OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2016

OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2016: Embracing industry transformation from a solid foundation

OP Financial Group improved its earnings further, above-the-market average growth continued on a wide front

- Earnings before tax totalled EUR 1,138 million (1,101).
- Earnings before tax in October-December were EUR 218 million (175).
- Net interest income increased by 3% and net insurance income by 6% and total income grew by 3% on a year earlier. Expenses rose by 3%. The rise was entirely explained by higher development costs.
- The CET1 ratio increased by 0.6 percentage points year on year to 20.1%. Based on the results of the stress test conducted by the European Banking Authority, the Group's capital adequacy clearly exceeded regulatory requirements also in an operating environment of an extremely adverse scenario.
- The home loan portfolio increased by 4%, the corporate loan portfolio by 3% and deposits by 6%. New home loans drawn down were 8% and corporate loans 10% higher than a year ago.
- Insurance premium revenue increased by 2%.
- Assets managed by Wealth Management increased by 9% over the previous year.
- Full-year earnings for 2017 are expected to be about the same as or lower than in 2016 due to increasing development costs and other expenses arising from strategy implementation.

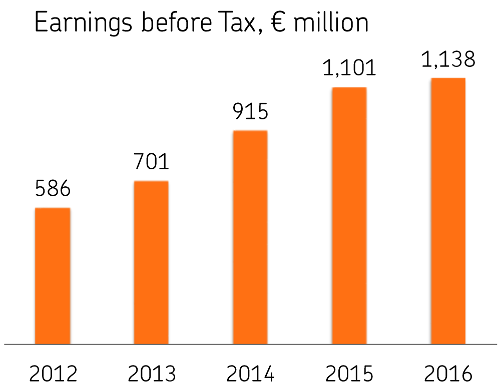
Almost 160,000 new OP Financial Group banking customers and 260,000 new owner-customers

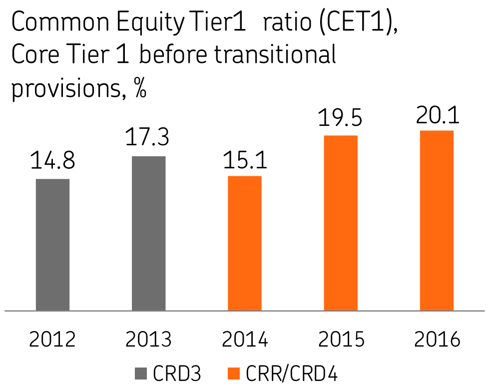
- OP Financial Group received almost 160,000 new banking customers, or 21% more than a year ago. The number of owner-customers increased by almost 260,000 to over 1.7 million. The number of joint banking and non-life insurance customers increased by almost 100,000 to over 1.7 million.
- New OP bonuses totalled over EUR 200 million, up by almost 5% year on year. The estimated interest payable on Profit Shares totals EUR 83 million.
- The Group launched several #Suominousuun (Putting Finland on a new growth path) initiatives in its social role. During the financial year, the Group announced, for example, donations worth over EUR 6 million to Finnish universities.
- OP Financial Group's gift to the 100-year-old Finland is 100 years of volunteering. Hiiop100.fi, a new volunteer work exchange site, brings together those in need of help and volunteers.
- In June, OP Financial Group confirmed an updated strategy aimed at broad-based renewal which is being implemented on a wide front.

OP Financial Group's key indicators

	Q1–4/2016	Q1–4/2015	Change, %
Earnings before tax, € million	1,138	1,101	3.3
Banking	596	642	-7.3
Non-life Insurance	230	259	-11.1
Wealth Management	232	213	8.8
New OP bonuses accrued to owner-customers	208	197	5.3
	31 Dec. 2016	31 Dec. 2015	Change, %
CET1 ratio, %	20.1	19.5	0.6*
Return on economic capital, % **	22.7	21.5	1.2*
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	170	191	-21*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.10	0.0*
Owner-customers (1,000)	1,747	1.491	17.2

Comparatives deriving from the income statement are based on figures reported for the corresponding period in 2015. Unless otherwise specified, balance sheet and other cross-sectional figures on 31 December 2015 are used as comparatives.
* Change in ratio
** 12-month rolling, change in percentage
*** The FiCo ratio has been calculated under Solvency II transitional provisions and the comparatives have been adjusted.


Earnings before Tax, € million
586
701
915
1,101
1,138
2012
2013
2014
2015
2016


Common Equity Tier1 ratio (CET1), Core Tier 1 before transitional provisions, %
14.8
17.3
15.1
19.5
20.1
2012
2013
2014
2015
2016
CRD3
CRR/CRD4

Comments by Reijo Karhinen, President and Group Executive Chairman

Even a strong one must reform itself. The year 2016 for OP Financial Group was a combination of business success on a wide front and the launch of strategy implementation aimed at broad-based renewal. The determined steps we have taken for several years now amid the operating environment characterised by various challenges culminated in all-time high earnings, excellent capital adequacy and an above-market-average growth rate on a broad basis. In addition, favourable developments in customer satisfaction and the number of our customers that has grown faster than ever before strengthen, for their part, the basis on which we will build the reforming OP.

We are living in a world with more demanding customers with a more powerful voice. The situation is made for OP. Our committed owner-customers are one of the strengths why OP is successful. Managing our social role shows more clearly in our daily activities. Enabled by our good earnings performance, we have a real chance to promote the prosperity of our owner-customers and in our operating region during the major transformation too.

The strategy published in the summer means to us a huge transformation process from a plain financial services provider to a diversified services company. Our strategy will challenge us to nurture our present-day business, its product and service range and earnings power while we will increase our investments in development and create new business with an open mind to replace the one that will go away.

We will digitise our existing services and internal processes with a bold approach. Ensuring our price competitiveness and operational agility will continue to require efforts to significantly improve our operational efficiency. We will need to modernise our intellectual capital at a faster pace as our business models and their content undergo transformation and our journey towards a diversified company proceeds.

After several years of sluggishness, the Finnish economy and employment are showing an incipient recovery and economic sentiment indicators are improving. This is a right direction but the pace is too slow in view of the key challenges our nation is faced with: low employment rate and public finances. In different parts of society, reforms must be sped up and the vision must be brightened. We need a deeper, shared understanding of the extent and speed of change. Finland's digital potential is right at the top in the world, which is why the digital world economy transformation will provide Finland with huge opportunities for new growth and prosperity.

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Operating environment

The world economy continued to grow slowly in 2016. The euro-area economy grew at a slightly lower rate than last year. Uncertainty over the economic outlook mounted in the summer when the UK voted for Brexit. Confidence indicators, however, improved again towards the year end and there were more signs of economic recovery.

The euro-area inflation rate remained low, especially in the first half. In March, the European Central Bank (ECB) cut its main refinancing rate to zero and deposit facility rate to -0.4%. In addition, the ECB expanded its asset purchase programme. The Euribor rates continued to decrease slightly as a result of the ECB's measures. Long-term interest rates rose towards the end of the year but remained lower than earlier in 2016.

The Finnish economy started to show gradual recovery. Construction grew vigorously and consumer spending grew at a brisk pace as well. Exports were still weak. Unemployment took a turn downwards and consumer confidence improved markedly towards the end of the year. Inflation remained low. The housing market picked up and home prices rose moderately.

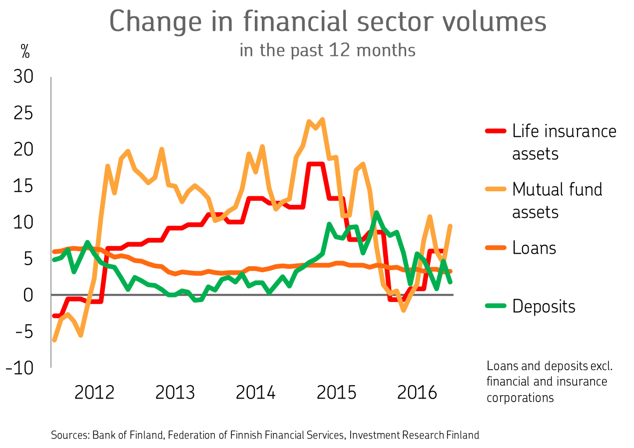
Confidence indicators have improved both in Finland and in the export markets. In 2017, the Finnish economy is expected to continue to grow at a slow but steady rate on a broader base than before. The ECB has announced that it would continue its quantitative easing policy in 2017 too. Based on the policy line, the key interest rates will remain low throughout 2017.

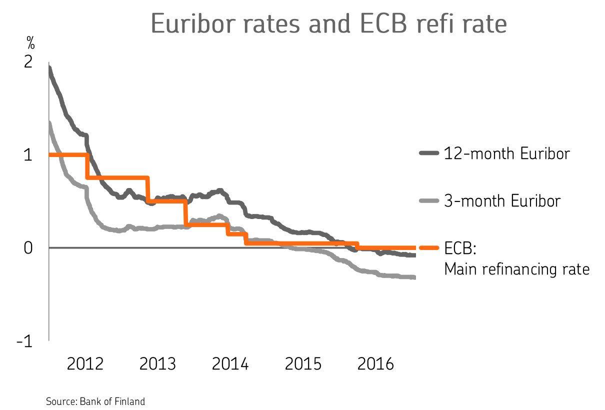
Consumer loan volumes continued to grow in 2016 at an around 3% rate. The fall in the interest rates for new home loans drawn down came to a halt towards the end of the year. The average interest rate for total home loans in Finland is the lowest in the euro area. Growth in housing corporation and corporate loan volumes slowed down over the previous year. Weaker developments in corporate loans in particular lie behind this change.

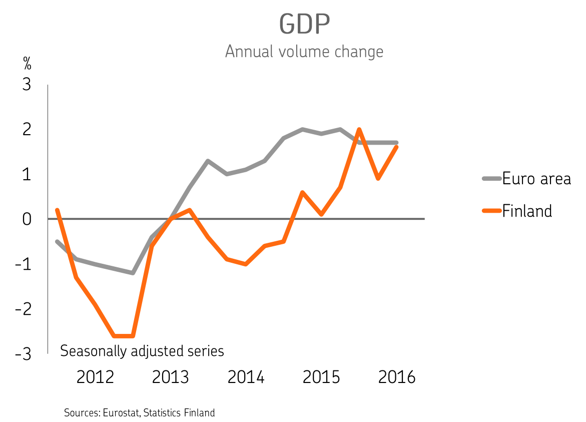
Total deposits grew more slowly than a year ago. The growth rate of total household deposits sped up but that of deposits by public-sector entities and corporations calmed down clearly after the previous year's spurt.

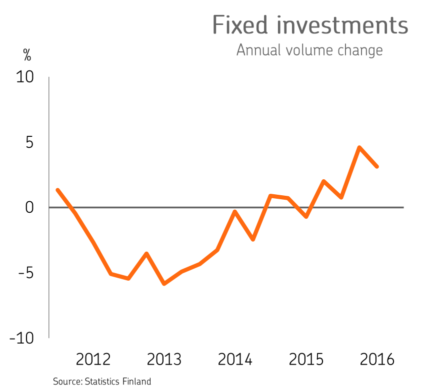
The value of mutual funds registered in Finland increased by almost 10% in 2016. Favourable market developments perked up demand towards the year end but growth in net asset inflows, however, remained weaker than a year ago. Life insurance premiums written were 30% lower than a year ago.

Premiums written reported by non-life insurers registered in Finland increased by 1.0% last year. During the same period, claims paid out rose by 5.5%.









Earnings analysis and balance sheet

Earnings analysis, € million	Q1–4/2016	Q1–4/2015	Change, %	Q4/2016	Q4/2015	Change, %	Q3/2016
Earnings before tax	**1,138**	**1,101**	**3.3**	**218**	**175**	**24.4**	**306**
Banking	596	642	-7.3	129	112	15.2	172
Non-life Insurance	230	259	-11.1	30	41	-25.3	83
Wealth Management	232	213	8.8	41	45	-9.9	50
Other Operations	80	-13		17	-29		1
Income							
Net interest income	1,058	1,026	3,2	260	259	0.3	271
Net insurance income	558	528	6.0	140	129	8.7	149
Net commissions and fees	859	855	0.5	222	202	9.5	200
Net investment income	390	432	-9.7	108	64	69.8	99
Other operating income	122	46		18	12	45.2	11
Share of associates' profit/loss	1	9	-88.9	-4	3		2
Total income	**2,989**	**2,895**	**3.3**	**743**	**670**	**11,1**	**732**
Expenses							
Personnel costs	762	781	-2.4	199	208	-4.1	167
Depreciation/amortisation and impairment loss	160	162	-1.3	44	42	5.0	41
Other operating expenses	646	577	11.9	188	166	13.5	152
Total expenses	**1,567**	**1,520**	**3.1**	**431**	**415**	**3.8**	**361**
Impairment loss on receivables	**77**	**78**	**-1.0**	**41**	**31**	**33.8**	**12**
New OP bonuses accrued to owner-customers	**208**	**197**	**5.3**	**53**	**50**	**6.7**	**52**

Key balance sheet figures, € million	31 Dec. 2016	31 Dec. 2015	Change, %
Receivables from customers	78,604	75,192	4,5
Investment assets	25,105	20,784	20.8
Liabilities to customers	60,077	58,220	3.2
Insurance liability	10,586	7,705	37.4
Debt securities issued to the public	28,287	27,706	2.1
Equity capital	10,237	9,324	9.8
Total assets	133,747	124,455	7.5

January–December

OP Financial Group's earnings before tax were EUR 1,138 million (1,101), or the best ever recorded. The figure improved by EUR 37 million over the previous year.

Despite low interest rates, net interest income increased by 3.2% to EUR 1,058 million. Net insurance income improved by 6.0% to EUR 558 million. Net commissions and fees were EUR 859 million, or slightly higher than the year before. Fees from payment services and mutual funds and real estate agent commissions increased whereas securities brokerage and issuance fees declined over the previous year. Securities brokerage fees decreased by EUR 4 million as a result of the Sijoita Suomeen (Invest in Finland) opening included in the #Suominousuun (Putting Finland on a new growth path) initiative.

Net investment income decreased by 9.7% to EUR 390 million. Lower returns on equity instruments and impairment losses reduced net income from available-for-sale assets. Income from Life Insurance notes and bonds measured at fair value was increased by the individual life insurance portfolio transferred from Suomi Mutual to OP Financial Group at the end of 2015. Hedging interest rate risk associated with the insurance liability of Life Insurance added to income from derivatives.

Other operating income rose by EUR 77 million year on year to EUR 122 million. This rise resulted from the non-recurring gain of EUR 76 million recognised on the sale of Visa Europe Ltd.

Total expenses increased by 3.1% to EUR 1,567 million. Personnel costs decreased by EUR 19 million over the previous year due to lower defined benefit pension costs. A year ago, personnel costs were increased by a non-recurring provision of EUR 9 million, related to the reorganisation of the central cooperative consolidated.

OP Financial Group's significant investments in service development increased development costs by EUR 60 million. Development costs totalled EUR 135 million (75). Other operating expenses a year ago included the non-recurring expenses totalling EUR 18 million related to the intra-Group ownership reorganisation and the reconstruction of the Vallila premises.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 136 million (114), of which EUR 77 million (78) concerned loans and receivables. Net impairment loss on loans and receivables were low, at 0.09% (0.10) of the loan and guarantee portfolio.

OP Financial Group's current tax amounted to EUR 223 million (249). The effective tax rate was 19.6% (22.6). A year ago, the tax rate was increased by capital gains tax on OP Financial Group's internal transactions.

OP Financial Group's equity capital increased by 9.8%, exceeding EUR 10 billion during the financial year. This was explained by the Group's earnings and owner-customers' Profit Shares. On 31 December 2016, EUR 2.7 billion (2.5) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.3 billion (0.3). The return target for Profit Shares for 2016 and 2017 is 3.25%. Interest payable on the Profit Shares accrued during the financial year is estimated to total EUR 83 million (66). The fair value reserve grew by EUR 77 million to EUR 318 million.

October–December

Earnings before tax for the fourth quarter were EUR 218 million, an increase of 24% year on year. The increase came from a year-on-year improvement in net insurance income, net commissions and fees, and net investment income. Net income from available-for-sale assets and securities trading added to net investment income year on year. Total expenses increased by 3.8% year on year to EUR 431 million, due especially to higher development expenditure.

Earnings for the fourth quarter decreased by EUR 88 million from the previous quarter. Net interest income decreased by EUR 11 million and net insurance income by EUR 9 million. Net commissions and fees rose by EUR 21 million and net investment income by EUR 9 million. Expenses increased by EUR 71 million to EUR 431 million due to the seasonal nature of the expenses and higher development expenditure. Impairment loss on loans and receivables increased by EUR 29 million to EUR 41 million over the previous quarter.

OP Financial Group's strategy

In June, the Supervisory Board of OP Financial Group's central cooperative confirmed OP Financial Group's strategy and Group-level strategic goals. According to the new strategy, OP Financial Group aims to gradually change from a plain financial services provider to a diversified services company of the digital era with strong financial services expertise. The strategy highlights customer experience enhancement by digitising services and processes.

In the years to come, OP Financial Group intends to make health and wellbeing services its fourth business line alongside Banking, Non-life Insurance and Wealth Management.

OP Financial Group has initiated a large-scale development programme to speed up the digitisation of its services. The strategy will be put into practice through 15 strategic initiatives. The Group will allocate up to EUR 2 billion to development investments during the next five years. The investments required by upgrading and streamlining business will add to the Group's expenses and weaken Group profitability before the benefits from such investments are realised in terms of better financial indicators.

In its strategy, OP Financial Group set numerical targets for its capital adequacy (CET1), profitability (return on economic capital), efficiency (expenses of present-day business), growth in the number of owner-customers and customer experience (Net Promoter Score, or NPS, a measure of likelihood of recommendation). The customer experience metric has two parts, consisting of the NPS target (25) for the brand and the NPS target (70, over time 90) for service.

OP Financial Group's numerical targets	31 Dec. 2016	Target
Customer experience, NPS (–100–+100)		
Brand	22.7	25
Service	53	70, over time 90
CET1 ratio, %	20.1	22
Return on economic capital, % (12-month rolling)	22.7	22
Expenses of present-day business (12-month rolling), € million	1,538	Expenses in 2019 lower than in 2015 (1,500)
Owner-customers, million	1.7	2.1 (2019)

Promotion of the prosperity and wellbeing of owner-customers and in the operating region

OP Financial Group's operations are based on cooperative values, a strong capital base, capable risk management and customer respect. The Group's core values are a People-first Approach, Responsibility, and Prospering Together. Based on its mission, OP Financial Group creates sustainable prosperity, security and wellbeing for its owner-customers and in its operating region by means of its strong capital base and efficiency.

As a cooperative business, OP Financial Group's operations are guided by a double role. In its business role, the Group provides its customers with competitive products and services while ensuring its profitability. Then again, in its social role OP Financial Group aims to promote its customers' prosperity and security on a broader basis too and in its operating region on a longer-term basis. Succeeding in both roles is a measure of the Group's success.

January–December

The year 2016 is the second full operating year after OP Financial Group went back to its roots as a financial services group wholly owned by its customers. This return to the cooperative basis has also involved the Group's more well-defined operating principles. OP Financial Group continued building a group wholly owned by customers during the financial year by, for example, converting OP Helsinki (formerly Helsinki OP Bank Ltd), a limited liability company, into a cooperative bank.

During the financial year, OP Financial Group continued its #Suominousuun initiatives decided earlier. These initiatives are aimed at giving more leeway and economic activity among OP's broad customer base and in the entire Finland.

New financing models for SMEs
In March, OP Financial Group signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee provided by the EIF. SMEs have shown great interest in such financing. More than 50 companies have already used this financing opportunity and loans already granted account for some third of the 150-million euro financing under the programme. As a follow-on to the above, OP Financial Group extended its role of a financial intermediary by signing a new agreement on financing related to the joint SME initiative of the Finnish government, the EIB Group and the European Commission. Under the new programme, OP Financial Group may provide financing worth EUR 150 million to SMEs employing less than 250 people. By providing financing to SMEs with growth potential, OP Financial Group wants to be involved in supporting future economic growth and employment.

Support for families with children through the #Perheenlisä initiative
In April, OP Financial Group launched a #Perheenlisä (Addition to the family) initiative targeted at families with children, under which OP offers health and living allowance insurance for an unborn child for 12 months free of charge. Moreover, the initiative also offers the opportunity for a maximum of 12-month home loan grace period without service charges to families who have fulfilled their loan obligations as per agreement and whose baby will be born before the end of 2017. OP will offer free of charge a NewLife life insurance for one year to parents with children under the age of one until the end of 2017.

Encouragement and benefits to investment
The Invest in Finland opening, which ended in late March, was followed by a reduction in OP's electronic equity trading charges as of 1 April 2016. OP Financial Group also provides all its equity investment clients with Finland's most extensive equity research service as part of its overall range of services. At the beginning of June, OP Financial Group stopped permanently charging its owner-customers transaction costs related to mutual funds. Owner-customers can buy, sell and switch the majority of OP funds' units with no transaction costs.

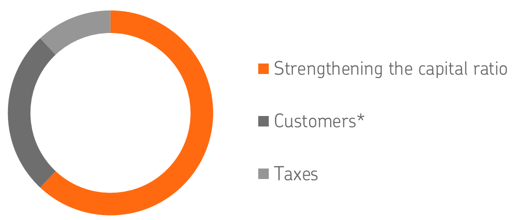
Volunteering in honour of the centenary of Finland's independence
OP Financial Group is continuing the series of its #Suominousuun initiatives through a major volunteer work project in honour of the centenary of Finland's independence. OP's gift to the 100-year-old Finland is 100 person-years of volunteering. All 12,000 OP employees may do voluntary work for one day during their working hours. This equals about half of the targeted hundred person-years. The other part of the target involves activating people to be engage in voluntary activities. Hiiop100.fi, a new volunteer work exchange site OP launched at the turn of the year, brings together those in need of help and volunteers.

Supporting education through donations to universities
Prosperity in the operating region will also be supported by donations to Finnish universities worth EUR 6.3 million published by OP Financial Group in October. OP raises the level of its donations to higher education in a situation where education is pressured by significant funding cuts. The total amount consists of donations from OP cooperative banks and the Group's central cooperative.

Allocation of earnings

OP Financial Group with a cooperative foundation aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the cooperative's owner-customers need. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for the reporting period that is to be confirmed after the end of the financial year:



*) Customers = OP bonuses, discounts on insurance policies and interest on contributions made by owner-customers

Implementing OP's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. OP Financial Group uses a significant part of its earnings to enhance its capital base. That will require efficiency and earnings power of the Group in the years to come too.

A large amount of earnings returns to owner-customers. According to the fundamental cooperative business principle, benefits are allocated on the basis of the extent to which each member uses the cooperative's services. OP rewards its customers with OP bonuses that customers earn from almost all services, based on the amount of transactions, and with discounts on non-life insurance premiums. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be annually paid on Profit Shares as the banks' profit distribution.

OP Financial Group is one the largest tax payers in Finland measured by tax on profits. By paying taxes in Finland, the Group is contributing to prosperity in the whole of Finland.

Other January–December highlights

In January 2016, OP Cooperative's Executive Board, for its part, approved a bid submitted by Visa Inc. in November 2015 to acquire Visa Europe Ltd. As a result of the transaction, OP Financial Group recognised EUR 76 million in non-recurring gain in its results.

On 17 March 2016, OP Financial Group and Suomi Mutual Life Insurance Company agreed on transferring the latter's individual life insurance portfolio to OP Life Assurance Company Ltd. Suomi Mutual's individual pension insurance portfolio comprises slightly less than 38,000 insurance contracts, totalling approximately EUR 3.0 billion. The portfolio was consolidated into OP Financial Group on 30 September 2016. This consolidation had no major effect on OP Financial Group's earnings for 2016.

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 be used for lending 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 with a total of EUR 3 billion.

On the basis of the stress test conducted by the European Banking Authority, OP Financial Group's capital adequacy remained on a solid basis and above the minimum capital adequacy requirement also in an operating environment of an extremely adverse scenario. The results of the stress test were published in July 2016. In the baseline scenario under which the operating environment remains unchanged, OP Financial Group's CET1 ratio would improve further and be 21.2% in 2018. In an adverse scenario, capital adequacy would be burdened by a decrease in net interest income and significant impairment losses, bringing the CET1 ratio down to 14.9% in 2018, which would still be clearly above the minimum capital adequacy requirements.

On 28 September 2016, OP Cooperative's Supervisory Board decided on OP Financial Group's withdrawal from the Federation of Finnish Financial Services (FFS) activities and the Group applied for membership of Service Sector Employees Palta. OP Financial Group will enhance its in-house regulatory and public affairs expertise. After the withdrawal, OP will still continue to cooperate with the FFS in the field of payment services based on separate agreements. OP Financial Group became member of Palta on 1 January 2017.

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.

Corporate social responsibility

Corporate social responsibility (CSR) is an integral part of OP Financial Group's business and strategy. CSR activities take economic, social and environmental responsibility into consideration. OP Financial Group's aim is to be a pioneer in CSR within its sector in Finland. OP Financial Group undertakes to comply with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption.

OP has followed the UN Principles for Responsible Investment since 2009. The Group is continuously developing its responsible investment practices while seeking to foster a more responsible investment sector. In April, OP established an environmental, social and governance (ESG) unit for sustainable investing. The unit aims to deepen and broaden ESG activity and utilise more ESG information in investment decision-making and to engage actively with OP's investee companies. In late 2015, OP announced its intention to exclude high-carbon companies from active investments. As a result of its analysis of high-carbon companies completed in July 2016, OP excluded 60 companies from its investee companies.

Customer relationships and customer benefits

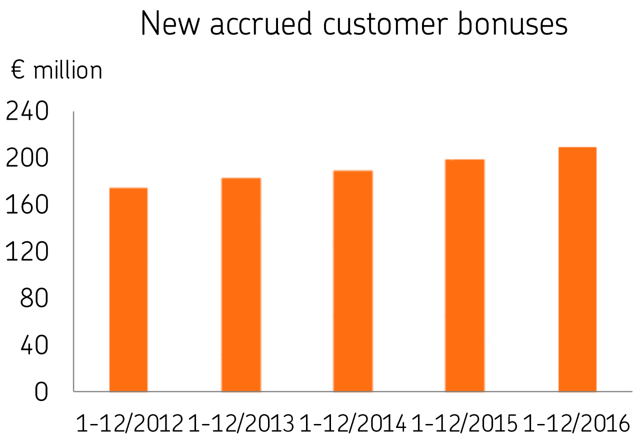
In January–December, the number of OP Financial Group's owner-customers increased by 256,000 to over 1.7 million. The increase is OP Financial Group's all-time high. A new OP cooperative bank, OP Helsinki, was born in April. OP Helsinki accounted for 169,000 of the January–December growth in the number of owner-customers.

Contributions made by OP cooperative banks' owner-customers to the banks' Profit Shares, cooperative shares and supplementary cooperative shares totalled EUR 3.0 billion (2.8) on 31 December 2016.

In 2016, OP Financial Group received 158,000 new banking customers, or 21% more than a year ago.

In January–December, the number of OP Financial Group's customers increased by 54,000 in net terms, totalling 4,357,000 on 31 December 2016. The number of private customers totalled 3,917,000 and that of corporate customers 440,000. In January–December, the number of joint banking and non-life insurance customers increased by 93,000 to over 1.7 million. The services of the customers of the six POP Group banks transferred to OP Financial Group were transferred to OP's services in the third quarter.

Owner-customers earn OP bonuses through banking, non-life insurance and wealth management transactions. The combined amount of new bonuses earned by OP bonus customers in January–December for using OP as their main bank and insurer was worth EUR 208 million (197). A total of EUR 101 million (100) of bonuses were used to pay for banking and wealth management services and EUR 107 million (101) to pay non-life insurance premiums. OP bonuses were used to pay 2,200,000 insurance bills (2,023,000), with 297,000 (273,000) of them paid in full using bonuses.



Non-life Insurance premier customer households were provided with EUR 86 million (79) in loyalty discounts during the financial year.

Interest payable on the Profit Shares and supplementary cooperative shares is estimated to total EUR 83 million. The 2016 and 2017 return target for Profit Shares is 3.25%.

Multichannel services

The Group has a multichannel service network comprising branch, online, telephone and mobile services. The Group provides personal customer service both at branches and digitally. The Group seeks to provide the best multichannel customer experience in the sector by creating ongoing and relevant encounters in all channels.

In December, OP-mobile was the main channel for customers' daily banking, with visits totalling over 13 million during one month. The number of visits to op.fi amounted to almost 10 million. The number of visits to OP-mobile launched in 2012 exceeded that of op.fi visits for the first time in March 2016. The number of visits to the Pivo mobile application totalled around 1.8 million in December. In 2016, the number of monthly op.fi visits averaged 10 million, that of OP-mobile 11.4 million and that of Pivo 1.7 million.

Mobile services were at the core of development during the financial year. Contactless payment with a phone became possible in April when OP launched a Pivo contactless payment option. OP was the first bank in Finland to enable mobile contactless payment and among the first banks in Europe. In May, OP launched two services designed for corporate customers: Pivo Cashier and OP Business mobile. Pivo Cashier is a cashier service for small businesses, providing all that is necessary for payment transactions and sales by both a brick-and-mortar shop and webshop. OP Business mobile enables an entrepreneur to manage not only basic banking services but also, for example, invoicing and monitoring receivables.

OP's eServices at op.fi is also being redesigned. The beta version of the new service can already be tried out at uusi.op.fi. OP has developed the service together with its customers from the very beginning and is collecting customer feedback on the beta version that guides further development. At uusi.op.fi, customers can do almost all their daily banking transactions but, for example, corporate customer services will be available for testing later. The current site coexists with the new service until the latter's completion.

Despite the expansion of online and mobile services, OP Financial Group still has Finland's most extensive branch network with some 450 branches across the country. The Group's own branch network is further supported by a comprehensive agency and partnership network, which is particularly important in terms of the sale of non-life insurance policies.

OP Financial Group also has extensive presence in the most common social media channels where it has almost 300,000 followers. In addition to the Group's national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers. OP also reaches customers and other stakeholders at OP's blog and content platform taloudessa.fi with an average of 100,000 monthly visitors.

New businesses

OP Financial Group opened its second private hospital on 1 August 2016 in Tampere. The first hospital was established in Helsinki in 2013 under the name of Omasairaala. Omasairaala Ltd was renamed Pohjola Health Ltd when the Tampere hospital unit was opened. During 2017–2018, the Group will open new Pohjola Hospitals in Oulu, Turku and Kuopio too.

In November, OP took its first step in the field of mobility services by launching the OP Kulku service. The service is aimed at lowering the threshold to use electric cars by providing consumers and small firms in the Helsinki Metropolitan Area with the opportunity to use an electric car with a monthly charge.

Solvency

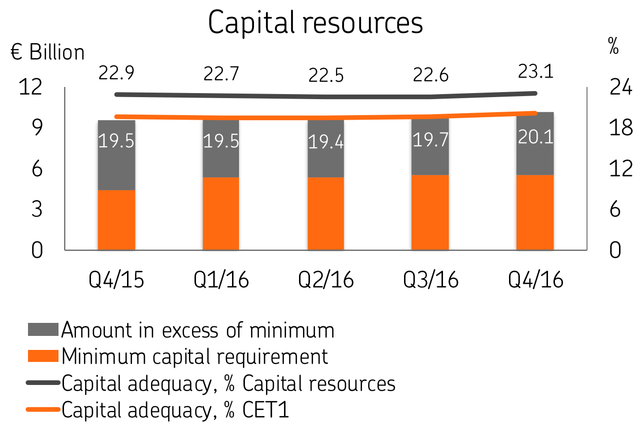
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

On 31 December 2016, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.3 billion (4.7). The buffer was decreased by the Other Systemically Important Institution (O-SII) buffer of 2% adopted at the beginning of 2016 combined with a higher capital requirement caused by growth in banking operations. Since the beginning of 2016, insurance-sector solvency has been calculated in compliance with Solvency II and the figures have been presented in view of the transitional provisions. Comparatives are also presented under the new regulation. The O-SII buffer requirement increased the consolidated capital adequacy requirement from 10.5% to 12.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 170% (191), with the O-SII buffer requirement reducing the ratio by 24 percentage points. As a result of the buffer requirements and Solvency II, the FiCo solvency does no longer reflect the minimum level of capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

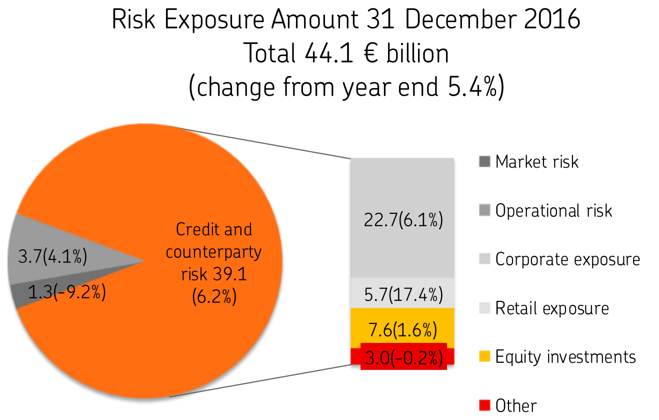
The Group's CET1 ratio was 20.1% (19.5) on 31 December 2016. An increase in CET1 capital exceeded an increase in total risk exposure amount resulting from growth in the loan portfolio. Calculated adjustments arising from reduced market interest rates for defined benefit pension plans (IAS 19) decreased the Group's CET1 ratio by around 0.6 percentage points in the financial year.

As a credit institution, OP Financial Group's 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 and the O-SII buffer of 2% increase in practice the minimum capital adequacy ratio to 12.5% and the CET1 ratio to 9%.



The Group's CET1 capital was EUR 8.9 billion (8.2) on 31 December 2016. CET1 capital was increased by Banking performance, Profit Share issues and dividends from the Group's insurance institutions. Adjustments under IAS 19 reduced CET1 capital. The amount of Profit Shares in CET1 capital increased to EUR 2.6 billion, from which EUR 0.2 billion has been deducted related to Profit Shares refunded to customers in January 2017.

On 31 December 2016, the risk exposure amount (REA) totalled EUR 44.1 billion (41.8), or 5.4% higher than on 31 December 2015. The average risk weights of corporate exposures remained virtually unchanged while the average risk weights of retail exposures rose slightly as a result of model updates.



Equity investments include EUR 6.5 billion (6.5) in risk-weighted assets of the Group's internal insurance holdings.

In October 2015, OP Financial Group received permission from the ECB to treat insurance holdings within the conglomerate as risk-weighted assets according to the previous practice. The method applied to insurance holdings leads to a risk weight of approximately 280%.

In December 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. The Authority will continue preparing to set a 10% minimum risk weight on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The Authority seeks to adopt the minimum risk weight at the beginning of July 2017. This 10% minimum would decrease the

CET1 ratio by an estimated 0.9 percentage points and FiCo solvency by 7 percentage points.

The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 7.4% based on the existing interpretations, calculated using the December-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

The solvency regulations of the insurance sector changed as of 1 January 2016. Changes in the insurance sector's Solvency II regulations aim to improve the quality of insurance companies' capital base, improve their risk management, increase the risk-based capital requirements and harmonise insurance sector solvency requirements in Europe.

	Non-life Insurance*		Life Insurance	
Solvency II	31 Dec. 2016	31 Dec. 2015	31 Dec. 2016	31 Dec. 2015
Capital base, € million **	992	1,177	1,455	1,419
Solvency capital requirement (SCR), € million**	693	714	742	692
Solvency ratio, % **	143	165	196	205
Solvency ratio, % (excluding transitional provision)	127	146	149	149

* Non-life Insurance includes OVY Insurance Ltd
** including transitional provisions

ECB banking supervision

OP Financial Group is supervised by the European Central Bank (ECB). In 2015, the ECB imposed on OP Financial Group a discretionary capital buffer requirement, in compliance with the Act on Credit Institutions, as part of the supervisory review and evaluation process (SREP). Taking into account this discretionary buffer requirement the CET1 minimum requirement was 9.75% and 11.75% with the O-SII buffer requirement included until the end of 2016. In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for the Group's capital adequacy position or business.

Since the definition of the buffer requirement applicable in the SREP in 2017 has changed, the new requirement is not fully comparable to the previous one. 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%. The new minimum set by the ECB increases the capital requirement based on the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), whereby the FiCo solvency falls by 16% following the new capital buffer requirement. 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 ECB has paid attention to shortcomings in OP Financial Group's validation process of credit risk models. The ECB may impose sanctions on OP Financial Group due to shortcomings it has discovered, such as raising the risk weights used in capital adequacy measurement for a fixed period. The ECB's handling is in progress, and the ECB's final decision on the matter can be expected during the first quarter of 2017.

OP Financial Group has started corrective measures to eliminate the shortcomings and completed all delayed validations. On the basis of the validations, there turned out to be no need to make material changes to the credit risk models used or risk weights.

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. According to the new regulation, 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.

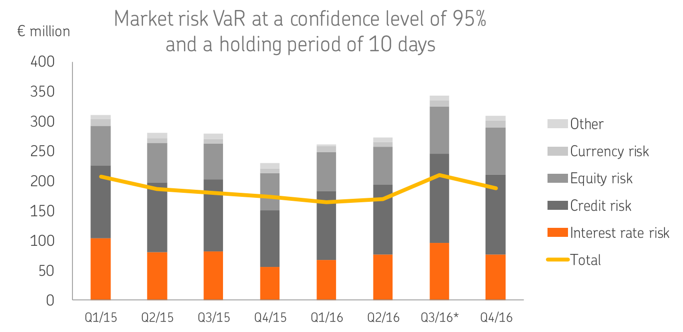
Risk exposure

OP Financial Group's risk exposure has remained stable. The Group has a strong risk-bearing capacity that secures business continuity.

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

OP Financial Group's funding and liquidity position is good. The availability of funding has remained good. During the financial year, the Group issued long-term bonds worth EUR 2.2 billion. In addition, OP Financial Group participated in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with EUR 3 billion. The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the financial year. The Group's VaR, a measure of market risk, was EUR 188 million (174) on 31 December 2016. It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



* The separated balance sheet (pension insurance portfolio) transferred from Suomi Mutual Life Assurance Company has been included in figures since Q3/16

The Group expects its operational risks to be moderate as targeted. The development speed of operations and services, however, will pose additional challenges to risk management in the upcoming years.

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 increase in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the financial year weakened comprehensive income before tax by EUR 329 million . A year ago, a decrease in net liabilities related to defined benefit pension plans improved other comprehensive income before tax by EUR 519 million.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate. Doubtful receivables totalled EUR 2.6 billion (2.1). An increase in forbearance measures had an effect on a rise in doubtful receivables. 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. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Impairment losses remained low, accounting for 0.09% (0.10) of the loan and guarantee portfolio.

During the financial year, the loan and guarantee portfolio increased by EUR 3.6 billion to EUR 81.3 billion. Private customers accounted for 60% (60) of the loan and guarantee portfolio. Of the six main categories for private customer exposure, 84% (83) of the exposures belonged to the top two categories, and 4% (3) to the lowest two. Corporate exposures (incl. housing corporations) represented 38% (36) of the loan and guarantee portfolio. Of corporate exposure, the highest borrower grade 1–5.5 exposure represented 55% (59) and the exposure of the two lowest borrower grades amounted to EUR 464 million (441), accounting for 1.2% (1.2) of the total corporate exposure. In August, Banking adopted an updated credit rating scale for corporate customers, which affected corporate customer exposure grades. Comparatives have not been restated.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The Banking capital base covering customer exposure amounted to EUR 10.4 billion (9.4).

In the Companies and Housing Corporations sector, the most significant industries measured by exposure were Renting and Operating of Residential Real Estate representing 21.6% (21.9), Renting and Operating of Other Real Estate representing 11.0% (11.7) and Trade representing 9.9% (9.6). A total of 93% of exposures within Renting and Operating of Residential Real Estate were those by housing corporations and 15% were those guaranteed by general government.

Banking's interest rate risk measured as the effect of a one-percentage point decrease on 12-month net interest income was EUR 207 million (215) at the end of December.

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 23 million.

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

The investment risk level (VaR with 95% confidence, 1-month time period) remained stable during the review period. Equities were put a slightly more weight in the investment portfolio. The Group has moderately increased interest rate and credit risk associated with the investment portfolio. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The Group has increased hedging against interest rate risk associated with insurance liabilities.

Wealth Management

The key risks associated with Wealth Management are the market risks of Life Insurance's investment assets, the interest rate used for the valuation of insurance liabilities and a faster-than-expected life expectancy increase.

A one-year increase in life expectancy would decrease insurance liability by EUR 25 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 39 million. Investment and customer behaviour risks associated with the separated life insurance portfolios transferred from Suomi Mutual have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolios, after which OP Financial Group will bear the risks associated with the portfolios.

In life insurance underwriting risks, the Group has hedged against customer behaviour risk through a reinsurance contract, as a result of which the customer behaviour risk decreased. The Life Insurance solvency position under Solvency II was at the same level at the end of the financial year than the year before.

The investment risk level (VaR with 95% confidence, 1-month time period) remained stable during the review period. Equities were put a slightly more weight in the investment portfolio. The Group has moderately increased interest rate and credit risk associated with the investment portfolio. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The hedge ratio of interest rate risk associated with insurance liabilities has remained stable.

Other Operations

Major risks related to Other Operations 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.

Although investments in the liquidity buffer increased, the market risk in proportion to the position size (VaR with 95% confidence) decreased during the financial year as a result of allocation and market changes.

OP Financial Group secures its liquidity through a liquidity buffer which consists 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 Group has reassessed the application of the collateral eligibility criteria for corporate loans eligible as collateral included in the liquidity buffer, on the basis of which the comparative figure was reduced by EUR 2.2 billion. As a result of the measures taken in the last quarter, EUR 0.8 billion of these loans could be restored to being as eligible for collateral. The amount of corporate loans eligible as collateral decreased during the financial year because they were used as collateral in TLTRO-II.

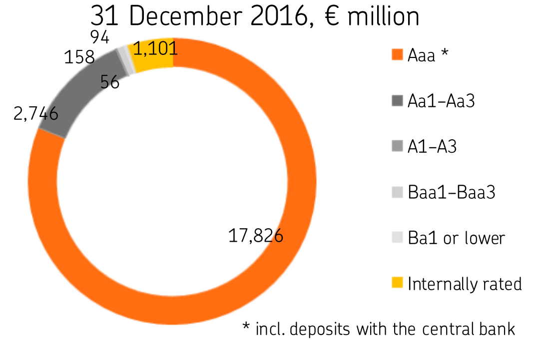
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 117% on 31 December 2016.

Liquidity buffer

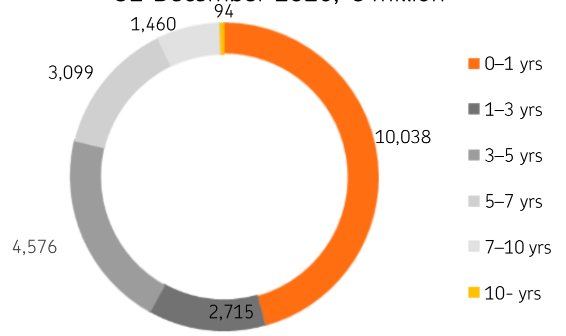
€ billion	31 Dec. 2016	31 Dec. 2015	Change, %
Deposits with central banks	9.3	8.5	10.2
Notes and bonds eligible as collateral	11.2	10.6	5.5
Corporate loans eligible as collateral	0.1	2.1	-95.5
Total	20.6	21.1	-2.5
Receivables ineligible as collateral	1.4	0.8	67.3
Liquidity buffer at market value	22.0	22.0	0.1
Collateral haircut	-0.7	-0.9	-30.2
Liquidity buffer at collateral value	21.3	21.0	1.5

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

Financial assets included in the liquidity buffer by credit rating on 31 December 2016, € million



Financial assets included in the liquidity buffer by maturity on 31 December 2016, € million



Credit ratings

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

The credit ratings did not change in the financial year. In July and November 2016, Standard & Poor's affirmed OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-2016+ and in November changed the outlook from negative to stable. The change in the outlook reflects the change in the Finnish BICRA trend (Banking Industry Country Risk Assessment) from negative to stable thanks to the gradual recovery of the Finnish economy.

Financial performance by segment

OP Financial Group's business segments are Banking, Non-life Insurance, and Wealth Management. The health and wellbeing business is included in the Non-life Insurance segment. Non-segment operations are presented under the Other Operations segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Banking

- Earnings before tax amounted to EUR 596 million (642).
- Income decreased by 0.2%. Income was reduced by the changed operating model between the Banking segment and the Other Operations segment. Expenses increased by 3.5% due to development expenditure and higher volumes.
- The loan portfolio increased by 4.5% and the deposit portfolio by 5.5% in the year to December. Year on year, the volume of new home loans drawn down increased by 8.3% and that of corporate loans by 9.7%.
- Impairment losses of EUR 76 million (77) accounted for 0.09% (0.10) of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net interest income	1,133	1,108	2.3
Net commissions and fees	758	663	14.2
Net investment income	6	120	-95.3
Other income	27	36	-24.2
Total income	**1,924**	**1,927**	**-0.2**
Personnel costs	451	472	-4.4
Depreciation/amortisation and impairment loss	52	52	-0.3
Other operating expenses	569	512	11.1
Total expenses	**1,072**	**1,037**	**3.5**
Impairment loss on receivables	76	77	-1.1
OP bonuses to owner-customers	179	171	4.9
Earnings before tax	**596**	**642**	**-7.3**
Cost/income ratio, %	**55.7**	**53.8**	**2.0**
€ million	31 Dec. 2016	31 Dec. 2015	Change, %
Home loans drawn down	7,125	6,577	8.3
Corporate loans drawn down	7,275	6,631	9.7
No. of brokered property transactions	12,664	12,149	4.2
€ billion			
Loan portfolio			
Home loans	36.8	35.3	4.4
Corporate loans	19.0	18.5	2.8
Housing corporation and other loans	22.8	21.5	6.0
Total	**78.6**	**75.2**	**4.5**
Guarantee portfolio	2.8	2.6	5.5
Deposits			
Current and payment transfer	37.1	34.7	6.9
Investment deposits	17.7	17.2	2.8
Total	**54.8**	**51.9**	**5.5**

Market share, %**	31 Dec. 2016	31 Dec. 2015	Change, %
Loans	35.4	35.2	0.2*
Deposits	38.5	37.7	0.8*

* Change in ratio

** Excluding financial and insurance institutions' loans and deposits

The loan portfolio continued to grow. The loan portfolio grew by 4.5% in the year to December. Year on year, the volume of new home loans drawn down increased by 8.3% and that of corporate loans by 9.7%.

The deposit portfolio increased by 5.5% in the year to December. Investment deposits increased by 2.8%. The volume of deposits in current and payment transaction accounts increased by 6.9% in the year to December.

OP Financial Group's market share of home loans increased in the year to December by 0.2 percentage points, being 39.4% at the end of December. The market share of corporate loans increased during the same period by 0.2 percentage point to 37.8% (37.6). The Group's market share of the total euro-denominated deposits, excluding financial and insurance institutions, was 38.5% (37.7).

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents increased by 4.2% over the previous year.

Earnings

Earnings before tax recorded by Banking amounted to EUR 596 million (642). Income decreased by 0.2% while total expenses increased by 3.5%. Lower income was affected by the change in the Group's internal operating model. The reduced income and increased expenses also affected the cost/income ratio, which was 56% (54). Impairment losses of EUR 76 million (77) accounted for 0.09% (0.10) of the loan and guarantee portfolio.

As from the beginning of the financial year, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The change affects the Banking segment and Other Operations segment net interest income, net commissions and fees and net investment income. This change together with other changes in internal operating models reduced Banking income by roughly EUR 29 million. Correspondingly, the change improved earnings by the Other Operations segment. Comparatives have not been changed.

Net interest income rose to EUR 1,133 million (1,108) as a result of an increase in the loan portfolio, a higher average loan portfolio margin and lower deposit funding costs.

Net commissions and fees increased by EUR 94 million to EUR 758 million (663). This increase was affected by the change in the Group's internal operating model, as a result of which EUR 79 million were recognised in commissions and fees from derivatives and FX trading. Commissions and fees related to payment transactions increased by EUR 7 million and those to wealth management and non-life insurance increased by a total of EUR 7 million.

Net investment income decreased by a total of EUR 114 million. The reduced net investment income was lowered by a negative 12-million euro (5) CVA valuation arising from interest rate changes and other market movements. As a result of the change in OP Financial Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value are partly allocated to the Other Operations segment instead of the Banking segment. These fair value changes recognised in Banking for the reporting period a year ago totalled EUR 116 million.

Expenses increased by 3.5% to EUR 1,072 million (1,037). Other operating expenses rose by 11.1%. ICT costs increased by EUR 48 million. Higher ICT costs were explained by heavy investments in development and growth in volumes.

Personnel costs decreased by EUR 21 million to EUR 451 million (472).

Non-life Insurance

- Earnings before tax amounted to EUR 230 million (259). Net investment income totalled EUR 97 million (125). Earnings before tax at fair value were EUR 298 million (171).
- Insurance premium revenue increased by 1.6% (6.5). Net return on investments at fair value totalled EUR 85 million (98).
- The operating combined ratio was 87.6% (87.3) and operating expense ratio 18.5% (17.7). The combined ratio was 89.1% (88.8).

Non-life Insurance: key figures and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Insurance premium revenue	1,420	1,397	1.6
Claims incurred	883	885	-0.2
Other expenses	3	5	-41.7
Net insurance income	**534**	**508**	**5.2**
Net investment income	97	125	-22.5
Other net income	-74	-70	4.4
Total income	**557**	**563**	**-0.9**
Personnel costs	100	101	-1.5
Depreciation/amortisation and impairment loss	39	37	5.6
Other operating expenses	187	168	14.0
Total expenses	**326**	**302**	**7.8**
OP bonuses to owner-customers	2	2	12.3
Earnings before tax	**230**	**259**	**-11.1**
Combined ratio, %	89.1	88.8	
Operating combined ratio, %	87.6	87.3	
Operating loss ratio, %	69.1	69.6	
Operating expense ratio, %	18.5	17.7	
Operating risk ratio, %	63.3	64.2	
Operating cost ratio, %	24.3	23.1	
Solvency ratio (Solvency II), %*	143	158	
Large claims incurred retained for own account	61	60	
Changes in claims for provisions of previous years (run-off result)	60	32	

* including transitional provisions.

Insurance premium revenue from Private Customers continued to grow. Insurance premium revenue from Corporate Customers was lower than a year ago. Insurance sales increased slightly year on year.

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

The number of premier customer households increased in the financial year by a record high of 63,000 to 740,000, of which up to 76% also use OP Financial Group member banks as their main bank.

Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities. The vahinkoapu.op.fi site (claims assistance) and the new loss report service on OP-mobile have been in frequent use since their launch in late 2015. Up to almost 70% of loss reports of private customers are filed through electronic channels.

Earnings

Earnings before tax amounted to EUR 230 million (259). Net insurance income increased by 5.2% to EUR 534 million. Net investment income recognised in the income statement decreased by EUR 28 million. Earnings before tax at fair value were EUR 298 million (171).

The operating combined ratio was 87.6% (87.3). The operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue € million	Q1–4/2016	Q1–4/2015	Change, %
Private Customers	771	732	5.3
Corporate Customers	591	609	-2.9
Baltics	58	56	2.8
Total	1,420	1,397	1.6

Claims incurred decreased by 0.2%. Claims incurred arising from new large claims were higher than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 78 (72) in January–December, with their claims incurred retained for own account totalling EUR 61 million (60). The change in provisions for unpaid claims under statutory pension decreased year on year, being EUR 9.7 million (15.7) between January and December. On 31 December 2016, the average discount rate was 1.97%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 55 million (62), weakening the operating combined ratio by 3.9 percentage points (4.5).

Changes in claims for previous years, excluding the effect of discount rate changes, improved the balance on technical account by EUR 60 million (32). The operating loss ratio was 69.1% (69.6). The operating risk ratio excluding indirect loss adjustment expenses was 63.3% (64.2).

Expenses grew by 7.8%, being EUR 24 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 18.5% (17.7). The operating cost ratio (including indirect loss adjustment expenses) was 24.3% (23.1).

Operating balance on technical account and combined ratio (CR)

	Q1–4/2016		Q1–4/2015	
	Balance € million	CR, %	Balance € million	CR, %
Private Customers	130	83.1	140	80.9
Corporate Customers	41	93.1	32	94.7
Baltics	5	91.1	5	90.9
Total	176	87.6	177	87.3

Investment

Non-life Insurance net return on investments at fair value totalled EUR 85 million (98). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio by asset class

%	31 Dec. 2016	31 Dec. 2015
Bonds and bond funds	76.6	76.6
Alternative investments	0.8	0.8
Equities	8.1	6.7
Private equity	2.9	3.4
Real property	9.8	9.9
Money markets	1.9	2.5
Total	100	100

On 31 December 2016, the Non-life Insurance investment portfolio totalled EUR 3,876 million (3,687). Investments within the investment-grade category accounted for 91% (93), and 62% (63) of the investments rated at least A–. The average residual term to maturity of the fixed-income portfolio was 5.9 years (5.7) and the duration 5.4 years (5.2).

The running yield for direct bond investments averaged 1.7% (1.8) on 31 December 2016.

Wealth Management

- Earnings before tax amounted to EUR 232 million (213). Earnings before tax at fair value were EUR 268 million (159).
- Net commissions and fees decreased by 1% and Life Insurance net investment income increased by 19% year on year. Net return on investments at fair value totalled EUR 78 million (109).
- The gross amount of assets under management increased year on year by almost 9% to EUR 74.5 billion.

Wealth Management: key figures and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net commissions and fees			
Funds and asset management	187	188	-1.0
Life Insurance	169	171	-0.7
Expenses	139	139	0.1
Total net commissions and fees	**217**	**220**	**-1.4**
Life Insurance's net risk results	24	21	16.4
Net investment income from Life Insurance	117	98	18.5
Other income	8	5	
Total income	**365**	**344**	**6.1**
Personnel costs	30	32	-3.8
Depreciation/amortisation and impairment loss	19	24	-21.7
Other operating expenses	59	52	13.9
Total expenses	**109**	**108**	**0.7**
OP bonuses to owner-customers	25	23	5.9
Earnings before tax	**232**	**213**	**8.8**
€ billion	31 Dec. 2016	31 Dec. 2015	Change, %
Assets under management (gross)			
Mutual funds	23.5	21.7	8.2
Institutional clients	24.6	23.5	4.8
Private Banking	17.3	14.6	18.1
Unit-linked insurance savings	9.2	8.7	5.8
Total assets under management (gross)	**74.5**	**68.5**	**8.9**
€ million	Q1–4/2016	Q1–4/2015	Change, %
Net inflows			
Investor and saver customers	327	666	-50.9
Private Banking clients	437	469	-6.8
Institutional clients	434	-187	-
Total net inflows	**1,198**	**948**	**26.4**
Market share, %	31 Dec. 2016	31 Dec. 2015	Change, %
Mutual funds	22.0	22.2	-0.2

Capital market sentiment improved towards the year end, which was positively reflected in demand for Wealth Management products after the weak first half. Total net inflows were EUR 1,198 million (948) and the gross amount of assets under management increased by almost 9% to EUR 74.5 billion (68.5). This amount included about EUR 14 billion in assets of the companies belonging to OP Financial Group.

At the beginning of June, OP Financial Group stopped permanently charging its owner-customers transaction costs related to mutual funds. This benefit aroused customers' interest, as a result of which the number of unitholders increased by almost 50,000 during the financial year. The aggregate number of investor and saver customers grew by 12,000 in the financial year, totalling 766,000 on 31 December 2016.

The risk-adjusted return of OP Mutual Funds remained good in the reporting period. The Morningstar rating for OP Mutual Funds was 3.1 (3.2). During the financial year, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 49% (40) of mutual fund subscriptions.

Earnings

Earnings before tax increased to EUR 232 million (213). This improvement was due to higher net investment income from Life

Insurance. Earnings before tax at fair value were EUR 268 million (159).

Net commissions and fees decreased by 1.4% year on year, amounting to EUR 217 million (220). Net commissions and fees less OP bonuses to owner-customers accounted for 0.27% (0.29) of the gross amount of the assets under management.

Life Insurance net return on investments at fair value totalled EUR 78 million (109). 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. Net return on investments at fair value excludes the so-called separated balance sheets that were transferred from Suomi Mutual.

Expenses rose by one per cent year on year. This rise was due to higher development expenditure. Wealth Management's operating cost/income ratio improved to 43.7% (45.6). Expenses accounted for 0.14% (0.16) of the gross amount of the assets under management.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. During the financial year, the Group began to hedge insurance liability through direct fixed-income investments. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 432 million (404) on 31 December 2016. Short-term supplementary interest rate provisions made for less than 12 months accounted for EUR 36 million (52) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, interest rate derivatives hedging insurance liability and the separated balance sheets, amounted to EUR 4,193 million (4,078). Investments within the investment-grade category accounted for 93% (96) of the fixed-income portfolio. On 31 December 2016, the portfolio's modified duration was 4.9 (4.7). The running yield for direct bond investments (excluding the separated balance sheets averaged 1.6% (1.6) on 31 December 2016.

Investment portfolio by asset class

%	31 Dec. 2016	31 Dec. 2015
Bonds and bond funds	76.2	76.2
Alternative investments	7.1	5.7
Equities and equity funds	6.3	5.1
Real property	7.2	6.6
Money markets	3.2	6.4
Total	**100**	**100**

Return on investments on the separated Life Insurance balance sheets

Suomi Mutual's individual life insurance portfolio and individual pension insurance portfolio were consolidated into Life Insurance on 31 December 2015 and 30 September 2016, respectively. In connection with the portfolios' transfer, separated balance sheets were created out of the portfolios with a profit distribution policy differing from other life insurance operations.

On 31 December 2016, investment assets in the life insurance portfolio in the separated balance sheet, excluding interest rate derivatives hedging insurance liability, amounted to EUR 1,066 million. Net return on investments at fair value was EUR 17 million. Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

On 31 December 2016, investment assets in the pension insurance portfolio in the separated balance sheet amounted to EUR 3,049 million.

Investment portfolio by asset class in separated balance sheets

%	Individual life insurance	Individual pension insurance
Bonds and bond funds	81.1	71.4
Alternative investments	7.7	1.4
Equities and equity funds	2.9	2.4
Real property	6.7	6.1
Money markets	1.6	18.7
Total	**100**	**100**

Other Operations

Other Operations: key figure and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net interest income	-60	-52	15.9
Net commissions and fees	-59	20	
Net investment income	179	86	
Other operating income	571	484	18.1
Total income	**631**	**538**	**17.4**
Personnel costs	180	176	2.7
Depreciation/amortisation and impairment loss	50	48	2.7
Other operating expenses	321	327	-1.8
Total expenses	**551**	**551**	**0.0**
Impairment loss on receivables	0	0	-97
Earnings before tax	**80**	**-13**	

Earnings

Earnings before tax amounted to EUR 80 million (-13). This earnings improvement came from higher net investment income and other operating income. Net commissions and fees, however, decreased year on year. Total income increased by 17.4% to EUR 631 million.

Net interest income was EUR –60 million (–52). On 31 December 2016, the average margin of OP Financial Group's senior wholesale funding, TLTRO II funding and covered bonds was 31 basis points (39). Use of the TLTRO-II funding lowers the cost of wholesale funding. Covered bonds are reported as part of the Banking segment.

During the financial year, OP Financial Group's internal operating model was changed by transferring the interest rate derivatives and FX trading, among other things, as well as bonds trading from the Banking segment to the Other Operations segment. This change added to net investment income reported by the Other Operations segment as a result of an increase in net income from securities trading and foreign exchange trading while decreasing net commissions and fees.

The Other Operations segment recognised EUR 76 million in non-recurring gain under other operating income as a result of the acquisition of Visa Europe Ltd by Visa Inc.

Expenses were at about the same level as a year ago, EUR 551 million. ICT costs decreased by EUR 27 million and purchased services increased by a total of EUR 30 million over the previous year. A year ago, higher other operating expenses were explained by non-recurring expenses of EUR 18 million related to the reconstruction of the Vallila premises.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the financial year include the accounts of 173 member cooperative banks (178) including Group companies, OP Cooperative Consolidated and OVY Insurance Ltd.

During the financial year, the mergers of member cooperative banks reduced the number of OP cooperative banks, while the conversion of Helsinki OP Bank Ltd's legal form into a cooperative bank registered on 1 April 2016 increased the number. The bank's new business name is Helsinki Area Cooperative Bank (OP Helsinki). OP Helsinki as subsidiary is part of OP Financial Group central cooperative consolidated. The central cooperative will continue to have a major role in capitalising the new bank, which is why OP Cooperative exercises control over OP Helsinki, according to OP Helsinki's Bylaws.

On 30 November 2016, OVY Insurance Ltd transferred a banking special insurance portfolio to OP Insurance Ltd, consisting of special banking insurance policies issued as general liability and crime insurance as well as legal expenses insurance for OVY Insurance Ltd's senior management and administrative staff.

Östra Korsholms Andelsbank merged into Vasa Andelsbank on 29 February 2016.

On 31 October 2016, Keiteleen Osuuspankki merged into Pielaveden Osuuspankki, changing its name to Nilakan Seudun Osuuspankki.

On 31 December 2016, Enon Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki merged into Ilomantsin Osuuspankki, changing its name to Vaara-Karjalan Osuuspankki.

On 31 October 2016, Puolangan Osuuspankki merged into Suomussalmen Osuuspankki, changing its name to Ylä-Kainuun Osuuspankki.

Pielisen Osuuspankki and Pohjois-Karjalan Osuuspankki accepted a merger plan on 10 October 2016, according to which the former will merge into the latter. The planned date for registration of the merger is 31 March 2017.

Karjalan Osuuspankki and Mynämäen-Nousiaisten Osuuspankki accepted a merger plan on 15 December 2016, according to which the former will merge into the latter. The planned date for registration of the merger is 30 April 2017.

Vetelin Osuuspankki and Kaustisen Osuuspankki accepted a merger plan on 21 November 2016, according to which the former will merge into latter. At the same time, Kaustisen Osuuspankki will be renamed Perhonjokilaakson Osuuspankki. The planned date for registration of the merger is 31 May 2017.

Vetelin Ylipään Osuuspankki and Halsuan Osuuspankki accepted a merger plan on 28 November and 29 November 2016, according to which the former will merge into the latter. At the same time, Halsuan Osuuspankki will be renamed Halsua-Ylipään Osuuspankki. The planned date for registration of the merger is 30 June 2017.

Oriveden Seudun Osuuspankki and Mäntän Seudun Osuuspankki accepted a merger plan on 29 December 2016, according to which the former will merge into latter. At the same time, Mäntän Seudun Osuuspankki will be renamed Pohjois-Hämeen Osuuspankki. The planned date for registration of the merger is 30 June 2017.

The business names of OP Financial Group companies have been changed to begin with OP, effective as of 4 April 2016:
- Pohjola Bank plc became OP Corporate Bank plc
- Pohjola Insurance Ltd became OP Insurance Ltd
- Pohjola Asset Management Ltd became OP Asset Management Ltd
- Pohjola Property Management Ltd became OP Property Management Ltd
- Pohjola Asset Management Execution Services Ltd became OP Asset Management Execution Services Ltd

The business names of companies based in the Baltic countries have also been changed to begin with OP, as follows:
- Pohjola Bank plc Eesti filiaal became OP Corporate Bank plc Eesti filiaal
- Pohjola Bank plc filiāle Latvijā became OP Corporate Bank plc filiāle Latvijā
- Pohjola Bank plc Lietuvos filialas became OP Corporate Bank plc Lietuvos filialas
- Pohjola Finance Estonia AS became OP Finance AS
-"Pohjola Finance" SIA became "OP Finance" SIA
- UAB "Pohjola Finance" became UAB "OP Finance"

Omasairaala Oy was renamed Pohjola Health Ltd when the Tampere hospital unit was opened on 1 August 2016.

Personnel and remuneration

On 31 December 2016, OP Financial Group had 12,227 employees (12,130). The number of employees averaged 12,271 (12,174). OP Financial Group continued to invest in the development of digital business and customer experience, which led to higher headcount.

During the financial year, 388 OP Financial Group employees (241) retired, at an average age of 61.7 years (61.5).

OP Financial Group's scheme for variable remuneration comprises short-term company-specific incentives and long-term Group-wide incentives.

The long-term scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff.

The long-term management remuneration scheme for 2014–2016 ended on 31 December 2016. A new long-term management remuneration scheme has been confirmed for 2017–2019. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. The remuneration scheme for 2017–2019 follows the principles observed during the previous three-year performance period.

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.

Governance of OP Cooperative

OP Financial Group's central cooperative (OP Cooperative) held its Annual Cooperative Meeting on 15 March 2016. The Meeting re-elected for the term of three years ending in 2019 the following members to the Supervisory Board who were due to resign: Product Group Director Ola Eklund, entrepreneur Leif Enberg and senior lecturer Mervi Väisänen.

New members elected to the Supervisory Board for a three-year term ending in 2019 were Deputy Director Taija Jurmu, senior lecturer Marja-Liisa Kaakko and dean Petri Sahlström.

In addition, the Meeting elected the following Supervisory Board members replacing those who had requested resignation from the Supervisory Board during their mid-term: Managing Director Anne Harju (2016–2018), Health Centre Physician Terttu Hällförs (2016–2017), APA Katja Kuosa-Kaartti (2016–2018), Managing Director Timo Laine (2016–2017) and CEO Olli Näsi (2016–2018). The Supervisory Board comprises 34 members.

At its first meeting after the Annual Cooperative Meeting, the Supervisory Board elected Professor Jaakko Pehkonen to act as Chair and Senior Lecturer Mervi Väisänen and Managing Director Olli Tarkkanen to act as Vice Chairs.

Upon decision made by the Annual Cooperative Meeting to alter the Cooperative Bylaws, the maximum number of Executive Board members increased from eight to nine, in addition to the Executive Board Chair and Vice Chair. As a result, Outi Taivainen, Executive Vice President of Human Resources, became an ordinary Executive Board member (previously deputy member). Markku Koponen, deputy Executive Board member, Chief Legal Officer, resigned on 31 December 2016.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an accounting firm, to act as OP Financial Group's auditor, with Raija-Leena Hankonen, APA, acting as the Auditor-in-charge, appointed by KPMG Oy Ab.

Capital expenditure and service development

OP Cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments and related specifications make up a significant portion of the costs of developing these services.

In January–December, OP Financial Group's development expenditure totalled EUR 315 million (201). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 180 million (126).

Outlook for 2017

The Finnish economy recovered last year driven by consumer spending and construction in particular. Brexit, in particular, added uncertainty during 2016. The uncertainty remained, however, transient. Confidence indicators improved during the rest of the year. In Finland, consumer confidence in particular improved, which was helped by lower unemployment. The housing market picked up and home prices rose moderately. The world economy is expected to recover slightly, which together with pro-competitiveness measures should gradually support Finnish exports. The Finnish economy is expected to continue to grow at a relatively steady rate on a broader base than before. Political uncertainty in export markets and partly in Finland too will cast a shadow over the economic outlook.

Low market interest rates will erode banks' net interest income and weaken insurance institutions' investment income, but then again will support customers' repayment capacity. Impairment losses in the banking sector have been low despite the persistent slow economic growth. The financial sector's preparation for changing customer behaviour and challenges presented by digitisation will substantially increase the need for reinvention in the sector across the board. Industry disruption is threatening to erode income generation too in the years to come. Changes in the operating environment will emphasise the role of the management of operational efficiency, profitability and capital adequacy with a long-term approach.

OP Financial Group expects its full-year earnings for 2017 to be about the same as or lower than those for 2016 due to increasing development costs and other expenses arising from strategy implementation. Abnormally high uncertainty that is related to developments in the operating environment has further increased short-term earnings volatility, which will have an effect on the predictability of OP Financial Group's full-year earnings performance. The most significant uncertainties relate to changes in the interest rate and investment environment, impairment loss developments and the rate of business growth.

All forward-looking statements in this Financial Statements Bulletin expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view on developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

Consolidated income statement

EUR million	Note	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Net interest income	3	260	259	1,058	1,026
Net insurance income	4	140	129	558	528
Net commissions and fees	5	222	202	859	855
Net investment income	6	108	64	390	432
Other operating income		18	12	122	46
Share of associates' profits		-4	3	1	9
Total income		**743**	**670**	**2,989**	**2,895**
Personnel costs		199	208	762	781
Depreciation/amortisation		44	42	160	162
Other expenses		188	166	646	577
Total expenses		**431**	**415**	**1,567**	**1,520**
Impairments of receivables	7	41	31	77	78
OP bonuses to owner-customers		53	49	206	196
Earnings before tax		**218**	**175**	**1,138**	**1,101**
Income tax expense		41	34	223	249
Profit for the period		**177**	**141**	**915**	**853**
Attributable to:					
Owners		177	137	913	845
Non-controlling interests		0	4	2	8
Profit for the period		**177**	**141**	**915**	**853**
Statement of comprehensive income					
Profit for the period		**177**	**141**	**915**	**853**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		-27	286	-329	519
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-54	12	176	-205
Cash flow hedge		-59	-1	-35	-14
Translation differences		0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		5	-57	66	-104
Items that may be reclassified to profit or loss					
Measurement at fair value		11	-2	-35	41
Cash flow hedge		12	0	7	3
Total comprehensive income for the period		**66**	**378**	**764**	**1,093**
Attributable to:					
Owners		63	378	726	1,077
Non-controlling interests		3	1	38	16
Total comprehensive income for the period		**66**	**378**	**764**	**1,093**

Balance sheet

EUR million	Note	31 December 2016	31 December 2015
Cash and cash equivalents		9,471	8,619
Receivables from credit institutions		337	425
Financial assets held for trading		692	928
Derivative contracts	10	4,732	5,072
Receivables from customers	12	78,604	75,192
Investment assets		25,105	20,784
Assets covering unit-linked contracts		9,168	8,640
Investments in associates		91	93
Intangible assets		1,474	1,395
Property, plant and equipment (PPE)		871	843
Other assets		2,992	2,347
Tax assets		210	118
Total assets		**133,747**	**124,455**
Liabilities to credit institutions		4,669	1,673
Derivative contracts		4,044	4,678
Liabilities to customers		60,077	58,220
Insurance liabilities	13	10,586	7,705
Liabilities from unit-linked insurance and investment contracts	13	9,205	8,666
Debt securities issued to the public	14	28,287	27,706
Provisions and other liabilities		4,226	3,921
Tax liabilities		894	866
Supplementary cooperative share		77	106
Subordinated liabilities		1,445	1,590
Total liabilities		**123,509**	**115,131**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative share		166	154
Profit shares		2,719	2,502
Fair value reserve	15	318	242
Other reserves		2,108	2,085
Retained earnings		4,824	4,271
Non-controlling interests		102	70
Total equity capital		**10,237**	**9,324**
Total liabilities and equity capital		**133,747**	**124,455**

Statement of changes in equity

EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners						
Balance at 1 January 2015	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period		-185		1,260	1,075	16	1,091
Profit for the period				845	845	8	853
Other comprehensive income		-185		415	230	8	239
Profit distribution				-21	-21		-21
Increase in cooperative capital	947				947		947
One-off effect of transfer of POP Group banks to OP Financial Group*		1	67	48	116		116
Transfer of reserves			22	-22			
Other				-8	-8	-15	-22
Balance at 31 December 2015	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**

* On 19 May 2015, six former POP Group member banks joined OP Financial Group.

EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners						
Balance at 1 January 2016	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**
Total comprehensive income for the period		77		650	726	38	764
Profit for the period				913	913	2	915
Other comprehensive income		77		-263	-187	36	-151
Profit distribution				-71	-71		-71
Increase in cooperative capital	229				229		229
Transfer of reserves			23	-23			
Other				-2	-2	-6	-8
Balance at 31 December 2016	**2,885**	**318**	**2,108**	**4,824**	**10,135**	**102**	**10,237**

Cash flow statement

EUR million	Q1–4/ 2016	Q1–4/ 2015
Cash flow from operating activities		
Profit for the period	915	853
Adjustments to profit for the period	577	1,430
Increase (-) or decrease (+) in operating assets	**-8,573**	**-9,052**
Receivables from credit institutions	99	169
Financial assets held for trading	-28	148
Derivative contracts	32	-6
Receivables from customers	-3,531	-4,003
Assets covering unit-linked contracts	-150	-962
Investment assets	-4,166	-4,802
Other assets	-827	405
Increase (+) or decrease (-) in operating liabilities	**7,500**	**8,121**
Liabilities to credit institutions	3,025	-120
Financial liabilities at fair value through profit or loss	0	-4
Derivative contracts	-36	-5
Liabilities to customers	1,857	6,360
Insurance liabilities	3,061	1,328
Liabilities from unit-linked insurance and investments contracts	-185	52
Provisions and other liabilities	-222	511
Income tax paid	-248	-359
Dividends received	91	94
A. Net cash from operating activities	**263**	**1,087**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	-3	-2
Decreases in held-to-maturity financial assets	19	85
Acquisition of subsidiaries and associates, netof cash acquired	-3	-27
Disposal of subsidiaries and associates, net of cash disposed		1
Purchase of PPE and intangible assets	-308	-301
Proceeds from sale of PPE and intangible assets	50	17
B. Net cash used in investing activities	**-246**	**-226**
Cash flow from financing activities		
Increases in subordinated liabilities	0	1,242
Decreases in subordinated liabilities	-144	-698
Increases in debt securities issued to the public	26,164	29,711
Decreases in debt securities issued to the public	-25,303	-27,444
Increases in cooperative and share capital	1,317	3,238
Decreases in cooperative and share capital	-1,118	-2,395
Dividends paid and interest on cooperative capital	-71	-30
C. Net cash used in financing activities	**845**	**3,623**
Net increase/decrease in cash and cash equivalents (A+B+C)	**863**	**4,485**
POP Group banks' cash and cash equivalents*		**47**
Total change in cash and cash equivalents	**863**	**4,531**
Cash and cash equivalents at period-start	**8,708**	**4,176**
Cash and cash equivalents at period-end	**9,571**	**8,708**
Interest received	**2,362**	**2,552**
Interest paid	**-1,325**	**-1,537**
Cash and cash equivalents		
Liquid assets	9,471	8,619
Receivables from credit institutions payable on demand	100	89
Total	**9,571**	**8,708**

* On 19 May 2015, six former POP Group member banks joined OP Financial Group.

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 19% (18%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120% and 130% in life insurance. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Q1–4 earnings 2016, EUR million						
Net interest income	1,133	-20	6	-60	-1	1,058
-of which internal net income before tax	-18	-17	5	30		
Net insurance income		534	24		0	558
Net commissions and fees	758	-62	217	-59	5	859
Net investment income	6	97	111	179	-3	390
Other operating income	31	7	4	571	-491	122
Share of associates' profits	-4	1	3	0	0	1
Total income	**1,924**	**557**	**365**	**631**	**-489**	**2,989**
Personnel costs	451	100	30	180	0	762
Depreciation/amortisation and impairment losses	52	39	19	50		160
Other operating expenses	569	187	59	321	-490	646
Total expenses	**1,072**	**326**	**109**	**551**	**-490**	**1,567**
Impairments of receivables	76	0		0	1	77
OP bonuses to owner-customers	179	2	25		0	206
Earnings before tax	**596**	**230**	**232**	**80**	**0**	**1,138**

	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Q1–4 earnings 2015, EUR million						
Net interest income	1,108	-22	3	-52	-11	1,026
-of which internal net income before tax	-26	-20	3	43		
Net insurance incomes		508	21		0	528
Net commissions and fees	663	-55	220	20	7	855
Net investment income	120	125	98	86	2	432
Other operating income	29	7	1	484	-475	46
Share of associates' profits	7	0	1		0	9
Total income	**1,927**	**563**	**344**	**538**	**-477**	**2,895**
Personnel costs	472	101	32	176	0	781
Depreciation/amortisation and impairment losses	52	37	24	48	0	162
Other operating expenses	512	164	52	327	-478	577
Total expenses	**1,037**	**302**	**108**	**551**	**-478**	**1,520**
Impairments of receivables	77	0		0	1	78
OP bonuses to owner-customers	171	2	23		0	196
Earnings before tax	**642**	**259**	**213**	**-13**	**0**	**1,101**

Balance sheet 31 December 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	113	90	459	9,329	-520	9,471
Receivables from credit institutions	6,351	6	53	10,180	-16,253	337
Financial assets held for trading	51		0	643	-2	692
Derivative contracts	458	26	125	4,582	-459	4,732
Receivables from customers	79,144	0		683	-1,223	78,604
Investment assets	6,211	3,755	7,909	18,067	-10,837	25,105
Assets covering unit-linked contracts			9,168		0	9,168
Investments in associates	37	2	28	0	25	91
Intangible assets	62	689	374	353	-3	1,474
Property, plant and equipment (PPE)	480	46	25	332	-12	871
Other assets	294	707	335	2,104	-448	2,992
Tax assets	111	10	7	61	21	210
Total assets	**93,312**	**5,331**	**18,483**	**46,333**	**-29,712**	**133,747**
Liabilities to credit institutions	9,568			10,530	-15,428	4,669
Derivative contracts	168	17	21	4,297	-460	4,044
Liabilities to customers	54,693		3	6,815	-1,434	60,077
Insurance liabilities		3,008	7,578		0	10,586
Liabilities from unit-linked insurance and investments contracts			9,205			9,205
Debt securities issued to the public	10,357			18,955	-1,026	28,287
Provisions and other liabilities	1,889	543	262	2,094	-562	4,226
Tax liabilities	371	95	86	324	19	894
Supplementary cooperative share	253			970	-1,147	77
Subordinated liabilities	63	135	245	1,455	-452	1,445
Total liabilities	**77,361**	**3,798**	**17,400**	**45,440**	**-20,490**	**123,509**
Equity capital						**10,237**

Balance sheet 31 December 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	130	107	230	8,451	-299	8,619
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets held for trading	939			5	-17	928
Derivative contracts	5,178	14	75	203	-398	5,072
Receivables from customers	75,633			801	-1,242	75,192
Investment assets	6,425	3,570	5,125	16,446	-10,782	20,784
Assets covering unit-linked contracts			8,640			8,640
Investments in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment (PPE)	494	47	16	299	-13	843
Other assets	1,030	666	280	617	-247	2,347
Tax assets	47	4	10	40	16	118
Total assets	**94,401**	**5,111**	**14,694**	**37,661**	**-27,412**	**124,455**
Liabilities to credit institutions	10,712			4,374	-13,414	1,673
Derivative contracts	4,832	15	37	192	-398	4,678
Liabilities to customers	53,586		0	6,106	-1,472	58,220
Insurance liabilities		2,917	4,788		0	7,705
Liabilities from unit-linked insurance and investment contracts			8,666			8,666
Debt securities issued to the public	10,971			17,893	-1,158	27,706
Provisions and other liabilities	2,122	322	98	1,704	-325	3,921
Tax liabilities	406	84	69	299	8	866
Supplementary cooperative share	255			5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**82,963**	**3,473**	**13,939**	**37,958**	**-23,203**	**115,131**
Equity capital						**9,324**

Notes

Note 1 Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2015.

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

The Financial Statements Bulletin is available in Finnish, English and Swedish. The Finnish version is official that will apply if there is any discrepancy between the language versions.

Change in presentation of financial statements

The grouping of the income statement and balance sheet formats has been revised in the Interim Report for 1 January–30 June 2016. This has no effect on equity capital, balance sheet total or profit for the period. Segment reporting has been updated accordingly. Comparatives have been restated to correspond to the new grouping. The table of the income statement and balance sheet comparatives bassed on the new grouping is presented in the Interim Report for 1 January–30 June 2016.

The most significant changes caused by the new grouping are as follows:

Net interest income broken down into interest income and expenses is presented in the notes. Net interest income after impairment loss is not presented separately. Impairment loss on receivables is presented in its own line after expenses.

The previously presented line "Net income from Non-life Insurance" has been divided into net insurance income and net investment income that better describe the nature of the items. Unwinding of discount is presented under "Net investment income".

The previously presented line "Net income from Life Insurance" has been divided in such a way that fee-type life insurance total expense loadings and refunds of unit-linked management fees are presented under "Net commissions and fees" and risk results under "Insurance premium revenue". Other items previously presented in the line are allocated to "Net investment income".

"Net trading income" previously presented in its own line has been incorporated into "Net investment income". The line "Share of associates' profits/losses" is presented under income.

Expenses have been divided into personnel costs, amortisation/depreciation and other operating expenses. Expenses were previously divided into personnel costs, other administrative expenses and other operating expenses. OP bonuses to owner-customers are presented in their own lines in all segments after expenses.

The lines Non-life Insurance and Life Insurance assets previously presented in the balance sheet have been allocated to other lines that best describe their content. Assets covering unit-linked contracts are presented as a new line.

The lines Non-life Insurance and Life Insurance liabilities previously presented in the balance sheet have been allocated to lines that best describe their content. "Insurance liabilities" and "Liabilities from unit-linked insurance and investment contracts" are presented as new lines.

Recognition of valuation interest rate and currency swaps in the balance sheet

Recognition of valuation of interest rate and currency swaps in the balance sheet has changed. The previously applied recognition method reviewed interest rate valuations of an individual swap agreement as well as an agreement's exchange rate valuation separately in gross terms. The new mwthod of recognition in the balance sheet based on net valuation per agreement better reflects asset or liability relationship between the contracting parties.

The interest rate and currency swap valuations are recognised in the balance sheet under Derivative contracts. The balance sheet comparatives have been restated. Derivative contracts of assets and liabilities a year ago decreased by around EUR 690 million.

Note 2 Key figures and ratios and their formulas

	Q1–4/ 2016	Q1–4/ 2015
Return on equity (ROE), %	9.4	10.3
Return on equity (ROE) at fair value, %	7.8	13.2
Return on assets (ROA), %	0.71	0.73
Cost/income ratio, %	52	53
Average personnel	12,227	12,174

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), %

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

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates

$$\frac{\text{Conglomerate's total capital}}{\text{Conglomerate's total minimum capital requirement}} \times 100$$

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

EUR million	Q1–4/ 2016	Q1–4/ 2015	Change %
Insurance premium revenue	1,418	1,396	1.6
Claims incurred	-979	-972	0.8
Operating expenses	-263	-247	6.5
Amortisation adjustment of intangible assets	-21	-21	-0.3
Balance on technical account	**154**	**156**	**-0.8**
Net investment income	97	125	-22.4
Other income and expenses	-21	-22	-2.8
Earnings before tax	**230**	**259**	**-11.1**
Gross change in fair value reserve	68	-87	-177.3
Earnings before tax at fair value	**298**	**171**	**73.6**

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

Note 3 Net interest income

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Interest income				
Receivables from credit institutions	8	7	12	4
Receivables from customers				
Loans	298	308	1,189	1,246
Finance lease receivables	4	4	15	16
Impaired loans and other commitments	1	1	3	3
Notes and bonds				
Held for trading	2	2	9	11
At fair value through profit or loss		0		0
Available for sale	30	35	126	149
Held to maturity	1	1	2	3
Loans and receivables	0	0	1	3
Derivative contracts				
Held for trading	205	272	928	1,136
Fair value hedge	-33	-30	-130	-120
Cash flow hedge	11	9	39	34
Ineffective portion of cash flow hedge	-2	0	-1	-1
Other	2	2	7	3
Total	**526**	**610**	**2,200**	**2,487**
Interest expenses				
Liabilities to credit institutions	22	9	40	12
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	20	36	95	153
Debt securities issued to the public	71	84	286	351
Subordinated liabilities				
Subordinated loans	1	2	4	7
Other	11	11	45	41
Derivative contracts				
Held for trading	185	244	818	1,039
Cash flow hedge	-37	-36	-145	-146
Other	-9		-9	
Other	2	1	7	5
Total	**267**	**352**	**1,141**	**1,461**
Net interest income before fair value adjustment under hedge accounting	**259**	**258**	**1,059**	**1,026**
Hedging derivatives	-32	-29	-67	-90
Value changes of hedged items	32	30	66	91
Total net interest income	**260**	**259**	**1,058**	**1,026**

Note 4 Net insurance income

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Net insurance premium revenue				
Premiums written	272	257	1,443	1,417
Insurance premiums ceded to reinsurers	-7	-1	-12	-10
Change in provision for unearned premiums	94	114	-14	-8
Reinsurers' share	-1	-11	3	-2
Total	**358**	**359**	**1,420**	**1,397**
Net Non-life Insurance claims				
Claims paid	-220	-207	-862	-804
Insurance claims recovered from reinsurers	4	2	29	25
Change in provision for unpaid claims	-1	-44	-27	-114
Reinsurers' share	-5	16	-23	8
Total	**-223**	**-233**	**-883**	**-885**
Other Non-life Insurance items	1	-2	-3	-5
Life Insurance risk premiums collected	5	5	24	21
Total net insurance income	**140**	**129**	**558**	**528**

Note 5 Net commissions and fees

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Comission income				
Lending	45	51	200	203
Deposits	1	1	5	5
Payment transfers	67	68	262	256
Securities brokerage	5	5	16	22
Securities issuance	1	2	6	13
Mutual funds	35	36	135	129
Asset management and legal services	24	22	80	82
Guarantees	5	5	21	21
Housing service	17	9	68	61
Insurance brokerage	9	8	55	60
Life insurance total expense loadings	29	25	95	87
Refund of unit-linked management fees	16	17	62	64
Other	8	8	23	26
Total	263	257	1,028	1,029
Comission expenses				
Payment transfers	13	19	65	65
Securities brokerage	3	8	10	11
Securities issuance	0	1	2	4
Asset management and legal services	4	6	15	20
Insurance operations	10	12	41	39
Other	11	9	35	34
Total	42	54	169	174
Total net commissions and fees	222	202	859	855

Note 6 Net investment income

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Net income from available-for-sale assets				
Notes and bonds	66	29	212	142
Equity instruments	35	40	96	236
Dividend income	6	11	39	47
Impairment losses and their reversals	-6	-4	-35	-15
Total	**102**	**75**	**312**	**411**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	-40	0	24	-1
Equity instruments	1		8	
Derivatives	-71	-6	141	-31
Banking and Other operations				
Securities trading	42	6	93	75
Foreign exchange trading	-1	16	27	30
Investment property	-3	-5	15	8
Other	1	0	2	1
Total	**-71**	**11**	**310**	**83**
Net income carried at amortised cost				
Loans and other receivables	1	1	6	6
Impairment losses and their reversals	0	0	0	0
Total	**1**	**1**	**6**	**6**
Life Insurance				
Interest credited on customers' insurance savings	-22	-23	-93	-96
Change in supplementary interest rate provisions	87	22	34	89
Other technical items	20	-12	-143	-22
Total	**85**	**-13**	**-202**	**-29**
Non-life Insurance				
Unwinding of discount	-9	-9	-36	-38
Total	**-9**	**-9**	**-36**	**-38**
Total net investment income	**108**	**64**	**390**	**432**

Note 7 Impairments of receivables

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Receivables written off as loan or guarantee losses	11	40	80	83
Recoveries of receivables written off	-3	-5	-15	-15
Increase in impairment losses on individually assessed receivables	49	42	103	107
Decrease in impairment losses on individually assessed receivables	-17	-44	-99	-88
Collectively assessed impairment losses	2	-3	7	-9
Total impairments of receivables	41	31	77	78

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	9,471					9,471
Receivables from credit institutions	337					337
Derivative contracts			4,112		620	4,732
Receivables from customers	78,604					78,604
Assets covering unit-linked contracts			9,168			9,168
Notes and bonds		92	4,318	17,541		21,951
Equity instruments			550	2,245		2,794
Other financial assets	3,093					3,093
Financial assets	**91,505**	**92**	**18,147**	**19,786**	**620**	**130,150**
Other than financial instruments						3,597
Total 31 December 2016	**91,505**	**92**	**18,147**	**19,786**	**620**	**133,747**

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	8,619					8,619
Receivables from credit institutions	425					425
Derivative contracts			4,583		489	5,072
Receivables from customers	75,192					75,192
Assets covering unit-linked contracts			8,640			8,640
Notes and bonds		108	858	17,372		18,338
Equity instruments			70	2,387		2,457
Other financial assets	2,428					2,428
Financial assets	**86,664**	**108**	**14,151**	**19,760**	**489**	**121,171**
Other than financial instruments						3,283
Total 31 December 2015	**86,664**	**108**	**14,151**	**19,760**	**489**	**124,455**

* 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		4,669		4,669
Derivative contracts	3,691		353	4,044
Liabilities to customers		60,077		60,077
Insurance liabilities		10,586		10,586
Liabilities from unit-linked insurance and investment contracts	9,205			9,205
Debt securities issued to the public		28,287		28,287
Subordinated loans		1,445		1,445
Other financial liabilities		3,324		3,324
Financial liabilities	12,896	108,388	353	121,637
Other than financial liabilities				1,872
Total 31 December 2016	12,896	108,388	353	123,509

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		1,673		1,673
Derivative contracts	4,364		314	4,678
Liabilities to customers		58,220		58,220
Insurance liabilities		7,705		7,705
Liabilities from unit-linked insurance and investment contracts	8,666			8,666
Debt securities issued to the public		27,706		27,706
Subordinated loans		1,590		1,590
Other financial liabilities		3,248		3,248
Financial liabilities	13,031	100,141	314	113,486
Other than financial liabilities				1,645
Total 31 December 2015	13,031	100,141	314	115,131

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was EUR 545 million (221) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 9 Recurring fair value measurements by valuation technique

Fair value of assets on 31 Dec. 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	442	82	26	550
Debt instruments	3,489	712	117	4,318
Unit-linked contracts	6,591	2,577		9,168
Derivative financial instruments	6	4,566	160	4,732
Available-for-sale				
Equity instruments	900	564	780	2,245
Debt instruments	13,130	4,042	369	17,541
Total	**24,559**	**12,543**	**1,452**	**38,553**

Fair value of assets on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments		70		70
Debt instruments	616	221	21	858
Unit-linked contracts	6,425	2,215		8,640
Derivative financial instruments	2	4,893	176	5,072
Available-for-sale				
Equity instruments	1,683	-9	712	2,387
Debt instruments	12,037	5,042	293	17,372
Total	**20,763**	**12,433**	**1,203**	**34,400**

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				
Unit-linked contracts	6,618	2,587		9,205
Other		0		0
Derivative financial instruments	10	3,926	107	4,044
Total	**6,628**	**6,514**	**107**	**13,249**

Fair value of liabilities on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,444	2,222		8,666
Other		0		0
Derivative financial instruments	35	4,508	135	4,678
Total	**6,480**	**6,730**	**135**	**13,345**

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

Specification of financial assets and liabilities	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Financial assets, EUR million				
Opening balance 1 Jan 2016	21	176	1,005	1,203
Total gains/losses in profit or loss	-12	-16	-50	-79
Total gains/losses in other comprehensive income			97	97
Purchases	133		259	391
Sales	-2		-128	-130
Settlements	0			0
Transfers into Level 3	2		148	150
Transfers out of Level 3			-181	-181
Closing balance 31 December 2016	**142**	**160**	**1,149**	**1,452**

	Financial assets at fair value through profit or loss	Derivative contracts	Total liabilities
Financial liabilities, EUR million			
Opening balance 1 Jan 2016		135	135
Total gains/losses in profit or loss		-28	-28
Closing balance 31 December 2016		**107**	**107**

Total gains/losses included in profit or loss by item on 31 December 2016	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 December
EUR million				
Realised net gains (losses)	-12			-12
Unrealised net gains (losses)	11	-50	97	58
Total net gains (losses)	**-1**	**-50**	**97**	**46**

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 2016.

Note 10 Derivative contracts

	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	38,219	77,514	60,823	176,557	4,129	3,632
Cleared by the central counterparty	7,919	33,999	30,761	72,679	1,186	1,335
Currency derivatives	29,515	11,606	3,644	44,765	1,688	1,676
Equity and index derivatives	15	6		21	1	0
Credit derivatives	19	397	13	429	11	8
Other derivatives	275	552	2	829	64	23
Total derivatives	**68,043**	**90,075**	**64,482**	**222,601**	**5,892**	**5,340**

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
31 December 2015, EUR million						
Interest rate derivatives	38,498	83,365	58,255	180,119	4,408	3,977
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863
Currency derivatives	30,956	9,766	6,706	47,428	1,528	1,479
Equity and index derivatives	282	6		288	15	
Credit derivatives	15	126	82	223	10	13
Other derivatives	185	722	14	921	83	61
Total derivatives	**69,936**	**93,985**	**65,057**	**228,979**	**6,043**	**5,530**

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

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

Financial assets

31 December 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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	5,883	-1,151	4,732	-2,418	-1,177	1,138

31 December 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral received	
Derivatives	5,942	-870	5,072	-3,412	-1,030	630

Financial liabilities

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		Net amount
				Derivative contracts***	Collateral given	
Derivatives	5,350	-1,307	4,044	-2,418	-1,139	486

31 December 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral given	
Derivatives	5,518	-840	4,678	-3,412	-1,061	206

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -147 (22) 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 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	339		339		2	337
Receivables from customers, of which	77,204	640	77,844	445	63	77,337
Bank guarantee receivables	2	9	11	9	1	2
Finance leases	1,268		1,268			1,268
Total	78,810	640	79,450	445	64	78,941
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	27,280	461	27,741	349	32	27,360
Financial institutions and insurance companies	1,035	0	1,035	0	3	1,032
Households	48,921	173	49,094	92	29	48,973
Non-profit organisations	758	6	765	4	1	760
Public sector entities	816		816		0	816
Total	78,810	640	79,450	445	64	78,941

31 December 2015, 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	426		426		1	425
Receivables from customers, of which	73,903	620	74,523	441	56	74,026
Bank guarantee receivables	6	17	23	18	0	5
Finance leases	1,166		1,166			1,166
Total	75,495	620	76,115	441	57	75,617
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	25,491	471	25,961	358	32	25,571
Financial institutions and insurance companies	1,124	0	1,124	0	2	1,122
Households	47,528	143	47,671	79	22	47,570
Non-profit organisations	665	6	671	4	1	667
Public sector entities	688		688		0	688
Total	75,495	620	76,115	441	57	75,617

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		578	578	222	356
Unlikely to be paid		508	508	173	335
Forborne receivables	1,711	279	1,990	50	1,940
Total	1,711	1,364	3,076	445	2,631

Doubtful receivables 31 December 2015, 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		543	543	223	319
Unlikely to be paid		499	499	175	325
Forborne receivables	1,310	191	1,501	43	1,458
Total	1,310	1,233	2,543	441	2,102

Key ratio, %	31 Dec. 2016	31 Dec. 2015
Exposures individually assessed for impairment, % of doubtful receivables	14.5 %	17.3 %

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 Dec. 2016	31 Dec. 2015
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,434	1,386
Other provision for unpaid claims	988	970
Reserve for decreased discount rate*	8	0
Total	2,430	2,357
Provisions for unearned premiums	578	560
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	7,918	7,194
Investment contracts	1,287	1,473
Total	9,205	8,666
Life insurance insurance liabilities	7,578	4,788
Total	**19,791**	**16,371**

*Value of hedges of insurance liability.

Note 14 Debt securities issued to the public

EUR million	31 Dec. 2016	31 Dec. 2015
Bonds	10,922	12,164
Covered bonds	9,277	9,003
Certificates of deposit, commercial papers and ECPs	8,088	6,539
Total	28,287	27,706

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 Jan. 2016	31	142	69	242
Fair value changes	115	92	3	210
Capital gains transferred to income statement	-23	-87		-110
Impairment loss transferred to income statement	1	33		34
Transfers to net interest income			-37	-37
Deferred tax	-19	-7	7	-19
Closing balance 31 Dec. 2016	105	172	41	318

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 Jan. 2015	139	206	80	425
Fair value changes	-104	59	19	-26
Capital gains transferred to income statement	-33	-149		-183
Impairment loss transferred to income statement	2	10		13
Transfers to net interest income			-33	-33
Deferred tax	27	16	3	46
Closing balance 31 Dec. 2015	31	142	69	242

The fair value reserve before tax amounted to EUR 398 million (302) and the related deferred tax liability amounted to EUR 79 million (60). On 31 December 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 268 million (245) million and negative mark-to-market valuations EUR 23 million (21).

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

Note 16 Collateral given

EUR million	31 Dec. 2016	31 Dec. 2015
Collateral given on behalf of own liabilities and commitments		
Mortages		1
Pledges	1	5
Loans (as collateral for covered bonds)	10,407	10,053
Other	5,129	671
Other collateral given		
Pledges*	3,351	3,969
Total	**18,888**	**14,699**
Other secured liabilities	3,443	507
Covered bonds	9,277	9,003
Total secured liabilities	**12,720**	**9,510**

*) of which EUR 1,500 million in intraday settlement collateral.

Note 17 Off-balance-sheet items

EUR million	31 Dec. 2016	31 Dec. 2015
Guarantees	836	764
Other guarantee liabilities	1,921	1,848
Pledges		1
Loan commitments	11,049	10,043
Commitments related to short-term trade transactions	358	194
Other *	966	587
Total off-balance-sheet items	**15,129**	**13,437**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 156 million (121).

Note 18 Capital adequacy for credit institutions

OP Financial Group presents the amalgamation's capital adequacy for credit institutions in accordance with the EU capital requirement regulation and directive (EU 575/2013) (CRR).

	31 Dec. 2016	31 Dec. 2015
Capital base, EUR million		
OP Financial Group's equity capital	10,237	9,324
The effect of insurance companies on the Group's shareholders' equity is excluded	-168	-200
Fair value reserve, cash flow hedging	-41	-69
Supplementary cooperative capital to which transition provision applies	77	143
Common Equity Tier 1 (CET1) before deductions	**10,105**	**9,197**
Intangible assets	-620	-518
Excess funding of pension liability and valuation adjustments	-64	-131
Repayable cooperative capital	-156	
Planned profit distribution	-83	-66
Shortfall of impairments – expected losses	-309	-306
Common Equity Tier 1 (CET1)	**8,872**	**8,176**
Subordinated loans to which transitional provision applies	81	141
Additional Tier 1 capital (AT1)	**81**	**141**
Tier 1 capital (T1)	**8,954**	**8,316**
Debenture loans	1,239	1,253
Tier 2 Capital (T2)	**1,239**	**1,253**
Total capital base	**10,192**	**9,569**

A prudent valuation adjustment of EUR 36 (69) million has been deducted from CET1 capital.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans. In June 2016, the Group redeemed a subordinated loan of JPY10 billion of which EUR 52 million were included in the capital base during the reporting period. Based on the supervisor's permission to refund cooperative contributions, EUR 156 million have been deducted from CET1 capital.

	31 Dec. 2016	31 Dec. 2015
Risk exposure amount, EUR million		
Credit and counterparty risk	38,853	36,445
Standardised Approach (SA)	3,233	3,026
Central government and central banks exposure	39	27
Credit institution exposure	36	29
Corporate exposure	1,812	1,838
Retail exposure	1,039	910
Equity investments*		72
Other**	307	151
Internal Ratings-based Approach (IRB)	35,620	33,418
Credit institution exposure	1,143	1,149
Corporate exposure	20,913	19,587
Retail exposure	4,698	3,976
Equity investments*	7,605	7,412
Other	1,261	1,294
Market and settlement risk (Standardised Approach)	1,329	1,464
Operational risk (Standardised Approach)	3,666	3,521
Other risks***	253	394
Total	44,101	41,824

* The risk weight of equity investments includes EUR 6.5 billion in insurance holdings within OP Financial Group.

** EUR 253 (100) million 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.

*** Valuation adjustment (CVA)

Ratios, %	31 Dec. 2016	31 Dec. 2015
CET1 capital ratio	20.1	19.5
Tier 1 ratio	20.3	19.9
Capital adequacy ratio	23.1	22.9

Ratios, fully loaded, %	31 Dec. 2016	31 Dec. 2015
CET1 capital ratio	19.9	19.2
Tier 1 ratio	19.9	19.2
Capital adequacy ratio	22.8	22.2

Capital requirement, EUR million	31 Dec. 2016	31 Dec. 2015
Capital base	10,192	9,569
Capital requirement	5,520	4,394
Buffer for capital requirements	4,673	5,175

The capital requirement of 12.5% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer of 2.0% and the institution-specific capital conservation buffer for foreign exposures. The O-SII capital buffer has been in force since 1 January 2016.

Leverage ratio, EUR million	31 Dec. 2016	31 Dec. 2015
Tier 1 capital (T1)	8,954	8,316
Total exposure	120,257	114,780
Leverage ratio, %	7.4	7.2

The leverage ratio that describes a company's minimum leverage ratio is presented in accordance with Commission Delegated Regulation. According to these rules, the minimum ratio is three per cent. The minimum leverage ratio is based on December-end figures.

Note 19 Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures 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
Personal customers, total	48,607	52.5	0.7	16.9	3,919	7.3	147
A	30,426	52.5	0.0	16.0	533	1.8	2
B	10,757	52.8	0.1	16.3	521	4.8	2
C	3,759	54.6	0.5	21.4	621	16.5	4
D	1,965	43.9	2.3	21.0	712	36.2	9
E	1,323	24.9	20.6	21.1	1,127	85.2	56
F	378		100.0	24.9	405	107.2	74
Corporate customers, total	1,552	68.2	3.3	37.0	779	41.3	39
2,5–5,5	493	67.1	0.4	21.9	58	11.8	0
6,0–7,0	606	67.4	1.3	41.1	244	40.3	3
7,5–8,5	294	69.6	4.9	46.5	201	68.4	7
9,0–10,0	111	74.0	22.9	45.4	118	106.5	11
11,0–12,0	47		100.0	63.1	157	332.2	18
Total	50,159	53.7	0.8	17.5	4,698	8.3	186

All retail exposures 31 December 2015

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Personal customers, total	47,420	85.6	0.8	14.7	3,519	6.8	136
A	30,327	85.2	0.0	13.2	446	1.5	1
B	9,697	86.7	0.1	15.6	449	4.6	2
C	3,685	89.4	0.5	18.9	540	14.7	3
D	2,033	84.0	2.3	19.9	697	34.3	9
E	1,346	78.1	21.1	19.9	1,053	78.3	55
F	333		100.0	25.0	334	100.4	65
Corporate customers, total	1,543	70.8	3.8	23.0	457	24.5	26
2,5–5,5	507	71.1	0.3	14.5	35	6.9	0
6,0–7,0	603	69.5	1.1	25.9	141	23.3	2
7,5–8,5	249	72.7	4.9	28.7	102	40.9	4
9,0–10,0	130	72.8	28.2	27.4	87	66.8	10
11,0–12,0	54		100.0	32.9	92	172.2	11
Total	48,963	84.4	0.9	14.9	3,976	7.3	162

The defaults, or rating categories 11.0 and 12.0 as well as F, are not included in the average PD and risk weight. The calculation of the average risk weight values on Total lines has been specified and the comparatives have been revised accordingly. The average risk weight of retail exposures rose slightly as a result of model updates.

Corporate exposures (FIRB) by rating category

	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	933	92.2	0.0	44.7	137	14.7	0
2,5–5,5	17,374	74.5	0.2	44.4	7,044	40.5	17
6,0–7,0	7,717	71.6	1.3	44.2	6,786	87.9	43
7,5–8,5	4,638	70.7	4.6	44.2	5,825	125.6	94
9,0–10,0	616	55.1	22.1	44.0	1,120	181.9	60
11,0–12,0	747	54.9	100.0	45.2			338
Total	**32,024**	**73.5**	**1.6**	**44.3**	**20,913**	**66.9**	**552**

	31 December 2015						
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	1,042	91.6	0.0	44.7	152	14.6	0
2,5–5,5	16,922	70.8	0.2	44.5	7,035	41.6	17
6,0–7,0	6,269	71.3	1.3	44.3	5,491	87.6	35
7,5–8,5	4,299	70.3	4.5	44.4	5,369	124.9	86
9,0–10,0	819	58.9	22.8	44.0	1,541	188.0	82
11,0–12,0	745	58.5	100.0	45.2			337
Total	**30,096**	**71.1**	**1.7**	**44.5**	**19,587**	**66.7**	**557**

The defaults, or rating categories 11.0 and 12.0, are not included in the average PD and risk weight. The calculation of the average risk weight values on Total lines has been specified and the comparatives have been revised accordingly.

Note 20 Insurance company solvency

EUR million	31 December 2016		31 December 2015	
	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,455**	**992**	**1,419**	**1,177**
Solvency capital requirement (SCR)				
Market risk	996	484	665	472
Insurance risk	405	298	432	300
Counterparty risk	27	32	27	27
Operational risk	25	43	20	45
Diversification benefits and loss absorbency	-712	-164	-452	-129
Total	742	693	692	714
Buffer for SCR	**713**	**299**	**727**	**463**
Solvency ratio (SCR), %	**196**	**143**	**205**	**165**
Solvency ratio (SCR), % (excluding transitional provision)	**149**	**127**	**149**	**146**

Transitional provisions have been taken into account in figures under Solvency II and they are according to OP Financial Group's estimate. Non-life Insurance figures also include those of OVY Insurance.

Note 21 Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

EUR million	30 Dec. 2016	31 Dec. 2015
OP Financial Group's equity capital	10,237	9,324
Other cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,397	1,547
Other sector-specific items excluded from capital base	-139	-70
Goodwill and intangible assets	-1,438	-1,356
Insurance business valuation differences*	743	728
Proposed profit distribution	-83	-66
Items under IFRS deducted from capital base**	16	-57
Shortfall of impairments – expected losses	-283	-280
Conglomerate's capital base, total	**10,449**	**9,769**
Regulatory capital requirement for credit institutions***	4,713	3,707
Regulatory capital requirement for insurance operations*	1,434	1,406
Conglomerate's total minimum capital requirement	**6,147**	**5,113**
Conglomerate's capital adequacy	**4,302**	**4,656**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**170**	**191**

* Estimate of valuation differences and SCR under Solvency II.

** Excess funding of pension liability, fair value measurement of investment property, portion of cash flow hedge of fair value reserve.

*** Risk-weighted assets x 12.5%, risk-weighted assets a year ago x 10.5%

Year-on-year figures are presented under Solvency II. Transitional provisions have been taken into account in the figures. The O-SII buffer (2%) set for OP Financial Group on 7 January 2016 reduced the capital adequancy ratio by 24 percentage points.

Note 22 Related-party transactions

The related parties of OP Financial Group include companies consolidated into OP Financial Group's financial statements, associates, administrative personnel, their close family members included, and other related party companies. The administrative personnel comprise OP Financial Group's President and Group Executive Chairman (Chairman of the Executive Board of OP Cooperative), President of OP Cooperative, members and deputy members of the Executive Board and Supervisory Board members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Fund and OP Bank Group Pension Foundation.

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 2015.

Financial reporting in 2017

Schedule for Interim Reports in 2017:

Interim Report Q1/2017	27 April 2017
Interim Report H1/2017	2 August 2017
Interim Report Q1–3/2017	1 November 2017

Helsinki, 2 February 2017

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