OP Corporate Bank plc's Interim Report 1 January–31 March 2019

OP

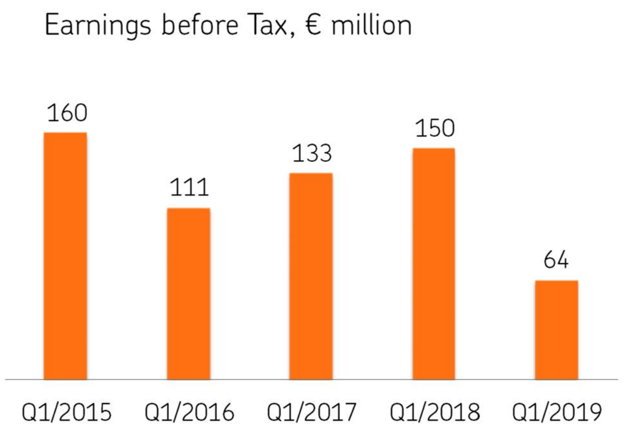
OP Corporate Bank plc's Interim Report for 1 January–31 March 2019

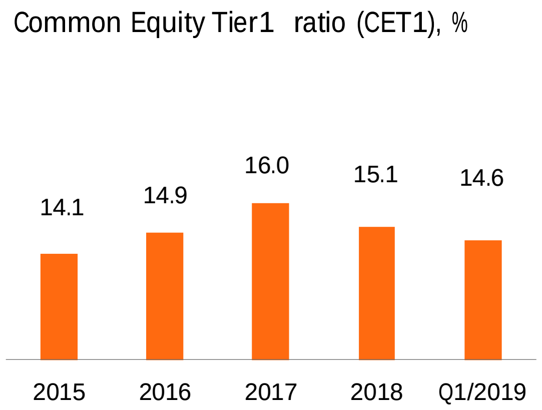
Earnings before tax Q1/2019	Net interest income Q1/2019	Net insurance income Q1/2019	CET1 ratio 31 March 2019
€64 million	+4%	-16%	14.6%

- Consolidated earnings before tax decreased to EUR 64 million (150). Net interest income rose by 4% to EUR 67 million. Total income was decreased by lower net insurance income and investment income, and higher expenses, which were mainly due to the EU stability contribution. Impairment loss on receivables remained low.
- From the beginning of 2019, OP Corporate Bank Group's new segments are Corporate Banking, Insurance and Other Operations.
- Corporate Banking earnings before tax decreased by 59% to EUR 45 million due to a decline in net investment income as well as the EU stability contribution. The loan portfolio increased in the year to March by 10% to EUR 22.5 billion. The cost/income ratio was 56.0% (31.7).
- Insurance earnings before tax decreased by 14% to EUR 29 million due to higher claims incurred that weakened net insurance income. The operating combined ratio was 97.5% (93.2).
- Other Operations earnings before tax were EUR –11 million (6) due to lower net investment income. Liquidity and access to funding remained good.

Earnings before tax, € million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Corporate Banking	45	109	-58.8	361
Insurance	29	34	-14.2	120
Other Operations	-11	6	-278.1	-42
Group total	64	150	-57.5	439
Return on equity (ROE), %	5.0	12.0	-7.0*	8.5
Return on assets (ROA), %	0.30	0.76	-0.5*	0.54

Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2018 are used as comparatives. *Change in ratio





OP Corporate Bank plc's Interim Report 1 January–31 March 2019

Contents

Operating environment

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

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

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

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

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

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

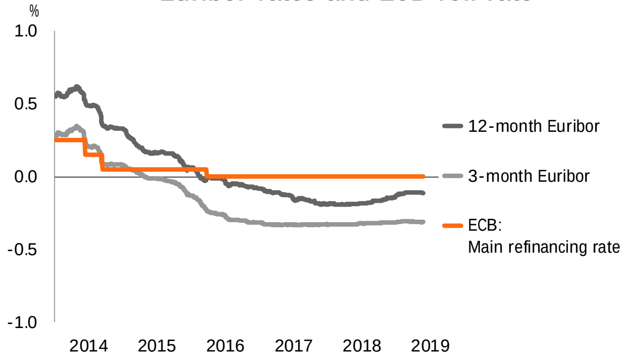
The annual growth rate of total consumer loans was 2.4% and that of home loans 1.9% between January and March. Total corporate loans excluding housing company loans increased by 4.6% year on year. The growth rate of housing company loans accelerated to 12.1% in the reporting period. According to the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

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

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

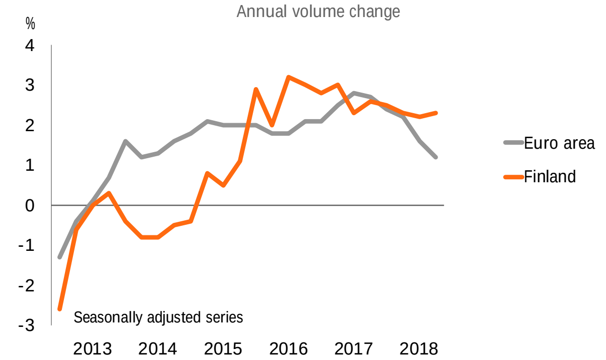
Insurance companies' investment returns developed favourably, thanks to higher stock prices.

Euribor rates and ECB refi rate



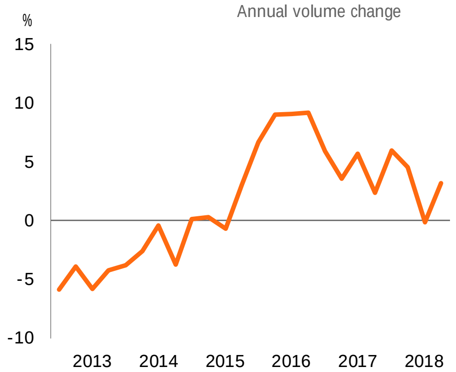
Source: Bank of Finland

GDP
Annual volume change



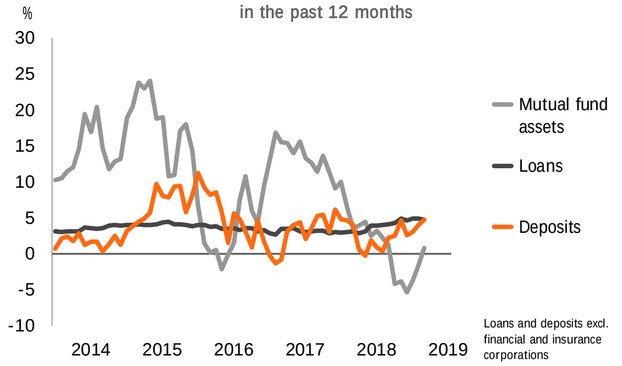
Sources: Eurostat, Statistics Finland

Fixed investments in Finland
Annual volume change



Source: Statistics Finland

Change in financial sector volumes
in the past 12 months



Sources: Bank of Finland, Investment Research Finland

Consolidated earnings

€ million	Q1/ 2019	Q1/ 2018	Change, %	Q1–4/ 2018
Net interest income	67	65	4.0	274
Net insurance income	109	129	-15.8	548
Net commissions and fees	-5	-3	67.6	-23
Net investment income	86	74	16.3	200
Other operating income	10	11	-12.1	47
Total income	267	276	-3.4	1,046
Personnel costs	46	46	0.3	159
Depreciation/amortisation and impairment loss	13	15	-17.3	83
Other operating expenses	101	84	20.8	369
Total expenses	160	145	10.4	611
Impairment loss on receivables	-4	10	-142.7	-13
OP bonuses to owner-customers	-1	0	120.1	-2
Temporary exemption (overlay approach)	-38	9	-524.6	19
Total earnings before tax	64	150	-57.5	439

Comparatives for 2018 have been changed as described in the Notes as a result of the change in presentation of trading interest income and expenses.

Financial targets	31 March 2019	31 Dec 2018	Target
Customer experience, NPS (-100–+100)	75	71	70
CET1 ratio, %	14.6	15.1	15
Return on economic capital, %	11.4	14.4	22
Expenses of present-day business (12-month rolling)*, € million	605	593	Expenses in 2020 lower than in 2015 (475)
Dividend payout ratio, %		49.9	50

*Excluding expenses of the health and wellbeing business.

Financial performance for the reporting period

Consolidated earnings before tax were EUR 64 million (150). Total income was down by 3.4%, while total expenses rose by 10.4%. Net interest income increased but total income was reduced by net insurance income which was lower than a year earlier. Total expenses were increased by the EU stability contribution and ICT costs. Earnings were eroded by lower investment income and impairment losses which increased year on year but were still low.

Net interest income rose to EUR 67 million (65). Net interest income from Corporate Banking improved due to the growth in the loan portfolio compared to last year. Net insurance income fell to EUR 109 million (129) as a result of a less favourable claims development than a year ago. Net commissions and fees totalled EUR –5 million (–3). Commission income rose due to commissions and fees from security brokerage, which were higher than a year earlier. The fees OP Corporate Bank Group pays to OP Financial Group's member cooperative banks for non-life insurance and derivatives sales increase commission expenses and turn net commissions and fees negative. Fees paid for derivative products to member banks grew year on year.

Net investment income totalled EUR 86 million (74). A temporary exemption (overlay approach) is applied to some equity instruments of non-life insurance, which eroded earnings for the reporting period by EUR 38 million. Changes in the fair value of investments within the scope of the overlay approach are presented under fair value reserve under equity. In total, investment income fell by EUR 35 million. Net investment income for the Corporate Banking segment decreased by EUR 35 million and that for Other Operations by EUR 13 million.

Net investment income for Insurance grew by EUR 60 million or, taking account of the overlay approach, by EUR 12 million. Return on investments by non-life insurance at fair value was 2.8% (–0.1) excluding derivatives hedging the interest rate risk associated with insurance liabilities.

Net income from financial assets recognised at fair value through other comprehensive income rose to EUR 28 million (21). Net income from financial assets recognised at fair value through profit or loss totalled EUR 61 million (57). This item includes income from derivatives operations, which was reduced by EUR 22 million due to changes made in the valuation models during the reporting period. In addition, changes in interest rates, and value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 7 million over the previous year. Changes in the fair value of investments recognised through profit or loss increased earnings by EUR 37 million. Dividend income amounted to EUR 8 million (8).

Total expenses increased by 10.4% to EUR 160 million (145). Personnel costs remained at the previous year's level at EUR 46 million. Depreciation/amortisation and impairment losses decreased to EUR 13 million (15). Other operating expenses were increased by an 8-million euro rise in ICT costs and EUR 14 million in charges of financial authorities, mainly due to the EU stability contribution. Development expenditure totalled EUR 25 million (22). It includes licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 9 million (7).

Net impairment losses on receivables totalled EUR 4 million. A year ago, impairment losses improved earnings by EUR 10 million. Loan and guarantee losses and expected credit losses on receivables from the public and off-balance-sheet items increased by EUR 14 million year on year. Expected credit losses on notes and bonds were not significant.

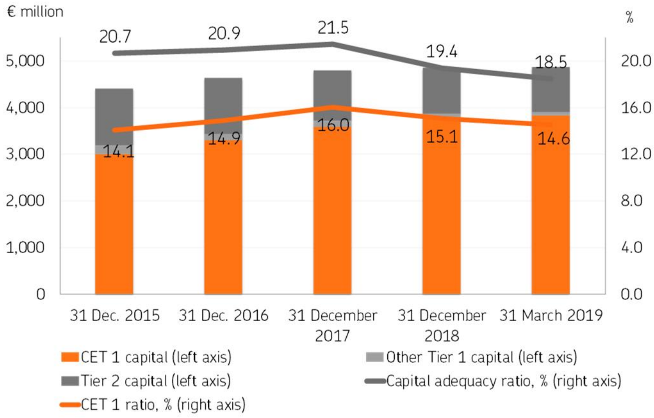
Q1 highlights

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided on a new division of responsibilities of the Executive Board, which changed the segment structure in OP Financial Group and OP Corporate Bank Group as of the beginning of 2019. OP Corporate Bank Group's new segments are Corporate Banking, Insurance and Other Operations.

On 11 February 2019, the Competition and Consumer Authority (FCCA) completed an extensive investigation related to OP Financial Group's customer benefits scheme, as well as operations in retail banking services and the non-life insurance market. The FCCA concluded that OP Financial Group operates in compliance with the Competition Act and OP's bonus scheme is not contrary to the Competition Act. The FCCA also found that OP's operations are not conducive to damaging the non-life insurance market. As a result of the investigation, the FCCA has closed the case.

Group's capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 14.6% (15.1) on 31 March 2019. The Group's CET1 target is 15%.

As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases in practice the minimum capital adequacy ratio to 10.5% and the minimum CET1 ratio to 7%.

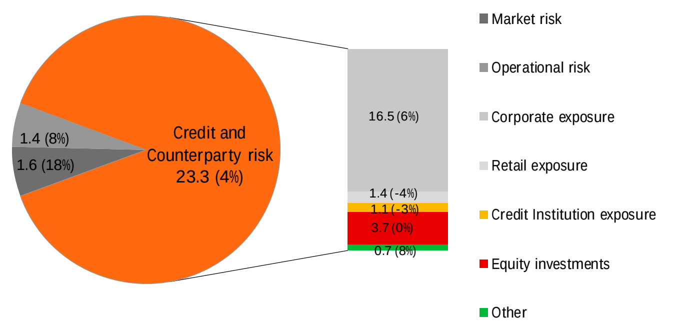
The CET1 capital totalled EUR 3.8 billion (3.8) on 31 March 2019. Underwriting result is not included in CET1.

On 31 March 2019, the risk exposure amount (REA) totalled EUR 26.3 billion (25.0), or 5.1% higher than on 31 December 2018. The average credit risk weights rose slightly. The central cooperative consolidated treats insurance holdings within the financial and insurance conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 3.7 billion in risk-weighted assets of OP Corporate Bank Group's internal insurance holdings with a risk weight of around 280%.

OP Corporate Bank Group is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. Belonging to OP Financial Group, OP Corporate Bank is supervised by the European Central Bank (ECB).

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In March 2019, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

Risk Exposure Amount 31 March 2019
Total 26.3 € billion
(change from year end 5%)



Liabilities under the Resolution Act

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

Solvency of non-life insurance companies

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

€ million	31 March 2019	31 Dec 2018
Capital base, € million*	879	818
Solvency capital requirement (SCR), € million*	666	621
Solvency ratio, %*	132	132
Solvency ratio, % (excluding transitional provision)	132	132

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 March 2019

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

OP Insurance Ltd's financial strength ratings on 31 March 2019

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

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

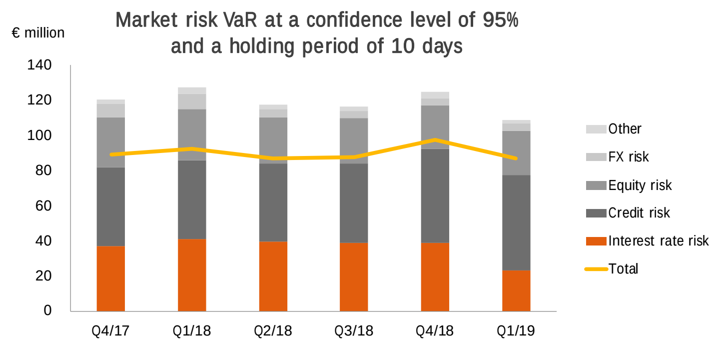
The ratings of OP Corporate Bank plc did not change in the reporting period.

In January 2019, Moody's upgraded OP Insurance Ltd's financial strength rating by one notch from A3 to A2. Moody's kept the rating outlook stable. The underlying reason for the upgrade were insurance operations' close integration with OP's business and capital management, strong non-life insurance market share and good financial fundamentals.

Group risk exposure

The Group's funding and liquidity position is good. The availability of funding has remained good.

The Group's market risk exposure was stable during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 87 million (98) on 31 March 2019. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



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

The Group expects its operational risks to be moderate as targeted. The development speed of services will, however, pose additional challenges to operational risk management. Materialised operational risks resulted in approximately EUR 0.3 million in gross costs during the reporting period.

Corporate Banking

Within Corporate Banking, key risks are associated with credit risk arising from customer business, and market risks.

Credit risk exposure remained stable and credit risk remained moderate.

	31 March 2019	31 Dec 2018
Exposures*, € billion	37.5	36.0
corporate customer exposures, € billion	31.3	30.4
private customer exposures, € billion	2.0	1.9
other exposures, € billion	4.2	3.7
in the highest borrower grades**, %	60.3	61.1
in other borrower grades (excluding default), %	39.1	38.4
classified as default, %	0.6	0.5
classified as default***, € billion	0.2	0.2
Doubtful receivables****, € bill.	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.8	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	0.3	0.2
Ratio of performing forborne exposures to doubtful receivables, %	37.3	36.6

*Exposures of the Corporate Banking segment. Derivatives and FX Trading, and bonds were transferred from the Other Operations segment to the Corporate Banking segment as of 1 January 2019. The comparison figure has been adjusted.
**Private customer contracts in borrower grades A+–B-, and corporate customer exposures in borrower grades 1–5.5 (IG).
***Private customer contracts in borrower grade F, and corporate customer exposures in borrower grades 11–12.
****Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a non-performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

Two customers' exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The amount of large corporate customer exposures totalled EUR 1.1 billion and OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.9 billion (4.9).

The most significant sectors in corporate exposures	31 March 2019	31 Dec 2018
Energy, %	13.9	12.9
Services, %	11.6	11.1
Trade, %	10.1	10.6
Other sectors, %	64.5	65.4
Total	100	100

Exposures by the Baltic operations grew to EUR 3.5 billion (3.3), accounting for 9.4% (9.2) of total exposures of the Corporate Banking segment.

Insurance

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

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

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

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

Other Operations

Major risks related to the Other Operations 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.

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

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

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

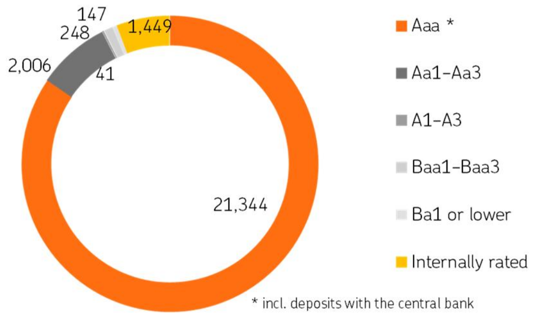
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 113% (111) at the end of March 2019.

Liquidity buffer

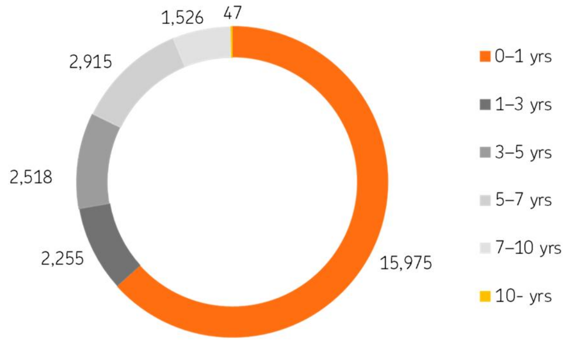
€ billion	31 March 2019	31 Dec 2018	Change, %
Deposits with central banks	14.5	12.2	18.4
Notes and bonds eligible as collateral	9.0	9.2	-2.1
Total	23.5	21.4	9.6
Receivables ineligible as collateral	1.8	1.3	33.6
Liquidity buffer at market value	25.2	22.7	11.0
Collateral haircut	-0.8	-0.7	15.1
Liquidity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

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

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



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



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the segments Other Operations and Corporate Banking, exposures of OP Financial Group (excluding OP Corporate Bank Group) represented 15.3%. These exposures decreased during the reporting period by EUR 334 million, or 2.8%. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Other Operations exposures	31 March 2019	31 Dec 2018
Total Other Operations exposures*, EUR billion	38.2	48.2
Public-sector entities' exposures, EUR billion	18.6	28.5
Financial and insurance institutions' exposures, EUR billion	18.3	18.5
Corporate and housing company exposures, EUR billion	1.2	1.2
in the highest borrower grades (IG), %	99.9	99.8
in other borrower grades, %	0.1	0.2

* Derivatives and FX Trading and bonds were transferred from the Other Operations segment to the Corporate Banking segment as of 1 January 2019. The comparison figure has been adjusted.

Financial performance by segment

OP Corporate Bank Group's business segments are Corporate Banking and Insurance. Non-business segment operations are presented in the Other Operations segment. Segment reporting is based on the accounting policies applied in OP Corporate Bank's consolidated financial statements.

Corporate Banking

- Earnings before tax decreased by 59% to EUR 45 million (109). Net interest income increased by 8.6% to EUR 90 million. However, earnings were decreased by the EU stability contribution and the changes made in the valuation models of derivative positions. Furthermore, a capital gain improved earnings a year ago.
- The loan portfolio grew in the year to March by 10.1% to EUR 22.5 billion.
- Impairment loss on receivables remained low. Impairment loss weakened earnings by EUR 5 million (+10). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant development investments involved the development of finance and payment systems.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net interest income	90	83	8.6	349
Net commissions and fees	3	10	-65.6	21
Net investment income	13	48	-72.5	162
Other operating income	8	6	27.0	19
Total income	114	146	-21.9	552
Personnel costs	14	16	-14.5	30
Depreciation/amortisation and impairment loss	4	4	12.4	16
Other operating expenses	46	26	74.0	134
Total expenses	64	46	38.0	180
Impairment loss on receivables	-5	10	-148.3	-12
OP bonuses	-1			
Earnings before tax	45	109	-58.8	361
Cost/income ratio, %	56.0	31.7	**24.3	32.6
Ratio of non-performing receivables to loan and guarantee portfolio, %*	0.5	0.5	**0.1	0.4
Return on assets (ROA), %	0.65	1.65	**-1.00	1.30
Return on assets, excluding OP bonuses, %	0.66	1.65	**-0.99	1.30
	31 March 2019	31 March 2018	Change, %	31 Dec 2018
Loan portfolio, € billion	22.5	20.4	10.1	22.3
Guarantee portfolio, € billion	2.6	2.4	7.0	2.6

* Non-performing receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables related to such receivables due to the customer's financial difficulties.
** Change in ratio.

The Corporate Banking segment provides corporate and institutional customers with financing and cash management services and financing services for foreign trade. The services also range from the arrangement of debt issues, corporate finance services, custody, equity, foreign exchange, money market and derivative products to investment research. OP Corporate Bank's branches and subsidiaries in Estonia, Latvia and Lithuania provide consumer and corporate financing products.

Corporate Banking's loan portfolio increased in the year to March by 10.1% to EUR 22.5 billion. The guarantee portfolio totalled EUR 2.6 billion (2.6) and committed standby credit facilities amounted to EUR 4.5 billion (4.3).

During the reporting period, OP expanded the OP Car Finance service to also cover car sales between consumers. OP Car Finance is granted by OP Corporate Bank plc. Demand for capital market products increased from the previous year.

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

Financial performance for the reporting period

Corporate Banking earnings before tax decreased by 58.8% to EUR 45 million (109). Total income was down by 21.9%, while total expenses rose by 38.0%. The cost/income ratio weakened to 56.0% (31.7) year on year.

As a result of an increase in the loan portfolio, net interest income grew by 8.6% to EUR 90 million (83). Net commissions and fees decreased to EUR 3 million (10). The decrease in net commissions and fees was due to the increase in commissions paid to cooperative banks within OP Financial Group.

Net investment income totalled EUR 13 million, representing a decrease of 72.5% year on year. A year ago, net investment income was increased by EUR 15 million in a capital gain. CVA valuation arising from interest rate changes and other market changes reduced the income by EUR 7 million (+3). Changes made in the valuation models of derivative positions reduced net investment income by EUR 22 million.

Other operating income was EUR 2 million higher than the year before. Impairment loss on receivables weakened the reporting period's earnings by EUR 5 million, whereas a year earlier impairment loss on receivables improved earnings by EUR 10 million. Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Total expenses were EUR 64 million (46). Personnel costs fell by EUR 2 million year on year to EUR 14 million. Other operating expenses increased by EUR 20 million year on year due to the EU stability contributions of EUR 13 million. No such expense item was recorded a year earlier. ICT costs totalled EUR 21 million (14).

Insurance

- Earnings before tax decreased by 14.2% to EUR 29 million (34) due to higher claims incurred that weakened net insurance income.
- Insurance premium revenue decreased by 1.0% (excluding the Baltic business sold in 2018, it increased by 3.6%).
- The operating combined ratio was 97.5% (93.2) and operating risk ratio 70.5% (65.6). The operating cost ratio was 26.9% (27.7).
- Net investment income, taking account of the temporary exemption (overlay approach), totalled EUR 27 million (15). Net return on investments at fair value totalled EUR 42 million (-13).
- Development investments focused on the development of electronic services and the basic system upgrade initiated.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Insurance premium revenue	355	358	-1.0	1,466
Claims incurred	245	229	7.3	917
Net insurance income	109	130	-15.7	549
Commission income	9	7	25.6	31
Commission expenses	17	19	-12.2	73
Net commissions and fees	-8	-12	-	-41
Net investment income	65	6		9
Other net income	-4	-1	332.6	6
Total income	163	122	32.9	522
Personnel costs	31	28	11.5	124
Depreciation/amortisation and impairment loss	8	11	-28.5	65
Other operating expenses	55	57	-3.8	230
Total expenses	95	97	-2.2	419
OP bonuses to owner-customers	0	0	4.3	-2
Temporary exemption (overlay approach)	-38	9	-524.6	19
Earnings before tax	29	34	-14.2	120
Return on assets (ROA), %	1.63	1.90	-0.28*	2.01
Return on assets, excluding OP bonuses, %	1.65	1.93	-0.28*	2.04
Operating combined ratio, %	97.5	93.2		92.0
Operating risk ratio, %	70.5	65.6		64.5
Operating cost ratio, %	26.9	27.7		27.4

*Change in the ratio

The Insurance segment provides non-life insurance services through three companies operating in Finland. OP Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance products include non-life products sold to corporate and private customers. The Insurance segment also includes Pohjola Health Ltd which has five Pohjola Hospitals.

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

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

Insurance premium revenue from both private and corporate customers increased during the reporting period. Premium revenue increased by 3.6%, excluding premium revenue from the sold Baltic business included in the figure a year ago.

Customers have been satisfied with services provided by Pohjola Health. Among surgery customers, the NPS figure was 96 (97) in January–March 2019.

Key development investments focused on the development of electronic transaction and purchase services and the basic system upgrade initiated. A new 24/7 emergency service for managing comprehensive motor vehicle insurance losses was launched for motor vehicle insurance policyholders.

Financial performance for the reporting period

Earnings before tax amounted to EUR 29 million (34). Net insurance income decreased by 15.7% to EUR 109 million as a result of higher claims incurred.

The operating combined ratio was 97.5% (93.2). The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions.

Insurance premium revenue

€ million	Q1/2019	Q1/2018	Change, %
Private Customers	197	192	3.1
Corporate Customers	157	151	4.2
Baltics		16	
Total	355	358	-1.0

Premium revenue increased by 3.6%, excluding premium revenue from the Baltic business included in the figure a year ago.

Claims incurred, excluding the Baltic figures, increased by 10.1%. Claims incurred under property and business liability insurance arising from new large claims were higher than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 26 (20) in January–March 2019, with their claims incurred retained for own account totalling EUR 23 million (18). The change in provision for outstanding claims under statutory pension weakened earnings by EUR 9 million (10).

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

Expenses decreased by 2.2%, down EUR 2 million from a year ago. The figure a year ago includes EUR 3.3 million in operating expenses of the sold Baltic business. The operating cost ratio (including indirect loss adjustment expenses) was 26.9% (27.7).

Investment

Investment income

€ million	Q1/2019	Q1/2018
At fair value through other comprehensive income	23	4
At fair value through profit or loss	49	8
Non-life insurance items	-7	-7
Net investment income	65	6
Temporary exemption	-38	9
Total	27	15

Insurance: key investment indicators

€ million	Q1/2019	Q1/2018
Net return on investments at fair value, € million	42	-13
Return on investments at fair value, %*	2.8	-0.1
Fixed-income investments' running yield, %	1.5	1.5
	31 March 2019	31 Dec 2018
Investment portfolio, € million	3,804	3,730
Investments within the investment grade category, %	93	94
A-rated receivables, minimum, %	61	62
Modified duration, %	4.4	4.3

* Excl. derivatives hedging the interest rate risk associated with insurance liabilities

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

Other Operations

- Earnings before tax were EUR –11 million. A year ago, earnings before tax amounted to EUR 6 million.
- Earnings included EUR 5 million (15) in capital gains on notes and bonds and EUR 0 million (1) in dividend income.
- Liquidity and access to funding remained good.

Key figures and ratios

€ million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Net interest income	-16	-12	34.3	-54
Net commissions and fees	-1	0	5.7	-1
Net investment income	8	20	-62.4	27
Other operating income	2	2	35.5	6
Total income	-7	9	-174.5	-21
Personnel costs	0	1	-69.4	5
Other expenses	4	3	56.5	14
Total expenses	4	4	19.4	20
Impairment loss on receivables	0	0	94.2	-1
Earnings before tax	-11	6	-278.1	-42
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-3.8	-0.6	534.1	-1.2

Functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer, are centralised within Other Operations. Other Operations is also responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Net income generated by Other Operations derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other Operations.

Financial performance for the reporting period

As from the beginning of the reporting period, the OP Corporate Bank Group's internal operating model was changed by transferring fixed-income and FX trading as well as bonds trading from the Other Operations segment to the Corporate Banking segment. In addition, two subsidiaries were transferred to the Insurance segment. Comparatives have been adjusted accordingly.

Earnings before tax amounted to EUR –11 million. A year ago, earnings before tax amounted to EUR 6 million. Earnings before tax at fair value were EUR –1 million (–26).

Net investment income totalled EUR 8 million (20). Net investment income included EUR 5 million (15) in capital gains on notes and bonds and EUR 0 million (1) in dividend income.

OP Corporate Bank's access to funding remained good. OP Corporate Bank issued long-term senior bonds worth a total of EUR 0.7 billion between January and March 2019. In February 2019, OP Corporate Bank issued in the international capital market a senior unsecured green bond of EUR 500 million with a maturity of five years. The inaugural green bond is targeted at international responsible institutional investors. Proceeds raised with the green bond will be allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

In March 2019, the average margin of senior wholesale funding and TLTRO-II funding was 17 basis points (14).

On 31 March 2019, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 3.8 billion higher than funding borrowed by them from Group Treasury. The change in the net position was mainly due to OP Mortgage Bank's covered bond funding which results in higher volumes of OP cooperative banks' investments in Group Treasury than before.

Group restructuring

OP Corporate Bank plc has subsidiaries and branches offering banking services for corporate customers in Estonia, Latvia and Lithuania. OP Corporate Bank has assessed various strategic options in respect of Baltic banking. The assessment has now been completed and OP Corporate Bank has decided to continue its present banking operations in the Baltic countries.

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

On 24 April 2019, OP Corporate Bank plc decided to transfer its securities custody and clearing business and its custodian business to a separate subsidiary. The transfer is planned to take place by the end of August 2019. This transfer will have no effect on earnings before tax.

Personnel and remuneration

Personnel increased from the 2018-end level in Insurance, mainly as a result of OP Financial Group's internal reorganisation.

Personnel

	31 March 2019	31 Dec 2018
Corporate Banking	671	679
Insurance	1,951	1,791
Other Operations	31	36
Total	2,653	2,507

The scheme for variable remuneration within OP Financial Group and OP Corporate Bank consists of short-term, company-specific remuneration and OP Financial Group-wide long-term remuneration. The long-term scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff. In drawing up the incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

A long-term management remuneration scheme has been confirmed for 2017–2019. As a rule, the remuneration scheme for 2017–2019 follows the principles observed during the previous three-year performance period. OP Financial Group's personnel fund remuneration scheme also continues with one-year performance periods.

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

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of 19 March 2019 adopted the Financial Statements for 2018, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.54 per share, totalling EUR 173 million.

Timo Ritakallio, OP Cooperative's Executive Board Chair, will continue as Chair of the Board of Directors of OP Corporate Bank in accordance with the Articles of Association.

Tony Vepsäläinen, Vesa Aho, Jarmo Viitanen and Tiia Tuovinen were re-elected as members of the Board.

The AGM re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Events after the reporting period

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

Consolidated income statement

EUR million	Note	Q1 2019	Q1 2018
Net interest income	3	67	65
Net insurance income	4	109	129
Net commissions and fees	5	-5	-3
Net investment income	6	86	74
Other operating income		10	11
Total income		**267**	**276**
Personnel costs		46	46
Depreciation/amortisation		13	15
Other expenses	7	101	84
Total expenses		**160**	**145**
Impairment of receivables	8	-4	10
OP bonuses to owner-customers		-1	0
Temporary exemption (overlay approach)		-38	9
Earnings before tax		**64**	**150**
Income tax expense		13	30
Profit for the period		**51**	**120**
Attributable to:			
Attributable to owners of the Parent		50	116
Attributable to non-controlling interest		1	3
Profit for the period		**51**	**120**

Consolidated statement of comprehensive income

EUR million	Q1 2019	Q1 2018
Profit for the period	**51**	**120**
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	-5	3
Items that may be reclassified to profit or loss		
Change in fair value reserve		
Measurement at fair value	51	-36
Cash flow hedge	0	-2
Temporary exemption (overlay approach)	38	-9
Translation differences	0	0
Income tax on other comprehensive income		
Items that will not be reclassified to profit or loss		
Gains/(losses) arising from remeasurement of defined benefit plans	1	-1
Items that may be reclassified to profit or loss		
Measurement at fair value	-10	7
Cash flow hedge	0	0
Temporary exemption (overlay approach)	-8	2
Total comprehensive income for the period	**118**	**84**
Attributable to:		
Total comprehensive income attributable to owners of the Parent	117	80
Total comprehensive income attributable to non-controlling interest	1	3
Total comprehensive income for the period	**118**	**84**

Consolidated balance sheet

EUR million	Note	31 March 2019	31 Dec 2018
Cash and cash equivalents		14,483	12,239
Receivables from credit institutions		8,660	9,726
Derivative contracts	16	4,473	3,663
Receivables from customers	18	22,523	22,351
Investment assets		17,024	16,353
Intangible assets		720	722
Property, plant and equipment (PPE)		123	117
Other assets		1,898	1,489
Tax assets		72	65
Total assets		**69,975**	**66,725**
Liabilities to credit institutions		17,172	15,575
Derivative contracts		3,678	3,287
Liabilities to customers		15,905	16,422
Insurance liabilities	9	3,453	3,157
Debt securities issued to the public	10	20,981	20,338
Provisions and other liabilities		2,783	1,897
Tax liabilities		435	421
Subordinated liabilities		1,477	1,482
Total liabilities		**65,884**	**62,577**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	11	59	-12
Other reserves		1,093	1,093
Retained earnings		2,432	2,559
Non-controlling interest		79	80
Total equity capital		**4,091**	**4,147**
Total liabilities and equity capital		**69,975**	**66,725**

Consolidated statement of changes in equity

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**428**	**-12**	**1,093**	**2,559**	**4,067**	**80**	**4,147**
Total comprehensive income for the period		71		46	117	1	118
Profit for the period				50	50	1	51
Other comprehensive income		71		-4	68		68
Profit distribution				-173	-173	-3	-175
Other			0	0	0	1	1
Balance at 31 March 2019	**428**	**59**	**1,093**	**2,432**	**4,012**	**79**	**4,091**

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**428**	**164**	**1,093**	**2,404**	**4,089**	**60**	**4,149**
Effect of IFRS 9 transition at 1 January 2018		-46		2	-45		-45
Equity at 1 January 2018	**428**	**118**	**1,093**	**2,406**	**4,044**	**60**	**4,104**
Total comprehensive income for the period		-38		119	80	3	84
Profit for the period				116	116	3	120
Other comprehensive income		-38		2	-36		-36
Profit distribution				-211	-211		-211
Other			0	0	0	-6	-5
Balance at 31 March 2018	**428**	**79**	**1,093**	**2,314**	**3,914**	**58**	**3,972**

Consolidated cash flow statement

EUR million	Q1 2019	Q1 2018
Cash flow from operating activities		
Profit for the period	51	120
Adjustments to profit for the period	197	257
Increase (-) or decrease (+) in operating assets	**-469**	**-574**
Receivables from credit institutions	543	222
Derivative contracts	-17	-28
Receivables from customers	-163	-333
Investment assets	-388	-177
Other assets	-445	-258
Increase (+) or decrease (-) in operating liabilities	**1,886**	**-1,921**
Liabilities to credit institutions	1,495	-358
Derivative contracts	-21	3
Liabilities to customers	-517	-1,531
Insurance liabilities	59	10
Provisions and other liabilities	870	-45
Income tax paid	-22	-24
Dividends received	8	9
A. Net cash from operating activities	**1,650**	**-2,133**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-10	-12
Proceeds from sale of PPE and intangible assets	1	4
B. Net cash used in investing activities	**-9**	**-8**
Cash flow from financing activities		
Increases in debt securities issued to the public	8,169	6,274
Decreases in debt securities issued to the public	-7,917	-5,393
Dividends paid	-173	-211
C. Net cash provided by (used in) financing activities	**79**	**670**
Net increase/decrease in cash and cash equivalents (A+B+C)	**1,721**	**-1,470**
Cash and cash equivalents at year-start	**13,355**	**13,575**
Cash and cash equivalents at year-end	**15,076**	**12,104**
Interest received	**264**	**271**
Interest paid	**-245**	**-252**
Cash and cash equivalents		
Liquid assets	14,483	11,562
Receivables from financial institutions payable on demand	593	542
Total	**15,076**	**12,104**

Segment information

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

Q1 earnings 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	90	-5	-16	-1	67
- of which internal net income before tax	-2	-4	5		
Net insurance income		109		0	109
Net commissions and fees	3	-8	-1	0	-5
Net investment income	13	65	8	0	86
Other operating income	8	1	2	-1	10
Total income	114	163	-7	-3	267
Personnel costs	14	31	0	0	46
Depreciation/amortisation and impairment losses	4	8	0	0	13
Other operating expenses	46	55	4	-3	101
Total expenses	64	95	4	-3	160
Impairments loss on receivables	-5	0	0		-4
OP bonuses to owner-customers	-1	0			-1
Temporary exemption (overlay approach)		-38			-38
Earnings before tax	45	29	-11		64

Q1 earnings 2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	83	-5	-12	-1	65
- of which internal net income before tax	-1	-3	4		
Net insurance income		130		0	129
Net commissions and fees	10	-12	0	0	-3
Net investment income	48	6	20	0	74
Other operating income	6	4	2	0	11
Total income	146	122	9	-2	276
Personnel costs	16	28	1	0	46
Depreciation/amortisation and impairment losses	4	11	0	0	15
Other operating expenses	26	57	2	-2	84
Total expenses	46	97	4	-2	145
Impairments loss on receivables	10	0	0		10
OP bonuses to owner-customers		0			0
Temporary exemption (overlay approach)		9			9
Earnings before tax	109	34	6		150

Balance sheet 31 March 2019, EUR million	Corporate Banking	Insurance	Other operations	Group elimi-nations	Group total
Cash and cash equivalents	19	281	14,460	-277	14,483
Receivables from credit institutions	109	10	8,556	-15	8,660
Derivative contracts	4,059	74	348	-9	4,473
Receivables from customers	23,218	0	28	-723	22,523
Investment assets	1,160	3,764	12,134	-35	17,024
Intangible assets	51	649	20		720
Property, plant and equipment (PPE)	2	118	2		123
Other assets	322	890	692	-6	1,898
Tax assets	0	12	60		72
Total assets	**28,940**	**5,799**	**36,301**	**-1,065**	**69,975**
Liabilities to credit institutions	679		17,215	-723	17,172
Derivative contracts	3,489	15	186	-11	3,678
Liabilities to customers	11,340	136	4,721	-292	15,905
Insurance liabilities		3,453			3,453
Debt securities issued to the public	1,318		19,697	-34	20,981
Provisions and other liabilities	1,045	547	1,195	-4	2,783
Tax liabilities	1	81	353	0	435
Subordinated liabilities	-27	135	1,369		1,477
Total liabilities	**17,845**	**4,367**	**44,736**	**-1,064**	**65,884**
Equity					**4,091**

Balance sheet 31 December 2018, EUR million	Corporate Banking	Insurance	Other operations	Group elimi-nations	Group total
Cash and cash equivalents	19	249	12,199	-227	12,239
Receivables from credit institutions	116	15	9,614	-18	9,726
Derivative contracts	3,448	32	185	-3	3,663
Receivables from customers	23,009	0	21	-679	22,351
Investment assets	878	3,633	11,878	-35	16,353
Intangible assets	52	646	23	0	722
Property, plant and equipment (PPE)	0	114	2	0	117
Other assets	-180	749	1,116	-197	1,489
Tax assets	0	12	53	0	65
Total assets	**27,341**	**5,451**	**35,092**	**-1,159**	**66,725**
Liabilities to credit institutions	606		15,647	-679	15,575
Derivative contracts	3,025	11	259	-9	3,287
Liabilities to customers	11,442	136	5,089	-246	16,422
Insurance liabilities		3,157			3,157
Debt securities issued to the public	1,011		19,362	-34	20,338
Provisions and other liabilities	609	561	919	-192	1,897
Tax liabilities	1	67	353	0	421
Subordinated liabilities	-24	135	1,371		1,482
Total liabilities	**16,670**	**4,067**	**43,000**	**-1,159**	**62,577**
Equity					**4,147**

Notes

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

Note 1 Accounting policies

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

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

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

Changes in presentation

Interest income and expenses of held-for-trading notes and bonds and derivatives previously presented in net interest income have been presented in net investment income since 1 January 2019. The change has been made retrospectively. Net interest totalling EUR 4 million was transferred from net interest income for Q1/2018 to net investment income (EUR 10 million Q1–4/2018). The change also involved specifying the presentation of items within net interest income.

Accrued interest on held-for-trading notes and bonds and derivatives previously presented in other assets and liabilities has been presented under derivative contracts items in the balance sheet since 1 January 2019. At the same time, OP Corporate Bank specified the netting procedure of these contracts' interest. The change has been made retrospectively. As a result of the change, other receivables in the balance sheet assets of 31 December 2018 decreased by EUR 159 million, investment assets increased by EUR 3 million and derivative contracts increased by EUR 171 million. In the balance sheet, provisions and other liabilities under liabilities decreased by EUR 231 million, derivative contracts increased by EUR 244 million and debt securities issued to the public increased by EUR 2 million. As a result of the change, the balance sheet total increased by a total of EUR 15 million on 31 December 2018.

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

IFRS 16 Leases adoption on 1 January 2019

OP Corporate Bank adopted IFRS 16 Leases as of 1 January 2019, according to which leased contracts have been recognised as a right-of-use asset and lease liability in the balance sheet. OP Corporate Bank applied a retrospective approach in the transition to a limited extent, which is why it did not restate comparatives for 2018. The effects of transition have been presented in OP Corporate Bank's Notes to the Financial Statements 2018. Leased contracts are mainly those related to premises. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in provisions and other liabilities and the related interest expenses are presented in net interest income. Management judgement has been used to assess the term of leases with indefinite duration and to determine the interest rate quoted by OP Financial Group's Treasury as the incremental borrowing rate that Treasury uses to grant loans to OP cooperative banks and OP Financial Group's subsidiaries. On 31 March 2019, the right-of-use asset amounted to EUR 7 million.

New segments as of 1 January 2019

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

OP Corporate Bank Group's business segments are Corporate Banking and Insurance. Non-business segment operations are presented under the Other Operations segment. Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Defining segments and presentation are based on management reporting. The segments' earnings and profitability are assessed in terms of EBT.

Corporate Banking

Corporate Banking provides corporate and institutional customers with financing and cash management services and financing services for foreign trade. The services also range from the arrangement of debt issues, corporate finance services, custody, equity, foreign exchange, money market and derivative products to investment research. OP Corporate Bank's branches and subsidiaries in Estonia, Latvia and Lithuania provide finance company products. Net income derives mainly from net interest income, commissions and fees, and net investment income. Expenses mainly come from personnel and ICT costs. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

Insurance

The Insurance segment provides non-life insurance services through three companies operating in Finland. OP Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance products include non-life products sold to corporate and private customers. Net income generated by Insurance derives mainly from net insurance income and net investment income. The most significant risks in non-life insurance pertain to insurance risks and investment risks.

The Insurance segment also includes Pohjola Health Ltd which has five Pohjola Hospitals. The hospitals provide special healthcare services, examinations, surgery and rehabilitation on an extensive basis. Pohjola Hospital's earnings come from doctor's fees and billing for treatment and diagnostics. The most significant risks in the health and wellbeing services are operational risks.

Risks related to statutory defined benefit pension plans for the Group's personnel only affect the Insurance segment. However, the related risk level is moderate.

Other Operations

Functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer, have been centralised within Other Operations. Other Operations is also responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Net income generated by Other Operations derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other Operations.

Segment accounting policies

Segment reporting conforms to the accounting policies applied to the consolidated financial statements. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Income, expenses, investments and capital which have not been allocated to segments, and inter-segment Group eliminations are reported under 'Group eliminations'.

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

Note 2 Formulas for key figures and ratios

	Q1/2019	Q1/2018
Return on equity, %	5,0	12,0
Return on equity at fair value, %	11,8	8,0
Return on assets, %	0,3	0,8
Cost/income ratio, %	59,9	52,4
Ratio of non-performing receivables to loan and guarantee portfolio, %	0,5	0,5
Average personnel	2 606	2 468

ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity (ROE), %

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

Return on equity (ROE) excluding OP bonuses, %

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

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

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

Return on assets (ROA) excluding OP bonuses, %

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

Cost/income ratio, %

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

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

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

Coverage ratio, %

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

Non-life Insurance indicators

Operating combined ratio, %

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

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

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

Operating cost ratio

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100
Tier 1 ratio, %	Total Tier 1 capital / Total risk exposure amount	x 100
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100
Solvency ratio, %	Capital base / Capital requirement (SCR)	x 100
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows - liquidity inflows under stressed conditions	x 100
Return on economic capital, %	Earnings + customer bonuses after tax (value rolling 12 month) / Average economic capital	x 100
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100

NON-LIFE INSURANCE OPERATING RESULTS

EUR million	Q1/2019	Q1/2018	Change, %	Q1–4/2018
Insurance premium revenue	355	359	-1,0	1 465
Claims incurred	-251	-235	6,6	-945
Operating expenses	-96	-99	-3,7	-401
Amortisation adjustment of intangible assets		-5		-18
Balance on technical account	9	19	-52,4	100
Net investment income	65	6		9
Other income and expenses	-7	0		-8
Temporary exemption (overlay approach)	-38	9		19
Earnings before tax	29	34	-14,2	120

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

Note 3 Net interest income

EUR million	Q1 2019	Q1 2018
Interest income		
Receivables from credit institutions		
Interest	4	6
Negative interest	3	3
Total	7	10
Receivables from customers		
Loans	82	76
Finance lease receivables	7	6
Impaired loans and other commitments	0	0
Negative interest	4	3
Total	93	85
Notes and bonds		
Measured at fair value through profit or loss	0	0
Available for sale	21	23
Held to maturity		0
Total	22	23
Derivative contracts		
Fair value hedge	-26	-28
Cash flow hedge	0	1
Ineffective portion of cash flow hedge	0	0
Other	1	2
Total	-25	-25
Other	1	1
Total	**98**	**94**
Interest expenses		
Liabilities to credit institutions		
Interest	22	16
Negative interest	18	16
Total	39	33
Liabilities to customers	4	0
Debt securities issued to the public	43	32
Subordinated liabilities		
Subordinated loans	1	1
Other	11	11
Total	12	12
Derivative contracts		
Cash flow hedge	-38	-32
Other	-31	-18
Total	-69	-50
Other	1	1
Total	**30**	**28**
Net interest income before fair value adjustment under hedge accounting	**67**	**66**
Hedging derivatives	4	1
Value changes of hedged items	-4	-2
Total	**67**	**65**

Note 4 Net insurance income

EUR million	Q1 2019	Q1 2018
Net insurance premium revenue		
Premiums written	641	623
Insurance premiums ceded to reinsurers	-10	-8
Change in provision for unearned premiums	-288	-269
Reinsurers' share	12	12
Total	**354**	**358**
Net Non-life Insurance claims		
Claims paid	-293	-235
Insurance claims recovered from reinsurers	9	8
Change in provision for unpaid claims	41	6
Reinsurers' share	-1	-7
Total	-244	-228
Other Non-life Insurance items	-1	0
Total	**109**	**129**

Note 5 Net commissions and fees

Q1 2019, EUR million	Corporate Banking	Insurance	Other operations	Group elimi-nations	Group total
Commission income					
Lending	10	0	0	0	10
Deposits	0		0	0	0
Payment transfers	6		0	0	6
Securities brokerage	6				6
Securities issuance	2		0	0	2
Mutual funds	0		0	0	0
Asset management	3			0	3
Legal services	0				0
Guarantees	3		0	0	3
Insurance brokerage		3			3
Health and wellbeing services		6		0	5
Other	4		0	0	4
Total commission income	34	9	0	-1	42
Commission expenses					
Payment transfers	0	0	0	0	0
Securities brokerage	1			0	1
Securities issuance	1		0	0	1
Asset management	1	0	0	0	1
Insurance operations		14			14
Health and wellbeing services		3			3
Other*	27	0	0	0	27
Total commission expenses	31	17	1	0	48
Total net commissions and fees	3	-8	-1	0	-5

* The item includes EUR 25 million in commission expenses paid to member banks arising from derivatives trading.

Q1 2018, EUR million	Corporate Banking	Insurance	Other operations	Group elimi-nations	Group total
Commission income					
Lending	11	0	0	0	11
Deposits	0		0	0	0
Payment transfers	5		0	0	5
Securities brokerage	4				4
Securities issuance	3		0		3
Mutual funds	0		0	0	0
Asset management	3			0	3
Legal services	0		0	0	0
Guarantees	3		0	0	3
Insurance brokerage		3			3
Health and wellbeing services		4		0	4
Other	3		0	0	3
Total commission income	33	7	0	0	40
Commission expenses					
Payment transfers	0	0	0	0	0
Securities brokerage	2				2
Securities issuance	0		0		0
Asset management	1	0	0		1
Insurance operations		17			17
Health and wellbeing services		2			2
Other*	21		0	0	21
Total commission expenses	24	19	1	0	43
Total net commissions and fees	10	-12	0	0	-3

* The item includes EUR 18 million in commission expenses paid to member banks arising from derivatives trading.

Note 6 Net investment income

EUR million	Q1 2019	Q1 2018
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Interest income	10	9
Other income and expenses	-1	0
Capital gains and losses	16	18
Currency fair value gains and losses	4	-5
Impairment losses and their reversal	1	-1
Total	28	21
Total	**28**	**21**
Net income recognised at fair value through profit or loss		
Financial assets held for trading		
Notes and bonds		
Fair value gains and losses	3	-1
Interest income and expenses	1	2
Total	4	0
Shares and participations		
Fair value gains and losses	-1	5
Dividend income	0	2
Total	-1	6
Derivatives		
Fair value gains and losses	8	39
Interest income and expenses	-2	-1
Total	6	38
Total	10	45
Financial assets that shall be measured at fair value through profit or loss		
Notes and bonds		
Interest income	0	0
Fair value gains and losses	0	-1
Total	1	0
Shares and participations		
Fair value gains and losses	43	5
Dividend income	8	6
Total	51	11
Total	52	11
Financial assets designated as at fair value through profit or loss		
Notes and bonds		
Interest income		1
Fair value gains and losses		0
Total		1
Total		1
Total net income recognised at fair value through profit or loss	**61**	**57**

Net income from investment property		
Rental income	7	6
Fair value gains and losses	2	1
Maintenance charges and expenses	-5	-4
Other	-1	0
Net income from investment property total	**3**	**2**
Net income from loans and receivables measured at amortised cost		
Loans and receivables		
Interest income	1	1
Interest expenses	0	0
Impairment losses and their reversal	-1	0
Loans and receivables total	**0**	**1**
Non-life Insurance		
Unwinding of discount, Non-life Insurance	-7	-7
Associates		
Consolidated using the equity method	0	0
Total	0	0
Total net investment income	**86**	**74**

Note 7 Other operating expenses

EUR million	Q1 2019	Q1 2018
ICT costs		
Production	35	27
Development	16	15
Buildings	2	3
Government charges and audit fees	19	4
Services purchased	8	15
Data communications	3	2
Marketing	2	3
Corporate social responsibility	0	0
Insurance and security	1	1
Other	16	13
Total	**101**	**84**

Development costs

EUR million	Q1 2019	Q1 2018
ICT development costs	16	15
Share of own work	0	0
Total development costs in the income statement	16	16
Capitalised ICT costs	9	7
Capitalised share of own work	0	0
Total capitalised development costs	9	7
Total development costs	**25**	**22**
Depreciation/amortisation and impairment loss	9	8

Note 8 Impairment loss on receivables

EUR million	Q1 2019	Q1 2018
Receivables written off as loan or guarantee losses	-1	-14
Recoveries of receivables written off	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-4	24
Expected credit losses (ECL) on notes and bonds*	0	0
Total	**-4**	**10**

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

Credit risk exposures and related loss allowance

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

On-balance-sheet exposure	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Corporate Banking	23,426	1,445	248	1,693	354	25,474
Total	**23,426**	**1,445**	**248**	**1,693**	**354**	**25,474**
Off-balance-sheet limits						
Corporate Banking	5,019	437	114	551	83	5,653
Total	**5,019**	**437**	**114**	**551**	**83**	**5,653**
Other off-balance-sheet commitments						
Corporate Banking	7,072	344		344	21	7,437
Total	**7,072**	**344**		**344**	**21**	**7,437**
Notes and bonds						
Other Operations	12,223					12,223
Insurance	2,534	55		55	7	2,596
Total	**14,757**	**55**		**55**	**7**	**14,819**
Total exposures within the scope of accounting for expected credit losses	**50,273**	**2,280**	**363**	**2,643**	**466**	**53,382**

Loss allowance by stage 31 March 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-21	-22	-3	-25	-214	-260
Total	**-21**	**-22**	**-3**	**-25**	**-214**	**-260**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-5		-5		-7
Total	**-2**	**-5**		**-5**		**-7**
Notes and bonds***						
Other Operations	-2					-2
Insurance	-2	-1		-1	-3	-6
Total notes and bonds	**-4**	**-1**		**-1**	**-3**	**-8**
Total	**-27**	**-28**	**-3**	**-31**	**-217**	**-275**

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

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

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

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

Summary and key indicators 31 March 2019	Stage 1	Stage 2 Not more than 30 DPD	Stage 2 More than 30 DPD	Stage 2 Total	Stage 3	Total
Receivables from customers and off-balance-sheet items						
Corporate Banking	35,516	2,226	363	2,589	459	38,563
Loss allowance						
Corporate Banking	-23	-27	-3	-30	-214	-267
Coverage ratio, %						
Corporate Banking	-0.06%	-1.23%	-0.77%	-1.16%	-46.72%	-0.69%
Total receivables from customers and off-balance-sheet items	**35,516**	**2,226**	**363**	**2,589**	**459**	**38,563**
Total loss allowance	**-23**	**-27**	**-3**	**-30**	**-214**	**-267**
Total coverage ratio, %	**-0.06%**	**-1.23%**	**-0.77%**	**-1.16%**	**-46.72%**	**-0.69%**
Carrying amount, notes and bonds						
Other Operations	12,223					12,223
Insurance	2,534	55		55	7	2,596
Loss allowance						
Other Operations	-2					-2
Insurance	-2	-1		-1	-3	-6
Coverage ratio, %						
Other Operations	-0.02%					-0.02%
Insurance	-0.08%	-1.47%		-1.47%	-36.83%	-0.22%
Total notes and bonds	**14,757**	**55**		**55**	**7**	**14,819**
Total loss allowance	**-4**	**-1**		**-1**	**-3**	**-8**
Total coverage ratio, %	**-0.03%**	**-1.47%**		**-1.47%**	**-36.83%**	**-0.05%**

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

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

On-balance-sheet exposure EUR million	Stage 1	Stage 2 Not more than 30 DPD	Stage 2 More than 30 DPD	Stage 2 Total	Stage 3	Total exposure
Receivables from customers (gross)						
Corporate Banking	22,997	1,257	283	1,540	360	24,897
Total	**22,997**	**1,257**	**283**	**1,540**	**360**	**24,897**
Off-balance-sheet limits						
Corporate Banking	4,443	512	139	651	86	5,180
Total	**4,443**	**512**	**139**	**651**	**86**	**5,180**
Other off-balance-sheet commitments						
Corporate Banking	6,655	178		178	20	6,854
Total	**6,655**	**178**		**178**	**20**	**6,854**
Notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	2,321	195		195	6	2,522
Total	**14,540**	**215**		**215**	**6**	**14,761**
Total exposures within the scope of accounting for expected credit losses	**48,636**	**2,162**	**422**	**2,584**	**472**	**51,692**

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

Loss allowance by stage 31 December 2018

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-25	-25	-3	-28	-206	-259
Total	**-25**	**-25**	**-3**	**-28**	**-206**	**-259**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-1		-1	0	-4
Total	**-2**	**-1**		**-1**	**0**	**-4**
Notes and bonds***						
Other Operations	-3	0		0		-3
Insurance	-2	-2		-2	-2	-6
Total notes and bonds	**-4**	**-2**		**-2**	**-2**	**-9**
Total	**-31**	**-29**	**-3**	**-32**	**-208**	**-272**

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

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

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

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

Summary and key indicators 31 December 2018	Stage 1	Stage 2			Stage 3	Total
		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers and off-balance-sheet items						
Corporate Banking	34,096	1,947	422	2,369	466	36,931
Loss allowance						
Corporate Banking	-27	-26	-3	-30	-207	-263
Coverage ratio, %						
Corporate Banking	-0.08%	-1.36%	-0.74%	-1.25%	-44.32%	-0.71%
Total receivables from customers and off-balance-sheet items	**34,096**	**1,947**	**422**	**2,369**	**466**	**36,931**
Total loss allowance	**-27**	**-26**	**-3**	**-30**	**-207**	**-263**
Total coverage ratio, %	**-0.08%**	**-1.36%**	**-0.74%**	**-1.25%**	**-44.32%**	**-0.71%**
Carrying amount, notes and bonds						
Other Operations	12,219	20		20		12,239
Insurance	2,321	195		195	6	2,522
Loss allowance						
Other Operations	-3	0		0		-3
Insurance	-2	-2		-2	-2	-6
Coverage ratio, %						
Other Operations	-0.02%	-0.85%		-0.85%		-0.02%
Insurance	-0.08%	-1.13%		-1.13%	-33.79%	-0.24%
Total notes and bonds	**14,540**	**215**		**215**	**6**	**14,761**
Total loss allowance	**-4**	**-2**		**-2**	**-2**	**-9**
Total coverage ratio, %	**-0.03%**	**-1.10%**		**-1.10%**	**-33.79%**	**-0.06%**

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	27	30	207	263
Transfers from Stage 1 to Stage 2	-1	7		6
Transfers from Stage 1 to Stage 3	-4		5	1
Transfers from Stage 2 to Stage 1	0	-2		-1
Transfers from Stage 2 to Stage 3		-3	6	2
Transfers from Stage 3 to Stage 2		0	-3	-3
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	2	2	0	4
Decreases due to derecognition	-1	-1		-1
Changes in risk parameters (net)	-1	-3	0	-4
Net change in expected credit losses	-4	1	8	4
Loss allowance 31 March 2019	23	30	214	267

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

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	4	2	2	9
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	0	-1		-1
Transfers from Stage 2 to Stage 3		0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	0	0	0	0
Decreases due to derecognition	0	-1	0	-1
Changes in risk parameters (net)	0	0	0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	0	-2	1	-1
Loss allowance 31 March 2019	4	1	3	8

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2018	18	32	223	273
Transfers from Stage 1 to Stage 2	-1	5		4
Transfers from Stage 1 to Stage 3	0		2	2
Transfers from Stage 2 to Stage 1	1	-4		-3
Transfers from Stage 2 to Stage 3		-2	4	2
Transfers from Stage 3 to Stage 2		1	-4	-4
Transfers from Stage 3 to Stage 1	0		-2	-2
Increases due to origination and acquisition	8	2	6	17
Decreases due to derecognition	-2	-5	-8	-16
Changes in risk parameters (net)	3	2	16	22
Decrease in allowance account due to write-offs	0		-30	-30
Net change in expected credit losses	9	-2	-16	-10
Loss allowance 31 December 2018	27	30	207	263

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2018	3	0	0	4
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 3 to Stage 2		0	0	0
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	1	2	1	4
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0			0
Changes due to update in the methodology for estimation (net)	1			1
Net change in expected credit losses	1	2	2	5
Loss allowance 31 December 2018	4	2	2	9

Note 9 Insurance liabilities

EUR Million	31 March 2019	31 Dec. 2018
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,469	1,510
Other provision for unpaid claims	1,064	1,056
Reserve for decreased discount rate (value of hedges of insurance liability)	63	21
Total	2,596	2,588
Provisions for unearned premiums	858	569
Total	**3,453**	**3,157**

Note 10 Debt securities issued to the public

EUR million	31 March 2019	31 Dec. 2018
Bonds	11,670	10,121
Other		
Certificates of deposit	75	105
Commercial paper	9,301	10,162
Included in own portfolio in trading (–)	-66	-50
Total debt securities issued to the public	**20,981**	**20,338**

Note 11 Fair value reserve after income tax

	Fair value through other comprehensive income				
EUR million	Notes and bonds	Shares and participations	Shares and participations (overlay approach)	Cash flow hedging	Total
Balance sheet 31 Dec. 2017	**117**	**45**		**2**	**164**
Effect of IFRS 9 transition at 1 January 2018	-1	-45			-46
Opening balance 1 Jan. 2018	**115**	**0**		**2**	**118**
Fair value changes	-32	0	-11	-1	-44
Capital gains transferred to income statement	-4		1		-3
Impairment loss transferred to income statement			0		0
Transfers to net interest income				-1	-1
Deferred tax	7	0	2	0	10
Closing balance 31 March 2018	**86**		**-7**	**0**	**79**

EUR million	Fair value through other comprehensive income: Notes and bonds	Fair value through other comprehensive income: Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 Jan. 2019	**3**	**-15**	**0**	**-12**
Fair value changes	41	55	0	96
Capital gains transferred to income statement	10	-10		0
Impairment loss transferred to income statement		-7		-7
Transfers to net interest income			0	0
Deferred tax	-10	-8	0	-18
Closing balance 31 March 2019	**44**	**15**	**0**	**59**

The fair value reserve before tax amounted to EUR 74 million positive at the end of the reporting period and the related deferred tax liability was EUR 15 million. At the end of the reporting period a year ago, the fair value reserve was EUR 15 million negative and the related deferred tax asset was EUR 3 million. At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 28 million (24) and negative mark-to-market valuations EUR 9 million (43), owing to the application of the overlay approach. The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 1 million in the fair value reserve.

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

Note 12 Collateral given

EUR million	31 March 2019	31 Dec. 2018
Given on behalf of own liabilities and commitments		
Pledges	52	59
Others	5,712	5,775
Total collateral given*	**5,764**	**5,834**
Secured derivative liabilities	910	928
Other secured liabilities	4,072	4,072
Total secured liabilities	**4,982**	**5,000**

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

Note 13 Classification of financial assets and liabilities

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	14,483					14,483
Receivables from credit institutions	8,660					8,660
Derivative contracts			4,128		345	4,473
Receivables from customers	22,523					22,523
Notes and bonds		15,076	773	38		15,888
Equity instruments		0	35	657		692
Other financial assets	1,943					1,943
Financial assets						68,661
Other than financial assets						1,314
Total 31 March 2019	**47,608**	**15,076**	**4,936**	**695**	**345**	**69,975**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	12,239					12,239
Receivables from credit institutions	9,726					9,726
Derivative contracts			3,476		187	3,663
Receivables from customers	22,351					22,351
Notes and bonds		14,730	501	46		15,278
Equity instruments		0	36	616		651
Other financial assets	1,521					1,521
Financial assets						**65,429**
Other than financial assets						1,296
Total 31 December 2018	**45,838**	**14,730**	**4,013**	**662**	**187**	**66,725**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		17,172		17,172
Derivative contracts	3,488		191	3,678
Liabilities to customers		15,905		15,905
Insurance liabilities		3,453		3,453
Debt securities issued to the public		20,981		20,981
Subordinated loans		1,477		1,477
Other financial liabilities		2,597		2,597
Financial liabilities				**65,263**
Other than financial liabilities				621
Total 31 March 2019	**3,488**	**61,585**	**191**	**65,884**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		15,575		15,575
Derivative contracts	3,023		264	3,287
Liabilities to customers		16,422		16,422
Insurance liabilities		3,157		3,157
Debt securities issued to the public		20,338		20,338
Subordinated loans		1,482		1,482
Other financial liabilities		1,779		1,779
Financial liabilities				**62,038**
Other than financial liabilities				539
Total 31 December 2018	**3,023**	**58,752**	**264**	**62,577**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March 2019, the fair value of these debt instruments was approximately EUR 219 million (102) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 14 Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	327	57	308	692
Debt instruments	194	89	528	811
Derivative financial instruments	0	4,196	277	4,473
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,689	1,821	566	15,076
Total financial instruments	**13,210**	**6,163**	**1,680**	**21,052**
Investment property			328	328
Total	**13,210**	**6,163**	**2,008**	**21,380**

Fair value of assets on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	297	53	301	651
Debt instruments	115	133	299	547
Derivative financial instruments	0	3,606	57	3,663
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	11,873	2,666	191	14,730
Total financial instruments	**12,286**	**6,459**	**848**	**19,592**
Investment property			320	320
Total	**12,286**	**6,459**	**1,168**	**19,912**

Fair value of liabilities on 31 March 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	2	3,456	219	3,678
Total	**2**	**3,456**	**219**	**3,678**

Fair value of liabilities on 31 December 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	10	3,233	44	3,287
Total	**10**	**3,234**	**44**	**3,287**

Level 1: Quoted prices in active markets
This level includes equities listed on 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 quotes in active markets.

Level 2: Valuation techniques using observable inputs
Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank Group's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

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

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2019	**600**	**57**	**191**	**848**
Total gains/losses in profit or loss	-276	220	0	-55
Total gains/losses in other comprehensive income			1	1
Purchases	14		1	15
Sales	-10		-8	-18
Settlements	0			-21,579
Transfers into Level 3	509		401	910
Transfers out of Level 3			-20	-20
Closing balance 31 March 2019	**836**	**277**	**566**	**1,680**

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

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

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-280	4	0	-276
Unrealised net gains (losses)	44		1	45
Total net gains (losses)	**-235**	**4**	**1**	**-230**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2019.

Note 15 Off-balance-sheet commitments

EUR million	31 March 2019	31 Dec. 2018
Guarantees	632	647
Other guarantee liabilities	1,680	1,668
Loan commitments	5,930	5,257
Commitments related to short-term trade transactions	250	265
Other*	713	712
Total off-balance-sheet commitments	**9,205**	**8,549**

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

Note 16 Derivative contracts

Total derivatives 31 March 2019

	Nominal values/residual maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	42,117	97,953	84,537	224,607	2,722	2,034
Cleared by the central counterparty	8,906	41,410	39,480	89,796	59	49
Currency derivatives	35,433	7,147	2,963	45,543	1,203	1,099
Equity and index-linked derivatives		3		3	0	0
Credit derivatives		721	318	1,039	14	11
Other derivatives	188	441	10	639	49	25
Total derivatives	**77,738**	**106,264**	**87,828**	**271,830**	**3,989**	**3,168**

Total derivatives 31 December 2018

	Nominal values/residual maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	42,330	94,366	79,799	216,494	2,132	1,583
Cleared by the central counterparty	9,278	38,670	36,704	84,652	8	12
Currency derivatives	29,019	6,784	3,404	39,208	1,018	1,121
Equity and index-linked derivatives		3		3	0	0
Credit derivatives	15	189	2	206	4	9
Other derivatives	208	364	8	580	34	29
Total derivatives	**71,572**	**101,706**	**83,213**	**256,491**	**3,188**	**2,742**

* 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 or in other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

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

Financial assets

31 March 2019, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Derivatives	5,733	-1,260	4,473	-2,146	-777	1,550

31 December 2018, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Derivatives	4,597	-934	3,663	-1,884	-490	1,289

Financial liabilities

31 March 2019, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Derivatives	5,139	-1,461	3,678	-2,146	-694	839

31 December 2018, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Derivatives	4,353	-1,066	3,287	-1,884	-703	700

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

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

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

Central counterparty clearing for OTC derivatives

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

Other bilaterally cleared OTC derivative contracts

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

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

31 March 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables from credit institutions and customers			
Receivables from credit institutions	8,661	1	8,660
Receivables from customers	20,593	254	20,339
of which bank guarantee receivables	2	0	2
Finance leases	2,190	6	2,184
Total	**31,443**	**260**	**31,183**
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	18,466	244	18,223
Financial institutions and insurance companies	9,438	1	9,436
Households	2,003	12	1,991
Non-profit organisations	375	2	373
Public sector entities	1,161	1	1,160
Total	**31,443**	**260**	**31,183**

31 December 2018, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables from credit institutions and customers			
Receivables from credit institutions	9,727	1	9,726
Receivables from customers	20,455	254	20,202
of which bank guarantee receivables	2	0	2
Finance leases	2,154	4	2,150
Total	**32,337**	**259**	**32,078**
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	18,338	241	18,097
Financial institutions and insurance companies	10,503	2	10,501
Households	1,966	10	1,956
Non-profit organisations	368	3	364
Public sector entities	1,162	3	1,159
Total	**32,337**	**259**	**32,078**

Doubtful and forborne receivables 31 March 2019, EUR million

	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		87	87	83	4
Unlikely to be paid		230	230	116	114
Forborne loans	77	20	97	10	87
Total	**77**	**337**	**414**	**209**	**205**

Doubtful and forborne receivables 31 December 2018, EUR million

	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
Over 90 days past due		86	86	83	3
Unlikely to be paid		194	194	115	79
Forborne loans	53	22	75	12	62
Total	**53**	**301**	**354**	**210**	**145**

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

Key ratio, %	31 March 2019	31 Dec 2018
Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables	50.4 %	59.1 %

Note 19 Risk exposure of the Insurance segment investment

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

* Includes accrued interest income.

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

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

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

Note 20 Capital adequacy for credit institutions

EUR million	31 March 2019	31 Dec 2018
OP Corporate Bank Group's equity capital	**4,091**	**4,147**
Elimination of insurance companies' effect in equity capital	-53	-6
Fair value reserve, cash flow hedging	0	0
Common Equity Tier 1 (CET1) before deductions	**4,037**	**4,141**
Intangible assets	-59	-63
Excess funding of pension liability and valuation adjustments	-24	-29
Expected profit distribution		-173
Profit for the period not included in the capital base	-25	
Shortfall of ECL minus expected losses	-107	-105
Common Equity Tier 1 (CET1)	**3,823**	**3,772**
Subordinated loans to which transitional provisions applies	82	90
Additional Tier 1 capital (AT1)	**82**	**90**
Tier 1 capital (T1)	**3,905**	**3,862**
Debenture loans	911	944
Excess of ECL minus expected losses	45	47
Tier 2 capital (T2)	**956**	**990**
Total capital base	**4,861**	**4,852**

A prudent valuation adjustment of EUR 7 (6) million has been deducted from CET1 capital.

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

Risk exposure amount, EUR million	31 March 2019	31 Dec 2018
Credit and counterparty risk	**23,104**	**22,216**
Standardised Approach (SA)	**2,797**	**2,458**
Central government and central banks exposure	86	85
Credit institution exposure	7	6
Corporate exposure	2,658	2,327
Retail exposure	2	6
Equity investments	0	0
Other	43	34
Internal Ratings-based Approach (IRB)	**20,307**	**19,758**
Credit institution exposure	1,049	1,083
Corporate exposure	13,839	13,198
Retail exposure	1,360	1,416
Equity investments	3,733	3,725
Other	326	336
Market and settlement risk (Standardised Approach)	**1,561**	**1,319**
Operational risk (Standardised Approach)	**1,387**	**1,285**
Valuation adjustment (CVA)	**182**	**175**
Other risks	**42**	
Total risk exposure amount	**26,276**	**24,996**

The risk weight of equity investments includes EUR 3.7 billion in insurance holdings within OP Financial Group.

EUR 63 million (62) of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

Ratios, %	31 March 2019	31 Dec 2018
CET1 ratio	14.6	15.1
Tier 1 ratio	14.9	15.5
Capital adequacy ratio	18.5	19.4

Rations without the effects of transitional provisions, %	31 March 2019	31 Dec 2018
CET1 ratio	14.6	15.1
Tier 1 ratio	14.6	15.1
Capital adequacy ratio	18.2	19.1

Capital requirement, EUR million	31 March 2019	31 Dec 2018
Capital base	4,861	4,852
Capital requirement	2,775	2,642
Buffer for capital requirements	2,086	2,210

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the institution-specific capital conservation buffer for foreign exposures.

Note 21 Exposures by rating category

Corporate exposure by rating category (FIRB)

31 March 2019

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	683	353	85.3	0.0	44.2	153	14.8	0
2.5–5.5	11,292	3,254	72.9	0.2	44.3	5,683	39.1	12
6.0–7.0	3,534	1,014	71.8	1.3	43.8	4,348	95.6	25
7.5–8.5	1,908	514	71.5	4.3	43.5	3,104	128.2	43
9.0–10.0	150	110	67.1	15.8	44.2	550	211.4	18
11.0–12.0	198	88	59.4	100.0	44.8			137
Total	**17,764**	**5,334**	**73.1**	**1.0**	**44.2**	**13,839**	**59.9**	**235**

31 December 2018

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	850	366	84.9	0.0	44.6	182	15.0	0
2.5–5.5	11,098	3,310	72.6	0.2	44.0	5,632	39.1	11
6.0–7.0	3,431	928	72.3	1.3	43.5	4,156	95.3	23
7.5–8.5	1,619	361	73.5	4.3	43.5	2,655	134.1	37
9.0–10.0	163	102	68.2	16.0	44.4	573	216.7	19
11.0–12.0	289	12	61.3	100.0	44.7			135
Total	**17,450**	**5,079**	**73.3**	**0.9**	**43.9**	**13,198**	**59.4**	**225**

The defaults, i.e. rating categories 11.0 and 12.0, are not included in the average PD and risk weight.

Note 22 Insurance company solvency

EUR million	31 March 2019	31 Dec 2018
Eligible capital	**879**	**818**
Solvency capital requirement (SCR)		
Market risk	456	421
Underwriting risk	289	281
Counterparty risk	38	36
Operational risk	45	45
Diversification benefits and loss absorbency	-161	-162
Total	666	621
Buffer for SCR	**213**	**197**
SCR ratio, %	**132 %**	**132 %**
SCR ratio, % excluding transitional provisions	**132 %**	**132 %**

The figures are according to insurance companies' estimates and transitional provisions have been taken into account in them.

Note 23 Related-party transactions

OP Corporate Bank Group's related parties comprise its parent company OP Cooperative, subsidiaries consolidated into the Group, associates and administrative personnel and other related-party entities. OP Corporate Bank Group's administrative personnel comprises OP Corporate Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP Financial Group Central Cooperative Consolidated.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

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

Financial reporting in 2019

Schedule for Interim Reports in 2019:

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

Helsinki, 7 May 2019

OP Corporate Bank plc
Board of Directors

For additional information, please contact
Katja Keitaanniemi, President and CEO, tel. +358 (0)10 252 1387
Tuuli Kousa, Chief Communications Officer, tel. +358 (0)10 252 2957

www.op.fi