated ratios on their own are useless in case we don´t have any information to compare them to. Past performance analysis compares company´s own historical data to their current data and gives information about how company´s performance has changed. Comparative analysis measures company´s performance against other companies in the same industry and gives that company vital information about their financial performance and capabilities in the industry.

Ratios can be organized to categories based on the performance measures they concentrate on. Short-term solvency ratios as a group are intended to provide information about a firm's liquidity, and these ratios are sometimes called liquidity measures (Ross et al. 2015, 57) Liquidity ratios include for example cash ratio which measures total cash and cash equivalents compared to current liabilities and accounts receivable to working capital which measures company´s receivables compared to current assets minus current liabilities. These ratios give a lot of information to outsiders that consider financing the company. Second category, long-term solvency ratios are intended to address the firm's long-term ability to meet its obligations, or, more generally, its financial leverage (Ibid.). Long-term solvency ratios include for example debt-equity ratio which compares company's total liabilities to total equity and equity multiplier which measures the ratio between total assets and total equity. Third category, activity ratios describe the relationship between the firm´s level of operations (usually defined as sales) and the assets needed to sustain operating activities. (White et al. 1997, 151). Activity ratios include for example inventory turnover which measures cost of goods sold to average inventory and payables turnover which measures the purchases compared to the average accounts payable. Profitability ratios measures of the degree of success or failure of a given company or division for a given period of time (Ross et al. 2015, 57.). Profitability ratios include for example earnings per share which is the ratio between net income and shares outstanding, and profit margin ratio which is the ratio between net income and net sales. Shareholders and investors are especially interested in companies' profitability ratios because they are looking for opportunities to gain profit for their investments and these ratios are the easiest way to evaluate company´s performance.

Financial ratios are important measures of the company's performance and different ratio groups are interested in different areas of the company's performance but altogether it is important to pay attention to the big picture of the company when making financial decisions. Even though financial analysis is done by analyzing old data of the company and comparing it to old data of other companies, the future performance and financial improvement are main reasons that financial analysis is done and make a vital part of the company´s ability to succeed in business.

(Seppänen 2011, 53) suggests "Goal of the cash flow statement is to give information about company´s actual payment transactions and cash flows. In order to have as useful information as possible cash flow statement is formed from three key functions of the company:

cash flow from operations, cash flow from investing and cash flow from financing”. Cash flow from operations is the main source of company´s cash received. Cash from operations is generated internally. Cash flow from financing is the difference between cash received from stock or debt issues and dividends paid or re-acquisition of debt/ stock. Cash flow from investing means the purchases or sales of company´s capital assets. Capital expenditures is the main part of investing cash flows and it shows how companies acquire assets for future.

2. BANKS

2.1 Operations of banks

A bank is a financial intermediary that offers loans and deposits, and payment services. (Casu et al. 2006, 4) Banks' key source of revenue is the difference between banks interest income from loans and interest expenses for deposits to the company. Banks are financial intermediaries between savers and borrowers. Savers deposit money to banks and banks share those deposits to borrowers. Banks operate in the middle of the borrowers and savers and work to ease the gap between borrowers and savers needs and wants.

Banks bridge the gap between the needs of lenders and borrowers by performing a transformation function (Casu et al. 2006, 5)

a) size transformation;
b) maturity transformation;
c) risk transformation.

Size transformation means that savers are usually willing to lend smaller amounts of money than borrowers of the money usually need. Banks operate as intermediary and collect savings from big number of savers to loan bigger amounts to fewer borrowers. Maturity transformation means that banks for example transform deposits that are possible to withdraw anytime to loans with longer duration like 20 years. Risk transformation means that individual borrowers have a high risk of default and banks are able to minimize the risk of individual loans by diversifying their investments, pooling risks, screening and monitoring borrowers and holding capital and reserves as a buffer for unexpected losses. (Casu et al. 2006, 8)

Banks operations vary among each other because of their goals are different. Personal banking is the normal banking for individuals offering for example savings banks and credit unions. One banking sector is called private banking and it is meant for wealthier clients with higher financial needs and wants. Third example of different styles of banks is the corporate banking which is meant for companies and they deal with things that are related to companies.

Investment banking is one of the branches of banking and their operations include underwriting of securities making markets for those securities and providing services to corporations.

Financial statement analysis is difficult to do between different industries because goals usually differ as well as the means to achieve those goals. Banks operations and goals differ among different banking sectors, meaning that getting reliable financial statement analysis results, banks in question need to be concentrating on the same sector.

2.2 Nordea

Nordea Finland Plc is part of Nordea Bank AB and operates as its branch in Finland. Nordea Bank AB was formed in 2001 after four major banks Nordbanken in Sweden, Merita Bank in Finland, Unibank in Denmark and Christiania Bank og Kreditkasse in Norway merged. Nordea Today is one of the largest universal banks in Europe and have around 11 million customers, 30,000 employees and approximately 600 branch office locations. (Nordea, 2017/2)

Nordea Finland´s history starts in 1862 from the formation of the first commercial bank in Finland, Union bank of Finland (Suomen Yhdys-pankki) in 1919 Bank merged with Pohjoismaiden osakepankki and changed its name to Pohjoismaiden Yhdyspankki. In 1975 bank changed its name to Suomen Yhdyspankki and in 1986 bank merged with Helsingin Osakepankki. Suomen Yhdyspankki merged with Kansallis-Osake-Pankki in 1995 and formed Merita bank. In 1998 Swedish bank Nordbanken merged with Merita and formed Nordic Baltic Holding corporation. (Nordea, 2017/2)

On 2 January 2017, we simplified our legal structure by changing our subsidiary banks in Denmark, Finland and Norway into branches of the Swedish parent company, Nordea Bank AB (publ), to better reflect the way we operate. The change from subsidiary banks into branches was made in the form of three separate mergers. A simpler structure decreases complexity and enables us to focus on delivering the best possible experiences to our customers. (Nordea, 2017/1)

2.3 Danske Bank

Danske Bank in Finland is part of Danske Bank Group which started operating in 1871 in Denmark and nowadays it is one of the biggest operators in the bank sector with 19 000 banking professionals.

Danske Bank Group provides comprehensive banking services to private, business and institutional customers all around Northern Europe. Danske Bank Group has around 3,8 million personal customers. In Finland Danske Bank Group currently serve almost 1 million personal customers and about 90 000 business and institutional customers. (Danske Bank, 2017/2)

Danske Bank Group operates in fifteen Northern European countries and groups operations started in Finland after it acquired former Sampo Pankki Group from Finland in 2007 as a part of its corporation. Bank in Finland continued to operate under the name Sampo Pankki.

Sampo Bank's operations started in 1887 with the Postal Savings Bank, which was owned by the Finnish Government and accepted deposits from the public at post offices

The Postal Savings Bank, which operated as a state enterprise, was renamed Postipankki in 1970. The bank became a state-owned limited company in 1988 and started to operate as a full-service bank similar to private commercial banks. (Danske Bank, 2017/1)

Postipankki became Leonia Group after it merged with Finnish Export Credit in 1997. Bank changed its name to Sampo Bank in 2001 after Sampo Insurance Company merged with the company. Sampo Bank stayed as the name of the company to the year 2012 even though company had been acquisitioned by Danske Bank A/S in 2007. (Ibid.)

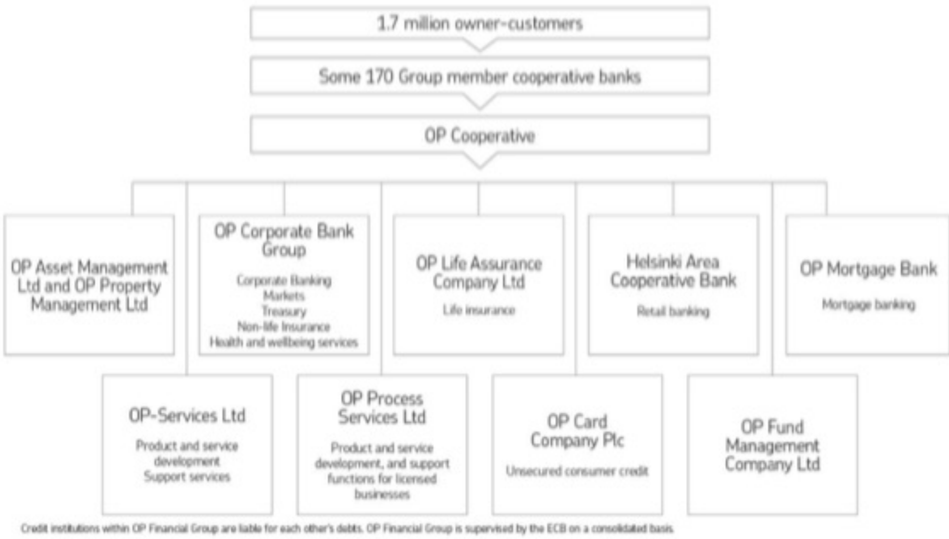
Mandatum Bank joined the group in 2001. After the merger between Sampo and Mandatum, Sampo Bank specialised in investments and savings. Sampo became the country's leading investment-focused bank. Sampo started its banking business in Estonia after acquiring Optiva Bank from the Estonian Central Bank in the summer of 2000. Sampo's banking business in Lithuania started the same year with the acquisition of the entire stock of Lietuvos Vystymo bankas. In Latvia, Sampo acquired Maras Banka in 2004. The Estonian bank is called AS Sampo Pank, the Latvian bank is Sampo Banka AS and the Lithuanian bank is UAB Sampo Bankas. Acquisition to Danske Bank Group in 2007. (Ibid.)

2.4 OP

Established in 1902, OP Financial Group is a cooperative financial services group formed by independent cooperative banks and the Group's central cooperative with its subsidiaries operating under the principle of joint and several liability.

OP Financial Group consists of 173 independent member cooperative banks as of 31 December 2016 and the central cooperative they own, OP Cooperative, with its subsidiaries and affiliates. The Group's operations are based on the cooperative principle – cooperation and sharing the fruits of success with everyone. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency. (OP, 2017/2)

Table 2.4 OP Financial Group Structure



Source: OP , 2017. Structure of OP Financial Group.

Banking is one of three components of OP Financial Group, additionally group handles Non-life Insurance, and Wealth Management. Banking sector consists of independent deposit banks which are located all over Finland and all of these banks have the same possibility to influence the decisions made in the group because group operates with the principle that each members vote has similar weight in the decision making.

In 1989 OKO Bank becomes a listed company. OKO receives around 60,000 new shareholders when it organises an initial public offering and lists its shares on the Helsinki Stock Exchange. 1991 A non-life insurance company is established in Estonia, which later becomes a Pohjola subsidiary, Seesam International.OP Financial Group becomes a financial services group. It achieves the market leading position in almost all of its business areas. (OP, 2017/1)

2005 OP Bank Group becomes Pohjola Group Plc's largest shareholder. With the historical significance for the Group, the transaction has been the largest ever done by OP Bank Group which branches out into non-life insurance. As a result, OP Bank Group becomes the leading financial services group in Finland. 2007 September sees the introduction of the financial services group's new name: OP-Pohjola Group. In March, OKO Bank plc is renamed Pohjola Bank plc. 2014 OP-Pohjola makes a tender offer for all Pohjola Bank plc shares. It also announces its plans to delist Pohjola shares and to become again a financial services group fully owned by customers in terms of ownership structure. Currently, it provides its customers with the most extensive and diversified range of banking, investment and insurance services. OP-Pohjola constantly develops new, innovative financial services for the changing needs of consumers. (Ibid.)

3. FINANCIAL DATA

3.1 Nordea

3.1.1 Income statement

Table 3.1.1 Income statement Nordea Finland Plc 2015-2016(million euros)

	2015	2016
Operating income		
Interest income	1,268	1,042
Interest expense	-478	-444
Net interest income	**790**	**598**
Fee and commission income	726	707
Fee and commission expense	-648	-598
Net fee and commission income	**78**	**109**
Net result from items at fair value	1,254	1,141
profit from associated undertakings accounted for under the equity method	-	-
Dividends	101	72
Other operating income	65	94
Total operating income	**2,288**	**2,014**
Operating expenses		
General administrative expenses:		
Staff costs	-516	-484
Other expenses	-389	-423
Depreciation, amortisation and impairment charges of tangible and intangible assets	-28	-26
Total operating expenses	**-933**	**-933**
Profit before loan losses	**1,355**	**1,081**
Net loan losses	-42	-41
Operating profit	**1,313**	**1,040**
Income tax expense	-311	-189
Net profit for the year	**1,002**	**851**

Sources: Nordea Finland Plc Annual reports 2015-2016 Appendix 1

Nordea Finland Plc´s Income statements from 2015 and 2016 are presented in the table 3.1.1 above. The most important part of the table is the net profit for the year row because it shows how much Nordea Finland Plc has actually made income during these two years. It can be seen from the table that profits have dropped close to 15 percent from 2015 to 2016 so closer look at the reasons is rational. There is no difference between total operating expenses because even though company was able to decrease staff costs in 2016 their other expenses increased and kept the total expenses as high as year before. Total operating income has decreased around 12 percent and results are in correlation with equally lower interest income. Company still managed to gain more profits from fees and commissions in 2016. Income tax expense is interestingly changed for the company because in 2015 tax rate was around 26,5 percent and in 2016 it was only around 18 percent. This is caused by the changes in the legal structure of the company.

3.1.2 Balance sheet

Nordea Finland Plc´s balance sheet statements from 2015 and 2016 are presented in table 3.1.2 below. Company´s assets as well as liabilities and equity has decreased from 2015 to 2016 over 20 percent and closer look at the balance sheet shows that there is no significant change in the company´s equity but assets and liabilities have changed. Almost all company´s asset classes have decreased but biggest reasons for those are the decreased loans to the central banks which are close to zero now, loans to the public which decreased around 40 percent and derivatives which decreased around 15 percent. Reason for decreased assets is the partial demerger of the company in 2016. Deferred tax assets are also interestingly decreased in 2016 to zero.

Liabilities side of the balance sheet has decreases in same areas as assets, deposits by credit institutions have decreased around 20 percent and deposits and borrowings from the public around 10 percent, debt securities in issue almost 60 percent and derivatives around 15 percent because of the partial demerger of the company. Fair value changes of the hedged items in portfolio hedge of interest rate risk account has interesting changes even though percentage wise change is under percent of the total decrease but accounts total has decreased over 95 percent from 2015 to 2016.

Table 3.1.2 Balance sheet Nordea Finland Plc 2015-2016(million euros)

	31 Dec 2015	31 Dec 2016
Assets		
Cash and balances with central banks	32,613	29,367
Loans to central banks	5,129	100
Loans to credit institutions	33,507	31,756
Loans to the public	94,063	56,754
Interest-bearing securities	30,143	27,368
Financial instruments pledged as collateral	4,627	4,139
Shares	2,019	1,262
Derivatives	80,557	68,563
Fair value changes of the hedged items in portfolio hedge of		
interest rate risk	51	21
Investments in group undertakings	309	306
Investments in associated undertakings	28	8
Intangible assets	31	26
Properties and equipment	69	80
Investment properties	1	1
Deferred tax assets	12	0
Current tax assets	-	-
Retirement benefit assets	90	78
Other assets	16,970	16,205
Prepaid expenses and accrued income	263	222
Total assets	**300,482**	**236,256**
Liabilities		
Deposits by credit institutions	78,172	62,545
Deposits and borrowings from the public	62,150	55,351
Debt securities in issue	43,407	18,507
Derivatives	83,538	70,864
Fair value changes of the hedged items in portfolio hedge of interest rate risk	557	25
Current tax liabilities	77	65
Other liabilities	19,856	17,296
Accrued expenses and prepaid income	382	268
Deferred tax liabilities	-	-
Provisions	78	62
Retirement benefit liabilities	4	4
Subordinated liabilities	628	632
Total liabilities	**288,849**	**225,619**
Equity		
Share capital	2,319	2,319
Share premium reserve	599	599
Other reserves	4,897	4,880
Retained earnings	3,818	2,839
Total equity	**11,633**	**10,637**
Total liabilities and equity	**300,482**	**236,256**

Sources: Nordea Finland Plc Annual reports 2015-2016 Appendix 2

3.1.3 Cash flow statement

Table 3.1.3 Cash flow statement Nordea Finland Plc 2015-2016(million euros)

	2015	2016
Operating activities		
Operating profit	1,313	1,040
Adjustments for items not included in cash flow	675	480
Income taxes paid	-261	-200
Cash flow from operating activities before changes in operating assets and liabilities	**1,727**	**1,320**
Changes in operating assets		
Change in loans to central banks	-4,844	6,364
Change in loans to credit institutions	13,679	-584
Change in loans to the public	12,530	12,898
Change in interest-bearing securities	5,171	1,471
Change in financial assets pledged as collateral	6,431	488
Change in shares	-102	561
Change in derivatives, net	3,583	-1,561
Change in investment properties	1	0
Change in other assets	-2,386	766
Changes in operating liabilities		
Change in deposits by credit institutions	-8,957	-7,504
Change in deposits and borrowings from the public	-14,723	-7,020
Change in debt securities in issue	-5,065	-9,877
Change in other liabilities	1,487	-2,447
Cash flow from operating activities	**8,532**	**-5,125**
Investing activities		
Acquisition of business operations	-	-
Sale of business operations	0	2
Dividends from associated companies	-	0
Acquisition of associated undertakings	-	-
Sale of associated undertakings	-	13
Acquisition of property and equipment	-40	-65
Sale of properties and equipment	4	3
Acquisition of intangible assets	-5	-1
Sale of intangible assets	2	-
Purchase/sale of other financial fixed assets	25	-11
Cash flow from investing activities	**-14**	**-59**
Financing activities		
Issued subordinated liabilities	8	5
Amortised subordinated liabilities	-	-
Dividend paid	-450	-780
Other changes	2,070	-14
Cash flow from financing activities	**1,628**	**-790**
Cash flow for the year	**10,146**	**-5,973**
Cash and cash equivalents at the beginning of year	29,711	39,857
Translation difference	-	-783
Cash and cash equivalents transferred in demerger	-	391
Cash and cash equivalents at the end of year	39,857	34,276
Change	**10,146**	**-5,973**

Sources: Nordea Finland Plc Annual reports 2015-2016 Appendix 3

Nordea Finland Plc´s cash flow statements from 2015 and 2016 are presented in table 3.1.3 above. Company´s total cash flow has changed from 10,146 million positive to 5,973 million negative. Change in the cash flow can be explained by the change in the loans to the credit institutions which on its own was more than total difference in the cash flow between the years 2015 and 2016. Differences can be found from most of the accounts and for example loans to central banks changed over 11,000 million and in deposits and borrowings from the public 7,000 million to the positive directions.

3.2 Danske Bank

3.2.1 Income statement

Table 3.2.1 Income statement Danske Bank Plc 2015-2016(million euros)

	2015	2016
Operating income		
Interest income	423.9	364.0
Interest expense	-147.4	-97.2
Net interest income	276.5	266.8
Fee and commission income	245.1	239.3
Fee and commission expense	-35.1	-33.3
Net fee and commission income	210	206
profit from associated undertakings accounted for under the equity method	-	-
Dividends	8.6	19.2
Other operating income	16.7	17.3
Net trading income	14.3	14.4
Total operating income	526.2	523.7
Operating expenses		
General administrative expenses:		
Staff costs	-126.8	-122.2
Other expenses	-198.8	-201.5
Depreciation and impairments	-4.9	-4.6
Total operating expenses	-330.6	-328.3
Profit before loan losses	195.6	195.4
Net loan losses	-10.1	1.4
Operating profit	185.5	196.8
Income tax expense	-35	-35.7
Net profit for the year	150.5	161.1

Sources: Danske Bank Plc Annual reports 2015-2016 Appendix 4

Danske Bank Plc´s income statements 2015 and 2016 are presented in table 3.2.1 above. Company has managed to increase its net profit for the year around 7 percent. Main reason for the increase is in the amount of dividends 10.6 million more in 2016 that company received and loan losses which were 1.4 million positive in 2016 compared to 10.1 million negative in 2015. Interest income for the company decreased 15 percent from 2015 but interest expenses decreased at the same time 35 percent so company managed to keep the difference in net interest income in 9.7 million even though interest income decreased 59.9 million. Company was able to decrease staff costs but at the same time other expenses rose and almost eliminated savings achieved from the staff costs.

3.2.2 Balance sheet

Table 3.2.2 Balance sheet Danske Bank Plc 2015-2016(million euros)

	2015	2016
Assets		
Cash and balances with central banks	3,584.2	1,860.0
Loans and receivables to credit institutions	2,259.2	2,280.5
Trading portfolio assets	4,300.8	4,210.4
Held to maturity financial assets	199.7	222,5
Loans and receivables to customers and public entities	19,699.0	20,046.8
Investments in associated undertakings	5.1	5.1
Investments in subsidiaries	137.6	137.6
Intangible assets	-	-
Tangible assets	7.4	4.6
Tax assets	15.8	38.0
Other assets	100.7	83.7
Total assets	30,309.4	28,889.2
Liabilities		
Due to credit institutions and central banks	1,956.5	3,073.9
Trading portfolio liabilities	2,448.2	2,091.6
Financial liabilities at fair value through p/l	476.7	881.4
Amounts owed to customers and public entities	18,217.7	16,675.7
Debt securities in issue	4,332.2	3,262.9
Tax liabilities	1.5	-
Other liabilities	312.0	239.6
Subordinated debt	119.1	117.7
Total liabilities	27,864.0	26,342.7
Equity		
Share capital	106.0	106.0
Reserves	261.7	261.7
Retained earnings	2,077.8	2,178.7
Equity attributable to parent company's equityholders	2,445.5	2,546.4
Non-controlling interest	-	-
Total equity	2,445.5	2,546.4
Total equity and liabilities	30,309.4	28,889.2

Sources: Danske Bank Plc Annual reports 2015-2016 Appendix 5

Danske Bank Plc´s balance sheet statement from the 2015 and 2016 is presented in the table 3.3.2 above. Company´s assets as well as its liabilities and equity have decreased around 5 percent from 2015 to 2016. Main reasons for the decreases are on the assets side the decreased amount of cash and balances with central banks around 1,700 million and on the liabilities and equity side the decreased amount in trading portfolio liabilities around 350 million, amounts owed to customers and public entities 1,540 million and debt securities in issue around 170 million. On the other hand Loans and receivables to customers and public entities have increased almost 350 million and liabilities due to credit institutions and central banks have increased around 1,120 million as well as retained earnings for the company around 100 million. European central banks negative deposit interest rate and small loan growth were the main reasons for the decrease in the net interest income.

3.2.3 Cash flow statement

Danske Bank Plc´s cash flow statement from 2015 and 2016 is presented in the table 3.2.3 below. Company´s total cash flow for both years is positive but in 2015 it was close to 1,800 million bigger than in 2016. Main reason for the decrease is the difference in cash flow from operations which was over 1.700 million negative in 2016 compared to 2015 when cash flow from operations was almost 340 million positive. Deposits for the company changed from around 2,300 million positive to 1,500 million negative. Because difference was so big in deposits over 1,500 million bigger cash in hand and demand deposits with central banks, and trading portfolio and other financial instruments total negative cash flow decrease of around 450 million didn´t help company to hold positive cash flow for operations in 2016. Negative cash flow from financing activities decreased in 2016 because dividends were over 90 million or 60 percent smaller in 2016. Danske Bank´s cash flow from investing activities was practically non-existing effecting total cash flows with under two million and around 0.05 percent of total cash flow for the year.

Table 3.2.3 Cash flow statement Danske Bank Plc 2015-2016(million euros)

	2015	2016
Cash flow from operations		
Profit before tax	185.5	196.8
Adjustment of income from associated undertakings	-	-
Amortisation and impairment charges for intangible assets	0.0	0.0
Depreciation and impairment charges for tangible assets	4.9	4.6
Loan impairment charges	10.1	-1.4
Tax paid	-58.0	-59.8
Other non-cash operating items	4.4	-16.6
Total	**147.0**	**123.6**
Changes in operating capital		
Cash in hand and demand deposits with central banks	-474.0	1,046.6
Trading portfolio	-527.4	-260.4
Other financial instruments	-199.7	-22.8
Loans and receivables	-553.5	-346.4
Deposits	2,298.2	-1,542.1
Other assets/liabilities	-352.1	-709.6
Cash flow from operations	**338.4**	**-1,710.9**
Cash flow from investing activities		
Acquisition of intangible assets	-	-
Acquisition of tangible assets	-2.4	-1.9
Sale of tangible assets	0.5	0.5
Cash flow from investing activities	**-1.8**	**-1.3**
Cash flow from financing activities		
Redemption of subordinated debt and hybrid core capital	-2.5	-1.3
Dividends	-152.5	-60.2
Change in non-controlling interests	-	-
Cash flow from financing activities	**-155.0**	**-61.5**
Cash and cash equivalents, beginning of year	5,636.3	5,817.9
Change in cash and cash equivalents	181.6	-1,773.7
Cash and cash equivalents, end of year	**5,817.9**	**4,044.2**
Cash in hand and demand deposits with central banks	3,584.2	1,860.0
Amounts due from credit institutions and central banks within 3 months	2,233.7	2,184.1
Total	**5,817.9**	**4,044.2**

Sources: Danske Bank Plc Annual reports 2015-2016 Appendix 6

3.3 OP

3.3.1 Income statement

OP Financial Groups banking sectors income statement from 2015 and 2016 is presented in table 3.3.1 below. Earnings before taxes decreased in 2016 around 6 percent and the main reason for the difference was the increased other operating expenses which changed in total around 11 percent while total income stayed almost equal to previous year. Company managed to decrease personnel costs in 2016 but savings were lost in other operating expenses which were higher in 2016. Even though total income was almost equal between 2015 and 2016 there were differences in net commissions and fees with almost 100 million increase in 2016 but at the same time net investment income decreased over 100 million cancelling each other out when considering the total income for the years. Another interesting fact was that share of associates profits changed from being positive in 2015 to being negative in 2016. Amount of OP bonuses to owner-customers shows that customers are really getting part of the success of the company. Income statement doesn´t classify company´s net interest expenses on their own making it hard to compare some key financial ratios among other banks.

Table 3.3.1 Income statement OP Financial Group banking sector 2015-2016(million euros)

	2015	2016
Net interest income	1,108	1,133
- of which internal net income before tax	-26	-18
Net insurance income	-	-
Net commissions and fees	663	758
Net investment income	120	6
Other operating income	29	31
Share of associates' profits	7	-4
Total income	**1,927**	**1,924**
Personnel costs	472	451
Depreciation/amortisation	52	52
Other operating expenses	512	569
Total expenses	**1,037**	**1,072**
Impairments loss on receivables	77	76
OP bonuses to owner-customers	171	179
Earnings before tax	**642**	**596**

Sources: OP Financial Group Annual reports 2015-2016 Appendix 7

3.3.2 Balance sheet

OP Financial Groups banking sector balance sheet from 2015-2016 is presented in table 3.3.2 below. Table shows one vital difference in company´s balance sheet when compared to others because there is no equity column in the table. OP´s banking sector is missing equity because OP Financial Group operates a little differently than other banks. Groups equity is divided among all its three operational segments. OP´s banking sectors total assets haven´t really changed from 2015 to 2016 but closer look shows that receivables from credit institutions have increased over 40 percent or almost 2,000 million and receivables from customers have increased around 5 percent but over 3,500 million. On the other hand financial assets held for trading have decreased over 90 percent almost 900 million in 2016 and derivative contracts have decreased also over 90 percent or 4,700 million. Other assets have also decreased over 70 percent or 700 million in 2016. Company´s liabilities have decreased around 7 percent in 2016 and majority of that difference is because of the decreased amount of derivative contracts close to 4,650 million.

Table 3.3.2 Balance sheet OP Financial Group banking sector 2015-2016(million euros)

	2015	2016
Cash and cash equivalents	130	113
Receivables from credit institutions	4,415	6,351
Financial assets held for trading	939	51
Derivative contracts	5,178	458
Receivables from customers	75,633	79,144
Investment assets	6,425	6,211
Assets covering unit-linked contracts	-	-
Investments in associates	42	37
Intangible assets	67	62
Property, plant and equipment (PPE)	494	480
Other assets	1,030	294
Tax assets	47	111
Total assets	**94,401**	**93,312**
Liabilities to credit institutions	10,712	9,568
Derivative contracts	4,832	168
Liabilities to customers	53,586	54,693
Insurance liabilities	-	-
Liabilities from unit-linked insurance and investments contracts	-	-
Debt securities issued to the public	10,971	10,357
Provisions and other liabilities	2,122	1,889
Tax liabilities	406	371
Cooperative capital	255	253
Subordinated liabilities	80	63
Total liabilities	**82,963**	**77,361**

Sources: OP Financial Group Annual reports 2015-2016 Appendix 8

3.3.3 Cash flow statement

Table 3.3.3 Cash flow statement OP Financial Group 2015-2016(million euros)

	2015	2016
Cash flow from operating activities		
Profit for the financial year	853	915
Adjustments to profit for the financial year	1,430	577
Increase (-) or decrease (+) in operating assets	**-9,052**	**-8,573**
Receivables from credit institutions	169	99
Financial assets at fair value through profit or loss	148	-28
Derivative contracts	-6	32
Receivables from customers	-4,003	-3,531
Non-life Insurance assets	-962	-150
Investment assets	-4,802	0
Other assets	405	0
Increase (+) or decrease (-) in operating liabilities	**8,121**	**7,500**
Liabilities to credit institutions	-120	3,025
Financial liabilities at fair value through profit or loss	-4	0
Derivative contracts	-5	-36
Liabilities to customers	6,36	1,857
Non-life Insurance liabilities	1,328	3,061
Life Insurance liabilities	52	-185
Provisions and other liabilities	511	-222
Income tax paid	-359	-248
Dividends received	94	91
Net cash from operating activities	**1,087**	**263**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-2	-3
Decreases in held-to-maturity financial assets	85	19
Acquisition of subsidiaries, net of cash and cash equivalents acquired	-27	-3
Disposal of subsidiaries, net of cash and cash equivalents disposed	1	0
Purchase of PPP and intangible assets	-301	-308
Proceeds from sale of PPE and intangible assets	17	50
Net cash used in investing activities	**-226**	**-246**
Cash flow from financing activities		
Increases in subordinated liabilities	1,242	0
Decreases in subordinated liabilities	-698	-144
Increases in debt securities issued to the public	29,711	26,164
Decreases in debt securities issued to the public	-27,444	-25,303
Increases in cooperative and share capital	3,238	1,317
Decrease in cooperative and share capital	-2,395	-1,118
Dividends paid and interest on cooperative capital	-30	-71
Net cash used in financing activities	**3,623**	**845**
Net change in cash and cash equivalents	**4,485**	**863**
POP Group banks' cash and cash equivalents*	**47**	
	4,531	**863**
Cash and cash equivalents at period-start	**4,176**	**8,708**
Cash and cash equivalents at period-end	**8,708**	**9,571**

Sources: OP Financial Group Annual reports 2015-2016 Appendix 9

OP Financial Groups cash flow statement is presented in the table 3.3.3 above. Company´s cash flow statement isn´t comparable with other banks cash flow statements because it hasn´t segmented the banking sectors numbers individually but it is interesting to see if there is a significant difference in the statement compared to other banks. Total cash flow is positive on both years whereas Nordea´s and Danske Banks total cash flows were negative in 2016. Total cash flow in 2016 was around 5 percent of the 2015 total cash flow. Main difference comes from financing cash flows which were results of higher increases in debt securities issued to the public and increases in cooperative and share capital.

4. RATIO AND CASH FLOW ANALYSIS

Ratio analysis of the company is the easiest and the most convenient way to compare companies among each other. Ratio analysis can be done inside the company, comparing ratios from different years and evaluating the changes but ratio analysis is the most useful tool when used comparing to other companies in the same industry. The brilliance of the ratio analysis comes from the fact that ratios among different companies can be compared to each other without any further adjustments because ratios are based on the percentages. Companies can be measured against each other even if the companies' turnovers are significantly different from each other.

Even though ratios are convenient way to compare companies' performance they aren´t meant for every situation. It is important to remember that ratios can vary a lot between industries in question, you can't assume for example banks to have similar ratios with food stores. Ratios are also based on the historical data´s of the companies so it is good to keep in mind possible changes that have happened recently affecting the industry. Ratio analysis between banks differ a lot from normal ratio analysis between companies which are selling household good products. Banks operate in the intermediate market and the key part of their business is to deposit customer savings and distribute these savings forward to the borrowers of these funds.

Cash flow analysis is divided into three categories like cash flow statements based on the different ways companies generate and spend cash. Categories are cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash flow from operating activities tells how much company made funds from its operations. In the long-run it is vital for company´s success to have positive inflows from operations. Cash flow from investing activities tells how much company invests in the business. It is vital for the company to make necessary investments for the business to support its operations. Cash flow from financing activities tells how company has used free cash flow.

4.1 Liquidity ratios

Liquidity ratios also called as solvency ratios measure company´s short-run ability to pay its maturing obligations. (Kieso et al. 2011, 1351) In table 4.1 are calculated Nordea Finland Plc´s 2015-2016, Danske Bank Plc´s 2015-2016 and OP Financial Group banking sectors 2015-2016 Liquidity ratios. Current ratio measures current assets ratio to current liabilities. Examining current ratios among companies it can be seen that they differ a lot from each other. Nordea´s ratios are 0,22 to 0,61 higher than Danske Bank´s and OP´s. In addition Nordea´s ratio increases in 2016 while other companies numbers decrease. Reason for the difference is the more equally distributed loans among customers, central banks and credit institutions. Nordea has higher percentage of non-customer clients compared to others. Danske Bank´s and OP´s difference comes from OP´s high liabilities to customers, this is understandable because of the nature of OP, customers are the owners of the company. Nordea´s current assets and current liabilities decreased in 2016 but liabilities decreased 8 percent more causing the ratio to increase. Danske Bank´s and OP´s current assets and current liabilities also decreased but more from the assets side.

Table 4.1 Liquidity ratios Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016(ratio)

Liquidity ratios	2015(Nord)	2016(Nord)	2015(DB)	2016(DB)	2015(OP)	2015(OP)
Current ratio	0,705	0,786	0,378	0,332	0,213	0,177
Cash ratio	0,122	0,141	0,131	0,072	0,002	0,002
Loans to deposits	0,946	0,752	1,088	1,131	1,063	1,146
Liquid assets to deposits	1,349	1,384	0,514	0,437	0,228	0,179

Sources: Compiled by the author’s calculations on the basis of data provided in Appendices

Cash ratio is the ratio of cash to short-term liabilities measuring capability to pay current liabilities at this moment. Nordea´s ratios are close to Danske Bank´s 2015 ratio but in 2016 Danske Banks ratio decreases significantly. Reason for the decrease is the cash in hand account which was cut in half for Danske Bank. OP´s cash ratios are close to each other but distinctly smaller than others because of the practically zero cash in hand balance. This is outcome of the financial group which moves the cash to segments where it is most needed or most profitable.

Loans to deposits measures the ratio between all the loans and all the deposits of the companies. Ratio tells how big percentage of the loans that bank gives out comes from the funds deposited in the accounts. First thing that can be seen from the table is the fact that Danske Bank´s and OP´s ratios are over one whereas Nordea´s ratios are under one especially in 2016. This means that Nordea has more deposits than loans whereas others have more loans than deposits. Nordea´s loans and deposits decreased in 2016 but loans decreased over 15 percent more. Danske Bank´s and OP´s ratios were close to each other on both years and there was no significant movement. Both companies increased loans from 2015 and decreased deposits from 2015 even though change was only cosmetic.

Liquid assets to deposits measures the ratio between assets that can be easily transformed to cash and deposits made to the company. Ratio tells what percentage of the deposits could be immediately paid back to the depositors. Companies have ratios that differ from each other a lot, now Nordea has ratio over one whereas others have under one and OP´s ratios are close to zero. Nordea´s ratio of over one is the outcome of the previously mentioned high percentage of loans to credit institutions and central banks. Danske Banks ratio decreases in 2016 because of the lower cash in hand balance. OP´s ratio is under half of the Danske Bank´s ratio because of the small number of liquid assets which is the consequence of customer ownership.

4.2 Coverage ratios

Coverage ratios also called as leverage ratios measures of the degree of protection for long-term creditors and investors. (Kieso et al. 2011, 1351) meaning that ratios show how well companies are able to cover their debts. In table 4.2 are calculated coverage ratios for Nordea Finland Plc´s 2015-2016, Danske Bank Plc´s 2015-2016 and OP Financial Group banking sectors 2015-2016. Total debt ratio is the ratio between company´s total debt and total assets, ratio measures how well company´s assets cover its debts. Banks ratios are relatively close to each other and all of them have decreased their ratio slightly in 2016. Overall banks ratios are high because of the nature of the industry, banks doesn´t have a lot of equity compared to assets and liabilities. Nordea´s ratios are in both years higher than others, Danske bank´s ratios are between two other banks and OP´s ratios are two smallest ones. Nordea´s higher ratios are a result of a higher amount of assets and liabilities together with banks smaller equities. Danske Bank´s ratios have stayed in the same level despite the fact that total assets and total liabilities have decreased over 20 percent. Op´s ratios are smaller than others and the reason is that company´s equity is divided among different segments of the company like banking and insurance segments, banking doesn´t have its own equity resulting ratios to differ from others.

Debt-equity ratio measures company´s total debt to its equity and it shows how much of the assets are financed using debt. Banks ratios differ from each other a lot and again Nordea´s ratios are much higher than others on both years. Danske Bank´s ratios are in the middle of other banks and OP´s ratios are again the smallest on both years. Nordea´s higher ratios are the result of previously mentioned bigger amounts of assets and liabilities around ten times compared to Danske Bank and around three times compared to OP. Difference between Danske Bank´s and OP´s ratios come from Op´s customer ownership, it is obvious that when customers are the owners of the bank equity amount is higher.

Table 4.2 Coverage ratios Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016(ratio)

	2015(Nord)	2016(Nord)	2015(DB)	2016(DB)	2015(OP)	2015(OP)
Coverage ratios						
Total debt	0,961	0,955	0,919	0,912	0,879	0,829
Debt-equity	24,830	21,211	11,394	10,345	7,253	4,850
Equity multiplier	25,830	22,211	12,394	11,345	8,253	5,850
Cash coverage	2,893	2,493	1,360	2,058	-	-

Sources: Compiled by the author’s calculations on the basis of data provided in Appendices

Equity multiplier is the ratio between company´s total assets and total equity and it is used to measure company´s financing. Equity multiplier can be derived from the other coverage ratio, debt-equity which is equity multiplier ratio minus one. Nordea´s ratios are much higher than Danske Bank´s and OP´s because of the previously mentioned reasons. Danske Bank´s and OP´s ratios are also the results of previously mentioned reasons and it can be seen here also that equities doesn´t have so big influence for the bank industry.

Cash coverage ratio is the last ratio in the table and it measures company´s earnings before interest and taxes plus non-cash expenses to interest expenses. Ratio measures how well company is able to cover its interest expenses. It can be seen from the table that OP doesn´t have ratios for cash coverage because they haven´t distinguished the information about their interest expenses compared to other expenses. Nordea´s ratios are again higher than Danske Bank´s but Nordea´s ratio decreases in 2016 whereas Danske Bank´s ratio increases in 2016. Nordea´s decrease is result of smaller earnings before taxes. Danske Bank´s ratio increased in 2016 to over two and it was the result of one third smaller interest expenses in 2016 compared to equal earnings before interest and taxes plus non-cash expenses in 2015 and 2016.

4.3 Profitability ratios

The fundamental goal of the business is to earn profit. (Miller-Nobles et al. 2016, 918) Profitability ratios are the ratios that company, investors and creditors are usually most interested to see when estimating financial analysis of the company. Profitability ratios are measures of companies' ability to generate earnings from their operations. Profitability ratios for Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016 are calculated in table 4.3. Net interest margin is the ratio between net interest incomes and net interest expenses difference to assets generating interest. Ratio measures Banks gain between paid interests to clients compared to interests gathered from clients.

First thing to be noticed from the table is the lack of ratios for Op and that is a result of previously mentioned fact that OP doesn´t classify interest expenses from other expenses. Nordea´s ratios are same in both years and close to industry average. Danske Bank´s ratios are same in both years but significantly higher than Nordea´s. Reason for Danske Bank´s ratios are the higher interest incomes in 2015 and 2016 compared to interest expenses in those years. Danske Bank is able to generate huge profits from their loans to clients.

Return on assets measures the ratio of net income to total assets and shows company´s ability to produce profits with its assets. OP´s ratio is measured using financial groups tax rate of 20 percent because company hasn´t distinguished banking sectors tax rate. Banks ratios are almost identical but Nordea´s returns are smaller in both years compared to others. Reason for Nordea´s smaller ratio is the around ten times bigger amount of assets compared to Danske Bank and around three times bigger amount of assets compared to OP. Danske Bank managed to gain net income in 2016 while decreasing total assets in 2016 but the difference isn´t significant between the years.

Table 4.3 Profitability ratios Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016(ratio)

Profitability ratios	2015(Nord)	2016(Nord)	2015(DB)	2016(DB)	2015(OP)	2016(OP)
Net interest margin	0,003	0,003	0,010	0,010	-	-
Return on assets	0,003	0,004	0,005	0,006	0,005*	0,005*
Return on equity	0,086	0,080	0,062	0,063	0,045*	0,030*
Loans to assets	0,442	0,375	0,724	0,773	0,848	0,916

Sources: Compiled by the author's calculations on the basis of data provided in Appendices

Return on equity is similar to return on assets but it measures the ratio between net income and equity instead of the assets. Ratio tells company´s ability to produce profits using its own equity. OP´s net income is calculated again using financial groups tax rate. Banks have differences among each other's ratios. Nordea´s ratios are highest on both years and the reason behind it is the bank industry´s structure where equity isn't so import factor for company´s performance. When bank expands its equity doesn't expand in same proportion resulting in higher returns on equity. OP´s ratios are lower compared to others and the reason behind smaller ratios are the higher equity amounts because of the customer ownership.

Loans to assets measures the ratio between banks loans and total assets. Ratio measures how much of the assets of the bank are loaned out, higher ratio means that bank has higher risk to have higher defaults. Nordea´s ratios differ significantly from others, Nordea´s loans form smaller percentage of the total assets compared to others. Nordea´s ratio decreased in 2016 because of the decreased amount of loans to public (40 percent). Danske Bank´s and OP´s ratio increased in 2016 and reason for Danske Bank´s increase was the higher amount of loans and at the same time lower amount of total assets. OP´s ratio was affected similarly with higher amount of loans in 2016 together with lower amount of total assets.

4.4 Cash flow analysis

Cash flow analysis can be done with ratios like analysis of income statement and balance sheet. Cash flow analysis is good way to examine company´s operations because it shows the actual movements of money during specific period.

Cash flow ratios for Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016 have been calculated in table 4.4. Cash flow per share is the ratio between company´s operating cash flow minus preferred dividends to shares outstanding for the company. At first can be seen that Nordea´s and Danske Bank´s ratios in 2016 are negative meaning that more money went out of the company during 2016 than came in. Each bank has decreased the amount of cash flow per share in 2016 but OP is the only one to manage to keep the cash flow positive on both years. OP´s ratio has however decreased significantly. When calculated banks each year´s ratio together it can be seen that during these two years Danske Bank has made negative total cash flows whereas Nordea´s cash flow is close to being one euro per share positive. OP´s total cash flow per share during these years is close to being 16 euros positive to share.

Table 4.4 Cash flow ratios Nordea Finland Plc 2015-2016, Danske Bank Plc 2015-2016 and OP Financial Group 2015-2016(ratio)

Cash flow analysis	2015(Nord)	2016(Nord)	2015(DB)	2016(DB)	2015(OP)	2016(OP)
Cash flow per share	2,480	-1,493	0,309	-3,202	13,644	2,141
Cash flow to debt	0,030	-0,023	0,012	-0,065	0,013	0,003
Operating cash flow ratio	0,032	-0,029	0,009	-0,068	0,014	0,003

Sources: Compiled by the author’s calculations on the basis of data provided in Appendices

Cash flow to debt measures the ratio between operating cash flows and total debt. Ratio tells company´s ability to cover its total debts with cash flow from operations. Nordea´s and Danske bank´s ratios are again negative in 2016. OP´s ratio has also decreased in 2016 but maintained positive cash flow. Total operating cash flow to debt were positive during these two years with Nordea and OP whereas Danske Banks total for the years was negative. Overall can be seen that operating cash flow for each company is only small percentage of the total debt.

Operating cash flow ratio measures the ratio between cash flows from operations and current liabilities. Ratio tells how well company´s cash flows from operations can cover its current liabilities. Once again Nordea´s and Danske Bank´s ratios in 2016 are negative whereas OP´s numbers are on both years positive. Total operating cash flow ratio from 2015 and 2016 maintain positive results for each company unlike totals for cash flow per share and cash flow to debt ratios. Nordea´s and Danske Bank´s ratios are barely over zero but still positive. Current liabilities form key part of the banks liabilities and therefore banks operating cash flow ratios are much smaller than in most of the other industries.

4.5 Future prospects

Outlook for banks future is challenging. Economic environment has insecurities because of low interest rates and low growth numbers making it more difficult for banks to maintain similar net income and turnover. Political environment at this moment is also challenging because of the elections around the world which has straight influence into economic environment making it even more unexpected compared to financial aspects only. It is likely that banks operating profits decline next year but Russia´s possible economic revive should have positive effects on Finland´s exports resulting into growth for banking industry too.

CONCLUSIONS

Thesis is a comparative financial analysis of the three biggest banks operating in Finland. Nordea Finland Plc, Danske Bank Plc and OP Financial group. Goal of the thesis was to analyze companies' financial performance during the 2015 and 2016 and compare them with each other to find out differences in banks performance and how those differences affect companies' operations. Objective was also to find possible means for companies to come more profitable in the future.

Steps that were taken to achieve objectives of the thesis were 1) analysis of Nordea Finland Plc´s, Danske Bank Plc´s and OP Financial group´s income statements from 2015 and 2016 finding the discrepancies as well as the similarities between the years and among companies plus reasons for the discrepancies between the years or the companies. 2) analysis of Nordea Finland Plc´s, Danske Bank Plc´s and OP Financial group´s balance sheets from 2015 and 2016 finding the discrepancies as well as the similarities between the years and among companies plus reasons for the discrepancies between the years or the companies. 3) analysis of Nordea Finland Plc´s, Danske Bank Plc´s and OP Financial group´s cash flow statements from 2015 and 2016 finding the discrepancies as well as the similarities between the years and among companies plus reasons for the discrepancies between the years or the companies. 4) analysis of financial ratios based on the information from companies' income statements 2015-2016, balance sheets 2015-2016 and cash flow statements 2015-2016. Analyzing different companies in the same industry using financial ratio analysis gives a lot of information about companies' performance measures and helps each other to grow in the future.

Comparative financial statement analysis main results found were the differences in banks operations based on the formation of the bank. OP Financial Groups customer ownership model had a huge effect on some of the ratios gathered in the thesis. Second result found was the fact that each company had better financial results in 2015. Reason for this is the environment of the banking industry, banks operate as the intermediaries in the market and negative economic conditions have straight effect on banks performance. In 2016 there were a lot of events that had a negative effect on the banking sector like Brexit and Donald Trump´s election as the President of the United States of America.

Problems that couldn´t be solved during the comparative financial statement analysis of the banks were 1) no significant advances could be found to improve companies' performance lacking operations. 2) Results didn´t cover possible differences among banks subsidies performance abroad.

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APPENDICES

Appendix 1 Income statement Nordea Finland Plc 2015-2016

Nordea Bank Finland Group and Nordea Bank Finland Plc

Income statement

		Group		Parent company	
EURm	Note	2016	2015	2016	2015
Operating income					
Interest income	3	1,320	1,532	1,042	1,268
Interest expense	3	-455	-480	-444	-478
Net interest income	3	**865**	**1,052**	**598**	**790**
Fee and commission income	4	741	759	707	726
Fee and commission expense	4	-610	-654	-598	-648
Net fee and commission income	4	**131**	**105**	**109**	**78**
Net result from items at fair value	5	1,142	1,257	1,141	1,254
Profit from associated undertakings accounted for under the equity method	19	13	5	-	-
Dividends	6	-	-	72	101
Other operating income	7	94	66	94	65
Total operating income		**2,245**	**2,485**	**2,014**	**2,288**
Operating expenses					
General administrative expenses:					
Staff costs	8	-515	-547	-484	-516
Other expenses	9	-451	-413	-423	-389
Depreciation, amortisation and impairment charges of tangible and intangible assets	10, 20	-28	-31	-26	-28
Total operating expenses		**-994**	**-991**	**-933**	**-933**
Profit before loan losses		**1,251**	**1,494**	**1,081**	**1,355**
Net loan losses	11	-57	-92	-41	-42
Operating profit		**1,194**	**1,402**	**1,040**	**1,313**
Income tax expense	12	-232	-347	-189	-311
Net profit for the year		**962**	**1,055**	**851**	**1,002**
Attributable to:					
Shareholders of Nordea Bank Finland Plc		962	1,055	851	1,002
Non-controlling interests		-	-	-	-
Total		**962**	**1,055**	**851**	**1,002**
Net profit for the period from Baltic operations to be transferred	47	**22**	**22**	-	-

Appendix 2 Balance sheet Nordea Finland Plc 2015-2016

Balance sheet

		Group		Parent company	
EURm	Note	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
Assets					
Cash and balances with central banks		29,367	32,613	29,367	32,613
Loans to central banks	13	299	5,328	100	5,129
Loans to credit institutions	13	26,344	27,089	31,756	33,507
Loans to the public	13	64,611	101,447	56,754	94,063
Interest-bearing securities	14	27,368	30,143	27,368	30,143
Financial instruments pledged as collateral	15	4,139	4,627	4,139	4,627
Shares	16	1,262	2,020	1,262	2,019
Derivatives	17	68,563	80,557	68,563	80,557
Fair value changes of the hedged items in portfolio hedge of interest rate risk		21	51	21	51
Investments in group undertakings	18	-	-	306	309
Investments in associated undertakings	19	34	42	8	28
Intangible assets	20	42	44	26	31
Properties and equipment		84	76	80	69
Investment properties		1	1	1	1
Deferred tax assets	12	3	14	0	12
Current tax assets	12	5	1	-	-
Retirement benefit assets	30	78	90	78	90
Other assets	22	16,238	17,015	16,205	16,970
Prepaid expenses and accrued income	23	316	432	222	263
Total assets		**238,775**	**301,590**	**236,256**	**300,482**
Liabilities					
Deposits by credit institutions	24	63,918	78,162	62,545	78,172
Deposits and borrowings from the public	25	55,352	62,153	55,351	62,150
Debt securities in issue	26	18,507	43,407	18,507	43,407
Derivatives	17	70,864	83,538	70,864	83,538
Fair value changes of the hedged items in portfolio hedge of interest rate risk		25	557	25	557
Current tax liabilities	12	65	77	65	77
Other liabilities	27	17,487	20,066	17,296	19,856
Accrued expenses and prepaid income	28	386	567	268	382
Deferred tax liabilities	12	60	54	-	-
Provisions	29	63	81	62	78
Retirement benefit liabilities	30	6	4	4	4
Subordinated liabilities	31	632	628	632	628
Total liabilities		**227,365**	**289,294**	**225,619**	**288,849**
Equity					
Share capital		2,319	2,319	2,319	2,319
Share premium reserve		599	599	599	599
Other reserves		4,880	4,897	4,880	4,897
Retained earnings		3,612	4,481	2,839	3,818
Total equity		**11,410**	**12,296**	**10,637**	**11,633**
Total liabilities and equity		**238,775**	**301,590**	**236,256**	**300,482**
Assets pledged as security for own liabilities	32	19,172	40,932	19,172	40,931
Other assets pledged	33	4,105	4,811	4,105	4,811
Contingent liabilities	34	27,436	12,432	27,586	12,599
Credit commitments	35	15,043	13,613	11,992	10,765
Other commitments	35	142	359	2	2

Appendix 3 Cash flow statement Nordea Finland Plc 2015-2016

Cash flow statement

	Group		Parent company	
EURm	2016	2015	2016	2015
Operating activities				
Operating profit	1,194	1,402	1,040	1,313
Adjustments for items not included in cash flow	504	738	480	675
Income taxes paid	-241	-304	-200	-261
Cash flow from operating activities before changes in operating assets and liabilities	**1,457**	**1,836**	**1,320**	**1,727**
Changes in operating assets				
Change in loans to central banks	6,365	-5,046	6,364	-4,844
Change in loans to credit institutions	-1,598	14,368	-584	13,679
Change in loans to the public	12,400	12,196	12,898	12,530
Change in interest-bearing securities	1,470	5,170	1,471	5,171
Change in financial assets pledged as collateral	488	6,431	488	6,431
Change in shares	560	-102	561	-102
Change in derivatives, net	-1,561	3,583	-1,561	3,583
Change in investment properties	0	1	0	1
Change in other assets	776	-2,392	766	-2,386
Changes in operating liabilities				
Change in deposits by credit institutions	-6,122	-9,209	-7,504	-8,957
Change in deposits and borrowings from the public	-7,021	-14,726	-7,020	-14,723
Change in debt securities in issue	-9,877	-5,065	-9,877	-5,065
Change in other liabilities	-2,466	1,491	-2,447	1,487
Cash flow from operating activities	**-5,129**	**8,536**	**-5,125**	**8,532**
Investing activities				
Acquisition of business operations	-	0	-	-
Sale of business operations	0	-	2	0
Dividends from associated companies	2	1	0	-
Acquisition of associated undertakings	-	0	-	-
Sale of associated undertakings	13	-	13	-
Acquisition of property and equipment	-64	-38	-65	-40
Sale of properties and equipment	3	8	3	4
Acquisition of intangible assets	-5	-9	-1	-5
Sale of intangible assets	-	2	-	2
Purchase/sale of other financial fixed assets	-11	25	-11	25
Cash flow from investing activities	**-62**	**-11**	**-59**	**-14**
Financing activities				
Issued subordinated liabilities	5	8	5	8
Amortised subordinated liabilities	-	-	-	-
Dividend paid	-780	-450	-780	-450
Other changes	-14	2,073	-14	2,070
Cash flow from financing activities	**-789**	**1,631**	**-790**	**1,628**
Cash flow for the year	**-5,980**	**10,156**	**-5,973**	**10,146**
Cash and cash equivalents at the beginning of year	39,870	29,714	39,857	29,711
Translation difference	-783	-	-783	-
Cash and cash equivalents transferred in demerger	391	-	391	-
Cash and cash equivalents at the end of year	34,282	39,870	34,276	39,857
Change	**-5,980**	**10,156**	**-5,973**	**10,146**

Appendix 4 Income statement Danske Bank Plc 2015-2016

Danske Bank

IFRS Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		Group		Parent	
EURm	Note	1-12/2016	1-12/2015	1-12/2016	1-12/2015
Interest income	1	393.1	451.6	364.0	423.9
Interest expense	1	-97.0	-147.2	-97.2	-147.4
Net interest income		296.1	304.4	266.8	276.6
Fee income	2	294.8	302.4	239.3	245.1
Fee expenses	2	-64.5	-67.9	-33.3	-35.1
Net trading income	3	14.4	14.3	14.4	14.3
Other operating income	4	20.6	20.1	17.3	16.7
Share of profit from associated undertakings	20	1.8	1.5	-	-
Dividends	5	-	-	19.2	8.6
Total operating income		563.2	574.7	523.7	526.2
Staff costs	6	-133.3	-137.3	-122.2	-126.8
Other operating expenses	8	-213.1	-209.7	-201.5	-198.8
Depreciations and impairments	8	-5.3	-5.5	-4.6	-4.9
Total operating expenses		-351.7	-352.5	-328.3	-330.6
Loan impairment charges	10	-1.2	-12.6	1.4	-10.1
Profit before taxes		210.3	209.5	196.8	185.5
Taxes	11	-39.2	-43.8	-35.7	-35.0
Total comprehensive income for the year		171.0	165.7	161.1	150.5
Attributable to					
Equity holders of parent company		171.0	165.7	-	-
Non-controlling interest		0.0	0.0	-	-

Appendix 5 Balance sheet Danske Bank Plc 2015-2016

Danske Bank

CONSOLIDATED BALANCE SHEET		Group		Parent	
EURm	Note	12/2016	12/2015	12/2016	12/2015
Assets					
Cash and balances with central banks	15	1,860.0	3,584.2	1,860.0	3,584.2
Loans and receivables to credit institutions	16	2,281.2	2,260.1	2,280.5	2,259.2
Trading portfolio assets	17	4,212.3	4,302.7	4,210.4	4,300.8
Held to maturity financial assets	18	222.5	199.7	222.5	199.7
Loans and receivables to customers and public entities	19	20,235.1	19,818.8	20,046.8	19,699.0
Investments in associated undertakings	20	8.3	8.0	5.1	5.1
Investments in subsidiaries	21	-	-	137.6	137.6
Intangible assets	22	1.1	1.5	-	-
Tangible assets	23	4.7	7.5	4.6	7.4
Tax assets	24	40.5	18.2	38.0	15.8
Other assets	25	96.4	112.2	83.7	100.7
Total assets		28,962.1	30,312.9	28,889.2	30,309.4
Liabilities					
Due to credit institutions and central banks	26	3,074.0	1,956.6	3,073.9	1,956.5
Trading portfolio liabilities	17	2,091.6	2,448.2	2,091.6	2,448.2
Financial liabilities at fair value through p/l	27	881.4	476.7	881.4	476.7
Amounts owed to customers and public entities	26	16,635.5	18,115.3	16,675.7	18,217.7
Debt securities in issue	27	3,262.9	4,332.2	3,262.9	4,332.2
Tax liabilities	24	0.3	5.1	-	1.5
Other liabilities	28	272.6	344.4	239.6	312.0
Subordinated debt	27	117.7	119.1	117.7	119.1
Total liabilities		26,335.9	27,797.5	26,342.7	27,864.0
Equity					
Share capital	31	106.0	106.0	106.0	106.0
Reserves	31	271.1	271.1	261.7	261.7
Retained earnings	31	2,249.0	2,138.2	2,178.7	2,077.8
Equity attributable to parent company's equityholders		2,626.1	2,515.3	2,546.4	2,445.5
Non-controlling interest		0.1	0.1	-	-
Total equity		2,626.2	2,515.4	2,546.4	2,445.5
Total equity and liabilities		28,962.1	30,312.9	28,889.2	30,309.4

Appendix 6 Cash flow statement Danske Bank Plc 2015-2016

Danske Bank

CASH FLOW STATEMENT

The Group has prepared its cash flow statement according to the indirect method. The statement is based on the pre-tax profit for the year and shows the cash flows from operating, investing and financing activities and the increase or decrease in cash and cash equivalents during the year.

Cash and cash equivalent consists of cash in hand and demand deposits with central banks and amounts due from credit institutions and central banks with original maturities shorter than three months.

	Group		Parent	
EURm	2016	2015	2016	2015
Cash flow from operations				
Profit before tax	210.3	209.5	196.8	185.5
Adjustment of income from associated undertakings	-1.8	-1.5	-	-
Amortisation and impairment charges for intangible assets	0.5	0.4	0.0	0.0
Depreciation and impairment charges for tangible assets	4.7	5.1	4.6	4.9
Loan impairment charges	1.2	12.6	-1.4	10.1
Tax paid	-66.9	-62.0	-59.8	-58.0
Other non-cash operating items	-16.8	3.4	-16.6	4.4
Total	**131.2**	**167.6**	**123.6**	**147.0**
Changes in operating capital				
Cash in hand and demand deposits with central banks	1,046.0	-500.2	1,046.6	-474.0
Trading portfolio	-260.4	-528.3	-260.4	-527.4
Other financial instruments	-22.8	-199.7	-22.8	-199.7
Loans and receivables	-417.5	-629.6	-346.4	-553.5
Deposits	-1,479.8	2,381.0	-1,542.1	2,298.2
Other assets/liabilities *)	-708.3	-352.0	-709.6	-352.1
Cash flow from operations	**-1,711.5**	**338.8**	**-1,710.9**	**338.4**
Cash flow from investing activities				
Acquisition of intangible assets	0.0	-0.1	-	-
Acquisition of tangible assets	-2.0	-2.4	-1.9	-2.4
Sale of tangible assets	0.6	0.6	0.5	0.5
Cash flow from investing activities	**-1.4**	**-2.0**	**-1.3**	**-1.8**
Cash flow from financing activities				
Redemption of subordinated debt and hybrid core capital	-1.3	-2.5	-1.3	-2.5
Dividends	-60.2	-152.5	-60.2	-152.5
Change in non-controlling interests	0.0	-0.3	-	-
Cash flow from financing activities	**-61.5**	**-155.3**	**-61.5**	**-155.0**
Cash and cash equivalents, beginning of year	5,818.6	5,637.1	5,817.9	5,636.3
Change in cash and cash equivalents	-1,774.4	181.5	-1,773.7	181.6
Cash and cash equivalents, end of year	**4,044.2**	**5,818.6**	**4,044.2**	**5,817.9**
Cash in hand and demand deposits with central banks	1,860.0	3,584.2	1,860.0	3,584.2
Amounts due from credit institutions and central banks within 3 months	2,184.2	2,234.4	2,184.1	2,233.7
Total	**4,044.2**	**5,818.6**	**4,044.2**	**5,817.9**

**) Amount in row Other assets/liabilities is mainly caused by net change in certificates of deposits 404.7 million euros compared to previous year end. This row includes also the net change in issued bonds. During 2016 EUR 1,000.0 million issued bond was matured and a new emission (nominal amount EUR 1,000.0 million) was issued that will be kept in Bank's own balance sheet for collateral use.*

No acquisitions and disposals during 2016.

Appendix 7 Income Statement OP Financial Group banking 2015-2016

OP Financial Group Report by the Executive Board and Financial Statements 2016

Q1–4 earnings 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Net interest income	1,133	-20	6	-60	-1	1,058
- of which internal net income before tax	-18	-17	5	30		
Net insurance income		534	24		0	558
Net commissions and fees	758	-62	217	-59	5	859
Net investment income	6	97	111	179	-3	390
Other operating income	31	7	4	571	-491	122
Share of associates' profits	-4	1	3	0	0	1
Total income	**1,924**	**557**	**365**	**631**	**-489**	**2,989**
Personnel costs	451	100	30	180	0	762
Depreciation/amortisation	52	39	19	50		160
Other operating expenses	569	187	59	321	-490	646
Total expenses	**1,072**	**326**	**109**	**551**	**-490**	**1,567**
Impairments loss on receivables	76	0		0	1	77
OP bonuses to owner-customers	179	2	25		0	206
Earnings before tax	**596**	**230**	**232**	**80**	**0**	**1,138**

Net income from the Baltic countries came to EUR 6 million

Q1–4 earnings 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	OP Financial Group
Net interest income	1,108	-22	3	-52	-11	1,026
- of which internal net income before tax	-26	-20	3	43		
Net insurance income		508	21		0	528
Net commissions and fees	663	-55	220	20	7	855
Net investment income	120	125	98	86	2	432
Other operating income	29	7	1	484	-475	46
Share of associates' profits	7	0	1		0	9
Total income	**1,927**	**563**	**344**	**538**	**-477**	**2,895**
Personnel costs	472	101	32	176	0	781
Depreciation/amortisation	52	37	24	48		162
Other operating expenses	512	164	52	327	-478	577
Total expenses	**1,037**	**302**	**108**	**551**	**-478**	**1,520**
Impairments loss on receivables	77	0		0	1	78
OP bonuses to owner-customers	171	2	23		0	196
Earnings before tax	**642**	**259**	**213**	**-13**	**0**	**1,101**

Net income from the Baltic countries came to EUR 7 million

Appendix 8 Balance sheet OP Financial Group banking 2015-2016

Balance sheet 31 December 2016	**Banking**	**Non-life Insurance**	**Wealth Management**	**Other operations**	**Eliminations**	**OP Financial Group**
Cash and cash equivalents	113	90	459	9,329	-520	9,471
Receivables from credit institutions	6,351	6	53	10,180	-16,253	337
Financial assets held for trading	51		0	643	-2	692
Derivative contracts	458	26	125	4,582	-459	4,732
Receivables from customers	79,144	0		683	-1,223	78,604
Investment assets	6,211	3,755	7,909	18,067	-10,837	25,105
Assets covering unit-linked contracts			9,168		0	9,168
Investments in associates	37	2	28	0	25	91
Intangible assets	62	689	374	353	-3	1,474
Property, plant and equipment (PPE)	480	46	25	332	-12	871
Other assets	294	707	335	2,104	-448	2,992
Tax assets	111	10	7	61	21	210
Total assets	**93,312**	**5,331**	**18,483**	**46,333**	**-29,712**	**133,747**
Liabilities to credit institutions	9,568			10,530	-15,428	4,669
Derivative contracts	168	17	21	4,297	-460	4,044
Liabilities to customers	54,693		3	6,815	-1,434	60,077
Insurance liabilities		3,008	7,578		0	10,586
Liabilities from unit-linked insurance and investments contracts			9,205			9,205
Debt securities issued to the public	10,357			18,955	-1,026	28,287
Provisions and other liabilities	1,889	543	262	2,094	-562	4,226
Tax liabilities	371	95	86	324	19	894
Cooperative capital	253			970	-1,147	77
Subordinated liabilities	63	135	245	1,455	-452	1,445
Total liabilities	**77,361**	**3,798**	**17,400**	**45,440**	**-20,490**	**123,509**
Equity						**10,237**

Net assets from the Baltic countries came to EUR 66 million.

Balance sheet 31 December 2015	**Banking**	**Non-life Insurance**	**Wealth Management**	**Other operations**	**Eliminations**	**OP Financial Group**
Cash and cash equivalents	130	107	230	8,451	-299	8,619
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets held for trading	939			5	-17	928
Derivative contracts	5,178	14	75	203	-398	5,072
Receivables from customers	75,633			801	-1,242	75,192
Investment assets	6,425	3,570	5,125	16,446	-10,782	20,784
Assets covering unit-linked contracts			8,640			8,640
Investments in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment (PPE)	494	47	16	299	-13	843
Other assets	1,030	666	280	617	-247	2,347
Tax assets	47	4	10	40	16	118
Total assets	**94,401**	**5,111**	**14,694**	**37,661**	**-27,412**	**124,455**
Liabilities to credit institutions	10,712			4,374	-13,414	1,673
Financial liabilities at fair value through profit or loss	0					0
Derivative contracts	4,832	15	37	192	-398	4,678
Liabilities to customers	53,586		0	6,106	-1,472	58,220
Insurance liabilities		2,917	4,788			7,705
Liabilities from unit-linked insurance and investments contracts			8,666			8,666
Debt securities issued to the public	10,971			17,893	-1,158	27,706
Provisions and other liabilities	2,122	322	98	1,704	-325	3,921
Tax liabilities	406	84	69	299	8	866
Cooperative capital	255			5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**82,963**	**3,473**	**13,939**	**37,958**	**-23,203**	**115,131**
Equity						**9,324**

Net assets from the Baltic countries came to EUR 60 million.

Appendix 9 Cash flow statement OP Financial Group 2015-2016

OP Financial Group Report by the Executive Board and Financial Statements 2016

Cash flow statement

EUR million	Notes	2016	2015
Cash flow from operating activities			
Profit for the financial year		915	853
Adjustments to profit for the financial year		577	1,430
Increase (-) or decrease (+) in operating assets		**-8,573**	**-9,052**
Receivables from credit institutions	18	99	169
Financial assets at fair value through profit or loss	19	-28	148
Derivative contracts	20	32	-6
Receivables from customers	21	-3,531	-4,003
Non-life Insurance assets	23	-150	-962
Investment assets	22	0	-4,802
Other assets	27	0	405
Increase (+) or decrease (-) in operating liabilities		**7,500**	**8,121**
Liabilities to credit institutions	29	3,025	-120
Financial liabilities at fair value through profit or loss		0	-4
Derivative contracts	30	-36	-5
Liabilities to customers	31	1,857	6,360
Non-life Insurance liabilities	32	3,061	1,328
Life Insurance liabilities	33	-185	52
Provisions and other liabilities	35	-222	511
Income tax paid		-248	-359
Dividends received		91	94
A. Net cash from operating activities		**263**	**1,087**
Cash flow from investing activities			
Increases in held-to-maturity financial assets		-3	-2
Decreases in held-to-maturity financial assets		19	85
Acquisition of subsidiaries, net of cash and cash equivalents acquired		-3	-27
Disposal of subsidiaries, net of cash and cash equivalents disposed		0	1
Purchase of PPP and intangible assets	25, 26	-308	-301
Proceeds from sale of PPE and intangible assets	25, 26	50	17
B. Net cash used in investing activities		**-246**	**-226**
Cash flow from financing activities			
Increases in subordinated liabilities	37	0	1,242
Decreases in subordinated liabilities	37	-144	-698
Increases in debt securities issued to the public	34	26,164	29,711
Decreases in debt securities issued to the public	34	-25,303	-27,444
Increases in cooperative and share capital		1,317	3,238
Decrease in cooperative and share capital		-1,118	-2,395
Dividends paid and interest on cooperative capital		-71	-30
C. Net cash used in financing activities		**845**	**3,623**
Net change in cash and cash equivalents (A+B+C)		**863**	**4,485**
POP Group banks' cash and cash equivalents*			**47**
		863	**4,531**
Cash and cash equivalents at period-start		**8,708**	**4,176**
Cash and cash equivalents at period-end		**9,571**	**8,708**