OP Corporate Bank plc's Financial Statements Bulletin for 1 January–31 December 2016

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- Consolidated earnings before tax were EUR 504 million (625). The return on equity was 10.4% (14.8).
- Banking earnings before tax decreased to EUR 260 million (334) due to lower net investment income. The loan portfolio grew in the financial year by 9.7% to EUR 18.0 billion (16.4). The operating cost/income ratio was 32.8% (27.4).
- Non-life Insurance earnings before tax decreased to EUR 231 million (267) due to lower net investment income. Operating combined ratio was 87.6% (87.3).
- Other Operations earnings before tax were EUR 13 million (23). Liquidity and access to funding remained good.
- The CET1 ratio was 14.9% (14.1), while the target was 15%.
- The financial targets were aligned with the OP 2016 strategy.
- Outlook for 2017: OP Corporate Bank Group's consolidated earnings before tax in 2017 are expected to be about the same as or lower than in 2016.

	Q1–4/2016	Q1–4/2015	Change, %
Earnings before tax, € million			
Banking	260	334	-22.1
Non-life Insurance	231	267	-13.2
Other Operations	13	23	-44.5
Group total	**504**	**625**	**-19.4**

Comparatives deriving from the income statement are based on figures reported for continuing operations for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2015 are used as comparatives.

Financial targets	Q1–4/2016	Q1–4/2015	Target
Customer experience, NPS (-100–+100)	58		70, over time 90
Common Equity Tier 1 (CET1) ratio, %	14.9	14.1	15
Return on economic capital, %	17.0	21.6	22
Expenses of present-day business, € million	471	475	Expenses in 2019 lower than in 2015
Dividend payout ratio, %*	50.4	30	50

* Board proposal

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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.

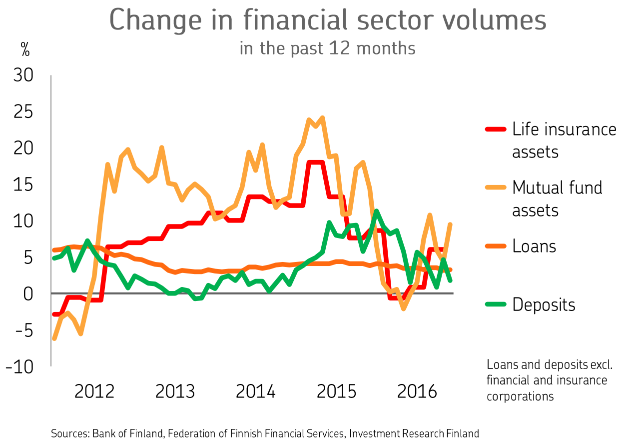
Confidence indicators have improved both in Finland and in the export markets. In 2017, the Finnish economy is expected to continue to grow at a slow but steady rate on a broader base than before. The ECB has announced that it would continue its quantitative easing policy in 2017 too. Based on the policy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

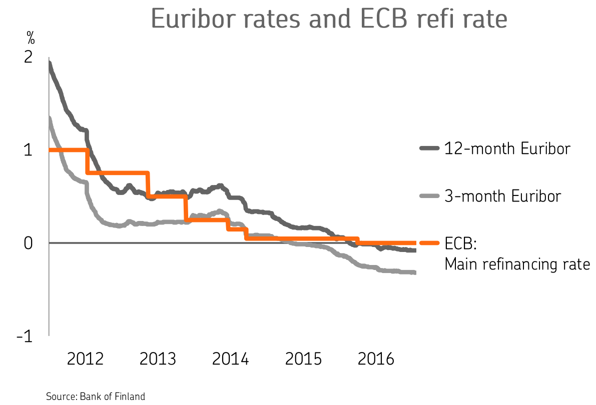
Consumer loan volumes continued to grow in 2016 at an around 3% rate. The fall in the interest rates for new home loans drawn down came to a halt towards the end of the year. The average interest rate for total home loans in Finland is the lowest in the euro area. Growth in housing corporation and corporate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

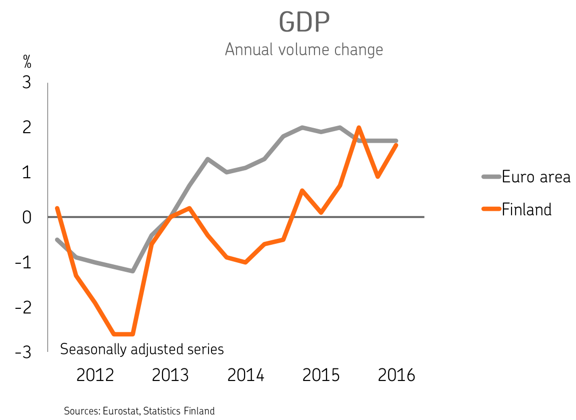
Total deposits grew more slowly than a year ago. The growth rate of total household deposits sped up but that of deposits by public-sector entities and corporations calmed down clearly after the previous year's spurt.

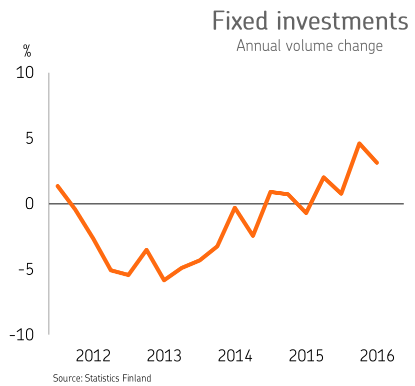
The value of mutual funds registered in Finland increased by almost 10% in 2016. Favourable market developments perked up demand towards the year end but growth in net asset inflows, however, remained weaker than a year ago. Life insurance premiums written were 30% lower than a year ago.

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%.









Consolidated earnings

€ million	Q1–4/ 2016	Q1–4/ 2015	Change, %	Q4/ 2016	Q4/ 2015	Change, %
Net interest income	228	220	3.6	50	56	-9.6
Net insurance income	534	507	5.2	135	124	9.1
Net commissions and fees	-4	37		-14	6	
Net investment income	247	319	-22.5	94	47	97.6
Other operating income	33	29	12.4	3	8	-68.6
Share of associates' profit/loss	-2	0		-2	0	
Total income	**1,037**	**1,113**	**-6.7**	**266**	**242**	**10.0**
Personnel costs	162	155	4.3	42	39	6.4
Depreciation/amortisation and impairment loss	51	49	4.2	14	13	7.7
Other operating expenses	281	253	11.0	82	68	19.5
Total expenses	**494**	**457**	**8.0**	**137**	**120**	**14.0**
Impairment loss on receivables	37	29	26.9	23	9	
OP bonuses to owner-customers	2	2	12.3	0	0	10.2
Earnings of continuing operations before tax	**504**	**625**	**-19.4**	**105**	**112**	**-6.3**
Earnings of discontinued operations before tax*		26			9	
Total earnings before tax	**504**	**652**	**-22.6**	**105**	**121**	**-13.2**

* In the partial demerger of OP Corporate Bank plc on 30 December 2015, wealth management, card and property management operations were transferred to OP Cooperative.

January–December

Consolidated earnings before tax were EUR 504 million (625). Total income was down by 6.7%, while total expenses rose by 8.0%. Income fell in both Banking and Non-life Insurance. Although net interest income and net insurance income grew year on year, income was eroded by lower net investment income and net commissions and fees.

Net interest income rose to EUR 228 million (220) in spite of low interest rates. The loan portfolio grew year on year by 9.7% and the average margin increased to 1.41% (1.38).

Net insurance income climbed by 5.2% to EUR 534 million (507). Insurance premium revenue increased by 1.6% year on year thanks to the rise in insurance premium revenue from private customers. Claims incurred declined slightly year on year.

Net commissions and fees totalled EUR -4 million (37). Commission income was lower than in the previous year and commission expenses were increased by commissions and fees paid to member banks as from the beginning of the financial year due to OP Financial Group's internal operating model change. This change is described in more detail below under Financial performance by segment. Net commissions and fees were eroded by lower commission income from securities brokerage as a result of the Invest in Finland campaign within the #Suominousuun (Putting Finland on a new growth path) initiative. Commission income from securities issuance and lending fell, too.

Net investment income totalled EUR 247 million (319). Net income from securities trading increased by EUR 24 million and capital gains on notes and bonds included in available-for-sale assets rose by EUR 22 million. On the other hand, net income from available-for-sale assets was lowered by a 92-million euro decrease in capital gains on equity instruments and lower dividend income than in the previous year. A year ago, dividend income was increased by dividends from the OP Financial Group entities. Such dividends will no longer be paid to OP Corporate Bank Group after the changes made in the Group's structure in 2015. Net investment income included a total of EUR 16 million (9) in impairment losses.

Other operating income amounted to EUR 33 million (29). This rise was due to centralised liquidity buffer costs charged from OP Financial Group's other credit institutions as well as service charges received from member banks after the change in OP Financial Group's internal operating model, which OP Financial Group began charging at the beginning of the financial year.

Total expenses increased to EUR 494 million (457). Personnel costs rose year on year by 4.3% due to an increase in headcount, while ICT costs increased by 29.2% mainly as a result of higher ICT costs in Non-life Insurance.

Impairment losses on receivables totalled EUR 37 million (29), accounting for 0.18% (0.15) of the loan and guarantee portfolio.

The fair value reserve before tax increased by EUR 95 million, amounting to EUR 245 million (150) on 31 December 2016.

October–December

Earnings before tax totalled EUR 105 million (112). Earnings decreased due to higher expenses and impairment losses, although income increased by 10.0% from the previous year thanks to year-on-year increases in both net insurance income and net investment income. Higher commission expenses resulting from the change in OP Financial Group's internal operating model pushed net commissions and fees into negative territory. Net investment income was increased by net income from securities trading and capital gains on notes and bonds included in available-for-sale assets.

Total expenses were EUR 137 million (120), up mainly due to higher ICT costs. Personnel costs rose by EUR 6.4%.

January–December highlights

OP 2016 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. Business diversification involves expanding, for example, the health and wellbeing business.

Following the OP 2016 strategy, OP Corporate Bank plc's financial targets were also updated in December. Numeric targets were set to capital adequacy (CET1), profitability (return on economic capital), efficiency (expenses of present-day business), dividend payout ratio and customer experience as measured by a customer experience indicator (Net Promoter Score, or NPS, a measure of likelihood of recommendation).

Request for clarification from the Finnish Competition and Consumer Authority

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

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

The ECB is offering euro area credit institutions four targeted longer-term refinancing operations with a maturity of four years (TLTRO-II) with the primary aim of fostering growth.

Under TLTRO-II, the banks will be able to borrow up to 30% of their loan balance as at 31 January 2016 to 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 Corporate Bank participated in the TLTRO-II with a total of EUR 3 billion.

Floating rate note buyback

In September, OP Cooperative announced it was investigating a possibility to buy a perpetual floating rate note of EUR 40 million on the market issued by OP Corporate Bank plc on 30 November 2005, in part or in full. Any such purchases would have not affected OP Corporate Bank's capital adequacy. OP Cooperative did not execute these buybacks.

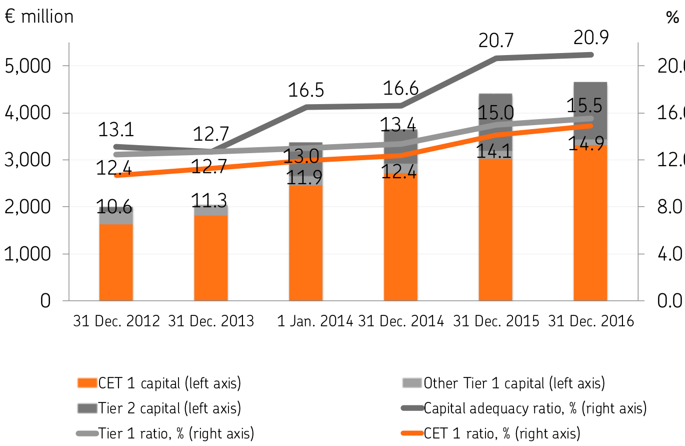
SME financing programmes

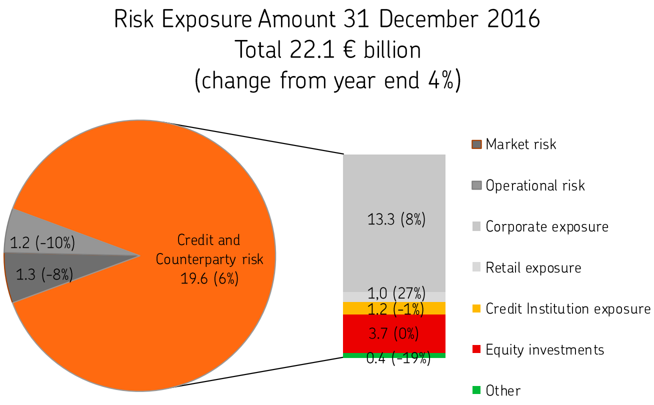
In March, OP Corporate Bank signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP Corporate Bank may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee facility provided by the 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.

In January 2017, OP Corporate Bank 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 Corporate Bank may provide financing worth EUR 150 million to SMEs employing less than 250 people. By providing financing to SMEs with growth potential, OP Corporate Bank wants to be involved in supporting future economic growth and employment.

Group's capital adequacy

Capital base and capital adequacy





The Group's CET1 ratio was 14.9% (14.1) on 31 December 2016. The Group's CET1 target is 15%.

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

The CET1 capital totalled EUR 3.3 billion (3.0) on 31 December 2016, thanks to earnings by the Banking segment and the Other Operations segment and dividends from insurance companies.

On 31 December 2016, the risk exposure amount (REA) totalled EUR 22.1 billion (21.3), or 3.8% higher than on 31 December 2015. The average credit risk weights remained at the 2015-end level. Equity investments include EUR 3.7 billion in risk-weighted assets of the Group's internal insurance holdings.

OP Corporate Bank Group belongs to OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates.

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

As of the beginning of 2016, OP Financial Group as an Other Systemically Important Institution needs to comply with the O-SII buffer of 2%, but it does not apply to OP Corporate Bank. In December 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. However, 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 minimum risk weight would have no material effect on OP Corporate Bank's capital adequacy.

OP Financial Group is supervised by the 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. the O-SII buffer requirement included. 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 OP Financial Group's or OP Corporate Bank'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 discretionary capital buffer requirement set by the ECB does not apply to OP Corporate Bank.

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 validation, there turned out to be no need to make material changes to the credit risk models used or risk weights.

Regulation in force since early 2015 applies to crisis resolution of credit institutions and investment firms. In addition, more specified guidelines on the application of these provisions were issued by authorities in summer 2016. The resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB is determining the minimum level of liabilities, under the Resolution Act, at the OP Financial Group level.

Non-life Insurance

The solvency regulations of the insurance sector changed on 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 figures under Solvency II

€ million	31 Dec. 2016	31 Dec. 2015
Capital base, € million*	983	1,105
Solvency capital requirement (SCR), € million*	687	698
Solvency ratio, %*	143	158
Solvency ratio, % (excluding transitional provision)	127	139

* Including the effects of transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 2016

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

OP Insurance Ltd's financial strength ratings on 31 December 2016

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

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

The ratings of OP Corporate Bank plc and OP Insurance Ltd did not change during the financial year. Standard & Poor's affirmed in July and November 2016 OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, and OP Insurance Ltd's financial strength rating at A+. In November 2016, S&P changed the outlook for both companies 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.

Risk management

The purpose of risk management is to identify threats and opportunities affecting strategy implementation. The objective is to help achieve the targets set in the strategy by controlling that risks taken are proportional to risk bearing capacity.

OP Corporate Bank's most significant risks include credit risk, market risk, liquidity risk, underwriting risk and concentration risk. Strategic risks, reputational risk and operational risks (including compliance risk) are inherently related to all Group business lines.

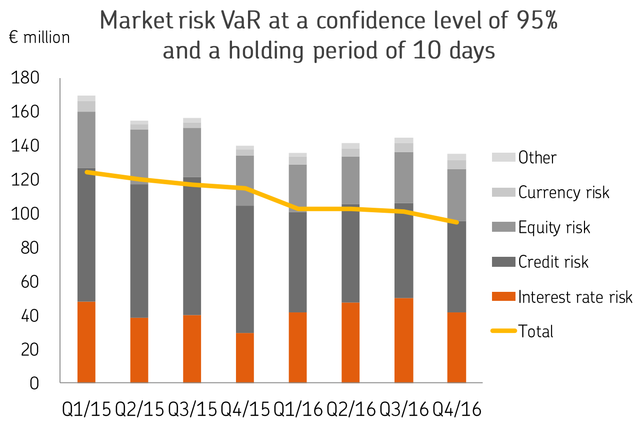
Group risk exposure

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

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

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

The Group's market risk exposure was stable during the financial year. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 95 million (115) on 31 December 2016. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



The Group expects its operational risks to be moderate. The development speed of operations and services, however, will pose additional challenges to risk management in the upcoming years. Materialised operational risks resulted in approximately EUR 0.4 million (1) in costs in 2016.

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 lowered comprehensive income before tax by EUR 79 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved comprehensive income before tax by EUR 64 million.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate. Doubtful receivables totalled EUR 198 million (184). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Impairment losses remained low, accounting for 0.18% (0.15) of the loan and guarantee portfolio.

Total exposure in Banking (including derivatives brokerage), was EUR 31.2 billion (30). The ratio of the exposure of the highest borrower grades (1–5.5) to total exposure, excluding households, was 68% (71). The proportion of the lowest borrower grades 11–12 was 0.7% (0.6). Corporate exposure (including housing corporations) accounted for 81% (78) of total Banking exposures. Of corporate exposures, the investment-grade exposure (grades 1–5.5) accounted for 65% (69) and the exposure of the lowest two borrower grades amounted to EUR 195 million (162) or 0.8% (0.7) 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 changed.

Total Banking exposure by counterparty, € billion

	31 Dec. 2016	31 Dec. 2015	Change
Companies and housing corporations	25.2	23.3	1.9
Financial institutions and insurance companies	2.6	2.3	0.3
OP Financial Group	0.2	0.2	0.0
Households	1.5	1.3	0.2
Public sector entities	1.6	2.8	-1.2
Non-profit organisations	0.1	0.1	0.0
Total	31.2	30.0	1.2

Total Banking exposure* by borrower grade, € billion

Borrower grade	31 Dec. 2016	31 Dec. 2015	Change
1.0–2.0	2.6	3.5	-0.9
2.5–5.5	17.6	16.8	0.8
6.0–7.0	5.9	4.5	1.4
7.5–9.0	3.2	3.5	-0.3
9.5–10.0	0.2	0.2	0.0
11.0–12.0	0.2	0.2	0.0
Total	**29.7**	**28.7**	**1.0**

* excluding private customers

OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.6 billion (4.4). No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation.

In the Companies and housing associations sector, exposure by industry remained highly diversified. The most significant industries included Energy 13.4% (12.6), Trade 10.7% (10.4) and Renting and operating of non-residential real estate 9.2% (9.2).

Exposures by the Baltic operations grew to EUR 2 billion (1.6), accounting for 6.5% (5.4) of total exposures of the Banking segment.

Non-life Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 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 financial year. 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 the insurance liability.

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 maintained by OP Corporate Bank and consisting mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer and other sources of additional funding based on the contingency funding plan are sufficient to cover funding for at least 24 months in the event wholesale funding becomes unavailable and total deposits decrease at a moderate rate.

The 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 Liquidity Coverage Ratio (LCR). 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.

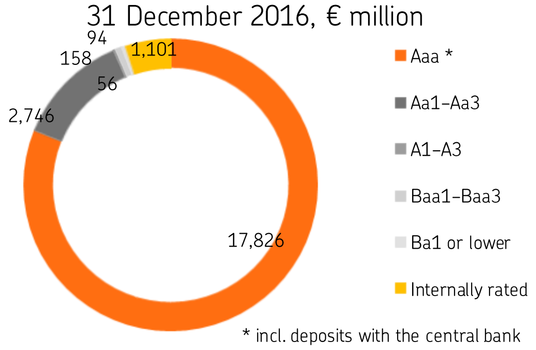
For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of Other Operations and Banking, exposures of OP Financial Group (excluding OP Corporate Bank Group) represented 16%. These exposures decreased during the financial year by EUR 0.8 billion or some 7%.

All exposures of OP Financial Group member cooperative banks and OP Cooperative are investment-grade exposures.

Total Other Operations exposure by borrower grade, € billion

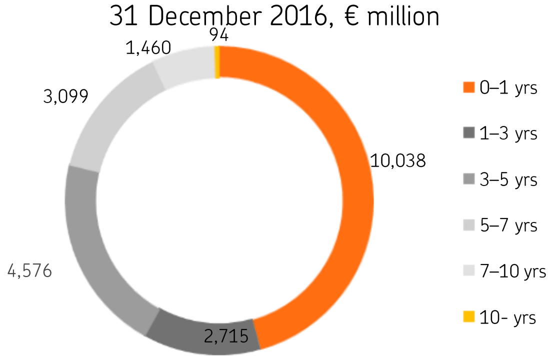
Borrower grade	31 Dec. 2016	31 Dec. 2015	Change
1.0–2.0	28.7	26.5	2.3
2.5–5.5	5.9	4.3	1.5
6.0–7.0	0.0	0.0	0.0
7.5–9.0	0.1	0.4	-0,4
9.5–10.0	0.0	0.0	0.0
11.0–12.0	0.0	0.0	0.0
Total	34.6	31.2	3.4

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



* incl. deposits with the central bank

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



Financial performance by segment

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

Banking

- Earnings before tax decreased by 22.1% year on year to EUR 260 million (334) due to lower net investment income. Net investment income was significantly lowered by OP Financial Group's internal operating model change.
- The loan portfolio increased in January–December by 9.7% to EUR 18.0 billion.
- The average margin on the corporate loan portfolio increased in January–December by 0.03 percentage points to 1.41%.
- Impairment loss on receivables totalled EUR 37 million (29), accounting for 0.18% (0.15) of the loan and guarantee portfolio.
- The operating cost/income ratio was 32.8% (27.4).

Banking: key figures and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net interest income	300	273	9.9
Net commissions and fees	142	99	43.3
Net investment income	-16	116	
Other operating income	15	12	27.6
Total income	**442**	**500**	**-11.6**
Expenses			
Personnel costs	54	51	6.1
Depreciation/amortisation and impairment loss	10	11	-12.7
Other operating expenses	81	75	8.5
Total expenses	**145**	**137**	**5.9**
Impairment loss on receivables	37	29	27.1
Earnings before tax	**260**	**334**	**-22.1**
Cost/income ratio, %	32.8	27.4	
Loan portfolio, € billion	18.0	16.4	
Guarantee portfolio, € billion	2.5	2.3	
Margin on corporate loan portfolio, %	1.41	1.38	
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.18	0.15	
Personnel	652	603	

January–December

Earnings before tax fell by 22.1% to EUR 260 million (334). Income decreased by 11.6% while total expenses increased by 5.9%. Total income was reduced by the change in OP Financial Group's internal operating model and an increase in the negative CVA fair values of derivatives.

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 operating model change reduced income by EUR 29 million year on year. The change has an impact on Banking's net interest income, commission income, net investment income and other operating income. Comparatives have not been changed.

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 were partly allocated to the Other Operations segment in the financial year. A year ago, these fair value changes totalled EUR 116 million. A year ago, net investment income from shares and participations posted in net investment income was EUR 5 million higher than in the financial year.

Net interest income increased by 9.9%. The loan portfolio increased by 9.7% year on year to EUR 18.0 billion. The average margin on the corporate loan portfolio in January–December was 0.03 percentage points higher than a year ago.

Net commissions and fees reported increased by 43.3% to EUR 142 million (99). This increase was affected by the change in OP Financial Group's internal operating model, as a result of which EUR 45 million were recognised in net commissions and fees from derivatives and FX trading.

Net loan losses and impairment losses amounted to EUR 37 million (29), accounting for 0.18% (0.15) of the loan and guarantee portfolio (0.15). Final loan losses remained at the previous year's level.

The guarantee portfolio totalled EUR 2.5 billion (2.3). Committed standby credit facilities amounted to EUR 4.4 billion (3.9).

Total expenses were EUR 145 million (137).

Personnel costs increased by EUR 3 million to EUR 54 million. Other operating expenses increased by 8.5% to EUR 81 million (75). ICT costs rose by EUR 5 million. In addition, other operating expenses were increased by the segment's share of the costs of a centralised liquidity buffer paid to the Other Operations segment.

Due to the reorganisation of Banking, some employees managing small and mid-sized corporate and institutional customers in OP Helsinki joined the payroll of OP Corporate Bank, increasing the headcount of Banking in the financial year.

Non-life Insurance

- Earnings before tax amounted to EUR 231 million (267). Net investment income totalled EUR 102 million (133). Earnings before tax at fair value were EUR 300 million (175).
- 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).

€ 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	102	133	-23.0
Other net income	-77	-70	9.4
Total income	**559**	**570**	**-1.9**
Personnel costs	100	101	-1.5
Depreciation/amortisation and impairment loss	40	37	7.7
Other operating expenses	187	164	14.0
Total expenses	**326**	**302**	**8.0**
OP bonuses to owner-customers	2	2	12.3
Earnings before tax	**231**	**267**	**-13.2**
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 previous years (run off result)	60	32	
Personnel	1,730	1,660	

* Including the effect of 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 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. Group member cooperative bank customers used OP bonuses that they had earned through the use of banking and insurance services to pay 2,200,000 insurance bills (2,023,000) with 297,000 (273,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 107 million (101).

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.

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. When the Tampere hospital unit was opened, Omasairaala Oy was renamed Pohjola Health Ltd. During 2017–2018, new Pohjola Hospitals will be opened in Oulu, Turku and Kuopio.

January–December

Earnings before tax amounted to EUR 231 million (267). Net insurance income increased by 5.2% to EUR 534 million. Net investment income recognised in the income statement decreased by EUR 31 million. Earnings before tax at fair value were EUR 300 million (175).

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 10 million (16) 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 8.0%, 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

Net return on Non-life Insurance 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	77	77
Alternative investments	1	1
Equities	8	7
Private equity	3	3
Real property	10	10
Money markets	2	3
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 were 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.

Other Operations

- Earnings before tax amounted to EUR 13 million (23). These included EUR 19 million (26) in capital gains on notes and bonds and EUR 3 million (26) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net interest income	-48	-30	59.2
Net commissions and fees	-84	-3	
Net investment income	159	66	
Other operating income	13	9	39.0
Total income	**40**	**43**	**-6.9**
Personnel costs	8	3	
Other expenses	19	17	13.5
Total expenses	**27**	**20**	**37.4**
Impairment loss on receivables	0	0	
Earnings before tax	**13**	**23**	**-44.5**
Receivables and liabilities from/to OP Financial Group member banks, net position, € billion	1.1	3.7	-69.2
Personnel	72	32	

January–December

Earnings before tax amounted to EUR 13 million (23). Earnings before tax at fair value were EUR 38 million (-28). Narrowing of credit spreads improved the fair value reserve.

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 has an impact on net interest income, net commissions and fees as well as net trading income included in net investment income. Comparatives have not been changed.

OP Financial Group's internal operating model change reduced net interest income and net commissions and fees year on year. Commission expenses included commissions for derivatives and FX trading paid to the Banking segment.

Net investment income rose year on year by EUR 93 million. Net trading income included in the item increased due to the operating model change. Net investment income included EUR 19 million (26) in capital gains on notes and bonds and EUR 1 million (4) in income recognised from mutual fund investments. Dividend income amounted to EUR 3 million (26). A year ago, dividend income was increased by EUR 16 million in dividends from the OP Financial Group entities OP Life Assurance Company Ltd and OP Card Company Plc. Such dividends will no longer be paid to OP Corporate Bank Group after the changes made in the Group's structure in 2015.

Other operating income was increased by costs of the centralised liquidity buffer charged from the Banking segment and OP Financial Group's other credit institutions. The Group began charging costs based on liquidity regulation, which entered into force on 1 October 2015, from the beginning of the financial year.

Headcount and personnel costs increased due to OP Financial Group's internal operating model change.

OP Corporate Bank's access to funding remained good. In January–December, OP Corporate Bank issued long-term senior bonds worth EUR 1.0 billion. In January, OP Corporate Bank issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. In addition, OP Corporate Bank participated in June, September and December in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with a total of EUR 3.0 billion.

In December 2016, the average margin of senior wholesale funding and TLTRO-II funding was 31 basis points (41). Use of the TLTRO-II funding lowers the cost of wholesale funding.

Group restructuring

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

As of 1 January 2016, the operating model of Group Treasury has been revised. The division of tasks between Markets and Group Treasury was changed. Interest rate derivatives and FX trading as well as bonds trading were transferred from the Markets division in OP Corporate Bank's Banking segment to the Other Operations segment. Markets will focus on supporting OP Financial Group member cooperative banks in selling market risk products. The new division of tasks had minor impacts on the internal distribution of profit within OP Financial Group.

Banking underwent reorganisation resulting in streamlining of the division of duties between OP Helsinki and OP Corporate Bank. Two of OP Corporate Bank's business divisions – Corporate Customers, and Markets and Baltics – were combined into one business division, to which small and mid-sized corporate and institutional customer management was transferred from OP Helsinki.
The Corporate Customers division covers corporate customer relationship management from small and mid-sized customers in the Helsinki Metropolitan Area to national large corporate and institutional customer management as well as corporate customers in the Baltic countries.

A decision was made to change the company's business name from Pohjola Bank plc to OP Corporate Bank plc. The change in the business name in the Articles of Association was entered in the Trade Register on 4 April 2016. As part of renaming companies belonging to OP Financial Group to begin with OP, Pohjola Insurance Ltd was renamed OP Insurance Ltd on 4 April 2016. Moreover, the companies within Banking located in the Baltic countries were renamed during the spring of 2016 to begin with OP. Omasairaala Ltd was renamed Pohjola Health Ltd in August 2016 when the Tampere hospital unit was opened.

Personnel and remuneration

On 31 December 2016, the Group had a staff of 2,454 (2,295). Personnel increased within Non-life Insurance as a result of the expansion of the health and wellbeing business.
OP Financial Group's internal operating model change increased personnel within the Other Operations segment. In Banking, personnel was increased by reorganisation whereby some employees managing small and mid-sized corporate and institutional customers in OP Helsinki joined the payroll of OP Corporate Bank.

Personnel

	31 Dec. 2016	31 Dec. 2015
Banking	652	603
Non-life Insurance	1,730	1,660
Other Operations	72	32
Total	**2,454**	**2,295**

The scheme for variable remuneration within OP Financial Group and OP Corporate Bank consists of short-term, company-specific remuneration and OP Financial Group-wide long-term remuneration.

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

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. In addition, OP Financial Group's personnel fund remuneration scheme will be extended by one-year performance periods.

In drawing up the incentive schemes, OP Financial Group has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, 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.

Capital expenditure and development

ICT investments and related specifications make up a significant portion of development expenditure. In January–December, development expenditure totalled EUR 66 million (50). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 42 million (37). During the financial year, capital expenditure was increased by EUR 31 million due to properties occupied by the health and wellbeing services.

Corporate governance and management

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

The Annual General Meeting (AGM) re-elected OP Financial Group's President and Group Executive Chairman Reijo Karhinen Chairman of OP Corporate Bank's Board. OP Financial Group's

Executive Vice President of Operations Tony Vepsäläinen and OP Financial Group's Chief Financial Officer Harri Luhtala were re-elected Board members and Executive Vice President, OP Financial Group's Group Steering, Jari Himanen was elected a new Board member.

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

Jouko Pölönen acts as OP Corporate Bank's President and CEO.

The Extraordinary General Meeting held on 14 December 2016 decided that OP Corporate Bank shall donate EUR 200,000 to the University of Helsinki and EUR 200,000 to the Aalto University in 2016.

OP Corporate Bank plc's Board proposal for the allocation of distributable funds

On 31 December 2016, the shareholders' equity of OP Corporate Bank totalled EUR 2,474,393,068.93, of which EUR 1,253,443,139.54 represented distributable equity.

The following funds are at the AGM's disposal for profit distribution:

	EUR
Profit for 2016	461,879,441.07
Retained earnings	517,507,825.75
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
Capitalised development expenditure	-57,324,964.34
Total	**1,253,443,139.54**

The Board of Directors proposes that the company's distributable funds be distributed to shareholders as a dividend of EUR 0.63 per share, i.e. EUR 201,317,391.45. Accordingly, EUR 1,052,125,748.09 remains in the company's distributable equity.

The company's financial position has not undergone any material changes since the end of the financial year 2016. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

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 Corporate Bank Group's consolidated earnings before tax in 2017 are expected to be about the same as or lower than in 2016. The most significant uncertainties affecting earnings relate to changes in the interest rate and investment environment, impairment loss on receivables, the rate of business growth and the effect of large claims on claims expenditure.

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

Consolidated income statement

EUR million	Note	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Net interest income	3	50	56	228	220
Net insurance income	4	135	124	534	507
Net commissions and fees	5	-14	6	-4	37
Net investment income	6	94	47	247	319
Other operating income		3	8	33	29
Share of associates' profits		-2	0	-2	0
Total income		**266**	**242**	**1,037**	**1,113**
Personnel costs		42	39	162	155
Depreciation/amortisation		14	13	51	49
Other expenses		82	68	281	253
Total expenses		**137**	**120**	**494**	**457**
Impairments of receivables	7	23	9	37	29
OP bonuses to owner-customers		0	0	2	2
Earnings before tax		**105**	**112**	**504**	**625**
Income tax expense		24	22	102	120
Results of continuing operations		81	89	402	505
Results of discontinued operations			8		22
Profit for the period		**81**	**97**	**402**	**527**
Attributable to:					
Owners of the parent		79	92	399	517
Non-controlling interests		1	5	3	10
Profit for the period		**81**	**97**	**402**	**527**

Statement of comprehensive income

Profit for the period	**81**	**97**	**402**	**527**
Items that will not be reclassified to profit or loss				
Gains(/losses) arising from remeasurement of defined benefit plans	-31	38	-79	64
Items that may be reclassified to profit or loss				
Change in fair value reserve				
Measurement at fair value	-26	-1	104	-135
Cash flow hedge	-3	-1	-7	-7
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	6	-8	16	-13
Items that may be reclassified to profit or loss				
Measurement at fair value	5	0	-21	27
Cash flow hedge	1	0	1	1
Total comprehensive income for the period	**33**	**126**	**416**	**466**
Attributable to:				
Owners of the parent	32	124	412	458
Non-controlling interests	1	2	4	8
Total comprehensive income for the period	**33**	**126**	**416**	**466**
Comprehensive income attributable to owners of the parent is divided as follows:				
Continuing operations	32	116	412	436
Discontinued operations		8		22
Total	**32**	**124**	**412**	**458**

Balance sheet

EUR million	Note	31 December 2016	31 December 2015
Cash and cash equivalents		9,336	8,469
Receivables from credit institutions		9,458	9,678
Financial assets held for trading		638	852
Derivative contracts	10	4,678	5,045
Receivables from customers	12	18,702	17,183
Investment assets		16,698	14,881
Investments in associates		46	16
Intangible assets		790	781
Property, plant and equipment (PPE)		93	58
Other assets		2,488	1,965
Tax assets		46	35
Total assets		**62,974**	**58,964**
Liabilities to credit institutions		10,332	5,209
Derivative contracts		4,398	4,959
Liabilities to customers		16,178	17,549
Insurance liabilities	13	3,008	2,917
Debt securities issued to the public	14	19,826	19,475
Provisions and other liabilities		3,231	3,005
Tax liabilities		405	370
Subordinated liabilities		1,592	1,737
Total liabilities		**58,969**	**55,223**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	197	120
Other reserves		1,093	1,093
Retained earnings		2,179	1,996
Non-controlling interests		109	105
Total equity capital		**4,005**	**3,741**
Total liabilities and equity capital		**62,974**	**58,964**

Statement of changes in equity

EUR million	Attributable to owners						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	428	231	1,093	1,564	3,316	92	3,408
Total comprehensive income for the period		-111		569	458	8	466
Profit for the period				517	517	10	527
Other comprehensive income		-111		52	-60	-2	-62
Profit distribution				-137	-137		-137
Other			0	0	0	5	4
Balance at 31 December 2015	428	120	1,093	1,996	3,637	105	3,741

EUR million	Attributable to owners						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	428	120	1,093	1,996	3,637	105	3,741
Total comprehensive income for the period		77		336	412	4	416
Profit for the period				399	399	3	402
Other comprehensive income		77		-63	13	1	14
Profit distribution				-153	-153		-153
Other			0	0	0	1	1
Balance at 31 December 2016	428	197	1,093	2,179	3,896	109	4,005

Cash flow statement

EUR million	Q1–4/ 2016	Q1–4/ 2015*
Cash flow from operating activities		
Profit for the period	399	517
Adjustments to profit for the period	125	200
Increase (-) or decrease (+) in operating assets	**-3,842**	**-4,281**
Receivables from credit institutions	183	428
Financial assets held for trading	-62	156
Derivative contracts	23	9
Receivables from customers	-1,552	-1,531
Investment assets	-1,695	-3,776
Other assets	-740	433
Increase (+) or decrease (-) in operating liabilities	**3,931**	**6,492**
Liabilities to credit institutions	5,151	-22
Financial liabilities at fair value through profit or loss	0	-4
Derivative contracts	-24	-6
Liabilities to customers	-1,372	6,107
Insurance liabilities	29	64
Provisions and other liabilities	146	352
Income tax paid	-80	-133
Dividends received	36	54
A. Net cash from operating activities	**569**	**2,850**
Cash flow from investing activities		
Increases in held-to-maturity financial assets		-20
Decreases in held-to-maturity financial assets	15	70
Acquisition of subsidiaries and associates, net of cash acquired	-33	-13
Disposal of subsidiaries and associates, net of cash disposed		11
Purchase of PPE and intangible assets	-94	-40
Proceeds from sale of PPE and intangible assets	6	4
B. Net cash used in investing activities	**-106**	**11**
Cash flow from financing activities		
Increases in subordinated liabilities	0	1,327
Decreases in subordinated liabilities	-144	-700
Increases in debt securities issued to the public	24,946	27,342
Decreases in debt securities issued to the public	-24,282	-26,196
Dividends paid	-153	-137
C. Net cash used in financing activities	**367**	**1,636**
Net increase/decrease in cash and cash equivalents (A+B+C)	**830**	**4,497**
Cash and cash equivalents at period-start	**8,803**	**4,306**
Cash and cash equivalents at period-end	**9,633**	**8,803**
Cash and cash equivalents		
Liquid assets	9,336	8,469
Receivables from credit institutions payable on demand	297	334
Total	**9,633**	**8,803**

* Includes discontinued operations

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%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Q1–4 earnings 2016, EUR million						
Net interest income	300	-21	-48		-4	228
-of which internal net income before tax	-14	-17	31			
Net insurance income		534			0	534
Net commissions and fees	142	-61	-84		0	-4
Net investment income	-16	102	159		2	247
Other operating income	15	7	13		-2	33
Share of associates' profits		-2				-2
Total income	**442**	**559**	**40**		**-5**	**1,037**
Personnel costs	54	100	8		0	162
Depreciation/amortisation and impairment losses	10	40	2			51
Other operating expenses	81	187	17		-5	281
Total expenses	**145**	**326**	**27**		**-5**	**494**
Impairments of receivables	37	0	0			37
OP bonuses to owner-customers		2				2
Earnings before tax	**260**	**231**	**13**			**504**

	Continuing operations			Discontinued operations		
	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Q1–4 earnings 2015, EUR million						
Net interest income	273	-22	-30	2	-2	220
-of which internal net income before tax	-27	-20	45	2		
Net insurance incomes		508			0	507
Net commissions and fees	99	-55	-3	54	-4	91
Net investment income	116	133	66	0	4	319
Other operating income	12	7	9	5	1	35
Share of associates' profits		0		1	0	2
Total income	**500**	**570**	**43**	**62**	**-2**	**1,173**
Personnel costs	51	101	3	15	0	171
Depreciation/amortisation and impairment losses	11	37	1	3		52
Other operating expenses	75	164	16	15	-2	268
Total expenses	**137**	**302**	**20**	**34**	**-2**	**491**
Impairments of receivables	29	0	0			29
OP bonuses to owner-customers		2				2
Earnings before tax	**334**	**267**	**23**	**28**	**0**	**652**

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

Balance sheet 31 December 2015, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	14	107	8,451	-103	8,469
Receivables from credit institutions	322	6	9,380	-30	9,678
Financial assets held for trading	849		3	0	852
Derivative contracts	4,846	14	203	-18	5,045
Receivables from customers	16,677		801	-294	17,183
Investment assets	668	3,556	10,736	-79	14,881
Investments in associates		16			16
Intangible assets	64	695	22	0	781
Property, plant and equipment (PPE)	7	47	4	0	58
Other assets	768	666	542	-11	1,965
Tax assets	0	4	31		35
Total assets	**24,216**	**5,111**	**30,172**	**-534**	**58,964**
Liabilities to credit institutions	1,305		4,199	-294	5,209
Derivative contracts	4,771	15	192	-19	4,959
Liabilities to customers	11,628		6,043	-121	17,549
Insurance liabilities		2,917			2,917
Debt securities issued to the public	2,159		17,351	-35	19,475
Provisions and other liabilities	1,499	322	1,207	-22	3,005
Tax liabilities	0	84	286	0	370
Subordinated liabilities	11	135	1,591		1,737
Total liabilities	**21,372**	**3,473**	**30,869**	**-492**	**55,223**
Equity capital					**3,741**

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 Financial Statements 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 finacial statements

The grouping of the income statement and balance sheet formas 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 based 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".

"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, ICT costs, amortisation/depreciation and other expenses. OP bonuses to owner-customers are presented in their own line after expenses.

The lines "Non-life Insurance assets" and "Non-life Insurance liabilities" previously presented in the balance sheet have been allocated to other lines that best describe their content. Insurance liability is presented as a new line.

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 method 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), %	10.4	14.8
Return on equity (ROE) at fair value, %	12.2	11.5
Return on assets (ROA), %	0.7	1.0
Cost/income ratio, %	47.6	41.9
Average personnel	2,401	2,446

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), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue excl. changes in reserving bases	x 100
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue excl. changes in reserving bases	x 100

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100
Tier 1 ratio, %	Total Tier 1 capital / Total risk exposure amount	x 100
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100
Solvency ratio, %	Capital base / Capital requirement (SCR)	x 100
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows - liquidity inflows under stressed conditions	x 100
Return on economic capital, %	Earnings + customer bonuses after tax (value rolling 12 month) / Average economic capital	x 100

NON-LIFE INSURANCE OPERATING RESULTS	Q1–4/ 2016	Q1–4/ 2015	Change %
EUR million			
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	102	133	-23.0
Other income and expenses	-25	-22	15.5
Earnings before tax	**231**	**267**	**-13.2**
Gross change in fair value reserve	69	-92	
Earnings before tax at fair value	**300**	**175**	**71.3**

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	11	15	40	46
Receivables from customers				
Loans	90	72	302	285
Finance lease receivables	4	5	18	19
Impaired loans and other commitments	0	0	0	0
Notes and bonds				
Held for trading	2	2	8	11
Available for sale	26	32	117	136
Held to maturity	0	0	0	0
Loans and receivables	0	0	1	3
Derivative contracts				
Held for trading	238	318	1,073	1,331
Fair value hedge	-31	-30	-130	-120
Cash flow hedge	2	3	9	11
Ineffective portion of cash flow hedge	0	0	0	0
Other	2	2	7	9
Total	**344**	**420**	**1,447**	**1,732**
Interest expenses				
Liabilities to credit institutions	40	19	84	56
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	-2	4	0	16
Debt securities issued to the public	46	52	179	215
Subordinated liabilities				
Subordinated loans	1	3	8	9
Other	11	11	44	41
Derivative contracts				
Held for trading	239	312	1,048	1,318
Cash flow hedge	-36	-37	-142	-147
Other	-9		-9	
Other	2	1	7	4
Total	**293**	**364**	**1,218**	**1,512**
Net interest income before fair value adjustment under hedge accounting	**51**	**55**	**229**	**220**
Hedging derivatives	41	-15	-132	-21
Value changes of hedged items	-41	16	130	21
Total net interest income	**50**	**56**	**228**	**220**

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
Total net insurance income	**135**	**124**	**534**	**507**

Note 5 Net commissions and fees

EUR million	Q4/ 2016	Q4/ 2015	Q1–4/ 2016	Q1–4/ 2015
Comission income				
Lending	8	12	40	44
Deposits	0	0	0	0
Payment transfers	7	8	29	31
Securities brokerage	5	5	16	21
Securities issuance	1	2	6	11
Mutual funds	0	0	0	0
Asset management and legal services	3	2	11	7
Guarantees	3	3	13	13
Insurance brokerage	3	3	16	15
Other	3	1	8	3
Total	34	35	140	146
Comission expenses				
Payment transfers	3	4	11	15
Securities brokerage	2	2	7	8
Securities issuance	0	1	1	3
Asset management and legal services	1	2	4	4
Insurance operations	24	17	76	69
Other	18	4	43	11
Total	48	29	143	109
Total net commissions and fees	-14	6	-4	37

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	34	17	106	89
Equity instruments	6	10	11	99
Dividend income	6	10	36	53
Impairment losses and their reversals	-3	-1	-16	-9
Total	**43**	**35**	**137**	**232**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	-11	0	-4	-1
Derivatives	16	1	11	6
Banking and Other operations				
Securities trading	42	1	89	65
Foreign exchange trading	11	16	38	39
Investment property	4	3	12	14
Total	**61**	**21**	**146**	**125**
Net income carried at amortised cost				
Loans and other receivables	-2	0	1	1
Impairment losses and their reversals		0	0	0
Total	**-2**	**0**	**1**	**1**
Non-life Insurance				
Unwinding of discount	-9	-9	-36	-38
Total	**-9**	**-9**	**-36**	**-38**
Total net investment income	**94**	**47**	**247**	**319**

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	0	29	37	37
Recoveries of receivables written off	0	0	-1	-1
Increase in impairment losses on individually assessed receivables	27	13	41	33
Decrease in impairment losses on individually assessed receivables	-4	-30	-46	-38
Collectively assessed impairment losses	1	-2	5	-2
Total impairments of receivables	**23**	**9**	**37**	**29**

Note 8 Classification of financial assets and liabilities

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

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,469					8,469
Receivables from credit institutions	9,678					9,678
Derivative contracts			4,760		285	5,045
Receivables from customers	17,183					17,183
Notes and bonds		94	852	13,714		14,661
Equity instruments				754		754
Other financial assets	1,989					1,989
Financial assets	**37,320**	**94**	**5,612**	**14,468**	**285**	**57,780**
Other than financial instruments						1,185
Total 31 December 2015	**37,320**	**94**	**5,612**	**14,468**	**285**	**58,964**

* Investment assets in the balance sheet include Non-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		10,332		10,332
Derivative contracts	4,056		341	4,398
Liabilities to customers		16,178		16,178
Insurance liabilities		3,008		3,008
Debt securities issued to the public		19,826		19,826
Subordinated loans		1,592		1,592
Other financial liabilities		3,022		3,022
Financial liabilities	**4,057**	**53,957**	**341**	**58,355**
Other than financial liabilities				614
Total 31 December 2016	**4,057**	**53,957**	**341**	**58,969**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,209		5,209
Derivative contracts	4,661		298	4,959
Liabilities to customers		17,549		17,549
Insurance liabilities		2,917		2,917
Debt securities issued to the public		19,475		19,475
Subordinated loans		1,737		1,737
Other financial liabilities		2,878		2,878
Financial liabilities	**4,661**	**49,766**	**298**	**54,726**
Other than financial liabilities				497
Total 31 December 2015	**4,661**	**49,766**	**298**	**55,223**

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 268 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				
Debt instruments	472	495	8	975
Derivative financial instruments	6	4,512	160	4,678
Available-for-sale				
Equity instruments	464	61	281	807
Debt instruments	11,276	3,525	326	15,127
Total	**12,218**	**8,594**	**776**	**21,588**

Fair value of assets on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	616	215	21	852
Derivative financial instruments	2	4,866	177	5,045
Available-for-sale				
Equity instruments	418	53	283	754
Debt instruments	10,385	3,043	286	13,714
Total	**11,421**	**8,177**	**767**	**20,365**

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

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				
Other		0		0
Derivative financial instruments	35	4,789	135	4,959
Total	**35**	**4,789**	**135**	**4,959**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items that involve uncertainty

Specification of financial assets and liabilities	Financial assets 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	177	569	767
Total gains/losses in profit or loss	-13	-16	-11	-41
Total gains/losses in other comprehensive income			19	19
Purchases			61	61
Sales			-48	-48
Transfers into Level 3			124	124
Transfers out of Level 3			-105	-105
Closing balance 31 Dec. 2016	**8**	**160**	**608**	**776**

	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 Dec. 2016		**107**	**107**

Total gains/losses included in profit or loss by item on 31 Dec. 2016

	Net interest income	Net investment income	Statement of comprehen-sive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 31 December
EUR million				
Realised net gains (losses)	-13			-13
Unrealised net gains (losses)	11	-11	19	19
Total net gains (losses)	**-2**	**-11**	**19**	**6**

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	43,438	89,073	67,384	199,895	4,113	4,047
Cleared by the central counterparty	7,919	33,999	30,761	72,679	1,186	1,335
Currency derivatives	29,989	11,607	3,644	45,241	1,693	1,676
Equity and index derivatives		6		6	1	
Credit derivatives	19	296	13	328	10	7
Other derivatives	285	553	2	840	64	23
Total derivatives	**73,732**	**101,535**	**71,043**	**246,310**	**5,881**	**5,753**

	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	42,705	94,574	65,165	202,445	4,421	4,333
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863
Currency derivatives	31,199	9,769	6,706	47,674	1,529	1,480
Equity and index derivatives	282	6		288	15	
Credit derivatives	15	126	82	223	10	13
Other derivatives	208	733	14	955	83	62
Total derivatives	**74,410**	**105,208**	**71,966**	**251,584**	**6,057**	**5,888**

* 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	5,829	-1,151	4,678	-2,472	-1,177	1,030

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	5,915	-870	5,045	-3,446	-1,030	568

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	5,704	-1,307	4,398	-2,472	-1,139	786

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	5,799	-840	4,959	-3,446	-1,061	452

* 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	9,460		9,460		2	9,458
Receivables from customers, of which	17,434	243	17,677	219	23	17,435
Bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,268		1,268			1,268
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,463	242	15,706	218	12	15,475
Financial institutions and insurance companies	10,467		10,467		2	10,464
Households	1,558	1	1,559	1	11	1,548
Non-profit organisations	290	0	290	0	0	290
Public sector entities	383		383		0	383
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**

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	9,680		9,680		1	9,678
Receivables from customers, of which	16,008	252	16,261	224	19	16,018
Bank guarantee receivables	0	10	10	10	0	0
Finance leases	1,166		1,166			1,166
Total	**26,854**	**252**	**27,106**	**224**	**20**	**26,862**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	14,385	252	14,637	224	11	14,402
Financial institutions and insurance companies	10,567		10,567		2	10,565
Households	1,351		1,351		7	1,344
Non-profit organisations	207	0	207	0	0	207
Public sector entities	344		344		0	344
Total	**26,854**	**252**	**27,106**	**224**	**20**	**26,862**

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

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		111	111	93	17
Unlikely to be paid		242	242	128	113
Forborne receivables	47	9	56	3	54
Total	**47**	**362**	**409**	**224**	**184**

Key ratio, %	31 Dec. 2016	31 Dec. 2015
Exposures individually assessed for impairment, % of doubtful receivables	52.6 %	54.9 %

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 (value of hedges of insurance liability)	8	0
Total	2,430	2,357
Provisions for unearned premiums	578	560
Total	**3,008**	**2,917**

Note 14 Debt securities issued to the public

EUR million	31 Dec. 2016	31 Dec. 2015
Bonds	11,738	12,937
Certificates of deposit, commercial papers and ECPs	8,088	6,538
Total	19,826	19,475

Note 15 Fair value reserve after income tax

EUR million	Available-for-sale financial assets Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 Jan. 2016	32	77	11	120
Fair value changes	78	47	1	126
Capital gains transferred to income statement	-12	-27		-38
Impairment loss transferred to income statement	0	16		16
Transfers to net interest income			-9	-9
Deferred tax	-13	-7	1	-19
Closing balance 31 Dec. 2016	85	106	6	197

EUR million	Available-for-sale financial assets Notes and bonds	Equity instruments	Cash flow hedging	Total
Opening balance 1 Jan. 2015	102	112	17	231
Fair value changes	-70	18	4	-48
Capital gains transferred to income statement	-19	-70		-88
Impairment loss transferred to income statement	1	8		9
Transfers to net interest income			-11	-11
Deferred tax	18	9	1	28
Closing balance 31 Dec. 2015	32	77	11	120

The fair value reserve before tax amounted to EUR 245 million (150) and the related deferred tax liability amounted to EUR 49 million (30). On 31 December 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 139 million (107) and negative mark-to-market valuations EUR 7 million (12).

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		
Mortgages		1
Pledges	1	3
Other	4,973	528
Other collateral given		
Pledges*	3,351	3,969
Total	**8,324**	**4,501**
Other secured liabilities	3,443	507
Total secured liabilities	**3,443**	**507**

* 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	716	765
Other guarantee liabilities	1,460	1,402
Loan commitments	5,470	5,745
Commitments related to short-term trade transactions	344	173
Other*	677	394
Total off-balance-sheet items	**8,667**	**8,480**

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

Note 18 Capital adequacy for credit institutions

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

Capital base, EUR million	31 Dec. 2016	31 Dec. 2015
OP Corporate Bank Group's equity capital	4,005	3,741
The effect of insurance companies on the Group's shareholders' equity is excluded	-279	-365
Fair value reserve, cash flow hedging	-6	-11
Common Equity Tier 1 (CET1) before deductions	**3,720**	**3,364**
Intangible assets	-76	-73
Excess funding of pension liability and valuation adjustments	-23	-20
Planned profit distribution	-201	-155
Shortfall of impairments – expected losses	-126	-115
Common Equity Tier 1 (CET1)	**3,295**	**3,001**
Subordinated loans to which transitional provision applies	140	192
Additional Tier 1 capital (AT1)	**140**	**192**
Tier 1 capital (T1)	**3,435**	**3,193**
Debenture loans	1,193	1,207
Tier 2 Capital (T2)	**1,193**	**1,207**
Total capital base	**4,628**	**4,400**

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

Risk exposure amount, EUR million	31 Dec. 2016	31 Dec. 2015
Credit and counterparty risk	**19,354**	**18,155**
Standardised Approach (SA)	**1,861**	**1,778**
Central government and central banks exposure	33	23
Credit institution exposure	51	53
Corporate exposure	1,623	1,575
Retail exposure	12	75
Other**	64	51
Internal Ratings-based Approach (IRB)	**17,493**	**16,377**
Credit institution exposure	1,141	1,147
Corporate exposure	11,551	10,725
Retail exposure	983	710
Equity investments*	3,741	3,730
Other	77	65
Market and settlement risk (Standardised Approach)	**1,329**	**1,450**
Operational risk (Standardised Approach)	**1,163**	**1,297**
Other risks* **	**253**	**390**
Total	**22,099**	**21,292**

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

** EUR 45 million (31) 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	14.9	14.1
Tier 1 ratio	15.5	15.0
Capital adequacy ratio	20.9	20.7

Ratios, fully loaded, %	31 Dec. 2016	31 Dec. 2015
CET1 capital ratio	14.9	14.1
Tier 1 ratio	14.9	14.1
Capital adequacy ratio	20.3	19.8

Capital requirement, EUR million	31 Dec. 2016	31 Dec. 2015
Capital base	4,628	4,400
Capital requirement	2,327	2,238
Buffer for capital requirements	2,301	2,162

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

Note 19 Exposures by rating category

Corporate exposures (FIRB) by rating category

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
	31 December 2016						
1,0–2,0	1,028	92.5	0.0	44.7	154	15.0	0
2,5–5,5	13,003	74.9	0.2	44.3	4,956	38.1	10
6,0–7,0	3,671	71.4	1.2	44.1	3,440	93.7	19
7,5–8,5	1,932	69.6	4.4	44.5	2,732	141.4	38
9,0–10,0	116	54.3	22.7	44.7	268	230.8	12
11,0–12,0	374	53.2	100.0	46.1			173
Total	20,124	74.0	0.9	44.3	11,551	58.5	252

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
	31 December 2015						
1,0–2,0	1,119	92.1	0.0	44.7	167	14.9	0
2,5–5,5	12,410	70.9	0.2	44.5	5,031	40.5	11
6,0–7,0	2,823	72.3	1.3	44.4	2,759	97.7	16
7,5–8,5	1,658	70.7	4.4	44.5	2,371	143.0	32
9,0–10,0	181	54.7	17.6	44.1	397	219.3	14
11,0–12,0	369	60.7	100.0	46.0			170
Total	18,561	71.5	0.9	44.5	10,725	59.0	243

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
Eligible capital	**983**	**1,105**
Solvency capital requirement (SCR)		
Market risk	483	467
Insurance risk	293	286
Counterparty risk	31	27
Operational risk	43	44
Diversification benefits and loss absorbency	-164	-126
Total	687	698
Buffer for SCR	**296**	**407**
Solvency ratio (SCR), %	**143**	**158**
Solvency ratio (SCR), % (excluding transitional provision)	**127**	**139**

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

Note 21 Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2015.

Financial reporting in 2017

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

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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