OP Financial Group's Half-year Financial Report for 1 January–30 June 2019

OP Financial Group's Half-year Financial Report for 1 January–30 June 2019:

Earnings before tax EUR 415 million – income increased by five percent year on year

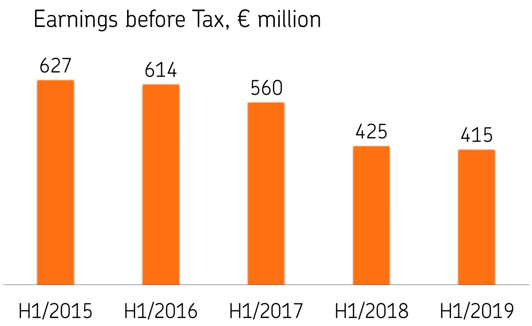
Earnings before tax H1/2019	Net interest income H1/2019	Net insurance income H1/2019	Net commissions and fees H1/2019	CET1 ratio 30 June 2019
€415 million	+3%	–2%	+1%	19.5%

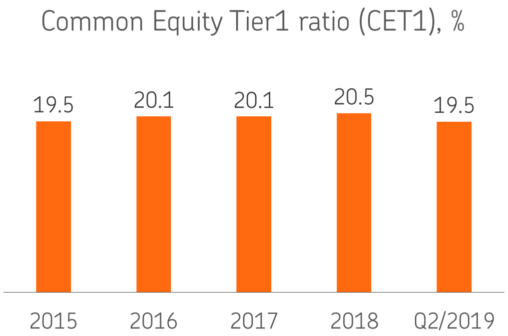
- Earnings before tax amounted to EUR 415 million (425).
- Net interest income increased by 3% to EUR 587 million and net commissions and fees by 1% to EUR 450 million. Net insurance income decreased by 2% to EUR 274 million.
- Investment income of EUR 185 million was at the previous year's level. Capital gains were EUR 26 million higher than the year before.
- Expenses of EUR 953 million (956) decreased from the previous year.
- Impairment losses on receivables totalled EUR 39 million (7).
- In the year to June, OP Financial Group's loan portfolio grew by 6% to EUR 90 billion and deposits by 3% to EUR 63 billion.
- The CET1 ratio was still strong at 19.5% (20.5).
- **Retail Banking** earnings before tax decreased by 23% to EUR 94 million. Net interest income increased by 5%, net commissions and fees by 4% and expenses by 2%. Net investment income decreased by EUR 14 million. The loan portfolio increased by 5% and deposits by 8% in the year to June.
- **Corporate Banking** earnings before tax fell by 34% to EUR 139 million. Net interest income increased by 9%, but net commissions and fees decreased by 21% and net investment income fell by 42%. The lower net investment income is explained by changes in the valuation models of derivatives made at the beginning of the year and lower capital gains on investments than a year ago. The loan portfolio grew by 11% in the year to June.
- **Insurance** earnings before tax increased by 38% to EUR 192 million. Net insurance income decreased by 2% to EUR 283 million. The operating combined ratio was 92.5% (91.9). Investment income increased by 85% to EUR 111 million, of which capital gains on investments accounted for EUR 55 million (–3).
- **Other Operations** earnings before tax were EUR –10 million (–40). An increase of 13% in other operating income and a decrease of 4% in expenses improved earnings.
- OP Financial Group's first-half investments in business development and improving customer experience totalled EUR 157 million (215).
- OP bonuses totalled EUR 129 million.
- In the first half, the number of OP cooperative banks' owner-customers increased by 42,000 to 1.95 million and that of OP Financial Group's joint banking and insurance customers by 28,000 to over 1.8 million.
- At its meeting in June, the Supervisory Board of OP Financial Group's central cooperative confirmed the Group's updated strategy. OP Financial Group has adopted a new type of strategy process in which it is continuously reshaping, reformulating and implementing its strategy.
- 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

	H1/2019	H1/2018	Change, %	Q1–4/2018
Earnings before tax, € million	415	425	-2.5	1,017
Retail Banking	94	121	-22.8	421
Corporate Banking	139	211	-34.0	408
Insurance	192	140	37.5	260
Other Operations	-10	-40	-	-64
New OP bonuses accrued to owner-customers	-129	-113	13.8	-230
Return on economic capital, %**	20.4	18.4	2.0*	20.8
Return on equity (ROE), %	5.6	6.0	-0.5*	6.9
Return on equity, excluding OP bonuses, %	7.2	7.6	-0.4*	8.5
Return on assets (ROA), %	0.47	0.48	0.0*	0.57
Return on assets, excluding OP bonuses, %	0.61	0.61	0.0*	0.70
	30 June 2019	30 June 2018	Change, %	31 Dec 2018
CET1 ratio, %	19.5	19.8	-0.3*	20.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates, or Fico), % ***	137	146	-9*	147
Loan portfolio, € billion	89.7	84.4	6.2	87.1
Deposits, € billion	63.3	61.4	3.0	61.3
Ratio of non-performing receivables to loan and guarantee portfolio, %****	1.1	1.2	-0.1*	1.0
Owner-customers (1,000)	1,953	1,865	4.7	1,911

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





Comments by President and Group Executive Chair Timo Ritakallio

OP Financial Group's first-half financial performance was in line with our targets. Our customer business was on a good note and customer business income, especially net interest income and net commissions and fees, showed growth. Insurance premium revenue increased at a rate above the market average. The deposit portfolio increased in the year to June by 3% to EUR 63.3 billion. The loan portfolio increased by over 6% to EUR 89.7 billion.

January–June earnings before tax amounted to EUR 415 million, or well over two per cent lower than a year ago. Extraordinary items reduced earnings, such as changes made in the valuation models of derivatives and changes in the accounting practice of charges of financial authorities.

One of our strategic priorities is to make income grow faster than expenses. We took a turn for the better in the first half and the income growth rate was over five per cent while expenses decreased slightly. I am happy with this change of direction. At the same time, we need to bear in mind that we must continue to take various measures to manage costs in order to secure our price competitiveness.

Thanks to favourable market developments, assets under management increased, amounting to over EUR 77 billion at the end of June. Investment income remained good. Impairment loss on receivables was low and our capital base remained strong.

Our market share developed favourably during the first half and the number of our owner-customers increased to 1.95 million. As specified in our strategy, this year we aim to exceed the two-million owner-customer base.

Our customers' logins to OP-mobile increased substantially during the first half. The usage growth rate was over 26% compared with the corresponding period a year ago. The ease of use of the service and its extent sped up the growth of its use. The use of the Pivo mobile payment application, too, increased markedly, with the year-on-year growth rate being 65%.

Specifying the Pohjola Hospital strategy was completed during the second quarter. The related sale of the occupational healthcare service business to Mehiläinen was finalised on 1 June 2019. In the future, Pohjola Hospitals will focus on orthopaedics and sports clinic services.

We at OP Financial Group have adopted a new type of strategy process in which we are continuously reshaping, reformulating and implementing the strategy. The Group will systematically assess its operating environment and operating model to be able to make new strategic choices when needed and put them into practice. We followed through successfully our strategy review applying our new model for the first time and engaged on an extensive basis both the administration of OP cooperative banks and all OP Financial Group's personnel in this review. At its meeting in June, the Supervisory Board of OP Financial Group's central cooperative confirmed the Group's updated strategy.

Economic growth is still slowing down moderately and confidence in the economic outlook is deteriorating. In the near future, economic development will remain moderate but uncertainty will remain over the economic outlook. Risks are especially associated with the international political arena.

Economic growth in Finland will continue to slow down next year and corporate investments in Finland will remain low. To boost investments, Finland needs to pursue an economic policy that is predictable and supports competitiveness. This will be increasingly important during globally uncertain times. For sustainable growth in Finland, it would be particularly important to take measures to make work and entrepreneurship more attractive and lucrative.

OP Financial Group's Half-year Financial Report 1 January–30 June 2019

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Operating environment

According to preliminary information, world economic growth slowed down in the second quarter and confidence in the economic outlook weakened. Economic growth as a whole is still moderate.

In financial markets, concerns were raised by the temporary breakdown in China-US trade talks and by geopolitical tensions in the Middle East. But the markets were reassured in early summer by expectations of a more relaxed central bank policy and by information on resuming the trade talks.

According to preliminary information, economic growth in the euro area remained tepid but the unemployment rate decreased further, falling to its lowest since the summer of 2008. Despite low unemployment, a rise in wage costs remained modest and inflation remained below the ECB's target.

At its June meeting, the European Central Bank (ECB) announced that it would keep its main refinancing rate unchanged at least through the first half of 2020. Market interest rates decreased as a result of greater uncertainty and the ECB's recent policy decision. In July, the ECB stated that the interest rates may also decrease from their current levels. The ECB is also examining measures to support the achievement of the inflation target.

According to the most recent information, Finnish economic growth has slowed to its average rate, and the consumer confidence indicator has dropped to the 2016 level. The employment rate improved further in the spring and unemployment was lower than a year ago. Retail sales picked up from the beginning of the year.

Construction remained lively but the volume of construction starts was lower. According to preliminary information, home sales were lower than a year ago. Home prices decreased slightly in the spring.

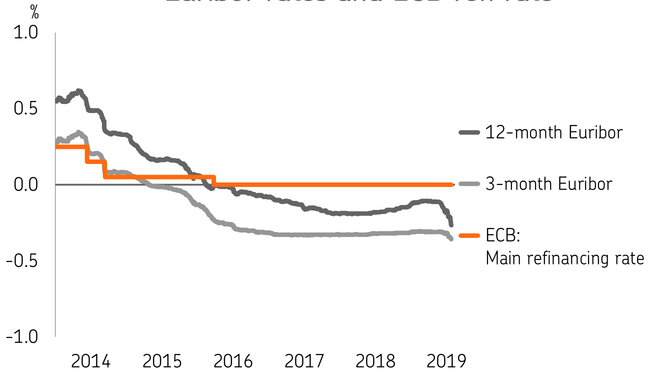
Economic growth is slowing down gradually. The outlook is most of all characterised by uncertainty originating in the international political arena, which a more accommodative monetary policy should mollify. Yet, the general economic conditions are still relatively positive due especially to the favourable labour market situation.

Growth in total household loans remained moderate in the second quarter. The annual growth rate of total home loans remained at around two per cent. New home loans drawn down increased in euro terms. The housing company loan portfolio continued its strong growth. The banking barometer anticipates demand for household loans to weaken.

Total household deposits increased markedly faster in the first half than total loans, and the volume of corporate deposits increased as well. Development of total deposits by public-sector entities varied during the reporting period.

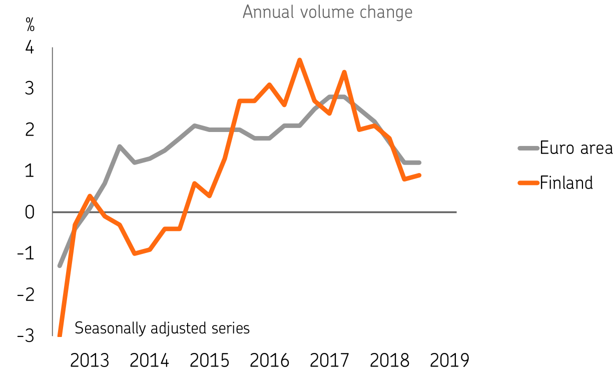
The value of mutual funds registered in Finland increased in the second quarter by 1.6% from the first quarter, to EUR 117.2 billion. This increase was due to favourable market developments because net asset inflows were negative EUR 325 million.

Euribor rates and ECB refi rate



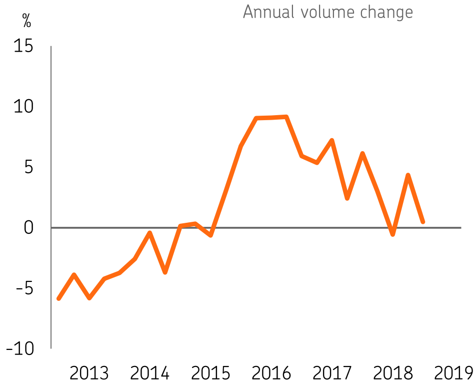
Source: Bank of Finland

GDP
Annual volume change



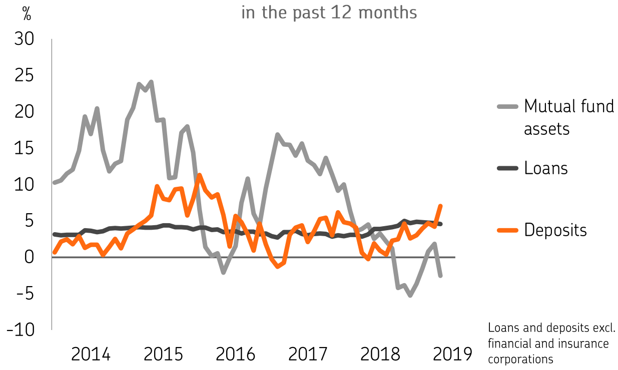
Sources: Eurostat, Statistics Finland

Fixed investments in Finland
Annual volume change



Source: Statistics Finland

Change in financial sector volumes
in the past 12 months



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	H1/2019	H1/2018*	Change, %	Q2/2019	Q2/2018	Change, %	Q1–4/2018
Earnings before tax	415	425	-2.5	218	187	16.6	1,017
Retail Banking	94	121	-22.8	45	55	-18.4	421
Corporate Banking	139	211	-34.0	84	94	-10.8	408
Insurance	192	140	37.5	105	73	42.3	260
Other Operations	-10	-40	-	-16	-29	-	-64
Income							
Net interest income	587	569	3.2	302	288	4.9	1,166
Net insurance income	274	278	-1.6	165	151	9.3	566
Net commissions and fees	450	444	1.4	216	212	2.1	887
Net investment income	252	208	21.5	96	128	-24.9	263
Other operating income	35	21	65.3	26	9	188.9	61
Total income	1,598	1,520	5.2	805	788	2.3	2,943
Expenses							
Personnel costs	404	413	-2.1	208	209	-0.8	516
Depreciation/amortisation and impairment loss	127	131	-2.5	69	65	5.9	325
Other operating expenses	421	412	2.3	212	225	-6.0	839
Total expenses	953	956	-0.2	488	500	-2.3	1,681
Impairment loss on receivables	-39	-7	-	-28	-3	-	-46
Temporary exemption (overlay approach)	-67	-22	-	-12	-41	-	26
New OP bonuses accrued to owner-customers	-129	-113	-	-60	-57	-	-230

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

Key indicators, € million	30 June 2019	31 Dec 2018	Change, %
Loan portfolio	89,688	87,071	3.0
Home loans	39,080	38,558	1.4
Corporate loans	21,721	21,136	2.8
Housing company and other loans	28,886	27,377	5.5
Deposits	63,283	61,327	3.2
Assets under management (gross)	77,599	71,850	8.0
Mutual funds	24,265	22,653	7.1
Institutional clients	22,176	21,505	3.1
Private Banking	20,560	17,887	14.9
Unit-linked insurance savings	10,598	9,805	8.1
Balance sheet total	144,266	140,387	2.8
Investment assets	23,847	23,050	3.5
Insurance liabilities	20,438	19,288	6.0
Debt securities issued to the public	30,844	30,458	1.3
Equity capital	12,310	11,835	4.0

January–June

OP Financial Group's earnings before tax amounted to EUR 415 million (425). The figure decreased by EUR 10 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 impairment loss on receivables.

Net interest income increased by 3.2% to EUR 587 million. Net interest income reported by the Retail Banking segment increased by EUR 21 million and that by the Corporate Banking segment by EUR 15 million. In the year to June, OP Financial Group's loan portfolio grew by 6.2% to EUR 89.7 billion and deposits by 3.0% to EUR 63.3 billion.

Net insurance income totalled EUR 274 million (278). Non-life insurance premium revenue dropped by 0.9% to EUR 726 million. The operating combined ratio was 92.5% (91.9). Excluding the Baltic business sold in 2018, insurance premium revenue reported by non-life insurance increased by 3.6% year on year.

Net commissions and fees were EUR 450 million, or EUR 6 million higher than the year before. Payment transfer net commissions and fees increased by EUR 10 million, whereas asset management net commissions and fees decreased by EUR 6 million.

Net investment income increased by 21.5% to EUR 252 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR 212 million (66). The overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under equity. Total investment income of EUR 185 million was at the previous year's level. Capital gains recognised totalled EUR 63 million (37). The combined return on investments at fair value of OP Financial Group's insurance institutions was 7.1% (0.8). The net change in the short-term life insurance supplementary interest rate provision improved earnings by EUR 23 million (18). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 15 million over the previous year.

Other operating income rose by EUR 14 million year on year to EUR 35 million. This rise is explained by the sale of occupational healthcare service business in the second quarter.

Total expenses decreased by 0.2% to EUR 953 million. Personnel costs decreased by 2.1% to EUR 404 million as a result of lower pension costs. Development costs were EUR 91 million (110). Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 2.5% to EUR 127 million. Planned depreciation/amortisation increased by 15.4% to EUR 122 million. This increase resulted from higher development expenditure recognised for prior years. Impairment write-downs decreased by EUR 19 million year on year. Other operating expenses increased by 2.3% to EUR 421 million. The EU stability contribution increased by EUR 14 million over the previous year, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago.

Impairment losses on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 45 million (17), of which EUR 39 million (7) concerned loans and receivables. Growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables. The ratio of non-performing receivables in loans and receivables to the loan and guarantee portfolio was low, at 1.1% (1.0).

OP Financial Group's current tax amounted to EUR 81 million (91). The effective tax rate was 19.6% (21.3).

OP Financial Group's equity amounted to EUR 12.3 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 48 million (47). The amount of interest paid for 2018 in June 2019 totalled EUR 94 million. The fair value reserve grew by EUR 295 million to EUR 301 million from the end of 2018.

April–June

Earnings before tax amounted to EUR 218 million against EUR 187 million a year ago. This earnings improvement resulted from an increase in net interest income, net insurance income, net commissions and fees and other operating income and a decrease in expenses. Net investment income decreased and impairment loss on receivables increased.

Total income of EUR 805 million rose by 2.3% year on year. Year on year, net interest income rose by 4.9% to EUR 302 million. Net insurance income increased by 9.3% to EUR 165 million. Net commissions and fees were EUR 216 million, or EUR 4 million higher than the year before. Net investment income, including the overlay approach, decreased by 2.7% to EUR 84 million. Other operating income rose by EUR 17 million year on year to EUR 26 million. This rise is explained by the sale of occupational healthcare service business.

Total expenses decreased by 2.3% year on year to EUR 488 million. Personnel costs decreased by 0.8% to EUR 208 million. Depreciation/amortisation and impairment losses increased by 5.9% year on year to EUR 69 million. Other operating expenses decreased by 6.0% to EUR 212 million. Impairment loss on receivables, EUR 28 million, increased by EUR 25 million year on year. Growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables.

April–June highlights

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.

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.

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

OP Financial Group's strategic targets and focus areas

At its meeting on 12 June 2019, the Supervisory Board of OP Financial Group's central cooperative confirmed the Group's updated strategy. OP Financial Group has adopted a new type of strategy process in which it is continuously reshaping, reformulating and implementing its strategy.
The Group will systematically assess its operating environment and operating model to be able to make new strategic choices when needed and put them into practice.

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

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

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

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

The priorities reviewed annually will help achieve the shared vision. OP Financial Group will confirm its strategic indicators in the autumn of 2019 and the indicators of the achievement of the strategic priorities during annual planning for 2020.

The indicators based on OP Financial Group's strategy confirmed in 2016 are effective until the end of 2019.

OP Financial Group's strategic targets	30 June 2019	31 Dec 2018	Target 2019
Customer experience, Net Promoter Score (NPS) (-100–+100)			
Brand	30	23	25
Service encounter	61	61	70
CET1 ratio, %	19.5	20.5	22
Return on economic capital, % (12-month rolling)	20.4	20.5	22
Expenses of present-day business (12-month rolling), € million	1,839	1,833	Expenses for 2020 at 2015 level
Owner-customers, million	1.95	1.91	2.0

In order to support the implementation of its strategy and vision, OP Financial Group has begun to reform its practices. A new agile way of working strengthens the experience of the meaningfulness of work and is based on self-managed teams. This change in the way of working is aimed at increasing the meaningfulness of work and wellbeing at work and thereby also improving customer experience and enhancing operational efficiency. Supported by this new concept, OP Financial Group also aims to reduce the central cooperative consolidated's total annual costs by EUR 100 million by the end of 2019. The cost savings through the measures taken by the end of the reporting period total estimated EUR 71 million by the end of 2019.

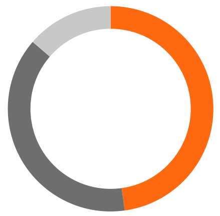
Promotion of the prosperity and wellbeing of owner-customers and the surrounding society

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and the surrounding society. 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 a significant amount of its earnings to enhance its capital base. That will require efficiency and earnings power of the Group in the years to come, too.

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

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

Customer relationships and customer benefits

In January–June, the number of OP Financial Group's owner-customers increased by 42,000 to 1.95 million.

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

In January–June, the number of joint banking and insurance customers increased by 28,000 to over 1.8 million.

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

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–June totalled EUR 129 million (113). During the same period, a total of EUR 57 million (56) of bonuses were used to pay for banking and wealth management services and EUR 61 million (58) to pay insurance premiums.

In the reporting period, owner-customers benefitted EUR 16 million (15) from the reduced price of the daily retail banking package. Owner-customers were provided with EUR 34 million (33) 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 3 million (3).

The abovementioned OP bonuses and customer benefits totalled EUR 182 million (164), accounting for 30.5% (27.8) 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 48 million (47). The return target for Profit Shares for 2019 is an interest rate of 3.25% (3.25).

Corporate responsibility

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

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined managerial positions is at least 40%. Women accounted for 25% (24) at the end of June.

April–June highlights

In May, OP granted its first sustainable loan to a customer. The loan granted to Nokian Tyres Plc amounted to EUR 100 million. The loan margin increases or decreases based on how well Nokian Tyres achieves its three sustainability targets.

In June, OP and Finnfund announced that they would establish Finland's first global impact fund investing in emerging markets. OP Finnfund Global Impact Fund I will promote the achievement of the UN Sustainable Development Goals in a measurable way.

OP is the main partner of the national Financial Literacy Competition. Some 25,000 ninth-graders participated in the Competition in April and the finals took place in Vallila, Helsinki, on 23 May 2019. During the spring of 2019, OP contributed to the financial literacy of 6,000 young students in cooperation with Economy and Youth TAT in the "Mun elämä mun työ" (My life, my work) tour. 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 donated 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 were 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)	H1/2019	H1/2018	Change, %
OP-mobile	141.1	111.6	26.4
OP Business mobile	4.5	2.6	72.1
Pivo	24.3	14.8	64.6
Op.fi	54.5	55.4	-1.6
	30 June 2019	31 Dec 2018	
Siirto payment, registered customers	619,780	522,972	18.5

Despite the expansion of mobile and online services, OP Financial Group still has Finland's most extensive branch network with 355 branches (365) across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group has extensive presence in the most common social media channels where it has more than 440,000 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.

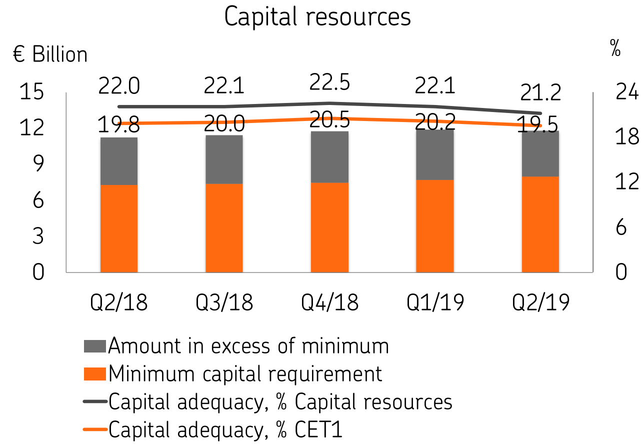
Capital adequacy and capital base

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

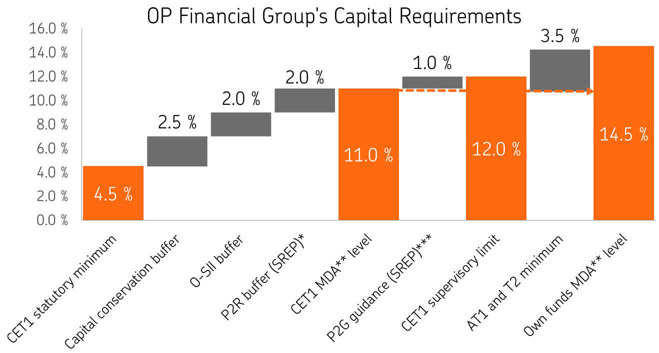
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.2 billion (3.7). Banking capital requirement rose to 14.5% (14.3), calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 137% (147). As a result of the buffer requirements for banking and solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 19.5% (20.5). The lower ratio was affected by an increase in the loan portfolio and a rise in the risk weights of retail exposures.



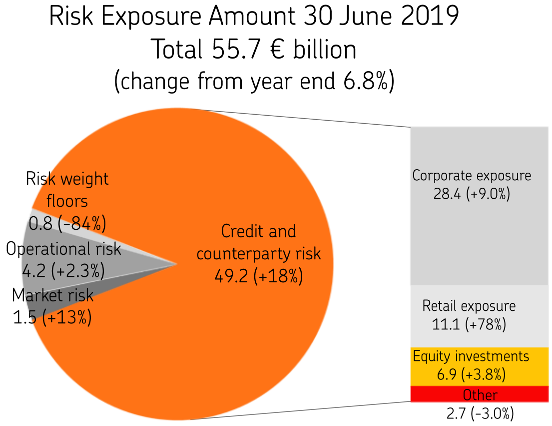
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5%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



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

OP Financial Group's CET1 capital was EUR 10.9 billion (10.7). The CET1 capital was increased by banking earnings and decreased by an increase in the expected loss (EL) caused by growth in risk parameters. The amount of Profit Shares in CET1 capital was EUR 3.0 billion (2.9).

The risk exposure amount (REA) totalled EUR 55.7 billion (52.1), or 6.8% higher than on 31 December 2018. The risk-weight floor for retail exposures set by the ECB decreased to EUR 0.8 billion, due to an increase in the risk weights of mortgage-backed retail exposures. The average risk weights of retail exposures increased as a result of added conservatism in risk parameters and of risk parameter factors set by the ECB. The loan portfolio grew in corporate and retail exposures.



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

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. The Financial Supervisory Authority reiterated its decision in June 2019 not to impose a countercyclical capital buffer requirement on banks and to keep OP Financial Group's systemic risk buffer unchanged at 2 percentage points. Based on a new decision, the risk weight floor of 15% set for home loans will be effective until the end of 2020. After the risk weights for home loans increased by the FSA's risk weight floor, the minimum risk weight for home loans has no material effect on capital adequacy.

The upcoming EU regulation includes a requirement for measuring the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's banking operations is estimated at about 8.4% (8.6) based on the existing interpretations, calculated using the June-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. But then again, a fall in interest rates reduced the capital base especially in life insurance as technical provisions increased. Similarly, the increased value of investments raised the solvency requirement.

	Non-life insurance		Life insurance	
	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Capital base, € million*	907	818	1,308	1,297
Solvency capital requirement (SCR), € million*	683	621	660	578
Solvency ratio, %*	133	132	198	225
Solvency ratio, % (excluding transitional provision)	133	132	158	176

*including transitional provisions

ECB's supervision

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

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

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

Liabilities under the Resolution Act

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

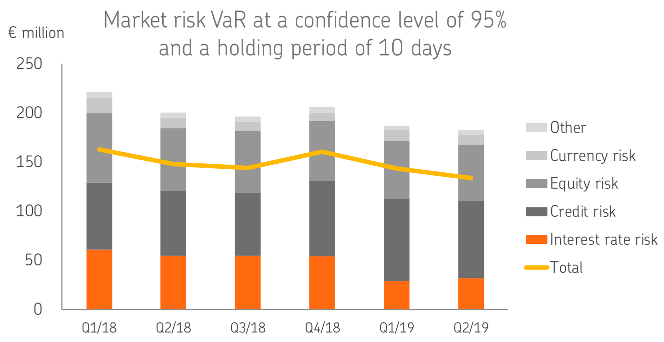
Risk exposure

OP Financial Group's risk exposure has remained 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 2.5 billion (3.3). The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk decreased slightly during the reporting period. The Group's VaR, a measure of market risk, was EUR 134 million (160) on 30 June 2019.
It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



The Group expects its operational risks to be moderate as targeted. Materialised operational risks resulted in approximately EUR 11 million (2) in gross costs during the reporting period.

During the reporting period, the Group continued strengthening Compliance resources.

Retail Banking and Corporate Banking

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

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

	OP Financial Group		Retail Banking		Corporate Banking	
	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018	30 June 2019	31 Dec 2018
Exposures*, € billion	116.3	110.1	77.3	74.1	39.0	36.0
private customer exposure, € billion	58.1	56.4	56.0	54.5	2.1	1.9
in the highest borrower grades**, %	83.0	84.7	85.4	87.0	18.2	17.8
in other borrower grades (excluding default), %	16.3	14.7	13.9	12.3	81.1	81.6
classified as default, %	0.7	0.6	0.7	0.6	0.7	0.6
classified as default***, € billion	0.4	0.4	0.4	0.3	0.0	0.0
corporate customer exposure, € billion	52.0	48.5	19.5	18.1	32.5	30.4
in the highest borrower grades**, %	53.1	54.3	37.7	38.3	62.3	63.8
in other borrower grades (excluding default), %	45.9	44.7	60.4	59.9	37.1	35.7
classified as default, %	1.0	1.0	1.9	1.9	0.5	0.5
classified as default***, € billion	0.5	0.5	0.4	0.3	0.2	0.1
other exposures, € billion	6.3	5.2	1.8	1.5	4.5	3.7
Doubtful receivables****, € billion	3.2	3.1	2.9	2.9	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	3.4	3.4	4.4	4.5	0.8	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.0	1.4	1.3	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	2.3	2.4	3.0	3.2	0.3	0.2
Ratio of performing forborne exposures to doubtful receivables, %	66.9	69.5	68.8	71.1	41.4	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 11.7 billion (11.4).

The most significant sectors in corporate and housing company exposures	30 June 2019	31 Dec 2018**
Renting and operating of residential real estate*, %	18.7	18.3
Services, %	10.8	10.1
Renting and operating other real property, %	9.9	10.0
Other sectors, %	60.6	61.6
Total, %	100	100

*A total of 94.3% of exposures within Renting and Operating of Residential Real Estate were those by housing companies and 10.2% 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 –36 million (–96) at the end of June. 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 and managed by OP Financial Group totalled EUR 37.7 billion (36.0) at the end of June. 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 55 million (50) on 30 June 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 32 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 333 million (289) on 30 June 2019.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 62 million (56) on 30 June 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. Due to matured wholesale funding, the liquidity buffer decreased by EUR 1.4 billion to EUR 20.6 billion from its level on 31 December 2018.

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. On 30 June 2019, OP Financial Group's LCR was 151% (143).

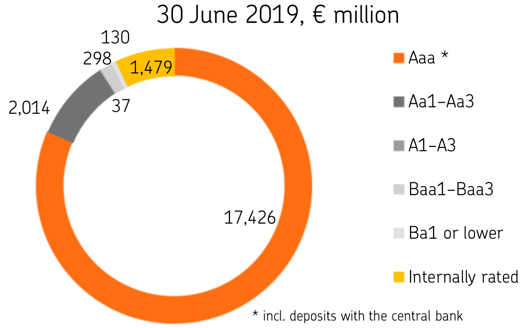
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 112% (111) at the end of May.

Liquidity buffer

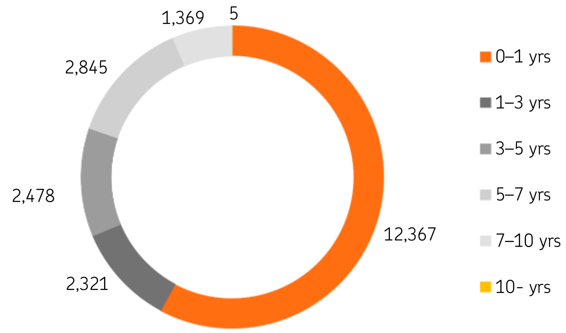
€ billion	30 June 2019	31 Dec 2018	Change, %
Deposits with central banks	10.8	12.2	-11.9
Notes and bonds eligible as collateral	8.8	9.2	-4.4
Total	19.6	21.4	-8.7
Receivables ineligible as collateral	1.8	1.3	38.4
Liquidity buffer at market value	21.4	22.7	-5.9
Collateral haircut	-0.8	-0.7	13.0
Liquidity buffer at collateral value	20.6	22.0	-6.5

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

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



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



Credit ratings

30 June 2019

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

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

The credit ratings did not change in the reporting period.

Financial performance by segment

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

Retail Banking

- Earnings before tax amounted to EUR 94 million (121).
- Total income increased by 1.4%. Net interest income increased by 4.8% year on year and net commissions and fees by 4.2%.
- Total expenses increased by 2.0% to EUR 594 million. Other operating expenses increased by 4.7% due to the stability contribution, development expenditure and higher volumes.
- The loan portfolio increased by 4.7% and the deposit portfolio by 8.0% in the year to June.
- Impairment losses amounted to EUR 26 million (12). Non-performing receivables accounted for 1.4% (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	H1/2019	H1/2018	Change, %	Q1–4/2018
Net interest income	457	436	4,8	886
Net commissions and fees	356	342	4,2	677
Net investment income	-14	0	-	9
Other income	21	32	-32.6	62
Total income	820	810	1.4	1,635
Personnel costs	222	223	-0.5	225
Depreciation/amortisation and impairment loss	23	26	-12.1	84
Other operating expenses	349	333	4.7	678
Total expenses	594	583	2.0	987
Impairment loss on receivables	-26	-12	-	33
OP bonuses to owner-customers	-107	-93	-	-194
Earnings before tax	94	121	-22.8	421
Cost/income ratio, %	72.4	72.0	0.4*	60.4
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.4	1.4	0.0*	1.3
Return on assets (ROA), %	0.19	0.26	-0.07*	0.43
Return on assets, excluding OP bonuses, %	0.41	0.47	-0.05*	0.63
€ million				
Home loans drawn down	3,759	3,777	-0.5	7,633
Corporate loans drawn down	1,438	1,191	20.8	2,335
No. of brokered residential property and property transactions	5,552	5,958	-6.8	12,158
€ billion	30 June 2019	30 June 2018	Change, %	31 Dec 2018
Loan portfolio				
Home loans	39.1	38.0	2.8	38.6
Corporate loans	7.8	7.3	6.3	7.4
Housing company and other loans	19.9	18.4	8.2	19.1
Total loan portfolio	66.8	63.8	4.7	65.0
Guarantee portfolio	0.7	0.6	17.4	0.6
Deposits				
Current and payment transfer	35.3	32.2	9.5	32.6
Investment deposits	18.8	17.8	5.3	18.1
Total deposits	54.0	50.0	8.0	50.8

*Change in ratio

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

The loan portfolio increased in the year to June by 4.7% to EUR 66.8 billion. New home loans were drawn down at the same pace in the first half as in the previous year. The home loan portfolio increased in the year to June by 2.8% to EUR 39.1 billion. Customers show continued interest in protecting home loans and housing company loans against various risks. At the end of the reporting period, 22.7% (20.1) of private customer home loans were covered by the interest rate protection.

The corporate loan portfolio grew strongly despite the gradual economic slowdown. The portfolio increased by 6.3% to EUR 7.8 billion in the year to June. The student loan growth rate has been fast since the student loan reform made in August 2017. At the end of June, the student loan portfolio was EUR 1.5 billion, up 20% in the year to June.

The deposit portfolio increased in the year to June by 8.0% to EUR 54.0 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 31,000 in the reporting period, totalling around 826,000 on 30 June 2019.

In May, OP-Kiinteistökeskus renewed its brand to be called OP Koti and launched a new digital seller service, which has received a positive reception among customers. During the last two years, OP Koti has modernised its operations, for example, by introducing the OP Koti online service.

The volume of homes and real property sold and bought through the OP Koti real estate agents decreased by 6.8% year on year.

OP has been involved in developing a digital platform for selling and purchasing a home (DIAS), together with other banks, real estate businesses, a technology firm and authorities. The digitalisation of the system for selling and purchasing shares in a housing company started in the beginning of 2019 and will progress in stages. The first digital transactions with shares in a housing company were done through a OP cooperative bank and OP Koti in June.

Financial performance for the reporting period

Earnings before tax were EUR 94 million (121). As a result of an increase in the loan portfolio and a decrease in funding costs, net interest income grew by 4.8% to EUR 457 million (436). Net commissions and fees rose by 4.2% to EUR 356 million (342). Net investment income and other income decreased year on year. Income increased by a total of 1.4%.

Total expenses increased by 2.0% to EUR 594 million (583). Personnel costs decreased by 0.5% to EUR 222 million (223). Other operating expenses increased by 4.7% to EUR 349 million (333). Higher other operating expenses were explained by the EU stability contribution that increased by EUR 7 million from the previous year, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago. Higher other operating expenses were also explained by growth of EUR 8 million in ICT costs arising from investments in development and from growth in volumes. The cost/income ratio was 72.4% (72.0).

Impairment loss on receivables increased to EUR 26 million (12). Non-performing receivables accounted for 1.4% (1.3) of the loan and guarantee portfolio.

Corporate Banking

- Earnings before tax amounted to EUR 139 million (211).
- Total income decreased by 9.6%. Net interest income increased by 9.1% year on year and net commissions and fees decreased by 21.5%. Net investment income fell by 41.9% as result of changes in the valuation models of derivatives made in the beginning of the year, CVA valuation and lower capital gains than a year ago.
- Total expenses increased to EUR 146 million (127). Other operating expenses rose by 25.9%, due to the EU stability contribution and higher ICT costs.
- The loan portfolio increased by 10.5% and the deposit portfolio decreased by 16.0% in the year to June. Assets under management increased by 7.7% from their year-end 2018 level.
- Impairment losses amounted to EUR –14 million (5). 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	H1/2019	H1/2018	Change, %	Q1–4/2018
Net interest income	185	169	9.1	350
Net commissions and fees	56	72	-21.5	130
Net investment income	52	90	-41.9	165
Other income	15	10	53.2	20
Total income	308	340	-9.6	664
Personnel costs	39	42	-6.6	45
Depreciation/amortisation and impairment loss	10	8	25.8	21
Other operating expenses	97	77	25.9	166
Total expenses	146	127	15.1	232
Impairment loss on receivables	-14	5	-382.2	-12
OP bonuses to owner-customers	-8	-7	-	-14
Earnings before tax	139	211	-34.0	408
Cost/income ratio, %	47.6	37.3	10.2*	34.9
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.6	-0.1*	0.4
Return on assets (ROA), %	0.79	1.24	-0.44*	1.43
Return on assets, excluding OP bonuses, %	0.84	1.28	-0.44*	1.47
€ billion	30 June 2019	30 June 2018	Change, %	31 Dec 2018
Loan portfolio				
Corporate loans	14.0	13.1	6.8	13.8
Housing company and other loans	9.2	7.9	16.5	8.5
Total loan portfolio	23.2	21.0	10.5	22.3
Deposits	10.3	12.2	-15.6	11.2
Assets under management (gross)				
Mutual funds	24.3	24.4	-0.6	22.7
Institutional clients	22.2	23.4	-5.8	21.5
Private Banking	9.2	8.1	14.5	7.6
Total (gross)	55.7	55.9	-0.4	51.8
€ million	H1/2019	H1/2018	Change, %	Q1–4/2018
Net inflows				
Private Banking clients	3	44	-92.9	67
Institutional clients	-144	84	-271.7	363
Total	-141	128	-210.3	430

*Change in ratio

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

The loan portfolio increased in the year to June by 10.5% to EUR 23.2 billion. The deposit portfolio decreased in the year to June by 15.6% to EUR 10.3 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 interest rate protection products and structured investment products rose from the previous year.

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

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 –141 million, falling markedly from its level a year ago. Assets under management increased by 7.7% from their year-end 2018 level to EUR 55.7 billion. Assets under management included about EUR 11 billion (11) in assets of the companies belonging to OP Financial Group.

The number of OP Mutual Fund unitholders increased by about 23,000 in gross terms to 801,000 during the reporting period. The Morningstar rating for OP Mutual Funds was 3.0 (3.0).

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

Financial performance for the reporting period

Earnings before tax were EUR 139 million (211). Total income amounted to EUR 308 million (340) and total expenses to EUR 146 million (127). The cost/income ratio weakened to 47.6% (37.3). Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.1% to EUR 185 million.

Net commissions and fees totalled EUR 56 million (72). Asset management net commissions and fees accounted for 0.17% of the gross amount of the assets under management. A decrease in other net commissions and fees is mainly due to OP Financial Group's internal charges.

Corporate Banking segment's net commissions and fees

€ million	H1/2019	H1/2018	Change, %
Mutual funds	51	52	-1.8
Portfolio management	8	11	-30.1
Other	-2	9	-121.3
Total	56	72	-21.5

Net investment income fell by 41.9% to EUR 52 million. Net investment income a year ago was increased by EUR 15 million in an individual capital gain. CVA valuation weakened the income by EUR 7 million whereas a year ago it improved the income by EUR 8 million. Changes made in the valuation models of derivatives in the beginning of the year reduced net investment income by EUR 24 million.

Total expenses increased to EUR 146 million (127). Personnel costs decreased by 6.6% to EUR 39 million. Other operating expenses increased by 25.9% to EUR 97 million. ICT costs increased by EUR 14 million. Higher ICT costs were explained by investments in development. In addition, higher other operating expenses than a year ago were explained by the EU's stability contribution of EUR 7 million, due to a change in the accounting practice. However, the stability contribution for the full year 2019 will be smaller than a year ago.

Impairment loss on receivables totalled EUR –14 million (5). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Insurance

- Earnings before tax amounted to EUR 192 million (140), improved by higher capital gains on investment.
- Insurance premium revenue by non-life insurance decreased by 0.9% (excluding the Baltic business sold in 2018, it increased by 3.6%).
- Investment income totalled EUR 111 million (60), including the overlay approach. Net return on investments at fair value reported by non-life insurance was EUR 51 million (14) and that by life insurance EUR 31 million (24).
- The non-life insurance operating combined ratio was 92.5% (91.9) and operating risk ratio 64.4% (64.4). The operating cost ratio was 28.2% (27.4).
- In life insurance, unit-linked insurance savings increased by 8% to EUR 10.6 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	H1/2019	H1/2018	Change, %	Q1–4/2018
Insurance premium revenue	726	733	-0.9	1,466
Claims incurred	459	460	-0.2	917
Life insurance, net risk results	15	15	-0.1	29
Net insurance income	283	289	-2.1	578
Life insurance, net commissions and fees	51	58	-12.1	115
Non-life insurance, net commissions and fees	-23	-28	-	-50
Health and wellbeing, net commissions and fees	4	5	-5.9	11
Net commissions and fees	33	35	-7.0	75
Net investment income	178	80	121.7	63
Other net income	8	-2	-	14
Total income	502	402	24.8	730
Personnel costs	70	63	11.1	127
Depreciation/amortisation and impairment loss	28	40	-29.9	89
Other operating expenses	136	131	4.0	263
Total expenses	234	233	0.1	480
OP bonuses to owner-customers	-9	-9	0.7	-18
Temporary exemption (overlay approach)	-67	-20	232.5	29
Earnings before tax	192	140	37.5	260
Return on assets (ROA), %	1.34	0.95	0.39*	0.96
Return on assets, excluding OP bonuses, %	1.40	1.01	0.39*	1.02
Operating combined ratio (non-life), %	92.5	91.9		92.0
Operating risk ratio (non-life), %	64.4	64.4		64.5
Operating cost ratio (non-life), %	28.2	27.4		27.4
Operating ratio (life), %	41.6	32.7		36.4

*Change in ratio

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

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

The insurance sector market shares in 2018 were published on 13 May 2019. According to the statistics issued by Finance Finland, OP's non-life insurance market share increased to 33.6% (33.0).

Key development investments focused on the development of electronic transaction and purchase services, the conversion of the separated individual life insurance portfolio into a new management system and the non-life insurance basic system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policyholders. The Insurance segment actively developed 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 8% to EUR 10.6 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 –41 (197) million.

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

Mehiläinen on 1 June 2019. Customers have been satisfied with the services provided by Pohjola Hospital. Among surgery customers, the NPS figure was 97 (97) in January–June 2019.

Financial performance for the reporting period

Earnings before tax amounted to EUR 192 million (140). Net insurance income totalled EUR 283 million (289).

Non-life insurance premium revenue

€ million	H1/2019	H1/2018	Change, %
Private customers	406	391	3.7
Corporate customers	321	309	3.6
Baltics	-	32	-
Total	726	733	-0.9

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 4.1%. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 40 (57) in January–June, with their claims incurred retained for own account totalling EUR 38 million (57). The change in provision for outstanding claims under statutory pension weakened earnings by EUR 1 million (6).

Changes in claims for previous years reduced the balance on technical account by EUR 1 million, whereas changes a year ago improved the balance on technical account by EUR 16 million. The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 64.4% (64.4).

Net commissions and fees decreased by 7.0% to EUR 33 million.

Investment income

€ million	H1/2019	H1/2018
At fair value through other comprehensive income	70	60
At fair value through profit or loss	237	36
Amortised cost	0	6
Life insurance items*	-125	-19
Unwinding of discount (non-life)	-14	-14
Associated companies	11	11
Net investment income	178	80
Temporary exemption (overlay approach)	-67	-20
Total	111	60

*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 111 million (60), including the overlay approach. Capital gains on investment amounted to EUR 27 million (0) in non-life insurance and EUR 28 million (–3) 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 23 million (18). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 414 million (364) on 30 June 2019. Short-term supplementary interest rate provisions accounted for EUR 21 million (68) of these provisions.

Total expenses increased by 0.1% to EUR 234 million. The figure a year ago includes EUR 6.5 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 28.2% (27.4).

The operating combined ratio was 92.5% (91.9) in non-life insurance. The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions.

Investment

Non-life insurance: key investment indicators

€ million	H1/2019	H1/2018
Net return on investments at fair value, € million*	51	14
Return on investments at fair value, %	6,7	0,7
Fixed-income investments' running yield, %	1.5	1.5
	30 June 2019	31 Dec 2018
Investment portfolio, € million	3,860	3,730
Investments within the investment grade category, %	92	94
A-rated receivables, minimum, %	62	62
Modified duration, %	4.5	4.3

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

Life insurance: key investment indicators*

€ million	H1/2019	H1/2018
Net return on investments at fair value, € million**	31	24
Return on investments at fair value, %	7,6	0,9
Fixed-income investments' running yield, %	1.4	1.4
	30 June 2019	31 Dec 2018
Investment portfolio, € million	3,653	3,644
Investments within the investment grade category, %	88	95
A-rated receivables, minimum, %	63	66
Modified duration, %	4.2	4.1

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

Other Operations

Key figures and ratios

€ million	H1/2019	H1/2018	Change, %	1-12/2018
Net interest income	-34	-21	-	-48
Net commissions and fees	4	3	33.0	6
Net investment income	22	28	-21.7	21
Other operating income	298	265	12.6	548
Total income	289	274	5.6	527
Personnel costs	73	84	-13.1	120
Depreciation/amortisation and impairment loss	66	56	17.0	131
Other operating expenses	161	173	-7.1	339
Total expenses	300	314	-4.3	590
Impairment loss on receivables	1	0	-	1
Earnings before tax	-10	-40	-	-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 –10 million (–40). An increase in other operating income and a decrease in expenses improved earnings. Total income increased by 5.6% to EUR 289 million.

Net interest income was EUR –34 million (–21). Wholesale funding and liquidity costs decreased net interest income over the previous year. Net investment income decreased by 21.7% to EUR 22 million. This decrease is explained by a fall of capital gains by EUR 12 million.

Other operating income rose by EUR 12.6% to EUR 298 million due to higher intra-Group charges.

Total expenses decreased by 4.3% year on year to EUR 300 million. Personnel costs decreased by 13.1% to EUR 73 million. Depreciation/amortisation and impairment loss on PPE and intangible assets increased by 17.0% to EUR 66 million. Planned depreciation/amortisation increased by 44.1% to EUR 62 million. This increase resulted from higher development expenditure recognised for prior years. Impairment write-downs decreased by EUR 9 million year on year.

Other operating expenses fell by 7.1% to EUR 161 million as ICT costs decreased by EUR 11 million.

In June, the average margin of OP Financial Group's senior wholesale funding, TLTRO-II funding and covered bonds was 17 basis points (14). Covered bonds are reported as part of the Retail Banking segment.

OP Financial Group issued long-term senior bonds worth EUR 0.8 billion between January and June. Of those bonds the Group issued in the international capital market a senior unsecured green bond of EUR 500 million with a maturity of five years. The inaugural green bond is targeted at international responsible institutional investors. Proceeds raised with the green bond are allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

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

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–June totalled EUR 157 million (215). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 66 million (106).

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

Personnel and remuneration

On 30 June 2019, OP Financial Group had 12,774 employees (12,066). The number of employees averaged 12,378 (12,339). The higher number of employees was due to the recruitment of salesforce and customer service personnel and employment insourcing. Summer trainees also increase the number of employees during the reporting period.

Personnel at period end

	30 June 2019	31 Dec 2018
Retail Banking	7,875	7,515
Corporate Banking	919	780
Insurance	2,130	1,872
Other Operations	1,850	1,899
Total	12,774	12,066

During the reporting period, 136 OP Financial Group employees (152) retired at an average age of 62.1 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. 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 maintained its position as the most attractive employer in the financial services sector, based on the annual employer branding survey among students conducted in May. Students in commercial studies, law and humanities voted OP as the most attractive employer in the financial sector.

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

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

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

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

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

Changes in OP Financial Group’s structure

OP Financial Group's consolidated financial statements at the end of the reporting period include the accounts of 153 OP cooperative banks (156) and OP Cooperative Consolidated.

The number of OP cooperative banks decreased during the reporting period due to mergers.

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

Merimaskun Osuuspankki 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 business name of Urjalan Osuuspankki will change to Etelä-Pirkanmaan Osuuspankki. The planned date for registration of the merger is 31 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 September 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.

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

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

Simplifying OP Cooperative Consolidated's structure

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

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

Pohjola Insurance Ltd and A-Insurance Ltd accepted a merger plan on 29 May 2019, according to which the latter will merge into the former. The planned date for registration of the merger is 30 March 2020. The merger is subject to approval from the Finnish Financial Supervisory Authority.

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

OP Corporate Bank plc and Checkout Finland Oy accepted a merger plan on 18 June 2019 and on 11 June 2019, according to which the latter will merge into the former. The planned date for registration of the merger is 31 December 2019.

OP Cooperative and OP Corporate Bank plc made a decision on 23 April 2019 and 24 April 2019 on the transaction of OP Custody Ltd shares. Through this transaction, OP Corporate Bank plc will buy all share capital of OP Custody Ltd from OP Cooperative. The transaction is intended to be completed on 31 August 2019. The change of ownership is subject to approval from the Finnish Financial Supervisory Authority.

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

Governance of OP Cooperative

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

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

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

The Supervisory Board comprises 36 members.

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

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

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

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

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.

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 Half-year Financial 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	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net interest income	3	587	569	302	288
Net insurance income	4	274	278	165	151
Net commissions and fees	5	450	444	216	212
Net investment income	6	252	208	96	128
Other operating income		35	21	26	9
Total income		**1,598**	**1,520**	**805**	**788**
Personnel costs		404	413	208	209
Depreciation/amortisation		127	131	69	65
Other expenses	7	421	412	212	225
Total expenses		**953**	**956**	**488**	**500**
Impairments loss on receivables	8	-39	-7	-28	-3
OP bonuses to owner-customers		-124	-109	-60	-57
Temporary exemption (overlay approach)		-67	-22	-12	-41
Earnings before tax		**415**	**425**	**218**	**187**
Income tax expense		81	91	40	38
Profit for the period		**334**	**335**	**177**	**149**
Attributable to:					
Profit for the period attributable to owners		331	331	176	148
Profit for the period attributable to non-controlling interest		3	4	2	1
Profit for the period		**334**	**335**	**177**	**149**

Statement of comprehensive income

EUR million	Notes	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Profit for the period		**334**	**335**	**177**	**149**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-25	38	-17	23
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		153	-80	70	-28
Cash flow hedge		149	13	79	18
Temporary exemption (overlay approach)		66	22	10	41
Translation differences		0	0	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		5	-8	3	-5
Items that may be reclassified to profit or loss					
Measurement at fair value		-31	16	-14	6
Cash flow hedge		-30	-3	-16	-4
Temporary exemption (overlay approach)		-13	-4	-2	-8
Total comprehensive income for the period		**609**	**329**	**292**	**192**
Attributable to:					
Total comprehensive income for the period attributable to owners		606	325	290	191
Total comprehensive income for the period attributable to non-controlling interests		3	4	2	1
Total comprehensive income for the period		**609**	**329**	**292**	**192**

Balance sheet

EUR million	Notes	30 June 2019	31 Dec 2018
Cash and cash equivalents		10,551	12,350
Receivables from credit institutions		184	183
Derivative contracts	16	4,772	3,643
Receivables from customers	18	89,695	87,081
Investment assets		23,847	23,050
Assets covering unit-linked contracts		10,571	9,771
Intangible assets		1,464	1,490
Property, plant and equipment (PPE)		779	737
Other assets		2,151	1,875
Tax assets		251	209
Total assets		**144,266**	**140,387**
Liabilities to credit institutions		4,917	4,807
Derivative contracts		3,549	2,992
Liabilities to customers		66,734	66,112
Insurance liabilities	9	9,827	9,476
Liabilities from unit-linked insurance and investment contracts	9	10,612	9,812
Debt securities issued to the public	10	30,844	30,458
Provisions and other liabilities		3,128	2,617
Tax liabilities		1,019	921
Subordinated liabilities		1,327	1,358
Total liabilities		**131,956**	**128,552**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative share		203	199
Profit shares		2,984	3,042
Fair value reserve	11	301	7
Other reserves		2,185	2,183
Retained earnings		6,463	6,250
Non-controlling interests		**173**	**154**
Total equity capital		**12,310**	**11,835**
Total liabilities and equity capital		**144,266**	**140,387**

Statement of changes in equity capital

EUR million	Attributable to owners: Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
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		-36		361	**325**	4	**329**
Profit for the period				331	**331**	4	**335**
Other comprehensive income		-36		30	**-6**		**-6**
Profit distribution				-98	**-98**		**-98**
Change in membership and profit shares	6				**6**		**6**
Transfer of reserves			-1	1			**0**
Other				5	**5**	24	**29**
Balance at 30 June 2018	**3,103**	**113**	**2,171**	**5,775**	**11,162**	**129**	**11,291**

EUR million	Attributable to owners: Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2019	**3,241**	**7**	**2,183**	**6,250**	**11,681**	**154**	**11,835**
Total comprehensive income for the period		295	0	311	**606**	3	**609**
Profit for the period				331	**331**	3	**334**
Other comprehensive income		295		-20	**275**		**275**
Profit distribution				-94	**-94**	-4	**-99**
Change in membership and profit shares	-54				**-54**		**-54**
Associated company transfers					**0**		**0**
Transfer of reserves			2	-2	**0**		**0**
Other				-1	**-1**	21	**19**
Balance at 30 June 2019	**3,187**	**301**	**2,185**	**6,463**	**12,137**	**173**	**12,310**

Cash flow statement

EUR million	Q1–2 2019	Q1–2 2018
Cash flow from operating activities		
Profit for the financial year	334	335
Adjustments to profit for the financial year	-33	213
Increase (-) or decrease (+) in operating assets	**-2,939**	**-1,918**
Receivables from credit institutions	47	19
Derivative contracts	-10	-41
Receivables from customers	-2,541	-2,264
Non-life Insurance assets	51	-127
Investment assets	111	608
Other assets	-596	-114
Increase (+) or decrease (-) in operating liabilities	**1,150**	**873**
Liabilities to credit institutions	-104	-957
Derivative contracts	26	-5
Liabilities to customers	623	1,931
Adjustments to profit for the financial year	113	27
Liabilities from unit-linked insurance and investment contracts	168	48
Provisions and other liabilities	323	-171
Income tax paid	-94	-67
Dividends received	37	49
A. Net cash from operating activities	**-1,545**	**-516**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	0
Purchase of PPP and intangible assets	-78	-123
Proceeds from sale of PPE and intangible assets	1	9
B. Net cash used in investing activities	**-77**	**-113**
Cash flow from financing activities		
Increases in debt securities issued to the public	16,656	14,659
Decreases in debt securities issued to the public	-16,633	-11,344
Increases in cooperative and share capital	175	333
Decreases in cooperative and share capital	-230	-327
Dividends paid and interest on cooperative capital	-94	-98
C. Net cash used in financing activities	**-127**	**3,223**
Net change in cash and cash equivalents (A+B+C)	**-1,750**	**2,594**
Cash and cash equivalents at period-start	**12,423**	**13,245**
Cash and cash equivalents at period-end	**10,673**	**15,839**
Interest received	**926**	**947**
Interest paid	**-347**	**-427**
Cash and cash equivalents		
Liquid assets	10,551	15,680
Receivables from credit institutions payable on demand	122	159
Total	**10,673**	**15,839**

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.

Q2 earnings 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	457	185	-5	-34	-15	587
of which internal net income before tax	0	-1	-5	6		
Net insurance income			283		-9	274
Net commissions and fees	356	56	33	4	1	450
Net investment income	-14	52	178	22	14	252
Other operating income	21	15	14	298	-313	35
Total income	**820**	**308**	**502**	**289**	**-321**	**1,598**
Personnel costs	222	39	70	73	0	404
Depreciation/amortisation	23	10	28	66	0	127
Other operating expenses	349	97	136	161	-321	421
Total expenses	**594**	**146**	**234**	**300**	**-321**	**953**
Impairments loss on receivables	-26	-14	0	1	0	-39
OP bonuses to owner-customers	-107	-8	-9		0	-124
Temporary exemption (overlay approach)			-67		0	-67
Earnings before tax	**94**	**139**	**192**	**-10**	**0**	**415**

Q2 earnings 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Net interest income	436	169	-6	-21	-9	569
of which internal net income before tax	0	-1	-6	7		
Net insurance income			289		-10	278
Net commissions and fees	342	72	35	3	-8	444
Net investment income	0	90	80	28	10	208
Other operating income	32	10	4	265	-289	21
Total income	**810**	**340**	**402**	**274**	**-306**	**1,520**
Personnel costs	223	42	63	84	1	413
Depreciation/amortisation	26	8	40	56	0	131
Other operating expenses	333	77	131	173	-302	412
Total expenses	**583**	**127**	**233**	**314**	**-301**	**956**
Impairments loss on receivables	-12	5		0	0	-7
OP bonuses to owner-customers	-93	-7	-9		0	-109
Temporary exemption (overlay approach)			-20		-2	-22
Earnings before tax	**121**	**211**	**140**	**-40**	**-7**	**425**

Balance sheet 30 June 2019	Retail Banking	Corporate Banking	Insurance	Other operations	Eliminations	OP Financial Group
Cash and cash equivalents	73	18	950	10,446	-936	10,551
Receivables from credit institutions	12,263	97	54	9,518	-21,748	184
Derivative contracts	700	4,430	475	171	-1,004	4,772
Receivables from customers	66,678	23,978	0	17	-979	89,695
Investment assets	332	1,182	10,425	18,044	-6,136	23,847
Assets covering unit-linked contracts			10,571			10,571
Intangible assets	51	227	805	385	-3	1,464
Property, plant and equipment (PPE)	380	3	142	265	-12	779
Other assets	247	736	1,035	330	-197	2,151
Tax assets	112	5	45	78	11	251
Total assets	**80,835**	**30,677**	**24,502**	**39,254**	**-31,003**	**144,266**
Liabilities to credit institutions	8,933	766		17,351	-22,132	4,917
Derivative contracts	314	3,789	71	416	-1,041	3,549
Liabilities to customers	54,052	10,354		3,859	-1,532	66,734
Insurance liabilities			9,827			9,827
Liabilities from unit-linked insurance and investments contracts			10,612			10,612
Debt securities issued to the public	10,613	1,022		19,326	-117	30,844
Provisions and other liabilities	620	761	928	979	-160	3,128
Tax liabilities	462	2	191	365	-1	1,019
Subordinated liabilities	19	-31	380	1,353	-395	1,327
Total liabilities	**75,013**	**16,663**	**22,008**	**43,649**	**-25,378**	**131,956**
Equity						**12,310**

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	358	908	10,246	17,625	-6,088	23,050
Assets covering unit-linked contracts			9,771			9,771
Intangible assets	49	230	806	408	-3	1,490
Property, plant and equipment (PPE)	362	0	139	248	-11	737
Other assets	217	-153	971	1,299	-459	1,875
Tax assets	112	3	17	66	11	209
Total assets	**77,189**	**27,589**	**22,811**	**42,153**	**-29,354**	**140,387**
Liabilities to credit institutions	9,612	606		15,802	-21,214	4,807
Derivative contracts	157	3,025	37	259	-486	2,992
Liabilities to customers	50,792	11,382		5,089	-1,152	66,112
Insurance liabilities			9,476			9,476
Liabilities from unit-linked insurance and investments contracts			9,812			9,812
Debt securities issued to the public	10,120	1,011		19,492	-165	30,458
Provisions and other liabilities	554	642	788	1,029	-396	2,617
Tax liabilities	433	3	119	365	0	921
Subordinated liabilities	41	-24	380	1,356	-395	1,358
Total liabilities	**71,709**	**16,645**	**20,612**	**43,394**	**-23,808**	**128,552**
Equity						**11,835**

Notes

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

Note 1. Accounting policies

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

The Half-year Financial Report is available in Finnish, English and Swedish. The Finnish version of the Report is official and 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 2 million was transferred from net interest income for H1/2018 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 30 June 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. The descriptions of the business segments are presented in the Interim Report for 1 January–31 March 2019.

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

	Q1–2 2019	Q1–2 2018
Return on equity, %	5.6	6.0
Return on equity at fair value, %	10.1	5.4
Return on assets, %	0.47	0.48
Cost/income ratio, %	60	63
Ratio of non-performing receivables to loan and guarantee portfolio, %	1.1	1.2
Average personnel	12,378	12,334

ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity (ROE), %

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

Return on equity (ROE) excluding OP bonuses, %

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

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), %

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

x 100

Return on assets (ROA) excluding OP bonuses, %

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

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 loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

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

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

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

Operating cost ratio, %

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

Life Insurance:

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio, %

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

Solvency ratio, %

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

Leverage ratio, %

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

Liquidity coverage requirement (LCR), %

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

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

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

Return on economic capital, %

$$\frac{\text{Earnings + customer bonuses after tax (value rolling 12 month)}}{\text{Average economic capital}} \times 100$$

Net stable funding ratio (NSFR), %

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

INSURANCE OPERATING RESULTS

EUR million	Q1–2 2019	Q1–2 2018	Change, %	Q1-4 2018
Insurance premium revenue	727	733	-0.9	1465
Claims incurred	-468	-472	-0.9	-945
Operating expenses	-205	-201	1.8	-401
Amortisation adjustment of intangible assets	-5	-16	-66.7	-29
Balance on technical account	**49**	**43**	12.8	**88**
Net investment income	178	88		63
Other income and expenses	32	29	11.2	80
Temporary exemption (overlay approach)	-67	-20		29
Earnings before tax	**192**	**140**	37.5	**260**

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

Notes to the income statement

Note 3. Net interest income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Interest income				
Receivables from credit institutions				
Interest	1	2	1	1
Negative interest	12	12	5	6
Total	13	14	6	7
Receivables from customers				
Loans	586	571	297	288
Finance lease receivables	13	12	7	6
Impaired loans and other commitments	0	0	0,00	0
Negative interest	5	5	2	3
Total	605	588	306	297
Notes and bonds				
Measured at fair value through profit or loss	1	1	0	0
At fair value through other comprehensive income	42	45	20	22
Amortised cost	5	0	5	0
Total	48	46	26	23
Derivative contracts				
Fair value hedge	-52	-50	-26	-24
Cash flow hedge	26	23	13	12
Ineffective portion of cash flow hedge	5	-1	1	1
Other	-9	-9	-5	-4
Total	-30	-35	-16	-15
Other	2	2	1	1
Total	**637**	**614**	**324**	**312**
Interest expenses				
Liabilities to credit institutions				
Interest	5	0	3	-1
Negative interest	32	32	15	17
Total	37	32	18	16
Liabilities to customers	37	29	19	14
Notes and bonds issued to the public	126	116	66	61
Subordinated liabilities				
Subordinated loans	0	1	0	1
Other	23	22	12	11
Total	23	23	12	12
Derivative contracts				
Cash flow hedge	-125	-116	-64	-58
Other	-60	-40	-29	-22
Total	-185	-156	-93	-80
Other	2	2	1	1
Total	**39**	**46**	**22**	**24**
Net interest income before fair value adjustment under hedge accounting	**598**	**568**	**301**	**288**
Hedging derivatives	125	-3	110	26
Value changes of hedged items	-136	4	-109	-26
Total	**587**	**569**	**302**	**288**

Note 4. Net insurance income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net insurance premium revenue				
Premiums written	938	932	304	318
Insurance premiums ceded to reinsurers	0	0	11	8
Change in provision for unearned premiums	-236	-223	52	46
Reinsurers' share	16	14	4	3
Total	718	723	371	374
Net Non-life Insurance claims				
Claims paid	-523	-466	-230	-231
Insurance claims recovered from reinsurers	10	15	1	7
Change in provision for unpaid claims	55	-5	15	-11
Reinsurers' share	0	-2	1	6
Total	-457	-458	-213	-230
Other Non-life Insurance items	-2	-2	-1	-1
Life Insurance risk premiums collected	15	15	8	8
Total	**274**	**278**	**165**	**151**

Note 5. Net commissions and fees

Q1–2 2019, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q2 2019
Commission income							
Lending	54	22	0	2	-1	77	38
Deposits	1	1		0	0	2	1
Payment transfers	111	15		7	-6	127	67
Securities brokerage	2	10		0	-2	10	4
Securities issuance		4		0	0	4	2
Mutual funds	15	99	0	0	-44	70	35
Asset management	14	13		0	-7	20	10
Legal services	12	0			0	12	6
Guarantees	4	6		0	0	10	5
Housing service	35					35	19
Insurance brokerage	67		18		-47	37	7
Life insurance total expense loadings			46			46	22
Refund of unit-linked management fees			39			39	21
Health and wellbeing services			11		-1	10	5
Other	67	7		0	-56	19	10
Total	**382**	**177**	**113**	**10**	**-164**	**519**	**252**
Commission expenses							
Payment transfers	11	2	1	2	-6	10	7
Securities brokerage		7	0		-2	5	2
Securities issuance	0	2		0	0	3	1
Mutual funds		49			-44	4	2
Asset management		5	0	0	0	5	3
Insurance operations	-5		74		-48	21	9
Health and wellbeing services			6			6	3
Other	19	57	0	4	-66	15	8
Total	**26**	**121**	**81**	**6**	**-165**	**69**	**35**
Total net commissions and fees	**356**	**56**	**33**	**4**	**1**	**450**	**216**

Q1–2 2018, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q2 2018
Commission income							
Lending	50	22	0	2	1	75	37
Deposits	1	0		0	0	1	1
Payment transfers	102	12		6	-7	114	59
Securities brokerage	3	8			-2	9	4
Securities issuance		6		0	0	6	4
Mutual funds	16	103			-46	73	37
Asset management	15	17		1	-6	26	13
Legal services	11	0		0	0	11	6
Guarantees	4	6		0	0	10	5
Housing service	36					36	19
Insurance brokerage	70		16		-56	37	7
Life insurance total expense loadings			46			46	22
Refund of unit-linked management fees			46		-7	39	21
Health and wellbeing services			9		-1	8	4
Other	56	6		0	-45	17	10
Total	**364**	**182**	**116**	**9**	**-170**	**509**	**247**
Commission expenses							
Payment transfers	10	1	1	0	-6	7	4
Securities brokerage		7	0		-2	4	2
Securities issuance	0	0		0	1	1	1
Mutual funds		52			-46	5	3
Asset management		5	0	1	0	6	3
Insurance operations	-5		77		-49	23	11
Health and wellbeing services			3			3	2
Other	16	45	0	5	-52	15	10
Total	**22**	**111**	**81**	**6**	**-154**	**65**	**35**
Total net commissions and fees	**342**	**72**	**35**	**3**	**-15**	**444**	**212**

Note 6. Net investment income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	35	33	17	16
Other income and expenses	0	15	0	8
Capital gains and losses	34	24	4	4
Currency fair value gains and losses	2	11	-7	22
Impairment losses and their reversal	4	-3	3	-1
Total	74	81	18	49
Total	**74**	**81**	**17**	**49**

Net income recognised at fair value through profit or loss

Financial assets held for trading				
Notes and bonds				
Fair value gains and losses	5	-1	2	0
Interest income and expenses	3	4	1	2
Total	8	2	3	2
Shares and participations				
Fair value gains and losses	13	10	6	3
Dividend income and share of profits	0	2	0	0
Total	14	12	7	3
Derivatives				
Fair value gains and losses	226	50	137	19
Interest income and expenses	48	10	28	7
Total	274	60	165	25
Total	**295**	**74**	**175**	**30**
Financial assets that must measured at fair value through profit or loss				
Notes and bonds				
Interest income	12	10	6	5
Fair value gains and losses	1	-2	1	-1
Total	13	8	7	4
Shares and participations				
Fair value gains and losses	78	27	8	34
Dividend income and share of profits	23	29	11	18
Total	102	57	19	52
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	20	25	10	11
Fair value gains and losses	89	-21	35	0
Total	109	4	45	11
Shares and participations				
Fair value gains and losses	-1	-3	-1	12
Dividend income and share of profits	7	4	5	-1
Total	6	1	3	12
Derivatives				
Fair value gains and losses	-18	-3	-16	-4
Total	-18	-3	-16	-4
Total net income from financial assets recognised at fair value through profit or loss	**212**	**66**	**59**	**75**

Net income from investment property				
Rental income	34	37	17	18
Fair value gains and losses	9	3	2	8
Maintenance charges and expenses	-32	-30	-16	-15
Other	-3	-1	-1	-1
Net income from investment property total	8	8	2	10
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	4	5	2	3
Interest expenses	-1	-1	0	0
Capital gains and losses	0	0	0	0
Impairment losses and their reversal	-3	3	-1	4
Loans and receivables total	1	7	1	7
Non-life Insurance				
Unwinding of discount, Non-life Insurance	-14	-14	-7	-7
Life Insurance				
Interest credited on customers' insurance savings	-43	-44	-21	-22
Change in supplementary interest rate provisions	-86	11	-47	-1
Other technical items**	-193	3	-83	-22
Total	-322	-29	-152	-45

** 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	5	9	-1	4
Consolidated using the equity method	-6	5	2	5
Total	-1	14	1	9
Total net investment income	**252**	**208**	**96**	**128**

Note 7. Other operating expenses

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
ICT costs				
Production	107	98	54	53
Development	65	83	38	43
Buildings	30	38	15	20
Government charges and audit fees	37	23	7	17
Purchased services	64	65	36	35
Data communications	16	19	8	9
Marketing	17	17	10	9
Corporate social responsibility	5	5	2	3
Insurance and security costs	6	5	4	3
Other	75	60	38	33
Total	**421**	**412**	**212**	**225**

Development costs

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
ICT development costs	65	83	38	43
Share of own work	26	27	14	13
Total development costs in the income statement	**91**	**110**	**51**	**56**
Capitalised ICT costs	60	99	29	55
Capitalised share of own work	6	7	3	3
Total capitalised development costs	**66**	**106**	**32**	**59**
Total development costs	**157**	**215**	**83**	**115**
Depreciation/amortisation and impairment loss	85	82	47	53

Note 8. Impairment losses on receivables

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Receivables written down as loan and guarantee losses	31	33	14	10
Recoveries of receivables written down	-5	-5	-3	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	14	-21	17	-5
Expected credit losses (ECL) on notes and bonds*	-1	0	0	0
Total	**39**	**7**	**28**	**3**

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

Credit risk exposures and related loss allowance

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

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Retail Banking	58,902	7,290	150	7,439	949	67,291
Corporate Banking	24,064	1,479	352	1,832	349	26,245
Total	**82,966**	**8,769**	**502**	**9,271**	**1,298**	**93,535**
Off-balance-sheet limits						
Retail Banking	5,733	263	4	266	7	6,006
Corporate Banking	5,363	459	131	590	89	6,042
Total	**11,096**	**722**	**134**	**856**	**96**	**12,049**
Other off-balance-sheet commitments						
Retail Banking	2,788	90		90	13	2,891
Corporate Banking	7,148	409		409	20	7,577
Total	**9,935**	**499**		**499**	**34**	**10,468**
Notes and bonds						
Other Operations	12,128					12,128
Insurance	5,076				3	5,079
Total	**17,204**				**3**	**17,207**
Total exposures within the scope of accounting for expected credit losses	**121,201**	**9,990**	**636**	**10,627**	**1,432**	**133,259**

Loss allowance by stage 30 June 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Retail Banking	-13	-55	-3	-58	-196	-268
Corporate Banking	-26	-26	-3	-29	-215	-270
Total	**-40**	**-81**	**-7**	**-87**	**-411**	**-538**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1		-2
Corporate Banking	-2	-5		-5		-7
Total	**-3**	**-6**		**-6**		**-8**
Notes and bonds***						
Other Operations	-2					-2
Insurance	-5				-2	-7
Total notes and bonds	**-7**				**-2**	**-9**
Total	**-49**	**-86**	**-7**	**-93**	**-413**	**-555**

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

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

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

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

Summary and key indicators 30 June 2019	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	67,423	7,643	153	7,796	969	76,188
Corporate Banking	36,574	2,348	483	2,831	459	39,864
Loss allowance						
Retail Banking	-14	-56	-3	-59	-196	-270
Corporate Banking	-28	-30	-3	-34	-215	-276
Coverage ratio, %						
Retail Banking	-0.02%	-0.73%	-2.23%	-0.76%	-20.23%	-0.35%
Corporate Banking	-0.08%	-1.29%	-0.66%	-1.19%	-46.82%	-0.69%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**103,997**	**9,990**	**636**	**10,627**	**1,428**	**116,052**
Total loss allowance	**-42**	**-86**	**-7**	**-93**	**-411**	**-546**
Total coverage ratio, %	**-0.04%**	**-0.86%**	**-1.04%**	**-0.88%**	**-28.78%**	**-0.47%**
Carrying amount, notes and bonds						
Other Operations	12,128	0	0	0	0	12,128
Insurance	5,076		0		3	5,079
Loss allowance						
Other Operations	-2	0	0	0	0	-2
Insurance	-5	0	0	0	-2	-7
Coverage ratio, %						
Other Operations	-0.02%					-0.02%
Insurance	-0.10%				-73.07%	-0.14%
Total notes and bonds	**17,204**	**0**	**0**	**0**	**3**	**17,207**
Total loss allowance	**-7**	**0**	**0**	**0**	**-2**	**-9**
Total coverage ratio, %	**-0.04%**				**-73.07%**	**-0.05%**

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

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

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

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

Loss allowance by stage 31 December 2018

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

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

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

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

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

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

The following flow statements shows the changes in loss allowance by impairment stage during Q1-2 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	29		26
Transfers from Stage 1 to Stage 3	-4	0	8	5
Transfers from Stage 2 to Stage 1	3	-10		-8
Transfers from Stage 2 to Stage 3		-14	32	18
Transfers from Stage 3 to Stage 2		3	-12	-8
Transfers from Stage 3 to Stage 1	1		-2	-1
Increases due to origination and acquisition	11	6	6	23
Decreases due to derecognition	-3	-4	-11	-18
Changes in risk parameters (net)	-3	-1	-3	-6
Decrease in allowance account due to write-offs		0	-16	-16
Net change in expected credit losses	**2**	**10**	**2**	**14**
Loss allowance 30 June 2019	**42**	**93**	**411**	**546**
Net change in expected credit losses Q2 2019	**6**	**9**	**3**	**17**

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 2 to Stage 1	0	-3		-3
Transfers from Stage 3 to Stage 1	1		-1	0
Increases due to origination and acquisition	1		0	1
Decreases due to derecognition	-1	-1	-1	-3
Changes in risk parameters (net)	0		0	0
Changes due to update in the methodology for estimation (net)	0		0	0
Net change in expected credit losses	**1**	**-4**	**-1**	**-4**
Loss allowance 30 June 2019	**7**		**2**	**9**
Net change in expected credit losses Q2 2019	**1**	**-1**	**-3**	**-3**

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

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

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

Note 9. Insurance liabilities

EUR Million	30 June 2019	31 Dec. 2018
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,462	1,510
Other provision for unpaid claims	1,063	1,056
Reserve for decreased discount rate (value of hedges of insurance liability)	110	21
Total	2,635	2,588
Provisions for unearned premiums	806	569
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	8,930	8,298
Investment contracts	1,681	1,513
Total	10,612	9,812
Life insurance insurance liabilities	6,386	6,319
Total	**20,438**	**19,288**

Note 10. Debt securities issued to the public

EUR million	30 June 2019	31 Dec. 2018
Bonds	11,322	9,522
Covered bonds	11,142	10,720
Other		
Certificates of deposit	0	105
Commercial paper	8,479	10,162
Included in own portfolio in trading (–)	-99	-50
Total debt securities issued to the public	**30,844**	**30,458**

Note 11. Fair value reserve after income tax

EUR million	Fair value through other comprehensive income 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	-49	0	20	33	5
Capital gains transferred to income statement	-31		-5		-36
Impairment loss transferred to income statement			7		7
Transfers to net interest income				-21	-21
Deferred tax	16	0	-4	-3	9
Closing balance 30 June 2018	**69**		**18**	**26**	**113**

EUR million	Fair value through other comprehensive income Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2019	**-5**	**-21**	**33**	**7**
Fair value changes	133	89	117	339
Capital gains transferred to income statement	20	-13		7
Impairment loss transferred to income statement		-9		-9
Transfers to net interest income			31	31
Deferred tax	-31	-13	-30	-74
Closing balance 30 June 2019	**117**	**32**	**152**	**301**

The fair value reserve before tax amounted to EUR 377 million (9) and the related deferred tax liability amounted to EUR 75 million (2). At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 76 million (54) and negative mark-to-market valuations EUR 23 million (82), owing to the application of the overlay approach.The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 5 million (-6) in the fair value reserve.

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

Note 12. Collateral given

EUR million	30 June 2019	31 Dec. 2018
Given on behalf of own liabilities and commitments		
Pledges	167	171
Loans (as collateral for covered bonds)	14,108	13,700
Others	5,900	5,775
Total collateral given*	**20,175**	**19,647**
Secured derivative liabilities	1,162	928
Other secured liabilities	4,171	4,149
Covered bonds	11,142	10,720
Total	**16,474**	**15,797**

* In addition, bonds with a book value of EUR 4.8 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	10,551						10,551
Receivables from credit institutions	184						184
Derivative contracts			3,912			860	4,772
Receivables from customers	89,695						89,695
Assets covering unit-linked contracts				10,571			10,571
Notes and bonds	3	17,477	865	2,388	491		21,224
Equity instruments		0	106	222	1,160		1,488
Other financial assets	2,226						2,226
Financial assets							**140,713**
Other than financial instruments							3,553
Total 30 June 2019	**102,660**	**17,478**	**4,882**	**13,180**	**1,651**	**860**	**144,266**

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		4,917		4,917
Derivative contracts	2,763		785	3,549
Liabilities to customers		66,734		66,734
Insurance liabilities		9,827		9,827
Liabilities from unit-linked insurance and investment contracts	10,612			10,612
Debt securities issued to the public		30,844		30,844
Subordinated loans		1,327		1,327
Other financial liabilities		2,483		2,483
Financial liabilities				**130,292**
Other than financial liabilities				1,664
Total 30 June 2019	**13,375**	**116,132**	**785**	**131,956**

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June, the fair value of these debt instruments was approximately EUR 652 (242) million higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 14. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	680	211	597	1,488
Debt instruments	2,261	886	597	3,744
Unit-linked contracts	6,847	3,724	0	10,571
Derivative financial instruments	19	4,561	192	4,772
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	14,479	2,434	565	17,477
Total financial instruments	**24,286**	**11,815**	**1,951**	**38,052**
Investment property			872	872
Total	**24,286**	**11,815**	**2,823**	**38,924**

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

Fair value of liabilities on 30 June 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,873	3,738	0	10,612
Other		0		0
Derivative financial instruments	23	3,370	155	3,549
Total	**6,896**	**7,109**	**155**	**14,160**

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	-386	136	1	-249
Total gains/losses in other comprehensive income	0		0	0
Purchases	74		0	74
Sales	-41		-18	-59
Settlements	0		-5	-5
Transfers into Level 3	560		423	983
Transfers out of Level 3	-4		-50	-53
Closing balance 30 June 2019	**1,194**	**192**	**565**	**1,952**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2019	**44**	**44**
Total gains/losses in profit or loss	111	111
Closing balance 30 June 2019	**155**	**155**

Total gains/losses included in profit or loss by item for the financial year on 30 June 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)	-291	-94	0	-385
Unrealised net gains (losses)	25		0	25
Total net gains (losses)	**-267**	**-94**	**1**	**-361**

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

	30 June 2019	31 Dec. 2018
Guarantees	776	775
Other guarantee liabilities	2,233	2,162
Loan commitments	14,740	12,577
Commitments related to short-term trade transactions	320	283
Other*	907	1,195
Total off-balance-sheet commitments	**18,975**	**16,993**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 174 million (203).

Note 16. Derivative contracts

Total derivatives 30 June 2019

	Nominal values/residual maturity			Total	Fair values*	
EUR million	<1 year	1–5 years	>5 years		Assets	Liabilities
Interest rate derivatives	31,319	81,840	74,504	187,664	3,266	1,930
Cleared by the central counterparty	8,453	35,526	40,181	84,161	28	21
Currency derivatives	33,555	6,442	2,903	42,900	849	1,101
Equity and index-linked derivatives		3		3	0	0
Credit derivatives	37	1,628	230	1,895	23	19
Other derivatives	243	446	22	710	47	35
Total derivatives	**65,154**	**90,359**	**77,658**	**233,171**	**4,185**	**3,084**

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

30 June 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	6,682	-1,910	4,772	-2,234	-382	2,156

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

30 June 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	5,674	-2,125	3,549	-2,234	-913	402

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 -201 (-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

30 June 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables			
Receivables from credit institutions	185	0	184
Receivables from customers	87,959	531	87,428
Bank guarantee receivables	7	0	7
Finance leases	2,273	6	2,267
Total	**90,417**	**538**	**89,879**
Receivables by sector			
Non-banking corporate sector	33,900	407	33,493
Financial institutions and insurance companies	1,182	1	1,181
Households	52,363	124	52,239
Non-profit organisations	798	5	793
Public-sector entities	2,175	1	2,174
Total	**90,417**	**538**	**89,879**

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

Doubtful and forborne receivables

30 June 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		612	612	219	393
Unlikely to be paid		508	508	155	353
Forborne receivables	2,117	355	2,472	54	2,418
Total	**2,117**	**1,474**	**3,591**	**428**	**3,164**

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

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

Key ratio, %	30 June 2019	31 Dec 2018
Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables	11.9%	12.5%

Note 19. Investment distribution of the Insurance segment

Non-life Insurance	30 June 2019		31 December 2018	
Allocation of investment portfolio	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**172**	**4**	**173**	**5**
Money market instruments and deposits**	165	4	167	4
Derivatives***	6	0	5	0
Total bonds and bond funds	**2,964**	**77**	**2,857**	**77**
Governments	454	12	498	13
Inflation-linked bonds	0	0		0
Investment Grade	1,949	51	1,895	51
Emerging markets and High Yield	296	8	243	7
Structured Investments****	264	7	222	6
Total equities	**390**	**10**	**360**	**10**
Finland	66	2	60	2
Developed markets	188	5	147	4
Emerging markets	73	2	76	2
Unlisted equities	1	0	1	0
Private equity investments	62	2	76	2
Total alternative investments	**33**	**1**	**28**	**1**
Hedge funds	33	1	28	1
Total property investment	**301**	**8**	**312**	**8**
Direct property investment	162	4	157	4
Indirect property investment	139	4	155	4
Total	**3,860**	**100**	**3,730**	**100**

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

Life Insurance	30 June 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**179**	**5**	**175**	**5**
Money market investments and deposits**	174	5	170	5
Derivatives***	6	0	5	0
Total bonds and bond funds	**2,841**	**78**	**2,826**	**78**
Governments	565	15	623	17
Investment Grade	1,764	48	1,784	49
Emerging markets and High Yield	235	6	182	5
Structured investments****	277	8	236	6
Total equities	**327**	**9**	**337**	**9**
Finland	53	1	48	1
Developed markets	131	4	116	3
Emerging markets	53	1	57	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	88	2	113	3
Total alternative investments	**39**	**1**	**34**	**1**
Hedge funds	39	1	34	1
Total real property investments	**265**	**7**	**271**	**7**
Direct property investments	115	3	114	3
Indirect property investments	150	4	156	4
Total	**3,653**	**100**	**3,644**	**100**

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

Note 20. Investment distribution in separated balance sheets

Separated balance sheet 1

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

Investment distribution in separated balance sheet 1	30 June 2019		31 December 2018	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**26**	**3**	**34**	**4**
Money market investments and deposits**	26	3	34	4
Derivatives***	0	0		0
Total bonds and bond funds	**692**	**85**	**671**	**83**
Governments	192	23	217	27
Inflation-linked bonds	3	0	3	0
Investment Grade	407	**50**	370	**46**
Emerging markets and High Yield	45	6	36	4
Structured investments****	45	6	45	6
Total equities	**33**	**4**	**35**	**4**
Developed markets	16	2	14	2
Emerging markets	1	0	1	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	16	2	20	2
Total alternative investments	**0**	**0**	**2**	**0**
Hedge funds	0	0	2	0
Total real property investments	**66**	**8**	**68**	**8**
Direct property investments	48	6	48	6
Indirect property investments	17	2	19	2
Total	**817**	**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 10 million (5). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Separated balance sheet 2

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

Investment distribution in separated balance sheet 2

Investment asset portfolio allocation	30 June 2019 Fair value*, EUR million	%	31 December 2018 Fair value*, EUR million	%
Total money market instruments	**20**	**1**	**72**	**3**
Money market investments and deposits**	20	1	72	3
Derivatives***	0	0	0	0
Total bonds and bond funds	**2,074**	**92**	**1,946**	**85**
Governments	567	25	617	27
Inflation-linked bonds	8	0	7	0
Investment Grade	1,162	51	1,000	44
Emerging markets and High Yield	112	5	93	4
Structured investments****	225	10	230	10
Total equities	**86**	**4**	**90**	**4**
Finland	0	0	0	0
Developed markets	44	2	38	2
Emerging markets	2	0	2	0
Fixed assets and unquoted equities	0	0	0	0
Private equity investments	40	2	50	2
Total alternative investments	**0**	**0**	**1**	**0**
Hedge funds	0	0	1	0
Total real property investments	**76**	**3**	**185**	**8**
Direct property investments	37	2	143	6
Indirect property investments	39	2	43	2
Total	**2,257**	**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 43 million (-8). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Note 21. Capital adequacy for credit institutions

Capital base, EUR million	30 June 2019	31 Dec. 2018
OP Financial Group's equity capital	**12,310**	**11,835**
The effect of insurance companies on the Group's shareholders' equity is excluded	-124	189
Fair value reserve, cash flow hedge	-152	-33
Common Equity Tier 1 (CET1) before deductions	**12,034**	**11,991**
Intangible assets	-660	-710
Excess funding of pension liability and valuation adjustments	-61	-76
Items deducted from cooperative capital	-2	-147
Planned profit distribution and profit distribution unpaid for the previous period	-48	-94
Shortfall of ECL minus expected losses	-408	-288
Common Equity Tier 1 (CET1)	**10,854**	**10,677**
Hybrid capital to which transitional provision is applied	60	80
Additional Tier 1 capital (AT1)	**60**	**80**
Tier 1 capital (T1)	**10,914**	**10,757**
Debenture loans	871	995
Tier 2 capital (T2)	**871**	**995**
Total capital base	**11,786**	**11,752**

Terminated cooperative capital contributions refunded to customers in January 2019, as permitted by the supervisor, were deducted from CET1 capital a year ago.

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

Risk exposure amount, EUR million	30 June 2019	31 Dec. 2018
Credit and counterparty risk	**48,943**	**41,602**
Standardised Approach (SA)	**4,133**	**3,878**
Central government and central banks exposure	302	293
Credit institution exposure	9	7
Corporate exposure	2,759	2,561
Retail exposure	1,014	961
Equity investments	3	12
Other	46	43
Internal Ratings-based Approach (IRB)	**44,809**	**37,724**
Credit institution exposure	923	1,083
Corporate exposure	25,618	23,474
Retail exposure	10,104	5,276
Equity investments	6,921	6,659
Other	1,244	1,233
Market and settlement risk (Standardised Approach)	**1,488**	**1,319**
Operational risk (Standardised Approach)	**4,232**	**4,136**
Valuation adjustment (CVA)	**195**	**175**
Other risks	**32**	
Total risk exposure amount	**54,889**	**47,233**
Risk weight floors based on ECB's decision	**773**	**4,893**
Total risk exposure amount including risk weight floors	**55,661**	**52,126**

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

EUR 264 million (261) of government exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

Ratios, %	30 June 2019	31 Dec. 2018
CET1 capital ratio	19.5	20.5
Tier 1 ratio	19.6	20.6
Capital adequacy ratio	21.2	22.5

Ratios, fully loaded, %	30 June 2019	31 Dec. 2018
CET1 capital ratio	19.5	20.5
Tier 1 ratio	19.5	20.5
Capital adequacy ratio	21.1	22.4

Capital requirement, EUR million	30 June 2019	31 Dec. 2018
Capital base	11,786	11,752
Capital requirement	7,953	7,448
Buffer for capital requirements	3,833	4,304

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

Leverage ratio, EUR million	30 June 2019	31 Dec. 2018
Tier 1 capital (T1)	10,914	10,757
Total exposure	128,165	125,510
Leverage ratio, %	8.5	8.6

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

Overview of RWAs (EU-OV1), EUR million		RWAs 30 June 2019	RWAs 31 Dec 2018	Minimum capital requirements 30 June 2019
1	**Credit risk (excluding CCR)**	**48,090**	**42,264**	**3,847**
2	Of which the standardised approach	5,064	4,869	405
3	Of which the foundation IRB (FIRB) approach	26,001	25,124	2,080
4	Of which the advanced IRB (AIRB) approach	10,104	5,552	808
5	Of which equity IRB under the simple risk-weighted approach	484	265	39
5a	Of which equity investments under PD/LGD method	6,437	6,453	515
6	**CCR**	**742**	**727**	**59**
7	Of which mark to market	547	545	44
12	Of which CVA	195	182	16
13	**Settlement risk**	**0**	**0**	**0**
14	**Securitisation exposures in the banking book (after the cap)**	**41**	**43**	**3**
15	Of which IRB approach	41	43	3
19	**Market risk**	**1,488**	**1,561**	**119**
20	Of which the standardised approach	1,488	1,561	119
23	**Operational risk**	**4,232**	**4,232**	**339**
25	Of which standardised approach	4,232	4,232	339
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**264**	**261**	**21**
27a	**Other risks**	**32**	**42**	**3**
29	**Total**	**54,889**	**49,131**	**4,391**
30	**Risk weight floors based on ECB's decision**	**773**	**4,647**	**62**
31	**Total risk exposure amount including risk weight floors**	**55,661**	**53,778**	**4,453**

Total risk exposure amount increased by 3.2% during the quarter. The average risk weights of retail exposures increased as a result of added conservatism in risk parameters and of risk parameter factors set by the ECB.

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 March 2019	30,676	2,454
2	Asset size	839	67
3	Asset quality	231	19
4	Model updates	806	64
5	Methodology and policy	3,553	284
9	RWAs as at the end of the reporting period 30 June 2019	36,104	2,888

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. The effect of increases in the margins of conservatism of retail exposures is presented in the model updates. The effect of risk parameter factors set by the ECB has been presented in changes in method and policy.

Note 22. Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures

Borrower grade 30 June 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	50,690	2,197	52.5	1.1	27.8	9,045	16.1	256
A	31,847	1,671	52.6	0.0	27.0	1,244	3.7	4
B	10,112	403	51.9	0.2	27.1	1,273	12.1	5
C	4,213	88	52.3	0.7	32.4	1,567	36.4	10
D	2,715	34	52.9	3.2	31.6	2,214	80.5	27
E	1,365	2	54.0	29.7	32.1	2,158	157.9	124
F	437			100.0	26.6	588	134.5	86
Corporate customers, total	1,804	162	67.5	3.7	42.1	1,059	49.7	69
1.0–2.0	1	0	75.8	0.0	35.9	0	2.8	0
2.5–5.5	505	47	66.6	0.4	26.7	75	13.7	1
6.0–7.0	729	65	67.1	1.3	43.7	341	42.9	5
7.5–8.5	375	38	66.9	5.0	52.7	339	82.2	11
9.0–10.0	141	12	75.3	24.9	50.3	194	127.5	19
11.0–12.0	54			100.0	72.2	109	203.3	34
Total	52,494	2,358	53.3	1.2	28.3	10,104	17.3	325

All retail exposures

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

The average private customer PDs and LGDs increased especially as a result of the ECB's risk parameter factors, and conservatism added to the models also increased the parameters.

Corporate exposures (FIRB) by rating category

Borrower grade 30 June 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	729	354	85.0	0.0	44.9	157	14.8	0
2.5–5.5	17,041	3,923	72.2	0.2	44.2	8,436	40.2	21
6.0–7.0	8,093	2,091	72.0	1.3	43.2	8,783	86.2	56
7.5–8.5	4,713	745	72.1	4.5	43.2	6,672	122.2	105
9.0–10.0	670	155	68.8	22.3	43.3	1,569	190.1	80
11.0–12.0	669	21	59.8	100.0	44.1	0	0.0	304
Total	**31,914**	**7,290**	**72.5**	**1.6**	**43.8**	**25,618**	**66.5**	**566**

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 June 2019	Balance sheet items, exposure value, (EAD) EUR million	Off-balance sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	3,027	26	77.6	0.0	12.6	167	5.5	0
2.5–5.5	4,105	426	66.3	0.1	18.2	675	15.6	1
6.0–7.0	10	8	35.2	2.1	45.0	27	149.0	0
7.5–8.5	11	14	42.6	5.0	45.0	48	189.2	1
9.0–10.0	1	1	34.8	11.7	45.0	5	245.7	0
Total	**7,154**	**475**	**64.6**	**0.1**	**16.1**	**923**	**12.4**	**2**

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

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

Note 23. Insurance company solvency

	30 June 2019		31 Dec. 2018	
EUR million	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,308**	**907**	**1,297**	**818**
Solvency capital requirement (SCR)				
Market risk	763	460	732	421
Insurance risk	445	288	351	281
Counterparty risk	23	38	30	36
Operational risk	34	51	34	45
Diversification benefits and loss absorbency	-604	-154	-570	-162
Total	**660**	**683**	**578**	**621**
Buffer for SCR	**647**	**224**	**719**	**197**
Solvency ratio (SCR), %	**198**	**133**	**225**	**132**
Solvency ratio (SCR), % (excluding transitional provision)	**158**	**133**	**176**	**132**

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

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

EUR million	30 June 2019	31 Dec. 2018
OP Financial Group's equity capital	12,310	11,835
Hybrid instruments and debenture bonds	932	1,075
Other sector-specific items excluded from capital base	-217	-349
Goodwill and intangible assets	-1,449	-1,501
Insurance business valuation differences*	651	735
Proposed profit distribution	-48	-94
Items under IFRS deducted from capital base**	-140	-46
Shortfall of ECL minus expected losses	-382	-262
Conglomerate's capital base, total	**11,655**	**11,393**
Regulatory capital requirement for credit institutions***	7,156	6,528
Regulatory capital requirement for insurance operations*	1,343	1,199
Conglomerate's total minimum capital requirement	**8,499**	**7,727**
Conglomerate's capital adequacy	**3,156**	**3,666**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**137**	**147**

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR.

** Excess funding of pension liability, portion of cash flow hedge of fair value reserve.

*** Total risk exposure amount x 14.5%, a year ago 14.3%

Transitional provisions have been taken into account in figures.

Note 25. Related-party transactions

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

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

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

Financial reporting in 2019

Schedule for Interim Reports in 2019:

Interim Report Q1–3/2019	29 October 2019

Helsinki, 30 July 2019

OP Cooperative
Executive Board

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