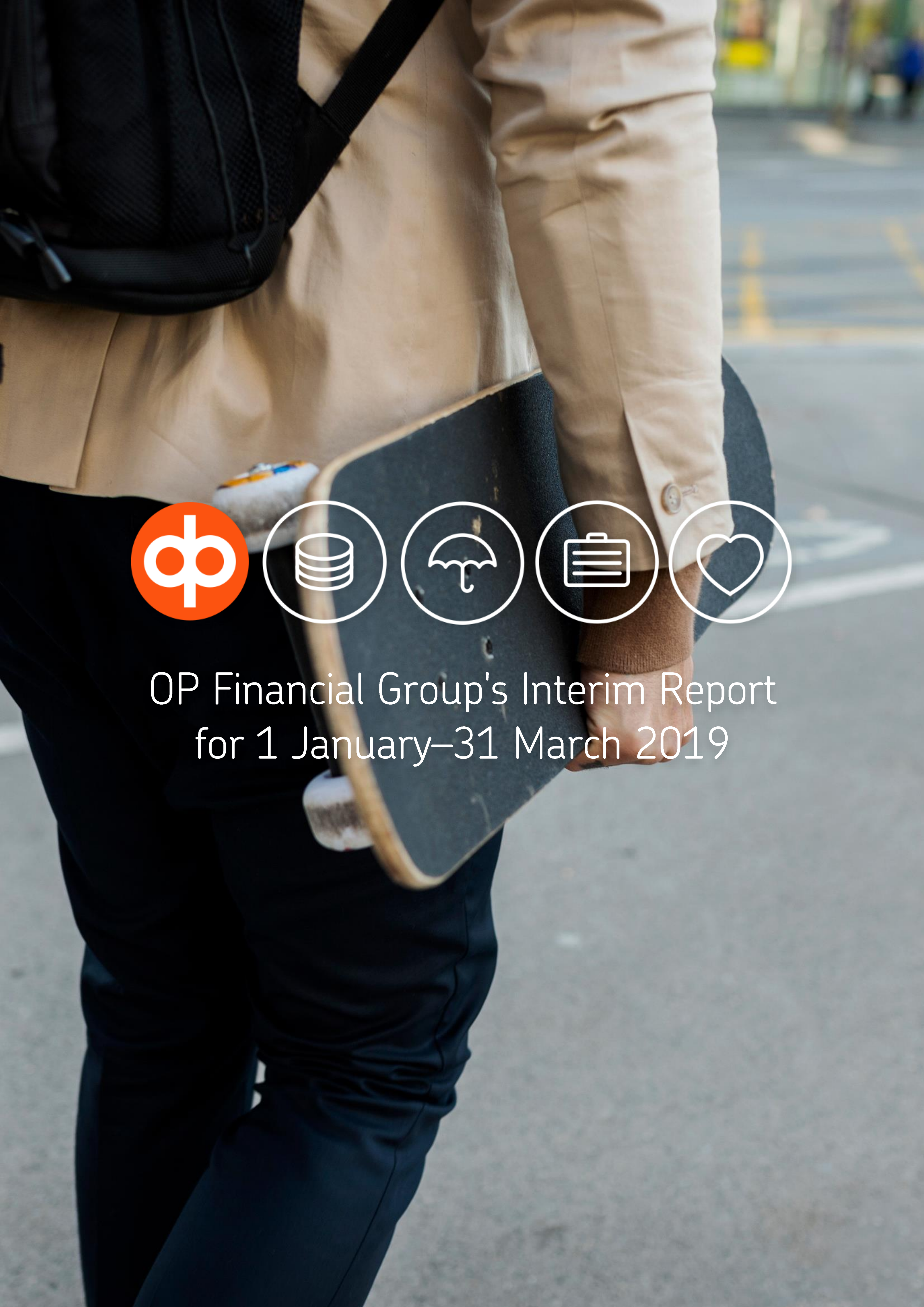


OP Financial Group's Interim Report for 1 January–31 March 2019

OP Financial Group's Interim Report for 1 January–31 March 2019:

Earnings before tax for the first quarter were EUR 197 million

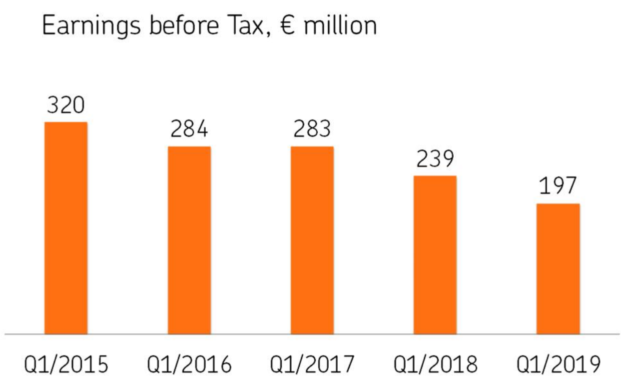
Earnings before tax Q1/2019	Net interest income Q1/2019	Net insurance income Q1/2019	Net commissions and fees Q1/2019	CET1 ratio 31 March 2019
€197 million	+1%	–15%	+1%	20.2 %

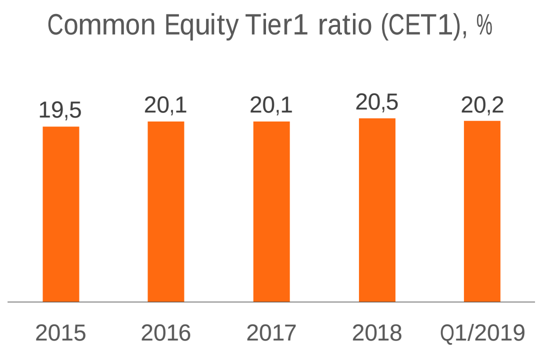
- Earnings before tax amounted to EUR 197 million (239).
- Net interest income increased by 1% to EUR 285 million and net commissions and fees by 1% to EUR 234 million. Net insurance income decreased by 15% to EUR 109 million.
- Investment income increased by 2% to EUR 101 million. Investment income was affected by a year-on-year increase of EUR 18 million in capital gains.
- Expenses rose by 2% to EUR 465 million, mostly due to the stability contribution.
- Impairment loss on receivables was still low at EUR 11 million (4).
- In the year to March, OP Financial Group's loan portfolio grew by 6% to EUR 88 billion and deposits by 6% to EUR 63 billion.
- The CET1 ratio was 20.2% (20.5).
- From the beginning of 2019, OP Financial Group's new segments are Retail Banking, Corporate Banking, Insurance, and Other Operations.
- Retail Banking earnings before tax decreased by 27% to EUR 49 million. Net interest income increased by 6%, net commissions and fees by 1% and expenses bsty 3%. Net investment income decreased by 12 million.The loan portfolio increased by 5% and deposits by 8% in the year to March.
- Corporate Banking earnings before tax fell by 53% to EUR 56 million. Net interest income increased by 9%, but net commissions and fees decreased by 13% and net investment income fell by 72%. The lower net investment income is explained by changes in the valuation models of derivative positions and lower capital gains on investments than a year ago. In the year to March, the loan portfolio increased by 10%.
- Insurance earnings before tax increased by 32% to EUR 88 million. Non-life insurance premium revenue decreased by 1% and claims incurred increased by 7%. Investment income rose by EUR 39 million.
- Other Operations earnings before tax were EUR 5 million (–11). An increase of 10% in other operating income and a decrease of 8% in expenses improved earnings.
- OP Financial Group's first-quarter investments in business development and improving customer experience totalled EUR 74 million (100).
- OP bonuses totalled EUR 69 million.
- On 11 February 2019, the Finnish Competition and Consumer Authority (FCCA) completed its extensive investigation related to OP Financial Group's customer benefits scheme. The FCCA concluded that OP Financial Group operates in compliance with the Competition Act and OP's bonus scheme is not contrary to the Competition Act.
- In January–March, the number of OP cooperative banks' owner-customers increased by 20,000 to over 1.9 million and that of OP Financial Group's joint banking and insurance customers by 9,000 to over 1.8 million.
- The Cooperative Meeting of 20 March 2019 decided to alter OP Cooperative Bylaws. On 1 January 2020, OP Cooperative will adopt a three-tier governance structure with a Board of Directors, instead of the current internal Executive Board, consisting of members who are not directors of the central cooperative.
- Earnings before tax for 2019 are expected to be lower than in 2018. "Outlook towards the year end" describes the outlook in greater detail.

OP Financial Group's key indicators

	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Earnings before tax, € million	197	239	-17.4	1 017
Retail Banking	49	66	-26.5	421
Corporate Banking	56	117	-52.6	408
Insurance	88	66	32.3	260
Other Operations	5	-11	-	-64
New OP bonuses accrued to owner-customers	-69	-56	22.3	-230
Return on economic capital, %**	20.0	19.6	0.4*	20.8
Return on equity (ROE), %	5.3	6.8	-1.5*	6.9
Return on equity, excluding OP bonuses, %	7.0	8.4	-1.3*	8.5
Return on assets (ROA), %	0.44	0.55	-0.1*	0.57
Return on assets, excluding OP bonuses, %	0.59	0.67	-0.1*	0.70
	31 March 2019	31 March 2018	Change, %	31 Dec 2018
CET1 ratio, %	20.2	20.0	0.2*	20.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates, or Fico), % ***	143	147	-5*	147
Loan portfolio, € billion	88,0	83,1	6.0	87,1
Deposits, € billion	63,1	59,6	5.9	61,3
Ratio of non-performing receivables to loan and guarantee portfolio, %****	1.1	1.2	0.0*	1.0
Owner-customers (1,000)	1,931	1,848	4.5	1,911

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





Comments by President and Group Executive Chair Timo Ritakallio

The year 2019 for OP Financial Group began according to our targets. Income from our customer business, especially net interest income and insurance premium revenue, increased. The deposit portfolio increased in the year to March by six per cent to EUR 63 billion. The loan portfolio increased in the year to March to EUR 88 billion.

Earnings before tax amounted to EUR 197 million. Extraordinary items reduced our earnings, such as changes made in the valuation model of derivatives and changes in the accounting practice of charges of financial authorities.

Thanks to favourable market developments, assets under management increased and investment income recovered. Impairment loss on receivables was low. Our capital base is still strong.

We have taken measures to lower expenses and phased in an operating model based on self-managed teams. A turn for the better can be seen in our cost performance. OP Financial Group's January–March expenses increased by two per cent due to the EU's stability contribution, in particular.

Our market share developed favourably during the first quarter and the number of our owner-customers increased in line with our targets. This year we aim to exceed the two-million owner-customer base.

Our mission is to promote the sustainable prosperity in our operating region. As part of that, we channel financing into sustainable investments in terms of the environment and the economy. OP Corporate Bank issued a green bond worth 500 million euros to international institutional investors. The issue was oversubscribed four times. The acquired funds are used to finance industries in the field of renewable energy, green construction and sustainable land use.

In March, logins to OP-mobile reached again a new record. The ease of use of the service and its extent sped up the growth of its use. At the beginning of the year, we upgraded the mobile payment app Pivo which already has over one million registered users.

After the reporting period in April, we made it possible for our customers to receive real-time SEPA instant credit transfers within the SEPA. This change benefits both corporate and private customers, as money transfers between banks within a few seconds.

In April, we specified the strategy of Pohjola Health and announced the sale of occupational healthcare services to Mehiläinen. The transaction is expected to take place on 1 June 2019. Pohjola Hospitals will focus on orthopaedics and sports clinic services.

During the first few months of the year, economic growth remained more subdued than last year, both globally and in Finland. However, confidence in the global economy has improved slightly from the very uncertain sentiment experienced at the end of last year. Stock markets too have recovered from their sharp drop. However, a fall in interest rate expectations signals uncertainty.

Economic growth is still slowing at a moderate rate. In the near future, economic development will remain mediocre but uncertainty will remain over the economic outlook. Risks are especially associated with international policy.

The political arena in Finland also involves uncertainty before information becomes available on the new government's policy lines. Companies' fixed investments in Finland have remained smaller in the last few years than during the previous upswings. To increase investments, Finland needs proactive economic policy that supports competitiveness. Sustainable growth in Finland also requires that working and entrepreneurship is appealing and pays off.

OP Financial Group's Interim Report for 1 January–31 March 2019

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Operating environment

Economic year 2019 began on an uncertain note. In January, confidence in the global economy was at its weakest since the early autumn of 2016. However, the uncertainty gradually began to fade and economic indicators improved during the first quarter of 2019. Based on preliminary information, world economic growth continued to be fairly good. Euro-area economic growth remained slow.

As the uncertainty began to ease, the equity market clearly recovered from the year-end levels. The prices of many commodities went up. Meanwhile, long-term market interest rates fell markedly. Short-term market rates remained stable in the euro area.

In the euro area, both inflation and inflationary expectations in the market declined. In March, the European Central Bank announced that it would keep its main refinancing rates at their present levels at least through the end of 2019. At the same time, the ECB announced that it would launch a new series of targeted longer-term refinancing operations, starting in September.

Finnish economic growth continued to be relatively brisk but slowed down slightly. Employment continued to rise and households' confidence in their own finances remained firm. General confidence in the Finnish economy fell close to the long-term average. Finnish exports performed well in the first quarter and corporate net sales continued to grow relatively well.

Housing construction remained lively and the housing market continued to show stable growth. Home prices saw a slight average increase year on year.

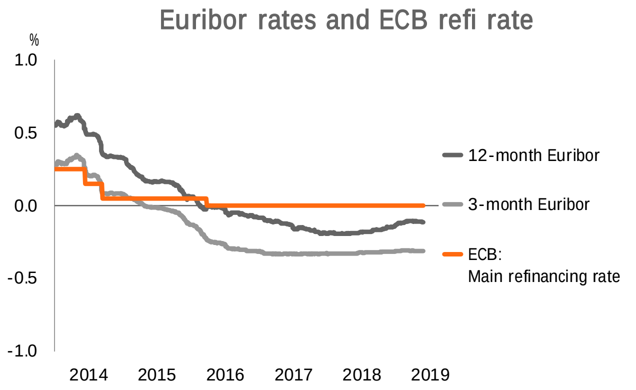
Economic growth is gradually slowing down but not as steeply as feared by the financial market at the turn of the year. Interest rates are expected to remain low in the euro area this year. In Finland, economic growth should continue to slow down slightly, but the overall economic situation is expected to remain relatively positive.

The annual growth rate of total consumer loans was 2.4% and that of home loans 1.9% between January and March. Total corporate loans excluding housing company loans increased by 4.6% year on year. The growth rate of housing company loans accelerated to 12.1% in the reporting period. According to the banking barometer, demand for consumer loans is expected to remain weak and that for corporate loans is expected to decline.

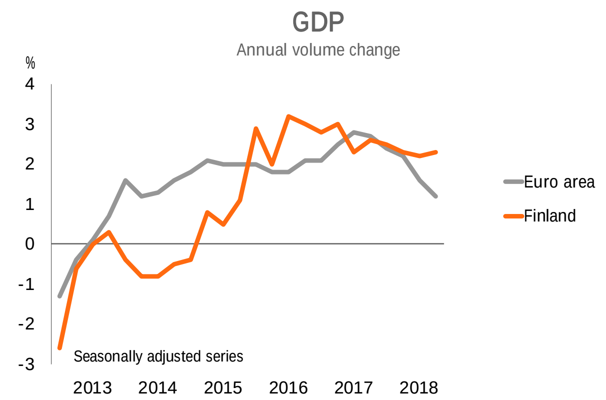
In January–March, total deposits grew at an annual rate of 4.7%. Household deposits increased by 7.7% and corporate deposits by 8.0%. Total deposits by public-sector entities decreased by 16.3% year on year.

In the first quarter of 2019, the value of mutual funds registered in Finland increased by 4.6% to EUR 115.1 billion. The positive value change of approximately EUR 5 billion was gained through favourable market developments since mutual funds' net asset inflows were EUR 852 million negative during the same period.

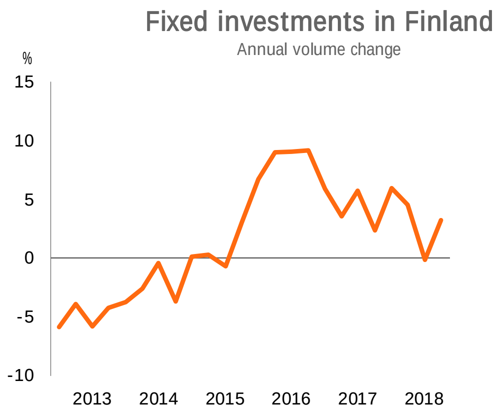
Insurance companies' investment returns developed favourably, thanks to higher stock prices.



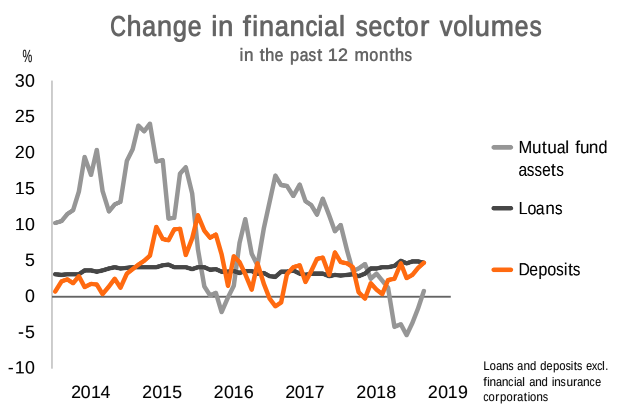
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1/2019	Q1/2018*	Change, %	Q4/2018	Change, %	Q1–4/2018
Earnings before tax	197	239	-17.4	330	-40.2	1,017
Retail Banking	49	66	-26.5	227	-78.6	421
Corporate Banking	56	117	-52.6	109	-48.9	408
Insurance	88	66	32.3	20	329.4	260
Other Operations	5	-11	-	-27	-	-64
Income						
Net interest income	285	281	1.4	304	-6.3	1,166
Net insurance income	109	127	-14.6	134	-18.5	566
Net commissions and fees	234	232	0.8	232	0.9	887
Net investment income	156	80	95.7	-27	-	263
Other operating income	9	12	-27.3	15	-40.7	61
Total income	793	732	8.3	657	20.6	2,943
Expenses						
Personnel costs	197	204	-3.4	-75	-361.6	516
Depreciation/amortisation and impairment loss	59	66	-10.8	136	-56.9	325
Other operating expenses	210	187	12.4	242	-13.5	839
Total expenses	465	456	2.0	303	53.4	1,681
Impairment loss on receivables	-11	-4	192.3	-22	-47.8	-46
Temporary exemption (overlay approach)	-55	19	-393.4	56	-198.8	26
New OP bonuses accrued to owner-customers	-69	-56	22.3	-58	17.9	-230

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

Key indicators, € million	31 March 2019	31 Dec 2018	Change, %
Loan portfolio	88,013	87,071	1.1
Home loans	38,710	38,558	0.4
Corporate loans	21,448	21,136	1.5
Housing company and other loans	27,856	27,377	1.7
Deposits	63,077	61,327	2.9
Assets under management (gross)	76,369	71,850	6.3
Investment assets	23,855	23,050	3.5
Insurance liabilities	20,323	19,288	5.4
Debt securities issued to the public	32,510	30,458	6.7
Equity capital	12,033	11,835	1.7
Balance sheet total	146,318	140,387	4.2

January–March

OP Financial Group's earnings before tax amounted to EUR 197 million (239). The figure decreased by EUR 41 million over the previous year. Net interest income, net commissions and fees and net investment income increased. The earnings were reduced by lower net insurance income and higher expenses.

Net interest income increased by 1.4% to EUR 285 million. Net interest income reported by the Retail Banking segment increased by EUR 13 million and that by the Corporate Banking segment by EUR 7 million. Net insurance income totalled EUR 109 million (127). Changes in claims for previous years and growth in large claims increased claims incurred. Non-life insurance premium revenue, excluding the Baltic business sold in 2018, increased by 3.6% year on year. Net commissions and fees were EUR 234 million, or EUR 2 million higher than the year before. Payment transfer net commissions and fees increased by EUR 4 million, whereas asset management net commissions and fees decreased by EUR 3 million.

Net investment income increased by EUR 77 million (95.7%) to EUR 156 million. The overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under equity. Total investment income increased by 2.4% to EUR 101 million. Capital gains recognised totalled EUR 54 million (36). The combined return on investments at fair value of OP Financial Group's insurance institutions was 2.6% (0.0), excluding derivatives hedging against interest rate risk associated with insurance liabilities.

Net income recognised at fair value through other comprehensive income increased by EUR 24 million over the previous year. Net income from investment property increased by EUR 8 million from its level a year ago. The net change in the short-term life insurance supplementary interest rate provision improved earnings by EUR 11 million (9). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 10 million over the previous year.

Other operating income fell by EUR 3 million year on year to EUR 9 million.

Total expenses increased by 2.0% to EUR 465 million. Personnel costs decreased by 3.4% to EUR 197 million. Development costs were EUR 40 million (54). Planned depreciation/amortisation increased by 13.0% to EUR 59 million. This increase resulted from higher development expenditure recognised for prior years. Impairment write-downs decreased by EUR 12 million year on year. Other operating expenses increased by 12.4% to EUR 210 million as charges of financial authorities rose by EUR 24 million due to a change in the accounting practice.

Impairment losses on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 19 million (8), of which EUR 11 million (4) concerned loans and receivables. The ratio of non-performing receivables in loans and receivables to the loan and guarantee portfolio was low, at 1.1% (1.0).

OP Financial Group's current tax amounted to EUR 41 million (53). The effective tax rate was 20.7% (22.0).

OP Financial Group's equity amounted to EUR 12.0 billion (11.8). Equity included EUR 3.0 billion (3.0) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The return target for Profit Shares for 2019 is 3.25%. Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 24 million (23). The amount of interest to be paid for 2018 in June 2019 totals EUR 94 million.

Q1 highlights

New segments

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided on a new division of responsibilities of the Executive Board, which changed the segment structure as of the beginning of 2019. The new OP Financial Group’s segments are Retail Banking (Banking, Private and SME Customers), Corporate Banking (Banking, Corporate and Institutional Customers), Insurance (Insurance Customers), and Other Operations.

Retail Banking consists of banking for private and SME customers and of asset management at OP cooperative banks and at the central cooperative. Corporate Banking consists of banking and asset management for corporate and institutional customers. Insurance comprises life and non-life insurance plus the health and wellbeing business. Other Operations consists of functions that support other segments as well as Treasury.

Decision by the Competition and Consumer Authority

On 11 February 2019, the Competition and Consumer Authority (FCCA) completed an extensive investigation related to OP Financial Group's customer benefits scheme, as well as operations in retail banking services and the non-life insurance market. The FCCA concluded that OP Financial Group operates in compliance with the Competition Act and OP's bonus scheme is not contrary to the Competition Act. The FCCA also found that OP's ’s operations have no effect that would lead to market foreclosure in the non-life insurance market. As a result of the investigation, the FCCA has closed the case.

OP Financial Group's strategic targets and focus areas

OP Financial Group's strategic targets	31 March 2019	31 Dec 2018	Target 2019
Customer experience, NPS (-100–+100)			
Brand	24	23	25
Service encounter	62	61	70
CET1 ratio, %	20.2	20.5	22
Return on economic capital, % (12-month rolling)	20.0	20.8	22
Expenses of present-day business (12-month rolling), € million	1,844	1,833	Expenses for 2020 at 2015 level (1,500)
Owner-customers, million	1.9	1.9	2.0 (2019)

OP Financial Group's vision is to be the leading and most attractive financial services group in Finland from the perspective of employees, customers, partners and stakeholders. This is why excellent employee experience, best customer experience and an increase in the number of owner-customers to at least two million are highlighted as focus areas in the strategy. Two other strategic focus areas support these: maximising development productivity and faster growth in profits than expenses.

In order to implement its strategy and vision, OP Financial Group has begun to reform its practices. New agile and self-managed practices highlight task significance and enhance job satisfaction, which, in turn, improves customer experience and workplace efficiency, creating potential for cost savings. OP aims to reduce the annual costs incurred by the central cooperative consolidated by EUR 100 million. The first stage of adopting the new practices started in OP Financial Group's central cooperative in January 2019.

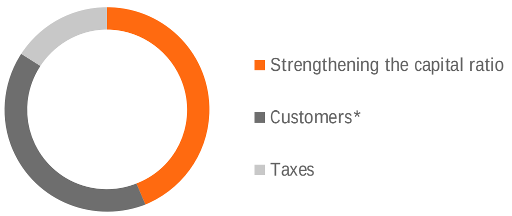
Promotion of the prosperity and wellbeing of owner-customers and in the operating region

Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency. OP's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. The Group's core values are a People-first Approach, Responsibility, and Prospering Together.

Allocation of earnings

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

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



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

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

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

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

Customer relationships and customer benefits

In January–March, the number of OP Financial Group's owner-customers increased by over 20,000 to 1.9 million.

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

In January–March, the number of joint banking and insurance customers increased by 9,000 to over 1.8 million.

Contributions made by OP cooperative banks' owner-customers to the banks' Profit Shares and cooperative shares totalled EUR 3.1 billion (3.2) on 31 March 2019.

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The January–March value of new OP bonuses totalled EUR 69 million (56). A total of EUR 30 million (30) of bonuses were used to pay for banking and wealth management services and EUR 30 million (28) to pay non-life insurance premiums.

In the reporting period, owner-customers benefitted EUR 8 million (8) from the reduced price of the daily retail banking package. Owner-customers were provided with EUR 15 million (16) 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 1 million (1).

The abovementioned OP bonuses and customer benefits totalled EUR 93 million (81), accounting for 32.1% (25.3) of OP Financial Group's earnings before tax and granted benefits.

Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 24 million (23). The return target for Profit Shares for 2019 is an interest rate of 3.25% (3.25).

In March, OP launched a Group Buying Service for its customers. In the service, selected companies can offer their products and services at a reduced price to owner-customers.

Corporate responsibility

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

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

In February, OP issued its first green bond according to OP Financial Group’s Green Bond Framework. The green bond of EUR 500 million is targeted at international responsible institutional investors. Proceeds raised with the green bond are allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

Based on the MSCI ESG rating, OP improved its rating from BB to A in March. In the most recent imug sustainability rating, OP Mortgage Bank’s rating improved from the previous rating CC (neutral) to rating B (positive) in March.

OP was the first financial sector company in Finland to publish a data balance sheet in March. The data balance sheet describes the significance of data, its responsible processing, utilisation and strategic management at OP. Publishing the data balance sheet forms part of OP Financial Group’s corporate responsibility and open and transparent practices.

In March, OP arranged for the first time a Financial Literacy week during which OP cooperative banks’ experts across Finland visited schools and held events to improve young people’s financial literacy, reaching thousands of young people. Some 25,000 ninth-graders in 400 schools participated in the Financial Literacy Competition on 5 April 2019 organised by the Association for Teachers of History and Social Studies in Finland (HYOL). OP is the main partner of the competition. Promoting the financial literacy among young people forms an important part of OP Financial Group's corporate responsibility. During the year, OP aims to reach a total of 60,000 youngsters with its financial literacy work.

In its annual campaign of “Summer jobs paid for by OP”, OP cooperative banks across Finland donate a total of 700,000 euros to support youth summer employment by non-profit associations. In 2019, a total of 1,700 two-week summer jobs in the third sector are available to those aged 15–17.

Multichannel services

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

Mobile and online services, no. of logins (million)	Q1/2019	Q1/2018	Change, %
OP-mobile	66.2	54.0	22.7%
OP Business mobile	2.2	1.2	77.5%
Pivo	10.6	6.8	55.4%
Op.fi	26.2	27.9	-6.1%
	31 March 2019	31 Dec 2018	
Siirto payment, registered customers	569,780	522,972	9,0%

Despite the expansion of mobile and online services, OP Financial Group still has Finland's most extensive branch network with 361 branches (365) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group also has extensive presence in the most common social media channels where it has some 430,000 followers (420,000). In addition to the Group's national social media accounts, many OP cooperative banks have their own Facebook pages where they share publications targeted at local customers.

Capital adequacy and capital base

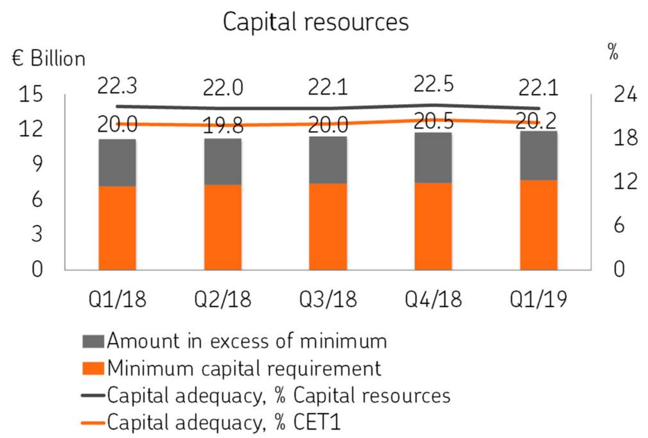
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.5 billion (3.7). Banking capital requirement rose to 14.5%

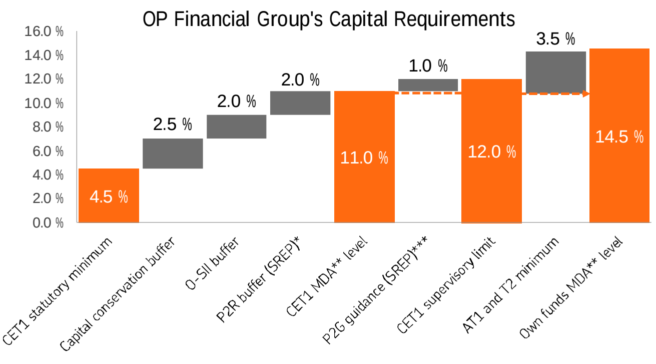
(14.3), calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 143% (147). The ratio was 155% without the risk weight floors set by the ECB. As a result of the buffer requirements for banking and solvency requirement for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the group can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 20.2% (20.5). The risk weight floors set by the ECB decreased the CET1 ratio by 1.9 percentage points.



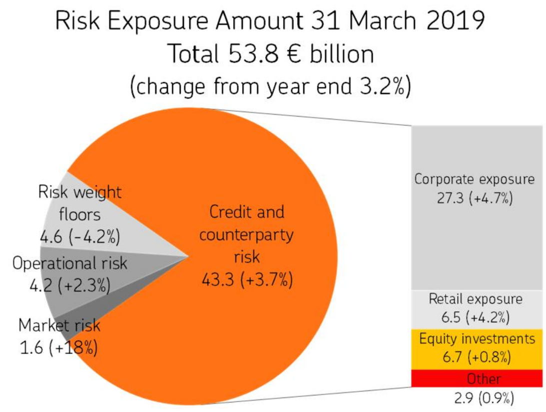
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5%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



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

OP Financial Group's CET1 capital was EUR 10.8 billion (10.7). The CET1 capital was increased by banking earnings, the transfer of the earnings-related pension liability and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 3.0 billion (2.9).

The risk exposure amount (REA) totalled EUR 53.8 billion (52.1), or 3.2% higher than on 31 December 2018. The minimum risk weight for retail exposures set by the ECB was EUR 4.7 billion, without which total risk was EUR 49.1 billion and the increase 3.9% from the turn of the year. The average risk weights of corporate and retail exposures rose slightly.



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

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In March 2019, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. In housing loans, a 15% minimum risk weight became effective from the beginning of 2018 for at least two years. Without the ECB's risk weight floor, the risk weight floor of 15% for home loans set by the Financial Supervisory Authority would reduce the CET1 ratio by an estimated 1.4 percentage points.

The upcoming EU regulation includes a requirement measuring the ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's banking operations is estimated at about 8.4% (8.6) based on the existing interpretations, calculated using the March-end figures. The leverage ratio was especially improved by the more extensive identification of non-binding limits implemented in the calculation. According to the draft rules, the minimum ratio is 3%.

Insurance

The increased value of investments strengthened the capital base of non-life insurance and life insurance companies. Similarly, the increased value of shares raised the solvency requirement. The solvency position was at the 2018-end level.

	Non-life insurance		Life insurance	
	31 March 2019	31 Dec 2018	31 March 2019	31 Dec 2018
Capital base, € million*	879	818	1,373	1,297
Solvency capital requirement (SCR), € million*	666	621	618	578
Solvency ratio, %*	132	132	222	225
Solvency ratio, % (excluding transitional provision)	132	132	178	176

*including transitional provisions

ECB's supervision

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

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB and effective as of 1 March 2019 is 2% (1.75). In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect profit distribution, for example. The capital buffer requirement set for OP Financial Group is slightly below average among the banks supervised by the ECB.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at EUR 12.2 billion, accounting for 27.6% of the total risk exposure amount at the end of 2016. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio stood at an estimated 38% at the the end of 2018. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

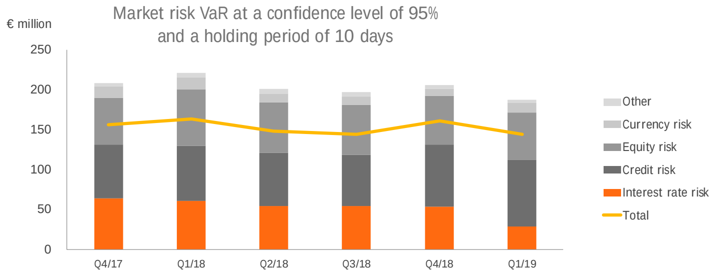
Risk exposure

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

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

OP Financial Group's funding position and liquidity is good. The availability of funding has remained good. During the reporting period, OP Financial Group issued long-term bonds worth EUR 1.9 billion (3.3). The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group's VaR, a measure of market risk, was EUR 143 million (160) on 31 March 2019. It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



The Group expects its operational risks to be moderate as targeted. The central cooperative's reorganisation, the adoption of a new operating model and the speed of service development will, however, set additional challenges for operational risk management. Materialised operational risks resulted in approximately EUR 1.8 million in gross costs during the reporting period.

During the reporting period, the Group strengthened Compliance resources to enhance compliance control and business compliance support.

Retail Banking and Corporate Banking

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

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

	OP Financial Group		Retail Banking		Corporate Banking	
	31 March 2019	31 Dec 2018	31 March 2019	31 Dec 2018	31 March 2019	31 Dec 2018
Exposures*, € billion	113.3	110.1	75.8	74.1	37.5	36.0
corporate customer exposure, € billion	57.6	56.4	55.6	54.5	2.0	1.9
private customer exposures, € billion	50.0	48.5	18.6	18.1	31.3	30.4
other exposures, € billion	5.7	5.2	1.5	1.5	4.2	3.7
in the highest borrower grades, %	69.3	70.6	73.4	74.9	60.3	61.1
in other borrower grades (excluding default), %	29.8	28.6	25.6	24.2	39.1	38.4
classified as default, %	0.8	0.8	1.0	0.9	0.6	0.5
classified as default***, € billion	0.9	0.8	0.7	0.7	0.2	0.1
Doubtful receivables ****, € billion	3.2	3.1	3.0	2.9	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	3.5	3.4	4.5	4.5	0.8	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.0	1.3	1.3	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	2.4	2.4	3.2	3.2	0.3	0.2
Ratio of performing forborne exposures to doubtful receivables, %	68.2	69.5	70.3	71.1	37.3	36.6

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

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The capital base covering customer exposure amounted to EUR 11.6 billion (11.4).

The most significant sectors in corporate and housing company exposures	31 March 2019	31 Dec 2018**
Renting and operating of residential real estate*, %	18.6	18.3
Services, %	10.2	10.1
Renting and operating other real property, %	9.9	10.0
Other sectors, %	61.3	61.6
Total, %	100	100

*A total of 94.4% of exposures within Renting and Operating of Residential Real Estate were those by housing companies and 11.0% were those guaranteed by general government.
**The figures a year ago have been adjusted to be in accordance with the current monitoring.

Retail Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR –73 million (–101) at the end of March. Using the new model, interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three. The comparative data has been calculated as the effect of a one-percentage point interest rate decrease for the next 12-month net interest income.

Deposits within the scope of deposit guarantee (deposit insurance) and managed by OP Financial Group totalled EUR 36.7 billion (36.0) at the end of March. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Insurance

Non-life insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 44 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 26 million (23).

No significant changes took place in non-life insurance's underwriting risks. Non-life insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 54 million (50) on 31 March 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

Life insurance

The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance liabilities and a faster-than-expected life expectancy increase among those insured.

A one-year increase in life expectancy would increase insurance liability by EUR 27 million (26). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 31 million (29).

Investment risks associated with separated insurance portfolios transferred from Suomi Mutual and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 336 million (289) on 31 March 2019.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 60 million (56) on 31 March 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

Other Operations

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

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

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

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 158% (143) on 31 March 2019.

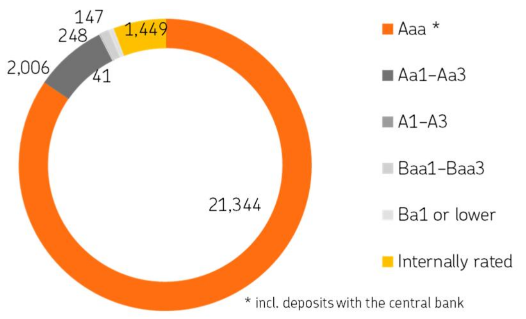
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR). In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 113% (111) at the end of March.

Liquidity buffer

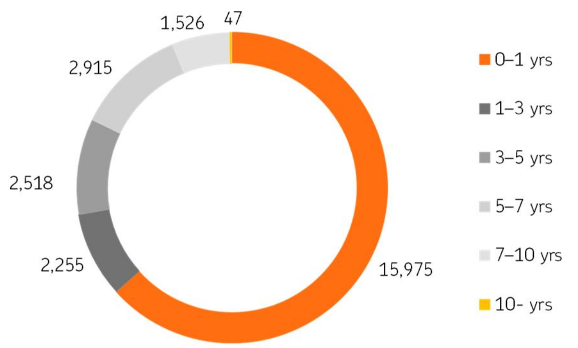
€ billion	31 March 2019	31 Dec 2018	Change, %
Deposits with central banks	14.5	12.2	18.4
Notes and bonds eligible as collateral	9.0	9.2	-2.1
Total	23.5	21.4	9.6
Receivables ineligible as collateral	1.8	1.3	33.6
Liquidity buffer at market value	25.2	22.7	11.0
Collateral haircut	-0.8	-0.7	15.1
Liquidity buffer at collateral value	24.4	22.0	10.9

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

Financial assets included in the liquidity buffer by credit rating on 31 March 2019, € million



Financial assets included in the liquidity buffer by maturity on 31 March 2019, € million



Credit ratings

31 March 2019

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

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

The credit ratings did not change in the reporting period.

Financial performance by segment

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

Retail Banking

- Earnings before tax amounted to EUR 49 million (66).
- Total income decreased by 1.3%. Net interest income increased by 5.9% year on year and net commissions and fees by 1.2%. Net investment income decreased by 12 million.
- Total expenses increased by 2.5% to EUR 301 million. Other operating expenses increased by 7.1% due to the stability contribution, development expenditure and higher volumes.
- The loan portfolio increased by 4.5% and the deposit portfolio by 8.3% in the year to March.
- Impairment losses amounted to EUR 7 million (14). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.
- The most significant Retail Banking development investments involved the upgrades of payment and finance systems, for example, those concerning the development of the digital home loan service.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net interest income	228	215	5.9	886
Net commissions and fees	188	185	1.2	677
Net investment income	-13	-1		9
Other income	10	19	-47.8	62
Total income	413	418	-1.3	1,635
Personnel costs	111	113	-1.6	225
Depreciation/amortisation and impairment loss	10	13	-23.0	84
Other operating expenses	181	169	7.1	678
Total expenses	301	294	2.5	987
Impairment loss on receivables	-7	-14	-47.8	33
OP bonuses to owner-customers	-56	-44	25.3	-194
Earnings before tax	49	66	-26.5	421
Cost/income ratio, %	73.0	70.3	2.7*	60.4
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.3	1.4	-0.1*	1.3
Return on assets (ROA), %	0.16	0.28	-0.12*	0.43
Return on assets, excluding OP bonuses, %	0.40	0.48	-0.08*	0.63
€ million				
Home loans drawn down	1,627	1,667	-2.4	7,633
Corporate loans drawn down	658	542	21.4	2,335
No. of brokered residential property and property transactions	2,552	2,682	-4.8	12,158
€ billion				
Loan portfolio	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Home loans	38.7	37.6	2.9	38.6
Corporate loans	7.6	7.3	4.5	7.4
Housing company and other loans	19.5	18.1	7.6	19.1
Total	65.8	63.0	4.5	65.0
Guarantee portfolio	0.6	0.6	8.5	0.6
Deposits				
Current and payment transfer	34.0	30.8	10.4	32.6
Investment deposits	18.6	17.7	4.8	18.1
Total deposits	52.6	48.6	8.3	50.8

*Change in the ratio

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

The loan portfolio increased in the year to March by 4.5% to EUR 65.8 billion. The student loan growth rate has been fast since the student loan reform made in August 2017. At the end of March, the student loan portfolio was EUR 1.5 billion, up 21% in the year to March.

Home loan borrowers have enjoyed historic low interest rates for an exceptionally long time, and customers have demonstrated greater interest in protecting their home loans and housing company loans against higher interest rates. At the end of the reporting period, 21.5% (20.1) of private customer home loans were covered by the interest rate protection.

In 2018, OP introduced a digital home loan service which enables customers to apply for a home loan and receive a home loan decision and offer online, quickly and automatically. By the end of May 2019, all OP cooperative banks will be included in the service.

The deposit portfolio increased in the year to March by 8.3% to EUR 52.6 billion. The increase came from current and payment transfer accounts as well as from investment deposits.

The aggregate number of investor and saver customers grew by almost 2,500 in the reporting period, totalling around 798,000 on 31 March 2019.

The volume of homes and real property sold and bought through the OP-Kiinteistökeskus real estate agents decreased by 4.8% year on year. The real estate agency business in undergoing a major transformation and competition is becoming ever fiercer. During the last two years, OP-Kiinteistökeskus has modernised its operations, for example, by introducing the OP Home online service. During the spring, OP-Kiinteistökeskus will renew its brand to be called OP Home.

OP is involved in developing a digital platform for selling and purchasing a home (DIAS), together with other banks, real estate businesses, a technology firm and authorities. The digitalisation of the system for selling and purchasing shares in a housing company started in the beginning of 2019 and will progress in stages.

Financial performance for the reporting period

Earnings before tax were EUR 49 million (66). As a result of an increase in the loan portfolio and a decrease in funding costs, net interest income grew by 5.9% to EUR 228 million. Net commissions and fees rose by 1.2% to EUR 188 million (185). Net investment income decreased to EUR –13 million. Income decreased by a total of 1.3%.

Total expenses increased by 2.5% to EUR 301 million. Personnel costs decreased by 1.6% to EUR 111 million. Other operating expenses increased by 7.1% to EUR 181 million. ICT costs increased by EUR 2 million. Higher ICT costs were explained by investments in development and by growth in volumes. Higher other operating expenses were also explained by stability contributions of EUR 10 million to the Financial Stability Authority, due to a change in the accounting practice. The cost/income ratio was 73.0% (70.3).

Impairment loss on receivables decreased to EUR 7 million (14). Non-performing receivables accounted for 1.3% (1.3) of the loan and guarantee portfolio.

Corporate Banking

- Earnings before tax amounted to EUR 56 million (117).
- Total income decreased by 17.7%. Net interest income increased by 8.5% year on year and net commissions and fees decreased by 13.2%. Net investment income fell by 72.1% as result of lower capital gains than a year ago, CVA valuation and changes made in the valuation models of derivative positions.
- Total expenses increased to EUR 76 million (59). Other operating expenses rose by 59.2%, due mainly to the stability contribution.
- The loan portfolio increased by 10.1% and the deposit portfolio decreased by 1.8% in the year to March. OP Financial Group's assets under management increased by 6.3% from their year-end 2018 level.
- Impairment losses amounted to EUR 5 million (-10). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant Corporate Banking segment's development investments involved the upgrades of payment, finance and asset management systems.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net interest income	90	83	8.5	350
Net commissions and fees	28	33	-13.2	130
Net investment income	13	48	-72.1	165
Other income	8	6	27.3	20
Total income	140	170	-17.7	664
Personnel costs	17	20	-16.7	45
Depreciation/amortisation and impairment loss	5	5	16.2	21
Other operating expenses	53	33	59.2	166
Total expenses	76	59	29.3	232
Impairment loss on receivables	-5	10	-148.3	-12
OP bonuses to owner-customers	-4	-3	12.9	-14
Earnings before tax	56	117	-52.6	408
Cost/income ratio, %	54.1	34.5	19.7*	34.9
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.5	0.0*	0.4
Return on assets (ROA), %	0.77	1.73	-0.96*	1.43
Return on assets, excluding OP bonuses, %	0.81	1.77	-0.96*	1,47
€ billion	31 March 2019	31 March 2018	Change, %	31 Dec 2018
Loan portfolio	22.5	20.4	10.1	22.3
Deposits	11.2	11.4	-1.8	11.2
Assets under management (gross)				
Mutual funds	24.1	24.2	-0.7	22.7
Institutional clients	22.4	23.5	-4.6	21.6
Private Banking**	19.4	18.5	4.5	17.9
Unit-linked insurance savings***	10.5	10.1	4.4	9.8
Total assets under management (gross)	76.4	76.3	0.0	71.8
€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net inflows				
Private Banking clients	7	-3	366.7	67
Institutional clients	-38	291	-113.0	363
Total net inflows	-31	289	-110.6	430

*Change in the ratio
**Some included in the Retail Banking segment
***Included in the Insurance segment

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 Property Management Ltd.

The loan portfolio increased in the year to March by 10.1% to EUR 22.5 billion. The deposit portfolio decreased in the year to March by 1.8% to EUR 11.2 billion.

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

In April, OP introduced incoming SEPA instant credit transfers to its customers that enable them to receive real-time SEPA instant credit transfers from other financial institutions within the SEPA.

The negative sentiment in capital markets in the latter half of 2018 was still seen in early 2019 and lowered demand for asset management products. Net assets inflow for the reporting period was EUR –31 million, falling by 110.6% from its level a year ago. OP Financial Group's assets under management increased by 6.3% from their year-end 2018 level to EUR 76.4 billion. Assets under management included about EUR 11 billion (11) in assets of the companies belonging to OP Financial Group.

The number of OP Mutual Fund unitholders increased by about 5,000 in gross terms to 783,000 during the reporting period. The Morningstar rating for OP Mutual Funds was 3.1 (2.9).

A total of 79% (80) of mutual fund orders were made electronically. During the reporting period, asset management development investments focused on extensive system development. Socially responsible investment funds were actively developed in the field of mutual fund investment. Investors have shown increasing interest in these funds.

Financial performance for the reporting period

Consolidated earnings before tax were EUR 56 million (117). Total income amounted to EUR 140 million (170) and total expenses EUR 76 million (59). The cost/income ratio weakened to 54.1% (34.5).

As a result of an increase in the loan portfolio, net interest income grew by 8.5% to EUR 90 million (83).

Net commissions and fees totalled EUR 28 million (33). Asset management net commissions and fees accounted for 0.19% of the gross amount of the assets under management. Other net commissions and fees consist mainly of OP Financial Group's internal charges.

Corporate Banking segment's net commissions and fees

€ million	Q1/2019	Q1/2018	Change, %
Mutual funds	25	23	11.4
Portfolio management	4	5	-22.9
Other	0	5	-108.0
Total	28	33	-13.2

Net investment income fell by 72.1% to EUR 13 million. Net investment income a year ago was increased by EUR 15 million in a capital gain. CVA valuation arising from interest rate changes and other market changes weakened the income by EUR 7 million whereas a year ago it improved the income by EUR 3 million. Changes made in the valuation models of derivative positions reduced net investment income by EUR 22 million.

Total expenses increased to EUR 76 million (59). Personnel costs decreased by 16.7% to EUR 17 million. Other operating expenses increased by 59.2% to EUR 53 million. ICT costs increased by EUR 8 million. Higher ICT costs were explained by investments in development and by growth in volumes. Higher other operating expenses were explained by the stability contribution of EUR 13 million to the Financial Stability Authority, due to a change in the accounting practice.

Impairment losses on receivables totalled EUR 5 million (–10). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Insurance

- Earnings before tax amounted to EUR 88 million (66), improved by capital gains on investment.
- Insurance premium revenue by non-life insurance decreased by 1.1% (excluding the Baltic business sold in 2018, it increased by 3.6%).
- Investment income, taking account of the overlay approach, totalled EUR 72 million (33). Net return on investments at fair value was EUR 42 million (–13) in non-life insurance and EUR 25 million (–8) in life insurance.
- In non-life insurance, the operating combined ratio was 97.5% (93.2) and operating risk ratio 70.5% (65.6). The operating cost ratio was 26.9% (27.7). Higher non-life insurance claims incurred weakened net insurance income.
- In life insurance, unit-linked insurance savings increased by 7% to EUR 10.5 billion (9.8) from the 2018-end level.
- Development investments focused on development of electronic services and the basic system upgrade.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Insurance premium revenue	355	358	-1.1	1,466
Claims incurred	245	229	7.3	917
Life insurance, net risk results	7	7	2.4	29
Net insurance income	117	137	-14.8	578
Life insurance, net commissions and fees	25	24	3.4	107
Non-life insurance, net commissions and fees	-11	-15	-	-52
Health and wellbeing, net commissions and fees	3	3	0.0	12
Net commissions and fees	16	11	45.7	68
Net investment income	129	12		70
Other net income	-2	1	-378.8	14
Total income	260	160	62.2	730
Personnel costs	33	30	11.8	127
Depreciation/amortisation and impairment loss	13	16	-16.2	89
Other operating expenses	65	65	-0.8	263
Total expenses	111	110	0.4	480
OP bonuses to owner-customers	-4	-5	-	-18
Temporary exemption (overlay approach)	-57	21		29
Earnings before tax	88	66	32.3	260
Return on assets (ROA), %	1.26	0.92	0.34*	0.96
Return on assets, excluding OP bonuses, %	1.32	0.99	0.34*	1.02
Operating combined ratio (non-life), %	97.5	93.2		92.0
Operating risk ratio, (non-life), %	70.5	65.6		64.5
Operating cost ratio (non-life), %	26.9	27.7		27.4
Operating ratio (life), %	40.0	34.3		36.4

*Change in the ratio

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

Key development investments focused on the development of electronic transaction and purchase services, the conversion of the separated individual life insurance portfolio into a new management system and the non-life insurance basic system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policy holders. The Insurance segment actively developed investment products to be added to unit-linked policies and launched, for example, new structured bonds that met with a favourable reception among customers.

Unit-linked insurance savings increased by 7% to EUR 10.5 billion (9.8) from their 2018-end level, as a result of the favourable value performance of assets. Net assets inflow of unit-linked insurance contracts amounted to EUR –21 (139) million.

Pohjola Health has sharpened its strategy and will focus on orthopaedics and sports clinic activities. As part of this change, Pohjola Health Ltd will sell its occupational healthcare services to Mehiläinen. The transaction is expected to take place on 1 June 2019.

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

Financial performance for the reporting period

Earnings before tax amounted to EUR 88 million (66). Net insurance income decreased to EUR 117 million (137) as a result of higher non-life insurance claims incurred.

Non-life insurance premium revenue

€ million	Q1/2019	Q1/2018	Change, %
Private Customers	197	192	3.1
Corporate Customers	157	151	4.2
Baltics	-	16	-
Total	355	358	-1.1

Insurance premium revenue from both private and corporate customers increased in non-life insurance. It increased by 3.6%, excluding the sold Baltic business included in the figure a year ago.

Claims incurred, excluding the Baltic figures, increased by 10.1%. Claims under property and business liability insurance incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 26 (20) in January–March, with their claims incurred retained for own account totalling EUR 23 million (18). The change in provisions for unpaid claims under statutory pension weakened earnings by EUR 9 million (10).

Changes in claims for previous years, excluding the effect of the discount rate change, decreased the balance on technical account by –EUR 15 million (5). In non-life insurance, the operating risk ratio excluding indirect loss adjustment expenses was 70.5% (65.6).

Net commissions and fees increased by 45.9%, as OP Financial Group's internal commission expenses declined.

Investment income

€ million	Q1/2019	Q1/2018
At fair value through other comprehensive income	52	15
At fair value through profit or loss	129	-40
Amortised cost	1	1
Life Insurance items*	-57	39
Unwinding of discount (non-life)	-7	-7
Associated companies	11	4
Net investment income	129	12
Temporary exemption	-57	21
Total	72	33

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

Earnings were increased by investment income that amounted to EUR 72 million (33), including the overlay approach. Capital gains on investment amounted to EUR 21 million (4) in non-life insurance and EUR 24 million (5) in life insurance.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. The net change in the short-term life insurance supplementary interest rate provision improved earnings by EUR 11 million (9). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 370 million (373) on 31 March 2019. Short-term supplementary interest rate provisions accounted for EUR 32 million (78) of these provisions.

Total expenses increased by 0.4% to EUR 111 million. The figure a year ago includes EUR 3.3 million in operating expenses of the Baltic business sold in 2018. In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 26.9% (27.7).

The operating combined ratio was 97.5% (93.2) in non-life insurance. The operating ratios exclude amortisation on intangible assets arising from the corporate acquisitions.

Investment

Non-life insurance: key investment indicators

€ million	Q1/2019	Q1/2018
Net return on investments at fair value, € million	42	-13
Return on investments at fair value, %*	2.8	-0.1
Fixed-income investments' Running Yield, %	1,5	1,5
	31 March 2019	31 Dec 2018
Investment portfolio, € million	3,804	3,730
Investments within the investment grade category, %	93	94
A-rated receivables, minimum, %	61	62
Modified duration, %	4.4	4.3

*excluding derivatives hedging the interest rate risk associated with insurance liabilities

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

Life insurance: key investment indicators*

€ million	Q1/2019	Q1/2018
Net return on investments at fair value, € million	25	-8
Return on investments at fair value, %**	2.4	0.0
Fixed-income investments' Running Yield, %	1.4	1.4
	31 March 2019	31 Dec 2018
Investment portfolio, € million	3,625	3,644
Investments within the investment grade category, %	89	95
A-rated receivables, minimum, %	61	66
Modified duration, %	4.2	4.1

*excluding the separated balance sheets
**excluding derivatives hedging the interest rate risk associated with insurance liabilities

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

Other Operations

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net interest income	-15	-15	2.1	-48
Net commissions and fees	1	1	-15.4	6
Net investment income	14	22	-34.8	21
Other operating income	146	133	9.5	548
Total income	146	141	3.1	527
Personnel costs	35	40	-12.3	120
Depreciation/amortisation and impairment loss	30	33	-7.7	131
Other operating expenses	75	80	-5.5	339
Total expenses	141	153	-7.8	590
Impairment loss on receivables	0	0	94.2	1
Earnings before tax	5	-11	-	-64

The Other Operations segment consists of functions that support other 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 5 million (–11). An increase in other operating income and a decrease in expenses improved earnings. Total income increased by 3.1% to EUR 146 million.

Net interest income was EUR –15 million (–15). Net investment income decreased by 34.8% to EUR 14 million. This decrease is explained by a fall of capital gains by EUR 9 million.

Other operating income rose by EUR 9.5% to EUR 146 million due to OP Financial Group's higher internal charges.

Total expenses decreased by 7.8% year on year to EUR 141 million. Personnel costs decreased by 12.3% to EUR 35 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 7.7% to EUR 30 million. Planned depreciation/amortisation increased by 45.6% to EUR 30 million. This increase resulted from higher development expenditure recognised for prior years. Impairment write-downs decreased by EUR 12 million year on year.

Other operating expenses fell by 5.5% to EUR 75 million as ICT costs decreased by EUR 5 million.

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

Capital expenditure and 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 March totalled EUR 74 million (100). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 34 million (46).

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

Personnel and remuneration

On 31 March 2019, OP Financial Group had 12,254 employees (12,066). The number of employees averaged 12,156 (12,241). In the first quarter, the number of employees increased, for example, due to insourcing.

Personnel at period end

	31 March 2019	31 Dec 2018
Retail Banking	7,657	7,515
Corporate Banking	797	780
Insurance	2,043	1,872
Other Operations	1,757	1,899
Total	12,254	12,066

During the reporting period, 64 OP Financial Group employees (56) retired at an average age of 62.0 years (61.8).

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

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

A long-term management remuneration scheme has been confirmed for 2017–2019. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

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

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

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period include the accounts of 155 OP cooperative banks (156) and OP Cooperative Consolidated.

During the reporting period, the number of OP cooperative banks reduced after the merger of Mellilän Osuuspankki into Niinijoen Osuupankki. Following the merger, the business name of Niinijoen Osuuspankki changed to Niinijokivarren Osuuspankki. The execution of the merger was registered on 28 February 2019.

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

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

Länsi-Uudenmaan Osuuspankki and Keski-Uudenmaan Osuuspankki accepted a merger plan on 28 February 2019, according to which the former will merge into the latter. Consequently, the business name of Keski-Uudenmaan Osuuspankki will change to Uudenmaan Osuuspankki. The planned date for registration of the merger is 30 September 2019.

Akaan Osuuspankki, Urjalan Osuuspankki and Valkeakosken Osuuspankki accepted a merger plan on 7 March 2019, according to which Akaan Osuuspankki and Valkeakosken Osuuspankki will merge into Urjalan Osuuspankki. Consequently, the bank's business name will change to Etelä-Pirkanmaan Osuuspankki. The planned date for registration of the merger is 30 August 2019.

Sonkajärven Osuuspankki and Ylä-Savon Osuuspankki accepted a merger plan on 14 March 2019, according to which the former will merge into the latter. The planned date for registration of the merger is 30 August 2019.

Kannuksen Osuuspankki and Suomenselän Osuuspankki accepted a merger plan on 18 March 2019 and 13 March 2019, according to which the former will merge into the latter. The planned date for registration of the merger is 31 October 2019.

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

OP Financial Group will adopt the name Pohjola in its non-life insurance business from 1 June 2019 when the business name of OP Insurance Ltd will change to Pohjola Insurance Ltd. At the same time, Pohjola Health Ltd's business name will change to Pohjola Hospital Ltd.

Governance of OP Cooperative

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

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

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

The Supervisory Board comprises 36 members.

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

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

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

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

Events after the reporting period

OP Cooperative has decided to review its options for selling the Vallila property. The Vallila property owned by OP Financial Group comprises a block located in Vallila, Helsinki, which was completed in 2017. In the event of its sale, OP Financial Group would continue operating in the property under a long-term lease agreement.

On 25 April 2019, the ECB issued OP Financial Group with a decision on retail exposures as part of the TRIM review project (Targeted Review of Internal Models). The decision will increase the risk weights of home loans applied in OP Financial Group's capital adequacy measurement from their current level of 6% to approximately 12%. These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met. The decision has no effect on OP Financial Group's capital adequacy in the current situation where both the IRBA risk weight floor set previously by the ECB and the 15% risk weight floor on home loans set by the Finnish Financial Supervisory Authority are in force.

OP Financial Group is defining its long-term strategic intent on the Group structure to secure continued success. All governing bodies of the Group participate in the process of analysing and discussing the Group's future. The outcome is expected during 2020.

Outlook towards the year end

The financial-sector operating environment has remained fairly favourable. Low interest rates and abundant liquidity made stock prices shoot up during the first quarter although geopolitical uncertainties and fears of world economic slowdown did cast a shadow over market sentiment. Then again, low interest rates are expected to slow growth in banks' net interest income further and reduce income from insurance institutions' fixed-income investments.

The most significant strategic risks in the financial sector relate to changes in the competitive environment as a result of technological development. New financial services providers operating under the ground rules of the digital market will challenge the revenue models of traditional financial services providers. In customer behaviour, the requirement for responsibility will become an ever more important criterion in choosing a company or service provider.

OP Financial Group's earnings before tax for 2019 are expected to be lower than in 2018. The most significant uncertainties in respect of the financial performance relate to changes in the interest rate and investment environment, market growth rate, changes in the competitive situation and impairment losses.

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

Income statement

EUR million	Notes	Q1 2019	Q1 2018
Net interest income	3	285	281
Net insurance income	4	109	127
Net commissions and fees	5	234	232
Net investment income	6	156	80
Other operating income		9	12
Total income		**793**	**732**
Personnel costs		197	204
Depreciation/amortisation		59	66
Other expenses	7	210	187
Total expenses		**465**	**456**
Impairments loss on receivables	8	-11	-4
OP bonuses to owner-customers		-64	-52
Temporary exemption (overlay approach)		-55	19
Earnings before tax		**197**	**239**
Income tax expense		41	53
Profit for the period		**156**	**186**
Attributable to:			
Profit for the period attributable to owners		155	183
Profit for the period attributable to non-controlling interest		1	3
Profit for the period		**156**	**186**

Statement of comprehensive income

EUR million	Notes	Q1 2019	Q1 2018
Profit for the period		**156**	**186**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		-8	15
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value		83	-52
Cash flow hedge		70	-6
Temporary exemption (overlay approach)		56	-19
Translation differences		0	0
Income tax on other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		2	-3
Items that may be reclassified to profit or loss			
Measurement at fair value		-17	10
Cash flow hedge		-14	1
Temporary exemption (overlay approach)		-11	4
Total comprehensive income for the period		**317**	**137**
Attributable to:			
Total comprehensive income for the period attributable to owners		316	134
Total comprehensive income for the period attributable to non-controlling interests		1	3
Total comprehensive income for the period		**317**	**137**

Balance sheet

EUR million	Notes	31 March 2019	31 Dec 2018
Cash and cash equivalents		14,566	12,350
Receivables from credit institutions		187	183
Derivative contracts	16	4,451	3,643
Receivables from customers	18	88,022	87,081
Investment assets		23,855	23,050
Assets covering unit-linked contracts		10,471	9,771
Intangible assets		1,482	1,490
Property, plant and equipment (PPE)		787	737
Other assets		2,273	1,875
Tax assets		224	209
Total assets		**146,318**	**140,387**
Liabilities to credit institutions		4,872	4,807
Derivative contracts		3,221	2,992
Liabilities to customers		67,395	66,112
Insurance liabilities	9	9,812	9,476
Liabilities from unit-linked insurance and investment contracts	9	10,511	9,812
Debt securities issued to the public	10	32,510	30,458
Provisions and other liabilities		3,642	2,617
Tax liabilities		969	921
Subordinated liabilities		1,353	1,358
Total liabilities		**134,285**	**128,552**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative share		199	199
Profit shares		2,951	3,042
Fair value reserve	11	174	7
Other reserves		2,184	2,183
Retained earnings		6,351	6,250
Non-controlling interests		**175**	**154**
Total equity capital		**12,033**	**11,835**
Total liabilities and equity capital		**146,318**	**140,387**

Statement of changes in equity capital

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 31 December 2017	**3,097**	**176**	**2,173**	**5,536**	**10,982**	**101**	**11,084**
Effect of IFRS 9 transition at 1 January 2018		-28		-30	-57		-57
Balance at 1 January 2018	**3,097**	**148**	**2,173**	**5,506**	**10,925**	**101**	**11,026**
Total comprehensive income for the period		-61	0	195	**134**	3	**137**
Profit for the period				183	**183**	3	**186**
Other comprehensive income		-61	0	12	**-49**		**-49**
Profit distribution				-51	**-51**		**-51**
Change in membership and profit shares	-78				**-78**		**-78**
Transfer of reserves			-2	2			**0**
Other				8	**8**	18	**26**
Balance at 31 March 2018	**3,019**	**88**	**2,171**	**5,660**	**10,938**	**122**	**11,060**

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2019	**3,241**	**7**	**2,183**	**6,250**	**11,681**	**154**	**11,835**
Total comprehensive income for the period		167	0	149	**316**	1	**317**
Profit for the period				155	**155**	1	**156**
Other comprehensive income		167		-6	**160**		**160**
Profit distribution				-47	**-47**	-3	**-49**
Change in membership and profit shares	-91				**-91**		**-91**
Associated company transfers					**0**		**0**
Transfer of reserves			1	-1	**0**		**0**
Other				0	**0**	22	**22**
Balance at 31 March 2019	**3,150**	**174**	**2,184**	**6,351**	**11,858**	**175**	**12,033**

Cash flow statement

EUR million	Notes	Q1 2019	Q1 2018
Cash flow from operating activities			
Profit for the financial year		156	186
Adjustments to profit for the financial year		92	383
Increase (-) or decrease (+) in operating assets		**-1,673**	**-1,665**
Receivables from credit institutions		25	14
Derivative contracts		10	-18
Receivables from customers		-882	-925
Non-life Insurance assets		32	-98
Investment assets		-333	-307
Other assets		-526	-331
Increase (+) or decrease (-) in operating liabilities		**2,252**	**-1,020**
Liabilities to credit institutions		-38	-564
Derivative contracts		-11	1
Liabilities to customers		1,284	-602
Adjustments to profit for the financial year		56	7
Liabilities from unit-linked insurance and investment contracts		129	2
Provisions and other liabilities		832	137
Income tax paid		-48	-55
Dividends received		19	5
A. Net cash from operating activities		**798**	**-2,166**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		0	0
Purchase of PPP and intangible assets		-39	-58
Proceeds from sale of PPE and intangible assets		1	5
B. Net cash used in investing activities		**-39**	**-53**
Cash flow from financing activities			
Increases in debt securities issued to the public		9,405	6,276
Decreases in debt securities issued to the public		-7,827	-5,392
Increases in cooperative and share capital		101	143
Decreases in cooperative and share capital		-192	-221
Dividends paid and interest on cooperative capital			-13
C. Net cash used in financing activities		**1,487**	**794**
Net change in cash and cash equivalents (A+B+C)		**2,246**	**-1,425**
Cash and cash equivalents at period-start		**12,423**	**13,245**
Cash and cash equivalents at period-end		**14,669**	**11,819**
Interest received		**431**	**451**
Interest paid		**-216**	**-261**
Cash and cash equivalents			
Liquid assets		14,566	11,670
Receivables from credit institutions payable on demand		103	149
Total		**14,669**	**11,819**

Segment reporting

Segment information

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

Q1 earnings 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	228	90	-3	-15	-15	285
of which internal net income before tax	0	-2	-3	4		
Net insurance income			117		-8	109
Net commissions and fees	188	28	16	1	0	234
Net investment income	-13	13	129	14	12	156
Other operating income	10	8	1	146	-156	9
Total income	**413**	**140**	**260**	**146**	**-166**	**793**
Personnel costs	111	17	33	35	0	197
Depreciation/amortisation	10	5	13	30	0	59
Other operating expenses	181	53	65	75	-164	210
Total expenses	**301**	**76**	**111**	**141**	**-164**	**465**
Impairments loss on receivables	-7	-5	0	0	0	-11
OP bonuses to owner-customers	-56	-4	-4		0	-64
Temporary exemption (overlay approach)			-57		2	-55
Earnings before tax	**49**	**56**	**88**	**5**	**0**	**197**

Q1 earnings 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	215	83	-4	-15	1	281
of which internal net income before tax	0	-1	-3	3		
Net insurance income			137		-9	127
Net commissions and fees	185	33	11	1	1	232
Net investment income	-1	48	12	22	0	80
Other operating income	19	6	4	133	-150	12
Total income	**418**	**170**	**160**	**141**	**-158**	**732**
Personnel costs	113	20	30	40	0	204
Depreciation/amortisation	13	5	16	33	0	66
Other operating expenses	169	33	65	80	-160	187
Total expenses	**294**	**59**	**110**	**153**	**-160**	**456**
Impairments loss on receivables	-14	10		0	0	-4
OP bonuses to owner-customers	-44	-3	-5		0	-52
Temporary exemption (overlay approach)			21		-2	19
Earnings before tax	**66**	**117**	**66**	**-11**	**0**	**239**

Balance sheet 31 March 2019	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Cash and cash equivalents	74	19	690	14,460	-677	14,566
Receivables from credit institutions	12,342	115	31	9,139	-21,439	187
Derivative contracts	460	4,059	298	348	-715	4,451
Receivables from customers	65,690	23,218	0	15	-900	88,022
Investment assets	-502	1,192	10,495	17,911	-5,241	23,855
Assets covering unit-linked contracts			10,471			10,471
Intangible assets	51	230	808	396	-3	1,482
Property, plant and equipment (PPE)	383	2	143	270	-11	787
Other assets	232	354	1,087	781	-182	2,273
Tax assets	109	4	24	77	11	224
Total assets	**78,838**	**29,194**	**24,047**	**43,397**	**-29,158**	**146,318**
Liabilities to credit institutions	8,547	679		17,370	-21,725	4,872
Derivative contracts	245	3,489	57	186	-756	3,221
Liabilities to customers	52,647	11,309		4,721	-1,282	67,395
Insurance liabilities			9,812			9,812
Liabilities from unit-linked insurance and investments contracts			10,511			10,511
Debt securities issued to the public	11,486	1,318		19,827	-121	32,510
Provisions and other liabilities	576	1,082	777	1,351	-145	3,642
Tax liabilities	447	3	155	366	-1	969
Subordinated liabilities	41	-27	380	1,354	-395	1,353
Total liabilities	**73,990**	**17,853**	**21,691**	**45,175**	**-24,424**	**134,285**
Equity						**12,033**

Balance sheet 31 December 2018	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Cash and cash equivalents	82	19	685	12,199	-634	12,350
Receivables from credit institutions	10,820	125	21	10,109	-20,892	183
Derivative contracts	275	3,448	156	185	-421	3,643
Receivables from customers	64,914	23,009	0	15	-857	87,081
Investment assets	-480	908	10,246	17,625	-5,249	23,050
Assets covering unit-linked contracts			9,771			9,771
Intangible assets	49	230	806	408	-3	1,490
Property, plant and equipment (PPE)	362	0	139	248	-11	737
Other assets	217	-153	971	1,299	-459	1,875
Tax assets	112	3	17	66	11	209
Total assets	**76,350**	**27,589**	**22,811**	**42,153**	**-28,515**	**140,387**
Liabilities to credit institutions	9,612	606		15,802	-21,214	4,807
Derivative contracts	157	3,025	37	259	-486	2,992
Liabilities to customers	50,792	11,382		5,089	-1,152	66,112
Insurance liabilities			9,476			9,476
Liabilities from unit-linked insurance and investments contracts			9,812			9,812
Debt securities issued to the public	10,120	1,011		19,492	-165	30,458
Provisions and other liabilities	554	642	788	1,029	-396	2,617
Tax liabilities	433	3	119	365	0	921
Subordinated liabilities	41	-24	380	1,356	-395	1,358
Total liabilities	**71,709**	**16,645**	**20,612**	**43,394**	**-23,808**	**128,552**
Equity						**11,835**

Notes

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

Note 1. Accounting policies

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

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

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

Changes in presentation

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

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

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

IFRS 16 Leases adoption on 1 January 2019

OP Financial Group adopted IFRS 16 Leases as of 1 January 2019, according to which leased contracts have been recognised as a right-of-use asset and lease liability in the balance sheet. OP Financial Group applied a retrospective approach in the transition to a limited extent, which is why it did not restate comparatives for 2018. The effects of transition have been presented in OP Financial Group's Notes to the Financial Statements 2018. Leased contracts are mainly those related to premises. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in provisions and other liabilities and the related interest expenses are presented in net interest income. Management judgement has been used to assess the term of leases with indefinite duration and to determine the interest rate quoted by OP Financial Group's Treasury as the incremental borrowing rate that Treasury uses to grant loans to OP cooperative banks and OP Financial Group's subsidiaries. On 31 March 2019, the right-of-use asset amounted to EUR 57 million.

New segments as of 1 January 2019

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

Business segments

OP Financial Group's business segments are Retail Banking, Corporate Banking, and Insurance. Non-business segment operations are presented under the Other Operations segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies. Defining segments and presentation are based on management reporting. The segments' earnings and profitability is assessed in terms of earnings before tax.

Companies in the Retail Banking segment include OP cooperative banks, OP-Kiinteistökeskus real estate agencies, OP Card Company Plc, OP Mortgage Bank, Pivo Wallet Oy, OP Co-ride Ltd and Customer Services Ltd. Net interest income forms the most significant income item of the segment. Income also comes from commissions and fees and investment. Expenses arise mainly from personnel and ICT costs and the costs of the branch network and OP bonuses to owner-customers. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

Companies in the Corporate Banking segment include OP Corporate Bank plc (excl. treasury functions), OP Custody Ltd, OP Asset Management Ltd, OP Property Management Ltd, Checkout Finland Oy and OP Fund Management Company Ltd. Net interest income forms the most significant income item of the segment. Income also comes from banking and wealth management in terms of commission income and from investment operations. Expenses mainly come from personnel and ICT costs. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

The Insurance segment encompasses OP Financial Group's non-life insurance companies, i.e. OP Insurance Ltd, Eurooppalainen Insurance Company Ltd, A-Insurance Ltd as well as OP Life Assurance Company Ltd. The segment’s products include non-life and life insurance products sold to corporate and private customers. Income generated by the segment derives mainly from income from insurance premium revenue, commission income and net investment income. The segment also includes Pohjola Health Ltd whose earnings come from doctor's fees and income from treatment and diagnostics. The Insurance segment’s most significant risks are underwriting and investment risks. Risks related to statutory defined benefit pension plans for OP Financial Group’s personnel only affect the Insurance segment. However, the related risk level is moderate.

The Other Operations segment consists of functions that support other segments. The segment includes the majority of OP Cooperative, OP Services Ltd and OP Corporate Bank plc’s treasury functions. Costs of the services for the business segments are allocated to the segments in the form of internal service charges. Income from the Other Operations segment mainly consists of Treasury income and OP Financial Group's internal charges recognised in other operating income.

Segment accounting policies

OP Financial Group's segment reporting is based on accounting policies applied in its financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments, and inter-segment Group eliminations are reported under 'Group eliminations'.

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to capital adequacy measurement are allocated among the business segments. Capital has been allocated to the Retail Banking and Corporate Banking segments in such a way that the CET1 ratio is 22% (21). Capital has been allocated to the Insurance segment in such a way that the non-life insurance solvency ratio (SII) is 120% (120) and the life insurance solvency ratio is 130% (130). Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned. The allocation of equity capital to the business segments is carried out through OP Financial Group's Treasury under Other Operations, which means that any earnings effect of equity capital differing from the target level is shown under Other operations.

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

	Q1 2019	Q1 2018
Return on equity, %	5.3	6.8
Return on equity at fair value, %	10.6	5.0
Return on assets, %	0.44	0.55
Cost/income ratio, %	59	62
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.2
Average personnel	12,156	12,256

ALTERNATIVE PERFORMANCE MEASURES

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. As a result of the new segments, the Group has abandoned the following alternative performance measures of non-life insurance Loss ratio (excl. unwinding of discount), %, Expense ratio, %, Risk ratio (excl. unwinding of discount), %, Combined ratio (excl. unwinding of discount), %, Cost ratio, %, Operating loss ratio, %, Operating expense ratio. Return on equity excluding OP bonuses, %, Return on assets, excluding OP bonuses, % and Life insurance operating ratio, %, are presented as new alternative performance measures.

The formulas for the used Alternative Performance Measures are presented below.

Return on equity (ROE), %

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

Return on equity (ROE) excluding OP bonuses, %

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

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

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

Return on assets (ROA) excluding OP bonuses, %

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

Cost/income ratio, %

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

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

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

Coverage ratio, %

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

Non-life Insurance indicators:

Operating combined ratio, %

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

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

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

Operating cost ratio

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

Life Insurance:

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %	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 / 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
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates	Conglomerate's total capital / Conglomerate's total minimum capital requirement	x 100
Return on economic capital, %	Earnings + customer bonuses after tax (value rolling 12 month) / Average economic capital	x 100
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100

NON-LIFE INSURANCE OPERATING RESULTS

EUR million	Q1 2019	Q1 2018	Change, %	Q1-4 2018
Insurance premium revenue	355	359	-1.0	1465
Claims incurred	-251	-235	6.6	-945
Operating expenses	-96	-99	-3.7	-401
Amortisation adjustment of intangible assets		**-5**		**-18**
Balance on technical account	9	19	-52.4	100
Net investment income	65	6		9
Other income and expenses	-7	0		-8
Temporary exemption (overlay approach)	**-38**	**9**		**19**
Earnings before tax	**29**	**34**	-14.2	**120**

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

Notes to the income statement

Note 3. Net interest income

EUR million	Q1 2019	Q1 2018
Interest income		
Receivables from credit institutions		
Interest	0	1
Negative interest	6	6
Total	6	7
Receivables from customers		
Loans	289	283
Finance lease receivables	6	6
Impaired loans and other commitments	0	0
Negative interest	3	2
Total	299	292
Notes and bonds		
Measured at fair value through profit or loss	1	0
At fair value through other comprehensive income	21	23
Amortised cost	0	0
Total	22	23
Derivative contracts		
Fair value hedge	-26	-25
Cash flow hedge	13	11
Ineffective portion of cash flow hedge	4	-2
Other	-5	-4
Total	-14	-20
Other	1	1
Total	**314**	**302**
Interest expenses		
Liabilities to credit institutions		
Interest	2	1
Negative interest	17	15
Total	18	16
Liabilities to customers	18	15
Notes and bonds issued to the public	60	55
Subordinated liabilities		
Subordinated loans	0	1
Other	11	11
Total	12	11
Derivative contracts		
Cash flow hedge	-61	-58
Other	-31	-18
Total	-92	-76
Other	1	1
Total	**17**	**22**
Net interest income before fair value adjustment under hedge accounting	**297**	**280**
Hedging derivatives	15	-30
Value changes of hedged items	-27	30
Total	**285**	**281**

Note 4. Net insurance income

EUR million	Q1 2019	Q1 2018
Net insurance premium revenue		
Premiums written	634	614
Insurance premiums ceded to reinsurers	-10	-8
Change in provision for unearned premiums	-288	-269
Reinsurers' share	12	12
Total	347	349
Net Non-life Insurance claims		
Claims paid	-293	-235
Insurance claims recovered from reinsurers	9	8
Change in provision for unpaid claims	41	6
Reinsurers' share	-1	-7
Total	-244	-228
Other Non-life Insurance items	-1	0
Life Insurance risk premiums collected	7	7
Total	**109**	**127**

Note 5. Net commissions and fees

Q1 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Commission income						
Lending	28	10	0	1	0	39
Deposits	0	0		0	0	1
Payment transfers	54	7		3	-3	60
Securities brokerage	0	6			-1	6
Securities issuance		2		0	0	2
Mutual funds	7	48	0	0	-20	35
Asset management	8	6			-3	10
Legal services	6	0			0	6
Guarantees	2	3		0	0	5
Housing service	16					16
Insurance brokerage	43		14		-28	30
Life insurance total expense loadings			24			24
Refund of unit-linked management fees			18			18
Health and wellbeing services			6		0	5
Other	33	4		0	-27	9
Total	**197**	**87**	**62**	**4**	**-83**	**267**
Commission expenses						
Payment transfers	4	1	0	1	-3	3
Securities brokerage		3	0		-1	3
Securities issuance	0	1		0	0	1
Mutual funds		23			-21	2
Asset management		2	0	0	0	3
Insurance operations	-3		43		-28	12
Health and wellbeing services			3			3
Other	9	28	0	2	-32	7
Total	**10**	**58**	**46**	**3**	**-83**	**34**
Total net commissions and fees	**188**	**28**	**16**	**1**	**0**	**234**

Q1 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Commission income						
Lending	26	11	0	1	0	38
Deposits	1	0		0	0	1
Payment transfers	50	6		3	-3	55
Securities brokerage	1	4			-1	5
Securities issuance		3		0		3
Mutual funds	11	52			-26	37
Asset management	9	8		0	-3	14
Legal services	5	0		0	0	5
Guarantees	2	3		0	0	5
Housing service	17					17
Insurance brokerage	47		13		-31	30
Life insurance total expense loadings			24			24
Refund of unit-linked management fees			18		0	18
Health and wellbeing services			4		0	4
Other	26	3		0	-21	8
Total	**195**	**90**	**59**	**4**	**-86**	**262**
Commission expenses						
Payment transfers	5	1	0	0	-3	3
Securities brokerage		3			-1	2
Securities issuance	0	0		0	0	1
Mutual funds		29			-26	3
Asset management		3	0	0	0	3
Insurance operations	-3		45		-31	12
Health and wellbeing services			2			2
Other	8	21	0	2	-26	6
Total	**10**	**57**	**47**	**3**	**-87**	**30**
Total net commissions and fees	**185**	**33**	**11**	**1**	**1**	**232**

Note 6. Net investment income

EUR million	Q1 2019	Q1 2018
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Interest income	18	17
Other income and expenses	0	7
Capital gains and losses	30	21
Currency fair value gains and losses	8	-11
Impairment losses and their reversal	1	-2
Total	56	32
Total	**56**	**32**

Net income recognised at fair value through profit or loss

Financial assets held for trading		
Notes and bonds		
Fair value gains and losses	3	-1
Interest income and expenses	1	2
Total	4	0
Shares and participations		
Fair value gains and losses	7	7
Dividend income and share of profits	0	2
Total	7	9
Derivatives		
Fair value gains and losses	89	31
Interest income and expenses	20	3
Total	109	35
Total	**120**	**44**
Financial assets that must measured at fair value through profit or loss		
Notes and bonds		
Interest income	6	5
Fair value gains and losses	1	-1
Total	6	4
Shares and participations		
Fair value gains and losses	70	-7
Dividend income and share of profits	12	11
Total	82	5
Financial assets designated as at fair value through profit or loss		
Notes and bonds		
Interest income	10	14
Fair value gains and losses	54	-21
Total	64	-7
Shares and participations		
Fair value gains and losses	0	-15
Dividend income and share of profits	2	5
Total	2	-11
Derivatives		
Fair value gains and losses	-2	0
Total	-2	0
Total net income from financial assets recognised at fair value through profit or loss	**153**	**-9**

Net income from investment property		
Rental income	17	18
Fair value gains and losses	7	-5
Maintenance charges and expenses	-16	-15
Other	-2	-1
Net income from investment property total	6	-2
Net income from loans and receivables measured at amortised cost		
Loans and receivables		
Interest income	2	2
Interest expenses	0	0
Capital gains and losses	0	0
Impairment losses and their reversal	-1	-1
Loans and receivables total	0	1
Non-life Insurance		
Unwinding of discount, Non-life Insurance	-7	-7
Life Insurance		
Interest credited on customers' insurance savings	-22	-22
Change in supplementary interest rate provisions	-39	13
Other technical items**	-110	26
Total	-170	17

** 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	7	4
Consolidated using the equity method	-8	0
Total	-2	4
Total net investment income	**156**	**80**

Note 7. Other operating expenses

EUR million	Q1 2019	Q1 2018
ICT costs		
Production	53	45
Development	28	40
Buildings	14	18
Government charges and audit fees	30	6
Purchased services	28	30
Data communications	9	10
Marketing	7	7
Corporate social responsibility	2	2
Insurance and security costs	2	3
Other	36	26
Total	**210**	**187**

Development costs

EUR million	Q1 2019	Q1 2018
ICT development costs	28	40
Share of own work	12	14
Total development costs in the income statement	**40**	**54**
Capitalised ICT costs	31	43
Capitalised share of own work	3	3
Total capitalised development costs	**34**	**46**
Total development costs	**74**	**100**
Depreciation/amortisation and impairment loss	38	30

Note 8. Impairment losses on receivables

EUR million	Q1 2019	Q1 2018
Receivables written down as loan and guarantee losses	17	23
Recoveries of receivables written down	-2	-2
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-3	-16
Expected credit losses (ECL) on notes and bonds*	0	0
Total	**11**	**4**

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 March 2019

On-balance-sheet exposure	Stage 1	Stage 2			Stage 3	Total
EUR million		Not more than 30 DPD	More than 30 DPD	Total		exposure
Receivables from customers (gross)						
Retail Banking	57,621	7,549	195	7,744	880	66,245
Corporate Banking	23,426	1,445	248	1,693	354	25,474
Total	**81,047**	**8,994**	**443**	**9,437**	**1,234**	**91,719**
Off-balance-sheet limits						
Retail Banking	5,471	252	1	254	7	5,732
Corporate Banking	5,019	437	114	551	83	5,653
Total	**10,489**	**689**	**116**	**805**	**91**	**11,385**
Other off-balance-sheet commitments						
Retail Banking	2,574	86		86	16	2,676
Corporate Banking	7,072	344		344	21	7,437
Total	**9,646**	**430**		**430**	**37**	**10,113**
Notes and bonds						
Other Operations	12,223					12,223
Insurance	5,055	486		486	14	5,555
Total	**17,278**	**486**		**486**	**14**	**17,778**
Total exposures within the scope of accounting for expected credit losses	**118,461**	**10,600**	**558**	**11,158**	**1,375**	**130,994**

Loss allowance by stage 31 March 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss
EUR million		Not more than 30 DPD	More than 30 DPD	Total		allowance
Receivables from customers						
Retail Banking	-13	-50	-4	-53	-194	-260
Corporate Banking	-21	-22	-3	-25	-214	-260
Total	**-34**	**-72**	**-6**	**-78**	**-408**	**-520**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1		-2
Corporate Banking	-2	-5		-5		-7
Total	**-2**	**-6**		**-6**		**-8**
Notes and bonds***						
Other Operations	-2					-2
Insurance	-4	-1		-1	-5	-10
Total notes and bonds	**-6**	**-1**		**-1**	**-5**	**-12**
Total	**-42**	**-79**	**-6**	**-86**	**-413**	**-541**

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

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

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

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

Summary and key indicators 31 March 2019	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers and off-balance-sheet items						
Retail Banking	65,666	7,888	196	8,083	903	74,653
Corporate Banking	35,516	2,226	363	2,589	459	38,563
Loss allowance						
Retail Banking	-14	-51	-4	-54	-194	-262
Corporate Banking	-23	-27	-3	-30	-214	-267
Coverage ratio, %						
Retail Banking	-0.02%	-0.64%	-1.85%	-0.67%	-21.45%	-0.35%
Corporate Banking	-0.06%	-1.23%	-0.77%	-1.16%	-46.72%	-0.69%
Total receivables from customers and off-balance-sheet items	**101,183**	**10,114**	**558**	**10,672**	**1,362**	**113,216**
Total loss allowance	**-36**	**-78**	**-6**	**-84**	**-408**	**-529**
Total coverage ratio, %	**-0.04%**	**-0.77%**	**-1.15%**	**-0.79%**	**-29.96%**	**-0.47%**
Carrying amount, notes and bonds						
Other Operations	12,223					12,223
Insurance	5,055	486		486	14	5,555
Loss allowance						
Other Operations	-2					-2
Insurance	-4	-1		-1	-5	-10
Coverage ratio, %						
Other Operations	-0.02%					-0.02%
Insurance	-0.07%	-0.29%		-0.29%	-37.17%	-0.18%
Total notes and bonds	**17,278**	**486**		**486**	**14**	**17,778**
Total loss allowance	**-6**	**-1**		**-1**	**-5**	**-12**
Total coverage ratio, %	**-0.03%**	**-0.29%**		**-0.29%**	**-37.17%**	**-0.07%**

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

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

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

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

Loss allowance by stage 31 December 2018

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

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

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

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

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

Summary and key indicators 31 December 2018	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total
Receivables from customers and off-balance-sheet items						
Retail Banking	66,401	7,124	185	7,308	899	74,609
Corporate Banking	33,453	1,947	422	2,369	460	36,282
Loss allowance						
Retail Banking	-13	-50	-3	-54	-202	-269
Corporate Banking	-27	-26	-3	-30	-207	-263
Coverage ratio, %						
Retail Banking	-0.02%	-0.71%	-1.71%	-0.73%	-22.51%	-0.36%
Corporate Banking	-0.08%	-1.36%	-0.74%	-1.25%	-44.93%	-0.73%
Total receivables from customers and off-balance-sheet items	**99,854**	**9,071**	**607**	**9,678**	**1,359**	**110,891**
Total loss allowance	**-40**	**-77**	**-6**	**-83**	**-409**	**-532**
Total coverage ratio, %	**-0.04%**	**-0.85%**	**-1.03%**	**-0.86%**	**-30.09%**	**-0.48%**
Carrying amount, notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	4,677	313		313	11	5,001
Loss allowance						
Other Operations	-3	0		0		-3
Insurance	-3	-4		-4	-4	-11
Coverage ratio, %						
Other Operations	-0.02%	-0.85%		-0.85%		-0.02%
Insurance	-0.07%	-1.20%		-1.20%	-34.32%	-0.22%
Total notes and bonds	**16,896**	**332**		**332**	**11**	**17,240**
Total loss allowance	**-6**	**-4**		**-4**	**-4**	**-14**
Total coverage ratio, %	**-0.04%**	**-1.18%**		**-1.18%**	**-34.32%**	**-0.08%**

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**40**	**83**	**409**	**532**
Transfers from Stage 1 to Stage 2	-3	17		15
Transfers from Stage 1 to Stage 3	-4		6	3
Transfers from Stage 2 to Stage 1	3	-9		-6
Transfers from Stage 2 to Stage 3		-8	21	13
Transfers from Stage 3 to Stage 2		2	-9	-7
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	3	3	1	6
Decreases due to derecognition	-2	-1	-6	-10
Changes in risk parameters (net)	-1	-1	-4	-6
Decrease in allowance account due to write-offs			-10	-10
Net change in expected credit losses	**-3**	**1**	**-1**	**-3**
Loss allowance 31 March 2019	**36**	**84**	**408**	**529**

Transfers from Stage 1 to Stage 3 compare the current reporting-date Stage 3 of a financial asset at the beginning of the year. However, around 85% of these transfers to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2019	**6**	**4**	**4**	**14**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	0	-2		-1
Transfers from Stage 2 to Stage 3		0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	0	0	0	0
Decreases due to derecognition	0	-1	0	-2
Changes in risk parameters (net)	0	0	0	-1
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**0**	**-3**	**1**	**-1**
Loss allowance 31 March 2019	**6**	**1**	**5**	**12**

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

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

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

Note 9. Insurance liabilities

EUR Million	31 March 2019	31 Dec. 2019
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,469	1,510
Other provision for unpaid claims	1,064	1,056
Reserve for decreased discount rate (value of hedges of insurance liability)	63	21
Total	2,596	2,588
Provisions for unearned premiums	858	569
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	8,868	8,298
Investment contracts	1,643	1,513
Total	10,511	9,812
Life insurance insurance liabilities	6,359	6,319
Total	**20,323**	**19,288**

Note 10. Debt securities issued to the public

EUR million	31 March 2019	31 Dec. 2019
Bonds	11,162	9,522
Covered bonds	12,038	10,720
Other		
Certificates of deposit	75	105
Commercial paper	9,301	10,162
Included in own portfolio in trading (–)	-66	-50
Total debt securities issued to the public	**32,510**	**30,458**

Note 11. Fair value reserve after income tax

	Fair value through other comprehensive income				
EUR million	Notes and bonds	Shares and participations	Shares and participations	Cash flow hedging	Total
Balance sheet 31 December 2017	**135**	**25**		**16**	**176**
Effect of IFRS 9 transition at 1 January 2018	-2	-25			-28
Opening balance 1 January 2018	**133**	**0**	**0**	**16**	**148**
Fair value changes	-44	0	-24	3	-65
Capital gains transferred to income statement	-7		3		-4
Impairment loss transferred to income statement			2		2
Transfers to net interest income				-8	-8
Deferred tax	10	0	4	1	15
Closing balance 31 March 2018	**91**		**-15**	**11**	**88**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**-5**	**-21**	**33**	**7**
Fair value changes	65	78	53	196
Capital gains transferred to income statement	18	-14		3
Impairment loss transferred to income statement		-8		-8
Transfers to net interest income			17	17
Deferred tax	-17	-11	-14	-42
Closing balance 31 March 2019	**62**	**24**	**89**	**174**

The fair value reserve before tax amounted to EUR 217 million (9) and the related deferred tax liability amounted to EUR 43 million (2). At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 63 million (54) and negative mark-to-market valuations EUR 21 million (82), owing to the application of the overlay approach.The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 1 million in the fair value reserve.

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

Note 12. Collateral given

EUR million	31 March 2019	31 Dec. 2018
Given on behalf of own liabilities and commitments		
Pledges	158	171
Loans (as collateral for covered bonds)	14,452	13,700
Others	5,712	5,775
Total collateral given*	**20,321**	**19,647**
Secured derivative liabilities	910	928
Other secured liabilities	4,163	4,149
Covered bonds	12,038	10,720
Total	**17,110**	**15,797**

* In addition, bonds with a book value of EUR 4.3 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 13. Classification of financial assets and liabilities

			Fair value through profit or loss				
Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	14,566						14,566
Receivables from credit institutions	187						187
Derivative contracts			3,577			874	4,451
Receivables from customers	88,022						88,022
Assets covering unit-linked contracts				10,471			10,471
Notes and bonds	3	17,580	775	2,371	492		21,221
Equity instruments		0	88	249	1,110		1,448
Other financial assets	2,354						2,354
Financial assets							**142,721**
Other than financial instruments							3,597
Total 31 March 2019	**105,133**	**17,580**	**4,440**	**13,092**	**1,602**	**874**	**146,318**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	12,350						12,350
Receivables from credit institutions	183						183
Derivative contracts			3,066			577	3,643
Receivables from customers	87,081						87,081
Assets covering unit-linked contracts				9,771			9,771
Notes and bonds	4	17,124	505	2,227	451		20,312
Equity instruments		0	81	245	1,130		1,456
Other financial assets	1,940						1,940
Financial assets							**136,735**
Other than financial instruments							3,652
Total 31 December 2018	**101,557**	**17,124**	**3,652**		**1,581**	**577**	**140,387**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		4,872		4,872
Derivative contracts	2,738		483	3,221
Liabilities to customers		67,395		67,395
Insurance liabilities		9,812		9,812
Liabilities from unit-linked insurance and investment contracts	10,511			10,511
Debt securities issued to the public		32,510		32,510
Subordinated loans		1,353		1,353
Other financial liabilities		2,982		2,982
Financial liabilities				**132,656**
Other than financial liabilities				1,629
Total 31 March 2019	**13,249**	**118,925**	**483**	**134,285**

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March, the fair value of these debt instruments was approximately EUR 464 (242) million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 14. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	638	190	620	1,448
Debt instruments	2,289	801	547	3,638
Unit-linked contracts	6,798	3,673	0	10,471
Derivative financial instruments	0	4,174	277	4,451
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	14,740	2,226	614	17,580
Total financial instruments	**24,466**	**11,064**	**2,058**	**37,588**
Investment property			871	871
Total	**24,466**	**11,064**	**2,930**	**38,460**

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

Fair value of liabilities on 31 March 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,824	3,687	0	10,511
Other		0		0
Derivative financial instruments	2	2,999	219	3,221
Total	**6,826**	**6,686**	**219**	**13,732**

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

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2019	**991**	**57**	**214**	**1,262**
Total gains/losses in profit or loss	-341	220	1	-120
Total gains/losses in other comprehensive income	0		2	2
Purchases	32		4	36
Sales	-26		-10	-36
Settlements	0		-8	-8
Transfers into Level 3	514		437	950
Transfers out of Level 3	-3		-25	-29
Closing balance 31 March 2019	**1,167**	**277**	**614**	**2,058**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2019	**44**	**44**
Total gains/losses in profit or loss	176	176
Closing balance 31 March 2019	**219**	**219**

Total gains/losses included in profit or loss by item for the financial year on 31 March 2019

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-280	-60	1	-340
Unrealised net gains (losses)	44		2	47
Total net gains (losses)	**-236**	**-60**	**3**	**-294**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2019.

Note 15. Off-balance-sheet commitments

	31 March 2019	31 Dec. 2018
Guarantees	758	775
Other guarantee liabilities	2,177	2,162
Loan commitments	14,183	12,577
Commitments related to short-term trade transactions	266	283
Other*	987	1,195
Total off-balance-sheet commitments	**18,371**	**16,993**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 204 million (203).

Note 16. Derivative contracts

Total derivatives 31 March 2019

	Nominal values/residual maturity			Total	Fair values*	
EUR million	<1 year	1–5 years	>5 years		Assets	Liabilities
Interest rate derivatives	29,317	86,883	73,345	189,545	2,636	1,655
Cleared by the central counterparty	8,906	41,410	39,480	89,796	59	49
Currency derivatives	34,822	7,147	2,963	44,932	1,198	1,098
Equity and index-linked derivatives		3		3	0	0
Credit derivatives		1,237	633	1,870	22	18
Other derivatives	188	441	10	639	49	25
Total derivatives	**64,327**	**95,711**	**76,950**	**236,988**	**3,905**	**2,796**

Total derivatives 31 December 2018

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

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

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

Financial assets

31 March 2019, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Financial assets not set off in the balance sheet: Collateral received	Net amount
Derivatives	5,711	-1,260	4,451	-2,013	-777	1,661

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

Financial liabilities

31 March 2019, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Derivatives	4,681	-1,461	3,220	-2,013	-694	514

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

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -181 (-140) million euros.

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

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

Central counterparty clearing for OTC derivatives

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

Other bilaterally cleared OTC derivative contracts

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

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

31 March 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables			
Receivables from credit institutions	188	1	187
Receivables from customers	86,352	514	85,838
Bank guarantee receivables	9		9
Finance leases	2,190	6	2,184
Total	**88,730**	**520**	**88,210**
Receivables by sector			
Non-banking corporate sector	32,603	394	32,209
Financial institutions and insurance companies	1,460	1	1,459
Households	51,831	120	51,711
Non-profit organisations	819	5	814
Public-sector entities	2,018	1	2,017
Total	**88,730**	**520**	**88,210**

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

Doubtful and forborne receivables

31 March 2019, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		602	602	222	379
Unlikely to be paid		487	487	145	342
Forborne receivables	2,174	347	2,521	53	2,468
Total	**2,174**	**1,436**	**3,609**	**420**	**3,189**

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

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

Key ratio, %	31 March 2019	31 Dec 2018
Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables	11.6 %	12.5 %

Note 19. Risk exposure of the Insurance segment investment

Risk exposure of Non-life Insurance investments	31 March 2019		31 December 2018	
Allocation of investment portfolio	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**139**	**4**	**173**	**5**
Money market instruments and deposits**	133	3	167	4
Derivatives***	6	0	5	0
Total bonds and bond funds	**2,957**	**78**	**2,857**	**77**
Governments	450	12	498	13
Inflation-linked bonds	0	0		0
Investment Grade	1,972	52	1,895	51
Emerging markets and High Yield	280	7	243	7
Structured Investments****	255	7	222	6
Total equities	**374**	**10**	**360**	**10**
Finland	67	2	60	2
Developed markets	168	4	147	4
Emerging markets	79	2	76	2
Unlisted equities	1	0	1	0
Private equity investments	58	2	76	2
Total alternative investments	**32**	**1**	**28**	**1**
Hedge funds	32	1	28	1
Total property investment	**302**	**8**	**312**	**8**
Direct property investment	160	4	157	4
Indirect property investment	143	4	155	4
Total	**3,804**	**100**	**3,730**	**100**

* Includes accrued interest income

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

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

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

Risk exposure of Life Insurance investments	31 March 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**96**	**3**	**175**	**5**
Money market investments and deposits**	91	3	170	5
Derivatives***	5	0	5	0
Total bonds and bond funds	**2,926**	**81**	**2,826**	**78**
Governments	557	15	623	17
Investment Grade	1,867	51	1,784	49
Emerging markets and High Yield	225	6	182	5
Structured investments****	277	8	236	6
Total equities	**305**	**8**	**337**	**9**
Finland	53	1	48	1
Developed markets	108	3	116	3
Emerging markets	52	1	57	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	88	2	113	3
Total alternative investments	**38**	**1**	**34**	**1**
Hedge funds	38	1	34	1
Total real property investments	**260**	**7**	**271**	**7**
Direct property investments	115	3	114	3
Indirect property investments	145	4	156	4
Total	**3,625**	**100**	**3,644**	**100**

* Includes accrued interest income

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

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

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

Note 20. Investment risk exposure of separated balance sheets

Separated balance sheet 1

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

Risk exposure under separated balance sheet 1 investments	31 March 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**21**	**3**	**34**	**4**
Money market investments and deposits**	21	3	34	4
Derivatives***		0		0
Total bonds and bond funds	**694**	**85**	**671**	**83**
Governments	188	23	217	27
Inflation-linked bonds	3	0	3	0
Investment Grade	407	50	370	46
Emerging markets and High Yield	47	6	36	4
Structured investments****	49	6	45	6
Total equities	**35**	**4**	**35**	**4**
Developed markets	17	2	14	2
Emerging markets	1	0	1	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	17	2	20	2
Total alternative investments	**2**	**0**	**2**	**0**
Hedge funds	2	0	2	0
Total real property investments	**66**	**8**	**68**	**8**
Direct property investments	48	6	48	6
Indirect property investments	18	2	19	2
Total	**818**	**100**	**810**	**100**

* Includes accrued interest income
** Include settlement receivables and liabilities and market value of derivatives
*** Effect of derivatives on the allocation of the asset class (delta equivalent)
**** Include covered bonds, bond funds and illiquid bonds

Net return on investments at fair value totalled EUR 8 million (-2). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Separated balance sheet 2

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

Risk exposure under separated balance sheet 2 investments	31 March 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**28**	**1**	**72**	**3**
Money market investments and deposits**	28	1	72	3
Derivatives***	0	0	0	0
Total bonds and bond funds	**2,067**	**91**	**1,946**	**85**
Governments	556	25	617	27
Inflation-linked bonds	8	0	7	0
Investment Grade	1,155	51	1,000	44
Emerging markets and High Yield	109	5	93	4
Structured investments****	239	11	230	10
Total equities	**93**	**4**	**90**	**4**
Finland	0	0	0	0
Developed markets	50	2	38	2
Emerging markets	2	0	2	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	41	2	50	2
Total alternative investments	**1**	**0**	**1**	**0**
Hedge funds	1	0	1	0
Total real property investments	**77**	**3**	**185**	**8**
Direct property investments	37	2	143	6
Indirect property investments	40	2	43	2
Total	**2,266**	**100**	**2,295**	**100**

* Includes accrued interest income

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

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

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

Net return on investments at fair value totalled EUR 37 million (-9). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Note 21. Capital adequacy for credit institutions

Capital base, EUR million	31 March 2019	31 Dec. 2018
OP Financial Group's equity capital	**12,033**	**11,835**
The effect of insurance companies on the Group's shareholders' equity is excluded	44	189
Fair value reserve, cash flow hedge	-89	-33
Common Equity Tier 1 (CET1) before deductions	**11,988**	**11,991**
Intangible assets	-699	-710
Excess funding of pension liability and valuation adjustments	-68	-76
Items deducted from cooperative capital	-2	-147
Planned profit distribution and profit distribution unpaid for the previous period	-80	-94
Shortfall of ECL minus expected losses	-302	-288
Common Equity Tier 1 (CET1)	**10,837**	**10,677**
Hybrid capital to which transitional provision is applied	60	80
Additional Tier 1 capital (AT1)	**60**	**80**
Tier 1 capital (T1)	**10,897**	**10,757**
Debenture loans	963	995
Tier 2 capital (T2)	**963**	**995**
Total capital base	**11,860**	**11,752**

A prudent valuation adjustment of EUR 28 (27) million has been deducted from CET1 capital.
Terminated cooperative capital contributions refunded to customers in January 2019, as permitted by the supervisor, were deducted from CET1 capital a year ago.

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

Risk exposure amount, EUR million	31 March 2019	31 Dec. 2018
Credit and counterparty risk	**43,113**	**41,602**
Standardised Approach (SA)	**4,260**	**3,878**
Central government and central banks exposure	292	293
Credit institution exposure	7	7
Corporate exposure	2,644	2,561
Retail exposure	948	961
Equity investments	3	12
Other	365	43
Internal Ratings-based Approach (IRB)	**38,853**	**37,724**
Credit institution exposure	1,049	1,083
Corporate exposure	24,613	23,474
Retail exposure	5,552	5,276
Equity investments	6,719	6,659
Other	920	1,233
Market and settlement risk (Standardised Approach)	**1,561**	**1,319**
Operational risk (Standardised Approach)	**4,232**	**4,136**
Valuation adjustment (CVA)	**182**	**175**
Other risks	**42**	
Total risk exposure amount	**49,131**	**47,233**
Risk weight floors based on ECB's decision	**4,647**	**4,893**
Total risk exposure amount including risk weight floors	**53,778**	**52,126**

The risk weight of equity investments includes EUR 6.4 billion in insurance holdings within OP Financial Group.

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

Ratios, %	31 March 2019	31 Dec. 2018
CET1 capital ratio	20.2	20.5
Tier 1 ratio	20.3	20.6
Capital adequacy ratio	22.1	22.5

Ratios, fully loaded, %	31 March 2019	31 Dec. 2018
CET1 capital ratio	20.2	20.5
Tier 1 ratio	20.2	20.5
Capital adequacy ratio	21.9	22.4

Ratios excluding the risk weight floors, %	31 March 2019	31 Dec. 2018
CET1 capital ratio	22.1	22.6
Tier 1 ratio	22.2	22.8
Capital adequacy ratio	24.1	24.9

The effect of risk weight floors on the CET 1 ratio was -1.9 percentage points.

Capital requirement, EUR million	31 March 2019	31 Dec. 2018
Capital base	11,860	11,752
Capital requirement	7,681	7,448
Buffer for capital requirements	4,179	4,304

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

Leverage ratio, EUR million	31 March 2019	31 Dec. 2018
Tier 1 capital (T1)	10,897	10,757
Total exposure	130,104	125,510
Leverage ratio, %	8.4	8.6

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

Overview of RWAs (EU-OV1), EUR million	RWAs 31 March 2019	RWAs 31 Dec 2018	Minimum capital requirements 31 March 2019
1 Credit risk (excluding CCR)	**42,264**	**40,833**	**3,381**
2 Of which the standardised approach	4,869	4,798	390
3 Of which the foundation IRB (FIRB) approach	25,124	24,100	2,010
4 Of which the advanced IRB (AIRB) approach	5,552	5,276	444
5 Of which equity IRB under the simple risk-weighted approach	265	205	21
5a Of which equity investments under PD/LGD method	6,453	6,454	516
6 CCR	**727**	**638**	**58**
7 Of which mark to market	545	463	44
12 Of which CVA	182	175	15
13 Settlement risk	**0**	**0**	**0**
14 Securitisation exposures in the banking book (after the cap)	**43**	**46**	**3**
15 Of which IRB approach	43	46	3
19 Market risk	**1,561**	**1,319**	**125**
20 Of which the standardised approach	1,561	1,319	125
23 Operational risk	**4,232**	**4,136**	**339**
25 Of which standardised approach	4,232	4,136	339
27 Amounts below the thresholds for deduction (subject to 250% risk weight)	**261**	**261**	**21**
27a Other risks	**42**		**3**
29 Total	**49,131**	**47,233**	**3,930**
30 Risk weight floors based on ECB's decision	**4,647**	**4,893**	**372**
31 Total risk exposure amount including risk weight floors	**53,778**	**52,126**	**4,302**

During the quarter, total risk exposure increased by 3.2%.

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

	RWA flow statements of credit risk exposures under the IRB approach (EU-CR8), EUR million	a RWA amounts	b Capital require-ments
1	RWAs as at the end of the previous reporting period 31 Dec 2018	29,376	2,350
2	Asset size	853	68
3	Asset quality	225	18
4	Model updates	222	18
9	RWAs as at the end of the reporting period 31 March 2019	30,676	2,454

Changes occurred in retail exposures, corporate exposures and credit institution exposures during the last quarter are presented using the flow statements. Growth in exposure amount increased risk-weighted assets and the credit quality weakened slightly in corporate exposures, which increased risk-weighted assets. Model updates applied to the calibration of PD models for retail exposures and the margin of conservatism related to the home loan segment.

Note 22. Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures

Borrower grade 31 March 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	**50,166**	**2,168**	**52.5**	**0.8**	**17.1**	**4,508**	**7.9**	**165**
A	31,511	1,638	52.6	0.0	16.1	583	1.8	2
B	9,724	413	51.9	0.1	16.0	493	4.9	2
C	4,254	79	52.4	0.5	21.8	771	17.8	5
D	2,805	35	52.4	2.2	21.1	1,042	36.7	13
E	1,436	3	51.9	20.0	22.0	1,230	85.4	60
F	437			100.0	22.9	390	89.3	82
Corporate customers, total	**1,811**	**157**	**67.4**	**3.8**	**38.9**	**966**	**45.9**	**64**
1.0–2.0	1	0	65.9	0.0	24.7	0	1.9	0
2.5–5.5	496	45	66.4	0.4	24.2	67	12.4	1
6.0–7.0	725	65	67.6	1.3	40.6	315	39.9	4
7.5–8.5	395	35	65.8	5.0	48.4	321	74.6	11
9.0–10.0	141	12	76.3	25.0	45.6	175	115.0	17
11.0–12.0	53	0	90.0	100.0	67.0	87	164.3	32
Total	**52,089**	**2,325**	**53.3**	**0.9**	**17.9**	**5,552**	**9.4**	**232**

All retail exposures

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

Corporate exposures (FIRB) by rating category

Borrower grade 31 March 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	749	358	84.9	0.0	44.2	161	14.5	0
2.5–5.5	16,580	3,714	72.8	0.2	44.0	8,191	40.4	20
6.0–7.0	7,985	1,539	71.8	1.3	43.3	8,232	86.4	52
7.5–8.5	4,504	934	71.7	4.4	43.2	6,479	119.2	102
9.0–10.0	671	153	67.6	19.3	43.5	1,549	188.1	69
11.0–12.0	546	97	60.7	100.0	44.3			293
Total	**31,034**	**6,794**	**72.8**	**1.5**	**43.7**	**24,613**	**65.1**	**537**

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

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

Credit institution exposures (FIRB) by rating category

Borrower grade 31 March 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	2,877	42	76.3	0.0	13.2	168	5.8	0
2.5–5.5	4,421	397	66.1	0.1	16.7	704	14.6	1
6.0–7.0	21	7	34.5	1.7	45.0	40	140.8	0
7.5–8.5	36	44	42.7	5.2	45.0	132	164.4	1
9.0–10.0	1	1	50.1	11.7	45.0	6	246.0	0
Total	**7,357**	**492**	**64.9**	**0.1**	**15.8**	**1,049**	**13.4**	**3**

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

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

Note 23. Insurance company solvency

EUR million	31 March 2019 Life Insurance	31 March 2019 Non-life Insurance	31 Dec. 2018 Life Insurance	31 Dec. 2018 Non-life Insurance
Eligible capital	**1,373**	**879**	**1,297**	**818**
Solvency capital requirement (SCR)				
Market risk	772	456	732	421
Insurance risk	404	289	351	281
Counterparty risk	23	38	30	36
Operational risk	33	45	34	45
Diversification benefits and loss absorbency	-615	-161	-570	-162
Total	**618**	**666**	**578**	**621**
Buffer for SCR	**756**	**213**	**719**	**197**
Solvency ratio (SCR), %	**222**	**132**	**225**	**132**
Solvency ratio (SCR), % (excluding transitional provision)	**178**	**132**	**176**	**132**

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

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

EUR million	31 March 2019	31 Dec. 2018
OP Financial Group's equity capital	12,033	11,835
Hybrid instruments and debenture bonds	1,023	1,075
Other sector-specific items excluded from capital base	-219	-349
Goodwill and intangible assets	-1,491	-1,501
Insurance business valuation differences*	734	735
Proposed profit distribution	-80	-94
Items under IFRS deducted from capital base**	-88	-46
Shortfall of ECL minus expected losses	-276	-262
Conglomerate's capital base, total	**11,636**	**11,393**
Regulatory capital requirement for credit institutions***	6,880	6,528
Regulatory capital requirement for insurance operations*	1,284	1,199
Conglomerate's total minimum capital requirement	**8,164**	**7,727**
Conglomerate's capital adequacy	**3,472**	**3,666**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**143**	**147**

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR.
** Excess funding of pension liability, portion of cash flow hedge of fair value reserve.
*** Total risk exposure amount x 14.5%, a year ago 14.3%

Transitional provisions and the risk weight floors have been taken into account in figures. The risk weight floors decreased the capital adequacy ratio by around 13 percentage points.

Note 25. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2018.

Financial reporting in 2019

Schedule for Interim Reports in 2019:

Interim Report H1/2019	30 July 2019
Interim Report Q1–3/2019	29 October 2019

Helsinki, 7 May 2019

OP Cooperative
Executive Board

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