OP Corporate Bank plc's Half-Year Financial Report
1 January – 30 June 2019

OP Corporate Bank plc's Half-year Financial Report 1 January–30 June 2019

Earnings before tax H1/2019	Net interest income H1/2019	Net insurance income H1/2019	CET1 ratio 30 June 2019
€187 million	+2%	-2%	14.4%

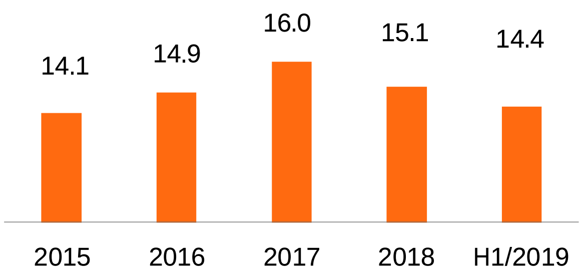
- Consolidated earnings before tax decreased to EUR 187 million (244). Earnings were eroded by the EUR 28 million decrease in investment income, the EUR 19 million increase in other operating expenses and the EUR 19 million increase in impairment loss on receivables.
- Corporate Banking earnings before tax weakened by 36% to EUR 121 million due to changes made in the valuation models of derivative positions in the first quarter and lower capital gains than a year ago. Expenses were increased by the EU stability contribution. The loan portfolio increased in the year to June by 11% to EUR 23.2 billion. The cost/income ratio was 46.5% (35.8).
- Insurance earnings before tax increased by 57% to EUR 97 million due to growth in investment income. The operating combined ratio was 92.5% (91.9).
- Other Operations earnings before tax were EUR –31 million (–6) due to lower net investment income. Liquidity and access to funding remained good.

Earnings before tax, € million	H1/2019	H1/2018	Change, %	Q1–4/2018
Corporate Banking	121	188	-35.6	361
Insurance	97	62	57.1	120
Other Operations	-31	-6	-	-42
Group total	187	244	-23.0	439
Return on equity (ROE), %	7.4	9.7	-2.2*	8.5
Return on assets (ROA), %	0.46	0.60	-0.14*	0.54

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

Earnings before Tax, € million

Common Equity Tier1 ratio (CET1), %



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Operating environment

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

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

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

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

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

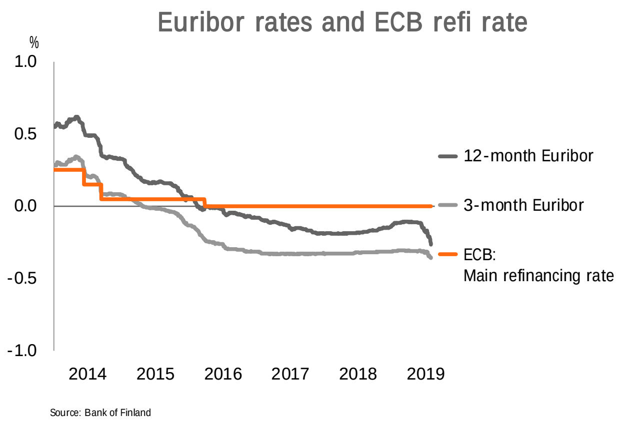
Construction remained lively but the volume of construction starts was lower. According to preliminary information, home sales were lower than a year ago. Home prices decreased slightly in the spring.

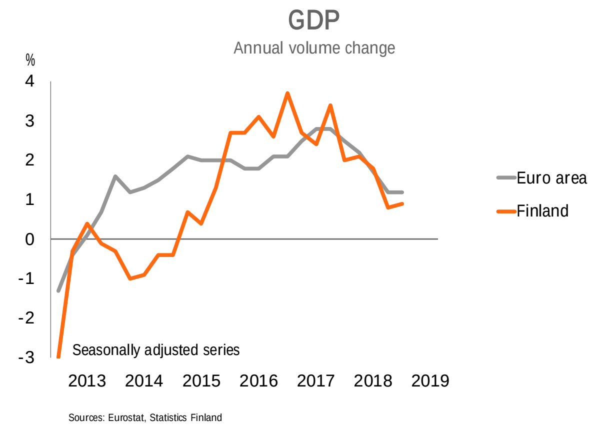
Economic growth is slowing down gradually. The outlook is most of all characterised by uncertainty originating in the international political arena, which a more accommodative monetary policy should mollify. Yet, the general economic conditions are still relatively positive due especially to the favourable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

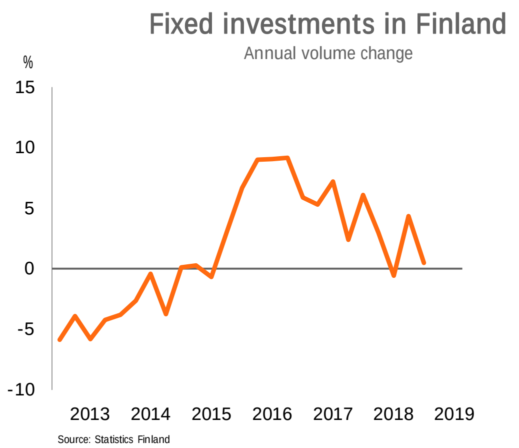
Growth in total household loans remained moderate in the second quarter. The annual growth rate of total home loans remained at around two per cent. New home loans drawn down increased in euro terms. The housing company loan portfolio continued its strong growth. The banking barometer anticipates demand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

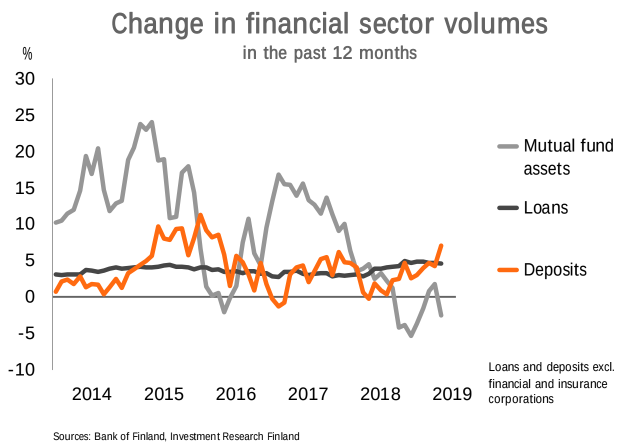
Total household deposits increased markedly faster in the first half than total loans, and the volume of corporate deposits increased as well. Development of total deposits by public-sector entities varied during the reporting period.

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









Consolidated earnings

€ million	H1/ 2019	H1/ 2018	Change, %	Q2/ 2019	Q2/ 2018	Change, %	Q1–4/ 2018
Net interest income	136	134	1.7	69	69	-0.4	274
Net insurance income	267	273	-2.2	158	144	10.1	548
Net commissions and fees	-15	-6	-	-10	-2	-	-23
Net investment income	150	138	9.1	64	64	0.7	200
Other operating income	30	16	90.1	20	4	353.9	47
Total income	568	555	2.5	302	279	8.2	1,046
Personnel costs	97	96	1.3	51	50	2.2	159
Depreciation/amortisation and impairment loss	25	36	-29.9	13	21	-39.3	83
Other operating expenses	199	180	10.6	97	96	1.6	369
Total expenses	321	311	3.1	161	167	-3.3	611
Impairment loss on receivables	-13	5	-367.9	-9	-5	-	-13
OP bonuses to owner-customers	-2	-1	-	-1	0	124.0	-2
Temporary exemption (overlay approach)	-44	-4	-	-6	-13	-	19
Total earnings before tax	187	244	-23.0	124	94	32.0	439

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

Financial targets	30 Jun 2019	31 Dec 2018	Target
Customer experience, Net Promoter Score (NPS, -100–+100)	75	71	70
CET1 ratio, %	14.4	15.1	15
Return on economic capital, %	12.4	14.4	22
Expenses of present-day business (12-month rolling)*, € million	599	593	Expenses in 2020 lower than in 2015 (475)
Dividend payout ratio, %		49.9	50

*Excluding expenses of the health and wellbeing business.

Financial performance for the reporting period

Consolidated earnings before tax were EUR 187 million (244). Total income rose by 2.5% and total expenses by 3.1%. Net interest income increased while net insurance income was lower than a year ago. Operating combined ratio was 92.5% (91.9). Total expenses were increased by the EU stability contribution and ICT costs. Earnings were eroded by lower investment income, which includes the temporary exemption, and by impairment loss on receivables which increased year on year.

Net interest income rose to EUR 136 million (134). Net interest income from Corporate Banking improved due to the growth in the loan portfolio compared to last year. Net insurance income fell to EUR 267 million (273). Insurance premium revenue decreased by 0.9% (excluding the Baltic business sold in 2018, it increased by 3.6%). Claims incurred were 0.3% lower than a year ago but excluding the Baltic figures they grew by 4.1%.

Net commissions and fees totalled EUR –15 million (–6). Commission income rose due to commissions and fees from security brokerage and health and wellbeing services, which were higher than a year earlier. The fees OP Corporate Bank Group pays to OP Financial Group's member cooperative banks for non-life insurance and derivatives sales increase commission expenses and turn net commissions and fees negative. Fees paid for derivative products to member banks grew year on year. Excluding these internal commission expenses, commission expenses increased by EUR 5 million.

Net investment income totalled EUR 150 million (138). A temporary exemption (overlay approach) is applied to equity instruments of non-life insurance, which eroded earnings for the reporting period by EUR 44 million (–4). Changes in the fair value of investments within the scope of the overlay approach are presented under fair value reserve under equity. In total, investment income fell by EUR 28 million to EUR 106 million. Net investment income for the Corporate Banking segment decreased by EUR 38 million and that for Other Operations by

EUR 13 million. Net investment income for Insurance grew by EUR 63 million or, taking account of the overlay approach, investment income for Insurance grew by EUR 23 million. Return on investments by non-life insurance at fair value was 6.7% (0.7).

Net income from financial assets recognised at fair value through other comprehensive income fell to EUR 38 million (44). Net income from financial assets recognised at fair value through profit or loss totalled EUR 119 million (97). Income from derivatives operations weakened earnings by EUR 13 million. Changes in the fair value of investments recognised through profit or loss increased the first-half earnings by EUR 38 million. Dividend income amounted to EUR 13 million (15).

Other operating income amounted to EUR 30 million (16). Capital gain on the divestment of the occupational healthcare service business increased the income for the reporting period.

Total expenses increased to EUR 321 million (311). Personnel costs rose year on year to EUR 97 million (96). Depreciation/amortisation and impairment loss decreased to EUR 25 million (36). In the previous year, depreciation and amortisation was increased by depreciation on assets generated by business acquisitions. Impairment write-downs were lower than a year ago. Other operating expenses were increased by a 15-million euro rise in ICT costs and a 7-million euro rise in the EU stability contribution caused by the change in the accounting practice. The full-year stability contribution will remain lower than a year ago. Development expenditure remained at the previous year's level at EUR 51 million. It includes licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 17 million (18).

Impairment loss on receivables totalled EUR 13 million. A year ago, impairment losses improved earnings by EUR 5 million. Growth in the loan portfolio and the transfer of loans between impairment stages affected the increase in impairment loss on receivables. Expected credit losses on notes and bonds were not significant.

April–June

Earnings before tax were EUR 124 million (94). Total income rose by 8.2% and total expenses decreased by 3.3%. The rise in income is explained by the strong growth in net insurance income and capital gain on the divestment of the occupational healthcare service business. Expenses were decreased by depreciation/amortisation and impairment loss that were lower than a year ago.

Net interest income remained at the previous year's level, amounting to EUR 69 million. Net insurance income increased by 10.1% to EUR 158 million due to a year-on-year decrease in claims incurred. Net commissions and fees totalled EUR –10 million (–2). Commission income grew by 0.9% year on year, to EUR 42 million. Commission expenses were increased mainly by fees paid to member banks which were EUR 4 million higher than a year ago. Net investment income increased by 0.7% to EUR 64 million (64). The overlay approach applied to equity investments reduced second-quarter earnings by EUR 6 million (13). In total, investment income rose year on year by EUR 7 million.

Total expenses decreased by EUR 6 million year on year to EUR 161 million (167). Personnel costs were up by EUR 1 million over the previous year. Depreciation/amortisation and impairment loss decreased by EUR 8 million year on year.

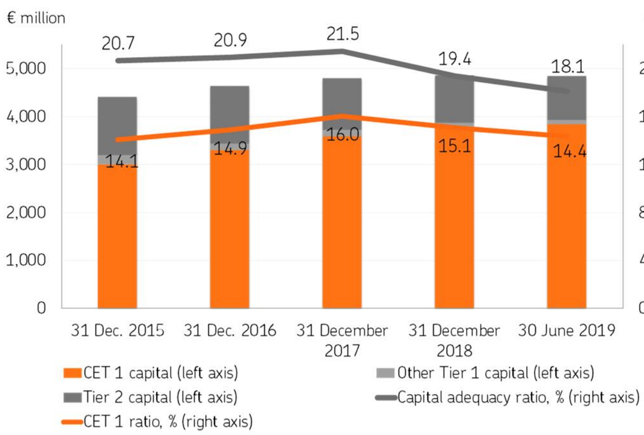
April–June highlights

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

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

Group’s capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 14.4% (15.1) on 30 June 2019. The Group's CET1 target is 15%.

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

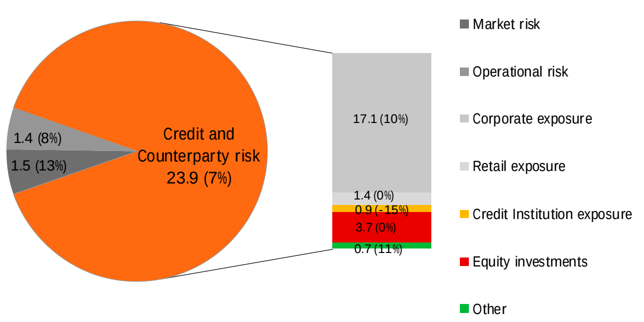
The CET1 capital totalled EUR 3.8 billion (3.8) on 30 June 2019. Insurance business result is not included in CET1 capital.

On 30 June 2019, the risk exposure amount (REA) totalled EUR 26.7 billion (25.0), or 7.0% higher than on 31 December 2018. The average credit risk weights rose slightly and, in particular, the corporate loan portfolio increased from its 2018-end level. OP Corporate Bank 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 June 2019, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

Risk Exposure Amount 30 June 2019
Total €26.7 billion
(change from year end 7%)



Liabilities under the Resolution Act

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

Solvency of non-life insurance companies

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

€ million	30 Jun 2019	31 Dec 2018
Capital base, € million*	907	818
Solvency capital requirement (SCR), € million*	683	621
Solvency ratio, %*	133	132
Solvency ratio, % (excluding transitional provision)	133	132

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 June 2019

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

Pohjola Insurance Ltd's financial strength ratings on 30 June 2019

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

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

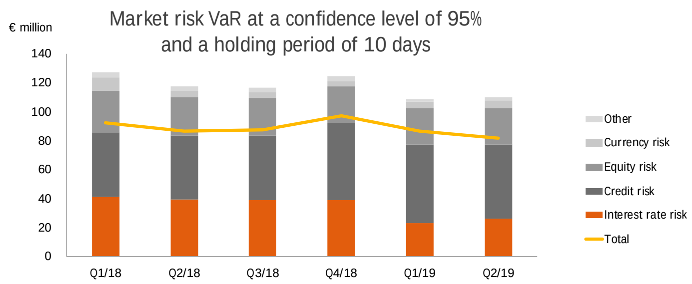
The ratings of OP Corporate Bank plc did not change in the reporting period.

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

Group risk exposure

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

The Group's market risk decreased slightly during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 82 million (98) on 30 June 2019. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



The Group expects its operational risks to be moderate as targeted. Costs for operational risks realised during the reporting period were not significant.

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

Corporate Banking

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

Credit risk exposure remained stable and credit risk remained moderate.

	30 Jun 2019	31 Dec 2018
Exposures*, € billion	39.0	36.0
corporate customer exposures, € billion	32.5	30.4
in the highest borrower grades**, %	62.3	63.8
in other borrower grades (excluding default), %	37.1	35.7
classified as default, %	0.5	0.5
classified as default***, € billion	0.2	0.1
private customer exposures, € billion	2.1	1.9
in the highest borrower grades**, %	18.2	17.8
in other borrower grades (excluding default), %	81.1	81.6
classified as default, %	0.7	0.6
classified as default***, € billion	0.0	0.0
other exposures, € billion	4.5	3.7
Doubtful receivables****, € billion	0.2	0.1
Ratio of doubtful receivables to loan and guarantee portfolio, %	0.8	0.6
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.4
Ratio of performing forborne exposures to loan and guarantee portfolio, %	0.3	0.2
Ratio of performing forborne exposures to doubtful receivables, %	41.4	36.6

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

Two customers' exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The amount of large corporate customer exposures totalled EUR 1.8 billion and OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.8 billion (4.9).

The most significant sectors in corporate exposures	30 Jun 2019	31 Dec 2018
Services, %	12.4	11.1
Energy, %	12.0	12.9
Trade, %	10.2	10.6
Other sectors, %	65.4	65.4
Total	100	100

Exposures by the Baltic operations grew to EUR 3.8 billion (3.3), accounting for 9.8% (9.2) of total exposures of the Corporate Banking segment.

Insurance

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

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

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

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 55 million (50) on 30 June 2019. No major changes took place in the investment portfolio's asset class allocation. The Group has used interest rate derivatives to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable.

Other Operations

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

The market risk in proportion to the market value of notes and bonds in the liquidity buffer (VaR with 95% confidence) remained stable during the reporting period. No major changes occurred in the asset class allocation.
OP Financial Group secures its liquidity through a liquidity buffer maintained by OP Corporate Bank and consisting mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario. Due to matured wholesale funding, the liquidity buffer decreased by EUR 1.4 billion to EUR 20.6 billion from its level on 31 December 2018.

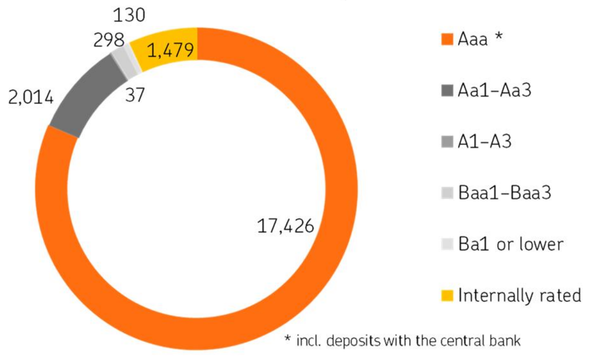
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. On 30 June 2019, OP Financial Group's LCR was 151% (143).

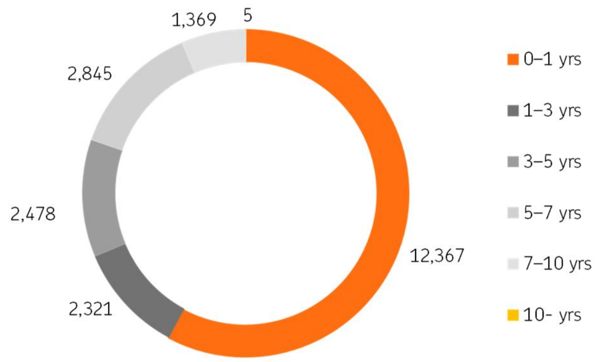
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 112% (111) at the end of May.

Liquidity buffer

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

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





For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the segments Other Operations and Corporate Banking, exposures of OP Financial Group represented 16.3%. These exposures increased during the reporting period by EUR 16 million, or 0.1%. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Other Operations exposures	30 Jun 2019	31 Dec 2018
Total Other Operations exposures*, EUR billion	34.5	48.2
Financial and insurance institutions' exposures, EUR billion	18.6	18.5
Public-sector entities' exposures, EUR billion	14.7	28.5
Corporate and housing company exposures, EUR billion	1.2	1.2
in the highest borrower grades (IG), %	99.9	99.8
in other borrower grades, %	0.1	0.2

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

Financial performance by segment

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

Corporate Banking

- Earnings before tax decreased by 35.6% to EUR 121 million (188).
- Earnings decreased due to the changes made in the valuation models of derivative positions in the first quarter, capital gains that were lower than a year ago and CVA valuation. Expenses were increased by the EU stability contribution and higher ICT costs.
- The loan portfolio increased in the year to June by 10.5% to EUR 23.2 billion.
- Impairment loss on receivables weakened earnings by EUR 14 million (+5). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant development investments involved the development of finance and payment systems.

Key figures and ratios

€ million	H1/2019	H1/2018	Change, %	Q1–4/2018
Net interest income	185	169	9.2	349
Net commissions and fees	5	18	-70.4	21
Net investment income	50	88	-43.3	162
Other operating income	14	9	53.8	19
Total income	254	285	-10.7	552
Personnel costs	30	33	-9.9	30
Depreciation/amortisation and impairment loss	8	6	27.0	16
Other operating expenses	80	62	28.8	134
Total expenses	118	102	16.1	180
Impairment loss on receivables	-14	5	-382.1	-12
OP bonuses	-1			
Earnings before tax	121	188	-35.6	361
Cost/income ratio, %	46.5	35.8	10.7**	32.6
Ratio of non-performing receivables to loan and guarantee portfolio, %*	0.5	0.6	-0.1**	0.4
Return on assets (ROA), %	0.68	1.11	-0.43**	1.30
Return on assets, excluding OP bonuses, %	0.68	1.11	-0.43**	1.30
	30 Jun 2019	30 Jun 2018	Change, %	31 Dec 2018
Loan portfolio, € billion	23.2	21.0	10.5	22.3
Guarantee portfolio, € billion	2.6	2.4	9.8	2.6

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

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

Corporate Banking's loan portfolio increased in the year to June by 10.5% to EUR 23.2 billion. The guarantee portfolio totalled EUR 2.6 billion (2.6) and committed standby credit facilities amounted to EUR 4.4 billion (4.3).

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

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

Financial performance for the reporting period

Corporate Banking earnings before tax decreased by 35.6% to EUR 121 million (188). Total income was down by 10.7%, while total expenses rose by 16.1%. The cost/income ratio weakened to 46.5% (35.8) year on year.

Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.2% to EUR 185 million (169). Net commissions and fees decreased to EUR 5 million (18). The decrease in net commissions and fees was affected by the increase in commissions paid to cooperative banks within OP Financial Group.

Net investment income totalled EUR 50 million, representing a decrease of 43.3% year on year. Changes made in the valuation models of derivatives in the first quarter reduced net investment income by EUR 24 million. A year ago, net investment income was increased by EUR 15 million in a non-recurring capital gain. CVA valuation weakened the income by EUR 7 million whereas a year ago it improved the income by EUR 8 million.

Other operating income was EUR 5 million higher than the year before. Impairment loss on receivables weakened the first-half earnings by EUR 14 million, whereas a year earlier impairment loss on receivables improved earnings by EUR 5 million. Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Total expenses were EUR 118 million (102). Personnel costs fell by EUR 3 million year on year to EUR 30 million as a result of lower pension costs. Other operating expenses increased by EUR 18 million year on year. Higher ICT costs were explained by investments in development. In addition, other operating expenses were increased by the EU stability contribution of EUR 7 million, due to a change in the accounting practice. However, the EU stability contribution for the full year 2019 will be smaller than a year ago.

Insurance

- Earnings before tax increased by 57.1% to EUR 97 million (62) due to higher capital gains on investments.
- Insurance premium revenue decreased by 0.9% (excluding the Baltic business sold in 2018, it increased by 3.6%).
- Investment income totalled EUR 44 million (21), including the overlay approach. Net return on investments at fair value totalled EUR 51 million (14).
- The operating combined ratio was 92.5% (91.9) and operating risk ratio 64.4% (64.4). The operating cost ratio was 28.2% (27.4).
- Development investments focused on the development of electronic services and the basic system upgrade initiated.

Key figures and ratios

€ million	H1/2019	H1/2018	Change, %	Q1–4/2018
Insurance premium revenue	726	733	-0.9	1,466
Claims incurred	459	460	-0.2	917
Net insurance income	267	273	-2.2	549
Non-life insurance, net commissions and fees	-23	-28	-16.4	-53
Health and wellbeing, net commissions and fees	5	5	-8.8	12
Net commissions and fees	-18	-22	-18.3	-41
Net investment income	88	25	254.3	9
Other net income	4	-5	-175.7	6
Total income	342	271	26.1	522
Personnel costs	66	60	10.2	124
Depreciation/amortisation and impairment loss	17	29	-43.5	65
Other operating expenses	116	115	1.2	230
Total expenses	199	204	-2.6	419
OP bonuses to owner-customers	-1	-1	5.2	-2
Temporary exemption (overlay approach)	-44	-4	-	19
Earnings before tax	97	62	57.1	120
Return on assets (ROA), %	2.79	1.75	1.04*	2.01
Return on assets, excluding OP bonuses, %	2.82	1.78	1.04*	2.04
Operating combined ratio, %	92.5	91.9		92.0
Operating risk ratio, %	64.4	64.4		64.5
Operating cost ratio, %	28.2	27.4		27.4

* Change in ratio

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

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

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

Insurance premium revenue from both private and corporate customers increased during the reporting period. Premium revenue increased by 3.6%, excluding premium revenue from the sold Baltic business included in the figure a year ago. Customers have been satisfied with services provided by Pohjola Hospital. Among surgery customers, the NPS figure was 97 (97) in January–June 2019.

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

Financial performance for the reporting period

Earnings before tax amounted to EUR 97 million (62). Net insurance income decreased by 2.2% to EUR 267 million.

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

Insurance premium revenue

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

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

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

Changes in claims for previous years reduced the balance on technical account by EUR 1 million (5), whereas changes a year ago improved the balance on technical account by EUR 16 million. The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 64.4% (64.4).

Expenses decreased by 2.6%, down EUR 5 million from a year ago. The figure a year ago includes EUR 6.5 million in operating expenses of the sold Baltic business. The operating cost ratio (including indirect loss adjustment expenses) was 28.2% (27.4).

Investment

Investment income

€ million	H1/2019	H1/2018
At fair value through other comprehensive income	31	21
At fair value through profit or loss	70	15
Amortised cost	1	2
Non-life insurance items	-14	-14
Associated companies	0	1
Net investment income	88	25
Temporary exemption	-44	-4
Total	44	21

Insurance: key investment indicators

€ million	H1/2019	H1/2018
Net return on investments at fair value, € million*	51	14
Return on investments at fair value, %	6.7	0.7
Fixed-income investments' running yield, %	1.5	1.5
	30 Jun 2019	31 Dec 2018
Investment portfolio, € million	3,860	3,730
Investments within the investment grade category, %	92	94
A-rated receivables, minimum, %	62	62
Modified duration, %	4.5	4.3

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

Other Operations

- Earnings before tax were EUR –31 million (–6). Earnings were eroded by both net interest income and net investment income.
- The lower net investment income is explained by capital gains on notes and bonds and dividend income that were lower than a year ago.
- Liquidity and access to funding remained good.

Key figures and ratios

€ million	H1/2019	H1/2018	Change, %	Q1–4/2018
Net interest income	-37	-24	-	-54
Net commissions and fees	-1	-1	-	-1
Net investment income	11	24	-52.9	27
Other operating income	3	3	2.5	6
Total income	-23	3	-897.7	-21
Personnel costs	1	3	-62.9	5
Other expenses	8	6	17.5	14
Total expenses	9	9	-5.0	20
Impairment loss on receivables	1	0	837.1	-1
Earnings before tax	-31	-6	-	-42
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-3.3	-2.3	43.1	-1.2

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

Financial performance for the reporting period

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

Earnings before tax amounted to EUR –31 million (–6). Earnings before tax at fair value were EUR –15 million (–51).

Wholesale funding and liquidity costs decreased net interest income over the previous year.

Net investment income totalled EUR 11 million (24). Net investment income included EUR 6 million (18) in capital gains on notes and bonds and EUR 0 million (4) in dividend income.

OP Corporate Bank's access to funding remained good. OP Corporate Bank issued long-term senior bonds worth a total of EUR 0.8 billion between January and June. This included a senior unsecured green bond of EUR 500 million with a maturity of five years that OP Corporate Bank issued in the international capital market in February. The inaugural green bond was targeted at international responsible institutional investors. Proceeds raised with the green bond are allocated to sustainable corporate lending. Eligible sectors to be funded include renewable energy, green buildings and sustainable land use through sustainable forestry.

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

In June 2019, the average margin of senior wholesale funding and TLTRO-II funding was 18 basis points (14).

On 30 June 2019, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 3.3 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

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

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

On 24 April 2019 and on 23 April 2019, OP Corporate Bank plc and its wholly owned subsidiary OP Custody Ltd decided to transfer OP Corporate Bank's custody and clearing business and its custodian business to OP Custody Ltd. The business transfer is scheduled for 1 November 2019. This transfer will have no effect on earnings before tax.

On 18 June 2019, OP Corporate Bank plc approved the merger plan of Checkout Finland Ltd, a wholly owned subsidiary of OP Cooperative, whereby Checkout Finland will merge into OP Corporate Bank. The planned date for registration of the merger is 31 December 2019. The merger plan was approved by Checkout Finland's Board of Directors on 11 June 2019. This merger will have no effect on earnings before tax. The merger will be executed with a view to streamlining the Group structure and simplifying administration and management.

Corporate governance and management

Tony Vepsäläinen and Tiia Tuovinen stepped down from the Board of Directors on 30 June 2019. Olli-Pekka Saario, Managing Director of OP Turun Seutu, and Pasi Sorri, Managing Director of OP Keski-Suomi, were elected new members of the Board of Directors as of 1 July 2019.

Personnel and remuneration

Personnel increased from the 2018-end level in Insurance, mainly as a result of OP Financial Group's internal reorganisation. In addition, the increase was due to the recruitment of summer employees in the second quarter.

Personnel at period end

	30 Jun 2019	31 Dec 2018
Corporate Banking	743	679
Insurance	2,032	1,791
Other Operations	33	36
Total	2,808	2,507

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

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

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

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

Consolidated income statement

EUR million	Note	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net interest income	3	136	134	69	69
Net insurance income	4	267	273	158	144
Net commissions and fees	5	-15	-6	-10	-2
Net investment income	6	150	138	64	64
Other operating income		30	16	20	4
Total income		**568**	**555**	**302**	**279**
Personnel costs		97	96	51	50
Depreciation/amortisation		25	36	13	21
Other expenses	7	199	180	97	96
Total expenses		**321**	**311**	**161**	**167**
Impairment of receivables	8	-13	5	-9	-5
OP bonuses to owner-customers		-2	-1	-1	0
Temporary exemption (overlay approach)		-44	-4	-6	-13
Earnings before tax		**187**	**244**	**124**	**94**
Income tax expense		34	47	21	17
Profit for the period		**154**	**196**	**103**	**77**
Attributable to:					
Attributable to owners of the Parent		152	193	102	76
Attributable to non-controlling interest		2	4	1	1
Profit for the period		**154**	**196**	**103**	**77**

Consolidated statement of comprehensive income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Profit for the period	**154**	**196**	**103**	**77**
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	-13	7	-8	4
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	89	-59	38	-22
Cash flow hedge	0	-1	0	1
Temporary exemption (overlay approach)	45	4	6	13
Translation differences	0	0	0	0
Income tax on other comprehensive income				
Items that will not be reclassified to profit or loss				
Gains/(losses) arising from remeasurement of defined benefit plans	3	-1	2	-1
Items that may be reclassified to profit or loss				
Measurement at fair value	-18	12	-8	4
Cash flow hedge	0	0	0	0
Temporary exemption (overlay approach)	-9	-1	-1	-3
Total comprehensive income for the period	**251**	**157**	**132**	**74**
Attributable to:				
Total comprehensive income attributable to owners of the Parent	248	153	131	73
Total comprehensive income attributable to non-controlling interest	2	4	1	1
Total comprehensive income for the period	**251**	**157**	**132**	**74**

Consolidated balance sheet

EUR million	Note	30 June 2019	31 Dec 2018
Cash and cash equivalents		10,468	12,239
Receivables from credit institutions		9,044	9,726
Derivative contracts	16	4,719	3,663
Receivables from customers	18	23,212	22,351
Investment assets		17,112	16,353
Intangible assets		718	722
Property, plant and equipment (PPE)		121	117
Other assets		1,804	1,489
Tax assets		74	65
Total assets		**67,273**	**66,725**
Liabilities to credit institutions		17,159	15,575
Derivative contracts		4,209	3,287
Liabilities to customers		13,996	16,422
Insurance liabilities	9	3,441	3,157
Debt securities issued to the public	10	20,184	20,338
Provisions and other liabilities		2,147	1,897
Tax liabilities		443	421
Subordinated liabilities		1,473	1,482
Total liabilities		**63,052**	**62,577**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	11	95	-12
Other reserves		1,093	1,093
Retained earnings		2,528	2,559
Non-controlling interest		78	80
Total equity capital		**4,221**	**4,147**
Total liabilities and equity capital		**67,273**	**66,725**

Consolidated statement of changes in equity

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2019	**428**	**-12**	**1,093**	**2,559**	**4,067**	**80**	**4,147**
Total comprehensive income for the period		107		141	248	2	251
Profit for the period				152	152	2	154
Other comprehensive income		107		-10	97		97
Profit distribution				-173	-173	-5	-177
Other			0	0	0	0	0
Balance at 30 June 2019	**428**	**95**	**1,093**	**2,528**	**4,143**	**78**	**4,221**

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 31 December 2017	**428**	**164**	**1,093**	**2,404**	**4,089**	**60**	**4,149**
Effect of IFRS 9 transition at 1 January 2018		-46		2	-45		-45
Equity at 1 January 2018	**428**	**118**	**1,093**	**2,406**	**4,044**	**60**	**4,104**
Total comprehensive income for the period		-45		198	153	4	157
Profit for the period				193	193	4	196
Other comprehensive income		-45		6	-39		-39
Profit distribution				-211	-211		-211
Other			0	0	0	6	6
Balance at 30 June 2018	**428**	**73**	**1,093**	**2,393**	**3,987**	**70**	**4,056**

Consolidated cash flow statement

EUR million	Q1–2 2019	Q1–2 2018
Cash flow from operating activities		
Profit for the period	154	196
Adjustments to profit for the period	111	187
Increase (-) or decrease (+) in operating assets	**-1,048**	**226**
Receivables from credit institutions	451	1,156
Derivative contracts	-39	-47
Receivables from customers	-848	-900
Investment assets	-206	205
Other assets	-406	-189
Increase (+) or decrease (-) in operating liabilities	**-687**	**-16**
Liabilities to credit institutions	1,370	173
Derivative contracts	17	-5
Liabilities to customers	-2,425	-234
Insurance liabilities	119	33
Provisions and other liabilities	231	17
Income tax paid	-45	-41
Dividends received	13	20
A. Net cash from operating activities	**-1,501**	**573**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-18	-25
Proceeds from sale of PPE and intangible assets	1	4
B. Net cash used in investing activities	**-17**	**-21**
Cash flow from financing activities		
Increases in debt securities issued to the public	15,417	13,686
Decreases in debt securities issued to the public	-15,728	-11,380
Dividends paid	-173	-211
C. Net cash provided by (used in) financing activities	**-483**	**2,095**
Net increase/decrease in cash and cash equivalents (A+B+C)	**-2,002**	**2,647**
Cash and cash equivalents at year-start	**13,355**	**13,575**
Cash and cash equivalents at year-end	**11,353**	**16,222**
Interest received	**532**	**555**
Interest paid	**-424**	**-453**
Cash and cash equivalents		
Liquid assets	10,468	15,578
Receivables from financial institutions payable on demand	885	644
Total	**11,353**	**16,222**

Segment information

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

Q1–2 earnings 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	185	-10	-37	-2	136
- of which internal net income before tax	-1	-7	8		
Net insurance income		267		0	267
Net commissions and fees	5	-18	-1	-1	-15
Net investment income	50	88	11	0	150
Other operating income	14	14	3	-1	30
Total income	**254**	**342**	**-23**	**-5**	**568**
Personnel costs	30	66	1	0	97
Depreciation/amortisation and impairment losses	8	17	1	0	25
Other operating expenses	80	116	7	-5	199
Total expenses	**118**	**199**	**9**	**-5**	**321**
Impairments loss on receivables	-14	0	1		-13
OP bonuses to owner-customers	-1	-1			-2
Temporary exemption (overlay approach)		-44			-44
Earnings before tax	**121**	**97**	**-31**		**187**

Q1–2 earnings 2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Net interest income	169	-9	-24	-2	134
- of which internal net income before tax	-2	-6	8		
Net insurance income		273		-1	273
Net commissions and fees	18	-22	-1	-1	-6
Net investment income	88	25	24	0	138
Other operating income	9	4	3	-1	16
Total income	**285**	**271**	**3**	**-4**	**555**
Personnel costs	33	60	3	0	96
Depreciation/amortisation and impairment losses	6	29	0	0	36
Other operating expenses	62	115	6	-4	180
Total expenses	**102**	**204**	**9**	**-4**	**311**
Impairments loss on receivables	5	0	0		5
OP bonuses to owner-customers		-1			-1
Temporary exemption (overlay approach)		-4			-4
Earnings before tax	**188**	**62**	**-6**		**244**

Balance sheet 30 June 2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total
Cash and cash equivalents	18	371	10,446	-367	10,468
Receivables from credit institutions	89	24	8,960	-29	9,044
Derivative contracts	4,430	124	171	-6	4,719
Receivables from customers	23,978	0	35	-802	23,212
Investment assets	1,181	3,770	12,195	-34	17,112
Intangible assets	49	650	19		718
Property, plant and equipment (PPE)	2	117	2		121
Other assets	712	848	248	-5	1,804
Tax assets	0	13	60		74
Total assets	**30,460**	**5,917**	**32,137**	**-1,241**	**67,273**
Liabilities to credit institutions	766		17,196	-802	17,159
Derivative contracts	3,789	13	416	-10	4,209
Liabilities to customers	10,396	136	3,859	-395	13,996
Insurance liabilities		3,441			3,441
Debt securities issued to the public	1,022		19,196	-33	20,184
Provisions and other liabilities	724	590	833	-1	2,147
Tax liabilities	1	90	352	0	443
Subordinated liabilities	-31	135	1,369		1,473
Total liabilities	**16,667**	**4,405**	**43,221**	**-1,241**	**63,052**
Equity					**4,221**

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

Notes

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

Note 1 Accounting policies

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

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

The Half-year Financial Report is available in Finnish, English and Swedish. The Finnish version of the Report is official and will be used if there is any discrepancy between the language versions.

Changes in presentation

Interest income and expenses of held-for-trading notes and bonds and derivatives previously presented in net interest income have been presented in net investment income since 1 January 2019. The change has been made retrospectively. Net interest totalling EUR 7 million was transferred from net interest income for H1/2018 to net investment income (EUR 10 million Q1–4/2018). The change also involved specifying the presentation of items within net interest income.

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

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

IFRS 16 Leases adoption on 1 January 2019

OP Corporate Bank adopted IFRS 16 Leases as of 1 January 2019, according to which leased contracts have been recognised as a right-of-use asset and lease liability in the balance sheet. OP Corporate Bank applied a retrospective approach in the transition to a limited extent, which is why it did not restate comparatives for 2018. The effects of transition have been presented in OP Corporate Bank's Notes to the Financial Statements 2018. Leased contracts are mainly those related to premises. Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in provisions and other liabilities and the related interest expenses are presented in net interest income. Management judgement has been used to assess the term of leases with indefinite duration and to determine the interest rate quoted by OP Financial Group's Treasury as the incremental borrowing rate that Treasury uses to grant loans to OP cooperative banks and OP Financial Group's subsidiaries. On 30 June 2019, the right-of-use asset amounted to EUR 7 million.

New segments as of 1 January 2019

At its meeting on 6 June 2018, the Supervisory Board of OP Financial Group's central cooperative decided on a new division of responsibilities of the Executive Board, which changed the segment structure as of the beginning of 2019. In its interim reports and financial statements, OP Corporate Bank began financial reporting based on its new segments as of the first interim report of 2019. The 2018 segment information has been restated to correspond to the new segments. The descriptions of the business segments are presented in the Interim Report for 1 January–31 March 2019.

Note 2 Formulas for key figures and ratios

	Q1–2/2019	Q1–2/2018
Return on equity, %	7.4	9.7
Return on equity at fair value, %	12.4	5.1
Return on assets, %	0.5	0.6
Cost/income ratio, %	56.5	56.5
Ratio of non-performing receivables to loan and guarantee portfolio, %	0.5	0.6
Average personnel	2,686	2,658

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 equity (ROE) excluding OP bonuses, %

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

Return on assets (ROA), %

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

Return on assets (ROA) excluding OP bonuses, %

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

Cost/income ratio, %

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

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

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

Coverage ratio, %

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

Non-life Insurance indicators

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

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

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

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

Operating cost ratio

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

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

EUR million	Q1–2/2019	Q1–2/2018	Change, %	Q1–4/2018
Insurance premium revenue	726	733	-0.9	1,465
Claims incurred	-468	-472	-0.9	-945
Operating expenses	-205	-201	1.8	-401
Amortisation adjustment of intangible assets	0	-11		-18
Balance on technical account	**54**	**49**	**10.6**	**100**
Net investment income	88	25		9
Other income and expenses	-1	-8	-88.0	-8
Temporary exemption (overlay approach)	-44	-4		19
Earnings before tax	**97**	**62**	**57.3**	**120**

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

Note 3 Net interest income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Interest income				
Receivables from credit institutions				
Interest	8	13	4	6
Negative interest	7	7	3	4
Total	15	20	8	10
Receivables from customers				
Loans	166	153	85	78
Finance lease receivables	15	13	8	6
Impaired loans and other commitments	0	0		0
Negative interest	7	7	3	4
Total	188	173	95	88
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	0
Available for sale	42	45	20	22
Held to maturity		0		
Total	42	45	21	22
Derivative contracts				
Fair value hedge	-52	-55	-26	-27
Cash flow hedge	0	2	0	1
Ineffective portion of cash flow hedge	0	0	0	0
Other	2	4	1	2
Total	-49	-49	-24	-25
Other	2	1	1	1
Total	**198**	**190**	**100**	**97**
Interest expenses				
Liabilities to credit institutions				
Interest	45	32	24	16
Negative interest	35	34	17	18
Total	80	66	41	34
Liabilities to customers	8	-1	4	0
Debt securities issued to the public	85	70	42	37
Subordinated liabilities				
Subordinated loans	2	3	1	1
Other	22	22	11	11
Total	24	24	12	12
Derivative contracts				
Cash flow hedge	-77	-66	-39	-34
Other	-60	-40	-29	-22
Total	-138	-106	-69	-56
Other	2	2	1	1
Total	**62**	**56**	**31**	**28**
Net interest income before fair value adjustment under hedge accounting	**136**	**134**	**69**	**68**
Hedging derivatives	22	9	18	8
Value changes of hedged items	-22	-9	-18	-7
Total	**136**	**134**	**69**	**69**

Note 4 Net insurance income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net insurance premium revenue				
Premiums written	946	941	305	318
Insurance premiums ceded to reinsurers	0	0	11	8
Change in provision for unearned premiums	-236	-223	52	46
Reinsurers' share	16	14	4	3
Total	**726**	**733**	**372**	**375**
Net Non-life Insurance claims				
Claims paid	-523	-466	-230	-231
Insurance claims recovered from reinsurers	10	15	1	7
Change in provision for unpaid claims	55	-5	15	-11
Reinsurers' share	0	-2	1	6
Total	**-457**	**-458**	**-213**	**-230**
Other Non-life Insurance items	-2	-2	-1	-1
Total	**267**	**273**	**158**	**144**

Note 5 Net commissions and fees

Q1–2/2019, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q2/2019
Commission income						
Lending	22	0	0	-1	21	11
Deposits	1		0	0	1	0
Payment transfers	12		0	0	11	6
Securities brokerage	10		0		10	4
Securities issuance	4		0	0	4	2
Mutual funds	0		0	0	0	0
Asset management	6			0	6	3
Legal services	0				0	0
Guarantees	6		0	0	6	3
Insurance brokerage		7			7	3
Health and wellbeing services		11		0	11	5
Other	7		0	0	7	4
Total commission income	**68**	**17**	**0**	**-2**	**84**	**42**
Commission expenses						
Payment transfers	1	1	0	0	1	0
Securities brokerage	4			0	4	2
Securities issuance	2		0	0	2	1
Asset management	1	0	0	0	2	1
Insurance operations		29			29	16
Health and wellbeing services		6			6	3
Other*	55	0	0	0	56	28
Total commission expenses	**63**	**36**	**1**	**-1**	**99**	**51**
Total net commissions and fees	**5**	**-18**	**-1**	**-1**	**-15**	**-10**

* The item includes EUR 52 million in commission expenses paid to member banks arising from derivatives trading. In April–June, commissions paid totalled EUR 27 million.

Q1–2/2018, EUR million	Corporate Banking	Insurance	Other operations	Group eliminations	Group total	Q2/2018
Commission income						
Lending	22	0	0	0	22	11
Deposits	0		0	0	0	0
Payment transfers	11		0	0	11	5
Securities brokerage	8			0	8	4
Securities issuance	6		0	0	6	4
Mutual funds	0		0	0	0	0
Asset management	7		0	0	7	3
Legal services	0		0	0	0	0
Guarantees	6		0	0	6	3
Insurance brokerage		6		0	6	3
Health and wellbeing services		9		0	8	4
Other	6		0	0	6	3
Total commission income	**67**	**15**	**1**	**-1**	**81**	**41**
Commission expenses						
Payment transfers	1	1	0	0	1	1
Securities brokerage	3				3	1
Securities issuance	0		0	0	0	0
Asset management	1	0	1	0	2	1
Insurance operations		33			33	16
Health and wellbeing services		3			3	2
Other*	44		0	0	44	23
Total commission expenses	**49**	**37**	**1**	**0**	**87**	**44**
Total net commissions and fees	**18**	**-22**	**-1**	**-1**	**-6**	**-2**

* The item includes EUR 41 million in commission expenses paid to member banks arising from derivatives trading. In April–June, commissions paid totalled EUR 23 million.

Note 6 Net investment income

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	19	17	9	8
Other income and expenses	-2	2	-1	2
Capital gains and losses	18	21	3	3
Currency fair value gains and losses	1	5	-3	10
Impairment losses and their reversal	2	-2	2	-1
Total	38	44	9	24
Total	**38**	**44**	**9**	**24**
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Fair value gains and losses	5	-1	2	0
Interest income and expenses	3	3	1	2
Total	8	2	3	2
Shares and participations				
Fair value gains and losses	1	2	1	-3
Dividend income	0	2	0	0
Total	1	4	1	-3
Derivatives				
Fair value gains and losses	43	59	35	20
Interest income and expenses	4	1	6	2
Total	47	60	41	22
Total	55	66	46	21
Financial assets that shall be measured at fair value through profit or loss				
Notes and bonds				
Interest income	1	1	1	0
Fair value gains and losses	1	-1	0	-1
Total	2	0	1	0
Shares and participations				
Fair value gains and losses	49	18	6	12
Dividend income	13	13	5	7
Total	62	31	11	19
Total	63	30	12	19
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income		1		0
Fair value gains and losses		0		0
Total		1		0
Total		1		0
Total net income recognised at fair value through profit or loss	**119**	**97**	**57**	**40**

Net income from investment property				
Rental income	13	13	7	6
Fair value gains and losses	6	3	3	2
Maintenance charges and expenses	-10	-8	-5	-4
Other	-2	-1	-1	0
Net income from investment property total	**7**	**6**	**4**	**4**
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	2	3	1	1
Interest expenses	0	-1	0	0
Impairment losses and their reversal	-1	1	0	1
Loans and receivables total	**1**	**3**	**1**	**2**
Non-life Insurance				
Unwinding of discount, Non-life Insurance	-14	-14	-7	-7
Associates				
Consolidated using the equity method	0	1	0	0
Total	**0**	**1**	**0**	**0**
Total net investment income	**150**	**138**	**64**	**64**

Note 7 Other operating expenses

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
ICT costs				
Production	67	54	32	27
Development	34	33	19	17
Buildings	4	6	1	3
Government charges and audit fees	27	18	8	14
Services purchased	17	26	9	11
Data communications	5	5	2	3
Marketing	6	7	3	4
Corporate social responsibility	1	1	1	0
Insurance and security	2	2	1	1
Other	37	29	21	16
Total	**199**	**180**	**97**	**96**

Development costs

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
ICT development costs	34	33	19	17
Share of own work	1	0	0	0
Total development costs in the income statement	**35**	**33**	**19**	**17**
Capitalised ICT costs	17	18	8	11
Capitalised share of own work	0	0	0	
Total capitalised development costs	**17**	**18**	**8**	**11**
Total development costs	**51**	**51**	**27**	**28**
Depreciation/amortisation and impairment loss	19	22	9	14

Note 8 Impairment loss on receivables

EUR million	Q1–2 2019	Q1–2 2018	Q2 2019	Q2 2018
Receivables written off as loan or guarantee losses	-1	-15	0	-1
Recoveries of receivables written off	0	0	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-13	20	-9	-4
Expected credit losses (ECL) on notes and bonds*	1	0	0	0
Total	**-13**	**5**	**-9**	**-5**

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

Credit risk exposures and related loss allowance

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

Exposures	Stage 1	Stage 2			Stage 3	Total exposure
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers (gross)						
Corporate Banking	24,064	1,479	352	1,832	349	26,245
Total	**24,064**	**1,479**	**352**	**1,832**	**349**	**26,245**
Off-balance-sheet limits						
Corporate Banking	5,363	459	131	590	89	6,042
Total	**5,363**	**459**	**131**	**590**	**89**	**6,042**
Other off-balance-sheet commitments						
Corporate Banking	7,148	409		409	20	7,577
Total	**7,148**	**409**		**409**	**20**	**7,577**
Notes and bonds						
Other Operations	12,128					12,128
Insurance	2,582				2	2,584
Total	**14,711**				**2**	**14,712**
Total exposures within the scope of accounting for expected credit losses	**51,285**	**2,348**	**483**	**2,831**	**461**	**54,576**

Loss allowance by stage 30 June 2019

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	Total loss allowance
EUR million		Not more than 30 DPD	More than 30 DPD	Total		
Receivables from customers						
Corporate Banking	-26	-26	-3	-29	-215	-270
Total	**-26**	**-26**	**-3**	**-29**	**-215**	**-270**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-5		-5		-7
Total	**-2**	**-5**		**-5**		**-7**
Notes and bonds***						
Other Operations	-2					-2
Insurance	-3				-1	-4
Total notes and bonds	**-5**				**-1**	**-6**
Total	**-33**	**-30**	**-3**	**-34**	**-216**	**-282**

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

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

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

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

Summary and key indicators 30 June 2019	Stage 1	Stage 2 Not more than 30 DPD	Stage 2 More than 30 DPD	Stage 2 Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	36,574	2,348	483	2,831	459	39,864
Loss allowance						
Corporate Banking	-28	-30	-3	-34	-215	-276
Coverage ratio, %						
Corporate Banking	-0.08%	-1.29%	-0.66%	-1.19%	-46.82%	-0.69%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**36,574**	**2,348**	**483**	**2,831**	**459**	**39,864**
Total loss allowance	**-28**	**-30**	**-3**	**-34**	**-215**	**-276**
Total coverage ratio, %	**-0.08%**	**-1.29%**	**-0.66%**	**-1.19%**	**-46.82%**	**-0.69%**
Carrying amount, notes and bonds						
Other Operations	12,128					12,128
Insurance	2,582				2	2,584
Loss allowance						
Other Operations	-2					-2
Insurance	-3				-1	-4
Coverage ratio, %						
Other Operations	-0.02%					-0.02%
Insurance	-0.10%				-73.07%	-0.15%
Total notes and bonds	**14,711**				**2**	**14,712**
Total loss allowance	**-5**				**-1**	**-6**
Total coverage ratio, %	**-0.03%**				**-73.07%**	**-0.04%**

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

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

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

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

Loss allowance by stage 31 December 2018

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

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

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

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

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

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

The following flow statements shows the changes in loss allowance by impairment stage during Q1–Q2 2019 in respect of the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**27**	**30**	**207**	**263**
Transfers from Stage 1 to Stage 2	-2	11		9
Transfers from Stage 1 to Stage 3	-4		4	1
Transfers from Stage 2 to Stage 1	0	-3		-2
Transfers from Stage 2 to Stage 3		-7	9	2
Transfers from Stage 3 to Stage 2		0	-3	-3
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	8	4	1	13
Decreases due to derecognition	-1	-1	-1	-3
Changes in risk parameters (net)	-2	-1	0	-3
Net change in expected credit losses	**1**	**4**	**8**	**13**
Loss allowance 30 June 2019	**28**	**34**	**215**	**276**
Net change in expected credit losses Q2 2019	**5**	**4**	**1**	**9**

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

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2019	**4**	**2**	**2**	**9**
Transfers from Stage 1 to Stage 2				
Transfers from Stage 1 to Stage 3				
Transfers from Stage 2 to Stage 1	0	-2		-1
Transfers from Stage 2 to Stage 3				
Transfers from Stage 3 to Stage 1	0		0	0
Increases due to origination and acquisition	0		0	0
Decreases due to derecognition	-1	-1	0	-2
Changes in risk parameters (net)	0		0	0
Changes due to update in the methodology for estimation (net)	0			0
Net change in expected credit losses	**0**	**-2**	**-1**	**-3**
Loss allowance 30 June 2019	**5**	**0**	**1**	**6**
Net change in expected credit losses Q2 2019	**0**	**-1**	**-2**	**-2**

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

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

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

Note 9 Insurance liabilities

EUR Million	30 June 2019	31 Dec. 2018
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,462	1,510
Other provision for unpaid claims	1,063	1,056
Reserve for decreased discount rate (value of insurance liability hedges and recognition of sold hedges)	110	21
Total	2,635	2,588
Provisions for unearned premiums	806	569
Total	**3,441**	**3,157**

Note 10 Debt securities issued to the public

EUR million	30 June 2019	31 Dec. 2018
Bonds	11,804	10,121
Other		
Certificates of deposit	0	105
Commercial paper	8,479	10,162
Included in own portfolio in trading (–)	-99	-50
Total debt securities issued to the public	**20,184**	**20,338**

Note 11 Fair value reserve after income tax

	Fair value through other comprehensive income				
EUR million	Notes and bonds	Shares and participations	Shares and participations (overlay approach)	Cash flow hedging	Total
Balance sheet 31 Dec. 2017	**117**	**45**		**2**	**164**
Effect of IFRS 9 transition at 1 January 2018	-1	-45			-46
Opening balance 1 Jan. 2018	**115**	**0**		**2**	**118**
Fair value changes	-33	0	5	0	-27
Capital gains transferred to income statement	-26		-2		-28
Impairment loss transferred to income statement			1		1
Transfers to net interest income				-2	-2
Deferred tax	12	0	-1	0	11
Closing balance 30 June 2018	**69**		**3**	**1**	**73**

EUR million	Fair value through other comprehensive income Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 Jan. 2019	**3**	**-15**	**0**	**-12**
Fair value changes	77	60	0	137
Capital gains transferred to income statement	13	-9		4
Impairment loss transferred to income statement		-7		-7
Transfers to net interest income			0	0
Deferred tax	-18	-9	0	-27
Closing balance 30 June 2019	**75**	**20**	**0**	**95**

The fair value reserve before tax amounted to EUR 119 million positive at the end of the reporting period and the related deferred tax liability was EUR 24 million. At the end of the reporting period a year ago, the fair value reserve was EUR 15 million negative and the related deferred tax asset was EUR 3 million. At the end of the reporting period, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 35 million (24) and negative mark-to-market valuations EUR 9 million (43), owing to the application of the overlay approach. The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 3 million in the fair value reserve.

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

Note 12 Collateral given

EUR million	30 June 2019	31 Dec 2018
Given on behalf of own liabilities and commitments		
Pledges	59	59
Others	5,900	5,775
Total collateral given*	**5,959**	**5,834**
Secured derivative liabilities	1,162	928
Other secured liabilities	4,076	4,072
Total secured liabilities	**5,238**	**5,000**

* In addition, bonds with a book value of EUR 4.8 billion have been pledged in the central bank, of which EUR 1.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 13 Classification of financial assets and liabilities

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	10,468					10,468
Receivables from credit institutions	9,044					9,044
Derivative contracts			4,548		172	4,719
Receivables from customers	23,212					23,212
Notes and bonds		15,052	863	49		15,964
Equity instruments		0	31	680		711
Other financial assets	1,842					1,842
Financial assets						65,961
Other than financial assets						1,312
Total 30 June 2019	**44,566**	**15,052**	**5,442**	**729**	**172**	**67,273**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		17,159		17,159
Derivative contracts	3,786		422	4,209
Liabilities to customers		13,996		13,996
Insurance liabilities		3,441		3,441
Debt securities issued to the public		20,184		20,184
Subordinated loans		1,473		1,473
Other financial liabilities		1,947		1,947
Financial liabilities				**62,410**
Other than financial liabilities				643
Total 30 June 2019	**3,786**	**58,201**	**422**	**63,052**

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June 2019, the fair value of these debt instruments was approximately EUR 253 million (102) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 14 Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	344	54	312	711
Debt instruments	250	86	576	912
Derivative financial instruments	10	4,517	192	4,719
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	12,470	2,032	550	15,052
Total financial instruments	**13,074**	**6,689**	**1,632**	**21,395**
Investment property			332	332
Total	**13,074**	**6,689**	**1,964**	**21,727**

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

Fair value of liabilities on 30 June 2019, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	16	4,037	155	4,209
Total	**16**	**4,037**	**155**	**4,209**

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

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2019	**600**	**57**	**191**	**848**
Total gains/losses in profit or loss	-285	136	0	-149
Total gains/losses in other			0	0
Purchases	37		0	37
Sales	-20		-8	-28
Settlements	0		-3	-2,717,911
Transfers into Level 3	556		413	970
Transfers out of Level 3			-44	-44
Closing balance 30 June 2019	**889**	**192**	**550**	**1,632**

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

Total gains/losses included in profit or loss by item for the financial year on 30 June 2019

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-291	6	0	-284
Unrealised net gains (losses)	25		0	25
Total net gains (losses)	**-267**	**6**	**1**	**-260**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2019.

Note 15 Off-balance-sheet commitments

EUR million	30 June 2019	31 Dec 2018
Guarantees	624	647
Other guarantee liabilities	1,699	1,668
Loan commitments	6,175	5,257
Commitments related to short-term trade transactions	305	265
Other*	683	712
Total off-balance-sheet commitments	**9,486**	**8,549**

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

Note 16 Derivative contracts

Total derivatives 30 June 2019

	Nominal values/residual maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	43,115	92,699	86,559	222,373	3,311	2,510
Cleared by the central counterparty	8,453	35,526	40,181	84,161	28	21
Currency derivatives	33,982	6,442	2,903	43,327	848	1,105
Equity and index-linked derivatives		3		3	0	0
Credit derivatives	37	912	115	1,064	14	12
Other derivatives	243	446	22	710	47	35
Total derivatives	**77,376**	**100,501**	**89,599**	**267,477**	**4,220**	**3,662**

Total derivatives 31 December 2018

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

* The fair values include accrued interest that is, excluding other than those held-for-trading derivatives, presented in the balance sheet in other assets or provisions or in other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

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

Financial assets

30 June 2019, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet: Derivative contracts***	Collateral received	Net amount
Derivatives	6,629	-1,910	4,719	-2,411	-382	1,927

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

Financial liabilities

30 June 2019, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet: Derivative contracts***	Collateral given	Net amount
Derivatives	6,334	-2,125	4,209	-2,411	-913	885

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

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -201 (-140) million euros.

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

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

Central counterparty clearing for OTC derivatives

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

Other bilaterally cleared OTC derivative contracts

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

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

30 June 2019, EUR million	Not impaired (gross)	Loss allowance	Balance sheet value
Receivables from credit institutions and customers			
Receivables from credit institutions	9,045	0	9,044
Receivables from customers	21,208	263	20,945
of which bank guarantee receivables	2		2
Finance leases	2,273	6	2,267
Total	**32,526**	**270**	**32,256**
Receivables from credit institutions and customers by sector			
Non-banking corporate sector	19,048	251	18,796
Financial institutions and insurance companies	9,861	1	9,860
Households	2,112	14	2,098
Non-profit organisations	349	3	346
Public sector entities	1,155	1	1,155
Total	**32,526**	**270**	**32,256**

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

Doubtful and forborne receivables 30 June 2019, EUR million

	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Loss allowance	Receivables from credit institutions and customers (net)
Over 90 days past due		86	86	83	4
Unlikely to be paid		238	238	123	115
Forborne loans	90	20	110	10	100
Total	**90**	**344**	**434**	**216**	**218**

Doubtful and forborne receivables 31 December 2018, EUR million

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

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

Key ratio, %	30 June 2019	31 Dec 2018
Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables	49.8 %	59.1 %

Note 19 Investment distribution of the Insurance segment

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

* Includes accrued interest income.

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

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

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

Note 20 Capital adequacy for credit institutions

EUR million	30 June 2019	31 Dec 2018
OP Corporate Bank Group's equity capital	**4,221**	**4,147**
Elimination of insurance companies' effect in equity capital	-134	-6
Fair value reserve, cash flow hedging	0	0
Common Equity Tier 1 (CET1) before deductions	**4,087**	**4,141**
Intangible assets	-55	-63
Excess funding of pension liability and valuation adjustments	-20	-29
Expected profit distribution		-173
Profit for the period not included in the capital base	-68	
Shortfall of ECL minus expected losses	-107	-105
Common Equity Tier 1 (CET1)	**3,837**	**3,772**
Subordinated loans to which transitional provisions applies	82	90
Additional Tier 1 capital (AT1)	**82**	**90**
Tier 1 capital (T1)	**3,919**	**3,862**
Debenture loans	878	944
Excess of ECL minus expected losses	42	47
Tier 2 capital (T2)	**920**	**990**
Total capital base	**4,839**	**4,852**

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

Risk exposure amount, EUR million	30 June 2019	31 Dec 2018
Credit and counterparty risk	**23,635**	**22,216**
Standardised Approach (SA)	**2,801**	**2,458**
Central government and central banks exposure	93	85
Credit institution exposure	7	6
Corporate exposure	2,662	2,327
Retail exposure	1	6
Equity investments	0	0
Other	39	34
Internal Ratings-based Approach (IRB)	**20,833**	**19,758**
Credit institution exposure	922	1,083
Corporate exposure	14,411	13,198
Retail exposure	1,419	1,416
Equity investments	3,739	3,725
Other	341	336
Market and settlement risk (Standardised Approach)	**1,488**	**1,319**
Operational risk (Standardised Approach)	**1,387**	**1,285**
Valuation adjustment (CVA)	**195**	**175**
Other risks	**32**	
Total risk exposure amount	**26,736**	**24,996**

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

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

Ratios, %	30 June 2019	31 Dec 2018
CET1 ratio	14.4	15.1
Tier 1 ratio	14.7	15.5
Capital adequacy ratio	18.1	19.4

Rations without the effects of transitional provisions, %	30 June 2019	31 Dec 2018
CET1 ratio	14.4	15.1
Tier 1 ratio	14.4	15.1
Capital adequacy ratio	17.8	19.1

Capital requirement, EUR million	30 June 2019	31 Dec 2018
Capital base	4,839	4,852
Capital requirement	2,828	2,642
Buffer for capital requirements	2,011	2,210

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

Note 21 Exposures by rating category

Corporate exposure by rating category (FIRB)

30 June 2019

Rating category	Balance sheet items, exposure value, (EAD) EUR million	Off-balance-sheet items, exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	832	347	85.5	0.0	45.0	175	15.1	0
2.5–5.5	11,580	3,437	72.1	0.2	44.6	5,850	39.0	12
6.0–7.0	3,603	1,386	71.6	1.2	43.7	4,742	95.0	27
7.5–8.5	1,967	324	72.2	4.4	43.5	3,090	134.9	44
9.0–10.0	142	107	68.1	23.5	44.3	554	222.9	26
11.0–12.0	300	13	58.1	100.0	44.8			140
Total	**18,424**	**5,614**	**72.6**	**1.0**	**44.3**	**14,411**	**60.8**	**248**

31 December 2018

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

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

Note 22 Insurance company solvency

EUR million	30 June 2019	31 Dec 2018
Eligible capital	**907**	**818**
Solvency capital requirement (SCR)		
Market risk	460	421
Underwriting risk	288	281
Counterparty risk	38	36
Operational risk	51	45
Diversification benefits and loss absorbency	-154	-162
Total	683	621
Buffer for SCR	**224**	**197**
SCR ratio, %	**133**	**132**
SCR ratio, % excluding transitional provisions	**133**	**132**

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

Note 23 Related-party transactions

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

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

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

Financial reporting in 2019

Schedule for Interim Reports in 2019:

Interim Report Q1–3/2019	29 October 2019

Helsinki, 30 July 2019

OP Corporate Bank plc
Board of Directors

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