OP Corporate Bank plc's interim report 1 January–31 March 2017

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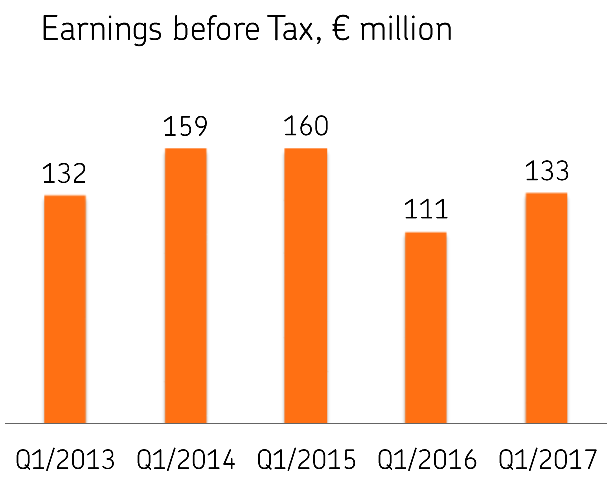
OP Corporate Bank plc's Interim Report for 1 January–31 March 2017

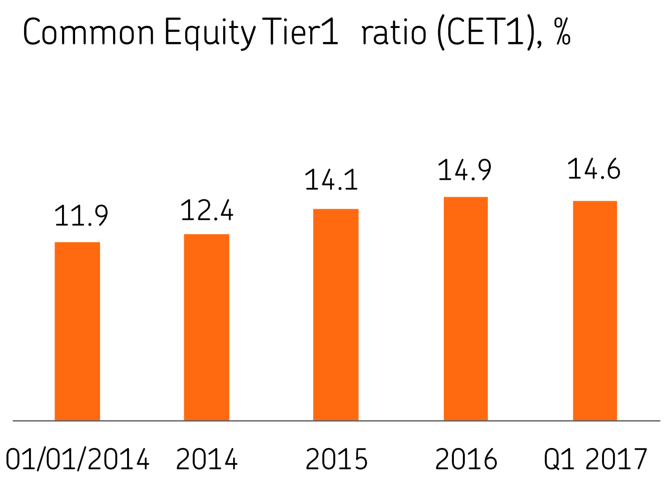
- Consolidated earnings before tax were EUR 133 million (111). The return on equity was 11.1% (9.7).
- Banking earnings before tax increased to EUR 82 million (51) due to higher net investment income and net interest income. The loan portfolio increased in the year to March by 14.7% to EUR 18.9 billion. The cost/income ratio was 32% (38).
- Non-life Insurance earnings before tax decreased to EUR 42 million (59). Operating combined ratio was 95.5% (88.6). Net return on investments at fair value totalled EUR 50 million (-40).
- Other Operations earnings before tax were EUR 9 million (1). Liquidity and access to funding remained good.
- The CET1 ratio was 14.6% (14.9), while the target was 15%.
- Unchanged outlook: OP Corporate Bank Group's consolidated earnings before tax are expected to be about the same as or lower than in 2016.

	Q1/2017	Q1/2016	Change, %	Q1–4/2016
Earnings before tax, € million				
Banking	82	51	60.4	260
Non-life Insurance	42	59	-28.3	231
Other Operations	9	1		13
Group total	**133**	**111**	**20.0**	**504**

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 2016 are used as comparatives.

Financial targets	Q1/2017	2016	Target
Customer experience, NPS (–100–+100)	67	58	70, over time 90
Common Equity Tier 1 (CET1) ratio, %	14.6	14.9	15
Return on economic capital, %	17.7	17.0	22
Expenses of present-day business, € million	489	471	Expenses in 2019 lower than in 2015 (475)
Dividend payout ratio, %	-	50.4	50





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Operating environment

Confidence in the global economy improved and, based on preliminary information, world trade showed a clear recovery during the first few months of 2017. This favourable development was on a broad basis. Economic indicators also show a pick-up in economic growth in the euro area during the first few months.

The inflation rate accelerated in most countries as a result of higher energy prices. The US Federal Reserve raised its federal funds rate to 0.75-1.00% and expects to continue its rate hikes.

The European Central Bank (ECB) kept its main refinancing rate unchanged but announced in March that risks have abated and deflation threat has gone. Both short- and long-term interest rates remained at somewhat the same level as at the turn of the year.

The Finnish economy continued to recover in the first quarter. Consumer confidence was strong and unemployment went down further. Exports too started to recover. Inflation accelerated at a moderate rate due to higher crude oil prices. The housing market improved further but prices rose only slightly.

The world economy should improve slightly in the short run. The Finnish economy is expected to show reasonable growth. Euro-area interest rates should remain low. Political risks are still casting a shadow over the favourable near-term prospects.

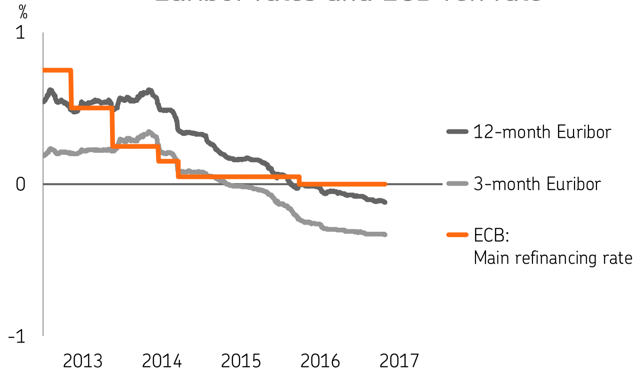
Growth in consumer loan volumes slowed down slightly in the first quarter to a rate of around 2.5%. Slower growth in total home loans lies behind this development, in particular. Based on the assessment of the Bank of Finland, the highly low interest rates have encouraged home loan repayments. Housing cooperative and corporate loan volume growth remained slower than a year ago. According to the most recent banking barometer, demand for loans, especially that for home loans, is expected to increase.

Growth in total deposits turned negative during the first few months of the year. Household deposits continued to grow more briskly than a year ago, aided mainly by the favourable development in current accounts. Then again, total deposits by public-sector entities and corporates shrank over the previous year. The growth rate of these deposits have varied considerably in the last few years.

The value of the mutual funds registered in Finland increased by EUR 4 billion to EUR 110.5 billion during the first quarter, EUR 1.2 billion of this increase stemming from net asset inflows and the rest from positive value change.

In non-life insurance companies, the early 2017 has been characterised by price competition in motor vehicle insurance sparked by the amended Motor Liability Insurance Act. Although growth in insurance companies' premiums written has petered out, non-life insurers still show good business profitability and solvency.

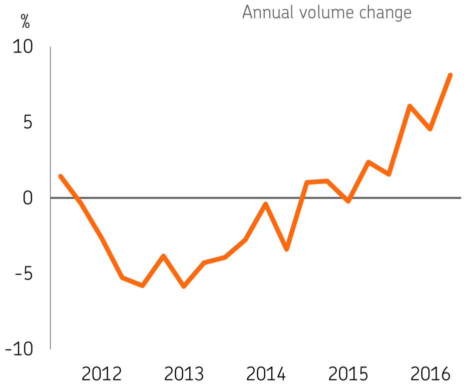
Euribor rates and ECB refi rate



Source: Bank of Finland

Fixed investments in Finland

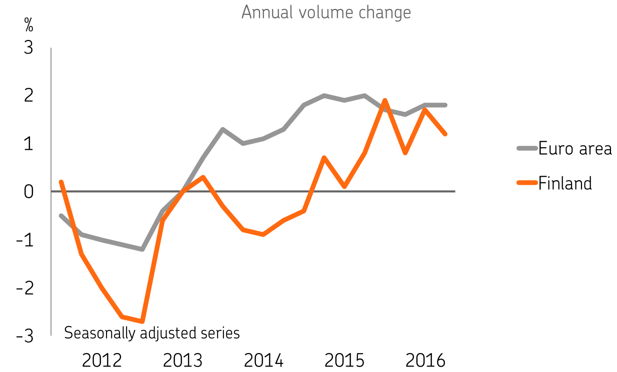
Annual volume change



Source: Statistics Finland

GDP

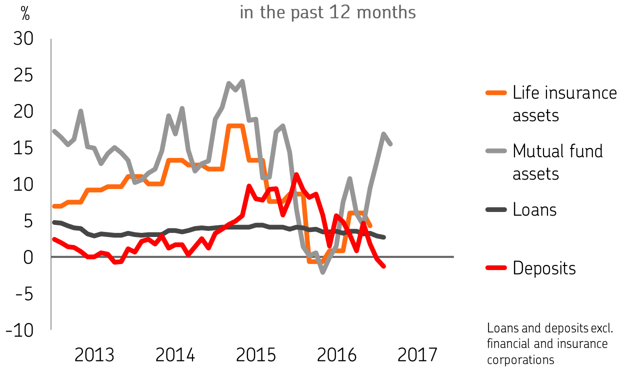
Annual volume change



Sources: Eurostat, Statistics Finland

Change in financial sector volumes

in the past 12 months



Sources: Bank of Finland, Federation of Finnish Financial Services, Investment Research Finland

Consolidated earnings

€ million	Q1/2017	Q1/2016	Change, %	Q1–4/2016
Net interest income	55	60	-7.6	228
Net insurance income	111	123	-9.8	534
Net commissions and fees	-2	7		-4
Net investment income	103	38		247
Other operating income	9	10	-4.1	33
Share of associates' profit/loss	1	0		-2
Total income	**278**	**238**	**17.0**	**1,037**
Personnel costs	43	42	4.0	162
Depreciation/amortisation and impairment loss	14	12	15.4	51
Other operating expenses	82	64	27.5	281
Total expenses	**139**	**118**	**18.0**	**494**
Impairment loss on receivables	4	8	-44.3	37
OP bonuses to owner-customers	0	0	5.3	2
Total earnings before tax	**133**	**111**	**20.0**	**504**

January–March

Consolidated earnings before tax were EUR 133 million (111). Total income was up by 17% due to higher net investment income, while total expenses rose by 18%. Income increased in Banking, but decreased slightly in Non-life Insurance.

Net interest income fell to EUR 55 million (60). Banking net interest income strengthened as the loan portfolio increased and the average margin rose in January–March to 1.44% (1.41). Total net interest income was eroded by net interest income from trading operations.

Net insurance income fell by 9.8% to EUR 111 million (123). Insurance premium revenue was slightly higher than a year earlierdue to the rise in insurance premium revenue from private customers. Claims incurred rose by 6.9% due to weaker claims trend than the year before.

Net commissions and fees increased year on year by 9.4% on the back of higher commission income from securities brokerage. Commission expenses in the reporting period were increased by fees paid by Banking and Non-life Insurance to member banks.

Net investment income totalled EUR 103 million (38). Net income from both securities trading and from available-for-sale assets rose markedly year on year. Positive value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved net income from securities trading. Net income from available-for-sale assets was increased by a 15-million euro rise in capital gains on equity instruments and a 10-million euro increase in dividends and share of profits. Net investment income included a total of EUR 3 million (5) in impairment losses.

Other operating income decreased to EUR 9 million (10). A year ago, other operating income were increased by centralised liquidity buffer costs charged from OP Financial Group's other credit institutions.

Total expenses increased to EUR 139 million (118). Personnel costs rose year on year by 4%. Other operating expenses were increased by higher ICT costs and depreciation/amortisation was increased mainly by higher depreciation/amortisation related to ICT investments particularly in Non-life Insurance.

Impairment losses on receivables totalled EUR 4 million (8), accounting for 0.02% (0.18) of the loan and guarantee portfolio.

The fair value reserve before tax reduced slightly, amounting to EUR 244 million (245) on 31 March 2017.

January–March highlights

ECB's targeted longer-term refinancing operations (TLTRO-II)

The ECB is offering euro-area credit institutions four targeted longer-term refinancing operations with a maturity of four years (TLTRO-II) with the primary aim of fostering growth. Under TLTRO-II, the banks will be able to borrow up to 30% of their loan balance as at 31 January 2016 to non-financial corporations and households in the euro area, excluding loans to households for a home purchase. To contribute to strong growth, OP Financial Group participated in TLTRO-II operations in the reporting period with a total of EUR 1 billion. In total, OP Financial Group has participated in TLTRO-II with a total of EUR 4 billion.

SME financing programmes

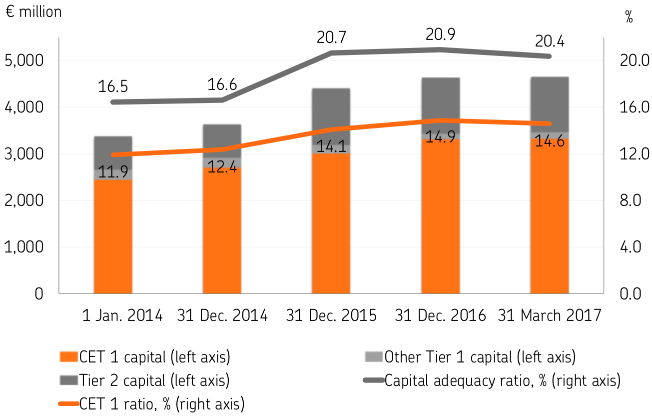
OP Financial Group acts as an intermediary bank in two SME financing programmes guaranteed by the European Investment Fund (EIF). Out of the 150-million euro financing package enabled by the agreement signed in March 2016, loans worth up to roughly EUR 60 million have been granted to almost 70 companies. The financing is targeted at projects of growing and innovative companies with a staff of less than 500. As a result of the new agreement signed in January 2017, OP is to arrange more financing for SMEs guaranteed by the EIF worth EUR 150 million. The financing related to the latter agreement is targeted at projects of companies with a staff of less than 250. SMEs have shown interest in this financing programme as well. For both financing programmes, the EIF has given a 50% risk-sharing guarantee to the loans. By providing financing to SMEs with growth potential, OP Financial Group wants to be involved in supporting future economic growth and employment.

Request for clarification from the Finnish Competition and Consumer Authority

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

Group's capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 14.6% (14.9) on 31 March 2017. The Group's CET1 target is 15%.

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

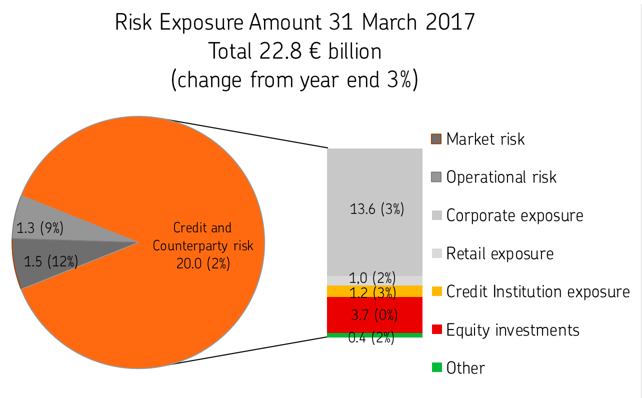
The CET1 capital totalled EUR 3.3 billion (3.3) on 31 March 2017, thanks to earnings by the Banking segment and the Other Operations segment and dividends from insurance companies.

On 31 March 2017, the risk exposure amount (REA) totalled EUR 22.8 billion (22.1), or 3.0% higher than on 31 December 2016. The average credit risk weights remained at the same level as at the turn of the year. 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 belongs to OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates.

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In March 2017, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks and decided to begin preparing to set a 15% minimum risk weight on housing loans. If imposed, the minimum risk weight on housing loans would have no material effect on OP Corporate Bank's capital adequacy.

The Ministry of Finance is drafting the inclusion of the systemic risk buffer in the Act on Credit Institutions. Accordingly, the Financial Supervisory Authority could set the systemic risk buffer ranging from 0 to 5%.



ECB banking supervision

OP Financial Group is supervised by the European Central Bank (ECB). The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The new capital buffer requirement (P2R) set by the ECB and effective as of 1 January 2017 is 1.75%. When taking account of the P2R, the new minimum for OP Financial Group's CET1 ratio is 10.75% and for its capital adequacy ratio 14.25%. In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect e.g. profit distribution. The P2G included, the CET1 requirement is 11.75%. OP Financial Group's capital adequacy clearly exceeds the new minimum set. The discretionary capital buffer requirement set by the ECB does not apply to OP Corporate Bank.

On 2 February 2017, OP Financial Group received the European Central Bank's (ECB) decision to set OP Financial Group's risk weight floors for retail exposures for a fixed period of 18 months. The shortcomings observed by the ECB in the IRBA (Internal Ratings Based Approach) management and validation process applied by OP Financial Group in capital adequacy measurement, especially delayed validations, lie behind the decision. OP Financial Group has already remedied the shortcomings observed by the ECB to a substantial extent and will complete the corrective measures as soon as possible. The decision does not apply to OP Corporate Bank.

Liabilities under the Resolution Act

Regulation in force since early 2015 applies to crisis resolution of credit institutions and investment firms. In addition, more specified guidelines on the application of these provisions were issued by authorities in summer 2016. 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 is determining the minimum level of liabilities, under the Resolution Act, at the OP Financial Group level.

Solvency of non-life insurance companies

The solvency position of Non-life Insurance remained strong at the end of March, being slightly higher than at the end of December 2016.

Non-life Insurance figures under Solvency II

€ million	31 Mar. 2017	31 Dec. 2016
Capital base, € million*	1,045	983
Solvency capital requirement (SCR), € million*	681	687
Solvency ratio, %*	153	143
Solvency ratio, % (excluding transitional provision)	138	127

* including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 March 2017

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

OP Insurance Ltd's financial strength ratings on 31 March 2017

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

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

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

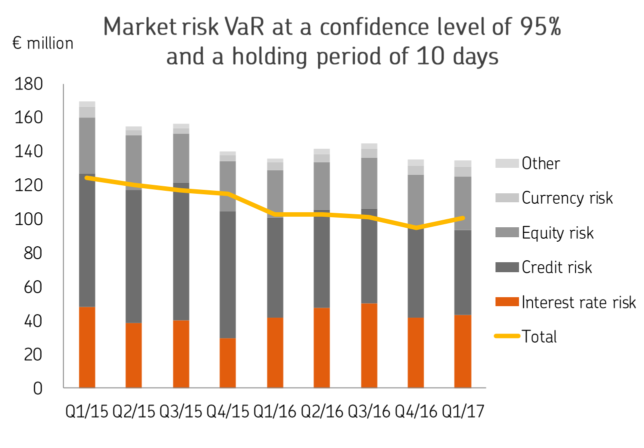
Group risk exposure

Major risks related to the Group's business are associated with developments in the overall economic environment and capital markets.

The strong risk capacity and moderate target risk exposure level maintained the Group's credit risk exposure stable.

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

The Group's market risk exposure was stable during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 101 million (95) on 31 March 2017. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period improved comprehensive income before tax by EUR 3 million. Net liabilities were increased by a one-off increase in the paid-up policy liability, performed on the Finnish Insurance Complaints Board's recommendation, and decreased by an increase in interest rates. A year ago, an increase in net liabilities related to defined benefit pension plans decreased other comprehensive income before tax by EUR 31 million.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate. Doubtful receivables totalled EUR 206 million (198). 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. Impairment losses remained low, accounting for 0.02% (0.18) of the loan and guarantee portfolio.

Total exposure in Banking (including derivatives brokerage) was EUR 30 billion (29). The ratio of the exposure of the highest borrower grades 1–5.5 to total exposure (excluding private customers) was 65% (66). The proportion of the lowest borrower grades 11–12 was 0.9% (0.7). Corporate exposure (including housing corporations and corporate customers of retail exposure) accounted for 88% (88) of total Banking exposures. Of corporate exposures, the investment-grade exposure (borrower grades 1–5.5) accounted for 64% (65) and the exposure of the lowest two borrower grades amounted to EUR 267 million (196) or 1% (0.8) of the total corporate exposure.

Total Banking exposure by exposure class, € billion

	31 Mar. 2017	31 Dec. 2016	Change
Corporate exposures*	26.3	25.8	0.4
Private Customers	1.6	1.5	0.0
Public sector entities	1.3	1.2	0.1
Financial institutions and insurance companies	0.9	0.7	0.2
Total	**30.0**	29.3	0.7

* including housing corporations and corporate customers of retail exposure

Total Banking exposure* by borrower grade, € billion

Borrower grade	31 Mar. 2017	31 Dec. 2016	Change
1.0–2.0	2.0	1.7	0.3
2.5–5.5	16.6	16.6	0.0
6.0–7.0	6.0	5.9	0.1
7.5–9.0	3.4	3.2	0.2
9.5–10.0	0.2	0.2	0.0
11.0–12.0	0.3	0.2	0.1
Total	28.4	27.8	0.6

* excluding private customers

Large corporate customer exposure refers to exposure which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. On 31 March 2016, the amount of large corporate customer exposures totalled EUR 0.5 billion (0.0), while OP Corporate Bank's capital base covering customer risk was EUR 4.6 billion (4.6).

Corporate and housing corporation exposures by industry remained highly diversified. The most significant industries included Energy 12.7% (13.2), Trade 10.0% (10.5) and Renting and operating of non-residential real estate 8.5% (8.6).

Exposures by the Baltic operations grew to EUR 2.1 billion (2.0), accounting for 7.0% (6.9) of total exposures of the Banking segment.

In monitoring Banking exposures, OP Corporate Bank started to use exposure classes instead of the sectors presented previously. Comparatives have been restated to correspond to the new monitoring method.

Non-life Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 43 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 25 million.

No significant changes took place in Non-life Insurance's underwriting risks. Non-life Insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. The solvency position under Solvency II remained strong at the end of March, being slightly higher than at the end of December 2016.

The investment risk level (VaR with 95% confidence, 1-month time period) remained stable during the reporting period. No major changes took place in the investment portfolio's asset class allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable. The hedge ratio of interest rate risk associated with insurance liabilities was kept 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 market risk is highest in notes and bonds included in the liquidity buffer.

The market risk in proportion to the size of the liquidity buffer (VaR with 95% confidence) remained stable during the reporting period, while the volume of investments declined slightly. 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 and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

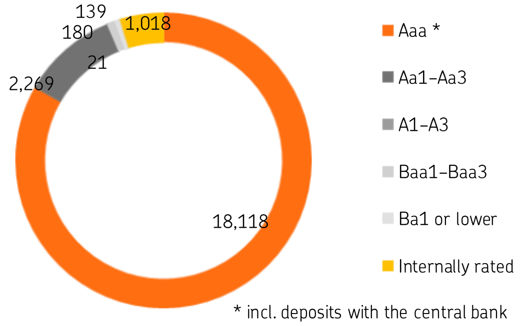
The amount of notes and bonds eligible as collateral decreased during the reporting period because they were used as collateral in TLTRO-II.

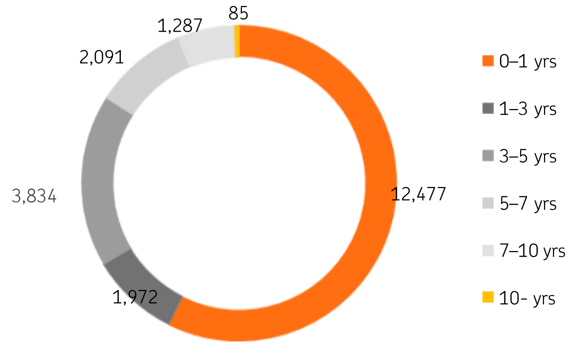
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the Liquidity Coverage Ratio (LCR). According to the transitional provisions, the LCR must be at least 80% in 2017 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 132% on 31 March 2017.

Liquidity buffer

€ billion	31 Mar. 2017	31 Dec. 2016	Change, %
Deposits with central banks	11.8	9.3	26.9
Notes and bonds eligible as collateral	8.4	11.2	-24.9
Corporate loans eligible as collateral	0.0	0.1	-89.4
Total	**20.3**	**20.6**	**-1.7**
Receivables ineligible as collateral	1.5	1.4	8.6
Liquidity buffer at market value	**21.7**	**22.0**	**-1.1**
Collateral haircut	-0.7	-0.7	4.6
Liquidity buffer at collateral value	**21.1**	**21.3**	**-1.2**

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





For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of Other Operations and Banking, exposures of OP Financial Group (excluding OP Corporate Bank Group) represented 15%. These exposures decreased during in the year to March by EUR 0.8 billion or some 8%. All exposures of OP Financial Group member cooperative banks and OP Cooperative are investment-grade exposures.

Total Other Operations exposure by borrower grade, € billion

Borrower grade	31 Mar. 2017	31 Dec. 2016	Change
1.0–2.0	30.5	29.7	0.9
2.5–5.5	6.5	6.8	-0.2
6.0–7.0	0.0	0.0	0.0
7.5–9.0	0.0	0.1	-0.0
9.5–10.0	0.0	0.0	-0.0
11.0–12.0	0.0	0.0	0.0
Total	37.0	34.6	0.6

Financial performance by segment

OP Corporate Bank Group's business segments are Banking and Non-life Insurance, the latter including the health and wellbeing business. Non-business segment operations are presented in the Other Operations segment, including functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer. Segment reporting is based on the accounting policies applied in the Group's financial statements.

Banking

- Earnings before tax increased by 60.4% year on year to EUR 82 million (51) due to higher net investment income and net interest income.
- The loan portfolio increased in the year to March by 14.7% to EUR 18.9 billion.
- The average margin on the corporate loan portfolio increased in the year to March by 0.06 percentage points to 1.44%.
- Impairment loss on receivables totalled EUR 4 million (8), accounting for 0.02% (0.04) of the loan and guarantee portfolio.
- The cost/income ratio was 32.2% (38.2).

Banking: key figures and ratios

€ million	Q1/2017	Q1/2016	Change, %	Q1–4/2016
Net interest income	83	69	19.6	300
Net commissions and fees	32	44	-28.4	142
Net investment income	10	-21		-16
Other operating income	2	2	-1.4	15
Total income	**127**	**95**	**33.4**	**442**
Expenses				
Personnel costs	14	13	8.4	54
Depreciation/amortisation and impairment loss	2	2	4.4	10
Other operating expenses	24	21	15.7	81
Total expenses	**41**	**36**	**12.3**	**145**
Impairment loss on receivables	4	8	-44.8	37
Earnings before tax	**82**	**51**	**60.4**	**260**
Cost/income ratio, %	32.2	38.2		32.8
Loan portfolio, € billion	18.9	16.5		18.0
Guarantee portfolio, € billion	2.4	2.3		2.5
Margin on corporate loan portfolio, %	1.44	1.38		1.41
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.02	0.04		0.18
Personnel	648	570		652

The Banking loan portfolio grew by 14.7% year on year to EUR 18.9 billion. It increased in January–March by EUR 0.9 billion, due to a 0.4-billion euro change in the Group's internal customer exposures. The change had no impact on OP Corporate Bank Group's loan portfolio. The guarantee portfolio totalled EUR 2.4 billion (2.3). Committed standby credit facilities amounted to EUR 4.3 billion (3.9).

January–March

Earnings before tax increased by 60.4% to EUR 82 million (51). Total income rose by 33.4% and total expenses by 12.3%. Total income was increased by growth in the loan portfolio and positive CVA valuations of derivatives.

Net interest income increased by 19.6%. The average margin on the corporate loan portfolio in January–March was 0.06 percentage points higher than a year ago.

Net commissions and fees reported decreased by 28.4% to EUR 32 million (44), due to the internal operating model change carried out by OP Financial Group last year as well as lower commissions from derivatives and FX trading.

The net investment income was increased by positive CVA valuation arising from interest rate changes and other market movements. CVA valuation was EUR 11 million, while a year ago it was EUR -20 million.

Net loan losses and impairment losses amounted to EUR 4 million (8), accounting for 0.02% (0.04) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 0.4 million (0.5) and impairment losses EUR 4 million (7).

Total expenses were EUR 41 million (36). Personnel costs increased by EUR 1 million to EUR 14 million. Other operating expenses increased by 15.7% to EUR 24 million (21). ICT costs rose by EUR 4 million.

The headcount increased year on year due to the reorganisation of Banking last year after which some employees managing small and mid-sized corporate and institutional customers in OP Helsinki joined the payroll of OP Corporate Bank.

Non-life Insurance

- Earnings before tax amounted to EUR 42 million (59). Net investment income totalled EUR 39 million (30). Earnings before tax at fair value were EUR 33 million (76).
- Insurance premium revenue increased by 0.8% (3.2). Net return on investments at fair value totalled EUR 50 million (-40).
- The operating combined ratio was 95.5% (88.6) and operating expense ratio 19.7% (18.1). The combined ratio was 97.0% (90.2). Unfavourable developments in large claims in the first quarter weakened operating ratios.

€ million	Q1/2017	Q1/2016	Change, %	Q1–4/2016
Insurance premium revenue	350	347	0.8	1,420
Claims incurred	238	222	6.9	883
Other expenses	1	2	-33.9	3
Net insurance income	**111**	**123**	**-9.8**	**534**
Net investment income	39	30	-28.4	102
Other net income	-15	-17	-11.7	-77
Total income	**135**	**136**	**-1.1**	**559**
Personnel costs	27	26	2.9	100
Depreciation/amortisation and impairment loss	11	9	17.6	40
Other operating expenses	54	42	30.9	187
Total expenses	**92**	**77**	**19.8**	**326**
OP bonuses to owner-customers	0	0	5.3	2
Earnings before tax	**42**	**59**	**-28.3**	**231**
Combined ratio, %	97.0	90.2		89.1
Operating combined ratio, %	95.5	88.6		87.6
Operating loss ratio, %	75.8	70.5		69.1
Operating expense ratio, %	19.7	18.1		18.5
Operating risk ratio, %	69.9	65.0		63.3
Operating cost ratio, %	25.6	23.6		24.3
Solvency ratio (Solvency II), %*	153	160		143
Large claims incurred retained for own account	20	15		61
Changes in claims for previous years (run off result)	3	20		**60**
Personnel	1,741	1,677		1,730

* Including the effect of transitional provisions.

Insurance premium revenue from Private Customers and Baltics increased. Insurance premium revenue from Corporate Customers was lower than a year ago. Increased price competition particularly with respect to motor liability insurance eroded income generation in both Private and Corporate Customers. Claims development was weaker than the year before.

Measured by the market share of premiums written, OP Financial Group is clearly Finland's largest non-life insurer.

OP member cooperative bank customers used OP bonuses that they had earned through the use of banking and insurance services to pay 574,000 insurance bills (528,000) with 74,000 (68,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 27 million (25).

Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities. The new vahinkoapu.op.fi site (Claim Help) and the new loss report service on OP-mobile have been in frequent use. Up to almost 70% of loss reports of private customers are filed through electronic channels.

Pohjola Health has hospitals in Helsinki and Tampere. Pohjola Health Ltd is expanding into a national player and the Pohjola Hospital under construction in Oulu will open its doors in May. Pohjola Hospitals are also being built in Kuopio and Turku. The hospital in Kuopio will open its doors in early autumn 2017 and that in Turku in early 2018.

January–March

Earnings before tax amounted to EUR 42 million (59). Net insurance income decreased by 9.8% to EUR 111 million. Net investment income recognised in the income statement increased by EUR 9 million. Earnings before tax at fair value were EUR 33 million (76).

The operating combined ratio was 95.5% (88.6). The operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1/2017	Q1/2016	Change, %
Private Customers	191	186	2.6
Corporate Customers	144	147	-2.1
Baltics	15	14	7.0
Total	**350**	**347**	**0.8**

Claims incurred increased by 6.9%. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 19 (24) in January–March, with their claims incurred retained for own account totalling EUR 20 million (15). The change in provisions for unpaid claims under statutory pension decreased year on year, being EUR -4.5 million (4.7) between January and March.

On 31 March 2017, the average discount rate was 1.88%. On 31 December 2016, the average discount rate was 1.97%. The reduced discount rate increased claims incurred by EUR 12.7 million (13.5), weakening the operating combined ratio by 3.6 percentage points (3.9).

Changes in claims for previous years, excluding the effect of discount rate changes, improved the balance on technical account by EUR 3 million (20). The operating loss ratio was 75.8% (70.5). The operating risk ratio excluding indirect loss adjustment expenses was 69.9% (65.0).

Expenses grew by 19.8%, being EUR 15 million higher than a year ago, due to higher ICT costs and the expansion of the health and wellbeing business. The operating expense ratio was 19.7% (18.1). The operating cost ratio (including indirect loss adjustment expenses) was 25.6% (23.6).

Operating balance on technical account and combined ratio (CR)

	Q1/2017		Q1/2016	
	Balance € million	CR, %	Balance € million	CR, %
Private Customers	26	86.3	29	84.4
Corporate Customers	-11	107.5	11	92.3
Baltics	0	98.3	-1	106.0
Total	**16**	**95.5**	**40**	**88.6**

The balance on technical account declined particularly in major customers where the claims development was weaker than the year before.

Investment

Net return on Non-life Insurance investments at fair value totalled EUR 50 million (-40). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio by asset class

%	31 Mar. 2017	31 Dec. 2016
Bonds and bond funds	74	77
Alternative investments	1	1
Equities	8	8
Private equity	3	3
Real property	10	10
Money markets	4	2
Total	**100**	**100**

On 31 March 2017, Non-life Insurance investment portfolio totalled EUR 3,880 million (3,876). Investments within the investment-grade category accounted for 92% (91), and 63% (62) of the investments were rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.9 years (5.9) and the duration 5.4 (5.4).

The running yield for direct bond investments averaged 1.8% (1.8) on 31 March 2017.

Other Operations

- Earnings before tax amounted to EUR 9 million (1). These included EUR 8 million (3) in capital gains on notes and bonds and EUR 7 million (1) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figure and ratios

€ million	Q1/2017	Q1/2016	Change, %	Q1–4/2016
Net interest income	-22	-4		-48
Net commissions and fees	-18	-23	-23.5	-84
Net investment income	54	28	91.9	159
Other operating income	3	7	-55.2	13
Total income	**17**	**8**		**40**
Personnel costs	2	2	-7.7	8
Other expenses	6	5	31.3	19
Total expenses	**8**	**7**	**18.4**	**27**
Impairment loss on receivables	0	0		0
Earnings before tax	**9**	**1**		**13**
Receivables and liabilities from/to OP Financial Group member banks, net position, € billion	0.1	3.4	-95.9	1.1
Personnel	73	70	3.7	72

January–March

Earnings before tax amounted to EUR 9 million (1). Earnings before tax at fair value were EUR 16 million (-8).

Net interest income was reduced by lower net interest income from trading operations. Commissions for derivatives and FX trading paid to the Banking segment included in commission expenses were lower than the year before.

Net investment income grew year on year by EUR 26 million thanks to trading operations generating higher net trading income in the item. Net investment income included EUR 8 million (3) in capital gains on notes and bonds. Dividend income amounted to EUR 7 million (1). Dividend income in the reporting period included EUR 7 million in interest on cooperative capital from Suomen Luotto-osuuskunta.

A year ago, other operating income was increased by costs of the centralised liquidity buffer charged from the Banking segment and OP Financial Group's other credit institutions.

OP Corporate Bank's access to funding remained good. OP Corporate Bank participated in March in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with a total of EUR 1.0 billion. In total, OP Corporate Bank has participated in TLTRO-II with EUR 4.0 billion.

In March 2017, the average margin of senior wholesale funding and TLTRO-II funding was 29 basis points (31). Use of the TLTRO-II funding lowers the cost of wholesale funding.

Group restructuring

OP Corporate Bank Group is still making plans for restructuring under which the Non-life Insurance segment would be transferred from OP Corporate Bank to direct ownership of OP Cooperative. In addition, the option of separating central banking operations (Group Treasury) into a subsidiary wholly owned by OP Cooperative is being assessed. The specific manner or schedule to implement these changes has not yet been decided.

Personnel and remuneration

Personnel increased slightly from the 2016-end level as personnel in the Non-life Insurance segment continued to grow.

Personnel

	31 Mar. 2017	31 Dec. 2016
Banking	648	652
Non-life Insurance	1,741	1,730
Other Operations	73	72
Total	**2,462**	**2,454**

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 Financial

Group has taken account of the regulation regarding the financial sector's remuneration schemes.

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

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of 21 March 2017 adopted the Financial Statements for 2016, discharged members of the Board of Directors and the President and CEO from liability and decided to distribute a dividend of EUR 0.63 per share, totalling EUR 201 million.

The AGM re-elected OP Financial Group's President and Group Executive Chairman Reijo Karhinen Chairman of OP Corporate Bank's Board. OP Financial Group's Executive Vice President of Operations Tony Vepsäläinen, OP Financial Group's Chief Financial Officer Harri Luhtala and OP Financial Group's Executive Vice President of Group Steering and Customer Relationships Jari Himanen were re-elected Board members.

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

Events after the reporting period

OP Financial Group and Nets signed on 5 April 2017 an agreement whereby OP will sell its portfolio of agreements and POS terminals of acquiring and POS terminal services to Nets specialising in providing digital card payments. Acquiring and POS terminal services enable merchants to accept card payments as a payment method for purchases. As a result of the transaction, OP will transfer acquiring and payment terminal service agreements of some 15,000 merchants to Nets. OP and Nets have been in cooperation in the services to be sold since 2011. The transaction will be take effect during 2017.

Outlook towards the year end

The world economy and world trade showed a marked recovery in the first quarter. Economic growth in the euro area too picked up. Recovery in the export market made a strong contribution to Finnish exports. On the whole, the Finnish economic outlook has brightened in the first quarter and is now more optimistic than for many years. Consumer confidence has improved and the housing market has perked up. Political uncertainty both in export markets and Finland is still, however, casting a shadow over economic recovery.

The financial sector has had to adjust to a new type of low interest rate environment. Low interest rates retard growth in banks' net interest income and erode insurance institutions' income from fixed income investments. Impairment losses have remained low despite the slow growth that has lasted for several years now. The most significant strategic risks in the financial sector are currently associated with changing customer behaviour and operating environment digitisation. Industry disruption is threatening to slow down growth and erode income generation in the years to come. In the next few years, the financial sector will be faced with a strong need to reinvent itself. Changes in the operating environment will emphasise the role of the management of operational reinvention, profitability and capital adequacy with a long-term approach.

OP Corporate Bank Group's consolidated earnings before tax are expected to be about the same as or lower than in 2016. The most significant uncertainties affecting earnings relate to changes in the interest rate and investment environment, impairment loss on receivables, the rate of business growth and the effect of large claims on claims expenditure.

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

Consolidated income statement

EUR million	Note	Q1/ 2017	Q1/ 2016
Net interest income	3	55	60
Net insurance income	4	111	123
Net commissions and fees	5	-2	7
Net investment income	6	103	38
Other operating income		9	10
Share of associates' profits		1	0
Total income		**278**	**238**
Personnel costs		43	42
Depreciation/amortisation		14	12
Other expenses		82	64
Total expenses		**139**	**118**
Impairments of receivables	7	4	8
OP bonuses to owner-customers		0	0
Earnings before tax		**133**	**111**
Income tax expense		25	22
Profit for the period		**109**	**89**
Attributable to:			
Owners of the parent		108	89
Non-controlling interests		0	0
Profit for the period		**109**	**89**
Statement of comprehensive income			
Profit for the period		**109**	**89**
Items that will not be reclassified to profit or loss			
Gains(/losses) arising from remeasurement of defined benefit plans		3	-31
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value		0	5
Cash flow hedge		0	0
Translation differences		0	0
Income tax on other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains(/losses) arising from remeasurement of defined benefit plans		-1	6
Items that may be reclassified to profit or loss			
Measurement at fair value		0	-1
Cash flow hedge		0	0
Total comprehensive income for the period		**111**	**68**
Attributable to:			
Owners of the parent		110	66
Non-controlling interests		1	1
Total comprehensive income for the period		**111**	**68**

Balance sheet

EUR million	Note	31 March 2017	31 December 2016
Cash and cash equivalents		11,845	9,336
Receivables from credit institutions		8,097	9,458
Financial assets held for trading		619	638
Derivative contracts	10	4,240	4,678
Receivables from customers	12	19,275	18,702
Investment assets		15,895	16,698
Investments in associates		52	46
Intangible assets		787	790
Property, plant and equipment (PPE)		99	93
Other assets		2,629	2,488
Tax assets		48	46
Total assets		**63,587**	**62,974**
Liabilities to credit institutions		11,464	10,332
Derivative contracts		3,942	4,398
Liabilities to customers		16,863	16,178
Insurance liabilities	13	3,288	3,008
Debt securities issued to the public	14	19,090	19,826
Provisions and other liabilities		3,030	3,231
Tax liabilities		409	405
Subordinated liabilities		1,589	1,592
Total liabilities		**59,675**	**58,969**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	196	197
Other reserves		1,093	1,093
Retained earnings		2,088	2,179
Non-controlling interests		108	109
Total equity capital		**3,912**	**4,005**
Total liabilities and equity capital		**63,587**	**62,974**

Statement of changes in equity

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	428	120	1,093	1,996	3,637	105	3,741
Total comprehensive income for the period		2		64	66	1	68
Profit for the period				89	89	0	89
Other comprehensive income		2		-25	-23	2	-21
Profit distribution				-153	-153		-153
Other			0	0	0	6	6
Balance at 31 March 2016	428	122	1,093	1,907	3,550	112	3,661

	Attributable to owners						
EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	428	197	1,093	2,179	3,896	109	4,005
Total comprehensive income for the period		-1		111	110	1	111
Profit for the period				108	108	0	109
Other comprehensive income		-1		3	1	1	2
Profit distribution				-201	-201		-201
Other			0		0	-2	-2
Balance at 31 March 2017	428	196	1,093	2,088	3,804	108	3,912

Cash flow statement

EUR million	Q1/ 2017	Q1/ 2016
Cash flow from operating activities		
Profit for the period	108	89
Adjustments to profit for the period	275	207
Increase (-) or decrease (+) in operating assets	**1,270**	**-3,333**
Receivables from credit institutions	1,202	-755
Financial assets held for trading	74	-264
Derivative contracts	-5	2
Receivables from customers	-583	-170
Investment assets	705	-1,770
Other assets	-122	-375
Increase (+) or decrease (-) in operating liabilities	**1,636**	**428**
Liabilities to credit institutions	1,139	745
Financial liabilities at fair value through profit or loss	0	1
Derivative contracts	-5	-8
Liabilities to customers	685	-285
Insurance liabilities	19	53
Provisions and other liabilities	-202	-79
Income tax paid	-23	-12
Dividends received	21	11
A. Net cash from operating activities	**3,287**	**-2,610**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	26	2
Acquisition of subsidiaries and associates, net of cash acquired	-6	
Purchase of PPE and intangible assets	-21	-9
Proceeds from sale of PPE and intangible assets	2	0
B. Net cash used in investing activities	**2**	**-7**
Cash flow from financing activities		
Decreases in subordinated liabilities		-60
Increases in debt securities issued to the public	7,612	6,380
Decreases in debt securities issued to the public	-8,351	-7,161
Dividends paid	-201	-153
C. Net cash used in financing activities	**-940**	**-994**
Net increase/decrease in cash and cash equivalents (A+B+C)	**2,350**	**-3,611**
Cash and cash equivalents at period-start	**9,633**	**8,803**
Cash and cash equivalents at period-end	**11,983**	**5,193**
Cash and cash equivalents		
Liquid assets	11,845	4,946
Receivables from credit institutions payable on demand	138	247
Total	**11,983**	**5,193**

Segment information

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET1 ratio is 20% (19%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Q1 earnings 2017, EUR million					
Net interest income	83	-4	-22	-2	55
-of which internal net income before tax	-5	-4	9		
Net insurance income		111			111
Net commissions and fees	32	-16	-18	0	-2
Net investment income	10	39	54	1	103
Other operating income	2	5	3	-1	9
Share of associates' profits		1			1
Total income	**127**	**135**	**17**	**-2**	**278**
Personnel costs	14	27	2		43
Depreciation/amortisation and impairment losses	2	11	0		14
Other operating expenses	24	54	6	-2	82
Total expenses	**41**	**92**	**8**	**-2**	**139**
Impairments of receivables	4	0	0		4
OP bonuses to owner-customers		0			0
Earnings before tax	**82**	**42**	**9**	**0**	**133**

	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Q1 earnings 2016, EUR million					
Net interest income	69	-5	-4	-1	60
-of which internal net income before tax	-6	-4	10		
Net insurance incomes		123			123
Net commissions and fees	44	-14	-23	0	7
Net investment income	-21	30	28	0	38
Other operating income	2	2	7	-2	10
Share of associates' profits		0			0
Total income	**95**	**136**	**8**	**-2**	**238**
Personnel costs	13	26	2		42
Depreciation/amortisation and impairment losses	2	9	0		12
Other operating expenses	21	42	4	-2	64
Total expenses	**36**	**77**	**7**	**-2**	**118**
Impairments of receivables	8	0	0		8
OP bonuses to owner-customers		0			0
Earnings before tax	**51**	**59**	**1**		**111**

Balance sheet 31 March 2017, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	9	216	11,831	-211	11,845
Receivables from credit institutions	200	6	7,908	-18	8,097
Financial assets held for trading	-4		622		619
Derivative contracts	99	10	4,148	-18	4,240
Receivables from customers	19,344	0	347	-416	19,275
Investment assets	591	3,619	11,810	-125	15,895
Investments in associates		52			52
Intangible assets	63	698	26		787
Property, plant and equipment (PPE)	1	44	54		99
Other assets	101	859	1,673	-4	2,629
Tax assets	0	14	35		48
Total assets	**20,407**	**5,517**	**38,455**	**-792**	**63,587**
Liabilities to credit institutions	416		11,463	-416	11,464
Derivative contracts	96	16	3,850	-19	3,942
Liabilities to customers	10,410		6,721	-269	16,863
Insurance liabilities		3,288		0	3,288
Debt securities issued to the public	1,183		17,942	-35	19,090
Provisions and other liabilities	1,146	409	1,480	-5	3,030
Tax liabilities	0	92	317		409
Subordinated liabilities		135	1,454		1,589
Total liabilities	**13,252**	**3,940**	**43,228**	**-744**	**59,675**
Equity capital					**3,912**

Balance sheet 31 December 2016, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	4	90	9,329	-87	9,336
Receivables from credit institutions	187	6	9,280	-15	9,458
Financial assets held for trading	-4		642		638
Derivative contracts	94	26	4,582	-23	4,678
Receivables from customers	18,342	0	721	-361	18,702
Investment assets	589	3,711	12,498	-100	16,698
Investments in associates		46			46
Intangible assets	63	701	26		790
Property, plant and equipment (PPE)	2	46	45		93
Other assets	85	707	1,905	-209	2,488
Tax assets	0	10	36		46
Total assets	**19,362**	**5,345**	**39,063**	**-795**	**62,974**
Liabilities to credit institutions	352		10,357	-377	10,332
Derivative contracts	109	17	4,297	-25	4,398
Liabilities to customers	9,519		6,760	-101	16,178
Insurance liabilities		3,008			3,008
Debt securities issued to the public	1,244		18,616	-35	19,826
Provisions and other liabilities	1,249	541	1,648	-208	3,231
Tax liabilities	1	95	310	0	405
Subordinated liabilities		135	1,457		1,592
Total liabilities	**12,475**	**3,796**	**43,445**	**-747**	**58,969**
Equity capital					**4,005**

Notes

Note 1 Accounting policies

The Interim Report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2016.

The Interim Report is based on unaudited data. 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 apply if there is any discrepancy between the language versions.

The grouping of the income statement and balance sheet formats was revised in the Interim Report for 1 January–30 June 2016. Comparatives in the Interim Report for 1 January-31 March 2017 have been restated to correspond to the new grouping.

New standards and interpretations

IFRS 9 Financial Instruments:

OP Corporate Bank will for the first time apply IFRS 9 as of 1 January 2018. The comparatives will not be restated.

The quantitative effect of the application of the standard on the 2018 financial statements cannot yet be assessed reliably since it will depend on the amount of the financial instruments held at that time, the financial position at that time and the choice of the calculation principles and management judgement. The new standard requires that OP Corporate Bank analyse the calculation and monitoring processes for financial instruments, with the related changes being made are not yet completed. OP Corporate Bank will update the effects of the IFRS 9 transition presented in the financial statements for 2016, as follows:

Classification and measurement

The majority of OP Corporate Bank's loans and notes and bonds will remain within the existing measurement categories recognised at amortised cost or fair value through other comprehensive income. Consequently, the changes in the classification will be small and will have no significant effect on OP Corporate Bank's CET1 ratio.

The biggest classification changes will apply especially to investment by OP Corporate Bank's Non-life Insurance, equity instruments and mutual fund investments, which will mainly be reclassified as those recognised at fair value through profit or loss. OP Corporate Bank is planning to apply the so-called overlay approach to some of these instruments, which will restore the profit/loss impact of these instruments to be aligned with the current IAS 39.

Impairment

The expected credit loss is calculated on all balance sheet items amortised at cost and those recognised at fair value through other comprehensive income (FVOCI) and on off-balance-sheet loan commitments.

OP Corporate Bank's credit risk models and the development of related systems are still underway. The expected credit loss is calculated using modelled risk parameters and formula PDxLGDxEAD for the majority of the portfolios. The expected credit loss is calculated for 12 months or lifetime, depending on whether the instrument's credit risk on the reporting day has increased significantly from the original one. OP Corporate Bank is planning to assess an increase in credit risk for lifetime through PD change. In addition, credit risk has increased significantly if payment is over 30 days past due. In the definition of default, OP Corporate Bank uses a uniform definition in capital adequacy measurement.

OP Corporate Bank will include forward-looking information and macroeconomic scenarios in the model. The macroeconomic scenarios are the same that OP Corporate Bank uses otherwise in its financial annual planning.

Expected credit loss provisions under IFRS 9 are assessed to increase significantly from its current level based on IAS 39 and it varies by portfolio. The provisions will reduce equity capital on the date of transition. Based on preliminary assessments, the increase in expected credit loss provisions is not expected to have any significant effect on OP Corporate Bank's CET1 ratio because the IFRS 9 compliant expected credit loss provisions are not expected to exceed the expected loss calculated in capital adequacy and the effect of used floors. Furthermore, the amendment to the Capital Requirements Regulation (CRR), proposed by the European Commission in November 2016, involves the possibility to gradually phase in the effects of impairment loss measurement under IFRS 9 in the calculation of the CET1 ratio.

Hedge accounting

For portfolio hedges, OP Corporate Bank will continue to apply hedge accounting under IAS 39. OP Corporate Bank has not yet made the decision to adopt IFRS 9 compliant hedge accounting.

Note 2 Key figures and ratios and their formulas

	Q1/ 2017	Q1/ 2016
Return on equity (ROE), %	11.1	9.7
Return on equity (ROE) at fair value, %	10.8	9.8
Return on assets (ROA), %	0.70	0.60
Cost/income ratio, %	50	50
Average personnel	2,455	2,301

ALTERNATIVE PERFORMANCE MEASURES

The Alternative Performance Measures Guidelines issued by the European Securities and Markets Authority (ESMA) came into force on 3 July 2016. The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. They should not be considered to be replacements for the performance measures defined in IFRS governing financial reporting.

The formulas for the used Alternative Performance Measures are presented below and they correspond to the previously presented performance indicators in terms of content.

Return on equity (ROE), %

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

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

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

Cost/income ratio, %

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

Ratio of impairment loss on receivables to loan and guarantee portfolio, %

$$\frac{\text{Impairment loss on receivables x (days of financial year/days of reporting period)}}{\text{Loan and guarantee portfolio at period end}} \times 100$$

Non-life Insurance indicators

Loss ratio (excl. unwinding of discount), %

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

Expense ratio, %

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

Risk ratio (excl. unwinding of discount), %

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

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

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

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Operating risk ratio + Operating cost ratio

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

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

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio, %

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

Solvency ratio, %

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

Leverage ratio, %

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

Liquidity coverage requirement (LCR), %

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

Return on economic capital, %

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

NON-LIFE INSURANCE OPERATING RESULTS	Q1/ 2017	Q1/ 2016	Change %	Q1–4/ 2016
EUR million				
Insurance premium revenue	350	347	0.8	1,418
Claims incurred	-265	-245	8.3	-979
Operating expenses	-69	-63	9.6	-263
Amortisation adjustment of intangible assets	-5	-5	0.0	-21
Balance on technical account	**10**	**34**	**-69.8**	**154**
Net investment income	39	30	28.4	102
Other income and expenses	-6	-5	28.0	-25
Earnings before tax	**42**	**59**	**-28.3**	**231**
Gross change in fair value reserve	-10	17	-156.2	69
Earnings before tax at fair value	**33**	**76**	**-57.1**	**300**

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

Note 3 Net interest income

EUR million	Q1/ 2017	Q1/ 2016
Interest income		
Receivables from credit institutions	11	10
Receivables from customers		
Loans	79	70
Finance lease receivables	4	5
Impaired loans and other commitments	0	0
Notes and bonds		
Held for trading	2	2
Available for sale	25	31
Held to maturity	0	0
Loans and receivables	0	0
Derivative contracts		
Held for trading	216	307
Fair value hedge	-30	-31
Cash flow hedge	2	2
Ineffective portion of cash flow hedge	0	0
Other	2	1
Total	**310**	**398**
Interest expenses		
Liabilities to credit institutions	26	15
Financial liabilities at fair value through profit or loss	0	0
Liabilities to customers	0	2
Debt securities issued to the public	50	45
Subordinated liabilities		
Subordinated loans	1	3
Other	11	11
Derivative contracts		
Held for trading	218	298
Cash flow hedge	-36	-37
Other	-17	
Other	3	1
Total	**255**	**338**
Net interest income before fair value adjustment under hedge accounting	**55**	**60**
Hedging derivatives	15	-93
Value changes of hedged items	-15	93
Total net interest income	**55**	**60**

Note 4 Net insurance income

EUR million	Q1/ 2017	Q1/ 2016
Net insurance premium revenue		
Premiums written	615	616
Insurance premiums ceded to reinsurers	-10	-9
Change in provision for unearned premiums	-266	-269
Reinsurers' share	11	9
Total	**350**	**347**
Net Non-life Insurance claims		
Claims paid	-233	-214
Insurance claims recovered from reinsurers	2	3
Change in provision for unpaid claims	-15	-16
Reinsurers' share	8	5
Total	**-238**	**-222**
Other Non-life Insurance items	-1	-2
Total net insurance income	**111**	**123**

Note 5 Net commissions and fees

EUR million	Q1/ 2017	Q1/ 2016
Comission income		
Lending	10	10
Deposits	0	0
Payment transfers	7	7
Securities brokerage	5	2
Securities issuance	1	2
Mutual funds	0	0
Asset management and legal services	3	3
Guarantees	3	3
Insurance brokerage	4	4
Other	3	1
Total	36	33
Comission expenses		
Payment transfers	2	3
Securities brokerage	2	1
Securities issuance	1	0
Asset management and legal services	1	1
Insurance operations	19	18
Other	13	3
Total	38	26
Total net commissions and fees	-2	7

Note 6 Net investment income

EUR million	Q1/ 2017	Q1/ 2016
Net income from available-for-sale assets		
Notes and bonds	23	27
Equity instruments	17	2
Dividend income and share of profits	21	11
Impairment losses and their reversals	-3	-5
Total	**59**	**35**
Net income recognised at fair value through profit or loss		
Insurance		
Notes and bonds	-3	
Derivatives	3	-6
Banking and Other operations		
Securities trading	40	7
Foreign exchange trading	8	9
Investment property	4	1
Total	**51**	**11**
Net income carried at amortised cost		
Loans and other receivables	1	1
Impairment losses and their reversals	0	0
Total	**2**	**1**
Non-life Insurance		
Unwinding of discount	-8	-9
Total	**-8**	**-9**
Total net investment income	**103**	**38**

Note 7 Impairments of receivables

EUR million	Q1/ 2017	Q1/ 2016
Receivables written off as loan or guarantee losses	0	0
Recoveries of receivables written off	0	0
Increase in impairment losses on individually assessed receivables	2	7
Decrease in impairment losses on individually assessed receivables	0	1
Collectively assessed impairment losses	3	-1
Total impairments of receivables	4	8

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	11,845					11,845
Receivables from credit institutions	8,097					8,097
Derivative contracts			3,898		342	4,240
Receivables from customers	19,275					19,275
Notes and bonds		53	927	14,378		15,358
Equity instruments				779		779
Other financial assets	2,669					2,669
Financial assets	**41,886**	**53**	**4,825**	**15,157**	**342**	**62,263**
Other than financial instruments						1,324
Total 31 March 2017	**41,886**	**53**	**4,825**	**15,157**	**342**	**63,587**

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	9,336					9,336
Receivables from credit institutions	9,458					9,458
Derivative contracts			4,292		386	4,678
Receivables from customers	18,702					18,702
Notes and bonds		79	975	15,127		16,182
Equity instruments			0	807		807
Other financial assets	2,520					2,520
Financial assets	**40,017**	**79**	**5,268**	**15,934**	**386**	**61,684**
Other than financial instruments						1,290
Total 31 December 2016	**40,017**	**79**	**5,268**	**15,934**	**386**	**62,974**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		11,464		11,464
Derivative contracts	3,693		249	3,942
Liabilities to customers		16,863		16,863
Insurance liabilities		3,288		3,288
Debt securities issued to the public		19,090		19,090
Subordinated loans		1,589		1,589
Other financial liabilities		2,799		2,799
Financial liabilities	**3,694**	**55,092**	**249**	**59,035**
Other than financial liabilities				640
Total 31 March 2017	**3,694**	**55,092**	**249**	**59,675**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		10,332		10,332
Derivative contracts	4,056		341	4,398
Liabilities to customers		16,178		16,178
Insurance liabilities		3,008		3,008
Debt securities issued to the public		19,826		19,826
Subordinated loans		1,592		1,592
Other financial liabilities		3,022		3,022
Financial liabilities	**4,057**	**53,957**	**341**	**58,355**
Other than financial liabilities				614
Total 31 December 2016	**4,057**	**53,957**	**341**	**58,969**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March, the fair value of these debt instruments was EUR 244 million (245) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 9 Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	458	85	384	927
Derivative financial instruments	1	4,087	152	4,240
Available-for-sale				
Equity instruments	421	68	290	779
Debt instruments	12,375	1,682	321	14,378
Total	**13,255**	**5,921**	**1,147**	**20,324**

Fair value of assets on 31 Dec. 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	472	495	8	975
Derivative financial instruments	6	4,512	160	4,678
Available-for-sale				
Equity instruments	464	61	281	807
Debt instruments	11,276	3,525	326	15,127
Total	**12,218**	**8,594**	**776**	**21,588**

Fair value of liabilities on 31 March 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		1		1
Derivative financial instruments	7	3,838	97	3,942
Total	**7**	**3,839**	**97**	**3,943**

Fair value of liabilities on 31 Dec. 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	10	4,280	107	4,398
Total	**10**	**4,280**	**107**	**4,398**

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.

Reconciliation of Level 3 items that involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Opening balance 1 January 2017	8	160	608	776
Total gains/losses in profit or loss	3	-8	2	-3
Total gains/losses in other comprehensive income			-3	-3
Purchases			27	27
Sales			-15	-15
Settlements			-7	-7
Transfers into Level 3	373		44	417
Transfers out of Level 3			-45	-45
Closing balance 31 March 2017	**384**	**152**	**611**	**1,147**

Financial liabilities, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 January 2017		107	107
Total gains/losses in profit or loss		-10	-10
Closing balance 31 March 2017		**97**	**97**

Total gains/losses included in profit or loss by item on 31 March 2017

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 31 March
Realised net gains (losses)	3			3
Unrealised net gains (losses)	2	2	-3	2
Total net gains (losses)	**5**	**2**	**-3**	**4**

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 2017.

Note 10 Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
31 March 2017, EUR million						
Interest rate derivatives	40,123	93,064	68,139	201,326	3,691	3,609
Cleared by the central counterparty	6,102	38,582	30,599	75,283	1,040	1,260
Currency derivatives	36,423	11,470	3,604	51,498	1,539	1,574
Equity and index derivatives	5	1		6	1	
Credit derivatives	16	215	9	240	11	7
Other derivatives	364	408	2	774	63	19
Total derivatives	**76,931**	**105,159**	**71,755**	**253,845**	**5,305**	**5,210**

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
31 December 2016, EUR million						
Interest rate derivatives	43,438	89,073	67,384	199,895	4,113	4,047
Cleared by the central counterparty	7,919	33,999	30,761	72,679	1,186	1,335
Currency derivatives	29,989	11,607	3,644	45,241	1,693	1,676
Equity and index derivatives		6		6	1	
Credit derivatives	19	296	13	328	10	7
Other derivatives	285	553	2	840	64	23
Total derivatives	**73,732**	**101,535**	**71,043**	**246,310**	**5,881**	**5,753**

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

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

Financial assets

31 March 2017, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	5,270	-1,030	4,240	-2,148	-1,045	1,047

31 December 2016, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	5,829	-1,151	4,678	-2,472	-1,177	1,030

Financial liabilities

31 March 2017, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	5,191	-1,249	3,942	-2,148	-1,079	716

31 December 2016, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	5,704	-1,307	4,398	-2,472	-1,139	786

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -221 (-147) million euros.
** Fair values excluding accrued interest.
*** It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

February 2013 saw the adoption of central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. 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 the Federation of Finnish Financial Services or the Group will apply to derivative transactions between the Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Note 12 Receivables from credit institutions and customers, and doubtful receivables

31 March 2017, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	8,099		8,099		2	8,097
Receivables from customers, of which	18,007	243	18,250	220	26	18,003
bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,272		1,272			1,272
Total	27,378	243	27,621	220	28	27,373
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,938	241	16,180	220	14	15,946
Financial institutions and insurance companies	9,151		9,151		2	9,149
Households	1,585	1	1,586	1	11	1,575
Non-profit organisations	322	0	322	0	0	322
Public sector entities	382		382		0	382
Total	27,378	243	27,621	220	28	27,373

31 December 2016, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	9,460		9,460		2	9,458
Receivables from customers, of which	17,434	243	17,677	219	23	17,435
bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,268		1,268			1,268
Total	28,161	243	28,405	219	25	28,160
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,463	242	15,706	218	12	15,475
Financial institutions and insurance companies	10,467		10,467		2	10,464
Households	1,558	1	1,559	1	11	1,548
Non-profit organisations	290	0	290	0	0	290
Public sector entities	383		383		0	383
Total	28,161	243	28,405	219	25	28,160

Doubtful receivables 31 March 2017, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		105	105	94	11
Unlikely to be paid		254	254	121	133
Forborne receivables	47	21	67	5	62
Total	47	380	427	220	206

Doubtful receivables 31 December 2016, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		95	95	81	13
Unlikely to be paid		268	268	133	135
Forborne receivables	35	20	55	5	50
Total	35	382	417	219	198

Key ratio, %	31 March 2017	31 Dec. 2016
Exposures individually assessed for impairment, % of doubtful receivables	51.7 %	52.6 %

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than 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.

Note 13 Insurance liabilities

EUR million	31 March 2017	31 Dec. 2016
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,439	1,434
Other provision for unpaid claims	1,014	988
Reserve for decreased discount rate (value of hedges of insurance liability)	-9	8
Total	2,444	2,430
Provisions for unearned premiums	845	578
Total	**3,288**	**3,008**

Note 14 Debt securities issued to the public

EUR million	31 March 2017	31 Dec. 2016
Bonds	10,173	11,738
Certificates of deposit, commercial papers and ECPs	8,916	8,088
Total	19,090	19,826

Note 15 Fair value reserve after income tax

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 January 2017	85	106	6	197
Fair value changes	4	14	1	20
Capital gains transferred to income statement	-6	-15		-21
Impairment loss transferred to income statement		1		1
Transfers to net interest income			-1	-1
Deferred tax	0	0	0	0
Closing balance 31 March 2017	84	106	6	196

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 January 2016	32	77	11	120
Fair value changes	31	-16	2	17
Capital gains transferred to income statement	-9	-7		-16
Impairment loss transferred to income statement		4		4
Transfers to net interest income			-2	-2
Deferred tax	-4	4	0	-1
Closing balance 31 March 2016	49	62	11	122

The fair value reserve before tax amounted to EUR 244 million (245) and the related deferred tax liability amounted to EUR 48 million (49). On 31 March 2017, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 137 million (139) and negative mark-to-market valuations EUR 6 million (7).

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

Note 16 Collateral given

EUR million	31 March 2017	31 Dec. 2016
Collateral given on behalf of own liabilities and commitments		
Pledges	1	1
Other	5,739	4,973
Total*	**5,740**	**4,973**
Secured derivative liabilities	1,269	1,351
Other secured liabilities	4,071	3,443
Total	**5,340**	**4,794**

* In addition, bonds with a book value of EUR 6.1 billion have been pledged in the central bank, of wich EUR 1.5 billion in intrady settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance premission, they are not presented in the table above.

Note 17 Off-balance-sheet items

EUR million	31 March 2017	31 Dec. 2016
Guarantees	553	716
Other guarantee liabilities	1,499	1,460
Loan commitments	5,268	5,470
Commitments related to short-term trade transactions	388	344
Other*	703	677
Total off-balance-sheet items	**8,411**	**8,667**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 182 million (156).

Note 18 Capital adequacy for credit institutions

OP Corporate Bank Group presents its capital adequacy for credit institutions in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

Capital base, EUR million	31 March 2017	31 Dec. 2016
OP Corporate Bank Group's equity capital	3,912	4,005
The effect of insurance companies on the Group's shareholders' equity is excluded	-307	-279
Fair value reserve, cash flow hedging	-6	-6
Common Equity Tier 1 (CET1) before deductions	**3,600**	**3,720**
Intangible assets	-77	-76
Excess funding of pension liability and valuation adjustments	-19	-23
Planned profit distribution	-54	-201
Shortfall of impairments – expected losses	-128	-126
Common Equity Tier 1 (CET1)	**3,321**	**3,295**
Subordinated loans to which transitional provision applies	137	140
Additional Tier 1 capital (AT1)	**137**	**140**
Tier 1 capital (T1)	**3,458**	**3,435**
Debenture loans	1,176	1,193
Tier 2 Capital (T2)	**1,176**	**1,193**
Total capital base	**4,634**	**4,628**

OP Corporate Bank Group has applied transitional provisions regarding old capital instruments to subordinated loans.

Risk exposure amount, EUR million	31 March 2017	31 Dec. 2016
Credit and counterparty risk	**19,715**	**19,354**
Standardised Approach (SA)	**1,884**	**1,861**
Central government and central banks exposure	33	33
Credit institution exposure	65	51
Corporate exposure	1,653	1,623
Retail exposure	11	12
Other*	43	64
Internal Ratings-based Approach (IRB)	**17,831**	**17,493**
Credit institution exposure	1,164	1,141
Corporate exposure	11,856	11,551
Retail exposure	1,001	983
Equity investments**	3,744	3,741
Other	67	77
Market and settlement risk (Standardised Approach)	**1,491**	**1,329**
Operational risk (Standardised Approach)	**1,266**	**1,163**
Valuation adjustment (CVA)	**293**	**253**
Total risk exposure amount	**22,765**	**22,099**

* EUR 42 million (45) of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

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

Ratios, %	31 March 2017	31 Dec. 2016
CET1 capital ratio	14.6	14.9
Tier 1 ratio	15.2	15.5
Capital adequacy ratio	20.4	20.9

Ratios, fully loaded, %	31 March 2017	31 Dec. 2016
CET1 capital ratio	14.6	14.9
Tier 1 ratio	14.6	14.9
Capital adequacy ratio	19.8	20.3

Capital requirement, EUR million	31 March 2017	31 Dec. 2016
Capital base	4,634	4,628
Capital requirement	2,403	2,327
Buffer for capital requirements	2,231	2,301

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 19 Exposures by rating category

Corporate exposures (FIRB) by rating category

31 March 2017

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	947	92.4	0.0	44.7	143	15.1	0
2.5–5.5	13,030	74.3	0.2	44.2	4,908	37.7	10
6.0–7.0	3,827	71.6	1.2	44.2	3,614	94.5	21
7.5–8.5	2,088	69.4	4.2	44.4	2,886	138.2	38
9.0–10.0	132	58.2	21.0	44.0	304	231.0	12
11.0–12.0	368	52.0	100.0	46.2			170
Total	**20,391**	**73.7**	**0.9**	**44.3**	**11,856**	**59.2**	**251**

31 December 2016

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	1,028	92.5	0.0	44.7	154	15.0	0
2.5–5.5	13,003	74.9	0.2	44.3	4,956	38.1	10
6.0–7.0	3,671	71.4	1.2	44.1	3,440	93.7	19
7.5–8.5	1,932	69.6	4.4	44.5	2,732	141.4	38
9.0–10.0	116	54.3	22.7	44.7	268	230.8	12
11.0–12.0	374	53.2	100.0	46.1			173
Total	**20,124**	**74.0**	**0.9**	**44.3**	**11,551**	**58.5**	**252**

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

Note 20 Insurance company solvency

EUR million	31 March 2017	31 Dec. 2016
Eligible capital	**1,045**	**983**
Solvency capital requirement (SCR)		
Market risk	487	483
Insurance risk	295	293
Counterparty risk	31	31
Operational risk	43	43
Diversification benefits and loss absorbency	-175	-164
Total	681	687
Buffer for SCR	**364**	**296**
Solvency ratio (SCR), %	**153**	**143**
Solvency ratio (SCR), % (excluding transitional provision)	**138**	**127**

Transitional provisions have been taken into account in figures under Solvency II and they are according to OP Financial Group's estimate.

Note 21 Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2016.

Financial reporting in 2017

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

Schedule for Interim Reports in 2017:

Interim Report H1/2017	2 August 2017
Interim Report Q1–3/2017	1 November 2017

Helsinki, 27 April 2017

OP Corporate Bank plc
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