OP Corporate Bank plc's Interim report 1 January–30 June 2016

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OP Corporate Bank plc's Interim Report for 1 January–30 June 2016

- Consolidated earnings before tax were EUR 233 million (348). The return on equity was 10.0% (17.0).
- Earnings reported by Banking decreased to EUR 113 million (175) due to lower net investment income. The loan portfolio grew in the reporting period by 5.5% to EUR 17.3 billion (16.4). Earnings included EUR 7 million (18) in impairment loss on receivables.
- Non-life Insurance earnings before tax decreased to EUR 116 million (145) due to lower net investment income. Return on investments at fair value was 3.1 % (1.3). Operating combined ratio was 88.2% (87.8).
- Other Operations earnings before tax were EUR 3 million (28). Liquidity and access to funding remained good.
- The CET1 ratio was 14.2% (14.1) as against the target of 15%.
- In June, the Supervisory Board of OP Financial Group's central cooperative confirmed OP Financial Group's strategy and Group-level strategic goals. OP Corporate Bank's strategic goals will be updated by the end of the year.
- Change in the outlook: OP Corporate Bank Group's consolidated earnings before tax are expected to be clearly lower than earnings from continuing operations in 2015 (previously: "lower than earnings from continuing operations in 2015".)

	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Earnings before tax, € million				
Banking	113	175	-35.4	334
Non-life Insurance	116	145	-19.5	267
Other Operations	3	28	-88.2	23
Group total	**233**	**348**	**-33.1**	**625**

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*	Q1–2/2016	Q1–2/2015	Q1–4/2015	Target
Return on equity, %	10.0	17.0	14.8	13
CET1 ratio, %	14.2	13.8	14.1	15
Cost/income ratio by Banking, %	38.1	26.5	27.0	< 35
Operating combined ratio by Non-life Insurance, % **	88.2	87.8	87.3	< 92
Operating expense ratio by Non-life Insurance, %	18.4	18.2	17.7	18
Non-life Insurance solvency ratio (under Solvency II), %***	158		158	
Non-life Insurance solvency ratio (under Solvency II), %****	140	137	139	120
AA rating affirmed by two credit rating agencies or credit ratings at least at the main competitors' level	2	2	2	2
Dividend payout ratio at least 50%, provided that CET 1 ratio is at least 15%. Dividend payout ratio is 30% until CET1 ratio of 15% has been achieved.			30	≥ 50 (30)

* OP Corporate Bank plc's strategic targets will be updated by the end of the year.
** Operating ratios exclude changes in reserving bases and amortisation on intangible assets arising from the corporate acquisition.
*** Including the effect of transitional provisions.
**** Excluding the effect of transitional provisions.

OP Corporate Bank plc's Interim Report for 1 January–30 June 2016

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Operating environment

World economic growth remained subdued but quite stable during the second quarter. Economic growth in the euro area slowed slightly from the first quarter and the inflation rate hovered around zero. At the end of the second quarter, the UK EU membership referendum added to market uncertainty, which intensified following the referendum vote in favour of Britain leaving the EU. However, the most violent market movements faded swiftly.

In March, the European Central Bank (ECB) initiated monetary policy measures it had announced earlier. In early June, the ECB began to buy euro-denominated investment-grade corporate bonds. At the end of the second quarter, the ECB launched the first targeted longer-term refinancing operations with a maturity of four years. Market interest rates continued to fall in the second quarter, especially after the UK referendum results came out.

The Finnish economy picked up, showing moderate growth in the first few months of the year. Growth remained slow in the spring, led by domestic markets. In particular, construction recovered nicely but exports continued to falter. The slight economic recovery decreased unemployment and stimulated housing markets. A negotiated settlement was reached on the Competitiveness Pact in June. As part of the package, the Government announced income tax cuts for 2017.

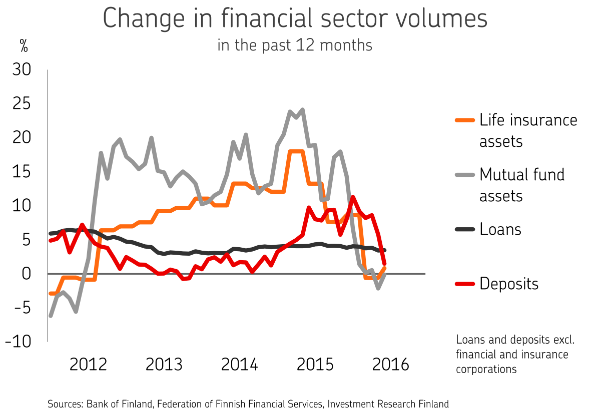
World economic growth is expected to remain slower than the longer-term average. Future prospects are characterised by uncertainty related, for example, to the Brexit and the situation in the Italian banking sector. The euro-area economy is expected to grow at a slightly slower rate towards the year end than in the first half. The Finnish economy should see a slow recovery. Interest rates are expected to remain low. The ECB has announced that it will closely monitor the situation and the impacts of its previous operations but has not suggested any new quantitative easing measures.

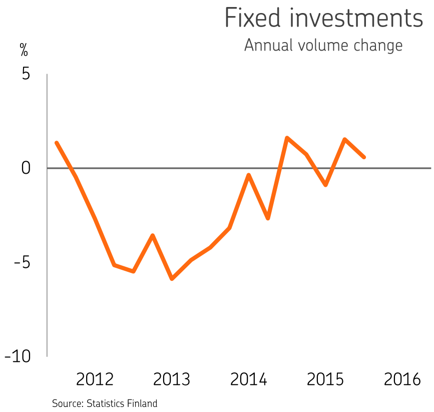
In the second quarter, consumer loans and home loans increased by 2.8% and 2.7%, respectively. The average borrowing rate of new home loans drawn down was about 1.2% but its downward trend showed signs of deceleration. The rate now consists almost solely of the loan margin. The growth rate of total corporate loans decreased to 4.5%.

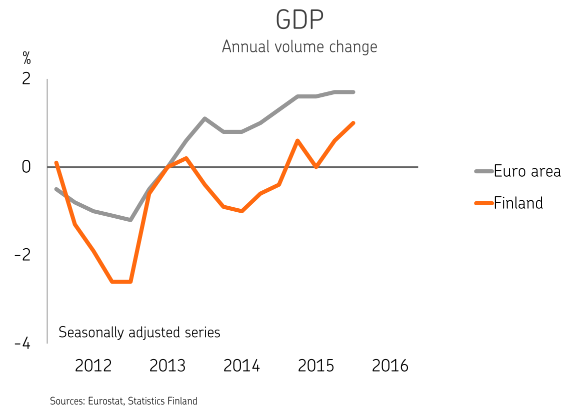
The annual growth rate of total deposits slowed down in the second quarter. Household deposits increased at an annual rate of around 3%. The growth rate of corporate deposits that has remained brisk slowed down markedly. Deposits by public-sector entities declined by almost 10% over the previous year.

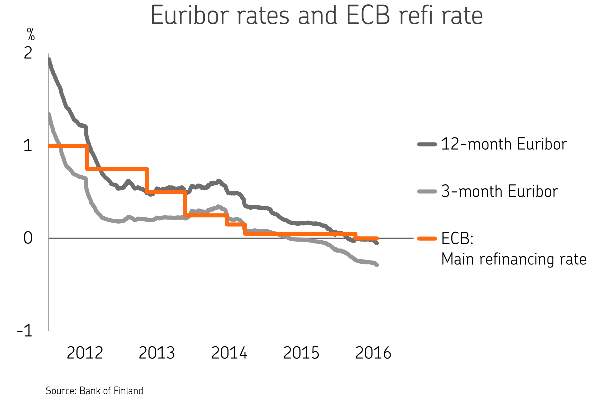
Non-life Insurance premiums written rebounded slightly in the second quarter. Private household non-life policies and other accident insurance policies have shown strongest growth. The weak economic situation continues to be reflected in premiums written from corporate customers.

The value of domestic mutual fund assets increased by 1.7% in the second quarter but the strong April–May growth, however, levelled off in June. The jittery investment environment and uncertainties over tax treatment will still cast a shadow on life policy sales.









Consolidated earnings

€ million	Q1–2/ 2016	Q1–2/ 2015	Change, %	Q2/ 2016	Q2/ 2015	Change, %	Q1–4/ 2015
Net interest income	117	109	8.2	58	51	13.3	220
Net insurance income	260	250	3.8	135	125	7.5	512
Net commissions and fees	7	20	-64.6	0	9	-98.7	37
Net investment income	82	208	-60.5	44	121	-63.1	319
Other operating income	22	14	51.9	12	7	71.6	29
Share of associate's profit/loss	0	0		0	0		0
Total income	**489**	601	-18.7	250	313	-20.2	1,116
Personnel costs	85	82	3.1	43	36	19.0	155
Depreciation/amortisation and impairment loss	25	24	3.4	13	12	1.7	49
Other operating expenses	138	129	7.1	72	65	9.5	257
Total expenses	**247**	235	5.3	128	114	11.7	462
Impairment loss on receivables	7	18	-57.8	0	3		29
OP bonuses to owner-customers	1	1	13.4	1	0		2
Earnings of continuing operations before tax	**233**	348	-33.1	122	195	-37.7	625
Earnings of discontinued operations before tax*		13			7		26
Total earnings before tax	233	361	-36.2	122	202	-39.8	652

* 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 and their earnings are included in the comparative year's figures under "Earnings of discontinued operations".

January–June

Consolidated earnings before tax decreased by EUR 115 million to EUR 233 million (348). Total income was down by 18.7%, while total expenses rose by 5.3%. Income fell in all segments. The decrease in income was due to lower net investment income and decreasing market values in the unstable market situation. Income from the actual customer business, however, rose.

Net interest income rose to EUR 117 million (109). The loan portfolio grew by 5.5% from its 2015-end level, but the average margin fell by 3 basis points in the same period.

Net insurance income grew by 3.8% to EUR 260 million (250). Insurance premium revenue increased by 2.6% year on year thanks to the rise in insurance premium revenue from private customers. Claims incurred increased by 2%. The reduced discount rate increased claims incurred by EUR 27 million (32).

Net commissions and fees decreased to EUR 7 million (20), due to 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. Commissions and fees paid to member banks increased during the reporting period due to OP Financial Group's internal operating model change. This operating model change has been described in more detail under Segment information. Non-life Insurance commission expenses remained unchanged year on year.

Net investment income totalled EUR 82 million (208). Net income from securities trading was reduced by negative value changes in Credit Valuation Adjustment (CVA) in derivatives, EUR 38 million, owing to market changes. Net income from available-for-sale assets was lowered by a 63-million euro decrease in the gains on the sale of equity instruments. Dividend income decreased by EUR 16 million year on year. A year ago, dividend income was increased by EUR 16 million in 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 12 million (4) in impairment losses.

Other operating income totalled EUR 22 million (14). This rise was due to income received from the Group's other credit institutions for covering liquidity buffer costs which the Group began charging at the beginning of the reporting period.

Total expenses increased by 5.3% to EUR 247 million (235). Personnel costs rose year on year by 3.1% due to an increase in headcount, while ICT costs increased by 23.2% mainly as a result of higher ICT costs in Non-Life Insurance.

Impairment losses on receivables totalled EUR 7 million (18). Final loan losses totalled EUR 37 million (8) and, during the reporting period, impairment losses fell by a total of EUR 29 million.

The fair value reserve before tax increased by EUR 34 million, amounting to EUR 183 million on 30 June 2016.

April–June

Earnings before tax fell to EUR 122 million (195). Total income was down by 20.2% while total expenses rose by 11.7%. The decrease in income was due to lower net investment income as a result of lower market values.

Net interest income rose year on year by EUR 7 million to EUR 58 million (51). The loan portfolio grew by 4.8% from the end of March 2016, but the average margin on the corporate loan portfolio fell by 3 basis points in the same period.

Net insurance income increased by 7.5% to EUR 135 million (125). Insurance premium revenue continued to grow and claims incurred in the corporate customer segment remained lower than a year ago.

While commission income remained at the previous year's level, commission expenses rose year on year as a result of the change in OP Financial Group's internal operating model.

Net investment income fell year on year to EUR 44 million (121), due to valuation results of net trading income and derivatives. Returns on equity instruments decreased to EUR 2 million (30), while dividend income dropped to EUR 11 million (21).

Total expenses rose year on year by EUR 13 million to EUR 128 million (114). Personnel costs increased by EUR 7 million, while ICT costs were up by EUR 5 million.

January–June 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. At the first stage, business diversification involves expanding, for example, the health and wellbeing business.

OP Corporate Bank's strategic goals will be updated by the end of the year.

Definitive agreement of Visa Inc. to acquire Visa Europe Ltd

In January, OP Cooperative's Executive Board, for its part, approved the bid submitted by Visa Inc. in November 2015 to acquire Visa Europe Ltd. As a result of the transaction, OP Financial Group's central cooperative recognised EUR 71 million in non-recurring gain in its second quarter results.

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.

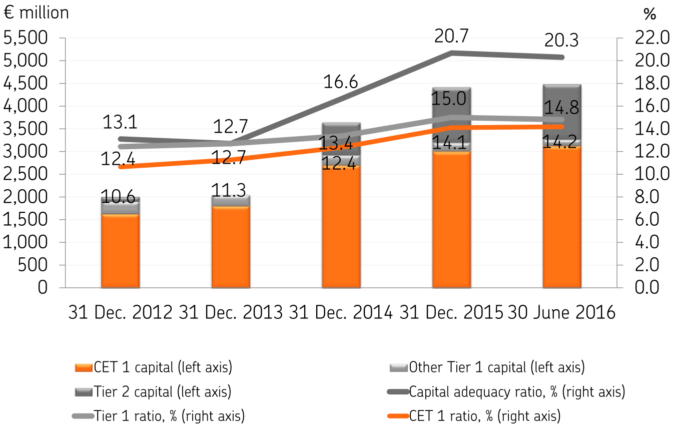
ECB's targeted longer-term refinancing operations (TLTRO-II)

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 first TLTRO-II operation in June with 1 billion euros.

Group's capital adequacy

Capital base and capital adequacy

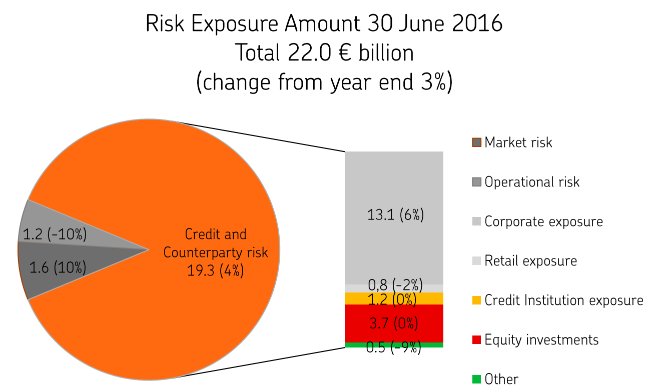


The Group's CET1 ratio was 14.2% (14.1) on 30 June 2016. The Group's minimum CET1 target is 15% by the end of 2016.

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 3.1 billion (3.0) on 30 June 2016, thanks to earnings by Banking and Other Operations and dividends from insurance companies.

On 30 June 2016, the risk exposure amount (REA) totalled EUR 22.0 billion (21.3), or 3.4% higher than on 31 December 2015. The average risk weights of corporate exposure remained unchanged. The average risk weights of other major exposure classes decreased slightly. 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 ECB to treat insurance holdings within the conglomerate as risk-weighted assets, according to the previous practice. The method applied to insurance holdings leads to a risk weight of approximately 280%.

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 June 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The Authority will, however, take measures 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.

The ECB has imposed on OP Financial Group a discretionary capital buffer requirement as part of the supervisory review and evaluation process (SREP). When taking account of the requirement for CET1 capital, the discretionary capital requirement buffer is 9.75% and 11.75% taking the O-SII buffer requirement also into account. In view of OP Financial Group's strong capital base (CET1 ratio at 19.4%) 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. The ECB's SREP process for 2016 is underway and results will be expected towards the end of the year.

Non-life Insurance

The solvency regulations of the insurance sector changed in early 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	30 June 2016	31 Dec. 2015
Capital base, € million*	1,076	1,105
Solvency capital requirement (SCR), € million *	679	698
Solvency ratio, % (excluding transitional provision)	140	139
Solvency ratio, % (including transitional provision)	158	158

* Including the effects of transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 June 2016

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

OP Insurance Ltd's financial strength ratings on 30 June 2016

Rating agency	Rating	Outlook
Standard & Poor's	A+	Negative
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 rating, credit rating agencies take account of the entire OP Financial Group's financial position.

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

In July 2016, Standard & Poor's affirmed OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative. At the same time, Standard & Poor's also affirmed OP Insurance Ltd's financial strength rating at A+ while keeping the outlook negative.

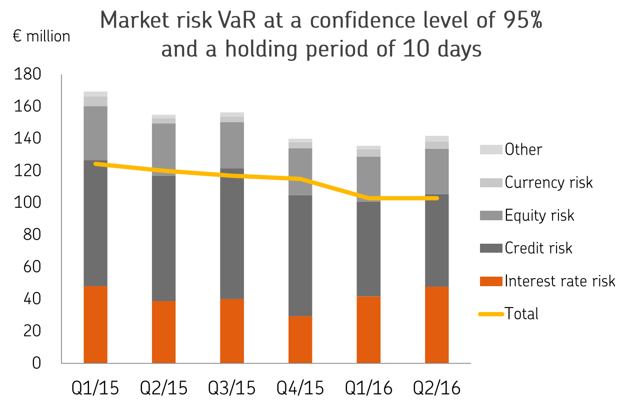
Group risk exposure

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 reporting period. The Value-at-Risk (VaR) indicator measuring market risks was EUR 103 million (115) on 30 June 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.



Risks associated with the Group's 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 reporting period decreased comprehensive income before tax by EUR 43 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved comprehensive income by EUR 32 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. Total doubtful receivables decreased to EUR 160 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 0.04% (0.10) of the loan and guarantee portfolio.

As from the beginning of the reporting period, 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. Comparatives for Banking's total exposure have not been changed.

Total exposure by Banking totalled EUR 27 billion (30). Corporate customers (including housing corporations exposures) represented 86% (78) of total Banking exposures. Of corporate customer exposures, the investment–grade exposure (borrower grades 1–5.5) accounted for 67% (69) and the exposure of the lowest two borrower grades amounted to EUR 140 million (162) or 0.6% (0.7) of the total corporate exposure.

OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.0 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 12.7% (12.6), Trade 10.1% (10.4) and Renting and Operating of Other Real Estate representing 9.2% (9.2).

Baltic Banking exposures grew to EUR 1.9 billion (1.6), accounting for 6.8% (5.4) of total exposures of OP Corporate Bank's 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 41 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 at the end of June 2016 was at the same level as at December-end 2015.

The investment risk level (VaR with 95% confidence, 1-month time period) was slightly higher on 30 June 2016 than on 31

December 2015. No major change took place in the investment portfolio allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. Interest rate risk associated with the total balance sheet has remained stable.

Other Operations

Major risks related to Other Operations include credit and market risks associated with the liquidity buffer, and liquidity risks. The market risk is highest in notes and bonds included in the liquidity buffer.

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

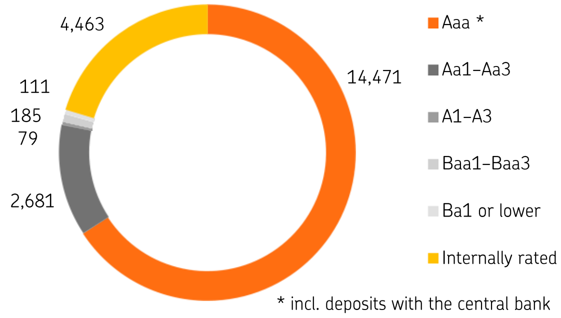
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 111% on 30 June 2016.

Liquidity buffer

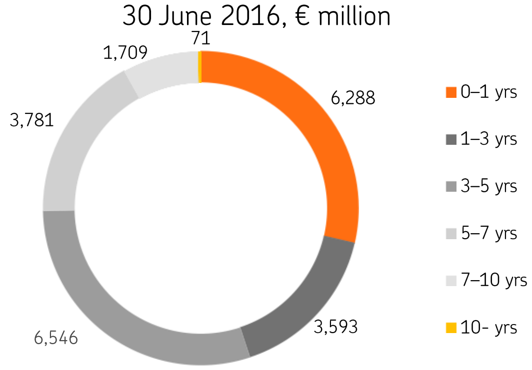
€ billion	30 June 2016	31 Dec. 2015	Change, %
Deposits with central banks	4.8	8.5	-43.7
Notes and bonds eligible as collateral	12.5	10.6	18.3
Corporate loans eligible as collateral	3.2	4.3	-26.3
Total	20.5	23.4	-12.4
Receivables ineligible as collateral	1.5	0.8	84.3
Liquidity buffer at market value	22.0	24.2	-9.1
Collateral haircut	-1.2	-1.2	-3.2
Liquidity buffer at collateral value	20.8	23.0	-9.4

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

Financial assets included in the liquidity buffer by credit rating on 30 June 2016, € million



Financial assets included in the liquidity buffer by maturity on 30 June 2016, € million



Financial performance by business segment

OP Corporate Bank Group's business segments are Banking and Non-life Insurance. Non-segment operations are presented under the Other Operations segment.

Banking

- Earnings before tax decreased by 35.4% year on year to EUR 113 million (175) 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-June by 5.5% to EUR 17.3 billion.
- The average margin on the corporate loan portfolio fell in January–June by 3 basis points to 1.35%.
- Impairment loss on receivables totalled EUR 7 million (18), accounting for 0.04% (0.10) of the loan and guarantee portfolio.
- The operating cost/income ratio was 38.1% (26.5).

Banking: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Net interest income	144	131	9.9	273
Net commissions and fees	80	50	59.5	99
Net investment income	-39	74		116
Other operating income	9	6	34.6	12
Total income	**194**	**262**	**-25.7**	**500**
Expenses				
Personnel costs	28	28	0.2	51
Depreciation/amortisation and impairment loss	5	6	-19.2	11
Other operating expenses	42	36	15.9	75
Total expenses	**74**	**69**	**6.8**	**137**
Impairment loss on receivables	7	18	-57.9	29
Earnings before tax	**113**	**175**	**-35.4**	**334**
Cost/income ratio, %	38.1	26.5		27.0
Loan portfolio, € billion	17.3	15.9		16.4
Guarantee portfolio, € billion	2.3	2.5		2.3
Margin on corporate loan portfolio, %	1.35	1.42		1.38
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.04	0.10		0.15
Personnel	659	610		603

January–June

Earnings before tax fell by 35.4% to EUR 113 million (175). Total income decreased by 25.7% while total expenses increased by 6.8%. 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 reporting period, 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 4 million year on year. The change has an impact on Banking's net interest income, commission income and net investment income. Comparatives have not been changed.

The reduced net investment income was lowered by a negative 38-million euro (4) CVA valuation arising from interest rate changes and other market movements. As a result of the change in OP Financial Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value are partly allocated to the Other Operations. A year ago, these fair value changes totalled EUR 62 million. A year ago, net investment income from shares and participations posted in net investment income was EUR 6 million higher than in the reporting period.

Banking net interest income increased by 9.9%. The loan portfolio increased in January–June by 5.5% to EUR 17.3 billion. The average margin on the corporate loan portfolio fell in January–June by 3 basis points to 1.35%.

Net commissions and fees reported increased by 59.5% to EUR 80 million (50). This increase was affected by the change in OP Financial Group's internal operating model, as a result of which EUR 30 million were recognised in net commissions and fees.

Net loan losses and impairment losses amounted to EUR 7 million (18), accounting for 0.04% (0.10) of the loan and guarantee portfolio. Final loan losses totalled EUR 37 million (8). Impairment losses, EUR -29 million, were EUR 40 million lower than a year ago (11).

The guarantee portfolio totalled EUR 2.3 billion (2.3). Committed standby credit facilities amounted to EUR 4.0 billion (3.9).

Total expenses were EUR 74 million (69).

Personnel costs remained at the previous year's level at EUR 28 million. Other operating expenses increased by 15.9% to EUR 42 million (36). ICT costs rose by EUR 3 million.

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 reporting period.

Non-life Insurance

- Earnings before tax amounted to EUR 116 million (145). Earnings before tax at fair value were EUR 155 million (78).
- Insurance premium revenue increased by 2.6% (4.6).
- The operating combined ratio was 88.2% (87.8) and operating expense ratio 18.4% (18.2). The combined ratio was 89.8% (89.4).
- Return on investments at fair value was 3.1% (1.3).

Non-life Insurance: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Insurance premium revenue	700	682	2.6	1,397
Claims incurred	440	432	2.0	885
Net insurance income	**260**	**250**	**3.8**	**512**
Net investment income	56	87	-36.4	133
Other net income	-34	-36	-6.3	-70
Total income	**281**	**302**	**-6.7**	**575**
Personnel costs	53	53	-0.4	101
Depreciation/amortisation and impairment loss	19	18	9.2	37
Other operating expenses	92	86	7.6	168
Total expenses	**164**	**156**	**5.1**	**306**
OP bonuses to owner-customers	1	1	13.4	2
Earnings before tax	**116**	**145**	**-19.5**	**267**
Combined ratio, %	89.8	89.4		88.8
Operating combined ratio, %	88.2	87.8		87.3
Operating loss ratio, %	69.8	69.7		69.6
Operating expense ratio, %	18.4	18.2		17.7
Operating risk ratio, %	63.9	64.2		64.2
Operating cost ratio, %	24.4	23.7		23.1
Return on investments at fair value, %	3.1	1.3		2.3
Solvency ratio (Solvency II), %*	158	N/A		158
Large claims incurred retained for own account	29	26		60
Changes in claims for previous years (run off result)	40	13		32
Personnel	1,708	1,731		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 as the economic situation remained challenging. 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 reporting period by 24,000 to 701,000, 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 1,080,000 insurance bills (994,000) with 142,000 (129,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 52 million (49).

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 late last year. 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 Omasairaala. When the Tampere hospital was opened, Omasairaala Ltd was renamed Pohjola Health Ltd. During 2017–2018, new Pohjola Hospitals will be opened in Oulu, Turku and Kuopio too. In June, OP Financial Group announced that it would establish Pohjola Medical Centres across Finland. The Medical Centres will supplement the Pohjola Hospitals based in university hospital cities and make the network of health and wellbeing services nationwide. Pohjola Medical Centres provide general practitioner and specialist services as well as diagnostics services.

January–June

Earnings before tax were EUR 116 million (145). Net insurance income increased by 3.8% to EUR 260 million. Net investment income recognised in the income statement decreased by EUR 32 million. Earnings before tax at fair value amounted to EUR 155 million (78).

The operating combined ratio was 88.2% (87.8). The operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1–2/2016	Q1–2/2015	Change, %
Private Customers	379	359	5.5
Corporate Customers	293	295	-0.8
Baltics	28	28	1.8
Total	**700**	**682**	**2.6**

Claims incurred increased by 2.0%. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 38 (38) during January–June, with their claims incurred retained for own account totalling EUR 29 million (26). The change in provisions for unpaid claims under statutory pensions increased year on year, being EUR 11 million (5) between January and June.

On 30 June 2016, the average discount rate was 2.09%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 27 million (32), weakening the operating combined ratio by 3.9 percentage points (4.7).

Changes in claims for previous years, excluding the effect of discount rate changes, improved the balance on technical account by EUR 40 million (13). The operating loss ratio was 69.8% (69.7). The operating risk ratio excluding indirect loss adjustment expenses was 63.9% (64.2).

Expenses grew by 5.1%, being EUR 8 million higher than a year ago, due to the expansion of the health and wellbeing business. The operating expense ratio was 18.4% (18.2). The operating cost ratio (including indirect loss adjustment expenses) was 24.4% (23.7).

Operating balance on technical account and combined ratio (CR)

	Q1–2/16		Q1–2/15	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	62	83.5	72	79.8
Corporate Customers	18	93.7	9	96.8
Baltics	1	95.2	1	96.6
Total	**82**	**88.2**	**83**	**87.8**

Investment

Return on investments at fair value totalled EUR 94 million (41), or 3.1% (1.3). Return on investments was positive in the reporting period due to lower interest rates and lower risk premiums of corporate bonds. Net investment income recognised in the income statement amounted to EUR 56 million (87).

Investment portfolio by asset class

%	30 June 2016	31 Dec. 2015
Bonds and bond funds	78	77
Alternative investments	1	1
Equities	7	7
Private equity	3	3
Real property	9	10
Money markets	2	3
Total	**100**	**100**

On 30 June 2016, the Non-life Insurance investment portfolio totalled EUR 3,821 million (3,687). The fixed-income portfolio by credit rating remained healthy, considering that 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 5.7 years (5.7) and the duration 5.1 years (5.2).

The running yield for direct bond investments averaged 1.71% (1.71) on 30 June 2016.

Other Operations

- Earnings before tax amounted to EUR 3 million (28). These included EUR 4 million (15) in capital gains on notes and bonds and EUR 1 million (20) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	Q1–2/2016	Q1–2/2015	Change, %	Q1–4/2015
Net interest income	-15	-11	36.9	-30
Net commissions and fees	-45	-1		-3
Net investment income	65	45	43.7	66
Other operating income	13	5		9
Total income	**17**	**38**	**-56.0**	**43**
Personnel costs	4	2		3
Other expenses	9	9	5.3	17
Total expenses	**13**	**10**	**30.8**	
Earnings before impairment loss on receivables	**3**	**28**	**-88.1**	**23**
Impairment loss on receivables	0	0		0
Earnings before tax	**3**	**28**	**-88.2**	**23**
Receivables and liabilities from/to OP Financial Group member banks, net position, € billion	2.5	3.1	-19.8	3.7
Personnel	70	31		32

January–June

Earnings before tax amounted to EUR 3 million (28). Earnings before tax at fair value were EUR 2 million (38), or EUR 36 million lower than a year ago.

As from the beginning of the reporting period, 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. This operating model change increased Other Operations' income by EUR 15 million. 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 restated.

OP Financial Group's internal operating model change reduced net interest income and net commissions and fees year on year. Commissions expenses included income from the customer business paid to Banking.

Net investment income rose year on year by EUR 20 million. Net trading income included in the item increased due to the operating model change. Net income from available-for-sale assets included EUR 4 million (15) in capital gains on notes and bonds and EUR 1 million (4) in income recognised from mutual fund investments. Dividend income amounted to EUR 1 million (20). 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 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, at the beginning of the reporting period.

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-June, OP Corporate Bank issued long-term senior bonds worth EUR 0.9 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 in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with one billion euros.

On 30 June 2016, the average margin of senior wholesale funding was 39 basis points (41).

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 have 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 were 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 OP Financial Group's Asset and Liability Management and Group Treasury which is part of 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 also had minor impacts on the internal distribution of profit within OP Financial Group.

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 in OP Financial Group to begin with OP, Pohjola Insurance Ltd was renamed OP Insurance Ltd on 4 April 2016. Moreover, the companies in Baltic Banking 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.

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.

Personnel and remuneration

On 31 March 2016, the Group had a staff of 2,437 (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 Other Operations. 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.

Number of personnel

	30 June 2016	31 Dec. 2015
Banking	659	603
Non-life Insurance	1,708	1,660
Other Operations	70	32
Total	**2,437**	**2,295**

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

Events after the balance sheet date

Stress test by the Committee of European Banking Supervisors

As part of OP Financial Group, OP Corporate Bank was included in the stress test conducted by the Committee of European Banking Supervisors. OP Financial Group's capital adequacy will remain on a solid basis and above the minimum requirement also in an operating environment of an extremely adverse scenario.

Outlook towards the year end

The Finnish economy has begun a slight rebound in the first half of the year. This has been based on a recovery in the domestic market, especially construction. Weak world economic growth has not been sufficient to stimulate Finnish exports. A number of major uncertainties are threatening the fragile economic growth in the euro area and Finland: Brexit, the situation in the Italian banking sector, economic slowdown in emerging countries and greater political instability. In addition, the slow progress of structural reforms in the Finnish economy will slow down Finnish economic recovery. On the whole, the Finnish economy is expected, however, to continue its recovery although risks of growth coming to a halt have mounted during the summer.

The continued reduction in market interest rates that have in part turned negative places a further burden on the net interest income of banks and erodes the investment income of insurance institutions. Then again, low interest rates support customers' loan repayment capacity, which has kept banking impairment loss low despite the prolonged period of slow economic growth. Digitisation in the financial sector, upgrading fragmented information system infrastructures and change in customer behaviour will require significant development investments in the sector in the next few years that will increase expenses and weaken profitability in the short term. Changes in the operating environment will highlight the role of operational efficiency and profitability as well as a strong capital base.

OP Corporate Bank Group's consolidated earnings before tax are expected to be clearly lower than earnings from continuing operations in 2015 (previously: "lower than earnings from continuing operations in 2015".) The most significant uncertainties affecting earnings relate to the rate of business growth, impairment loss on receivables, developments in bond and capital markets, the effect of large claims on claims expenditure and to the discount rate applied to insurance liabilities.

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

Consolidated income statement

EUR million	Note	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net interest income	3	58	51	117	109
Net insurance income	4	135	125	260	250
Net commissions and fees	5	0	9	7	20
Net investment income	6	44	121	82	208
Other operating income		12	7	22	14
Share of associates' profits		0	0	0	0
Total income		**250**	**313**	**489**	**601**
Personnel costs		43	36	85	82
Depreciation/amortisation		13	12	25	24
Other expenses		72	65	138	129
Total expenses		**128**	**114**	**247**	**235**
Impairments of receivables	7	0	3	7	18
OP bonuses to owner-customers		1	0	1	1
Earnings before tax		**122**	**195**	**233**	**348**
Income tax expense		23	36	45	65
Results of continuing operations		98	159	187	283
Results of discontinued operations			6		11
Profit for the period		**98**	**164**	**187**	**294**
Attributable to:					
Owners of the parent		97	163	186	291
Non-controlling interests		1	1	1	3
Profit for the period		**98**	**164**	**187**	**294**
Statement of comprehensive income					
Profit for the period		**98**	**164**	**187**	**294**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		-12	53	-43	32
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		31	-150	36	-50
Cash flow hedge		-2	-4	-2	-5
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		2	-11	9	-6
Items that may be reclassified to profit or loss					
Measurement at fair value		-6	30	-7	10
Cash flow hedge		0	1	0	1
Total comprehensive income for the period		**112**	**83**	**180**	**275**
Attributable to:					
Owners of the parent		112	82	178	273
Non-controlling interests		0	1	2	2
Total comprehensive income for the period		**112**	**83**	**180**	**275**
Comprehensive income attributable to owners of the parent is divided as follows:					
Continuing operations			77		262
Discontinued operations			5		11
Total			**82**		**273**

Balance sheet

EUR million	Note	30 June 2016	31 Dec. 2015
Cash and cash equivalents		4,781	8,469
Receivables from credit institutions		9,281	9,678
Financial assets held for trading		889	852
Derivative contracts	10	6,225	5,735
Receivables from customers	12	17,972	17,183
Investment assets		17,667	14,881
Investments in associates		15	16
Intangible assets		794	781
Property, plant and equipment (PPE)		55	58
Other assets		2,495	1,965
Tax assets		34	35
Total assets		**60,209**	**59,655**
Liabilities to credit institutions		6,853	5,209
Derivative contracts		6,113	5,650
Liabilities to customers		15,740	17,549
Insurance liabilities	13	3,210	2,917
Debt securities issued to the public	14	19,212	19,475
Provisions and other liabilities		3,320	3,005
Tax liabilities		368	370
Subordinated liabilities		1,617	1,737
Total liabilities		**56,433**	**55,914**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	147	120
Other reserves		1,093	1,093
Retained earnings		1,994	1,996
Non-controlling interests		115	105
Total equity capital		**3,776**	**3,741**
Total liabilities and equity capital		**60,209**	**59,655**

Statement of changes in equity

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Attributable to owners						
Balance at 1 January 2015	**428**	**231**	**1,093**	**1,564**	**3,316**	**92**	**3,408**
Total comprehensive income for the period		-44		317	273	2	275
Profit for the period				291	291	3	294
Other comprehensive income		-44		25	-18	-1	-19
Profit distribution				-137	-137		-137
Other			0		0	14	14
Balance at 30 June 2015	**428**	**188**	**1,093**	**1,744**	**3,452**	**107**	**3,559**
Balance at 1 January 2016	**428**	**120**	**1,093**	**1,996**	**3,637**	**105**	**3,741**
Total comprehensive income for the period		27		152	178	2	180
Profit for the period				186	186	1	187
Other comprehensive income		27		-35	-8	1	-7
Profit distribution				-153	-153		-153
Other			0	0	0	8	8
Balance at 30 June 2016	**428**	**147**	**1,093**	**1,994**	**3,661**	**115**	**3,776**

Cash flow statement

EUR million	Q1–2/ 2016	Q1–2/ 2015*
Cash flow from operating activities		
Profit for the period	186	291
Adjustments to profit for the period	132	322
Increase (-) or decrease (+) in operating assets	**-3,729**	**-3,386**
Receivables from credit institutions	352	-674
Financial assets held for trading	-227	30
Derivative contracts	18	-20
Receivables from customers	-775	-1,007
Investment assets	-2,507	-2,053
Other assets	-590	337
Increase (+) or decrease (-) in operating liabilities	**151**	**2,087**
Liabilities to credit institutions	1,644	412
Financial liabilities at fair value through profit or loss	0	-3
Derivative contracts	-29	14
Liabilities to customers	-1,809	1,071
Insurance liabilities	74	17
Provisions and other liabilities	271	576
Income tax paid	-44	-73
Dividends received	23	38
A. Net cash from operating activities	**-3,281**	**-720**
Cash flow from investing activities		
Increases in held-to-maturity financial assets		-20
Decreases in held-to-maturity financial assets	3	53
Acquisition of subsidiaries and associates, netof cash acquired		0
Disposal of subsidiaries and associates, net of cash disposed		11
Purchase of PPE and intangible assets	-36	-16
Proceeds from sale of PPE and intangible assets	0	0
B. Net cash used in investing activities	**-33**	**28**
Cash flow from financing activities		
Increases in subordinated liabilities	0	85
Decreases in subordinated liabilities	-144	
Increases in debt securities issued to the public	12,548	15,673
Decreases in debt securities issued to the public	-12,671	-14,784
Dividends paid	-153	-137
C. Net cash used in financing activities	**-421**	**837**
Net increase/decrease in cash and cashequivalents (A+B+C)	**-3,735**	**145**
Cash and cash equivalents at period-start	**8,803**	**4,306**
Cash and cash equivalents at period-end	**5,069**	**4,451**
Cash and cash equivalents		
Liquid assets	4,781	4,101
Receivables from credit institutions payable on demand	288	350
Total	**5,069**	**4,451**

* 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.

Q1–2 earnings 2016, EUR million	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Net interest income	144	-10	-15		-1	117
-of which internal net income before tax	-9	-8	18			
Net insurance income		260				260
Net commissions and fees	80	-28	-45		0	7
Net investment income	-39	56	65		1	82
Other operating income	9	4	13		-3	22
Share of associates' profits		0				0
Total income	**194**	**281**	**17**		**-4**	**489**
Personnel costs	28	53	4			85
Depreciation/amortisation and impairment losses	5	19	1			25
Other operating expenses	42	92	8		-4	138
Total expenses	**74**	**164**	**13**		**-4**	**247**
Impairments of receivables	7	0	0			7
OP bonuses to owner-customers		1				1
Earnings before tax	**113**	**116**	**3**		**0**	**233**

	Continuing operations			Discontinued operations		
Q1–2 earnings 2015, EUR million	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Net interest income	131	-11	-11	1	-1	109
-of which internal net income before tax	-12	-10	22	1		
Net insurance incomes		250				250
Net commissions and fees	50	-27	-1	27	-2	48
Net investment income	74	87	45	0	2	208
Other operating income	6	2	5	1	0	15
Share of associates' profits		0		1	0	1
Total income	**262**	**302**	**38**	**30**	**-1**	**631**
Personnel costs	28	53	2	8		90
Depreciation/amortisation and impairment losses	6	18	0	2		26
Other operating expenses	36	86	8	7	-1	135
Total expenses	**69**	**156**	**10**	**16**	**-1**	**251**
Impairments of receivables	18	0	0		0	18
OP bonuses to owner-customers		1				1
Earnings before tax	**175**	**145**	**28**	**14**	**0**	**361**

Balance sheet 30 June 2016, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	2	146	4,775	-142	4,781
Receivables from credit institutions	159	6	9,139	-24	9,281
Financial assets held for trading	-4		893		889
Derivative contracts	93	57	6,109	-34	6,225
Receivables from customers	17,654		689	-370	17,972
Investment assets	644	3,747	13,359	-83	17,667
Investments in associates		15			15
Intangible assets	63	705	25		794
Property, plant and equipment (PPE)	4	47	4		55
Other assets	-81	803	1,778	-4	2,495
Tax assets	0	12	22		34
Total assets	**18,534**	**5,539**	**36,794**	**-658**	**60,209**
Liabilities to credit institutions	391		6,833	-370	6,853
Derivative contracts	159	14	5,974	-34	6,113
Liabilities to customers	10,133		5,762	-154	15,740
Insurance liabilities		3,210			3,210
Debt securities issued to the public	1,326		17,921	-35	19,212
Provisions and other liabilities	1,276	467	1,591	-15	3,320
Tax liabilities	0	82	286	0	368
Subordinated liabilities		135	1,482		1,617
Total liabilities	**13,284**	**3,907**	**39,850**	**-609**	**56,433**
Equity capital					**3,776**

Balance sheet 31 Dec. 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		852
Derivative contracts	5,403	14	337	-18	5,735
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		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	**24,772**	**5,111**	**30,306**	**-534**	**59,655**
Liabilities to credit institutions	1,305		4,199	-294	5,209
Derivative contracts	5,328	15	326	-19	5,650
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	**21,929**	**3,473**	**31,003**	**-492**	**55,914**
Equity capital					**3,741**

Notes

Note 1 Accounting policies

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

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

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

The grouping of the income statement and balance sheet formats 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 largest 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.

Comparatives based on new grouping:
Income statement

EUR million	Q1/ 2015	Q2/ 2015	Q3/ 2015	Q4/ 2015	Q1–4/ 2015	Q1/ 2016
Net interest income	58	51	56	56	220	60
Net insurance income	125	125	136	126	512	125
Net commissions and fees	11	9	11	6	37	7
Net investment income	88	121	63	47	319	38
Other operating income	7	7	7	8	29	10
Share of associates' profits	0	0	0	0	0	0
Total income	**288**	**313**	**273**	**243**	**1,118**	**239**
Personnel costs	46	36	34	39	155	42
Depreciation/amortisation and impairment losses	11	12	12	13	49	12
Other operating expenses	63	65	59	70	257	66
Total expenses	**121**	**114**	**105**	**122**	**462**	**120**
Impairments of receivables	14	3	2	9	29	8
OP bonuses to owner-customers	0	0	0	0	2	
Earnings before tax	**153**	**195**	**166**	**112**	**625**	**111**
Income tax expense	29	36	33	22	120	22
Results of continuing operations	124	159	133	89	505	89
Results of discontinued operations	5	6	4	8	22	
Profit for the period	**130**	**164**	**136**	**97**	**527**	**89**
Attributable to:						
Owners of the parent	128	163	134	92	517	89
Non-controlling interests	2	1	3	5	10	0
Profit for the period	**130**	**164**	**136**	**97**	**527**	**89**

Comparatives based on new grouping:
Balance sheet

EUR million	31 March 2015*	30 June 2015*	30 September 2015*	31 December 2015	31 March 2016
Cash and cash equivalents	4,257	4,101	4,852	8,469	4,946
Receivables from credit institutions	10,353	10,796	10,458	9,678	10,346
Financial assets held for trading	315	903	657	852	918
Derivative contracts	7,773	5,687	5,862	5,735	6,021
Receivables from customers	15,730	16,475	16,639	17,183	17,360
Investment assets	12,629	13,198	14,166	14,881	16,812
Investments in associates	30	30	30	16	15
Intangible assets	884	882	879	781	779
Property, plant and equipment (PPE)	69	65	62	58	56
Other assets	3,120	2,104	2,153	1,965	2,252
Tax assets	23	16	23	35	47
Total assets	**55,183**	**54,257**	**55,782**	**59,655**	**59,553**
Liabilities to credit institutions	5,873	5,646	4,833	5,209	5,954
Financial liabilities at fair value through profit or loss	1	1	0	0	1
Derivative contracts	7,113	5,480	5,934	5,650	5,945
Liabilities to customers	11,706	12,513	14,709	17,549	17,265
Insurance liabilities	3,037	3,014	2,948	2,917	3,242
Debt securities issued to the public	18,812	19,239	18,796	19,475	18,463
Provisions and other liabilities	3,665	3,265	2,853	3,005	2,961
Tax liabilities	407	364	360	370	373
Subordinated liabilities	1,110	1,175	1,724	1,737	1,689
Total liabilities	**51,724**	**50,697**	**52,157**	**55,914**	**55,891**
Equity capital					
Capital and reserves attributable to owners of the parent					
Share capital	428	428	428	428	428
Fair value reserve	311	188	119	120	122
Other reserves	1,093	1,093	1,093	1,093	1,093
Retained earnings	1,538	1,744	1,873	1,996	1,907
Non-controlling interests	88	107	112	105	112
Total equity capital	**3,458**	**3,559**	**3,625**	**3,741**	**3,661**
Total liabilities and equity capital	**55,183**	**54,257**	**55,782**	**59,655**	**59,553**

* Includes discontinued operations

Note 2 Formulas for key figures and ratios

	Q1–2/2016	Q1–2/2015
Return on equity (ROE), %	10.0	17.0
Return on equity (ROE) at fair value, %	11.3	14.2
Return on assets (ROA), %	0.63	1.13
Cost/income ratio, %	51	40
Average personnel	2,352	2,485

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, %

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

Non-life insurance indicators

Loss ratio (excl. unwinding of discount), %

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

Expense ratio, %

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

Risk ratio (excl. unwinding of discount), %

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

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

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

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Operating risk ratio + Operating cost ratio

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

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

Operating cost ratio, %

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

KEY FIGURES BASED ON SEPARATE CALCULATION

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio

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

Solvency ratio, %

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

Leverage ratio, %

$$\frac{\text{Tier 1 capital (AT1)}}{\text{On- and off-balance-sheet exposures}} \times 100$$

Liquidity coverage requirement (LCR), %

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

NON-LIFE INSURANCE OPERATING RESULTS	Q1–2/2016	Q1–2/2015	**Change %**	Q1–4/2015
EUR million				
Insurance premium revenue	699	681	2.6	1,396
Claims incurred	-488	-475	2.8	-972
Operating expenses	-129	-124	4.2	-247
Amortisation adjustment of intangible assets	-11	-11	-0.3	-21
Balance on technical account	**71**	**72**	**-0.9**	**156**
Net investment income	56	87	-36.4	172
Other income and expenses	-11	-15	-28.5	-61
Earnings before tax	**116**	**145**	**-19.5**	**267**
Gross change in fair value reserve	38	-67		-92
Earnings before tax at fair value	**155**	**78**	**98.6**	**175**

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

Note 3 Interest income and expenses

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Interest income				
Receivables from credit institutions	9	10	19	21
Receivables from customers				
Loans	71	69	141	142
Finance lease receivables	4	5	9	10
Impaired loans and other commitments	0	0	0	0
Notes and bonds				
Held for trading	2	4	5	6
At fair value through profit or loss				
Available for sale	30	35	61	70
Held to maturity	0	0	0	0
Loans and receivables	0	1	1	3
Derivative contracts				
Held for trading	272	334	578	689
Fair value hedge	-34	-30	-65	-61
Cash flow hedge	2	3	5	6
Ineffective portion of cash flow hedge	0	0	0	0
Other	2	0	3	6
Total	**359**	**432**	**757**	**893**
Interest expenses				
Liabilities to credit institutions	14	12	29	24
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	0	3	3	8
Debt securities issued to the public	42	57	87	110
Subordinated liabilities				
Subordinated loans	2	2	5	4
Other	11	9	22	18
Derivative contracts				
Held for trading	266	335	564	690
Cash flow hedge	-35	-39	-72	-75
Other				
Other	2	0	3	3
Total	**301**	**381**	**640**	**783**
Net interest income before fair value adjustment under hedge accounting	**58**	**51**	**118**	**110**
Hedging derivatives	-61	80	-154	50
Value changes of hedged items	61	-80	154	-51
Total net interest income	**58**	**51**	**117**	**109**

Note 4 Net insurance income

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net insurance premium revenue				
Premiums written	299	290	915	908
Insurance premiums ceded to reinsurers	3	1	-6	-9
Change in provision for unearned premiums	49	47	-220	-234
Reinsurers' share	2	8	11	18
Total	**353**	**345**	**700**	**682**
Net Non-life Insurance claims				
Claims paid	231	191	445	399
Insurance claims recovered from reinsurers	-10	-3	-14	-12
Change in provision for unpaid claims	-17	42	-1	40
Reinsurers' share	14	-10	10	5
Total	**218**	**220**	**440**	**432**
Total net insurance income	**135**	**125**	**260**	**250**

Note 5 Net commissions and fees

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Comission income				
Lending	12	12	22	22
Deposits	0	0	0	0
Payment transfers	7	8	15	15
Securities brokerage	4	5	7	12
Securities issuance	3	2	5	5
Mutual funds	0	0	0	0
Asset management and legal services	3	2	6	3
Guarantees	4	3	7	7
Insurance brokerage	4	4	8	9
Other	1	1	2	2
Total	**38**	**37**	**71**	**75**
Comission expenses				
Payment transfers	3	4	6	7
Securities brokerage	2	2	3	4
Securities issuance	1	1	1	2
Asset management and legal services	1	1	2	1
Insurance operations	17	19	35	35
Other	14	2	17	5
Total	**38**	**28**	**64**	**55**
Total net commissions and fees	**0**	**9**	**7**	**20**

Note 6 Net investment income

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Net income from available-for-sale assets				
Notes and bonds	28	28	54	50
Equity instruments	2	30	5	68
Dividend income	11	21	23	38
Impairments	-7	-3	-12	-4
Total	**34**	**76**	**70**	**154**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	5	-1	5	0
Derivatives	-9	15	-15	8
Banking and Other operations				
Securities trading	8	29	15	47
Foreign exchange trading	10	8	19	15
Investment property	4	3	5	5
Total	**18**	**53**	**29**	**74**
Net income carried at amortised cost				
Loans and other receivables	1	1	2	0
Impairments		0	0	0
Total	**1**	**1**	**2**	**0**
Non-life Insurance				
Unwinding of discount	-9	-10	-18	-20
Total	**-9**	**-10**	**-18**	**-20**
Total net investment income	**44**	**121**	**82**	**208**

Note 7 Impairments of receivables

EUR million	Q2/ 2016	Q2/ 2015	Q1–2/ 2016	Q1–2/ 2015
Receivables written off as loan or guarantee losses	36	7	37	8
Recoveries of receivables written off	0	0	0	-1
Increase in impairment losses on individually assessed receivables	1	1	8	16
Decrease in impairment losses on individually assessed receivables	-41	-7	-40	-8
Collectively assessed impairment losses	4	3	3	2
Total impairments of receivables	**0**	**3**	**7**	**18**

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	4,781					4,781
Receivables from credit institutions	9,281					9,281
Derivative contracts			5,845		380	6,225
Receivables from customers	17,972					17,972
Notes and bonds		91	1,093	16,233		17,417
Equity instruments				757		757
Other financial assets	2,572					2,572
Financial assets	**34,606**	**91**	**6,938**	**16,990**	**380**	**59,005**
Other than financial instruments						1,204
Total 30 June 2016	**34,606**	**91**	**6,938**	**16,990**	**380**	**60,209**

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,469					8,469
Receivables from credit institutions	9,678					9,678
Derivative contracts			5,403		332	5,735
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**	**6,255**	**14,468**	**332**	**58,470**
Other than financial instruments						1,185
Total 31 Dec. 2015	**37,320**	**94**	**6,255**	**14,468**	**332**	**59,655**

* 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		6,853		6,853
Derivative contracts	5,763		350	6,113
Liabilities to customers		15,740		15,740
Insurance liabilities		3,210		3,210
Debt securities issued to the public		19,212		19,212
Subordinated loans		1,617		1,617
Other financial liabilities		3,157		3,157
Financial liabilities	**5,763**	**49,789**	**350**	**55,902**
Other than financial liabilities				530
Total 30 June 2016	**5,763**	**49,789**	**350**	**56,433**

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	5,314		336	5,650
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	**5,314**	**49,766**	**336**	**55,416**
Other than financial liabilities				497
Total 31 Dec. 2015	**5,314**	**49,766**	**336**	**55,914**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June, the fair value of these debt instruments was EUR 367 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 30 June 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	376	701	16	1,093
Derivative financial instruments	15	6,042	169	6,225
Available-for-sale				
Equity instruments	413	57	287	757
Debt instruments	13,460	2,495	278	16,233
Total	**14,263**	**9,294**	**751**	**24,308**

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	5,557	177	5,735
Available-for-sale				
Equity instruments	418	53	283	754
Debt instruments	10,385	3,043	286	13,714
Total	**11,421**	**8,868**	**767**	**21,056**

Fair value of liabilities on 30 June 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	20	5,975	118	6,113
Total	**20**	**5,975**	**118**	**6,113**

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	5,480	135	5,650
Total	**35**	**5,480**	**135**	**5,650**

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.

Valuation techniques whose input parameters involve uncertainty (Level 3)

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	-5	-8	-8	-21
Total gains/losses in other comprehensive income			-1	-1
Purchases			34	34
Sales			-17	-17
Transfers into Level 3			16	16
Transfers out of Level 3			-27	-27
Closing balance 30 June 2016	**16**	**169**	**566**	**751**

	Financial assets at fair value through profit or loss	Derivative contracts	Total assets
Financial liabilities, EUR million			
Opening balance 1 Jan 2016		135	135
Total gains/losses in profit or loss		-17	-17
Closing balance 30 June 2016		**118**	**118**

Total gains/losses included in profit or loss by item on 30 June 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 30 July
EUR million				
Realised net gains (losses)	-5			-5
Unrealised net gains (losses)	9	-8	-1	1
Total net gains (losses)	**4**	**-8**	**-1**	**-5**

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
30 June 2016, EUR million						
Interest rate derivatives	38,204	87,382	65,469	191,055	5,723	5,725
Cleared by the central counterparty	6,290	31,664	27,314	65,269	1,548	1,823
Currency derivatives	24,472	11,421	4,198	40,091	1,363	1,512
Equity and index derivatives	78	6		85	6	
Credit derivatives	19	141	87	247	7	11
Other derivatives	406	572	7	985	68	41
Total derivatives	**63,179**	**99,522**	**69,761**	**232,463**	**7,167**	**7,289**

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
31 Dec. 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

30 June 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	7,758	-1,532	6,225	-3,624	-896	1,705

31 Dec. 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	6,606	-870	5,735	-3,446	-1,030	1,259

Financial liabilities

30 June 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	7,923	-1,810	6,113	-3,624	-1,285	1,204

31 Dec. 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	6,490	-840	5,650	-3,446	-1,061	1,143

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -271 (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

30 June 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	9,282		9,282		2	9,281
Receivables from customers, of which	16,796	209	17,005	192	21	16,792
Bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,181		1,181			1,181
Total	**27,259**	**209**	**27,468**	**192**	**23**	**27,253**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	14,991	209	15,199	192	11	14,996
Financial institutions and insurance companies	10,246		10,246		2	10,244
Households	1,472		1,472		10	1,462
Non-profit organisations	210		210	0	0	210
Public sector entities	340		340		0	340
Total	**27,259**	**209**	**27,468**	**192**	**23**	**27,253**

31 Dec. 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 30 June 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		92	92	79	13
Unlikely to be paid		212	212	111	102
Forborne receivables	38	10	48	3	45
Total	**38**	**314**	**352**	**192**	**160**

Doubtful receivables 31 Dec. 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, %	30 June 2016	31 Dec. 2015
Exposures individually assessed for impairment, % of doubtful receivables	54.5 %	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	30 June 2016	31 Dec. 2015
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,418	1,386
Other provision for unpaid claims	956	970
Reserve for decreased discount rate*	52	0
Total	2,426	2,357
Provisions for unearned premiums	783	560
Total	**3,210**	**2,917**

* Value of hedges of insurance liability.

Note 14 Debt securities issued to the public

EUR million	30 June 2016	31 Dec. 2015
Bonds	12,547	12,937
Certificates of deposit, commercial papers and ECPs	6,665	6,538
Total	**19,212**	**19,475**

Note 15 Fair value reserve after income tax

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 Jan. 2016	**32**	**77**	**11**	**120**
Fair value changes	52	-9	3	**46**
Capital gains transferred to income statement	-6	-13		**-20**
Impairment loss transferred to income statement		11		**11**
Transfers to net interest income			-5	**-5**
Deferred tax	-9	2	0	**-7**
Closing balance 30 June 2016	**69**	**68**	**10**	**147**

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 Jan. 2015	**102**	**112**	**17**	**231**
Fair value changes	-29	32	0	**3**
Capital gains transferred to income statement	-10	-45		**-55**
Impairment loss transferred to income statement		4		**4**
Transfers to net interest income			-6	**-6**
Deferred tax	8	2	1	**11**
Closing balance 30 June 2015	**71**	**104**	**12**	**188**

The fair value reserve before tax amounted to EUR 183 million (150) and the related deferred tax liability amounted to EUR 36 million (30). On 30 June 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 104 million (107) million and negative mark-to-market valuations EUR 19 million (12).

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

Note 16 Collateral given

EUR million	30 June 2016	31 Dec. 2015
Collateral given on behalf of own liabilities and commitments		
Mortages	1	1
Pledges	1	3
Other	1,595	528
Other collateral given		
Pledges*	3,400	3,969
Total	**4,997**	**4,501**
Other secured liabilities	466	507
Total secured liabilities	**466**	**507**

* of which EUR 2,000 million in intraday settlement collateral.

Note 17 Off-balance-sheet items

EUR million	30 June 2016	31 Dec. 2015
Guarantees	691	765
Other guarantee liabilities	1,327	1,402
Loan commitments	5,292	5,745
Commitments related to short-term trade transactions	271	173
Other *	660	394
Total off-balance-sheet items	**8,242**	**8,480**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 139 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).

	30 June 2016	31 Dec. 2015
Capital base, EUR million		
OP Corporate Bank Group's equity capital	3,776	3,741
The effect of insurance companies on the Group's shareholders' equity is excluded	-369	-365
Fair value reserve, cash flow hedging	-10	-11
Common Equity Tier 1 (CET1) before deductions	**3,398**	**3,364**
Intangible assets	-76	-73
Excess funding of pension liability and valuation adjustments	-24	-20
Planned profit distribution	-56	-155
Shortfall of impairments – expected losses	-120	-115
Common Equity Tier 1 (CET1)	**3,122**	**3,001**
Subordinated loans to which transitional provision applies	140	192
Additional Tier 1 capital (AT1)	**140**	**192**
Tier 1 capital (T1)	**3,262**	**3,193**
Debenture loans	1,207	1,207
Tier 2 Capital (T2)	**1,207**	**1,207**
Total capital base	**4,469**	**4,400**

OP Corporate Bank Group has applied transitional provisions regarding old capital instruments to subordinated loans. In June, the Group redeemed a subordinated loan of JPY10 billion of which EUR 52 million were included in the capital base during the reporting period.

	30 June 2016	31 Dec. 2015
Risk exposure amount, EUR million		
Credit and counterparty risk	**18,945**	**18,155**
Standardised Approach (SA)	**1,871**	**1,778**
Central government and central banks exposure	31	23
Credit institution exposure	35	53
Corporate exposure	1,730	1,575
Retail exposure	11	75
Other**	65	51
Internal Ratings-based Approach (IRB)	**17,074**	**16,377**
Credit institution exposure	1,169	1,147
Corporate exposure	11,346	10,725
Retail exposure	759	710
Equity investments*	3,726	3,730
Other	74	65
Market and settlement risk (Standardised Approach)	**1,593**	**1,450**
Operational risk (Standardised Approach)	**1,163**	**1,297**
Other risks* **	**312**	**390**
Total	**22,014**	**21,292**

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

** EUR 47 million of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity tier 1 capital.

*** Valuation adjustment (CVA)

Ratios, %	30 June 2016	31 Dec. 2015
CET1 capital ratio	14.2	14.1
Tier 1 ratio	14.8	15.0
Capital adequacy ratio	20.3	20.7

Ratios, fully loaded, %	30 June 2016	31 Dec. 2015
CET1 capital ratio	14.2	14.1
Tier 1 ratio	14.2	14.1
Capital adequacy ratio	19.7	19.8

Capital requirement, EUR million	30 June 2016	31 Dec 2015
Capital base	4,469	4,400
Capital requirement	2,318	2,238
Buffer for capital requirements	2,151	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

30 June 2016

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	973	93.4	0.0	44.7	145	14.9	0
2.5–5.5	13,406	75.6	0.2	44.4	5,305	39.6	11
6.0–7.0	2,893	71.9	1.3	44.3	2,818	97.4	17
7.5–8.5	1,860	69.0	4.4	44.6	2,642	142.0	36
9.0–10.0	194	54.7	17.4	44.8	436	225.0	15
11.0–12.0	311	57.1	100.0	46.3			144
Total	**19,637**	**74.8**	**0.9**	**44.4**	**11,346**	**57.8**	**223**

31 Dec. 2015

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD*, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1.0–2.0	1,119	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	2,824	72.4	1.3	44.4	2,759	97.7	16
7.5–8.5	1,658	70.7	4.4	44.6	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	46.1			170
Total	**18,561**	**71.5**	**0.9**	**44.5**	**10,725**	**57.8**	**243**

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

Note 20 Insurance company solvency

EUR million	30 June 2016	31 Dec. 2015
Eligible capital	**1,076**	**1,105**
Solvency capital requirement (SCR)		
Market risk	456	467
Insurance risk	291	286
Counterparty risk	27	27
Operational risk	43	44
Diversification benefits and loss absorbency	-138	-126
Total	679	698
Buffer for SCR	**397**	**407**
SCR ratio, %	**158**	**158**

Transitional provisions have been taken into account in figures under Solvency II.

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 and other related-party entities. OP Corporate Bank Group's administrative personnel comprises OP Corporate Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP 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 2016

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

Schedule for Interim Reports in 2016:

Interim Report Q1–3/2016	2 November 2016

Helsinki, 3 August 2016

OP Corporate Bank plc
Board of Directors

For additional information, please contact
Jouko Pölönen, President and CEO, tel. +358 (0)10 253 2691
Carina Geber-Teir, Executive Vice President, Corporate Communications, tel. +358 (0)10 252 8394

www.op.fi, www.pohjola.fi