OP Corporate Bank plc's Interim Report 1 January – 30 September 2018

OP Corporate Bank plc's Interim Report for 1 January–30 September 2018

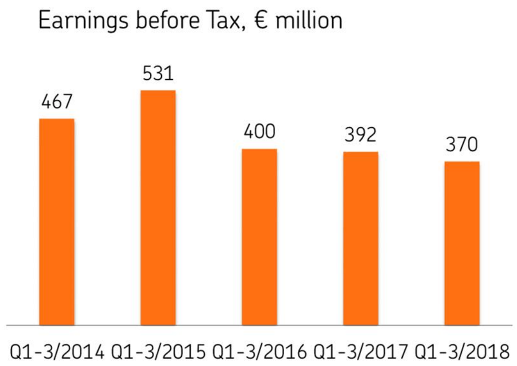
- Consolidated earnings before tax were EUR 370 million (392). Return on equity was 9.8% (10.4). Return on assets was 0.62% (0.68).
- Net interest income rose by 3% to EUR 192 million and net insurance income increased by 31% to EUR 421 million, comparable change being –1%.
- Impairment losses on receivables were still low: EUR 6 million (11).
- Banking earnings before tax decreased by 2% to EUR 252 million. The loan portfolio increased in the year to September by 12% to EUR 21.7 billion. The cost/income ratio was 35.8% (30.8).
- Non-life Insurance earnings before tax decreased by 1% to EUR 123 million. The operating combined ratio was 90.5% (97.0). Net return on investments at fair value totalled EUR 48 million (119).
- Other Operations earnings before tax were EUR –5 million (11). Liquidity and access to funding remained good.
- The CET1 ratio was 15.0% (16.0), while the target was 15%.
- OP Corporate Bank's new President and CEO, Katja Keitaanniemi, Lic.Sc. (Tech.), took up her duties on 6 August 2018.
- Unchanged outlook: OP Corporate Bank Group's consolidated earnings before tax are expected to be about the same as in 2017.

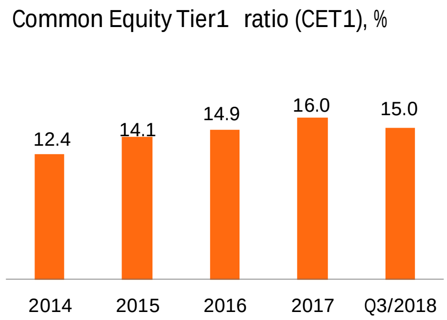
Earnings before tax, € million	Q1–3/2018	Q1–3/2017	Change, %	Q1–4/2017
Banking	252	256	-1.5	344
Non-life Insurance	123	125	-1.2	193
Other Operations	-5	11	-143.8	-2
Group total	370	392	-5.5	535
Return on equity (ROE), %	9.8	10.4	-0.6*	10.6
Return on assets (ROA), %	0.62	0.68	-0.1*	0.67

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 2017 are used as comparatives. On 1 January 2018, OP Corporate Bank adopted IFRS 9 Financial Instruments. Comparatives deriving from the income statement are based on figures under IAS 39 reported for the corresponding period in 2017. Unless otherwise specified, balance sheet and other cross-sectional figures under IAS 39 on 31 December 2017 are used as comparatives.* Change in ratio

Financial targets	30 Sept. 2018	31 Dec. 2017	Target
Customer experience, NPS (-100–+100)	70	69	70
CET1 ratio, %	15.0	16.0	15
Return on economic capital, %	17.2	17.8	22
Expenses of present-day business*, € million	575	534	Expenses in 2020 lower than in 2015 (475)
Dividend payout ratio, %		49.7	50

*Excluding expenses of the health and wellbeing business. Rolling 12-month.





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Operating environment

Confidence in the world economic outlook worsened slightly during the third quarter but the world economy still continued to grow briskly. The US economy continued to grow strongly, the inflation rate accelerated and the Fed tightened its monetary policy.

A positive momentum was particularly strong in the US stock market until the beginning of October when the market saw more fluctuations again. The stock market in the euro area was more subdued than that in the US.

Euro-area economic growth slowed down slightly. Inflation rose because of higher energy prices but otherwise the increase in prices still fell short of the targets of the European Central Bank (ECB).

The ECB has adhered to the policy lines it issued in June. The ECB continued its monthly asset purchases worth EUR 30 billion until the end of September, after which it reduced their monthly amount to EUR 15 billion. Based on the ECB policy line, the main refinancing rates will remain at their present level at least through the summer of 2019. Market interest rates rose slightly from the second quarter.

The Finnish economy continued to show favourable development but the results of economic surveys deteriorated further. A plenty of new jobs were created and consumer confidence remained steady. Corporate profitability has improved and fixed investments have increased.

Sales in the housing market continued to focus on new homes and, as a whole, the volume was slightly lower than a year ago. Home prices continued to rise slowly on average and the trend was uneven by region and type of housing.

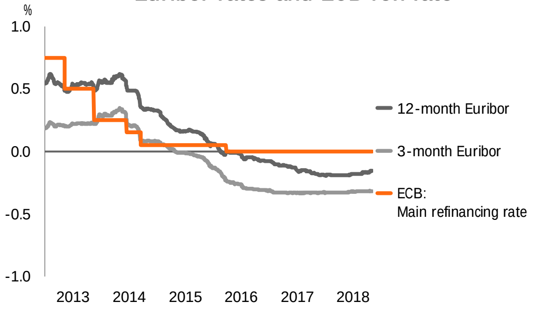
The economy is expected to show favourable development but the strongest growth is for now about to be behind us. Greater international trade barriers pose the greatest risk to the economic outlook. Financial market uncertainty is expected to increase, for example, by the gradually tightening monetary policy on a global scale.

The annual growth rate of consumer loans was around 2.5% between January and September. Total home loans increased by roughly 2%. During the reporting period, demand for corporate loans (excl. housing company loans) strengthened markedly and growth in housing company loans remained strong. The results of the banking barometer conducted by Finance Finland suggest that demand for consumer loans should strengthen whereas the annual growth rate of corporate loans is expected to slow down.

Growth in total deposits slowed down to close to zero in the third quarter. However, total household deposits continued to grow strongly. Total deposits by public-sector entities decreased by around a fifth year on year.

In the third quarter of 2018, the value of mutual funds registered in Finland increased by EUR 488 million to EUR 115.8 billion. Mutual funds' net asset inflows were negative, EUR –1.5 billion, but the value change arising from higher equity prices, in particular, was EUR 2.0 billion positive. The strong economic trend has supported developments in premiums written in the insurance market but price competition is expected to remain fierce.

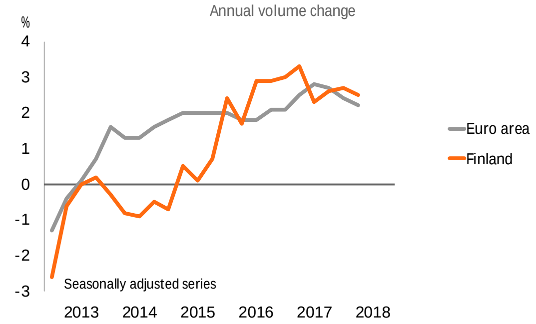
Euribor rates and ECB refi rate



Source: Bank of Finland

GDP

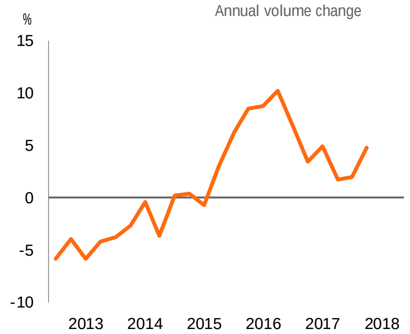
Annual volume change



Sources: Eurostat, Statistics Finland

Fixed investments in Finland

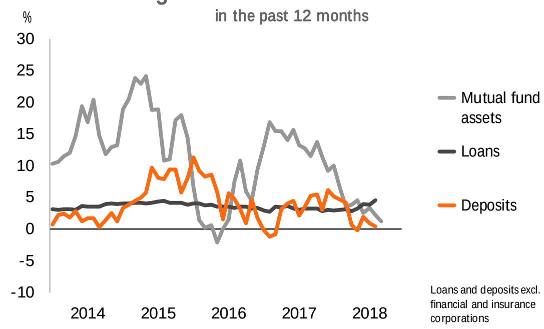
Annual volume change



Source: Statistics Finland

Change in financial sector volumes

in the past 12 months



Sources: Bank of Finland, Investment Research Finland

Consolidated earnings

€ million	Q1–3/ 2018	Q1–3/ 2017*	Change, %	Q3/ 2018	Q3/ 2017*	Change, %	Q1–4/ 2017*
Net interest income	192	187	2.9	66	67	-1.9	259
Net insurance income	421	322	30.8	148	74	100.7	459
Net commissions and fees	-12	-10	19.4	-6	-10	-37.8	-17
Net investment income	210	291	-27.7	66	104	-37.2	390
Other operating income	36	20	83.6	20	10	106.0	26
Total income	848	810	4.8	294	245	19.9	1,117
Personnel costs	138	121	14.5	42	37	15.4	164
Depreciation/amortisation and impairment loss	52	43	20.9	17	15	14.1	64
Other operating expenses	267	242	10.5	87	82	6.2	339
Total expenses	457	406	12.8	146	133	9.6	568
Impairment loss on receivables	-6	-11	-43.3	-11	1	<-999.9	-12
OP bonuses to owner-customers	-1	-1	2.6	-1	0	4.9	-2
Temporary exemption (overlay approach)	-13			-9			
Total earnings before tax	370	392	-5.5	127	112	13.4	535

Following the adoption of IFRS 15, comparatives for 2017 have been changed as described in Note 1 Accounting policies.

January–September

Consolidated earnings before tax were EUR 370 million (392). Expenses rose faster than income; total income increased by 4.8%, while total expenses rose by 12.8%, year on year. Net interest income and net insurance income increased, while net investment income decreased, year on year. Other operating income was increased by a capital gain on the sale of the Baltic non-life insurance business. Expenses for the reporting period were increased, in particular, by ICT costs and charges of financial authorities. Impairment losses were still low.

Net interest income rose to EUR 192 million (187). Derivatives operations increased net interest income in the Other Operations segment but decreased net interest income in Banking. The loan portfolio grew by 12.2% in the year to September. Net insurance income rose to EUR 421 million (322) as insurance premium revenue increased and claims incurred decreased, year on year. A year ago, the reduction in the discount rate of insurance liability reduced net insurance income by EUR 102 million. Comparable net insurance income changed by –1%. Insurance premium revenue was improved in particular by higher insurance premium revenue from corporate customers.

Net commissions and fees were EUR –12 million (–10). Commission income rose by 1.0%, due to higher income from health and wellbeing services, and income from lending than a year ago. Commission expenses rose by 2.4%. The fees OP Corporate Bank Group pays to 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. Excluding fees paid to member banks, commission expenses decreased year on year due to lower expenses of the payment transfer services and securities brokerage.

Net investment income totalled EUR 210 million (291). A temporary exemption (overlay approach) is applied to some equity instruments of Non-life Insurance, which decreased earnings for the reporting period by EUR 13 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, net investment income fell by EUR 94 million. Return on investments by Non-life Insurance at fair value was 0.8% (3.0).

Net income from financial assets recognised at fair value through profit or loss totalled EUR 172 million (181) and net income from financial assets recognised at fair value through other comprehensive income totalled EUR 55 million (131). Net investment income included EUR 110 million (171) from derivatives operations. Capital gains and changes in the fair value of investments recognised through profit or loss totalled EUR 77 million (88). Dividend income and share of profits amounted to EUR 32 million (43).

Other operating income increased to EUR 36 million (20). In the reporting period, a total of EUR 16 million was recognised as non-recurring capital gain on the sale of the Baltic non-life insurance business.

Total expenses increased by 12.8% to EUR 457 million (406). Personnel costs were up by EUR 17 million over the previous year, due to higher headcount. Depreciation/amortisation was increased mainly by a 9-million euro increase in depreciation/amortisation and impairment losses related to ICT investments. Other operating expenses were increased by a 14-million euro rise in ICT costs and EUR 15 million in charges of financial authorities. Development mostly concerned the present-day business. In January–September, development expenditure totalled EUR 73 million (68). It includes licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 27 million (32).

Net impairment losses on receivables totalled EUR 6 million (11). Realised and expected credit losses on loans came to EUR 7 million (11) and, on those of on-balance-sheet items recognised at fair value through other comprehensive income and off-balance sheet commitments, to EUR –1 million. Considering that impairment losses on receivables are calculated in 2018 based on IFRS 9, they are not comparable with those calculated under the previous IAS 39.

July–September

Earnings before tax amounted to EUR 127 million (112). Total income rose by 19.9% and total expenses by 9.6%. Income was increased by net insurance income and other operating income, whereas expenses were increased by charges of financial authorities and higher personnel costs.

Net interest income remained at the previous year's level, amounting to EUR 66 million (67). Net insurance income rose by EUR 74 million to EUR 148 million (74). A year ago, claims incurred were increased by EUR 76 million due to the change in the plan made in the third quarter to reduce the discount rate of the insurance liability. Comparable net insurance income was at the previous year's level. Net commissions and fees totalled EUR –6 million (–10). Commission income rose year on year by 6.9%, while commission expenses fell by 3.3%. Commission income was increased by income from health and wellbeing services, while commission expenses were decreased by fees paid to member banks. Net investment income decreased year on year to EUR 66 million (104). Investment income was reduced by lower capital gains than a year ago.

Total expenses increased by EUR 13 million year on year to EUR 146 million (133). Personnel costs rose year on year by EUR 6 million, due chiefly to higher headcount.
Depreciation/amortisation and impairment loss increased expenses over the previous year by EUR 2 million, ICT costs by EUR 4 million and charges of financial authorities by EUR 3 million.

Q1–3 highlights

Transfer of the personnel's statutory earnings-related pension insurance portfolio to Ilmarinen Mutual Pension Insurance Company

The Board of Trustees of OP Bank Group Pension Fund, which manages statutory earnings-related pension for OP Financial Group, decided on 31 July 2018 to transfer the management of its pension liability worth around EUR 1.1 billion to Ilmarinen Mutual Pension Insurance Company. The insurance portfolio concerned accounts for some 90% of OP Bank Group Pension Fund's total pension liability. This transfer will still require regulatory approval. The transfer is expected to take place by the end of 2018.

If implemented, the transfer would improve OP Corporate Bank's CET1 ratio by an estimated 0.2 percentage points. The transfer of the pension portfolio will result in a non-recurring item shown in OP Corporate Bank Group's financial statements. According to the present-day estimate, the non-recurring item would improve the Group's 2018 earnings by EUR 45 million. The final size of the item shown in the income statement will be essentially affected by the discount rate used for pension liabilities, and the final amount to be recognised may significantly differ from the amount mentioned above. A 0.1 percentage point increase in the discount rate would reduce the to-be-recognised defined benefit pension net liability by an estimated EUR 6–7 million.

Based on the initial plan, the remaining pension liability would be transferred to Ilmarinen at a later date, but no earlier than at the end of 2020. The remaining portion mainly consists of OP Insurance's pension liabilities transferred on 31 December 2015 from Ilmarinen Mutual Pension Insurance Company to OP Bank Group Pension Fund.

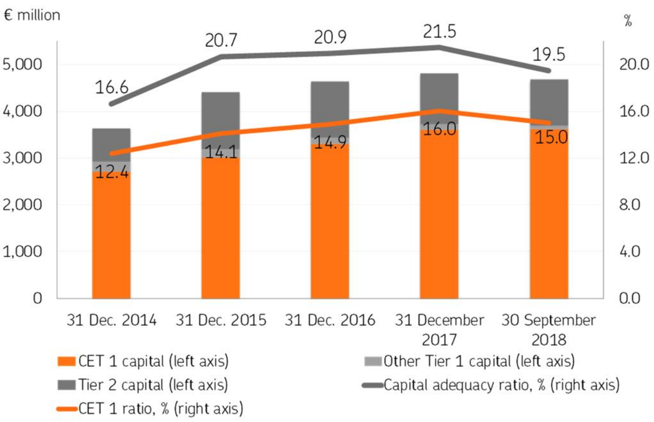
OP Corporate Bank to revamp its operations

On 26 September 2018, OP Financial Group's Supervisory Board decided on the key strategic focus areas of OP Financial Group for the remaining strategy period. Excellent employee experience, best customer experience and an increase in the number of owner-customers to at least two million are now highlighted as focus areas in the strategy. Two other strategic focus areas support these: maximising development productivity and faster growth in profits than expenses. To implement the strategy, OP Financial Group has decided to initiate a major change in practices. New agile practices highlight task significance and enhance job satisfaction, which, in turn, improves customer experience and workplace efficiency, creating potential for cost savings.

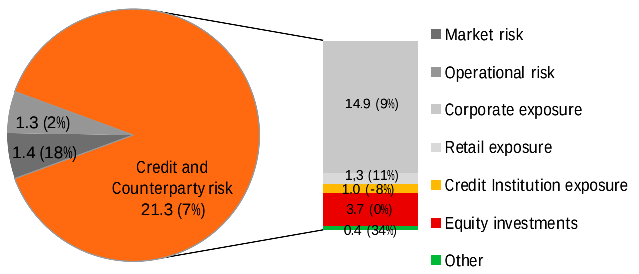
The agile practices will first be phased in at OP Financial Group's central cooperative. The implementation of this new operating model began with reorganisation on which OP Financial Group published a release on 25 September 2018. The related Information and Consultation of Employees process began in the central cooperative consolidated on 1 October 2018. The Information and Consultation of Employees process also applies to OP Corporate Bank Group.

Group's capital adequacy

Capital base and capital adequacy



Risk Exposure Amount 30 September 2018
Total 24.0 € billion
(change from year end 7%)



Capital adequacy for credit institutions

The Group's CET1 ratio was 15.0% (16.0) on 30 September 2018. 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 3.6 billion (3.6) on 30 September 2018. In Banking, CET1 was at the 2017-end level.

On 30 September 2018, the risk exposure amount (REA) totalled EUR 24.0 billion (22.3), or 7.3% higher than on 31 December 2017. 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.

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In September 2018, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The Authority set a 2% systemic risk buffer on OP Financial Group as of 1 July 2019.

ECB supervision

OP Financial Group is supervised by the European Central Bank (ECB). The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 1.75%. When taking account of the P2R, the minimum for OP Financial Group's CET1 ratio is 10.8% and for its capital adequacy ratio 14.3%. In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect e.g. profit distribution. The P2G included, the CET1 requirement for OP Financial Group is 11.8%. OP Financial Group's capital adequacy clearly exceeds the set minimum. The discretionary capital buffer requirement set by the ECB does not apply to OP Corporate Bank.

On 2 February 2017, OP Financial Group received the ECB's decision to set risk weight floors for OP Financial Group's retail exposures. The shortcomings observed by the ECB in the IRBA (Internal Ratings Based Approach) management and validation process applied by OP Financial Group in capital adequacy measurement, especially delayed validations, lie behind the decision. The shortcomings have been fixed and the ECB is assessing the sufficiency of related measures. The decision does not apply to OP Corporate Bank.

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 seeks to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio stood at 35% at the turn of 2017. In the same connection, the SRB 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 capital base of Non-life Insurance increased as a result of earnings. A decrease in the solvency requirement also improved the solvency position.

€ million	30 Sept. 2018	31 Dec. 2017
Capital base, € million*	1,066	902
Solvency capital requirement (SCR), € million*	630	666
Solvency ratio, %*	169	135
Solvency ratio, % (excluding transitional provision)	169	135

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 September 2018

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 30 September 2018

Rating agency	Rating	Outlook
Standard & Poor's	A+	Stable
Moody's	A3	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.

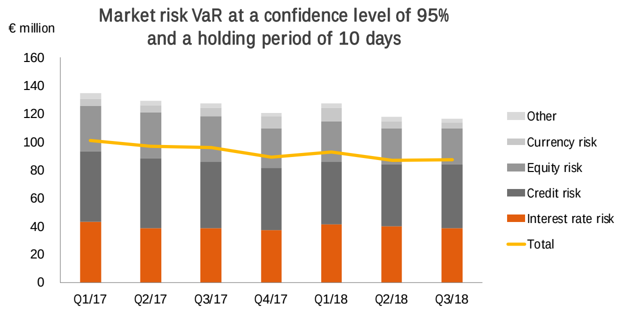
The ratings of OP Corporate Bank plc and OP Insurance Ltd did not change during the reporting period.

In July 2018, Standard & Poor's affirmed OP Corporate Bank plc's credit ratings for short-term and long-term debt as well as OP Insurance Ltd's financial strength rating, and kept the outlook for both companies stable.

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 (89) on 30 September 2018. 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.



Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period improved comprehensive income before tax by EUR 22 million (5). Net liability was reduced by good results posted by OP Bank Group Pension Fund and OP Bank Group Pension Foundation and the increase in the discount rate.

In the reporting period, key tasks of the Compliance function involved ensuring compliance with regulatory requirements that became effective in 2017 and 2018.

OP Financial Group has provided its reply to the request for clarification received from the Finnish Competition and Consumer Authority in 2015. The authorities are investigating OP Financial Group's market position in retail banking services and the pricing of non-life insurance products. The issue is still being investigated by the Authority.

Banking

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

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

Doubtful receivables totalled EUR 173 million (195). 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 (forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a not non-performing agreement) accounted for 37.8% (25.1) of doubtful receivables. Non-performing receivables remained low, accounting for 0.4% (0.7) of the loan and guarantee portfolio. In Banking, impairment losses amounted to EUR –6 million (–10).

Breakdown of Banking exposures

	30 Sept. 2018	31 Dec. 2017
Total Banking exposure*, EUR billion	33.3	31.6
in the highest borrower grades (IG)**, %	65.1	66.4
in other borrower grades (excluding default), %	34.4	33.0
classified as default, %	0.4	0.6
classified as default, EUR million	139.2	187.0
Corporate and housing company exposures, EUR billion	29.2	27.8
of total Banking exposure, %	87.7	87.9
in the highest borrower grades (IG), %	63.3	65.4
in other borrower grades (excluding default), %	36.2	34.0
classified as default, %	0.5	0.7
classified as default, EUR million	139.2	187.0
Private customer exposures, EUR billion	1.9	1.7
Financial and insurance institutions' exposures, EUR billion	1.1	1.2
Public-sector entities' exposures, EUR billion	1.1	1.0

* including derivatives brokerage
** excluding Private Customers

One customer's 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 0.5 billion and OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.7 billion (4.8).

The most significant sectors in corporate and housing company exposures	30 Sept. 2018	31 Dec. 2017
Energy, %	13.2	14.1
Services, %	10.8	9.4
Trade, %	10.2	10.7
Other sectors, %	65.9	64.5
Total	100	100

Exposures by the Baltic operations grew to EUR 3.2 billion (2.5), accounting for 9.5% (7.8) of total exposures of the Banking segment.

Non-life Insurance

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

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

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 48 million (52) on 30 September 2018. 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 market risk is highest in 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% from the beginning of 2018. On 30 September 2018, OP Financial Group's LCR was 143%.

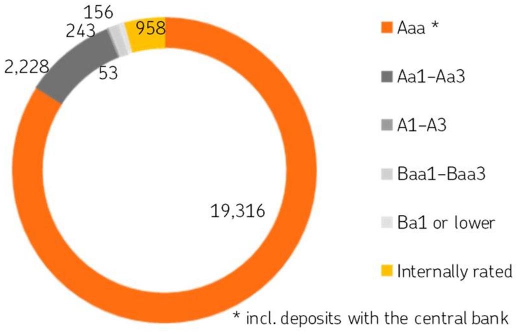
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 112% (116) at the end of September.

Liquidity buffer

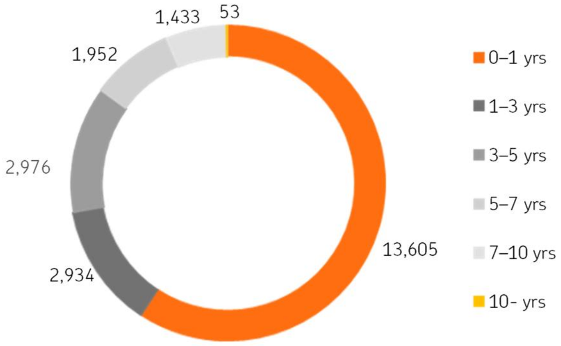
€ billion	30 Sept. 2018	31 Dec. 2017	Change, %
Deposits with central banks	12.6	12.8	-1.3
Notes and bonds eligible as collateral	8.7	9.1	-4.1
Total	21.3	21.9	-2.5
Receivables ineligible as collateral	1.6	1.5	10.4
Liquidity buffer at market value	23.0	23.3	-1.7
Collateral haircut	-0.7	-0.7	6.1
Liquidity buffer at collateral value	22.2	22.7	-1.9

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

Financial assets included in the liquidity buffer by credit rating on 30 September 2018, € million



Financial assets included in the liquidity buffer by maturity on 30 September 2018, € 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 Other Operations and Banking, exposures of OP Financial Group (excluding OP Corporate Bank Group) represented 16.0%. These exposures increased during the reporting period by EUR 343 million, or 3.1%. All exposures of OP Financial Group member cooperative banks and OP Cooperative are investment-grade exposures.

Breakdown of Other Operations exposures

	30 Sept. 2018	31 Dec. 2017
Total Other Operations exposures, EUR billion	37.7	37.6
Financial and insurance institutions' exposures, EUR billion	18.6	18.1
Public-sector entities' exposures, EUR billion	17.5	18.1
Corporate and housing company exposures, EUR billion	1.6	1.4
in the highest borrower grades (IG), %	99.2	98.6
in other borrower grades, %	0.8	1.4
Private customer exposures, EUR billion	0.0	0.0

Financial performance by segment

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided a new division of responsibilities of the Executive Board, which will change the segment structure as of the beginning of 2019. In its interim reports and financial statements, OP Financial Group will begin financial reporting based on its new segments as of the first interim report of 2019. OP Corporate Bank Group's segment structure will be updated accordingly. During the transition period, OP Corporate Bank Group's business segments are reported according to the previous segment structure, with Banking and Non-life Insurance as its business segments. The health and wellbeing business is included in the Non-life Insurance segment. Non-business segment operations are presented in the Other Operations segment, including functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer. Segment reporting is based on the accounting policies applied in OP Corporate Bank's consolidated financial statements.

Banking

- Earnings before tax decreased by 1.5% to EUR 252 million (256).
- The loan portfolio increased in the year to September by 12.2% to EUR 21.7 billion.
- Impairment losses on receivables reduced earnings by EUR 6 million (–10). Non-performing receivables accounted for 0.4% (0.7) of the loan and guarantee portfolio.
- The most significant Banking development investments involved the development of finance and payment systems.

Banking: key figures and ratios

€ million	Q1–3/2018	Q1–3/2017	Change, %	Q1–4/2017
Net interest income	249	256	-3.0	348
Net commissions and fees	44	96	-53.7	129
Net investment income	97	19	400.3	18
Other operating income	12	14	-13.5	24
Total income	402	385	4.2	520
Personnel costs	46	40	14.1	54
Depreciation/amortisation and impairment loss	9	8	14.5	11
Other operating expenses	89	71	25.7	98
Total expenses	144	119	21.1	163
Impairment loss on receivables	-6	-10	-46.6	-12
Earnings before tax	252	256	-1.5	344
Cost/income ratio, %	35.8	30.8		31.4
	30 Sept. 2018	30 Sept. 2017	Change, %	31 Dec. 2017
Loan portfolio, € billion	21.7	19.4	12.2	20.1
Guarantee portfolio, € billion	2.4	2.4	1.8	2.4
Margin on corporate loan portfolio, %	1.23	1.37	-10.2	1.25
Ratio of non-performing receivables to loan and guarantee portfolio, %*	0.4	0.7	-0.2**	0.7
Personnel	657	616	6.7	628

* 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 loan portfolio grew in the year to September by 12.2% to EUR 21.7 billion. The guarantee portfolio totalled EUR 2.4 billion (2.4) and committed standby credit facilities amounted to EUR 4.4 billion (4.5).

OP Corporate Bank acts as an intermediary bank in two SME financing programmes guaranteed by the European Investment Fund (EIF) which have enabled financing worth a total of EUR 450 million for SMEs. The EIF gives a 50% risk-sharing guarantee to the loans. The programmes are targeted at projects and investments of growing and innovative companies. The original financing programmes signed in 2016 and 2017 have been utilised. In July 2018 OP Corporate Bank signed an agreement for an increase in the financing programme. Over 400 corporate loans have been granted under these financing programmes. The financing programme signed in March 2016 is designed for companies with a staff of less than 500 and the programme signed in January 2017 for companies with a staff of less than 250.

Expectations of rising interest rates spurred the sales of interest rate protection products to Private and Corporate Customers.

Earnings

Earnings before tax decreased by 1.5% to EUR 252 million (256). Total income rose by 4.2% and total expenses by 21.1%. As a result of the rise in expenses, the cost/income ratio weakened to 35.8% (30.8).

Net interest income decreased by 3.0% to EUR 249 million (256), due to derivatives operations.

Net commissions and fees decreased by 53.7% to EUR 44 million (96). The decrease in net commissions and fees was due to the inclusion of certain client income items of derivatives operations in Banking's net investment income during the reporting period whereas, a year ago, they were included in net commissions and fees.

Net investment income rose year on year by EUR 77 million. Net investment income was increased by EUR 16 million in capital gain on equities. Derivatives operations increased net trading income included in the item. CVA valuation related to derivatives operations totalled EUR 13 million (21).

Other operating income was EUR 2 million lower than the year before. In Banking, impairment losses lowered the reporting period's earnings by EUR 6 million (–10). Non-performing receivables accounted for 0.4% (0.7) of the loan and guarantee portfolio.

Total expenses were EUR 144 million (119). Personnel costs rose by EUR 6 million year on year to EUR 46 million. Other operating expenses increased by EUR 18 million year on year, due to stability contributions to the Financial Stability Board. ICT costs totalled EUR 42 million (40).

Non-life Insurance

- Earnings before tax decreased by 1.2% to EUR 123 million (125).
- Insurance premium revenue increased by 3.1%.
- The operating combined ratio was 90.5% (97.0) and operating expense ratio 20.4% (19.7). The combined ratio was 92.0% (98.5).
- Net investment income, taking account of the temporary exemption, totalled EUR 26 million (123). Net return on investments at fair value totalled EUR 48 million (119).
- Development investments focused on development of electronic services and the basic system upgrade initiated.

Non-life Insurance: key figures and ratios

€ million	Q1–3/2018	Q1–3/2017	Change, %	Q1–4/2017
Insurance premium revenue	1,107	1,074	3.1	1,432
Claims incurred	683	749	-8.9	970
Other expenses	2	3	-20.4	3
Net insurance income	422	322	31.0	459
Net investment income	37	123	-70.2	176
Other net income	-23	-49	52.6	-68
Total income	436	397	9.8	568
Personnel costs	87	75	16.0	102
Depreciation/amortisation and impairment loss	41	34	21.3	50
Other operating expenses	172	162	6.4	221
Total expenses	300	271	10.9	373
OP bonuses to owner-customers	-1	-1	2.6	-2
Temporary exemption	-11			
Earnings before tax	123	125	-1.2	193
Combined ratio, %	92.0	98.5		97.6
Operating combined ratio, %	90.5	97.0		96.1
Operating loss ratio, %	70.1	77.3		75.8
Operating expense ratio, %	20.4	19.7		20.3
Operating risk ratio, %	63.6	71.1		69.3
Operating cost ratio, %	26.9	25.9		26.9
Solvency ratio (Solvency II), %*	169	163		135
Large claims incurred retained for own account	79	52		78
Changes in claims for previous years (run off result)	33	25		35
Personnel	1,787	1,786	0.1	1,774

*Including the effect of transitional provisions.

Insurance premium revenue from corporate customers increased, backed by the general economic development. Premium revenue from private customers began to rise but the intensified price competition continued to curb the trend.

OP bonuses earned through the use of banking and insurance services were used to pay 1,787,000 insurance bills (1,759,000), with 266,000 (242,000) of them paid in full using bonuses.

Insurance premiums paid using bonuses totalled EUR 87 million (85).

Key development investments focused on the development of electronic transaction and purchase services and the basic system upgrade initiated. Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities.

The motorcycle insurance was updated during the reporting period and its sales began at the beginning of April.

The sale of all share capital of the Baltic subsidiary Seesam Insurance AS to Vienna Insurance Group (VIG) was completed on 31 August 2018. The Baltic business is included in the segment's earnings until the completion of the sale.

Earnings

Earnings before tax amounted to EUR 123 million (125). Net insurance income increased by 31.0% to EUR 422 million. Net investment income, taking account of the temporary exemption, totalled EUR 26 million (123). Net capital gains on investments totalled EUR –6 million (76). The sale of the Baltic non-life insurance business increased other net income by EUR 16 million.

The operating combined ratio was 90.5% (97.0). The operating ratios a year ago include the effects of changes in the discount rate but exclude amortisation on intangible assets arising from the corporate acquisitions. A year ago, the lowered discount rate of the insurance liability increased claims incurred by EUR 102 million and weakened the operating combined ratio by 9.5 percentage points.

Insurance premium revenue

€ million	Q1–3/2018	Q1–3/2017	Change, %
Private Customers	598	593	0.9
Corporate Customers	465	435	6.9
Baltics	44	46	-4.6
Total	1,107	1,074	3.1

Divestment of the Baltic non-life insurance business had an impact on earnings. Excluding the Baltics, insurance premium revenue increased by 3.5%.

Claims incurred, excluding the reduction in the discount rate, increased by 5.5%. Claims under property and business liability insurance incurred 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 74 (66) in January–September, with their claims incurred retained for own account totalling EUR 79 million (52). The change in provisions for unpaid claims under statutory pension improved earnings. Between January and September, these provisions decreased year on year by EUR 2 million (3).

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 33 million (25). The operating loss ratio was 70.1% (77.3). The operating risk ratio excluding indirect loss adjustment expenses was 63.6% (71.1).

Expenses grew by 10.9%, being EUR 30 million higher than a year ago, due to higher ICT costs and depreciation/amortisation and the expansion of the health and wellbeing business. The operating expense ratio was 20.4% (19.7). The operating cost ratio (including indirect loss adjustment expenses) was 26.9% (25.9).

Operating balance on technical account and combined ratio (CR)

	Q1–3/2018		Q1–3/2017	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	86	85.6	77	86.9
Corporate Customers	21	95.5	-48	111.1
Baltics	-2	104.8	3	92.6
Total	105	90.5	32	97.0

Intensified price competition eroded profitability of the Private Customers business. A single large claim weakened the balance for Baltics.

Investment

Net return on Non-life Insurance investments at fair value totalled EUR 48 million (119). 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.

Investment portfolio by asset class

%	30 Sept. 2018	31 Dec. 2017
Bonds and bond funds	66.8	68.0
Alternative investments	4.7	4.7
Equities	7.9	8.5
Private equity	1.9	1.9
Real property	8.7	8.3
Money markets	10.1	8.5
Total	100	100

Non-life Insurance's investment portfolio totalled EUR 3,844 million (3,903) on 30 September 2018. Investments within the investment-grade category accounted for 95% (95), and 64% (65) of the investments were rated at least A–. On 30 September 2018, the fixed-income portfolio's modified duration was 4.2 (5.1). The running yield for direct bond investments averaged 1.5% (1.7) on 30 September 2018. The calculation of the ratio was specified in 2018 and the comparative was adjusted retrospectively.

Health and wellbeing

Pohjola Health Ltd's fifth hospital was opened in Turku in May, marking the completion of the hospital network. Five Pohjola Health hospitals, located in Helsinki, Tampere, Oulu, Kuopio and Turku, provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis.

Customers have been satisfied with services provided by Pohjola Health. Among surgery customers, the NPS figure was 96 (97) in January–September 2018.

Other Operations

- Earnings before tax were EUR –5 million. A year ago, earnings before tax amounted to EUR 11 million.
- Earnings included EUR 20 million (14) in capital gains on notes and bonds and EUR 7 million (9) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	Q1–3/2018	Q1–3/2017	Change, %	Q1–4/2017
Net interest income	-39	-54	-27.1	-68
Net commissions and fees	-25	-67	-63.1	-94
Net investment income	76	148	-48.7	195
Other operating income	6	7	-4.8	8
Total income	18	33	-45.6	41
Personnel costs	6	6	-2.2	8
Other expenses	17	16	5.4	36
Total expenses	23	22	3.4	43
Impairment loss on receivables	0	0	800.3	0
Earnings before tax	-5	11	-143,8	-2
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-1.2	1.0	-216.7	-0.1
Personnel	52	49	6.4	50

Earnings

Earnings before tax amounted to EUR –5 million. A year ago, earnings before tax amounted to EUR 11 million. Lower gains on positions subject to market risk weakened earnings from the year before. Earnings before tax at fair value were EUR –58 million. A year ago, earnings before tax at fair value totalled EUR 37 million.

Derivatives operations related to positions subject to market risk increased net interest income and decreased net trading income included in net investment income. According to the OP Corporate Bank Group's accounting policy, income from derivative instruments is split between net interest income and net trading income. How this income is broken down between the two income statement items may vary considerably depending on the derivative instruments used in position management at a given time. Net investment income totalled EUR 76 million (148), down by EUR 72 million year on year due to lower income from derivatives operations. In addition, net investment income was weakened by the transfer of the client income items of certain derivatives products directly in Banking's net investment income as of the beginning of the reporting period. Net investment income included EUR 20 million (14) in capital gains on notes and bonds and EUR 7 million (9) in dividend income. A year ago, dividend income included EUR 7 million in interest on cooperative capital from Suomen Luotto-osuuskunta.

Net commissions and fees totalled EUR –25 million (–67). Some derivatives sales commissions are recognised in Other Operations and then credited to Banking. Such credited commissions turn Other Operations' net commissions and fees negative. However, net commissions and fees increased year on year since the client income items of certain derivatives products were directly included in Banking's net investment income as of the beginning of the reporting period, which lowered commission expenses paid by the Other Operations segment.

OP Corporate Bank's access to funding remained good. OP Corporate Bank issued long-term senior bonds worth a total of EUR 2.0 billion between January and September. In May, the Bank issued two senior bonds in the international capital market, each worth EUR 500 million, with a maturity of three and seven years. In August, it issued one senior bond worth EUR 500 million with a maturity of five years. In addition, the Bank issued smaller private placement bonds and structured bonds worth a total of EUR 0.5 billion in January–September.

In September 2018, the average margin of senior wholesale funding and TLTRO-II funding was 17 basis points (19).

On 30 September 2018, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 1.2 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 Insurance Ltd sold all share capital of its Baltic-based subsidiary Seesam Insurance As, including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The parties signed the related contract of sale on 18 December 2017 and the sale was completed on 31 August 2018.

Personnel and remuneration

Personnel increased from the 2017-end level in Banking and Non-life Insurance, mainly as a result of OP Financial Group's internal reorganisation. In addition, headcount grew in health and wellbeing services as Pohjola Health's Turku hospital opened its doors in May 2018.

Personnel

	30 Sept. 2018	31 Dec. 2017
Banking	657	628
Non-life Insurance	1,787	1,774
Other Operations	52	50
Total	2,496	2,452

Reijo Karhinen, OP Financial Group's President and Executive Chairman and Chair of the Board of Directors of OP Corporate Bank plc, retired on 31 January 2018, based on his executive contract. On 20 September 2017, the Supervisory Board of OP Financial Group's central cooperative appointed Timo Ritakallio, LL.M, MBA and D.Sc. (Tech.), OP Financial Group's new President and Group Executive Chair as of 1 March 2018. Following the appointment, Ritakallio also became Chair of the Board of Directors of OP Corporate Bank plc. Previously he was CEO of Ilmarinen Mutual Pension Insurance Company. From 1 to 28 February 2018, the Board of Directors was chaired by Tony Vepsäläinen, Executive Vice President, Operations, OP Financial Group.

Jouko Pölönen resigned from his position as President and CEO of OP Corporate Bank on 30 April 2018 to become President and CEO of Ilmarinen Mutual Pension Insurance Company. Katja Keitaanniemi, Lic.Sc. (Tech.), was appointed OP Corporate Bank's new President and CEO as of 6 August 2018. She moved to OP Financial Group from Finnvera where she acted as Executive Vice President, SMEs. Senior Vice President Hannu Jaatinen was OP Corporate Bank's acting President and CEO until the arrival of the new President and CEO, and was appointed deputy President and CEO as of 6 August 2018.

Jari Himanen, member of the Board of Directors since 2016, resigned from membership of the OP Corporate Bank's Board of Directors on 6 May 2018 in order to take up his duties as Managing Director of OP Suur-Savo.

Tiia Tuovinen, Master of Laws, LL.M.Eur., heading OP Financial Group's Legal Services and Compliance, was appointed member of the Board of Directors as of 2 July 2018.

Harri Luhtala, member of the Board of Directors since 2014, resigned from membership of the Board of Directors of OP Corporate Bank on 31 October 2018.

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.

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

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.

Events after the reporting period

Vesa Aho, M.Sc. (Econ. & Bus. Adm.), and Jarmo Viitanen, M.Sc. (Agr. & For.), eMBA, were appointed new members of the Board of Directors as of 1 November 2018. Timo Ritakallio will continue to chair the Board of Directors and Tony Vepsäläinen and Tiia Tuovinen will remain its members.

Outlook towards the year end

World economic growth has remained brisk but more uneven than before. The US economy has continued to grow strongly but economic growth in the euro area has slowed down. The differences in economic growth have also been reflected in financial markets. Stock prices and market interest rates in the US have risen more strongly than in Europe. Based on the ECB policy line, the main refinancing rates will remain at their present level at least through the summer of 2019.

The Finnish economy has continued to develop favourably. A plenty of new jobs have been created and consumer confidence has remained steady. Sales in the housing market have focused on new homes and, as a whole, the volume has been slightly lower than a year ago. Home prices have risen slightly on average.

The economy is expected to show favourable development in the near future but the strongest growth is for now about to be behind us. Greater international trade barriers pose the greatest risk to the economic outlook. Financial market uncertainty is expected to increase, for example, by the gradually tightening monetary policy on a global scale and Italy's deviation from commitments to the EU's fiscal policy principles.

The operating environment in the financial sector on the whole has been quite favourable. While low market interest rates have slowed down growth in banks' net interest income and eroded insurance institutions' income from fixed income investments, they have also improved customers' repayment capacity. Impairment losses have been very low for a long time now. The most significant strategic risks in the financial sector are currently associated with changing customer behaviour, operating environment digitisation, competition from outside of the traditional financial sector and more complex regulation. Industry disruption is threatening to slow down growth and erode income generation in the years to come. Changes mean that financial sector players will be faced with an obvious requirement to improve customer and employee experience, enhance the agility of their operations and related development as well as improve productivity.

Unchanged outlook: OP Corporate Bank Group's consolidated earnings before tax are expected to be about the same as in 2017. The most significant uncertainties related to earnings performance are associated with the amount of the non-recurring item arising from the transfer of the portfolio of the statutory earnings-related pension insurance for OP Corporate Bank's personnel, changes in the interest rate and investment environment, impairment losses and the effect of large claims on claims expenditure.

All forward-looking statements in this report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view of the future development in the operating environment and the future financial performance of OP Corporate Bank Group and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Consolidated income statement

EUR million	Note	Q3/ 2018	Q3/ 2017	Q1–3/ 2018	Q1–3/ 2017
Net interest income	3	66	67	192	187
Net insurance income	4	148	74	421	322
Net commissions and fees	5	-6	-10	-12	-10
Net investment income	6	66	104	210	291
Other operating income		20	10	36	20
Total income		**294**	**245**	**848**	**810**
Personnel costs		42	37	138	121
Depreciation/amortisation		17	15	52	43
Other expenses		87	82	267	242
Total expenses		**146**	**133**	**457**	**406**
Impairments of receivables	7	-11	1	-6	-11
OP bonuses to owner-customers		-1	0	-1	-1
Temporary exemption (overlay approach)		-9		-13	
Earnings before tax		**127**	**112**	**370**	**392**
Income tax expense		20	27	67	76
Profit for the period		**107**	**85**	**303**	**317**
Attributable to:					
Owners of the parent		103	83	296	313
Non-controlling interests		3	2	7	3
Profit for the period		**107**	**85**	**303**	**317**
Statement of comprehensive income					
Profit for the period		**107**	**85**	**303**	**317**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		14	-7	22	5
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-14	-16	-73	-11
Cash flow hedge		-2	-3	-4	-4
Temporary exemption (overlay approach)		9		13	
Translation differences		0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		-3	1	-4	-1
Items that may be reclassified to profit or loss					
Measurement at fair value		3	3	15	2
Cash flow hedge		0	1	1	1
Temporary exemption (overlay approach)		-2		-3	
Total comprehensive income for the period		**113**	**64**	**270**	**308**
Attributable to:					
Owners of the parent		109	62	263	304
Non-controlling interests		3	2	7	4
Total comprehensive income for the period		**113**	**64**	**270**	**308**

Balance sheet

EUR million	Note	30 September 2018	31 December 2017
Cash and cash equivalents		12,669	12,825
Receivables from credit institutions		8,814	9,294
Derivative contracts	10	3,342	3,426
Receivables from customers	12	21,756	20,120
Investment assets		16,151	16,144
Intangible assets		741	777
Property, plant and equipment (PPE)		120	115
Other assets		1,698	1,708
Tax assets		48	35
Total assets		**65,338**	**64,445**
Liabilities to credit institutions		13,908	14,035
Derivative contracts		2,934	3,216
Liabilities to customers		17,792	18,837
Insurance liabilities	13	3,243	3,143
Debt securities issued to the public	14	19,234	16,791
Provisions and other liabilities		2,160	2,307
Tax liabilities		422	419
Subordinated liabilities		1,476	1,547
Total liabilities		**61,170**	**60,295**
Equity			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	67	164
Other reserves		1,093	1,093
Retained earnings		2,508	2,404
Non-controlling interests		73	60
Total equity		**4,169**	**4,149**
Total liabilities and equity		**65,338**	**64,445**

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 2017	**428**	**197**	**1,093**	**2,179**	**3,896**	**109**	**4,005**
Total comprehensive income for the period		-13		317	304	4	308
Profit for the period				313	313	3	317
Other comprehensive income		-13		4	-10	1	-9
Profit distribution				-201	-201		-201
Other			0	0	0	-7	-7
Balance at 30 September 2017	**428**	**183**	**1,093**	**2,294**	**3,999**	**106**	**4,105**

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 Dec. 2017	**428**	**164**	**1,093**	**2,404**	**4,089**	**60**	**4,149**
Effect of IFRS 9 transition at 1 Jan. 2018		-46		2	-45		-45
Equity 1 Jan. 2018	**428**	**118**	**1,093**	**2,406**	**4,044**	**60**	**4,104**
Total comprehensive income for the period		-50		313	263	7	270
Profit for the period				296	296	7	303
Other comprehensive income		-50		17	-33		-33
Profit distribution				-211	-211		-211
Other			0	0	0	5	5
Balance at 30 September 2018	**428**	**67**	**1,093**	**2,508**	**4,096**	**73**	**4,169**

Cash flow statement

EUR million	Q1–3/ 2018	Q1–3/ 2017
Cash flow from operating activities		
Profit for the period	303	317
Adjustments to profit for the period	56	208
Increase (-) or decrease (+) in operating assets	**-1,685**	**1,030**
Receivables from credit institutions	199	595
Derivative contracts	-65	-25
Receivables from customers	-1,675	-942
Investment assets	-209	854
Other assets	65	548
Increase (+) or decrease (-) in operating liabilities	**-1,271**	**1,947**
Liabilities to credit institutions	-123	1,529
Derivative contracts	-4	9
Liabilities to customers	-1,045	983
Insurance liabilities	20	16
Provisions and other liabilities	-120	-589
Income tax paid	-57	-54
Dividends received	33	43
A. Net cash from operating activities	**-2,620**	**3,491**
Cash flow from investing activities		
Disposal of subsidiaries, net of cash disposed	67	
Purchase of PPE and intangible assets	-36	-60
Proceeds from sale of PPE and intangible assets	1	2
B. Net cash used in investing activities	**32**	**-58**
Cash flow from financing activities		
Decreases in subordinated liabilities	-50	
Increases in debt securities issued to the public	20,704	17,993
Decreases in debt securities issued to the public	-18,292	-19,963
Dividends paid	-211	-201
C. Net cash used in financing activities	**2,151**	**-2,172**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-437**	**1,262**
Cash and cash equivalents at period-start	**13,575**	**9,633**
Cash and cash equivalents at period-end	**13,138**	**10,895**
Cash and cash equivalents		
Liquid assets	12,669	10,609
Receivables from credit institutions payable on demand	469	286
Total	**13,138**	**10,895**

Segment information

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET1 ratio is 21% (20%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Q1–3 earnings 2018, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total
Net interest income	249	-12	-39	-5	192
of which internal net income before tax	-5	-9	14		
Net insurance income		422		-1	421
Net commissions and fees	44	-31	-25	-1	-12
Net investment income	97	37	76	1	210
Other operating income	12	19	6	-1	36
Total income	**402**	**436**	**18**	**-7**	**848**
Personnel costs	46	87	6	0	138
Depreciation/amortisation and impairment losses	9	41	2	0	52
Other operating expenses	89	172	15	-9	267
Total expenses	**144**	**300**	**23**	**-9**	**457**
Impairments of receivables	-6	0	0		-6
OP bonuses to owner-customers		-1			-1
Temporary exemption (overlay approach)		-11		-2	-13
Earnings before tax	**252**	**123**	**-5**	**0**	**370**

Q1–3 earnings 2017, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total
Net interest income	256	-12	-54	-4	187
of which internal net income before tax	-15	-9	24		
Net insurance income		322			322
Net commissions and fees	96	-37	-67	-1	-10
Net investment income	19	123	148	1	291
Other operating income	14	1	7	-1	20
Total income	**385**	**397**	**33**	**-6**	**810**
Personnel costs	40	75	6	0	121
Depreciation/amortisation and impairment losses	8	34	2	0	43
Other operating expenses	71	162	15	-6	242
Total expenses	**119**	**271**	**22**	**-6**	**406**
Impairments of receivables	-10	0	0	0	-11
OP bonuses to owner-customers		-1			-1
Earnings before tax	**256**	**125**	**11**	**0**	**392**

Balance sheet 30 September 2018, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total
Cash and cash equivalents	10	433	12,646	-419	12,669
Receivables from credit institutions	188	2	8,636	-13	8,814
Derivative contracts	373	10	2,969	-9	3,342
Receivables from customers	22,387	0	25	-656	21,756
Investment assets	527	3,400	12,353	-129	16,151
Intangible assets	56	658	27	0	741
Property, plant and equipment (PPE)	0	41	78		120
Other assets	119	798	788	-7	1,698
Tax assets	2	27	19	0	48
Total assets	**23,663**	**5,369**	**37,541**	**-1,235**	**65,338**
Liabilities to credit institutions	622		13,942	-656	13,908
Derivative contracts	135	14	2,799	-13	2,934
Liabilities to customers	12,403		5,895	-506	17,792
Insurance liabilities		3,243			3,243
Debt securities issued to the public	1,115		18,154	-34	19,234
Provisions and other liabilities	937	374	851	-3	2,160
Tax liabilities	0	72	350	0	422
Subordinated liabilities		135	1,341	0	1,476
Total liabilities	**15,212**	**3,838**	**43,332**	**-1,212**	**61,170**
Equity					**4,169**

Balance sheet 31 December 2017, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total
Cash and cash equivalents	10	318	12,807	-309	12,825
Receivables from credit institutions	208	6	9,113	-33	9,294
Derivative contracts	105	10	3,320	-10	3,426
Receivables from customers	20,591	0	29	-501	20,120
Investment assets	527	3,543	12,205	-131	16,144
Intangible assets	63	688	26	0	777
Property, plant and equipment (PPE)	0	42	73		115
Other assets	92	727	1,095	-205	1,708
Tax assets	0	17	19	0	35
Total assets	**21,595**	**5,351**	**38,687**	**-1,189**	**64,445**
Liabilities to credit institutions	506		14,030	-501	14,035
Derivative contracts	118	15	3,097	-14	3,216
Liabilities to customers	11,410		7,839	-412	18,837
Insurance liabilities		3,143		0	3,143
Debt securities issued to the public	1,178		15,649	-37	16,791
Provisions and other liabilities	976	540	992	-202	2,307
Tax liabilities	1	75	343	0	419
Subordinated liabilities		135	1,412		1,547
Total liabilities	**14,189**	**3,908**	**43,362**	**-1,164**	**60,295**
Equity					**4,149**

Notes

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 2017.

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.

Adoption of IFRS 9 on 1 January 2018

On 1 January 2018, OP Corporate Bank adopted IFRS 9 Financial Instruments. OP Corporate Bank's accounting policies under IFRS 9 were published in the Interim Report for 1 January–31 March 2018. The effects of transition to IFRS 9 on the classification and measurement of financial instruments have been presented in OP Corporate Bank's Notes to the Financial Statements 2017 and Interim Report for 1 January–31 March 2018. Adjustments made to carrying amounts were recognised in equity in the opening balance sheet on the adoption date of 1 January 2018. OP Corporate Bank has not adjusted comparatives for prior years. OP Corporate Bank is continuing the development work of ECL models and related IT systems.

The alternative ratio presented previously – the ratio of impairment loss on receivables to the loan and guarantee portfolio, %, – is no longer presented because the content of the ratio is not comparable as a result of the IFRS 9 transition. The ratio of non-performing receivables to the loan and guarantee portfolio (%) is a new alternative ratio presented.

Adoption of IFRS 15 on 1 January 2018

OP Corporate Bank has applied IFRS 15, Revenue from Contracts with Customers, since 1 January 2018. In OP Corporate Bank, IFRS 15 mainly applies to fees not included in the calculation of the effective interest rate in the Banking segment. IFRS 15 will lead to added information presented in the Notes to the Financial Statements. The effects of transition to IFRS 15 have been presented in OP Corporate Bank's Notes to the Financial Statements 2017 and Interim Report for 1 January–31 March 2018.

The adoption of IFRS 15 did not have any effect on OP Corporate Bank's earnings before tax. OP Corporate Bank started to apply IFRS 15 using the retrospective transition method, i.e. the Q1–3/2017 data has been adjusted. Below is a description of the retrospective changes made to the specification of net commissions and fees:

- Commission income from health and wellbeing services, EUR 9 million, has been transferred from other operating income to commission income.
- Commission expenses from health and wellbeing services, EUR 4 million, have been transferred from other operating expenses to commission expenses.
- Asset management commission income and commission income from legal services, EUR 10 million, will be presented separately in future.
- Net commissions and fees have been presented as divided into segments.

Changes in presentation

The Share of associates' profit/loss line in the income statement will be presented in net investment income and the Interest in associates line in the balance sheet will be presented in investment assets in the balance sheet. A significant number of the associates are private equity fund investments which are measured at fair value through income statement under IFRS 9. Data for the reporting period a year ago has been adjusted according to the new presentation.

The Financial assets held for trading in the balance sheet will in future be presented under investment assets according to its nature. Data for the reporting period a year ago has been adjusted according to the new presentation.

Note 2 Key figures and ratios and their formulas

	Q1–3/ 2018	Q1–3/ 2017
Return on equity (ROE), %	9.8	10.4
Return on equity (ROE) at fair value, %	8.7	10.1
Return on assets (ROA), %	0.62	0.68
Cost/income ratio, %	54	50
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.4	0.7
Average personnel	2,681	2,460

ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity (ROE), %

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

Return on equity (ROE) 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), %

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

Cost/income ratio, %

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

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

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

Non-life Insurance indicators

Loss ratio (excl. unwinding of discount), %

$$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Expense ratio, %

$$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$$

Risk ratio (excl. unwinding of discount), %

$$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

$$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$$

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Operating risk ratio + Operating cost ratio

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

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

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio, %

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

Solvency ratio, %

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

Leverage ratio, %

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

Liquidity coverage requirement (LCR), %

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

Return on economic capital, %

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

Net stable funding ratio (NSFR), %

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

NON-LIFE INSURANCE OPERATING RESULTS	Q1–3/ 2018	Q1–3/ 2017	Change %	Q1–4/ 2017
EUR million				
Insurance premium revenue	1,106	1,073	3.1	1,431
Claims incurred	-776	-829	-6.4	-1,085
Operating expenses	-226	-212	6.8	-291
Amortisation adjustment of intangible assets	-16	-16	0.0	-21
Balance on technical account	**89**	**16**		**34**
Net investment income	37	123	-70.2	176
Other income and expenses	8	-15		-17
Temporary exemption (overlay approach)	-11			
Earnings before tax	**123**	**125**	**-1.2**	**193**

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	Q3/ 2018	Q3/ 2017	Q1–3/ 2018	Q1–3/ 2017
Interest income				
Receivables from credit institutions	9	11	28	33
Receivables from customers				
Loans	83	84	243	245
Finance lease receivables	6	5	19	14
Impaired loans and other commitments	0	0	0	0
Notes and bonds				
Held for trading	2	2	5	5
Measured at fair value through profit or loss	0		1	
At fair value through other comprehensive income	22		67	
Amortised cost			0	
Available for sale		25		74
Held to maturity		0		0
Loans and receivables		0		1
Derivative contracts				
Held for trading	194	202	598	630
Fair value hedge	-27	-29	-82	-87
Cash flow hedge	1	1	2	4
Ineffective portion of cash flow hedge	0	0	0	0
Other	2	1	5	6
Total	**292**	**302**	**888**	**924**
Interest expenses				
Liabilities to credit institutions	35	30	101	83
Liabilities to customers	0	0	0	-1
Debt securities issued to the public	40	45	124	146
Subordinated liabilities				
Subordinated loans	1	1	4	4
Other	11	11	33	33
Derivative contracts				
Held for trading	195	193	592	614
Fair value hedge	-34	-33	-99	-104
Other	-25	-15	-64	-46
Other	2	2	5	7
Total	**227**	**235**	**695**	**737**
Net interest income before fair value adjustment under hedge accounting	**65**	**67**	**193**	**187**
Hedging derivatives	-5	4	4	9
Value changes of hedged items	5	-4	-4	-9
Total net interest income	**66**	**67**	**192**	**187**

Note 4 Net insurance income

EUR million	Q3/ 2018	Q3/ 2017	Q1–3/ 2018	Q1–3/ 2017
Net insurance premium revenue				
Premiums written	282	268	1,224	1,189
Insurance premiums ceded to reinsurers	0	-1	0	-6
Change in provision for unearned premiums	101	105	-122	-115
Reinsurers' share	-10	-8	5	6
Total	**374**	**365**	**1,107**	**1,074**
Net Non-life Insurance claims				
Claims paid	-224	-205	-690	-652
Insurance claims recovered from reinsurers	6	2	21	6
Change in provision for unpaid claims	-7	-88	-12	-111
Reinsurers' share	1	1	-1	9
Total	**-225**	**-290**	**-683**	**-749**
Other Non-life Insurance items	-1	-1	-2	-3
Total net insurance income	**148**	**74**	**421**	**322**

Note 5 Net commissions and fees

Q1–3 2018, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total	Q3 2018
Commission income						
Lending	33	0	0	0	32	10
Deposits	1		0	0	1	0
Payment transfers	16		0	-1	16	5
Securities brokerage	11		0		11	3
Securities issuance	4		4		8	1
Mutual funds	0				0	0
Asset management	10		0	0	9	3
Legal services	0		0		0	0
Guarantees	9		0		9	3
Insurance brokerage		9			9	3
Health and wellbeing services		14		0	13	5
Other	35		-26	0	9	3
Total	**119**	**22**	**-22**	**-1**	**118**	**37**
Commission expenses						
Payment transfers	1	1	0	-1	1	0
Securities brokerage	5		0	0	5	1
Securities issuance	0		0		1	0
Asset management	2		1	0	3	1
Insurance operations		47			47	14
Health and wellbeing services		5			5	2
Other	67	0	1	0	68	24
Total	**75**	**53**	**3**	**-1**	**130**	**43**
Total net commissions and fees	**44**	**-31**	**-25**	**-1**	**-12**	**-6**

Q1–3 2017, EUR million	Banking	Non-life Insurance	Other Operations	Eliminations	Group total	Q3 2017
Commission income						
Lending	31		0	-1	30	10
Deposits	0		0	0	0	0
Payment transfers	19		0	0	19	5
Securities brokerage	14			0	14	4
Securities issuance	4		3	0	7	1
Mutual funds	0			0	0	0
Asset management	10		0	0	10	3
Legal services	0				0	0
Guarantees	9		0	0	9	3
Insurance brokerage		11		0	11	3
Health and wellbeing services		9		0	9	1
Other	71		-62	0	9	3
Total	**158**	**20**	**-59**	**-2**	**117**	**34**
Commission expenses						
Payment transfers	4	1	0	0	5	1
Securities brokerage	6				6	2
Securities issuance	1		1	0	1	1
Asset management	2		1		3	1
Insurance operations		52			52	16
Health and wellbeing services		4			4	1
Other	49		6	0	55	23
Total	**62**	**57**	**8**	**0**	**127**	**45**
Total net commissions and fees	**96**	**-37**	**-67**	**-1**	**-10**	**-10**

Note 6 Net investment income

EUR million	Q3/ 2018	Q3/ 2017	Q1–3/ 2018	Q1–3/ 2017
Net income from assets at fair value through other comprehensive income (Net income from available-for-sale financial assets)				
Notes and bonds	12	9	56	36
Equity instruments	-1	43	-3	57
Dividend income and share of profits	1	8	5	43
Impairment losses and their reversals	-1	-1	-2	-5
Total	**11**	**58**	**55**	**131**
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds	-1		-2	
Equity instruments	3		5	
Dividend income and share of profits	0		2	
Derivatives	40		110	
Financial assets that shall be measured at fair value through profit or loss				
Notes and bonds	1		1	
Equity instruments	3		20	
Dividend income and share of profits	12		25	
Financial assets designated as at fair value through profit or loss				
Notes and bonds	-1			
Insurance				
Notes and bonds		2		-4
Derivatives		4		17
Banking and Other operations				
Securities trading		33		126
Foreign exchange trading		9		28
Investment property	4	6	11	14
Total	**62**	**53**	**172**	**181**
Net income carried at amortised cost				
Loans and other receivables	1	1	4	3
Impairment losses and their reversals	-2	0	-1	0
Total	**0**	**1**	**3**	**3**
Non-life Insurance				
Unwinding of discount	-7	-8	-21	-25
Total	**-7**	**-8**	**-21**	**-25**
Associates				
Consolidated using the equity method	0	0	1	1
Total	**0**	**0**	**1**	**1**
Total net investment income	**66**	**104**	**210**	**291**

Note 7 Impairment loss on receivables

EUR million	Q3/ 2018	Q3/ 2017	Q1–3/ 2018	Q1–3/ 2017
Receivables written off as loan or guarantee losses	-1	-16	-16	-34
Recoveries of receivables written off	0	0	0	0
ECL on receivables from customers and off-balance-sheet items	-10		11	
ECL on notes and bonds*	0		0	
Increase in impairment losses on individually assessed receivables		0		-8
Decrease in impairment losses on individually assessed receivables		17		35
Collectively assessed impairment losses		0		-3
Total impairment loss on receivables	**-11**	**1**	**-6**	**-11**

* The ECL on notes and bonds in insurance operations is presented in net investment income at fair value under impairment loss and their reversal through other comprehensive income.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Expected credit losses (ECL)	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	
ECL 1 Jan. 2018	**18**	**32**	**223**	**273**
Transfers from Stage 1 to Stage 2	-1	5		4
Transfers from Stage 1 to Stage 3	0		1	1
Transfers from Stage 2 to Stage 1	1	-4		-4
Transfers from Stage 2 to Stage 3		0	3	3
Transfers from Stage 3 to Stage 2		0	-5	-5
Transfers from Stage 3 to Stage 1	1		-1	0
Increases due to origination and acquisition	4	2	6	12
Decreases due to derecognition	-2	-2	-8	-11
Changes in risk parameters (net)	2	-1	15	16
Decrease in allowance account due to write-offs			-27	-27
Net change in ECL	**5**	**-1**	**-15**	**-11**
ECL 30 September 2018	**23**	**31**	**208**	**262**
Net change in ECL Q3/2018	**6**	**-16**	**20**	**9**

Notes and bonds, EUR million	Stage 1	Stage 2	Stage 3	Total
Expected credit losses (ECL)	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	
ECL 1 Jan. 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
Increases due to origination and acquisition	1	0	2	3
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0		0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in ECL	**0**	**1**	**3**	**3**
ECL 30 September 2018	**4**	**1**	**3**	**7**
Net change in ECL Q3/2018	**1**	**0**	**1**	**2**

IFRS 9 ECL scope and stage 30 September 2018

On-balance-sheet exposure, EUR million	Stage 1	Stage 2			Stage 3	Total exposure
Receivables from customers (gross)		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	17,489	1,248	186	1,433	348	19,270
Households	1,707	176	55	231	12	1,951
Public-sector entities	1,034	11	10	22		1,056
Other	1,862	34	14	48	0	1,910
Total	**22,092**	**1,469**	**265**	**1,734**	**360**	**24,186**
Off-balance-sheet limits						
Non-banking corporates	2,622	513	115	627	24	3,274
Households	88	6	2	8	0	96
Public-sector entities	352		21	21		372
Other	1,116	14	59	73	1	1,189
Total	**4,178**	**532**	**196**	**729**	**25**	**4,931**
Other off-balance-sheet commitments						
Non-banking corporates	5,604	148		148	22	5,774
Households	1					1
Public-sector entities	529					529
Other	420	23		23	0	443
Total	**6,554**	**171**		**171**	**22**	**6,747**
Notes and bonds						
Total	**14,350**	**44**		**44**	**7**	**14,401**
Total IFRS 9 ECL scope exposures	**47,173**	**2,216**	**462**	**2,678**	**414**	**50,265**

IFRS 9 ECL provision by stage 30 September 2018

On-balance-sheet exposures and related off-balance-sheet limits* EUR million	Stage 1	Stage 2			Stage 3	Total ECL
Receivables from customers		Not more than 30 DPD	More than 30 DPD	Total		
Non-banking corporates	-16	-25	-1	-26	-203	-245
Households	-1	-3	-1	-4	-4	-9
Public-sector entities	-5	0	0	0		-5
Other	0	0		0		0
Total	**-22**	**-28**	**-2**	**-30**	**-207**	**-259**
Other off-balance-sheet commitments**						
Non-banking corporates	-1	-1		-1	0	-3
Households	0					0
Public-sector entities	0					0
Other	0					0
Total	**-2**	**-1**		**-1**	**0**	**-3**
Notes and bonds***	**-4**	**-1**		**-1**	**-3**	**-7**
Total ECL	**-27**	**-30**	**-2**	**-32**	**-210**	**-269**

* ECL is recognised as one component to deduct the balance sheet item.

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

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

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Fair value through profit or loss: Financial assets held for trading	Fair value through profit or loss: Must be measured at fair value through profit or loss	Hedging derivatives	Total
Cash and cash equivalents	12,669					12,669
Receivables from credit institutions	8,814					8,814
Derivative contracts			3,167		175	3,342
Receivables from customers	21,756					21,756
Notes and bonds		14,483	556	50		15,089
Equity instruments		0	39	615		654
Other financial assets	1,730					1,730
Financial assets	**44,970**	**14,483**	**3,763**	**664**	**175**	**64,054**
Other than financial instruments						1,284
Total 30 September 2018	**44,970**	**14,483**	**3,763**	**664**	**175**	**65,338**

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Available-for-sale financial assets	Financial assets at fair value through profit or loss*	Hedging derivatives	Total
Cash and cash equivalents	12,825					12,825
Receivables from credit institutions	9,294					9,294
Derivative contracts				3,283	143	3,426
Receivables from customers	20,120					20,120
Notes and bonds		51	14,050	893		14,993
Equity instruments			728	0		728
Other financial assets	1,779					1,779
Financial assets	**44,017**	**51**	**14,777**	**4,176**	**143**	**63,164**
Other than financial instruments						1,280
Total 31 December 2017	**44,017**	**51**	**14,777**	**4,176**	**143**	**64,445**

* Investment assets in the balance sheet include Non-life Insurance notes and bonds recognised at fair value through profit or loss, and equity instruments.

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		13,908		13,908
Derivative contracts	2,668		266	2,934
Liabilities to customers		17,792		17,792
Insurance liabilities		3,243		3,243
Debt securities issued to the public		19,234		19,234
Subordinated liabilities		1,476		1,476
Other financial liabilities		1,993		1,993
Financial liabilities	**2,668**	**57,647**	**266**	**60,582**
Other than financial liabilities				588
Total 30 September 2018	**2,668**	**57,647**	**266**	**61,170**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		14,035		14,035
Derivative contracts	2,825		391	3,216
Liabilities to customers		18,837		18,837
Insurance liabilities		3,143		3,143
Debt securities issued to the public		16,791		16,791
Subordinated liabilities		1,547		1,547
Other financial liabilities		2,084		2,084
Financial liabilities	**2,825**	**56,437**	**391**	**59,653**
Other than financial liabilities				642
Total 31 December 2017	**2,825**	**56,437**	**391**	**60,295**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September 2018, the fair value of these debt instruments was EUR 162 million (227) 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 9 Recurring fair value measurements by valuation technique

Fair value of assets on 30 Sep. 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	324	58	271	653
Debt instruments	160	48	398	606
Derivative financial instruments	4	3,256	82	3,342
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,433	1,742	307	14,483
Total	**12,921**	**5,105**	**1,059**	**19,084**

Fair value of assets on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	410	74	409	893
Derivative financial instruments	1	3,294	131	3,426
Available-for-sale				
Equity instruments	386	86	256	728
Debt instruments	10,313	3,418	319	14,050
Total	**11,109**	**6,873**	**1,115**	**19,096**

Fair value of liabilities on 30 Sep. 2018, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	5	2,905	25	2,934
Total	**5**	**2,905**	**25**	**2,935**

Fair value of liabilities on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		1		1
Derivative financial instruments	5	3,120	92	3,216
Total	**5**	**3,120**	**92**	**3,217**

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 in Level 3 is based on a pricing model whose input parameters involve uncertainty. 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 that involve uncertainty

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
Balance sheet 31 December 2017	409	131	574	1,115
Effects of IFRS 9 transition 1 Jan. 2018	270		-263	6
Opening balance 1 January 2018	679	131	311	1,122
Total gains/losses in profit or loss	-359	-49	0	-408
Total gains/losses in other comprehensive income			0	0
Purchases	71		1	72
Sales	-55		-3	-58
Settlements	-8		-5	-13
Transfers into Level 3	340		125	465
Transfers out of Level 3			-122	-122
Closing balance 30 September 2018	**669**	**82**	**307**	**1,059**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2018	92	92
Total gains/losses in profit or loss	-67	-67
Closing balance 30 September 2018	**25**	**25**

Total gains/losses included in profit or loss by item on 30 Sep. 2018

EUR million	Net interest income	Net investment income	Statement of comprehen-sive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 Sep.
Realised net gains	-365	6		-359
Unrealised net gains	18		0	18
Total net gains	**-347**	**6**	**0**	**-341**

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 table above. 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 2018.

Note 10 Derivative contracts

30 September 2018, EUR million	Nominal values / residual term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	41,725	95,626	77,267	214,618	1,993	1,499
Cleared by the central counterparty	9,983	38,160	35,034	83,177	62	63
Currency derivatives	35,139	6,598	3,311	45,048	977	1,114
Equity and index derivatives		3		3	0	
Credit derivatives	19	181	9	209	6	3
Other derivatives	276	340		616	71	25
Total derivatives	**77,159**	**102,748**	**80,586**	**260,493**	**3,048**	**2,641**

31 December 2017, EUR million	Nominal values / residual term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	30,931	88,811	76,406	196,148	3,192	2,981
Cleared by the central counterparty	8,392	38,585	35,615	82,592	941	1,100
Currency derivatives	37,113	9,246	2,815	49,174	982	1,185
Equity and index derivatives	5	3		8	1	0
Credit derivatives	28	188	10	226	9	6
Other derivatives	235	513		748	65	36
Total derivatives	**68,313**	**98,760**	**79,230**	**246,303**	**4,250**	**4,208**

* Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 11 Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

30 September 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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	4,083	-741	3,342	-1,889	-429	1,024

31 December 2017, 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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	4,354	-928	3,426	-1,994	-412	1,020

Financial liabilities

30 September 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		Net amount
				Derivative contracts***	Collateral given	
Derivatives	3,776	-841	2,934	-1,889	-568	478

31 December 2017, 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		Net amount
				Derivative contracts***	Collateral given	
Derivatives	4,302	-1,085	3,216	-1,994	-717	506

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -102 (-161) million euros.
** Fair values excluding accrued interest.
*** 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 12 Receivables from credit institutions and customers, and doubtful receivables

30 September 2018, EUR million	Not impaired (gross)	Expected credit losses (ECL)	Balance sheet value
Receivables from credit institutions and customers			
Receivables from credit institutions	8,815	1	8,814
Receivables from customers	19,965	252	19,713
of which bank guarantee receivables	2		2
Finance leases	2,048	5	2,043
Total	**30,829**	**259**	**30,570**
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	17,818	239	17,579
Financial institutions and insurance companies	9,576	4	9,573
Households	1,942	9	1,933
Non-profit organisations	430	0	430
Public sector entities	1,062	6	1,055
Total	**30,829**	**259**	**30,570**

31 December 2017, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	9,295		9,295		2	9,294
Receivables from customers	18,264	219	18,483	192	28	18,263
of which bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,856		1,856			1,856
Total	**29,416**	**219**	**29,635**	**192**	**30**	**29,413**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	16,581	218	16,799	191	16	16,592
Financial institutions and insurance companies	10,077		10,077		2	10,075
Households	1,736	1	1,736	1	12	1,724
Non-profit organisations	336		336		0	336
Public sector entities	687		687		0	687
Total	**29,416**	**219**	**29,635**	**192**	**30**	**29,413**

Doubtful and forborne receivables 30 September 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, total (gross)	Expected credit losses (ECL)	Receivables from credit institutions and customers (net)
More than 90 days past due		89	89	86	3
Unlikely to be paid		175	175	88	87
Forborne receivables	65	26	92	9	82
Total	**65**	**291**	**356**	**183**	**173**

Doubtful and forborne receivables 31 December 2017, 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)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		89	89	79	10
Unlikely to be paid		225	225	106	119
Forborne receivables	49	24	73	7	66
Total	**49**	**338**	**387**	**192**	**195**

Key ratio, %	30 Sep. 2018	31 Dec. 2017
Exposures individually assessed for impairment/ECL, % of doubtful receivables	51.5 %	49.5 %

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.

Note 13 Insurance liabilities

EUR million	30 Sep. 2018	31 Dec. 2017
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,505	1,516
Other provision for unpaid claims	1,060	1,054
Reserve for decreased discount rate (value of hedges of insurance liability)	-3	-12
Total	2,562	2,557
Provisions for unearned premiums	681	585
Total	**3,243**	**3,143**

Note 14 Debt securities issued to the public

EUR million	30 Sep. 2018	31 Dec. 2017
Bonds	9,821	9,674
Certificates of deposit, commercial papers and ECPs	9,413	7,117
Total	**19,234**	**16,791**

Note 15 Fair value reserve after income tax

	Fair value through other comprehensive income				
EUR million	Notes and bonds	Equity instruments	Temporary exemption (overlay approach)	Cash flow hedging	Total
Balance sheet 31 Dec. 2017	**117**	**45**		**2**	**164**
Effects of IFRS 9 transition 1 Jan. 2018	-1	-45			-46
Opening balance 1 January 2018	**115**	**0**		**2**	**118**
Fair value changes	-44	0	12	-1	**-33**
Capital gains transferred to income statement	-29		-3		**-31**
Impairment loss transferred to income statement			4		**4**
Transfers to net interest income				-2	**-2**
Deferred tax	14	0	-3	1	**12**
Closing balance 30 September 2018	**57**		**10**	**-1**	**67**

	Available-for-sale financial assets			
EUR million	Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 January 2017	**85**	**106**	**6**	**197**
Fair value changes	39	15	0	54
Capital gains transferred to income statement	-9	-59		**-68**
Impairment loss transferred to income statement	0	2		**2**
Transfers to net interest income			-4	**-4**
Deferred tax	-6	8	1	**3**
Closing balance 30 September 2017	**109**	**72**	**2**	**183**

The fair value reserve before tax amounted to EUR 84 million (204) and the related deferred tax liability amounted to EUR 17 million (41). At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 34 million (67) and negative mark-to-market valuations EUR 21 million (11), 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 2 million in the fair value reserve.

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

Note 16 Collateral given

EUR million	30 Sep. 2018	31 Dec. 2017
Collateral given on behalf of own liabilities and commitments		
Pledges	59	35
Other	5,576	5,663
Total collateral given*	**5,635**	**5,699**
Secured derivative liabilities	742	889
Other secured liabilities	4,033	4,081
Total	**4,776**	**4,969**

* In addition, bonds with a book value of EUR 5.4 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 17 Off-balance-sheet items

EUR million	30 Sep. 2018	31 Dec. 2017
Guarantees	618	532
Other guarantee liabilities	1,510	1,470
Loan commitments	5,303	5,495
Commitments related to short-term trade transactions	298	359
Other*	765	729
Total	**8,494**	**8,585**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 244 million (208).

Note 18 Capital adequacy for credit institutions

Capital base, EUR million	30 Sep. 2018	31 Dec. 2017
OP Corporate Bank Group's equity capital	4,169	4,149
The effect of insurance companies on the Group's shareholders' equity is excluded	-226	-125
Fair value reserve, cash flow hedging	1	-2
Common Equity Tier 1 (CET1) before deductions	**3,943**	**4,022**
Intangible assets	-71	-76
Excess funding of pension liability and valuation adjustments	-28	-16
Planned profit distribution	-148	-212
Shortfall of impairments – expected losses	-96	-134
Common Equity Tier 1 (CET1)	**3,601**	**3,584**
Subordinated loans to which transitional provision applies	90	137
Additional Tier 1 capital (AT1)	**90**	**137**
Tier 1 capital (T1)	**3,691**	**3,720**
Debenture loans	977	1,073
Tier 2 Capital (T2)	**977**	**1,073**
Total capital base	**4,668**	**4,793**

A prudent valuation adjustment of EUR 7 million (5) has been deducted from CET1 capital.

OP Corporate Bank Group has applied transitional provisions regarding old capital instruments to subordinated loans. A subordinated loan of EUR 50 million was repaid in September. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

Risk exposure amount, EUR million	30 Sep. 2018	31 Dec. 2017
Credit and counterparty risk	**21,071**	**19,694**
Standardised Approach (SA)	**2,447**	**2,069**
Central government and central banks exposure	19	18
Credit institution exposure	8	29
Corporate exposure	2,337	1,963
Retail exposure	15	14
Other*	67	44
Internal Ratings-based Approach (IRB)	**18,625**	**17,626**
Credit institution exposure	988	1,053
Corporate exposure	12,531	11,643
Retail exposure	1,260	1,130
Equity investments**	3,735	3,753
Other	110	47
Market and settlement risk (Standardised Approach)	**1,393**	**1,179**
Operational risk (Standardised Approach)	**1,285**	**1,266**
Valuation adjustment (CVA)	**227**	**205**
Total risk exposure amount	**23,976**	**22,343**

* EUR 49 million (44) 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.

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

Ratios, %	30 Sep. 2018	31 Dec. 2017
CET1 capital ratio	15.0	16.0
Tier 1 ratio	15.4	16.7
Capital adequacy ratio	19.5	21.5

Ratios, fully loaded, %	30 Sep. 2018	31 Dec. 2017
CET1 capital ratio	15.0	16.0
Tier 1 ratio	15.0	16.0
Capital adequacy ratio	19.1	20.8

Capital requirement, EUR million	30 Sep. 2018	31 Dec. 2017
Capital base	4,668	4,793
Capital requirement	2,528	2,358
Buffer for capital requirements	2,140	2,435

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

Note 19 Exposures by rating category

Corporate exposures (FIRB) by rating category

	30 September 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, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	861	356	84.9	0.0	44.8	181	14.9	0
2.5–5.5	11,173	3,185	72.3	0.2	44.5	5,480	38.2	11
6.0–7.0	3,065	933	68.0	1.3	44.3	3,750	93.8	22
7.5–8.5	1,690	329	65.4	4.2	44.4	2,677	132.6	37
9.0–10.0	173	41	70.8	16.6	44.5	443	207.8	16
11.0–12.0	284	16	51.5	100.0	46.0			138
Total	**17,246**	**4,859**	**71.6**	**0.9**	**44.5**	**12,531**	**57.5**	**224**

	31 December 2017							
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, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	757	212	93.3	0.0	44.7	144	14.9	0
2.5–5.5	10,597	3,439	72.7	0.2	44.4	5,250	37.4	11
6.0–7.0	2,674	899	68.8	1.2	43.5	3,261	91.3	19
7.5–8.5	1,389	376	68.9	4.0	44.0	2,333	132.2	31
9.0–10.0	176	116	62.2	16.6	44.9	655	224.3	22
11.0–12.0	322	16	58.8	100.0	45.9			155
Total	**15,915**	**5,057**	**72.0**	**0.9**	**44.3**	**11,643**	**56.4**	**238**

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

Note 20 Insurance company solvency

EUR million	30 Sep. 2018	31 Dec. 2017
Eligible capital	**1,066**	**902**
Solvency capital requirement (SCR)		
Market risk	441	460
Insurance risk	287	289
Counterparty risk	36	40
Operational risk	44	45
Diversification benefits and loss absorbency	-178	-169
Total	630	666
Buffer for SCR	**436**	**236**
Solvency ratio (SCR), %	**169**	**135**
Solvency ratio (SCR), % (excluding transitional provision)	**169**	**135**

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

Note 21 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, their close family members included, and other related-party entities. OP Corporate Bank Group's administrative personnel comprises OP Corporate Bank plc's President and CEO and members of the Board of Directors. 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 Bank Group Pension Fund, OP Bank Group Pension Foundation and sister companies within OP Cooperative Consolidated.

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

Related-party transactions have not undergone any substantial changes since 31 December 2017.

OP Corporate Bank plc publishes the following financial information pursuant to the regular disclosure obligation of a securities issuer.

Schedule for Financial Statements Bulletin for 2018 and Interim Reports in 2019:

Financial Statements Bulletin 2018	5 February 2019
Interim Report Q1/2019	7 May 2019
Interim Report H1/2019	30 July 2019
Interim Report Q1–3/2019	29 October 2019

Helsinki, 31 October 2018

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