OP Financial Group's Interim Report for 1 January–30 September 2021

OP Financial Group's Interim Report for 1 January–30 September 2021:

Earnings before tax EUR 858 million – strong increase in income from customer business

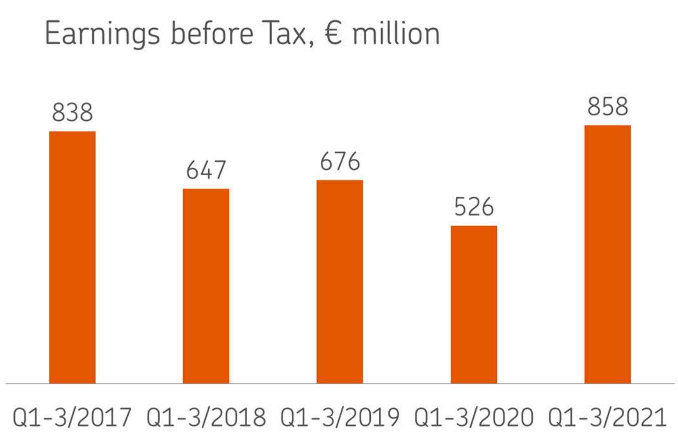
Earnings before tax Q1–3/2021	Net interest income Q1–3/2021	Net insurance income Q1–3/2021	Net commissions and fees Q1–3/2021	CET1 ratio 30 Sep 2021
€858 million	+1%	+14%	+12%	19.0%

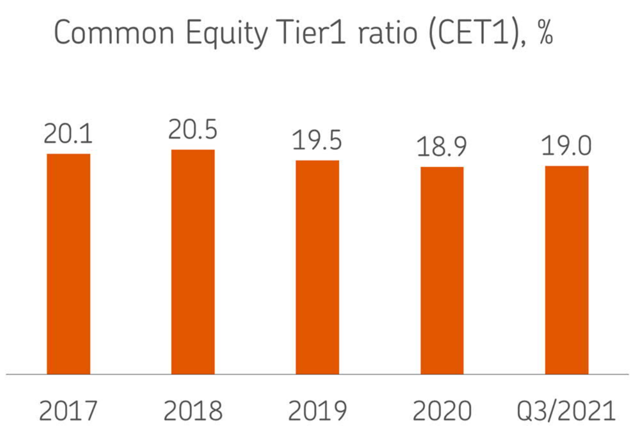
- Earnings before tax improved by 63% to EUR 858 million (526).
- Income from customer business increased by a total of 7% to EUR 2,274 million (2,116). Net interest income increased by 1% to EUR 971 million (960), net insurance income by 14% to EUR 542 million (476) and net commissions and fees by 12% to EUR 761 million (679).
- Investment income rose by EUR 128 million, to EUR 204 million (76) year on year.
- Total income increased by 14% to EUR 2,573 million (2,268).
- Total expenses remained at the previous year's level at EUR 1,420 million (1,414).
- Impairment loss on receivables was EUR 95 million (183), or 0.13% (0.25) of the loan and guarantee portfolio. A year ago, impairment loss on receivables was increased by the effects of the Covid-19 pandemic on loan portfolio quality and by the adoption of the new definition of default based on a regulatory change.
- OP Financial Group's loan portfolio grew by 1% to EUR 95 billion (94) and deposits by 6% to EUR 75 billion (71) year on year.
- The CET1 ratio was 19.0% (18.9).
- Retail Banking earnings before tax improved to EUR 224 million (100). Net interest income increased by 3% and net commissions and fees by 8%. Impairment loss on receivables decreased by EUR 48 million to EUR 70 million (118). The loan portfolio grew by 2% and deposits by 6% in the year to September.
- Corporate Banking earnings before tax improved to EUR 356 million (221). Net interest income increased by 3%, net commissions and fees by 38% and net investment income by 23%. Impairment loss on receivables decreased by EUR 41 million to EUR 25 million (66).
- Insurance earnings before tax improved to EUR 380 million (195). Net insurance income grew by 14% to EUR 552 million (485). Investment income rose by EUR 127 million to EUR 135 million (8). The operating combined ratio improved to 81.8% (86.0) in non-life insurance.
- Other Operations earnings before tax were EUR –70 million (39). A year ago, the sale of the Vallila property improved earnings by EUR 96 million.
- New OP bonuses accrued to owner-customers totalled EUR 157 million (194). The accrual of OP bonuses was changed as of 1 November 2020.
- OP Financial Group paid interest on Profit Shares for 2020 to holders of those shares on 4 October 2021. In its profit distribution, OP Financial Group has complied with the ECB's recommendation that expired on 30 September 2021.
- Pohjola Insurance Ltd, part of OP Financial Group, will sell Pohjola Hospital Ltd to Pihlajalinna Terveys Oy for EUR 31.8 million. The transaction is subject to approval by the Finnish Competition and Consumer Authority.
- OP Financial Group announced in a stock exchange release on 16 August 2021 that it has improved its earnings outlook for 2021. Earnings before tax for 2021 are expected to be higher than in 2020. For more detailed information on the outlook, see "Outlook towards the year end".

OP Financial Group's key indicators

	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Earnings before tax, € million	858	526	63.1	785
Retail Banking	224	100	123.3	115
Corporate Banking	356	221	60.6	349
Insurance	380	195	95.4	348
Other Operations	-70	39	-278.8	3
New OP bonuses accrued to owner-customers, € million	-157	-194	-	-255
Return on equity (ROE), %	6.9	4.4	2.5*	5.0
Return on equity, excluding OP bonuses, %	8.1	6.0	2.1*	6.6
Return on assets (ROA), %	0.56	0.36	0.20*	0.42
Return on assets, excluding OP bonuses, %	0.66	0.49	0.16*	0.55
	30 Sep 2021	**30 Sep 2020**	**Change, %**	**31 Dec 2020**
CET1 ratio, %	19.0	18.3	0.7*	18.9
Loan portfolio, € billion	95.2	94.2	1.1	93.6
Deposits, € billion	74.6	70.7	5.5	70.9
Ratio of non-performing exposures to exposures, %**	2.4	2.1	0.3*	2.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.13	0.25	-0.12*	0.23
Owner-customers (1,000)	2,045	2,021	1.2	2,025

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





Comments by President and Group Chief Executive Officer Timo Ritakallio

OP Financial Group's customer business continued to grow strongly in the third quarter. Earnings before tax for January–September were excellent at EUR 858 million, representing growth of 63% from a year earlier. All three business segments improved their earnings markedly.

Income from customer business increased by a total of 7%, particularly due to higher net commissions and fees and net insurance income. Investment income increased markedly too. Total expenses remained at the previous year's level. Impairment loss on receivables was lower than a year ago.

OP Financial Group's capital adequacy continued to be strong. At the end of September, the CET1 ratio was 19.0%, ranking among the best ratios reported by European banks.

Investment in mutual funds continued to grow strongly. In January–September, OP's mutual funds attracted around 150,000 new unitholders and more than 125,000 new agreements were made on systematic investment. In August, we passed the milestone of 500,000 active agreements on systematic investment directly in mutual funds. Customers are increasingly interested in responsible investment products: the number of unitholders in OP-Climate, our most popular fund since the beginning of 2021, had grown almost 64% by the end of September. Trading in equities has also been record high.

OP Financial Group's strategy further emphasises the importance of responsible business. Guided by growing stakeholder expectations and responsibility regulation in the financial sector, we are embedding corporate responsibility even more firmly in our investment and lending processes. The proportion of responsible products and services is constantly growing.

Merger projects between OP cooperative banks are underway around Finland. In their September meetings, the Representative Assemblies of Helsinki Area Cooperative Bank, Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki decided to merge to form a single, more competitive bank in the Helsinki Metropolitan Area, offering even better services. The main goal is to improve the customer experience in Finland's key growth area.

In line with our strategy, over the past three years we have considerably simplified the structure of the central cooperative consolidated, achieving major cost savings through these actions. We will complete the restructuring by the end of 2021.

Economic recovery from the recession caused by the Covid-19 pandemic continued in Finland and globally in the third quarter. The recovery has been exceptionally rapid despite being hampered by problems in production chains, for example. However, the Covid-19 pandemic continues to overshadow the economic outlook. Rising energy prices, which increase the risk of inflation accelerating in the long term, are also raising concerns. In the financial market, uncertainty and expectations of a rise in long-term interest rates have increased.

Economic policy has been unable to keep up with the sheer rapidity of the economic upturn, which is also posing challenges to businesses. Unfortunately, the structural reforms urgently needed in the Finnish economy seem to have been postponed and there is a risk that short-sighted solutions will damage Finland's competitiveness. Without structural reforms, we face the risk of a curtailed growth spurt in the Finnish economy.

OP Financial Group's Interim Report 1 January–30 September 2021

Tables

Business environment

During the third quarter, the world economy continued to recover from the recession caused by the Covid-19 pandemic although the pace of the recovery began to slow down. Inflation in the euro area accelerated to over three per cent as energy prices went up and temporary tax reliefs came to an end.

The European Central Bank (ECB) expects the acceleration of inflation to be mainly transitory. In September, it announced that it will reduce its asset purchase rate during the fourth quarter but will not announce further measures until December.

In the financial market, long-term interest rates decreased in the summer but started to rebound in the autumn. Positive mood in the stock market faded in September due to market concerns about several risks, such as a rise in energy prices and the problems in the Chinese real estate sector.

Finnish economic development remained favourable. The financial situation of households was exceptionally favourable and employment continued to improve. Mood in the housing market remained buoyant but lowered slightly from its spring level. Business confidence was high and order volumes increased markedly. Recovery continued in the service sector as Covid-19 restrictions were eased.

The economic outlook is favourable, but problems in production chains, rising costs and the uncertainty caused by the pandemic are overshadowing the outlook. The outlook for short-term market rates should be stable next year too.

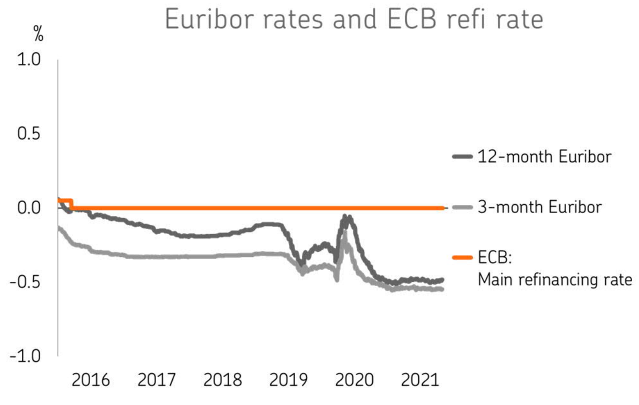
The growth rate in total loans slowed down to 1.7% from 2.1% in June. This was due to slower demand by businesses, but household demand for loans also slowed down. In August, growth in corporate loans fell to –4.7%.

Housing company loans grew by 5.0% and household loans by 4.0%, year on year. In August, the growth in home loans – the driver of growth in household loans – was 4.2%, the same as in the second quarter. Growth in consumer loans slowed down in the third quarter, standing at 1.6% at the end of August.

The growth rate of total deposits slowed down to 2.9% from 4.8% in June. In August, corporate deposits increased by 2.0% and household deposits by 6.2%.

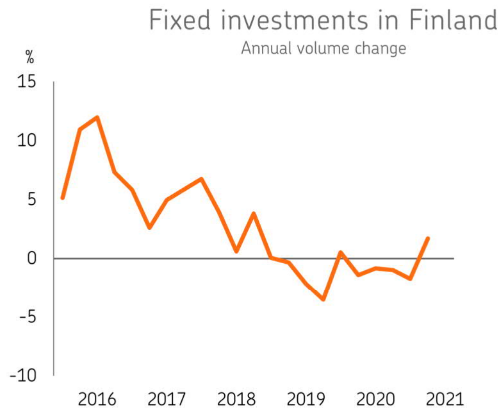
The value of mutual funds registered in Finland increased by 4.3 billion to EUR 153.3 billion in the third quarter. After the strong July–August growth, net asset inflows and the value change turned negative in September.

In the insurance sector, the year has been favourable so far. The economic recovery has not yet increased claims incurred to their pre-pandemic level, and the capital market has been favourable.

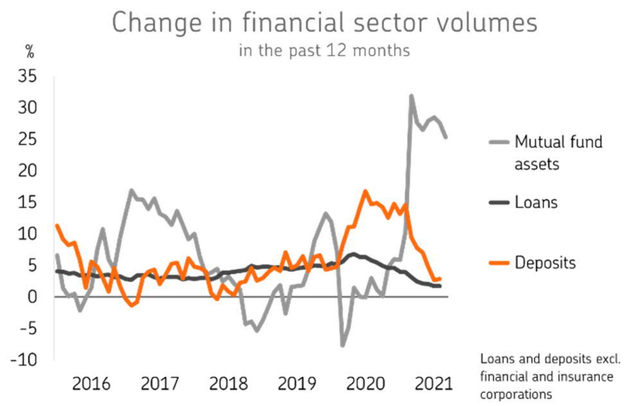


Source: Bank of Finland

Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1–3/2021	Q1–3/2020	Change, %	Q3/ 2021	Q3/ 2020	Change, %	Q1–4/ 2020
Earnings before tax	858	526	63.1	297	239	24.0	785
Retail Banking	224	100	123.3	86	72	18.9	115
Corporate Banking	356	221	60.6	80	118	-32.5	349
Insurance	380	195	95.4	160	65	146.8	348
Other Operations	-70	39	-278.8	-19	-3	-	3
Income							
Net interest income	971	960	1.1	331	315	4.9	1,284
Net insurance income	542	476	13.7	215	181	18.9	572
Net commissions and fees	761	679	12.0	249	224	11.1	931
Net investment income	253	31	716.2	-2	59	-104.2	184
Other operating income	47	121	-61.3	4	8	-49.5	132
Total income	2,573	2,268	13.5	796	787	1.2	3,103
Expenses							
Personnel costs*	656	594	10.4	195	179	9.0	715
Depreciation/amortisation and impairment loss	192	196	-2.1	64	67	-5.2	273
Other operating expenses	573	624	-8.2	170	174	-2.6	852
Total expenses	1,420	1,414	0.5	429	421	1.9	1,839
Impairment loss on receivables	-95	-183	-	-59	-17	-	-225
Temporary exemption (overlay approach)	-48	45	-207.9	42	-44	-	-3
New OP bonuses accrued to owner-customers	-157	-194	-	-53	-65	-	-255

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

Key indicators, € million	30 Sep 2021	31 Dec 2020	Change, %
Loan portfolio	95,229	93,644	1.7
Home loans	40,952	40,036	2.3
Corporate loans	22,510	22,587	-0.3
Housing company and other loans	31,767	31,021	2.4
Guarantee portfolio	3,697	3,100	19.3
Other exposures	15,369	13,941	10.2
Deposits	74,613	70,940	5.2
Assets under management (gross)	109,545	89,126	22.9
Mutual funds	31,354	27,598	13.6
Institutional clients	38,715	25,330	52.8
Private Banking	26,856	24,888	7.9
Unit-linked insurance assets	12,620	11,310	11.6
Balance sheet total	171,657	160,207	7.1
Investment assets	23,258	23,562	-1.3
Insurance liabilities	9,022	9,374	-3.7
Debt securities issued to the public	34,391	34,706	-0.9
Equity capital	13,736	13,112	4.8

January–September

OP Financial Group's earnings before tax amounted to EUR 858 million (526), up by EUR 332 million from the previous year. Income from customer business, or net interest income, net insurance income and net commissions and fees, showed strong growth. Earnings were also improved by higher investment income and lower impairment loss on receivables.

Net interest income increased by 1.1% to EUR 971 million. Net interest income reported by the Retail Banking segment increased by 3.0% and that by the Corporate Banking segment by 2.7%. Meanwhile, net interest income reported by the Other Operations segment decreased by EUR 18 million. OP Financial Group's loan portfolio grew by 1.1% to EUR 95.2 billion and deposits by 5.5% to EUR 74.6 billion, year on year. New loans drawn down by customers during the reporting period totalled EUR 18.3 billion (16.6).

Net insurance income increased by 13.7% to EUR 542 million. The Insurance segment's non-life insurance premium revenue increased by 2.1% to EUR 1,151 million. Claims incurred decreased by 6.3% to EUR 635 million. Operating combined ratio reported by non-life insurance improved to 81.8% (86.0).

Net commissions and fees totalled EUR 761 million (679). Net commissions and fees for payment transfer services increased by EUR 14 million and those for deposits by EUR 16 million. Fund and management fees grew by EUR 33 million.

Net investment income increased by EUR 222 million to EUR 253 million. Net income from financial assets at fair value through other comprehensive income totalled EUR 52 million (31), of which capital gains accounted for EUR 10 million (16).

Net income from financial assets recognised at fair value through profit or loss totalled EUR 98 million (259). Net income from financial assets held for trading decreased by a total of EUR 348 million due to changes in the fair value of derivatives. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 15 million (–11). The figure a year ago has been adjusted to correspond to the current accounting. Income from equity instruments recognised at fair value in the income statement increased by a total of EUR 180 million year on year. When the Covid-19 crisis broke out a year ago, the fair value of equities decreased significantly. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 335 million to EUR 98 million.

An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity. The overlay approach decreased investment income by EUR 48 million, while a year ago it increased investment income by EUR 45 million. Total investment income rose by EUR 128 million year on year, to EUR 204 million. Capital gains on all financial instruments recognised through fair value reserve totalled EUR 128 million (26). The combined return on investments at fair value of OP Financial Group's insurance companies was 0.5% (3.2).

Other operating income decreased year on year to EUR 47 million (121). The sale of Checkout Finland Ltd to Paytrail Oyj on 30 April 2021 increased other operating income. A year ago, the sale of the Vallila property increased other operating income, for which OP Financial Group recognised a capital gain of EUR 98 million in other operating income and an expense of EUR 2 million in other operating expenses. The Group will continue operating in the property under a long-term lease agreement, and the property was recognised as a right-of-use asset in the balance sheet.

Total expenses of EUR 1,420 million (1,414) were at the previous year's level. Personnel costs increased by 10.4% to EUR 656 million due to higher provisions for performance-based bonuses and a higher headcount. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 2.1% to EUR 192 million.

Other operating expenses decreased by 8.2% to EUR 573 million. ICT costs decreased by EUR 35 million to EUR 251 million. A one-off investment in the IT environment increased ICT costs a year ago. Development costs were EUR 128 million (135). Charges of financial authorities increased by 26.4% to EUR 53 million as a result of a higher EU stability contribution.

Impairment loss on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 98 million (200), of which EUR 95 million (183) concerned loans and receivables. A year ago, customers actively applied for repayment holidays on their loans and changes to their repayment schedules due to the Covid-19 crisis. Combined with the changes in macroeconomic parameters applied in the calculation of expected credit losses, this increased impairment loss on receivables by EUR 72 million in January–September 2020. In addition, the adoption of the new definition of default in the first quarter of 2020 increased impairment loss on receivables by EUR 44 million in January–September 2020. Final net loan losses recognised totalled EUR 98 million (82). Loss allowance was EUR 702 million (708) at the end of the reporting period. Non-performing exposures accounted for 2.4% (2.5) of the exposures. Impairment loss on loans and receivables accounted for 0.13% (0.25) of the loan and guarantee portfolio.

OP Financial Group's income tax amounted to EUR 164 million (110). The effective tax rate was 19.2% (20.9).

Non-life insurance will focus on its core business and sell its hospital business. In the second quarter, Pohjola Hospital was classified as a non-current asset held for sale. Hospital business assets recognised in the balance sheet totalled EUR 9 million and liabilities EUR 7 million at the end of the reporting period.

OP Financial Group's equity amounted to EUR 13.7 billion (13.1). 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 2021 is 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (71). The amount of interest paid for 2020 on 4 October 2021 totalled EUR 95 million and that paid for 2019 on 8 February 2021 totalled EUR 97 billion.

Comprehensive income totalled EUR 672 million (435). Changes in the fair value reserve decreased comprehensive income by EUR 65 million. A year ago, changes in the fair value reserve increased comprehensive income by EUR 32 million.

July–September

Earnings before tax amounted to EUR 297 million against EUR 239 million a year ago. Income from customer business showed strong growth.

Total income of EUR 796 million increased by 1.2% year on year. Net interest income rose by 4.9% to EUR 331 million. Net insurance income increased by 18.9% to EUR 215 million. Net commissions and fees rose by 11.1% to EUR 249 million.

In total, investment income grew by EUR 25 million to EUR 40 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR 15 million (141). Net income from financial assets held for trading decreased by a total of EUR 76 million due to changes in the fair value of derivatives. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 53 million year on year. Net income from investment property decreased by EUR 12 million due to negative changes in fair value. The overlay approach increased investment income by EUR 42 million, while a year ago it decreased investment income by EUR 44 million.

Other operating income decreased by EUR 4 million to EUR 4 million.

Total expenses increased by 1.9% to EUR 429 million. Personnel costs increased by 9.0% to EUR 195 million due to higher provisions for performance-based bonuses and a higher headcount. Depreciation/amortisation and impairment loss decreased by 5.2% from the previous year, to EUR 64 million. Other operating expenses decreased by 2.6% to EUR 170 million.

Impairment loss on receivables, EUR 59 million, increased by EUR 42 million year on year. The increase was mainly due to a few corporate customers. Final net loan losses recognised totalled EUR 47 million (56).

Comprehensive income totalled EUR 206 million (277). Changes in the fair value reserve decreased comprehensive income by EUR 48 million. A year ago, changes in the fair value reserve increased comprehensive income by EUR 101 million.

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

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

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

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

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

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

July–September highlights

Pohjola Insurance will sell its hospital business

Pohjola Insurance Ltd, part of OP Financial Group, will sell the entire share capital of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price is EUR 31.8 million. The transaction will have no staffing implications. The transaction is subject to approval by the Finnish Competition and Consumer Authority.

OP Financial Group classified Pohjola Hospital for its Half-year Financial Report as a non-current asset held for sale.

OP Corporate Bank plc's partial demerger

On 2 July 2021, OP Corporate Bank plc's Board of Directors approved a demerger plan whereby the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, will be transferred to the direct ownership of OP Cooperative. On 23 September 2021, OP Cooperative, the only shareholder of OP Corporate Bank plc, approved the partial demerger of OP Corporate Bank as specified in the demerger plan. Based on the plan, the demerger would be executed by the end of November. The aim of the restructuring is to simplify the structure and governance of OP Financial Group's central cooperative consolidated and to clarify its management structure. The restructuring will have no effect on OP Financial Group's capital adequacy, earnings or business segments.

OP Financial Group's strategic targets and focus areas

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

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

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

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

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

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

OP Financial Group's strategic targets	30 Sep 2021	31 Dec 2020	Target 2025
Return on equity (ROE excluding OP bonuses), %	8.1	6.6	8.0
CET1 ratio, %	19.0	18.9	At least CET1 requirement + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers)**	Banking: 27 Insurance: 15	Banking: 29 Insurance: 17	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

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

Promotion of the success of owner-customers and operating region

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

Allocation of earnings

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

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

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

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

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

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

Customer relationships and customer benefits

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

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

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

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

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–September totalled EUR 157 million (194). The accrual of OP bonuses was changed as of 1 November 2020. During the reporting period, a total of 83 million euros (90) of OP bonuses were used to pay for banking and wealth management services and EUR 84 million (98) to pay non-life insurance premiums.

Owner-customers benefitted EUR 43 million (20) from the reduced price of the daily services package of Retail Banking. Owner-customers were provided with EUR 43 million (51) 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 5 million (5).

The abovementioned OP bonuses and customer benefits totalled EUR 248 million (270), accounting for 22.4% (33.9) of OP Financial Group's earnings before tax and granted benefits.

OP Financial Group paid interest on Profit Shares for 2020 to holders of those shares on 4 October 2021. In its profit distribution, OP Financial Group has complied with the recommendation of the European Central Bank (ECB) that expired on 30 September 2021. Interest paid on Profit Shares for the financial year 2020 totalled EUR 95 million (97). The return target for Profit Shares for 2021 is an interest rate of 3.25% (3.25). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (71).

Corporate responsibility

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

OP Financial Group is committed to complying with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP has agreed to follow the UN Principles for Responsible Investment. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 29% (28) at the end of September.

Corporate responsibility highlights in July–September

Through its campaign "Summer jobs paid for by OP", OP provided 1,600 young people with a summer job in the third sector. OP cooperative banks donated funding to non-profit associations for hiring young people from 15 to 17 years for two weeks.

In July, OP and Hope ry organised for the fifth time the Backpack for every back campaign to collect school backpacks at OP cooperative banks and Pohjola Hospitals across Finland. This year, almost 3,300 backpacks were collected for the children of families living on limited means.

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In September, the Group's mobile channels (OP-mobile, OP Business mobile, OP Junior) had approximately 1.3 million active users (1.2). The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the sector.

Mobile and online services, no. of logins (million)	Q1–3/ 2021	Q1–3/ 2020	Change, %
OP-mobile	355.9	295.7	20.3
OP Business mobile	14.9	10.9	35.9
Pivo	32.6	33.2	-1.7
Op.fi	41.0	54.1	-24.1
	30 Sep 2021	31 Dec 2020	Change, %
Siirto payment, registered customers (OP)	1,021,215	899,402	13.5

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

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

OP Financial Group has an extensive branch network with 327 branches (342) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group has extensive presence in the most common social media channels where it has around 620,000 followers (570,000). 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.

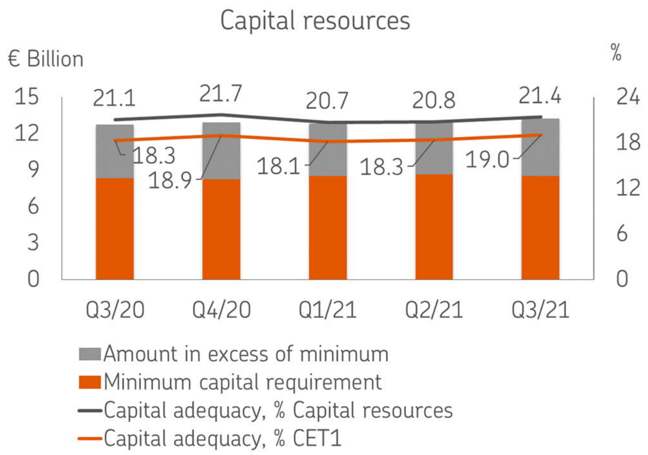
Capital adequacy and capital base

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

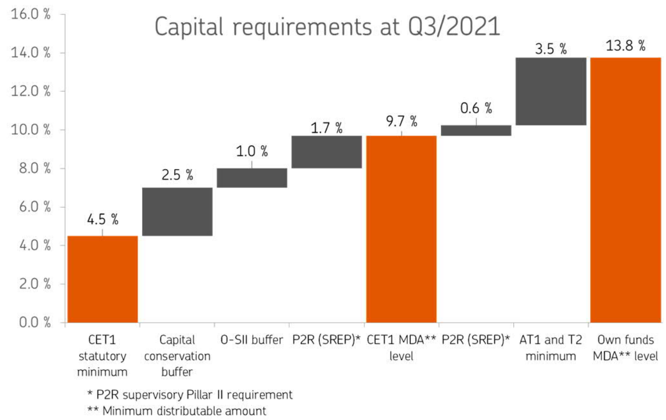
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.8 billion (4.4). Banking capital requirement remained unchanged at 13.8%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 152% (150). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 19.0% (18.9). The ratio was lowered in particular by the ECB's decision, which increased the risk-weighted assets of corporate exposures. Good earnings performance raised the ratio to its year-end level.



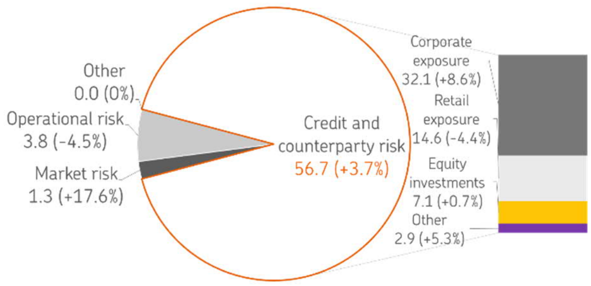
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5%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



The CET1 capital of OP Financial Group as credit institution was EUR 11.7 billion (11.3). Banking earnings, of which the planned full-year profit distribution has been subtracted, had a positive effect on the CET1 capital. The shortfall of ECL minus expected losses, which increased as a result of changes in credit risk parameters, had a negative effect on the CET1 capital. The amount of Profit Shares in CET1 capital was EUR 3.0 billion (2.8).

The risk exposure amount (REA) totalled EUR 61.8 billion (59.7), or 3% higher than at the turn of the year. In March, the ECB set a parameter factor for corporate exposures, based on the TRIM (Targeted Review of Internal Models) on corporate exposures, which increased the risk-weighted assets of corporate exposures. In March, OP Financial Group added conservatism to the credit conversion factor for retail exposures, which increased the risk-weighted assets of retail exposures. The revised Capital Requirements Directive and Regulation (CRR2) came into force in June, which increased counterparty risk associated with derivatives as anticipated. In September, OP Financial Group adopted calibrated parameters in retail and corporate exposures. The adoption slightly increased risk-weighted assets and slightly decreased expected loss.

Risk Exposure Amount 30 September 2021
Total 61.8 € billion
(change from year end 3.4%)



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

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

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

OP Financial Group plans to adopt a simplified approach in the measurement of insurance companies' risk weights during the last quarter of 2021, which will reduce the CET1 ratio by about 0.6 percentage points.

OP Financial Group is in discussions with the ECB on reassessing the extent of application of internal models (IRBA, Internal Ratings-Based Approach). Based on the current estimate, the change in the scope of IRBA may decrease OP Financial Group's CET1 ratio by around 0.6 percentage points. The final effect of the change and the implementation schedule will be specified after discussions with the supervisor and the approval process related to the scope of IRBA.

The OP Amalgamation Capital Adequacy Report of 30 September 2021 will be published in English in week 44.

Insurance

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

	Non-life insurance		Life insurance	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Capital base, € mill.*	1,467	1,205	1,572	1,436
Solvency capital requirement (SCR), € mill.*	786	762	776	746
Solvency ratio, %*	187	158	203	193
Solvency ratio, % (excl. transitional provision)	187	158	175	161

*including transitional provisions

ECB's supervision

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

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

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

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

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

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

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

On 14 May 2021, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 25.8% of the risk exposure amount and 10.12% of the leverage ratio exposures. It will enter into force on 1 January 2022.

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

OP Financial Group's MREL is determined according to the leverage ratio exposures. The MREL ratio was 14.6% and the MREL ratio based on the subordination requirement with subordinated liabilities was 10.5%. The buffer for the MREL was EUR 7.2 billion and for the subordination requirement EUR 0.7 billion.

Risk exposure

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

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

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

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

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

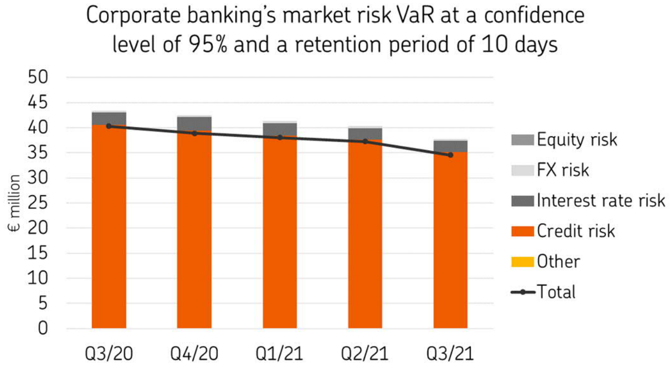
The operational risk level remained moderate during the reporting period. Materialised operational risks resulted in a gross loss of EUR 7 million (6). From the operational risk perspective, the implications of the Covid-19 pandemic on OP Financial Group were mild during the reporting period and mainly affected OP cooperative banks.

Retail Banking and Corporate Banking

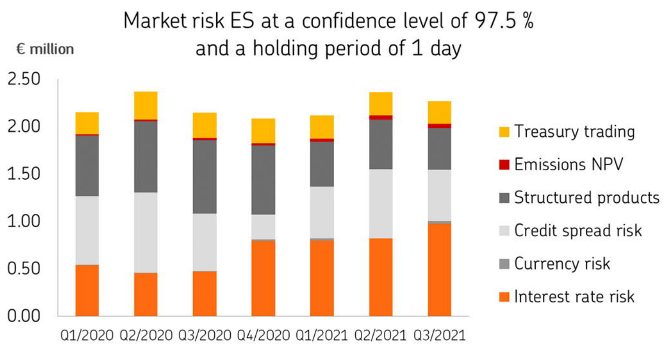
Major risks in banking are associated with credit risk arising from customer business, and market risk.

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

During the reporting period, the market risk level of corporate banking's long-term investments decreased. No major changes were made to the asset class allocation during the reporting period. The Group's VaR, a measure of market risks, was EUR 35 million (39) on 30 September 2021. The VaR risk metric includes the liquidity buffer and banking's long-term bond investments as well as derivatives that hedge their interest rate risks.

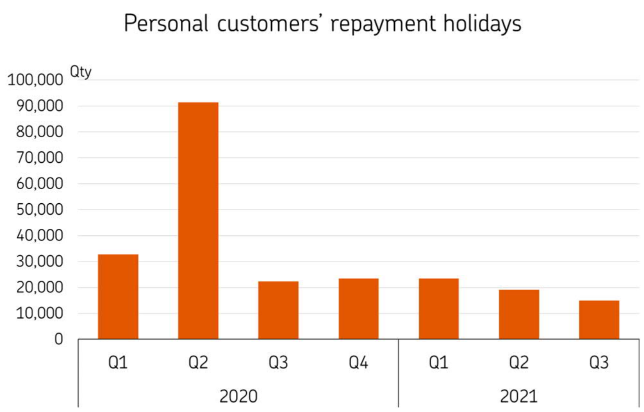


Expected Shortfall (ES), a measure of market risk associated with the interest rate risk position of Markets and Treasury, remained at a moderate level.



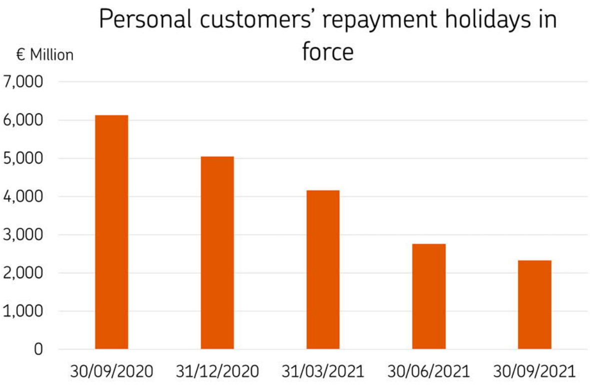
Personal customers' repayment holidays

In July–September 2021, exposures affected by new repayment holidays totalled EUR 1.0 billion (1.4).
In the summer of 2020, the volume of repayment holidays granted to personal customers returned to its pre-pandemic level. During the Covid-19 crisis, exposures affected by repayment holidays were at their highest level in April–June 2020, totalling EUR 6.3 billion.



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

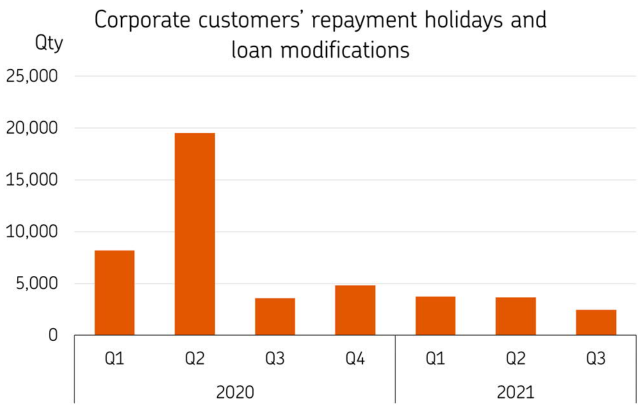
Repayment holidays that were in effect at the end of the reporting period affected exposures totalling EUR 2.3 billion (5.0). A large number of 12-month repayment holidays, granted to personal customers in spring 2020 due to the Covid-19 pandemic, expired during the second quarter of 2021.



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

Corporate customers' repayment holidays and loan modifications

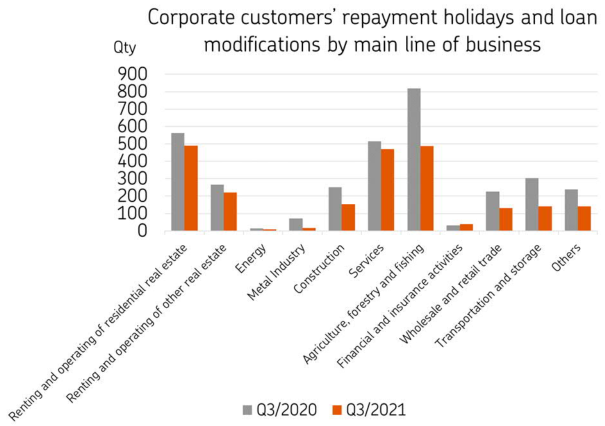
Repayment holidays and loan modifications granted in the third quarter of 2021 applied to exposures worth EUR 1.0 billion (1.8). Monitoring has been brought into line with the monitoring of personal customers and the comparison data has been adjusted. The number of repayment holidays and loan modifications granted to corporate customers returned to their pre-pandemic levels after the summer of 2020. During the Covid-19 crisis, exposures affected by new repayment holidays and loan modifications granted to corporate customers were at their highest level in April–June 2020, totalling EUR 4.1 billion.



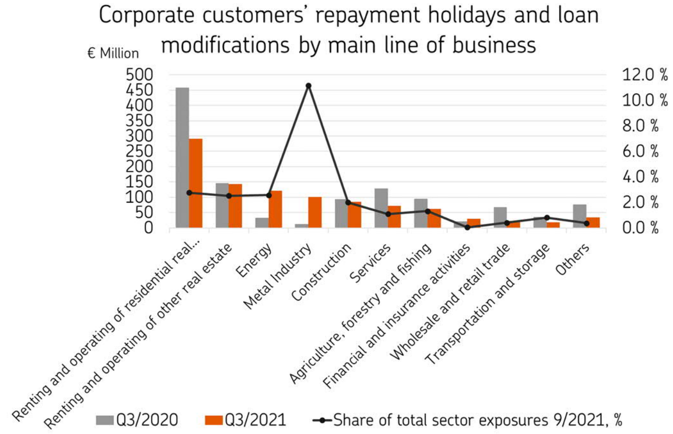
The graph shows the actual number of corporate customers' loan modifications and repayment holidays by quarter for the reporting period and for 2020. The quarter is determined by the date of execution of the change. Monitoring has been brought into line with the monitoring of personal customers and the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

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

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



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



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

Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
More than 90 days past due, € billion			0.70	0.66	0.70	0.66	0.25	0.24	0.45	0.42
Unlikely to be paid, € billion			0.78	0.95	0.78	0.95	0.13	0.18	0.65	0.77
Forborne exposures, € billion	3.46	3.29	1.28	1.12	4.74	4.41	0.15	0.15	4.59	4.26
Total, € billion	3.46	3.29	2.76	2.73	6.22	6.02	0.54	0.57	5.68	5.45

	OP Financial Group		Retail Banking		Corporate Banking	
Key ratios	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020	30 Sep 2021	31 Dec 2020
Ratio of doubtful receivables to exposures, %	5.44	5.44	6.66	6.40	2.43	2.99
Ratio of non-performing exposures to exposures, %	2.42	2.47	2.61	2.56	1.92	2.22
Ratio of performing forborne exposures to exposures, %	3.03	2.97	4.05	3.84	0.51	0.77
Ratio of performing forborne exposures to doubtful receivables, %	55.6	54.6	60.8	60.0	21.2	25.8
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	11.0	11.5	7.4	7.6	35.6	32.1

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

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

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –62 million (–57) at the end of September. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

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

The distribution of loss allowance by sector is presented in the OP Amalgamation Capital Adequacy Report of 30 September 2021.

Insurance

Non-life insurance

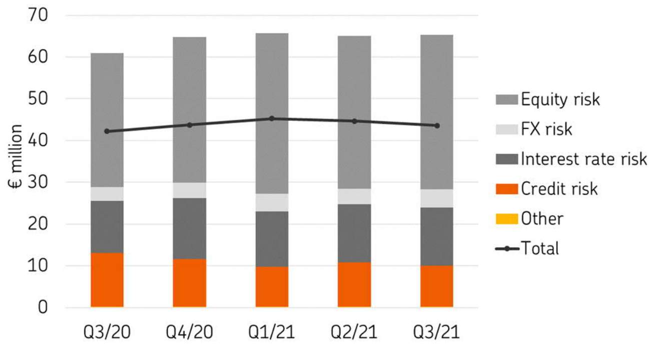
Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest 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 47 million (48). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 31 million (31). The figure a year ago has been adjusted to correspond to the current accounting.

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

The market risk level of the investments of non-life insurance has developed steadily during the current year. The VaR, a measure of market risk, was EUR 44 million (44) on 30 September 2021. VaR includes the company's investment balance including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Data from the reference years has been adjusted to correspond to the current monitoring.

Non-life insurance's market risk VaR at a confidence level of 95% and a retention period of 10 days



Life insurance

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

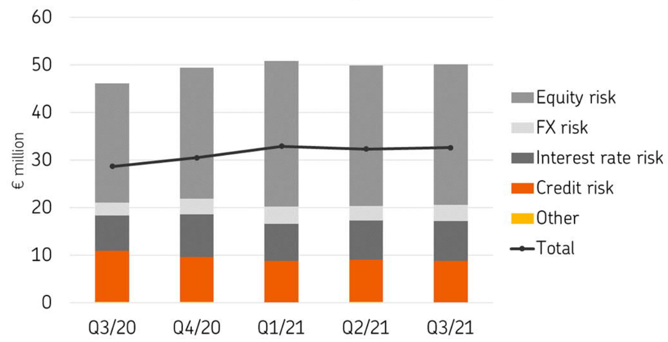
A one-year increase in life expectancy would increase insurance liability by EUR 28 million (27). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 27 million (31).

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios.

The buffers totalled EUR 314 million (281) on 30 September 2021.

The market risk level of the investments of life insurance at the end of the reporting period was almost the same as last year. VaR, a measure of market risk, was EUR 33 million (31) on 30 September 2021. VaR includes life insurance's investment balance, including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation. Data from the reference years has been adjusted to correspond to the current monitoring.

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



Other Operations

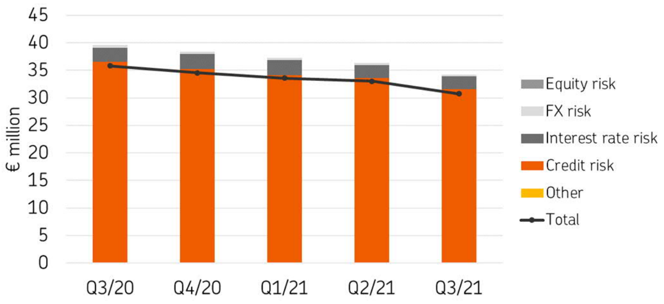
Major risks related to Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The most significant market risk factor is the effect of credit spread changes on the value of notes and bonds included in the liquidity buffer.

OP Financial Group's funding position and liquidity is strong. In January–September, the Group issued long-term bonds worth EUR 3.3 billion (6.6).

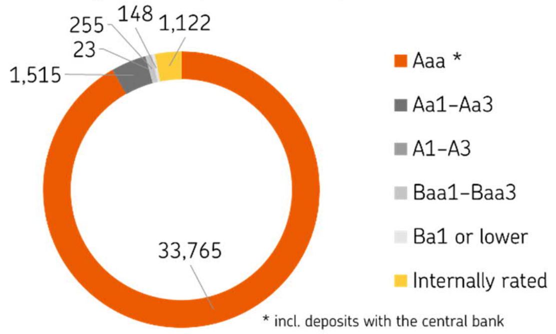
The loan-to-deposit ratio remained stable during the reporting period.

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

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



Financial assets included in the liquidity buffer by credit rating on 30 September 2021, € million



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

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 255% (197) at the end of the reporting period.

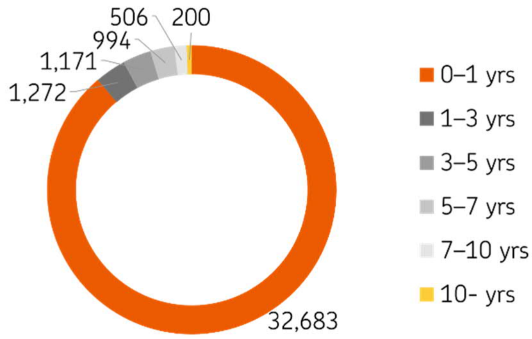
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, a minimum requirement of 100% has been set for the NSFR as of 30 June 2021. OP Financial Group's NSFR was 131% (123) at the end of the reporting period.

Liquidity buffer

€ billion	30 Sep 2021	31 Dec 2020	Change, %
Deposits with central banks	32.0	21.6	48.7
Notes and bonds eligible as collateral	3.7	8.7	-57.5
Corporate loans eligible as collateral	0.0	0.0	-
Total	35.7	30.2	18.2
Receivables ineligible as collateral	1.1	1.0	8.1
Liquidity buffer at market value	36.8	31.3	17.8
Collateral haircut	-0.4	-0.5	-
Liquidity buffer at collateral value	36.5	30.8	18.6

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 maturity on 30 September 2021, € million



Credit ratings

30 Sep 2021

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

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

Financial performance by segment

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

Retail Banking

- Earnings before tax improved to EUR 224 million (100). Impairment loss on receivables decreased by EUR 48 million to EUR 70 million. A year ago, impairment loss was increased by the adoption of the new definition of default and the effects of the Covid-19 pandemic on loan portfolio quality.
- Total income increased by 5.0% to EUR 1,294 million. Income from customer business increased by a total of 5.3%: net interest income increased by 3.0% to EUR 715 million and net commissions and fees by 8.3% to EUR 560 million.
- Total expenses increased by 3.1% to EUR 878 million. Personnel costs increased by 4.2% to EUR 322 million and other operating expenses by 2.5% to EUR 517 million.
- OP bonuses to owner-customers decreased to EUR 122 million (162) as a result of changes made in the accrual of bonuses in 2020.
- The loan portfolio increased by 1.8% and the deposit portfolio by 6.0% year on year.
- Non-performing exposures (gross) accounted for 2.6% (2.6) of the exposures.
- The most significant development investments focused on enhancing customer experience and customer processes and upgrading the account and financing systems.

Key figures and ratios

€ million	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Net interest income	715	694	3.0	925
Net commissions and fees	560	517	8.3	698
Net investment income	-5	1	-	2
Other income	24	21	16.7	29
Total income	1,294	1,232	5.0	1,653
Personnel costs	322	309	4.2	412
Depreciation/amortisation and impairment loss	40	39	2.8	60
Other operating expenses	517	504	2.5	680
Total expenses	878	852	3.1	1,152
Impairment loss on receivables	-70	-118	-	-172
OP bonuses to owner-customers	-122	-162	-	-214
Earnings before tax	224	100	123.3	115
Cost/income ratio, %	67.9	69.1	-1.2*	69.7
Ratio of non-performing exposures to exposures, %**	2.6	2.1	0.5*	2.6
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.13	0.23	-0.10*	0.24
Return on assets (ROA), %	0.25	0.13	0.12*	0.11
Return on assets, excluding OP bonuses, %	0.39	0.33	0.06*	0.30
€ million				
Home loans drawn down	6,534	5,355	22.0	7,429
Corporate loans drawn down	1,711	1,762	-2.9	2,411
No. of brokered residential property and property transactions	10,025	8,714	15.0	11,998

€ billion	30 Sep 2021	30 Sep 2020	Change, %	31 Dec 2020
Loan portfolio				
Home loans	41.0	39.8	3.0	40.0
Corporate loans	8.1	8.2	-1.1	8.1
Housing company and other loans	21.6	21.4	0.2	21.3
Total loan portfolio	70.6	69.3	1.8	69.4
Guarantee portfolio	0.9	0.9	3.5	0.9
Other exposures	9.6	9.4	2.0	8.7
Deposits				
Current and payment transfer deposits	41.3	38.9	5.2	39.3
Investment deposits	20.6	19.4	5.9	19.8
Total deposits	61.8	58.3	6.0	59.1

* Change in ratio ** The name and content of the ratio were changed in Q1/2021. Comparatives have been adjusted accordingly. More detailed information on the change can be found under table Non-performing and forborne exposures in the Risk exposure section of this Interim Report.

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

In the year to September, the loan portfolio grew by 1.8% to EUR 70.6 billion. New home loan drawdowns increased by 22.0% year on year. The home loan portfolio increased by 3.0% to EUR 41 billion year on year. The corporate loan portfolio decreased in the year to September by 1.1%, to EUR 8.1 billion.

The growth in the loan portfolio was affected by the demand for new loans and by the exceptionally large number of repayment holidays granted in the spring of 2020 as a result of the Covid-19 pandemic. A large number of 12-month repayment holidays expired during the second quarter of 2021. The number of new repayment holiday applications returned to its pre-pandemic level already in the summer of 2020.

Customers showed continued interest in protecting home loans and housing company loans against risks.
On 30 September 2021, a total of 28.8% (27.1) of personal customers' home loans were covered by interest rate protection.

The lively housing market increased the volume of homes and real property sold and bought through the OP Koti real estate agents by 15.0%.

In the year to September, the deposit portfolio increased by 6.0% to EUR 61.8 billion. The increase came from current and payment transfer accounts as well as from investment deposits. Household deposits showed the strongest growth.

OP's customers' continued interest in saving and investing reached record high levels in the reporting period. OP mutual funds attracted 149,000 new unitholders, most of whom began to invest systematically. Furthermore, the share trading volume was 21% higher than a year ago. In March, OP Financial Group launched a new investment benefits package for owner-customers.

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

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

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

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

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

Financial performance for the reporting period

Retail Banking earnings before tax improved to EUR 224 million (100). Net interest income increased by 3.0% to EUR 715 million and net commissions and fees by 8.3% to EUR 560 million mainly due to the increase in commissions for daily banking. Total income increased by 5.0% to EUR 1,294 million.

Total expenses increased to EUR 878 million (852). Personnel costs rose by 4.2% to EUR 322 million. Depreciation/amortisation and impairment loss on receivables, EUR 40 million, were at the same level as a year ago. Other operating expenses increased by 2.5% to EUR 517 million due to additional investments in risk management and financial crime prevention.

Impairment loss on receivables decreased by EUR 48 million to EUR 70 million. A year ago, customers actively applied for repayment holidays on their loans and changes to their repayment schedules due to the Covid-19 crisis. Combined with the changes in macroeconomic parameters applied in the measurement of expected credit losses, this increased the amount of expected credit losses. A year ago, the adoption of the new definition of default also increased the amount of expected credit losses. Final net loan losses recognised for the reporting period totalled EUR 54 million (30). Non-performing exposures accounted for 2.6% (2.6) of the exposures.

OP bonuses to owner-customers decreased by EUR 40 million to EUR 122 million as a result of changes in the accrual of bonuses that became effective in November 2020. After the change, customers earn OP bonuses from home loans, student loans, secured bank loans, savings accounts and mutual fund assets as well as unit-linked insurance assets and insurance premiums.

Corporate Banking

- Earnings before tax improved to EUR 356 million (221).
- Total income increased by 21.5% to EUR 633 million. Net interest income increased by 2.7% to EUR 305 million, net commissions and fees by 38.1% to EUR 144 million and net investment income by 23.4% to EUR 130 million.
- Total expenses increased by 8.1% to EUR 238 million. Other operating expenses rose by 7.3% to EUR 161 million due to a higher EU stability contribution.
- In the year to September, the loan portfolio decreased by 0.5% to EUR 24.4 billion, and deposits increased by 3.1% to EUR 14.7 billion. Assets under management by Corporate Banking increased by 31.1% to EUR 81.2 billion, year on year.
- Impairment loss on receivables amounted to EUR 25 million (66). Non-performing exposures (gross) accounted for 1.9% (2.2) of the exposures.
- The most significant development investments involved the upgrades of payment, finance and asset management systems.

Key figures and ratios

€ million	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Net interest income	305	297	2.7	394
Net commissions and fees	144	104	38.1	153
Net investment income	130	106	23.4	143
Other income	53	14	288.5	17
Total income	633	521	21.5	707
Personnel costs	67	56	19.2	71
Depreciation/amortisation and impairment loss	10	14	-28.3	18
Other operating expenses	161	150	7.3	197
Total expenses	238	220	8.1	286
Impairment loss on receivables	-25	-66	-61.8	-53
OP bonuses to owner-customers	-14	-14	5.5	-18
Earnings before tax	356	221	60.6	349
Cost/income ratio, %	37.6	42.3	4.7*	40.4
Ratio of non-performing exposures to exposures, %**	1.9	2.2	-0.3*	2.2
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.12	0.32	-0.2*	0.20
Return on assets (ROA), %	1.25	0.73	0.52*	0.86
Return on assets, excluding OP bonuses, %	1.3	0.77	0.52*	0.91

€ billion	30 Sep 2021	30 Sep 2020	Change, %	31 Dec 2020
Loan portfolio				
Corporate loans	14.6	14.7	-0.7	14.4
Housing company and other loans	9.7	9.9	-2.0	9.6
Total loan portfolio	24.4	24.6	-0.5	24.0
Guarantee portfolio	3.1	2.5	23.4	2.6
Other exposures	5.8	5.1	13.9	5.4
Deposits	14.7	14.3	3.1	13.1
Assets under management (gross)				
Mutual funds	31.4	25.6	22.3	27.6
Institutional clients	38.7	24.4	58.7	25.3
Private Banking	11.1	11.9	-6.6	11.3
Total (gross)	81.2	62.0	31.1	64.2

€ million	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Net inflows				
Private Banking clients	-123	183	-	225
Institutional clients	286	-23	-	190
Total	163	160	1.8	415

*Change in ratio
** The name and content of the ratio was changed in Q1/2021. Comparatives have been adjusted accordingly. More detailed information on the change can be found under table Non-performing and forborne exposures in the Risk exposure section of this Interim Report.

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

The loan portfolio decreased in the year to September by 0.5% to EUR 24.4 billion. In the year to September, the deposit portfolio increased by 3.1% to EUR 14.7 billion.

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

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

Total income increased on a wide front by a total of 21.5%, to EUR 633 million. Within asset management, net asset inflow remained at the previous year's level, amounting to EUR 163 million (160). In the year to September, assets under management increased by 31.1% to EUR 81.2 billion (62.0). Assets under management included about EUR 25 billion (11) in assets of the companies belonging to OP Financial Group.

During the reporting period, the number of OP mutual fund unitholders exceeded the milestone of one million unitholders. The number of unitholders increased in gross terms by about 149,000, to 1,116,000 unitholders. The Morningstar rating for OP mutual funds was 3.15 (3.08).

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

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

Financial performance for the reporting period

Corporate Banking earnings before tax improved to EUR 356 million (221). Total income increased to EUR 633 million (521) and total expenses to EUR 238 million (220). The cost/income ratio was 37.6% (42.3).

Net interest income increased by 2.7% to EUR 305 million (297). Net commissions and fees totalled EUR 144 million (104). In the year to September, mutual fund assets under management grew by 21.7%, which increased net commissions and fees from funds. Other commissions and fees increased on a wide front, and OP Financial Group's internal commission expenses decreased.

Corporate Banking segment's net commissions and fees

€ million	Q1–3/ 2021	Q1–3/ 2020	Change, %
Mutual funds	100	82	22.1
Asset management	11	12	-6.7
Other	33	11	210.4
Total	144	104	38.1

Net investment income totalled EUR 130 million (106). A rise in long-term interest rates reduced derivative receivables and their valuation adjustments recognised through profit or loss. The sale of Checkout Finland Ltd increased other operating income.

Total expenses increased by 8.1% to EUR 238 million. Personnel costs rose by 19.2% to EUR 67 million due to higher provisions for performance-based bonuses. Other operating expenses grew by 7.3% to EUR 161 million. The EU stability contribution increased by 23.5% to EUR 24 million and intra-Group charges by EUR 7 million.

Impairment loss on receivables weakened earnings by EUR 25 million (66). A year ago, the adoption of the new definition of default, the changes in the macroeconomic parameters used in the calculation of expected credit losses and the weakening of individual customers' credit risk exposure increased the impairment loss on receivables. Non-performing exposures accounted for 1.9% (2.2) of the exposures.

Insurance

- Earnings before tax improved to EUR 380 million (195). Net insurance income improved as insurance premium revenue increased and claims incurred decreased. Capital gains improved investment income.
- Non-life insurance premium revenue increased by 2.1% to EUR 1,151 million and claims incurred decreased by 6.4% to EUR 622 million.
- Total expenses rose by 2.6% to EUR 353 million, due to higher personnel costs.
- Investment income totalled EUR 135 million (8). Net return on investments at fair value reported by non-life insurance was EUR 136 million (–24) and that by life insurance EUR 102 million (–15).
- The non-life insurance operating combined ratio improved to 81.8% (86.0) and operating risk ratio to 55.2% (60.2). The operating cost ratio was 26.6% (25.8).
- In life insurance, unit-linked insurance assets increased by 11.7% to EUR 12.6 billion from the 2020-end level. Premiums written in term life insurance grew by 1.9%.
- Development investments focused on upgrading the core system, improving the accessibility of web and mobile services and enhancing opportunities to buy insurance products.
- Pohjola Insurance will focus on its core business and will sell its hospital chain.

Key figures and ratios

€ million	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Net insurance income	552	485	13.8	582
Net commissions and fees	62	55	13.3	78
Net investment income	184	-37	-	88
Other net income	0	5	-100.9	8
Total income	797	508	57.0	755
Personnel costs	116	101	14.5	140
Transfer of statutory earnings-related pension liability				-85
Depreciation/amortisation and impairment loss	44	43	2.3	60
Other operating expenses	193	200	-3.3	269
Total expenses	353	344	2.6	384
OP bonuses to owner-customers	-16	-14	13.2	-19
Overlay approach	-48	45	-208.6	-4
Earnings before tax	380	195	95.4	348
Return on assets (ROA), %	1.69	0.87	0.82*	1.16
Return on assets, excluding OP bonuses, %	1.76	0.94	0.82*	1.22

*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, OP Life Assurance Company Ltd and Pohjola Hospital Ltd.

In future, the Insurance segment will focus on non-life and life insurance business. Pohjola Insurance will sell Pohjola Hospital.

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

Financial performance for the reporting period

Earnings before tax improved to EUR 380 million (195). Net insurance income increased by 13.8% to EUR 552 million. Total expenses increased by 2.6% to EUR 353 million.

Investment income totalled EUR 135 million (8), including the overlay approach. Capital gains on investment amounted to EUR 62 million (8) in non-life insurance and to EUR 53 million (18) in life insurance.

Investment income

€ million	Q1–3/2021	Q1–3/2020
At fair value through other comprehensive income	43	31
At fair value through profit or loss	5	113
Amortised cost	0	-2
Life insurance items*	137	-154
Unwinding of discount**	-13	-16
Associated companies	12	-9
Net investment income	184	-37
Overlay approach	-48	45
Total	135	8

*Include credited interest on customers' insurance assets, 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.
**Non-life insurance.

Non-life insurance operating result

Non-life insurance's earnings improved to EUR 295 million (173). The balance on technical account and net investment income improved earnings. Along with Covid-19 restrictions, a reduction in economic activity, widespread remote work and traffic volumes lower than usual reduced claims in almost all lines of non-life insurance.

€ million	Q1–3/2021	Q1–3/2020	Change, %
Insurance premium revenue	1,151	1,127	2.1
Claims incurred	635	678	-6.3
Operating expenses	306	291	5.0
Balance on technical account	210	158	32.8
Investment income and expenses	117	2	-
Other income and expenses	-8	-5	53.4
Overlay approach	-24	19	-224.7
Earnings before tax	295	173	70.5
Operating combined ratio	81.8	86.0	
Operating risk ratio	55.2	60.2	
Operating cost ratio	26.6	25.8	

Non-life insurance: premium revenue

€ million	Q1–3/2021	Q1–3/2020	Change, %
Personal Customers	656	643	2.0
Corporate Customers	495	484	2.2
Total	1,151	1,127	2.1

Premium revenue increased by 2.1% to EUR 1,151 million. Among personal customers, the number of loyal customer households increased. Premium revenue from corporate customers increased by 2.2%. A fall in occupational accident and occupational disease insurance premium revenue continued to slow down growth.

Claims incurred decreased by 6.3% to EUR 635 million. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 82 (78) in January–September, with their claims incurred retained for own account totalling EUR 74 million (89). Changes in claims for previous years improved the balance on technical account by EUR 65 million (18). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 55.2% (60.2). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 15 million (6).

In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 26.6% (25.8).

Operating combined ratio reported by non-life insurance improved to 81.8% (86.0).

Non-life insurance: key investment indicators

€ million	Q1–3/2021	Q1–3/2020
Net return on investments at fair value, € million*	136	-24
Return on investments at fair value, %	1.0	2.9
Fixed income investments' running yield, %	0.9	1.2
	30 Sep 2021	31 Dec 2020
Investment portfolio, € million	4,196	4,102
Investments within the investment grade category, %	92	92
At least A-rated receivables, %	56	58
Modified duration	3.2	3.5

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

Life insurance operating result

Capital market developments were strong during the reporting period. Unit-linked insurance assets, EUR 12.6 billion, were 11.7% higher than on 31 December 2020. Net asset inflow of unit-linked insurance contracts amounted to EUR 361 million (105). The amount of life insurance surrenders remained moderate. Premiums written in term life insurance grew by 1.9%.

Earnings before tax tripled and came to EUR 92 million (30). This improvement was due to higher income and lower expenses.

€ million	Q1–3/2021	Q1–3/2020	Change, %
Net risk results	23	22	5.6
Net investment income	76	-30	-
Net commissions and fees	81	76	7.0
Other income	0	2	-
Total income	180	70	156.9
Personnel costs	8	7	8.5
Depreciation/amortisation and impairment loss	16	17	-6.5
Other operating expenses	25	29	-14.7
Total expenses	49	54	-9.0
OP bonuses	-14	-12	14.8
Overlay approach	-25	26	-
Earnings before tax	92	30	207.7
Operating ratio	36.1	43.1	

Life insurance: key investment indicators*

€ million	Q1–3/2021	Q1–3/2020
Net return on investments at fair value, € million**	102	-15
Return on investments at fair value, %	0.0	3.5
Fixed income investments' running yield, %	0.9	1.1
	30 Sep 2021	31 Dec 2020
Investment portfolio, € million	3,649	3,602
Investments within the investment grade category, %	91	90
A-rated receivables, minimum, %	54	58
Modified duration	3.2	3.2

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

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. In life insurance, the net change in short-term supplementary interest rate provisions was EUR 1 million (-9). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 376 million (512) on 30 September 2021. Short-term supplementary interest rate provisions accounted for EUR 45 million (54) of these provisions.

Other Operations

Key figures and ratios

€ million	Q1–3/2021	Q1–3/2020	Change, %	Q1–4/2020
Net interest income	-65	-46	-	-60
Net commissions and fees	0	7	-106.3	9
Net investment income	-7	11	-160.8	12
Other operating income	513	582	-11.9	744
Total income	441	553	-20.3	705
Personnel costs	152	128	18.8	177
Depreciation/amortisation and impairment loss	99	102	-2.5	138
Other operating expenses	260	285	-8.7	388
Total expenses	511	515	-0.6	703
Impairment loss on receivables	0	1	-36.9	1
Earnings before tax	-70	39	-278.8	3

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 –70 million (39). Total income decreased by 20.3% to EUR 441 million. A year ago, the sale of the Vallila property improved earnings by EUR 96 million.

Net interest income was EUR –65 million (–47). Net interest income was weakened by the Tier 2 bonds issued in 2020 and the senior non-preferred bonds issued in 2021, according to the funding plan, whose credit spreads are higher than those of senior bonds. Net investment income totalled EUR –7 million (11).

Other operating income decreased by 11.9% to EUR 513 million. A year ago, the sale of the Vallila property increased other operating income. OP Financial Group recognised a capital gain of EUR 98 million on the sale in other operating income and an expense of EUR 2 million in other operating expenses. OP Financial Group will continue operating in the property under a long-term lease agreement.

Expenses remained at the previous year's level at EUR 511 million (515). Personnel costs increased by 18.8% to EUR 152 million due to higher provisions for performance-based bonuses and a higher headcount. The number of personnel increased in functions such as development, risk management and financial crime prevention. Depreciation/amortisation and impairment loss on PPE and intangible assets were at the previous year's level at EUR 99 million (102). Other operating expenses decreased by 8.7% to EUR 260 million as ICT costs decreased by EUR 21 million.

On 30 September 2021, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding, TLTRO funding and covered bonds was 16 basis points (19). Covered bonds are reported as part of the Retail Banking segment.

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

OP Corporate Bank participated in the seventh TLTRO III operation for EUR 5.0 billion in March and in the eighth operation for EUR 3.0 billion in June. OP Corporate Bank's TLTRO III financing amounted to a total of EUR 16.0 billion at the end of September. OP Corporate Bank issued two senior non-preferred bonds in March, one in June and one in September. The bonds issued in March were worth EUR 500 million with a 5-year maturity and EUR 300 million with a 10-year maturity. The bonds issued in June and September were both worth EUR 500 million with a 7-year maturity. In January–September, OP Financial Group issued long-term bonds worth EUR 3.3 billion (6.6).

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

The rate for 24 June 2020–23 June 2021 was determined based on the net lending review period expired on 31 March 2021. OP Financial Group assesses that it has fulfilled these criteria. The final interest rate will be determined when the TLTRO III operation matures.

For the current interest period, OP Financial Group will monitor the conditions for the fulfilment of the criteria for net lending performance. If the management later updates its assessment of the fulfilment of the criteria for net lending performance for the current interest period, a positive earnings effect will be recognised on a one-off basis on the margin received on top of the base rate, according to IFRS 9. OP Financial Group has assessed that TLTRO III funding fulfils the terms of market-based financing and is treated according to IFRS 9.

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 192 million (209). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 65 million (74). More detailed information on OP Financial Group's investments can be found in each business segment's text section in this Interim Report.

In the spring of 2019, OP Financial Group concluded a five-year agreement with Tata Consultancy Services Ltd (TCS) on the production of ICT services. The agreement involves the ICT infrastructure services used by OP Financial Group, such as mainframe, server and capacity services. The agreement also includes data centre and cloud services. The transfer of ICT infrastructure services to TCS was completed as planned in February 2021.

In February 2021, OP Financial Group signed a new five-year agreement with CGI on producing IT application services in the fields of insurance and centres of excellence, in particular. The agreement is part of increasing the effectiveness of and reforming practices and partnerships related to IT operations.

In May 2021, OP Financial Group signed a new five-year agreement with Accenture on producing IT application services especially in the field of banking. The agreement is part of increasing the effectiveness of and reforming practices and partnerships related to IT operations.

In June 2021, OP Financial Group signed a new six-year agreement with Elisa on the production of workstation and support services. The agreement is part of increasing the effectiveness of and reforming practices and partnerships related to IT operations.

Personnel

On 30 September 2021, OP Financial Group had 12,957 employees (12,604). The number of employees averaged 12,999 (12,486). During the reporting period, the number of employees increased in customer service, development & technologies, insurance, risk management and financial crime prevention.

Personnel at period end

	30 Sep 2021	31 Dec 2020
Retail Banking	7,045	7,069
Corporate Banking	910	899
Insurance	2,495	2,260
Other Operations	2,507	2,376
Total	12,957	12,604

During the reporting period, 185 OP Financial Group employees (228) retired at an average age of 61.9 years (62.2).

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

Variable remuneration applied by OP Financial Group in 2021 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. More detailed information on variable remuneration is available in OP Financial Group's Report by the Board of Directors and Financial Statements 2020.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period included the accounts of 125 OP cooperative banks (137) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

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

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

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

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

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

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

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

Himangan Osuuspankki and Perhon Osuuspankki merged into Nivalan Osuuspankki on 30 September 2021. Consequently, the business name of Nivalan Osuuspankki changed to Joki-Pohjanmaan Osuuspankki.

Oulaisten Osuuspankki merged into Suomenselän Osuuspankki on 30 September 2021.

On 31 May 2021, Halsua-Ylipään Osuuspankki, Toholammin Osuuspankki, Ullavan Osuuspankki and Perhonjokilaakson Osuuspankki approved merger plans according to which Halsua-Ylipään Osuuspankki, Toholammin Osuuspankki and Ullavan Osuuspankki will merge into Perhonjokilaakson Osuuspankki. The planned date for registration of the mergers is 31 October 2021. Consequently, the business name of Perhonjokilaakson Osuuspankki will change to Jokilaaksojen Osuuspankki.

Loimaan Osuuspankki and Lounais-Suomen Osuuspankki approved a merger plan on 26 May 2021, according to which the former will merge into the latter. The planned date for registration of the implementation of the merger is 31 December 2021.

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

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

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

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

Simplifying OP Cooperative Consolidated's structure

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

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

OP Cooperative sold the entire share capital of its subsidiary, Checkout Finland Ltd, to Paytrail Oyj. The transaction was finalised on 30 April 2021.

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

On 25 May 2021, OP-Services Ltd and OP Cooperative approved a merger plan, according to which the former will merge into the latter through a subsidiary merger. The planned date for registration of the implementation of the merger is 30 November 2021.

On 4 June and 22 June 2021, OP Corporate Bank plc and its Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) approved a merger plan whereby the Baltic subsidiaries will merge into their parent company OP Corporate Bank plc through a cross-border merger. The planned date for registration of the implementation of the merger is 31 October 2021.

On 2 July 2021, OP Corporate Bank plc's Board of Directors approved a demerger plan whereby the shares of Pohjola Insurance Ltd, OP Corporate Bank plc's subsidiary engaged in non-life insurance business, will be transferred to the direct ownership of OP Cooperative. Technically, this will be implemented in such a way that OP Corporate Bank plc will demerge through a partial demerger into OP Insurance Holding Ltd, an ancillary company wholly owned by OP Cooperative, which will merge into OP Cooperative through a subsidiary merger immediately after the demerger. The planned date for registration of the implementation of the demerger is 29 November 2021, and the planned date for registration of the implementation of the merger is 30 November 2021.

Pohjola Insurance Ltd will sell the entire share capital of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price is

EUR 31.8 million. The transaction is subject to approval by the Finnish Competition and Consumer Authority.

On 26 and 27 October 2021, OP Cooperative and OP Corporate Bank plc made decisions on a share transaction whereby OP Corporate Bank plc will sell the entire share capital of OP Custody Ltd to OP Cooperative.

Governance of OP Cooperative

On 18 November 2020, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to 31 December 2021. The composition of the Board of Directors remained unchanged.

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

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

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

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

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

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

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

Events after the reporting period

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

OP Financial Group paid interest on Profit Shares for 2020 to holders of those shares on 4 October 2021. In its profit distribution, OP Financial Group has complied with the recommendation of the European Central Bank (ECB) that expired on 30 September 2021. The ECB announced on 23 July 2021 that its recommendation limiting banks' profit distribution will expire at the end of September 2021. The interest payable on Profit Shares for 2020 totalled EUR 95 million based on the original return target of 3.25%. In future, OP Financial Group will reassume its normal payment schedule for interest on Profit Shares. This means paying interest for the previous year in June of the following year, if the distribution criteria are fulfilled. The return target for Profit Shares for 2021 is 3.25%. The final amount of payable interest will be confirmed after the end of the financial year.

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

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

Outlook towards the year end

The world and Finnish economies continued their recovery in the third quarter, but the speed of recovery began to tail off. The recovery was strengthened by the lifting of Covid-19 restrictions, which boosted the service sectors in particular.

However, industry suffered from supply chain problems caused by the rapid economic recovery and partly by the Covid-19 pandemic.

Prices of many raw materials have risen as a result of the fast recovery, pushing up inflation. Although the inflationary surge is largely expected to be transient, a rise in energy prices in the autumn revived inflation concerns in the market. Uncertainty in the stock market grew in the early autumn and interest rate expectations rose.

The recovery is expected to continue in the near term. Household and corporate finances in Finland are healthy and the mood on the housing market should remain favourable. The outlook for short-term market rates is stable. However, several factors are expected to increase uncertainty about the future. Restrictions due to the Covid-19 pandemic may still be resumed, slowing the recovery. Higher energy prices may weaken spending power, and production chain problems could lead to interruptions in manufacturing. Uncertainty may also be reflected in the financial market.

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

OP Financial Group's earnings before tax for 2021 are expected to be higher than in 2020. The Covid-19 pandemic will continue to cause uncertainty in the amount of impairment loss on receivables and investment income.

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.

Formulas for key figures and ratios

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

Alternative Performance Measures

Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity capital (average at beginning and end of period)	x 100
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity capital (average at beginning and end of period)	x 100
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of period)	x 100
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of period)	x 100
Cost/income ratio, %	Total expenses / Total income	x 100
Investment income	Net investment income + Overlay approach	
Loan portfolio	Balance sheet item Receivables from customers	
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end	x 100
Deposits	Deposits included in balance sheet item Liabilities to customers	
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100
Income from customer business	Net interest income + net insurance income + net commissions and fees	
Non-life insurance:		
Operating loss ratio, %	Claims incurred, excl. changes in reserving bases and amortisation on intangible assets arising from company acquisitions / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating expense ratio, %	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases	x 100
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	

Operating risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. changes in reserving bases	x 100
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases	x 100

Life insurance:

Operating ratio, %	Total expenses / Expense loading + refund of management fee	x 100

Key indicators based on a separate calculation

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100
Tier 1 ratio, %	Total Tier 1 capital / Total risk exposure amount	x 100
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100
Solvency ratio, %	Capital base / Solvency capital requirement (SCR)	x 100
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates*	Conglomerate's total capital base / Conglomerate's total minimum capital requirement	x 100
Ratio of non-performing exposures to exposures, %	Non-performing exposures (gross)** / Exposures at period end	x 100
Ratio of doubtful receivables to exposures, %	Doubtful receivables (gross)*** / Exposures at period end	x 100
Ratio of performing forborne exposures to exposures, %	Performing forborne exposures (gross)*** / Exposures at period end	x 100

Ratio of performing forborne exposures to doubtful receivables, %	$\frac{\text{Performing forborne exposures (gross)***}}{\text{Doubtful receivables at period end}}$	x 100
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	$\frac{\text{Loss allowance for receivables from customers in the balance sheet}}{\text{Doubtful receivables at period end}}$	x 100
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio	
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities	
Other exposures	Interest receivables + unused standby credit facilities	

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

**Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties.

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

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	30 Sep 2021	31 Dec 2020
OP Financial Group's equity capital	13,736	13,112
Effect of insurance companies on the Group's shareholders' equity is excluded	-858	-498
Fair value reserve, cash flow hedge	-126	-203
Common Equity Tier 1 (CET1) before deductions	12,752	12,410
Intangible assets	-341	-391
Excess funding of pension liability and valuation adjustments	-123	-93
Cooperative capital deducted from capital base	-2	-126
Planned profit distribution and unpaid profit distribution for previous period	-96	-95
Shortfall of ECL minus expected losses	-452	-413
Insufficient coverage for non-performing exposures	-0	
CET1 capital	11,739	11,293
Hybrid capital to which transitional provision is applied		40
Additional Tier 1 capital (AT1)		40
Tier 1 capital (T1)	11,739	11,333
Debenture loans	1,308	1,599
Debentures to which transitional provision applies	173	
Tier 2 capital (T2)	1,481	1,599
Total capital	13,220	12,933

Risk exposure amount, € million	30 Sep 2021	31 Dec 2020
Credit and counterparty risk	56,500	54,522
Standardised Approach (SA)	4,824	4,562
Central government and central banks exposure	324	347
Credit institution exposure	4	9
Corporate exposure	3,241	3,068
Retail exposure	1,060	1,026
Equity investments	7	32
Other	190	80
Internal Ratings-based Approach (IRB)	51,676	49,960
Credit institution exposure	1,152	1,029
Corporate exposure	28,817	26,461
Retail exposure	13,582	14,295
Equity investments	7,107	7,036
Other	1,018	1,140
Market and settlement risk (Standardised Approach)	1,289	1,096
Operational risk (Standardised Approach)	3,786	3,964
Valuation adjustment (CVA)	201	138
Total risk exposure amount	61,776	59,720

Ratios, %	30 Sep 2021	31 Dec 2020
CET1 capital ratio	19.0	18.9
Tier 1 ratio	19.0	19.0
Capital adequacy ratio	21.4	21.7

Ratios, fully loaded, %	30 Sep 2021	31 Dec 2020
CET1 capital ratio	19.0	18.9
Tier 1 ratio	19.0	18.9
Capital adequacy ratio	21.1	21.6

Capital requirement, EUR million	30 Sep 2021	31 Dec 2020
Capital base	13,220	12,933
Capital requirement	8,497	8,213
Buffer for capital requirements	4,723	4,719

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

Leverage ratio, EUR million	30 Sep 2021	31 Dec 2020
Tier 1 capital (T1)	11,739	11,333
Total exposure	158,855	144,799
Leverage ratio, %	7.4	7.8

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

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

€ million	30 Sep 2021	31 Dec 2020
OP Financial Group's equity capital	13,736	13,112
Hybrid instruments and debenture loans	1,481	1,640
Other sector-specific items excluded from capital base	-187	-331
Goodwill and intangible assets	-1,098	-1,147
Insurance business valuation differences*	698	623
Planned profit distribution and unpaid profit distribution for previous period	-96	-95
Items under IFRS deducted from capital base**	-218	-184
Shortfall of ECL minus expected losses	-426	-387
Conglomerate's total capital base	13,890	13,231
Regulatory capital requirement for credit institutions***	7,567	7,284
Regulatory capital requirement for insurance operations*	1,562	1,508
Conglomerate's total minimum capital requirement	9,130	8,791
Conglomerate's capital adequacy	4,761	4,439
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	152	150

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

Transitional provisions have been taken into account in figures.

TABLES

Income statement

EUR million	Notes	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Net interest income	2	971	960	331	315
Net insurance income	3	542	476	215	181
Net commissions and fees	4	761	679	249	224
Net investment income	5	253	31	-2	59
Other operating income		47	121	4	8
Total income		**2,573**	**2,268**	**796**	**787**
Personnel costs		656	594	195	179
Depreciation/amortisation		192	196	64	67
Other expenses	6	573	624	170	174
Total expenses		**1,420**	**1,414**	**429**	**421**
Impairment loss on receivables	7	-95	-183	-59	-17
OP bonuses to owner-customers		-152	-190	-53	-65
Temporary exemption (overlay approach)		-48	45	42	-44
Earnings before tax		**858**	**526**	**297**	**239**
Income tax expense		164	110	55	48
Profit for the period		**693**	**416**	**241**	**191**
Attributable to:					
Profit for the period attributable to owners		693	413	242	190
Profit for the period attributable to non-controlling interest		0	3	0	1
Profit for the period		**693**	**416**	**241**	**191**

Statement of comprehensive income

EUR million	Notes	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Profit for the period		**693**	**416**	**241**	**191**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		39	-15	1	-18
Change in revaluation reserve		15		15	
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-33	13	2	85
Cash flow hedge		-96	65	-21	-7
Temporary exemption (overlay approach)		49	-38	-42	48
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-8	3	0	4
Change in revaluation reserve		-3		-3	
Items that may be reclassified to profit or loss					
Measurement at fair value		7	-3	0	-17
Cash flow hedge		19	-13	4	1
Temporary exemption (overlay approach)		-10	8	8	-10
Total comprehensive income for the period		**672**	**435**	**206**	**277**
Attributable to:					
Total comprehensive income for the period attributable to owners		672	432	207	276
Total comprehensive income for the period attributable to non-controlling interests		0	3	0	1
Total comprehensive income for the period		**672**	**435**	**206**	**277**

Balance sheet

EUR million	Notes	30 Sep 2021	31 Dec 2020
Cash and cash equivalents		32,274	21,827
Receivables from credit institutions		518	306
Derivative contracts	16	3,524	5,215
Receivables from customers		95,229	93,644
Investment assets		23,258	23,562
Assets covering unit-linked contracts		12,602	11,285
Intangible assets		1,236	1,311
Property, plant and equipment (PPE)		477	633
Other assets		2,366	2,236
Tax assets		164	188
Non-current assets held for sale	1	9	
Total assets		**171,657**	**160,207**
Liabilities to credit institutions		16,278	8,086
Derivative contracts		2,344	3,424
Liabilities to customers		76,896	73,422
Insurance liabilities	8	9,022	9,374
Liabilities from unit-linked insurance and investment contracts	9	12,658	11,323
Debt securities issued to the public	10	34,391	34,706
Provisions and other liabilities		3,249	3,431
Tax liabilities		1,087	1,069
Subordinated liabilities		1,990	2,261
Liabilities associated with non-current assets held for sale	1	7	
Total liabilities		**157,921**	**147,095**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		214	212
Profit shares		3,017	2,962
Fair value reserve	11	317	382
Other reserves		2,184	2,172
Retained earnings		7,878	7,248
Non-controlling interests		**126**	**137**
Total equity capital		**13,736**	**13,112**
Total liabilities and equity capital		**171,657**	**160,207**

Statement of changes in equity

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 2020	**3,238**	**251**	**2,185**	**6,730**	**12,404**	**166**	**12,570**
Total comprehensive income for the period		32		400	**432**	3	**435**
Profit for the period				413	**413**	3	**416**
Other comprehensive income		32		-12	**20**		**20**
Profit distribution				-98	**-98**	-8	**-106**
Change in membership and profit shares	-125				**-125**		**-125**
Transfer of reserves			-14	14			
Other				-2	**-2**	-4	**-5**
Balance at 30 September 2020	**3,113**	**283**	**2,172**	**7,045**	**12,612**	**157**	**12,770**

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 2021	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**
Total comprehensive income for the period		-65	12	724	**672**	0	**672**
Profit for the period				693	**693**	0	**693**
Other comprehensive income		-65	12	31	**-21**		**-21**
Profit distribution				-94	**-94**	-6	**-100**
Change in membership and profit shares	57				**57**		**57**
Other				0	**0**	-5	**-5**
Balance at 30 September 2021	**3,231**	**317**	**2,184**	**7,878**	**13,610**	**126**	**13,736**

Cash flow statement

EUR million	Q1–3 2021	Q1–3 2020
Cash flow from operating activities		
Profit for the period	693	416
Adjustments to profit for the period	533	122
Increase (-) or decrease (+) in operating assets	**-2,147**	**-4,026**
Receivables from credit institutions	-18	-3
Derivative contracts	135	-739
Receivables from customers	-1,789	-2,800
Assets covering unit-linked contracts	-397	57
Investment assets	132	-52
Other assets	-209	-490
Increase (+) or decrease (-) in operating liabilities	**12,011**	**10,350**
Liabilities to credit institutions	8,184	5,720
Derivative contracts	14	-443
Liabilities to customers	3,619	4,761
Insurance liabilities	5	9
Liabilities from unit-linked insurance and investment contracts	263	-29
Provisions and other liabilities	-73	331
Income tax paid	-117	-94
Dividends received	64	35
A. Net cash from operating activities	**11,037**	**6,802**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	1	0
Disposal of subsidiaries, net of cash disposed	35	193
Purchase of PPP and intangible assets	-84	-97
Proceeds from sale of PPE and intangible assets	9	427
B. Net cash used in investing activities	**-38**	**522**
Cash flow from financing activities		
Subordinated liabilities, change	-252	572
Debt securities issued to the public, change	1	1,085
Increases in cooperative and share capital	183	17
Decreases in cooperative and share capital	-126	-142
Dividends and interest on cooperative capital	-96	-106
Lease liabilities	-27	-25
Other increases in equity items		5
Other decreases in equity capital items		1
C. Net cash used in financing activities	**-317**	**1,407**
Net change in cash and cash equivalents (A+B+C)	**10,683**	**8,732**
Cash and cash equivalents at period-start	**22,053**	**12,168**
Effect of foreign exchange rate changes	-105	508
Cash and cash equivalents at period-end	**32,630**	**21,408**
Interest received	**1,106**	**1,351**
Interest paid	**-307**	**-444**
Cash and cash equivalents		
Liquid assets	32,274	21,172
Receivables from credit institutions payable on demand	356	236
Total	**32,630**	**21,408**

Segment reporting

Segment information

Q1–3 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	715	305	-1	-65	17	971
of which internal net income before tax		-5		5		
Net insurance income			552		-10	542
Net commissions and fees	560	144	62	0	-5	761
Net investment income	-5	130	184	-7	-50	253
Other operating income	24	53	1	513	-545	47
Total income	**1,294**	**633**	**797**	**441**	**-593**	**2,573**
Personnel costs	322	67	116	152	-1	656
Depreciation/amortisation	40	10	44	99	-2	192
Other operating expenses	517	161	193	260	-558	573
Total expenses	**878**	**238**	**353**	**511**	**-561**	**1,420**
Impairment loss on receivables	-70	-25	0	0	0	-95
OP bonuses to owner-customers	-122	-14	-16			-152
Temporary exemption (overlay approach)			-48		0	-48
Earnings before tax	**224**	**356**	**380**	**-70**	**-32**	**858**

Q1–3 earnings 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Net interest income	694	297	-1	-46	16	960
of which internal net income before tax		-17		17		
Net insurance income			485		-8	476
Net commissions and fees	517	104	55	7	-4	679
Net investment income	1	106	-37	11	-50	31
Other operating income	21	14	6	582	-502	121
Total income	**1,232**	**521**	**508**	**553**	**-547**	**2,268**
Personnel costs	309	56	101	128	0	594
Depreciation/amortisation	39	14	43	102	-2	196
Other operating expenses	504	150	200	285	-515	624
Total expenses	**852**	**220**	**344**	**515**	**-517**	**1,414**
Impairment loss on receivables	-118	-66	0	1		-183
OP bonuses to owner-customers	-162	-14	-14			-190
Temporary exemption (overlay approach)			45	0	0	45
Earnings before tax	**100**	**221**	**195**	**39**	**-30**	**526**

Balance sheet 30 September 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Group eliminations	OP Financial Group
Cash and cash equivalents	54	190		32,031		32,274
Receivables from credit institutions	25,970	201	1,967	12,836	-40,456	518
Derivative contracts	429	3,576	93	237	-811	3,524
Receivables from customers	70,576	25,161		461	-970	95,229
Investment assets	629	555	9,272	22,013	-9,211	23,258
Assets covering unit-linked contracts			12,602			12,602
Intangible assets	30	192	779	241	-5	1,236
Property, plant and equipment (PPE)	325	5	13	142	-7	477
Other assets	359	523	1,116	545	-177	2,366
Tax assets	45	2	26	43	47	164
Non-current assets held for sale			9			9
Total assets	**98,417**	**30,406**	**25,877**	**68,550**	**-51,592**	**171,657**
Liabilities to credit institutions	12,146	620		42,074	-38,563	16,278
Derivative contracts	341	2,748	19	112	-877	2,344
Liabilities to customers	61,859	14,676		3,031	-2,670	76,896
Insurance liabilities			9,022			9,022
Liabilities from unit-linked insurance and investments contracts			12,658			12,658
Debt securities issued to the public	16,517	1,221		20,945	-4,292	34,391
Provisions and other liabilities	752	918	487	1,167	-74	3,249
Tax liabilities	463	5	209	409	1	1,087
Subordinated liabilities		0	380	2,002	-392	1,990
Liabilities associated with non-current assets held for sale			7			7
Total liabilities	**92,078**	**20,187**	**22,782**	**69,740**	**-46,867**	**157,921**
Equity						**13,736**

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

Notes

1. Accounting policies
2. Net interest income
3. Net insurance income
4. Net commissions and fees
5. Net investment income
6. Other operating expenses
7. Impairment losses on receivables
8. Insurance liabilities
9. Liabilities from unit-linked insurance and investment contracts
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. Investment distribution of the Insurance segment
18. Related-party transactions

Note 1. Accounting policies

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

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.

1. Critical accounting estimates and judgements

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

Expected credit losses

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

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

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

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

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

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

Note 7 Impairment loss on receivables includes information on choices made in calculating expected credit losses during the Covid-19 crisis.

2. Effective interest rate of TLTRO III loans

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

3. Effect of Interest Rate Benchmark Reform on accounting policies

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

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

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

Based on decisions made, OP Financial Group classified Pohjola Hospital as a non-current asset held for sale in the second quarter. Pohjola Hospital is a hospital chain that specialises in orthopaedic care, i.e. treatment for musculoskeletal conditions and injuries, in five Finnish cities with university hospitals: Helsinki, Tampere, Turku, Oulu and Kuopio. The company had 266 employees, on average, in 2020. Pohjola Hospital was in its entirety presented in the Insurance segment's balance sheet of 30 September 2021.

Itemised non-current assets held for sale:

Assets, € million	30 Sep 2021
Property, plant and equipment	0
Intangible assets	1
Other assets	8
Total assets (A)	9
Liabilities, € million	30 Sep 2021
Provisions and other liabilities	7
Total liabilities (B)	7
Balance sheet net worth (A–B)	2

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

In April 2021, the IFRS Interpretations Committee issued a final agenda decision on accounting for configuration or customisation costs in a cloud computing arrangement. In its agenda decision, the Committee considered whether an intangible asset, applying IAS 38, is recognised for the configuration or customisation of the application and if no intangible asset is recognised, how such configuration or customisation costs is recognised. OP Financial Group has begun an analysis of whether the agenda decision will have an effect on the accounting policies applied to the costs of implementing a cloud computing solution. The analysis will be carried out during autumn 2021, and any effects will be considered in the 2021 financial statements at the latest.

Note 2. Net interest income

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Interest income				
Receivables from credit institutions	1	1	0	0
Receivables from customers				
Loans	921	940	310	316
Finance lease receivables	24	22	8	7
Impaired loans and other commitments		0		
Total	945	962	318	323
Notes and bonds				
Measured at fair value through profit or loss	0	1	0	0
At fair value through other comprehensive income	39	48	13	15
Amortised cost	0	3	0	1
Total	39	51	13	16
Derivative contracts				
Fair value hedge	-108	-94	-37	-31
Cash flow hedge	38	37	13	12
Ineffective portion of cash flow hedge	-2	3	0	3
Total	-73	-53	-24	-16
Liabilities to credit institutions				
Negative interest	55	26	24	19
Liabilities to customers				
Negative interest	25	15	9	7
Other	8	7	2	2
Total	**1,000**	**1,010**	**342**	**351**
Interest expenses				
Liabilities to credit institutions	0	3	0	0
Liabilities to customers	10	48	2	12
Notes and bonds issued to the public	110	178	35	53
Subordinated liabilities				
Subordinated loans	0	0	0	0
Other	45	38	15	16
Total	45	38	15	16
Derivative contracts				
Cash flow hedge	-198	-198	-62	-63
Other	-27	-75	-8	-16
Total	-225	-273	-71	-79
Receivables from credit institutions				
Negative interest	85	45	33	21
Other	4	5	1	2
Total	**29**	**44**	**16**	**25**
Net interest income before fair value adjustment under hedge accounting	**971**	**965**	**327**	**326**
Hedging derivatives	-152	108	-33	-2
Value changes of hedged items	153	-113	36	-8
Total	**971**	**960**	**331**	**315**

Note 3. Net insurance income

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Net insurance premium revenue				
Premiums written	1,271	1,241	293	293
Insurance premiums ceded to reinsurers	-2	4	3	-3
Change in provision for unearned premiums	-140	-136	112	103
Reinsurers' share	12	11	-11	-6
Total	1,141	1,119	398	386
Net non-life insurance claims				
Claims paid	-663	-705	-233	-218
Insurance claims recovered from reinsurers	42	16	29	3
Change in provision for unpaid claims	5	23	38	-5
Reinsurers' share	-2	4	-22	7
Total	-617	-661	-189	-213
Other non-life insurance items	-4	-3	-2	0
Life insurance risk premiums collected	23	22	8	8
Total	**542**	**476**	**215**	**181**

Note 4. Net commissions and fees

Q1–3 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q3 2021
Commission income							
Lending	74	37		0	-1	110	35
Deposits	15	2		0	0	18	6
Payment transfers	209	30		10	-10	240	82
Securities brokerage	8	22			-8	22	7
Securities issuance	0	6			0	6	1
Fund and management fees	34	185	69	0	-85	203	72
Asset management	17	20		0	-10	28	8
Legal services	17	0			0	17	5
Guarantees	8	10		0	0	18	6
Housing service	58				0	58	20
Insurance brokerage	82		21		-57	46	8
Life insurance total expense loadings			66			66	23
Health and wellbeing services			10		0	10	4
Other	61	2		1	-59	5	1
Total	**585**	**314**	**165**	**11**	**-229**	**846**	**277**
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	19	4	1	2	-8	18	7
Securities brokerage		3	0	0	0	3	1
Securities issuance	0	2		0	-2	1	0
Mutual funds		85	0		-85	1	0
Asset management		8	0	2	0	10	4
Guarantees		0				0	0
Insurance brokerage	-5		94		-53	37	12
Health and wellbeing services			4		0	4	1
Other	11	68	0	6	-72	13	4
Total	**26**	**170**	**99**	**11**	**-220**	**86**	**28**
Total net commissions and fees	**560**	**144**	**67**	**-0**	**-9**	**761**	**249**

Q1–3 2020, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q3 2020
Commission income							
Lending	71	34		4	-1	108	33
Deposits	1	2		0	0	2	1
Payment transfers	199	26		11	-9	227	79
Securities brokerage	6	20			-6	20	6
Securities issuance	0	7		0	0	7	3
Fund and management fees	28	155	60	0	-73	170	59
Asset management	22	19		0	-10	32	10
Legal services	16	0			0	16	6
Guarantees	6	9		0	0	15	5
Housing service	53					53	20
Insurance brokerage	76		20		-53	43	8
Life insurance total expense loadings			64			64	22
Health and wellbeing services			9		0	9	3
Other	65	5		0	-68	2	1
Total	**543**	**277**	**153**	**16**	**-220**	**770**	**255**
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	19	5	1	2	-8	19	7
Securities brokerage		9	0	0	-1	8	3
Securities issuance	0	1		0	-1	0	0
Mutual funds		74	0		-74	0	0
Asset management		6	0	1	0	7	1
Guarantees		0			0	0	1
Insurance brokerage	-5		89		-48	36	12
Health and wellbeing services			3		0	3	1
Other	13	78	0	5	-78	18	7
Total	**27**	**173**	**93**	**9**	**-211**	**91**	**32**
Total net commissions and fees	**517**	**104**	**60**	**7**	**-9**	**679**	**224**

Note 5. Net investment income

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	28	40	9	12
Other income and expenses	-1	-7	0	-6
Capital gains and losses	10	16	0	0
Currency fair value gains and losses	13	-14	6	-13
Impairment losses and their reversal*	2	-4	0	6
Total	**52**	**31**	**15**	**-1**

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

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	3	4	1	3
Fair value gains and losses	-4	2	-2	2
Total	-1	6	-1	5
Shares and participations				
Fair value gains and losses	1	-1	-4	-2
Dividend income and share of profits	5	9	5	6
Total	6	8	1	3
Derivatives				
Interest income and expenses	31	97	12	33
Fair value gains and losses	-110	163	-16	32
Total	-79	260	-4	65
Total	**-74**	**274**	**-4**	**73**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Interest income	13	17	5	5
Fair value gains and losses	-41	6	-14	0
Total	-28	23	-9	6
Shares and participations				
Fair value gains and losses	157	-64	4	29
Dividend income and share of profits	49	20	7	2
Total	205	-44	11	31
Total	**178**	**-21**	**2**	**36**
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	32	24	20	8
Fair value gains and losses	-43	14	-4	19
Total	-11	38	15	26
Shares and participations				
Fair value gains and losses	12	-18	1	-2
Dividend income and share of profits	5	7	2	4
Total	17	-12	3	2
Derivatives				
Fair value gains and losses	-12	-20	-3	3
Total	-12	-20	-3	3
Total	**-6**	**6**	**16**	**32**
Total net income from financial assets recognised at fair value through profit or loss	**98**	**259**	**15**	**141**

Net income from investment property				
Rental income	38	40	13	13
Fair value gains and losses	-20	-5	-14	-1
Maintenance charges and expenses	-28	-44	-9	-10
Other	1	1	0	0
Net income from investment property total	-9	-8	-10	2
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	5	6	2	4
Interest expenses	-2	-2	-1	-1
Capital gains and losses		0		
Impairment losses and their reversal	3	1	0	0
Loans and receivables total	6	4	1	3
Non-life insurance				
Unwinding of discount, Non-life Insurance	-13	-16	-4	-5
Life insurance				
Interest credited on customers' insurance savings	-60	-62	-20	-20
Change in supplementary interest rate provisions	114	-86	14	-22
Other technical items**	44	-89	-21	-38
Total	98	-237	-27	-80

** 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	14	-8	5	-4
Consolidated using the equity method	6	6	2	2
Total	20	-2	8	-1
Total net investment income	**253**	**31**	**-2**	**59**

Note 6. Other operating expenses

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
ICT costs				
Production	169	192	55	59
Development	82	94	24	22
Buildings	38	36	14	12
Government charges and audit fees	57	46	1	1
Purchased services	83	97	27	32
Data communications	24	28	8	9
Marketing	19	20	7	6
Corporate social responsibility	6	7	2	2
Insurance and security costs	8	7	4	2
Other	87	97	28	30
Total	**573**	**624**	**170**	**174**

Development costs

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
ICT development costs	82	94	24	22
Share of own work	45	40	13	12
Total development costs in the income statement	**128**	**135**	**37**	**34**
Capitalised ICT costs	54	64	14	17
Capitalised share of own work	11	10	3	3
Total capitalised development costs	**65**	**74**	**17**	**21**
Total development costs	**192**	**209**	**55**	**55**
Depreciation/amortisation and impairment loss	133	136	44	46

Note 7. Impairment losses on receivables

EUR million	Q1–3 2021	Q1–3 2020	Q3 2021	Q3 2020
Receivables written down as loan and guarantee losses	106	89	50	59
Recoveries of receivables written down	-9	-7	-4	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-3	102	13	-39
Expected credit losses (ECL) on notes and bonds*	0	-1	0	0
Total	**95**	**183**	**59**	**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 2021

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61,989	7,360	41	7,400	2,010	71,400
Corporate Banking	25,331	946	263	1,209	499	27,039
Total	**87,320**	**8,306**	**304**	**8,610**	**2,509**	**98,439**
Off-balance-sheet limits						
Retail Banking	6,573	421	7	428	31	7,032
Corporate Banking	5,328	250	141	391	60	5,778
Total	**11,901**	**671**	**147**	**819**	**91**	**12,811**
Other off-balance-sheet commitments						
Retail Banking	3,278	51		51	13	3,341
Corporate Banking	6,785	218		218	83	7,086
Total	**10,063**	**268**		**268**	**96**	**10,428**
Notes and bonds						
Other Operations	13,283	23		23		13,306
Insurance	4,086	47		47	7	4,140
Total	**17,369**	**70**		**70**	**7**	**17,446**
Total exposures within the scope of accounting for expected credit losses	**126,653**	**9,315**	**451**	**9,766**	**2,703**	**139,123**

Loss allowance by impairment stage 30 September 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-21	-66	-2	-68	-307	-396
Corporate Banking	-21	-17	-3	-20	-233	-274
Total	**-42**	**-83**	**-5**	**-88**	**-541**	**-671**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	0	-2
Corporate Banking	-3	-1		-1	-11	-16
Total	**-4**	**-2**		**-2**	**-12**	**-18**
Notes and bonds***						
Other Operations	-2	-1		-1		-2
Insurance	-6	-2		-2	-3	-11
Total notes and bonds	**-8**	**-2**		**-2**	**-3**	**-13**
Total	**-53**	**-87**	**-5**	**-93**	**-556**	**-702**

* 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 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	71,841	7,831	48	7,879	2,054	81,774
Corporate Banking	37,443	1,414	404	1,818	642	39,904
Loss allowance						
Retail Banking	-22	-67	-2	-69	-308	-399
Corporate Banking	-24	-18	-3	-21	-245	-290
Coverage ratio, %						
Retail Banking	-0.03%	-0.85%	-4.64%	-0.88%	-14.98%	-0.49%
Corporate Banking	-0.06%	-1.30%	-0.72%	-1.17%	-38.10%	-0.73%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**109,284**	**9,245**	**451**	**9,697**	**2,696**	**121,677**
Total loss allowance	**-46**	**-85**	**-5**	**-90**	**-552**	**-689**
Total coverage ratio, %	**-0.04%**	**-0.92%**	**-1.14%**	**-0.93%**	**-20.49%**	**-0.57%**
Carrying amount, notes and bonds						
Other Operations	13,283	23		23		13,306
Insurance	4,086	47		47	7	4,140
Loss allowance						
Other Operations	-2	-1		-1		-2
Insurance	-6	-2		-2	-3	-11
Coverage ratio, %						
Other Operations	-0.01%	-2.52%		-2.52%		-0.02%
Insurance	-0.14%	-3.65%		-3.65%	-48.79%	-0.27%
Total notes and bonds	**17,369**	**70**		**70**	**7**	**17,446**
Total loss allowance	**-8**	**-2**		**-2**	**-3**	**-13**
Total coverage ratio, %	**-0.04%**	**-3.28%**		**-3.28%**	**-48.79%**	**-0.08%**

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

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

Loss allowance by impairment stage 31 December 2020

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

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

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

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

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

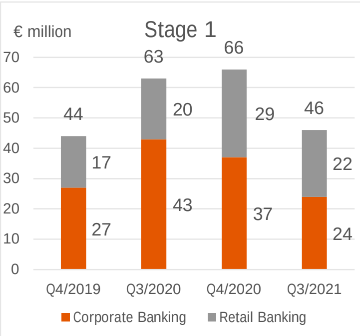
Summary and key indicators 31 December 2020	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	70,972	7,089	60	7,149	1,902	80,023
Corporate Banking	33,923	1,829	225	2,054	663	36,640
Loss allowance						
Retail Banking	-29	-63	-1	-64	-290	-383
Corporate Banking	-37	-29	-1	-30	-242	-309
Coverage ratio, %						
Retail Banking	-0.04%	-0.89%	-2.34%	-0.90%	-15.27%	-0.48%
Corporate Banking	-0.11%	-1.59%	-0.55%	-1.48%	-36.48%	-0.84%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**104,895**	**8,918**	**285**	**9,203**	**2,564**	**116,663**
Total loss allowance	**-65**	**-92**	**-3**	**-95**	**-532**	**-692**
Total coverage ratio, %	**-0.06%**	**-1.03%**	**-0.93%**	**-1.03%**	**-20.75%**	**-0.59%**
Carrying amount, notes and bonds						
Other Operations	13,141	50		50		13,191
Insurance	4,403	48		48	17	4,469
Loss allowance						
Other Operations	-1	-1		-1		-2
Insurance	-5	-2		-2	-6	-14
Coverage ratio, %						
Other Operations	-0.01%	-1.34%		-1.34%		-0.02%
Insurance	-0.12%	-4.16%		-4.16%	-36.09%	-0.31%
Total notes and bonds	**17,544**	**98**		**98**	**17**	**17,660**
Total loss allowance	**-7**	**-3**		**-3**	**-6**	**-16**
Total coverage ratio, %	**-0.04%**	**-2.72%**		**-2.72%**	**-36.09%**	**-0.09%**

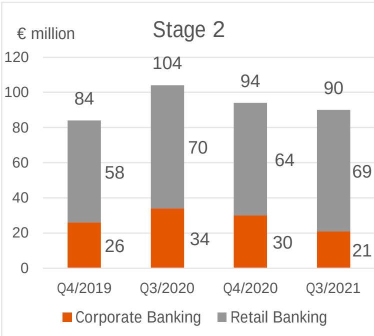
The following flow statements show the changes in loss allowance by impairment stage during January-September 2021.

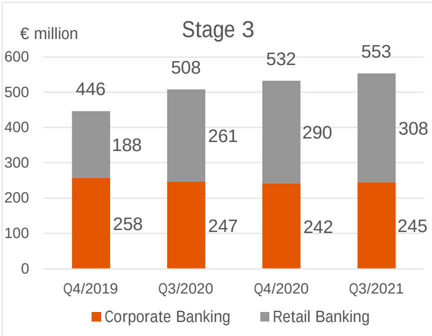
Receivables from customers and off-balance-sheet items, EUR million	**Stage 1**	**Stage 2**	**Stage 3**	
	12 months	**Lifetime**	**Lifetime**	**Total**
Loss allowance 1 January 2021	**65**	**93**	**533**	**692**
Transfers from Stage 1 to Stage 2	-3	27		24
Transfers from Stage 1 to Stage 3	0		21	20
Transfers from Stage 2 to Stage 1	4	-14		-10
Transfers from Stage 2 to Stage 3		-18	63	45
Transfers from Stage 3 to Stage 2		3	-13	-10
Transfers from Stage 3 to Stage 1	1		-12	-11
Increases due to origination and acquisition	9	9	20	38
Decreases due to derecognition	-17	-9	-45	-71
Changes in risk parameters (net)	-12	-4	57	41
Decrease in allowance account due to write-offs			-70	-70
Net change in expected credit losses	**-19**	**-4**	**20**	**-3**
Loss allowance 30 September 2021	**46**	**90**	**552**	**689**
Net change in expected credit losses Q3 2021	**-1**	**-2**	**15**	**13**

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

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



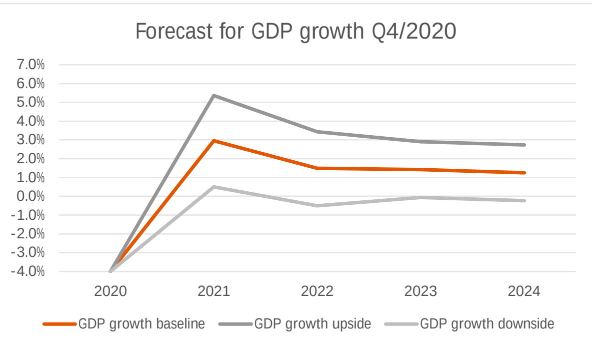


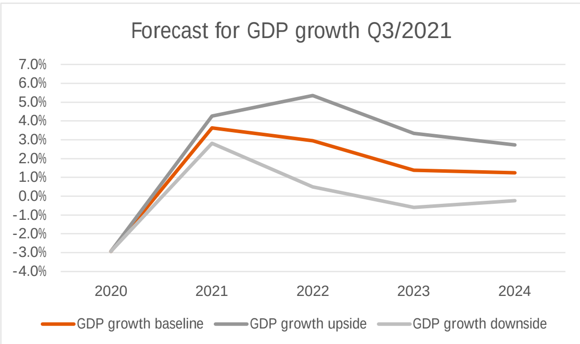


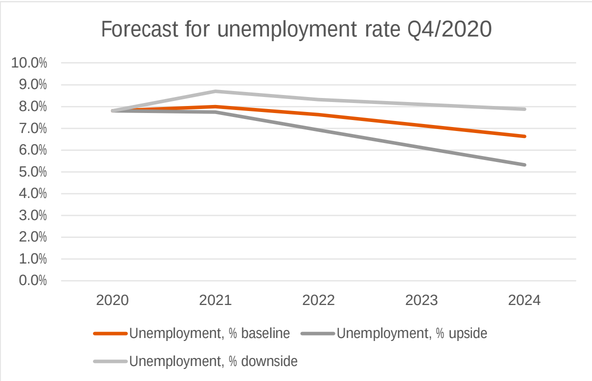
OP Financial Group provides its customers with the opportunity to get a maximum of 12-month repayment holiday on their home loans. As regards corporate customers, changes in repayment schedules will be evaluated on a case-by-case basis, and guarantees provided by Finnvera will be used extensively. In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

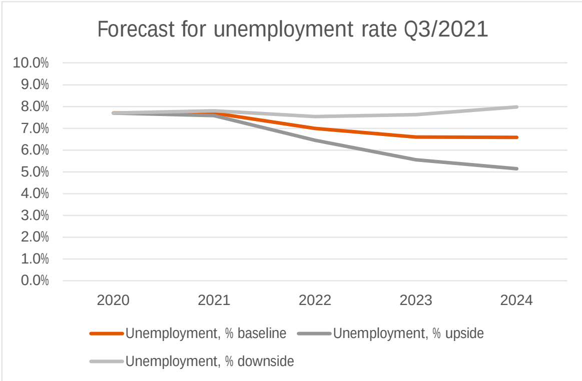
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the third quarter of 2021, the update of the macroeconomic forecasts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

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









Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**7**	**3**	**6**	**16**
Transfers from Stage 1 to Stage 2	0	1		0
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 2 to Stage 3	0	0		0
Increases due to origination and acquisition	1		0	2
Decreases due to derecognition	-2	-1	-1	-4
Changes in risk parameters (net)	0	0	0	0
Net change in expected credit losses	**-1**	**-1**	**-1**	**-2**
Loss allowance 30 September 2021	**7**	**2**	**5**	**13**
Net change in expected credit losses Q3 2021	**0**	**0**	**0**	**1**

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

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

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

Note 8. Insurance liabilities

EUR million	30 Sep 2021	31 Dec 2020
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,582	1,596
Other provision for unpaid claims	1,142	1,121
Reserve for decreased discount rate (value of hedges of insurance liability)	-46	16
Total	2,678	2,733
Provisions for unearned premiums	734	593
Life insurance insurance liabilities	5,610	6,047
Total	**9,022**	**9,374**

Note 9. Liabilities from unit-linked insurance and investment contracts

EUR million	30 Sep 2021	31 Dec 2020
Liabilities from unit-linked insurance	10,522	9,449
Investment contracts	2,136	1,873
Total	**12,658**	**11,323**

Note 10. Debt securities issued to the public

EUR million	30 Sep 2021	31 Dec 2020
Bonds	10,828	12,217
Subordinated bonds (SNP)	3,452	1,689
Covered bonds	12,444	13,252
Other		
Certificates of deposit	269	273
Commercial paper	7,465	7,347
Included in own portfolio in trading (–)*	-67	-72
Total debt securities issued to the public	**34,391**	**34,706**

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

Note 11. Fair value reserve after income tax

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2020	**44**	**65**	**141**	**251**
Fair value changes	21	-35	106	92
Capital gains transferred to income statement	-9	-8		-16
Impairment loss transferred to income statement		5		5
Transfers to net interest income			-41	-41
Deferred tax	-3	8	-13	-8
Closing balance 30 September 2020	**55**	**35**	**193**	**283**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2021	**109**	**70**	**203**	**382**
Fair value changes	-21	93	-61	11
Capital gains transferred to income statement	-12	-50		-62
Impairment loss transferred to income statement		6		6
Transfers to net interest income			-35	-35
Deferred tax	7	-10	19	16
Closing balance 30 September 2021	**82**	**109**	**126**	**317**

The fair value reserve before tax amounted to EUR 397 million (354) at the end of the reporting period and the related deferred tax asset/liability was EUR -79 million (-71). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 2 million (3) in the fair value reserve during the reporting period. Data on 30 September 2020 is used as comparatives.

Note 12. Collateral given

EUR million	30 Sep 2021	31 Dec 2020
Given on behalf of own liabilities and commitments		
Pledges	1	136
Loans (as collateral for covered bonds)	15,840	15,722
Others	17,835	9,784
Total collateral given*	**33,675**	**25,643**
Secured derivative liabilities	448	1,078
Other secured liabilities	16,004	8,143
Covered bonds	12,444	13,252
Total	**28,896**	**22,473**

* In addition, bonds with a book value of EUR 1.6 billion have been pledged in the central bank, of which EUR 1.0 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 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	32,274						32,274
Receivables from credit institutions	518						518
Derivative contracts			2,734			790	3,524
Receivables from customers	95,229						95,229
Assets covering unit-linked contracts				12,602			12,602
Notes and bonds	1	17,773	386	2,018	372		20,550
Equity instruments		0	78	223	1,454		1,756
Other financial assets	2,444						2,444
Financial assets							**168,898**
Other than financial instruments							2,759
Total 30 September 2021	**130,466**	**17,773**	**3,199**	**14,843**	**1,827**	**790**	**171,657**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		16,278		16,278
Derivative contracts	1,971		373	2,344
Liabilities to customers		76,896		76,896
Insurance liabilities		9,022		9,022
Liabilities from unit-linked insurance and investment contracts	12,658			12,658
Debt securities issued to the public		34,391		34,391
Subordinated loans		1,990		1,990
Other financial liabilities		2,543		2,543
Financial liabilities				**156,122**
Other than financial liabilities				1,799
Total 30 September 2021	**14,629**	**141,120**	**373**	**157,921**

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September, the fair value of these debt instruments was approximately EUR 587 (810) million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 14. Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	800	288	668	1,756
Debt instruments	2,000	489	287	2,777
Unit-linked contracts	8,391	4,211		12,602
Derivative financial instruments	6	3,432	87	3,524
Fair value through other comprehensive income				
Debt instruments	16,185	1,110	478	17,773
Total financial instruments	**27,382**	**9,531**	**1,519**	**38,432**
Investment property			712	712
Total	**27,382**	**9,531**	**2,231**	**39,143**

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

Fair value of liabilities on 30 September 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	8,428	4,230		12,658
Other		0		0
Derivative financial instruments	0	2,316	28	2,344
Total	**8,428**	**6,546**	**28**	**15,002**

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

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank 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 2021	**916**	**61**	**301**	**1,278**
Total gains/losses in profit or loss	-177	26	0	-152
Total gains/losses in other comprehensive income			0	0
Purchases	46		4	50
Sales	-71		-1	-71
Settlements	-3		-1	-4
Transfers into Level 3	245		295	541
Transfers out of Level 3	-2		-122	-123
Closing balance 30 September 2021	**955**	**87**	**478**	**1,519**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2020	**42**	**42**
Total gains/losses in profit or loss	-14	-14
Closing balance 30 September 2021	**28**	**28**

Total gains/losses included in profit or loss by item for the financial year on 30 September 2021

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-235	57	0	-177
Unrealised net gains (losses)	40		0	40
Total net gains (losses)	**-195**	**57**	**0**	**-137**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2021.

Note 15. Off-balance-sheet commitments

EUR million	30 Sep 2021	31 Dec 2020
Guarantees	626	686
Other guarantee liabilities	2,398	2,160
Loan commitments	15,229	13,826
Commitments related to short-term trade transactions	674	255
Other*	1,377	1,535
Total off-balance-sheet commitments	**20,304**	**18,461**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 181 million (174).

Note 16. Derivative contracts

Total derivatives 30 September 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,925	68,003	87,332	177,261	2,597	1,524
Cleared by the central counterparty	10,704	39,009	53,325	103,038	57	51
Settled-to-market (STM)	6,856	25,292	38,736	70,884	45	41
Collateralised-to-market (CTM)	3,848	13,718	14,588	32,153	12	9
Currency derivatives	40,572	5,497	747	46,815	728	668
Equity and index-linked derivatives	2			2	0	
Credit derivatives	100	123		223	2	-17
Other derivatives	209	526	4	740	81	45
Total derivatives	**62,808**	**74,149**	**88,083**	**225,040**	**3,408**	**2,220**

Total derivatives 31 December 2020

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

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

Note 17. Investment distribution of the Insurance segment

Non-life Insurance	30 September 2021		31 December 2020	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**707**	**17**	**461**	**11**
Money market instruments and deposits**	702	17	456	11
Derivatives***	6	0	5	0
Total bonds and bond funds	**2,492**	**59**	**2,684**	**65**
Governments	424	10	605	15
Investment Grade	1,712	41	1,602	39
Emerging markets and High Yield	165	4	280	7
Structured Investments****	191	5	188	5
Total equities	**555**	**13**	**525**	**13**
Finland	104	2	112	3
Developed markets	262	6	237	6
Emerging markets	114	3	110	3
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	68	2	59	1
Total alternative investments	**33**	**1**	**33**	**1**
Hedge funds	33	1	33	1
Total property investment	**409**	**10**	**398**	**10**
Direct property investment	251	6	251	6
Indirect property investment	158	4	148	4
Total	**4,196**	**100**	**4,102**	**100**

* Includes accrued interest income.

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

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

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

Life Insurance	30 September 2021		31 December 2020	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**670**	**18**	**493**	**14**
Money market investments and deposits**	666	18	490	14
Derivatives***	4	0	3	0
Total bonds and bond funds	**2,260**	**62**	**2,414**	**67**
Governments	278	8	447	12
Inflation-linked bonds			9	0
Investment Grade	1,619	44	1,497	42
Emerging markets and High Yield	105	3	191	5
Structured investments****	260	7	270	7
Total equities	**489**	**13**	**471**	**13**
Finland	85	2	86	2
Developed markets	230	6	214	6
Emerging markets	99	3	101	3
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	72	2	67	2
Total alternative investments	**40**	**1**	**40**	**1**
Hedge funds	40	1	40	1
Total real property investments	**191**	**5**	**185**	**5**
Direct property investments	50	1	50	1
Indirect property investments	141	4	135	4
Total	**3,649**	**100**	**3,602**	**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 18. Related-party transactions

OP Financial Group's related parties comprise subsidiaries consolidated into OP Financial Group, associates, key management personnel and their close family members, and other related-party entities. OP Financial Group's key management personnel comprises OP Financial Group's President and Group Chief Executive Officer, members of OP Cooperative's Executive Management Team and directors directly reporting to the President and Group Chief Executive Officer, the Chair and members of OP Cooperative's Board of Directors as well as members of the Supervisory Council. Related parties of the management also include companies over which key management persons or their close family member exercises significant influence. Other entities regarded as related parties include OP 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 2020.

Financial reporting

Time of publication of 2021 reports:

OP Amalgamation Capital Adequacy Report 30 September 2021	Week 44
OP Financial Group's Report by the Board of Directors and Financial Statements for 2021	Week 10
OP Financial Group's Corporate Governance Statement 2021	Week 10
OP Financial Group's Annual Review 2021 (incl. CSR Reporting)	Week 10
OP Financial Group's Capital Adequacy and Risk Management Report 2021	Week 10
Remuneration Report for Governing Bodies at OP Financial Group 2021	Week 10
Remuneration Policy for Governing Bodies at OP Financial Group	Week 10

Schedule for Financial Statements Bulletin 2021 and Interim Reports and Half-year Financial Report in 2022:

Financial Statements Bulletin 2021	9 February 2022
Interim Report Q1/2022	4 May 2022
Half-year Financial Report H1/2022	27 July 2022
Interim Report Q1–3/2022	26 October 2022
OP Amalgamation Capital Adequacy Report 31 March 2022	Week 19
OP Amalgamation Capital Adequacy Report 30 June 2022	Week 31
OP Amalgamation Capital Adequacy Report 30 September 2022	Week 44

Helsinki, 27 October 2021

OP Cooperative
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