OP Financial Group's Interim Report for 1 January–30 September 2019

OP Financial Group's Interim Report 1 January–30 September 2019:

Earnings before tax EUR 706 million – income increased by three percent and expenses decreased by one percent

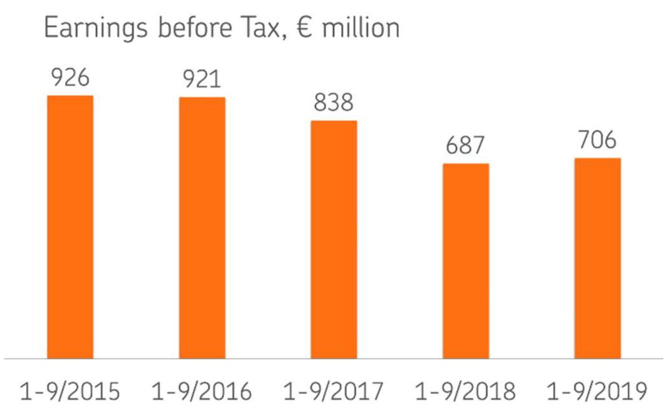
Earnings before tax Q1–3/2019	Net interest income Q1–3/2019	Net insurance income Q1–3/2019	Net commissions and fees Q1–3/2019	CET1 ratio 30 Sep 2019
€706 million	+4%	–5%	+4%	19.6%

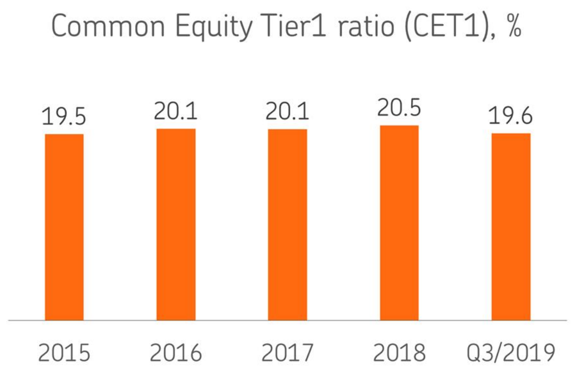
- Earnings before tax amounted to EUR 706 million (687).
- Net interest income increased by 4% to EUR 901 million and net commissions and fees by 4% to EUR 679 million. Net insurance income decreased by 5% to EUR 412 million.
- Investment income of EUR 260 million was at the previous year's level.
- Expenses of EUR 1,365 million (1,378) decreased from the previous year.
- Impairment loss on receivables totalled EUR 36 million (24).
- In the year to September, OP Financial Group's loan portfolio grew by 6% to EUR 91 billion and deposits by 2% to EUR 63 billion.
- The CET1 ratio was strong at 19.6% (20.5).
- **Retail Banking** earnings before tax were EUR 193 million (194). Net interest income and net commissions and fees increased by 5%. Net investment income decreased by EUR 16 million. The loan portfolio increased by 5% and deposits by 7% in the year to September.
- **Corporate Banking** earnings before tax fell by 22% to EUR 232 million. Net interest income increased by 9%, but net commissions and fees decreased by 14% and net investment income fell by 45%. The lower net investment income is explained by changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes and by changes in the valuation models of derivatives made at the beginning of the year. The loan portfolio grew by 9% in the year to September.
- **Insurance** earnings before tax increased by 16% to EUR 278 million. Net insurance income decreased by 5% to EUR 421 million. The operating combined ratio was 91.8% (90.5). Investment income increased by 72% to EUR 153 million, of which capital gains on investments accounted for EUR 114 million (–12).
- **Other Operations** earnings before tax were EUR 3 million (–38).
- In January–September, OP Financial Group's investments in business development and improving customer experience totalled EUR 219 million (291).
- OP bonuses totalled EUR 191 million.
- During the reporting period, the number of OP cooperative banks' owner-customers increased by 68,000 to 1.98 million. The number of OP Financial Group's joint banking and insurance customers totalled 1.3 million.
- OP Financial Group has classified the Vallila property as a non-current asset held for sale in this interim report.
- Earnings before tax for 2019 are expected to be lower than in 2018. "Outlook towards the year end" describes the outlook in greater detail.

OP Financial Group's key indicators

	Q1–3/2019	Q1–3/2018	Change, %	Q1–4/2018
Earnings before tax, € million	706	687	2.8	1,017
Retail Banking	193	194	-0.5	421
Corporate Banking	232	299	-22.4	408
Insurance	278	240	16.0	260
Other Operations	3	-38	-	-64
New OP bonuses accrued to owner-customers	-191	-171	-	-230
Return on economic capital, %**	20.3	18.7	1.6*	20.8
Return on equity (ROE), %	6.2	6.5	-0.3*	6.9
Return on equity, excluding OP bonuses, %	7.8	8.1	-0.3*	8.5
Return on assets (ROA), %	0.53	0.53	0.0*	0.57
Return on assets, excluding OP bonuses, %	0.67	0.66	0.0*	0.70
	30 Sep 2019	30 Sep 2018	Change, %	31 Dec 2018
CET1 ratio, %	19.6	20.0	-0.3*	20.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates, or Fico), % ***	137	149	-12*	147
Loan portfolio, € billion	91.0	86.0	5.8	87.1
Deposits, € billion	62.6	61.6	1.6	61.3
Ratio of non-performing receivables to loan and guarantee portfolio, %****	1.1	1.1	0.0*	1.0
Owner-customers (1,000)	1,979	1,888	4.8	1,911

*Change in ratio
**12-month rolling
***The FiCo ratio has been calculated for insurance companies using transition provisions included in solvency regulation.
****Non-performing receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables related to such receivables due to the customer's financial difficulties.





Comments by President and Group Executive Chair Timo Ritakallio

OP Financial Group's earnings before tax for January–September were quite good at EUR 706 million, up by EUR 19 million from the previous year. Our loan and deposit portfolio continued to grow strongly. In the year to September, the loan portfolio grew by 6% to EUR 91 billion and deposits by 2% to EUR 63 billion.

Our customer business developed favourably in January–September. Net interest income increased by 4,5% and net commissions and fees by 3.7%. Investment income remained at the previous year's level. Assets under management grew by 10% to EUR 79 billion. Impairment loss on receivables remained low.

Our market share continued to develop favourably, and the number of OP Financial Group's owner-customers reached 1.98 million in September. We are well on our way of achieving our goal for this year: two million owner-customers.

One of our strategic priorities is to make income grow faster than expenses. I am pleased to say that we have progressed towards this goal as planned. In January–September, income increased by three per cent and expenses decreased by one per cent, year on year.

In 2019, we have launched new services that further improve customer experience, such as SEPA Instant Credit Transfers, through which money moves from one account to another within a few seconds in the Single Euro Payments Area. More than one million people are already using OP's Mobile key that meets the requirements for strong electronic authentication.

We are transforming the working practices of OP Financial Group's central cooperative. As part of this change, we have completed the Information and Consultation of Employees process in our Corporate Banking and Insurance segments. As a result, 300 jobs ceased to exist, while 185 new roles were created. We are also transforming the working practices in our support functions, where the Information and Consultation of Employees process is currently underway. Approximately 1,900 employees work in the functions affected by the process, and it is estimated that up to 290 roles will cease to exist. By transforming our working practices, we aim to further improve the quality of customer experience and to streamline work processes by moving towards self-directed working practices.

Climate change is one of the most critical global challenges of our times. As a responsible financial services provider, we want to support solutions that mitigate climate change. In September, OP Financial Group became a Founding Signatory of the UN Principles for Responsible Banking that sets out the banking industry's responsibility in shaping a sustainable future. This year, we have particularly focused on a more effective analysis of companies seeking financing by implementing environmental, social and governance (ESG) criteria. This will help us better identify long-term risks and opportunities involved in the companies' operations. OP Corporate Bank has granted more than 500 million euros of green loans and loans based on sustainability criteria and has issued a 500-million euro Green Bond. Demand for these products is growing among both borrowers and investors.

The world economy has continued to grow steadily but at a slower-than-average rate. Meanwhile, great uncertainty prevails regarding the economic outlook. In particular, political risks have further increased which in turn has increased market swings. Due to the uncertain circumstances, interest rates have fallen, in part to historic lows or even negative. This requires continuous efficiency-enhancing measures in both banking and insurance business.

The Finnish economy has developed more favourably than the rest of the euro area. However, economic confidence has weakened and employment is no longer growing. Waning export demand is gradually reflected more and more in Finland, too. Inflation will remain low and interest rates negative for a long time.

The uncertain economic climate increases the challenges of economic policy. Consumer expectations of the Finnish economy have turned clearly weaker. Measures should now be taken on a wide front to strengthen consumer confidence and to avoid solutions in the near future that weaken the consumption and investment opportunities for households.

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Business environment

During the third quarter, world economic growth remained more subdued than the average. The sentiment in manufacturing and world trade remained weak. In the service sector, a favourable trend sustained but economic surveys on services indicated a weaker outlook.

In financial markets, news on the status of trade talks between China and the U.S. as well as Brexit and the uncertain economic outlook caused market fluctuations. The positive mood of early summer turned into pessimism in August when both interest rates and stock prices plummeted. In early autumn, equity markets rebounded while interest rates remained lower than before on a wide front.

At its September meeting, the European Central Bank (ECB) decreased its deposit facility rate from –0.4% to –0.5% and announced that it would keep its main refinancing rates at their present or lower levels until the inflation outlook is in line with the target. The interest rate payable on banks' cash reserves was changed into a two-tier interest rate system. In addition, the ECB announced that it would again start buying assets.

According to preliminary information, the Finnish economy grew at a fair pace during the third quarter, but economic confidence deteriorated. Growth in retail sales and industrial production was better than in the first half of 2019. In labour markets, the positive mood faded but employment and unemployment rates remained unchanged.

Home sales picked up during the summer. The average prices of housing company shares rose slightly on average amid the otherwise differentiated price development. The volume of housing starts was lower than a year ago but, overall, construction remained lively.

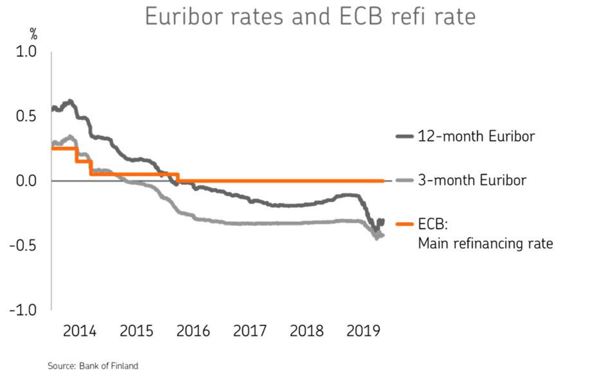
Increasing political uncertainty is overshadowing the economic outlook. Economic surveys suggest that economic growth will remain sluggish or further slow down in the near future. Inflation is slow and market rates are expected to further decline somewhat.

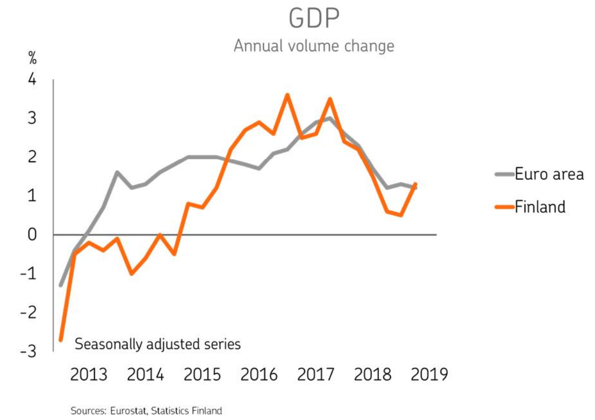
The annual growth rate of total household loans was around three per cent in the third quarter. Interest rates for new home loans drawn down continued to fall. Demand for consumer credit remained stable. Total corporate loans increased by roughly 7% year on year. The latest banking barometer anticipates a slightly positive trend in the demand for household loans and a clear decline in the demand for corporate loans.

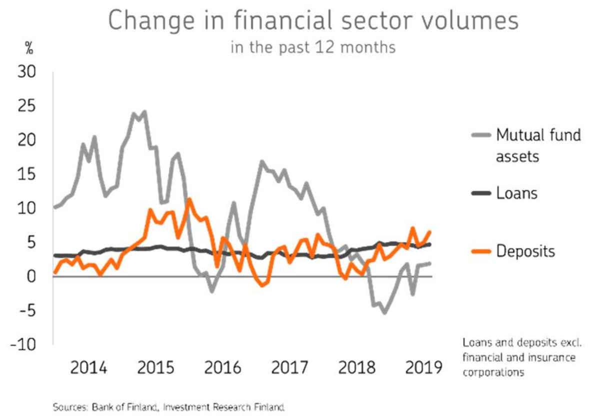
The annual growth rate of total deposits was around 7% during the reporting period, with growth being strong in both household and corporate deposits. Household deposits on current accounts grew by approximately 10% year on year.

The value of mutual funds registered in Finland increased in the third quarter by 3.1%, to EUR 120.8 billion. This increase was mainly due to positive value changes in mutual funds. Fund assets were transferred from equity funds to bond funds and balanced funds.

In the insurance sector, premiums written have made steady progress but the future outlook is overshadowed by concerns over economic development and higher claims incurred.







Earnings analysis and balance sheet

Earnings analysis, € million	Q1–3/2019	Q1–3/2018	Change, %	Q3/2019	Q3/2018	Change, %	Q1–4/2018
Earnings before tax	706	687	2.8	291	262	11.4	1,017
Retail Banking	193	194	-0.5	99	72	37.0	421
Corporate Banking	232	299	-22.4	92	87	5.9	408
Insurance	278	240	16.0	86	100	-13.9	260
Other Operations	3	-38	-	14	2	578.9	-64
Income							
Net interest income	901	862	4.5	314	293	7.0	1,166
Net insurance income	412	432	-4.8	138	154	-10.6	566
Net commissions and fees	679	655	3.7	229	212	8.4	887
Net investment income	325	290	12.1	72	82	-11.8	263
Other operating income	41	46	-11.5	6	25	-75.3	61
Total income	2,358	2,286	3.1	760	766	-0.9	2,943
Expenses							
Personnel costs	573	592	-3.1	169	178	-5.5	516
Depreciation/amortisation and impairment loss	189	189	0.0	62	58	5.6	325
Other operating expenses	602	597	0.9	181	185	-2.2	839
Total expenses	1,365	1,378	-0.9	411	422	-2.5	1,681
Impairment loss on receivables	-36	-24	-	3	-17	-	-46
Temporary exemption (overlay approach)	-65	-30	-	2	-7	-	26
New OP bonuses accrued to owner-customers	-191	-171	-	-62	-58	-	-230

The segment figures for 2018 have been changed to correspond to the new segments. In addition, the comparatives have been changed as described in the Notes, as a result of the change in presentation of trading interest income and expenses.

Key indicators, € million	30 Sep 2019	31 Dec 2018	Change, %
Loan portfolio	91,008	87,071	4.5
Home loans	39,405	38,558	2.2
Corporate loans	22,111	21,136	4.6
Housing company and other loans	29,491	27,377	7.7
Deposits	62,646	61,327	2.2
Assets under management (gross)	79,353	71,850	10.4
Mutual funds	25,131	22,653	10.9
Institutional clients	22,438	21,505	4.3
Private Banking	21,006	17,887	17.4
Unit-linked insurance savings	10,778	9,805	9.9
Balance sheet total	146,537	140,387	4.4
Investment assets	24,475	23,050	6.2
Insurance liabilities	20,729	19,288	7.5
Debt securities issued to the public	32,966	30,458	8.2
Equity capital	12,612	11,835	6.6

January–September

OP Financial Group's earnings before tax amounted to EUR 706 million (687). The figure increased by EUR 19 million over the previous year. Net interest income, net commissions and fees and net investment income increased and expenses decreased. The earnings were reduced by lower net insurance income and higher impairment loss on receivables.

Net interest income increased by 4.5% to EUR 901 million. Net interest income reported by the Retail Banking segment increased by EUR 33 million and that by the Corporate Banking segment by EUR 23 million. In the year to September, OP Financial Group's loan portfolio grew by 5.8% to EUR 91.0 billion and deposits by 1.6% to EUR 62.6 billion.

Net insurance income totalled EUR 412 million (432). The Insurance segment's non-life insurance premium revenue decreased by 0.1% to EUR 1,106 million and claims incurred increased by 3.3% to EUR 707 million. Excluding the Baltic business sold in 2018, insurance premium revenue reported by non-life insurance increased by 4.1% year on year. The operating combined ratio was 91.8% (90.5).

Net commissions and fees were EUR 679 million, or EUR 24 million higher than the year before. Net commissions and fees for payment transfer services increased by EUR 18 million, those for lending by EUR 5 million and those for health and wellbeing services by EUR 4 million. In the meantime, asset management net commissions and fees decreased by EUR 8 million.

Net investment income increased by 12.1% to EUR 325 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR 296 million (91). The 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 equity. Total investment income of EUR 260 million was at the previous year's level. Capital gains recognised totalled EUR 127 million (24). The combined return on investments at fair value of OP Financial Group's insurance companies was 10.4% (1.2). The net change in the short-term life insurance supplementary interest rate provision decreased earnings by EUR 12 million. A year ago, the net change in the short-term supplementary interest rate provision improved earnings by EUR 33 million. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 28 million over the previous year.

Other operating income fell by EUR 5 million year on year to EUR 41 million. The sale of occupational healthcare service business in the second quarter increased other operating income. In the reporting period a year ago, the entire share capital of the Baltic subsidiary Seesam Insurance AS was sold to Vienna Insurance Group (VIG). OP Financial Group recognised a total of EUR 16 million in non-recurring capital gain on the sale.

Total expenses decreased by 0.9% to EUR 1,365 million. Personnel costs decreased by 3.1% to EUR 573 million. Pension costs decreased by EUR 22 million year on year, to EUR 89 million. At the end of 2018, OP Financial Group transferred the management of the majority of statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company. As a result, the related accounting treatment changed from defined benefit plans to defined contribution plans. Development costs were EUR 125 million (149). Depreciation/amortisation and impairment loss on PPE and intangible assets were at the previous year's level at EUR 189 million. Planned depreciation/amortisation increased by 13.8% to EUR 183 million. This increase resulted from higher development expenditure recognised for prior years and from the adoption of IFRS 16 Leases on 1 January 2019. Impairment write-downs decreased by EUR 22 million year on year.

Other operating expenses increased by EUR 5 million to EUR 602 million. ICT production costs increased by EUR 24 million. The EU stability contribution increased by EUR 4 million over the previous year, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago. Rental expenses decreased by EUR 12 million due to the application of IFRS 16 in 2019.

Impairment losses on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 48 million (44), of which EUR 36 million (24) concerned loans and receivables. Growth in the loan portfolio, the transfer of loans between impairment stages and credit losses affected the increase in impairment loss on receivables. The ratio of non-performing receivables in loans and receivables to the loan and guarantee portfolio was low, at 1.1% (1.0).

OP Financial Group's current tax amounted to EUR 140 million (135). The effective tax rate was 19.9% (19.6).

In the third quarter, the Vallila property was classified as a non-current asset held for sale. The property's assets recognised in the balance sheet totalled EUR 323 million and liabilities EUR 7 million. The Vallila property comprises a block located in Vallila, Helsinki.

OP Financial Group's equity amounted to EUR 12.6 billion (11.8). Equity included EUR 3.0 billion (3.0) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The return target for Profit Shares for 2019 is 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (70). The amount of interest paid for 2018 in June 2019 totalled EUR 94 million. The fair value reserve grew by EUR 351 million to EUR 357 million from the end of 2018.

July–September

Earnings before tax amounted to EUR 291 million against EUR 262 million a year ago. This earnings improvement resulted from an increase in net interest income and net commissions and fees, a decrease in expenses and the recognition of impairment loss on receivables. Meanwhile, net insurance income fell year on year.

Total income of EUR 760 million decreased by 0.9% year on year. Year on year, net interest income rose by 7.0% to EUR 314 million. Net insurance income decreased by 10.6% to EUR 138 million. Net commissions and fees were EUR 229 million, or EUR 18 million higher than the year before. Net commissions and fees for payment transfer services increased by EUR 8 million and those for health and wellbeing services by EUR 4 million. Net investment income, including the overlay approach, were at the previous year's level at EUR 74 million. Other operating income fell by EUR 19 million year on year to EUR 6 million. A year ago, a non-recurring capital gain totalling EUR 16 million was recognised on the sale of Seesam Insurance AS in other operating income.

Total expenses decreased by 2.5% year on year to EUR 411 million. Personnel costs decreased by 5.5% to EUR 169 million. Depreciation/amortisation and impairment losses increased by 5.6% year on year to EUR 62 million. Other operating expenses decreased by 2.2% to EUR 181 million. The EU stability contribution decreased by EUR 10 million over the previous year, due to a change in the accounting practice. Impairment loss on receivables improved earnings by EUR 3 million. A year ago, impairment loss on receivables reduced earnings by EUR 17 million. The maturing of loans affected the recognition of impairment loss on receivables.

July–September highlights

Based on decisions made, OP Financial Group classified the Vallila property as a non-current asset held for sale in this Interim Report. The Vallila property owned by OP Financial Group comprises a block located in Vallila, Helsinki, which was completed in 2017. In the event of its sale, OP Financial Group would continue operating in the property under a long-term lease agreement.

OP Financial Group's strategic targets and focus areas

At its meeting on 12 June 2019, the Supervisory Board of OP Financial Group's central cooperative confirmed the Group's updated strategy. OP Financial Group has adopted a new type of strategy process in which it assesses, reshapes and implements its strategy on an ongoing basis. The Group will systematically assess its business environment and operating model to be able to make and implement new strategic choices when needed.

At the same time, the Supervisory Board confirmed OP Financial Group's vision for future direction, to be "the leading and most appealing financial services group in Finland", and a more detailed content of the vision. The Group has created the strategy and the content of the vision together with OP cooperative banks, governing bodies and personnel.

OP Financial Group's core values remained the same. OP Financial Group somewhat simplified its mission: "We promote the sustainable prosperity, security and wellbeing of our owner-customers and business environment."

Furthermore, the Supervisory Board adopted OP Financial Group's strategic priorities for 2020:

- Best customer experience
- More benefit for owner-customers
- Excellent employee experience
- Faster growth in profits than in expenses
- Productive development.

The priorities reviewed annually will help achieve the shared vision. The Supervisory Board will confirm OP Financial Group's new strategic goals and targets at its meeting on 30 October 2019.

Below are the strategic targets based on OP Financial Group's strategy confirmed in 2016.

OP Financial Group's strategic targets	30 Sep 2019	31 Dec 2018	Target 2019
Customer experience, Net Promoter Score (NPS) (-100–+100)			
Brand	24	23	25
Service encounter	61	61	70
CET1 ratio, %	19.6	20.5	22
Return on economic capital, % (12-month rolling)	20.3	20.8	22
Expenses of present-day business (12-month rolling), € million	1,835	1,833	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.98	1.91	2.0

In order to support the implementation of its strategy and vision, OP Financial Group has begun to reform its practices. A new agile way of working strengthens the experience of the meaningfulness of work and is based on self-managed teams. This change in the way of working is aimed at increasing the meaningfulness of work and wellbeing at work and thereby also improving customer experience and enhancing operational efficiency. Supported by this new concept, OP Financial Group also aims to reduce the central cooperative consolidated's total annual costs by EUR 100 million by the end of 2019. The cost savings through the measures taken by the end of the reporting period total an estimated EUR 79 million by the end of 2019.

Promotion of the success of owner-customers and business environment

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and business environment. OP'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 the reporting period that is to be confirmed after the end of the financial year:

*) Customers = OP bonuses, discounts and interest on contributions made by owner-customers

Implementing OP Financial Group's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. OP Financial Group uses a significant amount of its earnings to enhance its capital base. That will require efficiency and earnings power of the Group in the years to come.

A considerable amount of earnings is returned to the owner-customers in the form of OP bonuses and other benefits and discounts. 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. OP's loyalty benefit programme consists of OP bonuses – generated in proportion to almost all of a person's transactions with OP – as well as benefits and discounts related to OP's banking services, insurance contracts and saving and investment services. Furthermore, some service packages are available only to owner-customers. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be annually paid on Profit Shares as the banks' profit distribution.

OP Financial Group is one of the largest tax payers in Finland measured by tax on profits. By paying taxes in Finland, OP is contributing to prosperity in the whole of Finland.

Customer relationships and customer benefits

In January–September, the number of OP Financial Group's owner-customers increased by 68,000 to 1.98 million.

The number of banking customers totalled over 3.6 million (3.6) at the end of September. Private customers numbered 3.3 million (3.3) and corporate customers 0.3 (0.3) million.

Based on a revised calculation method, the number of joint banking and insurance customers totalled 1.3 million at the end of September.

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.2 billion (3.2) on 30 September 2019.

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–September totalled EUR 191 million (171). During the same period, a total of EUR 88 million (83) of bonuses were used to pay for banking and wealth management services and EUR 95 million (87) to pay insurance premiums.

In the reporting period, owner-customers benefitted EUR 24 million (23) from the reduced price of the daily retail banking package. Owner-customers were provided with EUR 52 million (50) in non-life insurance loyalty discounts. In addition, owner-customers bought, sold and switched the majority of the mutual funds without separate charges. The value of this benefit amounted to EUR 4 million (4).

The abovementioned OP bonuses and customer benefits totalled EUR 271 million (248), accounting for 27.7% (26.5) of OP Financial Group's earnings before tax and granted benefits.

Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (70). The return target for Profit Shares for 2019 is an interest rate of 3.25% (3.25).

Corporate responsibility

Corporate responsibility is an integral part of OP Financial Group's business and strategy. Corporate responsibility activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a forerunner in corporate responsibility within its sector in Finland. OP undertakes to comply with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP has agreed to follow the UN Principles for Responsible Investment since 2009.

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined managerial positions is at least 40%. Women accounted for 26% (24) at the end of September.

July–September highlights

In September, OP Financial Group became a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI). The Principles set out the banking industry's responsibility in shaping a sustainable future and aligning the sector with the objectives of the UN Sustainable Development Goals and the Paris Agreement. The 130 signatory banks are committed to promoting sustainable development. Together with 31 banks, OP Financial Group also signed the Collective Commitment to Climate Action in which OP undertakes to align its lending to reflect the principles of the Paris Agreement on a sustainable, low-carbon economy.

In July, OP and Hope ry organised the 'Backpack for every back' campaign to collect school backpacks for the third time. This year, a total of 3,000 backpacks were collected for the children of families living on limited means.

Multichannel services

OP Financial Group has a multichannel service network comprising branch, online, mobile and telephone services. OP-mobile is the main channel for daily transactions among customers. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the sector by creating ongoing and relevant encounters in all channels.

Mobile and online services, no. of logins (million)	Q1–3/2019	Q1–3/2018	Change, %
OP-mobile	220.5	171.5	28.6%
OP Business mobile	7.2	4.2	74.2%
Pivo	39.1	19.9	96.7%
Op.fi	79.1	81.1	-2.5%
	30 Sep 2019	31 Dec 2018	Change, %
Siirto payment, registered customers	659,905	522,972	26.2%

The new Payment Services Directive (PSD2) entered into force on 14 September 2019, bringing changes to web and mobile authentication. On OP-mobile and OP Business mobile, customers authenticate themselves with the Mobile key, which fulfils the requirements of strong customer authentication. At the end of September, over one million people were using the Mobile key. Customers continue to log into the op.fi service and confirm payments by using a username, password, a key code list and, if necessary, an SMS confirmation. In the near future, customers will be able to authenticate themselves to the op.fi online service also by using the Mobile key.

Despite the expansion of mobile and online services, OP Financial Group still has Finland's most extensive branch network with 354 branches (365) 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 460,000 followers (420,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own Facebook pages where they share publications targeted at local customers.

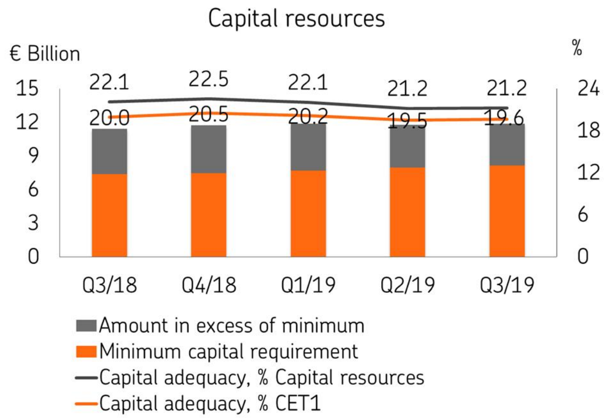
Capital adequacy and capital base

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

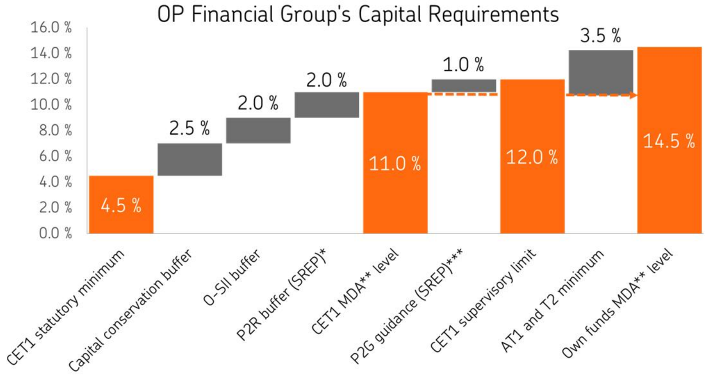
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.2 billion (3.7). Banking capital requirement rose to 14.5% (14.3), calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 137% (147). As a result of the buffer requirements for banking and 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 19.6% (20.5). The lower ratio was affected by an increase in the loan portfolio and a rise in the risk weights of retail exposures.



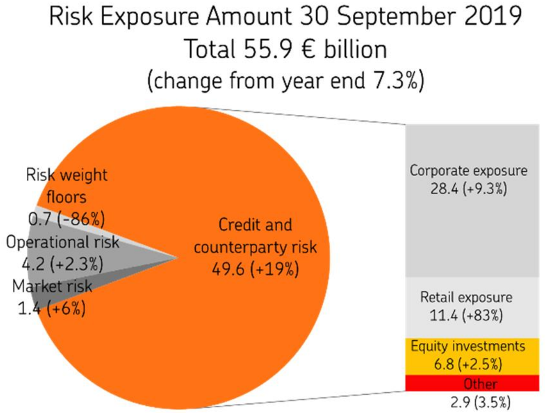
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 2% and the ECB's P2R requirement increase in practice the minimum capital adequacy ratio to 14.5% and the CET1 ratio to 11%.



* P2R supervisory Pillar II requirement ** Maximum distributable amount
*** P2G supervisory guidance, breach results enhanced supervisory measures

OP Financial Group's CET1 capital was EUR 11.0 billion (10.7). The CET1 capital was increased by banking earnings and decreased by an increase in the expected loss (EL) caused by growth in risk parameters. The amount of Profit Shares in CET1 capital was EUR 3.0 billion (2.9).

The risk exposure amount (REA) totalled EUR 55.9 billion (52.1), or 7% higher than on 31 December 2018. The risk-weight floor for retail exposures set by the ECB decreased to EUR 0.7 billion, due to an increase in the risk weights of mortgage-backed retail exposures. The average risk weights of retail exposures increased as a result of added conservatism in risk parameters and of risk parameter factors set by the ECB. The loan portfolio grew in corporate and retail exposures.



OP Financial Group treats insurance holdings within the financial and insurance conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 6.4 billion in risk-weighted assets of the Group's internal insurance holdings with a risk weight of around 280%.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. The Financial Supervisory Authority reiterated its decision in September 2019 not to impose a countercyclical capital buffer requirement on banks and to keep the risk weight floor of 15% set for home loans unchanged until the end of 2020. After the risk weights for home loans increased, the FSA's risk weight floor has no material effect on capital adequacy.

The upcoming EU regulation includes a requirement for measuring the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's banking operations is estimated at about 8.6% (8.6) based on the existing interpretations, calculated using the September-end figures. According to the draft rules, the minimum ratio is 3%.

In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include: Obligations, if any, imposed by the supervisor due to the examination (TRIM) of the ECB's internal models (IRBA), and obligations, if any, imposed by the supervisor due to the new definition of default.

Insurance

The increased value of investments strengthened the capital base of non-life insurance and life insurance companies. But then again, a fall in interest rates reduced the capital base especially in life insurance as insurance liability increased. Similarly, the increased value of investments raised the solvency requirement.

	Non-life insurance		Life insurance	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Capital base, € million*	945	818	1,325	1,297
Solvency capital requirement (SCR), € million*	717	621	690	578
Solvency ratio, %*	132	132	192	225
Solvency ratio, % (excluding transitional provision)	132	132	154	176

*including transitional provisions

ECB's supervision

OP Financial Group is supervised by the European Central Bank (ECB). On 2 February 2017, OP Financial Group received the ECB's decision to set risk weight floors for OP Financial Group's retail exposures. The relevant risk weight floors for retail exposures set by the ECB are 15.4% for mortgage-backed exposures and 32.7% for other private customer exposures.

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures. These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met. The decision has no substantial effect on OP Financial Group's capital adequacy in the current situation where both the IRBA risk weight floor set previously by the ECB and the 15% risk weight floor on home loans set by the Finnish Financial Supervisory Authority are in force.

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 and effective as of 1 March 2019 is 2% (1.75). In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect profit distribution, for example. The capital buffer requirement set for OP Financial Group is slightly below average among the banks supervised by the ECB.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at EUR 13.4 billion, accounting for 27.3% of the total risk exposure amount at the end of 2017. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio was an estimated 42% at the end of the reporting period. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

Risk exposure

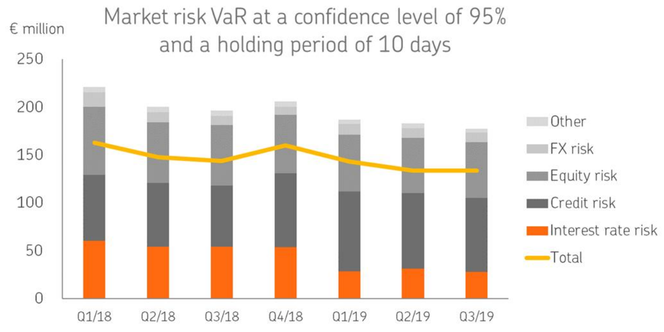
OP Financial Group's risk exposure has remained unchanged. Risk capacity is strong and secures conditions for the Group's business.

The strong risk capacity and moderate target risk exposure level maintained the Group's credit risk exposure stable.

OP Financial Group's funding position and liquidity is good. The availability of funding has remained good. During the reporting period, OP Financial Group issued long-term bonds worth EUR 2.8 billion (3.3). The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk decreased during the reporting period. The Group's VaR, a measure of market risk, was EUR

134 million (160) on 30 September 2019. It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



The Group expects its operational risks to be moderate as targeted. Materialised operational risks resulted in approximately EUR 12 million (3) in gross costs during the reporting period.

Retail Banking and Corporate Banking

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

Banking credit risk exposure remained stable and credit risk remained moderate.

	OP Financial Group		Retail Banking		Corporate Banking	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Exposures*, € billion	117.8	110.1	78.2	74.1	39.6	36.0
private customer exposure, € billion	59.1	56.4	56.9	54.5	2.1	1.9
in the highest borrower grades**, %	83.3	84.7	85.8	87.0	18.1	17.8
in other borrower grades (excluding default), %	16.0	14.7	13.5	12.3	81.2	81.6
classified as default, %	0.7	0.6	0.7	0.6	0.7	0.6
classified as default***, € billion	0.4	0.4	0.4	0.3	0.0	0.0
corporate customer exposure, € billion	52.0	48.5	19.5	18.1	32.6	30.4
in the highest borrower grades**, %	52.9	54.3	37.9	38.3	61.8	63.8
in other borrower grades (excluding default), %	46.1	44.7	60.3	59.9	37.7	35.7
classified as default, %	1.0	1.0	1.8	1.9	0.5	0.5
classified as default***, € billion	0.5	0.5	0.3	0.3	0.2	0.1
other exposures, € billion	6.7	5.2	1.8	1.5	4.9	3.7
Doubtful receivables****, € billion	3.1	3.1	2.9	2.9	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	3.3	3.4	4.2	4.5	0.9	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.0	1.3	1.3	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	2.2	2.4	2.9	3.2	0.4	0.2
Ratio of performing forborne exposures to doubtful receivables, %	66.7	69.5	68.8	71.1	42.7	36.6

*Exposures do not include OP Financial Group's credit institutions with subsidiaries or equity investments. The figures a year ago have been adjusted to be in accordance with the current monitoring.
**Private customer contracts in borrower grades A+–B-, customer exposures of corporate customers in borrower grades 1–5.5 (IG)
***Private customer contracts in borrower grade F, customer exposures of corporate customers in borrower grades 11–12
****Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The capital base covering customer exposure amounted to EUR 11.8 billion (11.4).

The most significant sectors in corporate and housing company exposures	30 Sep 209	31 Dec 2018**
Renting and operating of residential real estate*, %	17.9	18.3
Services, %	10.9	10.1
Renting and operating other real property, %	10.3	10.0
Other sectors, %	60.9	61.6
Total, %	100	100

*A total of 93.6% of exposures within Renting and Operating of Residential Real Estate were those by housing companies and 10.1% were those guaranteed by general government.
**The figures a year ago have been adjusted to be in accordance with the current monitoring.

Retail Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –24 million (–96) at the end of September. Using the new model, 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. The comparative data has been calculated as the effect of a one-percentage point interest rate decrease for the next 12-month net interest income.

Deposits within the scope of deposit guarantee (deposit insurance) and managed by OP Financial Group totalled EUR 37.9 billion (36.0) at the end of September. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

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 44 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 28 million (23).

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

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 58 million (50) on 30 September 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

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 and a faster-than-expected life expectancy increase among those insured.

A one-year increase in life expectancy would increase insurance liability by EUR 27 million (26). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 33 million (29).

Investment risks associated with separated insurance portfolios transferred from Suomi Mutual 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 separate portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 343 million (289) on 30 September 2019.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 64 million (56) on 30 September 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

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.

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

OP Financial Group secures its liquidity through a liquidity buffer 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%. On 30 September 2019, OP Financial Group’s LCR was 155% (143).

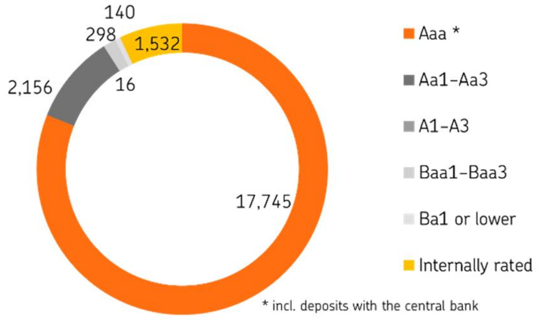
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR, which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 110% (111) at the end of September.

Liquidity buffer

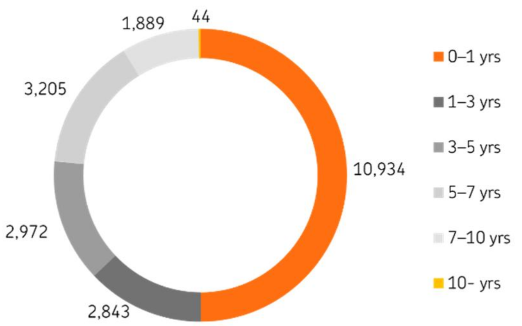
€ billion	30 Sep 2019	31 Dec 2018	Change, %
Deposits with central banks	8.7	12.2	-28.9
Notes and bonds eligible as collateral	11.2	9.2	21.9
Total	19.9	21.4	-7.1
Receivables ineligible as collateral	1.9	1.3	46.9
Liquidity buffer at market value	21.8	22.7	-4.0
Collateral haircut	-0.8	-0.7	-
Liquidity buffer at collateral value	21.0	22.0	-4.8

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

Financial assets included in the liquidity buffer by credit rating on
30 September 2019, € million



Financial assets included in the liquidity buffer by maturity on
30 September 2019, € million



Credit ratings

30 Sep 2019

Rating agency	Short-term debt	Outlook	Long-term debt	Outlook
Standard & Poor's	A-1+	Stable	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.

The credit ratings did not change in the reporting period.

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Private and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). The health and wellbeing business is included in the Insurance segment. 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 amounted to EUR 193 million (194).
- Total income increased by 2.4%. Net interest income increased by 5.1% year on year and net commissions and fees by 5.2%.
- Total expenses increased by 0.8% to EUR 859 million. Other operating expenses increased by 3.3% due to the stability contribution, ICT costs and higher volumes.
- The loan portfolio increased by 4.6% and the deposit portfolio by 6.6% in the year to September.
- Impairment losses were EUR 25 million (18). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.
- The most significant Retail Banking development investments involved the upgrades of payment and finance systems.

Key figures and ratios

€ million	Q1–3/2019	Q1–3/2018	Change, %	Q1–4/2018
Net interest income	691	658	5.1	886
Net commissions and fees	530	504	5.2	677
Net investment income	-16	0	-	9
Other income	32	45	-30.4	62
Total income	1,237	1,207	2.4	1,635
Personnel costs	316	320	-1.3	225
Depreciation/amortisation and impairment loss	34	39	-12.7	84
Other operating expenses	509	493	3.3	678
Total expenses	859	852	0.8	987
Impairment loss on receivables	-25	-18	-	-33
OP bonuses to owner-customers	-160	-143	-	-194
Earnings before tax	193	194	-0.5	421
Cost/income ratio, %	69.5	70.6	-1.1*	60.4
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.3	1.4	-0.1*	1.3
Return on assets (ROA), %	0.26	0.28	-0.02*	0.43
Return on assets, excluding OP bonuses, %	0.48	0.48	-0.01*	0.63
€ million				
Home loans drawn down	5,849	5,729	2.1	7,633
Corporate loans drawn down	2,033	1,666	22.0	2,335
No. of brokered residential property and property transactions	9,057	9,180	-1.3	12,158

€ billion	30 Sep 2019	30 Sep 2018	Change, %	31 Dec 2018
Loan portfolio				
Home loans	39.4	38.3	2.8	38.6
Corporate loans	7.9	7.4	6.9	7.4
Housing company and other loans	20.3	18.9	7.4	19.1
Total loan portfolio	67.6	64.6	4.6	65.0
Guarantee portfolio	0.7	0.6	19.5	0.6
Deposits				
Current and payment transfer	34.9	32.6	7.0	32.6
Investment deposits	18.9	17.8	6.0	18.1
Total deposits	53.8	50.4	6.6	50.8

*Change in ratio

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

The loan portfolio increased in the year to September by 4.6% to EUR 67.6 billion. In January–September, new home loan drawdowns increased by 2.1% year on year. The home loan portfolio increased in the year to September by 2.8% to EUR 39.4 billion. Customers showed continued interest in protecting home loans and housing company loans against various risks. At the end of the reporting period, 23.3% (20.1) of private customer home loans were covered by the interest rate protection.

The corporate loan portfolio grew strongly despite the weaker-than-average economic growth. The portfolio increased by 6.9% to EUR 7.9 billion in the year to September.

The deposit portfolio increased in the year to September by 6.6% to EUR 53.8 billion. The increase came from current and payment transfer accounts as well as from investment deposits, with household deposits showing the strongest growth. Following a strong growth rate in the first half of 2019, the growth in corporate customer deposits levelled off.

The aggregate number of investor and saver customers grew by almost 32,000 in the reporting period, totalling around 827,000 on 30 September 2019.

Home sales picked up during the summer. In the third quarter, the volume of homes and real property sold and bought through the OP Koti real estate agents increased by 8.8% year on year. The volume of transactions brokered in the reporting period decreased by 1.3% year on year.

OP has been involved in developing a digital platform for selling and purchasing a home (DIAS), together with other banks, real estate businesses, a technology firm and authorities.

The digitalisation of the system for selling and purchasing housing company shares started in the beginning of 2019 and will progress in stages. At the end of the third quarter, housing company shares were bought and sold digitally virtually on a daily basis.

An extensive PSD2 regulatory changes project was completed during the reporting period. This included the implementation of external account and payment interfaces and changes in strong electronic authentication. Furthermore, OP Financial Group's card renewals progressed as planned.

Financial performance for the reporting period

Retail Banking earnings before tax were EUR 193 million (194). As a result of an increase in the loan portfolio and a decrease in funding costs, net interest income grew by 5.1% to EUR 691 million (658). Net commissions and fees rose by 5.2% to EUR 530 million (504). Net investment income and other income decreased year on year. Income increased by a total of 2.4%.

Total expenses increased by 0.8% to EUR 859 million (852). Personnel costs decreased by 1.3% to EUR 316 million (320). Other operating expenses increased by 3.3% to EUR 509 million (493). Other operating expenses were increased by a 16-million euro rise in ICT costs. Higher other operating expenses were also explained by the EU stability contribution that increased by EUR 2 million from the previous year, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago. The cost/income ratio was 69.5% (70.6).

Impairment loss on receivables increased to EUR 25 million (18). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.

Corporate Banking

- Earnings before tax amounted to EUR 232 million (299).
- Total income decreased by 8.4%. Net interest income increased by 9.0% year on year and net commissions and fees decreased by 14.4%. Net investment income fell by 44.5% as result of changes in the valuation models of derivatives made in the beginning of the year, CVA valuation and lower capital gains than a year ago.
- Total expenses increased to EUR 207 million (190). Other operating expenses rose by 15.5%, due to the EU stability contribution and higher ICT costs.
- The loan portfolio increased by 9.1% and the deposit portfolio decreased by 16.4% in the year to September. Assets under management increased by 9.4% from their year-end 2018 level.
- Impairment losses amounted to EUR 11 million (6). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant Corporate Banking segment's development investments involved the upgrades of payment, finance and asset management systems.

Key figures and ratios

€ million	Q1–3/2019	Q1–3/2018	Change, %	Q1–4/2018
Net interest income	281	258	9.0	350
Net commissions and fees	87	102	-14.4	130
Net investment income	73	132	-44.5	165
Other income	20	13	61.7	20
Total income	462	504	-8.4	664
Personnel costs	56	60	-6.5	45
Depreciation/amortisation and impairment loss	15	13	20.7	21
Other operating expenses	136	117	15.5	166
Total expenses	207	190	8.9	232
Impairment loss on receivables	-11	-6	-	-12
OP bonuses to owner-customers	-12	-10	-	-14
Earnings before tax	232	299	-22.4	408
Cost/income ratio, %	44.8	37.7	7.1*	34.9
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.5	0.1*	0.4
Return on assets (ROA), %	0.83	1.16	-0.28*	1.43
Return on assets, excluding OP bonuses, %	0.88	1.20	-0.27*	1.47
€ billion	30 Sep 2019	30 Sep 2018	Change, %	31 Dec 2018
Loan portfolio				
Corporate loans	14.3	13.5	6.4	13.8
Housing company and other loans	9.4	8.2	14.6	8.5
Total loan portfolio	23.7	21.7	9.1	22.3
Deposits	10.1	12.1	-16.4	11.2
Assets under management (gross)				
Mutual funds	25.1	24.4	3.2	22.7
Institutional clients	22.4	23.4	-4.2	21.5
Private Banking	9.2	8.3	10.5	7.6
Total (gross)	56.7	56.1	1.2	51.7
€ million	Q1–3/2019	Q1–3/2018	Change, %	Q1–4/2018
Net inflows				
Private Banking clients	76	69	9.1	67
Institutional clients	-18	-91	-	363
Total	57	-22	-	430

*Change in ratio

OP Financial Group's Corporate Banking segment consists of banking and wealth 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 and OP Property Management Ltd.

The loan portfolio increased in the year to September by 9.1% to EUR 23.7 billion. The deposit portfolio decreased in the year to September by 16.4% to EUR 10.1 billion.

The most significant Corporate Banking development investments involved the upgrades of payment, finance and asset management systems. During the reporting period, OP expanded the OP Car Finance service to also cover car sales between consumers. OP Car Finance is granted by OP Corporate Bank plc. Demand for capital market products increased from the previous year.

In April, OP introduced incoming SEPA instant credit transfers to its customers that enable them to receive real-time SEPA instant credit transfers from other financial institutions within the single European payment area. Starting from October, OP will offer its customers both incoming and outgoing real-time SEPA instant credit transfers. This major change will be carried out in stages in different channels.

Within Asset Management, net assets inflow increased year on year, to EUR 57 million. Assets under management increased by 9.4% from their year-end 2018 level to EUR 56.7 billion. Assets under management included about EUR 11 billion (11) in assets of the companies belonging to OP Financial Group.

The number of OP Mutual Fund unitholders increased by about 41,000 in gross terms to 819,000 during the reporting period. The Morningstar rating for OP Mutual Funds was 3.13 (3.04).

Investors have shown increasing interest in sustainability themed funds. During the reporting period, OP and Finnfund announced that they would establish Finland's first global impact fund investing in emerging markets. OP Finnfund Global Impact Fund I will promote the achievement of the UN Sustainable Development Goals in a measurable way.

Financial performance for the reporting period

Earnings before tax were EUR 232 million (299). Total income amounted to EUR 462 million (504) and total expenses to EUR 207 million (190). The cost/income ratio weakened to 44.8% (37.7). Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.0% to EUR 281 million.

Net commissions and fees totalled EUR 87 million (102). Asset management net commissions and fees accounted for 0.20% of the gross amount of the assets under management. A decrease in other net commissions and fees is mainly due to OP Financial Group's internal charges.

Corporate Banking segment's net commissions and fees

€ million	Q1–3/2019	Q1–3/2018	Change, %
Mutual funds	79	78	1.4
Portfolio management	11	16	-29.3
Other	-3	8	-132.8
Total	87	102	-14.4

Net investment income fell by 44.5% to EUR 73 million. Net investment income a year ago was increased by EUR 15 million in a non-recurring capital gain. CVA valuation weakened the income by EUR 15 million whereas a year ago it improved the income by EUR 13 million. Changes made in the valuation models of derivatives in the beginning of the year reduced net investment income by EUR 28 million.

Total expenses increased to EUR 207 million (190). Personnel costs decreased by 6.5% to EUR 56 million. Other operating expenses increased by 15.5% to EUR 136 million. ICT costs increased by EUR 17 million. In addition, higher other operating expenses than a year ago were explained by the EU's stability contribution of EUR 2 million, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago.

Impairment loss on receivables totalled EUR 11 million (6). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Insurance

- Earnings before tax amounted to EUR 278 million (240), improved by higher capital gains on investment.
- Insurance premium revenue by non-life insurance decreased by 0.1% (excluding the Baltic business sold in 2018, it increased by 4.1%).
- Investment income totalled EUR 153 million (89), including the overlay approach. Net return on investments at fair value reported by non-life insurance was EUR 50 million (48) and that by life insurance EUR 39 million (65).
- The non-life insurance operating combined ratio was 91.8% (90.5) and operating risk ratio 65.3% (63.6). The operating cost ratio was 26.5% (26.9).
- In life insurance, unit-linked insurance savings increased by 9,9% to EUR 10.8 billion from the 2018-end level.
- Development investments focused on development of electronic services and the core system upgrade.

Key figures and ratios

€ million	Q1–3/2019	Q1–3/2018	Change, %	Q1–4/2018
Insurance premium revenue	1,106	1,107	-0.1	1,466
Claims incurred	707	685	3.3	917
Life insurance, net risk results	22	21	2.5	29
Net insurance income	421	443	-5.1	578
Life insurance, net commissions and fees	76	82	-7.1	115
Non-life insurance, net commissions and fees	-33	-40	-	-50
Health and wellbeing, net commissions and fees	11	8	43.8	11
Net commissions and fees	54	50	8.2	75
Net investment income	218	116	87.1	63
Other net income	6	13	-56.0	14
Total income	698	623	12.2	730
Personnel costs	100	91	9.5	127
Depreciation/amortisation and impairment loss	42	57	-27.4	89
Other operating expenses	200	193	3.5	263
Total expenses	341	342	-0.1	480
OP bonuses to owner-customers	-14	-14	-	-18
Temporary exemption (overlay approach)	-65	-27	-	29
Earnings before tax	278	240	16.0	260
Return on assets (ROA), %	1.25	1.08	0.17*	0.96
Return on assets, excluding OP bonuses, %	1.31	1.15	0.17*	1.02
Operating combined ratio (non-life), %	91.8	90.5		92.0
Operating risk ratio (non-life), %	65.3	63.6		64.5
Operating cost ratio (non-life), %	26.5	26.9		27.4
Operating ratio (life), %	40.9	34.4		36.4

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance plus the health and wellbeing business. The segment includes Pohjola Insurance Ltd, A-Insurance Ltd, Eurooppalainen Insurance Company Ltd, OP Life Assurance Company Ltd and Pohjola Hospital Ltd.

OP Financial Group adopted the Pohjola brand in its non-life insurance business from 1 June 2019 when the business name of OP Insurance Ltd was changed to Pohjola Insurance Ltd. At the same time, the business name of Pohjola Health Ltd was changed to Pohjola Hospital Ltd.

Key development investments focused on the development of electronic transaction and purchase services, the conversion of the separated individual life insurance portfolio into a new management system and the non-life insurance basic system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policyholders. The Insurance segment actively developed electronic services and investment products for saving through insurance.

Unit-linked insurance savings increased by 9,9% to EUR 10.8 billion from their 2018-end level, as a result of the favourable value performance of assets. Net assets inflow of unit-linked insurance contracts amounted to EUR –57 (269) million.

Pohjola Hospital has sharpened its strategy and will focus on orthopaedics and sports clinic activities. As part of this change, Pohjola Hospital sold its occupational healthcare service business to Mehiläinen on 1 June 2019.

Customers have been satisfied with services provided by Pohjola Hospital. Among surgery customers, the NPS figure was 96 (96) in January–September 2019.

Financial performance for the reporting period

Earnings before tax amounted to EUR 278 million (240). Net insurance income totalled EUR 421 million (443). The figure a year ago included EUR 16 million in net insurance income of the sold Baltic business.

Non-life insurance premium revenue

€ million	Q1–3/2019	Q1–3/2018	Change, %
Private Customers	620	598	3.7
Corporate Customers	487	465	4.6
Baltics	-	44	-
Total	1,106	1,107	-0.1

Insurance premium revenue from both private and corporate customers increased in non-life insurance. It increased by 4.1%, excluding the sold Baltic business included in the figure a year ago.

Claims incurred, excluding the Baltic figures, increased by 7.3%. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 60 (74) in January–September, with their claims incurred retained for own account totalling EUR 62 million (79). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 2 million (2).

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 15 million (33). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 65.3% (63.6).

Net commissions and fees rose by 8.2% to EUR 54 million.

Investment income

€ million	Q1–3/2019	Q1–3/2018
At fair value through other comprehensive income	145	81
At fair value through profit or loss	317	21
Amortised cost	2	6
Life insurance items*	-243	8
Unwinding of discount (non-life)	-21	-21
Associated companies	17	21
Net investment income	218	116
Overlay approach	-65	-27
Total	153	89

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

Earnings were increased by investment income that amounted to EUR 153 million (89), including the overlay approach. Capital gains on investment amounted to EUR 50 million (–6) in non-life insurance and EUR 64 million (–6) in life insurance.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. The net change in the short-term life insurance supplementary interest rate provision decreased earnings by EUR 12 million. A year ago, the net change in the short-term supplementary interest rate provision improved earnings by EUR 33 million. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 534 million (341) on 30 September 2019. Short-term supplementary interest rate provisions accounted for EUR 55 million (44) of these provisions.

Total expenses decreased by 0.1% to EUR 341 million. The figure a year ago includes EUR 8.7 million in operating expenses of the Baltic business sold in 2018. In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 26.5% (26.9).

The operating combined ratio was 91.8% (90.5) in non-life insurance. The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions.

Investment

Non-life insurance: key investment indicators

€ million	Q1–3/2019	Q1–3/2018
Net return on investments at fair value, € million*	50	48
Return on investments at fair value, %	9.5	0.9
Fixed-income investments' running yield, %	1.4	1.5
	30 Sep 2019	31 Dec 2018
Investment portfolio, € million	3,877	3,730
Investments within the investment grade category, %	91	94
A-rated receivables, minimum, %	59	62
Modified duration, %	4.5	4.3

*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: key investment indicators*

€ million	Q1–3/2019	Q1–3/2018
Net return on investments at fair value, € million**	39	65
Return on investments at fair value, %	11.4	1.2
Fixed-income investments' running yield, %	1.3	1.4
	30 Sep 2019	31 Dec 2018
Investment portfolio, € million	3,653	3,644
Investments within the investment grade category, %	89	95
A-rated receivables, minimum, %	64	66
Modified duration, %	4.1	4.1

*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.

Other Operations

Key figures and ratios

€ million	Q1–3/2019	Q1–3/2018	Change, %	Q1-4/2018
Net interest income	-48	-34	-	-48
Net commissions and fees	5	4	34.4	6
Net investment income	37	34	9.0	21
Other operating income	446	401	11.2	548
Total income	440	404	8.8	527
Personnel costs	101	119	-15.1	120
Depreciation/amortisation and impairment loss	98	80	22.5	131
Other operating expenses	237	242	-2.1	339
Total expenses	437	442	-1.1	590
Impairment loss on receivables	0	0	-	1
Earnings before tax	3	-38	-	-64

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

Financial performance for the reporting period

Earnings before tax amounted to EUR 3 million (–38). An increase in other operating income and a decrease in personnel costs improved earnings. Total income increased by 8.8% to EUR 440 million.

Net interest income was EUR –48 million (–34). Wholesale funding and liquidity costs decreased net interest income over the previous year. Net investment income increased by 9.0% to EUR 37 million. The earnings effect of EUR 14 million arising from early repayment in September of TLTRO II funding and the discontinuance of related fair value hedge accounting improved net income from financial assets held for sale. The Group made related early repayment of EUR 2 billion. Meanwhile, a fall of capital gains by EUR 14 million decreased net investment income.

Other operating income rose by EUR 11.2% to EUR 446 million due to higher intra-Group charges.

Total expenses decreased by 1.1% year on year to EUR 437 million. Personnel costs decreased by 15.1% to EUR 101 million. Depreciation/amortisation and impairment loss on PPE and intangible assets increased by 22.5% to EUR 98 million. Planned depreciation/amortisation increased by 41.5% to EUR 94 million. This increase resulted from higher development expenditure recognised for prior years and from the adoption of IFRS 16 Leases on 1 January 2019. Impairment write-downs decreased by EUR 9 million year on year.

Other operating expenses fell by 2.1% to EUR 237 million. Rental expenses decreased by EUR 5 million due to the application of IFRS 16 in 2019.

In the third quarter, the Vallila property was classified as a non-current asset held for sale. The property's assets recognised in the balance sheet totalled EUR 323 million and liabilities EUR 7 million. The Vallila property comprises a block located in Vallila, Helsinki.

In September, the average margin of OP Financial Group's senior wholesale funding, TLTRO-II funding and covered bonds was 16 basis points (14). Covered bonds are reported as part of the Retail Banking segment.

OP Financial Group issued long-term senior bonds worth EUR 1.0 billion between January and September. Of those bonds the Group issued in the international capital market a senior unsecured green bond of EUR 500 million with a maturity of five years. The inaugural green bond is targeted at international responsible institutional investors. Proceeds raised with the green bond are allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

In June, OP Financial Group issued its first new senior non-preferred bond of EUR 500 million with a maturity of five years. The senior non-preferred bonds meet the minimum requirement for own funds and eligible liabilities (MREL) of OP Financial Group set by the SRB.

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–September totalled EUR 219 million (291). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 93 million (142).

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 ICT infrastructure services used by OP, such as mainframe, server and capacity services. The agreement also includes data centre and cloud services.

More detailed information on OP Financial Group's investments can be found in each business segment's section in this Interim Report.

Personnel

On 30 September 2019, OP Financial Group had 12,293 employees (12,066). The number of employees averaged 12,421 (12,339). The higher number of employees was due to recruitments for customer relationship management and financial crime prevention.

Personnel at period end

	30 Sep 2019	31 Dec 2018
Retail Banking	7,483	7,515
Corporate Banking	875	780
Insurance	2,054	1,872
Other Operations	1,881	1,899
Total	12,293	12,066

During the reporting period, 222 OP Financial Group employees (260) retired at an average age of 61.8 years (61.8).

The Information and Consultation of Employees process regarding OP Financial Group's Corporate Banking and Insurance segments started on 26 August 2019 and ended on 8 October 2019. The segments' organisational structures will be amended to support the new self-directed practices. Approximately 3,000 employees work in the organisations covered by the process. As a result of the negotiations, 300 jobs will cease to exist, while 185 new roles will be created. The organisations that will follow the new practices will take effect on 1 January 2020.

OP Financial Group is planning to simplify the structure of its central cooperative to further improve the quality of customer experience. At the same time, the Group intends to increase self-management in the support functions. The plan aims to achieve cost savings of EUR 18 million by the end of 2020.

If implemented, the plan would change organisational structures and roles. Therefore, the plan will be discussed together with employee representatives through the Information and Consultation of Employees process. The process began on 7 October 2019 and will last at least six weeks unless the parties concerned agree on terminating the process earlier. Approximately 1,900 employees work in the functions covered by the plan, and it is estimated that up to 290 roles will cease to exist.

Sakari Lehtinen (49), M.Sc. (Econ. & Bus. Adm.) and CIA, has been appointed OP Financial Group's Chief Audit Executive as of 1 May 2019. He will report to Timo Ritakallio, OP Financial Group's President and Group Executive Chair, and to the Audit Committee of OP Cooperative's Supervisory Board.

Tony Vepsäläinen, Vice Chair of the Executive Board of OP Financial Group's central cooperative, Deputy to President and Group Executive Chair, and Executive Vice President, Group Services, will retire on 31 December 2019. Vepsäläinen has been a member of the Executive Board since 2006.

OP Financial Group maintained its position as the most appealing employer in the financial services sector, based on the annual employer branding survey among students conducted in May. Students in commercial studies, law and humanities voted OP as the most appealing employer in the financial sector.

OP Financial Group's scheme for variable remuneration comprises short-term company-specific remuneration and long-term Group-wide remuneration. The long-term remuneration scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff.

A long-term management remuneration scheme has been confirmed for 2017–2019. OP Financial Group's personnel fund remuneration scheme continues with one-year performance periods.

In drawing up the incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2017–2019 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance metrics: OP Financial Group's EBT, customer experience and growth in the use of mobile services (digital services). The Group-level targets are the same in the management incentive scheme and in OP Financial Group's Personnel Fund.

On 12 June 2019, the Supervisory Board of OP Financial Group's central cooperative decided that the remuneration scheme for all personnel be updated as of 2020.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period include the accounts of 149 OP cooperative banks (156) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Mellilän Osuuspankki merged into Niinijoen Osuuspankki. Following the merger, the business name of Niinijoen Osuuspankki changed to Niinijokivarren Osuuspankki. The execution of the merger was registered on 28 February 2019.

Merimaskun Osuuspankki merged into Turun Seudun Osuuspankki. The execution of the merger was registered on 30 April 2019.

Kalkkisten Osuuspankki merged into Järvi-Hämeen Osuuspankki. The execution of the merger was registered on 30 April 2019.

Akaan Seudun Osuuspankki and Valkeakosken Osuuspankki merged into Urjalan Osuuspankki on 7 March 2019. Consequently, the business name of Urjalan Osuuspankki changed to Etelä-Pirkanmaan Osuuspankki. The execution of the merger was registered on 31 August 2019.

Länsi-Uudenmaan Osuuspankki merged into Keski-Uudenmaan Osuuspankki. Consequently, the business name of Keski-Uudenmaan Osuuspankki changed to Uudenmaan Osuuspankki. The execution of the merger was registered on 30 September 2019.

Sonkajärven Osuuspankki merged into Ylä-Savon Osuuspankki. The execution of the merger was registered on 30 September 2019.

The planned merger between Kannuksen Osuuspankki and Suomenselän Osuuspankki was cancelled due to an error in the registration process. The merger process was resumed from the beginning.

Pihtiputaan Osuuspankki and Keski-Suomen Osuuspankki accepted a merger plan on 7 May 2019, according to which the former will merge into the latter. The planned date for registration of the merger is 31 October 2019.

Metsämaan Osuuspankki and Humppilan Osuuspankki accepted a merger plan on 11 June 2019, according to which the former will merge into the latter. Consequently, the business name of Humppilan Osuuspankki will change to Humppilan-Metsämaan Osuuspankki. The planned date for registration of the merger is 31 December 2019.

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.

Pohjola Insurance Ltd and Eurooppalainen Insurance Company Ltd accepted a merger plan on 15 March 2019, according to which the latter will merge into the former. The Finnish Financial Supervisory Authority approved the merger plan on 17 September 2019. The planned date for registration of the merger is 31 October 2019.

Pohjola Insurance Ltd and A-Insurance Ltd accepted a merger plan on 29 May 2019, according to which the latter will merge into the former. The planned date for registration of the merger is 31 March 2020. The merger is subject to approval from the Finnish Financial Supervisory Authority.

On 11 and 14 June 2019, OP Card Company Plc and OP Customer Services Ltd accepted a merger plan, according to which the latter will merge into the former. The planned date for registration of the merger is 30 November 2019.

The planned merger of OP Corporate Bank plc and Checkout Finland Oy has been cancelled.

OP Cooperative sold the entire share capital of OP Custody Ltd to OP Corporate Bank plc. The transaction was completed on 31 August 2019.

On 24 April 2019 and on 23 April 2019, OP Corporate Bank plc and OP Custody Ltd decided to transfer OP Corporate Bank's custody and clearing business and its custodian business to OP Custody Ltd. The business transfer is scheduled for 1 November 2019.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 20 March 2019.

The Meeting re-elected for the term of three years ending in 2022 the following members to the Supervisory Board who were due to resign: entrepreneur Leif Enberg, lawyer Taija Jurmu, senior lecturer Marja-Liisa Kaakko, professor Petri Sahlström and senior lecturer Mervi Väisänen.

New Supervisory Board members elected were Managing Director Mika Helin, Managing Director Saila Rosas, agriculture and forestry entrepreneur Timo Saukkonen and entrepreneur Carolina Sandell. With the exception of Mika Helin and Saila Rosas, the term of office of the new Supervisory Board members is 2019–2022. The terms of office of Mika Helin and Saila Rosas are 2019–2020 and 2019–2021, respectively.

The Supervisory Board comprises 36 members.

At its reorganising meeting, the Supervisory Board elected the presiding officers of the Supervisory Board. Professor of Economics Jaakko Pehkonen was re-elected the Chair and Senior Lecturer in Marketing Mervi Väisänen and Managing Director Olli Tarkkanen Vice Chairs.

Along with the presiding officers, the Supervisory Board's five committees have a key role in Supervisory Board work. The Supervisory Board Chair chairs the Supervisory Board Working Committee, Remuneration Committee and the central cooperative consolidated Executive Board's Nomination Committee. The Supervisory Board Audit Committee is chaired by Riitta Palomäki, M.Sc. (Econ. & Bus. Adm.), and the Risk Management Committee by Arto Ylimartimo, M.Sc. (Econ. & Bus. Adm.), Chair of the Board of Directors.

The Annual Cooperative Meeting of 20 March 2019 decided to alter the central cooperative's Bylaws. The purpose of the alteration of the Bylaws is to adopt a three-tier governance structure (President and Group Chief Executive Officer – Board of Directors – Supervisory Council). This means that, instead of the current internal Executive Board, the central cooperative will have a Board of Directors consisting of members who are not directors of the central cooperative. In the new structure, the Board of Directors will be responsible for the central cooperative's decision-making, except for decisions of principle which are significant to the entire OP Financial Group and defined in the Bylaws as requiring the Supervisory Council's approval. The Board of Directors will also be responsible for central cooperative supervision. The adopted Bylaws and the new governance structure will enter into force on 1 January 2020.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2019, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Events after the reporting period

Change in accounting policies

OP Financial Group is planning to adopt an amortisation-based revenue recognition method for a customer margin related to the derivative clause attached to loans with an interest rate cap or interest rate collar. In accordance with its current accounting policies, OP Financial Group has recognised the fair value of the customer margin related to the derivative clause attached to loans with an interest rate cap or interest rate collar at a single point in time. After the change, customer margin would accrue net interest income as the customer pays to OP Financial Group the additional margin related to the derivative clause.

Based on the plan, the effect of the change would be adjusted retrospectively in OP Financial Group's retained earnings (under equity) during the fourth quarter. In addition, the income statements for 2018 and 2019 would be restated to reflect the new revenue recognition practice. The change will have no effect on segment reporting.

The restatements will have no material effect on OP Financial Group's earnings for 2019. Based on a preliminary estimate, the restatement will decrease OP Financial Group's CET1 ratio by 0.2 percentage points.

OP Financial Group continues to review options for selling the Vallila property

Negotiations on the sale of the Vallila property have proceeded more slowly than predicted, and it is not certain that the sale will be completed during 2019. Should the sale of the property take place, it is estimated to improve OP Financial Group's Common Equity Tier (CET1) ratio by 0.2 percentage points. OP Financial Group will continue to review options for selling the Vallila property. In the event of its sale, OP Financial Group would continue operating in the property under a long-term lease agreement.

Outlook towards the year end

In the financial markets, the positive mood of early summer turned into pessimism in August when both interest rates and stock prices plummeted. In early autumn, equity markets rebounded while interest rates remained lower than before on a wide front. At its September meeting, the European Central Bank (ECB) announced that it would keep its main refinancing rates at their present or lower levels until the inflation outlook is in line with the target. The uncertain financial market environment and the prolonged, exceptionally low interest rates are putting a strain on financial institutions.

OP Financial Group's earnings before tax for 2019 are expected to be lower than in 2018. The most significant uncertainties in respect of the financial performance relate to interest rates, developments in capital markets and impairment losses.

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

Income statement

EUR million	Notes	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Net interest income	3	901	862	314	293
Net insurance income	4	412	432	138	154
Net commissions and fees	5	679	655	229	212
Net investment income	6	325	290	72	82
Other operating income		41	46	6	25
Total income		**2,358**	**2,286**	**760**	**766**
Personnel costs		573	592	169	178
Depreciation/amortisation		189	189	62	58
Other expenses	7	602	597	181	185
Total expenses		**1,365**	**1,378**	**411**	**422**
Impairments loss on receivables	8	-36	-24	3	-17
OP bonuses to owner-customers		-186	-167	-62	-58
Temporary exemption (overlay approach)		-65	-30	2	-7
Earnings before tax		**706**	**687**	**291**	**262**
Income tax expense		140	135	59	44
Profit for the period		**566**	**552**	**232**	**218**
Attributable to:					
Profit for the period attributable to owners		559	545	228	214
Profit for the period attributable to non-controlling interest		7	8	4	4
Profit for the period		**566**	**552**	**232**	**218**

Statement of comprehensive income

EUR million	Notes	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Profit for the period		**566**	**552**	**232**	**218**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-30	126	-5	88
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		149	-101	-5	-21
Cash flow hedge		226	-12	77	-25
Temporary exemption (overlay approach)		64	30	-3	7
Translation differences		0	0	0	0
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		6	-25	1	-18
Items that may be reclassified to profit or loss					
Measurement at fair value		-30	20	1	4
Cash flow hedge		-45	2	-15	5
Temporary exemption (overlay approach)		-13	-6	1	-1
Total comprehensive income for the period		**893**	**586**	**284**	**257**
Attributable to:					
Total comprehensive income for the period attributable to owners		886	578	280	253
Total comprehensive income for the period attributable to non-controlling interests		7	8	4	4
Total comprehensive income for the period		**893**	**586**	**284**	**257**

Balance sheet

EUR million	Notes	30 Sep 2019	31 Dec 2018
Cash and cash equivalents		8,792	12,350
Receivables from credit institutions		367	183
Derivative contracts	16	5,990	3,643
Receivables from customers	18	91,014	87,081
Investment assets		24,475	23,050
Assets covering unit-linked contracts		10,750	9,771
Intangible assets		1,445	1,490
Property, plant and equipment (PPE)		544	737
Other assets		2,590	1,875
Tax assets		248	209
Non-current assets held for sale		323	
Total assets		**146,537**	**140,387**
Liabilities to credit institutions		2,597	4,807
Derivative contracts		3,975	2,992
Liabilities to customers		66,503	66,112
Insurance liabilities	9	9,940	9,476
Liabilities from unit-linked insurance and investment contracts	9	10,788	9,812
Debt securities issued to the public	10	32,966	30,458
Provisions and other liabilities		4,775	2,617
Tax liabilities		1,056	921
Subordinated liabilities		1,319	1,358
Liabilities associated with non-current assets held for sale		7	
Total liabilities		**133,925**	**128,552**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative share		206	199
Profit shares		3,005	3,042
Fair value reserve	11	357	7
Other reserves		2,185	2,183
Retained earnings		6,688	6,250
Non-controlling interests		**171**	**154**
Total equity capital		**12,612**	**11,835**
Total liabilities and equity capital		**146,537**	**140,387**

Statement of changes in equity capital

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 31 December 2017	**3,097**	**176**	**2,173**	**5,536**	**10,982**	**101**	**11,084**
Effect of IFRS 9 transition at 1 January 2018		-28		-30	-57		-57
Balance at 1 January 2018	**3,097**	**148**	**2,173**	**5,506**	**10,925**	**101**	**11,026**
Total comprehensive income for the period		-67		645	**578**	8	**586**
Profit for the period				545	**545**	8	**552**
Other comprehensive income		-67		100	**33**		**33**
Profit distribution				-99	**-99**		**-99**
Change in membership and profit shares	64				**64**		**64**
Transfer of reserves			7	-7			**0**
Other				5	**5**	36	**41**
Balance at 30 September 2018	**3,161**	**81**	**2,179**	**6,050**	**11,472**	**145**	**11,617**

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2019	**3,241**	**7**	**2,183**	**6,250**	**11,681**	**154**	**11,835**
Total comprehensive income for the period		351	0	535	**886**	7	**893**
Profit for the period				559	**559**	7	**566**
Other comprehensive income		351		-24	**327**		**327**
Profit distribution				-94	**-94**	-6	**-101**
Change in membership and profit shares	-31				**-31**		**-31**
Associated company transfers					**0**		**0**
Transfer of reserves			2	-2	**0**		**0**
Other				-1	**-1**	17	**16**
Balance at 30 September 2019	**3,210**	**357**	**2,185**	**6,688**	**12,441**	**171**	**12,612**

Cash flow statement

EUR million	Q1–3 2019	Q1–3 2018
Cash flow from operating activities		
Profit for the period	566	552
Adjustments to profit for the period	-138	57
Increase (-) or decrease (+) in operating assets	**-5,467**	**-3,602**
Receivables from credit institutions	51	25
Derivative contracts	-27	-57
Receivables from customers	-3,822	-3,863
Non-life insurance assets	84	-182
Investment assets	-510	321
Other assets	-1,244	154
Increase (+) or decrease (-) in operating liabilities	**221**	**313**
Liabilities to credit institutions	-2,504	-914
Derivative contracts	29	-3
Liabilities to customers	391	1,451
Insurance liabilities	185	11
Liabilities from unit-linked insurance and investment contracts	197	85
Provisions and other liabilities	1,923	-316
Income tax paid	-137	-108
Dividends received	59	95
A. Net cash from operating activities	**-4,897**	**-2,692**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	0
Disposal of subsidiaries, net of cash disposed	0	67
Purchase of PPP and intangible assets	-118	-169
Proceeds from sale of PPE and intangible assets	17	4
B. Net cash used in investing activities	**-101**	**-98**
Cash flow from financing activities		
Increases in debt securities issued to the public	23,175	21,680
Decreases in debt securities issued to the public	-21,375	-19,169
Increases in cooperative and share capital	294	480
Decreases in cooperative and share capital	-325	-416
Dividends paid and interest on cooperative capital	-94	-99
C. Net cash used in financing activities	**1,674**	**2,475**
Net change in cash and cash equivalents (A+B+C)	**-3,323**	**-315**
Cash and cash equivalents at period-start	**12,423**	**13,245**
Cash and cash equivalents at period-end	**9,100**	**12,930**
Interest received	**1,117**	**1,491**
Interest paid	**-501**	**-666**
Cash and cash equivalents		
Liquid assets	8,792	12,767
Receivables from credit institutions payable on demand	308	163
Total	**9,100**	**12,930**

Segment reporting

Segment information

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital has been allocated to the Retail Banking and Corporate Banking segments in such a way that the CET1 ratio is 22% (21). Capital has been allocated to the Insurance segment in such a way that the non-life insurance solvency ratio (SII) is 120% (120) and the life insurance solvency ratio is 130% (130). Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Q3 earnings 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	691	281	-9	-48	-14	901
of which internal net income before tax	0	-5	-8	13		
Net insurance income			421		-9	412
Net commissions and fees	530	87	54	5	3	679
Net investment income	-16	73	218	37	13	325
Other operating income	32	20	14	446	-471	41
Total income	**1,237**	**462**	**698**	**440**	**-479**	**2,358**
Personnel costs	316	56	100	101	0	573
Depreciation/amortisation	34	15	42	98	0	189
Other operating expenses	509	136	200	237	-479	602
Total expenses	**859**	**207**	**341**	**437**	**-479**	**1,365**
Impairments loss on receivables	-25	-11	0	0	0	-36
OP bonuses to owner-customers	-160	-12	-14		0	-186
Temporary exemption (overlay approach)			-65		0	-65
Earnings before tax	**193**	**232**	**278**	**3**	**0**	**706**

Q3 earnings 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	658	258	-8	-34	-11	862
of which internal net income before tax	0	-1	-8	9		
Net insurance income			443		-11	432
Net commissions and fees	504	102	50	4	-5	655
Net investment income	0	132	116	34	8	290
Other operating income	45	13	21	401	-433	46
Total income	**1,207**	**504**	**623**	**404**	**-452**	**2,286**
Personnel costs	320	60	91	119	1	592
Depreciation/amortisation	39	13	57	80	0	189
Other operating expenses	493	117	193	242	-448	597
Total expenses	**852**	**190**	**342**	**442**	**-447**	**1,378**
Impairments loss on receivables	-18	-6	0	0	0	-24
OP bonuses to owner-customers	-143	-10	-14		0	-167
Temporary exemption (overlay approach)			-27		-2	-30
Earnings before tax	**194**	**299**	**240**	**-38**	**-7**	**687**

Balance sheet 30 September 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Cash and cash equivalents	67	19	1,169	8,697	-1,161	8,792
Receivables from credit institutions	12,379	117	49	10,785	-22,964	367
Derivative contracts	896	5,300	718	338	-1,262	5,990
Receivables from customers	67,439	24,556	0	31	-1,012	91,014
Investment assets	323	1,178	10,736	17,516	-5,279	24,475
Assets covering unit-linked contracts			10,750			10,750
Intangible assets	49	223	802	374	-3	1,445
Property, plant and equipment (PPE)	368	3	139	45	-11	544
Other assets	247	448	1,330	781	-216	2,590
Tax assets	107	6	64	60	11	248
Non-current assets held for sale				323		323
Total assets	**81,875**	**31,849**	**25,758**	**38,951**	**-31,896**	**146,537**
Liabilities to credit institutions	9,899	800		15,249	-23,352	2,597
Derivative contracts	377	4,519	131	257	-1,309	3,975
Liabilities to customers	53,785	10,205		4,290	-1,777	66,503
Insurance liabilities			9,940			9,940
Liabilities from unit-linked insurance and investments contracts			10,788			10,788
Debt securities issued to the public	10,718	1,215		21,150	-118	32,966
Provisions and other liabilities	608	1,486	1,764	1,090	-172	4,775
Tax liabilities	483	2	213	359	-1	1,056
Subordinated liabilities	13	9	380	1,311	-395	1,319
Liabilities associated with non-current assets held for sale				7		7
Total liabilities	**75,882**	**18,236**	**23,217**	**43,714**	**-27,123**	**133,925**
Equity						**12,612**

Balance sheet 31 December 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Cash and cash equivalents	82	19	685	12,199	-634	12,350
Receivables from credit institutions	10,820	125	21	10,109	-20,892	183
Derivative contracts	275	3,448	156	185	-421	3,643
Receivables from customers	64,914	23,009	0	15	-857	87,081
Investment assets	358	908	10,246	17,625	-6,088	23,050
Assets covering unit-linked contracts			9,771			9,771
Intangible assets	49	230	806	408	-3	1,490
Property, plant and equipment (PPE)	362	0	139	248	-11	737
Other assets	217	-153	971	1,299	-459	1,875
Tax assets	112	3	17	66	11	209
Total assets	**77,189**	**27,589**	**22,811**	**42,153**	**-29,354**	**140,387**
Liabilities to credit institutions	9,612	606		15,802	-21,214	4,807
Derivative contracts	157	3,025	37	259	-486	2,992
Liabilities to customers	50,792	11,382		5,089	-1,152	66,112
Insurance liabilities			9,476			9,476
Liabilities from unit-linked insurance and investments contracts			9,812			9,812
Debt securities issued to the public	10,120	1,011		19,492	-165	30,458
Provisions and other liabilities	554	642	788	1,029	-396	2,617
Tax liabilities	433	3	119	365	0	921
Subordinated liabilities	41	-24	380	1,356	-395	1,358
Total liabilities	**71,709**	**16,645**	**20,612**	**43,394**	**-23,808**	**128,552**
Equity						**11,835**

Notes

1. Accounting policies
2. Formulas for key figures and ratios
3. Net interest income
4. Net insurance income
5. Net commissions and fees
6. Net investment income
7. Other operating expenses
8. Impairment losses on receivables
9. Insurance liabilities
10. Debt securities issued to the public
11. Fair value reserve after income tax
12. Collateral given
13. Classification of financial assets and liabilities
14. Recurring fair value measurements by valuation technique
15. Off-balance-sheet commitments
16. Derivative contracts
17. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements
18. Receivables from credit institutions and customers, and doubtful receivables
19. Investment distribution of the Insurance segment
20. Investment distribution in separated balance sheets
21. Capital adequacy for credit institutions
22. Exposures by rating category
23. Insurance company solvency
24. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates
25. Related-party transactions

Note 1 Accounting policies

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the consolidated financial statements 2018.

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

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

Changes in presentation

Interest income and expenses of held-for-trading notes and bonds and derivatives previously presented in net interest income have been presented in net investment income since 1 January 2019. The change has been made retrospectively. Net interest totalling EUR 5 million was transferred from net interest income for Q1–3/2018 to net investment income (EUR 9 million Q1–4/2018). The change also involved specifying the presentation of items within net interest income.

Accrued interest on held-for-trading notes and bonds and derivatives previously presented in other assets and liabilities has been presented under derivative contracts items in the balance sheet since 1 January 2019. At the same time, OP Corporate Bank specified the netting procedure of these contracts' interest. The change has been made retrospectively. As a result of the change, receivables in the assets in the balance sheet of 31 December 2018 decreased by EUR 159 million, investment assets increased by EUR 3 million and derivative contracts increased by EUR 161 million. In the balance sheet, provisions and other liabilities under liabilities decreased by EUR 168 million, derivative contracts increased by EUR 172 million and debt securities issued to the public increased by EUR 2 million. As a result of the change, the balance sheet total increased by a total of EUR 5 million on 31 December 2018.

Salvage property that has come to the company's possession in connection with claims settlement or undisputable subrogation reimbursements related to claims have been reduced from insurance liability since 1 January 2019. The items totalling EUR 62 million were previously presented under other assets in the balance sheet.

IFRS 16 Leases adoption on 1 January 2019

OP Financial Group adopted IFRS 16 Leases as of 1 January 2019, according to which leased contracts have been recognised as a right-of-use asset and lease liability in the balance sheet. OP Financial Group applied a retrospective approach in the transition to a limited extent, which is why it did not restate comparatives for 2018. The effects of transition have been presented in OP Financial Group's Notes to the Financial Statements 2018. Leased contracts are mainly those related to premises. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in provisions and other liabilities and the related interest expenses are presented in net interest income. Management judgement has been used to assess the term of leases with indefinite duration and to determine the interest rate quoted by OP Financial Group's Treasury as the incremental borrowing rate that Treasury uses to grant loans to OP cooperative banks and OP Financial Group's subsidiaries. On 30 September 2019, the right-of-use asset amounted to EUR 53 million.

New segments as of 1 January 2019

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided on a new division of responsibilities of the Executive Board, which changed the segment structure as of the beginning of 2019. In its interim reports and financial statements, OP Financial Group began financial reporting based on its new segments as of the first interim report of 2019. The 2018 segment information has been restated to correspond to the new segments. The descriptions of the business segments are presented in the Interim Report for 1 January–31 March 2019.

Classification of the Vallila real property unit as a non-current asset held for sale

Based on decisions made, OP Financial Group classified the Vallila property for this Interim Report as a non-current asset held for sale. The Vallila property owned by OP Financial Group comprises a block located in Vallila, Helsinki, which was completed in 2017. In the event of its sale, OP Financial Group would continue operating in the property under a long-term lease agreement and the property would be recognised as a right-of-use asset in the balance sheet. The Vallila property was presented in full in the balance sheet of the Other Operations segment on 30 September 2019.

Itemised non-current assets held for sale:

Assets, € million	30 Sep 2019
Investment assets	90
Property, plant and equipment (PPE)	217
Other assets	1
Tax assets	17
Total assets (A)	323
Liabilities, € million	30 Sep 2019
Provisions and other liabilities	1
Tax liabilities	6
Total liabilities (B)	7
Balance sheet net worth (A–B)	316

Note 2. OP Financial Group's formulas for key figures and ratios

	Q1–3 2019	Q1–3 2018
Return on equity, %	6.2	6.5
Return on equity at fair value, %	9.7	5.2
Return on assets, %	0.53	0.53
Cost/income ratio, %	58	60
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.1
Average personnel	12,421	12,301

ALTERNATIVE PERFORMANCE MEASURES

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.

Return on equity (ROE), %

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

Return on equity (ROE) excluding OP bonuses, %

$$\frac{\text{Profit for the period + OP bonuses after tax}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$$

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

$$\frac{\text{Profit for the period}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$$

Return on assets (ROA) excluding OP bonuses, %

$$\frac{\text{Profit for the period + OP bonuses after tax}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$$

Cost/income ratio, %

$$\frac{\text{Total expenses}}{\text{Total income}} \times 100$$

Ratio of non-performing receivables to loan and guarantee portfolio, %

$$\frac{\text{Non-performing receivables (net)}}{\text{Loan and guarantee portfolio at period end}} \times 100$$

Coverage ratio, %

$$\frac{\text{Loss allowance}}{\text{Receivables from customers (on-balance-sheet and off-balance-sheet items)}} \times 100$$

Non-life Insurance indicators:

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio
Operating risk ratio + operating cost ratio

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

$$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$$

Operating cost ratio, %

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

Life Insurance:

Operating cost ratio, %

$$\frac{\text{Total expenses}}{\text{Expense loading + refund of management fee}} \times 100$$

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

$$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$$

Tier 1 ratio, %

$$\frac{\text{Total Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$$

CET1 ratio, %

$$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$$

Solvency ratio, %

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

Leverage ratio, %

$$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$$

Liquidity coverage requirement (LCR), %

$$\frac{\text{Liquid assets}}{\text{Liquidity outflows - liquidity inflows under stressed conditions}} \times 100$$

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

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}} \times 100$$

Return on economic capital, %

$$\frac{\text{Profit fort the period + OP bonuses after tax (12-month rolling)}}{\text{Average economic capital}} \times 100$$

Net stable funding ratio (NSFR), %

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$$

INSURANCE OPERATING RESULTS

EUR million	Q1–3 2019	Q1–3 2018	Change, %	Q1–4 2018
Insurance premium revenue	1106	1106	0.0	1465
Claims incurred	-722	-704	2.6	-945
Operating expenses	-293	-297	-1.4	-401
Amortisation adjustment of intangible assets	-8	-25	-66.7	-29
Balance on technical account	**82**	**80**	2.6	**88**
Net investment income	218	116	87.1	63
Other income and expenses	43	71	-38.9	80
Temporary exemption (overlay approach)	-65	-27		29
Earnings before tax	**278**	**240**	16.0	**260**

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

Notes to the income statement

Note 3. Net interest income

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Interest income				
Receivables from credit institutions				
Interest	1	3	1	1
Negative interest	17	17	5	6
Total	19	21	6	7
Receivables from customers				
Loans	888	860	303	289
Finance lease receivables	21	17	8	6
Impaired loans and other commitments	0	0	22388	0
Negative interest	8	8	2	3
Total	917	886	313	298
Notes and bonds				
Measured at fair value through profit or loss	1	1	0	0
At fair value through other comprehensive income	62	67	20	22
Amortised cost	8	1	3	0
Total	71	69	23	23
Derivative contracts				
Fair value hedge	-79	-73	-27	-24
Cash flow hedge	39	36	13	12
Ineffective portion of cash flow hedge	8	-2	2	-1
Other	-14	-14	-4	-5
Total	-46	-53	-16	-18
Other	3	3	1	1
Total	**964**	**925**	**327**	**310**
Interest expenses				
Liabilities to credit institutions				
Interest	6	-1	2	-1
Negative interest	46	49	14	17
Total	52	48	15	16
Liabilities to customers	53	44	16	15
Notes and bonds issued to the public	188	171	62	56
Subordinated liabilities				
Subordinated loans	1	2	0	1
Other	35	33	12	11
Total	35	35	12	12
Derivative contracts				
Cash flow hedge	-192	-170	-66	-54
Other	-87	-64	-27	-25
Total	-279	-234	-93	-79
Other	3	2	2	1
Total	**53**	**66**	**14**	**20**
Net interest income before fair value adjustment under hedge accounting	**911**	**859**	**313**	**290**
Hedging derivatives	201	-65	76	-62
Value changes of hedged items	-212	69	-76	65
Total	**901**	**862**	**314**	**293**

Note 4. Net insurance income

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Net insurance premium revenue				
Premiums written	1,222	1,213	284	282
Insurance premiums ceded to reinsurers	1	0	1	0
Change in provision for unearned premiums	-132	-122	104	101
Reinsurers' share	7	5	-9	-10
Total	1,097	1,096	380	373
Net non-life insurance claims				
Claims paid	-775	-690	-253	-224
Insurance claims recovered from reinsurers	17	21	6	6
Change in provision for unpaid claims	46	-12	-10	-7
Reinsurers' share	9	-1	9	1
Total	-704	-683	-248	-225
Other non-life insurance items	-3	-2	-1	-1
Life Insurance risk premiums collected	22	21	7	6
Total	**412**	**432**	**138**	**154**

Note 5. Net commissions and fees

Q1–3 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q3 2019
Commission income							
Lending	78	34	0	4	-1	115	38
Deposits	1	1		0	0	2	1
Payment transfers	172	23		10	-10	195	68
Securities brokerage	3	15		0	-3	15	4
Securities issuance		4		0	0	4	0
Mutual funds	24	154			-68	109	39
Asset management	20	20		0	-10	31	10
Legal services	18	0			0	18	5
Guarantees	6	10		0	0	15	5
Housing service	55					55	20
Insurance brokerage	89		21		-67	43	6
Life insurance total expense loadings			69			69	23
Refund of unit-linked management fees			59			59	19
Health and wellbeing services			18		-1	17	7
Other	101	11		0	-84	28	9
Total	**567**	**271**	**167**	**15**	**-244**	**776**	**257**
Commission expenses							
Payment transfers	16	3	1	2	-8	14	4
Securities brokerage		10	0		-3	7	2
Securities issuance	0	2		1	0	3	0
Mutual funds		75			-69	6	2
Asset management		7	0	1	0	8	3
Insurance operations	-7		105		-67	30	9
Health and wellbeing services			7			7	1
Other	28	86	0	6	-99	22	7
Total	**37**	**184**	**112**	**10**	**-246**	**97**	**27**
Total net commissions and fees	**530**	**87**	**54**	**5**	**3**	**679**	**229**

Q1–3 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q3 2018
Commission income							
Lending	74	33	0	3	1	111	35
Deposits	2	1		0	0	2	1
Payment transfers	155	19		9	-10	173	58
Securities brokerage	4	11			-3	12	3
Securities issuance		7		1	0	8	1
Mutual funds	24	155	0	0	-69	110	37
Asset management	21	25		1	-8	39	12
Legal services	17	0		0	0	17	6
Guarantees	5	9		0	0	15	5
Housing service	55					55	19
Insurance brokerage	92		18		-67	44	7
Life insurance total expense loadings			67		2	69	23
Refund of unit-linked management fees			65		-7	57	18
Health and wellbeing services			14		-2	12	4
Other	86	9		0	-69	26	9
Total	**534**	**269**	**163**	**14**	**-231**	**748**	**239**
Commission expenses							
Payment transfers	14	2	1	1	-9	9	2
Securities brokerage		10			-3	6	2
Securities issuance	0	0		0	1	2	0
Mutual funds		77			-69	8	2
Asset management		8	0	1	0	8	2
Insurance operations	-7		107		-67	32	9
Health and wellbeing services			5			5	2
Other	23	70	0	8	-79	22	7
Total	**30**	**167**	**113**	**10**	**-226**	**93**	**27**
Total net commissions and fees	**504**	**102**	**50**	**4**	**-5**	**655**	**212**

Note 6. Net investment income

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	53	50	18	16
Other income and expenses	1	11	1	4
Capital gains and losses	71	26	37	2
Currency fair value gains and losses	21	14	19	3
Impairment losses and their reversal*	2	-4	-1	-1
Total	148	96	74	23
Total	**148**	**96**	**74**	**23**

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

Net income recognised at fair value through profit or loss

	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Financial assets held for trading				
Notes and bonds				
Fair value gains and losses	7	-2	2	-1
Interest income and expenses	4	5	1	2
Total	10	3	3	1
Shares and participations				
Fair value gains and losses	15	17	1	7
Dividend income and share of profits	1	2	1	0
Total	16	19	3	7
Derivatives				
Fair value gains and losses	344	53	118	3
Interest income and expenses	69	12	21	2
Total	412	64	139	4
Total	**439**	**87**	**144**	**12**
Financial assets that must measured at fair value through profit or loss				
Notes and bonds				
Interest income	18	16	6	6
Fair value gains and losses	4	-1	3	1
Total	23	15	9	7
Shares and participations				
Fair value gains and losses	93	23	14	-5
Dividend income and share of profits	38	56	15	27
Total	131	79	29	22
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	29	35	10	10
Fair value gains and losses	119	-36	30	-15
Total	149	-1	40	-5
Shares and participations				
Fair value gains and losses	-2	-16	-1	-13
Dividend income and share of profits	7	17	1	13
Total	6	1	0	0
Derivatives				
Fair value gains and losses	-12	-3	6	1
Total	-12	-3	6	1
Total net income from financial assets recognised at fair value through profit or loss	**296**	**91**	**84**	**25**

Net income from investment property				
Rental income	50	55	16	18
Fair value gains and losses	23	4	14	1
Maintenance charges and expenses	-44	-45	-12	-15
Other	-4	-3	-1	-1
Net income from investment property total	24	11	16	3
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	7	7	3	2
Interest expenses	-1	-1	0	0
Capital gains and losses	0	0	0	0
Impairment losses and their reversal	-2	2	1	-1
Loans and receivables total	4	8	3	1
Non-life insurance				
Unwinding of discount, Non-life Insurance	-21	-21	-7	-7
Life insurance				
Interest credited on customers' insurance savings	-64	-65	-21	-21
Change in supplementary interest rate provisions	-197	50	-111	38
Other technical items**	-305	8	-112	-3
Total	-567	-7	-244	13

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

Associated companies				
Accounted for using the fair value method	9	17	4	8
Consolidated using the equity method	-8	8	-1	3
Total	1	25	2	11
Total net investment income	**325**	**290**	**72**	**82**

Note 7. Other operating expenses

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
ICT costs				
Production	166	142	59	45
Development	88	112	23	29
Buildings	40	56	11	18
Government charges and audit fees	38	34	1	11
Purchased services	97	104	33	39
Data communications	25	28	9	9
Marketing	26	24	9	8
Corporate social responsibility	7	7	2	2
Insurance and security costs	9	6	3	0
Other	106	84	32	24
Total	**602**	**597**	**181**	**185**

Development costs

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
ICT development costs	88	112	23	29
Share of own work	37	37	12	10
Total development costs in the income statement	**125**	**149**	**34**	**40**
Capitalised ICT costs	84	133	24	34
Capitalised share of own work	9	9	3	2
Total capitalised development costs	**93**	**142**	**27**	**36**
Total development costs	**219**	**291**	**62**	**75**
Depreciation/amortisation and impairment loss	129	117	43	34

Note 8. Impairment losses on receivables

EUR million	Q1–3 2019	Q1–3 2018	Q3 2019	Q3 2018
Receivables written down as loan and guarantee losses	50	43	19	10
Recoveries of receivables written down	-9	-8	-3	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-6	-11	-21	9
Expected credit losses (ECL) on notes and bonds*	1	0	1	0
Total	**36**	**24**	**-3**	**17**

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 30 September 2019

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Retail Banking	60,065	6,879	113	6,992	936	67,993
Corporate Banking	25,013	1,404	335	1,740	354	27,106
Total	**85,078**	**8,284**	**448**	**8,732**	**1,290**	**95,099**
Off-balance-sheet limits						
Retail Banking	6,458	342	4	346	22	6,826
Corporate Banking	5,066	409	173	582	45	5,693
Total	**11,525**	**751**	**176**	**927**	**67**	**12,519**
Other off-balance-sheet commitments						
Retail Banking	2,393	2		2	0	2,396
Corporate Banking	7,465	272		272	21	7,758
Total	**9,859**	**275**		**275**	**21**	**10,154**
Notes and bonds						
Other Operations	12,438	94		94		12,532
Insurance	4,642				6	4,648
Total	**17,080**	**94**		**94**	**6**	**17,179**
Total exposures within the scope of accounting for expected credit losses	**123,541**	**9,403**	**624**	**10,028**	**1,383**	**134,952**

Loss allowance by stage 30 September 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Retail Banking	-15	-52	-3	-55	-186	-255
Corporate Banking	-24	-21	-3	-24	-215	-264
Total	**-38**	**-73**	**-6**	**-79**	**-401**	**-519**
Off-balance-sheet commitments**						
Retail Banking	0	0		0		0
Corporate Banking	-2	-4		-4		-6
Total	**-2**	**-4**		**-4**		**-7**
Notes and bonds***						
Other Operations	-2	-1		-1		-3
Insurance	-4				-4	-9
Total notes and bonds	**-7**	**-1**		**-1**	**-4**	**-12**
Total	**-47**	**-78**	**-6**	**-84**	**-406**	**-538**

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

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

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

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

Summary and key indicators 30 September 2019	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	68,917	7,223	117	7,340	958	77,215
Corporate Banking	37,544	2,086	508	2,594	419	40,557
Loss allowance						
Retail Banking	-15	-52	-3	-55	-186	-256
Corporate Banking	-26	-25	-3	-28	-215	-270
Coverage ratio, %						
Retail Banking	-0.02%	-0.71%	-2.58%	-0.74%	-19.41%	-0.33%
Corporate Banking	-0.07%	-1.21%	-0.62%	-1.10%	-51.35%	-0.67%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**106,461**	**9,309**	**624**	**9,934**	**1,378**	**117,773**
Total loss allowance	**-40**	**-77**	**-6**	**-83**	**-401**	**-526**
Total coverage ratio, %	**-0.04%**	**-0.83%**	**-0.99%**	**-0.84%**	**-29.13%**	**-0.45%**
Carrying amount, notes and bonds						
Other Operations	12,438	94		94		12,532
Insurance	4,642				6	4,648
Loss allowance						
Other Operations	-2	-1		-1		-3
Insurance	-4				-4	-9
Coverage ratio, %						
Other Operations	-0.02%	-1.27%		-1.27%		-0.03%
Insurance	-0.09%				-74.98%	-0.19%
Total notes and bonds	**17,080**	**94**		**94**	**6**	**17,179**
Total loss allowance	**-7**	**-1**		**-1**	**-4**	**-12**
Total coverage ratio, %	**-0.04%**	**-1.27%**		**-1.27%**	**-74.98%**	**-0.07%**

The agreements have been grouped to correspond to OP Financial Group's new segments effective since 1 January 2019. The comparatives have been restated accordingly.

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2018

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Retail Banking	58,339	6,800	183	6,984	876	66,199
Corporate Banking	22,355	1,257	283	1,540	354	24,249
Total	**80,694**	**8,057**	**466**	**8,524**	**1,231**	**90,448**
Off-balance-sheet limits						
Retail Banking	5,755	237	1	238	9	6,001
Corporate Banking	4,443	512	139	651	86	5,180
Total	**10,198**	**749**	**141**	**889**	**94**	**11,181**
Other off-balance-sheet commitments						
Retail Banking	2,307	87		87	14	2,408
Corporate Banking	6,655	178		178	20	6,854
Total	**8,962**	**265**		**265**	**34**	**9,262**
Notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	4,677	313		313	11	5,001
Total	**16,896**	**332**		**332**	**11**	**17,240**
Total exposures within the scope of accounting for expected credit losses	**116,750**	**9,403**	**607**	**10,010**	**1,370**	**128,131**

* The amount of exposures within the scope of accounting has been specified as a result of the new division of segments.

Loss allowance by stage 31 December 2018

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Retail Banking	-12	-49	-3	-52	-202	-267
Corporate Banking	-25	-25	-3	-28	-206	-259
Total	**-37**	**-74**	**-6**	**-81**	**-409**	**-526**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1		-2
Corporate Banking	-2	-1		-1	0	-4
Total	**-3**	**-3**		**-3**	**0**	**-6**
Notes and bonds***						
Other Operations	-3	0		0		-3
Insurance	-3	-4		-4	-4	-11
Total notes and bonds	**-6**	**-4**		**-4**	**-4**	**-14**
Total	**-46**	**-81**	**-6**	**-87**	**-413**	**-546**

* 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 2018	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	66,401	7,124	185	7,308	899	74,609
Corporate Banking	33,453	1,947	422	2,369	460	36,282
Loss allowance						
Retail Banking	-13	-50	-3	-54	-202	-269
Corporate Banking	-27	-26	-3	-30	-207	-263
Coverage ratio, %						
Retail Banking	-0.02%	-0.71%	-1.71%	-0.73%	-22.51%	-0.36%
Corporate Banking	-0.08%	-1.36%	-0.74%	-1.25%	-44.93%	-0.73%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**99,854**	**9,071**	**607**	**9,678**	**1,359**	**110,891**
Total loss allowance	**-40**	**-77**	**-6**	**-83**	**-409**	**-532**
Total coverage ratio, %	**-0.04%**	**-0.85%**	**-1.03%**	**-0.86%**	**-30.09%**	**-0.48%**
Carrying amount, notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	4,677	313		313	11	5,001
Loss allowance						
Other Operations	-3	0		0		-3
Insurance	-3	-4		-4	-4	-11
Coverage ratio, %						
Other Operations	-0.02%	-0.85%		-0.85%		-0.02%
Insurance	-0.07%	-1.20%		-1.20%	-34.32%	-0.22%
Total notes and bonds	**16,896**	**332**		**332**	**11**	**17,240**
Total loss allowance	**-6**	**-4**		**-4**	**-4**	**-14**
Total coverage ratio, %	**-0.04%**	**-1.18%**		**-1.18%**	**-34.32%**	**-0.08%**

The following flow statements show the changes in loss allowance by impairment stage during Q1-3 2019 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**40**	**83**	**409**	**532**
Transfers from Stage 1 to Stage 2	-3	21		18
Transfers from Stage 1 to Stage 3	-4		11	7
Transfers from Stage 2 to Stage 1	3	-14		-11
Transfers from Stage 2 to Stage 3		-15	33	18
Transfers from Stage 3 to Stage 2		5	-15	-10
Transfers from Stage 3 to Stage 1	1		-4	-3
Increases due to origination and acquisition	11	13	12	36
Decreases due to derecognition	-4	-7	-17	-28
Changes in risk parameters (net)	-3	-3	-3	-9
Decrease in allowance account due to write-offs	0	0	-25	-25
Net change in expected credit losses	**1**	**0**	**-7**	**-6**
Loss allowance 30 September 2019	**40**	**83**	**402**	**526**
Net change in expected credit losses Q3 2019	**-2**	**-10**	**-9**	**-21**

Transfers from Stage 1 to Stage 3 compare the current reporting-date Stage 3 of a financial asset at the beginning of the year. However, around 78% of these transfer to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**6**	**4**	**4**	**14**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	0	-3		-2
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	1		0	2
Decreases due to derecognition	-1	-1	-1	-3
Changes in risk parameters (net)	0		0	0
Changes due to update in the methodology for estimation (net)	0		0	0
Net change in expected credit losses	**1**	**-3**	**1**	**-1**
Loss allowance 30 September 2019	**7**	**1**	**4**	**12**
Net change in expected credit losses Q3 2019	**0**	**1**	**2**	**3**

The table below shows the change in loss allowance by impairment stage during 2018 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2018	**31**	**80**	**431**	**543**
Transfers from Stage 1 to Stage 2	-2	18		16
Transfers from Stage 1 to Stage 3	0		25	25
Transfers from Stage 2 to Stage 1	2	-16		-14
Transfers from Stage 2 to Stage 3		-8	23	15
Transfers from Stage 3 to Stage 2		9	-30	-21
Transfers from Stage 3 to Stage 1	1		-7	-6
Increases due to origination and acquisition	13	7	13	34
Decreases due to derecognition	-9	-12	-22	-43
Changes in risk parameters (net)	4	3	28	35
Decrease in allowance account due to write-offs	0	0	-52	-52
Net change in expected credit losses	**9**	**3**	**-22**	**-11**
Loss allowance 31 December 2018	**40**	**83**	**409**	**532**

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2018	**5**	**0**	**0**	**5**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 2 to Stage 3		0	0	0
Transfers from Stage 3 to Stage 2		0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	2	3	2	7
Decreases due to derecognition	-2	0		-2
Changes in risk parameters (net)	0			0
Changes due to update in the methodology for estimation (net)	1		0	1
Net change in expected credit losses	**1**	**4**	**3**	**8**
Loss allowance 31 December 2018	**6**	**4**	**4**	**14**

Note 9. Insurance liabilities

EUR million	30 Sep 2019	31 Dec 2018
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,459	1,510
Other provision for unpaid claims	1,082	1,056
Reserve for decreased discount rate (value of hedges of insurance liability)	177	21
Total	2,719	2,588
Provisions for unearned premiums	702	569
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	9,078	8,298
Investment contracts	1,710	1,513
Total	10,788	9,812
Life insurance insurance liabilities	6,519	6,319
Total	**20,729**	**19,288**

Note 10. Debt securities issued to the public

EUR million	30 Sep 2019	31 Dec 2018
Bonds	11,807	9,522
Covered bonds	11,234	10,720
Other		
Certificates of deposit	0	105
Commercial paper	9,994	10,162
Included in own portfolio in trading (–)	-68	-50
Total debt securities issued to the public	**32,966**	**30,458**

Note 11. Fair value reserve after income tax

EUR million	Fair value through other comprehensive income: Notes and bonds	Fair value through other comprehensive income: Shares and participations	Shares and participations	Cash flow hedging	Total
Balance sheet 31 December 2017	**135**	**25**		**16**	**176**
Effect of IFRS 9 transition at 1 January 2018	-2	-25			-28
Opening balance 1 January 2018	**133**	**0**		**16**	**148**
Fair value changes	-67	0	23	19	-25
Capital gains transferred to income statement	-34		-6		-40
Impairment loss transferred to income statement			12		12
Transfers to net interest income				-31	-31
Deferred tax	20	0	-6	2	16
Closing balance 30 September 2018	**52**		**24**	**6**	**81**

EUR million	Fair value through other comprehensive income: Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**-5**	**-21**	**33**	**7**
Fair value changes	168	49	179	396
Capital gains transferred to income statement	-20	0		-20
Impairment loss transferred to income statement		15		15
Transfers to net interest income			47	47
Deferred tax	-30	-13	-45	-88
Closing balance 30 September 2019	**114**	**30**	**214**	**357**

The fair value reserve before tax amounted to EUR 447 million (9) and the related deferred tax liability amounted to EUR 89 million (2). At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 75 million (54) and negative mark-to-market valuations EUR 23 million (82), owing to the application of the overlay approach.The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 2 million (-6) in the fair value reserve.

A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Note 12. Collateral given

EUR million	30 Sep 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Pledges	247	171
Loans (as collateral for covered bonds)	13,804	13,700
Others	3,814	5,775
Total collateral given*	**17,865**	**19,647**
Secured derivative liabilities	1,255	928
Other secured liabilities	2,230	4,149
Covered bonds	11,234	10,720
Total	**14,719**	**15,797**

* In addition, bonds with a book value of EUR 6.9 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 13. 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	8,792						8,792
Receivables from credit institutions	367						367
Derivative contracts			4,826			1,163	5,990
Receivables from customers	91,014						91,014
Assets covering unit-linked contracts				10,750			10,750
Notes and bonds	3	17,164	1,561	2,379	445		21,553
Equity instruments		0	88	242	1,194		1,525
Other financial assets	3,062						3,062
Financial assets							**143,053**
Other than financial instruments							3,485
Total 30 September 2019	**103,238**	**17,165**	**6,476**	**13,371**	**1,639**	**1,163**	**146,537**

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	12,350						12,350
Receivables from credit institutions	183						183
Derivative contracts			3,066			577	3,643
Receivables from customers	87,081						87,081
Assets covering unit-linked contracts				9,771			9,771
Notes and bonds	4	17,124	505	2,227	451		20,312
Equity instruments		0	81	245	1,130		1,456
Other financial assets	1,940						1,940
Financial assets							**136,735**
Other than financial instruments							3,652
Total 31 December 2018	**101,557**	**17,124**	**3,652**	**12,243**	**1,581**	**577**	**140,387**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		2,597		2,597
Derivative contracts	3,292		683	3,975
Liabilities to customers		66,503		66,503
Insurance liabilities		9,940		9,940
Liabilities from unit-linked insurance and investment contracts	10,788			10,788
Debt securities issued to the public		32,966		32,966
Subordinated loans		1,319		1,319
Other financial liabilities		4,162		4,162
Financial liabilities				**132,250**
Other than financial liabilities				1,676
Total 30 September 2019	**14,080**	**117,486**	**683**	**133,925**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		4,807		4,807
Derivative contracts	2,572		421	2,992
Liabilities to customers		66,112		66,112
Insurance liabilities		9,476		9,476
Liabilities from unit-linked insurance and investment contracts	9,812			9,812
Debt securities issued to the public		30,458		30,458
Subordinated loans		1,358		1,358
Other financial liabilities		2,134		2,134
Financial liabilities				**127,148**
Other than financial liabilities				1,404
Total 31 December 2018	**12,383**	**114,344**	**421**	**128,552**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September, the fair value of these debt instruments was approximately EUR 769 (242) 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 14. Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	664	238	623	1,525
Debt instruments	2,998	753	634	4,385
Unit-linked contracts	6,931	3,818	0	10,750
Derivative financial instruments	26	5,896	68	5,990
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	14,667	1,836	661	17,164
Total financial instruments	**25,286**	**12,542**	**1,986**	**39,814**
Investment property			720	720
Total	**25,286**	**12,542**	**2,706**	**40,534**

Fair value of assets on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	592	185	679	1,456
Debt instruments	2,107	764	312	3,184
Unit-linked contracts	6,337	3,434		9,771
Derivative financial instruments	0	3,586	57	3,643
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	13,885	3,026	214	17,124
Total financial instruments	**22,921**	**10,995**	**1,262**	**35,178**
Investment property			979	979
Total	**22,921**	**10,995**	**2,241**	**36,157**

Fair value of liabilities on 30 September 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,956	3,832	0	10,788
Other		11		11
Derivative financial instruments	24	3,920	30	3,975
Total	**6,981**	**7,764**	**30**	**14,774**

Fair value of liabilities on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,364	3,448		9,812
Other		0		0
Derivative financial instruments	10	2,939	44	2,992
Total	**6,373**	**6,387**	**44**	**12,804**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2019	**991**	**57**	**214**	**1,262**
Total gains/losses in profit or loss	-358	11	1	-346
Total gains/losses in other comprehensive income	0		4	4
Purchases	108		6	115
Sales	-58		-18	-76
Settlements	-1		-6	-6
Transfers into Level 3	578		519	1,097
Transfers out of Level 3	-3		-59	-62
Closing balance 30 September 2019	**1,258**	**68**	**661**	**1,986**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2019	**44**	**44**
Total gains/losses in profit or loss	-14	-14
Closing balance 30 September 2019	**30**	**30**

Total gains/losses included in profit or loss by item for the financial year on 30 September 2019

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)	-280	-78	1	-358
Unrealised net gains (losses)	25		4	29
Total net gains (losses)	**-255**	**-78**	**5**	**-329**

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 2019.

Note 15. Off-balance-sheet commitments

EUR million	30 Sep 2019	31 Dec 2018
Guarantees	620	775
Other guarantee liabilities	2,388	2,162
Loan commitments	14,034	12,577
Commitments related to short-term trade transactions	376	283
Other*	1,052	1,195
Total off-balance-sheet commitments	**18,470**	**16,993**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 171 million (203).

Note 16. Derivative contracts

Total derivatives 30 September 2019

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	34,568	79,381	76,192	190,140	4,096	2,293
Cleared by the central counterparty	9,475	33,534	41,291	84,300	31	19
Currency derivatives	47,343	6,861	2,434	56,639	1,211	1,151
Equity and index-linked derivatives		3		3	0	
Credit derivatives	36	1,229	624	1,889	23	16
Other derivatives	255	4,592	8	4,855	63	41
Total derivatives	**82,202**	**92,066**	**79,258**	**253,526**	**5,393**	**3,501**

Total derivatives 31 December 2018

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	30,535	84,181	70,116	184,833	2,060	1,374
Cleared by the central counterparty	9,278	38,670	36,704	84,652	8	12
Currency derivatives	28,646	6,784	3,404	38,835	1,018	1,120
Equity and index-linked derivatives		3		3	0	0
Credit derivatives	15	189	2	206	4	9
Other derivatives	208	364	8	580	34	29
Total derivatives	**59,404**	**91,522**	**73,530**	**224,456**	**3,116**	**2,532**

* 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 17. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

30 Sep 2019, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Derivatives	8,577	-2,587	5,990	-2,579	-636	2,774

31 Dec 2018, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Derivatives	4,416	-934	3,643	-1,823	-490	1,330

Financial liabilities

30 Sep 2019, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Derivatives	6,851	-2,876	3,975	-2,579	-852	543

31 Dec 2018, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Derivatives	3,887	-1,066	2,992	-1,823	-703	467

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -265 (-140) million euros.

** The fair values including interest accrued on held-for-trading derivatives.

***It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives
Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House or ICE Clear Europen, accordance with EMIR (EU 648/2012). Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts
The ISDA Master Agreement or the Master Agreement of Finance Finland or the Group will apply to derivative transactions between the Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Note 18. Receivables from credit institutions and customers, and doubtful receivables

30 September 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables			
Receivables from credit institutions	367	0	367
Receivables from customers	89,163	511	88,652
Bank guarantee receivables	7	0	7
Finance leases	2,362	6	2,356
Total	**91,892**	**519**	**91,374**
Receivables by sector			
Non-banking corporate sector	34,735	392	34,343
Financial institutions and insurance companies	1,232	1	1,231
Households	52,891	119	52,772
Non-profit organisations	790	5	785
Public-sector entities	2,244	1	2,243
Total	**91,892**	**519**	**91,374**

31 December 2018, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables			
Receivables from credit institutions	184	1	183
Receivables from customers	85,442	521	84,921
Bank guarantee receivables	10	0	10
Finance leases	2,154	4	2,150
Total	**87,780**	**526**	**87,254**
Receivables by sector			
Non-banking corporate sector	32,405	410	31,995
Financial institutions and insurance companies	1,065	2	1,064
Households	51,511	105	51,406
Non-profit organisations	814	6	808
Public-sector entities	1,985	3	1,981
Total	**87,780**	**526**	**87,254**

Doubtful and forborne receivables

30 September 2019, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		627	627	214	413
Unlikely to be paid		501	501	149	351
Forborne receivables	2,082	324	2,407	50	2,357
Total	**2,082**	**1,453**	**3,535**	**413**	**3,122**

31 December 2018, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		614	614	229	385
Unlikely to be paid		426	426	148	278
Forborne receivables	2,137	340	2,477	62	2,414
Total	**2,137**	**1,380**	**3,517**	**440**	**3,077**

The Group reports on the remaining principal as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been overdue and outstanding for over three months. Contracts with the lowest credit ratings (F for private customers and 11-12 for others) are reported as unlikely to be paid. Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months. Forborne receivables are in ECL measurement at stage two or three.

Key ratio, %	30 Sep 2019	31 Dec 2018
Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables	11.7%	12.5%

Note 19. Investment distribution of the Insurance segment

Non-life Insurance	30 September 2019		31 December 2018	
Allocation of investment portfolio	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**178**	**5**	**173**	**5**
Money market instruments and deposits**	168	4	167	4
Derivatives***	9	0	5	0
Total bonds and bond funds	**2,939**	**76**	**2,857**	**77**
Governments	452	12	498	13
Investment Grade	1,944	50	1,895	51
Emerging markets and High Yield	275	7	243	7
Structured Investments****	268	7	222	6
Total equities	**465**	**12**	**360**	**10**
Finland	70	2	60	2
Developed markets	199	5	147	4
Emerging markets	73	2	76	2
Unlisted equities	62	2	1	0
Private equity investments	61	2	76	2
Total alternative investments	**35**	**1**	**28**	**1**
Hedge funds	35	1	28	1
Total property investment	**261**	**7**	**312**	**8**
Direct property investment	163	4	157	4
Indirect property investment	97	3	155	4
Total	**3,877**	**100**	**3,730**	**100**

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents)

**** Include covered bonds, bond funds and illiquid bonds

Life Insurance	30 September 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**259**	**7**	**175**	**5**
Money market investments and deposits**	248	7	170	5
Derivatives***	11	0	5	0
Total bonds and bond funds	**2,787**	**76**	**2,826**	**78**
Governments	524	14	623	17
Investment Grade	1,768	48	1,784	49
Emerging markets and High Yield	214	6	182	5
Structured investments****	281	8	236	6
Total equities	**335**	**9**	**337**	**9**
Finland	52	1	48	1
Developed markets	141	4	116	3
Emerging markets	56	2	57	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	84	2	113	3
Total alternative investments	**41**	**1**	**34**	**1**
Hedge funds	41	1	34	1
Total real property investments	**230**	**6**	**271**	**7**
Direct property investments	93	3	114	3
Indirect property investments	138	4	156	4
Total	**3,653**	**100**	**3,644**	**100**

* Includes accrued interest income

** Include settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta equivalent)

**** Include covered bonds, bond funds and illiquid bonds

Note 20. Investment distribution in separated balance sheets

Separated balance sheet 1

In connection with the portfolios' transfer, a separated balance sheet (separated balance sheet 1) was created out of the individual life insurance portfolio (separated balance sheet 1) transferred from Suomi Mutual in 2015 and with a profit distribution policy differing from other life insurance operations.

Investment distribution in separated balance sheet 1	30 September 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**45**	**5**	**34**	**4**
Money market investments and deposits**	44	5	34	4
Derivatives***	1	0		
Total bonds and bond funds	**722**	**85**	**671**	**83**
Governments	196	23	217	27
Inflation-linked bonds	3	0	3	0
Investment Grade	428	**51**	370	**46**
Emerging markets and High Yield	49	6	36	4
Structured investments****	46	5	45	6
Total equities	**51**	**6**	**35**	**4**
Developed markets	18	2	14	2
Emerging markets	1	0	1	0
Fixed assets and unquoted equities	16	2	0	0
Private equity investments	16	2	20	2
Total alternative investments			**2**	**0**
Hedge funds			2	0
Total real property investments	**29**	**3**	**68**	**8**
Direct property investments	12	1	48	6
Indirect property investments	17	2	19	2
Total	**847**	**100**	**810**	**100**

* Includes accrued interest income

** Include settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta equivalent)

**** Include covered bonds, bond funds and illiquid bonds

Net return on investments at fair value totalled EUR 20 million (10). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Separated balance sheet 2

In connection with the portfolios' transfer, a separated balance sheet (separated balance sheet 2) was created out of the individual life insurance portfolio (separated balance sheet 2) transferred from Suomi Mutual in 2015 and with a profit distribution policy differing from other life insurance operations.

Investment distribution in separated balance sheet 2	30 September 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**47**	**2**	**72**	**3**
Money market investments and deposits**	44	2	72	3
Derivatives***	3	0		
Total bonds and bond funds	**2,022**	**89**	**1,946**	**85**
Governments	578	25	617	27
Inflation-linked bonds	8	0	7	0
Investment Grade	1,103	48	1,000	44
Emerging markets and High Yield	112	5	93	4
Structured investments****	221	10	230	10
Total equities	**130**	**6**	**90**	**4**
Developed markets	46	2	38	2
Emerging markets	2	0	2	0
Fixed assets and unquoted equities	41	2	0	0
Private equity investments	41	2	50	2
Total alternative investments			**1**	**0**
Hedge funds			1	0
Total real property investments	**76**	**3**	**185**	**8**
Direct property investments	37	2	143	6
Indirect property investments	39	2	43	2
Total	**2,275**	**100**	**2,295**	**100**

* Includes accrued interest income

** Include settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta equivalent)

**** Include covered bonds, bond funds and illiquid bonds

Net return on investments at fair value totalled EUR 42 million (2). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Note 21. Capital adequacy for credit institutions

Capital base, EUR million	30 Sep 2019	31 Dec 2018
OP Financial Group's equity capital	12,612	11,835
The effect of insurance companies on the Group's shareholders' equity is excluded	-187	189
Fair value reserve, cash flow hedge	-214	-33
Common Equity Tier 1 (CET1) before deductions	**12,211**	**11,991**
Intangible assets	-657	-710
Excess funding of pension liability and valuation adjustments	-52	-76
Items deducted from cooperative capital	-2	-147
Planned profit distribution and profit distribution unpaid for the previous period	-72	-94
Shortfall of ECL minus expected losses	-443	-288
Common Equity Tier 1 (CET1)	**10,984**	**10,677**
Hybrid capital to which transitional provision is applied	60	80
Additional Tier 1 capital (AT1)	**60**	**80**
Tier 1 capital (T1)	**11,045**	**10,757**
Debenture loans	838	995
Tier 2 capital (T2)	**838**	**995**
Total capital base	**11,883**	**11,752**

Terminated cooperative capital contributions refunded to customers in January 2019, as permitted by the supervisor, were deducted from CET1 capital a year ago. ECL - shortfall of expected losses increased due to the risk parameter factors set by the ECB for retail exposures.

OP Financial Group has applied transitional provisions regarding old capital instruments to subordinated loans. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

Risk exposure amount, EUR million	30 Sep 2019	31 Dec 2018
Credit and counterparty risk	**49,408**	**41,602**
Standardised Approach (SA)	**4,198**	**3,878**
Central government and central banks exposure	245	293
Credit institution exposure	7	7
Corporate exposure	2,870	2,561
Retail exposure	1,017	961
Equity investments	5	12
Other	55	43
Internal Ratings-based Approach (IRB)	**45,209**	**37,724**
Credit institution exposure	1,089	1,083
Corporate exposure	25,573	23,474
Retail exposure	10,396	5,276
Equity investments	6,833	6,659
Other	1,317	1,233
Market and settlement risk (Standardised Approach)	**1,397**	**1,319**
Operational risk (Standardised Approach)	**4,232**	**4,136**
Valuation adjustment (CVA)	**198**	**175**
Other risks	**21**	
Total risk exposure amount	**55,256**	**47,233**
Risk weight floors based on ECB's decision	**678**	**4,893**
Total risk exposure amount including risk weight floors	**55,934**	**52,126**

The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group. The IRB retail risk-weighted asset increased due to the risk parameter factors set by the ECB for retail exposures.

EUR 219 million (261) of government exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

Ratios, %	30 Sep 2019	31 Dec 2018
CET1 capital ratio	19.6	20.5
Tier 1 ratio	19.7	20.6
Capital adequacy ratio	21.2	22.5

Ratios, fully loaded, %	30 Sep 2019	31 Dec 2018
CET1 capital ratio	19.6	20.5
Tier 1 ratio	19.6	20.5
Capital adequacy ratio	21.1	22.4

Capital requirement, EUR million	30 Sep 2019	31 Dec 2018
Capital base	11,883	11,752
Capital requirement	8,135	7,448
Buffer for capital requirements	3,748	4,304

The capital requirement of 14.5% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 2.0%, the minimum requirement (P2R) of 2.0% (1.75 a year ago) set by the ECB and the changing capital conservation buffers by country for foreign exposures.

Leverage ratio, EUR million	30 Sep 2019	31 Dec 2018
Tier 1 capital (T1)	11,045	10,757
Total exposure	128,386	125,510
Leverage ratio, %	8.6	8.6

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with Commission Delegated Regulation. According to these rules, the minimum ratio is three percent. The minimum leverage ratio is based on end of quarter figures.

Overview of RWAs (EU-OV1), EUR million		RWAs 30 Sep 2019	RWAs 30 June 2019	Minimum capital requirements 30 Sep 2019
1	**Credit risk (excluding CCR)**	**48,523**	**48,090**	**3,882**
2	Of which the standardised approach	5,246	5,064	420
3	Of which the foundation IRB (FIRB) approach	26,048	26,001	2,084
4	Of which the advanced IRB (AIRB) approach	10,396	10,104	832
5	Of which equity IRB under the simple risk-weighted approach	383	484	31
5a	Of which equity investments under PD/LGD method	6,450	6,437	516
6	**CCR**	**821**	**742**	**66**
7	Of which mark to market	623	547	50
12	Of which CVA	198	195	16
13	**Settlement risk**		**0**	
14	**Securitisation exposures in the banking book (after the cap)**	**43**	**41**	**3**
15	Of which IRB approach	43	41	3
19	**Market risk**	**1,397**	**1,488**	**112**
20	Of which the standardised approach	1,397	1,488	112
23	**Operational risk**	**4,232**	**4,232**	**339**
25	Of which standardised approach	4,232	4,232	339
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**219**	**264**	**18**
27a	**Other risks**	**21**	**32**	**2**
29	**Total**	**55,256**	**54,889**	**4,420**
30	**Risk weight floors based on ECB's decision**	**678**	**773**	**54**
31	**Total risk exposure amount including risk weight floors**	**55,934**	**55,661**	**4,475**

Total risk exposure amount increased by 0.5% during the quarter.

Risk weight floors based on the ECB's decision apply to corporate exposures of retail exposures other than SME corporate exposures. In these, floors set for the average risk weight are 15.4% for exposures secured by mortgages and 32.7% for other than exposures secured by mortgages.

RWA flow statements of credit risk exposures under the IRB approach (EU-CR8), EUR million		a RWA amounts	b Capital require-ments
1	RWAs as at the end of the previous reporting period 30 June 2019	36,104	2,888
2	Asset size	22	2
3	Asset quality	317	25
9	RWAs as at the end of the reporting period 30 September 2019	36,444	2,916

Changes occurred in retail exposures, corporate exposures and credit institution exposures during the last quarter are presented using the flow statements. Growth in exposure amount increased risk-weighted assets and the credit quality weakened slightly in retail exposures, which increased risk-weighted assets.

Note 22. Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures

Borrower grade 30 Sep 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**51,173**	**2,418**	**53.3**	**1.1**	**27.8**	**9,318**	**16.4**	**268**
A	31,948	1,760	52.6	0.0	27.0	1,351	4.0	4
B	10,253	512	54.9	0.2	26.4	1,277	11.9	5
C	4,303	102	56.1	0.7	33.2	1,601	36.3	10
D	2,808	41	56.6	3.2	32.4	2,273	79.8	28
E	1,418	4	60.8	28.9	33.9	2,231	156.8	130
F	443			100.0	29.5	586	132.3	90
Corporate customers, total	**1,807**	**161**	**68.2**	**3.8**	**42.5**	**1,078**	**50.2**	**71**
1.0–2.0	1	0	74.4	0.0	38.0	0	3.0	0
2.5–5.5	508	47	66.4	0.4	26.6	75	13.6	1
6.0–7.0	722	65	68.3	1.3	44.0	341	43.4	5
7.5–8.5	378	36	67.8	5.0	52.9	339	82.0	11
9.0–10.0	144	12	76.3	25.0	51.5	205	130.7	20
11.0–12.0	55	0	62.6	100.0	77.6	117	213.0	35
Total	**52,980**	**2,579**	**54.0**	**1.2**	**28.4**	**10,396**	**17.6**	**339**

All retail exposures

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**49,985**	**1,817**	**54.1**	**0.7**	**16.8**	**4,146**	**7.4**	**159**
A	31,412	1,319	52.8	0.0	15.9	571	1.7	2
B	10,647	399	56.9	0.1	15.9	523	4.7	2
C	3,915	73	61.6	0.5	22.5	690	17.3	4
D	2,172	23	65.6	2.3	21.0	795	36.2	11
E	1,429	3	69.5	20.0	21.4	1,205	84.1	59
F	409			100.0	23.5	362	88.5	80
Corporate customers, total	**2,099**	**173**	**68.4**	**3.6**	**40.1**	**1,130**	**47.1**	**71**
1.0–2.0	1	0	65.9	0.0	26.4	0	2.0	0
2.5–5.5	591	48	67.3	0.4	26.7	88	13.7	1
6.0–7.0	838	73	68.3	1.4	42.2	378	41.5	5
7.5–8.5	457	39	67.7	4.9	48.3	368	74.2	12
9.0–10.0	154	13	76.3	24.7	49.8	208	124.7	21
11.0–12.0	57	0	75.7	100.0	59.2	88	153.8	33
Total	**52,084**	**1,990**	**55.0**	**0.9**	**17.8**	**5,276**	**9.0**	**230**

The average private customer PDs and LGDs increased especially as a result of the ECB's risk parameter factors, and conservatism added to the models also increased the parameters. Higher parameters also increased risk weights and expected losses. The defaults, or borrower grades F, 11.0 and 12.0, are not included in the average PD and risk weight.

Corporate exposures (FIRB) by rating category

Borrower grade 30 Sep 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	720	325	84.4	0.0	43.0	142	14.0	0
2.5–5.5	17,362	3,645	71.7	0.2	44.0	8,383	39.9	21
6.0–7.0	8,279	1,661	70.3	1.2	43.0	8,422	84.7	52
7.5–8.5	4,975	796	71.9	4.4	42.9	6,979	120.9	108
9.0–10.0	747	130	67.5	22.6	42.7	1,647	187.7	84
11.0–12.0	642	19	58.9	100.0	44.0	0	0.0	291
Total	**32,725**	**6,577**	**71.8**	**1.6**	**43.5**	**25,574**	**66.2**	**556**

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	748	381	84.2	0.0	44.4	166	14.7	0
2.5–5.5	16,058	3,815	72.7	0.2	43.8	8,031	40.4	20
6.0–7.0	7,823	1,464	72.1	1.3	43.0	8,067	86.8	52
7.5–8.5	4,082	679	72.6	4.5	43.0	5,673	119.1	91
9.0–10.0	672	140	68.4	19.9	43.4	1,538	189.4	69
11.0–12.0	658	22	60.7	100.0	44.1			301
Total	**30,041**	**6,502**	**73.0**	**1.5**	**43.5**	**23,474**	**65.4**	**533**

*The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight.

Credit institution exposures (FIRB) by rating category

Borrower grade 30 Sep 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	3,346	26	77.8	0.0	12.7	169	5.4	0
2.5–5.5	4,096	432	66.3	0.1	17.9	705	15.5	1
6.0–7.0	12	53	48.0	2.4	45.0	103	157.5	1
7.5–8.5	59	6	33.4	4.7	45.0	108	166.9	1
9.0–10.0	1	1	43.2	12.2	45.0	5	248.0	0
Total	**7,514**	**518**	**63.5**	**0.1**	**16.3**	**1,089**	**14.0**	**3**

Borrower grade 31 Dec 2018	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	2,584	40	76.1	0.0	13.2	146	5.6	0
2.5–5.5	4,458	426	66.7	0.1	16.6	755	15.5	1
6.0–7.0	23	7	30.8	1.6	45.0	40	131.9	0
7.5–8.5	55	13	36.8	4.7	45.0	127	186.6	1
9.0–10.0	1	1	37.0	11.5	45.0	6	246.1	0
Total	**7,123**	**491**	**65.0**	**0.1**	**15.9**	**1,083**	**14.2**	**3**

The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight. The borrower grade breakdown for a year ago has been adjusted.

Note 23. Insurance company solvency

	30 Sep 2019		31 Dec 2018	
EUR million	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,325**	**945**	**1,297**	**818**
Solvency capital requirement (SCR)				
Market risk	759	461	732	421
Insurance risk	513	310	351	281
Counterparty risk	23	37	30	36
Operational risk	34	49	34	45
Diversification benefits and loss absorbency	-638	-140	-570	-162
Total	**690**	**717**	**578**	**621**
Buffer for SCR	**635**	**227**	**719**	**197**
Solvency ratio (SCR), %	**192**	**132**	**225**	**132**
Solvency ratio (SCR), % (excluding transitional provision)	**154**	**132**	**176**	**132**

The figures are based on OP Financial Group's estimate and transitional provisions have been taken into account in them.

Note 24. Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	30 Sep 2019	31 Dec 2018
OP Financial Group's equity capital	12,612	11,835
Hybrid instruments and debenture bonds	899	1,075
Other sector-specific items excluded from capital base	-209	-349
Goodwill and intangible assets	-1,431	-1,501
Insurance business valuation differences*	657	735
Proposed profit distribution	-72	-94
Items under IFRS deducted from capital base**	-209	-46
Shortfall of ECL minus expected losses	-417	-262
Conglomerate's capital base, total	**11,829**	**11,393**
Regulatory capital requirement for credit institutions***	7,198	6,528
Regulatory capital requirement for insurance operations*	1,407	1,199
Conglomerate's total minimum capital requirement	**8,606**	**7,727**
Conglomerate's capital adequacy	**3,223**	**3,666**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**137**	**147**

* 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 14.5%, a year ago 14.3%

Transitional provisions have been taken into account in figures.

Note 25. Related-party transactions

The related parties of OP Financial Group include companies consolidated into OP Financial Group's financial statements, associates, administrative personnel, their close family members included, and other related party companies. The administrative personnel comprise OP Financial Group's President and Group Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members of the Executive Board and Supervisory Board members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

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 2018.

Financial reporting in 2020

Time of publication of 2019 reports:

OP Financial Group's Report by the Board of Directors and Financial Statements for 2019	Week 9
OP Financial Group's Corporate Governance Statement 2019	Week 9
OP Financial Group's Annual Review 2019 (incl. CSR Report)	Week 9
OP Amalgamation Capital Adequacy Report 2019	Week 9

Schedule for Statements Bulletin for 2019 and Interim Reports in 2020:

Financial Statements Bulletin 2019	4 February 2020
Interim Report Q1/2020	28 April 2020
Half-year Financial Report H1/2020	21 July 2020
Interim Report Q1–3/2020	22 October 2020

Helsinki, 29 October 2019

OP Cooperative
Executive Board

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