OP Financial Group's Interim Report for 1 January–30 September 2022

OP Financial Group's Interim Report for 1 January–30 September 2022:

Earnings before tax EUR 940 million – a good result in an uncertain business environment

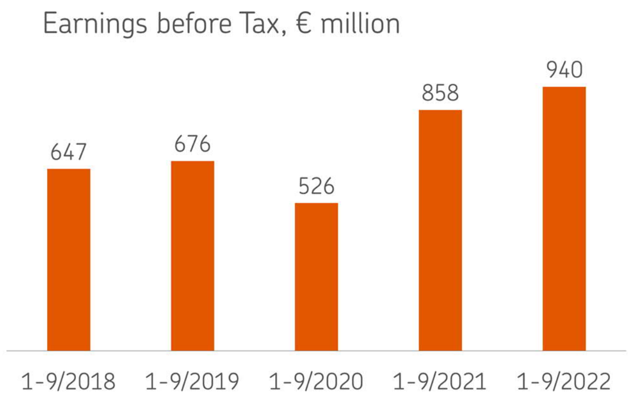
Earnings before tax Q1–3/2022	Net interest income Q1–3/2022	Net insurance income Q1–3/2022	Net commissions and fees Q1–3/2022	CET1 ratio 30 Sep 2022
€940 million	+16%	+2%	-1%	17.7%

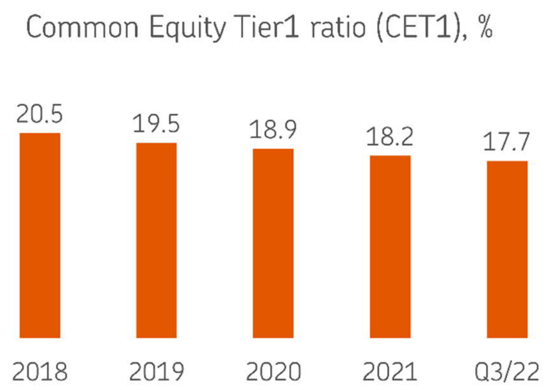
- Earnings before tax totalled EUR 940 million (858).
- Income from customer business increased by a total of 7% to EUR 2,431 million (2,274). Net interest income increased by 16% to EUR 1,122 million (971) and net insurance income by 2% to EUR 553 million (542). Net commissions and fees totalled EUR 756 million (761).
- Net investment income decreased to EUR –73 million (253). Including the overlay approach, investment income decreased by 41% to EUR 120 million (204).
- Total income decreased by 6% to EUR 2,410 million (2,573). Including the overlay approach, total income increased by 3% to EUR 2,602 million (2,524).
- Total expenses increased by 1% to EUR 1,436 million (1,420).
- Impairment loss on receivables in the income statement decreased by EUR 24 million to EUR 70 million (95). Ratio of impairment loss on receivables to loan and guarantee portfolio was 0.09% (0.13).
- OP Financial Group's loan portfolio grew by 4% to EUR 99 billion (95) and deposits by 1% to EUR 75 billion (75) in the year to September.
- CET1 ratio was 17.7% (18.2), which exceeds the minimum regulatory requirement by 5.9 percentage points. OP Financial Group adopted a risk-weighted assets (RWA) floor, based on the Standardised Approach, in the second quarter. This decreased the CET1 ratio by one percentage point.
- Retail Banking earnings before tax increased to EUR 335 million (224). Net interest income increased by 11% to EUR 792 million (715) and net commissions and fees by 4% to EUR 583 million (560). Impairment loss on receivables decreased by EUR 16 million to EUR 54 million (70). The loan portfolio grew by 0.4% and deposits by 3% in the year to September.
- Corporate Banking earnings before tax decreased to EUR 220 million (356). Net interest income increased by 9% to EUR 334 million (305), net commissions and fees decreased by 14% to EUR 124 million (144) and net investment income decreased by EUR 112 million to EUR 18 million (130). Impairment loss on receivables decreased by EUR 9 million to EUR 16 million (25).
- Insurance earnings before tax decreased to EUR 319 million (380). Net insurance income grew by 2% to EUR 564 million (552). Investment income decreased by EUR 104 million to EUR 31 million (135). Non-life Insurance recorded an operating combined ratio of 89.6% (81.8).
- Group Functions earnings before tax were EUR –16 million (–70).
- New OP bonuses accrued to owner-customers totalled EUR 161 million (157).
- On 30 September 2022, OP Financial Group filed an application with the European Central Bank (ECB) on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Financial Group's capital adequacy or risk exposure.
- On 19 September 2022, OP Financial Group improved its earnings outlook for 2022. Earnings before tax for 2022 are expected to be at about the same level as or higher than in 2021 (previously lower). For more detailed information on the outlook, see "Outlook towards the year end".
- OP Financial Group will increase the OP bonuses earned by owner-customers for 2023 by 30% – estimated additional bonuses totalling more than EUR 60 million paid to owner-customers.

OP Financial Group's key indicators

	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Earnings before tax, € million	940	858	9.6	1,127
Retail Banking	335	224	49.6	304
Corporate Banking	220	356	-38.3	474
Insurance	319	380	-16.0	504
Group Functions	-16	-70	-	-109
New OP bonuses accrued to owner-customers, € million	161	157	2.9	210
Return on equity (ROE), %	7.2	6.9	0.3*	6.6
Return on equity, excluding OP bonuses, %	8.4	8.1	0.3*	7.8
Return on assets (ROA), %	0.59	0.56	0.03*	0.54
Return on assets, excluding OP bonuses, %	0.69	0.66	0.03*	0.64
	30 Sep 2022	**30 Sep 2021**	**Change, %**	**31 Dec 2021**
CET1 ratio, %	17.7	19,0	-1.3 *	18,2
Loan portfolio, € billion	98.9	95.2	3.8	96.9
Deposits, € billion	75.4	74.6	1.1	75.6
Ratio of non-performing exposures to exposures, %	2.4	2.4	0.0*	2.4
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.13	-0.04*	0.16
Owner-customers (1,000)	2,062	2,045	0.8	2,049

Comparatives for the income statement are based on the corresponding figures a year ago. Unless otherwise specified, figures from 31 December 2021 are used as comparatives for balance-sheet and other cross-sectional items.
*Change in ratio





Comments by President and Group Chief Executive Officer Timo Ritakallio

The first nine months of 2022 were marked by exceptional levels of uncertainty. The operating environment was dominated by Russia's aggressive war in Ukraine, the resulting energy crisis in Europe, rapidly growing inflation and clearly higher market rates. Despite the uncertain operating environment, OP Financial Group's earnings before tax for January–September were excellent at EUR 940 million. In the year to September, income from customer business increased by seven per cent, in line with our strategic targets. Income growth was particularly boosted by strong growth in net interest income in Retail Banking. In the Insurance business, the claims trend normalised and claims expenditure rebounded to its pre-pandemic level. In the challenging capital market, investment income was clearly lower than a year ago. In the year to September, total income increased by three per cent and total expenses by one per cent.

The loan portfolio showed an annual growth rate of four per cent and deposits an annual growth rate of one per cent. Despite the weaker economic situation, the loan repayment capacity of personal and corporate customers remained good during the reporting period, and impairment loss on receivables remained low.

OP Financial Group's CET1 ratio was very strong, reaching 17.7% (18.2) at the end of September. This exceeds the minimum regulatory requirement by 5.9 percentage points.

This year, households' real income has decreased due to widespread inflation and higher market rates. The higher cost of housing and higher market rates are affecting the daily lives of a growing number of people with home loans. The most common reference rate for home loans, the 12-month Euribor, has risen exceptionally fast in the last few months – from one per cent in early July to more than 2.5% by the end of September. A third of OP Financial Group's home loan customers have set an interest rate cap to protect themselves against rising interest rates. Interest rate caps are currently reducing the interest expenses of more than 60,000 home loan customers; around 100,000 home loan customers are expected to be benefiting from interest rate protection by the end of the year.

In the housing market, the weaker economic environment is reducing the number of homes bought and sold, and therefore demand for home loans. The upward trend in home prices has slowed. Next year, home prices are expected to fall slightly due to higher interest rates and housing costs, and waning economic growth.

Over the coming months, the weaker economic situation may reduce the ability of both personal and corporate customers to make loan repayments according to the original plan. In such cases, we encourage our customers to discuss their situation with their OP cooperative bank as early as possible.

Finnish households have remained active in systematic investing despite the uncertain economic outlook. In January–September, our customers made more than 85,000 systematic investment plans for mutual funds and opened 55,000 new book-entry accounts and equity savings accounts. Sustainability and corporate responsibility are playing a growing role in investment: of the 47,000 new investors who began investing in mutual funds this year, 79% chose funds categorised as responsible.

The economic outlook continues to be exceptionally uncertain, and the Finnish economy is expected to slow down markedly. Economic growth is slowing not only due to rapidly rising inflation but also because of the brisk upswing in market rates, the current energy crisis and weakening economic growth in Finland's main export markets. Corporate and household finances in Finland are relatively good, making it easier to adjust to the weaker times lying ahead. However, the rise in interest rates means that growing public debt and the structural sustainability gap in the public finances must be taken even more seriously.

In September, we raised OP Financial Group's earnings outlook for 2022. We expect our earnings before tax to be at about the same level or higher than in 2021.

OP Financial Group is owned by its customers. In line with our mission, we want to allocate part of our profitability improvement to support the daily lives of our almost 2.1 million owner-customers in these financially challenging times. We will increase the OP bonuses earned by our owner-customers for 2023 by 30%. This means an additional bonus totalling more than 60 million euros for owner-customers, who can ease the pressure on their household finances by using bonuses to cover charges debited for banking and insurance services.

We will also allocate part of our strong profitability to further improving our customer service and to carrying out various concrete corporate responsibility actions across Finland. In such times, it is particularly important to safeguard opportunities for exercise and hobbies for children and youths, and to support the less fortunate in other respects.

Once again, our strong financial position and high capital adequacy are providing us with excellent conditions to make it through hard times together with our customers.

I want to express my warmest thanks to our customers for their trust and to our employees and governing body members for their outstanding and successful work this year!

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Business environment

The world economic outlook dimmed during the third quarter. The financial standing of households remained good, despite high inflation and consumers' weaker purchasing power. Companies' financial standing too remained favourable although energy prices and costs rose. Tightening monetary policy and rising interest rates lowered stock prices markedly all over the world.

The European Central Bank (ECB) raised its key rates by 0.50 percentage points in July and by 0.75 percentage points in September. The ECB assesses that more interest rate hikes are still needed during the rest of the year. During this year, market interest rates have risen exceptionally fast as a result of the acceleration of inflation and central banks' key rate hikes.

Brisk economic growth in Finland during the first half slowed down during the third quarter. Consumer confidence fell to a record low and purchasing power was weakened by accelerating inflation. However, the fall in confidence has not so far had any significant effect on household spending. Despite the deteriorated economic outlook, companies have continued to make investments almost in a normal way. Higher interest rates, a weaker economic outlook and greater uncertainty decreased home sales volumes and reduced prices slightly.

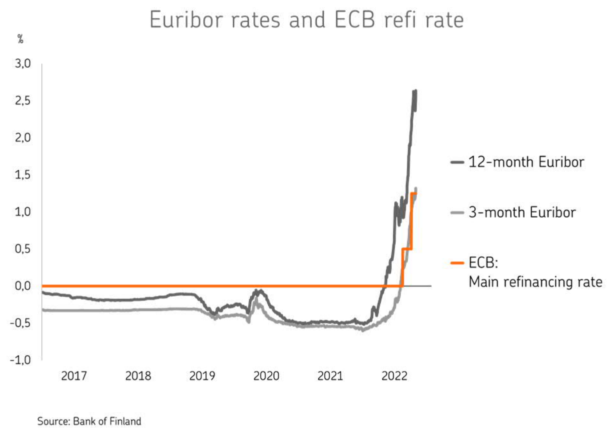
Towards the year end, economic growth is anticipated to slow down further. Inflation is expected to remain high and interest rates to rise. In addition, uncertainty about energy price development is casting a shadow over economic development.

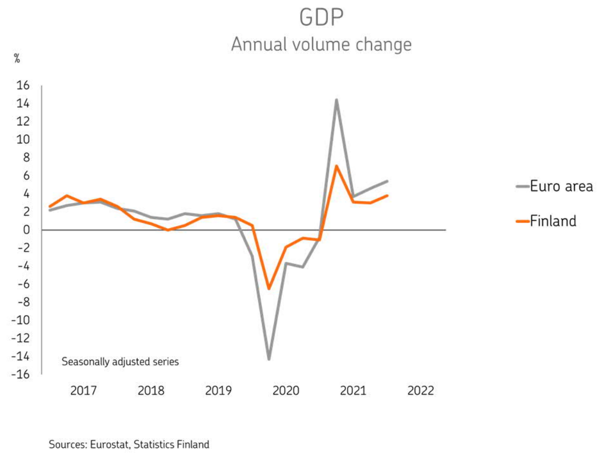
Growth in total loans in the Finnish financial sector sped up during the third quarter, driven by corporate loans. In August, total loans were 5.0% higher than a year ago. The annual growth rate of corporate loans was 12.5%, housing company loans 7.2% and household loans 2.2%. Growth in loans to households slowed down from its level of 3.7% at the end of 2021. The annual growth rate of home loans subsided to 3.2% in August. At the end of August, the annual growth rate of consumer loans stood at 2.3%.

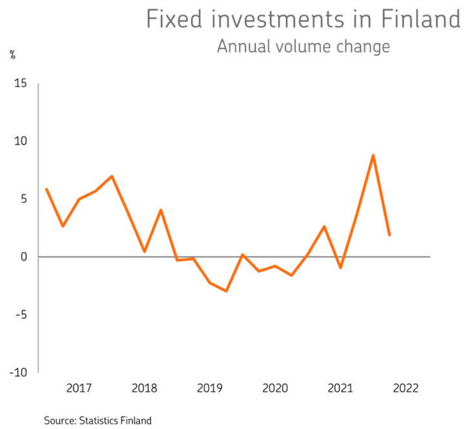
The annual growth rate of total deposits slowed down in August to 4.2% from 5.3% last year. Corporate deposits increased by 11.4% and household deposits by 4.2%.

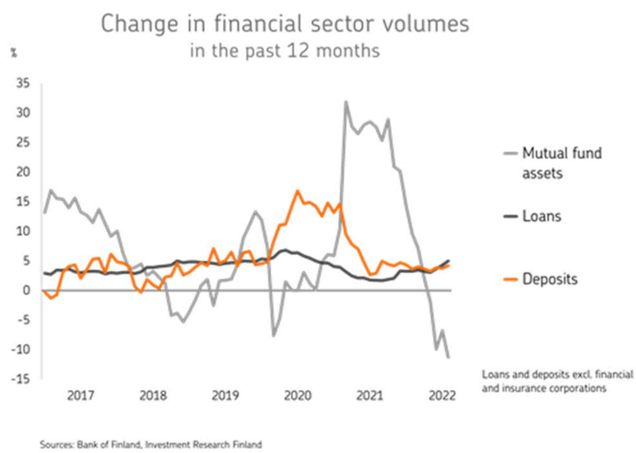
The value of mutual funds registered in Finland decreased from the 2021 record peak of EUR 158.8 billion to EUR 138 billion at the end of August. By August, fund unit redemptions totalled EUR 3.4 billion.

Demand for insurance products remained stable. Lifting of the Covid-19 restrictions in Finland and inflationary pressures have increased claims incurred. Negative developments in the capital market were partly reflected in the profitability of insurance companies.









Earnings analysis and balance sheet

Earnings analysis, € million	Q1–3/2022	Q1–3/2021	Change, %	Q3/ 2022	Q3/ 2021	Change, %	Q1–4/2021
Earnings before tax	940	858	9.6	481	297	62.0	1,127
Retail Banking	335	224	49.6	199	86	132.8	304
Corporate Banking	220	356	-38.3	128	80	61.0	474
Insurance	319	380	-16.0	114	160	-28.5	504
Group Functions	-16	-70	-	8	-19	-	-109
Income							
Net interest income	1,122	971	15.5	447	331	35.3	1,409
Net insurance income	553	542	2.1	169	215	-21.3	743
Net commissions and fees	756	761	-0.6	241	249	-2.9	1,034
Net investment income	-73	253	-128.8	40	-2	-	376
Other operating income	52	47	10.7	6	4	48.5	54
Total income	2,410	2,573	-6.3	905	796	13.6	3,616
Total income, incl. overlay approach	2,602	2,524	3.1	940	838	12.1	3,498
Expenses							
Personnel costs	647	656	-1.3	197	195	0.7	914
Depreciation/amortisation and impairment loss	159	192	-17.2	49	64	-23.2	283
Other operating expenses	630	573	10.0	190	170	11.6	810
Total expenses	1,436	1,420	1.1	435	429	1.5	2,007
Impairment loss on receivables	-70	-95	-	30	-59	-	-158
Overlay approach	192	-48	-	35	42	-17.2	-118
New OP bonuses accrued to owner-customers	161	157	2.9	54	53	0.7	210

Key indicators, € million	30 Sep 2022	31 Dec 2021	Change, %
Loan portfolio	98,892	96,947	2.0
Home loans	42,387	41,522	2.1
Corporate loans	24,219	23,128	4.7
Housing company and other loans	32,286	32,297	0.0
Guarantee portfolio	3,928	4,047	-2.9
Other exposures	14,801	15,314	-3.3
Deposits	75,444	75,612	-0.3
Assets under management (gross)	95,591	111,836	-14.5
Mutual funds	26,938	32,515	-17.2
Institutional clients	35,790	38,336	-6.6
Private Banking	21,507	27,831	-22.7
Unit-linked insurance assets	11,357	13,154	-13.7
Balance sheet total	169,797	174,110	-2.5
Investment assets	20,591	22,945	-10.3
Insurance liabilities	8,021	8,773	-8.6
Debt securities issued to the public	34,046	34,895	-2.4
Equity capital	14,057	14,184	-0.9

January–September

OP Financial Group's earnings before tax amounted to EUR 940 million (858), up by EUR 82 million from the previous year. As regards income from customer business, net interest income and net insurance income increased. Earnings were reduced by lower investment income.

Net interest income increased by 15.5% to EUR 1,122 million. A rise in interest rates increased net interest income significantly. Net interest income reported by the Retail Banking segment increased by EUR 77 million, that by the Corporate Banking segment by EUR 29 million and that by the Group Functions segment by EUR 44 million.
OP Financial Group's loan portfolio grew by 3.8% to EUR 98.9 billion and deposits by 1.1% to EUR 75.4 billion, year on year. New loans drawn down by customers during the reporting period totalled EUR 19.2 billion (18.2).

Net insurance income increased by 2.1% to EUR 553 million. The Insurance segment's non-life insurance premium revenue increased by 5.0% to EUR 1,208 million and claims incurred by 20.4% to EUR 765 million, excluding the increase in the discount rate. Large claims increased claims incurred by EUR 137 million (74). The increase in the discount rate for insurance liability improved net insurance income by EUR 96 million. Operating combined ratio reported by non-life insurance was 89.6% (81.8).

Net commissions and fees totalled EUR 756 million (761). Net commissions and fees for lending increased by EUR 5 million and those for payment transfer services by EUR 4 million. Meanwhile, net commissions and fees for mutual funds and securities brokerage decreased by EUR 6 million. Net commissions and fees for health and wellbeing services fell by EUR 6 million year on year following the sale of Pohjola Hospital that was completed on 1 February 2022.

The investment environment was challenging due to higher interest rates and lower stock prices. Net investment income decreased by EUR 325 million to EUR –73 million. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity. The overlay approach increased investment income by EUR 192 million (–48). Total investment income decreased by EUR 85 million year on year, to EUR 120 million.

Net income from financial assets at fair value through other comprehensive income totalled EUR 32 million (52), of which net capital losses accounted for EUR –4 million (10). Net capital gains on all financial instruments recognised through fair value reserve totalled EUR 44 million (133).

Net income from financial assets, recognised at fair value in net investment income through profit or loss, totalled EUR –752 million (98). Net income from financial assets held for trading decreased by a total of EUR 329 million due to changes in the fair value of derivatives. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 4 million (15). Fair value of equity instruments recognised at fair value in the income statement decreased by a total of EUR 342 million and that from notes and bonds by a total of EUR 216 million, year on year. An item corresponding to the increase in the discount rate of the insurance liability for non-life insurance, EUR 96 million, was shown as negative value change in net investment income. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 504 million to EUR 602 million. Net income from investment property increased by EUR 34 million due to positive changes in fair value following the sale of hospital buildings.

The combined return on investments at fair value of OP Financial Group's insurance companies was –13.9% (0.5). The negative figure was affected by a rise in interest rates and the fall in stock prices.

Other operating income increased to EUR 52 million (47). The sale of Pohjola Hospital increased other operating income by EUR 32 million. A year ago, the sale of Checkout Finland Ltd increased other operating income.

Total expenses increased by 1.1% year on year, to EUR 1,436 million. Personnel costs decreased by 1.3% to EUR 647 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 17.2% to EUR 159 million. Other operating expenses increased by 10.0% to EUR 630 million. ICT costs totalled EUR 277 million (251). Development costs were EUR 152 million (128). Charges of financial authorities increased by 29.9%, or EUR 16 million, to EUR 69 million as a result of a higher stability contribution paid to the Single Resolution Fund financed by the euro-area banks.

Impairment loss on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 93 million (98), of which EUR 70 million (95) concerned loans and receivables. The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. Final credit losses recognised totalled EUR 82 million (98). Loss allowance was EUR 743 million (751) at the end of the reporting period. Non-performing exposures accounted for 2.4% (2.4) of the exposures. Impairment loss on loans and receivables accounted for 0.09% (0.13) of the loan and guarantee portfolio.

OP Financial Group's income tax amounted to EUR 177 million (164). The effective tax rate for the reporting period was 18.8% (19.2). The tax-exempt capital gain on the sale of Pohjola Hospital reduced the effective tax rate.

OP Financial Group's equity amounted to EUR 14.1 billion (14.2). Equity included EUR 3.3 billion (3.2) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3).

Comprehensive income after tax totalled EUR –73 million (672). Changes in the fair values of equities, derivatives and notes and bonds decreased the fair value reserve. Changes in the fair value reserve decreased comprehensive income by a total of EUR 966 million (–65). Gains from the remeasurement of defined benefit plans improved comprehensive income by EUR 130 million (31) as a result of the increase in the discount rate used in the calculation.

July–September

Earnings before tax amounted to EUR 481 million against EUR 297 million a year ago. Earnings were increased by higher net interest income and reversal of impairment losses on receivables.

Net interest income grew by 35.3% year on year, to EUR 447 million, boosted by higher interest rates. Net insurance income decreased by 21.3% to EUR 169 million as a result of a rise in claims incurred caused by large claims. Net commissions and fees decreased by 2.9% to EUR 241 million.

The investment environment was challenging due to higher interest rates and lower stock prices. Nevertheless, net investment income was EUR 40 million (–2). Net income from financial assets recognised at fair value through profit or loss totalled EUR –104 million (15). Net income from financial assets held for trading decreased by a total of EUR 46 million due to changes in the fair value of derivatives. Fair value of notes and bonds recognised at fair value in the income statement decreased by a total of EUR 63 million year on year. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 151 million to EUR 124 million.

The overlay approach increased investment income by EUR 35 million (42). In total, investment income grew by 89.4% to EUR 75 million.

Total expenses decreased by 1.5% to EUR 435 million. Personnel costs rose by 0.7% to EUR 197 million. Depreciation/amortisation and impairment loss decreased by 23.2% from the previous year, to EUR 49 million. Other operating expenses increased by 11.6% to EUR 190 million.

Impairment loss on receivables improved earnings by EUR 30 million. Impairment loss was significantly reduced by the repayments of certain non-performing exposures. A year ago, impairment loss on receivables came to EUR 59 million. Final net loan losses recognised totalled EUR 45 million (47).

Comprehensive income totalled EUR 174 million (206). Changes in the fair value reserve decreased comprehensive income by EUR 235 million (–48).

July–September highlights

Application filed with the European Central Bank on the use of the Standardised Approach

On 30 September 2022, OP Financial Group filed an application with the European Central Bank on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Financial Group's capital adequacy or risk exposure. This was due to enhanced regulatory requirements and discussions with the banking supervisor, the European Central Bank, related to the application of the Internal Ratings Based Approach (IRBA).

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

Kasimir Hirn, M.Sc. (Econ. & Bus. Adm.), assumed his duties as OP Financial Group's new Chief Information Officer (CIO) and as member of OP Cooperative's Executive Management Team as of 1 September 2022. As the CIO, Hirn will be responsible for the development and maintenance of OP Financial Group's services and systems and for the Development & Technologies unit.

OP Financial Group's former CIO, Juho Malmberg, will resign from OP Financial Group at his own request on 1 November 2022. He will act as Senior Advisor as of 1 September until 31 October.

OP Financial Group's Pivo withdraws from Nordic mobile wallet project

OP Financial Group's Pivo stood aside from the joint venture planned with Danske Bank's MobilePay and the Norwegian Vipps. The venture would have provided a joint mobile payment platform for users of three services. OP Financial Group's Pivo withdrew from the project due to issues presented in a market study by the EU's competition authorities. In the view of the European Commission, combining Pivo application with Danske Bank's MobilePay could lead to an overly concentrated mobile payment market in Finland. OP Financial Group's Pivo, Danske Bank's MobilePay and the Norwegian company Vipps announced plans to create a joint mobile payment platform in June 2021. Pivo will continue to operate independently and the cancellation of the project will not directly affect its customers.

OP Financial Group's strategic targets and priorities

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

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

The Supervisory Council of OP Financial Group's central cooperative confirmed the Group's strategy at its meeting on 25 August 2022. In the next few years, the Group's operations will be guided by the following five strategic priorities:

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

OP Financial Group's operations are based on a strong culture of risk management and compliance.

In its meeting of 25 August 2022, the Supervisory Council also approved the essential meanings of OP Financial Group's values – people first, responsibility and succeeding together.

OP Financial Group's strategic targets	30 Sep 2022	31 Dec 2021	Target 2025
Return on equity (ROE excluding OP bonuses), %	8.4	7.8	8,0
CET1 ratio, %	17.7	18.2	At least CET1 requirement + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers)**	Banking: 28 Insurance: 18	Banking: 29 Insurance: 16	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

*OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the September-end capital adequacy requirement was 15.8%.
**Average of quarters (per financial year)

Promotion of the success of owner-customers and operating region

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

Allocation of earnings

OP Financial Group aims to provide its owner-customers with the services they need, as efficiently as possible. 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 2022 that is to be confirmed after the end of the financial year:

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

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

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

OP Financial Group celebrates its 120th anniversary by increasing the return target for its owner-customers' Profit Shares by 1.20 percentage points. This means that the return target for 2022 stands at 4.45%. Interest payment and its amount depend on the financial performance of the OP cooperative bank in question.

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

Customer relationships and customer benefits

OP Financial Group had a total of 2.1 million (2.0) owner-customers at the end of the reporting period. The number of owner-customers increased by 17,000.

The number of banking customers totalled 3.6 million (3.6). Retail Banking had a total of 3.3 million customers (3.3) and Corporate Banking 0.3 million customers (0.3). Non-life insurance had a total of 1.7 million customers (1.6) and life insurance 0.4 million customers (0.4).

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

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–September totalled EUR 161 million (157). During the reporting period, a total of EUR 81 million (83) of OP bonuses were used to pay for banking and wealth management services and EUR 85 million (84) to pay non-life insurance premiums.

Owner-customers benefitted EUR 46 million (43) from the reduced price of the daily services package of Retail Banking. Owner-customers were provided with EUR 30 million (43) in non-life insurance loyalty discounts. They also bought, sold and switched units in most mutual funds without separate charges. The value of this benefit amounted to EUR 6 million (5).

The abovementioned OP bonuses and customer benefits totalled EUR 243 million (246), accounting for 20.5% (22.4) of OP Financial Group's earnings before tax and granted benefits.

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.5 billion (3.5). The return target for Profit Shares for 2022 is an interest rate of 4.45% (3.25). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 108 million (72).

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's business and strategy, and responsible business is one of OP Financial Group's strategic priorities. OP Financial Group published its new sustainability programme in August 2022. The new sustainability programme and its policy priorities implement OP Financial Group's strategy, guiding the sustainability actions taken by the business units and OP cooperative banks. OP Financial Group's sustainability programme is built around three themes: Climate and the environment, People and communities and Corporate governance.

The programme is based on OP Financial Group's values, megatrends in the business environment and materiality assessment. The sustainability programme and its goals have been worked on together with different stakeholders. The Climate and environment section sets goals for the provision of sustainable financial and investment products, the emission reductions of loan and investment portfolios as well as the promotion of biodiversity. The People and communities section focuses on the wellbeing of local communities and on supporting management of personal finances and financial literacy. Corporate governance involves integrating responsibility with all business and related risk-taking and a goal to enhance governance diversity.

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

OP Financial Group is committed to the international Partnership for Carbon Accounting Financials (PCAF), which aims to develop and implement a harmonised approach to assessing and disclosing greenhouse gas emissions associated with partners' loans and investments.

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards. OP Financial Group published its corporate responsibility report for 2021 as part of its annual review. In addition, OP Financial Group's Report by the Board of Directors includes a report of non-financial information. Both reports are available in vuosi.op.fi/en/2021.

Sustainability highlights in July–September

In August, OP Financial Group published a new sustainability programme that defines the key objectives and principles of the Group's sustainability and corporate responsibility work.

Through its campaign "Summer jobs paid for by OP", OP provided 2,000 young people with a summer job in the third sector. OP cooperative banks donated funding to non-profit associations for hiring young people from 15 to 17 years for two weeks. Enhancing the wellbeing of children and youths and their confidence in the future, and supporting the employment of young people form an important part of OP cooperative banks' sustainability actions. In July, OP and Hope ry organised for the sixth time the Backpack for every back campaign to collect school backpacks at OP cooperative banks across Finland. This year, a total of 2,500 backpacks were collected for the children of families living on limited means.

Pohjola Insurance and several OP cooperative banks around Finland have joined the Dreams programme to strengthen youths' dreams, wellbeing and faith in the future. Over the next two years, Dreams visits will be carried out to as many as 240 schools across Finland with support from Pohjola Insurance and OP cooperative banks.

OP Financial Group has been supporting MIELI Mental Health Finland's Crisis Helpline since 2020. This autumn's donation of 30,000 euros provides a total of 200,000 euros for MIELI's Crisis Helpline. These donations have provided multiple forms of assistance for the Crisis Helpline, such as enabling the hiring of crisis workers.

As a member of the national 'Down a degree' initiative, OP Financial Group began to launch energy-saving measures in September with the aim of cutting its heating energy consumption by five per cent this winter. The Group will reduce the indoor temperature of its offices by one degree and take several other energy-saving measures. Through this energy saving challenge, OP Financial Group encourages all customers and partners to join the campaign.

OP Financial Group has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. At the end September, total exposures from these loans and facilities stood at EUR 4.6 billion (3.0).

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 30% (30) at the end of September.

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In September, the Group's mobile channels (OP-mobile, OP Business mobile) had around 1.4 million active users (1.3). The Group provides personal customer service both at branches and digitally.

Mobile and online services, no. of logins (million)	Q1–3/ 2022	Q1–3/ 2021	Change, %
OP-mobile	403.4	355.9	13.3
OP Business mobile	19.9	14.9	33.9
Pivo	32.9	32.6	0.9
Op.fi	34.2	40.0	-16.5

	30 Sep 2022	31 Dec 2021	Change, %
Siirto payment, registered customers (OP)	1,128,297	1,054,931	7.0

In March, OP introduced the Google Pay service to its customers in Finland. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores.

In March, OP published a new guide for older people to support them in using non-digital banking services. and finding options for the daily use of services without a computer or smartphone.

OP Financial Group has an extensive branch network with 307 branches (324) across the country. In addition, Pohjola Insurance has a comprehensive network of agencies and partnerships.

OP Financial Group has extensive presence in the most common social media channels where it has a total of 640,000 followers (630,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own social media accounts where they share publications targeted at local customers.

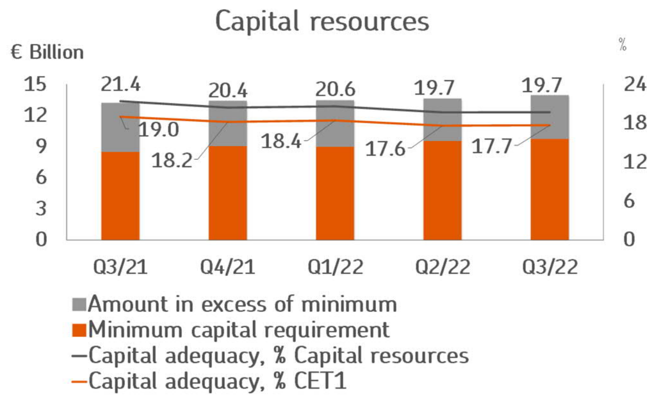
Capital adequacy and capital base

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

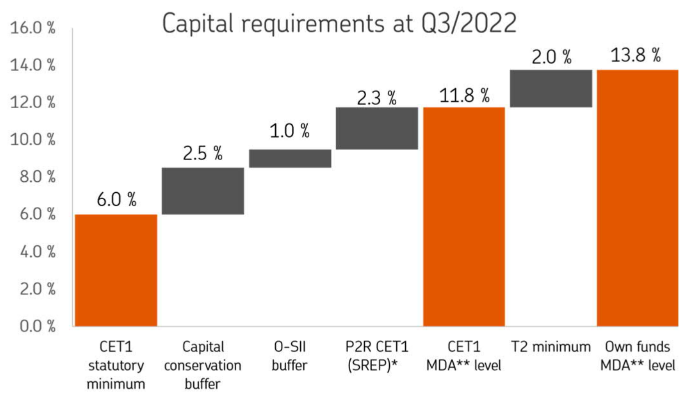
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.2 billion (4.5). Banking capital requirement remained unchanged at 13.8%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 140% (146). The ratio weakened by around 15 percentage points as a result of the adoption of the risk-weighted assets floor based on the Standardised Approach (SA floor). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 17.7% (18.2), which exceeds the minimum regulatory requirement by 5.9 percentage points. The ratio decreased by one percentage point following the adoption of the SA floor. The ratio was improved by earnings performance and the issues of Profit Shares.



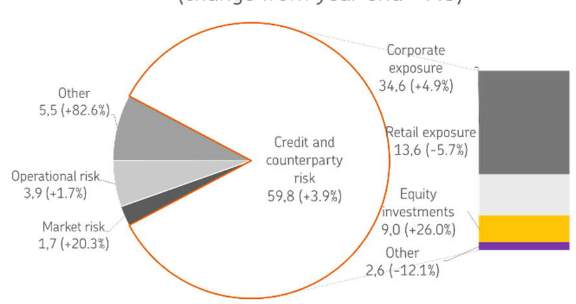
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%; the AT1 minimum requirement of 1.5% increases the minimum CET1 ratio to 6%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 13.8% and the minimum CET1 ratio to 11.8%, including the shortfalls of Additional Tier 1 (AT1) and Tier 2 (T2) capital.



* P2R supervisory Pillar II requirement
** Minimum distributable amount

The CET1 capital of OP Financial Group as credit institution was EUR 12.6 billion (12.0). The CET1 capital was improved by Banking earnings and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 3.2 billion (3.1).

The risk exposure amount (REA) totalled EUR 70.8 billion (65.7), or 8% higher than on 31 December 2021. The SA floor increased the total risk exposure amount. OP Financial Group shifted to the Standardised Approach in its capital adequacy measurement for credit institution exposures and certain minor parts of corporate exposures during the third quarter. This change had no substantial effect on the CET1 ratio. The Group has previously applied the IRBA for such exposures.



OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 8.6 billion (6.8) in risk-weighted assets of the Group's internal insurance holdings. The increase was due to the adoption of the Simple Risk Weight Approach – a risk weight of 370% – replacing the previous PD/LGD method. Under the Standardised Approach, the risk weight of insurance company holdings is 100%.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In September 2022, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks. In connection with its macroprudential policy decision of June 2022, the FIN-FSA performed an annual review of banks' capital buffer requirements and decided to raise OP Financial Group's O-SII buffer by 0.5 percentage points to 1.5%, effective as of 1 January 2023.

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

On 30 September 2022, OP Financial Group filed an application with the European Central Bank on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Financial Group's capital adequacy or risk exposure. The schedule for transferring to the Standardised Approach depends on the processing of the application at the ECB.

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III, are assessed to not have a substantial effect on the capital adequacy of OP Financial Group.

The OP Amalgamation capital adequacy tables of 30 September 2022 will be published in week 44.

Insurance

The solvency position of insurance companies is strong. The solvency of the insurance business was improved mainly by higher interest rates.

	Non-life insurance		Life insurance	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Capital base, € mill.*	1,677	1,464	1,537	1,656
Solvency capital requirement (SCR), € mill.*	655	840	508	833
Solvency ratio, %*	256	174	303	199
Solvency ratio, % (excl. transitional provision)	256	174	252	173

*including transitional provisions

ECB's supervision

OP Financial Group is supervised by the European Central Bank.

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

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

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

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

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 2.25% (2.25) as of 1 January 2022.

Liabilities under the Resolution Act

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

On 21 February 2022, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 26.1% of the risk-weighted assets (RWA) and 9.9% of the leverage ratio exposures (LRE).

As part of the MREL, the resolution authority has set a subordination requirement for OP Financial Group in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be met with own funds or with subordinated liabilities. From 2022, the subordination requirement supplementing the MREL is 22% of the total risk exposure amount and 9.9% of the leverage ratio exposures. From the beginning of 2024, the subordination requirement will be 24% of the total risk exposure amount and 9.9% of the leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 3.5%.

OP Financial Group's buffer for the MREL was EUR 8.1 billion and for the subordination requirement EUR 2.4 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 4.4 billion. These bonds provide funds for the MREL subordination requirement.

Risk profile

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

OP Financial Group's success is based on the trust of customers and other stakeholders, on the adequacy of capital and liquidity, and on extensive data and knowledge of customers. Risk-taking is based on understanding matters affecting customers' future operations and success in the current business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

OP Financial Group analyses the business environment as part of the continuous strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Financial Group and its customers. Such factors currently shaping the business environment include sustainable development and responsibility (ESG), demographic change in the population, geopolitical factors and fast technological progress. For example, climate and environmental changes and other factors in the business environment are considered thoroughly so that their effects on the customers' future success are understood. Through advice and business decisions, OP Financial Group encourages its customers in developing their sustainable and successful business in the future.

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

OP Financial Group's operational risks were well managed. Their materialisation resulted in gross losses of EUR 5 million (6). As regards other risks, the risk profile is discussed in more detail by business segment.

Assessment of the effects of the war in Ukraine on OP Financial Group's risks

Russia's aggressive war in Ukraine may have an indirect effect on OP Financial Group's income and risks as a result of customers' changed business conditions, and a direct effect on the general market conditions and obstruction of the technical infrastructure. The impacts may be realised, for example, in the following ways:

- higher impairment loss on receivables
- lower values of investment assets
- effects of extensive sanctions and counter sanctions on OP Financial Group or its customers' activities
- higher price of wholesale funding
- problems in business continuity as a result of cyber attacks on OP Financial Group or its customers.

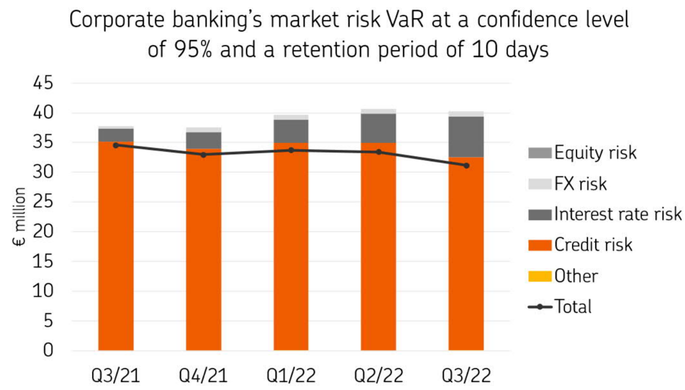
Retail Banking and Corporate Banking

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

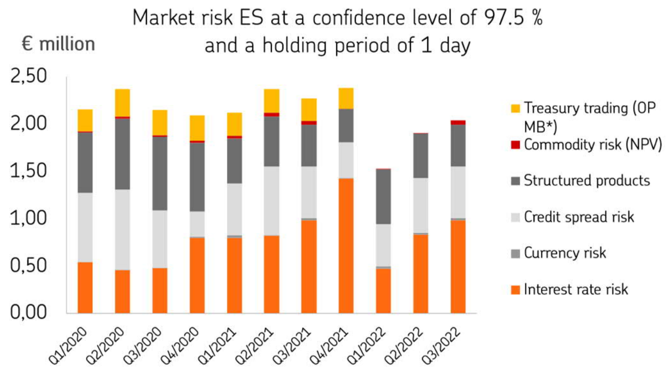
Banking credit risk exposure remained stable, its risk level remained moderate and the overall quality of the loan portfolio remained good, but there is a risk of negative developments. A rise in interest rates may have a negative effect on credit risk exposure.

Since OP Financial Group has no significant direct exposures to Russia, the impacts of the war in Ukraine on credit risk exposure mainly affect corporate loans, arising indirectly from certain sectors (construction, agriculture, transport and energy), especially due to higher energy and raw material prices and individual customer relationships.

The market risk level of Corporate Banking's long-term investments decreased in the third quarter. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 31 million (33) on 30 September 2022. The VaR risk metric includes the liquidity buffer and banking's long-term bond investments as well as derivatives that hedge their interest rate risks.



Risk associated with the Markets trading book has increased slightly, as changes have been made to interest rate risk exposure. This is reflected in the increase in Expected Shortfall (ES), a market risk measure, and especially in a higher share of interest rate risk, compared with the preceding quarter.

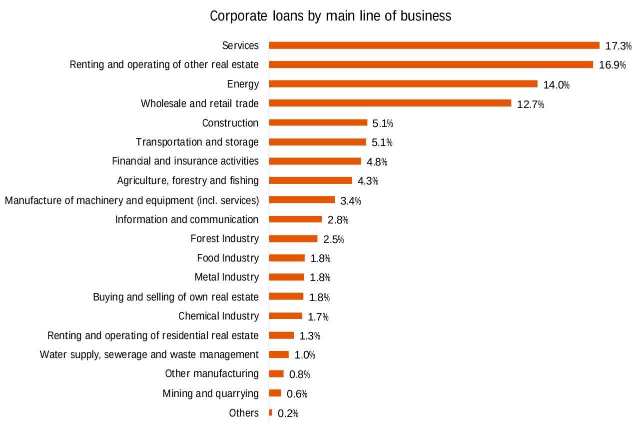


Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing receivables (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Over 90 days past due, € billion			0.56	0.64	0.56	0.64	0.21	0.24	0.34	0.40
Unlikely to be paid, € billion			0.92	0.78	0.92	0.78	0.17	0.13	0.75	0.65
Forborne exposures, € billion	3.11	3.41	1.30	1.34	4.41	4.75	0.18	0.20	4.23	4.55
Total, € billion	3.11	3.41	2.78	2.76	5.89	6.17	0.56	0.58	5.33	5.59

Key ratios	OP Financial Group		Retail Banking		Corporate Banking	
	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021	30 Sep 2022	31 Dec 2021
Ratio of doubtful receivables to exposures, %	5.00	5.31	6.37	6.57	1.93	2.29
Ratio of non-performing exposures to exposures, %	2.36	2.37	2.68	2.61	1.61	1.77
Ratio of performing forborne exposures to exposures, %	2.64	2.93	3.69	3.95	0.31	0.52
Ratio of performing forborne exposures to doubtful receivables, %	52.8	55.3	57.9	60.2	16.3	22.9
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	12.3	11.9	7.6	7.5	41.1	41.5

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



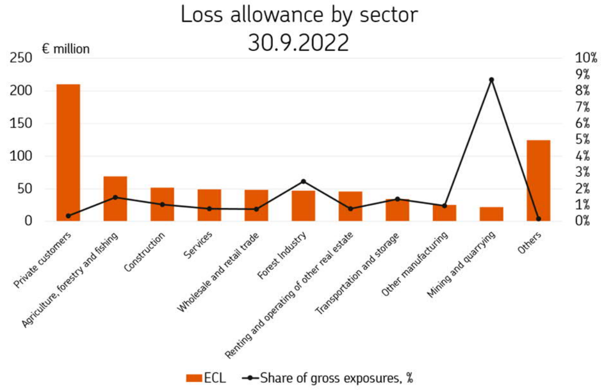
The graph shows the distribution of OP Financial Group's corporate loans by sector as percentages at the end of the reporting period.

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 305 million (355) and as the effect of a one-percentage point decrease EUR –311 million (–62) on the average per year. 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.

Corporate Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR –20 million (36) and as the effect of a one-percentage point decrease EUR 17 million (74) on the average per year.

Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 44.3 billion (43.0) at the end of September. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Loss allowance by sector



The graph shows the loss allowance of different sectors and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period, 30 September 2022.

Insurance

Non-life insurance

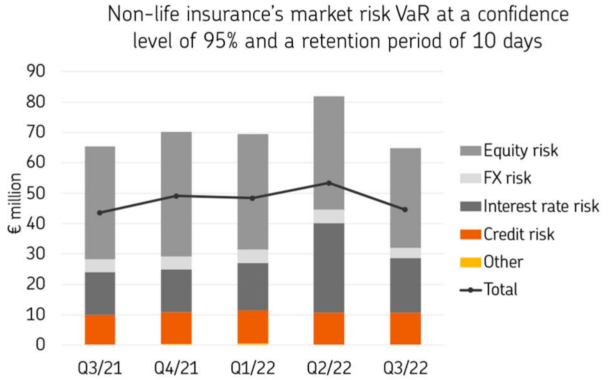
Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest 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 43 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 26 million (29).

No significant changes took place in non-life insurance's underwriting risks during the reporting period. Non-life insurance's significant market risks include the equity risk and the increasing insurance liability value and capital requirement resulting from lower market interest rates.

The market risk level of the investments of non-life insurance decreased during the third quarter. The decrease is explained by the decline in interest rate risk following the increase in the hedge ratio of interest rate risk associated with insurance liabilities, and the decline in equity risk following the decrease in equity weight and lower market values of equity investments. The VaR, a measure of market risk, was EUR 45 million (49) on 30 September 2022. VaR includes the company's investment balance including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities.

Non-life insurance's direct business transactions with Russia or Ukraine are minor, both in terms of insurance and investments. More significant business impacts arise from developments in the capital market.



Life insurance

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

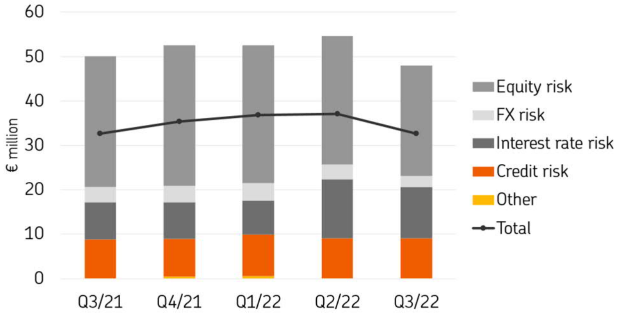
A one-year increase in life expectancy would increase insurance liability by EUR 25 million (28). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 17 million (26). The decrease in interest rate sensitivity is due to higher interest rates and the change in the cash flows of insurance liabilities.

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 264 million (292) on 30 September 2022.

The market risk level of the investments of life insurance decreased during the third quarter. This was due to the decline in equity risk following lower market values of equity investments. VaR, a measure of market risk, was EUR 33 million (35) on 30 September 2022. VaR includes life insurance's investment balance, including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation.

As regards investments related to the with-profit portfolio, life insurance's direct business transactions with Russia or Ukraine are minor. More significant business impacts arise from developments in the capital market. The geopolitical situation affects life insurance business also through the fact that some investment instruments comprising the underlying assets for unit-linked insurance have been closed.

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



Group Functions

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

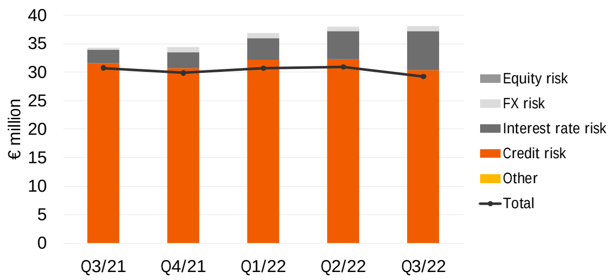
OP Financial Group's funding position and liquidity is strong.

Between January and September, OP Financial Group issued long-term bonds worth a total of EUR 5.5 billion (3.3), EUR 1.0 billion of which was a retained covered bond.

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

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) decreased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 29 million (30) on 30 September 2022. The VaR risk metric includes the long-term bond investments within the liquidity buffer and the derivative contracts that hedge their interest rate risks.

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



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

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 210% (255) at the end of the reporting period.

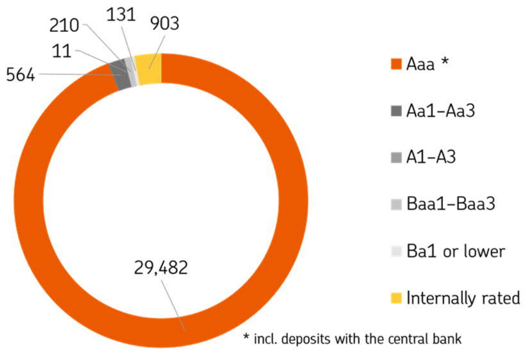
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 132% (131) at the end of the reporting period.

Liquidity buffer

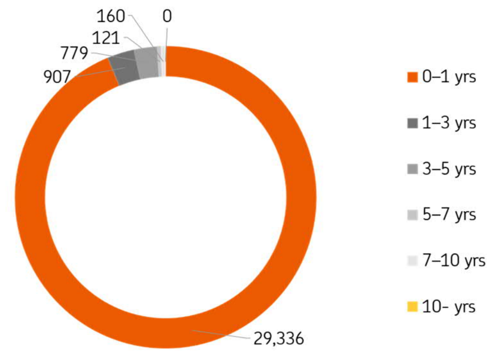
€ billion	30 Sep 2022	31 Dec 2021	Change, %
Deposits with central banks	27.7	32.6	-15.0
Notes and bonds eligible as collateral	2.4	4.0	-39.8
Total	30.2	36.7	-17.7
Receivables ineligible as collateral	1.1	1.0	15.9
Liquidity buffer at market value	31.3	37.6	-16.8
Collateral haircut	-0.4	-0.3	-
Liquidity buffer at collateral value	30.9	37.3	-17.1

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings. A repayment of EUR 4 billion of TLTRO III funding reduced the liquidity buffer from its year-end level. During the reporting period, corporate loans became ineligible as collateral for central banks. This reduced the collateral value of the liquidity buffer by EUR 4.0 billion.

Financial assets included in the liquidity buffer by credit rating on 30 September 2022, € million



Financial assets included in the liquidity buffer by maturity on 30 September 2022, € million



Credit ratings

OP Corporate Bank plc's credit ratings on 30 September 2022

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

Pohjola Insurance Ltd's financial strength ratings on 30 September 2022

Rating agency	Rating	Outlook
Standard & Poor's	A+	Stable
Moody's	A2	Stable

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

Financial performance by segment

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

Retail Banking

- Earnings before tax increased to EUR 335 million (224).
- Total income increased by 9.4% to EUR 1,416 million. Income from customer business increased by a total of 8.0%: net interest income increased by 10.7% to EUR 792 million and net commissions and fees by 4.1% to EUR 583 million.
- Total expenses increased by 2.7% to EUR 902 million. Personnel costs increased by 3.1% to EUR 332 million and other operating expenses by 3.5% to EUR 535 million.
- Impairment loss on receivables decreased to EUR 54 million (70). Non-performing exposures (gross) accounted for 2.7% (2.6) of the exposures.
- The loan portfolio increased by 0.4% and the deposit portfolio by 3.0% year on year.
- The most significant development investments focused on upgrading the account and financing systems and developing digital services.

Key figures and ratios

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Net interest income	792	715	10.7	959
Net commissions and fees	583	560	4.1	753
Net investment income	13	-5	-	-16
Other income	28	24	15.5	78
Total income	1,416	1,294	9.4	1,773
Personnel costs	332	322	3.1	447
Depreciation/amortisation and impairment loss	36	40	-9.9	69
Other operating expenses	535	517	3.5	705
Total expenses	902	878	2.7	1,221
Impairment loss on receivables	-54	-70	-	-84
OP bonuses to owner-customers	-125	-122	-	-165
Earnings before tax	335	224	49.6	304
Cost/income ratio, %	63.7	67.9	-4.1*	68.8
Ratio of non-performing exposures to exposures, %**	2.7	2.6	0.1*	2.6
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.10	0.13	-0.03*	0.12
Return on assets (ROA), %	0.36	0.25	0.11*	0.26
Return on assets, excluding OP bonuses, %	0.49	0.39	0.10*	0.40

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Home loans drawn down	6,106	6,534	-6.5	8,805
Corporate loans drawn down	2,071	1,711	21.0	2,639
No. of brokered residential property and property transactions	8,716	10,025	-13.1	13,177

€ billion	30 Sep 2022	30 Sep 2021	Change, %	31 Dec 2021
Loan portfolio				
Home loans	42.4	41.0	3.5	41.5
Corporate loans	8.4	8.1	3.7	8.2
Housing company and other loans	20.1	21.6	-6.6	21.3
Total loan portfolio	70.9	70.6	0.4	71.0
Guarantee portfolio	1.0	0.9	3.5	0.9
Other exposures	9.2	9.6	-4.0	9.6
Deposits				
Current and payment transfer deposits	42.2	41.3	2.3	41.4
Investment deposits	21.5	20.6	4.3	20.8
Total deposits	63.7	61.8	3.0	62.2

*Change in ratio

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

The impacts of inflation and higher interest rates on home buyers were reflected in home purchases. The volume of home and real property sales brokered by OP Koti real estate agents decreased by 13.1% year on year.

The loan portfolio grew by 0.4% to EUR 70.9 billion. New home loan drawdowns decreased by 6.5% year on year. The home loan portfolio grew by 3.5% to EUR 42.4 billion. The corporate loan portfolio increased by 3.7% to EUR 8.4 billion.

Customers' intense interest in buying interest rate protection for new home loans in the first half of the year decreased in the third quarter. However, customers are still interested in protecting their home loans, despite the fact that the price of the interest rate cap has increased due to higher market rates. On 30 September 2022, a total of 32.2% (29.6) of personal customers' home loans were covered by interest rate protection.

The deposit portfolio increased by 3.0% to EUR 63.7 billion. The increase came from current and payment transfer accounts as well as from investment deposits. Household deposits showed the strongest growth.

In April, OP Mortgage Bank issued a one-billion-euro green covered bond with a maturity of 5.5 years.

OP's customers' interest in saving and investing continued despite the uncertain business environment. OP mutual funds attracted 46,900 new unitholders, which accounted for 57% of total market growth. Almost 79% of the new unitholders selected responsible mutual funds. The number of OP mutual fund unitholders totalled 1,200,000 in gross terms. The Morningstar rating for OP mutual funds was 3.02 (3.08). In share trading, the number of executed orders was 5% higher than a year ago.

During the reporting period, the most significant development investments focused on upgrading the account and financing systems and developing digital services.

OP Financial Group's Pivo stood aside from the joint venture planned with Danske Bank's MobilePay and the Norwegian Vipps. The venture would have provided a joint mobile payment platform for users of three services. OP Financial Group's Pivo withdrew from the project due to issues presented in a market study by the EU's competition authorities.

In February, digital home sales expanded to real property sales; OP Koti real estate agents were the first in Finland to implement this system. Digital sale and purchase of housing company shares began in 2019.

In March, OP introduced the Google Pay service to its customers in Finland. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores.

At the end of September, the number of OP cooperative banks was 115 (121). Merger projects between OP cooperative banks are underway in different parts of Finland.

Financial performance for the reporting period

Retail Banking earnings before tax were EUR 335 million (224). Total income increased by 9.4% to EUR 1,416 million. Net interest income increased by 10.7% to EUR 792 million due to higher interest rates. Net commissions and fees increased by 4.1% to EUR 583 million mainly due to the increase in commissions from the sale of interest rate protection products and from the card business and payment transactions.

Total expenses increased by 2.7% to EUR 902 million. Personnel costs increased by 3.1% to EUR 332 million and other operating expenses by 3.5% to EUR 535 million, mainly as a result of a higher stability contribution. Depreciation/amortisation and impairment loss decreased by 9.9% year on year, to EUR 36 million.

Impairment loss on receivables decreased by 22.9% to EUR 54 million. Final net loan losses recognised for the reporting period totalled EUR 23 million (54). Non-performing exposures accounted for 2.7% (2.6) of the exposures.

OP bonuses to owner-customers increased by 2.3% to EUR 125 million.

Corporate Banking

- Earnings before tax decreased to EUR 220 million (356).
- Total income decreased by 22.6% to EUR 490 million. Net interest income increased by 9.4% to EUR 334 million, net commissions and fees decreased by 13.7% to EUR 124 million and net investment income decreased by 86.3% to EUR 18 million.
- Total expenses increased by 0.3% to EUR 239 million. Other operating expenses rose by 3.3% to EUR 166 million due to a higher stability contribution.
- In the year to September, the loan portfolio grew by 14.8% to EUR 28.0 billion and deposits decreased by 6.1% to EUR 13.8 billion. Assets under management decreased by 14.2% from the 2021-end level, to EUR 70.7 billion.
- Impairment loss on receivables totalled EUR 16 million (25). Non-performing exposures (gross) accounted for 1.6% (1.9) of the exposures.
- The most significant development investments involved the upgrades of payment and asset management systems.

Key figures and ratios

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Net interest income	334	305	9.4	414
Net commissions and fees	124	144	-13.7	204
Net investment income	18	130	-86.3	171
Other income	14	53	-73.9	97
Total income	490	633	-22.6	886
Personnel costs	66	67	-1.3	93
Depreciation/amortisation and impairment loss	7	10	-36.3	14
Other operating expenses	166	161	3.3	211
Total expenses	239	238	0.3	318
Impairment loss on receivables	-16	-25	-	-74
OP bonuses to owner-customers	-15	-14	-	-20
Earnings before tax	220	356	-38.3	474
Cost/income ratio, %	48.7	37.6	-11.1*	35.9
Ratio of non-performing exposures to exposures, %	1.6	1.9	-0.3*	1.8
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.07	0.12	-0.05*	0.25
Return on assets (ROA), %	0.70	1.25	-0.55*	1.24
Return on assets, excluding OP bonuses, %	0.75	1.3	-0.55*	1.29

€ billion	30 Sep 2022	30 Sep 2021	Change, %	31 Dec 2021
Loan portfolio				
Corporate loans	15.9	14.6	8.9	14.5
Housing company and other loans	12.2	9.7	25.3	11.2
Total loan portfolio	28.0	24.4	14.8	25.7
Guarantee portfolio	3.4	3.1	8.4	3.5
Other exposures	5.7	5.8	-0.2	5.7
Deposits	13.8	14.7	-6.1	15.6
Assets under management (gross)				
Mutual funds	26.9	31.4	-14.1	32.5
Institutional clients	35.8	38.7	-7.6	38.3
Private Banking	7.9	11.1	-28.5	11.5
Total (gross)	70.7	81.2	-12.9	82.3

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Net inflows				
Private Banking clients	14	-123	-	-174
Institutional clients	-402	286	-	76
Total net inflows	-388	163	-	-98

*Change in ratio

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

In the year to September, the loan portfolio increased by 14.8% to EUR 28.0 billion and the deposit portfolio decreased by 6.1% to EUR 13.8 billion.

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

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 4.6 billion (3.0). The number of sustainability-linked loans increased during the reporting period, showing a major increase year on year. Corporate Banking has also strengthened its role as a sustainable finance advisor in the preparation work of sustainable finance frameworks for its customers.

Within asset management, net assets inflow was EUR –388 million (163). Assets under management by Corporate Banking decreased by 14.2% to EUR 70.7 billion from their year-end level. Assets under management included about EUR 23 billion (25) in assets of the companies belonging to OP Financial Group.

Despite the challenging market conditions, interest in OP mutual funds has remained strong: clients' subscriptions for units in these mutual funds exceeded EUR 2 billion during the reporting period.

The number of clients making currency hedges, and volumes on a per client basis have increased as a result of persistent high inflation, geopolitical risks and the uncertain economic situation.

OP Corporate Bank's direct exposures to Russia are small. Russia's aggressive war in Ukraine indirectly increased impairment loss on receivables in the first quarter.

Higher interest rates and lower stock prices decreased investment income and reduced assets under management.

Financial performance for the reporting period

Corporate Banking earnings before tax were EUR 220 million (356). Total income decreased to EUR 490 million (633) and total expenses increased to EUR 239 million (238). The cost/income ratio was 48.7% (37.6).

Net interest income increased by 9.4% to EUR 334 million. Corporate Banking's net commissions and fees totalled EUR 124 million (144). OP Financial Group's internal commission expenses increased.

Corporate Banking segment's net commissions and fees

€ million	Q1–3/ 2022	Q1–3/ 2021	Change, %
Mutual funds	97	100	-2.7
Asset management	11	11	-0.1
Other	16	33	-51.2
Total	124	144	-13.7

Net investment income decreased to EUR 18 million (130). Value change arising from market changes in derivative contracts between OP Corporate Bank and OP Financial Group cooperative banks reduced income from derivatives business by EUR 82 million. A year ago, the value change improved income from derivatives business by EUR 8 million.

Total expenses increased by 0.3% to EUR 239 million. Personnel costs decreased by 1.3% to EUR 66 million. Other operating expenses increased by 3.3% to EUR 166 million. The stability contribution increased by 26.2% to EUR 31 million.

Impairment loss on receivables totalled EUR 16 million (25). Non-performing exposures accounted for 1.6% (1.9) of the exposures.

Insurance

- Earnings before tax decreased to EUR 319 million (380).
- Non-life insurance premium revenue increased by 5.0% to EUR 1,208 million and claims incurred increased by 5.3% to EUR 669 million. Claims incurred, excluding the increase in the discount rate, increased by 20.4% to EUR 765 million.
- Expenses decreased year on year to EUR 343 million (353).
- Investment income totalled EUR 31 million (135). Investment income excluding the item corresponding to the increase in the discount rate of insurance liabilities totalled EUR 127 million (135). Net return on investments at fair value reported by non-life insurance was EUR 41 million (136) and that by life insurance EUR –53 million (102).
- In life insurance, unit-linked insurance assets decreased by 13.8% to EUR 11.4 billion from the 2021-end level. Premiums written in term life insurance grew by 6.4%.
- Development investments focused on upgrading the core systems, improving the accessibility of web and mobile services and enhancing opportunities to buy insurance products.
- Pohjola Insurance focuses on its core business and sold its hospital business in early 2022.

Key figures and ratios

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Net insurance income	564	552	2.2	754
Net commissions and fees	55	62	-11.0	96
Net investment income	-161	184	-187.8	288
Other net income	28	0	-	-2
Total income	485	797	-39.1	1,135
Personnel costs	109	116	-5.9	160
Depreciation/amortisation and impairment loss	39	44	-11.8	66
Other operating expenses	195	193	0.8	267
Total expenses	343	353	-3.0	493
OP bonuses to owner-customers	-16	-16	-	-21
Overlay approach	192	-48	-	-117
Earnings before tax	319	380	-16.0	504
Return on assets (ROA), %	1.44	1.69	-0.25*	1.64
Return on assets, excluding OP bonuses, %	1.51	1.76	-0.25*	1.71

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance business. The segment includes Pohjola Insurance Ltd and OP Life Assurance Company Ltd. Pohjola Hospital became part of Pihlajalinna on 1 February 2022. OP Financial Group recognised a capital gain of EUR 32 million on the sale.

Financial performance for the reporting period

Earnings before tax totalled EUR 319 million (380). Net insurance income increased by 2.2% to EUR 564 million. The non-life insurance discount rate was increased from 0.85% to 1.2%, which increased net insurance income by EUR 96 million. An item corresponding to the change in the discount rate was shown as negative value change in net investment income. Total expenses were lower than a year ago at EUR 343 million (353). The sale of the hospital business reduced expenses by EUR 28 million.

Investment income totalled EUR 31 million (135), including the overlay approach. Investment income excluding the item corresponding to the aforementioned increase in the discount rate of insurance liabilities totalled EUR 127 million (135).

Capital gains/losses on investment amounted to EUR –2 million (62) in non-life insurance and to EUR –1 million (53) in life insurance.

Investment income

€ million	Q1–3/2022	Q1–3/2021
At fair value through other comprehensive income	18	43
At fair value through profit or loss	-1,134	5
Amortised cost	-4	0
Life insurance items*	962	137
Unwinding of discount**	-14	-13
Associated companies	11	12
Net investment income	-161	184
Overlay approach	192	-48
Total	31	135

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

Non-life insurance operating result

Non-life insurance's earnings stood at EUR 261 million (295). The increase in the discount rate increased net insurance income by EUR 96 million. Operational balance weakened as a result of higher claims incurred. Other income includes a capital gain on the sale of Pohjola Hospital. Investment income includes value changes in insurance liability hedges.

€ million	Q1–3/2022	Q1–3/2021	Change, %
Insurance premium revenue	1,208	1,151	5.0
Claims incurred	765	635	20.4
Operating expenses	317	306	3.6
Balance on technical account, operational	126	210	-40.0
Increase in discount rate	96	0	-
Balance on technical account	222	210	5.9
Investment income and expenses	-98	117	-183.4
Other income and expenses	26	-8	423.6
Overlay approach	111	-24	573.0
Earnings before tax	261	295	-11.6
Operating combined ratio	89.6	81.8	
Operating risk ratio	63.3	55.2	
Operating cost ratio	26.2	26.6	

Non-life insurance: premium revenue

€ million	Q1–3/2022	Q1–3/2021	Change, %
Personal customers	682	656	3.9
Corporate customers	526	495	6.3
Total	1,208	1,151	5.0

Premium revenue increased by 5.0% to EUR 1,208 million. Among personal customers, the number of loyal customer households increased. Premium revenue from corporate customers increased by 6.3%. Claims incurred, excluding the increase in the discount rate, increased by 20.4% to EUR 765 million. The number of insurance claims is gradually reaching its pre-pandemic level. Difficult road conditions in early 2022 and large claims also increased claims incurred.

The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 90 (82) in January–September, with their claims incurred retained for own account totalling EUR 137 million (74). Changes in claims for previous years, excluding the effect of the discount rate rise, improved the balance on technical account by EUR 4 million (65). The non-life insurance operating risk ratio, excluding indirect loss adjustment expenses, was 63.3% (55.2). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 19 million (15).

In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 26.2% (26.6). Higher ICT costs and sales commissions increased operating expenses.

Operating combined ratio reported by non-life insurance weakened to 89.6% (81.8).

Non-life insurance: key investment indicators

€ million	Q1–3/2022	Q1–3/2021
Net return on investments, € million*	41	136
Return on investments at fair value, %	-11.6	1.0
Fixed income investments' running yield, %	1.1	0.9
	30 Sep 2022	31 Dec 2021
Investment portfolio, € million	3,668	4,287
Investments within the investment grade category, %	91	92
At least A-rated receivables, %	55	54
Modified duration	2.8	3.3

*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 operating result

The exceptional uncertainty in the capital market was reflected negatively in unit-linked insurance assets and net investment income. Unit-linked insurance assets, EUR 11.4 billion, were 13.8% lower than on 31 December 2021. Net asset inflow of unit-linked insurance contracts amounted to EUR 160 million (361). The amount of life insurance surrenders increased as a result of uncertainties in the capital market. Premiums written in term life insurance grew by 6.4%.

Earnings before tax decreased to EUR 49 million (92) due to lower net investment income and higher expenses. Earnings from customer business were at the previous year's level at EUR 41 million (41).

€ million	Q1–3/2022	Q1–3/2021	Change, %
Net risk results	26	23	14.9
Net investment income	-73	76	-
Net commissions and fees	81	81	-0.3
Total income	34	180	-81.1
Personnel costs	10	8	25.2
Depreciation/amortisation and impairment loss	15	16	-7.3
Other operating expenses	28	25	9.9
Total expenses	52	49	6.7
OP bonuses	-14	-14	1.0
Overlay approach	81	-25	-
Earnings before tax	49	92	-47.1
Operating ratio	39.9	36.1	

Life insurance: key investment indicators*

€ million	Q1–3/2022	Q1–3/2021
Net return on investments, € million**	-53	102
Return on investments at fair value, %	-16.4	0.0
Fixed income investments' running yield, %	1.2	0.9
	30 Sep 2022	31 Dec 2021
Investment portfolio, € million	3,318	3,646
Investments within the investment grade category, %	90	94
A-rated receivables, minimum, %	52	56
Modified duration	2.5	3.0

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

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. In life insurance, the net change in short-term supplementary interest rate provisions was EUR –12 million (1). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 55 million (355) on 30 September 2022. Short-term supplementary interest rate provisions accounted for EUR 34 million (45) of these provisions.

Group Functions

Key figures and ratios

€ million	Q1–3/2022	Q1–3/2021	Change, %	Q1–4/2021
Net interest income	-21	-65	-	10
Net commissions and fees	-1	0	-	-2
Net investment income	-1	-7	-	-5
Other operating income	495	513	-3.4	684
Total income	473	441	7.2	687
Personnel costs	142	152	-7.1	216
Depreciation/amortisation and impairment loss	79	99	-20.4	137
Other operating expenses	268	260	3.2	444
Total expenses	489	511	-4.5	797
Impairment loss on receivables	0	0	-	0
Earnings before tax	-16	-70	-	-109

The Group Functions segment (previously the Other Operations segment) consists of OP Cooperative's functions tasked with the support and assurance of business segments, as well as OP Corporate Bank plc's treasury functions.

Financial performance for the reporting period

Group Functions earnings before tax were EUR –16 million (–70). Total income increased by 7.2% to EUR 473 million.

Net interest income was EUR –21 million (–65). Net interest income was increased by a better year-on-year result of the market risk position and by the elimination of the cost of subordinated loans matured after the corresponding period a year ago.

Net investment income was EUR –1 million (–7). Other operating income decreased by 3.4% to EUR 495 million. Other operating income mainly includes OP Financial Group's intra-group items.

Total expenses decreased by 4.5% to EUR 489 million. Personnel costs decreased by 7.1% to EUR 142 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 20.4% to EUR 79 million. Other operating expenses increased by 3.2% to EUR 268 million. ICT costs increased by 10.0% to EUR 193 million.

On 30 September 2022, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding and covered bonds was 26 basis points (25).

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

Between January and September, OP Financial Group issued long-term bonds worth a total of EUR 5.5 billion (3.3), EUR 1.0 billion of which was a retained covered bond.

OP Financial Group's TLTRO III funding totalled EUR 12 billion (16) at the end of September. The interest rate for TLTRO III funding for each loan after 23 June 2022 is the average of the ECB's deposit facility rate for the entire loan term.

ICT investments

OP Financial Group invests in developing its operations and improving customer experience on an ongoing basis. The central cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments make up a significant portion of the costs of developing these services.

OP Financial Group's development expenditure for January–September totalled EUR 222 million (193). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 70 million (65). More detailed information on OP Financial Group's investments can be found in each business segment's text section in this Interim Report.

Personnel

On 30 September 2022, OP Financial Group had 12,958 employees (13,079). The number of employees averaged 13,104 (13,009). The number of employees decreased during the reporting period as a result of the sale of Pohjola Hospital. The number of employees increased in areas such as sales, customer service, service development, risk management and compliance.

Personnel at period end

	30 Sep 2022	31 Dec 2021
Retail Banking	7,428	7,108
Corporate Banking	972	898
Insurance	2,344	2,550
Group Functions	2,214	2,523
Total	12,958	13,079

During the reporting period, 185 OP Financial Group employees (185) retired at an average age of 62.7 years (61.9).

Variable remuneration applied by OP Financial Group in 2022 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and in the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

Changes in OP Financial Group's structure

OP Financial Group's consolidated accounts at the end of the reporting period included the accounts of 115 OP cooperative banks (121) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Luhangan Osuuspankki merged into Keski-Suomen Osuuspankki on 28 February 2022.

Luopioisten Osuuspankki merged into Kangasalan Seudun Osuuspankki on 31 March 2022.

Sastamalan Osuuspankki and Satapirkan Osuuspankki merged into Satakunnan Osuuspankki on 30 April 2022. Consequently, the business name of Satakunnan Osuuspankki was changed to Satapirkan Osuuspankki.

Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki merged into Helsinki Area Cooperative Bank on 31 July 2022. Consequently, the business name of Helsinki Area Cooperative Bank was changed to Uudenmaan Osuuspankki.

On 5 May 2022, Peräseinäjoen Osuuspankki and Alavuden Seudun Osuuspankki approved a merger plan, according to which the former will merge into the latter. The planned date for the execution of the merger is 31 October 2022. Consequently, the business name of Alavuden Seudun Osuuspankki will change to Sydänmaan Osuuspankki.

On 19 May 2022, Askolan Osuuspankki, Kärkölän Osuuspankki, Mäntsälän Osuuspankki, Pukkilan Osuuspankki and Orimattilan Osuuspankki approved merger plans according to which Askolan Osuuspankki, Kärkölän Osuuspankki, Mäntsälän Osuuspankki and Pukkilan Osuuspankki will merge into Orimattilan Osuuspankki. The planned date for the execution of the mergers is 31 December 2022. Consequently, the business name of Orimattilan Osuuspankki will change to Ylä-Uudenmaan Osuuspankki.

On 21 June 2022, Miehikkälän Osuuspankki and Länsi-Kymen Osuuspankki approved a merger plan, according to which the former will merge into the latter. The planned date for the execution of the merger is 31 December 2022.

On 22 June 2022, Osuuspankki Kantrisalo and Lounaismaan Osuuspankki approved a merger plan according to which the former will merge into the latter. The planned date for the execution of the merger is 31 December 2022.

On 18 August 2022, Kiteen Seudun Osuuspankki, Rääkkylän Osuuspankki and Pohjois-Karjalan Osuuspankki approved merger plans according to which Kiteen Seudun Osuuspankki and Rääkkylän Osuuspankki will merge into Pohjois-Karjalan Osuuspankki. The planned date for the execution of the mergers is 31 March 2023.

On 22 September 2022, Pohjolan Osuuspankki, Tornion Osuuspankki and Oulun Osuuspankki approved merger plans according to which Pohjolan Osuuspankki and Tornion Osuuspankki will merge into Oulun Osuuspankki. The planned date for the execution of the mergers is 30 April 2023.

Consequently, the business name of Oulun Osuuspankki will change to Pohjolan Osuuspankki.

Changes in OP Cooperative Consolidated's structure

Pohjola Insurance Ltd has sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price was EUR 32 million. The Finnish Competition and Consumer Authority approved the corporate transaction on 14 January 2022. Pohjola Hospital became part of Pihlajalinna on 1 February 2022.

Following the merger of Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki into Helsinki Area Cooperative Bank on 31 July 2022, OP Cooperative's control over Helsinki Area Cooperative Bank ended, and the post-merger bank, Uudenmaan Osuuspankki, is no longer part of OP Cooperative Consolidated.

Governance of OP Cooperative

On 2 December 2021, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to 31 December 2022. In addition, according to the bylaws of OP Cooperative, the President and Group CEO is a Board member during their term of office.

The following members will continue on the Board in 2022: Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Jari Himanen (Managing Director, Suur-Savon Osuuspankki), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (rahoitusneuvos; Finnish honorary title); Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki) and Mervi Väisänen (Senior Lecturer in Marketing, Kajaani University of Applied Sciences).

In addition, the Supervisory Council elected Petri Sahlström, D.Sc. (Econ. & Bus. Adm.), to the Board of Directors as a new member. Leif Enberg stepped down from the Board of Directors on 31 December 2021.

On 3 January 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 26 April 2022, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Managing Director Mika Helin, Bachelor of Hospitality Management, MBA Mervi Hinkkanen, Managing Director Raili Hyvönen, Development Manager Mika Kainusalmi, Managing Director Kaisa Markula, Managing Director Ulf Nylund, Managing Director Teuvo Perätalo, entrepreneur Timo Syrjälä and Managing Director Pauliina Takala.

New Supervisory Council members elected were M.Sc. Eeva Harju, Municipal Manager Tuomas Lohi, Managing Director Kari Mäkelä, Managing Director Leena Selkee and farmer Janne Tiiri.

At its reorganising meeting on 26 April 2022, the Supervisory Council elected the presiding officers of the Supervisory Council. Chair of the Board of Directors Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2022, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Outlook towards the year end

The economic outlook dimmed during the third quarter. Nevertheless, the financial situation among households and companies still remained good.

Market interest rates have risen exceptionally fast in recent months, as central banks have raised their key interest rates. Central banks are expected to continue to tighten their monetary policy in the months to come. Uncertainty in the financial market has increased considerably, credit spreads have widened and stock prices fallen. Uncertainty related to the economic outlook remains exceptionally high. Economic growth is anticipated to slow down, as demand in the home market and export demand go down.

OP Financial Group's earnings before tax for 2022 are expected to be at about the same level or higher than in 2021, due to an increase in market rates.

Earnings performance continues to be affected by major uncertainty. Rising inflation and the war in Ukraine, including its indirect effects, weaken the predictability associated with the economy and OP Financial Group's profit performance.

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

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below. The formulas for the key figures and ratios can be derived from the figures presented in this Interim Report, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula		Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income	x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Investment income	Net investment income + Overlay approach		The figure describes the development of all investment income. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity.
Loan portfolio	Balance sheet item Receivables from customers		The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end	x 100	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers		Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.
Income from customer business	Net interest income + net insurance income + net commissions and fees		Income from customer business describes the development of net interest income, net insurance income and net commissions and fees. Income directly from customers is presented mainly under these items.

Non-life insurance:

Operating loss ratio, %	$\frac{\text{Claims incurred excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$	The ratio describes how much of the insurance premium revenue is spent on claims paid and claims management. The ratio is calculated after reinsurers' share.
Operating expense ratio, %	$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$	The ratio describes how much of the insurance premium revenue is spent on operating expenses (insurance acquisition, management and administration costs). The ratio is calculated after reinsurers' share.
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	The combined ratio is a key indicator of efficiency for non-life insurance companies. The ratio describes whether the insurance premium revenue is sufficient to cover the company's expenses during the reporting period.
Operating risk ratio (excl. unwinding of discount), %	$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue, excl. changes in reserving bases}} \times 100$	The ratio describes how much of the insurance premium revenue is spent on claims paid. The ratio is calculated after reinsurers' share.
Operating cost ratio, %	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue, excl. changes in reserving bases}} \times 100$	The ratio describes the ratio of the company's operating costs (acquisition, management, administration and claims settlement expenses) to its insurance premium revenue.

Life insurance:

Operating ratio, %	$\frac{\text{Total expenses}}{\text{Expense loading + refund of management fee}} \times 100$	The ratio describes the company's efficiency, or how well the expenses charged on insurance policies and the management fee refunds received on insurance policies cover the company's operating expenses.
Earnings from customer business	Earnings before tax – Net investment income (incl. overlay approach)	The ratio describes the development of customer business in life insurance. Income directly from customers is presented mainly in this key ratio.

Key indicators based on a separate calculation

Capital adequacy ratio, %	$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	$\frac{\text{Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Solvency ratio, %	$\frac{\text{Capital base}}{\text{Solvency capital requirement (SCR)}} \times 100$	The ratio describes an insurance company's solvency and shows the ratio of the capital base to the total risk exposure amount.
Leverage ratio, %	$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.

Liquidity coverage requirement (LCR), %	$\frac{\text{Liquid assets}}{\text{Liquidity outflows – liquidity inflows under stressed conditions}} \times 100$	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates*	$\frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's total minimum capital requirement}} \times 100$	The ratio describes the capital adequacy of the financial conglomerate and shows the ratio of the capital base to the minimum amount of the capital base.
Ratio of non-performing exposures to exposures, %	$\frac{\text{Non-performing receivables (gross)}}{\text{Exposures at period end}} \times 100$	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of doubtful receivables to exposures, %	$\frac{\text{Doubtful receivables (gross)}}{\text{Exposures at period end}} \times 100$	The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forborne exposures, doubtful receivables include non-performing 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. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of performing forborne exposures to exposures, %	$\frac{\text{Performing forborne exposures (gross)}}{\text{Exposures at period end}} \times 100$	The ratio describes the ratio of forborne exposures to the entire exposure portfolio. 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 forborne exposures.
Ratio of performing forborne exposures to doubtful receivables, %	$\frac{\text{Performing forborne exposures (gross)}}{\text{Doubtful receivables at period end}} \times 100$	The ratio describes the ratio of performing forborne exposures to doubtful receivables that include not only performing forborne exposures but also non-performing exposures. 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 forborne exposures.
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	Loss allowance for receivables from customers in the balance sheet / Doubtful receivables at period end	x 100	The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forborne exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio		The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities		The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

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

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	30 Sep 2022	31 Dec 2021
OP Financial Group's equity capital	14,057	14,184
Effect of insurance companies on the Group's shareholders' equity is excluded	-581	-988
Fair value reserve, cash flow hedge	314	-96
Common Equity Tier 1 (CET1) before deductions	13,790	13,101
Intangible assets	-329	-351
Excess funding of pension liability and valuation adjustments	-280	-132
Cooperative capital deducted from capital base	-5	-160
Planned profit distribution	-144	-96
Shortfall of ECL minus expected losses	-414	-356
Insufficient coverage for non-performing exposures	-67	-41
CET1 capital	12,551	11,965
Tier 1 capital (T1)	12,551	11,965
Debenture loans	1,308	1,308
Debentures to which transitional provision applies	100	141
Tier 2 capital (T2)	1,408	1,448
Total capital	13,959	13,413

Risk exposure amount, € million	30 Sep 2022	31 Dec 2021
Credit and counterparty risk	59,837	57,267
Standardised Approach (SA)	7,816	4,822
Central government and central banks exposure	443	298
Credit institution exposure	497	5
Corporate exposure	4,770	3,179
Retail exposure	1,213	1,142
Mortgage-backed exposure	146	1
Defaulted exposure	72	45
Covered bonds	549	
Collective investment undertakings (CIU)	0	0
Equity investments	1	6
Other	124	146
Internal Ratings-based Approach (IRB)	52,021	52,446
Credit institution exposure		1,191
Corporate exposure	29,684	29,808
Retail exposure	12,350	13,320
Equity investments	8,964	7,112
Other	1,023	1,015
Risks of the CCP's default fund	0	
Securitisations	116	94
Market and settlement risk (Standardised Approach)	1,488	1,380
Operational risk (Standardised Approach)	3,851	3,786
Valuation adjustment (CVA)	171	204

Other risks*	5,362	3,000
Total risk exposure amount	70,826	65,731

* Addition of risk-weighted assets based on the Standardised Approach

The presentation of the risk exposure amount table has been changed. Comparatives for the changed items have been adjusted to correspond to the new presentation.

Ratios, %	30 Sep 2022	31 Dec 2021
CET1 capital ratio	17.7	18.2
Tier 1 ratio	17.7	18.2
Capital adequacy ratio	19.7	20.4

Ratios, fully loaded, %	30 Sep 2022	31 Dec 2021
CET1 capital ratio	17.7	18.2
Tier 1 ratio	17.7	18.2
Capital adequacy ratio	19.6	20.2

Capital requirement, € million	30 Sep 2022	31 Dec 2021
Capital base	13,959	13,413
Capital requirement	9,755	9,041
Buffer for capital requirements	4,204	4,373

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

Leverage ratio, EUR million	30 Sep 2022	31 Dec 2021
Tier 1 capital (T1)	12,551	11,965
Total exposure	160,581	161,415
Leverage ratio, %	7.8	7.4

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

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

€ million	30 Sep 2022	31 Dec 2021
OP Financial Group's equity capital	14,057	14,184
Hybrid instruments and debenture loans	1,408	1,448
Other sector-specific items excluded from capital base	-301	-392
Goodwill and intangible assets	-1,067	-1,097
Insurance business valuation differences*	1,116	794
Proposed profit distribution	-144	-96
Items under IFRS deducted from capital base**	116	-181
Shortfall of ECL minus expected losses	-358	-330
Conglomerate's total capital base	14,827	14,331
Regulatory capital requirement for credit institutions***	9,437	8,111
Regulatory capital requirement for insurance operations*	1,163	1,672

Conglomerate's total minimum capital requirement	10,600	9,783
Conglomerate's capital adequacy	4,226	4,547
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	140	146

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

Transitional provisions have been taken into account in figures.

TABLES

Income statement

EUR million	Notes	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Net interest income	3	1,122	971	447	331
Net insurance income	4	553	542	169	215
Net commissions and fees	5	756	761	241	249
Net investment income	6	-73	253	40	-2
Other operating income		52	47	6	4
Total income		**2,410**	**2,573**	**905**	**796**
Personnel costs		647	656	197	195
Depreciation/amortisation		159	192	49	64
Other expenses	7	630	573	190	170
Total expenses		**1,436**	**1,420**	**435**	**429**
Impairment loss on receivables	8	-70	-95	30	-59
OP bonuses to owner-customers		-156	-152	-54	-53
Temporary exemption (overlay approach)		192	-48	35	42
Earnings before tax		**940**	**858**	**481**	**297**
Income tax expense		177	164	93	55
Profit for the period		**763**	**693**	**388**	**241**
Attributable to:					
Profit for the period attributable to owners		756	693	387	242
Profit for the period attributable to non-controlling interest		8	0	1	0
Profit for the period		**763**	**693**	**388**	**241**

Statement of comprehensive income

EUR million	Notes	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Profit for the period		**763**	**693**	**388**	**241**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		162	39	27	1
Change in revaluation reserve			15		15
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-502	-33	-88	2
Cash flow hedge		-511	-96	-169	-21
Temporary exemption (overlay approach)		-192	49	-35	-42
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-32	-8	-5	0
Change in revaluation reserve			-3		-3
Items that may be reclassified to profit or loss					
Measurement at fair value		100	7	18	0
Cash flow hedge		102	19	34	4
Temporary exemption (overlay approach)		39	-10	7	8
Total comprehensive income for the period		**-73**	**672**	**174**	**206**
Attributable to:					
Total comprehensive income for the period attributable to owners		-79	672	175	207
Total comprehensive income for the period attributable to non-controlling interests		8	0	1	0
Total		**-73**	**672**	**174**	**206**

Balance sheet

EUR million	Notes	30 Sep 2022	31 Dec 2021
Cash and cash equivalents		28,611	32,846
Receivables from credit institutions		841	541
Derivative contracts	17	4,531	3,467
Receivables from customers		98,892	96,947
Investment assets		20,591	22,945
Assets covering unit-linked contracts		11,326	13,137
Intangible assets		1,161	1,212
Property, plant and equipment (PPE)		442	446
Other assets		3,101	2,419
Tax assets		301	141
Non-current assets held for sale			8
Total assets		**169,797**	**174,110**
Liabilities to credit institutions		12,467	16,650
Derivative contracts		4,737	2,266
Liabilities to customers		79,221	77,898
Insurance liabilities	9	8,021	8,773
Liabilities from unit-linked insurance and investment contracts	10	11,417	13,210
Debt securities issued to the public	11	34,046	34,895
Provisions and other liabilities		3,389	3,134
Tax liabilities		1,048	1,109
Subordinated liabilities		1,393	1,982
Liabilities associated with non-current assets held for sale			8
Total liabilities		**155,740**	**159,926**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		216	215
Profit shares		3,290	3,244
Fair value reserve	12	-643	323
Other reserves		2,172	2,184
Retained earnings		8,891	8,090
Non-controlling interests		**131**	**128**
Total equity capital		**14,057**	**14,184**
Total liabilities and equity capital		**169,797**	**174,110**

Statement of changes in equity

	Attributable to owners						
EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2021	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**
Total comprehensive income for the period		-65	12	724	**672**	0	**672**
Profit for the period				693	**693**	0	**693**
Other comprehensive income		-65	12	31	**-21**		**-21**
Profit distribution				-94	**-94**	-6	**-100**
Change in membership and profit shares	57				**57**		**57**
Other				0	**0**	-5	**-5**
Balance at 30 September 2021	**3,231**	**317**	**2,184**	**7,878**	**13,610**	**126**	**13,736**

	Attributable to owners						
EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
Balance at 1 January 2022	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**
Total comprehensive income for the period		-966		885	**-80**	8	**-73**
Profit for the period				756	**756**	8	**763**
Other comprehensive income		-966		130	**-836**		**-836**
Profit distribution				-96	**-96**	-3	**-100**
Change in membership and profit shares	47				**47**		**47**
Transfer of reserves			-12	12			
Other				0	**0**	-1	**-1**
Balance at 30 September 2022	**3,506**	**-643**	**2,172**	**8,891**	**13,926**	**131**	**14,057**

Cash flow statement

EUR million	Q1–3 2022	Q1–3 2021
Cash flow from operating activities		
Profit for the period	763	693
Adjustments to profit for the period	50	533
Increase (-) or decrease (+) in operating assets	**-4,584**	**-2,147**
Receivables from credit institutions	-186	-18
Derivative contracts	-191	135
Receivables from customers	-3,718	-1,789
Assets covering unit-linked contracts	64	-397
Investment assets	-14	132
Other assets	-539	-209
Increase (+) or decrease (-) in operating liabilities	**-1,344**	**12,011**
Liabilities to credit institutions	-4,113	8,184
Derivative contracts	731	14
Liabilities to customers	2,299	3,619
Insurance liabilities	165	5
Liabilities from unit-linked insurance and investment contracts		263
Provisions and other liabilities	-426	-73
Income tax paid	-188	-117
Dividends received	78	64
A. Net cash from operating activities	**-5,225**	**11,037**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired		1
Disposal of subsidiaries, net of cash disposed	33	35
Purchase of PPP and intangible assets	-89	-84
Proceeds from sale of PPE and intangible assets	10	9
B. Net cash used in investing activities	**-45**	**-38**
Cash flow from financing activities		
Subordinated liabilities, change	-511	-252
Debt securities issued to the public, change	1,695	1
Increases in cooperative and share capital	211	183
Decreases in cooperative and share capital	-164	-126
Dividends and interest on cooperative capital	-100	-96
Lease liabilities	-25	-27
C. Net cash used in financing activities	**1,104**	**-317**
Net change in cash and cash equivalents (A+B+C)	**-4,166**	**10,683**
Cash and cash equivalents at period-start	**33,129**	**22,053**
Effect of foreign exchange rate changes	73	-105
Cash and cash equivalents at period-end	**29,036**	**32,630**
Interest received	**1,300**	**1,106**
Interest paid	**-278**	**-307**
Cash and cash equivalents		
Liquid assets	28,611	32,274
Receivables from credit institutions payable on demand	425	356
Total	**29,036**	**32,630**

Notes

1. Accounting policies
2. Segment reporting
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. Liabilities from unit-linked insurance and investment contracts
11. Debt securities issued to the public
12. Fair value reserve after income tax
13. Collateral given
14. Classification of financial assets and liabilities
15. Recurring fair value measurements by valuation technique
16. Off-balance-sheet commitments
17. Derivative contracts
18. Investment distribution of the Insurance segment
19. Related-party transactions

Note 1. Accounting policies

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the financial statements 2021.

Since the beginning of 2022, the new name of the Other Operations segment has been the Group Functions segment.

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

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

1. Critical accounting estimates and judgements

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

Expected credit losses

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

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

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

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

The actual measurement of ECL figures is performed using the ECL models without management judgement, except if it is mainly the question of a large corporate exposure in stage 2 or 3 and on the watch list, in which case the ECL is calculated using the cash flow based ECL method based on expert assessment.

Management overlays directly to the ECL figures (post-model adjustments) are intended only for temporary use until an unpredictable event caused by the overlay provision or circumstance could have been taken into account in the ECL models. The existing ECL models do not take account of the Environmental, Social and Governance (ESG) risks as a separate component.

Management judgement and estimates included in the calculation of expected credit losses in respect of other than that presented above are included in the 2021 financial statements.

Russia's aggressive war in Ukraine

Note 8. Impairment loss on receivables includes information on choices related to the war in Ukraine made in calculating expected credit losses.

Goodwill and assets with indefinite useful lives are subject to an annual impairment test or whenever there is any indication that the value of the cash-generating unit applied in testing may have lowered. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows. A total of EUR 629 million in goodwill and EUR 162 million in the value of brands are covered by impairment tests. In the reporting period, the cash flow forecasts of cash-generating units for the upcoming five years were updated, and the change was compared to the corresponding forecasts at the time of testing in 2021. Despite Russia's aggressive war in Ukraine, expectations on future cash flows did not change markedly during the reporting period, so there were no such indications of impairment that would have required the performance of new actual impairment tests.

2. Adoption of IFRS 17 Insurance Contracts

OP Financial Group will begin to apply IFRS 17 Insurance Contracts as of 1 January 2023, which is the mandatory effective date. Significant changes to OP Financial Group's accounting policies of the financial statements under IFRS are shown below.

Contracts issued by insurance companies are categorised and grouped into those subject to similar risks and managed together. Insurance contracts are measured at cohort level that is created by means of a product line, customer group and cohort year. Contracts are grouped further based on their level of profitability and if the group of contracts is onerous on initial recognition or the existing group becomes onerous, the loss is immediately recognised in the income statement.

Insurance contracts with no direct insurance participating contracts are measured using the General Measurement Approach (GMA). Insurance contracts with direct insurance participating contracts are measured using the Variable Fee Approach (VFA). Income of the group of contracts is presented in the row Insurance service income in the income statement, comprising the measurement of the following components: future cash flows, risk adjustment for non-financial risk and contractual service margin. Expense items related to the group of contracts are presented in the row Insurance service expenses. In the balance sheet, future cash flows related to contracts are presented in net terms and grouped into insurance contract liabilities or assets at portfolio level. The current presentation based on expense types in the income statement will change because, as a result of IFRS 17, a proportion of personnel costs, depreciation/amortisation and other operating expenses is included in the calculation of insurance liability under IFRS 17 and presented in Insurance service expenses.

OP Financial Group has made the following significant choices related to the accounting policies:

- Presenting financial income and expenses related to the insurance for the period through profit or loss, discounting curves are derived as the sum of the risk-free interest rate and the liquidity premium dependent on the characteristics of insurance contracts, extrapolating long-term interest rates. Similarly, investments related to insurance liability are reclassified in such a way that their fair value is presented through profit or loss.
- A risk mitigation alternative is used for certain contracts based on the VFA that are hedged according to the goal and strategy of the management of market risks in interest rate risk on the balance sheet.
- The Cost of Capital Method is used to determine risk adjustment.

In the transition to IFRS 17, the modified retrospective approach is applied to insurance contracts covering all types of short-term insurance contracts which usually have a coverage period of one year or sometimes a few years. The modification is especially used to adjust cash flows that have already realised and to determine the discount rate. Insofar as complete data are not in all respects available for applying the full retrospective approach, the modified retrospective approach, permitted by the standard, is applied to in situations where reasonable and supportable information can, however, be used that is available without undue cost or effort. The end results of the modified retrospective approach will quite closely correspond to those of the full retrospective approach.

Furthermore, a fair value transition method is applied to long-term life insurance contracts covering the contracts valid on the transition date. All contracts are grouped on a portfolio basis into one transition cohort. The full retrospective approach is the primary transition model, but it must be able to be applied without hindsight relating, for example, to data concerning cash flows received and paid before the transition, their estimates and changes itemised for each group of insurance contracts in view of the inception year of contracts.

As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreases by 50–200 million euros. OP Financial Group has specified the estimate during the third quarter. Solvency II valuations are used in FiCo calculation, so this change to OP Financial Group's equity capital will not affect the FiCo ratio.

3. Effective interest rate of TLTRO III loans

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

Note 2. Segment reporting

Segment information

Q3 earnings 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	792	334	-3	-21	20	1,122
of which internal net income before tax		-20		20		
Net insurance income			564		-11	553
Net commissions and fees	583	124	55	-1	-6	756
Net investment income	13	18	-161	-1	59	-73
Other operating income	28	14	31	495	-517	52
Total income	**1,416**	**490**	**485**	**473**	**-455**	**2,410**
Personnel costs	332	66	109	142	-1	647
Depreciation/amortisation	36	7	39	79	-1	159
Other operating expenses	535	166	195	268	-534	630
Total expenses	**902**	**239**	**343**	**489**	**-536**	**1,436**
Impairment loss on receivables	-54	-16	0	0	0	-70
OP bonuses to owner-customers	-125	-15	-16			-156
Temporary exemption (overlay approach)			192		0	192
Earnings before tax	**335**	**220**	**319**	**-16**	**82**	**940**

Value change arising from market changes in derivative contracts between Corporate Banking and Retail Banking is included in Group eliminations.

Q3 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	715	305	-1	-65	17	971
of which internal net income before tax		-5		5		
Net insurance income			552		-10	542
Net commissions and fees	560	144	62	0	-5	761
Net investment income	-5	130	184	-7	-50	253
Other operating income	24	53	1	513	-545	47
Total income	**1,294**	**633**	**797**	**441**	**-593**	**2,573**
Personnel costs	322	67	116	152	-1	656
Depreciation/amortisation	40	10	44	99	-2	192
Other operating expenses	517	161	193	260	-558	573
Total expenses	**878**	**238**	**353**	**511**	**-561**	**1,420**
Impairment loss on receivables	-70	-25	0	0	0	-95
OP bonuses to owner-customers	-122	-14	-16			-152
Temporary exemption (overlay approach)			-48		0	-48
Earnings before tax	**224**	**356**	**380**	**-70**	**-32**	**858**

Value change arising from market changes in derivative contracts between Corporate Banking and Retail Banking is included in Group eliminations.

Balance sheet 30 September 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	49	152		28,410		28,611
Receivables from credit institutions	28,896	306	1,762	14,852	-44,976	841
Derivative contracts	1,310	5,744	70	295	-2,887	4,531
Receivables from customers	70,892	28,048		328	-377	98,892
Investment assets	566	407	8,081	22,071	-10,534	20,591
Assets covering unit-linked contracts			11,326			11,326
Intangible assets	25	182	213	202	539	1,161
Property, plant and equipment (PPE)	294	4	7	141	-5	442
Other assets	563	1,742	1,330	-270	-264	3,101
Tax assets	122	2	120	23	33	301
Total assets	**102,718**	**36,589**	**22,909**	**66,051**	**-58,470**	**169,797**
Liabilities to credit institutions	12,852	-36	66	42,110	-42,524	12,467
Derivative contracts	1,595	5,685	101	379	-3,023	4,737
Liabilities to customers	63,704	13,819		4,219	-2,520	79,221
Insurance liabilities			8,021			8,021
Liabilities from unit-linked insurance and investments contracts			11,417			11,417
Debt securities issued to the public	15,611	1,369		21,780	-4,715	34,046
Provisions and other liabilities	818	211	406	2,131	-178	3,389
Tax liabilities	499	1	174	344	30	1,048
Subordinated liabilities		-46	380	1,439	-380	1,393
Total liabilities	**95,079**	**21,004**	**20,566**	**72,402**	**-53,310**	**155,740**
Equity						**14,057**

Balance sheet 31 December 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	57	183	0	32,606		32,846
Receivables from credit institutions	26,228	138	1,908	13,950	-41,683	541
Derivative contracts	324	3,441	85	271	-653	3,467
Receivables from customers	70,952	25,666	0	580	-251	96,947
Investment assets	624	492	9,472	21,714	-9,356	22,945
Assets covering unit-linked contracts			13,137			13,137
Intangible assets	27	189	768	234	-5	1,212
Property, plant and equipment (PPE)	299	4	13	137	-7	446
Other assets	397	567	988	827	-360	2,419
Tax assets	48	0	26	19	49	141
Non-current assets held for sale			8			8
Total assets	**98,957**	**30,679**	**26,405**	**70,337**	**-52,267**	**174,110**
Liabilities to credit institutions	12,196	111	68	43,439	-39,163	16,650
Derivative contracts	285	2,553	27	117	-715	2,266
Liabilities to customers	62,222	15,448		2,801	-2,573	77,898
Insurance liabilities			8,773			8,773
Liabilities from unit-linked insurance and investments contracts			13,210			13,210
Debt securities issued to the public	16,420	1,406		21,355	-4,286	34,895
Provisions and other liabilities	707	776	430	1,454	-232	3,134
Tax liabilities	471	11	226	399	1	1,109
Subordinated liabilities			380	1,994	-392	1,982
Liabilities associated with non-current assets held for sale			8			8
Total liabilities	**92,301**	**20,304**	**23,123**	**71,559**	**-47,360**	**159,926**
Equity						**14,184**

Note 3. Net interest income

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Interest income				
Receivables from credit institutions	11	1	10	0
Receivables from customers				
Loans	1,050	921	400	310
Finance lease receivables	22	24	8	8
Impaired loans and other commitments				
Total	1,072	945	408	318
Notes and bonds				
Measured at fair value through profit or loss	9	0	9	0
At fair value through other comprehensive income	43	39	18	13
Amortised cost	0	0	0	0
Total	52	39	26	13
Derivative contracts				
Fair value hedge	-88	-108	-13	-37
Cash flow hedge	33	38	10	13
Ineffective portion of cash flow hedge	-16	-2	-2	0
Total	-71	-73	-5	-24
Liabilities to credit institutions				
Negative interest	46	55	9	24
Liabilities to customers				
Negative interest	24	25	2	9
Other	13	8	4	2
Total	**1,146**	**1,000**	**455**	**342**
Interest expenses				
Liabilities to credit institutions	-3	0	-1	0
Liabilities to customers	19	10	12	2
Notes and bonds issued to the public	108	110	47	35
Subordinated liabilities				
Subordinated loans		0	0	0
Other	26	45	8	15
Total	26	45	8	15
Derivative contracts				
Cash flow hedge	-190	-198	-57	-62
Other	-24	-27	-11	-8
Total	-214	-225	-68	-71
Receivables from credit institutions				
Negative interest	75	85	8	33
Other	5	4	2	1
Total	**16**	**29**	**8**	**16**
Net interest income before fair value adjustment under hedge accounting	**1,130**	**971**	**447**	**327**
Hedging derivatives	-309	-152	-117	-33
Value changes of hedged items	301	153	118	36
Total	**1,122**	**971**	**447**	**331**

Note 4. Net insurance income

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Net insurance premium revenue				
Premiums written	1,325	1,271	307	293
Insurance premiums ceded to reinsurers	3	-2	-3	3
Change in provision for unearned premiums	-147	-140	114	112
Reinsurers' share	16	12	-7	-11
Total	1,197	1,141	410	398
Net non-life insurance claims				
Claims paid	-753	-663	-237	-233
Insurance claims recovered from reinsurers	24	42	3	29
Change in provision for unpaid claims	-91	5	-127	38
Reinsurers' share	152	-2	113	-22
Total	-667	-617	-248	-189
Other non-life insurance items	-3	-4	-1	-2
Life insurance risk premiums collected	26	23	8	8
Total	**553**	**542**	**169**	**215**

Note 5. Net commissions and fees

Q1–3 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q3 2022
Commission income							
Lending	81	34		0	-1	115	36
Deposits	16	2		0	0	19	7
Payment transfers	224	23		8	-9	245	86
Securities brokerage	6	18			-6	18	4
Securities issuance	0	4		0	0	4	1
Mutual funds	35	180	65	0	-83	197	65
Asset management	19	20		1	-10	30	7
Legal services	21	0			0	21	6
Guarantees	9	10		0	0	19	6
Housing service	56				0	56	18
Insurance brokerage	75		23		-53	45	9
Life insurance total expense loadings			66			66	22
Health and wellbeing services			1			1	
Other	70	6	0	2	-68	11	3
Total	**613**	**297**	**155**	**10**	**-229**	**845**	**272**
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	23	2	1	1	-7	20	7
Securities brokerage		3	0	0	0	4	1
Securities issuance	0	2		0	-2	0	0
Mutual funds		83	0		-83	0	0
Asset management		7	0	3		10	3
Guarantees		0			0	0	0
Insurance brokerage	-4		98		-53	41	14
Health and wellbeing services			0		0	0	
Other	11	74		6	-77	14	4
Total	**30**	**172**	**99**	**11**	**-224**	**89**	**30**
Total net commissions and fees	**583**	**124**	**55**	**-1**	**-6**	**756**	**241**

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

Note 6. Net investment income

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	30	28	11	9
Other income and expenses	-5	-1	-3	0
Capital gains and losses	-4	10	-2	0
Currency fair value gains and losses	11	13	5	6
Impairment losses and their reversal*	-1	2	0	0
Total	**32**	**52**	**9**	**15**

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

Net income recognised at fair value through profit or loss

Financial assets held for trading				
Notes and bonds				
Interest income and expenses	3	3	1	1
Fair value gains and losses	-25	-4	-5	-2
Total	-23	-1	-4	-1
Shares and participations				
Fair value gains and losses	4	1	0	-4
Dividend income and share of profits	2	5	1	5
Total	6	6	1	1
Derivatives				
Interest income and expenses	-4	31	-3	12
Fair value gains and losses	-382	-110	-44	-16
Total	-386	-79	-48	-4
Total	**-403**	**-74**	**-50**	**-4**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Interest income	14	13	5	5
Fair value gains and losses	-3	-41	-1	-14
Total	11	-28	4	-9
Shares and participations				
Fair value gains and losses	-176	157	-18	4
Dividend income and share of profits	67	49	14	7
Total	-109	205	-4	11
Total	**-97**	**178**	**0**	**2**
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	15	32	5	20
Fair value gains and losses	-259	-43	-63	-4
Total	-244	-11	-58	15
Shares and participations				
Fair value gains and losses	-18	12	0	1
Dividend income and share of profits	7	5	1	2
Total	-11	17	1	3
Derivatives				
Fair value gains and losses	4	-12	3	-3
Total	4	-12	3	-3
Total	**-252**	**-6**	**-54**	**16**
Total net income from financial assets recognised at fair value through profit or loss	**-752**	**98**	**-104**	**15**

Net income from investment property				
Rental income	38	38	13	13
Fair value gains and losses	15	-20	-5	-14
Maintenance charges and expenses	-28	-28	-9	-9
Other	0	1	0	0
Net income from investment property total	25	-9	-1	-10
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	5	5	1	2
Interest expenses	-2	-2	-1	-1
Capital gains and losses				
Impairment losses and their reversal	-1	3	0	0
Loans and receivables total	1	6	1	1
Non-life insurance				
Unwinding of discount, Non-life Insurance	-14	-13	-5	-4
Life insurance				
Interest credited on customers' insurance savings	-57	-60	-19	-20
Change in supplementary interest rate provisions	300	114	65	14
Other technical items**	359	44	78	-21
Total	602	98	124	-27

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

Associated and joint ventures				
Accounted for using the fair value method	25	14	13	5
Consolidated using the equity method	8	6	5	2
Total	33	20	18	8
Total net investment income	**-73**	**253**	**40**	**-2**

Note 7. Other operating expenses

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
ICT costs				
Production	170	169	57	55
Development	107	82	35	24
Buildings	39	38	12	14
Government charges and audit fees	73	57	1	1
Purchased services	89	83	33	27
Data communications	23	24	8	8
Marketing	25	19	9	7
Corporate social responsibility	11	6	3	2
Insurance and security costs	6	8	3	4
Other	87	87	29	28
Total	**630**	**573**	**190**	**170**

Development costs

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
ICT development costs	107	82	35	24
Share of own work	45	45	13	13
Total development costs in the income statement	**152**	**128**	**48**	**37**
Capitalised ICT costs	58	54	19	14
Capitalised share of own work	12	11	3	3
Total capitalised development costs	**70**	**65**	**22**	**17**
Total development costs	**222**	**192**	**70**	**55**
Depreciation/amortisation and impairment loss	112	133	34	44

Note 8. Impairment losses on receivables

EUR million	Q1–3 2022	Q1–3 2021	Q3 2022	Q3 2021
Receivables written down as loan and guarantee losses	93	106	49	50
Recoveries of receivables written down	-11	-9	-4	-4
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-12	-3	-75	13
Expected credit losses (ECL) on notes and bonds*	1	0	0	0
Total	**70**	**95**	**-30**	**59**

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 30 September 2022

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	63,141	7,921	34	7,955	2,115	73,211
Corporate Banking	27,280	1,896	47	1,944	490	29,713
Total	**90,421**	**9,818**	**81**	**9,899**	**2,605**	**102,925**
Off-balance-sheet limits						
Retail Banking	6,886	347	5	352	36	7,274
Corporate Banking	8,877	411	9	420	70	9,367
Total	**15,763**	**758**	**14**	**772**	**106**	**16,641**
Other off-balance-sheet commitments						
Retail Banking	3,094	53		53	26	3,173
Corporate Banking	7,339	542		542	65	7,945
Total	**10,433**	**595**		**595**	**91**	**11,118**
Notes and bonds						
Group Functions	13,161	73		73		13,234
Insurance	4,324	33		33	13	4,370
Total	**17,485**	**106**		**106**	**13**	**17,604**
Total exposures within the scope of accounting for expected credit losses	**134,101**	**11,277**	**95**	**11,372**	**2,815**	**148,287**

Loss allowance by impairment stage 30 September 2022

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-18	-89	-1	-90	-319	-427
Corporate Banking	-28	-21	-4	-25	-213	-266
Total	**-46**	**-110**	**-6**	**-115**	**-532**	**-693**
Off-balance-sheet commitments**						
Retail Banking	-1	0		0	-3	-4
Corporate Banking	-3	-2		-2	-23	-28
Total	**-3**	**-3**		**-3**	**-26**	**-32**
Notes and bonds***						
Group Functions	-1	-1		-1		-2
Insurance	-8	-2		-2	-7	-16
Total notes and bonds	**-9**	**-3**		**-3**	**-7**	**-19**
Total	**-58**	**-115**	**-6**	**-121**	**-565**	**-743**

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

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

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

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

Summary and key indicators 30 September 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	73,121	8,321	39	8,360	2,177	83,658
Corporate Banking	43,495	2,849	56	2,906	625	47,026
Loss allowance						
Retail Banking	-18	-90	-1	-91	-321	-430
Corporate Banking	-31	-23	-4	-27	-236	-294
Coverage ratio, %						
Retail Banking	-0.02%	-1.08%	-3.05%	-1.09%	-14.77%	-0.51%
Corporate Banking	-0.07%	-0.80%	-7.69%	-0.94%	-37.79%	-0.63%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**116,616**	**11,171**	**95**	**11,266**	**2,802**	**130,684**
Total loss allowance	**-49**	**-113**	**-6**	**-118**	**-558**	**-725**
Total coverage ratio, %	**-0.04%**	**-1.01%**	**-5.80%**	**-1.05%**	**-19.90%**	**-0.55%**
Carrying amount, notes and bonds						
Group Functions	13,161	73		73		13,234
Insurance	4,324	33		33	13	4,370
Loss allowance						
Group Functions	-1	-1		-1		-2
Insurance	-8	-2		-2	-7	-16
Coverage ratio, %						
Group Functions	-0.01%	-1.32%		-1.32%		-0.02%
Insurance	-0.18%	-4.68%		-4.68%	-55.04%	-0.37%
Total notes and bonds	**17,485**	**106**		**106**	**13**	**17,604**
Total loss allowance	**-9**	**-3**		**-3**	**-7**	**-19**
Total coverage ratio, %	**-0.05%**	**-2.37%**		**-2.37%**	**-55.04%**	**-0.11%**

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2021

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61,835	7,608	8	7,615	2,095	71,545
Corporate Banking	24,673	1,058	247	1,304	508	26,486
Total	**86,508**	**8,665**	**254**	**8,919**	**2,603**	**98,031**
Off-balance-sheet limits						
Retail Banking	6,445	277	10	286	36	6,767
Corporate Banking	4,279	190	88	278	75	4,631
Total	**10,724**	**466**	**98**	**564**	**110**	**11,398**
Other off-balance-sheet commitments						
Retail Banking	3,397	46		46	16	3,458
Corporate Banking	7,196	121		121	78	7,396
Total	**10,593**	**166**		**166**	**94**	**10,854**
Notes and bonds						
Group Functions	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Total	**17,340**	**67**		**67**	**7**	**17,414**
Total exposures within the scope of accounting for expected credit losses	**125,165**	**9,365**	**352**	**9,717**	**2,815**	**137,697**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-59	-2	-61	-319	-398
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-42**	**-82**	**-4**	**-86**	**-588**	**-715**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-1	-2
Corporate Banking	-3	-3		-3	-14	-20
Total	**-4**	**-3**		**-3**	**-15**	**-22**
Notes and bonds***						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Total notes and bonds	**-8**	**-2**		**-2**	**-3**	**-14**
Total	**-54**	**-87**	**-4**	**-91**	**-606**	**-751**

* 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 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	71,676	7,930	17	7,947	2,146	81,770
Corporate Banking	36,149	1,368	335	1,703	661	38,513
Loss allowance						
Retail Banking	-20	-59	-2	-61	-319	-400
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Retail Banking	-0.03%	-0.75%	-12.91%	-0.77%	-14.87%	-0.49%
Corporate Banking	-0.07%	-1.85%	-0.63%	-1.61%	-42.83%	-0.88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**107,825**	**9,298**	**352**	**9,650**	**2,808**	**120,283**
Total loss allowance	**-46**	**-85**	**-4**	**-89**	**-603**	**-737**
Total coverage ratio, %	**-0.04%**	**-0.91%**	**-1.23%**	**-0.92%**	**-21.46%**	**-0.61%**
Carrying amount, notes and bonds						
Group Functions	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Loss allowance						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Coverage ratio, %						
Group Functions	-0.01%	-2.00%		-2.00%		-0.02%
Insurance	-0.16%	-4.16%		-4.16%	-49.03%	-0.28%
Total notes and bonds	**17,340**	**67**		**67**	**7**	**17,414**
Total loss allowance	**-8**	**-2**		**-2**	**-3**	**-14**
Total coverage ratio, %	**-0.05%**	**-3.17%**		**-3.17%**	**-49.03%**	**-0.08%**

The table below shows a change in exposures within the scope of the measurement of expected credit losses by impairment Stage for January-September 2022 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**107,825**	**9,650**	**2,808**	**120,283**
Transfers from Stage 1 to Stage 2, incl. repayments	-5,438	5,204		-233
Transfers from Stage 1 to Stage 3, incl. repayments	-331		307	-23
Transfers from Stage 2 to Stage 1, incl. repayments	2,914	-3,100		-185
Transfers from Stage 2 to Stage 3, incl. repayments		-529	495	-33
Transfers from Stage 3 to Stage 1, incl. repayments	60		-68	-8
Transfers from Stage 3 to Stage 2, incl. repayments		220	-241	-22
Increases due to origination and acquisition	19,279	686	109	20,074
Decreases due to derecognition	-10,590	-708	-352	-11,650
Unchanged Stage, incl. repayments	2895 *)	-158	-186	2,551
Recognised as final credit loss			-69	-69
Receivables from customers; on-balance-sheet and off-balance-sheet items 30 September 2022	**116,616**	**11,266**	**2,802**	**130,684**

* Stage 1 positive net change is related to increases in off-balance-sheet limits.

The following flow statements show the changes in loss allowance by impairment stage during January-September 2022.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**46**	**89**	**603**	**737**
Transfers from Stage 1 to Stage 2	-5	34		28
Transfers from Stage 1 to Stage 3	-2		56	53
Transfers from Stage 2 to Stage 1	2	-17		-15
Transfers from Stage 2 to Stage 3		-12	51	39
Transfers from Stage 3 to Stage 2	1		-5	-5
Transfers from Stage 3 to Stage 1		3	-22	-19
Increases due to origination and acquisition	10	8	20	38
Decreases due to derecognition	-7	-10	-67	-84
Changes in risk parameters (net)	5	22	-19	9
Changes in model assumptions and methodology	0	2	5	7
Decrease in allowance account due to write-offs			-64	-64
Net change in expected credit losses	**3**	**29**	**-45**	**-12**
Loss allowance 30 September 2022	**49**	**118**	**558**	**725**
Net change in expected credit losses Q3/2022	**2**	**1**	**-77**	**-75**

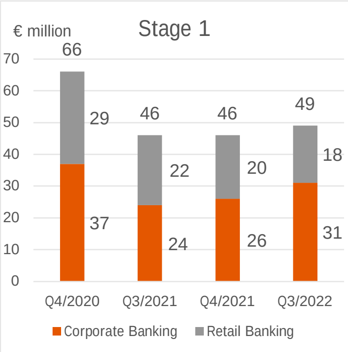
In June 2022, OP Financial Group updated lifetime EAD models and the maturity model. Changes in the models increased OP Corporate Bank's expected credit losses by 7 million euros, which is reported in the table above on row "changes in model assumptions and methodology". Lifetime EAD models are used in the ECL measurement under IFRS 9 to estimate a contract's on-balance-sheet exposures at default for the contract's lifetime. The maturity model is used in the ECL measurement under IFRS 9 to estimate a contract's lifetime for standby credit facilities of personal and corporate customer exposures whose credit risk has increased significantly, meaning that their ECL is measured for the contract's lifetime (Stage 2). The maturity model is used for the standby credit facilities of personal and corporate customer exposures because they have no contractual maturity.

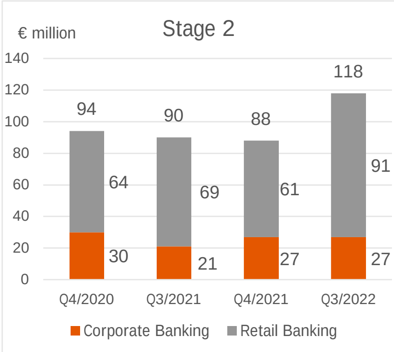
OP Financial Group has updated its assessments of the financial effects of Russia's war of aggression in Ukraine on the credit risk of its customers. The management overlay provision of EUR 34 million included in the Q1/2022 effects of the war in Ukraine, which concerned the riskiest sectors, that is to say agriculture, construction, energy and transport, has mainly been reversed. The effects were expected to arise, for example, from the closedown of business and a rise in the costs of energy, raw materials and other production, but they have been more tepid than expected because higher production costs could have been passed on to prices and government support measures have been channelled to agriculture and the energy sector, in particular. Uncertainty is still involved in the amount of expected credit losses arising from the effects of the war in Ukraine. Impairment loss on receivables in the income statement, EUR 70 million, was EUR 24 million lower than a year ago (95).

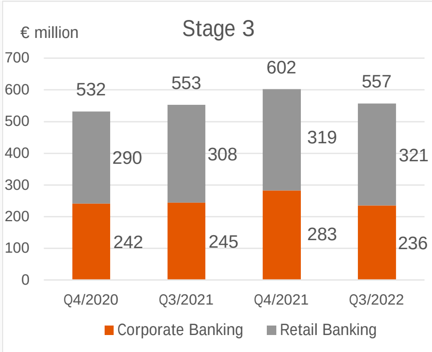
OP Financial Group has also assessed the impact of an increase in electricity prices and Euribor rates on the credit risk associated with home loans. The assessment made as a stress test measured the cash flow of households, on the basis of which potential customers were assessed whose repayment capacity is jeopardised. Based on the analysis, a management overlay provision of EUR 25 million was made to increase the ECL amount. Several uncertain factors will affect the price development of electricity in Finland during the upcoming winter.

At the end of 2021, OP Financial Group made a 34-million euro additional ECL provision concerning CRE backed loans. The provision was aimed at anticipating growth in the ECL caused by the update of the collateral assessment of riskier collateral real estate holdings and probable default statutes. The provision was reversed to the amount of EUR 20 million during Q3/2022 corresponding to the part of the agreements where the updates have been made to collateral values and default statuses.

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years. The graphs show a reduction of stage 3 during Q3/2022 due to the recognition of final credit losses, repayment of liabilities in stage 3 and the reversal of management overlay provisions.

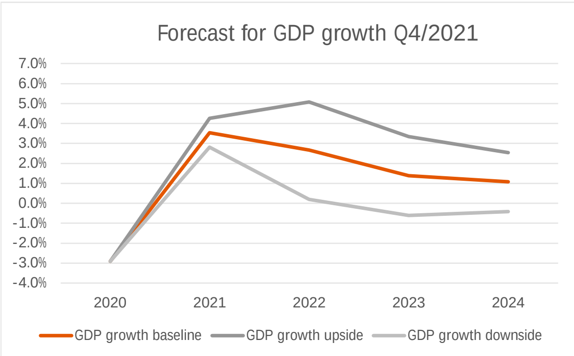


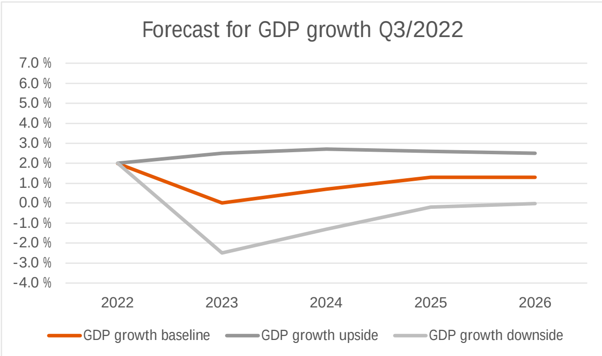


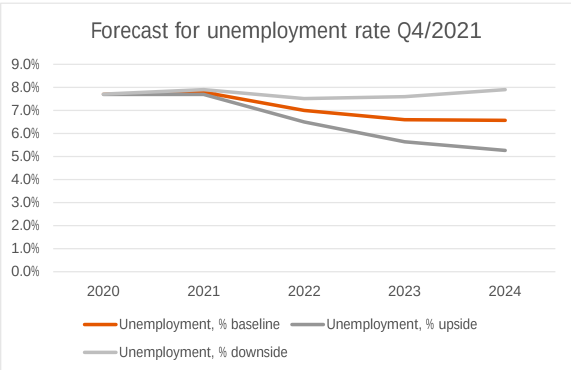


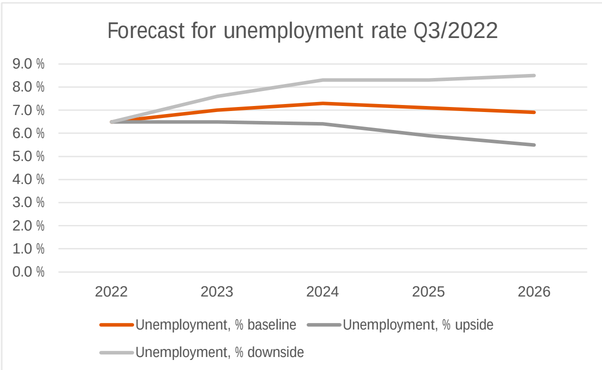
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the third quarter of 2022, the update of the macroeconomic forecasts slightly increased the ECL.

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









Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**7**	**2**	**5**	**14**
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
Increases due to origination and acquisition	2	0	0	3
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0	0	1	1
Net change in expected credit losses	**1**	**1**	**3**	**5**
Loss allowance 30 September 2022	**8**	**3**	**8**	**19**
Net change in expected credit losses Q3/2022	**0**	**1**	**1**	**1**

The table below shows a change in exposures within the scope of the measurement of expected credit losses by impairment Stage for 2021 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2021	**104,895**	**9,203**	**2,587**	**116,685**
Transfers from Stage 1 to Stage 2, incl. repayments	-4,982	4,660		-322
Transfers from Stage 1 to Stage 3, incl. repayments	-370		320	-49
Transfers from Stage 2 to Stage 1, incl. repayments	2,370	-2,593		-223
Transfers from Stage 2 to Stage 3, incl. repayments		-758	696	-62
Transfers from Stage 3 to Stage 1, incl. repayments	54		-62	-8
Transfers from Stage 3 to Stage 2, incl. repayments		187	-207	-20
Increases due to origination and acquisition	27,550	862	153	28,565
Decreases due to derecognition	-16,322	-1,626	-342	-18,291
Unchanged Stage, incl. repayments	-5,369	-279	-224	-5,872
Recognised as final credit loss		-6	-113	-119
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2021	**107,825**	**9,650**	**2,808**	**120,283**

The table below shows the change in loss allowance by impairment stage during 2021.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**65**	**93**	**533**	**692**
Transfers from Stage 1 to Stage 2	-3	30		26
Transfers from Stage 1 to Stage 3	-1		34	33
Transfers from Stage 2 to Stage 1	2	-13		-10
Transfers from Stage 2 to Stage 3		-19	78	60
Transfers from Stage 3 to Stage 2		5	-16	-11
Transfers from Stage 3 to Stage 1	1		-6	-5
Increases due to origination and acquisition	15	11	27	53
Decreases due to derecognition	-21	-14	-55	-89
Changes in risk parameters (net)	-16	-6	86	65
Changes due to update in the methodology for estimation (net)	2	0		2
Decrease in allowance account due to write-offs		0	-78	-78
Net change in expected credit losses	**-19**	**-6**	**70**	**45**
Loss allowance 31 December 2021	**46**	**89**	**603**	**737**
Net change in expected credit losses Q3/2021	**-1**	**-2**	**15**	**13**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**7**	**3**	**6**	**16**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	2		0	2
Decreases due to derecognition	-2	-1	-1	-4
Changes in risk parameters (net)	0	0	0	0
Net change in expected credit losses	**0**	**-1**	**-1**	**-2**
Loss allowance 31 December 2021	**7**	**2**	**5**	**14**
Net change in expected credit losses Q3/2021	**0**	**0**	**0**	**1**

Note 9. Insurance liabilities

EUR million	30 Sep 2022	31 Dec 2021
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,440	1,535
Other provision for unpaid claims	1,404	1,204
Reserve for decreased discount rate (value of hedges of insurance liability)	-156	-48
Total	2,688	2,691
Provisions for unearned premiums	754	606
Life insurance insurance liabilities	4,578	5,475
Total	**8,021**	**8,773**

Note 10. Liabilities from unit-linked insurance and investment contracts

EUR million	30 Sep 2022	31 Dec 2021
Liabilities from unit-linked insurance	4,404	5,332
Investment contracts	7,014	7,878
Total	**11,417**	**13,210**

The breakdown of the status 31 December 2021 has been adjusted.

Note 11. Debt securities issued to the public

EUR million	30 Sep 2022	31 Dec 2021
Bonds	9,627	10,838
Subordinated bonds (SNP)	4,316	3,926
Covered bonds	11,061	12,353
Other		
Certificates of deposit	1,149	297
Commercial paper	7,974	7,539
Included in own portfolio in trading (–)*	-81	-58
Total debt securities issued to the public	**34,046**	**34,895**

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

Note 12. Fair value reserve after income tax

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

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2022	**63**	**164**	**96**	**323**
Fair value changes	-488	-142	-493	-1,123
Capital gains transferred to income statement	-14	-74		-88
Impairment loss transferred to income statement		22		22
Transfers to net interest income			-18	-18
Deferred tax	100	39	102	241
Closing balance 30 September 2022	**-338**	**9**	**-314**	**-643**

The fair value reserve before tax amounted to EUR -803 million (397) at the end of the reporting period and the related deferred tax asset/liability was EUR 161 million (-79). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR -1 million (2) in the fair value reserve during the reporting period.

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

Note 13. Collateral given

EUR million	30 Sep 2022	31 Dec 2021
Given on behalf of own liabilities and commitments		
Pledges	1	1
Loans (as collateral for covered bonds)	19,823	19,429
Others	14,208	18,526
Total collateral given*	**34,032**	**37,955**
Secured derivative liabilities	1,002	744
Other secured liabilities	12,000	16,004
Covered bonds	11,061	12,353
Total	**24,063**	**29,101**

* In addition, bonds with a book value of EUR 1.4 billion have been pledged in the central bank, of which EUR 1.0 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 14. 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	28,611						28,611
Receivables from credit institutions	841						841
Derivative contracts			3,157			1,375	4,531
Receivables from customers	98,892						98,892
Assets covering unit-linked contracts				11,326			11,326
Notes and bonds	1	16,070	275	1,503	343		18,193
Equity instruments		1	85	194	1,341		1,620
Other financial assets	3,175						3,175
Financial assets							**167,189**
Other than financial instruments							2,608
Total 30 September 2022	**131,520**	**16,071**	**3,517**	**13,023**	**1,684**	**1,375**	**169,797**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	32,846						32,846
Receivables from credit institutions	541						541
Derivative contracts			2,672			796	3,467
Receivables from customers	96,947						96,947
Assets covering unit-linked contracts				13,137			13,137
Notes and bonds	1	17,411	331	1,987	356		20,087
Equity instruments		0	78	218	1,624		1,921
Other financial assets	2,469						2,469
Financial assets							**171,415**
Other than financial instruments							2,695
Total 31 December 2021	**132,805**	**17,412**	**3,080**	**15,342**	**1,981**	**796**	**174,110**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		12,467		12,467
Derivative contracts	3,157		1,580	4,737
Liabilities to customers		79,221		79,221
Insurance liabilities		8,021		8,021
Liabilities from unit-linked insurance and investment contracts	11,417			11,417
Debt securities issued to the public		34,046		34,046
Subordinated loans		1,393		1,393
Other financial liabilities		2,733		2,733
Financial liabilities				**154,036**
Other than financial liabilities				1,704
Total 30 September 2022	**14,574**	**137,881**	**1,580**	**155,740**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		16,650		16,650
Derivative contracts	1,933		333	2,266
Liabilities to customers		77,898		77,898
Insurance liabilities		8,773		8,773
Liabilities from unit-linked insurance and investment contracts	13,210			13,210
Debt securities issued to the public		34,895		34,895
Subordinated loans		1,982		1,982
Other financial liabilities		2,581		2,581
Financial liabilities				**158,256**
Other than financial liabilities				1,670
Total 31 December 2021	**15,143**	**142,780**	**333**	**159,926**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September 2022, the fair value of these debt instruments was approximately EUR 2,482 million (337) lower (higher) than their carrying amount, based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are lower than their amortised costs, but determining reliable fair values involves uncertainty.

Note 15. Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	642	267	710	1,620
Debt instruments	1,250	723	149	2,121
Unit-linked contracts	7,370	3,956		11,326
Derivative financial instruments	5	4,470	56	4,531
Fair value through other comprehensive income				
Debt instruments	12,780	2,354	937	16,070
Total financial instruments	**22,046**	**11,771**	**1,852**	**35,669**
Investment property			559	559
Total	**22,046**	**11,771**	**2,410**	**36,227**

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	909	316	696	1,920
Debt instruments	1,814	640	221	2,675
Unit-linked contracts	8,517	4,619		13,137
Derivative financial instruments	1	3,360	106	3,467
Fair value through other comprehensive income				
Debt instruments	14,119	2,758	534	17,411
Total financial instruments	**25,360**	**11,694**	**1,557**	**38,610**
Investment property			724	724
Total	**25,360**	**11,694**	**2,281**	**39,335**

Fair value of liabilities on 30 September 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,429	3,988		11,417
Derivative financial instruments	15	4,611	111	4,737
Total	**7,444**	**8,599**	**111**	**16,154**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	8,565	4,645		13,210
Other		0		0
Derivative financial instruments	2	2,234	30	2,266
Total	**8,566**	**6,879**	**30**	**15,476**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2022	**916**	**106**	**534**	**1,557**
Total gains/losses in profit or loss	-200	-50	0	-251
Total gains/losses in other comprehensive income			-1	-1
Purchases	102		0	102
Sales	-71			-71
Settlements	-1			-1
Transfers into Level 3	112		565	677
Transfers out of Level 3			-161	-161
Closing balance 30 September 2022	**859**	**56**	**937**	**1,852**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2022	**30**	**30**
Total gains/losses in profit or loss	80	80
Closing balance 30 September 2022	**111**	**111**

Total gains/losses included in profit or loss by item for the financial year on 30 September 2022

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)	-183	-17	0	-200
Unrealised net gains (losses)	-131		-1	-131
Total net gains (losses)	**-314**	**-17**	**-1**	**-332**

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 2022.

Note 16. Off-balance-sheet commitments

EUR million	30 Sep 2022	31 Dec 2021
Guarantees	591	641
Other guarantee liabilities	2,623	2,727
Loan commitments	14,630	15,203
Commitments related to short-term trade transactions	714	679
Other*	1,196	1,378
Total off-balance-sheet commitments	**19,754**	**20,629**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 162 million (195).

Note 17. Derivative contracts

Total derivatives 30 September 2022

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	32,294	99,452	93,196	224,942	2,898	3,087
Cleared by the central counterparty	21,640	55,403	56,944	133,987	138	132
Settled-to-market (STM)	9,781	31,725	40,199	81,705	84	81
Collateralised-to-market (CTM)	11,860	23,677	16,745	52,282	54	51
Currency derivatives	46,004	5,705	878	52,587	1,375	1,453
Credit derivatives	8	85	47	140	26	15
Other derivatives	489	747	54	1,290	81	112
Total derivatives	**78,794**	**105,989**	**94,175**	**278,958**	**4,380**	**4,667**

Total derivatives 31 December 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,176	74,987	86,509	182,671	2,453	1,447
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,610	5,508	757	50,874	782	669
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	783	110	926	2	35
Other derivatives	260	1,744	28	2,032	104	43
Total derivatives	**66,081**	**83,021**	**87,403**	**236,506**	**3,342**	**2,195**

* 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 18. Investment distribution of the Insurance segment

Non-life Insurance	30 September 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**517**	**14**	**596**	**14**
Money market instruments and deposits**	528	14	590	14
Derivatives***	-11	0	7	0
Total bonds and bond funds	**2,311**	**63**	**2,555**	**60**
Governments	308	8	432	10
Investment Grade	1,606	44	1,750	41
Emerging markets and High Yield	203	6	187	4
Structured Investments****	195	5	187	4
Total equities	**484**	**13**	**629**	**15**
Finland	72	2	113	3
Developed markets	265	7	328	8
Emerging markets	75	2	114	3
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	65	2	69	2
Total alternative investments	**32**	**1**	**33**	**1**
Hedge funds	32	1	33	1
Total property investment	**324**	**9**	**473**	**11**
Direct property investment	147	4	301	7
Indirect property investment	177	5	172	4
Total	**3,668**	**100**	**4,287**	**100**

* Includes accrued interest income.

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

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

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

Life Insurance	30 September 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**751**	**23**	**748**	**21**
Money market investments and deposits**	731	22	743	20
Derivatives***	20	1	5	0
Total bonds and bond funds	**1,970**	**59**	**2,126**	**58**
Governments	186	6	256	7
Investment Grade	1,459	44	1,586	44
Emerging markets and High Yield	158	5	121	3
Structured investments****	168	5	163	4
Total equities	**377**	**11**	**546**	**15**
Finland	57	2	91	3
Developed markets	197	6	283	8
Emerging markets	55	2	98	3
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	65	2	70	2
Total alternative investments	**39**	**1**	**40**	**1**
Hedge funds	39	1	40	1
Total real property investments	**181**	**5**	**186**	**5**
Direct property investments	23	1	23	1
Indirect property investments	158	5	163	4
Total	**3,318**	**100**	**3,646**	**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 19. Related-party transactions

OP Financial Group's related parties comprise subsidiaries consolidated into OP Financial Group, associates, key management personnel and their close family members, and other related-party entities. OP Financial Group's key management personnel comprises OP Financial Group's President and Group Chief Executive Officer, members of OP Cooperative's Executive Management Team and directors directly reporting to the President and Group Chief Executive Officer, the Chair and members of OP Cooperative's Board of Directors as well as members of the Supervisory Council. Related parties of the management also include companies over which key management persons or their close family member exercises significant influence. Other entities regarded as related parties include OP Financial Group's Personnel 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 2021.

Financial reporting

Time of publication of 2022 reports:

OP Amalgamation capital adequacy tables 30 September 2022	Week 44
OP Financial Group's Report by the Board of Directors and Financial Statements for 2022	Week 10
OP Financial Group's Corporate Governance Statement 2022	Week 10
OP Financial Group's Annual Review 2022 (incl. CSR reporting)	Week 10
OP Financial Group's Capital Adequacy and Risk Management Report 2022	Week 10
OP Amalgamation capital adequacy tables 2022	Week 10
Remuneration Report for Governing Bodies at OP Financial Group 2022	Week 10
Remuneration Policy for Governing Bodies at OP Financial Group	Week 10

Schedule for Financial Statements Bulletin 2022 and Interim Reports and Half-year Financial Report in 2023:

Financial Statements Bulletin 2022	8 February 2023
Interim Report Q1/2023	3 May 2023
Half-year Financial Report H1/2023	25 July 2023
Interim Report Q1–3/2023	25 October 2023
OP Amalgamation capital adequacy tables 31 March 2023	Week 19
OP Amalgamation capital adequacy tables 30 June 2023	Week 32
OP Amalgamation capital adequacy tables 30 September 2023	Week 44

Helsinki, 26 October 2022

OP Cooperative
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