

OP Corporate Bank plc's Interim Report  
1 January – 30 September 2019

# OP Corporate Bank plc's Interim Report 1 January–30 September 2019

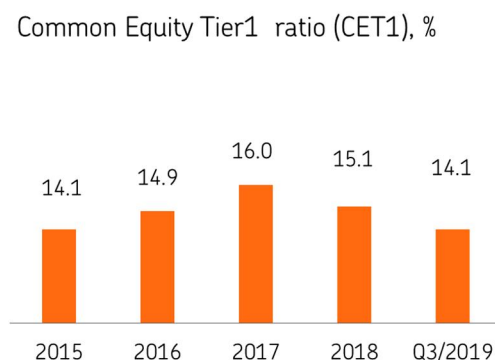
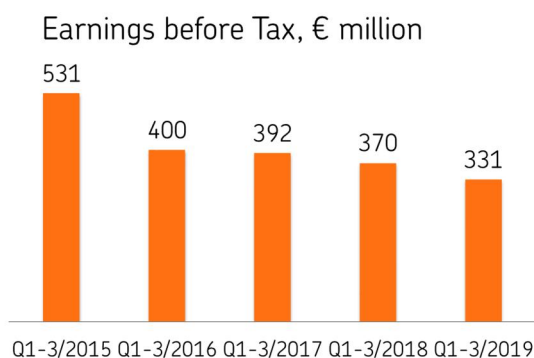
|                                  |                                  |                                   |                            |
|----------------------------------|----------------------------------|-----------------------------------|----------------------------|
| Earnings before tax<br>Q1–3/2019 | Net interest income<br>Q1–3/2019 | Net insurance income<br>Q1–3/2019 | CET1 ratio<br>30 Sept 2019 |
| <b>€331 million</b>              | <b>+4%</b>                       | <b>–5%</b>                        | <b>14.1%</b>               |

- Consolidated earnings before tax decreased to EUR 331 million (370). Net interest income increased by 4% to EUR 211 million. Earnings were eroded by a EUR 23 million decrease in net insurance income, a EUR 22 million increase in ICT costs and a EUR 12 million decrease in investment income. Impairment loss on receivables increased by EUR 5 million.
- Corporate Banking** earnings before tax weakened by 23% to EUR 201 million. Earnings were decreased by changes made in the valuation models of derivatives in the first quarter, value changes in credit and counterparty risks, lower capital gains than a year ago, as well as higher ICT costs and impairment loss on receivables. The loan portfolio increased in the year to September by 9.1% to EUR 23.7 billion. The cost/income ratio was 43.6% (36.3).
- Insurance earnings before tax increased by 28% to EUR 166 million due to growth in investment income. The operating combined ratio was 91.8% (90.5).
- Other Operations earnings before tax were EUR –36 million (–21) due to lower net interest income and net investment income. Liquidity and access to funding remained good.

| Earnings before tax, € million | Q1–3/2019  | Q1–3/2018  | Change, %    | Q1–4/2018  |
|--------------------------------|------------|------------|--------------|------------|
| Corporate Banking              | 201        | 262        | -23.3        | 361        |
| Insurance                      | 166        | 129        | 28.0         | 120        |
| Other Operations               | -36        | -21        | -            | -42        |
| <b>Group total</b>             | <b>331</b> | <b>370</b> | <b>-10.7</b> | <b>439</b> |
| Return on equity (ROE), %      | 8.4        | 9.8        | -1.3*        | 8.5        |
| Return on assets (ROA), %      | 0.52       | 0.62       | -0.10*       | 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



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## Business environment

During the third quarter, world economic growth remained more subdued than the average. The sentiment in manufacturing and world trade remained weak. In the service sector, a favourable trend sustained but economic surveys on services indicated a weaker outlook.

In financial markets, news on the status of trade talks between China and the U.S. as well as Brexit and the uncertain economic outlook caused market fluctuations. The positive mood of early summer turned into pessimism in August when both interest rates and stock prices plummeted. In early autumn, equity markets rebounded while interest rates remained lower than before on a wide front.

At its September meeting, the European Central Bank (ECB) decreased its deposit facility rate from -0.4% to -0.5% and announced that it would keep its main refinancing rates at their present or lower levels until the inflation outlook is in line with the target. The interest rate payable on banks' cash reserves was changed into a two-tier interest rate system. In addition, the ECB announced that it would again start buying assets.

According to preliminary information, the Finnish economy grew at a fair pace during the third quarter, but economic confidence deteriorated. Growth in retail sales and industrial production was better than in the first half of 2019. In labour markets, the positive mood faded but employment and unemployment rates remained unchanged.

Home sales picked up during the summer. The average prices of housing company shares rose slightly on average amid the otherwise differentiated price development. The volume of housing starts was lower than a year ago but, overall, construction remained lively.

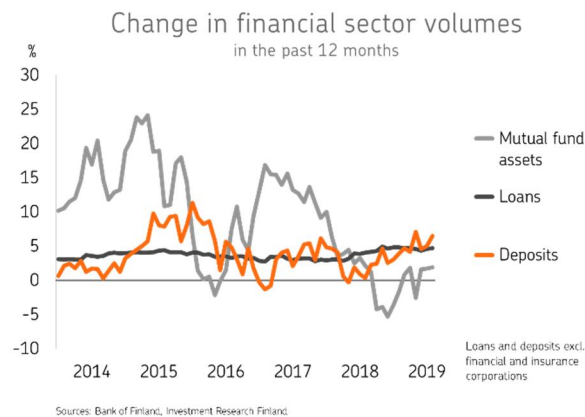
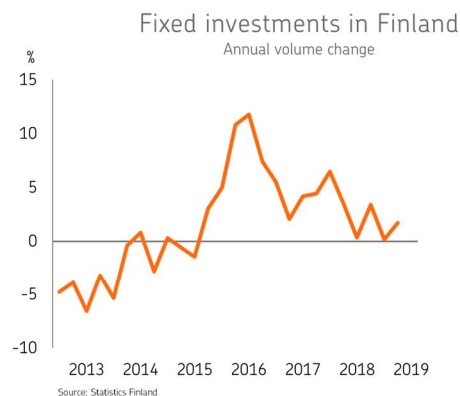
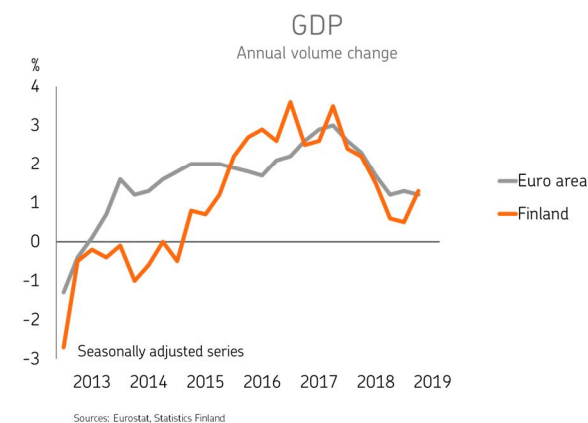
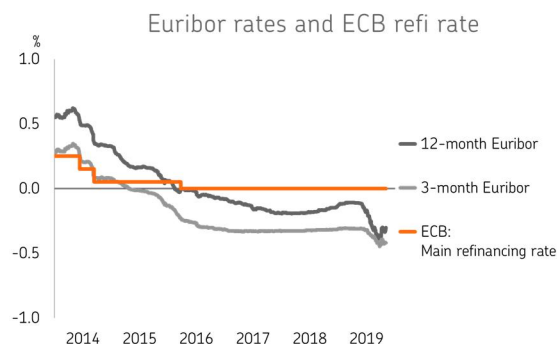
Increasing political uncertainty is overshadowing the economic outlook. Economic surveys suggest that economic growth will remain sluggish or further slow down in the near future. Inflation is slow and market rates are expected to further decline somewhat.

The annual growth rate of total household loans was around three per cent in the third quarter. Interest rates for new home loans drawn down continued to fall. Demand for consumer credit remained stable. Total corporate loans increased by roughly 7% year on year. The latest banking barometer anticipates a slightly positive trend in the demand for household loans and a clear decline in the demand for corporate loans.

The annual growth rate of total deposits was around 7% during the reporting period, with growth being strong in both household and corporate deposits. Household deposits on current accounts grew by approximately 10% year on year.

The value of mutual funds registered in Finland increased in the third quarter by 3.1%, to EUR 120.8 billion. This increase was mainly due to positive value changes in mutual funds. Fund assets were transferred from equity funds to bond funds and balanced funds.

In the insurance sector, premiums written have made steady progress but the future outlook is overshadowed by concerns over economic development and higher claims incurred.



## Consolidated earnings

| € million                                     | Q1–3/<br>2019 | Q1–3/<br>2018 | Change, %    | Q3/<br>2019 | Q3/<br>2018 | Change, %   | Q1–4/<br>2018 |
|---|---------------|---------------|--------------|-------------|-------------|-------------|---------------|
| Net interest income                           | 211           | 202           | 4.3          | 74          | 68          | 9.4         | 274           |
| Net insurance income                          | 399           | 421           | -5.4         | 131         | 148         | -11.4       | 548           |
| Net commissions and fees                      | -17           | -12           | -            | -2          | -6          | -           | -23           |
| Net investment income                         | 224           | 201           | 11.4         | 73          | 63          | 16.5        | 200           |
| Other operating income                        | 38            | 36            | 4.8          | 8           | 20          | -60.8       | 47            |
| <b>Total income</b>                           | <b>854</b>    | <b>848</b>    | <b>0.7</b>   | <b>286</b>  | <b>294</b>  | <b>-2.7</b> | <b>1,046</b>  |
| Personnel costs                               | 138           | 138           | -0.4         | 41          | 42          | -4.1        | 159           |
| Depreciation/amortisation and impairment loss | 37            | 52            | -28.6        | 12          | 17          | -25.8       | 83            |
| Other operating expenses                      | 287           | 267           | 7.4          | 88          | 87          | 0.7         | 369           |
| <b>Total expenses</b>                         | <b>462</b>    | <b>457</b>    | <b>0.9</b>   | <b>141</b>  | <b>146</b>  | <b>-3.7</b> | <b>611</b>    |
| Impairment loss on receivables                | -11           | -6            | -            | 3           | -11         | -           | -13           |
| OP bonuses to owner-customers                 | -3            | -1            | -            | -1          | -1          | -           | -2            |
| Temporary exemption (overlay approach)        | -48           | -13           | -            | -3          | -9          | -           | 19            |
| <b>Total earnings before tax</b>              | <b>331</b>    | <b>370</b>    | <b>-10.7</b> | <b>143</b>  | <b>127</b>  | <b>13.0</b> | <b>439</b>    |

The 2018 comparatives 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 Sep 2019 | 31 Dec 2018 | Target                                    |
|---|-------------|-------------|---|
| Customer experience, NPS (-100–+100)                            | 76          | 71          | 70  |
| CET1 ratio, %   | 14.1        | 15.1        | 15  |
| Return on economic capital, %                                   | 12.3        | 14.4        | 22  |
| Expenses of present-day business (12-month rolling)*, € million | 596         | 593         | Expenses in 2020 lower than in 2015 (475) |
| Dividend payout ratio, %  |             | 49.9        | 50  |

\*Excluding expenses of the health and wellbeing business.

OP Corporate Bank will not in future set own separate financial targets. The financial targets will in future be set at OP Financial Group level.

## January–September

Consolidated earnings before tax were EUR 331 million (370). Total income increased to EUR 854 million (848) and expenses to EUR 462 million (457). Net interest income increased while net insurance income was lower than a year ago. Earnings were eroded by higher ICT costs, 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 211 million (202). Net interest income improved due to growth in the loan portfolio of the Corporate Banking segment. Net insurance income decreased to EUR 399 million (421). Insurance premium revenue decreased by 0.1%. Excluding the Baltic business sold a year ago, it increased by 4.1%. Claims incurred were 3.2% higher than a year ago but excluding the Baltic figures they increased by 7.3%. The operating combined ratio was 91.8% (90.5) in the Insurance segment.

Net commissions and fees totalled EUR –17 million (–12). 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 4 million.

Net investment income totalled EUR 224 million (201). Net income from financial assets recognised at fair value through other comprehensive income increased by EUR 15 million to EUR 70 million, mainly due to capital gains of EUR 12 million on notes and bonds. Net income from financial assets recognised at fair value through profit or loss rose by EUR 8 million to EUR 160 million. These changes in the fair value of financial assets recognised through profit or loss were increased by the investments' value changes of EUR 41 million. Earnings were

decreased by a reduction of EUR 28 million in derivatives operations as well as a decrease of EUR 4 million in dividend income. The Insurance segment's net investment income increased to EUR 128 million (44). Net investment income for the Corporate Banking segment decreased to EUR 71 million (129) and that for Other Operations to EUR 24 million (27).

A temporary exemption (overlay approach) is applied to non-life insurance equity instruments recognised at fair value through profit or loss, which eroded earnings for the reporting period by EUR 48 million (-13). Changes in the fair value of investments within the scope of the overlay approach are presented under fair value reserve under equity. Including the overlay approach, investment income for the reporting period, EUR 176 million, decreased by EUR 12 million. Investment income for the Insurance segment rose year on year by EUR 50 million to EUR 80 million. Return on investments by non-life insurance at fair value was 9.5% (0.9).

Other operating income amounted to EUR 38 million (36). Capital gain on the divestment of the occupational healthcare service business and growth in income received from member banks within OP Financial Group increased the income for the reporting period. Capital gain of EUR 16 million on the divestment of the Baltic non-life insurance businesses increased income a year ago.

Total expenses increased to EUR 462 million (457). Personnel costs remained at the previous year's level at EUR 138 million (138). Depreciation/amortisation and impairment loss decreased to EUR 37 million (52). Depreciation on assets generated by business acquisitions increased depreciation and amortisation by EUR 16 million in the previous year. Impairment write-downs were EUR 3 million lower than the year before. Depreciation and amortisation for the reporting period was increased by depreciation of the right-of-use assets under IFRS 16. Other operating expenses were increased by a 22-million euro rise in ICT costs. ICT costs in production increased by EUR 18 million to EUR 101 million and development costs by EUR 3 million to EUR 76 million. These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 26 million (27).

Impairment loss on receivables increased by EUR 5 million to EUR 11 million. Credit losses, 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.

## July–September

Earnings before tax rose to EUR 143 million (127). Total income decreased by 2.7% and total expenses by 3.7%. Earnings were increased by higher net interest income and investment income, lower expenses and the reversal of impairment loss on receivables.

Net interest income increased by 9.4% to EUR 74 million. Net insurance income decreased by 11.4% to EUR 131 million as a result of higher claims incurred which increased by EUR 23

million on a year earlier. Net commissions and fees totalled EUR -2 million (-6). Commission income grew by 20.4% year on year, to EUR 44 million. Commission income rose due to commissions and fees from lending, securities brokerage and health and wellbeing services, which were higher than a year earlier. Commission expenses were increased mainly by fees paid to member banks which were EUR 5 million higher than a year ago. Net investment income increased by 16.5% to EUR 73 million. The overlay approach applied to equity investments reduced third-quarter earnings by EUR 3 million (-9). In total, investment income rose by EUR 16 million year on year. Other operating income amounted to EUR 8 million (20). Capital gain on the divestment of the Baltic non-life insurance businesses increased income a year ago.

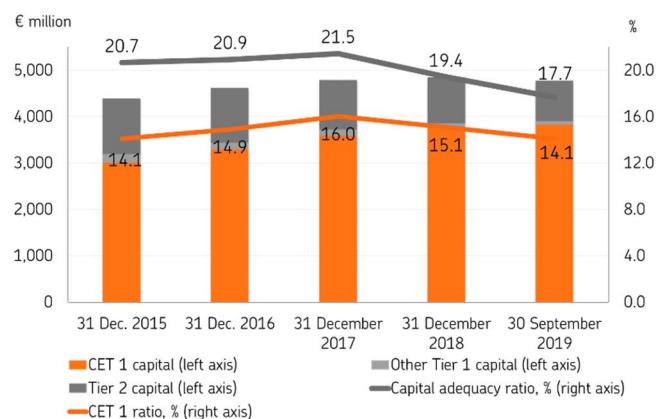
Total expenses decreased by EUR 5 million year on year to EUR 141 million (146). Expenses were decreased by a 4-million euro decrease in depreciation/amortisation and impairment loss and a 5-million euro reduction in the EU stability contribution over the previous year caused by the change in the accounting practice. Personnel costs decreased by EUR 2 million due to lower pension costs. Expenses were increased by a 7-million euro rise in ICT costs.

## July–September highlights

In the central cooperative, OP Financial Group continued to expand its agile and self-directed working practices adopted in early 2019 to cover Corporate Banking and Insurance businesses. The plan of the self-directed operating model will bring changes to organisational structures and roles. Therefore, the plan was discussed together with employee representatives through the Information and Consultation of Employees process. The related negotiations began on 26 August 2019 and ended on 8 October 2019. As a result of the negotiations, 300 jobs will cease to exist, while 185 new roles will be created. The organisations that will follow the new practices will take effect on 1 January 2020. The Insurance business will implement the planned agile operating model in stages during 2020.

## Group's capital adequacy

Capital base and capital adequacy



## Capital adequacy for credit institutions

The Group's CET1 ratio was 14.1% (15.1) on 30 September 2019.

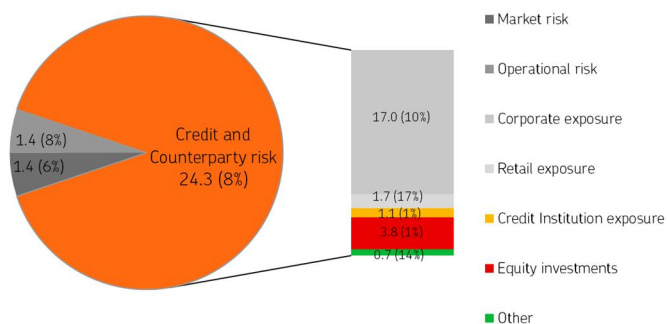
As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of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

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

On 30 September 2019, the risk exposure amount (REA) totalled EUR 27.1 billion (25.0), or 8.3% 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 Financial Group 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 plc is supervised by the ECB.

The Finnish Financial Supervisory Authority (FIN-FSA) 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 September 2019  
Total €27.1 billion  
(change from year end 8%)



In OP Financial Group's view, the most significant open changes in the regulatory and supervisory environment affecting capital adequacy for credit institutions include: Obligations, if any, arising from the examination (TRIM) of the ECB's internal models (IRBA) and the supervisor's obligations, if any, arising from the new definition of default.

## 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 Sep 2019 | 31 Dec 2018 |
|--|-------------|-------------|
| Capital base, € million*                             | 945         | 818         |
| Solvency capital requirement (SCR), € million*       | 717         | 621         |
| Solvency ratio, %*                                   | 132         | 132         |
| Solvency ratio, % (excluding transitional provision) | 132         | 132         |

\*including transitional provisions.

## Credit ratings

OP Corporate Bank plc's credit ratings on 30 September 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 September 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 standing.

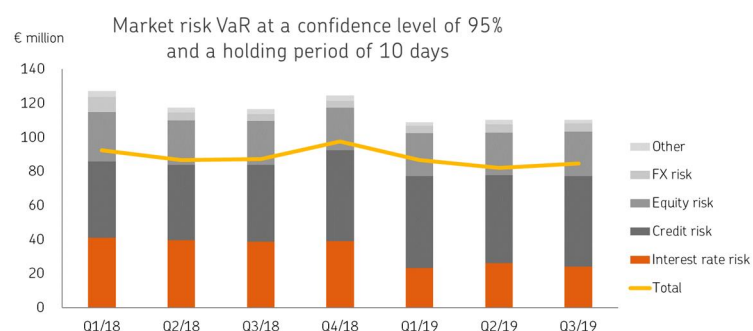
The ratings of OP Corporate Bank plc did not change in the reporting period.

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 during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 85 million (98) on 30 September 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.



## 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 Sep 2019 | 31 Dec 2018 |
|---|-------------|-------------|
| Exposures*, € billion   | 39.6        | 36.0        |
| corporate customer exposures, € billion                                   | 32.6        | 30.4        |
| in the highest borrower grades**, %                                       | 61.8        | 63.8        |
| in other borrower grades (excluding default), %                           | 37.7        | 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**, %                                       | 18.1        | 17.8        |
| in other borrower grades (excluding default), %                           | 81.2        | 81.6        |
| classified as default, %  | 0.7         | 0.6         |
| classified as default***, € billion                                       | 0.0         | 0.0         |
| other exposures, € billion  | 4.9         | 3.7         |
| Doubtful receivables****, € billion                                       | 0.2         | 0.1         |
| Ratio of doubtful receivables to loan and guarantee portfolio, %          | 0.9         | 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, % | 0.4         | 0.2         |
| Ratio of performing forborne exposures to doubtful receivables, %         | 42.7        | 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 1Q1–4

\*\*\*\*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.

Three customers' exposure exceeded ten per cent of the capital base after allowances and other recognition of credit risk mitigation. The amount of large corporate customer exposures totalled EUR 1.7 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 Sep 2019 | 31 Dec 2018 |
|---|-------------|-------------|
| Services, %   | 12.6        | 11.1        |
| Energy, %   | 11.6        | 12.9        |
| Trade, %  | 10.0        | 10.6        |
| Other sectors, %                                    | 65.8        | 65.4        |
| <b>Total</b>  | <b>100</b>  | <b>100</b>  |

Exposures by the Baltic operations grew to EUR 3.8 billion (3.3), accounting for 9.7% (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 28 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 Group uses bond investments and derivative contracts to diminish earnings volatility caused by changes in interest rates used in insurance liability valuation.

The risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 58 million (50) on 30 September 2019. No major changes took place in the investment portfolio's asset class allocation. Interest rate derivatives have been used 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.

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 September 2019, OP Financial Group's LCR was 155% (143).

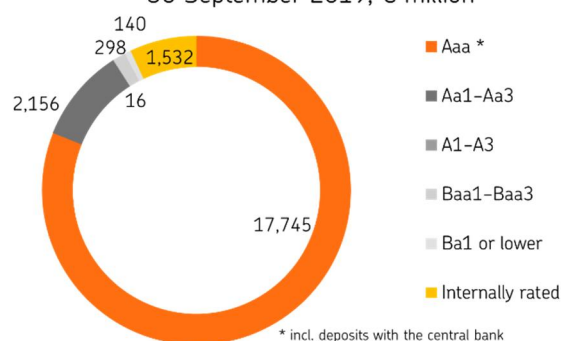
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio, or NSFR. In regulation, no minimum requirement for the NSFR has been set as yet. Based on the present interpretations, OP Financial Group's NSFR was 110% (111) at the end of September.

### Liquidity buffer

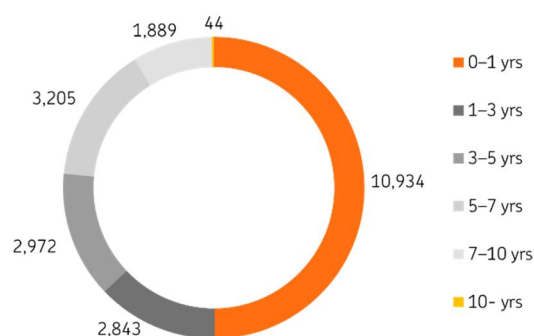
| € billion                                   | 30 Sep 2019 | 31 Dec 2018 | Change, %   |
|---|-------------|-------------|-------------|
| Deposits with central banks                 | 8.7         | 12.2        | -28.9       |
| Notes and bonds eligible as collateral      | 11.2        | 9.2         | 21.9        |
| <b>Total</b>                                | <b>19.9</b> | <b>21.4</b> | <b>-7.1</b> |
| Receivables ineligible as collateral        | 1.9         | 1.3         | 46.9        |
| <b>Liquidity buffer at market value</b>     | <b>21.8</b> | <b>22.7</b> | <b>-4.0</b> |
| Collateral haircut                          | -0.8        | -0.7        | 22.8        |
| <b>Liquidity buffer at collateral value</b> | <b>21.0</b> | <b>22.0</b> | <b>-4.8</b> |

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

Financial assets included in the liquidity buffer by credit rating on 30 September 2019, € million



Financial assets included in the liquidity buffer by maturity on 30 September 2019, € million



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the segments Other Operations and Corporate Banking, exposures of OP Financial Group represented 16.9%. These exposures increased during the reporting period by EUR 417 million, or 3.5%. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

| Other Operations exposures                                   | 30 Sep 2019 | 31 Dec 2018 |
|--|-------------|-------------|
| Total Other Operations exposures*, EUR billion               | 33.5        | 48.2        |
| Financial and insurance institutions' exposures, EUR billion | 19.2        | 18.5        |
| Public-sector entities' exposures, EUR billion               | 13.0        | 28.5        |
| Corporate and housing company exposures, EUR billion         | 1.2         | 1.2         |
| in the highest borrower grades, %                            | 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 23.3% to EUR 201 million due to lower net investment income.
- Total income decreased by 9.7%. Net interest income grew by 9.1% year on year. Net investment income fell by 45.2% as result of changes in the valuation models of derivatives made in the beginning of the year, changes in the valuation of credit and counterparty risk (CVA) and lower capital gains than a year ago.
- Total expenses increased to EUR 165 million (152). Other operating expenses rose by 17.6%, due to the EU stability contribution and higher ICT costs.
- The loan portfolio increased in the year to September by 9.1% to EUR 23.7 billion.
- Impairment loss on receivables weakened earnings by EUR 11 million (6). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.
- The most significant development investments involved the development of finance and payment systems.

### Key figures and ratios

| € million   | Q1–3/2019    | Q1–3/2018    | Change, %    | Q1–4/2018   |
|---|--------------|--------------|--------------|-------------|
| Net interest income   | 281          | 257          | 9.1          | 349         |
| Net commissions and fees  | 7            | 21           | -63.6        | 21          |
| Net investment income   | 71           | 129          | -45.2        | 162         |
| Other operating income  | 20           | 12           | 62.9         | 19          |
| <b>Total income</b>   | <b>379</b>   | <b>419</b>   | <b>-9.7</b>  | <b>552</b>  |
| Personnel costs   | 42           | 48           | -11.2        | 30          |
| Depreciation/amortisation and impairment loss                           | 11           | 9            | 19.3         | 16          |
| Other operating expenses  | 112          | 95           | 17.6         | 134         |
| <b>Total expenses</b>   | <b>165</b>   | <b>152</b>   | <b>8.7</b>   | <b>180</b>  |
| Impairment loss on receivables  | -11          | -6           | -            | -12         |
| OP bonuses  | -2           |              |              |             |
| <b>Earnings before tax</b>  | <b>201</b>   | <b>262</b>   | <b>-23.3</b> | <b>361</b>  |
| Cost/income ratio, %  | 43.6         | 36.3         | 7.4**        | 32.6        |
| Ratio of non-performing receivables to loan and guarantee portfolio, %* | 0.5          | 0.5          | 0.1**        | 0.4         |
| Return on assets (ROA), %   | 0.91         | 1.02         | -0.11**      | 1.30        |
| Return on assets, excluding OP bonuses, %                               | 0.92         | 1.02         | -0.11**      | 1.30        |
|   | 30 Sept 2019 | 30 Sept 2018 | Change, %    | 31 Dec 2018 |
| Loan portfolio, € billion   | 23.7         | 21.7         | 9.1          | 22.3        |
| Guarantee portfolio, € billion  | 2.7          | 2.4          | 9.6          | 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 September by 9.1% to EUR 23.7 billion. The guarantee portfolio totalled EUR 2.7 billion (2.6) and committed standby credit facilities amounted to EUR 4.2 billion (4.3).

During the reporting period, OP expanded the OP Car Finance service to also cover car sales between consumers. OP Car

Finance is granted by OP Corporate Bank plc. Demand for capital market products increased from the previous year.

In April, OP 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 single European payment area. Starting from October, OP will offer its customers both incoming and outgoing real-time SEPA instant credit transfers. This major change will be carried out in stages in different channels.

## Financial performance for the reporting period

Corporate Banking earnings before tax decreased by 23.3% to EUR 201 million (262). Total income was down by 9.7%, while total expenses rose by 8.7%. The cost/income ratio weakened to 43.6% (36.3) year on year.

Mainly as a result of an increase in the loan portfolio, net interest income grew by 9.1% to EUR 281 million (257). Net commissions and fees decreased to EUR 7 million (21). 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 71 million, representing a decrease of 45.2% year on year. Net investment income a year ago was increased by EUR 15 million in a non-recurring capital gain. CVA valuation weakened the income by EUR 15 million whereas a year ago it improved the income by EUR 13 million. Changes made in the valuation models of derivatives reduced net investment income by EUR 28 million.

Other operating income was EUR 8 million higher than the year before. The increase in income was affected by income received from cooperative banks within OP Financial Group. Impairment loss on receivables totalled EUR 11 million (6). Non-performing receivables accounted for 0.5% (0.4) of the loan and guarantee portfolio.

Total expenses were EUR 165 million (152). Personnel costs fell by EUR 5 million year on year to EUR 42 million as a result of lower pension costs. Other operating expenses increased by EUR 17 million year on year. ICT costs were mainly increased by higher production costs. In addition, other operating expenses were increased by the EU stability contribution of EUR 2 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 28.0% to EUR 166 million (129) due to higher capital gains on investments.
- Insurance premium revenue decreased by 0.1% (excluding the Baltic business sold in 2018, it increased by 4.1%).
- Investment income totalled EUR 80 million (31), including the overlay approach. Net return on investments at fair value totalled EUR 50 million (48).
- The operating combined ratio was 91.8% (90.5) and operating risk ratio 65.3% (63.6). The operating cost ratio was 26.5% (26.9).
- Development investments focused on the development of electronic services and the core system upgrade initiated.

## Key figures and ratios

| € million                                      | Q1–3/2019  | Q1–3/2018  | Change, %   | Q1–4/2018  |
|--|------------|------------|-------------|------------|
| Insurance premium revenue                      | 1,106      | 1,107      | -0.1        | 1,466      |
| Claims incurred                                | 707        | 685        | 3.3         | 917        |
| <b>Net insurance income</b>                    | <b>399</b> | <b>422</b> | <b>-5.4</b> | <b>549</b> |
| Non-life insurance, net commissions and fees   | -33        | -40        | -           | -53        |
| Health and wellbeing, net commissions and fees | 12         | 9          | 37.4        | 12         |
| <b>Net commissions and fees</b>                | <b>-22</b> | <b>-31</b> | <b>-</b>    | <b>-41</b> |
| Net investment income                          | 128        | 44         | 192.4       | 9          |
| Other net income                               | 0          | 7          | -103.5      | 6          |
| <b>Total income</b>                            | <b>505</b> | <b>442</b> | <b>14.3</b> | <b>522</b> |
| Personnel costs                                | 94         | 87         | 8.5         | 124        |
| Depreciation/amortisation and impairment loss  | 25         | 42         | -40.6       | 65         |
| Other operating expenses                       | 171        | 169        | 1.2         | 230        |
| <b>Total expenses</b>                          | <b>290</b> | <b>298</b> | <b>-2.6</b> | <b>419</b> |
| OP bonuses to owner-customers                  | -2         | -1         | -           | -2         |
| Temporary exemption (overlay approach)         | -48        | -13        | -           | 19         |
| <b>Earnings before tax</b>                     | <b>166</b> | <b>129</b> | <b>28.0</b> | <b>120</b> |
| Return on assets (ROA), %                      | 3.01       | 2.48       | 0.53*       | 2.01       |
| Return on assets, excluding OP bonuses, %      | 3.04       | 2.51       | 0.53*       | 2.04       |
| Operating combined ratio, %                    | 91.8       | 90.5       |             | 92.0       |
| Operating risk ratio, %                        | 65.3       | 63.6       |             | 64.5       |
| Operating cost ratio, %                        | 26.5       | 26.9       |             | 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 4.1%, 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 96 (96) in January–September 2019.

Key development investments focused on the development of electronic transaction and purchase services and the core 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 166 million (129). Net insurance income decreased to EUR 399 million (422). The figure a year ago included EUR 16 million in net insurance income of the sold Baltic business.

The operating combined ratio was 91.8% (90.5). The operating ratios exclude amortisation on intangible assets arising from corporate acquisitions.

### Insurance premium revenue

| € million           | Q1–3/2019    | Q1–3/2018    | Change, %   |
|---------------------|--------------|--------------|-------------|
| Private Customers   | 620          | 598          | 3.7         |
| Corporate Customers | 487          | 465          | 4.6         |
| Baltics             |              | 44           |             |
| <b>Total</b>        | <b>1,106</b> | <b>1,107</b> | <b>-0.1</b> |

Premium revenue increased by 4.1%, excluding premium revenue from the Baltic business included in the figure a year ago.

Claims incurred, excluding the Baltic figures, increased by 7.3%. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 60 (74) in January–September, with their claims incurred retained for own account totalling EUR 62 million (79). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 2 million during both periods.

Changes in claims for previous years, excluding the effect of the discount rate change, improved the balance on technical account by EUR 15 million (33). The non-life insurance operating risk ratio excluding indirect loss adjustment expenses was 65.3% (63.6).

Expenses decreased by 2.6%, down EUR 8 million from a year ago. The figure a year ago included EUR 8.7 million in operating expenses of the sold Baltic business. The operating cost ratio (including indirect loss adjustment expenses) was 26.5% (26.9).

## Investment

### Investment income

| € million  | Q1–3/2019  | Q1–3/2018 |
|--|------------|-----------|
| At fair value through other comprehensive income | 64         | 29        |
| At fair value through profit or loss             | 82         | 33        |
| Amortised cost                                   | 1          | 2         |
| Non-life insurance items                         | -21        | -21       |
| Associated companies                             | 1          | 1         |
| <b>Net investment income</b>                     | <b>128</b> | <b>44</b> |
| Temporary exemption (overlay approach)           | -48        | -13       |
| <b>Total</b>                                     | <b>80</b>  | <b>31</b> |

### Non-life insurance: key investment indicators

| € million   | Q1–3/2019   | Q1–3/2018   |
|---|-------------|-------------|
| Net return on investments at fair value, € million* | 50          | 48          |
| Return on investments at fair value, %              | 9.5         | 0.9         |
| Fixed-income investments' running yield, %          | 1.4         | 1.5         |
|   | 30 Sep 2019 | 31 Dec 2018 |
| Investment portfolio, € million                     | 3,877       | 3,730       |
| Investments within the investment grade category, % | 91          | 94          |
| A-rated receivables, minimum, %                     | 59          | 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 –36 million (–21). Earnings were eroded by both net interest income and net investment income.
- Wholesale funding and liquidity costs decreased net interest income.
- Liquidity and access to funding remained good.

### Key figures and ratios

| € million  | Q1–3/2019  | Q1–3/2018  | Change, %   | Q1–4/2018  |
|--|------------|------------|-------------|------------|
| Net interest income  | -52        | -39        | -           | -54        |
| Net commissions and fees   | -1         | -1         | -           | -1         |
| Net investment income  | 24         | 27         | -10.4       | 27         |
| Other operating income   | 5          | 5          | 11.7        | 6          |
| <b>Total income</b>  | <b>-23</b> | <b>-8</b>  | <b>-</b>    | <b>-21</b> |
| Personnel costs  | 1          | 3          | -76.4       | 5          |
| Other expenses   | 12         | 9          | 22.3        | 14         |
| <b>Total expenses</b>  | <b>12</b>  | <b>13</b>  | <b>-3.8</b> | <b>20</b>  |
| Impairment loss on receivables   | 0          | 0          | -           | -1         |
| <b>Earnings before tax</b>   | <b>-36</b> | <b>-21</b> | <b>-</b>    | <b>-42</b> |
| Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion | -2.1       | -1.2       | -           | -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 –36 million (–21). Earnings before tax at fair value were EUR –26 million (–74).

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

Net investment income totalled EUR 24 million (27). The earnings effect of EUR 14 million arising from early repayment in September of TLTRO II funding and the discontinuance of related fair value hedge accounting improved net income from

financial assets held for sale included in net investment income. The Group made related early repayment of EUR 2 billion. Net investment income included EUR 6 million (20) in capital gains on notes and bonds and EUR 0 million (5) 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 1.0 billion between January and September. 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 September 2019, the average margin of senior wholesale funding and TLTRO-II funding was 17 basis points (14).

On 30 September 2019, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 2.1 billion higher than funding borrowed by them from Group Treasury. The change in the net position was mainly due to OP Mortgage Bank's covered bond funding which results in higher volumes of OP cooperative banks' investments in Group Treasury than before.

## Group restructuring

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 Finnish Financial Supervisory Authority approved the merger plan on 17 September 2019. The planned date for registration of the merger is 31 October 2019.

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.

The planned merger of OP Corporate Bank plc and Checkout Finland Oy has been cancelled.

## 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.

### Personnel at period end

|                   | 30 Sep 2019  | 31 Dec 2018  |
|-------------------|--------------|--------------|
| Corporate Banking | 692          | 679          |
| Insurance         | 1,961        | 1,791        |
| Other Operations  | 29           | 36           |
| <b>Total</b>      | <b>2,682</b> | <b>2,507</b> |

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 | Q1-3<br>2019 | Q1-3<br>2018 | Q3<br>2019 | Q3<br>2018 |
|--|------|--------------|--------------|------------|------------|
| Net interest income                      | 3    | 211          | 202          | 74         | 68         |
| Net insurance income                     | 4    | 399          | 421          | 131        | 148        |
| Net commissions and fees                 | 5    | -17          | -12          | -2         | -6         |
| Net investment income                    | 6    | 224          | 201          | 73         | 63         |
| Other operating income                   |      | 38           | 36           | 8          | 20         |
| <b>Total income</b>                      |      | <b>854</b>   | <b>848</b>   | <b>286</b> | <b>294</b> |
| Personnel costs                          |      | 138          | 138          | 41         | 42         |
| Depreciation/amortisation                |      | 37           | 52           | 12         | 17         |
| Other expenses                           | 7    | 287          | 267          | 88         | 87         |
| <b>Total expenses</b>                    |      | <b>462</b>   | <b>457</b>   | <b>141</b> | <b>146</b> |
| Impairment of receivables                | 8    | -11          | -6           | 3          | -11        |
| OP bonuses to owner-customers            |      | -3           | -1           | -1         | -1         |
| Temporary exemption (overlay approach)   |      | -48          | -13          | -3         | -9         |
| <b>Earnings before tax</b>               |      | <b>331</b>   | <b>370</b>   | <b>143</b> | <b>127</b> |
| Income tax expense                       |      | 64           | 67           | 30         | 20         |
| <b>Profit for the period</b>             |      | <b>267</b>   | <b>303</b>   | <b>113</b> | <b>107</b> |
| <b>Attributable to:</b>                  |      |              |              |            |            |
| Attributable to owners of the Parent     |      | 261          | 296          | 109        | 103        |
| Attributable to non-controlling interest |      | 6            | 7            | 4          | 3          |
| <b>Profit for the period</b>             |      | <b>267</b>   | <b>303</b>   | <b>113</b> | <b>107</b> |

## Consolidated statement of comprehensive income

| EUR million   | Q1-3<br>2019 | Q1-3<br>2018 | Q3<br>2019 | Q3<br>2018 |
|---|--------------|--------------|------------|------------|
| <b>Profit for the period</b>  | <b>267</b>   | <b>303</b>   | <b>113</b> | <b>107</b> |
| Items that will not be reclassified to profit or loss               |              |              |            |            |
| Gains/(losses) arising from remeasurement of defined benefit plans  | -15          | 22           | -2         | 14         |
| Items that may be reclassified to profit or loss                    |              |              |            |            |
| Change in fair value reserve  |              |              |            |            |
| Measurement at fair value   | 88           | -73          | -2         | -14        |
| Cash flow hedge   | -1           | -4           | 0          | -2         |
| Temporary exemption (overlay approach)                              | 48           | 13           | 3          | 9          |
| Translation differences   | 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            | -4           | 0          | -3         |
| Items that may be reclassified to profit or loss                    |              |              |            |            |
| Measurement at fair value   | -18          | 15           | 0          | 3          |
| Cash flow hedge   | 0            | 1            | 0          | 0          |
| Temporary exemption (overlay approach)                              | -10          | -3           | -1         | -2         |
| <b>Total comprehensive income for the period</b>                    | <b>363</b>   | <b>270</b>   | <b>112</b> | <b>113</b> |
| <b>Attributable to:</b>   |              |              |            |            |
| Total comprehensive income attributable to owners of the Parent     | 357          | 263          | 109        | 109        |
| Total comprehensive income attributable to non-controlling interest | 6            | 7            | 4          | 3          |
| <b>Total comprehensive income for the period</b>                    | <b>363</b>   | <b>270</b>   | <b>112</b> | <b>113</b> |

## Consolidated balance sheet

| <b>EUR million</b>   | <b>Note</b> | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
|--|-------------|------------------------|------------------------|
| Cash and cash equivalents  |             | 8,720                  | 12,239                 |
| Receivables from credit institutions                             |             | 10,310                 | 9,726                  |
| Derivative contracts   | 16          | 5,817                  | 3,663                  |
| Receivables from customers                                       | 18          | 23,770                 | 22,351                 |
| Investment assets  |             | 17,700                 | 16,353                 |
| Intangible assets  |             | 718                    | 722                    |
| Property, plant and equipment (PPE)                              |             | 119                    | 117                    |
| Other assets   |             | 2,242                  | 1,489                  |
| Tax assets   |             | 73                     | 65                     |
| <b>Total assets</b>  |             | <b>69,469</b>          | <b>66,725</b>          |
| Liabilities to credit institutions                               |             | 15,054                 | 15,575                 |
| Derivative contracts   |             | 4,779                  | 3,287                  |
| Liabilities to customers   |             | 14,259                 | 16,422                 |
| Insurance liabilities  | 9           | 3,421                  | 3,157                  |
| Debt securities issued to the public                             | 10          | 22,202                 | 20,338                 |
| Provisions and other liabilities                                 |             | 3,504                  | 1,897                  |
| Tax liabilities  |             | 450                    | 421                    |
| Subordinated liabilities   |             | 1,470                  | 1,482                  |
| <b>Total liabilities</b>   |             | <b>65,139</b>          | <b>62,577</b>          |
| <b>Equity capital</b>  |             |                        |                        |
| <b>Capital and reserves attributable to owners of the parent</b> |             |                        |                        |
| Share capital  |             | 428                    | 428                    |
| Fair value reserve   | 11          | 96                     | -12                    |
| Other reserves   |             | 1,093                  | 1,093                  |
| Retained earnings  |             | 2,636                  | 2,559                  |
| <b>Non-controlling interest</b>                                  |             | <b>78</b>              | <b>80</b>              |
| <b>Total equity capital</b>                                      |             | <b>4,330</b>           | <b>4,147</b>           |
| <b>Total liabilities and equity capital</b>                      |             | <b>69,469</b>          | <b>66,725</b>          |

## Consolidated statement of changes in equity

| EUR million                               | Attributable to owners |                    |                |                   |              | Non-controlling interests | Total equity |
|---|------------------------|--------------------|----------------|-------------------|--------------|---------------------------|--------------|
|   | Share capital          | Fair value reserve | Other reserves | Retained earnings | Total        |                           |              |
| <b>Balance at 1 January 2019</b>          | <b>428</b>             | <b>-12</b>         | <b>1,093</b>   | <b>2,559</b>      | <b>4,067</b> | <b>80</b>                 | <b>4,147</b> |
| Total comprehensive income for the period |                        | 108                |                | 249               | 357          | 6                         | 363          |
| Profit for the period                     |                        |                    |                | 261               | 261          | 6                         | 267          |
| Other comprehensive income                |                        | 108                |                | -12               | 96           |                           | 96           |
| Profit distribution                       |                        |                    |                | -173              | -173         | -8                        | -180         |
| Other                                     |                        |                    | 0              | 0                 | 0            | 0                         | 0            |
| <b>Balance at 30 September 2019</b>       | <b>428</b>             | <b>96</b>          | <b>1,093</b>   | <b>2,636</b>      | <b>4,252</b> | <b>78</b>                 | <b>4,330</b> |

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

## Consolidated cash flow statement

|   | Q1-3          | Q1-3          |
|---|---------------|---------------|
| EUR million   | 2019          | 2018          |
| <b>Cash flow from operating activities</b>                        |               |               |
| Profit for the period   | 267           | 303           |
| Adjustments to profit for the period                              | -59           | 56            |
| <b>Increase (-) or decrease (+) in operating assets</b>           | <b>-2,978</b> | <b>-1,685</b> |
| Receivables from credit institutions                              | 199           | 199           |
| Derivative contracts  | -39           | -65           |
| Receivables from customers  | -1,393        | -1,675        |
| Investment assets   | -806          | -209          |
| Other assets  | -940          | 65            |
| <b>Increase (+) or decrease (-) in operating liabilities</b>      | <b>-1,175</b> | <b>-1,271</b> |
| Liabilities to credit institutions                                | -815          | -123          |
| Derivative contracts  | 18            | -4            |
| Liabilities to customers  | -2,163        | -1,045        |
| Insurance liabilities   | 193           | 20            |
| Provisions and other liabilities                                  | 1,593         | -120          |
| Income tax paid   | -66           | -57           |
| Dividends received  | 23            | 33            |
| <b>A. Net cash from operating activities</b>                      | <b>-3,988</b> | <b>-2,620</b> |
| <b>Cash flow from investing activities</b>                        |               |               |
| Disposal of subsidiaries, net of cash disposed                    |               | 67            |
| Purchase of PPE and intangible assets                             | -28           | -36           |
| Proceeds from sale of PPE and intangible assets                   | 1             | 1             |
| <b>B. Net cash used in investing activities</b>                   | <b>-27</b>    | <b>32</b>     |
| <b>Cash flow from financing activities</b>                        |               |               |
| Decreases in subordinated liabilities                             |               | -50           |
| Increases in debt securities issued to the public                 | 21,935        | 20,704        |
| Decreases in debt securities issued to the public                 | -20,481       | -18,292       |
| Dividends paid  | -173          | -211          |
| <b>C. Net cash provided by (used in) financing activities</b>     | <b>1,281</b>  | <b>2,151</b>  |
| <b>Net increase/decrease in cash and cash equivalents (A+B+C)</b> | <b>-2,735</b> | <b>-437</b>   |
| <b>Cash and cash equivalents at year-start</b>                    | <b>13,355</b> | <b>13,575</b> |
| <b>Cash and cash equivalents at year-end</b>                      | <b>10,620</b> | <b>13,138</b> |
| <b>Interest received</b>  | <b>818</b>    | <b>909</b>    |
| <b>Interest paid</b>  | <b>-613</b>   | <b>-724</b>   |
| <b>Cash and cash equivalents</b>                                  |               |               |
| Liquid assets   | 8,720         | 12,669        |
| Receivables from financial institutions payable on demand         | 1,900         | 469           |
| <b>Total</b>  | <b>10,620</b> | <b>13,138</b> |

## 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.

| <b>Q1–3 earnings 2019, EUR million</b>             | <b>Corporate<br/>Banking</b> | <b>Insurance</b> | <b>Other<br/>operations</b> | <b>Group<br/>eliminations</b> | <b>Group<br/>total</b> |
|--|------------------------------|------------------|-----------------------------|-------------------------------|------------------------|
| Net interest income                                | 281                          | -15              | -52                         | -4                            | 211                    |
| - of which internal net income before tax          | -5                           | -10              | 15                          |                               |                        |
| Net insurance income                               |                              | 399              |                             | 0                             | 399                    |
| Net commissions and fees                           | 7                            | -22              | -1                          | -1                            | -17                    |
| Net investment income                              | 71                           | 128              | 24                          | 1                             | 224                    |
| Other operating income                             | 20                           | 14               | 5                           | -2                            | 38                     |
| <b>Total income</b>                                | <b>379</b>                   | <b>505</b>       | <b>-23</b>                  | <b>-6</b>                     | <b>854</b>             |
| Personnel costs                                    | 42                           | 94               | 1                           | 0                             | 138                    |
| Depreciation/amortisation<br>and impairment losses | 11                           | 25               | 1                           | 0                             | 37                     |
| Other operating expenses                           | 112                          | 171              | 11                          | -6                            | 287                    |
| <b>Total expenses</b>                              | <b>165</b>                   | <b>290</b>       | <b>12</b>                   | <b>-6</b>                     | <b>462</b>             |
| Impairments loss on receivables                    | -11                          | 0                | 0                           |                               | -11                    |
| OP bonuses to owner-customers                      | -2                           | -2               |                             |                               | -3                     |
| Temporary exemption (overlay approach)             |                              | -48              |                             |                               | -48                    |
| <b>Earnings before tax</b>                         | <b>201</b>                   | <b>166</b>       | <b>-36</b>                  |                               | <b>331</b>             |

| <b>Q1–3 earnings 2018, EUR million</b>             | <b>Corporate<br/>Banking</b> | <b>Insurance</b> | <b>Other<br/>operations</b> | <b>Group<br/>eliminations</b> | <b>Group<br/>total</b> |
|--|------------------------------|------------------|-----------------------------|-------------------------------|------------------------|
| Net interest income                                | 257                          | -14              | -39                         | -3                            | 202                    |
| - of which internal net income before tax          | -2                           | -9               | 11                          |                               |                        |
| Net insurance income                               |                              | 422              |                             | -1                            | 421                    |
| Net commissions and fees                           | 21                           | -31              | -1                          | -1                            | -12                    |
| Net investment income                              | 129                          | 44               | 27                          | 1                             | 201                    |
| Other operating income                             | 12                           | 21               | 5                           | -1                            | 36                     |
| <b>Total income</b>                                | <b>419</b>                   | <b>442</b>       | <b>-8</b>                   | <b>-5</b>                     | <b>848</b>             |
| Personnel costs                                    | 48                           | 87               | 3                           | 0                             | 138                    |
| Depreciation/amortisation<br>and impairment losses | 9                            | 42               | 1                           | 0                             | 52                     |
| Other operating expenses                           | 95                           | 169              | 9                           | -5                            | 267                    |
| <b>Total expenses</b>                              | <b>152</b>                   | <b>298</b>       | <b>13</b>                   | <b>-5</b>                     | <b>457</b>             |
| Impairments loss on receivables                    | -6                           | 0                | 0                           |                               | -6                     |
| OP bonuses to owner-customers                      |                              | -1               |                             |                               | -1                     |
| Temporary exemption (overlay approach)             |                              | -13              |                             |                               | -13                    |
| <b>Earnings before tax</b>                         | <b>262</b>                   | <b>129</b>       | <b>-21</b>                  |                               | <b>370</b>             |

| <b>Balance sheet 30 September 2019,<br/>EUR million</b> | <b>Corporate<br/>Banking</b> | <b>Insurance</b> | <b>Other<br/>operations</b> | <b>Group<br/>eliminations</b> | <b>Group<br/>total</b> |
|---|------------------------------|------------------|-----------------------------|-------------------------------|------------------------|
| Cash and cash equivalents                               | 19                           | 384              | 8,697                       | -380                          | 8,720                  |
| Receivables from credit institutions                    | 111                          | 17               | 10,222                      | -40                           | 10,310                 |
| Derivative contracts                                    | 5,300                        | 194              | 338                         | -15                           | 5,817                  |
| Receivables from customers                              | 24,556                       | 0                | 55                          | -840                          | 23,770                 |
| Investment assets                                       | 1,176                        | 3,962            | 12,596                      | -34                           | 17,700                 |
| Intangible assets                                       | 46                           | 653              | 19                          |                               | 718                    |
| Property, plant and equipment (PPE)                     | 2                            | 115              | 2                           |                               | 119                    |
| Other assets  | 421                          | 1,128            | 705                         | -13                           | 2,242                  |
| Tax assets  | 0                            | 14               | 59                          |                               | 73                     |
| <b>Total assets</b>                                     | <b>31,631</b>                | <b>6,467</b>     | <b>32,693</b>               | <b>-1,322</b>                 | <b>69,469</b>          |
| Liabilities to credit institutions                      | 800                          |                  | 15,094                      | -840                          | 15,054                 |
| Derivative contracts                                    | 4,519                        | 24               | 257                         | -21                           | 4,779                  |
| Liabilities to customers                                | 10,252                       | 136              | 4,290                       | -420                          | 14,259                 |
| Insurance liabilities                                   |                              | 3,421            |                             |                               | 3,421                  |
| Debt securities issued to the public                    | 1,215                        |                  | 21,020                      | -33                           | 22,202                 |
| Provisions and other liabilities                        | 1,451                        | 1,087            | 973                         | -7                            | 3,504                  |
| Tax liabilities   | 1                            | 96               | 352                         | 0                             | 450                    |
| Subordinated liabilities                                | 9                            | 135              | 1,326                       |                               | 1,470                  |
| <b>Total liabilities</b>                                | <b>18,248</b>                | <b>4,899</b>     | <b>43,314</b>               | <b>-1,322</b>                 | <b>65,139</b>          |
| <b>Equity</b>   |                              |                  |                             |                               | <b>4,330</b>           |

| <b>Balance sheet 31 December 2018,<br/>EUR million</b> | <b>Corporate<br/>Banking</b> | <b>Insurance</b> | <b>Other<br/>operations</b> | <b>Group<br/>eliminations</b> | <b>Group<br/>total</b> |
|--|------------------------------|------------------|-----------------------------|-------------------------------|------------------------|
| 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                          |                               | 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                          |                               | 65                     |
| <b>Total assets</b>                                    | <b>27,341</b>                | <b>5,451</b>     | <b>35,092</b>               | <b>-1,159</b>                 | <b>66,725</b>          |
| 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                  |
| <b>Total liabilities</b>                               | <b>16,670</b>                | <b>4,067</b>     | <b>43,000</b>               | <b>-1,159</b>                 | <b>62,577</b>          |
| <b>Equity</b>  |                              |                  |                             |                               | <b>4,147</b>           |

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

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

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

### Changes in presentation

Interest income and expenses of held-for-trading notes and bonds and derivatives previously presented in net interest income have been presented in net investment income since 1 January 2019. The change has been made retrospectively. Net interest totalling EUR 9 million was transferred from net interest income for Q1–3/2018 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, the Group 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 September 2019, the right-of-use asset amounted to EUR 6 million.

### New segments as of 1 January 2019

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

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

#### Corporate Banking

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



interest income, commissions and fees, and net investment income. Expenses mainly come from personnel and ICT costs. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

#### Insurance

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

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

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

#### Other Operations

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

#### Segment accounting policies

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

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

## Note 2 Formulas for key figures and ratios

|  | Q1-3/2019 | Q1-3/2018 |
|--|-----------|-----------|
| Return on equity, %  | 8.4       | 9.8       |
| Return on equity at fair value, %                                      | 11.6      | 6.5       |
| Return on assets, %  | 0.5       | 0.6       |
| Cost/income ratio, %   | 54.0      | 54.8      |
| Ratio of non-performing receivables to loan and guarantee portfolio, % | 0.5       | 0.4       |
| Average personnel  | 2,708     | 2,681     |

### 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.

|   |  |
|---|--|
| <b>Return on equity (ROE), %</b>  | $\frac{\text{Profit for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$   |
| <b>Return on equity (ROE) at fair value, %</b>                                | $\frac{\text{Total comprehensive income for the period}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$                           |
| <b>Return on equity (ROE) excluding OP bonuses, %</b>                         | $\frac{\text{Profit for the period} + \text{OP bonuses after tax}}{\text{Equity capital (average of the beginning and end of the period)}} \times 100$                 |
| <b>Return on assets (ROA), %</b>  | $\frac{\text{Profit for the period}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$                                  |
| <b>Return on assets (ROA) excluding OP bonuses, %</b>                         | $\frac{\text{Profit for the period} + \text{OP bonuses after tax}}{\text{Average balance sheet total (average of the beginning and end of the period)}} \times 100$    |
| <b>Cost/income ratio, %</b>   | $\frac{\text{Total expenses}}{\text{Total income}} \times 100$   |
| <b>Ratio of non-performing receivables to loan and guarantee portfolio, %</b> | $\frac{\text{Non-performing receivables (net)}}{\text{Loan and guarantee portfolio at period end}} \times 100$   |
| <b>Coverage ratio, %</b>  | $\frac{\text{Loss allowance}}{\text{Receivables from customers (on-balance-sheet and off-balance-sheet items)}} \times 100$  |
| <b>Non-life Insurance indicators</b>  |  |
| <b>Operating loss ratio, %</b>  | $\frac{\text{Claims incurred, excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$                   |
| <b>Operating expense ratio, %</b>   | $\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$  |
| <b>Operating combined ratio, %</b>  | Operating loss ratio + operating expense ratio<br>Operating risk ratio + operating cost ratio  |
| <b>Operating risk ratio (excl. unwinding of discount), %</b>                  | $\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$ |
| <b>Operating cost ratio</b>   | $\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$                      |

## INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

|  |   |
|--|---|
| <b>Capital adequacy ratio, %</b>               | $\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$   |
| <b>Tier 1 ratio, %</b>                         | $\frac{\text{Total Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$  |
| <b>CET1 ratio, %</b>                           | $\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$  |
| <b>Solvency ratio, %</b>                       | $\frac{\text{Capital base}}{\text{Capital requirement (SCR)}} \times 100$   |
| <b>Leverage ratio, %</b>                       | $\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$  |
| <b>Liquidity coverage requirement (LCR), %</b> | $\frac{\text{Liquid assets}}{\text{Liquidity outflows - liquidity inflows under stressed conditions}} \times 100$           |
| <b>Return on economic capital, %</b>           | $\frac{\text{Profit for the period + OP bonuses after tax (12-month rolling)}}{\text{Average economic capital}} \times 100$ |
| <b>Net stable funding ratio (NSFR), %</b>      | $\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$   |

## NON-LIFE INSURANCE OPERATING RESULTS

| EUR million                                  | Q1-3/2019  | Q1-3/2018  | Change, %   | Q1-4/2018  |
|--|------------|------------|-------------|------------|
| Insurance premium revenue                    | 1,106      | 1,106      | 0.0         | 1,465      |
| Claims incurred                              | -722       | -704       | 2.6         | -945       |
| Operating expenses                           | -293       | -297       | -1.4        | -401       |
| Amortisation adjustment of intangible assets |            | -16        |             | -18        |
| <b>Balance on technical account</b>          | <b>91</b>  | <b>89</b>  | <b>1.8</b>  | <b>100</b> |
| Net investment income                        | 128        | 44         |             | 9          |
| Other income and expenses                    | -5         | 10         |             | -8         |
| Temporary exemption (overlay approach)       | -48        | -13        |             | 19         |
| <b>Earnings before tax</b>                   | <b>166</b> | <b>129</b> | <b>28.0</b> | <b>120</b> |

The ratios 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  | Q1-3<br>2019 | Q1-3<br>2018 | Q3<br>2019 | Q3<br>2018 |
|--|--------------|--------------|------------|------------|
| <b>Interest income</b>   |              |              |            |            |
| Receivables from credit institutions   |              |              |            |            |
| Interest   | 12           | 18           | 4          | 5          |
| Negative interest  | 10           | 10           | 3          | 3          |
| Total  | 22           | 28           | 7          | 9          |
| Receivables from customers   |              |              |            |            |
| Loans  | 254          | 233          | 88         | 79         |
| Finance lease receivables  | 24           | 19           | 9          | 6          |
| Impaired loans and other commitments   | 0            | 0            | 0          | 0          |
| Negative interest  | 10           | 10           | 3          | 4          |
| Total  | 288          | 263          | 100        | 90         |
| Notes and bonds  |              |              |            |            |
| Measured at fair value through profit or loss                                  | 1            | 1            | 0          | 0          |
| At fair value through other comprehensive income                               | 62           | 67           | 20         | 22         |
| Amortised cost   | 0            | 0            | 0          |            |
| Total  | 63           | 68           | 20         | 22         |
| Derivative contracts   |              |              |            |            |
| Fair value hedge   | -79          | -82          | -27        | -27        |
| Cash flow hedge  | 0            | 2            |            | 1          |
| Ineffective portion of cash flow hedge   | 0            | 0            |            | 0          |
| Other  | 4            | 5            | 1          | 1          |
| Total  | -75          | -74          | -25        | -25        |
| Other  | 3            | 2            | 1          | 1          |
| <b>Total</b>   | <b>301</b>   | <b>287</b>   | <b>103</b> | <b>97</b>  |
| <b>Interest expenses</b>   |              |              |            |            |
| Liabilities to credit institutions   |              |              |            |            |
| Interest   | 68           | 49           | 23         | 17         |
| Negative interest  | 51           | 52           | 16         | 18         |
| Total  | 119          | 101          | 39         | 35         |
| Liabilities to customers   | 9            | 0            | 1          | 0          |
| Debt securities issued to the public   | 128          | 108          | 43         | 38         |
| Subordinated liabilities   |              |              |            |            |
| Subordinated loans   | 3            | 4            | 1          | 1          |
| Other  | 34           | 33           | 11         | 11         |
| Total  | 37           | 37           | 12         | 12         |
| Derivative contracts   |              |              |            |            |
| Cash flow hedge  | -121         | -99          | -43        | -33        |
| Other  | -87          | -64          | -27        | -25        |
| Total  | -208         | -164         | -70        | -58        |
| Other  | 3            | 2            | 1          | 1          |
| <b>Total</b>   | <b>89</b>    | <b>85</b>    | <b>27</b>  | <b>29</b>  |
| <b>Net interest income before fair value adjustment under hedge accounting</b> | <b>212</b>   | <b>202</b>   | <b>76</b>  | <b>68</b>  |
| Hedging derivatives  | 34           | 4            | 12         | -5         |
| Value changes of hedged items  | -35          | -4           | -14        | 5          |
| <b>Total</b>   | <b>211</b>   | <b>202</b>   | <b>74</b>  | <b>68</b>  |

## Note 4 Net insurance income

|  | Q1-3         | Q1-3         | Q3          | Q3          |
|--|--------------|--------------|-------------|-------------|
| EUR million                                | 2019         | 2018         | 2019        | 2018        |
| Net insurance premium revenue              |              |              |             |             |
| Premiums written                           | 1,230        | 1,224        | 284         | 282         |
| Insurance premiums ceded to reinsurers     | 1            | 0            | 1           | 0           |
| Change in provision for unearned premiums  | -132         | -122         | 104         | 101         |
| Reinsurers' share                          | 7            | 5            | -9          | -10         |
| <b>Total</b>                               | <b>1,106</b> | <b>1,107</b> | <b>380</b>  | <b>374</b>  |
| Net Non-life Insurance claims              |              |              |             |             |
| Claims paid                                | -775         | -690         | -253        | -224        |
| Insurance claims recovered from reinsurers | 17           | 21           | 6           | 6           |
| Change in provision for unpaid claims      | 46           | -12          | -10         | -7          |
| Reinsurers' share                          | 9            | -1           | 9           | 1           |
| <b>Total</b>                               | <b>-704</b>  | <b>-683</b>  | <b>-248</b> | <b>-225</b> |
| Other Non-life Insurance items             | -3           | -2           | -1          | -1          |
| <b>Total</b>                               | <b>399</b>   | <b>421</b>   | <b>131</b>  | <b>148</b>  |

## Note 5 Net commissions and fees

| Q1–3/2019, EUR million                | Corporate<br>Banking | Insurance  | Other<br>operations | Group<br>eliminations | Group<br>total | Q3/2019   |
|---------------------------------------|----------------------|------------|---------------------|-----------------------|----------------|-----------|
| <b>Commission income</b>              |                      |            |                     |                       |                |           |
| Lending                               | 34                   | 0          | 0                   | -1                    | 34             | 13        |
| Deposits                              | 1                    |            | 0                   | 0                     | 1              | 0         |
| Payment transfers                     | 18                   |            | 0                   | -1                    | 17             | 6         |
| Securities brokerage                  | 15                   |            | 0                   |                       | 15             | 4         |
| Securities issuance                   | 4                    |            | 0                   | 0                     | 4              | 0         |
| Mutual funds                          | 0                    |            | 0                   | 0                     | 0              | 0         |
| Asset management                      | 9                    |            |                     | 0                     | 9              | 3         |
| Legal services                        | 0                    |            |                     |                       | 0              | 0         |
| Guarantees                            | 10                   |            | 0                   | 0                     | 10             | 3         |
| Insurance brokerage                   |                      | 10         |                     |                       | 10             | 3         |
| Health and wellbeing services         |                      | 18         |                     | 0                     | 18             | 7         |
| Other                                 | 11                   |            | 0                   | 0                     | 11             | 3         |
| <b>Total commission income</b>        | <b>102</b>           | <b>28</b>  | <b>0</b>            | <b>-2</b>             | <b>128</b>     | <b>44</b> |
| <b>Commission expenses</b>            |                      |            |                     |                       |                |           |
| Payment transfers                     | 1                    | 1          | 0                   | -1                    | 1              | 1         |
| Securities brokerage                  | 5                    |            |                     |                       | 5              | 2         |
| Securities issuance                   | 2                    |            | 1                   | 0                     | 2              | 0         |
| Asset management                      | 2                    | 0          | 1                   | 0                     | 3              | 1         |
| Insurance operations                  |                      | 42         |                     |                       | 42             | 13        |
| Health and wellbeing services         |                      | 7          |                     |                       | 7              | 1         |
| Other*                                | 84                   | 0          | 0                   | 0                     | 84             | 29        |
| <b>Total commission expenses</b>      | <b>94</b>            | <b>50</b>  | <b>2</b>            | <b>-1</b>             | <b>145</b>     | <b>46</b> |
| <b>Total net commissions and fees</b> | <b>7</b>             | <b>-22</b> | <b>-1</b>           | <b>-1</b>             | <b>-17</b>     | <b>-2</b> |

\* The item includes EUR 79 million in commission expenses paid to member banks arising from derivatives trading. In July–September, commissions paid totalled EUR 27 million.

| Q1-3/2018, EUR million                | Corporate<br>Banking | Insurance  | Other<br>operations | Group<br>eliminations | Group<br>total | Q3/2018   |
|---------------------------------------|----------------------|------------|---------------------|-----------------------|----------------|-----------|
| <b>Commission income</b>              |                      |            |                     |                       |                |           |
| Lending                               | 33                   | 0          | 0                   | 0                     | 32             | 10        |
| Deposits                              | 1                    |            | 0                   | 0                     | 1              | 0         |
| Payment transfers                     | 16                   |            | 0                   | -1                    | 16             | 5         |
| Securities brokerage                  | 11                   |            |                     |                       | 11             | 3         |
| Securities issuance                   | 7                    |            | 1                   | 0                     | 8              | 1         |
| Mutual funds                          | 0                    |            | 0                   | 0                     | 0              | 0         |
| Asset management                      | 10                   |            | 0                   | 0                     | 9              | 3         |
| Legal services                        | 0                    |            | 0                   | 0                     | 0              | 0         |
| Guarantees                            | 9                    |            | 0                   | 0                     | 9              | 3         |
| Insurance brokerage                   |                      | 9          |                     |                       | 9              | 3         |
| Health and wellbeing services         |                      | 14         |                     | 0                     | 13             | 5         |
| Other                                 | 9                    |            | 0                   | 0                     | 9              | 3         |
| <b>Total commission income</b>        | <b>96</b>            | <b>22</b>  | <b>1</b>            | <b>-1</b>             | <b>118</b>     | <b>37</b> |
| <b>Commission expenses</b>            |                      |            |                     |                       |                |           |
| Payment transfers                     | 1                    | 1          | 0                   | -1                    | 1              | 0         |
| Securities brokerage                  | 5                    |            |                     |                       | 5              | 1         |
| Securities issuance                   | 0                    |            | 0                   | 0                     | 1              | 0         |
| Asset management                      | 2                    | 0          | 1                   | 0                     | 3              | 1         |
| Insurance operations                  |                      | 47         |                     |                       | 47             | 14        |
| Health and wellbeing services         |                      | 5          |                     |                       | 5              | 2         |
| Other*                                | 68                   | 0          | 0                   | 0                     | 68             | 24        |
| <b>Total commission expenses</b>      | <b>76</b>            | <b>53</b>  | <b>2</b>            | <b>-1</b>             | <b>130</b>     | <b>43</b> |
| <b>Total net commissions and fees</b> | <b>21</b>            | <b>-31</b> | <b>-1</b>           | <b>-1</b>             | <b>-12</b>     | <b>-6</b> |

\* The item includes EUR 63 million in commission expenses paid to member banks arising from derivatives trading. In July-September, commissions paid totalled EUR 22 million.

## Note 6 Net investment income

| EUR million  | Q1-3<br>2019 | Q1-3<br>2018 | Q3<br>2019 | Q3<br>2018 |
|--|--------------|--------------|------------|------------|
| <b>Net Income from assets at fair value through other comprehensive income</b> |              |              |            |            |
| Notes and bonds  |              |              |            |            |
| Interest income  | 28           | 26           | 9          | 9          |
| Other income and expenses  | -4           | 2            | -2         | 0          |
| Capital gains and losses   | 35           | 23           | 17         | 2          |
| Currency fair value gains and losses   | 10           | 6            | 9          | 1          |
| Impairment losses and their reversal*  | 1            | -2           | -1         | -1         |
| Total  | 70           | 55           | 32         | 11         |
| <b>Total</b>   | <b>70</b>    | <b>55</b>    | <b>32</b>  | <b>11</b>  |
| <b>Net income recognised at fair value through profit or loss</b>              |              |              |            |            |
| Financial assets held for trading  |              |              |            |            |
| Notes and bonds  |              |              |            |            |
| Fair value gains and losses  | 7            | -2           | 2          | -1         |
| Interest income and expenses   | 4            | 5            | 1          | 2          |
| Total  | 11           | 3            | 3          | 1          |
| Shares and participations  |              |              |            |            |
| Fair value gains and losses  | 1            | 5            | 0          | 3          |
| Dividend income  | 1            | 2            | 1          | 0          |
| Total  | 2            | 7            | 1          | 3          |
| Derivatives  |              |              |            |            |
| Fair value gains and losses  | 64           | 98           | 20         | 39         |
| Interest income and expenses   | 4            | -3           | 0          | -4         |
| Total  | 67           | 95           | 20         | 35         |
| Total  | 79           | 105          | 24         | 40         |
| Financial assets that shall be measured at fair value through profit or loss   |              |              |            |            |
| Notes and bonds  |              |              |            |            |
| Interest income  | 2            | 1            | 1          | 0          |
| Fair value gains and losses  | 1            | 0            | 1          | 1          |
| Total  | 3            | 1            | 1          | 1          |
| Shares and participations  |              |              |            |            |
| Fair value gains and losses  | 55           | 20           | 7          | 3          |
| Dividend income  | 22           | 25           | 9          | 12         |
| Total  | 77           | 46           | 16         | 15         |
| Total  | 80           | 47           | 17         | 16         |
| Financial assets designated as at fair value through profit or loss            |              |              |            |            |
| Notes and bonds  |              |              |            |            |
| Interest income  |              |              |            | -1         |
| Fair value gains and losses  |              |              |            | 0          |
| Total  |              |              |            | -1         |
| Total  |              |              |            | -1         |
| <b>Total net income recognised at fair value through profit or loss</b>        | <b>160</b>   | <b>152</b>   | <b>41</b>  | <b>55</b>  |



|   |            |            |           |           |
|---|------------|------------|-----------|-----------|
| <b>Net Income from investment property</b>                              |            |            |           |           |
| Rental income   | 20         | 19         | 6         | 7         |
| Fair value gains and losses   | 8          | 6          | 3         | 3         |
| Maintenance charges and expenses  | -14        | -13        | -3        | -4        |
| Other   | -3         | -2         | -1        | -1        |
| <b>Net Income from investment property total</b>                        | <b>12</b>  | <b>11</b>  | <b>5</b>  | <b>4</b>  |
| <b>Net Income from loans and receivables measured at amortised cost</b> |            |            |           |           |
| <b>Loans and receivables</b>  |            |            |           |           |
| Interest income   | 4          | 4          | 1         | 1         |
| Interest expenses   | -1         | -1         | 0         | 0         |
| Impairment losses and their reversal                                    | -1         | 0          | 0         | -1        |
| <b>Loans and receivables total</b>                                      | <b>2</b>   | <b>3</b>   | <b>1</b>  | <b>0</b>  |
| <b>Non-life Insurance</b>   |            |            |           |           |
| Unwinding of discount, Non-life Insurance                               | -21        | -21        | -7        | -7        |
| <b>Associates</b>   |            |            |           |           |
| Consolidated using the equity method                                    | 1          | 1          | 1         | 0         |
| <b>Total</b>  | <b>1</b>   | <b>1</b>   | <b>1</b>  | <b>0</b>  |
| <b>Total net investment income</b>                                      | <b>224</b> | <b>201</b> | <b>73</b> | <b>63</b> |

\* Expected credit losses (ECL) on notes and bonds

## Note 7 Other operating expenses

|                                   | Q1-3       | Q1-3       | Q3        | Q3        |
|-----------------------------------|------------|------------|-----------|-----------|
| EUR million                       | 2019       | 2018       | 2019      | 2018      |
| ICT costs                         |            |            |           |           |
| Production                        | 101        | 83         | 34        | 29        |
| Development                       | 50         | 46         | 16        | 14        |
| Buildings                         | 5          | 9          | 2         | 3         |
| Government charges and audit fees | 31         | 27         | 5         | 9         |
| Services purchased                | 26         | 38         | 9         | 12        |
| Data communications               | 8          | 7          | 3         | 2         |
| Marketing                         | 9          | 9          | 3         | 3         |
| Corporate social responsibility   | 1          | 1          | 1         | 0         |
| Insurance and security            | 3          | 3          | 1         | 1         |
| Other                             | 53         | 42         | 16        | 14        |
| <b>Total</b>                      | <b>287</b> | <b>267</b> | <b>88</b> | <b>87</b> |

### Development costs

|  | Q1-3      | Q1-3      | Q3        | Q3        |
|--|-----------|-----------|-----------|-----------|
| EUR million  | 2019      | 2018      | 2019      | 2018      |
| ICT development costs                                  | 50        | 46        | 16        | 14        |
| Share of own work                                      | 1         | 0         | 0         | 0         |
| <b>Total development costs in the income statement</b> | <b>51</b> | <b>47</b> | <b>16</b> | <b>14</b> |
| Capitalised ICT costs                                  | 26        | 27        | 9         | 9         |
| Capitalised share of own work                          | 0         | 0         | 0         |           |
| <b>Total capitalised development costs</b>             | <b>26</b> | <b>27</b> | <b>9</b>  | <b>9</b>  |
| <b>Total development costs</b>                         | <b>76</b> | <b>73</b> | <b>25</b> | <b>23</b> |
| Depreciation/amortisation and impairment loss          | 28        | 32        | 9         | 9         |

## Note 8 Impairment loss on receivables

|  | Q1-3       | Q1-3      | Q3       | Q3         |
|--|------------|-----------|----------|------------|
| EUR million  | 2019       | 2018      | 2019     | 2018       |
| Receivables written off as loan or guarantee losses                                    | -3         | -16       | -2       | -1         |
| Recoveries of receivables written off  | 0          | 0         | 0        | 0          |
| Expected credit losses (ECL) on receivables from customers and off-balance-sheet items | -7         | 11        | 6        | -10        |
| Expected credit losses (ECL) on notes and bonds*                                       | -1         | 0         | -1       | 0          |
| <b>Total</b>   | <b>-11</b> | <b>-6</b> | <b>3</b> | <b>-11</b> |

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

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by Impairment stage 30 September 2019

| Exposures<br>EUR million   | Stage 1       | Stage 2              | Total      | Stage 3          | Total exposure |               |
|--|---------------|----------------------|------------|------------------|----------------|---------------|
|  |               | Not more than 30 DPD |            | More than 30 DPD |                |               |
| <b>Receivables from customers (gross)</b>  |               |                      |            |                  |                |               |
| Corporate Banking  | 25,013        | 1,404                | 335        | 1,740            | 354            | 27,106        |
| <b>Total</b>   | <b>25,013</b> | <b>1,404</b>         | <b>335</b> | <b>1,740</b>     | <b>354</b>     | <b>27,106</b> |
| <b>Off-balance-sheet limits</b>  |               |                      |            |                  |                |               |
| Corporate Banking  | 5,066         | 409                  | 173        | 582              | 45             | 5,693         |
| <b>Total</b>   | <b>5,066</b>  | <b>409</b>           | <b>173</b> | <b>582</b>       | <b>45</b>      | <b>5,693</b>  |
| <b>Other off-balance-sheet commitments</b>                                       |               |                      |            |                  |                |               |
| Corporate Banking  | 7,465         | 272                  |            | 272              | 21             | 7,758         |
| <b>Total</b>   | <b>7,465</b>  | <b>272</b>           |            | <b>272</b>       | <b>21</b>      | <b>7,758</b>  |
| <b>Notes and bonds</b>   |               |                      |            |                  |                |               |
| Other Operations   | 12,438        | 94                   |            | 94               |                | 12,532        |
| Insurance  | 2,306         |                      |            |                  | 6              | 2,311         |
| <b>Total</b>   | <b>14,744</b> | <b>94</b>            |            | <b>94</b>        | <b>6</b>       | <b>14,843</b> |
| <b>Total exposures within the scope of accounting for expected credit losses</b> | <b>52,288</b> | <b>2,180</b>         | <b>508</b> | <b>2,688</b>     | <b>425</b>     | <b>55,401</b> |

Loss allowance by stage 30 September 2019

| On-balance-sheet exposures and related off-balance-sheet limits*<br>EUR million | Stage 1    | Stage 2              | Total     | Stage 3          | Total loss allowance |             |
|---|------------|----------------------|-----------|------------------|----------------------|-------------|
|   |            | Not more than 30 DPD |           | More than 30 DPD |                      |             |
| <b>Receivables from customers</b>   |            |                      |           |                  |                      |             |
| Corporate Banking   | -24        | -21                  | -3        | -24              | -216                 | -264        |
| <b>Total</b>  | <b>-24</b> | <b>-21</b>           | <b>-3</b> | <b>-24</b>       | <b>-216</b>          | <b>-264</b> |
| <b>Other off-balance-sheet commitments**</b>                                    |            |                      |           |                  |                      |             |
| Corporate Banking   | -2         | -4                   |           | -4               |                      | -6          |
| <b>Total</b>  | <b>-2</b>  | <b>-4</b>            |           | <b>-4</b>        |                      | <b>-6</b>   |
| <b>Notes and bonds***</b>   |            |                      |           |                  |                      |             |
| Other Operations  | -2         | -1                   |           | -1               |                      | -3          |
| Insurance   | -3         |                      |           |                  | -2                   | -5          |
| <b>Total notes and bonds</b>  | <b>-5</b>  | <b>-1</b>            |           | <b>-1</b>        | <b>-2</b>            | <b>-8</b>   |
| <b>Total</b>  | <b>-30</b> | <b>-26</b>           | <b>-3</b> | <b>-30</b>       | <b>-218</b>          | <b>-278</b> |

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

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

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

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

| Summary and key indicators 30 September 2019  | Stage 1       | Stage 2              |                  | Total         | Stage 3        | Total         |
|---|---------------|----------------------|------------------|---------------|----------------|---------------|
|   |               | Not more than 30 DPD | More than 30 DPD |               |                |               |
| <b>Receivables from customers; on-balance-sheet and off-balance-sheet Items</b>       |               |                      |                  |               |                |               |
| Corporate Banking   | 37,544        | 2,086                | 508              | 2,594         | 419            | 40,557        |
| <b>Loss allowance</b>   |               |                      |                  |               |                |               |
| Corporate Banking   | -26           | -25                  | -3               | -28           | -216           | -270          |
| <b>Coverage ratio, %</b>  |               |                      |                  |               |                |               |
| Corporate Banking   | -0.07%        | -1.21%               | -0.62%           | -1.10%        | -51.53%        | -0.67%        |
| <b>Receivables from customers; total on-balance-sheet and off-balance-sheet Items</b> |               |                      |                  |               |                |               |
|   | <b>37,544</b> | <b>2,086</b>         | <b>508</b>       | <b>2,594</b>  | <b>419</b>     | <b>40,557</b> |
| <b>Total loss allowance</b>   | <b>-26</b>    | <b>-25</b>           | <b>-3</b>        | <b>-28</b>    | <b>-216</b>    | <b>-270</b>   |
| <b>Total coverage ratio, %</b>  | <b>-0.07%</b> | <b>-1.21%</b>        | <b>-0.62%</b>    | <b>-1.10%</b> | <b>-51.53%</b> | <b>-0.67%</b> |
| <b>Carrying amount, notes and bonds</b>   |               |                      |                  |               |                |               |
| Other Operations  | 12,438        | 94                   |                  | 94            |                | 12,532        |
| Insurance   | 2,306         |                      |                  |               | 6              | 2,311         |
| <b>Loss allowance</b>   |               |                      |                  |               |                |               |
| Other Operations  | -2            | -1                   |                  | -1            |                | -3            |
| Insurance   | -3            |                      |                  |               | -2             | -5            |
| <b>Coverage ratio, %</b>  |               |                      |                  |               |                |               |
| Other Operations  | -0.02%        | -1.27%               |                  | -1.27%        |                | -0.03%        |
| Insurance   | -0.11%        |                      |                  |               | -41.43%        | -0.21%        |
| <b>Total notes and bonds</b>  |               |                      |                  |               |                |               |
|   | <b>14,744</b> | <b>94</b>            |                  | <b>94</b>     | <b>6</b>       | <b>14,843</b> |
| <b>Total loss allowance</b>   | <b>-5</b>     | <b>-1</b>            |                  | <b>-1</b>     | <b>-2</b>      | <b>-8</b>     |
| <b>Total coverage ratio, %</b>  | <b>-0.03%</b> | <b>-1.27%</b>        |                  | <b>-1.27%</b> | <b>-41.43%</b> | <b>-0.06%</b> |

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

\* The amount of exposures within the scope of accounting has been specified as a result 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 |             |
|--|------------|----------------------|------------------|------------|----------------------|-------------|
|  |            | Not more than 30 DPD | More than 30 DPD |            |                      |             |
| EUR million  |            |                      |                  | Total      |                      |             |
| <b>Receivables from customers</b>                                |            |                      |                  |            |                      |             |
| Corporate Banking  | -25        | -25                  | -3               | -28        | -206                 | -259        |
| <b>Total</b>   | <b>-25</b> | <b>-25</b>           | <b>-3</b>        | <b>-28</b> | <b>-206</b>          | <b>-259</b> |
| <b>Other off-balance-sheet commitments**</b>                     |            |                      |                  |            |                      |             |
| Corporate Banking  | -2         | -1                   |                  | -1         | 0                    | -4          |
| <b>Total</b>   | <b>-2</b>  | <b>-1</b>            |                  | <b>-1</b>  | <b>0</b>             | <b>-4</b>   |
| <b>Notes and bonds***</b>  |            |                      |                  |            |                      |             |
| Other Operations   | -3         | 0                    |                  | 0          |                      | -3          |
| Insurance  | -2         | -2                   |                  | -2         | -2                   | -6          |
| <b>Total notes and bonds</b>                                     | <b>-4</b>  | <b>-2</b>            |                  | <b>-2</b>  | <b>-2</b>            | <b>-9</b>   |
| <b>Total</b>   | <b>-31</b> | <b>-29</b>           | <b>-3</b>        | <b>-32</b> | <b>-208</b>          | <b>-272</b> |

\* 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         |                |               |
| <b>Receivables from customers; on-balance-sheet and off-balance-sheet items</b>       |               |                      |                  |               |                |               |
| Corporate Banking   | 34,096        | 1,947                | 422              | 2,369         | 466            | 36,931        |
| <b>Loss allowance</b>   |               |                      |                  |               |                |               |
| Corporate Banking   | -27           | -26                  | -3               | -30           | -207           | -263          |
| <b>Coverage ratio, %</b>  |               |                      |                  |               |                |               |
| Corporate Banking   | -0.08%        | -1.36%               | -0.74%           | -1.25%        | -44.32%        | -0.71%        |
| <b>Receivables from customers; total on-balance-sheet and off-balance-sheet items</b> | <b>34,096</b> | <b>1,947</b>         | <b>422</b>       | <b>2,369</b>  | <b>466</b>     | <b>36,931</b> |
| <b>Total loss allowance</b>   | <b>-27</b>    | <b>-26</b>           | <b>-3</b>        | <b>-30</b>    | <b>-207</b>    | <b>-263</b>   |
| <b>Total coverage ratio, %</b>  | <b>-0.08%</b> | <b>-1.36%</b>        | <b>-0.74%</b>    | <b>-1.25%</b> | <b>-44.32%</b> | <b>-0.71%</b> |
| <b>Carrying amount, notes and bonds</b>   |               |                      |                  |               |                |               |
| Other Operations  | 12,219        | 20                   |                  | 20            |                | 12,239        |
| Insurance   | 2,321         | 195                  |                  | 195           | 6              | 2,522         |
| <b>Loss allowance</b>   |               |                      |                  |               |                |               |
| Other Operations  | -3            | 0                    |                  | 0             |                | -3            |
| Insurance   | -2            | -2                   |                  | -2            | -2             | -6            |
| <b>Coverage ratio, %</b>  |               |                      |                  |               |                |               |
| Other Operations  | -0.02%        | -0.85%               |                  | -0.85%        |                | -0.02%        |
| Insurance   | -0.08%        | -1.13%               |                  | -1.13%        | -33.79%        | -0.24%        |
| <b>Total notes and bonds</b>  | <b>14,540</b> | <b>215</b>           |                  | <b>215</b>    | <b>6</b>       | <b>14,761</b> |
| <b>Total loss allowance</b>   | <b>-4</b>     | <b>-2</b>            |                  | <b>-2</b>     | <b>-2</b>      | <b>-9</b>     |
| <b>Total coverage ratio, %</b>  | <b>-0.03%</b> | <b>-1.10%</b>        |                  | <b>-1.10%</b> | <b>-33.79%</b> | <b>-0.06%</b> |

The following flow statements shows the changes in loss allowance by impairment stage during Q1–Q3 2019 in respect of the effect of the following factors:

| Receivables from customers and off-balance-sheet items, EUR million | Stage 1   | Stage 2   | Stage 3    | Total      |
|---|-----------|-----------|------------|------------|
|   | 12 months | Lifetime  | Lifetime   |            |
| <b>Loss allowance 1 January 2019</b>                                | <b>27</b> | <b>30</b> | <b>207</b> | <b>263</b> |
| Transfers from Stage 1 to Stage 2                                   | -1        | 7         |            | 5          |
| Transfers from Stage 1 to Stage 3                                   | -4        |           | 5          | 1          |
| Transfers from Stage 2 to Stage 1                                   | 1         | -4        |            | -3         |
| 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         |           | -2         | -2         |
| Increases due to origination and acquisition                        | 7         | 6         | 7          | 20         |
| Decreases due to derecognition                                      | -2        | -2        | -3         | -8         |
| Changes in risk parameters (net)                                    | -2        | -2        | -1         | -4         |
| Decrease in allowance account due to write-offs                     |           |           | -2         | -2         |
| <b>Net change in expected credit losses</b>                         | <b>-1</b> | <b>-1</b> | <b>10</b>  | <b>7</b>   |
| <b>Loss allowance 30 September 2019</b>                             | <b>26</b> | <b>28</b> | <b>216</b> | <b>270</b> |
| <b>Net change in expected credit losses Q3 2019</b>                 | <b>-2</b> | <b>-5</b> | <b>1</b>   | <b>-6</b>  |

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 78% 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   | Stage 2   | Stage 3  | Total    |
|---|-----------|-----------|----------|----------|
|   | 12 months | Lifetime  | Lifetime |          |
| <b>Loss allowance 1 January 2019</b>                          | <b>4</b>  | <b>2</b>  | <b>2</b> | <b>9</b> |
| Transfers from Stage 1 to Stage 2                             | 0         | 1         |          | 1        |
| Transfers from Stage 1 to Stage 3                             | 0         |           | 1        | 1        |
| Transfers from Stage 2 to Stage 1                             | 0         | -2        |          | -1       |
| Transfers from Stage 3 to Stage 1                             | 0         |           | 0        | 0        |
| Increases due to origination and acquisition                  | 1         |           | 0        | 1        |
| 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        |
| <b>Net change in expected credit losses</b>                   | <b>0</b>  | <b>-1</b> | <b>0</b> | <b>0</b> |
| <b>Loss allowance 30 September 2019</b>                       | <b>5</b>  | <b>1</b>  | <b>2</b> | <b>8</b> |
| <b>Net change in expected credit losses Q3 2019</b>           | <b>0</b>  | <b>1</b>  | <b>1</b> | <b>2</b> |

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   | Stage 2   | Stage 3    | Total      |
|---|-----------|-----------|------------|------------|
|   | 12 months | Lifetime  | Lifetime   |            |
| <b>Loss allowance 1 January 2018</b>                                | 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        |
| <b>Net change in expected credit losses</b>                         | <b>9</b>  | <b>-2</b> | <b>-16</b> | <b>-10</b> |
| <b>Loss allowance 31 December 2018</b>                              | <b>27</b> | <b>30</b> | <b>207</b> | <b>263</b> |
| <b>Notes and bonds, EUR million</b>                                 |           |           |            |            |
|   | Stage 1   | Stage 2   | Stage 3    | Total      |
|   | 12 months | Lifetime  | Lifetime   |            |
| <b>Loss allowance 1 January 2018</b>                                | <b>3</b>  | <b>0</b>  | <b>0</b>   | <b>4</b>   |
| 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          |
| <b>Net change in expected credit losses</b>                         | <b>1</b>  | <b>2</b>  | <b>2</b>   | <b>5</b>   |
| <b>Loss allowance 31 December 2018</b>                              | <b>4</b>  | <b>2</b>  | <b>2</b>   | <b>9</b>   |

## Note 9 Insurance liabilities

| EUR Million  | 30 Sep<br>2019 | 31 Dec<br>2018 |
|--|----------------|----------------|
| Provision for unpaid claims  |                |                |
| Provision for unpaid claims for annuities  | 1,459          | 1,510          |
| Other provision for unpaid claims  | 1,082          | 1,056          |
| Reserve for decreased discount rate (value of insurance liability hedges and recognition of sold hedges) | 177            | 21             |
| Total  | 2,719          | 2,588          |
| Provisions for unearned premiums   | 702            | 569            |
| <b>Total</b>   | <b>3,421</b>   | <b>3,157</b>   |

## Note 10 Debt securities issued to the public

| EUR million                                       | 30 Sep<br>2019 | 31 Dec<br>2018 |
|---|----------------|----------------|
| Bonds   | 12,276         | 10,121         |
| Other   |                |                |
| Certificates of deposit                           |                | 105            |
| Commercial paper                                  | 9,994          | 10,162         |
| Included in own portfolio in trading (-)          | -68            | -50            |
| <b>Total debt securities issued to the public</b> | <b>22,202</b>  | <b>20,338</b>  |

## Note 11 Fair value reserve after income tax

| EUR million                                     | Fair value through other comprehensive income |                           |  |                   | Total      |
|---|---|---------------------------|--|-------------------|------------|
|   | Notes and bonds                               | Shares and participations | Shares and participations (overlay approach) | Cash flow hedging |            |
| <b>Balance sheet 31 December 2017</b>           | <b>117</b>                                    | <b>45</b>                 |  | <b>2</b>          | <b>164</b> |
| Effect of IFRS 9 transition at 1 January 2018   | -1  | -45                       |  |                   | -46        |
| <b>Opening balance 1 January 2018</b>           | <b>115</b>                                    | <b>0</b>                  |  | <b>2</b>          | <b>118</b> |
| Fair value changes                              | -44   | 0                         | 12   | -1                | -33        |
| Capital gains transferred to income statement   | -29   |                           | -3   |                   | -31        |
| Impairment loss transferred to income statement |   |                           | 4  |                   | 4          |
| Transfers to net interest income                |   |                           |  | -2                | -2         |
| Deferred tax                                    | 14  | 0                         | -3   | 1                 | 12         |
| <b>Closing balance 30 September 2018</b>        | <b>57</b>                                     |                           | <b>10</b>                                    | <b>-1</b>         | <b>67</b>  |



| EUR million                                     | Fair value through other comprehensive income |  |                   | Total      |
|---|---|--|-------------------|------------|
|   | Notes and bonds                               | Shares and participations (overlay approach) | Cash flow hedging |            |
| <b>Opening balance 1 January 2019</b>           | <b>3</b>                                      | <b>-15</b>                                   | <b>0</b>          | <b>-12</b> |
| Fair value changes                              | 98  | 33   | 0                 | 130        |
| Capital gains transferred to income statement   | -10   | 5  |                   | -6         |
| Impairment loss transferred to income statement |   | 10   |                   | 10         |
| Transfers to net interest income                |   |  | 0                 | 0          |
| Deferred tax                                    | -18   | -10  | 0                 | -27        |
| <b>Closing balance 30 September 2019</b>        | <b>73</b>                                     | <b>23</b>                                    | <b>0</b>          | <b>96</b>  |

The fair value reserve before tax amounted to EUR 120 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 37 million (24) and negative mark-to-market valuations EUR 8 million (43), owing to the application of the overlay approach. The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 1 million in the fair value reserve.

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

## Note 12 Collateral given

| <b>EUR million</b>                                 | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
|--|------------------------|------------------------|
| Given on behalf of own liabilities and commitments |                        |                        |
| Pledges  | 80                     | 59                     |
| Others   | 3,814                  | 5,775                  |
| <b>Total collateral given*</b>                     | <b>3,894</b>           | <b>5,834</b>           |
| Secured derivative liabilities                     | 1,255                  | 928                    |
| Other secured liabilities                          | 2,100                  | 4,072                  |
| <b>Total secured liabilities</b>                   | <b>3,356</b>           | <b>5,000</b>           |

\* In addition, bonds with a book value of EUR 6,9 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 comprehensive 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            | 8,720          |   |                                   |   |                     | 8,720                 |
| Receivables from credit institutions | 10,310         |   |                                   |   |                     | 10,310                |
| Derivative contracts                 |                |   | 5,479                             |   | 338                 | 5,817                 |
| Receivables from customers           | 23,770         |   |                                   |   |                     | 23,770                |
| Notes and bonds                      |                | 15,165  | 1,168                             | 50  |                     | 16,382                |
| Equity instruments                   |                | 0   | 30                                | 703   |                     | 734                   |
| Other financial assets               | 2,417          |   |                                   |   |                     | 2,417                 |
| <b>Financial assets</b>              |                |   |                                   |   |                     | <b>68,149</b>         |
| Other than financial assets          |                |   |                                   |   |                     | 1,320                 |
| <b>Total 30 September 2019</b>       | <b>45,217</b>  | <b>15,165</b>                                 | <b>6,677</b>                      | <b>753</b>  | <b>338</b>          | <b>69,469</b>         |

| Assets, EUR million                  | Amortised cost | Fair value through other comprehensive 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                 |
| <b>Financial assets</b>              |                |   |                                   |   |                     | <b>65,429</b>         |
| Other than financial assets          |                |   |                                   |   |                     | 1,296                 |
| <b>Total 31 December 2018</b>        | <b>45,838</b>  | <b>14,730</b>                                 | <b>4,013</b>                      | <b>662</b>  | <b>187</b>          | <b>66,725</b>         |

| Liabilities, EUR million             | Financial liabilities at fair value through profit or loss | Other liabilities | Hedging derivatives | Carrying amount total |
|--------------------------------------|--|-------------------|---------------------|-----------------------|
| Liabilities to credit institutions   |  | 15,054            |                     | 15,054                |
| Derivative contracts                 | 4,518  |                   | 262                 | 4,779                 |
| Liabilities to customers             |  | 14,259            |                     | 14,259                |
| Insurance liabilities                |  | 3,421             |                     | 3,421                 |
| Debt securities issued to the public |  | 22,202            |                     | 22,202                |
| Subordinated loans                   |  | 1,470             |                     | 1,470                 |
| Other financial liabilities          |  | 3,285             |                     | 3,285                 |
| <b>Financial liabilities</b>         |  |                   |                     | <b>64,470</b>         |
| Other than financial liabilities     |  |                   |                     | 669                   |
| <b>Total 30 September 2019</b>       | <b>4,518</b>   | <b>59,691</b>     | <b>262</b>          | <b>65,139</b>         |

| 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                 |
| <b>Financial liabilities</b>         |  |                   |                     | <b>62,038</b>         |
| Other than financial liabilities     |  |                   |                     | 539                   |
| <b>Total 31 December 2018</b>        | <b>3,023</b>   | <b>58,752</b>     | <b>264</b>          | <b>62,577</b>         |

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September 2019, the fair value of these debt instruments was approximately EUR 294 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

| <b>Fair value of assets on 30 September 2019, EUR million</b>      | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|--|----------------|----------------|----------------|---------------|
| Recognised at fair value through profit or loss                    |                |                |                |               |
| Equity instruments   | 352            | 66             | 316            | 734           |
| Debt instruments   | 516            | 98             | 604            | 1,217         |
| Derivative financial instruments                                   | 10             | 5,739          | 68             | 5,817         |
| Fair value through other comprehensive income                      |                |                |                |               |
| Equity instruments   |                | 0              |                | 0             |
| Debt instruments   | 12,967         | 1,565          | 633            | 15,165        |
| <b>Total financial instruments</b>                                 | <b>13,845</b>  | <b>7,467</b>   | <b>1,621</b>   | <b>22,932</b> |
| Investment property  |                |                | 336            | 336           |
| <b>Total</b>   | <b>13,845</b>  | <b>7,467</b>   | <b>1,957</b>   | <b>23,268</b> |
| <b>Fair value of assets on 31 December 2018, EUR million</b>       | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| 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        |
| <b>Total financial instruments</b>                                 | <b>12,286</b>  | <b>6,459</b>   | <b>848</b>     | <b>19,592</b> |
| Investment property  |                |                | 320            | 320           |
| <b>Total</b>   | <b>12,286</b>  | <b>6,459</b>   | <b>1,168</b>   | <b>19,912</b> |
| <b>Fair value of liabilities on 30 September 2019, EUR million</b> | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| Recognised at fair value through profit or loss                    |                |                |                |               |
| Other  |                | 11             |                | 11            |
| Derivative financial instruments                                   | 15             | 4,734          | 30             | 4,779         |
| <b>Total</b>   | <b>15</b>      | <b>4,745</b>   | <b>30</b>      | <b>4,790</b>  |
| <b>Fair value of liabilities on 31 December 2018, EUR million</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| Recognised at fair value through profit or loss                    |                |                |                |               |
| Other  |                | 0              |                | 0             |
| Derivative financial instruments                                   | 10             | 3,233          | 44             | 3,287         |
| <b>Total</b>   | <b>10</b>      | <b>3,234</b>   | <b>44</b>      | <b>3,287</b>  |

### 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 comprehensive income | Total assets |
|--|---|----------------------|---|--------------|
| <b>Opening balance 1 January 2019</b>    | <b>600</b>  | <b>57</b>            | <b>191</b>                                    | <b>848</b>   |
| Total gains/losses in profit or loss     | -275  | 11                   | 1   | -263         |
| Total gains/losses in other              |   |                      | 2   | 2            |
| Purchases                                | 50  |                      | 2   | 52           |
| Sales                                    | -26   |                      | -8  | -34          |
| Issues                                   |   |                      | -3  | -3           |
| Settlements                              | 0   |                      |   | 0            |
| Transfers into Level 3                   | 571   |                      | 502   | 1,074        |
| Transfers out of Level 3                 |   |                      | -54   | -54          |
| <b>Closing balance 30 September 2019</b> | <b>920</b>  | <b>68</b>            | <b>633</b>                                    | <b>1,621</b> |

| Financial liabilities, EUR million       | Derivative contracts | Total liabilities |
|--|----------------------|-------------------|
| <b>Opening balance 1 January 2019</b>    | <b>44</b>            | <b>44</b>         |
| Total gains/losses in profit or loss     | -14                  | -14               |
| <b>Closing balance 30 September 2019</b> | <b>30</b>            | <b>30</b>         |

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

| EUR Million                     | Net interest income | Net investment income | Statement of comprehensive income/ Change in fair value reserve | Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end |
|---------------------------------|---------------------|-----------------------|---|--|
| Realised net gains (losses)     | -280                | 5                     | 1   | -274   |
| Unrealised net gains (losses)   | 25                  |                       | 2   | 27   |
| <b>Total net gains (losses)</b> | <b>-255</b>         | <b>5</b>              | <b>3</b>  | <b>-247</b>  |

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 Sep<br>2019 | 31 Dec<br>2018 |
|--|----------------|----------------|
| Guarantees   | 458            | 647            |
| Other guarantee liabilities                          | 1,842          | 1,668          |
| Loan commitments                                     | 5,497          | 5,257          |
| Commitments related to short-term trade transactions | 361            | 265            |
| Other*   | 680            | 712            |
| <b>Total off-balance-sheet commitments</b>           | <b>8,838</b>   | <b>8,549</b>   |

\* Of which Non-life Insurance commitments to private equity funds amount to EUR 171 million (203).

## Note 16 Derivative contracts

### Total derivatives 30 September 2019

| EUR million                         | Nominal values/residual maturity |               |               | Total          | Fair values* |              |
|-------------------------------------|----------------------------------|---------------|---------------|----------------|--------------|--------------|
|                                     | <1 year                          | 1–5 years     | >5 years      |                | Assets       | Liabilities  |
| Interest rate derivatives           | 44,655                           | 90,039        | 87,708        | 222,402        | 4,049        | 3,022        |
| Cleared by the central counterparty | 9,475                            | 33,534        | 41,291        | 84,300         | 31           | 19           |
| Currency derivatives                | 47,821                           | 6,861         | 2,434         | 57,116         | 1,228        | 1,150        |
| Equity and index-linked derivatives |                                  | 3             |               | 3              | 0            |              |
| Credit derivatives                  | 36                               | 711           | 312           | 1,059          | 14           | 9            |
| Other derivatives                   | 255                              | 428           | 8             | 691            | 57           | 39           |
| <b>Total derivatives</b>            | <b>92,767</b>                    | <b>98,042</b> | <b>90,462</b> | <b>281,271</b> | <b>5,347</b> | <b>4,220</b> |

### Total derivatives 31 December 2018

| EUR million                         | Nominal values/residual maturity |                |               | Total          | Fair values* |              |
|-------------------------------------|----------------------------------|----------------|---------------|----------------|--------------|--------------|
|                                     | <1 year                          | 1–5 years      | >5 years      |                | 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           |
| <b>Total derivatives</b>            | <b>71,572</b>                    | <b>101,706</b> | <b>83,213</b> | <b>256,491</b> | <b>3,188</b> | <b>2,742</b> |

\* 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 September 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                    | 8,404                            | -2,587  | 5,817                                       | -2,799  | -636                | 2,381      |

| 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 September 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                    | 7,655                                 | -2,876  | 4,779                                       | -2,799   | -852             | 1,127      |

| 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 -265 (-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 or ICE Clear Europe 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 September 2019, EUR million                            | Not<br>Impaired<br>(gross) | Loss<br>allowance | Balance<br>sheet<br>value |
|---|----------------------------|-------------------|---------------------------|
| <b>Receivables from credit institutions and customers</b> |                            |                   |                           |
| Receivables from credit institutions                      | 10,311                     | 0                 | 10,310                    |
| Receivables from customers                                | 21,671                     | 257               | 21,414                    |
| of which bank guarantee receivables                       | 2                          | 0                 | 2                         |
| Finance leases  | 2,362                      | 6                 | 2,356                     |
| <b>Total</b>  | <b>34,344</b>              | <b>264</b>        | <b>34,080</b>             |

### Receivables from credit institutions and customers by sector

|  |               |            |               |
|--|---------------|------------|---------------|
| Non-banking corporate sector                   | 19,531        | 246        | 19,285        |
| Financial institutions and insurance companies | 11,104        | 1          | 11,103        |
| Households                                     | 2,203         | 14         | 2,189         |
| Non-profit organisations                       | 343           | 3          | 340           |
| Public sector entities                         | 1,163         | 1          | 1,162         |
| <b>Total</b>                                   | <b>34,344</b> | <b>264</b> | <b>34,080</b> |

| 31 December 2018, EUR million                             | Not<br>Impaired<br>(gross) | Loss<br>allowance | Balance<br>sheet<br>value |
|---|----------------------------|-------------------|---------------------------|
| <b>Receivables from credit institutions and customers</b> |                            |                   |                           |
| 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                     |
| <b>Total</b>  | <b>32,337</b>              | <b>259</b>        | <b>32,078</b>             |

### 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         |
| <b>Total</b>                                   | <b>32,337</b> | <b>259</b> | <b>32,078</b> |



**Doubtful and forborne receivables 30 September 2019, EUR million**

|                       | Performing<br>receivables<br>from credit<br>institutions<br>and<br>customers<br>(gross) | Non-<br>performing<br>receivables<br>from credit<br>institutions<br>and<br>customers<br>(gross) | Receivables<br>from credit<br>institutions<br>and<br>customers,<br>total (gross) | Loss<br>allowance | Receivables from credit<br>institutions and customers<br>(net) |
|-----------------------|---|---|--|-------------------|--|
| Over 90 days past due |   | 83  | 83   | 80                | 3  |
| Unlikely to be paid   |   | 252   | 252  | 124               | 128  |
| Forborne loans        | 106   | 20  | 126  | 9                 | 116  |
| <b>Total</b>          | <b>106</b>  | <b>355</b>  | <b>461</b>   | <b>213</b>        | <b>248</b>   |

**Doubtful and forborne receivables 31 December 2018, EUR million**

|                       | Performing<br>receivables<br>from credit<br>institutions<br>and<br>customers<br>(gross) | Non-<br>performing<br>receivables<br>from credit<br>institutions<br>and<br>customers<br>(gross) | Receivables<br>from credit<br>institutions<br>and<br>customers<br>(gross) | Individually<br>assessed<br>impairment | Receivables from credit<br>institutions and customers<br>(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   |
| <b>Total</b>          | <b>53</b>   | <b>301</b>  | <b>354</b>  | <b>210</b>                             | <b>145</b>   |

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.

| <b>Key ratio, %</b>  | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
|--|------------------------|------------------------|
| Loss allowance/Exposures individually assessed for impairment, % of doubtful receivables | 46.2 %                 | 59.1 %                 |

## Note 19 Investment distribution of the Insurance segment

| Allocation of investment portfolio      | 30 September 2019           |            | 31 December 2018            |            |
|---|-----------------------------|------------|-----------------------------|------------|
|   | Fair value,<br>EUR million* | %          | Fair value,<br>EUR million* | %          |
| Money market total                      | 178                         | 5          | 173                         | 5          |
| Money market instruments and deposits** | 168                         | 4          | 167                         | 4          |
| Derivative instruments***               | 9                           | 0          | 5                           | 0          |
| Total bonds and bond funds              | 2,939                       | 76         | 2,857                       | 77         |
| Governments                             | 452                         | 12         | 498                         | 13         |
| Investment Grade                        | 1,944                       | 50         | 1,895                       | 51         |
| Emerging markets and High Yield         | 275                         | 7          | 243                         | 7          |
| Structured investments****              | 268                         | 7          | 222                         | 6          |
| Total equities                          | 465                         | 12         | 360                         | 10         |
| Finland                                 | 70                          | 2          | 60                          | 2          |
| Developed markets                       | 199                         | 5          | 147                         | 4          |
| Emerging markets                        | 73                          | 2          | 76                          | 2          |
| Fixed assets and unlisted equities      | 62                          | 2          | 1                           | 0          |
| Private equity investments              | 61                          | 2          | 76                          | 2          |
| Total alternative investments           | 35                          | 1          | 28                          | 1          |
| Hedge funds                             | 35                          | 1          | 28                          | 1          |
| Total property investments              | 261                         | 7          | 312                         | 8          |
| Direct property investments             | 163                         | 4          | 157                         | 4          |
| Indirect property investments           | 97                          | 3          | 155                         | 4          |
| <b>Total</b>                            | <b>3,877</b>                | <b>100</b> | <b>3,730</b>                | <b>100</b> |

\* 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 Sep<br>2019 | 31 Dec<br>2018 |
|---|----------------|----------------|
| <b>OP Corporate Bank Group's equity capital</b>               | <b>4,330</b>   | <b>4,147</b>   |
| Elimination of insurance companies' effect in equity capital  | -189           | -6             |
| Fair value reserve, cash flow hedging                         | 0              | 0              |
| <b>Common Equity Tier 1 (CET1) before deductions</b>          | <b>4,141</b>   | <b>4,141</b>   |
| Intangible assets   | -53            | -63            |
| Excess funding of pension liability and valuation adjustments | -17            | -29            |
| Expected profit distribution                                  |                | -173           |
| Profit for the period not included in the capital base        | -126           |                |
| Shortfall of ECL minus expected losses                        | -129           | -105           |
| <b>Common Equity Tier 1 (CET1)</b>                            | <b>3,817</b>   | <b>3,772</b>   |
| Subordinated loans to which transitional provisions applies   | 82             | 90             |
| <b>Additional Tier 1 capital (AT1)</b>                        | <b>82</b>      | <b>90</b>      |
| <b>Tier 1 capital (T1)</b>                                    | <b>3,899</b>   | <b>3,862</b>   |
| Debenture loans   | 844            | 944            |
| Excess of ECL minus expected losses                           | 38             | 47             |
| <b>Tier 2 capital (T2)</b>                                    | <b>882</b>     | <b>990</b>     |
| <b>Total capital base</b>                                     | <b>4,782</b>   | <b>4,852</b>   |

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 Sep<br>2019 | 31 Dec<br>2018 |
|---|----------------|----------------|
| <b>Credit and counterparty risk</b>                       | <b>24,067</b>  | <b>22,216</b>  |
| <b>Standardised Approach (SA)</b>                         | <b>2,880</b>   | <b>2,458</b>   |
| Central government and central banks exposure             | 83             | 85             |
| Credit institution exposure                               | 7              | 6              |
| Corporate exposure  | 2,743          | 2,327          |
| Retail exposure   | 0              | 6              |
| Equity investments  | 0              | 0              |
| Other   | 47             | 34             |
| <b>Internal Ratings-based Approach (IRB)</b>              | <b>21,187</b>  | <b>19,758</b>  |
| Credit institution exposure                               | 1,089          | 1,083          |
| Corporate exposure  | 14,307         | 13,198         |
| Retail exposure   | 1,659          | 1,416          |
| Equity investments  | 3,761          | 3,725          |
| Other   | 371            | 336            |
| <b>Market and settlement risk (Standardised Approach)</b> | <b>1,397</b>   | <b>1,319</b>   |
| <b>Operational risk (Standardised Approach)</b>           | <b>1,387</b>   | <b>1,285</b>   |
| <b>Valuation adjustment (CVA)</b>                         | <b>198</b>     | <b>175</b>     |
| <b>Other risks</b>  | <b>21</b>      |                |
| <b>Total risk exposure amount</b>                         | <b>27,070</b>  | <b>24,996</b>  |

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

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

| <b>Ratios, %</b>  | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
|---|------------------------|------------------------|
| CET1 ratio  | 14.1                   | 15.1                   |
| Tier 1 ratio  | 14.4                   | 15.5                   |
| Capital adequacy ratio  | 17.7                   | 19.4                   |
| <b>Ratios without the effects of transitional provisions, %</b> | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
| CET1 ratio  | 14.1                   | 15.1                   |
| Tier 1 ratio  | 14.1                   | 15.1                   |
| Capital adequacy ratio  | 17.4                   | 19.1                   |
| <b>Capital requirement, EUR million</b>                         | <b>30 Sep<br/>2019</b> | <b>31 Dec<br/>2018</b> |
| Capital base  | 4,782                  | 4,852                  |
| Capital requirement   | 2,867                  | 2,642                  |
| Buffer for capital requirements                                 | 1,915                  | 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 September 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         | 822  | 325  | 84.6          | 0.0           | 43.2           | 160           | 14.4                   | 0                            |
| 2.5-5.5         | 11,791   | 3,206  | 71.7          | 0.2           | 44.3           | 5,755         | 38.4                   | 11                           |
| 6.0-7.0         | 3,822  | 1,032  | 69.0          | 1.2           | 43.4           | 4,517         | 93.1                   | 24                           |
| 7.5-8.5         | 2,091  | 390  | 72.2          | 4.3           | 43.0           | 3,285         | 132.4                  | 46                           |
| 9.0-10.0        | 187  | 91   | 66.9          | 23.2          | 42.3           | 589           | 211.9                  | 27                           |
| 11.0-12.0       | 299  | 11   | 56.4          | 100.0         | 44.7           |               |                        | 138                          |
| <b>Total</b>    | <b>19,012</b>  | <b>5,054</b>   | <b>71.7</b>   | <b>1.1</b>    | <b>43.9</b>    | <b>14,307</b> | <b>60.3</b>            | <b>247</b>                   |

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                          |
| <b>Total</b>    | <b>17,450</b>  | <b>5,079</b>   | <b>73.3</b>   | <b>0.9</b>    | <b>43.9</b>    | <b>13,198</b> | <b>59.4</b>            | <b>225</b>                   |

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 Sep<br>2019 | 31 Dec<br>2018 |
|---|----------------|----------------|
| <b>Eligible capital</b>                               | <b>945</b>     | <b>818</b>     |
| Solvency capital requirement (SCR)                    |                |                |
| Market risk   | 461            | 421            |
| Underwriting risk                                     | 310            | 281            |
| Counterparty risk                                     | 37             | 36             |
| Operational risk                                      | 49             | 45             |
| Diversification benefits and loss absorbency          | -140           | -162           |
| Total   | 717            | 621            |
| <b>Buffer for SCR</b>                                 | <b>227</b>     | <b>197</b>     |
| <b>SCR ratio, %</b>                                   | <b>132</b>     | <b>132</b>     |
| <b>SCR ratio, % excluding transitional provisions</b> | <b>132</b>     | <b>132</b>     |

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 2020

### Time of publication of 2019 reports:

OP Corporate Bank's Report by the Board of Directors and Financial Statements for 2019  
OP Corporate Bank's Corporate Governance Statement 2019

Week 9  
Week 9

### Schedule for Statements Bulletin for 2019 and Interim Reports in 2020:

|                                    |                 |
|------------------------------------|-----------------|
| Financial Statements Bulletin 2019 | 4 February 2020 |
| Interim Report Q1/2020             | 28 April 2020   |
| Half-year Financial Report H1/2020 | 21 July 2020    |
| Interim Report Q1–3/2020           | 22 October 2020 |

Helsinki, 29 October 2019

**OP Corporate Bank plc**  
**Board of Directors**

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