# OP Corporate Bank plc's Financial Statements Bulletin for 1 January–31 December 2018

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| Earnings before tax Q1–4/2018 | Net interest income Q1–4/2018 | Net insurance income Q1–4/2018 | CET1 ratio 31 Dec. 2018 |
|---|---|---|---|
| €439 million | +2% | +19% | 15.1% |

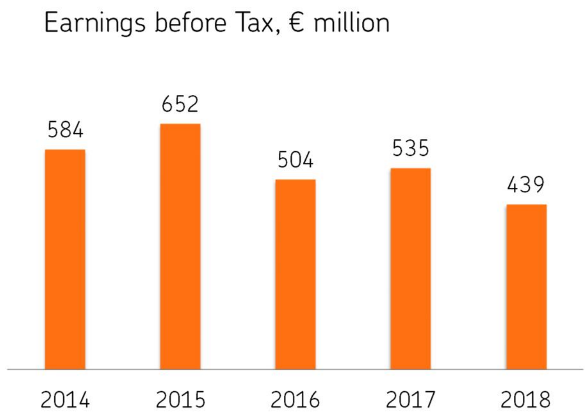
- Consolidated earnings before tax were EUR 439 million (535). Return on equity was 8.5% (10.6). Return on assets was 0.54% (0.67).
- Net interest income rose by 2% to EUR 264 million and net insurance income by 19% to EUR 548 million, comparable change being –2%. Investment income fell by 46% to EUR 210 million.
- Expenses grew by 8% to EUR 611 million. OP Financial Group transferred the management of the majority of the personnel's statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company at the end of 2018. The transfer reduced OP Corporate Bank's pension costs and improved earnings before tax by EUR 34 million while improving its capital adequacy ratio by 0.1 percentage point.
- Impairment losses on receivables remained low, totalling EUR 13 million (12).
- The CET1 ratio was 15.1% (16.0), while the target is 15%.
- **Banking** earnings before tax increased by 3% to EUR 354 million. The loan portfolio increased by 11% to EUR 22.3 billion. The cost/income ratio was 31.6% (31.4).
- **Non-life Insurance** earnings before tax decreased by 41% to EUR 114 million due to a 174-million euro reduction in net investment income. The reduction in the discount rate for insurance liability increased claims incurred by EUR 102 million a year ago. The operating combined ratio was 92.0% (96.1).
- **Other Operations** earnings before tax were EUR –30 million (–2) due to lower net investment income. Liquidity and access to funding remained good.
- In 2019, the quality of the loan portfolio and demand for loans are expected to remain good and Non-life Insurance premium revenue is expected to remain at a healthy level. Estimates for full-year 2019 earnings will only be provided at the OP Financial Group level, in its financial statement bulletin and interim reports.

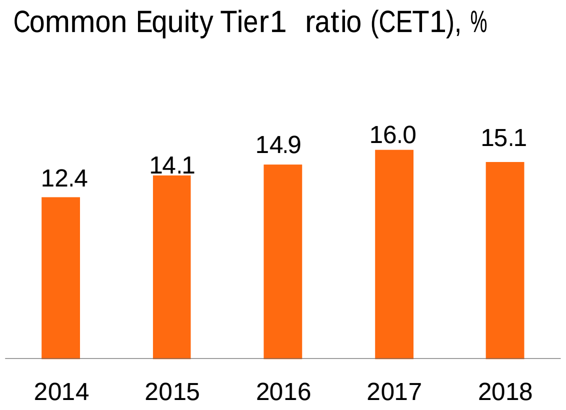
| Earnings before tax, € million | Q1–4/2018 | Q1–4/2017 | Change, % |
|---|---|---|---|
| Banking | 354 | 344 | 3.0 |
| Non-life Insurance | 114 | 193 | -40.7 |
| Other Operations | -30 | -2 | |
| Group total | 439 | 535 | -17.9 |
| Return on equity (ROE), % | 8.5 | 10.6 | -2.0* |
| Return on assets (ROA), % | 0.54 | 0.67 | -0.1* |

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 | 31 Dec. 2018 | 31 Dec. 2017 | Target |
|---|---|---|---|
| Customer experience, NPS (-100–+100) | 71 | 69 | 70 |
| CET1 ratio, % | 15.1 | 16.0 | 15 |
| Return on economic capital, % | 14.4 | 17.8 | 22 |
| Expenses of present-day business (12-month rolling)*, € million | 593 | 534 | Expenses in 2020 lower than in 2015 (475) |
| Dividend payout ratio, % | 49.9 | 49.7 | 50 |

*Excluding expenses of the health and wellbeing business and a non-recurring item recognised in earnings relating to the transfer of statutory earnings-related pension insurance.



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## Contents

# Operating environment

World economic growth slowed down and economic confidence deteriorated during the last few months of 2018. The economic mood was still relatively good. The world economy grew at almost the same brisk rate in 2018 as in 2017. Differences in economic growth widened between different countries. Euro-area economic growth slowed down clearly over the course of the year, due partly to transient factors. The unemployment rate continued to fall markedly and the inflation rate rose.

The European Central Bank (ECB) continued to normalise its monetary policy. The ECB reduced its net asset purchases under its asset purchase programme to EUR 15 billion per month in October and ended them entirely at the end of the year.

The main refinancing rates remained unchanged the whole year. The Euribor rate rose a bit at the end of the year. Longer market rates decreased because of greater uncertainty at the end of the year, coming to the same level as at the beginning of the year. Due to a sharp fall seen at the end of the year, stock prices sank lower than at the beginning of the year.

The Finnish economy still continued to grow briskly during the latter half of the year. Based on preliminary information, the economic growth rate in 2018 was slightly slower than in 2017. The growth focused on consumption more than before. Employment saw a marked improvement and real earnings increased. However, consumer confidence weakened towards the year end. Business profitability continued to improve further but fixed investments increased only slightly.

The sales of old homes in the housing market decreased slightly over the previous year. Demand focused on new homes that were completed the most since the early 1990s. Home prices rose only slightly.

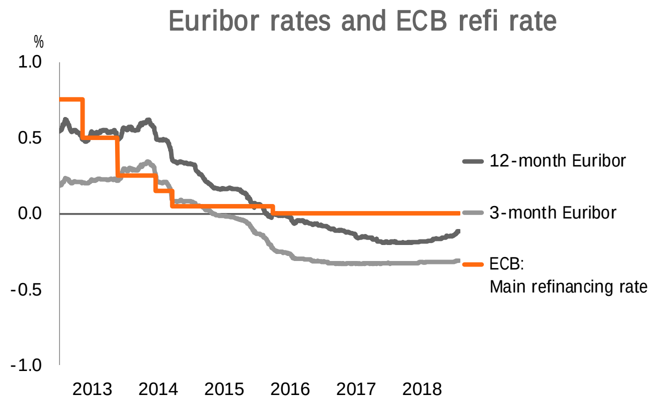
The economic outlook is deteriorating and uncertainty has clearly increased. The greatest risks are associated with the global economy and international policy. The outlook for interest rates is stable. The ECB has announced that it would keep its main refinancing rate at its current level at least for the summer of 2019.

Total household loans grew by 2.2% in 2018. Home loans drawn down increased by 1.7% and a decrease in the borrowing rate for new home loans drawn down came to a halt towards the end of the year. The annual growth rate in corporate and housing company loans sped up, standing at 7.5% in December. The banking barometer results anticipate demand for household and corporate loans to decline markedly.

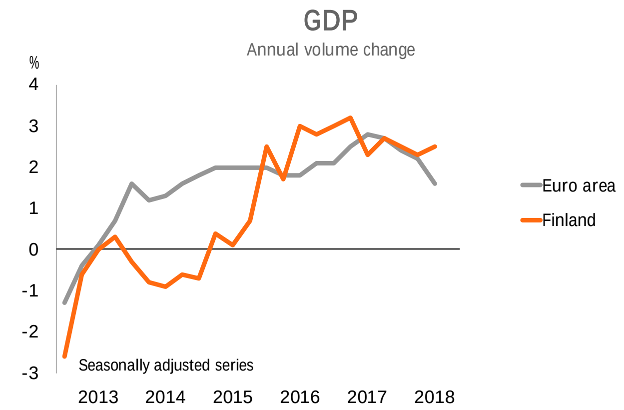
Total deposits increased by 2.6% in 2018. Household deposits increased by 5.6% and corporate deposits by 3.5%. Total deposits by public-sector entities decreased by almost 13%.

The value of mutual funds registered in Finland amounted to EUR 110.1 billion at the end of 2018. The funds' net asset inflows during the year were EUR 3.9 billion negative. Long-term bond funds and equity funds saw redemptions the most.

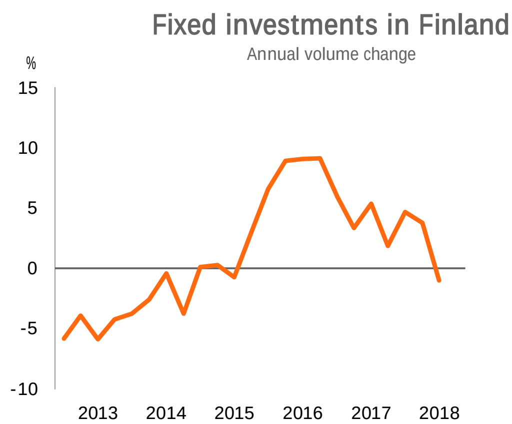
The positive economic mood supported the Finnish insurance sector in 2018 but price competition that remained rather tough and the capital market turbulence at the end of the year weakened earnings performance.



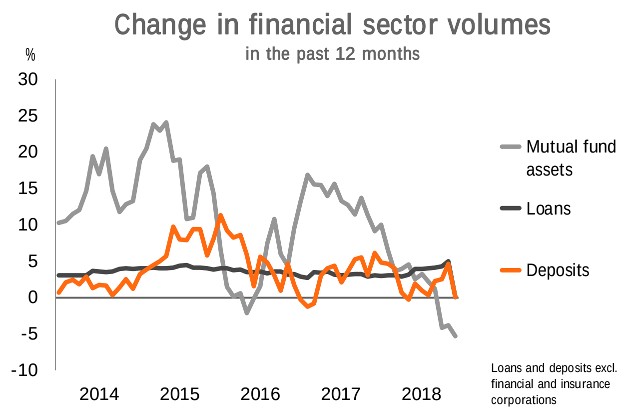

Source: Bank of Finland




Sources: Eurostat, Statistics Finland




Source: Statistics Finland




Sources: Bank of Finland, Investment Research Finland

## Consolidated earnings

| € million | Q1–4/ 2018 | Q1–4/ 2017* | Change, % | Q4/ 2018 | Q4/ 2017* | Change, % |
|---|---|---|---|---|---|---|
| Net interest income | 264 | 259 | 1.8 | 71 | 72 | -1.1 |
| Net insurance income | 548 | 459 | 19.4 | 127 | 137 | -7.4 |
| Net commissions and fees | -23 | -17 | 34.2 | -11 | -7 | 56.1 |
| Net investment income | 210 | 390 | -46.1 | 0 | 99 | -100.3 |
| Other operating income | 47 | 26 | 81.4 | 11 | 6 | 74.6 |
| Total income | 1,046 | 1 117 | -6.3 | 198 | 307 | -35.6 |
| Personnel costs (excl. transfer of earnings-related pension liability) | 193 | 164 | 18.0 | 55 | 43 | 27.8 |
| Transfer of statutory earnings-related pension liability | -34 | | | -34 | | |
| Depreciation/amortisation and impairment loss | 83 | 64 | 29.0 | 31 | 21 | 45.6 |
| Other operating expenses | 369 | 339 | 8.6 | 102 | 98 | 4.0 |
| Total expenses | 611 | 568 | 7.6 | 154 | 162 | -5.2 |
| Impairment loss on receivables | -13 | -12 | 2.9 | -7 | -2 | 274.5 |
| OP bonuses to owner-customers | -2 | -2 | 3.0 | -1 | 0 | 3.9 |
| Temporary exemption (overlay approach) | 19 | | | 32 | | |
| Total earnings before tax | 439 | 535 | -17.9 | 69 | 142 | -51.8 |

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

### January–December

Consolidated earnings before tax were EUR 439 million (535). Total income was reduced by lower net investment income from Non-life Insurance and lower income from derivatives operations. Net interest income and net insurance income increased year on year. Other operating income was increased by a capital gain on the sale of the Baltic non-life insurance business. Total expenses were increased by charges of financial authorities and ICT costs. Transferring the management of statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company improved earnings before tax. Impairment losses were still low.

Net interest income rose to EUR 264 million (259). Derivatives operations increased net interest income in the Other Operations segment but decreased net interest income in Banking. The Banking loan portfolio increased by 11%. Net insurance income rose to EUR 548 million (459). Insurance premium revenue increased by 2.4%. A year ago, the reduction in the discount rate of insurance liability reduced net insurance income by EUR 102 million. Claims incurred, excluding the reduction in the discount rate in 2017, increased by 5.4%. The comparable change in net insurance income was –2%.

Net commissions and fees totalled EUR –23 million (–17). Commission income rose by 1.5%, due to higher income from health and wellbeing services, and income from lending than a year ago. Commission expenses rose by 4.6%. 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 (390). The overlay approach is applied to some equity instruments of Non-life Insurance, which improved earnings for the reporting period by EUR 19 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 161 million. Return on investments by Non-life Insurance at fair value was 0.1% (3.5).

Net income from financial assets recognised at fair value through profit or loss totalled EUR 167 million (220) and net income from financial assets recognised at fair value through other comprehensive income totalled EUR 65 million (196). Net investment income included EUR 138 million (207) from derivatives operations. Capital gains and changes in the fair value of investments recognised through profit or loss totalled EUR 50 million (150). Dividend income and share of profits amounted to EUR 36 million (50).

Other operating income increased to EUR 47 million (26). In the reporting period, a total of EUR 16 million was recognised as capital gain on the sale of the Baltic non-life insurance business.

Total expenses increased by 7.6% to EUR 611 million (568). Personnel costs, excluding the transfer of earnings-related pension insurance, were up by EUR 30 million over the previous year. In the reporting period, the management of statutory earnings-related pension insurance and the related portfolio was transferred to Ilmarinen Mutual Pension Insurance Company, which improved earnings before tax by EUR 34 million. Depreciation/amortisation was increased mainly by a 16-million euro increase in impairment losses related to ICT investments. Other operating expenses were increased by a 19-million euro rise in ICT costs and EUR 23 million in charges of financial authorities. On the other hand, administrative expenses fell by EUR 11 million. Development mostly concerned the present-day business. In January–December, development expenditure totalled EUR 97 million (98). It includes licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 34 million (46).

Net impairment losses on receivables totalled EUR 13 million (12). Realised and expected credit losses on loans came to EUR 13 million (13). Impairment losses on on-balance-sheet items recognised at fair value through other comprehensive income and on off-balance sheet commitments were not significant. 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.

### October–December

Earnings before tax amounted to EUR 69 million (142). Total income fell by 35.6% and total expenses by 5.2%. Total income was decreased by lower net insurance income and lower net investment income. Total expenses were increased by charges of financial authorities and higher impairment losses related to ICT investments but, on the other hand, expenses were decreased by the impact of the transfer of earnings-related pension insurance liability.

Net interest income remained at the previous year's level, amounting to EUR 71 million (72). Net insurance income fell to EUR 127 million (137). Claims incurred increased by EUR 11 million year on year. Net commissions and fees totalled EUR –11 million (–7). Commission income rose year on year by 2.9% and commission expenses by 10.4%. Commission income was increased particularly by income from health and wellbeing services and reduced by commission income from securities issuance. Commission expenses were increased by fees paid to member banks. Net investment income decreased year on year to EUR 0 million (99). It was reduced by lower capital gains and net income from derivatives operations than a year ago.

Total expenses decreased by EUR 8 million year on year to EUR 154 million (162). They were reduced, with respect to personnel costs, by EUR 34 million due to the transfer of statutory earnings-related pension insurance liability. Personnel costs, excluding the transfer of earnings-related pension insurance liability, were up by EUR 12 million. Depreciation/amortisation and impairment loss increased expenses year on year by EUR 10 million, ICT costs by EUR 4 million and charges of financial authorities by EUR 8 million.

## Q1–4 highlights

### Changes in senior management

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 acted as OP Corporate Bank's President and CEO until 30 April 2018. 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 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 OP Corporate Bank's Board of Directors on 31 October 2018.

As of 1 November 2018, the Board of Directors of OP Corporate Bank plc consists of the chair and four other members instead of three members as before. 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.

### Transferring the management of the statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company

Statutory earnings-related pension cover for OP Corporate Bank's and OP Financial Group's personnel has previously been arranged through OP Bank Group Pension Fund. On 31 July 2018, the representative assembly of OP Bank Group Pension Fund decided to transfer the management of the pension liability worth EUR 1,068 million to Ilmarinen Mutual Pension Insurance Company. The transferred solvency capital totalled EUR 263 million. The insurance portfolio concerned accounted for some 90.8% of OP Bank Group Pension Fund's total pension liability. The transfer was executed on 31 December 2018. 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.

The transfer improved OP Corporate Bank's CET1 ratio by 0.1 percentage point. It also increased OP Corporate Bank Group's earnings before tax by EUR 34 million.

## OP Corporate Bank to reform its operations

On 26 September 2018, the Supervisory Board of OP Financial Group's central cooperative decided on the key strategic focus areas of OP Financial Group for the remaining strategy period. It also decided on a new vision. The strategy confirmed in 2016 still forms the basis for OP Financial Group but the Group has wanted to sharpen its strategic focus because of changes in the operating environment.

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

In order to implement its strategy and vision, OP Financial Group has begun to reform its practices. New agile practices highlight job meaningfulness and enhance job satisfaction, which, in turn, improves customer experience and workplace efficiency, creating potential for cost savings.

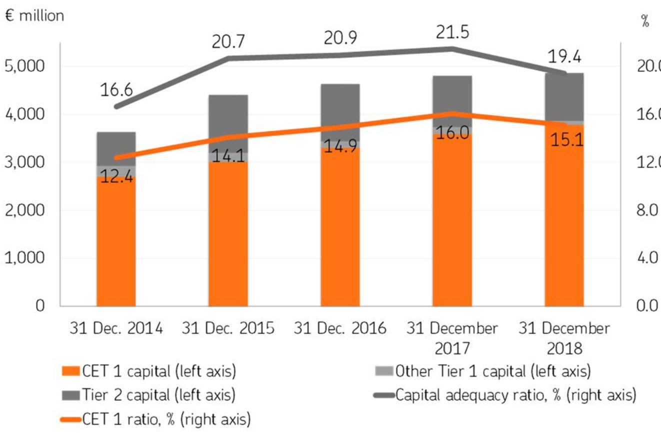
The agile practices will be phased in at OP Financial Group's central cooperative. The implementation of the new operating model began with reorganisation. The related Information and Consultation of Employees process started in the central cooperative consolidated on 1 October 2018 and ended on 13 November 2018. The process also applied to OP Corporate Bank Group. The new organisation took effect on 1 January 2019. Developing the operating model and planning the change will continue in spring 2019. The organisational changes are a part of the 100-million euro cost savings programme of OP Financial Group central cooperative consolidated.

## Adopting the Pohjola brand in non-life insurance business

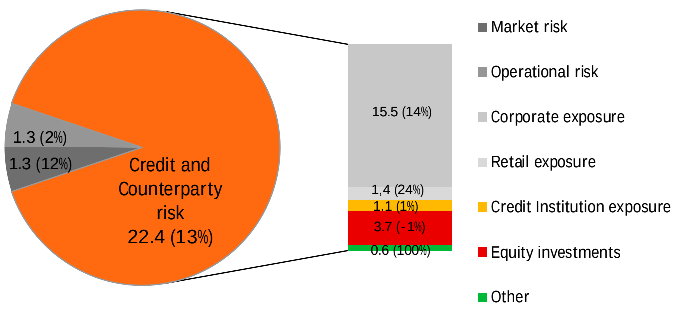
OP is planning to adopt the Pohjola name in its non-life insurance business during 2019. OP Insurance Ltd would, in the future, be known under the name Pohjola Insurance Ltd. Pohjola Health will be renamed Pohjola Hospital during 2019 and it will focus on hospital business in the future.

# Group's capital adequacy and capital base

Capital base and capital adequacy




Risk Exposure Amount 31 December 2018
Total 25.0 € billion
(change from year end 12%)




## Capital adequacy for credit institutions

The Group's CET1 ratio was 15.1% (16.0) on 31 December 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 3.8 billion (3.6) on 31 December 2018. The increase was due to earnings, non-life insurance companies' dividends and the transfer of the statutory earnings-related pension liability.

On 31 December 2018, the risk exposure amount (REA) totalled EUR 25.0 billion (22.3), or 11.9% 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. Belonging to OP Financial Group, OP Corporate Bank is supervised by the European Central Bank (ECB).

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In December 2018, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

## Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at EUR 12.2 billion, accounting for 27.6% of the total risk exposure amount at the end of 2016. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group's MREL ratio stood at 35% at the turn of 2017. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

## Solvency of non-life insurance companies

Non-life insurance capital base was decreased by non-life insurance companies' interim dividends. The solvency position was improved by a decrease in the solvency requirement.

| € million | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Capital base, € million* | 818 | 902 |
| Solvency capital requirement (SCR), € million* | 621 | 666 |
| Solvency ratio, %* | 132 | 135 |
| Solvency ratio, % (excluding transitional provision) | 132 | 135 |

*including transitional provisions.

# Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 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 31 December 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.

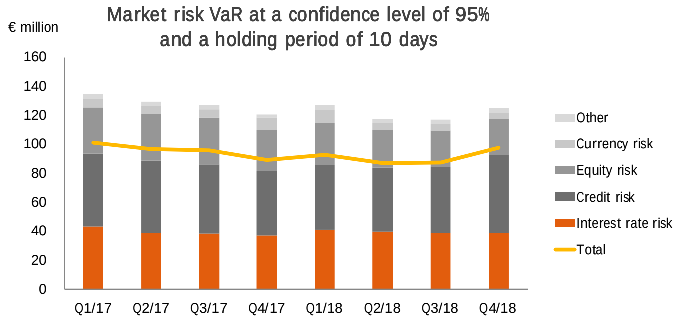
In December 2018, Moody's affirmed OP Corporate Bank plc's credit ratings for short-term and long-term debt and kept the rating outlook stable.

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 98 million (89) on 31 December 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 23 million (4). This change was mainly influenced by an increase in the discount rate and a decrease in the pension increase assumption. Transfer of the personnel's statutory earnings-related pension liability will significantly lower this risk.

In the reporting period, key focus areas of the Compliance function related to ensuring regulatory compliance in investment services and customer due diligence (KYC) as well as supporting business operations in managing compliance risks related to new operating models.

The Group expects its operational risks to be moderate as targeted. Reorganisation, changing practices and the speed of service development will, however, set additional challenges for operational risk management in the coming years. Materialised operational risks resulted in approximately EUR 0.3 million in costs during the reporting period.

In early 2016, OP Financial Group provided its reply to the request for clarification received in 2015 from the Finnish Competition and Consumer Authority. 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 145 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 36.6% (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 –12 million (–12).

### Breakdown of Banking exposures

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Total Banking exposure*, EUR billion | 34.1 | 31.6 |
| in the highest borrower grades (IG)**, % | 65.2 | 66.4 |
| in other borrower grades (excluding default), % | 34.4 | 33.0 |
| classified as default, % | 0.4 | 0.6 |
| classified as default, EUR million | 141.0 | 187.0 |
| Corporate and housing company exposures, EUR billion | 30.0 | 27.8 |
| of total Banking exposure, % | 87.8 | 87.9 |
| in the highest borrower grades (IG), % | 63.4 | 65.4 |
| in other borrower grades (excluding default), % | 36.1 | 34.0 |
| classified as default, % | 0.5 | 0.7 |
| classified as default, EUR million | 141.0 | 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 4.9 billion (4.8).

| The most significant sectors in corporate and housing company exposures | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Energy, % | 12.9 | 14.1 |
| Services, % | 11.1 | 9.4 |
| Trade, % | 10.7 | 10.7 |
| Other sectors, % | 65.4 | 64.5 |
| Total | 100 | 100 |

Exposures by the Baltic operations grew to EUR 3.3 billion (2.5), accounting for 9.7% (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 (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 23 million (27).

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 50 million (52) on 31 December 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. OP Financial Group's LCR was 143% (123) on 31 December 2018.

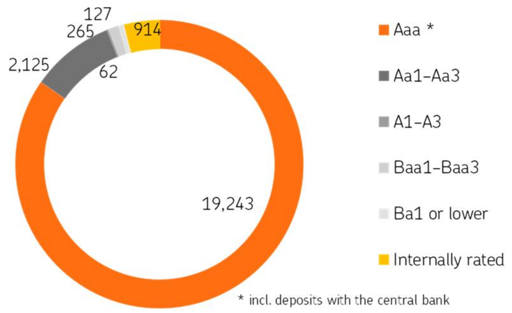
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 111% (116) at the end of December 2018.

## Liquidity buffer

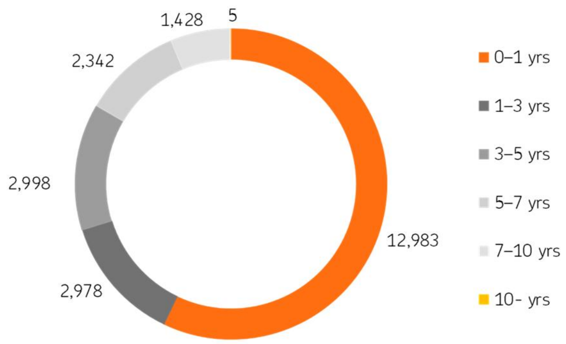
| € billion | 31 Dec. 2018 | 31 Dec. 2017 | Change, % |
|---|---|---|---|
| Deposits with central banks | 12.2 | 12.8 | -4.7 |
| Notes and bonds eligible as collateral | 9.2 | 9.1 | 1.3 |
| Total | 21.4 | 21.9 | -2.2 |
| Receivables ineligible as collateral | 1.3 | 1.5 | -9.3 |
| Liquidity buffer at market value | 22.7 | 23.3 | -2.6 |
| Collateral haircut | -0.7 | -0.7 | 2.4 |
| Liquidity buffer at collateral value | 22.0 | 22.7 | -2.8 |

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

Financial assets included in the liquidity buffer by credit rating on 31 December 2018, € million




Financial assets included in the liquidity buffer by maturity on 31 December 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 14.2%. These exposures increased during the reporting period by EUR 891 million, or 8.1%. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

## Breakdown of Other Operations exposures

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Total Other Operations exposures, EUR billion | 50.1 | 37.6 |
| Financial and insurance institutions' exposures, EUR billion | 19.3 | 18.1 |
| Public-sector entities' exposures, EUR billion | 29.2 | 18.1 |
| Corporate and housing company exposures, EUR billion | 1.6 | 1.4 |
| in the highest borrower grades (IG), % | 99.4 | 98.6 |
| in other borrower grades, % | 0.6 | 1.4 |

# 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 changed 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 the Group's 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 increased by 3% to EUR 354 million (344).
- The loan portfolio grew by 11.0% to EUR 22.3 billion.
- Impairment losses on receivables reduced earnings by EUR 12 million (–12). 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 | Q1–4/2018 | Q1–4/2017 | Change, % |
|---|---|---|---|
| Net interest income | 341 | 348 | -2.0 |
| Net commissions and fees | 54 | 129 | -57.8 |
| Net investment income | 121 | 18 | 556.5 |
| Other operating income | 19 | 24 | -20.9 |
| Total income | 536 | 520 | 3.1 |
| Personnel costs (excl. transfer of earnings-related pension liability) | 59 | 54 | 9.3 |
| Transfer of statutory earnings-related pension liability | -31 | | |
| Depreciation/amortisation and impairment loss | 15 | 11 | 32.4 |
| Other operating expenses | 127 | 98 | 29.3 |
| Total expenses | 169 | 163 | 3.7 |
| Impairment loss on receivables | -12 | -12 | -3.3 |
| Earnings before tax | 354 | 344 | 3.0 |
| Cost/income ratio, % | 31.6 | 31.4 | **0.2 |
| | 31 Dec. 2018 | 31 Dec. 2017 | Change, % |
| Loan portfolio, € billion | 22.3 | 20.1 | 11.0 |
| Guarantee portfolio, € billion | 2.6 | 2.4 | 9.2 |
| Margin on corporate loan portfolio, % | 1.21 | 1.25 | **-0.04 |
| Ratio of non-performing receivables to loan and guarantee portfolio, %* | 0.4 | 0.7 | **-0.3 |
| Personnel | 663 | 628 | 5.6 |

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

The loan portfolio grew by 11.0% to EUR 22.3 billion. The guarantee portfolio totalled EUR 2.6 billion (2.4) and committed standby credit facilities amounted to EUR 4.3 billion (4.5).

In November, OP Corporate Bank plc was ranked the best bank in the Corporate Banking 2018 Finland survey conducted by Prospera among the Tier 1 category respondents including the largest corporates or those with net sales of over EUR 1.5 billion.

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

## Earnings

Earnings before tax increased by 3.0% to EUR 354 million (344). Total income rose by 3.1% and total expenses by 3.7%. Despite the increase in expenses, the cost/income ratio remained at the previous year's level at 31.6% (31.4).

Net interest income decreased by 2.0% to EUR 341 million (348), due to derivatives operations.  Net commissions and fees decreased by 57.8% to EUR 54 million (129). 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 103 million. Net investment income was increased by an individual capital gain on equities of EUR 16 million. Derivatives operations increased net trading income included in the item. CVA valuation related to derivatives operations improved earnings by EUR 7 million (21).

Other operating income was EUR 5 million lower than the year before. In Banking, impairment losses lowered the reporting period's earnings by EUR 12 million (–12). Non-performing receivables accounted for 0.4% (0.7) of the loan and guarantee portfolio.

Total expenses were EUR 169 million (163). Personnel costs, excluding the transfer of earnings-related pension insurance, increased year on year by EUR 5 million to EUR 59 million. Transferring the management of statutory earnings-related pension insurance and the related portfolio to Ilmarinen Mutual Pension Insurance Company improved earnings before tax by EUR 31 million. Other operating expenses rose by EUR 29 million year on year. This rise was due to stability contributions of EUR 19 million to the Financial Stability Authority. ICT costs totalled EUR 61 million (54).

# Non-life Insurance

- Earnings before tax decreased by 40.7% to EUR 114 million (193).
- Insurance premium revenue increased by 2.4% (3.8% excluding the Baltics).
- The operating combined ratio was 92.0% (96.1) and operating expense ratio 21.0% (20.3). The combined ratio was 93.2% (97.6).
- Net investment income, taking account of the temporary exemption, totalled EUR 22 million (176). Net return on investments at fair value totalled EUR 14 million (135).
- Development investments focused on development of electronic services and the basic system upgrade initiated.

## Non-life Insurance: key figures and ratios

| € million | Q1–4/2018 | Q1–4/2017 | Change, % |
|---|---|---|---|
| Insurance premium revenue | 1,466 | 1,432 | 2.4 |
| Claims incurred | 915 | 970 | -5.7 |
| Other expenses | 3 | 3 | -10.9 |
| Net insurance income | 549 | 459 | 19.5 |
| Net investment income | 2 | 176 | -99.1 |
| Other net income | -35 | -68 | -48.4 |
| Total income | 515 | 568 | -9.3 |
| Personnel costs (excl. transfer of earnings-related pension liability) | 124 | 102 | 21.9 |
| Transfer of statutory earnings-related pension liability | | | |
| Depreciation/amortisation and impairment loss | 62 | 50 | 22.9 |
| Other operating expenses | 234 | 221 | 5.6 |
| Total expenses | 419 | 373 | 12.4 |
| OP bonuses to owner-customers | -2 | -2 | 3.0 |
| Temporary exemption | 21 | | |
| Earnings before tax | 114 | 193 | -40.7 |
| | | | |
| Combined ratio, % | 93.2 | 97.6 | |
| Operating combined ratio, % | 92.0 | 96.1 | |
| Operating loss ratio, % | 70.9 | 75.8 | |
| Operating expense ratio, % | 21.0 | 20.3 | |
| Operating risk ratio, % | 64.5 | 69.3 | |
| Operating cost ratio, % | 27.4 | 26.9 | |
| | | | |
| Solvency ratio (Solvency II), %* | 132 | 135 | |
| Large claims incurred retained for own account | 107 | 78 | |
| Changes in claims for previous years (run off result) | 42 | 35 | |
| Personnel | 1,791 | 1,774 | 1.0 |

*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 in spite of intensified price competition.

OP bonuses earned through the use of banking and insurance services were used to pay 2,371,000 insurance bills (2,315,000), with 358,000 (327,000) of them paid in full using bonuses.

Insurance premiums paid using bonuses totalled EUR 118 million (114).

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 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 date of completion of the sale.

## Earnings

Earnings before tax amounted to EUR 114 million (193). This earnings decline was particularly explained by net investment income which, including the temporary exemption, was EUR 154 million lower than a year ago. Net capital gains on investments totalled EUR –5 million (133). Net insurance income increased by 19.5% to EUR 549 million. The reduction in the discount rate for insurance liability increased claims incurred by EUR 102 million a year ago. The sale of the Baltic non-life insurance business increased other net income by EUR 16 million.

The operating combined ratio was 92.0% (96.1). 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. The reduction in the discount rate weakened the operating combined ratio by 7.1 percentage points.

### Insurance premium revenue

| € million | Q1–4/2018 | Q1–4/2017 | Change, % |
|---|---|---|---|
| Private Customers | 798 | 786 | 1.5 |
| Corporate Customers | 624 | 584 | 6.8 |
| Baltics | 44 | 62 | -29.0 |
| Total | 1,466 | 1,432 | 2.4 |

The divestment of the Baltic non-life insurance business had an impact on insurance premium revenue generation late in the year. Insurance premium revenue, excluding the Baltic figures, rose by 3.8%.

Claims incurred increased by 5.4%, excluding the effect of the reduced discount rate for insurance liability a year ago. 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 98 (85) in January December, with their claims incurred retained for own account totalling EUR 107 million (78). The change in provisions for unpaid claims under statutory pension weakened earnings by EUR 1 million (–8).

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 42 million (35). The operating loss ratio was 70.9% (75.8). The operating risk ratio excluding indirect loss adjustment expenses was 64.5% (69.3).

Expenses grew by 12.4%, being EUR 46 million higher than a year ago, due to higher development-related ICT costs and depreciation/amortisation and the expansion of the health and wellbeing business. Impairment write-downs increased by EUR 12 million year on year. The operating expense ratio was 21.0% (20.3). The operating cost ratio (including indirect loss adjustment expenses) was 27.4% (26.9).

### Operating balance on technical account and combined ratio (CR)

| | Q1–4/2018 | | Q1–4/2017 | |
|---|---|---|---|---|
| | Balance, € million | CR, % | Balance, € million | CR, % |
| Private Customers | 87 | 89.0 | 93 | 88.1 |
| Corporate Customers | 33 | 94.8 | -41 | 107.0 |
| Baltics | -2 | 104.8 | 3 | 95.3 |
| Total | 118 | 92.0 | 55 | 96.1 |

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

## Investments

Net return on Non-life Insurance investments at fair value totalled EUR 14 million (135). 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

| % | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Bonds and bond funds | 71.9 | 68.0 |
| Alternative investments | 5.5 | 4.7 |
| Equities | 7.6 | 8.5 |
| Private equity | 2.0 | 1.9 |
| Real property | 8.4 | 8.3 |
| Money markets | 4.6 | 8.5 |
| Total | 100 | 100 |

Non-life Insurance's investment portfolio totalled EUR 3,730 million (3,903) on 31 December 2018. Investments within the investment-grade category accounted for 94% (95), and 62% (65) of the investments were rated at least A–. On 31 December 2018, the fixed-income portfolio's modified duration was 4.3 (5.1).

The running yield for direct bond investments averaged 1.5% (1.7) on 31 December 2018. The calculation of the ratio was specified in 2018 and the comparative was adjusted retrospectively.

## Health and wellbeing

The hospital network of Pohjola Health Ltd was completed in May 2018 when a hospital in Turku opened its doors. Hospitals located in Helsinki, Tampere, Oulu, Kuopio and Turku provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis. Pohjola Health has given up its previous plan to build a network of medical centres and will focus on hospital operations. Customers have been satisfied with services provided by Pohjola Health. Among surgery customers, the NPS figure was 96 (97) in January–December 2018.

# Other Operations

- Earnings before tax were EUR –30 million. A year ago, earnings before tax amounted to EUR –2 million.
- Earnings included EUR 20 million (19) in capital gains on notes and bonds and EUR 8 million (11) in dividend income.
- Liquidity and access to funding remained good.

## Other Operations: key figures and ratios

| € million | Q1–4/2018 | Q1–4/2017 | Change, % |
|---|---|---|---|
| Net interest income | -55 | -68 | -19.8 |
| Net commissions and fees | -34 | -94 | -63.1 |
| Net investment income | 87 | 195 | -55.1 |
| Other operating income | 8 | 8 | 0.8 |
| Total income | 6 | 41 | -84.7 |
| Personnel costs (excl. transfer of earnings-related pension liability) | 10 | 8 | 28.2 |
| Transfer of statutory earnings-related pension liability | -3 | | |
| Other expenses | 28 | 36 | -20.9 |
| Total expenses | 35 | 43 | -18.4 |
| Impairment loss on receivables | -1 | 0 | |
| Earnings before tax | -30 | -2 | |
| Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion | -1.2 | -0.1 | 746.6 |
| Personnel | 53 | 50 | 6,0 |

## Earnings

Earnings before tax amounted to EUR -30 million (–2). Lower gains on positions subject to market risk weakened earnings. A year ago, crediting a portion of income from the liquidity buffer to the Group's Banking segment and OP Financial Group's other financial institutions increased other expenses. Earnings before tax at fair value were EUR –134 million. A year ago, earnings before tax at fair value totalled EUR 35 million. The termination of the ECB's quantitative easing at the end of 2018 increased credit spreads late in the year, which weakened the fair value reserve.

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 87 million (195), down by EUR 107 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 (19) in capital gains on notes and bonds and EUR 8 million (11) 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 –34 million (–94). 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. In January–December, OP Corporate Bank issued long-term senior bonds worth EUR 2.3 billion. 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 0.8 billion between January and December.

In the last quarter, OP Financial Group published its Green Bond Framework in accordance with ICMA's (International Capital Markets Association) Green Bond Principles, and the associated independent Second Opinion by Sustainalytics. Under the framework, OP Financial Group may issue Green Bonds via OP Corporate Bank plc or any other issuing entity. OP Green Bond proceeds will be allocated in accordance with the approved framework.

Eligible sectors to be funded through Green Bonds include e.g. renewable energy (incl. hydro and wind power), energy efficiency, pollution prevention and control (incl. waste management, waste recycling and sustainable water and wastewater management), and sustainable land use through sustainable forestry. The framework supports the target of fostering sustainable economy, included in OP's Corporate Social Responsibility Programme.

In December 2018, the average margin of senior wholesale funding and TLTRO-II funding was 14 basis points (19).

On 31 December 2018, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 1.1 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.

OP Corporate Bank plc has subsidiaries and branches offering banking services for corporate customers in Estonia, Latvia and Lithuania. OP Corporate Bank is examining various strategic options in respect of Baltic Banking.

OP Corporate Bank Group is still making plans for restructuring under which the Non-life Insurance segment would be transferred from OP Corporate Bank to direct ownership of OP Cooperative. The specific manner or schedule to implement such restructuring has not yet been decided.

OP Corporate Bank assessed the option of separating central banking operations (Group Treasury) into a subsidiary wholly owned by OP Cooperative. Following the assessment and in line with OP Cooperative's Executive Board decision of 4 February 2019, such separation will not be carried out and, therefore, the central banking operations will continue to remain part of OP Corporate Bank.

## Personnel and remuneration

Personnel increased from the 2018-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. The comparative figure for Non-life Insurance includes the personnel of Seesam Insurance AS or 328.

### Personnel

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Banking | 663 | 628 |
| Non-life Insurance | 1,791 | 1,774 |
| Other Operations | 53 | 50 |
| Total | 2,507 | 2,452 |

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

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

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

## Corporate governance and management

OP Corporate Bank's management system is based on business segments. Management of OP Corporate Bank is part of OP Financial Group's management system.

The Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Executive Chair Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As Board members, the AGM re-elected OP Financial Group's Executive Vice President of Operations Tony Vepsäläinen, OP Financial Group's Chief Financial Officer Harri Luhtala and Executive Vice President, OP Financial Group's Group Steering, Jari Himanen.

The AGM re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as OP Corporate Bank's auditor with Raija-Leena Hankonen, APA, acting as the Auditor-in-charge, appointed by KPMG Oy Ab.

Board member Jari Himanen resigned from membership of OP Corporate Bank's Board of Directors on 6 May 2018 and board member Harri Luhtala resigned on 31 October 2018.

As of 1 November 2018, the Board of Directors of OP Corporate Bank plc consists of the chair and four other members instead of three members as before. 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, who was appointed as of 2 July 2018, will remain its members.

## Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2018, the company's distributable earnings, which include EUR 277,656,395.96 in profit for the financial year, totalled EUR 1,163,283,554.34. The company's distributable funds totalled EUR 1,494,664,391.40.

The Board of Directors proposes that a dividend of EUR 0.54 be distributed per share, totalling EUR 172,557,764.10, and that following dividend distribution, the remaining amount of EUR 105,098,631.86 be recognised in retained earnings. Following dividend distribution, the company's distributable earnings total EUR 990,725,790.24 and its distributable funds total EUR 1,322,106,627.30.

The company’s financial position has not undergone any material changes since the end of the financial year 2018. The company’s liquidity is good and will not be jeopardised by the proposed distribution of funds, in the Board of Directors’ view.

## Events after the reporting period

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

## Outlook for 2019

The financial-sector operating environment is quite favourable on the whole although the world economy is showing signs of slower growth. While low market interest rates are expected to slow down growth in banks' net interest income and erode insurance institutions' income from fixed income investments, they should also improve 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.

In 2019, the quality of the loan portfolio and demand for loans are expected to remain good and Non-life Insurance premium revenue is expected to remain at a healthy level. The most significant uncertainties affecting earnings relate to changes in the interest rate and investment environment, market growth rate, changes in the competitive situation, impairment loss on receivables and the effect of large claims on claims expenditure.

In 2019, full-year earnings estimates will only be provided at the OP Financial Group level, in its financial statement bulletin and interim reports.

All forward-looking statements in this Financial Statements Bulletin 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 | Q4/ 2018 | Q4/ 2017 | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|---|---|---|
| Net interest income | 3 | 71 | 72 | 264 | 259 |
| Net insurance income | 4 | 127 | 137 | 548 | 459 |
| Net commissions and fees | 5 | -11 | -7 | -23 | -17 |
| Net investment income | 6 | 0 | 99 | 210 | 390 |
| Other operating income | | 11 | 6 | 47 | 26 |
| **Total income** | | **198** | **307** | **1,046** | **1,117** |
| Personnel costs | | 21 | 43 | 159 | 164 |
| Depreciation/amortisation | | 31 | 21 | 83 | 64 |
| Other expenses | | 102 | 98 | 369 | 339 |
| **Total expenses** | | **154** | **162** | **611** | **568** |
| Impairments of receivables | 7 | -7 | -2 | -13 | -12 |
| OP bonuses to owner-customers | | -1 | 0 | -2 | -2 |
| Temporary exemption (overlay approach) | | 32 | | 19 | |
| **Earnings before tax** | | **69** | **142** | **439** | **535** |
| Income tax expense | | 19 | 29 | 87 | 105 |
| **Profit for the period** | | **49** | **113** | **352** | **430** |
| | | | | | |
| **Attributable to:** | | | | | |
| Owners of the parent | | 50 | 110 | 346 | 424 |
| Non-controlling interests | | -1 | 3 | 7 | 6 |
| **Profit for the period** | | **49** | **113** | **352** | **430** |
| | | | | | |
| **Statement of comprehensive income** | | | | | |
| **Profit for the period** | | **49** | **113** | **352** | **430** |
| Items that will not be reclassified to profit or loss | | | | | |
| Gains(/losses) arising from remeasurement of defined benefit plans | | 1 | 0 | 23 | 4 |
| Items that may be reclassified to profit or loss | | | | | |
| Change in fair value reserve | | | | | |
| Measurement at fair value | | -68 | -26 | -141 | -37 |
| Cash flow hedge | | 1 | 0 | -2 | -4 |
| Temporary exemption (overlay approach) | | -32 | | -19 | |
| 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 | | 0 | 0 | -5 | -1 |
| Items that may be reclassified to profit or loss | | | | | |
| Measurement at fair value | | 14 | 5 | 28 | 7 |
| Cash flow hedge | | 0 | 0 | 0 | 1 |
| Temporary exemption (overlay approach) | | 6 | | 4 | |
| **Total comprehensive income for the period** | | **-29** | **93** | **241** | **400** |
| | | | | | |
| **Attributable to:** | | | | | |
| Owners of the parent | | -28 | 90 | 234 | 394 |
| Non-controlling interests | | -1 | 2 | 7 | 6 |
| **Total comprehensive income for the period** | | **-29** | **93** | **241** | **400** |

## Balance sheet

| EUR million | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| Cash and cash equivalents | | 12,239 | 12,825 |
| Receivables from credit institutions | | 9,726 | 9,294 |
| Derivative contracts | 10 | 3,492 | 3,426 |
| Receivables from customers | 12 | 22,351 | 20,120 |
| Investment assets | | 16,351 | 16,144 |
| Intangible assets | | 722 | 777 |
| Property, plant and equipment (PPE) | | 117 | 115 |
| Other assets | | 1,647 | 1,708 |
| Tax assets | | 65 | 35 |
| **Total assets** | | **66,710** | **64,445** |
| | | | |
| Liabilities to credit institutions | | 15,575 | 14,035 |
| Derivative contracts | | 3,043 | 3,216 |
| Liabilities to customers | | 16,422 | 18,837 |
| Insurance liabilities | 13 | 3,157 | 3,143 |
| Debt securities issued to the public | 14 | 20,336 | 16,791 |
| Provisions and other liabilities | | 2,128 | 2,307 |
| Tax liabilities | | 421 | 419 |
| Subordinated liabilities | | 1,482 | 1,547 |
| **Total liabilities** | | **62,562** | **60,295** |
| **Equity** | | | |
| **Capital and reserves attributable to owners of the parent** | | | |
| Share capital | | 428 | 428 |
| Fair value reserve | 15 | -12 | 164 |
| Other reserves | | 1,093 | 1,093 |
| Retained earnings | | 2,559 | 2,404 |
| **Non-controlling interests** | | 80 | 60 |
| **Total equity** | | **4,147** | **4,149** |
| **Total liabilities and equity** | | **66,710** | **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 | | -33 | | 427 | 394 | 6 | 400 |
| Profit for the period | | | | 424 | 424 | 6 | 430 |
| Other comprehensive income | | -33 | | 3 | -29 | 0 | -30 |
| Profit distribution | | | | -201 | -201 | | -201 |
| Other | | | 0 | 0 | 0 | -55 | -55 |
| **Balance at 31 December 2017** | **428** | **164** | **1,093** | **2,404** | **4,089** | **60** | **4,149** |

| | 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 | | -129 | | 364 | 234 | 7 | 241 |
| Profit for the period | | | | 346 | 346 | 7 | 352 |
| Other comprehensive income | | -129 | | 18 | -111 | | -111 |
| Profit distribution | | | | -211 | -211 | -13 | -224 |
| Other | | | 0 | 0 | 0 | 26 | 26 |
| **Balance at 31 December 2018** | **428** | **-12** | **1,093** | **2,559** | **4,067** | **80** | **4,147** |

## Cash flow statement

| EUR million | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period | 352 | 430 |
| Adjustments to profit for the period | -124 | 92 |
| **Increase (-) or decrease (+) in operating assets** | **-2,656** | **623** |
| Receivables from credit institutions | -66 | 617 |
| Derivative contracts | -89 | -35 |
| Receivables from customers | -2,264 | -1,443 |
| Investment assets | -381 | 763 |
| Other assets | 144 | 721 |
| **Increase (+) or decrease (-) in operating liabilities** | **-1,027** | **5,499** |
| Liabilities to credit institutions | 1,470 | 3,730 |
| Derivative contracts | -7 | -6 |
| Liabilities to customers | -2,415 | 2,659 |
| Insurance liabilities | 58 | 36 |
| Provisions and other liabilities | -133 | -921 |
| | | |
| Income tax paid | -85 | -77 |
| Dividends received | 39 | 50 |
| **A. Net cash from operating activities** | **-3,500** | **6,617** |
| **Cash flow from investing activities** | | |
| Disposal of subsidiaries, net of cash disposed | 67 | |
| Purchase of PPE and intangible assets | -45 | -79 |
| Proceeds from sale of PPE and intangible assets | 1 | 12 |
| **B. Net cash used in investing activities** | **23** | **-67** |
| **Cash flow from financing activities** | | |
| Decreases in subordinated liabilities | -50 | |
| Increases in debt securities issued to the public | 27,007 | 21,060 |
| Decreases in debt securities issued to the public | -23,489 | -23,468 |
| Dividends paid | -211 | -201 |
| **C. Net cash used in financing activities** | **3,258** | **-2,609** |
| **Net increase/decrease in cash and cash equivalents (A+B+C)** | **-219** | **3,941** |
| | | |
| **Cash and cash equivalents at period-start** | **13,575** | **9,633** |
| **Cash and cash equivalents at period-end** | **13,355** | **13,575** |
| | | |
| **Interest received** | **1,189** | **1,302** |
| **Interest paid** | **-914** | **-1,060** |
| | | |
| **Cash and cash equivalents** | | |
| Liquid assets | 12,239 | 12,825 |
| Receivables from credit institutions payable on demand | 1,116 | 749 |
| **Total** | **13,355** | **13,575** |

### 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.

| | Banking | Non-life Insurance | Other Operations | Eliminations | Group total |
|---|---|---|---|---|---|
| **Q1–4 earnings 2018, EUR million** | | | | | |
| Net interest income | 341 | -15 | -55 | -8 | 264 |
| of which internal net income before tax | -6 | -12 | 17 | | |
| Net insurance income | | 549 | | -1 | 548 |
| Net commissions and fees | 54 | -41 | -34 | -1 | -23 |
| Net investment income | 121 | 2 | 87 | 0 | 210 |
| Other operating income | 19 | 21 | 8 | -2 | 47 |
| **Total income** | **536** | **515** | **6** | **-11** | **1,046** |
| Personnel costs | 28 | 124 | 7 | 0 | 159 |
| Depreciation/amortisation and impairment losses | 15 | 62 | 7 | 0 | 83 |
| Other operating expenses | 127 | 234 | 21 | -13 | 369 |
| **Total expenses** | **169** | **419** | **35** | **-13** | **611** |
| Impairments of receivables | -12 | 0 | -1 | 0 | -13 |
| OP bonuses to owner-customers | | -2 | | | -2 |
| Temporary exemption (overlay approach) | | 21 | | -2 | 19 |
| **Earnings before tax** | **354** | **114** | **-30** | **0** | **439** |

| | Banking | Non-life Insurance | Other Operations | Eliminations | Group total |
|---|---|---|---|---|---|
| **Q1–4 earnings 2017, EUR million** | | | | | |
| Net interest income | 348 | -15 | -68 | -6 | 259 |
| of which internal net income before tax | -18 | -12 | 30 | | |
| Net insurance income | | 459 | | 0 | 459 |
| Net commissions and fees | 129 | -51 | -94 | -1 | -17 |
| Net investment income | 18 | 176 | 195 | 0 | 390 |
| Other operating income | 24 | -2 | 8 | -5 | 26 |
| **Total income** | **520** | **568** | **41** | **-12** | **1,117** |
| Personnel costs | 54 | 102 | 8 | 0 | 164 |
| Depreciation/amortisation and impairment losses | 11 | 50 | 3 | | 64 |
| Other operating expenses | 98 | 221 | 32 | -12 | 339 |
| **Total expenses** | **163** | **373** | **43** | **-12** | **568** |
| Impairments of receivables | -12 | 0 | 0 | 0 | -12 |
| OP bonuses to owner-customers | | -2 | | | -2 |
| **Earnings before tax** | **344** | **193** | **-2** | **0** | **535** |

| Balance sheet 31 December 2018, EUR million | Banking | Non-life Insurance | Other Operations | Eliminations | Group total |
|---|---|---|---|---|---|
| Cash and cash equivalents | 8 | 249 | 12,209 | -227 | 12,239 |
| Receivables from credit institutions | 118 | 10 | 9,616 | -18 | 9,726 |
| Derivative contracts | 406 | 32 | 3,057 | -3 | 3,492 |
| Receivables from customers | 23,002 | 0 | 29 | -679 | 22,351 |
| Investment assets | 525 | 3,497 | 12,462 | -134 | 16,351 |
| Intangible assets | 50 | 646 | 25 | 0 | 722 |
| Property, plant and equipment (PPE) | 0 | 41 | 76 | 0 | 117 |
| Other assets | 134 | 744 | 966 | -197 | 1,647 |
| Tax assets | 0 | 12 | 53 | 0 | 65 |
| **Total assets** | **24,243** | **5,232** | **38,493** | **-1,258** | **66,710** |
| | | | | | |
| Liabilities to credit institutions | 646 | | 15,608 | -679 | 15,575 |
| Derivative contracts | 165 | 11 | 2,876 | -9 | 3,043 |
| Liabilities to customers | 11,513 | | 5,228 | -319 | 16,422 |
| Insurance liabilities | | 3,157 | | | 3,157 |
| Debt securities issued to the public | 1,110 | | 19,260 | -34 | 20,336 |
| Provisions and other liabilities | 984 | 561 | 774 | -191 | 2,128 |
| Tax liabilities | 1 | 64 | 356 | 0 | 421 |
| Subordinated liabilities | | 135 | 1,347 | | 1,482 |
| **Total liabilities** | **14,419** | **3,927** | **45,447** | **-1,232** | **62,562** |
| **Equity** | | | | | **4,147** |

| 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 |
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| Note 11 | Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements |
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## Note 1. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the consolidated financial statements 2017.

The Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

The Financial Statements Bulletin 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 approach i.e. the Q1–4/2017 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 12 million, has been transferred from other operating income to commission income.
- Commission expenses from health and wellbeing services, EUR 5 million, have been transferred from other operating expenses to commission expenses.
- Asset management commission income and commission income from legal services, EUR 13 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

| | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|
| Return on equity (ROE), % | 8.5 | 10.6 |
| Return on equity (ROE) at fair value, % | 5.3 | 9.5 |
| Return on assets (ROA), % | 0.54 | 0.67 |
| Cost/income ratio, % | 58 | 51 |
| Ratio of non-performing receivables to loan and guarantee portfolio, % | 0.4 | 0.7 |
| Average personnel | 2,638 | 2,458 |

## 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 | Q1–4/ 2018 | Q1–4/ 2017 | Change % |
|---|---|---|---|
| Insurance premium revenue | 1,465 | 1,431 | 2.4 |
| Claims incurred | -1,039 | -1,085 | -4.2 |
| Operating expenses | -308 | -291 | 6.0 |
| Amortisation adjustment of intangible assets | -18 | -21 | -16.7 |
| **Balance on technical account** | **100** | **34** | |
| Net investment income | 2 | 176 | -99.1 |
| Other income and expenses | -8 | -17 | -55.5 |
| Temporary exemption (overlay approach) | 21 | | |
| **Earnings before tax** | **114** | **193** | **-40.7** |

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 | Q4/ 2018 | Q4/ 2017 | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|---|---|
| **Interest income** | | | | |
| Receivables from credit institutions | 8 | 11 | 36 | 43 |
| Receivables from customers | | | | |
| Loans | 88 | 77 | 332 | 323 |
| Finance lease receivables | 7 | 11 | 27 | 24 |
| Impaired loans and other commitments | 0 | 0 | 1 | 1 |
| Notes and bonds | | | | |
| Held for trading | 1 | 1 | 7 | 6 |
| Measured at fair value through profit or loss | 0 | | 1 | |
| At fair value through other comprehensive income | 23 | | 90 | |
| Amortised cost | | | 0 | |
| Available for sale | | 25 | | 98 |
| Held to maturity | | 0 | | 0 |
| Loans and receivables | | 0 | | 1 |
| Derivative contracts | | | | |
| Held for trading | 183 | 194 | 781 | 824 |
| Fair value hedge | -31 | -28 | -112 | -115 |
| Cash flow hedge | 0 | 1 | 3 | 5 |
| Ineffective portion of cash flow hedge | 0 | 0 | 0 | 0 |
| Other | 2 | 3 | 7 | 9 |
| **Total** | **283** | **295** | **1,172** | **1,219** |
| | | | | |
| **Interest expenses** | | | | |
| Liabilities to credit institutions | 36 | 32 | 137 | 115 |
| Liabilities to customers | 2 | -1 | 2 | -1 |
| Debt securities issued to the public | 46 | 47 | 170 | 193 |
| Subordinated liabilities | | | | |
| Subordinated loans | 1 | 1 | 5 | 6 |
| Other | 11 | 11 | 44 | 44 |
| Derivative contracts | | | | |
| Held for trading | 174 | 178 | 766 | 792 |
| Fair value hedge | -31 | -30 | -130 | -133 |
| Other | -28 | -18 | -92 | -65 |
| Other | 2 | 2 | 7 | 9 |
| **Total** | **213** | **222** | **908** | **960** |
| | | | | |
| **Net interest income before fair value adjustment under hedge accounting** | **71** | **73** | **263** | **259** |
| Hedging derivatives | 1 | 7 | 5 | 16 |
| Value changes of hedged items | 0 | -7 | -5 | -17 |
| **Total net interest income** | **71** | **72** | **264** | **259** |

Note 4 Net insurance income

| EUR million | Q4/ 2018 | Q4/ 2017 | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|---|---|
| Net insurance premium revenue | | | | |
| Premiums written | 255 | 257 | 1,478 | 1,446 |
| Insurance premiums ceded to reinsurers | -1 | 1 | 0 | -5 |
| Change in provision for unearned premiums | 112 | 109 | -10 | -6 |
| Reinsurers' share | -8 | -10 | -3 | -3 |
| **Total** | **359** | **357** | **1,465** | **1,432** |
| Net Non-life Insurance claims | | | | |
| Claims paid | -260 | -237 | -951 | -889 |
| Insurance claims recovered from reinsurers | 8 | 3 | 30 | 8 |
| Change in provision for unpaid claims | 6 | 2 | -6 | -109 |
| Reinsurers' share | 14 | 11 | 13 | 20 |
| **Total** | **-232** | **-221** | **-915** | **-970** |
| Other Non-life Insurance items | 0 | 0 | -3 | -3 |
| **Total net insurance income** | **127** | **137** | **548** | **459** |

Note 5 Net commissions and fees

| Q1–4 2018, EUR million | Banking | Non-life Insurance | Other Operations | Eliminations | Group total | Q4 2018 |
|---|---|---|---|---|---|---|
| **Commission income** | | | | | | |
| Lending | 44 | 0 | 0 | 0 | 44 | 11 |
| Deposits | 1 | | 0 | 0 | 1 | 0 |
| Payment transfers | 22 | | 0 | -1 | 22 | 6 |
| Securities brokerage | 16 | | 0 | | 16 | 5 |
| Securities issuance | 4 | | 4 | 0 | 8 | 0 |
| Mutual funds | 0 | | | | 0 | 0 |
| Asset management | 13 | | 0 | 0 | 13 | 4 |
| Legal services | 0 | | 0 | 0 | 0 | 0 |
| Guarantees | 13 | | 0 | | 13 | 4 |
| Insurance brokerage | | 12 | | | 12 | 3 |
| Health and wellbeing services | | 19 | | 0 | 19 | 6 |
| Other | 47 | | -34 | 0 | 13 | 3 |
| **Total** | **162** | **31** | **-31** | **-2** | **160** | **42** |
| **Commission expenses** | | | | | | |
| Payment transfers | 1 | 1 | 0 | -1 | 2 | 0 |
| Securities brokerage | 6 | | 0 | 0 | 6 | 2 |
| Securities issuance | 1 | | 1 | | 1 | 1 |
| Asset management | 3 | | 2 | | 4 | 1 |
| Insurance operations | | 64 | | | 64 | 17 |
| Health and wellbeing services | | 7 | | | 7 | 2 |
| Other | 97 | 0 | 1 | 0 | 98 | 30 |
| **Total** | **107** | **72** | **4** | **-1** | **183** | **53** |
| **Total net commissions and fees** | **54** | **-41** | **-34** | **-1** | **-23** | **-11** |

| Q1–4 2017, EUR million | Banking | Non-life Insurance | Other Operations | Eliminations | Group total | Q4 2017 |
|---|---|---|---|---|---|---|
| **Commission income** | | | | | | |
| Lending | 42 | 0 | 0 | -1 | 42 | 11 |
| Deposits | 0 | | 0 | 0 | 0 | 0 |
| Payment transfers | 24 | | 0 | -1 | 24 | 5 |
| Securities brokerage | 19 | | 0 | 0 | 19 | 5 |
| Securities issuance | 7 | | 4 | | 11 | 4 |
| Mutual funds | 0 | | | | 0 | 0 |
| Asset management | 13 | | 0 | 0 | 13 | 3 |
| Legal services | 0 | | | | 0 | 0 |
| Guarantees | 12 | | 0 | 0 | 12 | 3 |
| Insurance brokerage | | 13 | | | 13 | 2 |
| Health and wellbeing services | | 13 | | 0 | 12 | 4 |
| Other | 100 | | -87 | 0 | 13 | 4 |
| **Total** | **217** | **26** | **-83** | **-2** | **158** | **41** |
| | | | | | | |
| **Commission expenses** | | | | | | |
| Payment transfers | 5 | 1 | 0 | -1 | 5 | 0 |
| Securities brokerage | 9 | | | 0 | 9 | 2 |
| Securities issuance | 1 | | 1 | 0 | 2 | 0 |
| Asset management | 3 | | 2 | 0 | 4 | 1 |
| Insurance operations | | 70 | | | 70 | 18 |
| Health and wellbeing services | | 5 | | | 5 | 1 |
| Other | 72 | | 8 | 0 | 80 | 25 |
| **Total** | **88** | **76** | **11** | **-1** | **175** | **48** |
| | | | | | | |
| **Total net commissions and fees** | **129** | **-51** | **-94** | **-1** | **-17** | **-7** |

## Note 6 Net investment income

| EUR million | Q4/ 2018 | Q4/ 2017 | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|---|---|
| **Net income from assets at fair value through other comprehensive income (Net income from available-for-sale financial assets)** | | | | |
| Notes and bonds | 11 | 14 | 67 | 49 |
| Equity instruments | -1 | 45 | -4 | 102 |
| Dividend income and share of profits | 1 | 7 | 6 | 50 |
| Impairment losses and their reversals | -1 | 0 | -3 | -5 |
| **Total** | **10** | **66** | **65** | **196** |
| | | | | |
| **Net income recognised at fair value through profit or loss** | | | | |
| Financial assets held for trading | | | | |
| Notes and bonds | -3 | | -5 | |
| Equity instruments | -1 | | 3 | |
| Dividend income and share of profits | 0 | | 2 | |
| Derivatives | 28 | | 138 | |
| Financial assets that shall be measured at fair value through profit or loss | | | | |
| Notes and bonds | -2 | | -1 | |
| Equity instruments | -32 | | -12 | |
| Dividend income and share of profits | 3 | | 28 | |
| Financial assets designated as at fair value through profit or loss | | | | |
| Notes and bonds | 1 | | 1 | |
| Insurance | | | | |
| Notes and bonds | | 2 | | -3 |
| Derivatives | | -3 | | 14 |
| Banking and Other operations | | | | |
| Securities trading | | 32 | | 158 |
| Foreign exchange trading | | 7 | | 35 |
| Investment property | 0 | 2 | 11 | 16 |
| **Total** | **-5** | **39** | **167** | **220** |
| | | | | |
| **Net income carried at amortised cost** | | | | |
| Loans and other receivables | 0 | 1 | 5 | 5 |
| Impairment losses and their reversals | 0 | 0 | -1 | -1 |
| **Total** | **1** | **1** | **4** | **4** |
| | | | | |
| **Non-life Insurance** | | | | |
| Unwinding of discount | -7 | -7 | -28 | -32 |
| **Total** | **-7** | **-7** | **-28** | **-32** |
| | | | | |
| **Associates** | | | | |
| Consolidated using the equity method | 0 | 0 | 1 | 1 |
| **Total** | **0** | **0** | **1** | **1** |
| | | | | |
| **Total net investment income** | **0** | **99** | **210** | **390** |

Note 7 Impairment loss on receivables

| EUR million | Q4/ 2018 | Q4/ 2017 | Q1–4/ 2018 | Q1–4/ 2017 |
|---|---|---|---|---|
| Receivables written off as loan or guarantee losses | -5 | 0 | -21 | -35 |
| Recoveries of receivables written off | 0 | 0 | 1 | 0 |
| ECL on receivables from customers and off-balance-sheet items | -1 | | 9 | |
| ECL on notes and bonds* | -1 | | -1 | |
| Increase in impairment losses on individually assessed receivables | | -1 | | -9 |
| Decrease in impairment losses on individually assessed receivables | | 1 | | 36 |
| Collectively assessed impairment losses | | -2 | | -5 |
| **Total impairment loss on receivables** | **-7** | **-2** | **-13** | **-12** |

* The expected credit losses 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 12-month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
|---|---|---|---|---|
| **Loss allowance 1 January 2018** | **18** | **32** | **223** | **273** |
| Transfers from Stage 1 to Stage 2 | -1 | 5 | | 4 |
| Transfers from Stage 1 to Stage 3 | 0 | | 2 | 2 |
| Transfers from Stage 2 to Stage 1 | 1 | -4 | | -3 |
| Transfers from Stage 2 to Stage 3 | | -2 | 4 | 2 |
| Transfers from Stage 3 to Stage 2 | | 1 | -4 | -4 |
| Transfers from Stage 3 to Stage 1 | 0 | | -2 | -2 |
| Increases due to origination and acquisition | 8 | 2 | 6 | 17 |
| Decreases due to derecognition | -2 | -5 | -8 | -16 |
| Changes in risk parameters (net) | 3 | 2 | 16 | 22 |
| Changes due to update in the methodology for estimation (net) | | | | |
| Decrease in allowance account due to write-offs | | | -30 | -30 |
| **Expected credit losses (ECL)** | **9** | **-2** | **-16** | **-9** |
| **Loss allowance 31 December 2018** | **27** | **30** | **207** | **263** |
| **Expected credit losses Q4/2018** | **4** | **-1** | **-1** | **1** |

| Notes and bonds, EUR million | Stage 1 12-month | Stage 2 Lifetime | Stage 3 Lifetime | Total |
|---|---|---|---|---|
| **Loss allowance 1 January 2018** | **3** | **0** | **0** | **4** |
| Transfers from Stage 1 to Stage 2 | 0 | 0 | | 0 |
| Transfers from Stage 1 to Stage 3 | 0 | | 1 | 1 |
| Transfers from Stage 2 to Stage 1 | 0 | 0 | | 0 |
| Transfers from Stage 3 to Stage 2 | | 0 | 0 | 0 |
| Transfers from Stage 3 to Stage 1 | 0 | | 0 | 0 |
| Increases due to origination and acquisition | 1 | 2 | 1 | 4 |
| Decreases due to derecognition | -1 | 0 | | -1 |
| Changes in risk parameters (net) | 0 | | | 0 |
| Changes due to update in the methodology for estimation (net) | 1 | | | 1 |
| **Expected credit losses (ECL)** | **1** | **2** | **2** | **5** |
| **Loss allowance 31 December 2018** | **4** | **2** | **2** | **9** |
| **Expected credit losses Q4/2018** | **1** | **2** | **-1** | **2** |

Exposures within the scope of accounting for expected losses by impairment stage 31 December 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 | 19,169 | 1,104 | 189 | 1,293 | 347 | 20,810 |
| Households | 1,762 | 153 | 87 | 240 | 13 | 2,015 |
| Public-sector entities | 484 | | 6 | 6 | | 491 |
| Other | 1,590 | | 0 | 0 | | 1,590 |
| **Total** | **23,006** | **1,257** | **283** | **1,540** | **360** | **24,906** |
| | | | | | | |
| **Off-balance-sheet limits** | | | | | | |
| Non-banking corporates | 2,627 | 461 | 128 | 589 | 12 | 3,229 |
| Households | 89 | 5 | 2 | 7 | 0 | 97 |
| Public-sector entities | 373 | | 9 | 9 | | 382 |
| Other | 1,047 | | | | | 1,047 |
| **Total** | **4,136** | **466** | **139** | **605** | **13** | **4,754** |
| | | | | | | |
| **Other off-balance-sheet commitments** | | | | | | |
| Non-banking corporates | 5,976 | 178 | | 178 | 20 | 6,174 |
| Households | 1 | | | | | 1 |
| Public-sector entities | 309 | | | | | 309 |
| Other | 370 | | | | | 370 |
| **Total** | **6,655** | **178** | | **178** | **20** | **6,854** |
| | | | | | | |
| **Notes and bonds** | | | | | | |
| **Total** | **14,540** | **215** | | **215** | **6** | **14,761** |
| | | | | | | |
| **Total exposures within the scope of accounting for expected credit losses** | **48,338** | **2,116** | **422** | **2,538** | **399** | **51,274** |

Loss allowance by stage 31 December 2018

| On-balance-sheet exposures and related off-balance-sheet limits* EUR million | Stage 1 | Stage 2 | | | Stage 3 | Total loss allowance |
|---|---|---|---|---|---|---|
| **Receivables from customers** | | Not more than 30 DPD | More than 30 DPD | Total | | |
| Non-banking corporates | -22 | -22 | -1 | -23 | -202 | -247 |
| Households | -2 | -3 | -2 | -5 | -4 | -11 |
| Public-sector entities | -1 | 0 | 0 | 0 | | -1 |
| Other | -1 | | 0 | 0 | | -1 |
| **Total** | **-25** | **-25** | **-3** | **-28** | **-206** | **-259** |
| **Other off-balance-sheet commitments**** | | | | | | |
| Non-banking corporates | -2 | -1 | | -1 | 0 | -4 |
| Households | 0 | | | | | 0 |
| Public-sector entities | 0 | | | | | 0 |
| Other | 0 | | | | | 0 |
| **Total** | **-2** | **-1** | | **-1** | **0** | **-4** |
| **Notes and bonds***** | **-4** | **-2** | | **-2** | **-2** | **-9** |
| **Total** | **-31** | **-29** | **-3** | **-32** | **-208** | **-272** |

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

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

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

Note 8 Classification of financial assets and liabilities

| | | | Fair value through profit or loss | | | |
|---|---|---|---|---|---|---|
| **Assets, EUR million** | **Amortised cost** | **Fair value through other comprehen-sive income** | **Financial assets held for trading** | **Must be measured at fair value through profit or loss** | **Hedging derivatives** | **Total** |
| Cash and cash equivalents | 12,239 | | | | | 12,239 |
| Receivables from credit institutions | 9,726 | | | | | 9,726 |
| Derivative contracts | | | 3,305 | | 187 | 3,492 |
| Receivables from customers | 22,351 | | | | | 22,351 |
| Notes and bonds | | 14,730 | 498 | 46 | | 15,275 |
| Equity instruments | | 0 | 36 | 616 | | 651 |
| Other financial assets | 1,680 | | | | | 1,680 |
| **Financial assets** | **45,996** | **14,730** | **3,839** | **662** | **187** | **65,414** |
| Other than financial instruments | | | | | | 1,296 |
| **Total 31 December 2018** | **45,996** | **14,730** | **3,839** | **662** | **187** | **66,710** |

| **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 | | 15,575 | | 15,575 |
| Derivative contracts | 2,779 | | 264 | 3,043 |
| Liabilities to customers | | 16,422 | | 16,422 |
| Insurance liabilities | | 3,157 | | 3,157 |
| Debt securities issued to the public | | 20,336 | | 20,336 |
| Subordinated liabilities | | 1,482 | | 1,482 |
| Other financial liabilities | | 2,010 | | 2,010 |
| **Financial liabilities** | **2,779** | **58,981** | **264** | **62,023** |
| Other than financial liabilities | | | | 539 |
| **Total 31 December 2018** | **2,779** | **58,981** | **264** | **62,562** |

| 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 31 December 2018, the fair value of these debt instruments was EUR 102 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 31 Dec. 2018, EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Equity instruments | 297 | 53 | 301 | 651 |
| Debt instruments | 115 | 130 | 299 | 544 |
| Derivative financial instruments | 0 | 3,435 | 57 | 3,492 |
| Fair value through other comprehensive income | | | | |
| Equity instruments | | 0 | | 0 |
| Debt instruments | 11,873 | 2,666 | 191 | 14,730 |
| **Total** | **12,286** | **6,285** | **848** | **19,418** |

| 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 31 Dec. 2018, EUR million | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Recognised at fair value through profit or loss | | | | |
| Other | | 0 | | 0 |
| Derivative financial instruments | 10 | 2,989 | 44 | 3,043 |
| **Total** | **10** | **2,990** | **44** | **3,043** |

| 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 | -406 | -75 | -1 | -481 |
| Total gains/losses in other comprehensive income | | | 0 | 0 |
| Purchases | 107 | | 1 | 108 |
| Sales | -60 | | 0 | -60 |
| Settlements | -8 | | -5 | -12 |
| Transfers into Level 3 | 287 | | 134 | 421 |
| Transfers out of Level 3 | | | -250 | -250 |
| **Closing balance 31 December 2018** | **600** | **57** | **191** | **848** |

| Financial liabilities, EUR million | Derivative contracts | Total liabilities |
|---|---|---|
| Opening balance 1 January 2018 | 92 | 92 |
| Total gains/losses in profit or loss | -48 | -48 |
| **Closing balance 31 December 2018** | **44** | **44** |

**Total gains/losses included in profit or loss by item on 31 Dec. 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 31 Dec. |
|---|---|---|---|---|
| Realised net gains | -411 | 6 | | -406 |
| Unrealised net gains | -26 | | 0 | -26 |
| **Total net gains** | **-438** | **6** | **0** | **-432** |

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

| | Nominal values / residual term to maturity | | | | Fair values* | |
|---|---|---|---|---|---|---|
| **31 December 2018, EUR million** | **<1 year** | **1–5 years** | **>5 years** | **Total** | **Assets** | **Liabilities** |
| Interest rate derivatives | 42,330 | 94,366 | 79,799 | 216,494 | 2,132 | 1,583 |
| Cleared by the central counterparty | 9,278 | 38,670 | 36,704 | 84,652 | 8 | 12 |
| Currency derivatives | 29,019 | 6,784 | 3,404 | 39,208 | 1,018 | 1,121 |
| Equity and index derivatives | | 3 | | 3 | 0 | 0 |
| Credit derivatives | 15 | 189 | 2 | 206 | 4 | 9 |
| Other derivatives | 208 | 364 | 8 | 580 | 34 | 29 |
| **Total derivatives** | **71,572** | **101,706** | **83,213** | **256,491** | **3,188** | **2,742** |

| | Nominal values / residual term to maturity | | | | Fair values* | |
|---|---|---|---|---|---|---|
| **31 December 2017, EUR million** | **<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

| 31 December 2018, EUR million | Gross amount of financial assets | Gross amount of financial liabilities deducted from financial assets* | Net amount presented in the balance sheet** | Financial assets not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Derivative contracts*** | Collateral received | |
| Derivatives | 4,426 | -934 | 3,492 | -1,884 | -490 | 1,118 |

| 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

| 31 December 2018, EUR million | Gross amount of financial liabilities | Gross amount of financial assets deducted from financial liabilities* | Net amount presented in the balance sheet** | Financial liabilities not set off in the balance sheet | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Derivative contracts*** | Collateral given | |
| Derivatives | 4,109 | -1,066 | 3,043 | -1,884 | -703 | 456 |

| 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 -140 (-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

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

| 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 31 December 2018, EUR million | Performing receivables from credit institutions and customers (gross) | Non-performing receivables from credit institutions and customers (gross) | Receivables from credit institutions and customers, total (gross) | Expected credit losses (ECL) | Receivables from credit institutions and customers (net) |
|---|---|---|---|---|---|
| More than 90 days past due | | 86 | 86 | 83 | 3 |
| Unlikely to be paid | | 194 | 194 | 115 | 79 |
| Forborne receivables | 53 | 22 | 75 | 12 | 62 |
| **Total** | **53** | **301** | **354** | **210** | **145** |

| 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, % | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Exposures individually assessed for impairment/ECL, % of doubtful receivables | 59.1 % | 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 | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Provision for unpaid claims | | |
| Provision for unpaid claims for annuities | 1,510 | 1,516 |
| Other provision for unpaid claims | 1,056 | 1,054 |
| Reserve for decreased discount rate (value of hedges of insurance liability) | 21 | -12 |
| Total | 2,588 | 2,557 |
| Provisions for unearned premiums | 569 | 585 |
| **Total** | **3,157** | **3,143** |

### Note 14 Debt securities issued to the public

| EUR million | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Bonds | 10,069 | 9,674 |
| Certificates of deposit, commercial papers and ECPs | 10,266 | 7,117 |
| **Total** | **20,336** | **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 | -111 | 0 | -20 | 1 | **-130** |
| Capital gains transferred to income statement | -30 | | -3 | | **-33** |
| Impairment loss transferred to income statement | | | 5 | | **5** |
| Transfers to net interest income | | | | -3 | **-3** |
| Deferred tax | 28 | 0 | 4 | 0 | **32** |
| **Closing balance 31 December 2018** | **3** | | **-15** | **0** | **-12** |

| | 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 | 50 | 12 | 1 | 63 |
| Capital gains transferred to income statement | -11 | -89 | | **-100** |
| Impairment loss transferred to income statement | 0 | 2 | | **2** |
| Transfers to net interest income | | | -5 | **-5** |
| Deferred tax | -8 | 15 | 1 | **8** |
| **Closing balance 31 December 2017** | **117** | **45** | **2** | **164** |

The fair value reserve before tax amounted to EUR 15 million negative at the end of the reporting period and the related deferred tax liability was EUR 3 million. At the end of 2017, the fair value reserve totalled EUR 204 million and the related deferred tax liability was EUR 41 million. At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 24 million (67) and negative mark-to-market valuations EUR 43 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 -4 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 | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Collateral given on behalf of own liabilities and commitments | | |
| Pledges | 59 | 35 |
| Other | 5,775 | 5,663 |
| **Total collateral given*** | **5,834** | **5,699** |
| | | |
| Secured derivative liabilities | 889 | 889 |
| Other secured liabilities | 4,072 | 4,081 |
| **Total** | **4,961** | **4,969** |

* In addition, bonds with a book value of EUR 5.1 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 | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Guarantees | 647 | 532 |
| Other guarantee liabilities | 1,668 | 1,470 |
| Loan commitments | 5,257 | 5,495 |
| Commitments related to short-term trade transactions | 265 | 359 |
| Other* | 712 | 729 |
| **Total** | **8,549** | **8,585** |

* Of which Non-life Insurance commitments to private equity funds amount to EUR 203 million (208).

## Note 18 Capital adequacy for credit institutions

| Capital base, EUR million | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| OP Corporate Bank Group's equity capital | 4,147 | 4,149 |
| The effect of insurance companies on the Group's shareholders' equity is excluded | -6 | -125 |
| Fair value reserve, cash flow hedging | 0 | -2 |
| **Common Equity Tier 1 (CET1) before deductions** | **4,141** | **4,022** |
| Intangible assets | -63 | -76 |
| Excess funding of pension liability and valuation adjustments | -29 | -16 |
| Planned profit distribution | -173 | -212 |
| Shortfall of ECL minus expected losses | -105 | -134 |
| **Common Equity Tier 1 (CET1)** | **3,772** | **3,584** |
| Subordinated loans to which transitional provision applies | 90 | 137 |
| **Additional Tier 1 capital (AT1)** | **90** | **137** |
| **Tier 1 capital (T1)** | **3,862** | **3,720** |
| Debenture loans | 944 | 1,073 |
| Excess of ECL minus expected losses | 47 | |
| **Tier 2 Capital (T2)** | **990** | **1,073** |
| **Total capital base** | **4,852** | **4,793** |

A prudent valuation adjustment of EUR 6 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 2018. In the calculation of capital adequacy and the leverage ratio, the Group has not applied the IFRS 9 transitional provision.

| Risk exposure amount, EUR million | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| **Credit and counterparty risk** | **22,216** | **19,694** |
| **Standardised Approach (SA)** | **2,458** | **2,069** |
| Central government and central banks exposure* | 85 | 18 |
| Credit institution exposure | 6 | 29 |
| Corporate exposure | 2,327 | 1,963 |
| Retail exposure | 6 | 14 |
| Equity investments | 0 | |
| Other* | 34 | 44 |
| **Internal Ratings-based Approach (IRB)** | **19,758** | **17,626** |
| Credit institution exposure | 1,083 | 1,053 |
| Corporate exposure | 13,198 | 11,643 |
| Retail exposure | 1,416 | 1,130 |
| Equity investments** | 3,725 | 3,753 |
| Other | 336 | 47 |
| **Market and settlement risk (Standardised Approach)** | **1,319** | **1,179** |
| **Operational risk (Standardised Approach)** | **1,285** | **1,266** |
| **Valuation adjustment (CVA)** | **175** | **205** |
| **Total risk exposure amount** | **24,996** | **22,343** |

* EUR 62 million (44 in other exposures a year ago) of government exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from Common Equity Tier 1 capital.

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

| Ratios, % | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| CET1 capital ratio | 15.1 | 16.0 |
| Tier 1 ratio | 15.5 | 16.7 |
| Capital adequacy ratio | 19.4 | 21.5 |

| Ratios, fully loaded, % | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| CET1 capital ratio | 15.1 | 16.0 |
| Tier 1 ratio | 15.1 | 16.0 |
| Capital adequacy ratio | 19.1 | 20.8 |

| Capital requirement, EUR million | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| Capital base | 4,852 | 4,793 |
| Capital requirement | 2,642 | 2,358 |
| Buffer for capital requirements | 2,210 | 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

31 December 2018

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

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 | 31 December 2018 | 31 December 2017 |
|---|---|---|
| **Eligible capital** | **818** | **902** |
| Solvency capital requirement (SCR) | | |
| Market risk | 421 | 460 |
| Insurance risk | 281 | 289 |
| Counterparty risk | 36 | 40 |
| Operational risk | 45 | 45 |
| Diversification benefits and loss absorbency | -162 | -169 |
| Total | 621 | 666 |
| **Buffer for SCR** | **197** | **236** |
| **Solvency ratio (SCR), %** | **132** | **135** |
| **Solvency ratio (SCR), % (excluding transitional provision)** | **132** | **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.

**Financial reporting in 2019**

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

**Time of publication of 2018 reports:**

| | |
|---|---|
| OP Corporate Bank's Report by the Executive Board and Financial Statements for 2018 | Week 9 |
| OP Corporate Bank's Corporate Governance Statement 2018 | Week 9 |

**Schedule for Interim Reports in 2019:**

| | |
|---|---|
| Interim Report Q1/2019 | 7 May 2019 |
| Interim Report H1/2019 | 30 July 2019 |
| Interim Report Q1–3/2019 | 29 October 2019 |

Helsinki, 5 February 2019

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