OP Corporate Bank plc
Report by the Board of Directors and Financial Statements 2016

OP

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Auditor's Report

Report by the Board of Directors for 2016

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

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

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

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

* Board proposal

Operating environment

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

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

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

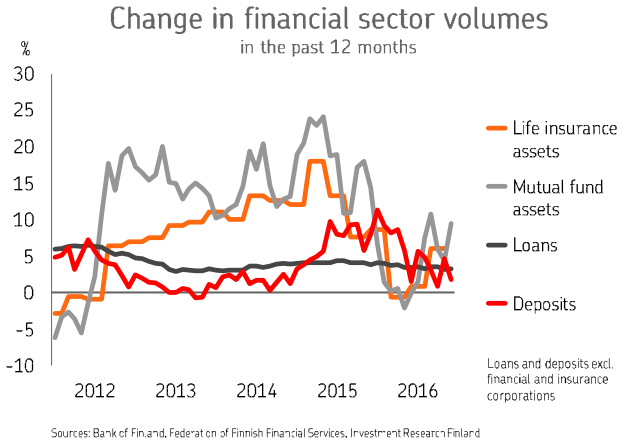
Confidence indicators have improved both in Finland and in the export markets. In 2017, the Finnish economy is expected to continue to grow at a slow but steady rate on a broader base than before. The ECB has announced that it would continue its quantitative easing policy in 2017 too. Based on the policy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

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

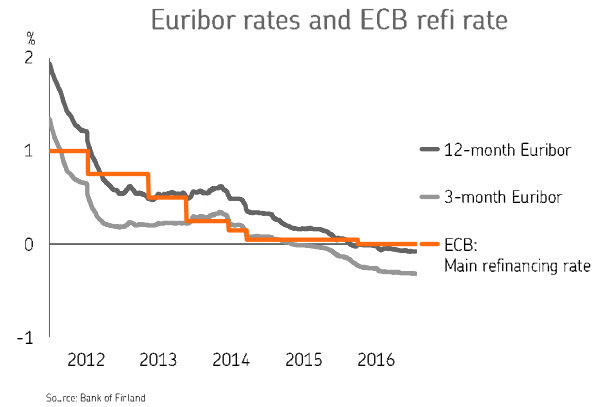
Total deposits grew more slowly than a year ago. The growth rate of total household deposits sped up but that of deposits by public-sector entities and corporations calmed down clearly after the previous year's spurt.

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

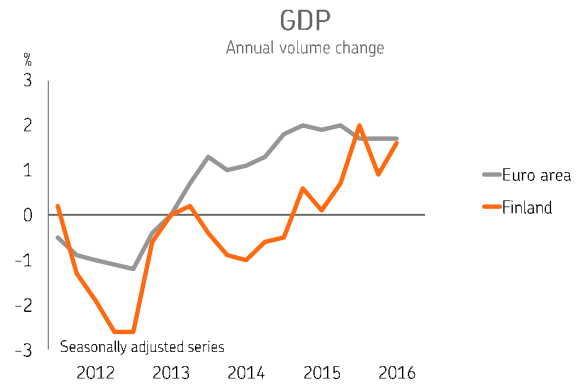
Premiums written reported by non-life insurers registered in Finland increased by 1.0% last year. During the same period, claims paid out rose by 5.5%.



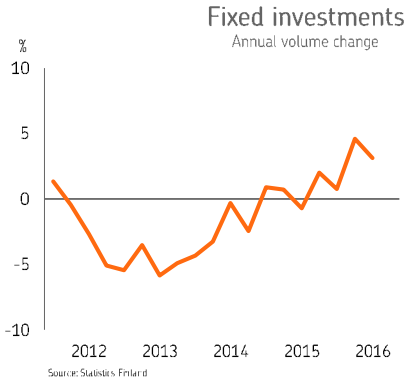
Sources: Bank of Finland, Federation of Finnish Financial Services, Investment Research Finland



Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland

Consolidated earnings

€ million	Q1–4/2016	Q1–4/2015	Change, %
Net interest income	228	220	3.6
Net insurance income	534	507	5.2
Net commissions and fees	-4	37	
Net investment income	247	319	-22.5
Other operating income	33	29	12.4
Share of associates' profit/loss	-2	0	
Total income	**1,037**	**1,113**	-6.7
Personnel costs	162	155	4.3
Depreciation/amortisation and impairment loss	51	49	4.2
Other operating expenses	281	253	11.0
Total expenses	**494**	**457**	8.0
Impairment loss on receivables	37	29	26.9
OP bonuses to owner-customers	2	2	12.3
Earnings of continuing operations before tax	**504**	**625**	-19.4
Earnings of discontinued operations before tax*		26	
Total earnings before tax	**504**	**652**	-22.6

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

January–December

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

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

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

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

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

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

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

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

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

October–December

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

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

January–December highlights

OP 2016 strategy

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

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

Request for clarification from the Finnish Competition and Consumer Authority

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

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

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

Under TLTRO-II, the banks will be able to borrow up to 30% of their loan balance as at 31 January 2016 to be used for lending to non-financial corporations and households in the euro area, excluding loans to households for a home purchase. To contribute to strong growth, OP Corporate Bank participated in the TLTRO-II with a total of EUR 3 billion.

Floating rate note buyback

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

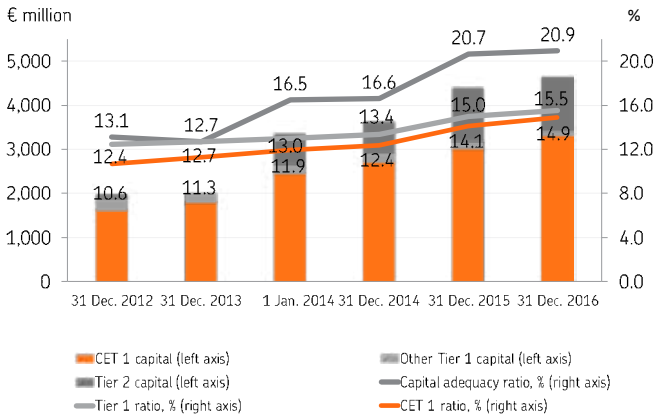
SME financing programmes

In March, OP Corporate Bank signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP Corporate Bank may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee facility provided by the EIF. SMEs have shown great interest in such financing. More than 50 companies have already used this financing opportunity and loans already granted account for some third of the 150-million euro financing under the programme.

In January 2017, OP Corporate Bank extended its role of a financial intermediary by signing a new agreement on financing related to the joint SME initiative of the Finnish government, the EIB Group and the European Commission. Under the new programme, OP Corporate Bank may provide financing worth EUR 150 million to SMEs employing less than 250 people. By providing financing to SMEs with growth potential, OP Corporate Bank wants to be involved in supporting future economic growth and employment.

Group's capital adequacy

Capital base and capital adequacy



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

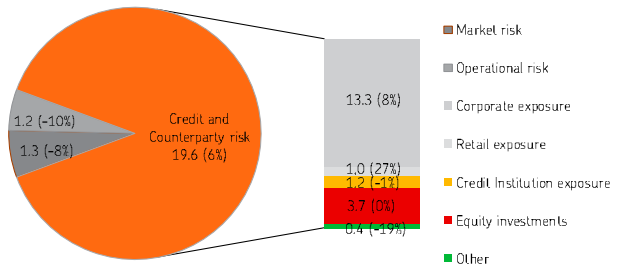
As a credit institution, the Group's consolidated capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of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

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

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

Capital adequacy disclosures under Pillar III can be found in Notes 71-77.

Risk Exposure Amount 31 December 2016
Total 22.1 € billion
(change from year end 4%)



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

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

As of the beginning of 2016, OP Financial Group as an Other Systemically Important Institution needs to comply with the O-SII buffer of 2%, but it does not apply to OP Corporate Bank. In December 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. However, the Authority will continue preparing to set a 10% minimum risk weight on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. The minimum risk weight would have no material effect on OP Corporate Bank's capital adequacy.

OP Financial Group is supervised by the ECB. In 2015, the ECB imposed on OP Financial Group a discretionary capital buffer requirement, in compliance with the Act on Credit Institutions, as part of the supervisory review and evaluation process (SREP). Taking into account this discretionary buffer requirement, the CET1 minimum requirement was 9.75% and 11.75% with the O-SII buffer requirement included until the end of 2016. In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for OP Financial Group's or OP Corporate Bank's capital adequacy position or business. Since the definition of the buffer requirement applicable in the SREP in 2017 has changed, the new requirement is not fully comparable to the previous one. The new capital buffer requirement (P2R) set by the ECB and effective as of 1 January 2017 is 1.75%. When taking account of the P2R, the new minimum for OP Financial Group's CET1 ratio is 10.75% and for its capital adequacy ratio 14.25%. The new minimum set by the ECB increases the capital requirement based on the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), whereby the FiCo solvency falls by 16% following the new capital buffer requirement. In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect e.g. profit distribution. The P2G included, the CET1 requirement is 11.75%. OP Financial Group's capital adequacy clearly exceeds the new minimum set. The discretionary capital buffer requirement set by the ECB does not apply to OP Corporate Bank.

The ECB has paid attention to shortcomings in OP Financial Group's credit risk models' validation process. The ECB may impose sanctions on OP Financial Group due to shortcomings it has discovered, such as raising the risk weights used in capital adequacy measurement for a fixed period. The ECB's handling is in progress, and the ECB's final decision on the matter can be expected during the first quarter of 2017. OP Financial Group has started corrective measures to eliminate the shortcomings and completed all delayed validations. On the basis of the

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

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

Non-life Insurance

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

Non-life Insurance figures under Solvency II

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

* including transitional provisions.

Credit ratings

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

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

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

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

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

The ratings of OP Corporate Bank plc and OP Insurance Ltd did not change during the financial year. Standard & Poor's affirmed in July and November 2016 OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+, and OP Insurance Ltd's financial strength rating at A+. In November 2016, S&P changed the outlook for both companies from negative to stable. The change in the outlook reflects the change in the Finnish BICRA trend (Banking Industry Country Risk Assessment) from negative to stable thanks to the gradual recovery of the Finnish economy.

Risk management

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

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

The risk management principles are described in the Financial Statements, Note 2, "OP Corporate Bank Group's Risk Management and Capital Adequacy Management Principles".

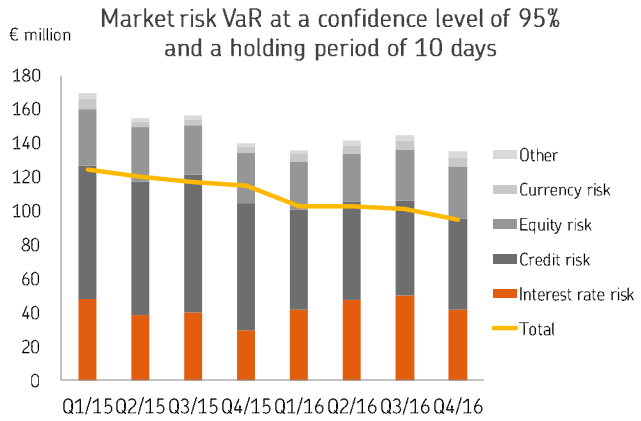
Group risk exposure

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

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

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

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



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

Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The increase of net liabilities related to defined benefit pension plans entered in the comprehensive income during the financial year weakened the comprehensive income before taxes by EUR 79 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved comprehensive income before tax by EUR 64 million.

Banking

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

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

Total exposure in Banking (including derivatives brokerage) was EUR 31.2 billion (30). The ratio of the exposure of the highest borrower grades (1–5.5) to total exposure, excluding households, was 68% (71). The proportion of the lowest borrower grades 11–12 was 0.7% (0.6). Corporate exposure (including housing corporations) accounted for 81% (78) of total Banking exposures. Of corporate exposures, the investment-grade exposure (grades 1–5.5) accounted for 65% (69) and the exposure of the lowest two borrower grades amounted to EUR 195 million (162) or 0.8% (0.7) of the total corporate exposure. In August, Banking adopted an updated credit rating scale for corporate customers, which affected corporate customer exposure grades. Comparatives have not been restated.

Total Banking exposure by counterparty, € billion

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

Total Banking exposure by borrower grade, € billion

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

* excluding private customers

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

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

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

Non-life Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 43 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 23 million.
No significant changes took place in Non-life Insurance's underwriting risks. Non-life Insurance's most significant market risk is associated with increasing insurance liability value and capital requirement resulting from lower market interest rates. The solvency position under Solvency II remained strong at the end of 2016, although it was slightly lower than a year ago.

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

Other Operations

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

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

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

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

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

Liquidity buffer

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

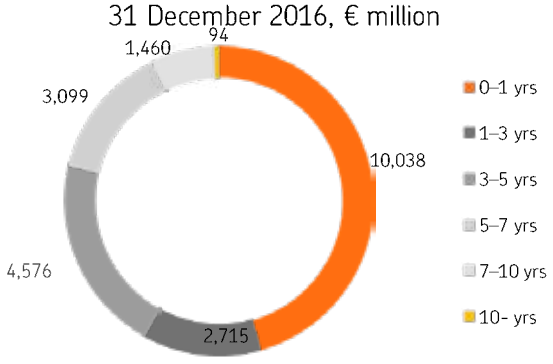
The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loans eligible as collateral. The notes and bonds included in the liquidity buffer are based on mark-to-market valuations.

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

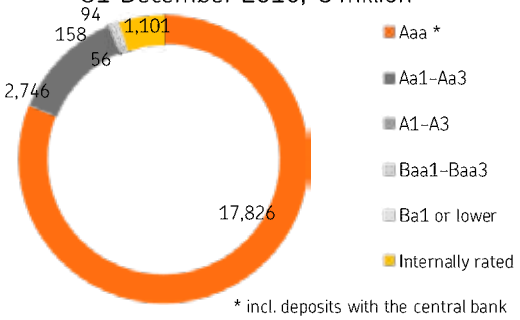
Total Other Operations exposure by borrower grade, € billion

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

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



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



* incl. deposits with the central bank

Financial performance by segment

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

Banking

- Earnings before tax decreased by 22,1% year on year to EUR 260 million (334) due to lower net investment income. Net investment income was significantly lowered by OP Financial Group's internal operating model change.
- The loan portfolio increased in January–December by 9.7% to EUR 18.0 billion.
- The average margin on the corporate loan portfolio increased in January–December by 0.03 percentage points to 1.41%.
- Impairment loss on receivables totalled EUR 37 million (29), accounting for 0.18% (0.15) of the loan and guarantee portfolio.
- The operating cost/income ratio was 32.8% (27.4).

Banking: key figures and ratios

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

January–December

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

As from the beginning of the financial year, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The operating model change reduced income by EUR 29 million year on year. The change has an impact on Banking's net interest income, commission income, net investment income and other operating income. Comparatives have not been changed.

The reduced net investment income was lowered by a negative 12-million euro (5) CVA valuation arising from interest rate changes and other market movements. As a result of the change in OP Financial Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value were partly allocated to the Other Operations segment in the financial year. A year ago, these fair value changes totalled EUR 116 million. A year ago, net investment income from shares and participations posted in net investment income was EUR 5 million higher than in the financial year.

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

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

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

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

Total expenses were EUR 145 million (137).

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

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

Non-life Insurance

- Earnings before tax amounted to EUR 231 million (26). Net investment income totalled EUR 102 million (133). Earnings before tax at fair value were EUR 300 million (-175).
- Insurance premium revenue increased by 1.6% (6.5). Net return on investments at fair value totalled EUR 85 million (98).
- The operating combined ratio was 87.6% (87.3) and operating expense ratio 18.5% (17.7). The combined ratio was 89.1% (88.8).

€ million	Q1–4/2016	Q1–4/2015	Change, %
Insurance premium revenue	1,420	1,397	1.6
Claims incurred	883	885	-0.2
Other expenses	3	5	-41.7
Net insurance income	**534**	**508**	**5.2**
Net investment income	102	133	-23.0
Other net income	-77	-70	9.4
Total income	**559**	**570**	**-1.9**
Personnel costs	100	101	-1.5
Depreciation/amortisation and impairment loss	40	37	7.7
Other operating expenses	187	164	14.0
Total expenses	**326**	**302**	**8.0**
OP bonuses to owner-customers	2	2	12.3
Earnings before tax	**231**	**267**	**-13.2**
Combined ratio, %	89.1	88.8	
Operating combined ratio, %	87.6	87.3	
Operating loss ratio, %	69.1	69.6	
Operating expense ratio, %	18.5	17.7	
Operating risk ratio, %	63.3	64.2	
Operating cost ratio, %	24.3	23.1	
Solvency ratio (Solvency II), %*	143	158	
Large claims incurred retained for own account	61	60	
Changes in claims for previous years (run off result)	60	32	
Personnel	1,730	1,660	

* Including the effect of transitional provisions.

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

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

The number of premier customer households increased in the financial year by a record high of 63,000 to 740,000, of which up to 76% also use OP Financial Group member banks as their main bank. Group member cooperative bank customers used OP bonuses that they had earned through the use of banking and insurance services to pay 2,200,000 insurance bills (2,023,000) with 297,000 (273,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 107 million (101).

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

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

January–December
Earnings before tax amounted to EUR 231 million (26). Net insurance income increased by 5.2% to EUR 534 million. Net investment income recognised in the income statement decreased by EUR 31 million. Earnings before tax at fair value were EUR 300 million (175).

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

Insurance premium revenue

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

Claims incurred decreased by 0.2%. Claims incurred arising from new large claims were higher than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 78 (72) in January–December, with their claims incurred retained for own account totalling EUR 61 million (60). The change in provisions for unpaid claims under statutory pension decreased year on year, being EUR 10 million (16) between January and December.

On 31 December 2016, the average discount rate was 1.97%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 55 million (62), weakening the operating combined ratio by 3.9 percentage points (4.5).

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

Expenses grew by 8.0%, being EUR 24 million higher than a year ago, due to higher ICT costs and the expansion of the health and wellbeing business. The operating expense ratio was 18.5% (17.7). The operating cost ratio (including indirect loss adjustment expenses) was 24.3% (23.1).

Operating balance on technical account and combined ratio (CR)

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

Investment

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

Investment portfolio by asset class

%	31 Dec. 2016	31 Dec. 2015
Bonds and bond funds	77	77
Alternative investments	1	1
Equities	8	7
Private equity	3	3
Real property	10	10
Money markets	2	3
Total	**100**	**100**

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

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

Other Operations

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

Other Operations: key figure and ratios

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

January–December

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

As from the beginning of the financial year, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The change has an impact on net interest income, net commissions and fees as well as net trading income included in net investment income. Comparatives have not been changed.

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

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

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

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

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

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

Group restructuring

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

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

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

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

Personnel and remuneration

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

Personnel

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

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

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

The long-term management remuneration scheme confirmed for 2014-16 terminated at the end of the financial year. A new long-term management remuneration scheme has been confirmed for 2017–2019. In addition, OP Financial Group's personnel fund remuneration scheme will be extended by one-year performance periods.

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

OP Cooperative's Supervisory Board has set the following long-term target performance metrics: OP Financial Group's EBT, customer experience and the use of digital services.

The Group-level targets are the same in the management incentive scheme and in OP Financial Group's Personnel Fund.

Capital expenditure and development

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

Representative offices and branches abroad

OP Corporate Bank plc runs a representative office in St. Petersburg and branches in Estonia, Latvia and Lithuania. In addition, it has subsidiaries in Estonia, Latvia and Lithuania engaged in finance-company operations. OP Insurance Ltd has a non-life insurance subsidiary in Estonia with a branch in both Latvia and Lithuania.

Corporate governance and management

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

The Annual General Meeting (AGM) re-elected OP Corporate Bank plc's Board: OP Financial Group's President and Group Executive Chairman Reijo Karhinen was re-elected Chairman of OP Corporate Bank's Board, and OP Financial Group's Executive Vice President of Operations Tony Vepsäläinen, OP Financial Group's Chief Financial Officer Harri Luhtala and Executive Vice President, OP Financial Group's Group Steering, Jari Himanen were re-elected Board members.

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

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

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

OP Corporate Bank plc's Corporate Governance Statement is available at www.op.fi.

Corporate social responsibility

Corporate social responsibility (CSR) is an integral part of business. In line with the strategy, it is further developed as part of OP Financial Group's CSR programme. The Group's CSR measures encompass economic, social and environmental responsibility. The Group's aim is to be a pioneer in CSR within its sector in Finland. The Group undertakes to comply with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption.

OP reports its CSR indicators based on the GRI G4 framework. Read more in the OP in 2016 report.

Joint and several liability

OP Corporate Bank plc is a member of the central institution (OP Cooperative) of an amalgamation, as referred to in the Act on the Amalgamation of Deposit Banks, and belongs to said amalgamation.

The amalgamation is formed by OP Corporate Bank, OP Cooperative as the central institution of the amalgamation, other companies belonging to the central institutions consolidation group, the central institutions member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights. OP Corporate Bank Group's insurance companies are not members of the aforementioned amalgamation.

The member credit institutions within the amalgamation (173 OP Financial Group's member cooperative banks, OP Corporate Bank plc, OP Mortgage Bank, OP Card Company Plc and OP-Process Services Ltd) and the central institution are jointly and severally liable for each other's debts. A creditor who has not received payment of an overdue amount (principal debt) may demand payment from the central institution when the principal debt falls due. In such a case, the central institution must produce a statement referred to in said Act, showing the amount of liability apportioned to each member credit institution. This liability between the credit institutions is determined in proportion to the total assets shown in their most recently adopted balance sheets.

The member credit institutions, including OP Corporate Bank plc, are obliged to participate in any necessary support measures aimed at preventing another member credit institution from going into liquidation, and to pay a debt for another member credit institution as referred to in Section 5 of the Act on the Amalgamation of Deposit Banks.

Furthermore, upon default of the central institution, a member credit institution shall have unlimited refinancing liability for the central institution's debts as laid down in the Co-operatives Act.

The central institution supervises its member credit institutions as specified in the Act on the Amalgamation of Deposit Banks, confirms the operating principles referred to in Section 5 of said Act with which it must comply, and issues instructions to the member credit institutions on capital adequacy and risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with uniform accounting policies in the preparation of the amalgamation's consolidated financial statements.

Protection afforded by the Deposit Guarantee Fund and the Investors' Compensation Fund

OP Corporate Bank plc belongs to the Deposit Guarantee Fund and to the Investors' Compensation Fund.

Under the law governing the Deposit Guarantee Fund, deposit banks as members of the amalgamation of cooperative banks (including OP Corporate Bank plc) are regarded as a single bank with respect to deposit guarantee. The Deposit Guarantee Fund reimburses a maximum total of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the amalgamation of cooperative banks

Under the law governing the Investors' Compensation Fund, the amalgamation of the cooperative banks is considered to constitute a single credit institution in respect of investors' compensation. An investor's receivables are compensated up to a total maximum of 20,000 euros. The Fund does not cover losses incurred due to changes in the prices of securities or to wrong investment decisions. The Fund safeguards only retail investors' claims.
Deposit guarantee is the responsibility of the Financial Stability Board operating under the Ministry of Finance.

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

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

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

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

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

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

Outlook for 2017

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

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

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

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

Key income statement and balance sheet items

Key income statements items, € million	2014*	2015*	2016
Net interest income	257	220	228
Net insurance income	461	507	534
Net commissions and fees	116	91	-4
Net investment income	273	319	247
Other income	33	36	31
Personnel costs	177	171	162
Other expenses	353	320	332
Impairment loss on receivables	25	29	37
OP bonuses to owner-customers	0	2	2
Earnings before tax	**584**	**652**	**504**
Key balance sheet items, Assets, € million			
Cash and cash equivalents	3,815	8,469	9,336
Derivative contracts	5,958	5,045	4,678
Receivables from credit institutions	10,263	9,678	9,458
Receivables from customers	15,513	17,183	18,702
Investment assets	11,350	14,881	16,698
PPE and intangible assets	960	839	883
Other assets	2,844	2,868	3,218
Total assets	**50,703**	**58,964**	**62,974**
Key balance sheet items, Liabilities and equity, € million			
Liabilities to credit institutions	5,241	5,209	10,332
Derivative contracts	5,892	4,959	4,398
Liabilities to customers	11,442	17,549	16,178
Insurance liabilities	2,737	2,917	3,008
Debt securities issued to the public	17,782	19,475	19,826
Other liabilies	4,201	5,112	5,228
Equity capital	3,408	3,741	4,005
Total liabilities and equity capital	**50,703**	**58,964**	**62,974**

*Discontinued operations included

Consolidated earnings by quarter

EUR million	Q1 / 2016	Q2/ 2016	Q3/ 2016	Q4/ 2016	Q1–4/ 2016	Q1–4/ 2015
Net interest income	60	58	60	50	228	220
Net insurance income	123	133	142	135	534	507
Net commissions and fees	7	0	3	-14	-4	37
Net investment income	38	44	71	94	247	319
Other operating income	10	12	9	3	33	29
Share of associates' profits	0	0	0	-2	-2	0
Total income	**237**	**248**	**286**	**266**	**1,037**	**1,113**
Personnel costs	42	43	35	42	162	155
Depreciation/amortisation	12	13	13	14	51	49
Other operating expenses	64	70	65	82	281	253
Total expenses	**118**	**126**	**113**	**137**	**494**	**457**
Impairment loss on receivables	8	0	6	23	37	29
OP bonuses to owner-customers		1	0	0	2	2
Earnings before tax	**111**	**122**	**167**	**105**	**504**	**625**

Financial indicators and share-related figures and ratios

Financial indicators	2014	2015	2016
Return on equity (ROE), %	14.3	14.8	10.4
Return on equity at fair value (ROE), %	16.0	11.5	12.2
Return on assets (ROA), %	1.0	1.0	0.7
Equity ratio, %	6.7	6.3	6.4
Cost/income ratio, %	46.6	41.9	47.6
Average personnel	2,563	2 446	2401
Share-related figures and ratios			
Equity per share, €	10.4	11.4	12.2
Dividend per share, €*	0.4	0.5	0.6
Dividend payout ratio, %*	30.0	30.0	50.4
Number of shares, year end	319,551,415	319,551,415	319,551,415

* Board proposal 2016

OP Coperative holds all OP Corporate Bank plc´s shares. The number of shares did not change during the financial year.

Formulas for key figures and ratios

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), %	$\frac{\text{Profit for the financial year}}{\text{Equity capital (average of the beginning and end of the financial year)}} \times 100$
Return on equity (ROE) at fair value, %	$\frac{\text{Total comprehensive income for the financial year}}{\text{Equity capital (average of the beginning and end of the financial year)}} \times 100$
Return on assets (ROA), %	$\frac{\text{Profit for the financial year}}{\text{Average balance sheet total (average of the beginning and end of the financial year)}} \times 100$
Equity ratio, %	$\frac{\text{Equity}}{\text{Balance sheet total}} \times 100$
Cost/income ratio, %	$\frac{\text{Total expenses}}{\text{Total income}} \times 100$
Equity/share	$\frac{\text{Equity}}{\text{Share-issued adjusted number of shares on the balance sheet date}}$
Dividend per share	$\frac{\text{Dividends paid for the financial year}}{\text{Share-issued adjusted number of shares on the balance sheet date}}$
Dividend payout ratio, %	$\frac{\text{Dividend per share}}{\text{Earnings per share}}$
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	$\frac{\text{Impairment loss on receivables}}{\text{Loan and guarantee portfolio at financial year end}} \times 100$
Non-life Insurance indicators	
Loss ratio (excl. unwinding of discount), %	$\frac{\text{Claims and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Expense ratio, %	$\frac{\text{Operating expenses + Amortisation/adjustment of intangible assets related to company acquisition}}{\text{Net insurance premium revenue}} \times 100$
Risk ratio (excl. unwinding of discount), %	$\frac{\text{Claims excl. loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$
Combined ratio (excl. unwinding of discount), %	Loss ratio + expense ratio Risk ratio + cost ratio
Cost ratio, %	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue}} \times 100$

Operating loss ratio, %	$\frac{\text{Claims incurred, excl. changes in reserving bases}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Operating expense ratio, %	$\frac{\text{Operating expenses}}{\text{Insurance premium revenue, excl. net changes in reserving bases}} \times 100$
Operating combined ratio, %	Operating loss ratio + Operating expense ratio Operating risk ratio + Operating cost ratio
Operating risk ratio (excl. unwinding of discount), %	$\frac{\text{Claims excl. loss adjustment expenses and changes in reserving bases}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Operating cost ratio, %	$\frac{\text{Operating expenses and loss adjustment expenses}}{\text{Net insurance premium revenue excl. changes in reserving bases}} \times 100$
Indicators based on capital adequacy measurement	
Capital adequacy ratio, %	$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$
Tier 1 ratio, %	$\frac{\text{Total Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$
CET1 ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$
Solvency ratio, %	$\frac{\text{Capital base}}{\text{Solvency requirement (SCR)}} \times 100$
Leverage ratio, %	$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$
Liquidity coverage requirement (LCR), %	$\frac{\text{Liquid assets}}{\text{Liquidity outflows - liquidity inflows under stressed conditions}} \times 100$
Return on economic capital, %	$\frac{\text{Earnings + customer bonuses after tax (value rolling 12 month)}}{\text{Average economic capital}} \times 100$

Non-Life Insurance Operating results	Q1–4/ 2016	Q1–4/ 2015	Change %
EUR million			
Insurance premium revenue	1,418	1,396	1.6
Claims incurred	-979	-972	0.8
Operating expenses	-263	-247	6.5
Amortisation adjustment of intangible assets	-21	-21	-0.3
Balance on technical account	**154**	**156**	**-0.8**
Net investment income	102	133	-23.0
Other income and expenses	-25	-22	15.5
Earnings before tax	**231**	**267**	**-13.2**
Gross change in fair value reserve	69	-92	
Earnings before tax at fair value	**300**	**175**	**71.3**

The 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.

Consolidated financial statements, IFRS

Financial statements

Consolidated income statement

EUR million	Note	2016	2015
Net interest income	4	228	220
Net insurance income	5	534	507
Net commissions and fees	6	-4	37
Net investment income	7	247	319
Other operating income	8	33	29
Share of associates' profits		-2	0
Total income		**1,037**	**1,113**
Personnel costs	9	162	155
Depreciation/amortisation	10	51	49
Other expenses	11	281	253
Total expenses		**494**	**457**
Impairment of receivables	12	37	29
OP bonuses to owner-customers		2	2
Earnings before tax		**504**	**625**
Income tax expense	13	102	120
Results of continuing operations		**402**	**505**
Results of discontinued operations		0	22
Profit for the period		**402**	**527**
Attributable to:			
Attributable to owners of the Parent		399	517
Attributable to non-controlling interest		3	10
Profit for the period		**402**	**527**

Consolidated statement of comprehensive income

EUR million	Note	2016	2015
Profit for the period		**402**	**527**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	30	-79	64
Items that may be reclassified to profit or loss			
Change in fair value reserve			
Measurement at fair value	32	104	-135
Cash flow hedge	32	-7	-7
Translation differences		0	0
Income tax on other comprehensive income			
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	24	16	-13
Items that may be reclassified to profit or loss			
Measurement at fair value	32	-21	27
Cash flow hedge	32	1	1
Total comprehensive income for the period		**416**	**466**
Attributable to:			
Total comprehensive income attributable to owners of the Parent		412	458
Total comprehensive income attributable to non-controlling interest		4	8
Total comprehensive income for the period		**416**	**466**
Comprehensive income attributable to owners of the parent is divided as follows:			
Continuing operations		412	436
Discontinued operations			22
Total		**412**	**458**

The grouping of the income statement and balance sheet formats has been revised. Compraratives have been restated to correspond to the new grouping. Information on the grouping change can be found in Note 3.

Consolidated balance sheet

EUR million	Note	31 Dec. 2016	31 Dec. 2015
Cash and cash equivalents	14	9,336	8,469
Receivables from credit institutions	15	9,458	9,678
Financial assets held for trading	16	638	852
Derivative contracts	17	4,678	5,045
Receivables from customers	18	18,702	17,183
Investment assets	19	16,698	14,881
Investments in associates	20	46	16
Intangible assets	21	790	781
Property, plant and equipment (PPE)	22	93	58
Other assets	23	2,488	1,965
Tax assets	24	46	35
Total assets		**62,974**	**58,964**
Liabilities to credit institutions	25	10,332	5,209
Derivative contracts	26	4,398	4,959
Liabilities to customers	27	16,178	17,549
Insurance liabilities	28	3,008	2,917
Debt securities issued to the public	29	19,826	19,475
Provisions and other liabilities	30	3,231	3,005
Tax liabilities	24	405	370
Subordinated liabilities	31	1,592	1,737
Total liabilities		**58,969**	**55,223**
Equity capital	32		
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve		197	120
Other reserves		1,093	1,093
Retained earnings		2,179	1,996
Non-controlling interest	43	**109**	**105**
Total equity capital		**4,005**	**3,741**
Total liabilities and equity capital		**62,974**	**58,964**

Consolidated statement of changes in equity

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

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

Consolidated cash flow statement

EUR million	Note	2016	2015*
Cash flow from operating activities			
Profit for the period		399	517
Adjustments to profit for the period		125	200
Increase (-) or decrease (+) in operating assets		**-3,842**	**-4,281**
Receivables from credit institutions	14	183	428
Financial assets held for trading	16	-62	156
Derivative contracts	17	23	9
Receivables from customers	18	-1,552	-1,531
Investment assets	19	-1,695	-3,776
Other assets	23	-740	433
Increase (+) or decrease (-) in operating liabilities		**3,931**	**6,492**
Liabilities to credit institutions	25	5,151	-22
Financial liabilities at fair value through profit or loss		0	-4
Derivative contracts	26	-24	-6
Liabilities to customers	27	-1,372	6,107
Insurance liabilities	28	29	64
Provisions and other liabilities	30	146	352
Income tax paid		-80	-133
Dividends received		36	54
A. Net cash from operating activities		**569**	**2,850**
Cash flow from investing activities			
Increases in held-to-maturity financial assets		0	-20
Decreases in held-to-maturity financial assets		15	70
Acquisition of subsidiaries and associates, net of cash acquired		-33	-13
Disposal of subsidiaries and associates, net of cash disposed		0	11
Purchase of PPE and intangible assets	21.22	-94	-40
Proceeds from sale of PPE and intangible assets	21.22	6	4
B. Net cash used in investing activities		**-106**	**11**
Cash flow from financing activities			
Increases in subordinated liabilities	31	0	1,327
Decreases in subordinated liabilities	31	-144	-700
Increases in debt securities issued to the public	29	24,946	27,342
Decreases in debt securities issued to the public	29	-24,282	-26,196
Dividends paid		-153	-137
C. Net cash provided by (used in) financing activities		**367**	**1,636**
Net increase/decrease in cash and cash equivalents (A+B+C)		**830**	**4,497**
Cash and cash equivalents at year-start		**8,803**	**4,306**
Cash and cash equivalents at year-end		**9,633**	**8,803**
Interest received		**1,638**	**1,786**
Interest paid		**-1,374**	**-1,580**

EUR million			
Adjustments to profit for the financial year			
Non-cash items and other adjustments			
Impairment losses on receivables		37	30
Unrealised net earnings in insurance operations		88	73
Change in fair value for trading		16	21
Unrealised net gains on foreign exchange operations		-107	-117
Change in fair value of other investments		-32	101
Planned amortisation/depreciation		51	52
Share of associates' profits		2	0
Income tax paid		80	133
Dividends received		-36	-54
Other		26	-39
Items presented outside cash flow from operating activities			
Capital gains, share of cash flow from investing activities		-1	
Total adjustments		**125**	**200**
Cash and cash equivalents			
Liquid assets	14	9,336	8,469
Receivables from financial institutions payable on demand		297	334
Total		**9,633**	**8,803**

* Includes discontinued operations

Segment reporting

OP Corporate Bank Group's business segments are Banking and Non-life Insurance. These business segments and Other Operations constitutes the Group' operating segments. Defining segments and presentation are based on OP Corporate Bank plc's Board of Directors reporting. The segments' earnings and profitability are assessed in terms of EBT.

As of 1 January 2016, the operating model of Group Treasury has been revised. The division of tasks between Markets and Group Treasury was changed. Interest rate derivatives and FX trading as well as bonds trading were transferred from the Markets division in OP Corporate Bank's Banking segment to the Other Operations segment. Markets will focus on supporting OP Financial Group member cooperative banks in selling market risk products. The new division of tasks had minor impacts on the internal distribution of profit within OP Financial Group. Comparative segment information has not been changed.

Segment accounting policies

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

Banking and Other Operations 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. The Group has allocated capital to its operating segments in such a way that the Common Equity Tier 1 (CET1) ratio stands at 19% (18). Capital has been allocated to insurance operations 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. The allocation of equity capital to the business segments is carried out through an internal bank under Other Operations, which means that any earnings effect of equity capital differing from the target level is shown under Other Operations.

Banking

Banking consists of one division, Corporate Customers, which 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.

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

Net income derives mainly from net interest income, commissions and fees, and net investment income. The most significant risk category pertains to credit risk but business also involves market risks and operational risks.

Non-life Insurance

The following three Group companies conduct Non-life Insurance business in Finland: OP Insurance Ltd is a general non-life insurance company, A-Insurance Ltd focuses on non-life insurance for commercial transport and Eurooppalainen Insurance Company Ltd specialises in travel insurance. Non-life insurance business in Estonia is conducted by Seesam Insurance AS with a branch in both Latvia and Lithuania. The Non-life Insurance segment also includes Pohjola Health Ltd (formerly Omasairaala Oy) which has Pohjola Hospitals in Helsinki and Tampere.

Non-life insurance products include non-life products sold to corporate and private customers. Net income generated by Non-life Insurance derives mainly from insurance premiums and investment income. The most significant risks in Non-life Insurance pertain to insurance risks and investment risks. Pohjola Hospital's earnings come from doctor's fees and billing for treatment, diagnostics and occupational healthcare services.

Other Operations

Functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer, have been centralised within Other Operations. The segment is an active player in international derivatives markets, the euro-area government bond market and covered bond market as well as corporate bond markets.

Other Operations is responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of the Group's wholesale funding together with OP Mortgage Bank.

In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Other 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 CET 1 ratio is 19% (18%). Capital has been allocated to Non-life Insurance operations in such a way that Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

The grouping of the income statement and balance sheet formats has been revised. Comparatives have been restated to correspond to the new grouping. Information on the grouping change can be found in Note 3.

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

Net income from the Baltic countries came to EUR 6 million

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

Net income from the Baltic countries came to EUR 7 million

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

Net assets from the Baltic countries came to EUR 66 million.

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

Net assets from the Baltic countries came to EUR 60 million.

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Note 1. OP Corporate Bank Group's Accounting Policies

General

OP Corporate Bank (formerly Pohjola Bank) is the leading non-life insurer and ranks among the leading corporate banks in Finland. OP Corporate Bank has a well-established and broad customer base consisting of companies and institutions to which it provides an extensive range of banking and non-life insurance services. In addition, it provides private customers with non-life insurance services. OP Corporate Bank also acts as the central bank for OP Financial Group's cooperative banks.

Pohjola Bank plc Series A shares were delisted from the Helsinki Stock Exchange on 30 September 2014 when OP Cooperative implemented a bid announced in February 2014. OP Cooperative was entered as the only shareholder in Pohjola Bank plc's shareholder register on 7 October 2014. As a result of the implementation of the bid made by OP Cooperative, OP Corporate Bank Group underwent restructuring whereby wealth management and card and property management operations were transferred to a new company established in OP Financial Group through a partial demerger on 30 December 2015. For this reason, the Wealth Management segment is reported, according to IFRS 5, as discontinued operations in the income statement for the previous year. Banking, Non-Life Insurance and Other Operations are reported as continuing operations in the income statement.

OP Corporate Bank has three segments during the financial year: Banking, Non-life Insurance and Other Operations. Banking provides corporate and institutional customers with financing, investment and payment transaction solutions on an international scale. Non-life Insurance provides corporate and private customers with non-life insurance products covering both statutory and voluntary policies. In addition to these two business segments, the financial results of Central Banking and Treasury and administrative functions are presented under the Other Operations segment.

OP Corporate Bank plc belongs to OP Financial Group, which consists of 170 cooperative banks and their central cooperative, OP Cooperative with its subsidiaries. OP Financial Group's member credit institutions comprise OP Corporate Bank plc, Helsinki Area Cooperative Bank (formerly Helsinki OP Bank Ltd), OP Card Company Plc, OP Mortgage Bank and OP Cooperative's member cooperative banks.

In accordance with the Act on the Amalgamation of Deposit banks, the member credit institutions, OP Corporate Bank included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

OP Corporate Bank is domiciled in Helsinki and the address of its registered office is Gebhardinaukio 1, FI-00510 Helsinki and the postal address of its registered office is P.O. Box 308, FI-00013 OP. A copy of OP Corporate Bank's consolidated financial statements is available at www.op.fi or the Company's registered office.

OP Corporate Bank plc's parent company is OP Cooperative and OP Corporate Bank's consolidated accounts are included in its consolidated financial statements.

Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 Helsinki. OP Financial Group's financial statements are available at www.op.fi or the company's registered office at Gebhardinaukio 1, FI-00510 Helsinki.

The Board of Directors approved the consolidated financial statements for issue on 2 February 2017.

1 Basis of preparation

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2016. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council. OP Corporate Bank's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

The grouping of the income statement and balance sheet formats has been revised in the financial statements. This has no effect on equity capital, balance sheet total or profit for the financial year. Segment reporting has been updated accordingly. The comparatives have been restated to correspond to the new grouping (Note 3: Changes in presentation of financial statements).

In 2016, OP Corporate Bank adopted the following standards and interpretations:

- Amendment to IAS 1 was aimed at enhancing the understandability of financial statements by focusing on presenting relevant items. The adopted new income statement and balance sheet format better reflects the current business model than the previous one.
- Annual improvements to IFRS for cycles 2012-2014 (applicable mainly to accounting periods beginning on or after 1 January 2016.) Minor amendments are annually made to standards through the Annual Improvements process. The effects of the amendments vary by standard but they are not significant.

- In addition, amendments have been made to IFRS 10, IFRS 11, IFRS 12, IAS 16, IAS 28 and IAS 38, effective since 1 January 2016. The amendments did not have any major effect on OP Corporate Bank's financial statements.

OP Corporate Bank Group's consolidated financial statements were prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, hedged items in fair value hedging (for hedged risk), derivative contracts and investment property.

The financial statements are presented in millions of euro.

OP Corporate Bank Group presents Pillar 3 capital adequacy information, consistent with EU Regulation No. 575/2013 of the European Parliament and of the Council, as part of OP Financial Group's financial statements. OP Corporate Bank Group presents its capital base, the minimum capital requirement, capital ratios, corporate exposures by sector, corporate exposures and credit institution exposures by borrower grade and derivative contracts and counterparty risk.

2 Use of estimates

The preparation of the financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions in the application of the accounting policies. Section 18 "Critical accounting estimates and judgements" provides more detailed information on applying accounting policies requiring management assessment and judgement.

3 Consolidation principles

The Consolidated Financial Statements contain the parent company OP Corporate Bank plc and any subsidiaries that the parent company controls. OP Corporate Bank Group has control over an entity if it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (including structured entities). Most of the subsidiaries are wholly owned by the Group, which means that control is based on votes.

OP Corporate Bank both acts as investor and manages various mutual funds in order to gain investment income and various commissions. Funds that have been classified as structured entities have been consolidated into the consolidated financial statements when the Group's control is not based on votes but the control of significant operations, exposure to varying income from the fund, and organising the fund's management. Changes in control concerning various fund investments consolidated into the Group are monitored quarterly. When estimating the amount of control, the Group takes into account the investor's power to direct relevant activities over an investee and the investor's exposure to varying returns.

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that fund are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the income statement.

Intra-Group shareholding has been eliminated using the acquisition method. The consideration transferred and the acquiree's identifiable assets acquired and liabilities assumed are measured at fair value at the time of acquisition. Acquisition cost in excess of net assets is presented under goodwill. If the acquisition cost is lower than the fair value of net assets, the difference is recognised in profit and loss.

Acquisition-related costs are expensed as incurred. Any contingent consideration is measured at fair value and classified as a liability or equity. Contingent consideration classified as a liability is measured at fair value in the income statement on the balance sheet date.

Associated companies, in which OP Corporate Bank holds 20–50% of voting shares and over which OP Corporate Bank exercises significant influence but not control, are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. If the Group's share of losses in an associate exceeds its interest in the associate, the investment is entered in the balance sheet at zero value, and further losses exceeding the carrying amount are not recognised unless the Group is committed to fulfil the obligations of associates.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement in which the Group has rights to the arrangement's net assets, while in a joint operation the Group has both rights to assets and obligations for the liabilities relating to the arrangement. Property companies are incorporated into OP Corporate Bank Group's financial statements as joint operations by consolidating the proportionate share of the Group's holding of the property company's assets and liabilities.

Subsidiaries, associates or joint arrangements acquired during the financial year are consolidated from the date on which control or significant influence is transferred to the Group while those that have been sold are de-consolidated from the date on which control or significant influence ceases.

Intra-Group transactions, receivables, liabilities and profit distribution are eliminated in the preparation of the consolidated financial statements.

3.1 Non-controlling interests

Profit for the financial year attributable to the owners of the parent and non-controlling interests is presented in the income statement, and total comprehensive income attributable to the owners of the parent and non-controlling interests is presented in the statement of comprehensive income.

Profit shown in the income statement and the statement of comprehensive income is also attributed to non-controlling interests in the event that their share, as a result, would become negative. Non-controlling interests are presented as part of equity capital in the balance sheet. If the investee's equity does not fulfil the equity classification criteria under IAS 32, the non-controlling parties' share of the net assets is presented as liability.

Non-controlling interests in an acquiree are measured either at fair value or as the proportionate share of net assets of the acquiree. The valuation principle applied is determined separately for each acquiree.

4 Assets and liabilities classified as held for distribution to owners and discontinued operations

Assets (or a group of items to be distributed) and related liabilities are classified to be distributed to owners if they have been decided to transfer them at carrying amount within OP Financial Group as a result of structural arrangements. The conditions for classification of asset distributable to owners is considered to have been fulfilled when the transfer is highly probable and the asset (or group of items to be distributed) is available for immediate sale in its present condition subject only to terms that are usual and customary, the management is committed to the transfer and the transfer is expected to be completed within one year from the date of classification.

A discontinued operation is a part of the Group which has been classified to be distributed to owners and which fulfils one of the following conditions:
1. It represents a separate major line of business.
2. It is part of a single coordinated plan concerning the transfer of a key business segment.

The earnings of discontinued operations are presented as a separate line item in the income statement and the statement of comprehensive income. Assets distributed to owners (or group of items to be distributed) and any liabilities related to them are presented in the balance sheet separately from other items.

If it is found out later that the criteria for an asset (or a group of assets) classified as held for distribution to owners are no longer fulfilled, the asset (or group assets) is reclassified to continuing operations and measured according to the applicable IFRS standards.

5 Foreign currency translation

The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under "Net investment income" in the income statement.

The income statements of foreign subsidiaries, whose functional currency is other than the euro, are translated into euros using the average exchange rate for the financial year, while their balance sheets are translated into euros using the exchange rate quoted on the balance sheet date. The resulting exchange rate differences are recognised as translation differences in other comprehensive income. For foreign subsidiaries, translation differences arising from the use of the acquisition method and from post-acquisition equity items are recognised in other comprehensive income. If a subsidiary is sold, any accumulated translation differences will be recognised as part of capital gain or loss in the income statement.

6 Financial instruments

6.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

The fair value of financial instruments is determined using either prices quoted in an active market or the company's own valuation techniques where no active market exists. Markets are deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of illiquid financial assets is insignificant in the balance sheet.

6.2 Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset other than that carried at fair value through profit or loss is impaired.

A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- a significant decline in the issuer's financial results, credit rating, balance sheet, payment status or business plans, and unfavourable changes in the issuer's economic and operating environment;
- a bona fide bid for the same or similar investment from the market below acquisition value;
- events or circumstances that significantly weaken the issuer's ability to operate on a going concern basis, such as negative cash flows resulting from operations, insufficient capital and shortage of working capital;
- indications that a borrower will enter bankruptcy or other reorganisation;
- a borrower's breach of contract;
- a concession granted to the borrower;
- impairment recognised earlier; and
- the disappearance of an active market for a financial asset.

In addition, a significant or prolonged decline in the equity instrument's fair value below its cost constitutes objective evidence of impairment.

A more detailed description of recognition of impairment losses can be found under the various financial instruments below.

6.3 Securities sale and repurchase agreements

The purchase price of securities bought under 'resell conditions' binding on both parties is recognised as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is treated as interest income and accrued over the term of the agreement.

The selling price of securities sold under 'resell conditions' binding on both parties is recognised as a financial liability under the balance sheet item determined by the counterparty. The difference between the selling price and repurchase price is treated as interest expenses and accrued over the term of the agreement.

6.4 Classification and recognition of financial instruments

Upon initial recognition, financial assets and liabilities are classified as follows: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired.

The purchase and sale of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised in the balance sheet on the transaction date, or the date on which the company agrees to buy or sell the asset or liability in question. Notes and bonds classified as loans and receivables are recognised as financial assets on the transaction date and loans

granted on the date on which the customer draws down the loan.

Financial assets and liabilities are offset in the balance sheet if OP Corporate Bank currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis. OTC interest rate derivatives for central counterparty clearing are offset in the balance sheet, which are cleared in the daily clearing process with London Clearing House.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

6.4.1 Financial assets and liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss include financial assets and liabilities held for trading, derivative contracts held for trading and financial assets at fair value through profit or loss at inception. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are charged to expenses. A subsequent change in fair value as well as capital gains and losses, interest income and expenses, and dividend income are recognised in the item by their nature in the income statement.

6.4.1.1 Financial assets and liabilities held for trading and derivative contracts held for trading

Assets held for trading include notes and bonds, and shares and participations acquired with a view to generating profits from short-term fluctuations in market prices. Liabilities held for trading refer to the obligation to deliver securities which have been sold but which have not been owned at the time of selling (short selling). Derivatives are also treated as held for trading items unless they are designated as derivatives for effective hedging or they are guarantee contract derivatives.

6.4.1.2 Financial assets at fair value through profit or loss at inception

Financial assets at fair value through profit or loss at inception include financial assets which are designated as at fair value through profit or loss upon their initial recognition.

Bonds, which the Group, in accordance with its risk management principles, manages and assesses their performance at fair value in order to receive a true and real-time picture of investment operations, are defined as those recognised at fair value through profit or loss at inception. Reporting to the Group's management is based on fair values.

Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

Financial assets at fair value through profit or loss also include hybrid instruments in which the fair value of an embedded derivative cannot be determined separately.

6.4.2 Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Receivables related to insurance contracts, claims administration contracts and disposal of investments are presented within this asset class. These financial assets are shown as receivables from customers, from credit and financial institutions or as other assets in the consolidated balance sheet.

Loans and receivables are initially recognised at cost, which is the fair value of consideration given plus directly attributable transaction costs. Loans and receivables are carried at amortised cost after their initial recognition, using the effective interest method.

Impairment losses on loans and receivables are recognised on an individual or collective basis. Impairments will be assessed on an individual basis if the debtor's total exposure is significant. In other respects, impairment is assessed on a collective basis.

Impairment is recognised and impairment losses incurred if there is objective evidence that the receivable cannot be recovered in full. The receivable has impaired if its present value of the estimated future cash flows – collateral included – is lower than the aggregate carrying amount of the loan and the related unpaid interest. Estimated future cash flows are discounted at the loan's original effective interest rate. If the loan carries a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the agreement. Impairment loss recognised in profit or loss equals the difference between the carrying amount of the loan and the lower present value of future cash flows.

Impairment assessment is a two-phase process. Impairment is assessed individually for loans and receivables. If it is not necessary to assess impairment for financial assets included in loans and receivables on an individual basis, they will be assessed collectively for impairment. Collectively assessed impairment includes losses incurred but not yet reported, which cannot yet be allocated to a certain loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital. The model is derived from the expected credit loss model used in capital adequacy measurement, adjusted to correspond to the requirements under IFRS. Through-the-cycle component and the official

minimum capital adequacy requirements have been eliminated from the PD and LGD estimates used in the economic capital requirement model so that they better reflect the point in time approach and the current economic cycle.
In the model, the so-called emergence period is used to measure the identification of a loss event. The emergence period is based on OP Financial Group's impairment assessment process by customer segment. The emergence period reflects the time effect of a loss event on testing a loan for impairment on an individual basis. In addition, the receivables in the model are grouped into customer segments on the basis of similar credit risk characteristics. Collectively assessed impairment is measured by customer segment on the basis of the expected loss and the measurement also takes account of the emergence period and the discounted present values of collateral.

If the contractual payment terms of a loan are modified, the reason for such modification and the severity class are documented using an internally defined scale. Loans may also be modified for reasons related to the management of customer relationships, not to the financial difficulties of the customer. Such modifications do not affect loan impairment recognition. In some cases, the Group may, due to the customer's financial difficulties, modify the loan terms and conditions, such as in terms of repayment holiday for a limited period or another loan modification, which are aimed at securing the customer's repayment capacity and limiting credit risk associated with liabilities. Such renegotiated loans are reported as doubtful receivables. Modifications in the contractual payment terms that are due to the customer's financial difficulties are forbearance measures and together with other criteria reduce the customer's credit rating and thereby increase collective impairment allowance. In addition, they will also have an effect on the loan being assessed on an individual basis for impairment. If the customer has adhered to the new payment terms and no impairment allowance has been recognised for the customer's exposure, it will be removed from doubtful debt classification after two years. Modifications in payment terms are subject to regular monitoring and reporting to the management as an indicator anticipating customers solvency.

Loans and receivables are categorised in the notes to evaluate the credit quality also on the basis of how the debtor is estimated to be able to fulfil its payment obligations. A loan is categorised as non-performing if payments are more than 90 days past due, if the customer has been rated in the Group's internal 12-grade rating system in the weakest two borrower grades (11 or 12) or if an individual impairment loss has been recognised. In all other cases the loan is reported under "performing" category.

Both individual and collective impairment loss is recorded in a separate allowance account to reduce the carrying amount of receivables in the balance sheet. Impairment losses are presented in the income statement under "Impairment losses on receivables". Recognition of interest on the impaired amount continues after the recognition of impairment.

The loan is derecognised after the completion of debt-collection measures if the loan terms are substantially modified (such as refinancing). Payments received after the derecognition are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

6.4.3 Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the company has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value to which transaction costs are added. These investments are subsequently carried at amortised cost after their initial recognition, using the effective interest method.

Impairment of investments held to maturity is reviewed on the basis of the same principles as that of loans and receivables. The difference between the carrying amount of notes and bonds and a lower present value of future cash flows is recognised as an impairment loss in the income statement.

Investments included in the financial assets held to maturity category are sold before their maturity only in exceptional cases mentioned in IAS 39.

6.4.4 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, comprising notes and bonds, shares and participations.

At the time of their acquisition, available-for-sale financial assets are recognised at cost, which equals the fair value of the consideration paid plus transaction costs directly attributable to their acquisition. Available-for-sale financial assets are subsequently measured at fair value. Any changes in their fair value are recognised in other comprehensive income, from where they are transferred to the income statement when the asset is derecognised or there is objective evidence that the asset is impaired.

In the case of available-for-sale financial assets, for example, a significant downgrade of the credit rating of the issuer of bonds and notes, or a significant or prolonged decline in the equity instrument's fair value below its cost, constitutes objective evidence. If an equity instrument's market value continues to fall following impairment recognition, the impairment loss will be recognised in the income statement.

If the fair value of impaired notes and bonds classified as available-for-sale financial assets increases subsequently and this increase can be objectively regarded as being related to an event after their impairment loss recognition, the impairment loss will be reversed and recorded in the income statement. If

the fair value of an impaired equity instrument increases subsequently, this increase will be recognised in other comprehensive income.

Interest income related to available-for-sale financial assets are recognised under Net interest income in the income statement and dividends under Net investment income.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest income over the estimated residual term to maturity, using the effective interest method.

6.5 Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand.

6.6 Other financial liabilities

Other financial liabilities include financial liabilities other than those at fair value through profit or loss, comprising deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities. Other financial liabilities are recognised in the balance sheet on the settlement date and carried at amortised cost after initial recognition.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest expenses over the estimated residual term to maturity, using the effective interest method.

6.7 Derivative contracts

Derivative contracts are classified as hedging derivative contracts and derivative contracts held for trading, containing interest rate, currency, equity, commodity and credit derivatives. Derivatives are measured at fair value at all times.

The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are netted and shown as a net change in cash and cash equivalents. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

The Group's Risk Management has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument.

In accordance with the hedging principles, the Group can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Cash flow hedging refers to hedging against changes in future cash flows and fair value hedging refers to hedging against changes in the fair value of the hedged asset.

Contracts are not accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. The Group's parent company, OP Corporate Bank plc, also concludes derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

6.7.1 Derivatives held for trading

The difference between interest received and paid on interest-rate swaps held for trading is recorded in interest income or expenses and the corresponding interest carried forward is recognised in other assets or other liabilities. Changes in the fair value of derivatives held for trading are recorded under Net investment income in the income statement. Derivatives are carried as assets under Derivative contracts when their fair value is positive and as liabilities under Derivative contracts when their fair value is negative.

Embedded derivatives associated with structured bonds issued are separated from the host contract and measured at fair value in the balance sheet, and changes in their fair value and derivatives designated as their hedging instruments are recognised in Net interest income.

6.8 Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging and hedged instrument. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%.

6.8.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (OP Corporate Bank's own issues), individual bond and loan portfolios, as well as individual loans. OP Corporate Bank uses forward exchange contracts and interest-rate and currency swaps as hedging instruments. Hedging against equity and foreign currency risks applies to Non-life Insurance's equity fund investments.

Changes in the fair value of derivative contracts that are documented as hedging the fair value and are highly effective

hedges are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss.

In fair value hedge accounting, changes in the fair value of the hedged item and hedging instrument are recorded under Net interest income, with the exception of changes in the fair value of mutual fund investments included in Non-life Insurance's available-for-sale financial assets and that of instruments hedging them, which are recognised in Net investment income.

6.8.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedging is used to hedge the future interest flows of the loans defined on the basis of reference interest rate linkage. Interest rate swaps are mainly used as hedging instruments.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffective portion of changes in the fair value is recognised immediately in profit or loss. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

7 Investment property

Investment property is land and/or buildings or part thereof held to earn rental income or for capital appreciation. Property, a minor part of which is used by the owner company or its personnel, is also accounted for as investment property. However, a part of property used by the owner company or its personnel is not accounted for as investment property if the part can be sold separately. Investment property is shown as investment assets in the consolidated balance sheet.

Investment property is initially recognised at cost which includes transaction costs. It is subsequently carried at fair value. Investment property under construction is also measured at fair value only if the fair value can be determined reliably. Any changes in fair value are recognised under Net investment income in the income statement.

If no comparable market data is available on the actual transaction prices of the property comparable with the property under review, the Group uses the income approach and internal methods based on property-specific net income to determine the fair value of commercial, office and industrial premises. The Group uses both OP Financial Group's internal and external information in the income approach. A property's net income comprises the difference between rental income and maintenance charges and it is based on income under current leases or, if no lease is in force, on average market rents. Expenses deducted from income are mainly based on actual expenses. Assumption of underutilisation of the property is also taken into account in the calculation. For the income approach, the Group obtains information on market rental and cost levels from sources outside OP Financial Group, in addition to its own expertise. The return requirements for investment property holdings are determined on the basis of the property's purpose of use, location and condition/modernness and are based on market data provided by an external expert.

The fair value of residential buildings and land areas is primarily determined using the market approach, based on information on the actual transaction prices of similar properties and on OP Financial Group's internal expertise. In the fair value of undeveloped plots, the Group has taken account of the planning and market situation at the time of appraisal. The fair value of major property holdings is based on valuation reports drawn up by Authorised Property Valuers. External valuers use a cash flow analysis as the basis for their appraisal.

8 Intangible assets

8.1 Goodwill

For business combinations on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree and the previous holding exceed the Group's share of the fair value of the acquired assets and assumed liabilities.

For acquisitions before the above date, goodwill represents at the time of acquisition the excess of the cost of an acquisition over the fair value of OP Financial Group's share of the net identifiable assets, liabilities and contingent liabilities of an acquiree.

Goodwill is tested annually for any impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units, which are either business segments or entities belonging to them. Goodwill is carried at cost less accumulated impairment losses.

8.2 Customer relationships

Identifiable customer relationships acquired through business combinations are measured at fair value upon acquisition. This intangible asset arising from customer relationships is amortised on a straight-line basis over the asset's estimated useful life. The estimated useful life of OP Corporate Bank Group's acquired customer relationships is 10–13 years.

8.3 Brands

Identifiable brands acquired through business combinations are measured at fair value upon acquisition. The estimated useful lives of brands acquired through business combinations are

indefinite, since they will generate cash flows for an indefinable period. The value of brands is tested annually for impairment.

8.4 Deferred acquisition costs of insurance contracts

Foreign subsidiaries defer costs associated with the acquisition of new insurance contracts or with the renewal of existing contracts. The resulting intangible asset is amortised on a straight-line basis over the effective lives of the contracts, which is a policy period. An intangible asset is tested annually for impairment in connection with testing the adequacy of the liability associated with insurance contracts.

8.5 Other intangible assets

Other intangible assets are measured at cost less accumulated amortisation and any impairment losses. These assets are amortised over their estimated useful lives, which is 2–10 years for computer software and licences and 5 years in general for other intangible assets. The useful lives of assets are reviewed on each balance sheet date and, if necessary, their value is tested for impairment.

Expenditure on the development of computer software or assets is presented as an intangible asset when their amount can be reliably determined and they will generate future economic benefits. The asset will be amortised from the time it is ready for use, mainly over 3–10 years. An asset that is not yet ready for use is tested annually for impairment.

9 Property, plant and equipment

Property, plant and equipment (PPE) assets are measured at cost less depreciation and any impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation.

Subsequent expenditures are capitalised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated.

The estimated useful lives are mainly as follows:

Buildings	20–50 years
Machinery and equipment	3–10 years
IT equipment	3–5 years
Cars	5–6 years
Other PPE assets	3–10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

9.1 Impairment of PPE and intangible assets

On each balance sheet date, the Group assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. Regardless of the existence of such indication, the recoverable amount is estimated for assets not yet available for use, goodwill and intangible assets with indefinite useful lives (brands). An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The need for impairment of the annually tested assets stated above is always determined on the basis of value-in-use calculations.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or the business segment or its company, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised. Impairment loss on goodwill may not be reversed under any circumstances.

In respect of property in own use, the Group assesses as part of the financial statements whether there is any indication of an impaired property. Such indication includes a significant reduction in the market value and evidence of non-marketability or physical damage. If the income generated in the future by property in own use is expected to be lower than its acquisition cost not depreciated, the resulting difference will be impairment loss and charged to expenses.

10 Leases

Whether a lease is classified as a finance lease or an operating lease depends on the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. Lease classification is performed at the inception of the lease.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet, to the amount equal to the net investment in the lease. Finance income from the lease is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased under finance lease are recognised as property, plant and equipment and the corresponding finance lease liability is included in other liabilities. At the inception of the lease term, these leased assets are recorded as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments. PPA assets are depreciated over the shorter of the lease term or the life of the asset. Finance charges are recognised in interest expenses so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets leased out under operating lease are shown under property, plant and equipment and are depreciated on a straight-line basis over the lease term. Lease income is presented under Other operating income and is recognised on straight-line basis over the lease term. Lease payments for leased assets under operating lease are recognised as expenses in Other operating expenses on a straight-line basis over the lease term.

11 Employee benefits

11.1 Pension benefits

Statutory pension cover for OP Corporate Bank Group companies' employees is arranged through pension insurance taken out with OP Bank Group Pension Fund. Some OP Corporate Bank Group companies provide their employees with supplementary pension cover through OP Bank Group Pension Foundation or an insurance company.

With respect to funded disability and old-age pensions, pensions managed by OP Bank Group Pension Fund are defined benefit plans. Pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP Bank Group Pension Foundation are defined benefit plans.

Expenses arising from pension plans are recognised under Personnel costs in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Changing or curtailing defined benefit pension plans is recognised through profit or loss at the time of occurrence.

Defined benefit plans managed by insurance companies, OP Bank Group Pension Fund and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets.

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods.

11.2. Long-term management remuneration scheme

The Group has short-term and long-term management remuneration schemes in place, on the basis of which the person covered by the schemes may receive the related compensation for services rendered during each performance period fully in cash or as a reward settled as a combination of cash and a debenture loan issued by OP. The maximum amount of the remuneration schemes is calculated on the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs and the corresponding adjustment is made in deferred expenses.

12 Insurance assets and liabilities

12.1 Classification of assets and liabilities within insurance business

The section "Classification and recognition" under Financial Instruments contains information on the classification of financial assets and liabilities within Non-life Insurance.

12.2 Classification of insurance contracts issued by insurers

An insurance contract is a contract which transfers significant insurance risk from the policyholder to the insurer, as defined in IFRS 4. Other contracts which the insurance company may issue under its licence represent investment or claims management contracts. If a contract does not involve any significant insurance risk on the balance sheet date but the policyholder has the right to change the contract in such a way that the contract transfers significant insurance risk to the

insurer, the contract is classified as an insurance contract. Almost all of the contracts issued by non-life insurers are insurance contracts.

Insurance contracts are classified into risk groups in such a way that the risks of contracts are homogeneous in each group. This classification into categories takes account of the insured object and differences in the duration of contracts or the average length of the period between the occurrence of a loss event and the date of the fully-paid claim (claim settlement period).

The main insurance contract categories are short-term non-life contracts and long-term contracts.

Short-term policies usually have a policy term of 12 months or less, very rarely over 24 months. In particular, policies for private individuals, motor-vehicle policies and statutory workers' compensation policies are usually automatically renewable annual policies that are treated as short-term contracts.

Long-term non-life insurance contracts refer to contracts with an average minimum policy term of two years. These include perpetual insurance policies and decennial insurance policies under the Housing Transactions Act.

Descriptions of insurance contracts can be found in the section "Risk Management Principles", Insurance operations.

12.3 Recognition and measurement of insurance contracts issued by insurers

Contracts are recognised when an insurer's obligation to pay out the related claim begins following the occurrence of an insurance event.

Insurance contracts are measured and accounted for in accordance with IFRS 4 – Insurance Contracts. Investment contracts are measured in accordance with IAS 39.

Liabilities of contracts issued by insurers and measured under IFRS 4 are calculated mainly in accordance with national accounting standards. However, equalisation provisions are not included in these liabilities but are included in equity capital.

The liabilities comprise provisions for unearned premiums and provision for unpaid claims. Non-life provisions for unearned premiums equal the liabilities arising from claims and other expenses expected for the remaining coverage periods of the recognised policies. Provision for unpaid claims arises from reported and non-reported claims incurred and from their claims and settlement expenses paid in the future.

12.3.1. Measurement of insurance contracts issued by non-life insurers

Premiums are primarily recognised as revenue over the term of the contract. However, revenue recognition in decennial and perpetual insurance policies is based on the distribution of underwriting risk. In these policies, the portion of premiums written for the post-balance sheet date is recorded as provision for unearned premiums in the balance sheet and recognised as premium revenue relative to risk over the policy term.

Claims paid out and direct and indirect claim settlement expenses are charged to claims incurred on the basis of the date of loss occurrence. Claims unsettled on the balance sheet date for losses already occurred and their settlement expenses – including claims occurred but not yet reported to the Group (IBNR) – are reserved in the provision for unpaid claims consisting of both claims reserved for individual cases and statistically reserved claims. The provision, included in the provision for unpaid claims, for the future settlement of expenses is based on estimated costs.

Provision for unearned premiums for decennial insurance and perpetual insurance policies and insurance liability related to annuities are discounted. The general trend for the interest rate is taken into account in determining the discount rate. Change in the discount rate of the insurance liability for annuities is taken into account as one continuously updated variable of an accounting estimate. The discount rate may not exceed the expected return on the assets covering the liability or the level set by the authorities. An increase in liabilities due to the passage of time (unwinding of discount) is shown in the income statement as a separate item in Non-life Insurance items under Net investment income.

Non-life Insurance's interest rate risk associated with insurance liability is reduced by entering into interest rate derivative contracts and making direct fixed-income investments that are recognised at fair value through profit or loss. The value of derivatives is included in the insurance liability, because any benefit from the derivatives is used for the cash flows payable from the contracts.

Capital gain or loss on derivatives is recognised over the insurance liability's residual term to maturity mainly by decreasing or increasing the discount rate. A capital loss on a derivative may be recognised by increasing the discount rate only if the planned rate is not exceeded. By selling investment instruments that hedge the insurance liability, it is possible to cover the systematic decrease of the discount rate only to a limited extent. The limit at its most is the value change that has accrued from the rate movement exceeding the target level at that time.

12.4 Liability adequacy test on insurance contracts

On each balance sheet date, OP Corporate Bank Group tests for the adequacy of liabilities in the balance sheet, using current estimates of future cash flows from insurance contracts. If the

test shows that the carrying amount of insurance liabilities, less intangible assets related to capitalised policy acquisition costs, is inadequate, the deficiency is recognised in profit or loss primarily by recording an additional amortisation on intangible assets and secondarily by increasing liabilities.

12.5 Premiums written

Premiums written included in net insurance income in the income statement are a consideration of the insurance coverage that began during the period.

Insurance premium tax, but not commissions and credit loss on insurance premium receivables, is deducted from premiums written.

Insurance premiums based on non-life insurance contracts are recognised as premiums written when the insurance period begins.

12.5.1 Receivables and payables related to insurance contracts

Non-life Insurance premium receivables are recognised at the beginning of the insurance period when the right to the receivable is established. These receivables are mainly those from policyholders and only to a minor extent from insurance intermediaries. Prepaid insurance premiums are included in Direct insurance liabilities under liabilities.

Non-life Insurance receivables based on insurance contracts are tested for impairment on each balance sheet date. If there is objective evidence of an impaired receivable, its carrying amount is reduced through profit or loss. Both final impairment losses (loan losses) and impairment losses established statistically on the basis of the phase of collecting the charge are deducted from receivables.

12.6 Salvage and subrogation reimbursements

Subrogation reimbursements and damaged property that has come into possession are recognised at fair value under Other asset in the balance sheet when the claim is settled.

12.7 Reinsurance contracts

Reinsurance taken out by the Group refers to an insurance contract which meets the classification requirements set for insurance contracts and under which the Group may be paid compensation by another insurer if the Group becomes liable to pay compensation on the basis of other insurance contracts (ceded reinsurance).

Assets based on reinsurance contracts are tested for impairment on each balance sheet date. If there is objective evidence that the Group may not receive all amounts to which it is entitled on the basis of the contract terms, the carrying amount of the reinsurance asset is reduced to correspond to the recoverable amount and the impairment loss is recognised in the income statement.

Benefits received under reinsurance contracts held are included in Other assets, Reinsurance assets in the balance sheet, with the latter assets corresponding to reinsurers' share of provision for unearned premiums and provision for unpaid claims of the insurance contracts reinsured by the Group. Premiums unpaid to reinsurers are included in Other liabilities, Reinsurance liabilities.

12.8 Coinsurance and pools

The Group is involved in a few coinsurance arrangements with other reinsurers. Of coinsurance contracts, the Group treats only its share of the contract as insurance contracts and the Group's liability is limited to this share.

The Group also underwrites shares of insurance contracts through pools, whose members are primarily responsible for their own proportionate share of the underwriting risk. These shares are based on contracts confirmed annually. The Group treats as insurance contracts its own proportionate share of the direct insurance business managed by pools and of the reinsurance business from the pool to its members. The pool's share of these insurance contracts is treated as reinsurance. In some pools, members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. The Group recognises liabilities and receivables based on joint liability if joint liability is likely to materialise.

13 Provisions and contingent liabilities

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

A contingent liability is a possible obligation arising from past events, whose existence will be confirmed only by the realisation of an uncertain future event beyond the Group's control. A present obligation which probably does not require fulfilment of payment obligation or the amount of which cannot be defined reliably is also considered as contingent liability. A contingent liability is presented as a note.

14 Income tax and deferred tax

Income tax expense shown in the income statement includes current tax, based on the taxable income of OP Corporate Bank Group companies for the financial year, and income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are

directly linked to items entered into equity or other items in other comprehensive income. In such a case, the tax is recognised in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the companies operate and generate taxable income.

Deferred tax liabilities are recognised for all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The greatest temporary differences in the Group are tax provisions (e.g. credit loss provision), measurement of investments at fair value, and elimination of equalisation provision within non-life insurance.

The Group offsets deferred tax assets and liabilities by company. Deferred tax assets and liabilities resulting from consolidation are not offset. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date.

15 Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. Interest on receivables with non-settled, due payments is also recognised as revenue. and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is recognised as interest income and that between the amount received and nominal value of the liability in interest expenses.

Commission income and expenses for services are recognised when the service is rendered. For one-off commissions covering several years that may have to be refunded at a later date, only the portion of their revenue related to the period is recognised.

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders by the distributing entity.

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

Summary of presentation of income statement items:

Net interest income	Received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging, commissions and fees regarded as compensation for risk associated with a financial instrument and taken by the bank and are deemed to be an integral part of the financial instrument's effective interest
Net insurance income	Non-life Insurance premiums written and paid claims, including the reinsures' share
Net commissions and fees	Commission income and expenses, and the recognition of Day 1 profit related to illiquid derivatives
Net investment income	Fair value changes in financial instruments at fair value through profit or loss, excluding accrued interest, and capital gains and losses, as well as dividends Realised capital gains and losses on available-for-sale financial assets, impairment losses, dividends as well as fair value changes in investment property, capital gains and losses, rents and other property-related expenses
Other operating income	Other operating income, central banking service fee, healthcare and wellbeing service fees
Personnel costs	Wages and salaries, pension costs, share-based payments, social expenses
Other operating expenses	Office expenses, ICT costs, other administrative expenses, charges of financial authorities, rents and other expenses

16 Charges of financial authorities

OP Corporate Bank Group pays charges to various authorities. The Financial Stability Authority is in charge of deposit guarantee. The Financial Stability Authority is tasked with managing the Financial Stability Fund which comprises a resolution fund financed through stability contributions and a deposit insurance fund (the new deposit guarantee fund) financed through deposit guarantee contributions. Responsibility for banking supervision rests with the European Central Bank. The Finnish Financial Supervisory Authority is responsible for macroprudential supervision and supervision of conduct of business. The financial authority contributions and fees are recognised under other operating expenses.

16.1 Stability contribution

Stability contributions will be paid to the euro-area Single Resolution Fund until 2024 in such a way that the target of 1% of the amount of covered deposits will be reached. Credit

institutions pay stability contributions to the EU's Single Resolution Fund administered by the EU's Single Resolution Board (SRB). The SRB also determines the amount of the stability contributions. In 2016, each bank's stability contributions are credited in the same proportion as it previously paid bank levy (the Act on Temporary Bank Levy was in force during 2013–2014). The stability contribution had no effect on OP Corporate Bank Group in 2016 in terms of expenses.

16.2 Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund will determine the contribution for each member bank but will charge the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution had no effect on OP Corporate Bank Group in 2016 in terms of expenses.

16.3 Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

16.4 Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

16.5 European Central Bank's supervisory fee

OP Financial Group, OP Corporate Bank included, is supervised by the European Central Bank (ECB). The ECB supervisory fee is determined based on the bank's importance and risk profile.

17 Segment reporting

Financial information, which the executive in charge monitors regularly, serves as the basis of defining operating segments. The reportable operating segments are Banking, Non-life Insurance, and Other Operations.

A description of the operating segments and segment accounting policies can be found as part of segment information.

18 Critical accounting estimates and judgements

The preparation of financial statements requires making estimates and assumptions about the future and the future actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies.

Liabilities arising from insurance contracts involve several discretionary factors and uncertainty. With respect to Non-life Insurance, estimates are based on assumptions about the operating environment and on the actuarial analyses of the Group's own claims statistics. An especially high degree of management judgement is required for determining the discount rate and estimating claims expenditure arising from the already occurred loss events. Information on uncertainties included in assumptions related to insurance contracts and their effects can be found in Notes 28 and 35.

When estimating the control over structured entities, the Group takes into account the investor's power to direct investee's relevant activities and the exposure or right to variable returns from its involvement with the investee. Discretion is exercised when estimating power to direct relevant activities and variable returns. The emergence of control is evaluated in more detail when the investment accounts for 10–20% of the investee's net assets and returns. The investee is consolidated as a subsidiary at the latest when the Group's share of the variable returns exceeds 37% and there is a link between the control and the returns.

The values of insurance contracts, customer relationships and brands acquired through business combinations are based on estimates of e.g. future cash flows and the applicable discount rate. Information on the effects of these assumptions and estimates can be found in Note 21.

Goodwill, assets with indefinite useful lives and intangible assets not yet available for use are tested annually for impairment. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows and the applicable discount rate. Information on the effects of these assumptions and estimates can be found in Note 21.

Impairment tests for receivables are carried out on an individual or collective basis. An impairment test carried out on an individual basis is based on the management's estimate of the expected future cash flows of the individual loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital, in which expected future losses are adjusted by means of the emergence period so that the Group can assess the amount of losses incurred but not yet reported on the balance sheet date. In such a case, the management's judgement is required to determine the length of the emergence period.

Available-for-sale financial assets, notes and bonds included in loans and receivables, and investments held to maturity must be tested for impairment on each balance sheet date. If there is objective evidence of an impaired asset, the impairment loss will be recognised in the income statement. Verifying objective evidence involves management judgement. Impairment loss on an equity instrument must also be recognised if there is a

significant or prolonged decline in the fair value. Defining objective evidence is a two-step approach where at first instruments that exceed certain indicators are regularly listed and put under closer review. The Group continuously assesses such instruments under review for impairment. Impairment loss will be recognised at the latest when the maximum limits are exceeded with respect to the 12 months prolonged criteria or the significant criterion of 30%.

The management must assess when markets for financial instruments are not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used.

The present value of pension obligations depends on several factors determined by using several assumptions. The discount rate, future increases in salaries and pension payments and the inflation rate are the assumptions used to determine net costs (or income) arising from pensions. Changes in actuarial assumptions affect the carrying amount of pension obligations. This is presented in more detail in Note 30.

The measurement of investment property at fair value is partially based on the management's estimates of the market value of property holdings. Investment property is also measured using a calculation model based on the income capitalisation approach utilising estimates of future net yield on property holdings. This is presented in more detail in Note 37.

19 New standards and interpretations

The IASB (International Accounting Standards Board) has also issued the following significant future IFRS amendments.

19.1 IFRS 9 Financial Instruments

IFRS 9 and amendments to it must be applied for accounting periods beginning on or after 1 January 2018. OP Corporate Bank will for the first time apply IFRS 9 as of 1 January 2018.

The quantitative effect of the application of the standard on the 2018 financial statements cannot yet be assessed reliably since it will depend on the amount of the financial instruments held at that time, the financial position at that time and the choice of the calculation principles and management judgement. The new standard requires OP Corporate Bank to examine the calculation and monitoring processes for financial instruments. The changes to be made are not yet completed. OP Corporate Bank has made a preliminary assessment of the effects of the adoption of IFRS 9, as follows:

Classification and measurement

The classification of financial instruments under IFRS 9 is based on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

In case the objective of the debt instrument held within the portfolio business model is to hold assets in order to collect contractual cash flows or the objective is achieved by collecting contractual cash flows and selling financial assets, the classification is based on the contractual cash flow characteristics. In such a case, contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are in line with a basic lending arrangement. Under IFRS 9, these financial assets are measured at amortised cost at fair value through other comprehensive income (FVOCI). The majority of OP Corporate Bank's financial assets under debt instruments are included in the abovementioned portfolios.

Other business models, for example when the objective is to realise cash flows by selling financial assets under debt instruments, lead to recognising them at fair value through profit or loss.

Equity instruments are, as a rule, recognised at fair value through profit or loss.

IFRS 9 eliminates assets classified as held to maturity, loans and receivables and available-for-sale applied under IAS 39.

Based on OP Bank's preliminary assessment, the biggest change applies to the classification of equity instruments and mutual fund investments. Such items will no longer be recognised in available-for-sale assets but, as a rule, in assets recognised at fair value through profit or loss. The classification change will particularly affect OP Corporate Bank's Non-life Insurance segment's investment operations. OP Corporate Bank is planning to apply the so-called overlay approach under amended IFRS 4. With the overlay approach, OP Corporate Bank will reconcile the different effective dates of IFRS 9 and a new upcoming insurance contracts standard IFRS 17 and balance the resulting earnings volatility. OP Corporate Bank is also planning to classify some equity instruments into those recognised at fair value upon initial recognition through comprehensive income. The changes in the classification are not expected have any significant effect on banking and other operations. OP Corporate Bank Group has not yet made final decisions with respect to the classification.

Impairment

IFRS 9 replaces the current incurred loss model with a forward-looking expected credit loss model for impairment. The model contains a substantial number of assessments of how changes in macroeconomic factors affect the amount of expected credit loss weighted by the probability that the loss will occur.

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

The expected credit loss is calculated:

- on the amount equalling the 12-month expected credit losses or
- on the amount of lifetime expected credit losses.

The expected credit losses are calculated for a lifetime if financial assets have had a significant increase in credit risk on the reporting date since initial recognition. In other cases, the 12-month expected losses are calculated.

In the expected credit loss modelling, OP Corporate Bank is planning to exploit as much as possible the existing IRBA models applied in capital adequacy and economic capital measurement. It will edit the models to conform to IFRS 9, for example, by removing from them the floors set by the authorities. 12-month risk parameters and lifetime risk parameters will be derived from the models. The expected credit loss is planned to be calculated using risk parameters and formula PD x LGD x EAD for the majority of the portfolios. In the definition of default, the plan is to use a uniform definition in capital adequacy measurement. In addition, OP Corporate Bank will include forward-looking information and macroeconomic scenarios in the model.

OP Corporate Bank reviews a significant credit risk change by portfolio, taking account of both qualitative and quantitative criteria. A significant change in credit risk is assessed on the basis of, for example, a proportionate PD change. Credit risk is considered to have increased significantly when payments are more than 30 days past due. OP Corporate Bank has not yet decided on the final criteria for a significant increase in credit risk.

Expected credit loss provisions under IFRS 9 are assessed to increase significantly from its current level and it varies by portfolio. The provisions will reduce equity capital on the date of transition. The increase in provisions arises from an increase in the 12-month expected credit losses, inclusion of macroeconomic factors in the model and new on- and off-balance-sheet items included in the provisions, such as notes and bonds and loan commitments. In subsequent financial years, the provisions are expected to be sensitive to changes in economic conditions and to increase OP Corporate Bank's earnings volatility. However, the increase in expected credit loss provisions is not expected to have any significant effect on OP Corporate Bank's capital adequacy because the IFRS 9 compliant expected credit loss provisions are not expected to exceed the expected loss calculated in capital adequacy and the effect of used floors.

Hedge accounting

In transition to IFRS 9, OP Corporate Bank may decide whether it will continue with hedge accounting under IAS 39 or adopt hedge accounting under IFRS 9. OP Corporate Bank has not yet made the decision to adopt IFRS 9 compliant hedge accounting.

Transitional provisions

OP Corporate Bank will utilise the opportunity permitted by IFRS 9 not to restate comparative periods in classification and recognition (incl. impairment) in respect of the amendments. Retained earnings will be restated through the amendments as of 1 January 2018.

19.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers (applicable to accounting periods beginning on or after 1 January 2018) replaces the current IAS 11 and IAS 18. The new standard has no effect on the recognition of financial instruments or insurance but mainly applies to various commissions and fees in OP Corporate Bank. The standard contains a 5-step model for revenue recognition based on customer contracts. The revenue is recognised over a period or at a specific time, and the key criterion is transfer of control. Incremental costs arising from contracts with customers obtained under IFRS 15 and costs arising from the fulfilment of the contracts are capitalised when the criteria under the standard are fulfilled. In addition, the standard includes guidelines for recognition practices and presentation of loyalty programmes. The standard will also increase the number of notes to be disclosed. Based on the current assessment, OP Corporate Bank Group will adopt IFRS 15 applying the cumulative effect method and will not restate comparative periods but will restate equity capital on 1 January 2018. In addition, OP Corporate Bank will present the amounts affecting each financial statement item when applying IFRS 15. In OP Corporate Bank, IFRS 15 mainly applies to fees no included in the calculation of the effective interest rate. The combination of various products and services offered to Banking customers and expenses for customer contracts are still being analysed in greater detail. The adoption of IFRS 15 is not expected to have any significant financial effect.

19.3 IFRS 16 Leases

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) replaces IAS 17 Leases. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The new standard will change accounting by lessees. The lessee recognises, with the exception of exemptions, a right-of-use asset and lease liability related to all contracts in the balance sheet. The exemption includes short-term contracts and those for underlying assets with low value. Accounting by lessors remains substantially similar to the current standard. The lessor continues to classify leases as finance leases and operating leases. The standard will increase the number of notes to be disclosed. Based on the current assessment, the leased assets are not expected to have any significant effect on OP Corporate Bank Group's balance sheet.

Amendments to IAS 7 and IAS 12 will take effect on 1 January 2017. The amendments will not have any significant effect on OP Corporate Bank's consolidated financial statements.

Note 2. OP Corporate Bank Group's risk and capital adequacy management principles

OP Corporate Bank's core values, strategic goals and financial targets form the basis for risk management and capital adequacy management. The purpose of risk management is to identify threats and opportunities affecting strategy implementation. Risk management aims to achieve the targets set in the strategy by controlling that risks are proportional to risk-bearing capacity.

OP Corporate Bank adopts a policy of moderate risk-taking and its business operations are based on a reasoned risk/return approach. OP Corporate Bank applies integrated risk management aimed at identifying, assessing and mitigating all significant business-related risks to an acceptable level.

OP Financial Group's risk policy controls OP Corporate Bank's risk-taking. In the risk policy, the central cooperative's Executive Board confirms annually risk-management principles, actions, objectives, limits to be applied by all Group business segments and entities that are used to guide business to implement the policies confirmed in the Group's strategy and the principles of the risk tolerance system. In addition, Non-life Insurance is guided by risk policies applied to private and corporate customers, reinsurance principles, investment plans and the policy governing hedging against interest rate risk associated with insurance liabilities.

1. General principles of risk and capital adequacy management

Risk and capital adequacy management falls under internal control. Its purpose is to ensure OP Corporate Bank Group's risk-bearing capacity and liquidity and, thereby, ensure continued operations.

Risk-bearing capacity is made up of effective risk management that is proportionate to the extent and complexity of operations and of adequate capital resources and liquidity based on profitable business operations. Capital adequacy management is based on a proactive approach based on the Group's business strategy and plans. Well-balanced risk-taking, the capital structure, strong earnings power and proactive risk management secure OP Corporate Bank Group's risk-bearing capacity. Risk and capital adequacy management has been integrated as an integral part of the company's business and management.

OP Corporate Bank Group follows the principles of OP Financial Group's risk-taking and risk tolerance system adopted by OP Cooperative's Supervisory Board. The principles specify how the Group's risk-taking is controlled, limited and supervised and how the risk management and internal capital adequacy assessment process (ICAAP) is organised.

1.1 Risk identification, assessment, measurement and mitigation

The risk management and ICAAP process consists of the continuous identification and assessment of risks associated with business and the operating environment. Before the company launches any products or services or adopts new operating models or systems, it assesses their risks using procedures as laid down by the central cooperative's Risk Management.

Quantifiable risks are mitigated by means of limits set by the central cooperative's Executive Board for capital adequacy and significant risks. The limits ensure that OP Corporate Bank Group does not take excessive risks to endanger its own or OP Financial Group's capital adequacy, profitability, funding liquidity and business continuity.

OP Corporate Bank Group assesses its capital base and that of its entities in relation to the economic capital requirement and the existing and expected regulatory minimum capital requirements and the requirement for the capital conservation buffer. Such assessment also makes use of the results of stress tests.

The central cooperative's independent Risk Management monitors the development of OP Corporate Bank Group's and its subsidiaries' risk exposure and risk-bearing capacity. It provides regular reports on its observations and assessments to OP Corporate Bank plc's Board of Directors, OP Cooperative's Executive Board and the Supervisory Board's Risk Management Committee.

1.2 Economic capital requirement

The economic capital requirement is OP Financial Group's own estimate of the amount of capital sufficient to cover any annual losses with a 99.97% probability that may arise from risks associated with business and the operating environment. The economic capital requirement is calculated using models for each risk type, the results of which are combined taking account of correlations between the risk types and the resulting diversification benefits.

Economic capital is divided into quantitative and qualitative, or assessable, risks. Quantitative risks include credit risk, Banking interest rate, equity and property as well as market risk associated with long-term investment and insurance operations, and market associated with trading and underwriting risks. The assessable risks are divided into operational risks and other risks. 'Other risks' include any major risks that have not been taken into consideration in any other risk-specific models related to economic capital. These risks are typically caused by external factors, such as changes in competition or the market situation or regulatory measures. About a third of OP Corporate Bank Group's economic capital

requirement consists of credit risks and about a fifth of market risks associated with insurance operations.

In the model for economic capital, the Group assesses several risk types on a more extensive basis than required by the authorities. Such risk types include banking interest rate risk, insurance market risks and other risks, in particular. The key difference in the measurement of economic capital for credit risks is related to concentration risk. Moreover, the measurement of economic capital differs from capital adequacy measurement in that many risk types are calculated separately in terms of economic capital, while in capital adequacy calculations they are included in the capital requirement.

Indicators based on the economic capital requirement are used, for example, in target and limit indicators, as the basis of loan pricing and premiums rating, in remuneration and in capital planning when defining the capital buffer.

1.3 Capital management

Capital management aims in all circumstances to proactively control and ensure that OP Corporate Bank Group's capital adequacy meets the set targets and official requirements and thus ensure the Group's business continuity.

A capital plan is made to assess the adequacy of capital and proactively ensure an adequate capital base even in exceptional conditions. The capital plan contains, for example, quantitative and qualitative targets for capital adequacy, predicted changes in the capital base and capital requirement, capital allocation, a contingency plan, capital adequacy monitoring and control practices as well as scenario calculations to assess capital adequacy.

Capital adequacy management places emphasis on profitability and effective capital management. OP Corporate Bank plc's parent company, OP Cooperative, is responsible for capital management on a coordinated basis.

2. Organisation of risk management

OP Corporate Bank's operations are being managed in accordance with OP Financial Group central cooperative consolidated's management system through Banking and Non-life Insurance business segments.

OP Corporate Bank's Board of Directors decides on the company's business strategy based, among other things, on the principles issued by the central cooperative's Executive Board and approves a business plan and supervises their implementation. In line with the principles adopted by the central cooperative's Executive Board, it also confirms risk policy, funding plan, capital plan and proactive contingency plan for capital base, investment plan, business continuity plan and significant risk management principles.

The Board of Directors supervises and monitors the implementation of risk and capital adequacy management and the fact that the company's risk management is in conformity with laws, official regulations and instructions issued by the central cooperative. The Board of Directors is responsible for the sufficiency of risk management systems and supervises their extent and performance. It also supervises the quantity and quality of capital, financial performance, risk exposure and compliance with the risk policy, limits and other instructions. The Board assesses the appropriateness, extent and reliability of OP Corporate Bank Group's capital adequacy management on a holistic basis at least once a year.

The Underwriting Executives make decisions within their confirmed authorisations concerning underwriting decisions, annual pricing, reinsurance and other major issues on granting insurance contracts. The UW Executives report on their decisions to the board of directors of the insurance companies and to the ALM and Risk Management Committee of the central cooperative's Executive Board.

OP Corporate Bank's President and CEO takes charge of the overall control of the company in such a way that the company as a whole achieves its profit, risk-bearing capacity and other targets and goals by following shared strategies and policies.

OP Corporate Bank Group's business lines must bear primary responsibility for their risk-taking, financial performance and compliance with the principles of internal control and risk management and capital adequacy management. The business lines have the right to make decisions on risk-taking within the approved decision-making powers, exposure limits and credit limits.

The central cooperative is in charge of the OP Financial Group level risk and capital adequacy management.

OP Financial Group's Risk Management is a function independent of business that provides guidelines for, controls and supervises the overall risk management of the Group and its entities, and analyses their risk exposure. Risk management focuses on preventive work, preparation and proactive analysis of risk exposure. The objective is to secure the Group's and its entities' sufficient risk-bearing capacity and to ensure that any business risks taken do not threaten profitability, capital adequacy, liquidity, business continuity and the achievement of strategic targets.

OP Corporate Bank Group's risk and capital adequacy management duties have been centralised within the parent company, OP Cooperative.

OP Financial Group's Internal Audit function is tasked with assisting OP Corporate Bank's Board of Directors and the company's senior management in controlling, supervising and assuring operations by carrying out operational audits. Internal audit is based on an independent and

objective assessment, assurance and consulting activities. It supports the management in their efforts to achieve objectives by providing a systematic, disciplined approach to assessing and upgrading the efficiency of the organisation's risk management, control and management and governance processes, with the focus on the identification of risk factors and the assessment of the performance of internal control.

3. OP Corporate Bank Group's risks

The table below presents OP Corporate Bank Group's most significant risks. The paragraphs below the table describe the nature of the risks and how they can be managed.

OP Corporate Bank's most significant risks

Strategic risks	Risk caused by changes in the competitive environment, slow reaction to changes, poor choice of strategy or poor strategy implementation.
Operational risks	Risk of financial loss or other detrimental consequences caused by inadequate or failed processes, inadequate or flawed procedures or systems or some external factor. Operational risks also include ICT, security, data security, procedural and model risks.
Compliance risk	Risks caused by non-compliance with external regulation, internal policies, appropriate procedures or ethical principles governing customer relationships.
Reputational risk	Risk of deterioration of reputation or trust caused by negative publicity or realisation of some risk.
Credit risks	Credit risk means that a counterparty fails to fulfil its obligations arising from debt relationship. Non-fulfilment of other obligations of a counterparty is also known as counterparty risk.
Market risks	Market risks comprises structural market risks associated with the balance sheet (market risks associated with the banking book and insurance liability) and those associated with trading and long-term investment. Market risks include all interest rate, equity, currency, credit and property risks associated with on- and off-balance sheet items as well as other possible price risks.
Liquidity risks	Liquidity risk comprises funding liquidity risk, structural funding risk and concentration risk.
Non-life insurance risks	Non-life insurance risks comprise risk of loss or damage, and provision risk.
Concentration risks	Risks that may arise of a business's excessive concentration on individual customers, products, lines of business, maturity periods or geographical areas.

4. Strategic risk and business risks

Strategic risks and business risks arise from competition, internal pressures or market forces which result in unexpected fluctuations in volumes, margins or costs, thus affecting the volatility of earnings and the achievement of long-term business goals. Strategic and business risks may also arise from opting for a wrong strategy and from mismanagement and inadequate monitoring or from slow reaction to changes in the operating environment.

4.1 Management of strategic and business risks

The management of strategic and business risks is aimed at creating a corporate culture with a risk-preventive approach. Risk management is based on systematic planning, diligence and continuity throughout business operations. OP Corporate Bank Group prevents the materialisation of risks by developing processes enabling the Group to identify and assess potential risks better and more efficiently manage measures taken to control risks.

4.2 Methods of the management of strategic and business risks, and their measurement

The Group manages strategic risks through continuous planning based on analyses and forecasts of developments in market areas, of competition and future customer needs. The Group monitors strategic risks by business line/division and they are subject to regular reporting.

The Group monitors and assesses risks and their significance annually in connection with updating its business strategies and plans. At the same time, it also evaluates changes in the operating environment and competition and their effect on the implementation of the strategy, and links the identified risk factors to the planned strategic initiatives.

5 Management of operational risks

The aim of operational risk management is to ensure that operations have been organised appropriately and that risks do not result in unforeseeable financial losses or other negative consequences, such as loss of reputation. The Group is continually maintaining and enhancing a corporate culture that takes a positive approach to operational risk management and internal control.

The target risk-taking level set for operational risks is moderate. The Group further develops operational risk limits describing the moderate risk level but has not set company-specific operational risk limits. Owing to the nature of operational risks, their limit levels are threshold values. In 2016, MIM failures (major incidence management) were the threshold value for the OP Financial Group-level operational risks.

The key area of operational risk management involves identifying and assessing risks and assessing the effectiveness and adequacy of risk control and management tools. Risk identification also involves paying attention to the illegal use of the banking system (e.g. money laundering and terrorism financing) as well as regulatory compliance-related risks. Before any new business models (including outsourcing) are carried out or products or services are launched, their risks are assessed as laid down by the central cooperative's Risk Management. All OP Financial Group products offered to customers and business models in place have been approved at Group level. Risks that may disrupt business continuity are prepared against by means of business continuity planning in key business divisions. Business continuity planning also forms the basis for preparation against emergency conditions referred to in the Emergency Powers Act. Business continuity plans are tested according to testing plans that have been made.

In its operational risk management, OP Corporate Bank adheres to a uniform OP Financial Group level, system-supported operating model. Business units assess operational risks, involving identifying and assessing their risks and defining and monitoring measures designed to reduce them. Each month, the business units report events above a certain threshold through the operational risk reporting and management system. The report describes reasons for the loss event and measures taken to prevent similar losses.

The Group and its companies assess the level of operational risks and risk-mitigating management tools on a regular basis or immediately whenever necessary, using standardised methods. Reports issued by Internal Audit and ensuring the flow of sufficient information also form an important part of operational risk management.

The coordination, monitoring and reporting related to the identification and assessment of OP Corporate Bank Group's operational risks are carried out by the central cooperative's Risk Management.

5.1 Monitoring and reporting operational risks

For reporting purposes, operational risks are divided into different categories. Identified and materialised risks are reported to the executive management.

6. Compliance risks

Compliance risk forms part of operational risk. Compliance activities are aimed at ensuring that all Group entities comply with laws, official instructions and regulations, self-regulation of markets, and internal guidelines, policies and instructions of OP Financial Group and the entities. Compliance also ensures that customer relationship management complies with appropriate and ethically sound principles and practices.

Materialisation of compliance risk may result not only in financial loss but also other adverse consequences, such as sanctions. Such sanctions may include a corporate fine and separate administrative fines for violation of obligations, and public warnings and reprimands. Compliance risk may

materialise in terms of loss or deterioration of reputation or trust.

Responsibility for regulatory compliance and its controls within Group entities rests with the senior and line management and all supervisors and managers. Everyone employed by the Group is also responsible for his/her own part for compliance with regulations.

Guidelines, advice and support concerning compliance within OP Financial Group are the responsibility of Risk Management that is independent of the central cooperative. The central cooperative consolidated entities, just like OP Corporate Bank Group, have centralised compliance functions within Risk Management.

6.1 Compliance risk management tools

Managing compliance risks forms part of internal control and good corporate governance practices and, as such, an integral part of business management duties and the corporate culture. Compliance risk management tools include monitoring legislative developments, providing the organisation concerned with guidelines, training and consultation in respect of observing practices based on regulation as well as supervising the regulatory compliance with procedures applied within the organisation.

6.2 Compliance risk monitoring and reporting

Compliance risks are identified, assessed and reported regularly according to the operational risk management model as part of the assessment of operational risks. The Compliance function reports regularly on its observations to the senior and executive management.

7. Reputational risk

Reputational risk is managed proactively and in the long term by complying with regulation, good practices of the financial sector and OP Financial Group's Code of Business Ethics and by emphasising transparency of operations and communications. The Group adheres to international financial, social and environmental responsibility principles and international commitments.

Reputational risks are reported regularly to the management of the Group's parent company and subsidiaries. Any threat to imminent reputational risk will be reported immediately.

8. Risk management of Banking

8.1 Credit risks

Credit risk means that a counterparty fails to fulfil its obligations arising from credit relationship. Credit risk management aims to restrict losses due to credit risks arising from customer exposure to an acceptable level whilst seeking to optimise the risk/ return ratio.

OP Financial Group's Risk Policy and the principles of the risk tolerance system are used to control credit risk. The credit risk policy defines, for example, the target risk exposure level, risk-taking principles and restrictions as well as the principles governing customer selection, collateral and financial covenants that are used to ensure the sufficient diversification of the loan portfolio and to avoid excessive risk concentrations by country, customer group, industry, borrower grade, group of connected clients or maturity.

The day-to-day credit approval process and its effectiveness play a key role in the management of credit risks. A customer's sufficient debt-servicing capacity is the prerequisite for all lending. Credit approval decisions are based on the up-to-date credit rating in force.

The assessment of corporate customers' debt-servicing capacity and credit risk uses not only credit ratings but also payment behaviour data, financial statements analyses and forecasts, corporate analyses, statements and sector reviews, and customer needs analyses, credit rating assessments and other documents produced by account managers.

OP Financial Group's rating system is not so far used extensively in Baltic Banking. For lending purposes, OP Corporate Bank makes use of credit status reports provided by selected agencies in each country.

8.2 Credit risk management

OP Corporate Bank Group mitigates credit risks by using collateral, financial covenants, central counterparty clearing, netting agreements and exchange-traded products. Settlement risk management focuses on ensuring the reliability of a counterparty, and the Group mitigates the risks by concluding standard agreements and using only reliable clearing centres.

Risks associated with credit institutions are diversified by credit rating, issuer and product. In addition, in order to ensure the liquidity of negotiable fixed income investments, the Group has determined minimum sizes for issues in which it can invest.

In order to ensure repayment, the Group takes collateral for exposures. With larger corporate customers in particular, the Group also uses financial covenants to ensure the availability of information and an option to re-evaluate loan terms and conditions, collateral requirements or pricing should the risk status changes.

Guidelines on the use and evaluation of collateral and financial covenants and on valuation percentages by collateral type are in place, and the Group monitors collateral values on a regular basis. Collateral evaluation is based on the principle of independent evaluation and a prudent approach to fair value. The Group exercises special care in assessing the value of collateral deemed as cyclical in nature. In case a customer gets into difficulties or the collateral's value changes significantly, the Group checks whether there is need for collateral re-evaluation.

8.3 Credit risk monitoring

OP Corporate Bank Group measures credit risk on a customer-specific basis in terms of total exposure and the amount of insufficient collateral as well as in terms of the ratio of doubtful receivables, impairment losses and excepted credit losses to the loan and guarantee portfolio.

Customer monitoring consists of an annual analysis of financial statements and interim reports, and continuous monitoring of the customer's payment behaviour and business. OP Corporate Bank Group monitors continuously customer credit record and doubtful receivables on the basis of information obtained from OP Financial Group's internal systems and from an external monitoring services.

Customers whose financial status performance, credit risk and payment behaviour justify a more detailed review are subject to special control. In this context, the Group also analyses the need to revise the customer's credit rating, the probability of a credit loss and the need to recognise an impairment loss. This often means that the credit approval decision is made by a higher-level decision-making body.

8.4 Decision-making

The central cooperative consolidated decision-making guidelines governing Banking exposures describe the decision-making system for the central cooperative consolidated Banking exposures. Decision-making bodies and decision-makers make decisions on exposures within the framework of OP Financial Group's risk policy, limits and exposure limits confirmed by OP Financial Group's Credit Risk Committee as well as instructions and adopted decision-making powers. Depending on the borrower grade, exposure amount and the amount of insufficient collateral concerning a group of connected clients, decisions on exposures are made by the central cooperative consolidated's Banking Senior Credit Committee, Credit Committee and two authorised persons together. In addition, OP Corporate Bank Group also utilises an automated credit decision system, for example, in consumer lending.

8.5 Credit risk models

OP Financial Group uses credit risk models for Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The Group makes extensive use of credit risk models in measuring and managing credit risk, such as in

- lending and pricing;
- specifying financing decision-making powers;
- setting and monitoring the loan portfolio's qualitative targets;
- credit risk reporting;
- capital adequacy measurement using the Internal Ratings Based Approach (IRBA);
- measuring economic capital requirement and expected loss; and
- the measurement of impairment losses on a collective basis.

Credit risk models

Probability of loan defaults within 12 months	=	Probability of default (PD), %
Estimate of the loss caused by a loan default	=	Loss given default (LGD), %
Estimate of the sum the customer would owe the bank in case of default	=	Exposure at default (EAD), €

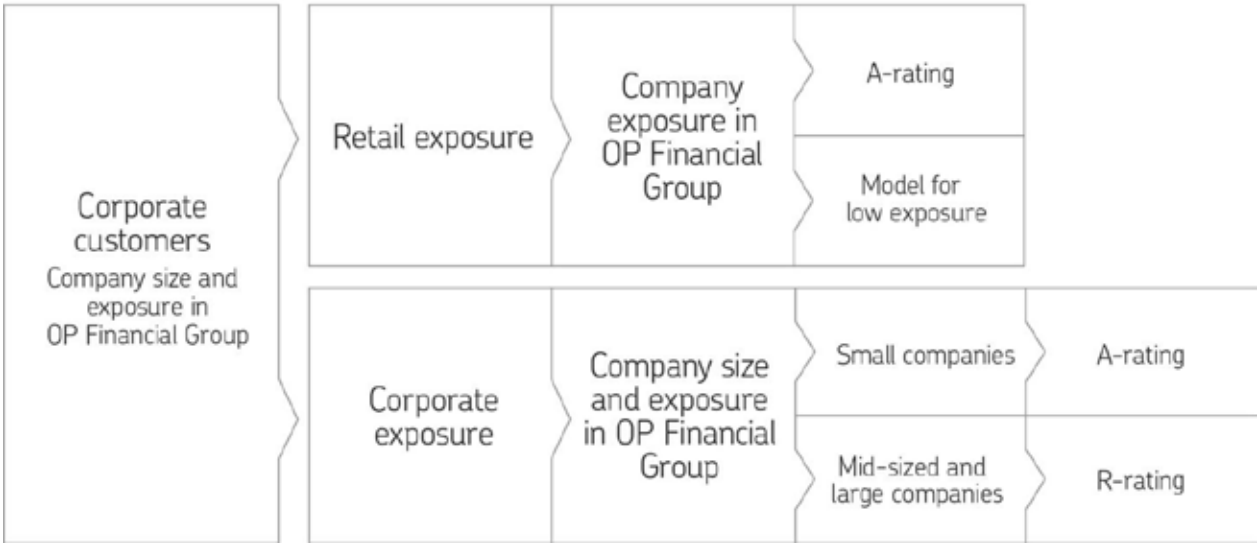
8.5.1 Credit rating and probability of default

The purpose of credit rating is to group customers (agreements in the case of private customers) by borrower grade based on probability of default. Default means that some of the customer's exposures becomes a receivable to OP Financial Group that is over 90 days past due or some other more severe payment default. Probability of default, or PD, is the average proportion of default events estimated for each borrower grade during one year over the economic cycle. When the economy is thriving, the actual proportion of defaulted customers in a given borrower grade is lower than the estimated PD.

8.5.2 Assessing corporate customers' probability of default

OP Corporate Bank assesses the probability of default of its corporate customers using OP Financial Group's internal 20-level credit rating system on a scale of 1.0–12.0, with 11–12 borrower grades representing defaulting customers.

Rating of corporate customers in OP Financial Group



The R rating for mid-size and large corporate customers is based on the company's financial indicators and qualitative background data on the basis of which a statistical model generates a proposal for rating. An expert familiar with the customer will make a rating proposal on the basis of what is suggested by the model and of any other information available. Any changes and uncertainties relating to the future outlook will be regarded as warning signs and exceptions to the rating provided by the model. R rating determined at least on a an annual basis for a customer is based on the rating proposal and for default customers on a half-yearly basis.

Asiakatieto's automated rating model, Rating Alfa, forms the basis of small corporate customers' A rating. The rating Alfa variables include information on payment default and payment practices of the company or its persons in charge, key indicators based on financial statements and the customer's basic data. Scores provided by Rating Alfa have been described (calibrated) into OP Financial Group's internal borrower grades. Rating Alfa is supplemented with internal information on payment behaviour and, if needed, is changed based on expert assessments.

Low exposure corporate customers are rated using a rating model for low exposures. The rating model is an automated rating model calculated on a monthly basis that is created on the basis of the customer's basic data, transaction data and payment behaviour data.

Borrower grades generated by the corporate rating models are comparable because, irrespective of the model, each borrower grade is subject to the same probability of default. In deriving probability of default, OP Corporate Bank Group has used recent years' actual payment default data, long-term loan loss data and bankruptcy statistics and the cyclical nature of the model. The need for updating probabilities of default for each grade is assessed annually.

OP Financial Group's credit ratings for corporate customers and Standard & Poor's (S&P) equivalent

S&P Rating	AAA...AA-	A+...A-	BBB+...BBB-	BB+...BB-	B+...B-	CCC+...C
OP Financial Group	1.0–2.5	3.0–4.0	4.5–5.5	6.0–7.0	7.5–8.5	9.0–10.0

8.5.3 Assessing credit institutions' probability of default

Credit institution exposure is divided into 20 grades ranging from 1.0 to 12.0, with defaulted customers falling into categories 11–12.

A specific L rating model is used to assess the probability of default of credit institutions as counterparties, the structure of which corresponds to the R rating model.

The statistical model as the basis of the credit rating is based on financial indicators in financial statements and on qualitative background data. Such rating can be revised by an expert with warning signs and, in many cases, rating is also affected by the parent company's support to the banking group and by the Sovereign Ceiling rule whereby the counterparty cannot be better than the country concerned in terms of creditworthiness. The Group decides on credit institution ratings at least once a year.

OP Financial Group's credit ratings for credit institutions and Standard & Poor's (S&P) equivalent

S&P Rating	AAA...AA+	AA...BBB+	BBB...BBB-	BB+...BB-	B+...B	B-...CCC
OP Financial Group	1.0–2.0	2.5–4.5	5.0	5.5–7.0	7.5–8.0	8.5–10.0

8.5.4 Assessing private customers' probability of default

OP Financial Group uses a 16-level scale of A–F to assess the probability of default for its private customer agreements, with F representing defaulting borrowers.

The Group assesses monthly all private customer agreements' PD using a loan portfolio rating model. The loan portfolio rating is based on a customer's basic data, payment behaviour and other transaction history data. The scores calculated on the basis of this data determine the borrower grade. Average PDs have been calculated for each borrower grade for a period of 12 months. The loan portfolio rating model is used for credit risk assessment and capital requirement calculation.

OP Corporate Banks's private customer exposures are categorised, before any loan portfolio rating model, mainly using the application-stage rating model for finance company products. The rating based on the application stage supports the loan approval process, credit risk assessment and the pricing of new loans.

8.5.5 Country rating

OP Corporate Bank Group examines country risks on the basis of external credit ratings.

8.5.6 Loss given default (LGD) and exposure at default (EAD)

In addition to the models used for assessing probability of default, OP Corporate Bank Group uses models for predicting loss given default (LGD) and exposure at default (EAD) to measure credit risk. EAD refers to the estimated amount of the bank's receivable from the customer at default. Off-balance-sheet exposures at default are determined on the basis of the conversion factor (CF). Loss Given Default, or LGD, is an estimate of a financial loss incurred by the bank, as a share of EAD, if the customer defaults.

8.6 Use of credit risk models in capital adequacy measurement

For the measurement of credit risk for capital adequacy, OP Financial Group has permission from the supervisory authority to use the Internal Ratings-based Approach for corporate and credit institution exposures, retail exposures and equity investments.

OP Corporate Group applies the Foundations Internal Ratings Based Approach (FIRBA) to measure capital adequacy requirement for credit risk on corporate and credit institution exposures. In FIRBA, an estimate of probability of default (PD) generated by OP Financial Group's internal credit risk models affects the capital adequacy requirement for credit risk associated with the customer. Standard estimates issued by the authorities are used for LGD and CF.

The Group uses FIRBA to calculate the capital requirement for credit risk on retail exposures, in which the capital requirement is affected by the PD, LGD and EAD values of OP Financial Group's internal credit risk models. The Group uses the Standardised Approach (SA) for government and central bank exposures and for some other exposure categories (like those of the Baltic countries). As a rule, a simple model applies to equity investments. The PD/LGD method applies to OP Financial Group's strategic investments, where the PD values are based on internal models and LGD values on standard estimates.

8.7 Decision-making and assessment related to credit risk models

The Executive Board's ALM and Risk Management Committee decides on the adoption of changes in models and parameters approved by the Risk Management Committee. If such adoption requires permission from or notification to the relevant authority, Finance and Treasury will apply for the required permit before any decision on the adoption. The models are developed and maintained by OP Financial Group's Risk Management, independent of business lines/divisions.

The effectiveness of the credit rating process and credit risk models is subject to regular monitoring and supervision. OP Financial Group's Risk Management collects continuous feedback from the business lines/divisions on the effectiveness of the credit rating process and models related to credit risk parameters. On a monthly basis, it monitors the models that automatically create a borrower grade. The purpose of this monitoring is to follow changes in the loan portfolio and lending while ensuring the effectiveness of the rating process.

In addition, OP Corporate Bank Group assures the quality of the models at least once a year in accordance with the validation instructions approved by OP Financial Group's Risk Management Committee. The set of the validation instructions contains requirements for quality assurance carried out when adopting a model. Validation uses statistical methods to test, for example, the model's sensitivity and the validity of risk parameter estimates (PD, LGD and EAD). Validation also involves qualitative assessment, such as an analysis of user feedback, and a peer group analysis. The results of validation and any recommendations for required measures are reported to the Risk Management Committee, which decides on any improvements on the basis of the validation.

OP Financial Group's Internal Audit performs audits to ensure the independence of validation. It also controls the risk model development process and the appropriate and extensive use of the models on the basis of its risk-based assessment.

8.8. Securitised assets

OP Corporate Bank has not acted as an originator or manager of securitisation transactions but has invested in securitised assets. Credit derivatives are not connected to securitised assets within Banking. In calculating the total amount of the risk-weighted assets of securitisation exposures, the Group has used IRBA to credit risk when the securitisation exposure belongs to the exposure category to which the assessment model based on credit rating is applied.

The Group applies credit ratings affirmed by Moody's, Fitch and Standard & Poor's to securitisation exposures. If two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the lower rating will apply. If more than two selected credit rating agencies have affirmed credit ratings pertaining to a securitisation transaction, the two highest ratings will apply. If the two highest ratings differ from one another, the lower rating will apply.

9. Liquidity risk management

Liquidity risk comprises funding liquidity risk and structural funding risk as well as concentration risk associated with funding. Funding liquidity risk refers to the risk that OP Financial Group will not be able to meet its current and future cash flows and collateral needs, both expected and unexpected, without affecting its daily operations or overall financial position. Structural funding risk refers to uncertainty related to long-term lending, arising from the refinancing risk due to the structure of funding. Funding concentration risk refers to the risk that funding becomes more difficult due, for example, to a transaction related to an individual counterparty, currency, instrument or maturity band.

Liquidity risk management is based on OP Financial Group's principles of the risk tolerance system and the Risk Policy lines and set risk limits. The ALM and Risk Management Committee of the central cooperative's Executive Board approves the qualitative targets set for the liquidity buffer, a funding plan, a business continuity and contingency funding plan in the case of threat scenarios. The business continuity and contingency plan contains a control model for liquidity for various threshold levels, funding sources and a contingency funding plan for liquidity management at operational level.

OP Financial Group manages its liquidity position through the proactive planning of the funding structure, the Group's risk limits and limits and control limits derived from them as well as target levels, the monitoring of the liquidity status and a well-balanced liquidity buffer, planning and management of daily liquidity, the business continuity and contingency plan based on emergency preparedness, as well as the effective and ongoing control of the Group's liquidity status. Funding liquidity management is governed by the regulations governing the

minimum reserve and marginal lending facility systems by the European Central Bank.

OP Financial Group safeguards its liquidity with a liquidity buffer and other sources of finance referred to in the contingency plan. The liquidity buffer has the size required for the time to implement the contingency plan in a liquidity crisis. Liquid funding may be made available by selling notes and bonds in the liquidity buffer or using them as collateral. The liquidity buffer consists mainly of deposits with the central bank and receivables eligible as collateral for central bank refinancing.

As OP Financial Group's central bank, OP Corporate Bank plc is tasked with securing the liquidity of the entire Group and each Group member cooperative bank or Group entity. The Group's daily liquidity management refers to managing liquidity of the Group's companies engaged in banking. The liquidity of OP Financial Group's insurance and pension institutions transfers through bank accounts to the Group's overall liquidity. Any changes in their liquidity position will change OP Corporate Bank's liquidity position. The liquidity reserve of Banking within the entire OP Financial Group is managed by the Group's Treasury.

The Group's funding planning is based on the proactive planning of the funding structure and on the risk limits set for the liquidity risk. Deposits from the general public and wholesale funding form the basis of OP Financial Group's funding. Wholesale funding is aimed at actively and proactively covering funding needs arising from the growth differentials between the receivables and the deposit portfolio in the balance sheet, funding maturity and other internal objectives. A solid funding structure requires that the loan portfolio and the Group's liquidity buffer be funded not only through deposit funding and short-term funding but also through long-term funding. Diversifying funding sources will reduce the Group's dependence on an individual source and decrease price risk associated with funding. OP Corporate Bank Group diversifies its funding by time, maturity, instrument and customer segment. Any surplus deposits with member banks are mainly channelled to the central cooperative consolidated accounts or instruments it has issued in order not to increase the Group's wholesale funding unnecessarily. OP Corporate Bank manages on a centralised basis OP Financial Group's wholesale funding in the form of senior bonds and equity capital, while OP Mortgage Bank manages wholesale funding based on covered bonds.

OP Cooperative's Executive Board is responsible for OP Financial Group's liquidity risk management, and controls liquidity management using various threshold levels. In cases of market disruption, liquidity management relies on the business continuity and contingency plan. Each entity within OP Financial Group controls its liquidity management within the framework of control limits issued by the central cooperative and guidelines and of account, deposit and loan terms and conditions.

Other Operations is responsible, on a centralised basis, for OP Corporate Bank's liquidity risk and funding liquidity risk management, long-term funding as well as the maintenance of the liquidity buffer.

As the central institution of the amalgamation of cooperative banks, OP Cooperative has given its member credit institution special permission, under the Act on the Amalgamation of Deposit Banks, whereby the liquidity requirements set for credit institutions mentioned in Part VI of the EU Capital Requirements Regulation are not applied to the member credit institutions. Liquidity based on the regulation is subject to supervision and reporting at the level of the cooperative banks' amalgamation.

9.1 Monitoring and reporting liquidity risks

OP Corporate Bank's liquidity risk is limited as part of the central cooperative consolidated for which limits have been set for net cash flows by maturity which guide the structural funding risk. The risk indicator for the structural funding risk indicates the maximum portion of the net cash flows in the Group's balance sheet that may have a maturity within different time periods. OP Corporate Bank Group monitors long-term funding maturity using a maturity distribution, for which it has set limits. It monitors structural funding risk on a monthly basis.

In addition, a liquidity coverage ratio (LCR) applies to OP Financial Group. Furthermore, OP Financial Group also monitors Group-level liquidity risk in scenarios based on liquidity stress testing. The funding liquidity risk indicators show for how long the liquidity buffer will cover the known and predictable net cash flows payable daily outside the Group and any unexpected liquidity stress scenario. Liquidity risk is subject to monitoring on a daily basis.

10. Market risk management

Market risks comprise structural market risks associated with the banking book and those associated with trading and long-term investment.

Market risks include all interest rate, equity, currency, credit spread and property risks associated with on- and off-balance sheet items as well as other possible price risks. Market risks are the result of interest rate, price, volatility and market liquidity changes in the financial market causing earnings effects to the bank. Such effects may be direct or span several financial years. The recognition of the effects on earnings depends on how a vulnerable asset or derivative instrument is accounted for. Market risk also affects the counterparty risk credit valuation adjustment (CVA).

Effective market risk management requires real-time and accurate information on exposures and markets and a quick response to changes.

The task of market risk management is to identify and assess market risks associated with business operations, mitigate them to an acceptable level, and report them regularly and efficiently. This ensures that changes in market prices or other external market factors will not deteriorate long-term profitability or capital adequacy.

OP Financial Group controls and restricts market risk-taking by following the principles of its risk tolerance system and using the supplementary Risk Policy, limits and risk management guidelines.

Market risks are evaluated by means of sensitivity analyses, statistical volatility and correlation analyses, VaR (Value-at-Risk) analyses, and stress tests. VaR-based limiting covers OP Corporate Bank Group's key market risk exposures.

OP Corporate Bank Group uses actively derivatives for trading and hedging purposes. It monitors risks associated with derivatives as part of the exposure using the same benchmarks as for balance sheet exposure.

10.1 Structural market risk associated with the balance sheet

The most significant sources of the structural market risk in the balance sheet include the interest rate risk associated with the banking book and that associated with the insurance liability of non-life insurance operations.

The interest rate risk associated with banking is by nature structural interest rate risk related to interest income from financing. The banking book consists of the loan and deposit portfolio and domestic and foreign wholesale funding and derivative contracts hedging the abovementioned items. The liquidity buffer and other investment assets are also included in the banking book. The management of market risks associated with the banking book has the aim of hedging the Group's net financial income against interest rate fluctuations and the value change of investment assets against credit spreads. No currency risk is taken in the management of the banking book. In addition to the interest rate monitoring standardised throughout the Group, the Group's Treasury controls interest rate risk by means of interest rate risk limits specific to responsibility areas.

In Non-life Insurance, interest rate risk arises when changes in the interest rate affect the value of and income from investment assets and the cash flows of insurance liabilities. The value of insurance companies' investments and insurance liabilities is sensitive to changes in long-term interest rates. Interest rate risk arises from long-term annuities in particular.

OP Corporate Bank Group hedges interest rate risk for insurance liabilities of Non-life Insurance using the investment portfolio and interest rate derivatives in order to bring the overall risk exposure to the target level set in the investment plan.

10.2 Market risks associated with trading

Trading is aimed at earning commission income and benefiting from changes in market prices. Trading exposes OP Corporate Bank to market and counterparty risks. The effects on earnings of the market risks taken in trading are mainly immediately reflected in changes in the fair value of assets and derivatives. The Group limits market risks through VaR and sensitivity figure limits monitored on a daily basis.

10.3 Market risks associated with long-term investment

In OP Corporate Bank Group, investment operations include investment by non-life insurance companies and the management of OP Financial Group's liquidity buffer. 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. Investments made by the insurance companies are aimed at obtaining assets covering insurance liabilities and investing profitably. The aim is that investment operations meet the needs of each entity and business division without compromising the entity's capital adequacy.

OP Financial Group's risk policy controls and restricts investment risk-taking. The risk policy provides the Group and its entities with quantitative and qualitative restrictions in terms of products, regions and creditworthiness. In addition, investment operations are guided by the principles of sustainable investment. OP Corporate Bank Group limits investment risks through statistical VaR metrics, allocation, credit rating and country risk limits.

Annual investment plans, confirmed by the boards of directors of companies, determining the desired risk and return level are also very important. These investment plans also specify the mix, range and benchmark indices for investment assets as well as other restrictions on investment.

The investment asset allocation of insurance operations takes account of the insurance companies' risk-bearing capacity, structural interest rate risk and other requirements set by insurance liability on investment assets and their liquidity. The Group diversifies investments effectively among various asset classes and investment instruments, both by region and industry.

Non-life Insurance applies the Asset/Liability Management (ALM) model used to determine the basic weighting. As a result of active investment operations and fluctuations in property values, deviations are, within certain limits, occasionally made from the basic weighting.

Insurance companies manage market risks associated with investment and insurance liabilities by means of various investment instruments and derivative contracts. The extent and principles of use of derivatives are determined annually in

the companies' investment plans and the principles governing the use of derivatives.

The risk exposure of investments is measured by means of the profit, risk, VaR and correlation models. Investment assets undergo sensitivity analyses to assess the effects of changes in equity prices, interest rates and real property values. A sensitivity analysis of the credit risk is also carried out for each investment. OP Corporate Bank Group uses stress tests to assess the effects of exceptional market conditions.

10.4 Market risk monitoring and reporting

In OP Corporate Bank Group, the extent and frequency of market risk reporting to the business and management vary by the nature and extent of business from real-time to monthly monitoring.

11. Risk management of Non-life Insurance

11.1 Risks of insurance operations

The insurance business is based on taking and managing risks. The largest risks pertain to risk selection and pricing, the acquisition of reinsurance cover, and the adequacy of insurance liabilities. The risk inherent in insurance liabilities lies mainly in insurance lines characterised by a long claims settlement period. In addition to underwriting risks, a significant insurance business risk consists of the investment risk related to the assets covering insurance liabilities.

11.2 Underwriting risks

Underwriting risks associated with Non-life Insurance comprise risk of loss or damage, and provision risk.

Risk of loss or damage occurs when there are an above-average number of losses or they are exceptionally large. This results in assets covering technical provisions differing due to expected higher claims incurred. Provision risk arises when the claims incurred due to already-occurred losses are higher than anticipated on the balance sheet date. The uncertainty related to the timing of claims paid out also has an effect on the amount of provision for unpaid claims. Once a loss has been reported, uncertainty may still prevail as regards the size of the loss. However, the most significant uncertainty relates to the assessment of unknown losses.

The majority of claims expenditure in statutory lines of insurance for bodily injuries consists of compensation for loss of income and for medical care. In addition to accidental injuries, statutory workers' compensation insurance covers occupational diseases, which tend to develop slowly. For this reason, major uncertainty is involved in assessing claims incurred in the case of occupational diseases.

It is typical of the statutory lines of insurance that the period from the date of the occurrence of loss until the date on which the claim is fully paid is often long. Such underwriting business generates a long-term cash flow, on the evaluation of which the mortality of beneficiaries, medical-cost inflation and return to work have the greatest impact. With respect to statutory workers' compensation insurance and motor liability insurance, the insurance company is not, however, liable for the index increments of compensation for loss of income nor for any medical expenses that are paid for over ten years after the accident's occurrence. These are financed through the pay-as-you-go system. The pay-as-you-go system is a scheme based on special laws governing each statutory line of insurance. Under this system, the financing of benefits, the so-called pay-as-you-go benefits, specified in these laws, has been arranged through the pay-as-you-go system. The pay-as-you-go system does not generate any financial benefit or harm to the insurance company that would lead to changes in equity.

Individual claims are usually small in voluntary accident and health insurance. The largest claims may arise from catastrophes with a large number of injured people. Medical-cost inflation has a major impact on projecting cash flows in medical expenses insurance, with respect to illnesses for which compensation is paid for a long time. Rapid progress in medicine and rising pharmaceuticals costs increase medical-cost inflation. Developments in public healthcare will also affect future cash flows. If tax-funded public healthcare services decline, those insured will increasingly start paying for their medical care through medical expenses insurance.

In motor vehicle and cargo insurance, weather conditions have the greatest effect on the number and size of claims. Claims expenditure is therefore larger during the winter than during the summer. The greatest risks within cargo insurance are associated with risk concentrations caused by sea transport and trading stock. In addition, weather conditions, such as storms and floods, and snow and icy roads during the winter relating to motor vehicle insurance may involve accumulation risks covering a geographically large region.

The largest single risks within property and business interruption insurance include fire, natural phenomenon and breakage risks exposed by companies' production facilities and buildings, and the related business interruption risks. Households' individual property risks are small and the related individual claims have no material effect on the Non-life Insurance earnings. The majority of claims expenditure for households is due to leakage, fire and burglary claims.

The risk of natural catastrophes has been considered minor in Finland and the Baltic region. However, studies have suggested that there are indications of a change in climatic conditions in the Group's operating region at least in the long term. The projected temperature increase will probably be reflected in changes in summer and winter conditions and, for instance, in higher precipitation and wind speeds.

Laws and legal practice governing the liability to pay damages have a major impact on the number and size of liability claims. For private individuals, claims have a minor effect on earnings. In addition, private individuals' risks account for a minor share

of the total risk within the class. The majority of corporate liability policies consist of product liability and commercial general liability policies. Liability insurance is characterised by losses being revealed and settled slowly, especially in respect of product liability insurance in North America.

Decennial insurance and perpetual insurance are long-term contracts. Decennial insurance is a statutory policy where a loss event requires both a construction defect and the builder's default. The underwriting of perpetual insurance was terminated in the 1970s and their sums insured and associated risks are small due to low inflation. The policyholders consist mainly of private individuals.

A specific risk type consists of a claim accumulation generated by natural catastrophes or large catastrophes caused by human activity. In such a case, one catastrophic event may in practice give rise to simultaneously payable claims for a large number of insured risks at high amounts. The resulting total claims expenditure may be extremely large.

Unidentified background factors may also affect underwriting risks. Examples from recent history include cases of occupational diseases caused by exposure to asbestos dust, and the effect of higher life expectancy than predicted on the pension portfolio of statutory insurance.

11.2.1 Underwriting risk management

The most important tasks within underwriting risk management relate to risk selection and pricing, the acquisition of reinsurance cover, the monitoring of claims expenditure and the analysis of insurance liabilities. The highest underwriting risk decision-making body is the Underwriting (UW) Executives tasked with managing Non-life Insurance underwriting risks. The Underwriting Executives make underwriting decisions within the framework of powers confirmed by the boards of directors of the insurance companies, They report on decisions to the board of directors of each insurance company and to the ALM and Risk Management Committee of the central cooperative's Executive Board.

Decisions on customer and insurance object selection and risk pricing are made according to the UW Guidelines. The UW Executives approve risks with the most significant effect and the most demanding risks while decisions on smaller risks, depending on the size and severity of the risk, require decisions made jointly by several underwriters or managers. For basic insurance lines, decisions are made on a system-supported basis and customers and the objects of insurance are selected within the powers determined by instructions specifically approved.

11.2.2 Risk selection and pricing

Operating models highlight the role of risk selection and pricing. The Group has set limits for the size and extent of risk for each insurance line and risk concentration. Non-life Insurance has a centralised data warehouse and analysis applications in place to support risk selection and pricing. Insurance terms and conditions play a substantial role in risk mitigation. In addition, the Group performs risk analyses on a customer or insurance line specific basis to mitigate risks.

11.2.3 Reinsurance

The reinsurance principles and the maximum risk per claim retained for own account are annually adopted by the boards of directors of the insurance companies, in accordance with the principles of the central cooperative's Executive Board. In practice, the Group's own retention levels can be kept lower than the maximum retention levels adopted by the board of directors, if the reinsurance pricing supports this. Retention in both risk-specific reinsurance and catastrophe reinsurance is a maximum of EUR 5 million. Reinsurance has an effect on the solvency capital requirement. Only reinsurance companies with a sufficiently high financial strength rating are accepted as reinsurers. The reinsurer's counterparty risk is managed by means of reinsurance diversification limits.

11.2.4 Risk concentrations

The Group takes account of local risk concentrations in EML (Estimated Maximum Loss) estimates for property and business interruption risks and through EML breakthrough cover included in reinsurance cover. Our operating region has no major risk of earthquakes. With respect to risks associated with other natural disasters, such as storms and floods, Finland is a stable area. However, the Group has protected against catastrophe accumulation losses through an extensive catastrophe reinsurance cover whose size has been dimensioned to correspond to the calculated size of a catastrophe loss occurring once every 200 years. The catastrophe accumulation cover applies to property damage and personal injuries.

11.2.5 Evaluation of insurance liabilities

The Group monitors the adequacy of insurance liabilities on an annual basis. Insurance liabilities arising from insurance contracts are determined on the basis of estimated future cash flows. The cash flows comprise payable claims and loss adjustment expenses.

The amount of insurance liabilities has been estimated securely in such a way that it would be sufficient to fulfil the obligations arising from insurance contracts. This has been performed in such a way that an expected value has first been estimated for the insurance liability on top of which a safety loading based on the degree of uncertainty related to the liability has been determined.

The evaluation of insurance liabilities always involves uncertainties which may be due, for instance, to the prediction of the claims trend, delays in verifying losses, cost inflation, legislative amendments and general economic development. Every three years, an external actuary performs for Non-life

Insurance an analysis of the appropriateness of the calculation bases and the amount of insurance liabilities.

The provision for unpaid claims for annuities consists mainly of annuities of statutory insurance lines. Discounting is used in the computation of the provision for unpaid claims for annuities and the discount rate used is of great significance for the provision. Due to low interest rates, Non-life Insurance reduces the discount rate on a controlled basis.

Note 3. Changes in presentation of financial statements

Change in presentation of financial statements
The grouping of the income statement and balance sheet formats has been revised in the financial statements. This has no effect on equity capital, balance sheet total or profit for the financial year. Segment reporting has been updated accordingly. Comparatives have been restated to correspond to the new grouping. The income statement and balance sheet formats based on the new grouping better reflect and support the current business model.

The most significant changes caused by the new grouping are as follows:
Net interest income broken down into interest income and expenses is presented in the notes. Net interest income after impairment loss is not presented separately. Impairment loss on receivables is presented in its own line after expenses.

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

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

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

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

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

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

Notes to the income statement

Note 4. Net interest income

EUR million	2016	2015
Interest income		
Receivables from credit institutions		
Interest	37	46
Negative interest	3	
Total	40	46
Receivables from customers		
Loans	295	287
Finance lease receivables	18	19
Impaired loans and other commitments	0	0
Negative interest	7	-1
Total	321	305
Notes and bonds		
Held for trading	8	11
At fair value through profit or loss		0
Available for sale	117	136
Held to maturity	0	0
Loans and receivables	1	3
Total	127	150
Derivative contracts		
Held for trading	1,073	1,331
Fair value hedge	-130	-120
Cash flow hedge	9	11
Ineffective portion of cash flow hedge	0	0
Total	952	1,222
Other	7	9
Total	**1,447**	**1,732**
Interest expenses		
Liabilities to credit institutions		
Interest	48	56
Negative interest	35	
Total	84	56
Financial liabilities at fair value through profit or loss	0	0
Liabilities to customers	0	16
Debt securities issued to the public	179	215
Subordinated liabilities		
Subordinated loans	8	9
Other	44	41
Total	52	50
Derivative contracts		
Held for trading	1,048	1,318
Cash flow hedge	-142	-147
Other	-9	
Total	897	1,171
Other	7	4
Total	**1,218**	**1,512**

Net interest income before fair value adjustment under hedge accounting	**229**	**220**
Hedging derivatives	-132	-21
Value changes of hedged items	130	21
Total	**228**	**220**

Note 5. Net insurance income

EUR million	2016	2015
Net insurance premium revenue		
Premiums written	1,443	1,417
Insurance premiums ceded to reinsurers	-12	-10
Change in provision for unearned premiums	-14	-8
Reinsurers' share	3	-2
Total	1,420	1,397
Net Non-life Insurance claims		
Claims paid	-862	-804
Insurance claims recovered from reinsurers	29	25
Change in provision for unpaid claims*	-27	-114
Reinsurers' share	-23	8
Total	-883	-885
Other Non-life Insurance items	-3	-5
Total	**534**	**507**

* The item includes EUR 55 million (62) as a result of the changed discount rate for insurance liabilities.

Note 6. Net commissions and fees

EUR million	2016	2015
Commission income		
Lending	40	44
Payment transfers	29	31
Securities brokerage	16	21
Securities issuance	6	11
Asset management and legal services	11	7
Guarantees	13	13
Insurance brokerage	16	15
Other	8	3
Total	**140**	**146**
Commission expenses		
Payment transfers	11	15
Securities brokerage	7	8
Securities issuance	1	3
Asset management and legal services	4	4
Insurance operations	76	69
Other*	43	11
Total	**143**	**109**
Total net commissions and fees	**-4**	**37**

* In 2016 the item includes EUR 35 million in commission expenses paid to member banks arising from derivative trading.

Note 7. Net investment income

EUR million	2016	2015
Net income from available-for-sale assets		
Notes and bonds		
Interest income	42	42
Capital gains and losses	55	26
Transferred from fair value reserve during the financial year	12	19
Fair value gains and losses	-2	2
Impairment losses and their reversal	0	-1
Total	106	88
Shares and participations		
Dividends	36	53
Other income and expenses	-2	2
Capital gains and losses	-10	30
Transferred from fair value reserve during the financial year	23	66
Impairment losses	-16	-8
Total	31	144
Total net income from available-for-sale financial assets	137	232
Net income recognised at fair value through profit or loss		
Financial assets and liabilities held for trading		
Notes and bonds		
Capital gains and losses	1	-8
Fair value gains and losses	4	-5
Total	6	-13
Shares and participations		
Capital gains and losses	0	0
Fair value gains and losses		0
Total	0	0
Derivatives		
Capital gains and losses	-11	136
Fair value gains and losses	94	-58
Total	83	78
Total financial assets and liabilities held for trading	89	65
Assets and liabilities recognised at fair value through profit or loss		
Notes and bonds		
Interest income	1	0
Capital gains and losses	0	-1
Fair value gains and losses	-6	
Total	-4	-1
Derivatives		
Interest income	0	0
Capital gains and losses	8	-1
Fair value gains and losses	2	7
Total	11	6
Total assets and liabilities recognised at fair value through profit or loss	6	6
Net income from foreign exchange operations		
Currency exchange	-2	0
Fair value gains and losses*	40	39
Total net income from foreign exchange operations	38	39

*Net income from hedging derivatives amounted to -6.6 million euros.

Net income from investment property		
Rental income	24	24
Capital gains and losses	2	0
Gains on fair value measurement	4	6
Maintenance charges and expenses	-14	-14
Other	-4	-1
Net income from investment property total	12	14

Net income from loans and receivables measured at amortised cost**

Loans and receivables		
Interest income	5	5
Interest expenses	-1	-1
Capital gains and losses	-3	-2
Fair value gains and losses	0	0
Impairment losses and their reversal	0	0
Loans and receivables total	1	1

** Note 33 contains information on capital losses recognised on financial assets carried at amortised cost.

Non-life Insurance		
Unwinding of discount, Non-life Insurance	-36	-38

The increase in the discounted insurance liabilities in Non-life Insurance due to passage of time is unwinding of discount. Unwinding of discount is computed monthly applying the discount rate at the end of the previous month and the insurance liabilities at the beginning of the current month. On 31 December 2016, the discount rate used was 2% (2.25) for losses occurred before 2015 and 1.5% for losses occurred in 2015 and 2016.

Total net investment income	**247**	**319**

Note 8. Other operating income

EUR million	2016	2015
Capital gains on property in own use	1	0
Central banking service fees	9	8
Leasing agreements	2	4
ICT income	2	3
Income from Pohjola Health	9	6
Other	11	9
Total	**33**	**29**

Note 9. Personnel costs

EUR million	2016	2015
Wages and salaries	112	111
Variable remuneration	16	14
Pension costs	24	22
Defined contribution plans	16	19
Defined benefit plans	8	2
Other personnel related costs	10	8
Total	**162**	**155**

Note 10. Depreciation/amortisation and impairment loss

EUR million	2016	2015
Depreciation and amortisation		
Buildings	3	4
Machinery and equipment	1	1
Intangible assets related to business combinations	21	21
Other intangible assets	26	21
Leased out assets	0	2
Other	0	0
Total	51	49
Impairment loss		
Property in own use	0	0
Total	0	0
Total	**51**	**49**

Note 11. Other operating expenses

EUR million	2016	2015
Rental expenses	1	1
Expenses for property in own use	23	26
Government charges and audit fees*	15	16
Membership fees	1	1
Office expenses	54	42
ICT costs	119	92
Telecommunications	9	9
Marketing	11	10
Corporate social responsibility expenses	2	1
Other administrative expenses	27	37
Insurance and security costs	3	5
Other Non-life Insurance expenses	3	3
Other	13	10
Total	**281**	**253**

* The item includes EUR 274,000 (348,000) in audit fees paid to auditors, EUR 45,000 (179,000) in fees for assignments as referred to in sub-paragraph 2, paragraph 1, section 1 of the Auditing Act, EUR 17,000 (30,000) in fees for tax consultation and EUR 89,000 (161,000) in fees for other services.

Note 12. Impairment loss on receivables

EUR million	2016	2015
Receivables written off as loan or guarantee losses	37	37
Recoveries of receivables written off	-1	-1
Increase in impairment losses on individually assessed receivables	41	33
Decrease in impairment losses on individually assessed receivables	-46	-38
Collectively assessed impairment losses	5	-2
Total	**37**	**29**

Note 13. Income tax

EUR million	2016	2015
Current tax	68	92
Tax for previous financial years	1	0
Deferred tax	34	28
Income tax expense	**102**	**120**
Corporate income tax rate	20.0	20.0

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

Earnings before tax	504	625
Tax calculated at a tax rate of 20.0%	101	125
Tax for previous financial years	1	0
Income not subject to tax	-5	-10
Expenses not deductible for tax purposes	5	4
Re-evaluation of unrecognised tax losses	0	0
Tax adjustments	1	1
Other items	-1	1
Tax expense	**102**	**120**

Notes to assets

Note 14. Cash and cash equivalents

EUR million	31 Dec. 2016	31 Dec. 2015
Cash	1	2
Deposits with central banks repayable on demand		
OP Corporate Bank plc's minimum reserve deposit	651	590
Cheque account	8,684	7,878
Total cash and cash equivalents	**9,336**	**8,469**

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 1% of the reserve base. Credit institutions within OP Financial Group place a reserve deposit with OP Corporate Bank plc, which acts as an intermediary authorised by OP Financial Group credit institutions and is responsible for OP Financial Group's obligation to place a deposit with the Bank of Finland.

Note 15. Receivables from credit institutions

EUR million	31 Dec. 2016	31 Dec. 2015
Deposits		
Repayable on demand	297	334
Other		53
Total	297	387
of which receivables from credit institutions due in less than 3 months	296	387
Loans and receivables		
Repayable on demand		
From other credit institutions	0	0
Total	0	0
Other		
From OP Financial Group entities	8,937	9,048
From other credit institutions	226	245
Total	9,163	9,292
Impairments		
From other credit institutions	-2	-1
Total	-2	-1
Total receivables from credit institutions	**9,458**	**9,678**

Note 16. Financial assets held for trading

EUR million	31 Dec. 2016	31 Dec. 2015
Financial assets held for trading		
Government notes and bonds	5	558
Certificates of deposit and commercial papers	440	82
Debentures	42	17
Perpetual loans	2	5
Bonds	149	190
Total	**638**	**852**

Notes and bonds held for trading and shares and participations by quotation and issuer

	31 Dec. 2016		31 Dec. 2015	
Financial assets held for trading, EUR million	Notes and bonds	Shares and partici-pations	Notes and bonds	Shares and partici-pations
Quoted				
From public sector entities	5		558	
From others	182		191	
Other				
From public sector entities	276		82	
From others	175		21	
Total	**638**		**852**	

Financial assets at fair value through profit or loss include EUR 88 million (648) in notes and bonds eligible for central bank refinancing and EUR 49 million (21) in subordinated publicly-quoted notes and bonds.

Note 17. Derivative contracts

EUR million	31 Dec. 2016	31 Dec. 2015
Held for trading		
Interest rate derivatives	4,009	4,606
Currency derivatives	261	62
Equity and index derivatives	1	29
Credit derivatives	1	2
Commodity derivatives	21	61
Total	4,292	4,760
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	116	161
Currency derivatives	268	118
Cash flow hedge		
Interest rate derivatives	2	5
Total	386	285
Total derivative contracts	**4,678**	**5,045**

The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

Note 18. Receivables from customers

EUR million	31 Dec. 2016	31 Dec. 2015
Loans to the public and public sector entities	13,587	12,512
Notes and bonds	10	10
Finance lease receivables	1,268	1,166
Guarantee receivables	2	10
Other receivables	4,077	3,726
Total	18,943	17,424
Impairment losses	-241	-240
Total receivables from customers	**18,702**	**17,183**

Changes in impairment losses on loans and guarantee receivables in receivables from customers

EUR million	Loans	Notes and bonds	Bank guarantee receivables	Interest receivables	Total
Impairments 1 Jan. 2016	234	-3	10	-1	240
Increase in impairments of individually assessed loans and receivables	41	2	0	-12	30
Change in impairments of collectively assessed loans and receivables	4		0		4
Reversal of impairments of loans and receivables individually assessed	-10		-9	14	-4
Loans and guarantee receivables derecognised from balance sheet, of which an individually assessed impairment was recognised	-29				-29
Impairments 31 Dec. 2016	241	-1	2	0	241

EUR million	Loans	Notes and bonds	Bank guarantee receivables	Interest receivables	Total
Impairments 1 Jan. 2015	241	0	12	-1	252
Increase in impairments of individually assessed loans and receivables	34	-3	-2	-18	12
Change in impairments of collectively assessed loans and receivables	-3		0		-3
Reversal of impairments of loans and receivables individually assessed	-4			18	13
Loans and guarantee receivables derecognised from balance sheet, of which an individually assessed impairment was recognised	-34				-34
Impairments 31 Dec. 2015	234	-3	10	-1	240

Finance lease receivables

OP Corporate Bank Group finances moveable capital assets, real property and other premises through finance leases.

EUR million	31 Dec. 2016	31 Dec. 2015
Maturity of finance leases		
Not later than one year	330	303
1–5 years	640	586
Over 5 years	369	352
Gross investment in finance leases	1,339	1,242
Unearned finance income (–)	-72	-76
Present value of minimum lease payments	**1,268**	**1,166**
Present value of minimum lease payment receivables		
Not later than one year	313	285
1–5 years	607	552
Over 5 years	347	328
Total	**1,268**	**1,166**

Note 19. Investment assets

EUR million	31 Dec. 2016	31 Dec. 2015
Financial assets at fair value through profit or loss at inception		
Notes and bonds	337	
Total	337	
Available-for-sale financial assets		
Notes and bonds	15,127	13,714
Shares and participations	807	754
Total	15,934	14,468
Financial assets held to maturity		
Notes and bonds	79	94
Total	79	94
Investment property		
Land and water areas	42	36
Buildings	274	259
Total	316	295
Loans and receivables		
Notes and bonds		9
Other	32	14
Total	32	24
Total investment assets	**16,698**	**14,881**

Breakdown of notes and bonds recognised at fair value through profit or loss and shares and participations by quotation and issuer

	31 Dec. 2016		31 Dec. 2015	
EUR million	Notes and bonds	Shares and partici-pations	Notes and bonds	Shares and partici-pations
Quoted				
From public corporations	337			
Total	**337**			

Available-for-sale financial assets and held-to-maturity investments on 31 Dec. 2016

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity investments
Quoted							
Eligible as collateral	12,182		12,182				69
Ineligible as collateral	2,784		2,784	508		508	10
Other							
From others	161		161	297	2	298	
Total	**15,127**		**15,127**	**805**	**2**	**807**	**79**
Impairment losses for the financial year	0		0	-16		-16	

Available-for-sale financial assets did not include subordinated publicly-quoted notes and bonds.

Available-for-sale financial assets and held-to-maturity investments on 31 Dec. 2015

	Available-for-sale notes and bonds			Available-for-sale shares and participations			
EUR million	At fair value	At amortised cost	Total	At fair value	At cost	Total	Held-to-maturity investments
Quoted							
Eligible as collateral	11,099		11,099				70
Ineligible as collateral	2,453		2,453	444		444	25
Other							
From others	163		163	308	2	310	
Total	**13,714**		**13,714**	**752**	**2**	**754**	**94**
Impairment losses for the financial year	-1		-1	-8		-8	

Changes in investment property, EUR million	2016	2015
Acquisition cost 1 Jan.	263	222
Increase	38	44
Decrease	-12	-3
Transfers between items	-10	0
Acquisition cost 31 Dec.	279	263
Accumulated changes in fair value 1 Jan.	31	24
Changes in fair value during financial year	4	6
Decrease	0	1
Other changes	1	
Accumulated changes in fair value 31 Dec.	36	31
Carrying amount 31 Dec.	316	295

Increases in investment property include EUR 0 million (1) in capitalised expenses recognised after acquisition. Any changes in the fair value of investment property are recognised under 'Net investment income'. The fair value of investment property holdings includes the portion of debt.

Information on investment property under operating lease can be found in Note 40.

Investment property does not include real property received as collateral in 2016 and 2015.

A total of 33% of investment property holdings, or EUR 105 million, was appraised by external property valuers, all of them being authorised property valuers (AKA).

Note 20. Investment accounted for using the equity method

Amounts entered in the balance sheet:

EUR million	31 Dec. 2016	31 Dec. 2015
Associates	46	16
Total	**46**	**16**

Amounts entered in the income statement:

EUR million	31 Dec. 2016	31 Dec. 2015
Associates	-2	0
Total	**-2**	**0**

Investments in associates and joint ventures

OP Corporate Bank Group has three (2) associated companies which are not significant when reviewing one by one. The table above shows OP Corporate Bank Group's share of the profit/loss of these associates. OP Corporate Bank Group has no investments in joint ventures.

OP Corporate Bank Group's investments in associated have no quoted market price and no contingent liabilities are involved in them.

	Associates consolidated using equity method	
EUR million	31 Dec. 2016	31 Dec. 2015
Profit of continuing operations	-2	0
Comprehensive income	**-2**	**0**

Note 21. Intangible assets

Changes in intangible assets, EUR million	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 Jan. 2016	422	179	278	280	1,160
Increases				56	56
Decreases				-1	-1
Acquisition cost 31 Dec. 2016	422	179	278	335	1,215
Accumulated amortisation and impairments 1 Jan. 2016		-7	-217	-155	-379
Amortisation during the financial year			-21	-25	-47
Decreases				0	0
Other changes				1	1
Accumulated amortisation and impairments 31 Dec. 2016		-7	-239	-179	-425
Carrying amount 31 Dec. 2016	422	172	39	156	790

Changes in intangible assets, EUR million	Goodwill	Brands	Customer relationships related to insurance contracts and policy acquisition costs	Other intangible assets	Total
Acquisition cost 1 Jan. 2015	422	179	301	243	1,146
Increases				38	38
Decreases			-24	-1	-24
Acquisition cost 31 Dec. 2015	422	179	278	280	1,160
Accumulated amortisation and impairments 1 Jan. 2015		-7	-218	-136	-360
Amortisation during the financial year			-23	-22	-45
Decreases				3	3
Other changes			24	0	23
Accumulated amortisation and impairments 31 Dec. 2015		-7	-217	-155	-379
Carrying amount 31 Dec. 2015	422	172	61	126	781

Intangible assets with indefinite economic lives, EUR million	31 Dec. 2016	31 Dec. 2015
Goodwill	422	422
Brands	172	172
Total	**595**	**595**

The economic lives of goodwill and brands acquired through business combinations are estimated to be indefinite, since they affect the accrual of cash flows for an indefinable period.

Other intangible assets, EUR million	31 Dec. 2016 Carrying amount	31 Dec. 2015 Carrying amount
Information systems	96	79
Information systems under development	46	45
Modernisation costs	0	0
Other	14	1
Total	**156**	**126**

Goodwill was acquired as part of the acquisition of Pohjola Group plc's business operations in 2005 and as part of the acquisition of Pohjola Finance Ltd (formerly K-Finance Ltd) in 2008. In 2011, goodwill increased as a result of the acquisition of Excenta Ltd, a strategic corporate wellness services provider. Brands and customer relationships were acquired as part of the acquisition of the Non-life Insurance operations.

Goodwill impairment test

Goodwill, EUR million	31 Dec. 2016	31 Dec. 2015
Non-life Insurance	410	410
Leasing and Factoring Services	13	13
Total	**422**	**422**

Goodwill of OP Corporate Bank Group originates entirely from the acquisition of the business operations of Pohjola Group Plc, Pohjola Finance Ltd and Excenta Oy. Goodwill was determined by the so-called Purchase Price Allocation process (PPA). The resulting goodwill was allocated to the cash-generating units (CGUs), which were either business segments, entities or parts of a business division included in them. Impairment testing of goodwill was carried out in accordance with IAS 36 on those CGUs for which acquisition cost calculations in accordance with PPA were made: non-life insurance operations and finance company services.

For the purpose of goodwill testing, the value of the CGUs of OP Corporate Bank Group was determined by using the 'Excess Returns' method. Accordingly, profits for the current period and future periods were reduced by the return requirement set for shareholders' equity. Any excess return was discounted using a discount rate corresponding to the return requirement set for shareholders' equity in order to determine the present value of cash flows.

The testing period was determined to be five years under IAS 36, including residual values.

The forecasts used in cash flow statements are based on strategy figures for 2017–19 confirmed by OP Corporate Bank's Board of Directors in 2016, and post-strategy-period expectations derived from them regarding business developments. Growth in cash flows for post-forecast periods ranges between 2 and 7%.

The discount rate used in the calculations was the market-based equity cost, which is in line with the applied value determination methods (i.e. through cash flows, only the value of equity belonging to investors was determined and the value was discounted by using the return requirement rate on equity capital). The discount rate used in the calculations before tax (i.e. IFRS WACC) was 9.5% and 10.3%. In 2015, the discount rate was 9.0% and 10.6%. The Group decreased the discount rate for Non-life Insurance by 0.3 percentage points and increased the discount rate for finance company services by 0.4 percentage points to correspond to the discount rate based on market information.

The impairment testing of goodwill did not lead to recognition of impairment losses.

A sensitivity analysis was carried out separately on each CGU on the basis of key parameters of each CGU.

Non-life Insurance key parameters used in the sensitivity analysis were the discount rate, combined ratio and net return on investments. The parameters used were the same as last year. The results of the sensitivity analysis did not change significantly from last year. A 9.5-percentage point increase in the discount rate, a 8.1-percentage point increase in the combined ratio and a 3.5-percentage point decrease in net investment return compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. In 2015, the results were as follows: a 7.5-percentage point increase in the discount rate, a 6.2-percentage point increase in the combined ratio and a 3.0-percentage point decrease in net investment return compared with forecasts throughout the testing period, would have entailed an impairment risk.

The discount rate, growth rate (%) of the loan portfolio and a growth rate (%) of expenses were used as key parameters in Leasing and Factoring Service's sensitivity analysis. The parameters used were the same as in the previous year. The results of the sensitivity analysis did not change significantly on a year earlier. A 15-percentage point increase in the discount rate, a 22-percentage point decrease in the loan portfolio and a 20-percentage point increase in expenses compared with forecasts throughout the testing period, with other parameters remaining unchanged, would entail an impairment risk. In 2015, the results were as follows: a 18-percentage point increase in the discount rate, a 25-percentage point decrease in the loan portfolio and a 26-percentage point increase in expenses compared with forecasts throughout the testing period would have entailed an impairment risk.

Impairment testing of brands

OP Corporate Bank Group's brands originate entirely from the acquisition of Pohjola Group plc's business operations. Impairment testing was carried out separately for the Pohjola, Eurooppalainen, A-Vakuutus (A-Insurance) and Seesam brands, in accordance with IAS 36.

The value of the brands was determined by using the 'Relief from Royalty' method. Accordingly, their value was determined to be royalty savings accrued in the future from owning the brands, discounted to the present. In testing the Pohjola brand, the used discount rate was the weighted average of market-based equity cost for non-life and occupational healthcare services plus an asset-specific risk premium. The discount rate used in testing other brands was the market-based equity cost defined for Non-life Insurance plus an asset-specific risk premium. In addition, the same risk premium and the corresponding royalty percentages were applied in 2016 as in the PPA procedure and in previous years' tests.

The testing period of brands was mainly determined to be five years under IAS 36. The testing period of the Pohjola brand was determined to be an exceptional period of 15 years because the use of the brand will be extended to cover a completely new business that will grow in the next few years. The forecasts used in cash flow statements are based on strategy figures for 2017-19 updated for Non-life Insurance and post-strategy-period expectations derived from them regarding the business line's future developments. A 3% inflationary expectation was used as growth in cash flows for post-forecast periods.

In the autumn of 2014, OP Financial Group Central Cooperative's Supervisory Board decided to put Non-life Insurance together with Banking and Wealth Management under the OP brand. The Pohjola brand will be used mainly in the healthcare and wellbeing business and the closely related non-life products. As part of testing the Pohjola brand for impairment, the Group assessed the effect of the abovementioned change on the useful life and the length of the testing period, the discount rate, risk premium and royalty rate used in testing- As a result, the Group stated that the brand is in accordance with IAS 36, an intangible asset with indefinite useful life. Because the brand will be used in the new business that is expected to grow strongly in the initial stage, the testing period was extended to 15 years. The Group did not make any major changes in parameters because the new healthcare and wellbeing business is closely related to Non-life Insurance. In the testing of the brand, the Group took account of the cash flows comparable with the net sales of the businesses that will operate under the brand.

As a result of testing brands for any impairment, Pohjola did not recognise any impairment loss on brands in its financial statements 2016. An impairment loss of EUR 1 million related to the Seesam brand was recognised in the 2011 and EUR 3 million in the 2009 and 2008 financial statements.

Impairment testing of other essential intangible assets

OP Corporate Bank Group's customer relationships were acquired as part of the acquisition of the business operations of Pohjola Group plc. Intangible assets originating from customer relationships are charged to expenses using straight-line amortisation over their estimated economic lives. No indications of the need for impairment recognition have been discovered. Intangible assets derived from software used by Non-life Insurance were expensed in full in prior financial years.

Note 22. Property, plant and equipment

EUR million	31 Dec. 2016	31 Dec. 2015
Property in own use		
Land and water areas	9	6
Buildings	78	40
Total	87	46
Machinery and equipment	2	2
Other tangible assets	3	4
Leased-out assets	2	7
Total property, plant and equipment	**93**	**58**
of which construction in progress	24	

Changes in property, plant and equipment (PPE), EUR million	Property in own use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 Jan. 2016	60	37	4	17	118
Increases	44	0	3		47
Decreases	-2	0	-3	-12	-16
Transfers between items	10				10
Acquisition cost 31 Dec. 2016	112	37	4	5	158
Accumulated depreciation and impairments 1 Jan. 2016	-14	-35	0	-10	-59
Depreciation during the financial year	-3	-1	0	-2	-5
Impairments for the financial year	0				0
Reversals of impairments for the financial year	0				0
Decreases	1	0	0	8	9
Other changes	-9	0		0	-9
Accumulated depreciation and impairments 31 Dec. 2016	-25	-36	0	-4	-65
Carrying amount 31 Dec. 2016	87	2	3	2	93

Changes in property, plant and equipment (PPE), EUR million	Property in own use	Machinery and equipment	Other tangible assets	Leased-out assets	Total PPE
Acquisition cost 1 Jan. 2015	60	37	3	36	136
Increases	1	0	3	0	4
Decreases	-1	0	-2	-20	-23
Transfers between items	0				0
Acquisition cost 31 Dec. 2015	60	37	4	17	118
Accumulated depreciation and impairments 1 Jan. 2015	-10	-34	0	-20	-64
Depreciation during the financial year	-4	-1	0	-4	-9
Impairments for the financial year	0				0
Reversals of impairments for the financial year	0				0
Decreases	0	0	0	14	14
Other changes	0				0
Accumulated depreciation and impairments 31 Dec. 2015	-14	-35	0	-10	-59
Carrying amount 31 Dec. 2015	46	2	4	7	58

Note 23. Other assets

EUR million	31 Dec. 2016	31 Dec. 2015
Payment transfer receivables	2	10
Pension assets	2	7
Accrued income and prepaid expenses		
Interest	116	138
Interest on derivatives receivables	280	449
Other insurance operations' items	29	33
Other	14	11
Derivatives receivables, central counterparty clearing	147	66
CSA receivables from derivative contracts	1,098	508
Securities receivables	25	30
Direct insurance receivables	474	436
Reinsurance receivables	8	8
Reinsurers' share of provisions for unearned premiums	14	11
Reinsurers' share of provisions for unpaid claims	64	87
Other receivables	217	172
Total	**2,488**	**1,965**

Note 24. Tax assets and liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Income tax assets	22	17
Deferred tax assets	24	18
Total tax assets	**46**	**35**

EUR million	31 Dec. 2016	31 Dec. 2015
Income tax liabilities	1	10
Deferred tax liabilities	404	360
Total tax liabilities	**405**	**370**

Deferred tax assets	31 Dec. 2016	31 Dec. 2015
Due to available-for-sale financial assets	0	0
Due to depreciation and impairment losses	0	0
Due to provisions and impairment losses on receivables	8	8
Due to timing difference of securities issued to the public	1	7
Due to defined-benefit pension plans	19	3
Due to consolidation of Group accounts	1	0
Due to other items	6	7
Set-off against deferred tax liabilities	-11	-8
Total	**24**	**18**

Deferred tax liabilities	31 Dec. 2016	31 Dec. 2015
Due to appropriations	243	223
Due to available-for-sale financial assets	47	27
Due to cash flow hedging	1	3
Due to elimination of equalisation provision	60	46
Due to fair value measurement of investment	12	15
Due to allocation of sale price of business combinations	40	45
Due to defined benefit pension plans	3	3
Due to consolidation of Group accounts	2	2
Due to other items	5	4
Set-off against deferred tax assets	-11	-8
Total	**404**	**360**
Net deferred tax asset (+)/liability (-)	**-380**	**-343**

Changes in deferred taxes	31 Dec. 2016	31 Dec. 2015
Deferred tax assets/liabilities 1 Jan.	-343	-330
Recognised on the income statement		
Provisions and impairments on receivables	0	-2
Appropriations	-20	-16
Elimination of equalisation provision	-14	-3
Fair value changes in and sale of investments	3	-7
Depreciation/amortisation and impairments	4	5
Timing difference of securities issued to the public	-7	-5
Defined benefit pension plans	1	0
Other	-1	0
Recognised in statement of comprehensive income		
Fair value reserve		
Fair value measurement	-25	10
Cash flow hedges	0	1
Transfers to the income statement	6	16
Actuarial gains/losses on post-employment benefit obligations	16	-13
Other	0	0
Total deferred tax assets 31 December, asset (+)/liability (-)	**-380**	**-343**
Income tax assets, asset (+)/liability (-)	**21**	**7**
Total tax assets, asset (+)/liability (-)	**-359**	**-335**

Tax losses for which a deferred tax asset was not recognised came to EUR 0 million (0) at the end of 2016. The losses will expire before 2026.

A deferred tax liability has not been recognised for the EUR 47 million (41) of undistributed profits of the Baltic subsidiaries, since the assets have been permanently invested in these countries.

Notes to liabilities and equity capital

Note 25. Liabilities to credit institutions

EUR Million	31 Dec. 2016	31 Dec. 2015
Liabilities to central banks*	3,240	12
Liabilities to credit institutions		
Repayable on demand		
Deposits		
With OP Financial Group entities	668	440
With other credit institutions	3	87
Other liabilities		
With OP Financial Group entities	1,281	611
Total	1,952	1,138
Other than repayable on demand		
Deposits		
With OP Financial Group entities	3,799	2,645
With other credit institutions	1,342	1,414
Total	5,141	4,060
Total liabilities to credit institutions and central banks	**10,332**	**5,209**

* Deposits from non-euro-area central banks

Note 26. Derivative contracts

EUR million	31 Dec. 2016	31 Dec. 2015
Held for trading		
Interest rate derivatives	3,782	4,576
Currency derivatives	254	14
Equity and index derivatives	0	14
Credit derivatives	1	1
Other	19	57
Total	4,056	4,661
Hedging derivative contracts		
Fair value hedging		
Interest rate derivatives	330	298
Currency derivatives	11	
Cash flow hedge		
Interest rate derivatives	0	0
Total	341	298
Total derivative contracts	**4,398**	**4,959**

The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

Note 27. Liabilities to customers

EUR million	31 Dec. 2016	31 Dec. 2015
Deposits		
Repayable on demand		
Private	79	68
Companies and public-sector entities	10,671	11,225
Total	10,750	11,293
Other		
Companies and public-sector entities	278	102
Total	278	102
Total deposits	11,028	11,395
Other financial liabilities		
Repayable on demand		
Private	13	9
Total	13	9
Other		
Companies and public-sector entities	5,136	6,146
Total	5,136	6,146
Total other financial liabilities	5,150	6,155
Total liabilities to customers	**16,178**	**17,549**

Note 28. Insurance liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Non-life Insurance insurance liabilities	3,008	2,917
Total	**3,008**	**2,917**

Non-life Insurance contract liabilities and reinsurers' share

	31 Dec. 2016			31 Dec. 2015		
EUR million	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims for annuities	1,434	-6	1,427	1,386	-7	1,379
Other provisions by case	162	-34	128	180	-59	121
Special provision for occupational diseases	17		17	19		19
Collective liability (IBNR)	743	-24	719	707	-21	685
Reserved loss adjustment expenses	66		66	65		65
Provision for unearned premiums	578	-14	565	560	-11	550
Interest rate hedge for insurance liabilities	8		8	0		0
Total Non-life Insurance insurance liabilities	**3,008**	**-78**	**2,930**	**2,917**	**-98**	**2,819**

Changes in insurance liabilities arising from insurance contracts and in receivables arising from reinsurance contracts

	2016			2015		
EUR million	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unpaid claims						
Provision for unpaid claims 1 Jan.	2,357	-87	2,269	2,213	-79	2,134
Claims paid in financial year	-958	29	-929	-891	25	-866
Change in liability/receivable	986	-6	979	1,005	-34	972
Current period claims	993	-8	985	960	-19	942
Increase (decrease) from previous financial years	-62	2	-61	-17	-15	-32
Change in discount rate	55		55	62		62
Unwinding of discount	35		35	38		38
Value change in interest rate hedges	8		8	-12		-12
Acquired business operations 31 Dec.	3		3	3		3
Foreign exchange gains (losses)	0		0	0		0
Provision for unpaid claims 31 Dec.	2,430	-64	2,365	2,357	-87	2,269
Provision for unearned premiums						
Provision for unearned premiums 1 Jan.	560	-11	550	523	-13	511
Increase	543	-14	529	499	-11	488
Decrease	-528	11	-517	-491	13	-478
Acquired business operations 31 Dec.	3		3	28		28
Unwinding of discount	1		1	1		1
Provision for unearned premiums 31 Dec.	578	-14	565	560	-11	550
Total Non-life Insurance insurance liabilities	**3,008**	**-78**	**2,930**	**2,917**	**-99**	**2,819**

The provision for unearned premiums represents obligations relating to insurance cover which has not yet expired at the year-end.

Determination of insurance liabilities arising from non-life insurance contracts

a) Methods and assumptions used

The amount of insurance liability has been estimated in such a way that it is, in reasonable probability, sufficient to cover the liabilities arising from insurance contracts. This has been performed by estimating an expected value for the insurance liability and, after that, by determining a safety margin based on the degree of uncertainty related to the liability.

The provision for unearned premiums arising from insurance contracts has mainly been determined in accordance with the pro rata parte temporis rule for each contract.

The provision for unpaid claims for annuities corresponds to the discounted present value of cash flow of compensation for loss of income payable as continuous annuity. The discount rate is determined taking account of the current interest rate, security required by law and the maximum discount rate set by the authorities and expected reasonable return on assets covering insurance liabilities. On 31 December 2016, the discount rate used was 2% (2.25) for losses occurred before 2015 and 1.5% for losses occurred in 2015 and 2016. The mortality model applied is the cohort mortality model which is based on Finnish demographic statistics and which assumes the current trend of an increase in life expectancy to continue.

The provision for unpaid claims includes asbestos liabilities which arise from occupational diseases coverable under statutory workers' compensation insurance. The forecasted cash flow of these claims is based on an analysis which takes account of to what extent asbestos was used annually as raw material in Finland and how the latency periods of different asbestos diseases are distributed. Trends in asbestos-related claims are monitored annually and the outcome has corresponded well to the forecast.

Determining collective liability is based on different statistical methods: Bornhuetter-Ferguson, Cape Cod and Chain Ladder. When applying these methods, other selections must also be made, in addition to the selection of the method, such as deciding on how many occurrence years' statistics the methods will be applied.

In the valuation of collective liability, the largest risks relate to

- Estimating the future rate of inflation (excl. indemnities for loss of income payable on the basis of statutory insurance)
- Adjustment of changes due to changed compensation practices and legislation in the development triangle of claims (i.e. whether history provides a correct picture of the future)
- Adequacy of historical information over dozens of years.

Of the collective liability, only the liability for annuities has been discounted.

For the assessment of collective liability, the Group's non-life insurance portfolio is divided into several categories by risk and eg maturity of the cash flow applying to compensation paid. In each category, collective liability is first calculated using each statistical method stated above, and the method that best suits the category under review is chosen. The selection criteria used includes how well the model would have predicted developments in prior years of occurrence and the sensitivity of the estimate generated by the model with respect to the number of statistical years used. The safety margin of 2–10% is added to the expected value generated by the selected model. The safety margin is determined by the uncertainty associated with future cash flows and duration, as well as the quality of historical data.

When estimating the collective liability for medical expenses and rehabilitation expenses benefits in statutory workers' compensation and motor liability insurance, the Group has taken account of the fact claims paid for losses occurred more than 10 years ago are financed through the pay-as-you-go system.

b) Changes in assumptions

As a result of a reduction in the lower discount rate, the provision for unpaid claims for annuities rose by EUR 55 million (62).

Effect of changes in methods and assumptions on amount of liability	2016	2015
EUR million (increase +/decrease - in liability)		
Change in discount rate	55	62
Total	**55**	**62**

c) Claims development

The claims triangle compares the actual claims incurred with previous estimates. The triangles describing claims development have been drawn up by occurrence year.

With the exception of long-term liabilities, claims development for the gross business is presented over a period of ten years. The claims triangle does not monitor the shares of pools and the trends in the rights of recourse related to statutory workers' compensation insurance. The capital value of finalised annuities is treated as if the annuities had been paid equalling the capital amount in connection with confirmation as final. For long-term liabilities, i.e. annuities confirmed as final and asbestos-related claims, information on the adequacy of insurance liabilities is provided.

Claims triangles, gross business, EUR million

Occurrence year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimated total claims expenditure											
0*	638	707	666	738	784	815	903	931	976	1,000	8,158
n+1	633	693	633	746	751	802	879	905	887		
n+2	627	691	640	744	752	805	861	920			
n+3	622	689	641	743	757	821	885				
n+4	622	704	651	750	771	836					
n+5	647	726	653	760	786						
n+6	657	734	659	771							
n+7	661	741	670								
n+8	664	758									
n+9	673										
Current estimate of total claims expenditure											
	673	758	670	771	786	836	885	920	887	1,000	8,186
Accumulated claims paid											
	-650	-714	-620	-722	-715	-753	-791	-788	-715	-558	-7,026
Provision for unpaid claims for 2007-16											
	23	**44**	**50**	**50**	**72**	**83**	**94**	**132**	**172**	**442**	**1,160**
Provision for unpaid claims for previous years											147

* = at the end of the occurrence year

Development of claims due to latent occupational diseases, EUR million

Financial year	Collective liability	Known liabilities for annuities	Claims paid	Claims incurred	Changes in reserving basis*	Adequacy
2007	41	40	-4	-2	-1	-2
2008	40	41	-4	-4	3	-2
2009	42	43	-4	-8	4	-4
2010	38	44	-3	0		0
2011	35	50	-3	-6	5	-2
2012	32	53	-4	-4	2	-1
2013	28	53	-4	-1	1	0
2014	22	53	-4	-2	2	0
2015	19	54	-4	-2	2	-1
2016	17	53	-5	-1	2	1

Development of annuities confirmed as final, EUR million

Financial year	Year-start	Year-end	New annuity capital	Annuities paid	Changes in reserving basis*	Adequacy
2007	731	745	60	28	-15	3
2008	745	766	55	30		4
2009	763**	771	42	32		2
2010	771	794	60	34		3
2011	794	895	66	35	77	7
2012	895	940	66	34	31	18
2013	940	965	51	37	23	12
2014	965	1,010	54	40	36	5
2015	1,010	1,046	53	44	30	2
2016	1,046	1,080	54	49	31	3

* Effect of changes in the discount rate and the mortality model on final annuity capital.

** A small amount of healthcare and senior housing provisions was eliminated from 2009 figures.

Claims triangles, net business, EUR million

Occurrence year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimated total claims expenditure											
0*	621	656	649	693	721	796	861	897	957	992	7,845
n+1	623	656	620	707	697	782	829	868	877		
n+2	619	658	629	705	710	786	819	875			
n+3	615	656	629	705	714	804	843				
n+4	615	670	633	712	727	818					
n+5	624	684	633	721	741						
n+6	634	691	635	732							
n+7	637	698	646								
n+8	640	715									
n+9	648										
Current estimate of total claims expenditure											
	648	715	646	732	741	818	843	875	877	992	7,888
Accumulated claims paid											
	-626	-674	-610	-683	-676	-737	-754	-758	-713	-558	-6,789
Provision for unpaid claims for 2007-16											
	23	**41**	**37**	**49**	**66**	**81**	**89**	**117**	**164**	**434**	**1,100**
Provision for unpaid claims for previous years											147

* = at the end of the occurrence year

Change in claims incurred based on loss events for prior financial years

Claims incurred for losses occurred in prior financial years decreased by EUR 12 million while those for the previous financial year increased by EUR 15 million. Change in claims incurred based on loss events for prior financial years describes the adequacy of insurance liabilities, which on average is positive due to the security of insurance liabilities.

Note 29. Debt securities issued to the public

EUR million	Average interest rate %	31 Dec. 2016	Average interest rate %	31 Dec. 2015
Bonds	1.35	11,792	1.41	13,065
Other				
Certificates of deposit	0.21	28	0.02	248
Commercial paper	0.42	8,059	0.50	6,290
Included in own portfolio in trading (–)*		-54		-128
Total debt securities issued to the public		**19,826**		**19,475**

*Own bonds held by OP Corporate Bank Group have been set off against liabilities.

Long-term loans and interest rate bases	Nominal amount	Interest rate	Maturity
OP Corporate Bank plc Issue of EUR 750,000,000 Floating Rate Instruments due 3 March 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	EUB3M + 0.350%	3 March 2017
OP Corporate Bank plc Issue of EUR 750,000,000 2.625 per cent. Instruments due 20 March 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 2.625 %	20 March 2017
OP Corporate Bank plc Issue of EUR 60,000,000 Floating Rate Instruments due 30 May 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	60.0	EUB3M + 0.900%	30 May 2017
OP Corporate Bank plc Japanese Yen Bonds JPY 17,600,000,000 - Third Series (2014)	142.6	Fixed 0.303%	16 June 2017
OP Corporate Bank plc Issue of EUR 750,000,000 3.00 per cent. Instruments due 8 September 2017 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 3.000 %	8 Sept. 2017
OP Corporate Bank plc Issue of GBP 25,000,000 Floating Rate Instruments due 11 January 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	29.2	GBL3M + 0.350 %	11 Jan. 2018
OP Corporate Bank plc Issue of JPY 2,000,000,000 Floating Rate Instruments due 28 March 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	16.2	JPL3M + 0.200%	28 March 2018
OP Corporate Bank plc Issue of EUR 500,000,000 1.25 per cent. Instruments due 14 May 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	Fixed 1.250%	14 May 2018
OP Corporate Bank plc Issue of GBP 300,000,000 Floating Rate Instruments due May 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	350.4	GBL3M + 0.450 %	21 May 2018
OP Corporate Bank plc Japanese Yen Bonds JPY 6,900,000,000 - Second Series (2013)	55.9	Fixed 0.698%	26 June 2018
OP Corporate Bank plc Japanese Yen Floating Rate Bonds JPY 2,000,000,000 - Second Series (2013)	16.2	JPL3M + 0.270%	26 June 2018
OP Corporate Bank plc Issue of EUR 750,000,000 1.750 per cent. Instruments due 29 August 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 1.750%	29 Aug. 2018
OP Corporate Bank plc Issue of EUR 10,000,000 Floating Rate Instruments due 20 September 2018 under the EUR 20,000,000,0000 Programme for the Issuance of Debt Instruments	10.0	EUB3M + 0.390%	20 Sept. 2018
OP Corporate Bank plc Issue of EUR 20,000,000 1.50 per cent. Fixed Rate Notes due 16 November 2018 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.0	Fixed 1.500%	16 Nov. 2018
OP Corporate Bank plc Issue of EUR 750,000,000 1.125 per cent. Instruments due 17 June 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 1.125%	17 June 2019
OP Corporate Bank plc Japanese Yen Bonds JPY 42,400,000,000 - Fourth Series (2014)	343.6	Fixed 0.434 %	18 June 2019
OP Corporate Bank plc Issue of AUD 20,000,000 3.925 per cent Fixed Rate Notes due 27 June 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	13.7	Fixed 3.925 %	27 June 2019
OP Corporate Bank plc Issue of SEK 750,000,000 Floating Rate Note due September 2019 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	78.5	SES3M + 0.520 %	16 Sept. 2019
OP Corporate Bank plc Issue of EUR 300,000,000 Floating Rate Instruments due 11 March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	300.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 50,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 150,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	150.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 30,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 50,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 25,000,000 Floating rate instruments due March 2020. Under the EUR 20,000,000,000 Programme for the issuance of debt instruments.	25.0	EUB3M + 0.280 %	11 March 2020

OP Corporate Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 25,000,000 Floating Rate Instruments due March 2020, under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 35,000,000 Floating Rate Instruments due March 2020, under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	35.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of EUR 20,000,000 Floating Rate Instruments due March 2020, under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.0	EUB3M + 0.280 %	11 March 2020
OP Corporate Bank plc Issue of HKD 850,000,000 Floating Rate Note due May 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	104.0	Fixed 2.140%	27 May 2020
OP Corporate Bank plc Issue of HKD 214,000,000 Floating Rate Note due September 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	26.2	Fixed 2.160%	18 Sept. 2020
OP Corporate Bank plc issue of GBP 10 000 000 floating rate instruments due 13 November 2020 under EUR 20,000,000,000 programme for the Issuance of debt instruments	11.7	GBL3M + 0.850 %	13 Nov. 2020
OP Corporate Bank plc Issue of EUR 10,000,000 1.965 per cent. Instruments due 19 November 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	Fixed 1.965 %	19 Nov. 2020
OP Corporate Bank plc Japanese Yen Bonds JPY 28,500,000,000 - Third Series (2015)	231.0	Fixed 0.325 %	27 Nov. 2020
OP Corporate Bank plc Japanese Yen Floating Rate Bonds JPY 1,500,000,000 - Third Series (2015)	12.2	JPL3M + 0.160 %	27 Nov. 2020
OP Corporate Bank plc Issue of JPY 8,000,000,000 Fixed Rate Instruments due December 2020 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	64.8	Fixed 1.405 %	3 Dec. 2020
OP Corporate Bank plc Issue of EUR 750,000,000 2 per cent. Instruments due 3 March 2021 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	Fixed 2.000 %	3 March 2021
OP Corporate Bank plc Issue of EUR 500,000,000 0.875 per cent. Instruments due 21 June 2021 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	Fixed 0.875%	21 June 2021
OP Corporate Bank plc Issue of CHF 300,000,000 1.000 per cent. Instruments due 14 July 2021 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	279.4	Fixed 1.000%	14 July 2021
OP Corporate Bank plc Issue of EUR 60,000,000 3.75 per cent. Instruments due 1 March 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	60.0	Fixed 3.750 %	1 March 2022
OP Corporate Bank plc Issue of EUR 1,000,000,000 0.75 per cent. Instruments due March 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1,000.0	Fixed 0.750 %	3 March 2022
OP Corporate Bank plc Issue of GBP 400,000,000 2.500 per cent. Instruments due 20 May 2022 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	467.2	Fixed 2.500 %	20 May 2022
OP Corporate Bank plc Issue of EUR 20,000,000 1.097 per cent. Instruments due 16 February 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.0	Fixed 1,097 %	16 Feb. 2024
OP Corporate Bank plc Issue of EUR 57,000,000 1.07 per cent. Notes due 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	57.0	Fixed 1.070 %	12 May 2025
OP Corporate Bank plc Issue of HKD 1,270,000,000 Floating Rate Note due September 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	155.3	Fixed 3.001 %	4 Sept. 2025
OP Corporate Bank plc Issue of HKD 663,000,000 2.88 per cent. Instrumenst due 21 January 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	81.1	Fixed 2.880 %	21 Jan. 2026
OP Corporate Bank plc Issue of EUR 50,000,000 3.086 per cent. Instruments due 23 August 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	Fixed 3.086 %	23 Aug. 2027
OP Corporate Bank plc Issue of EUR 25,000,000 1.00 per cent. Notes due 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	Fixed 1.000 %	8 Oct. 2027
OP Corporate Bank plc Issue of NOK 200,000,000 3.80 per cent. Instruments due 27 May 2029 under the EUR 20,000,000,000 Programme for Debt Instruments	22.0	Fixed 3.800 %	27 May 2029
OP Corporate Bank plc Issue of EUR 30,000,000 1.70 per cent. Notes due 2030 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 1.700 %	21 Aug. 2030
OP Corporate Bank plc Issue of EUR 50,000,000 2.045 per cent. Instruments due 18 November 2030 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	Fixed 2.045 %	18 Nov. 2030
OP Corporate Bank plc Issue of EUR 10,000,000 1.865 per cent. Instruments due 27 January 2031 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	Fixed 1.865 %	27 Jan. 2031
OP Corporate Bank plc Issue of EUR 30,000,000 3.068 per cent. Instruments due 21 March 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 3.068 %	21 March 2034
OP Corporate Bank plc Issue of EUR 30,000,000 Fixed Rate Notes due 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 3.015 %	31 March 2034

OP Corporate Bank plc Issue of EUR 40,000,000 Fixed Rate Notes due 2034 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	40.0	Fixed 3.000 %	11 April 2034
OP Corporate Bank plc Issue of EUR 40,000,000 1.40 cent. Instruments due 16 March 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	40.0	Fixed 1.400 %	16 March 2035
OP Corporate Bank plc Issue of EUR 30,000,000 2.155 per cent. Instruments due 20 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	Fixed 2.155 %	20 Nov. 2035
OP Corporate Bank plc Issue of JPY 2,500,000,000 1.30 per cent. Instruments due 27 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.3	Fixed 1.300 %	27 Nov. 2035

The interest rate is the rate according to the issue currency. The euro equivalents are calculated using the average rate of the European Central Bank on the balance sheet date. The nominal amount of structured bonds issued by OP Corporate Bank plc was EUR 1,257 million (1,252). The bonds' interest rate is determined on the basis of interest, equity, equity index or similar underlying instruments. Any possible additional return on the bonds to the investor is hedged using a corresponding derivative structure.

Note 30. Provisions and other liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Provisions		0
Other liabilities		
Payment transfer liabilities	1,032	974
Accrued expenses		
Interest payable	131	152
Interest payable on derivatives	308	444
Other accrued expenses	61	67
CSA liabilities from derivatives	1,236	1,023
Pension liabilities	89	11
Accounts payable on securities	28	33
Payables based on purchase invoices	16	15
Direct insurance liabilities	45	42
Reinsurance liabilities	14	7
Claims administration contracts	179	169
Other	91	69
Total provisions and other liabilities	**3,231**	**3,005**

Claims administration contracts

Claims administration contracts are contracts which are not insurance contracts, but on the basis of which claims are paid on behalf of another party. Among these contracts, the most important are captive arrangements in which the insured risk is reinsured with a captive company belonging to the same Group of companies with the customer; index increases in annuities of statutory workers' compensation, motor liability and patient insurance policies; certain other increases in benefits; and medical treatment indemnities payable over ten years after the occurrence of the accident; as well as public sector patient insurance.

Defined benefit pension plans

OP Corporate Bank Group has funded assets of its pension schemes through OP Bank Group Pension Fund, OP Bank Group Pension Foundation and insurance companies. Schemes related to supplementary pensions in the Pension Foundation and insurance company, as well as the TyEL (Employees' Pensions Act) funded old-age and disability pension schemes managed by the Pension Fund are treated as defined benefit plans. Contributions to the TyEL pay-as-you-go system are treated as defined contribution plans.

OP Bank Group Pension Fund

OP Bank Group Pension Fund managed statutory pension insurance for the employees of OP Corporate Bank Group employers in 2016. The statutory pension scheme under TyEL (Employees' Pensions Act) provides pension benefits based on the years of employment and earnings as prescribed in the Act. Benefits under the employees pension scheme until the end of 2016 comprised old-age pension, part-time pension, disability pension, survivor's pension and rehabilitation benefits. The retirement age of the old-age pension under TyEL is 63–68 years.

In 2015, the Finnish parliament passed an amended TyE law that will enter into force into 2017. The law will change benefits, replace part-time pension with partial early-age pension and includes a new benefit for the years-of-service pension. The changes in benefits caused by the amended law was recognised in the income statement in the financial statements for 2015. Change in mortality was made in 31 December 2016, increasing obligations by EUR 9 million. Due to the amended law and changed mortality, assets were reclassified in net terms on 31 December 2016 from defined benefit plans to defined contribution plans worth EUR 2 million. All these items have been included in comprehensive income.

The TyEL pension scheme is based on a system that is partly a funded system and partly a pay-as-you go system. A pension insurance institution, which has insured each employment, manages funding for each employee. The funded portion of the pension benefits disbursed annually by the Pension Fund accounts for an average of a quarter.

The Pension Fund aims to manage statutory pension insurance in such a way that the level of contributions will remain steady year after year and be below the average contribution level of the employees pension scheme. In 2016, OP Bank Group Pension Fund's level of contributions was 22.5% and the plan's average contribution level is 24.0%. The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the actual average investment return under the pension scheme. If such a risk materialises in several consecutive years, this would result in increasing the level of insurance contributions.

The most significant actuarial risks of OP Bank Group Pension Fund are associated with interest rate and market risks, future increases in pension benefits and systematically increasing life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Under the Employee Benefit Funds Act, the Pension Fund shall invest its assets securely and profitably and in view of its liquidity. The Pension Fund must cover the insurance liability arising from pension obligations. When covering the insurance liability, the Pension Fund must consider what type of insurance business it conducts and, accordingly, must ensure the security of, return on and cashability of its assets and that they are appropriately versatile and properly diversified. The Employee Benefit Funds Act specifies in greater detail the assets and commitments with which the insurance liability must cover. As prescribed by law, the Pension Fund has a specific solvency limit which is must cover through its solvency capital.

Responsible for investment, the Board of Trustees of the Pension Fund approves the Pension Fund's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Fund's risk-bearing capacity.

Supplementary pension at OP Bank Group Pension Foundation and insurance companies

OP Bank Group Pension Foundation manages supplementary pension cover for employees provided by the employers within OP Corporate Bank Group. The purpose of the Pension Foundation is to grant old-age and disability pension benefits and sickness benefits to employees covered by the Pension Foundation activities, and survivors' pension benefits to their beneficiaries, and burial grant. In addition, the Pension Foundation may grant said employees benefits related to rehabilitation. Given that providing supplementary pension is voluntary, not all employers belonging to the Pension Fund belong automatically to the Pension Foundation. Supplementary pension cover provided by the Pension Foundation is fully funded.

The Pension Foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by the employer within the Pension Foundation and whose employment has begun before 1 July 1991. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees' Pensions Act, TEL, in force until 31 December 2006. The retirement age of those covered by the Pension Foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the Pension Foundation rules.

OP Bank Group Pension Foundation altered its bylaws to be in line with the amended TyEL effective since 1 January 2017. The effect of this alteration was EUR -0.2 million on income and EUR -1.2 million on comprehensive income.

The change in mortality based on the amended TyEL on 31 December 2016 reduced obligations by EUR 0.7 million recognised in comprehensive income.

The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the target set for the minimum return. If such a risk materialises in several consecutive years, this would result in charging contributions.

The most significant actuarial risks of OP Bank Group Pension Foundation are associated with interest rate and market risks, systematically increasing life expectancy and inflation risk. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Responsible for investment, the Board of Trustees of the Pension Foundation approves the Foundation's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Foundation's risk-bearing capacity.

Supplementary pension has also been arranged in life insurance companies.

Balance sheet value of defined benefit plans, EUR million	Defined benefit obligations 2016	Defined benefit obligations 2015	Fair value of pension assets 2016	Fair value of pension assets 2015	Net liabilities (assets) 2016	Net liabilities (assets) 2015
Opening balance 1 Jan.	307	267	-302	-199	5	68
Defined benefit pension costs recognised in income statement						
Current service cost	8	6			8	6
Interest expense (income)	7	5	-7	-4	0	1
Effect of plan curtailment, fulfilment of obligation or previous service cost.	0	89	0	-94	0	-5
Administrative expenses			0	0	0	0
Total	**15**	**100**	**-7**	**-98**	**8**	**2**
Losses (gains) recognised in other comprehensive income arising from remeasurement						
Actuarial losses (gains) arising from changes in economic expectations	70	-58			70	-58
Actuarial losses (gains) arising from changes in demographic expectations	8				8	
Return on TyEL interest rate difference and growth in old-age pension liabilities (net) and corporate transaction	-15	1	10	-1	-5	
Experience adjustments	18	4			18	4
Return on plan assets, excluding amount (–) of net defined benefit liability (asset)			-12	-9	-12	-9
Total	**81**	**-54**	**-2**	**-10**	**79**	**-64**
Other						
Employer contributions			-4	-2	-4	-2
Benefits paid	-8	-7	8	7		
Total	**-8**	**-7**	**4**	**5**	**-4**	**-2**
Closing balance 31 Dec.	**394**	**307**	**-307**	**-302**	**88**	**5**

Liabilities and assets recognised in the balance sheet, EUR million	31 Dec. 2016	31 Dec. 2015
Net liabilities/assets (Pension Foundation)	-2	-7
Net liabilities/assets (Pension Fund)	70	
Net liabilities (Other pension plans)	19	11
Total net liabilities	**89**	**11**
Total net assets	**-2**	**-7**
Total net liabilities and assets	**88**	**5**

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2016, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	17		9	26
Notes and bonds	51	12	4	67
Real property	0		20	21
Mutual funds	86	0	67	154
Structured investment vehicles			1	1
Derivatives	0	0		0
Other assets	7	2		8
Total	**162**	**13**	**102**	**277**

Pension Fund and Pension Foundation assets, grouped by valuation technique, 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Shares and participations	7	0	8	15
Notes and bonds	17	32	3	52
Real property			21	21
Mutual funds	105	0	59	164
Structured investment vehicles			1	1
Derivatives	0			0
Other assets	22	1		23
Total	**151**	**33**	**91**	**275**

The fair value of Level 1 assets is determined on the basis of the quotes in markets.

The fair value of Level 2 assets 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.

The fair value Level 3 assets is determined using a pricing model whose input parameters involve uncertainty.

Proportion of the most significant assets of total fair value of plan assets, %	31 Dec. 2016	31 Dec. 2015
Shares and participations	9	5
Financial sector	1	0
Forest	3	1
Real estate	1	2
Other	5	2
Notes and bonds	24	19
Government bonds	2	1
Other	22	18
Real property	7	7
Mutual funds	56	60
Equity funds	28	32
Bond funds	13	14
Real estate funds	9	8
Hedge funds	6	6
Derivatives	0	0
Interest rate derivatives	0	0
Structured investment vehicles	0	0
Other	3	8
Total	**100**	**100**

Pension plan assets include, EUR million,	31 Dec. 2016	31 Dec. 2015
Securities issued by OP Financial Group companies	3	3
Other receivables from OP Financial Group companies	7	26
Total	**10**	**30**

Contributions payable under the defined benefit pension plan in 2017 are estimated at EUR 5 million.

The duration of the defined benefit pension obligation in the Pension Fund on 31 December 2016 was 24.9 years, in the Pension Foundation 14.8 years and in other plans 20.2 years.

Key actuarial assumptions used, 31 Dec. 2016, EUR million	Pension Fund	Pension Foundation	Other
Discount rate, %	1.7	1.5	1.8
Future pay increase assumption, %	2.6	2.5	2.6
Future pension increases, %	1.3	1.9	2.0
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	1.8	1.7	1.8
Life expectancy for 65-year old people			
Men	21.4	21.4	21.4
Women	25.4	25.4	25.4
Life expectancy for 45-year old people after 20 years			
Men	23.7	23.7	23.7
Women	28.1	28.1	28.1

Key actuarial assumptions used, 31 Dec. 2015, EUR million	Pension Fund	Pension Foundation	Other
Discount rate, %	2.3	2.1	2.4
Future pay increase assumption, %	1.6	1.6	1.6
Future pension increases, %	1.0	1.2	1.2
Turnover rate, %	3.0	0.5	0.0
Inflation rate, %	1.1	1.1	1.1
Life expectancy for 65-year old people			
Men	19.0	19.0	19.0
Women	24.7	24.7	24.7
Life expectancy for 45-year old people after 20 years			
Men	20.6	20.6	20.6
Women	26.4	26.4	26.4

	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
Sensitivity analysis of key actuarial assumptions, 31 Dec. 2016	**EUR million**	**%**	**EUR million**	**%**
Discount rate				
0.5 pp increase	-31	-10.5	-3	-6.6
0.5 pp decrease	37	12.4	3	7.4
Pension increases				
0.5 pp increase	34	11.5	3	6.5
0.5 pp decrease	-31	-10.3	-3	-6.1
Mortality				
1-year increase in life expectancy	10	3.4	2	3.2
1-year decrease in life expectancy	-10	-3.3	-1	-3.1

	Change in defined benefit pension obligation			
	Pension Fund		Pension Foundation	
Sensitivity analysis of key actuarial assumptions, 31 Dec. 2015	**EUR million**	**%**	**EUR million**	**%**
Discount rate				
0.5 pp increase	-19	-8.4	-3	-6.2
0.5 pp decrease	22	9.7	3	6.9
Pension increases				
0.5 pp increase	21	9.3	3	6.2
0.5 pp decrease	-19	-8.5	-3	-5.9
Mortality				
1-year increase in life expectancy	7	3.1	1	2.7
1-year decrease in life expectancy	-7	-3.0	-1	-2.7

Note 31. Subordinated liabilities

EUR million	**Average interest rate %**	**31 Dec. 2016**	**Average interest rate %**	**31 Dec. 2015**
Subordinated loans	2.09	270	2.53	407
Other				
Debentures	3.32	1,321	3.37	1,330
Total subordinated liabilities		**1,592**		**1,737**

Principal terms and conditions of the hybrid bonds/subordinated loans are as follows:

1. Perpetual bond of EUR 50 million

This is a perpetual loan without interest-rate step-ups, but with an 8% interest rate cap. The loan was issued on 31 March 2005 and its interest rate for the first year was 6.5% and thereafter CMS 10 years + 0.1%. Interest payments are made annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in on the interest due date as of 11 April 2010 at the earliest, subject to authorisation by the supervisory authority. The loan's entire principal must be repaid in one instalment.

2. Perpetual bond of EUR 40 million

This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. Subject to authorisation by the supervisory authority, the loan may be called in on the due date of interest payment of 30 November 2010. The entire loan principal must be repaid in one instalment.

3.Hybrid bond of EUR 50 million

Perpetual bond of EUR 50 million, issued on 17 June 2008, carries a variable interest rate based on 3-month Euribor + 3.05%, payable on a quarterly basis on 17 March, 17 June, 17 September and 17 December. If interest cannot be paid for a given interest period, the obligation to pay interest will lapse. Subject to authorisation by the supervisory suthority, the bond may be called in at the earliest on 17 June 2013 and thereafter on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

4. OP Insurance Ltd's capital bond

Capital bond of EUR 50 million. Issued on 17 June 2008, the bond carries a variable interest rate based on 3-month Euribor + 3.20%, payable on a quarterly basis. Interest which cannot be paid on the interest payment date and interest which OP Insurance Ltd could not have paid for previous interest payment dates constitute 'Unpaid interest'. Interest will accrue on unpaid interest in accordance with the interest rate applicable to the bonds and this additional interest accrued until each interest payment date will be added to unpaid interest on the interest payment date in question. The issuer agrees not to distribute dividends or other profit or to buy back own shares until unpaid interest has been paid in its entirety. The bond may be called in at the earliest in 2013 and its principal can be paid back only if the statutory terms and conditions are fulfilled. The bond will not be taken into account in the capital adequacy measurement under the Act on Credit Institutions but can be fully utilised in the capital adequacy measurement of the insurance company.

5 OP Insurance Ltd's capital bond
Capital bond of EUR 75 million. Issued on 18 June 2015, the bond carries a variable interest rate based on 3-month Euribor + 2.60%, payable on a quarterly basis. Interest which cannot be paid on the interest payment date and interest which OP Insurance Ltd could not have paid for previous interest payment dates constitute 'Unpaid interest'. Interest will accrue on unpaid interest in accordance with the interest rate applicable to the bonds and this additional interest accrued until each interest payment date will be added to unpaid interest on the interest payment date in question. The issuer agrees not to distribute dividends or other profit or to buy back own shares until unpaid interest has been paid in its entirety. The bond matures on 18 June 2040 unless the issuer will have paid it earlier under the bond terms and conditions. The bond may be called in at the earliest on 18 June 2020 and its principal can be paid back only if the statutory terms and conditions are fulfilled. The bond will not be taken into account in the capital adequacy measurement under the Act on Credit Institutions but can be fully utilised in the capital adequacy measurement of the insurance company.

6 OP Insurance Ltd's capital bond
Capital bond of EUR 10 million. Issued on 18 June 2015, the bond carries a variable interest rate based on 3-month Euribor + 3.10%, payable on a quarterly basis. Interest which cannot be paid on the interest payment date and interest which OP Insurance Ltd could not have paid for previous interest payment dates constitute 'Unpaid interest'. Interest will accrue on unpaid interest in accordance with the interest rate applicable to the bonds and this additional interest accrued until each interest payment date will be added to unpaid interest on the interest payment date in question. The issuer agrees not to distribute dividends or other profit or to buy back own shares until unpaid interest has been paid in its entirety. The bond matures on 18 June 2040 unless the issuer will have paid it earlier under the bond terms and conditions. The bond may be called in at the earliest on 18 June 2020 and its principal can be paid back only if the statutory terms and conditions are fulfilled. The bond will not be taken into account in the capital adequacy measurement under the Act on Credit Institutions but can be fully utilised in the capital adequacy measurement of the insurance company.

Debentures

1. A debenture loan of CHF 100 million (euro equivalent 93 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.
2. A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.
3. A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 22 August 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.
4. Debenture loan of JPY 10 billion (euro equivalent 81 million), which is a ten-year bullet loan, will mature on 3 July 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to the JPY Libor + 0.735%.
5. Debenture loan of SEK 3,500 million (euro equivalent 366 million), which is a ten-year non-call 5 loan. The loan may be called in on 25 August 2020, matures on 25 August 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to Stibor + 1.60% .
6. Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 2.405% p.a.

Loans 1–6 were issued in international capital markets.

In addition, OP Corporate Bank plc has issued a fixed debenture loan of EUR 0.8 million related to OP Financial Group management remuneration.

OP Corporate Bank plc has no breaches of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The financial statements include EUR -5 million recognised for the price difference of the loans (-4). The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Note 32. Equity capital

EUR million	31 Dec. 2016	31 Dec. 2015
Capital and reserves attributable to owners		
Liabilities to central banks	428	428
Reserves		
Restricted reserves		
Share premium account	519	519
Reserve fund	204	204
Reserves according to the Articles of Association/Bylaws		
Fair value reserve		
Cash flow hedge	6	11
Measurement at fair value		
Notes and bonds	85	32
Shares and participations	106	77
Other restricted reserves	1	1
Non-restricted reserves		
Reserve for invested non-restricted equity	298	298
Other non-restricted reserves	72	72
Retained earnings		
Profit (loss) for previous financial years	1,779	1,478
Profit (loss) for the financial year	399	517
Equity capital attributable to owners	**3,896**	**3,637**
Non-controlling interests	**109**	**105**
Total equity capital	**4,005**	**3,741**

Share capital and shares

The number of shares remained unchanged, 319,551,415. The shares have no nominal value and their stated value (not an exact figure) is 1.34 euros per share. All of the shares issued have been paid in full.

Proposed distribution of dividend

The Board proposes to the Annual General Meeting that a dividend of EUR 0.63 (0.48) be distributed per share, totalling EUR 201 million (153).

Reserves

Share premium account

The share premium account was formed during the validity of regulations in force before 1 September 2006. Items entered in the share premium account include amounts exceeding the stated value paid for shares in a rights issue and amounts exceeding the stated value of a share and paid for share subscription based on stock options.

The share premium account may be lowered in compliance with the regulations governing the reduction of share capital and may be used to increase the share capital. The amount of the subscription price exceeding the stated value of shares subscribed in September and November 2006, based on stock options, was entered in the share premium account, because the General Meeting had made the decision on issuing stock options before the entry into force of the new Companies Act. Otherwise, it has no longer been possible to increase the share premium account since 1 September 2006.

Reserve fund

The reserve fund consists of profits transferred to it during previous periods and the loan loss provisions transferred to it in 1990. The reserve fund may be used to cover losses for which the non-restricted equity is not sufficient. The reserve fund may also be used to increase the share capital and it may be reduced in the same way as the share capital. Since 1 September 2006, it has no longer been possible to increase the reserve fund.

Fair value reserve

The fair value reserve includes the change in the fair value of available-for-sale financial assets. Items included in this reserve will be derecognised and recorded in the income statement when an available-for-sale financial asset is disposed of or is subject to impairment. The reserve also includes the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Fair value reserve after income tax

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

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

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

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

Other restricted reserves

These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Reserve for Invested non-restricted equity

Capital raised through the rights offering in 2009 was entered in the reserve for invested non-restricted equity.

Other non-restricted reserves

These reserves consist of retained earnings based on decisions by the General Meeting.

Retained earnings

Retained earnings also contain voluntary provisions and depreciation difference included in the separate financial statements of Group companies and insurance companies' equalisation provisions and profits/(losses) due to the redefinition of defined benefit pension plans that are recognised in retained earnings less deferred tax in the IFRS financial statements.

Other notes to the balance sheet

Note 33. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

EUR million, 31 Dec. 2016	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	40	41	6.1	
Investments held to maturity	34	30	5.3	
Total	**74**	**72**		

EUR million, 31 Dec. 2015	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and receivables	58	62	5.9	
Investments held to maturity	39	35	4.4	
Total	**97**	**96**		

If notes and bonds were not reclassified and had been measured using fair values available in the market:

	31 Dec. 2016		31 Dec. 2015	
EUR million	Income statement	Fair value reserve	Income statement	Fair value reserve
Effect	0	-1	-3	-2

Loans and receivables and held-to-maturity investments were reclassified in 2008.

Interest accrued on reclassified notes and bonds in January–December totalled EUR 3 million (4). The price difference between the nominal value and acquisition value recognised in the income statement totalled EUR 0 million (1). During the financial year, no capital gains or losses were recognised on notes and bonds. A year ago, capital losses recognised totalled EUR 5 million. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 2 million (1).

Note 34. Collateral given

EUR million	31 Dec. 2016	31 Dec. 2015
Given on behalf of own liabilities and commitments		
Mortgages		1
Pledges	1	3
Others	4,973	528
Other collateral given		
Pledges	3,351	3,969
of which intraday settlement collateral	1,500	2,000
Total collateral given	**8,324**	**4,501**
Other secured liabilities	3,443	507

Note 35. Financial collateral held

EUR million	31 Dec. 2016	31 Dec. 2015
Fair value of collateral received		
Other	1,177	1,030
Total	**1,177**	**1,030**

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 1,177 million on the balance sheet date (1,030). The Group had no securities received as collateral on the balance sheet date.

Note 36. Classification of financial assets and liabilities

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

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Carrying amount total
Cash and cash equivalents	8,469					8,469
Receivables from credit institutions	9,678					9,678
Derivative contracts			4,760		285	5,045
Receivables from customers	17,183					17,183
Notes and bonds		94	852	13,714		14,661
Equity instruments			0	754		754
Other financial assets	1,989					1,989
Financial assets						**57,780**
Other than financial instruments						1,185
Total 31 December 2015	**37,320**	**94**	**5,612**	**14,468**	**285**	**58,964**

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

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

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

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was approximately EUR 268 million (221) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 37. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	472	495	8	975
Derivative financial instruments	6	4,512	160	4,678
Available-for-sale				
Equity instruments	464	61	281	807
Debt instruments	11,276	3,525	326	15,127
Total financial instruments	**12,218**	**8,594**	**776**	**21,588**
Investment property			316	316
Total	**12,218**	**8,594**	**1,092**	**21,904**

Fair value of assets on 31 December 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	616	215	21	852
Derivative financial instruments	2	4,866	177	5,045
Available-for-sale				
Equity instruments	418	53	283	754
Debt instruments	10,385	3,043	286	13,714
Total financial instruments	**11,421**	**8,177**	**767**	**20,365**
Investment property			295	295
Total	**11,421**	**8,177**	**1,062**	**20,660**

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

Fair value of liabilities on 31 December 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	35	4,789	135	4,959
Total	**35**	**4,789**	**135**	**4,959**

Fair value measurement

Derivatives

The Group obtains the price of listed derivatives directly from markets. In the fair value measurement of OTC derivatives, OP Corporate Bank uses models and techniques commonly used in markets. These are needed, for instance, to create yield curves and currency conversion charts and volatility surfaces as well as for option valuation. The input data of these models can generally be derived from markets. In the fair value measurement of some contracts, however, the Group has to use models where input data cannot be observed in the market and therefore they must be assessed. Such contracts are included in Level 3.

Middle Office is responsible for the fair value measurement of Banking derivatives and the quality and reliability of market data, valuation curves and volatility surfaces used in them, as part of its daily fair value measurement process, including the measurement of Level 3 hierarchy. Middle Office compares regularly at contract level valuation prices with valuations supplied by CSA counterparties and central counterparties and, whenever necessary, determine any possible significant valuation differences.

Risk Management Control is responsible for approval of new fair value measurement models and techniques and supervision of the fair value measurement process. Verifying fair values is based, for example, on valuation using alternative sources for market prices and other input data. In this verification process, valuation prices can be compared with prices supplied by CSA counterparties and central counterparties. In addition, it is possible to use valuation services provided by third parties.

The fair value measurement of OTC derivatives takes account of the credit risk of the parties to a transaction. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debit Valuation Adjustment (DVA). CVA and DVA valuation adjustments are calculated for each counterparty.

CVA and DVA adjustments are calculated by simulating the market values of derivatives and events of default based primarily on data obtained from markets. In assessing probabilities of default, the Group utilises market data through illiquid counterparties too by combining the counterparties with liquid market data.

Fair value hierarchy

Level 1: Quoted prices in active markets
This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions as well as and exchange-traded derivatives. The fair value of these instruments is determined on the basis of the quotes in active markets.

Level 2: Valuation techniques using observable inputs
Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank Group's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

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

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Opening balance 1 Jan. 2016	**21**	**177**	**569**	**767**
Total gains/losses in profit or loss	-13	-16	-11	-41
Total gains/losses in other comprehensive income			19	19
Purchases			61	61
Sales			-48	-48
Transfers into Level 3			124	124
Transfers out of Level 3			-105	-105
Closing balance 31 Dec. 2016	**8**	**160**	**608**	**776**

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Opening balance 1 Jan. 2015		**202**	**297**	**499**
Total gains/losses in profit or loss	21	-26	-42	-46
Total gains/losses in other comprehensive income			15	15
Purchases			81	81
Sales			-62	-62
Transfers into Level 3			281	281
Closing balance 31 Dec. 2015	**21**	**177**	**569**	**767**

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

Financial liabilities, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 Jan. 2015		**130**	**130**
Total gains/losses in profit or loss		5	5
Closing balance 31 Dec. 2015		**135**	**135**

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

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-13			-13
Unrealised net gains (losses)	11	-11	19	19
Total net gains (losses)	**-2**	**-11**	**19**	**6**

Total gains/losses included in profit or loss by item for the financial year on 31 Dec. 2015

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	21	-42		-20
Unrealised net gains (losses)	-31		15	-16
Total net gains (losses)	**-10**	**-42**	**15**	**-37**

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.

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2016

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss					
Bond investments	8		8	0.8	10 %
Derivatives					
Index-linked bond hedges and structured derivatives, and derivatives with a long-term maturity*	160	-107	53	5.8	11 %
Available-for-sale					
Bond investments	326		326	32.6	10 %
Illiquid investments	36		36	5.4	15 %
Private equity funds**	186		186	18.6	10 %
Real estate funds***	60		60	12.0	20 %
Investment property					
Investment property***	316		316	63.2	20 %

Sensitivity analysis of input parameters involving uncertainty on 31 Dec. 2015

Type of instrument, EUR million	Receivables	Liabilities	Net balance	Sensitivity analysis	Reasonably possible change in fair value
Recognised at fair value through profit or loss					
Structured investment vehicles	21	0	21	2.1	10 %
Derivatives					
Index-linked bond hedges and structured derivatives*	177	-135	42	5.6	13 %
Available-for-sale					
Illiquid investments	36		36	5.4	15 %
Private equity funds**	463		463	46.3	10 %
Real estate funds***	70		70	14.0	20 %
Investment property					
Investment property***	295		295	59.0	20 %

* Following stress scenarios: the combined value change of volatility of shares (30%), dividends of shares (30%), credit risk premiums (30%) and significant correlation changes.

** The value of private equity funds depends mainly on the profit performance of portfolio companies and the PE ratios of similar listed companies. The Total Value to Paid-in (TVPI) multiple, which has changed an average of 10%, is used to monitor the progress of the fair value of private equity funds.

*** In the valuation of real estate funds and investment property, OP Corporate Bank Group mainly uses the income approach whose main components are yield requirement and net rent. A +/– 1 percentage point change in the yield requirement leads on average to around 20% change in the fair value.

Notes to contingent liabilities and derivatives

Note 38. Off-balance-sheet commitments

	31 Dec. 2016	31 Dec. 2015
Guarantees	716	765
Other guarantee liabilities	1,460	1,402
Loan commitments	5,470	5,745
Commitments related to short-term trade transactions	344	173
Other	677	394
Total off-balance-sheet commitments	**8,667**	**8,480**

Note 39. Contingent liabilities and assets

Insurance companies belonging to OP Financial Group underwrite insurance policies through pools. Pool members are primarily responsible for their own proportionate share of the risk. Proportionate shares are based on contracts confirmed annually. In certain pools, pool members are responsible for an insolvent member's liabilities in proportion to their shares in the pool. Group insurance companies recognise liabilities and receivables based on joint liability if joint liability is likely to materialise.

Note 40. Operating leases

OP Corporate Bank Group as Lessee

The Group has leased some of the office premises it uses. The term of these leases varies between one and ten years and they usually include the option of extending the lease after the original date of expiry. Some of the leased premises have been subleased. In addition, motor vehicles and office equipment have been leased under lease agreements.

Future minimum lease payments under non-cancellable operating leases

EUR million	31 Dec. 2016	31 Dec. 2015
No later than 1 year	3	3
Later than 1 year and no later than 5 years	1	1
Later than 5 years	0	0
Total	**4**	**5**

OP Corporate Bank Group as Lessor

OP Corporate Bank Group companies have leased out investment properties they own, which generated lease income of EUR 24 million (24).

Future minimum lease payments receivable under non-cancellable operating leases

EUR million	31 Dec. 2016	31 Dec. 2015
No later than 1 year	19	19
Later than 1 year and no later than 5 years	52	44
Later than 5 years	46	44
Total	**117**	**107**

Note 41. Derivative contracts

Derivatives held for trading 31 December 2016

	Nominal values/residual maturity				Fair values		Potential future exposure
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	
Interest rate derivatives							
Interest rate swaps	23,516	48,992	47,369	119,877	3,134	3,114	4,090
Cleared by the central counterparty	7,711	22,162	23,347	53,220	950	1,020	1,411
OTC interest rate options							
Call and caps							
Purchased	2,543	6,271	3,687	12,502	367	3	463
Written	2,171	8,292	4,007	14,470	2	321	8
Put and floors							
Purchased	2,783	4,601	2,436	9,820	201	6	274
Written	3,384	4,609	1,813	9,806	12	128	39
Total OTC interest rate derivatives	34,397	72,766	59,311	166,475	3,716	3,572	4,875
Interest rate futures	4,071	789		4,860	0	1	
Interest rate options							
Put							
Written	1,000			1,000	0		
Total exchange traded derivatives	5,071	789		5,860	1	1	
Total interest rate derivatives	39,469	73,555	59,311	172,335	3,717	3,574	4,875
Currency derivatives							
Forward exchange agreements	21,877	383	50	22,311	254	249	481
Interest rate and currency swaps	3,196	9,052	2,767	15,015	1,161	1,234	1,853
Currency options							
Call							
Purchased	131	2		134	1		3
Written	181	2		183		2	
Put							
Purchased	226	2		228	4		6
Written	161	3		164		2	
Total OTC currency derivatives	25,772	9,445	2,817	38,034	1,420	1,487	2,343
Total currency derivatives	25,772	9,445	2,817	38,034	1,420	1,487	2,343
Equity and index derivatives							
Equity options							
Call							
Purchased		5		5	1		1
Equity index options							
Call							
Purchased		1		1	0		0
Total OTC equity and index derivatives		6		6	1		1
Total equity and index derivatives		6		6	1		1
Credit derivatives							
Credit default swaps	19	296	13	328	10	7	23
Total credit derivatives	19	296	13	328	10	7	23
Other							
Other forward contracts	1	0		2	0	0	0
Other swaps	272	542	2	816	63	18	136
Total other OTC derivatives	273	542	2	817	64	18	136
Other futures contracts	12	10		22	0	5	
Total other derivatives	285	553	2	840	64	23	136
Total derivatives held for trading	**65,546**	**83,854**	**62,143**	**211,543**	**5,212**	**5,091**	**7,379**

Derivatives held for trading 31 December 2015

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	25,213	61,070	47,420	133,703	3,539	3,545	4,546
Cleared by the central counterparty	7,047	21,304	18,226	46,577	708	675	1,088
OTC interest rate options							
Call and caps							
Purchased	1,490	5,044	2,699	9,234	264	2	337
Written	1,230	5,713	3,550	10,493	1	250	7
Put and floors							
Purchased	3,800	2,825	2,308	8,933	182	4	251
Written	4,752	3,589	1,645	9,985	11	108	47
Total OTC interest rate derivatives	36,485	78,241	57,622	172,348	3,998	3,910	5,188
Interest rate futures	4,127	3,224		7,351	1	6	
Total exchange traded derivatives	4,127	3,224		7,351	1	6	
Total interest rate derivatives	40,612	81,465	57,622	179,699	3,999	3,915	5,188
Currency derivatives							
Forward exchange agreements	27,605	360	53	28,018	219	301	517
Interest rate and currency swaps	1,141	7,415	5,472	14,029	1,178	1,086	1,970
Currency options							
Call							
Purchased	233	13		246	4		7
Written	321	12		333		4	
Put							
Purchased	262	20		282	4		8
Written	224	22		246		4	
Total OTC currency derivatives	29,786	7,843	5,525	43,154	1,405	1,395	2,502
Total currency derivatives	29,786	7,843	5,525	43,154	1,405	1,395	2,502
Equity and index derivatives							
Equity options							
Call							
Purchased	243	5		248	13		28
Equity index options							
Call							
Purchased	6	1		7	1		2
Total OTC equity and index derivatives	249	6		256	14		30
Equity index futures	33			33	0		
Total exchange traded derivatives	33			33	0		
Total equity and index derivatives	282	6		288	15		30
Credit derivatives							
Credit default swaps	15	126	82	223	10	13	10
Total credit derivatives	15	126	82	223	10	13	10
Other							
Other forward contracts	6	1		7	0	0	1
Other swaps	110	698	14	822	80	30	157
Other options							
Call							
Purchased	27			27	0		3
Written	16			16		0	
Put							
Purchased	4			4	1		1
Written	4			4		1	
Total other OTC derivatives	168	699	14	881	81	31	162
Other futures contracts	40	34		74	2	31	
Total other derivatives	208	733	14	955	83	62	162
Total derivatives held for trading	**70,903**	**90,173**	**63,243**	**224,319**	**5,512**	**5,385**	**7,893**

Derivative contracts for hedging purposes - fair value hedging 31 December 2016

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	3,769	15,218	8,073	27,060	386	473	584
Cleared by the central counterparty	208	11,538	7,414	19,159	229	315	398
Total OTC interest rate derivatives	3,769	15,218	8,073	27,060	386	473	584
Total interest rate derivatives	3,769	15,218	8,073	27,060	386	473	584
Currency derivatives							
Interest rate and currency swaps	143	2,163	827	3,132	160	178	332
Total OTC currency derivatives	143	2,163	827	3,132	160	178	332
Total currency derivatives	143	2,163	827	3,132	160	178	332
Total derivative contracts, fair value hedge	**3,912**	**17,380**	**8,900**	**30,192**	**547**	**652**	**915**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2016

	Nominal values /residual term to maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	200	300		500	10		11
Cleared by the central counterparty		300		300	7		9
Total OTC interest rate derivatives	200	300		500	10	0	11
Total interest rate derivatives	200	300		500	10	0	11
Currency derivatives							
Forward exchange agreements	4,074			4,074	113	10	155
Total OTC currency derivatives	4,074			4,074	113	10	155
Total currency derivatives	4,074			4,074	113	10	155
Total derivative contracts, cash flow hedge	**4,274**	**300**		**4,574**	**122**	**10**	**167**
Total derivative contracts held for hedging	**8,186**	**17,680**	**8,900**	**34,767**	**669**	**662**	**1,082**

Derivative contracts for hedging purposes – fair value hedging 31 December 2015

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	1,894	12,609	7,543	22,045	404	418	580
Cleared by the central counterparty	564	5,203	6,438	12,206	170	189	292
Total OTC interest rate derivatives	1,894	12,609	7,543	22,045	404	418	580
Total interest rate derivatives	1,894	12,609	7,543	22,045	404	418	580
Currency derivatives							
Interest rate and currency swaps	1,414	1,926	1,181	4,520	123	85	322
Total OTC currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total currency derivatives	1,414	1,926	1,181	4,520	123	85	322
Total derivative contracts, fair value hedge	**3,307**	**14,535**	**8,723**	**26,565**	**527**	**503**	**902**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2015

	Nominal values /residual term to maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives							
Interest rate swaps	200	500		700	17		20
Cleared by the central counterparty	100	300		400	11		13
Total OTC interest rate derivatives	200	500		700	17	0	20
Total interest rate derivatives	200	500		700	17	0	20
Total derivative contracts, cash flow hedge	**200**	**500**		**700**	**17**	**0**	**20**
Total derivative contracts held for hedging	**3,507**	**15,035**	**8,723**	**27,265**	**545**	**503**	**922**

Total derivatives 31 December 2016

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	43,438	89,073	67,384	199,895	4,113	4,047	5,470
Cleared by the central counterparty	7,919	33,999	30,761	72,679	1,186	1,335	1,818
Currency derivatives	29,989	11,607	3,644	45,241	1,693	1,676	2,830
Equity and index-linked derivatives		6		6	1		1
Credit derivatives	19	296	13	328	10	7	23
Other derivatives	285	553	2	840	64	23	136
Total derivatives	**73,732**	**101,535**	**71,043**	**246,310**	**5,881**	**5,753**	**8,461**

Total derivatives 31 December 2015

	Nominal values/residual maturity				Fair values		Potential future
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities	exposure
Interest rate derivatives	42,705	94,574	65,165	202,445	4,421	4,333	5,788
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863	1,394
Currency derivatives	31,199	9,769	6,706	47,674	1,529	1,480	2,825
Equity and index-linked derivatives	282	6		288	15		30
Credit derivatives	15	126	82	223	10	13	10
Other derivatives	208	733	14	955	83	62	162
Total derivatives	**74,410**	**105,208**	**71,966**	**251,584**	**6,057**	**5,888**	**8,815**

*Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet.

Interest rate derivatives for central counterparty clearing are offset in the balance sheet. Note 42 below presents the effects of netting. Other derivative contracts are presented on a gross basis in the balance sheet. In capital adequacy measurement, OP Crporate Bank Group also applies netting of derivatives. Note 77 below presents the effects of netting. Netting would reduce the credit equivalent of OP Corporate Bank plc's derivative contracts by EUR 5,896 million (6,248).

Note 42. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

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

				Financial assets not set off in the balance sheet		
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**	Derivative contracts***	Collateral received	Net amount
Derivatives	5,915	-870	5,045	-3,446	-1,030	568

Financial liabilities

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

				Financial liabilities not set off in the balance sheet		
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**	Derivative contracts***	Collateral given	Net amount
Derivatives	5,799	-840	4,959	-3,446	-1,061	452

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -147 (22) million euros.

** Fair values excluding accrued interest

***It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

February 2013 saw the adoption of central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or the Group will apply to derivative transactions between the Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Other notes

Note 43. Ownership interests in subsidiaries, structured entities and joint operations

Changes occurred in subsidiaries and structured entities during the financial year

Conventum Venture Finance Ltd, a OP Corporate Bank plc subsidiary, merged with the parent company.

Material subsidiaries included in the consolidated financial statements in 2016

Major subsidiaries include companies whose business is subject to licence and other major companies relevant to business operations. All major consolidated subsidiaries are wholly owned and accordingly they have no major non-controlling interests.

Company	Domicile	% of share-holding	% of votes	Company belongs to the consolidation group with respect to capital adequacy
A-Insurance Ltd	Helsinki	100.0	100.0	
Pohjola Health Ltd	Helsinki	100.0	100.0	
OP Finance AS	Estonia	100.0	100.0	x
OP Finance SIA	Latvia	100.0	100.0	x
OP Insurance Ltd	Helsinki	100.0	100.0	
Seesam Insurance AS	Estonia	100.0	100.0	
UAB OP Finance	Lithuania	100.0	100.0	x
Eurooppalainen Insurance Company Ltd	Helsinki	100.0	100.0	

The number of other subsidiaries included in the consolidated financial statements was 1 (2), in addition to major subsidiaries.

Structured entities included in the consolidated financial statements

OP Corporate Bank Group acts as an investor in various mutual funds in order to gain investment income. The consolidated financial statements of group include the accounts of two (2) real estate funds. These funds that have been classified as structured entities because group's control is not based on votes but the control of significant operations, exposure to variable returns from the fund, and organising the fund's management. These funds also involve non-controlling interests.

The table below structured entities with a significant number of non-controlling interests

Name	Place of business	Main line of business	Interest, % 2016	Interest, % 2015	Non-controlling interests, %
Real Estate Funds of Funds II Ky	Helsinki	Real estate fund	22.2	22.2	77.8
Real Estate Fund Finland III Ky	Helsinki	Real estate fund	33.3	33.3	66.7

Summary of financial information on subsidiaries with a significant proportion of non-controlling interests

The table below presents a summary of financial information on subsidiaries with a significant proportion of non-controlling interests. The financial information corresponds to the figures presented in the financial statements of the subsidiaries to which, for example, fair value adjustments have been made to correspond to OP Corporate Bank Group's accounting policies. The figures below are before the elimination of internal transactions.

Balance sheet in summary	Real Estate Fund of Funds II Ky		Real Estate Fund Finland III Ky	
EUR million	2016	2015	2016	2015
Cash and cash equivalents	1	2	5	2
Investments	41	51	163	89
Total financial assets	**43**	**53**	**168**	**91**
Financial liabilities			50	
Total financial liabilities			**50**	
Total	**43**	**53**	**118**	**91**
Accrued share of non-controlling interests	33	41	76	64
Statement of comprehensive income in summary				
Net sales	3	8	6	5
Profit or loss of continuing operations after tax	3	8	2	6
Other comprehensive income	1	-3		
Comprehensive income	**3**	**5**	**2**	**6**
Comprehensive income attributable to non-controlling interests	3	4	1	4
Share of profit paid to non-controlling interests	2	5	2	3

Cash flows in summary				
Net cash flow from operating activities	-1	-1	-47	-9
Net cash flow from investing activities	14	20	-18	-26
Net cash flow from financing activities	-14	-24	67	35
Net change in cash flows	**-1**	**-4**	**2**	**0**
Cash and cash equivalents at year start	2	6	2	2
Cash and cash equivalents at year end	-1	2	5	2

Joint operations

A total of 46 (45) property companies are incorporated into OP Corporate Bank Group's financial statements as joint operations by consolidating the proportionate share of group's holding of the property company's assets. Classification into joint operations has been made according to the nature of the business although OP Corporate Bank Group has control over some of the property companies. The shares of the property companies entitle to the occupancy of certain apartments some of which are in OP Corporate Bank Group's own use. These apartments are included in property, plant and equipment in the balance sheet, shown in Note 22. Each shareholder of the mutual property company is responsible for its/his/her share of the company's loans. The rest of the property companies are investment property included in Note 19.

Summary of the effect of consolidation of joint operations on the balance sheet

EUR million	31 Dec. 2016	31 Dec. 2015
Land	32	27
Buildings	268	252
Total assets	**300**	**278**

Most significant joint operations included in the consolidated financial statements in 2016

Name	Domicile	Sector	Holding
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Grand Cargo Terminal 1	Vantaa	Property holding and management	100.0
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0
Kiinteistö Oy Vuosaaren Pohjoinen Shopping centres	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kanta-Sarvis I	Helsinki	Property holding and management	50.0
Kiinteistö Oy Koskitammi	Tampere	Property holding and management	100.0
Kiinteistö Oy Kuopion Isabella	Kuopio	Property holding and management	100.0
Kiinteistö Oy Oulun Kiilakivi	Oulu	Property holding and management	100.0
Kiinteistö Oy Turun Joukahaisenkatu 9	Turku	Property holding and management	100.0
Kiinteistö Oy Helsingin Frantseninkatu 13	Helsinki	Property holding and management	100.0

Most significant joint operations included in the consolidated financial statements in 2015

Name	Domicile	Sector	Holding
Kiinteistö Oy Helsingin Puutarhurinkuja 2	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kanta-Sarvis II	Tampere	Property holding and management	100.0
Kiinteistö Oy STC Viinikkala	Vantaa	Property holding and management	100.0
Kiinteistö Oy Vantaan Kisällintie 13	Vantaa	Property holding and management	100.0
Tikkurilan Kauppatalo Oy	Vantaa	Property holding and management	53.7
Kiinteistö Oy Grand Cargo Terminal 1	Vantaa	Property holding and management	100.0
Kiinteistö Oy Grand Cargo Terminal 2	Vantaa	Property holding and management	100.0
Kiinteistö Oy Tampereen Ratinankaari	Tampere	Property holding and management	100.0
Kiinteistö Oy Vuosaaren Pohjoinen Shopping centres	Helsinki	Property holding and management	100.0
Kiinteistö Oy Kanta-Sarvis I	Helsinki	Property holding and management	50.0
Kiinteistö Oy Koskitammi	Tampere	Property holding and management	100.0

The consolidated financial statements include the share of assets and related liabilities under joint control.

Interests in unconsolidated structured entities

OP Fund Management Company Ltd within OP Financial Group manages OP Mutual Funds OP Fund Management Company Ltd uses OP Asset Management Ltd as the portfolio manager for many of the mutual funds it manages In addition, OP Property Management Ltd within the Group manages several real estate funds. In many funds, the fund management company controls significant operations by making investment decisions in accordance with the fund rules. OP Financial Group companies have no interests in the funds managed by the abovementioned companies that would significantly expose the Group to the varying return on the investment and would thereby cause a consolidation obligation.

OP Corporate Bank Group's investments in OP Mutual Funds and the funds of OP Property Management Ltd have been recognised in investment property in the balance sheet. Group's risk of loss is limited to the investment's balance sheet value. Investments in mutual funds managed by OP Corporate Bank Group totalled 231 million (216) on 31 December 2016.

Note 44. 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. Administrative personnel comprises OP Corporate Bank plc's President and CEO, members of the Board of Directors and their close family members. Related parties also include companies over which a person among administrative personnel or his close family member exercises significant influence. Other related-party entities include OP Pension Fund, OP Pension Foundation and sister companies within OP Financial Group Central Cooperative Consolidated.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Related-party transactions 2016

EUR 1,000	Parent company	Associates	Administrative personnel	Others*
Loans				4,642,739
Other receivables	329			143,664
Deposits	830,463	205		1,540,567
Other liabilities	873			416,742
Interest income	3,145			120,891
Interest expenses	5,032			210,404
Dividend income	1			
Net income from Non-life Insurance	20			1,851
Net commissions and fees	84	0		25,316
Net trading income				72,700
Other operating income	299			7,315
Operating expenses	46,953			104,833
Contingent liabilities and derivatives				
Off-balance-sheet commitments				
Other guarantee liabilities				7,943
Derivative contracts				
Nominal values				21,404,755
Credit equivalents				190,795
Salaries, other short-term benefits and performance-based pay				
Salaries, other short-term benefits and performance-based pay			657	
Related-party holdings				
Number of shares	319,551,415			

Related-party transactions 2015

EUR 1,000	Parent company	Associates	Administrative personnel	Others*
Loans	5	1,530		2,514,721
Other receivables	10,974			125,232
Deposits	1,082,064	8		722,166
Other liabilities	700			359,908
Interest income	651			159,194
Interest expenses	4,391			244,112
Dividend income	1			
Net income from Non-life Insurance	7			3,497
Net commissions and fees	88	0		24,388
Net trading income				-89,241
Other operating income	219			7,402
Operating expenses	18,143			161,660
Contingent liabilities and derivatives				
Off-balance-sheet commitments				
Guarantees				83,819
Other guarantee liabilities				7,479
Loan commitments				600,000
Derivative contracts				
Nominal values				19,981,165
Credit equivalents				199,556
Salaries, other short-term benefits and performance-based pay				
Salaries, other short-term benefits and performance-based pay			675	
Related-party holdings				
Number of shares	319,551,415			

* Other related-party entities include OP Bank Group Pension Fund, OP Bank Group Pension Foundation and their sister companies within OP Cooperative Consolidated.

Board member fees 2016

In 2016, the members of the Board of Directors did not receive from OP Corporate Bank Group subsidiaries any monthly fees or attendance allowances or share-based bonuses.

Salaries and performance-based bonuses paid to the President and CEO and his deputy in the financial year ending 31 December 2016 were as follows:

Jouko Pölönen, President and CEO EUR 656,929*

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 6-month total salary, in addition to compensation for loss of office, if the company dismisses him or he has to resign or terminate the contract due to a reason attributable to the company. In case the executive contract terminates due to reasons attributable to the company, the President and CEO will be entitled to bonuses under the short- and long-term remuneration schemes for the year of contract termination, provided that the schemes' performance criteria and the criteria for payment under the schemes' terms and conditions are fulfilled and his executive contract has been effective throughout the performance year. In addition, the President and CEO belongs to the long-term management incentive schemes for 2011–13 and 2014–16, under which bonuses will be paid from 2015 until 2017 and 2018–20, respectively. The President and CEO has unlimited company car benefit.

* The amount includes EUR 11,200 in performance-based bonuses deferred for prior years and EUR 131,907 in bonuses paid under the long-term remuneration scheme. Payment of deferred amounts requires a Board decision. Detailed information on the deferral procedure can be found in Note 45 below.

Pension obligations regarding President and CEO and Board members

The President and CEO is covered by TyEL (the Finnish Employees Pensions Act) which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The retirement age is 63–68 years, depending on his choice. A retirement age of 63 years applies to the President and CEO under the executive contract. The supplementary pension plan for the President and CEO has been arranged through OP Life Assurance Company Ltd. No pension obligations apply to Board members. This also applies to former Board members. More detailed information on OP Corporate Bank Group's pension plan can be found in Note 30 Provisions and other liabilities.

	Pension costs under TyEL plan*		IFRS expense of voluntary supplementary defined benefit pension	
EUR 1,000	2016	2015	2016	2015
Jouko Pölönen, President and CEO	100	86	68	60

* IFRS expense has been used for the portion of the TyEL defined benefit plan and the equalisation portion of an employee's contribution less the employee's portion of the contribution has been used for the defined contribution plan.

Note 45. Variable remuneration

Personnel fund

On 26 October 2004, OP Corporate Bank plc (formerly Pohjola Bank plc) joined OP Personnel Fund. The Fund covers the employees of OP Corporate Bank and its subsidiaries who are not included in the management remuneration scheme or the Baltic operations. About 98% of all personnel are members of the Personnel Fund.

Payment of profit-based bonuses to OP Personnel Fund in 2016 was based on the achievement of the following targets: OP Financial Group's EBT and CET1, both having a weight of 30%, and growth in the number of loyal customers with a weight of 40%. Profit-based bonuses for 2016 transferred to the Fund account for some 5.7% (5.3) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2016 totalled EUR 5.6 million (5.3).

Long-term remuneration schemes

OP Financial Group's remuneration schemes are in compliance with regulation in the financial sector and are based on OP Financial Group's strategic targets.

OP Financial Group's variable remuneration principles take account of the Group's risk exposure and risk management methods. The performance indicator targets have been set at a level that does not encourage excessive risk-taking. Long-term variable remuneration is based on reaching OP Financial Group's targets, whereas short-term variable remuneration is based on how an individual Group company or business unit reaches its targets. The maximum amount of remuneration is limited in all schemes.

Long-term scheme

OP Corporate Bank plc belongs to the long-term incentive scheme within OP Financial Group, which has OP Financial Group level targets. These targets conform to those of OP Personnel Fund for all of the Group's personnel.

OP Corporate Bank plc's directors and designated persons in key positions are included in the long-term management share-based incentive scheme whom the Supervisory Board of OP Cooperative has appointed. The 2011–13 scheme covered a total of 39 (39) persons and the 2014–16 42 (39) persons.

The scheme consists of consecutive three-year performance periods, the first of which is 1 January 2011–31 December 2013. The bonus for the 2011–13 performance period will be paid after a deferral period in three equal instalments by the end of each June in 2015–17. The second performance period is 1 January 2014–31 December 2016 and the bonuses will be paid after a deferral period in three equal instalments by the end of June in 2018–20.

The bonus is determined by the management position. If the set targets are annually achieved at 100 per cent, the management and key employees will be entitled to a bonus equalling their regular 2–8-month salary subject to PAYE tax. For performance period 2014–16, the annual bonus entitlement may equal a 2–8-month salary. The targets for performance period 2011–13 were achieved at roughly 43%. The estimated outcome for performance period 2014–16 is around 58%.

The long-term management remuneration scheme confirmed for 2014–16 terminated at the end of the financial year. A new long-term management remuneration scheme has been confirmed for 2017–19. As a rule, the remuneration scheme for 2017–19 follows the principles observed during the previous three-year performance period.

Performance metrics under the long-term scheme

The Supervisory Board of OP Cooperative shall determine the performance metrics for the scheme and targets set for them separately for each performance period. The targets for the 2011–13 scheme were based on the following criteria:

- Growth in the number of customers using OP as the main bank and insurer
- Change in the market share of corporate customer business
- Return on economic capital

In setting targets for the 2014–16 scheme, OP has taken account of the Capital Requirements Directive IV (CRD IV) of the European Parliament and of the Council, which will limit the maximum variable remuneration to the amount of a person's annual fixed remuneration. The targets for the 2014–16 are based on the following criteria:

- OP Financial Group's EBT
- OP Financial Group's CET1
- Growth in the number of customers using OP as their main bank and insurer

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

Determination and payout of bonuses under the long-term scheme

The target bonus was determined at the beginning of the 2011–13 scheme, i.e. the maximum remuneration in terms of Pohjola Bank plc Series A shares. This target bonus for the 2011–13 performance period was 1.2 million shares which would be partly based on cash-settled payments (the amount of tax withheld) and equity-settled payments. OP Cooperative executed a public voluntary bid for all Series A and K shares issued by Pohjola Bank plc and not held by OP Cooperative. As a result, the bonus payout for the performance period of 2011–13 applies the scheme's condition under which bonuses will be fully paid in cash if any of Pohjola's shareholders has the right, under Chapter 18, Section 1 of the Limited Liability Companies Act, to redeem (right of squeeze-out) the shares on the grounds that the shareholder has more than 90% of the company's shares and of the votes conferred by the shares. Bonuses that were to be paid as a combination of Pohjola's series A shares and cash will be paid in cash in 2015, 2016 and 2017 according to the original payout schedule. The bonus was converted into cash by multiplying the number of shares by the redemption price.

At the beginning of the scheme for 2014–16, bonuses were determined in euro terms and bonuses that may be paid under the scheme will be paid in terms of debentures issued by OP. The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount paid in cash will be deducted from the bonus to cover related taxes and fiscal charges.

Bonuses will be paid to their beneficiaries provided that OP Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates is 1.3 or higher on the bonus payout date and that the person within the scheme is employed by OP Financial Group up to the payout date.

In the 2011–13 scheme, shares were accounted for as equity-settled payments in OP Corporate Bank Group. Due to the change in the method of payment under the scheme, the scheme's accounting treatment was changed in 2014 to correspond to treatment of employee benefits specified in IAS 19. Expenses for both schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses. A liability recognised under the scheme amounted to EUR 3.7 million (7.1) on 31 December 2016.

OP Cooperative's Supervisory Board manages the long-term scheme and supervises compliance with it. The Supervisory Board may exercise discretion to change the terms and conditions of the scheme and postpone bonus payments for compelling reasons.

Short-term incentive schemes

In short-term schemes, the performance period is one calendar year and the bonus is primarily paid in cash. The short-term incentive schemes are based on performance and other business targets specified for each business unit, covering all OP Corporate Bank Group's staff.

Expenses for the schemes are recognised from the beginning of the performance period up to the date of payment (vesting period) as personnel costs, and the equivalent liability is recognised under deferred expenses.

Deferral of variable remuneration

The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (identified staff) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

Identified staff in OP Corporate Bank Group include managing directors and other key management personnel, other people with a major impact on the company's risk exposure, Internal Control and other designated persons or special groups.

The deferment of variable remuneration payment applies to identified staff if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority – or two months' fixed gross salary above this amount. The remuneration of the identified staff is reviewed up to the EUR 50,000 deferment limit as a whole, considering both long- and short-term remuneration.

If the euro maximum for deferral is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years. In such a case of deferral, any short-term scheme bonuses are always paid half in cash and half as debenture loans issued by OP.

Expenses recognised for variable remuneration*

EUR million	2016	2015**
Personnel fund	5,253	5,293
Short-term schemes	9,924	10,463
Long-term schemes		
Scheme for 2011–13	-273	852
Scheme for 2014–16	629	736
Total	**15,533**	**17,343**

* Excl. social expenses
** The figures include EUR 3 million in expenses assigned to discontinued operations

More information on the remuneration schemes is available at www.op.fi.

Note 46. Events after the balance sheet date

No significant events took place after the balance sheet date.

Notes to risk management

Note 2 covers risk management and capital adequacy management principles. Notes 48–58 present the risk exposure within Banking and Other Operations. Notes 59–70 present the risk exposure within Non-life Insurance. OP Corporate Bank Group's capital adequacy information is disclosed as part of OP Financial Group's financial statements. OP Corporate Bank Group's capital base, minimum capital requirements, derivative contracts and counterparty risk are presented in Notes 71–77.

Note 47. OP Corporate Bank Group's exposure split by geographic region and exposure class

The majority of OP Corporate Bank Group's country exposure is in EU countries. The exposures cover all balance-sheet and off-balance-sheet items and are based on values used in capital adequacy.

Exposure split by geographic region 31 Dec. 2016, EUR million

Geographic region	Exposure to central governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity investments*	Collateralised notes and bonds**	Other	Total
Finland	11,500	10,825	25,786	2,194	350	532	223	51,410
Baltic countries	197	0	1,492	5	0		0	1,694
Other Nordic countries	178	387	1,089	37	10	1,773	10	3,484
Germany	2,172	186	50	86	12	1,090		3,596
France	640	417	94	60	25	729	7	1,972
UK		668	97	103	53	455	2	1,377
Italy		5	6	25	10			46
Spain		22	5	8	11		1	47
Other EU countries	2,423	237	475	90	198***	937	10	4,369
Rest of Europe	6	202	59	32	16	86	5	406
USA	3	180	39	205	147	8	90	672
Russia		7	28	0	11			45
Asia		308	87	27	25	3	8	458
Other countries	32	66	104	29	154***	1,330	66	1,782
Total	**17,151**	**13,509**	**29,410**	**2,901**	**1,023**	**6,942**	**423**	**71,359**

* Also include EUR 36 million in bond funds.

** Consist of RMBS, ABS and Covered Bond investments.

*** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Exposure split by geographic region 31 Dec. 2015, EUR million

Geographic region	Exposure to central governments and central banks	Exposures to credit institutions	Exposures to corporates	Retail exposures	Equity investments*	Collateralised notes and bonds**	Other	Total
Finland	11,250	7,652	24,771	2,147	549	519	56	46,944
Baltic countries	71	0	1,291	6	0			1,368
Other Nordic countries	56	494	609	37	8	1,469		2,673
Germany	2,256	218	48	87	12	861		3,483
France	339	386	81	63	28	926	1	1,824
UK		840	84	133	45	372	1	1,475
Italy	4	4	0	2	12			22
Spain		14	4	0	11			29
Other EU countries	2,640	238	405	95	200***	727	5	4,309
Rest of Europe		165	49	30	14	82		341
USA	16	141	53	172	84		2	468
Russia		26	16	0	2			44
Asia		190	75	19	25			309
Other countries	32	52	57	16	156***	1,031		1,343
Total	**16,662**	**10,418**	**27,544**	**2,808**	**1,146**	**5,987**	**67**	**64,633**

* Also include EUR 54 million in bond funds.

** Consist of RMBS, ABS and Covered Bond investments.

*** Consist mainly of investments in European funds in Other EU countries and Emerging Markets and Global funds in Other countries.

Risk exposure by Banking and Other Operations

The classification by Statistics Finland is used in these notes, deviating partly from the classification used in the risk exposure section presented in the Report by the Board of Directors.

Note 48. Impairment loss recognised on financial assets

EUR million	31 Dec. 2016	31 Dec. 2015
Derivative contracts		
Held for trading	1	0
Loans and receivables		
Loans granted	35	19
Guarantee receivables	2	10
Available-for-sale financial assets		
Shares and participations	0	0
Total	**38**	**29**

Note 49. Exposure

31 Dec. 2016, EUR million	Finland			Other countries		
	Balance sheet value	Impair-ments	Accrued interest	Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from credit institutions	9,200	0	4	258	-2	1
Receivables from customers	14,965	209	36	2,470	34	4
Finance leases	1,235			33		
Notes and bonds	1,858		15	11,668		46
Other	89			1,185		
Total	**27,347**	**209**	**55**	**15,613**	**32**	**51**
Off-balance-sheet commitments						
Unused standby credit facilities	4,752			718		
Guarantees and letters of credit	1,930			590		
Derivative contracts	1,267			4,598		
Other	188			489		
Total	**8,137**			**6,395**		
Total exposure	**35,484**	**209**	**55**	**22,009**	**32**	**51**

31 Dec. 2015, EUR million	Finland			Other countries		
	Balance sheet value	Impair-ments	Accrued interest	Balance sheet value	Impair-ments	Accrued interest
Assets						
Receivables from credit institutions	9,352	0	8	327	-1	4
Receivables from customers	14,295	227	46	1,723	16	2
Finance leases	1,144			22		
Notes and bonds	1,453		20	10,627		59
Other	158			438		
Total	**26,403**	**227**	**74**	**13,136**	**15**	**65**
Off-balance-sheet commitments						
Unused standby credit facilities	5,154			591		
Guarantees and letters of credit	1,905			435		
Derivative contracts	1,069			4,979		
Other	149			245		
Total	**8,277**			**6,250**		
Total exposure	**34,680**	**227**	**74**	**19,386**	**15**	**65**

The tables show the recognised positive market value of derivative contracts.

Note 50. Exposure by sector

	Balance sheet values		Off-balance-sheet		
31 Dec. 2016, EUR million	Finnish	Foreign	Finnish	Foreign	Total
Non-banking corporate sector	14,214	2,873	6,980	1,024	25,090
Financial institutions and insurance companies	10,608	6,695	394	5,174	22,871
Households	1,523	25	1	0	1,550
Non-profit organisations	291	68	38		396
Public sector entities	766	6,004	724	197	7,690
Total	**27,401**	**15,665**	**8,137**	**6,395**	**57,598**

	Balance sheet values		Off-balance-sheet		
31 Dec. 2015, EUR million	Finnish	Foreign	Finnish	Foreign	Total
Non-banking corporate sector	13,529	2,003	6,330	874	22,737
Financial institutions and insurance companies	10,785	6,014	1,031	5,222	23,051
Households	1,319	25	270	0	1,614
Non-profit organisations	207	131	38		376
Public sector entities	636	5,029	608	154	6,427
Total	**26,476**	**13,201**	**8,277**	**6,250**	**54,205**

The balance sheet values are carrying amounts including impairments and accrued interest income.

Note 51. Receivables from credit institutions and customers, and doubtful receivables

31 Dec. 2016, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	9,460		9,460		2	9,458
Receivables from customers, of which	17,434	243	17,677	219	23	17,435
Bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,268		1,268			1,268
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,463	242	15,706	218	12	15,475
Financial institutions and insurance compani	10,467		10,467		2	10,464
Households	1,558	1	1,559	1	11	1,549
Non-profit organisations	290	0	290	0	0	290
Public sector entities	383		383		0	383
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**

31 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 compani	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**

31 Dec. 2016, EUR million	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments: Individually assessed	Impairments: Collectively assessed
Doubtful receivables						
Receivables from credit institutions						2
Receivables from customers, of which	171	243	414	90	219	23
Bank guarantee receivables	0	2	2		2	0
Finance leases	3		3	0		
Total	**174**	**243**	**417**	**91**	**219**	**25**
Doubtful receivables by sector						
Non-banking corporate sector	157	242	399	88	218	12
Financial institutions and insurance companies				0		2
Households	16	1	17	3	1	11
Non-profit organisations	1	0	1	0	0	0
Public sector entities				0		0
Total	**174**	**243**	**417**	**91**	**219**	**25**

31 Dec. 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Arrears	Impairments: Individually assessed	Impairments: Collectively assessed
Doubtful receivables						
Receivables from credit institutions						1
Receivables from customers, of which	153	252	406	109	224	19
Bank guarantee receivables	0	10	10		10	0
Finance leases	3		3	0		
Total	**156**	**252**	**409**	**109**	**224**	**20**
Doubtful receivables by sector						
Non-banking corporate sector	146	252	398	105	224	11
Financial institutions and insurance companies				0		2
Households	9		9	4		7
Non-profit organisations	1	0	2	0	0	0
Public sector entities				0		0
Total	**156**	**252**	**409**	**109**	**224**	**20**

Doubtful receivables

31 Dec. 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)
Over 90 days past due		95	95	81	13
Unlikely to be paid		268	268	133	135
Forborne loans	35	20	55	5	50
Total	**35**	**382**	**417**	**219**	**198**

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 (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
Over 90 days past due		111	111	93	17
Unlikely to be paid		242	242	128	113
Forborne loans	47	9	56	3	54
Total	**47**	**362**	**409**	**224**	**184**

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.

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

Past due but not impaired financial assets by maturity

		Days			
31 Dec. 2016, EUR million	Less than 30	30–90	Over 90–180	Over 180	Total
Past due but not impaired loans and receivables	236	56	26	5	323

		Days			
31 Dec. 2015, EUR million	Less than 30	30–90	Over 90–180	Over 180	Total
Past due but not impaired loans and receivables	215	37	21	6	280

Note 52. Credit losses and impairments

Credit losses and impairments

EUR million	2010	2011	2012	2013	2014	2015	2016
Gross credit losses and impairments	156	132	97	82	75	69	83
Reversals	-52	-71	-40	-45	-49	-40	-46
Net credit losses and impairments	104	60	57	37	25	29	37

In 2016, credit and guarantee losses and impairments accounted for 0.18% (0.15) of the credit and guarantee portfolio.

Note 53. Collateral received by type of collateral

EUR million	31 Dec. 2016	%	31 Dec. 2015	%
Public-sector guarantees	2,613	30.1	2,354	29.4
Object of financing as collateral	2,290	26.4	2,057	25.7
Property or lease mortgage on office or industrial property	2,082	24.0	1,824	22.8
Shares and participations, other	605	7.0	544	6.8
Shares in housing corporations, and housing associations and property companies in residential use	251	2.9	390	4.9
Property or lease mortgage on residential property	237	2.7	254	3.2
Factoring	184	2.1	174	2.2
Business mortgage	178	2.0	198	2.5
Other collateral	162	1.9	82	1.0
Bank guarantee	87	1.0	118	1.5
Total	**8,688**	**100.0**	**7,997**	**100.0**

Received collateral by type of collateral has been calculated on the basis of the values of collateral held by the bank allocated to liabilities. The collateral's fair value is used as the basis for calculating the collateral value which is derived from the fair value on the basis of valuation percentages, based on conservative estimates, by type of collateral.

Note 54. Funding structure

EUR million	31 Dec. 2016	%	31 Dec. 2015	%
Liabilities to credit institutions	10,332	21.6	5,209	11.8
Liabilities to customers				
Deposits	11,028	23.0	11,395	25.9
Other	5,150	10.7	6,155	14.0
Debt securities issued to the public				
Certificates of deposit and ECPs	8,088	16.9	6,538	14.9
Bonds	11,738	24.5	12,937	29.4
Subordinated liabilities	1,592	3.3	1,737	4.0
Total	**47,928**	**100.0**	**43,971**	**100.0**

Note 55. Maturity of financial assets and liabilities by residual term to maturity

31 Dec. 2016, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	9,333					9,333
Financial assets at fair value through profit or loss						
Notes and bonds	406	59	141	29	2	638
Receivables from credit institutions	3,680	2,458	3,080	218	22	9,458
Receivables from customers	3,996	2,012	9,819	1,424	1,451	18,702
Available-for-sale financial assets						
Notes and bonds	15	197	7,840	4,741	15	12,808
Held-to-maturity financial assets						
Notes and bonds	25		31	24		79
Total assets	**17,455**	**4,727**	**20,911**	**6,437**	**1,490**	**51,019**
Liabilities to credit institutions	3,923	664	4,125	1,620		10,332
Liabilities to customers	14,868	839	271	150	50	16,178
Debt securities issued to the public	8,022	2,723	6,498	2,206	377	19,826
Subordinated liabilities		90	736	681	85	1,592
Total liabilities	**26,813**	**4,315**	**11,630**	**4,657**	**512**	**47,928**
Guarantees	12	209	434	0	60	716
Other guarantee liabilities	193	421	472	19	356	1,460
Loan commitments	5,470					5,470
Commitments related to short-term trade transactions	73	84	187			344
Other	516	3	0	158		677
Total off-balance-sheet commitments	**6,265**	**717**	**1,093**	**177**	**416**	**8,667**

31 Dec. 2015, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Liquid assets	8,465					8,465
Financial assets at fair value through profit or loss						
Notes and bonds	126	19	682	23	2	852
Receivables from credit institutions	3,731	1,889	3,698	337	23	9,678
Receivables from customers	4,001	2,097	8,376	1,328	1,381	17,183
Available-for-sale financial assets						
Notes and bonds	111	174	6,439	4,411		11,134
Held-to-maturity financial assets						
Notes and bonds		10	59	26		94
Total assets	**16,433**	**4,188**	**19,255**	**6,125**	**1,407**	**47,407**
Liabilities to credit institutions	3,283	345	1,355	226		5,209
Liabilities to customers	15,729	1,274	261	207	78	17,549
Debt securities issued to the public	6,522	2,188	7,261	3,139	365	19,475
Subordinated liabilities	60	216	506	870	85	1,737
Total liabilities	**25,594**	**4,024**	**9,384**	**4,442**	**527**	**43,971**
Guarantees	18	242	453	5	47	765
Other guarantee liabilities	154	341	370	16	522	1,402
Loan commitments	5,745					5,745
Commitments related to short-term trade transactions	80	67	26			173
Other	258	1	2	133		394
Total off-balance-sheet commitments	**6,256**	**651**	**850**	**153**	**568**	**8,480**

Financial assets at fair value through profit or loss consist of notes and bonds which may be sold anytime. Notes and bonds included in available-for-sale financial assets may be sold whenever necessary. Notes and bonds included in financial assets at fair value through profit or loss and those included in available-for-sale financial assets are, however, presented within the sub-category determined on the basis of the remaining term to maturity in the table. Nominal amounts of debt are presented under categories by maturity. Financial liabilities held for trading are presented under the shortest maturity category. In its financial risk management, OP Corporate Bank Group uses forward exchange contracts and interest-rate and currency swaps. Since their net effect on the financial risk in euro countervalue is insignificant, they are not specifically presented.

Debt repayable on demand, included in the shortest maturity category, totalled EUR 12.7 billion (12.4).

Note 56. Liquidity buffer

The liquidity buffer is presented under the Other Operations segment.

Liquidity buffer by maturity and credit rating on 31 December 2016, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa*	9,435	1,893	3,509	2,409	578		17,826	81.1
Aa1–Aa3	56	488	845	506	850	0	2,746	12.5
A1–A3	14	35	6	0	0		56	0.3
Baa1–Baa3	3	44	82	11	17	1	158	0.7
Ba1 or lower	5	28	14	24	9	16	94	0.4
Internally rated**	524	226	120	148	6	77	1,101	5.0
Total	**10,038**	**2,715**	**4,576**	**3,099**	**1,460**	**94**	**21,981**	**100.0**

* incl. deposits with the central bank

** PD </= 0.40%

The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.3 years.

Liquidity buffer by maturity and credit rating on 31 December 2015, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa*	8,622	1,370	3,573	2,263	980		16,808	69.5
Aa1–Aa3	1	354	668	447	588		2,057	8.5
A1–A3		21	39	2	14	0	76	0.3
Baa1–Baa3	85	13	49	50	13	2	213	0.9
Ba1 or lower		3	29	0	1	0	33	0.1
Internally rated**	906	1,675	1,465	465	276	216	5,003	20.7
Total	**9,614**	**3,435**	**5,823**	**3,227**	**1,871**	**219**	**24,189**	**100.0**

* incl. deposits with the central bank

** PD </= 0.40%

The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.5 years.

Note 57. Maturities of financial assets and liabilities by maturity or repricing

31 Dec. 2016, EUR million	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	9,333						9,333
Financial assets at fair value through profit or loss							
Notes and bonds	93	317	63	13	122	31	638
Receivables from credit institutions	2,939	2,979	2,669	483	343	45	9,458
Receivables from customers	5,730	6,387	3,521	347	1,692	1,025	18,702
Available-for-sale financial assets							
Notes and bonds	591	276	198	1,196	5,849	4,700	12,808
Held-to-maturity financial assets							
Notes and bonds	41	18			20		79
Total assets	**18,727**	**9,976**	**6,451**	**2,038**	**8,026**	**5,800**	**51,019**
Liabilities to credit institutions	4,088	578	735	3,136	496	1,299	10,332
Liabilities to customers	14,007	1,304	826		40		16,178
Debt securities issued to the public	3,406	6,381	4,114	1,397	2,779	1,749	19,826
Subordinated liabilities	**81**	586	51		274	600	1,592
Total liabilities	**21,582**	**8,849**	**5,726**	**4,533**	**3,590**	**3,648**	**47,928**

Debt repayable on demand totalled EUR 12.7 billion, consisting mainly of public deposits.

31 Dec. 2015, EUR million	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	8,465						8,465
Financial assets at fair value through profit or loss							
Notes and bonds	109	64	29	103	524	23	852
Receivables from credit institutions	3,225	2,864	2,509	618	359	104	9,678
Receivables from customers	5,388	6,560	2,842	188	1,319	886	17,183
Available-for-sale financial assets							
Notes and bonds	402	358	174	400	5,498	4,303	11,134
Held-to-maturity financial assets							
Notes and bonds	42	22	10		20		94
Total assets	**17,632**	**9,868**	**5,563**	**1,309**	**7,720**	**5,316**	**47,407**
Liabilities to credit institutions	2,619	1,284	401	284	426	196	5,209
Liabilities to customers	14,023	2,212	1,274		40		17,549
Debt securities issued to the public	3,002	6,501	2,597	1,767	2,978	2,630	19,475
Subordinated liabilities	**76**	661	127		80	794	1,737
Total liabilities	**19,719**	**10,658**	**4,399**	**2,051**	**3,524**	**3,620**	**43,971**

Debt repayable on demand totalled EUR 12.4 billion, consisting mainly of public deposits.

Note 58. Sensitivity analysis of market risk

Interest-rate risk

	-200bp		+200bp	
Currency	2016	2015	2016	2015
EUR	31	38	-33	-40
Other	18	42	18	42

Interest rate risk has been calculated as the volatility of the present value of balance sheet cash flows to the parallel 2 percentage point change of the yield curve.

		Change	
EUR million		2016	2015
Interest rate volatility	10bp	1	2
Currency volatility	10 pps	1	1
Credit risk premium*	10bp	55	48

* Long-term investment assets (excl. Trading portfolio)

Risk exposure by Non-life Insurance

Note 59. Non-life Insurance risk-bearing capacity

Non-life Insurance must fulfil all capital adequacy requirements set by regulatory authorities mainly at company level. Based on EU directives, a minimum solvency margin requirement and a minimum solvency capital requirement apply to all non-life insurance companies.

The ratio of the capital base to solvency capital is described as the solvency ratio that reflects the company's opportunity to cover unexpected risks. The Solvency II figures are unaudited.

	31 Dec.	31 Dec.
Solvency under Solvency II, EUR million	2016	2015
Eligible capital	983	1,105
Solvency capital requirement (SCR)		
Market risk	483	467
Underwriting risk	293	286
Counterparty risk	31	27
Operational risk	43	44
Diversification benefits and loss absorbency	-164	-126
Total	687	698
Buffer for SCR	296	407
SCR ratio, %	143 %	158 %
SCR ratio, % excluding transitional provisions	127 %	139 %

Note 60. Sensitivity analysis of Non-life insurance

The table below shows the effect of various risk parameters on profit and solvency capital

Risk parameter	Total in 2016, EUR million	Change in risk parameter	Effect on shareholders' equity, EUR million	Effect on combined ratio
Insurance portfolio or insurance premium revenue*	1,418	Up by 1%	14	Up by 0.9 pps
Claims incurred*	979	Up by 1%	-10	Down by 0.7 pps
Large claim, over EUR 5 million		1 loss	-5	Down by 0.4 pps
Personnel costs*	100	Up by 8%	-8	Down by 0.6 pps
Expenses by function*/**	345	Up by 4%	-14	Down by 0.9 pps
Inflation for collective liability	719	Up by 0.25 pps	-5	Down by 0.3 pps
Life expectancy for discounted insurance liabilities	1,816	Up 1 year	-43	Down by 2.9 pps
Discount rate for discounted insurance liabilities	1,816	Down by 0.1 pp	-23	Down by 1.6 pps

* Moving 12-month

** Expenses by function in Non-life Insurance excluding expenses for investment management and expenses for other services rendered.

Note 61. Premiums written and sums insured by class

Premiums written by EML* class in corporate property insurance

The degree of risk in property insurance can be evaluated by dividing risks into classes by their EML* amounts. The table below shows premiums written calculated for each risk class.

EUR million	5–20	20–50	50–100	100–500
2016	13	14	11	11
2015	14	14	11	12

* EML = Estimated Maximum Loss per object of insurance

Premiums written by TSI* class in corporate liability insurance

The degree of risk in liability insurance can be evaluated by dividing risks into classes by their TSI* amounts. The table below shows premiums written calculated for each risk class.

EUR million	2–4	4–10	10–30	30–90
2016	3	4	6	2
2015	3	4	6	5

* TSI = Total Sum Insured

Sums insured in decennial insurance

The sum insured of insurance contracts depicts the volume of decennial insurance (construction defects insurance). The gross and net amounts of the sum insured are itemised in the table below. The liability period of decennial insurance is 10 years.

	Gross		Net*	
EUR million	2016	2015	2016	2015
Decennial insurance	2,100	2,209	2,100	2,209

* For insurance company's own account after reinsurers' share but before counter guarantee

Note 62. Trend in large claims

Number of detected large claims by year of detection for 2012–16

Non-life Insurance monitors carefully claims expenditure arising from large claims. The claims expenditure explains a significant part of the annual fluctuation in the underwriting result. In addition, monitoring the claims expenditure arising from large claims helps to detect any changes in risks or risk selection. In this analysis, large claims are those whose gross amount exceeds EUR 2 million. Most large claims occur in property and business interruption insurance. In statutory policies, the risk of large claim is small relative to the large volume of the line of business.

Gross amount

Number of claims exceeding EUR 2 million	Statutory lines	Other accident and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long term
2012	3			7	1	
2013	4			6	1	
2014	6			8	1	
2015	1			6		
2016				7		
				Total claims, EUR million	175	
Gross amount, total claims, EUR million						
2012–16	**31**			**113**	**32**	

Net amount

Number of claims exceeding EUR 2 million	Statutory lines	Other accident and health	Hull and cargo	Property and business interruption	Liability and legal expenses	Long term
2012	3			6	1	
2013	4			6	1	
2014	6			7		
2015	1			6		
2016				7		
				Total claims, EUR million	132	
Net amount, total claims, EUR million						
2012–16	**31**			**90**	**11**	

Note 63. Insurance profitability

Trends in insurance premium revenue (gross and net) and combined ratio (net)
Insurance premium revenue describes the volume of an insurance class, enabling the evaluation of the importance of the insurance class in relation to the whole portfolio. Similarly, the combined ratio (CR) is used to evaluate fluctuations in the results of the insurance class and the profitability of the class. The combined ratio is presented separately adjusted for one-off items relating to previous insurance periods.

2016, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	462	460	96 %	96 %
Other accident and health	227	227	84 %	84 %
Hull and cargo	301	300	86 %	86 %
Property and business interruption	380	348	82 %	82 %
Liability and legal expenses	87	81	81 %	81 %
Long-term	4	3	17 %	17 %
Total	**1,461**	**1,418**	**86 %**	**86 %**

2015, EUR million	Gross IP revenue	Net IP revenue	Net CR*	Net** CR*
Statutory lines	482	480	100 %	100 %
Other accident and health	199	198	83 %	83 %
Hull and cargo	298	295	80 %	80 %
Property and business interruption	374	338	82 %	82 %
Liability and legal expenses	84	77	76 %	76 %
Long-term	9	8	2 %	2 %
Total	**1,445**	**1,396**	**87 %**	**87 %**

* The combined ratio is calculated by dividing the sum of claims incurred (net) and operating expenses of insurance business by insurance premium revenue (net). Amortisation on intangible rights is excluded from the calculation.

** One-off changes affecting the balance on technical account have been eliminated.

Note 64. Information on the nature of insurance liabilities

Information on the nature of liabilities	2016	2015
Net liabilities due to insurance contracts (EUR million)		
Latent occupational diseases	17	20
Other	2,913	2,799
Total (before transfers)	**2,930**	**2,819**
Duration of debt (years)		
Discounted insurance liabilities	13.7	13.2
Undiscounted insurance liabilities	2.1	2.1
Total	**9.3**	**9.1**
Discounted net debt (EUR million)		
Known provision for claims for annuities	1,427	1,379
Collective liability	343	328
Provision for unearned premiums	45	61
Total	**1,816**	**1,768**

Note 65. Insurance liabilities by estimated maturity

31 Dec. 2016, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	over 15 yrs	Total
Provision for unearned premiums*	410	118	21	6	10	565
Provision for unpaid claims						
Undiscounted	303	212	57	11	4	587
Discounted	97	447	345	268	612	1,771
Total insurance liabilities**	**810**	**777**	**423**	**285**	**626**	**2,922**

* Includes EUR 45 million in discounted liability.

**Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

31 Dec. 2015, EUR million	0–1 yr	1–5 yrs	5–10 yrs	10–15 yrs	over 15 yrs	Total
Provision for unearned premiums*	400	113	21	6	9	550
Provision for unpaid claims						
Undiscounted	291	203	54	10	4	562
Discounted	97	442	338	259	572	1,707
Total insurance liabilities**	**788**	**757**	**413**	**275**	**585**	**2,819**

* Includes EUR 62 million in discounted liability.

**Excluding the value of derivatives hedging the interest rate risk associated with insurance liabilities.

Note 66. Risk exposure of insurance investments

	31 Dec. 2016		31 Dec. 2015	
Allocation of investment portfolio	Fair value, EUR million*	%	Fair value, EUR million*	%
Money market total	72	2	91	2
Money market instruments and deposits**	66	2	61	2
Derivative instruments***	5	0	31	1
Total bonds and bond funds	2,969	77	2,825	77
Governments	522	13	580	16
Inflation-indexed bonds	45	1	45	1
Investment Grade	1,981	51	1,931	52
Emerging markets and High Yield	330	9	206	6
Structured investments****	91	2	64	2
Total equities	425	11	374	10
Finland	77	2	67	2
Developed markets	169	4	171	5
Emerging markets	65	2	39	1
Fixed assets and unlisted equities	3	0	3	0
Private equity investments	111	3	127	3
Equity derivatives***			-33	-1
Total alternative investments	33	1	31	1
Hedge funds	33	1	28	1
Commodities			3	0
Total property investments	378	10	366	10
Direct property investments	208	5	214	6
Indirect property investments	170	4	151	4
Total	**3,876**	**100**	**3,687**	**100**

* Includes accrued interest income

** Includes settlement receivables and liabilities and market value of derivatives

*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents)

**** Include covered bonds, loan funds and illiquid bonds

Note 67. Sensitivity analysis of investment risks

The table below shows the sensitivity of investment risks by investment category. The discount rate sensitivity analysis related to the calculation of insurance liabilities is presented in Note 60. Effects of changes in investments and insurance liabilities offset one another.

	Portfolio at fair value, EUR million			Effect on solvency capital, EUR million	
Non-life Insurance	31 Dec. 2016	Risk parameter	Change	31 Dec. 2016	31 Dec. 2015
Bonds and bond funds*	2,859	Interest rate	1 pp	150	146
Equities**	458	Market value	10%	46	27
Capital investments and unquoted equities	114	Market value	10%	11	13
Commodities		Market value	10%		0
Real property	378	Market value	10%	38	37
Currency	112	Currency value	10%	11	32
Credit risk premium***	2,620	Credit spread	0.1 pp	15	14
Derivatives		Volatility	10 pps		1

* Include money-market investments, convertible bonds and interest-rate derivatives

** Include hedge funds and equity derivatives

*** Includes bonds and convertible bonds and money-market investments, excluding government bonds issued by developed countries

Note 68. Interest-rate risk

The market risk arising from changes in interest rates is monitored by classifying investments by instrument, in accordance with duration. The table below does not indicate the balancing effect which the insurance liabilities have on the interest-rate risk, because only some insurance liabilities have been discounted using an administrative interest rate (Note 28).

Fair value by duration or repricing date, EUR million*	31 Dec. 2016	31 Dec. 2015
0–1 year	199	158
>1–3 years	513	411
>3–5 years	909	948
>5–7 years	552	746
>7–10 years	434	246
>10 years	299	292
Total	**2,906**	**2,800**
Modified duration	5.4	5.2
Effective interest rate, %	1.7	1.5

* Includes money-market investments and deposits, bonds, convertible bonds and bond funds.

Fixed-income portfolio by maturity and credit rating on 31 Dec. 2016*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa	22	15	220	140	189	192	778	26.8
Aa1–Aa3	56	54	115	51	56	40	372	12.8
A1–A3	62	152	179	146	76	39	654	22.5
Baa1–Baa3	20	206	306	181	104	27	844	29.0
Ba1 or lower	37	83	85	29	9	1	244	8.4
Internally rated	1	4	5	4		0	14	0.5
Total	**199**	**513**	**909**	**552**	**434**	**299**	**2,906**	**100.0**

Fixed-income portfolio by maturity and credit rating on 31 Dec. 2015*, EUR million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Proportion, %
Aaa	13	41	277	140	84	201	756	27.0
Aa1–Aa3	52	39	78	118	23	21	331	11.8
A1–A3	24	124	265	150	70	39	671	24.0
Baa1–Baa3	25	139	282	312	59	19	836	29.9
Ba1 or lower	43	68	32	26	9	4	181	6.5
Internally rated	1	0	15			7	24	0.9
Total	**158**	**411**	**948**	**746**	**246**	**292**	**2,800**	**100.0**

* Excludes credit derivatives.

The maturity is presented until the end of the term to maturity. If the paper includes a call option, the maturity is presented until the first possible Call date.

The average credit rating of the Non-life Insurance fixed-income portfolio is Moody's A3.

The term to maturity of the Non-life Insurance fixed-income portfolio averages 5.9 years (calculated on the basis of the call date and the maturity date).

Note 69. Currency risk

Foreign currency exposure, EUR million	31 Dec. 2016	31 Dec. 2015
USD	46	121
SEK	2	55
JPY	0	17
GBP	48	78
Other	16	51
Total*	**112**	**322**

* The currency exposure was 2.9% (8.7) of the investment portfolio. It is calculated as the sum total of individual currencies' intrinsic values.

Note 70. Counterparty risk

Credit rating, consistent with Moody's, EUR million	31 Dec. 2016 Invest-ment*	Insurance**	31 Dec. 2015 Invest-ment*	Insurance**
Aaa	778		756	
Aa1–Aa3	372	20	331	18
A1–A3	654	25	671	34
Baa1–Baa3	844	0	836	0
Ba1 or lower	244		181	
Internally rated	14	34	24	47
Total	**2,906**	**79**	**2,800**	**99**

* Include money-market investments and deposits, bonds and bond funds

** Includes the reinsurers' share of insurance liabilities, and receivables from reinsurers

Pillar III disclosures

Notes 71–77 disclose a summary of information on the capital adequacy of the consolidation group, as specified in the Capital Requirements Regulation of the European Parliament and of the Council (Pillar III disclosures). Given that this information is based on the consolidated capital adequacy, it is not directly comparable with other information disclosed on OP Corporate Bank Group. Complete Pillar III information can be found in OP Financial Group's financial statements.

The consolidation group that forms the basis of OP Corporate Bank plc's capital adequacy comprises OP Corporate Bank Group companies excluding insurance companies and their subsidiaries.

The Group has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories.

Note 71. Capital base

The Group has presented its capital base and capital adequacy of 31 December 2015 in accordance with the EU capital requirements regulation and directive (EU 575/2013) (CRR).

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

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

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.

Note 72. Minimum capital requirement

OP Corporate Bank has applied the Internal Ratings Based Approach (IRBA) to retail, credit institution and corporate exposures and equity investments. The Standardised Approach (SA) is used for other exposure categories. Investments in OP Corporate Bank Group's insurance companies have been deducted from the capital base. OP Corporate Bank has used the Foundation Internal Ratings Based Approach (FIRBA) to measure capital requirement for corporate and credit institution exposures. This approach uses internal credit ratings to determine a customer's probability of default (PD), whereas loss given default (LDG) and credit conversion factor (CF) are standard estimates supplied by the authorities. OP Corporate Bank has used the Internal Ratings Based Approach (IRBA) to measure capital requirement for retail exposures. This approach uses internal credit ratings to determine a customer's PD, and LGD and CF are estimated internally.

It is possible to use various methods to measure capital adequacy requirement for equity investments. In the PD/LGD method, investments' risk-weighted exposure is calculated using PD, based on internal credit rating, and the official LGD. According to the Simple Risk Weight Approach, investments' risk-weighted exposure amount derives from multiplying each investment by the risk-weight determined by the type of investment.

OP Corporate Bank has used the Standardised Approach to measure capital requirement for operational risks and market risks.

EUR million	31 Dec. 2016 Capital requirement*	31 Dec. 2016 Risk-weighted assets	31 Dec. 2015 Capital requirement*	31 Dec. 2015 Risk-weighted assets
Credit and counterparty risk	**1,548**	**19,354**	**1,452**	**18,155**
Standardised Approach (SA)	**149**	**1,861**	**142**	**1,778**
Exposures to central government and central banks	0	1	0	1
Exposures to regional government or local authorities	1	15	0	6
Exposures to public sector entities	1	17	1	17
Exposures to institutions	4	51	4	53
Exposures to corporates	130	1,623	126	1,575
Retail exposures	1	12	6	75
Exposures secured by mortgages on immovable property	6	79		
Exposures in default	0	0		
Other items	5	64	4	51
Internal Ratings Based Approach (IRB)	**1,399**	**17,493**	**1,310**	**16,377**
Exposures to institutions	91	1,141	92	1,147
Exposures to corporates	924	11,551	858	10,725
Retail exposures	79	983	57	710
Exposures secured by mortgages on immovable property	1	9	0	1
Other retail exposures	78	974	57	709
Equity investments	299	3,741	298	3,730
PD/LGD method	295	3,688	295	3,688
Basic Indicator Approach	4	52	3	41
Private equity investments	3	32	3	34
Listed equity investments			0	1
Other	2	21	1	7
Securitisation positions	5	63	4	46
Other non-credit obligations	1	14	1	19
Clearing/settlement risk	**0**	**0**		
Market risk (Standardised Approach)	**106**	**1,329**	**116**	**1,450**
Notes and bonds	105	1,309	113	1,412
Equities	1	14	1	10
Commodities	0	6	2	27
Operational risk (Standardised Approach)	**93**	**1,163**	**104**	**1,297**
Risk associated with exposure value adjustment	**20**	**253**	**31**	**390**
Total risk	**1,768**	**22,099**	**1,703**	**21,292**

* Capital requirement = Risk-weighted assets * 0.08

On 31 December 2016, the risk exposure amount (REA) totalled EUR 22.1 billion (21.3), or 3.8% higher than on 31 December 2015. The average credit risk weights remained at the 2015-end level.

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

EUR 45 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.

Capital requirement for counterparty risk amounts to EUR 55 million (55).

Note 73. Capital ratios

	31 Dec. 2016	31 Dec. 2015
Ratios, %		
CET1 ratio	14.9	14.1
Tier 1 ratio	15.5	15.0
Capital adequacy ratio	20.9	20.7
Rations without the effects of transitional provisions, %		
CET1 ratio	14.9	14.1
Tier 1 ratio	14.9	14.1
Capital adequacy ratio	20.3	19.8
Capital requirement, EUR million		
Capital base	4,628	4,400
Capital requirement	2,327	2,238
Buffer for capital requirements	2,301	2,162

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

Note 74. Corporate exposure by sector

31 Dec. 2016, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss	Exposure as percentage
Energy	3,513	1,081	37	13	13	11.8
Trade	3,338	1,775	2	1	0	11.2
Operating of other real estate	2,265	1,104	1	7	3	7.6
Services	2,197	1,211	5	1	1	7.4
Renting and operation of residential real est	2,187	580	0			7.3
Financial and insurance activities	2,113	1,018	0	0	0	7.1
Manufacture of machinery and equipment (i	2,008	694	47	24	25	6.7
Construction	1,845	1,046	24	6	4	6.2
Other manufacturing	1,770	536	67	37	29	5.9
Transportation and storage	1,436	889	4	0	0	4.8
Forest industry	1,268	719	114	103	99	4.3
Buying and selling of own real estate	986	473				3.3
Metal industry	966	701	67	39	35	3.2
Food industry	910	399	6	5	5	3.1
Information and communication	894	354	10	3	3	3.0
Agriculture, forestry and fishing	866	415	7	1	1	2.9
Other sectors	398	278	1		1	1.3
Manufacture of chemicals and chemical prod	318	100				1.1
Mining and quarrying	303	89	27	23	23	1.0
Water supply and waste management	252	100	0			0.8
Total	**29,834**	**13,562**	**419**	**264**	**242**	**100.0**

31 Dec. 2015, EUR million	Exposure amount	RWA	Past due exposures	Impaired exposures	Impairment loss	Exposure as percentage
Energy	3,205	893				11.5
Trade	2,759	1,637	3	1	0	9.9
Renting and operation of residential real est	2,346	699	0			8.5
Financial and insurance activities	2,244	996	2	0	0	8.1
Operating of other real estate	2,138	1,002	1	1	1	7.7
Other manufacturing	2,080	843	53	28	20	7.5
Services	1,692	820	6	1	0	6.1
Manufacture of machinery and equipment (i	1,646	522	54	23	25	5.9
Construction	1,561	857	4	1	1	5.6
Transportation and storage	1,309	822	4	0	0	4.7
Forest industry	1,260	829	115	102	96	4.5
Food industry	931	373	36	33	33	3.4
Buying and selling of own real estate	927	452				3.3
Information and communication	788	376	4	3	3	2.8
Agriculture, forestry and fishing	779	349	5	1	1	2.8
Metal industry	699	410	96	57	41	2.5
Other sectors	640	330	0		2	2.3
Water supply and waste management	319	121	0			1.1
Manufacture of chemicals and chemical prod	271	79				1.0
Mining and quarrying	163	75	27	24	22	0.6
Total	**27,757**	**12,485**	**410**	**276**	**247**	**100.0**

Corporate exposures in this Note also include SMEs with retail exposures. This standard industrial classification is based on the latest TOL 2008 classification issued by Statistics Finland.

Past due exposures in the Standardised Approach are exposures whose interest or capital are over 90 days overdue. In the FIRB Approach, past due exposures are exposures to customers at default belonging to rating categories 11–12 or F.

Note 75. Corporate exposure by rating category (FIRB)

31 December 2016

Rating category	Exposure value (EAD), MEUR	Average CF, %	Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	1,028	92.5	0.0	44.7	8.3	154	15.0	0
2.5–5.5	13,003	74.9	0.2	44.3	3.7	4,956	38.1	10
6.0–7.0	3,671	71.4	1.2	44.1	2.7	3,440	93.7	19
7.5–8.5	1,932	69.6	4.4	44.5	2.9	2,732	141.4	38
9.0–10.0	116	54.3	22.7	44.7	30.2	268	230.8	12
11.0–12.0	374	53.2	100.0	46.1	5.9			173
Total	**20,124**	**74.0**	**0.9**	**44.3**	**3.9**	**11,551**	**58.5**	**252**

31 December 2015

Rating category	Exposure value (EAD), MEUR	Average CF, %	Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	1,119	92.1	0.0	44.7	9.4	167	14.9	0
2.5–5.5	12,410	70.9	0.2	44.5	3.7	5,031	40.5	11
6.0–7.0	2,823	72.3	1.3	44.4	2.8	2,759	97.7	16
7.5–8.5	1,658	70.7	4.4	44.5	2.4	2,371	143.0	32
9.0–10.0	181	54.7	17.6	44.1	28.7	397	219.3	14
11.0–12.0	369	60.7	100.0	46.0	7.9			170
Total	**18,561**	**71.5**	**0.9**	**44.5**	**4.1**	**10,725**	**59.0**	**243**

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

In setting PD values given by rating models assessing solvency of corporate customers' retail exposures, OP Financial Group has used its own payment default data and external data. As external data, the Group has used bankruptcy statistics since 1987. The Group has taken account of uncertainty associated with the data using a statistical margin of conservatism. The current corporate customer PDs in use were adopted in the first quarter of 2015. In the risk weight calculation, the Group applies the PD minimum of 0.03% to corporate exposures.

Note 76. Credit institution exposures (FIRB) by rating category

31 December 2016

Rating category	Exposure value (EAD), MEUR	Average CF, %	Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	2,454	76.5	0.0	13.4	4.4	114	4.6	0
2.5–5.5	5,034	60.6	0.1	20.2	4.7	797	15.8	1
6.0–7.0	150	27.2	1.7	45.0	1.8	184	122.5	1
7.5–8.5	23	20.7	6.8	45.0	0.4	41	177.1	1
9.0–10.0	2	53.0	19.1	45.0	0.0	5	247.1	0
Total	**7,663**	**57.9**	**0.1**	**18.6**	**4.5**	**1,141**	**14.9**	**3**

31 December 2015

Rating category	Exposure value (EAD), MEUR	Average CF, %	Average PD, %	Average LGD, %	Average maturity, yrs	RWA	Average risk weight, %	Expected losses, EUR million
1.0–2.0	2,406	76.0	0.0	14.1	4.1	119	4.9	0
2.5–5.5	4,674	58.7	0.1	22.2	4.8	855	18.3	2
6.0–7.0	103	86.8	1.8	45.0	1.0	142	138.9	1
7.5–8.5	17	22.0	5.5	45.0	0.4	29	165.2	0
9.0–10.0	1	65.9	27.8	45.0	0.0	2	288.8	0
11.0–12.0	0	75.0	100.0	45.0				0
Total	**7,201**	**62.0**	**0.1**	**19.9**	**4.5**	**1,147**	**15.9**	**3**

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

For setting PD values given by the credit institution exposure rating model, OP Financial Group has used rating scores for credit institution exposure and external credit ratings and the corresponding payment default data. PD values have been adjusted with a margin of conservatism in order to take account of uncertainties associated with the data. In the risk weight calculation, the Group applies the PD minimum of 0.03% to credit institution exposures.

Note 77. Derivative contracts and counterparty risk

Credit risk arising from derivative contracts is defined as a credit equivalent based on the daily market valuation of derivative contracts.

The size of customer limits are defined on the basis of assets included in derivative contracts and the estimated validity of the contracts.

Counterparty risk associated with derivative contracts arises from receivables which OP Financial Group may have from its counterparties in case they default. OP Financial Group measures counterparty risk using a fair value model, whereby the value of liability comprises the contract market value and the expected potential future exposure.

OP Financial Group manages counterparty risks associated with derivative contracts through master agreements enabling netting related to bankruptcies, through collateral and optional early termination. With respect to master agreements, there exist written statements issued by an external legal expert of the legal validity of netting in each derivative counterparty's national legislation. OP Financial Group uses netting for counterparty exposure arising from derivative contracts in both capital adequacy measurement and the monitoring of credit risk limits. Derivative contracts are also increasingly novated to a central counterparty. On 31 December 2016, the gross exposure value of derivative contracts for central counterparty clearing amounted to EUR 1.8 billion and the net credit risk to EUR 253 million. These are included in the figures shown in the table.

The Group confirms corporate counterparty exposure limits once a year and in this connection also checks the status of collateral applying to the limits for derivative transactions.

Credit risk arising from bank counterparties is through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides cash or securities in security for the receivable. Matching between counterparties are performed on a daily basis.

If S&P had downgraded OP Financial Group's credit rating from AA– to A on 31 December 2016, an additional collateral worth EUR 61 million would have been required. If the credit rating had been downgraded in 2015, additional collateral of EUR 8 million would have been required.

Capital adequacy requirement due to counterparty risk may arise from items related to financing operations and the trading book. Capital adequacy requirement due to counterparty risk is calculated, for example, on OTC derivatives and sale and repurchase agreements.

Counterparty risk contract types, 31 Dec. 2016, EUR million	Gross exposure	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts	8,422	4,695	3,727	1,177	2,550
Total	**8,422**	**4,695**	**3,727**	**1,177**	**2,550**

Counterparty risk contract types, 31 Dec. 2015, EUR million	Gross exposure	Benefits from netting	Present netted credit risk	Collateral held	Net credit risk
Derivative contracts	8,838	5,221	3,617	1,030	2,587
Total	**8,838**	**5,221**	**3,617**	**1,030**	**2,587**

Note 42 presents the positive gross fair value of contracts.

Parent Company Financial Statements, FAS

Financial Statements

Income statement

EUR million	2016	2015
Interest income	1,382	1,689
Net lease income	23	25
Interest expenses	-1,219	-1,516
Net interest income	**186**	**198**
Income from equity investments	338	48
From subsidiaries	338	28
From affiliates	0	14
From other companies	0	5
Commissions and fees	123	136
Commission expenses	-66	-40
Net income from securities and foreign exchange trading	164	133
Net income from securities trading	78	67
Net income from foreign exchange trading	86	66
Net income from available-for-sale financial assets	20	41
Net income from hedge accounting	-1	-1
Net income from investment property	1	1
Other operating income	29	21
Administrative expenses	-135	-126
Personnel costs	-59	-56
Wages and salaries	-48	-46
Social expenses	-11	-10
Pension costs	-8	-7
Other social expenses	-3	-2
Other administrative expenses	-76	-70
Depreciation/amortisation and write-downs on tangible and intangible assets	-11	-10
Other operating expenses	-20	-21
Impairment loss on other financial assets	-37	-30
Operating profit	**592**	**350**
Appropriations	-97	-79
Income taxes	-33	-46
Taxes for the financial year	-25	-39
Taxes for previous financial years	0	0
Change in deferred taxes	-8	-7
Profit for the financial year	**462**	**225**

Balance sheet

Assets

EUR million	31 Dec. 2016	31 Dec. 2015
Cash and cash equivalents	9,333	8,465
Notes and bonds eligible for refinancing with central banks	12,188	11,295
Treasury bills		
Other	12,188	11,295
Receivables from credit institutions	9,427	9,647
Repayable on demand	296	332
Other	9,131	9,315
Receivables from the public and public sector entities	17,477	16,055
Repayable on demand		
Other	17,477	16,055
Lease assets	1,234	1,150
Notes and bonds	1,422	942
From public sector entities	246	82
From other	1,176	860
Shares and participations	11	10
Shares and participations in subsidiaries	1,025	1,035
Derivative contracts	4,676	5,049
Intangible assets	57	54
Tangible assets	14	15
Investment property and shares and participations in investment property	9	9
Other property and shares and participations in property companies	2	3
Other tangible assets	3	4
Other assets	1,577	699
Deferred income and advances paid	428	612
Deferred tax assets		10
Total assets	**58,870**	**55,038**

Liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Liabilities		
Liabilities to credit institutions	10,299	5,209
Central banks	3,240	12
Credit institutions	7,059	5,197
Repayable on demand	1,952	1,138
Other	5,107	4,060
Liabilities to the public and public sector entities	16,279	17,670
Deposits	11,129	11,516
Repayable on demand	10,851	11,414
Other	278	102
Other liabilities	5,150	6,155
Repayable on demand	13	9
Other	5,136	6,146
Debt securities issued to the public	19,915	19,638
Bonds	11,827	13,100
Other	8,088	6,538
Derivative contracts and other liabilities held for trading	4,406	4,963
Other liabilities	2,350	2,068
Other liabilities	2,350	2,068
Statutory provisions		0
Deferred expenses and advances received	478	633
Subordinated liabilities	1,457	1,602
Subordinated loans	135	272
Other	1,321	1,330
Deferred tax liabilities	4	
Total liabilities	**55,187**	**51,784**
Appropriations	**1,208**	**1,111**
Depreciation difference	172	145
Taxation-based provisions	1,036	966
Shareholders' equity		
Share capital or cooperative capital	428	428
Share capital	428	428
Share premium account	524	524
Other restricted reserves	212	188
Reserve fund	164	164
Fair value reserve	48	25
Cash flow hedging	6	12
Fair value measurement	43	13
Non-restricted reserves	331	331
Reserve for invested non-restricted equity	308	308
Other reserves	23	23
Retained earnings	518	446
Profit for the financial year	462	225
Total shareholders' equity	**2,474**	**2,142**
Total liabilities and shareholders' equity	**58,870**	**55,038**
Off-balance-sheet commitments	**8,511**	**8,349**
Commitments given to a third party on behalf of customers	2,520	2,341
Guarantees and pledges	2,176	2,167
Other	344	173
Irrevocable commitments given on behalf of customers	5,991	6,009
Securities repurchase commitments	5	5
Other	5,986	6,003

Cash flow statement

EUR million	31 Dec. 2016	31 Dec. 2015
Cash flow from operating activities		
Profit for the financial year	462	225
Adjustments to profit for the financial year	-361	70
Increase (-) or decrease (+) in operating assets	**-3,898**	**-4,030**
Notes and bonds eligible for refinancing with central banks	-1,462	-3,100
Receivables from financial institutions	182	268
Receivables from the public and public sector entities	-1,453	-1,522
Lease assets	-84	0
Notes and bonds	-432	-243
Shares and participations	0	19
Derivative contracts	21	44
Investment property	0	
Other assets	-668	505
Increase (+) or decrease (-) in operating liabilities	**3,845**	**6,310**
Liabilities to credit institutions and central banks	5,118	-22
Liabilities to the public and public sector entities	-1,380	6,003
Derivative contracts and other liabilities held for trading	-20	-17
Other liabilities	126	346
Income tax paid	-24	-65
Dividends received	338	178
A. Net cash from operating activities	**362**	**2,688**
Cash flow from investing activities		
Increases in held-to-maturity financial assets		-20
Decreases in held-to-maturity financial assets	15	83
Disposal of subsidiaries and associates		85
Purchase of tangible and intangible assets	-14	-14
Proceeds from sale of tangible and intangible assets	1	0
B. Net cash used in investing activities	**2**	**134**
Cash flow from financing activities		
Increases in subordinated liabilities	0	1,242
Decreases in subordinated liabilities	-144	-700
Increases in debt securities issued to the public	24,941	27,342
Decreases in debt securities issued to the public	-24,282	-26,145
Dividends paid	-153	-137
C. Net cash used in financing activities	**361**	**1,602**
D. Effect of foreign exchange rate changes on cash and cash equivalents	**107**	**117**
Cash and cash equivalents transferred due to combination	**832**	**4,541**
Cash and cash equivalents at year-start	**8,796**	**4,255**
Cash and cash equivalents at year-end	**9,629**	**8,796**
Interest received	**1,622**	**1,800**
Interest paid	**1,374**	**1,593**
Adjustments to profit for the financial year		
Non-cash items		
Change in fair value for trading	-6	6
Unrealised net gains on foreign exchange operations	-107	-117
Change in fair value of investment assets	-1	-5
Depreciation/amortisation, change in depreciation/amortisation difference and voluntary provisions	108	89
Impairment losses on receivables	37	31
Other	-392	66
Items presented outside cash flow from operating activities		
Capital gains, share of cash flow from investing activities	-1	0
Total adjustments	**-361**	**70**
Cash and cash equivalents		
Liquid assets	9,333	8,465
Receivables from credit institutions payable on demand	296	332
Total	**9,629**	**8,796**

Parent Company's (OP Corporate Bank plc) Accounting Policies

General

OP Corporate Bank plc (formerly Pohjola Bank plc) is a Finnish credit institution whose business divisions comprise Corporate Customers and Group Treasury. Other Operations includes administrative functions.

OP Corporate Bank's business divisions were reorganised during the financial year. Two of its 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. In addition, the operating model of OP Financial Group Treasury was revised as of 1 January 2016, with the division of responsibilities between Markets and Group Treasury being changed. Interest rate derivatives and FX trading as well as bonds trading were transferred from the Markets division to the Treasury division.

OP Corporate Bank plc is part of OP Financial Group which currently consists of some 170 independent cooperative banks and their central cooperative, OP Cooperative, and other member credit institutions. OP Financial Group's member credit institutions comprise OP Corporate Bank plc, Helsinki Area Cooperative Bank (formerly Helsinki OP Bank Ltd), OP Card Company Plc, OP Mortgage Bank and OP Cooperative's member cooperative banks.

OP Corporate Bank plc's parent company is OP Cooperative and OP Corporate Bank's consolidated accounts are included in its consolidated financial statements. Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 Helsinki. OP Financial Group's financial statements are available at www.op.fi or the company's registered office at Gebhardinaukio 1, FI-00510 Helsinki. The accounts of OP Corporate Bank plc are also consolidated into those of OP Corporate Bank Group. A copy of OP Corporate Bank's consolidated financial statements is available at www.op.fi or the Company's registered office Gebhardinauko 1, FI-00510 Helsinki.

In accordance with the Act on the Amalgamation of Deposit banks, the member credit institutions, OP Corporate Bank included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

OP Corporate Bank is domiciled in Helsinki and the address of its registered office is Gebhardinaukio 1, FI-00510 Helsinki and the postal address of its registered office is P.O. Box 308, FI-00013 OP.

Basis of preparation

OP Corporate Bank plc's financial statements based on national regulation are prepared and presented according to the Act on Credit Institutions, the Ministry of Finance Decree on the Financial Statements and Consolidated Financial Statements of a Credit Institution and Investment Firm, the Accounting Act and the set of the Financial Supervisory Authority's regulations and guidelines governing financial sector accounting, financial statements and the report by the board of directors. In addition, the central cooperative of the amalgamation of cooperative banks, OP Cooperative, issues instructions for compliance with unified accounting principles and the preparation of the financial statements.

OP Corporate Bank plc's financial statements are presented in millions of euros and were prepared at historical cost, with the exception of financial assets at fair value through profit or loss, available-for-sale financial assets, hedged items in fair value hedging (for hedged risk) and derivative instruments measured at fair value.

The preparation of financial statements requires the management to make assessments and estimates and exercise its judgement in the process of applying the accounting policies.

Recognition of valuation of interest rate and currency swaps in the balance sheet has changed. The previously applied recognition method reviewed interest rate valuations of an individual swap agreement as well as an agreement's exchange rate valuation separately in gross terms. The new method of recognition in the balance sheet based on net valuation per agreement better reflects asset or liability relationship between the contracting parties. The interest rate and currency swap valuations are recognised in the balance sheet under Derivative contracts. Previously, the interest rate and currency valuations of derivatives were partly recognised in the balance sheet under Other assets and Other liabilities. The balance sheet comparatives have been restated. The balance sheet a year ago decreased by EUR 691 million: Derivative contracts in under Assets increased by EUR 506 million and Other assets decreased by EUR 1,197 million, Derivative contracts under Liabilities increased by EUR 431 million and Other liabilities decreased by EUR 1,122 million.

Foreign currency translation

OP Corporate Bank plc's financial statements are prepared in euros, which is the presentation currency. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under Net income from foreign exchange trading in the income statement.

Financial instruments

Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date.

The fair value of financial instruments is determined using either prices quoted in an active market or the company's own valuation techniques where no active market exists. Markets are deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3)

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of illiquid financial assets is insignificant in the balance sheet.

Impairment of financial assets

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset other than that carried at fair value through profit or loss is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- significant decline in the issuer's financial results, credit rating, balance sheet, payment status or business plans, and unfavourable changes in the issuer's economic and operating environment;
- a bona fide bid for the same or similar investment from the market below acquisition value;
- events or circumstances that significantly weaken the issuer's business opportunities on a going concern basis, such as negative cash flows resulting from operations, insufficient capital and shortage of working capital;
- a debtor's bankruptcy or other reorganisation becomes probable;
- a debtor's breach of contract;
- a concession granted to the debtor;
- impairment recognised earlier;
- the disappearance of an active market for a financial instrument

In addition, a significant or prolonged decline in the equity instrument's fair value below its cost constitutes objective evidence of impairment.

A more detailed description of recognition of impairment losses can be found under the various financial instruments below.

Securities sale and repurchase agreements

The purchase price of securities bought under 'resell conditions' binding on both parties is recognised as a receivable under the balance sheet item determined by the counterparty. The difference between the purchase price and resale price is treated as interest income and accrued over the term of the agreement.

The selling price of securities sold under 'resell conditions' binding on both parties is recognised as a financial liability under the balance sheet item determined by the counterparty. The difference between the selling price and repurchase price is treated as interest expenses and accrued over the term of the agreement.

Classification and recognition of financial instruments

Upon initial recognition, financial assets and liabilities are classified as follows: financial assets and liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities. The classification depends on the purpose for which the financial assets and liabilities were acquired. The purchase and sale of financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised in the balance sheet on the transaction date, or the date on which the company agrees to buy or sell the asset or liability in question. Notes and bonds classified as loans and receivables are recognised as financial assets on the transaction date and loans granted on the date on which the customer draws down the loan.

Financial assets and liabilities are offset in the balance sheet if OP Corporate Bank plc currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis. OTC interest rate derivatives for central counterparty clearing are offset in the balance sheet, which are cleared in the daily clearing process with London Clearing House.

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

Financial assets and liabilities held for trading

Financial assets at fair value through profit or loss are subdivided into financial assets held for trading and financial assets at fair value through profit or loss at inception. Financial liabilities at fair value through profit or loss are financial liabilities held for trading.

All financial assets and liabilities that are expected to generate short-term profits arising from fluctuations in interest rates, prices and quotations or in which an embedded derivative contract cannot be separated from the host contract are classified as held for trading. Liabilities held for trading refer to the obligation to deliver securities which have been sold but which have not been owned at the time of selling (short selling).

Financial assets and liabilities held for trading include derivatives other than those used for hedging purposes.

Financial assets and liabilities held for trading are recognised at fair value in the balance sheet, and subsequent changes in the fair value are recognised under Net income from securities trading in the income statement.

Financial assets at fair value through profit or loss at inception

Financial assets at fair value through profit or loss at inception include financial assets which are designated as at fair value through profit or loss upon their initial recognition. These financial assets are measured at fair value and any change in their fair value and any capital gains and losses, interest income and expenses as well as dividend income are recognised in the income statement.

Bonds, which the company, in accordance with its risk management principles, manages and assesses their performance at fair value in order to receive a true and real-time picture of investment operations, are defined as those recognised at fair value through profit or loss at inception. Reporting to the Group's management is based on fair values.

Since the business involves investment on a long-term basis, financial assets are presented separately from those held for trading.

Financial assets at fair value through profit or loss also include hybrid instruments in which the fair value of an embedded derivative cannot be determined separately. These financial assets are measured at fair value in the balance sheet, and any subsequent changes in the fair value are recognised under Net income from securities trading in the income statement.

Loans and receivables

Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are initially recognised at cost, which is the fair value of consideration given plus directly attributable transaction costs. Loans and receivables are carried at amortised cost after their initial recognition, using the effective interest method.

Impairment losses on loans and receivables are recognised on an individual or collective basis. Impairments will be assessed

on an individual basis if the debtor's total exposure is significant. In other respects, impairment is assessed on a collective basis.

Impairment is recognised and impairment losses incurred if there is objective evidence that the receivable cannot be recovered in full. The receivable has impaired if its present value of the estimated future cash flows – collateral included – is lower than the aggregate carrying amount of the loan and the related unpaid interest. Estimated future cash flows are discounted at the loan's original effective interest rate. If the loan carries a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate determined under the agreement. Impairment loss recognised in profit or loss equals the difference between the carrying amount of the loan and the lower present value of future cash flows.

Impairment assessment is a two-phase process. Impairment is assessed individually for loans and receivables. If it is not necessary to assess impairment for financial assets included in loans and receivables on an individual basis, they will be assessed collectively for impairment. Collectively assessed impairment includes losses incurred but not yet reported, which cannot yet be allocated to a certain loan. Collectively assessed impairment provisions are based on a statistical model used in the measurement of economic capital. Through-the-cycle component and the official minimum capital adequacy requirements have been eliminated from the PD and LGD estimates used in the economic capital requirement model so that they better reflect the point in time approach and the current economic cycle. In the model, the so-called emergence period is used to measure the identification of a loss event. The emergence period is based on OP Financial Group's impairment assessment process by customer segment from the loss event to testing a loan for impairment on an individual basis. In addition, the receivables in the model are grouped into customer segments on the basis of similar credit risk characteristics.

Collectively assessed impairment is measured by customer segment on the basis of the expected loss and the measurement also takes account of the emergence period and the discounted present values of collateral.

If the contractual payment terms of a loan are modified, the reason for such modification and the severity class are documented using an internally defined scale. Loans may also be modified for reasons related to the management of customer relationships, not to the financial difficulties of the customer. Such modifications do not affect loan impairment recognition. In some cases, the company may, due to the customer's financial difficulties, modify the loan terms and conditions, such as in terms of repayment holiday for a limited period or another loan modification, which are aimed at securing the customer's repayment capacity and limiting credit risk associated with liabilities. Such renegotiated loans are reported as doubtful receivables. Modifications in the contractual payment terms that are due to the customer's financial difficulties are forbearance measures and together with other criteria reduce the customer's credit rating and thereby increase collective impairment allowance. In addition, they will also have an effect on the loan being assessed on an individual basis for impairment. If the customer has adhered to the new payment terms and no impairment allowance has been recognised for the customer's exposure, it will be removed from doubtful debt classification after two years. Modifications in payment terms are subject to regular monitoring and reporting to the management as an indicator anticipating customers solvency.

Both individual and collective impairment loss is recorded in a separate allowance account to reduce the carrying amount of receivables in the balance sheet. Impairment losses are presented in the income statement under Impairment losses on receivables. Recognition of interest on the impaired amount continues after the recognition of impairment.

The loan is derecognised after the completion of debt-collection measures if the loan terms are substantially modified (such as refinancing). Payments received after the derecognition are recognised as an adjustment to impairment losses on receivables. If there is subsequent objective evidence of the debtor's improved solvency, the amount of the impairment loss recognised earlier will be reassessed and any change in the recoverable amount will be recorded in the income statement.

Held-to-maturity investments

Investments held to maturity are non-derivative financial assets with fixed or determinable payments that the company has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognised at fair value to which transaction costs are added. These investments are subsequently carried at amortised cost after their initial recognition, using the effective interest method.

Impairment of investments held to maturity is reviewed on the basis of the same principles as that of loans and receivables. The difference between the carrying amount of notes and bonds and a lower present value of future cash flows is recognised as an impairment loss in the income statement.

Investments included in the financial assets held to maturity category are sold before their maturity only in exceptional cases mentioned in IAS 39.

Impairment loss on investments held to maturity is reviewed on the basis of the same principles.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative assets which are not classified as the abovementioned financial assets but which may be sold before their maturity, comprising notes and bonds, shares and participations.

At the time of their acquisition, available-for-sale financial assets are recognised at cost, which equals the fair value of the

consideration paid plus transaction costs directly attributable to their acquisition. Available-for-sale financial assets are subsequently measured at fair value.

If the fair value cannot be determined reliably, shares and holdings necessary for operations and other unquoted shares and holdings are measured at cost. Any changes in their fair value are recognised in the Fair value reserve under shareholders' equity, from where they, including any capital gain or loss, are transferred to Net income from available-for-sale financial assets in the income statement when the asset is derecognised or impaired. Interest income and dividends are recorded in the income statement.

In the case of available-for-sale financial assets, for example, a significant downgrade of the credit rating of the issuer of bonds and notes, or a significant or prolonged decline in the equity instrument's fair value below its cost, constitutes objective evidence.

If an equity instrument's market value continues to fall following impairment recognition, the impairment loss will be recognised in the income statement.

If the fair value of impaired notes and bonds classified as available-for-sale financial assets increases subsequently and this increase can be objectively regarded as being related to an event after their impairment loss recognition, the impairment loss will be reversed and recorded in the income statement. If the fair value of an impaired equity instrument increases subsequently, this increase will be recognised in equity.

Interest income and dividends related to available-for-sale financial assets are recognised in the income statement.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest income over the estimated residual term to maturity, using the effective interest method.

Participating interests, and shares and holdings in Group companies

Participating interests, and shares and holdings and other equity investments in Group companies are recognised at cost or, if the item's value on the balance sheet date is found to be lower than the acquisition cost due to impairment, at cost less impairment loss.

Impairment losses are recognised under Impairment losses on other financial assets in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand.

Other assets

Other assets comprise receivables repayable on demand arising from payment transfers, receivables in various clearing accounts, marginal account receivables related to derivative contracts and all other receivables that cannot be presented under any other suitable balance sheet item, such as various accounts receivable and rental receivables.

Other financial liabilities

Other financial liabilities include financial liabilities other than those at fair value through profit or loss, comprising deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities. Other financial liabilities are recognised in the balance sheet on the settlement date and carried at amortised cost after initial recognition.

The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised in interest expenses over the estimated residual term to maturity, using the effective interest method.

Other liabilities

Other liabilities consist mainly of payment transfer liabilities, accounts payable and liabilities related to securities trading.

Derivative contracts

Derivatives are divided into hedging and non-hedging contracts. Both hedging and non-hedging derivatives are recognised at fair value in the balance sheet. Accrued interest on non-hedging interest rate swaps is recognised in interest income and interest carried forward corresponding to them in deferred income and deferred expenses. Changes in the fair value of non-hedging interest-rate, loan, currency, equity and commodity derivatives are recognised under Net income from foreign exchange trading in the income statement. Positive fair value changes and premiums paid for derivative contracts are recognised as assets under Derivative contracts while negative fair value changes and premiums received from derivative contracts are recognised under Derivative contracts and other liabilities held for trading.

The fair value of OTC interest rate derivatives for central counterparty clearing is cleared in cash on a daily basis. In the balance sheet, these cleared derivatives are netted and shown as a net change in cash and cash equivalents. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as Derivative contracts under assets and negative value changes as Derivative contracts under liabilities.

The Group's Risk Management has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument.

In accordance with the hedging principles, the Group's Parent Company, OP Corporate Bank plc, can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Cash flow hedging refers to hedging against changes in future cash flows and fair value hedging refers to hedging against changes in the fair value of the hedged asset.

OP Corporate Bank plc enters into derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

Embedded derivatives associated with structured bonds issued are separated from the host contract and measured at fair value in the balance sheet, and changes in their fair value and derivatives designated as their hedging instruments are recognised in Net interest income.

Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item. The relationship between hedging and hedged instruments is formally documented, containing information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging and hedged instrument. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%.

Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (OP Corporate Bank's own issues), individual bond and loan portfolios, as well as individual loans. OP Corporate Bank uses forward exchange contracts and interest-rate and currency swaps as hedging instruments.

Changes in the fair value of derivative contracts that are documented as hedging the fair value and are highly effective hedges are recognised in the income statement. Hedged assets and liabilities are also measured at fair value during the period for which the hedge is designated, and any fair value changes are recognised through profit or loss. In fair value hedge accounting, changes in the fair value of the hedging and hedged instrument are recorded under Net income from hedge accounting.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedging is used to hedge the future interest flows of the loans defined on the basis of reference interest rate linkage. Interest rate swaps are mainly used as hedging instruments.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffective portion of changes in the fair value is recognised immediately in profit or loss. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

Lease assets

Leased out assets and lease assets' advance payments are recognised at non-depreciated cost and presented under Lease assets in the balance sheet. As a rule, lease assets are depreciated according to the annuity depreciation method.

Lease income from leased out assets based on lease contracts less planned depreciation on the lease assets are recognised under Net lease income. In addition, the item includes impairment losses on lease assets, capital gains and losses on the disposal of lease assets, commissions charged from customers and other income and expenses directly attributable to lease contracts. Other income and expenses due to leases are included in the income statement item that corresponds to the nature of the income or expense item.

Intangible assets

Intangible assets are stated at cost less amortisation and any write-downs. These assets are amortised over their estimated useful lives, which is 2–10 years for computer software and licences and 5 years in general for other intangible assets. The useful lives of assets are reviewed on each balance sheet date.

Development expenditure referred to Chapter 5, Section 8 of the Accounting Act are capitalised if it is expected to generate income during several financial years. Capitalised development expenditure is amortised as planned over its useful life. If the useful life cannot be assessed reliably, development expenditure will be amortised over a maximum of ten years.

Planned amortisation and write-downs on intangible assets are recognised under Depreciation/amortisation and write-downs on tangible and intangible assets in the income statement.

Tangible assets

Investment property

Investment property is land and/or building or part thereof held to earn rental income and/or for capital appreciation. Property, a minor part of which (less than five per cent of the area) is used by the owner company or its personnel, is also accounted for as investment property.

Investment property is stated at cost less planned depreciation and write-downs. Land and shares and holdings in property companies can be subject to revaluation if their probable selling price on the balance sheet date is permanently higher than the original acquisition cost. Expenses incurred after the original acquisition will be capitalised only if it is probable that the resulting economic benefit from the property will be higher than initially estimated.

If the probable selling price of investment property is permanently lower than the carrying amount, the difference between the carrying amount and probable selling price is depreciated during the financial year when the write-down is detected.

The fair value of business, office and industrial premises classified as investment property holdings and presented in the related note to the financial statements is primarily determined using the income approach based on direct capitalisation. The fair value of investment property under construction can be presented only if its fair value can be determined reliably. The fair value of land, water and forest areas and residential buildings is primarily determined using the market approach. Recognition of write-downs is based on their consistency and materiality.

Income, expenses, capital gains and losses, planned depreciation and write-downs related to investment property are recognised under Net income from investment property in the income statement.

Other property holdings

Other property holdings refer to property in own use as an office, storage or other such facility, or for the personnel's accommodation, recreation or other such purpose, as well as shares in housing corporations that entitle holding in these facilities. Also, property in own use comprises partly-leased properties in direct ownership of which the leased share cannot be sold separately and in which the company occupies more than 5% of the floor space. The shares in an ordinary property company are considered to be in one's own use if over five per cent of the premises owned by the company is in its use.

When determining the balance sheet value of property in the company's own use, the starting point is the value of the asset in terms of expected income of ordinary operations. Buildings are recognised on the balance sheet at cost less depreciation according to plan. Holdings in property companies and land, water and forest areas are stated at cost. Property modernisation costs are capitalised and charged to expenses according to planned depreciation.

In respect of property in own use, the company assesses as part of all financial statements whether there is any indication of an impaired property. Such indication includes a significant reduction in the market value, evidence of non-marketability or physical damage. If the income probably generated in the future by property in own use is expected to be permanently lower than its acquisition cost not depreciated, the resulting difference will be write-down and charged to expenses.

Appreciation may be involved in real property and its counterpart is recognised in the revaluation reserve. Appreciation is not subject to depreciation. Property modernisation costs are capitalised and charged to expenses according to planned depreciation.

Income from and capital gains on property in the company's own use are recognised under Other operating income and expenses and expenses and capital losses under Other operating expenses in the income statement. Planned depreciation and write-downs are recognised under Depreciation/amortisation and write-downs on tangible and intangible assets in the income statement.

Other tangible assets

Tangible assets are stated at cost less accumulated depreciation and any write-downs. These assets are depreciated on a straight-line basis over their estimated useful lives. Planned depreciation is not applicable to land and shares in property companies.

Subsequent expenditures are capitalised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated.

The estimated useful lives are mainly as follows:

Buildings	30–50 years
Machinery and equipment	4–10 years
IT equipment	3–5 years
Cars	6 years
Other tangible assets	5–10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits.

Assets' planned depreciation and write-downs are recognised under Depreciation/amortisation and write-downs on tangible and intangible assets in the income statement. Income from and capital gains on property in the company's own use are recognised under Other operating income and expenses and capital losses under Other operating expenses in the income statement.

Employee benefits

Pension benefits

The statutory pension cover for OP Corporate Bank plc's employees is managed through contributions to OP Bank Group Pension Fund and supplementary pension cover through

OP Bank Group Pension Foundation. The Pension Foundation has been closed to new employees since 1 July 1991. Expenses arising from pension plans are recognised under Personnel costs in the income statement. Pension liabilities are fully covered.

Long-term management remuneration

OP Corporate Bank plc has short-term and long-term management remuneration schemes in place, on the basis of which the person covered by the schemes may receive the related compensation for services rendered during each performance period fully in cash or a reward settled as a combination of cash and debenture loan issued by OP Corporate Bank. The maximum amount of the remuneration schemes is calculated on the grant date and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs and the corresponding adjustment is made in deferred expenses.

Personnel fund

OP Corporate Bank plc belongs to OP Financial Group's OP Personnel Fund. into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of targets. Bonuses transferred to the Fund are recognised under Wages and salaries in the income statement and the counterpart as Deferred expenses in the balance sheet.

Statutory provisions

A statutory provision is recognised for an obligation in the income statement and balance sheet if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain.

Charges of financial authorities

The Financial Stability Authority is in charge of deposit guarantee. The Financial Stability Authority is tasked with managing the Financial Stability Fund which comprises a resolution fund financed through stability contributions and a deposit insurance fund (the new deposit guarantee fund) financed through deposit guarantee contributions. Responsibility for banking supervision rests with the European Central Bank. The Finnish Financial Supervisory Authority is responsible for macroprudential supervision and supervision of conduct of business. The financial authority contributions and fees are recognised under other operating expenses.

Stability contribution

Stability contributions will be paid to the euro-area Single Resolution Fund until 2024 in such a way that the target of 1% of the amount of covered deposits will be reached. Credit institutions pay stability contributions to the EU's Single Resolution Fund administered by the EU's Single Resolution Board (SRB). The SRB also determines the amount of the stability contributions. In 2016, each bank's stability contributions are credited in the same proportion as it previously paid bank levy (the Act on Temporary Bank Levy was in force during 2013–2014). The stability contribution had no effect on OP Corporate Bank in 2016 in terms of expenses.

Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund will determine the contribution for OP Financial Group but will charge the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution had no effect on OP Corporate Bank in 2016 in terms of expenses.

Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

European Central Bank's supervisory fee

OP Financial Group, OP Corporate Bank included, is supervised by the European Central Bank (ECB). The ECB supervisory fee is determined based on the bank's importance and risk profile.

Subordinated loans

Hybrid capital instruments are recorded as a separate balance-sheet item under Subordinated liabilities. In capital adequacy measurement, these instruments are included in Tier 1 capital. Interest on these instruments may be paid only within the limits of distributable funds.

Appropriations

The depreciation difference under appropriations in the balance sheet includes the accumulated difference between depreciation made and planned depreciation. Tax-based provisions contain voluntary appropriations made which are appropriations permitted by tax law. Such a provision is e.g. the loan loss provision permitted for deposit banks by the Business Income Tax Act. According to this Act, a deposit bank may deduct a credit loss provision made during the tax year, the amount of which accounts for a maximum of 0.6% of the total amount of receivables at the end of the tax year.

The total amount of non-reversed credit loss provisions made during the tax year and earlier may account for a maximum of 5% of the total amount of receivables at the end of the tax year.

An increase and decrease in depreciation made and planned depreciation as well as tax-based provisions are recognised under appropriations in the income statement. Appropriations in the income statement and balance sheet also include deferred tax liabilities. The amount of and change in tax-based provisions do not reflect OP Corporate Bank's calculated risks.

Income taxes

Income taxes shown in the income statement include current tax, based on the taxable income of OP Corporate Bank plc, income tax for prior financial years and deferred tax expense or income.

Deferred tax liabilities are recognised for all temporary differences between the book value and taxable value of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the book value and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The company offsets deferred tax assets and liabilities. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date. If deferred tax originates from balance sheet items not recognised in the income statement, any change in deferred tax is recognised in shareholders' equity, not in the income statement.

Revenue recognition

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. Interest on receivables with non-settled, due payments is also recognised as revenue. and this interest receivable is tested for impairment. The difference between the receivable's acquisition cost and its nominal value is recognised as interest income and that between the amount received and nominal value of the liability in interest expenses.

Commission income and expenses for services are recognised when the service is rendered. For one-off commissions covering several years that may have to be refunded at a later date, only the portion of their revenue related to the period is recognised.

Dividends are primarily recognised when they are approved by the General Meeting of Shareholders by the distributing entity.

Offsetting income statement items

Income and expense items in the income statement are presented separately without offsetting them unless there is a justified reason for offsetting them in order to give a true and fair view.

Off-balance-sheet items

Off-balance-sheet commitments include commitments made for a third party on behalf of customers, such as guarantees and various guarantee engagements, and irrevocable commitments made for customers, such as binding supplementary loan arrangements, loan commitments, standby credit facilities and underwritings.

Commitments made for a third party on behalf of customers are recognised as off-balance-sheet commitments to the amount to which guarantee corresponds at most from time to time. Irrevocable commitments made for customers are recognised to the maximum amount which may have to be paid on the basis of them.

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36. Variable remuneration
37. Assets pledged as collateral
38. Pension liabilities
39. Finance lease and other lease liabilities
40. Off-balance-sheet commitments
41. Other contingent liabilities and commitments at the year-end
42. Personnel and members of administrative bodies, and related parties
43. Holdings in other companies
44. Information by country
45. Trustee services

Notes to the Income Statement

Notes concerning an entity under the Group's control

Note 1. Interest income and expenses

EUR million	2016	2015
Interest income		
Receivables from credit institutions	40	46
Receivables from the public and public sector entities	297	280
Notes and bonds	130	154
Derivative contracts	908	1,198
Trading items	1,029	1,306
Hedge accounting	-121	-108
of which cash flow hedge	9	11
Other	7	9
Total	**1,382**	**1,687**
Of which interest income from impaired receivables	0	0
Interest expenses		
Liabilities to credit institutions	84	57
Liabilities to the public and public sector entities	0	16
Debt securities issued to the public	182	219
Derivative contracts and other liabilities held for trading	897	1,172
Subordinated liabilities	48	47
Other	7	4
Total	**1,219**	**1,516**

Interest income received from Group and associated companies and interest expenses paid to them

	2016		2015	
EUR million	Subsidiaries	Associates	Subsidiaries	Associates
Interest income	6		5	
Interest expenses	2		2	

Note 2. Net lease income

EUR million	2016	2015
Lease income	285	288
Planned depreciation	-260	-261
Capital gains and losses (net) on the disposal of lease assets	2	2
Commissions and fees	1	1
Other direct income	0	0
Other direct expenses	-5	-5
Total	**23**	**25**

Note 3. Income from equity investments

EUR million	2016	2015
Available for sale	0	5
Subsidiaries	338	28
Affiliates		14
Total	**338**	**48**

Note 4. Commissions and fees

EUR million	2016	2015
Commissions and fees		
Lending	38	42
Deposits	0	0
Payment transfers	29	31
Asset management	12	13
Legal services	0	0
Securities brokerage	16	21
Securities issuance	6	11
Guarantees	13	13
Other	9	4
Total	**123**	**136**
Commission expenses		
Service fees paid	11	14
Securities brokerage and issuance	5	6
Refunds of fees for shares	4	6
Other	46	14
Total	**66**	**40**

Note 5. Net income from securities and foreign exchange trading

Net income from securities and foreign exchange trading 2016

EUR million	Capital gains and losses	Due to fair value changes	Other income	Total
Notes and bonds	-1	6		4
Shares and participations	0			0
Other	-1	-1		-2
Derivative contracts		157	-82	75
Liabilities held for trading	0	0		0
Total net income from securities trading	**-3**	**162**	**-82**	**78**
Net income from foreign exchange trading				**86**
Total net income from securities and foreign exchange trading				**164**

Net income from securities and foreign exchange trading 2015

EUR million	Capital gains and losses	Due to fair value changes	Other income	Total
Notes and bonds	-11	-6		-16
Shares and participations	0	0		0
Other	9	-17		-8
Derivative contracts		71	21	92
Liabilities held for trading	0	0		0
Total net income from securities trading	**-2**	**47**	**21**	**67**
Net income from foreign exchange trading				**66**
Total net income from securities and foreign exchange trading				**133**

Note 6. Net income from available-for-sale financial assets

EUR million	2016	2015
Notes and bonds		
Capital gains and losses	19	31
Transferred from fair value reserve during the financial year	1	-2
Total	**20**	**29**
Shares and participations		
Capital gains and losses	0	5
Impairment losses	0	0
Transferred from fair value reserve during the financial year	1	7
Total	**1**	**12**
Total net income from available-for-sale financial assets	**20**	**41**

Note 7. Net income from hedge accounting

EUR million	2016	2015
Net income from hedging instruments	-132	-21
Net income from hedged items	130	21
Total	**-1**	**-1**

Note 8. Net income from investment property

EUR million	2016	2015
Rental and dividend income	1	1
Other income	0	0
Rental expenses	0	0
Other expenses	0	
Total	**1**	**1**

Note 9. Other operating income

EUR million	2016	2015
Rental income from property in own use	0	0
Capital gains on property in own use	1	0
Income from central banking services	9	8
Other	19	13
Total	**29**	**21**

Note 10. Depreciation/amortisation and write-downs on tangible and intangible assets

EUR million	2016	2015
Planned depreciation	11	10
Write-down	0	0
Total	**11**	**10**

Note 11. Other operating expenses

EUR million	2016	2015
Rental expenses	7	7
Expenses for property in own use	0	0
Other	12	14
Total	**20**	**21**

Note 12. Impairment losses on loans and other commitments and other financial assets

31 Dec. 2016, EUR million	Gross impairment losses on individually assessed receivable	Gross impairment losses on collectively assessed receivable	Reductions	Entered in income statement
Impairment losses on loans and other commitments				
Receivables from the public and public sector entities	78	5	-46	37
Total	**78**	**5**	**-46**	**37**
Impairment losses on other financial assets				
Total impairment losses	**78**	**5**	**-46**	**37**

31 Dec. 2015, EUR million	Gross impairment losses on individually assessed receivable	Gross impairment losses on collectively assessed receivable	Reductions	Entered in income statement
Impairment losses on loans and other commitments				
Receivables from the public and public sector entities	71	-2	-40	30
Total	**71**	**-2**	**-40**	**30**
Impairment losses on other financial assets				
Total impairment losses	**71**	**-2**	**-40**	**30**

Note 13. Income, operating profit or loss and assets and liabilities by Division

31 Dec. 2016, EUR million	Corporate customers	Corporate Banking	Other	Total
Income*	470	74	316	860
Operating profit	237	43	312	592
Assets	19,015	38,535	1,320	58,870
Liabilities	12,099	41,576	1,512	55,187
Personnel	618	72	16	706

31 Dec. 2015, EUR million	Corporate customers	Corporate Banking	Other	Total
Income*	502	45	30	577
Operating profit	290	29	31	350
Assets	23,877	30,025	1,136	55,038
Liabilities	21,073	29,078	1,633	51,784
Personnel	573	28	19	620

* Income consists of the following items in the income statement: interest income, income from equity investments, commissions and fees, net income from securities and foreign exchange trading, net income from available-for-sale assets, net income from hedge accounting, net income from investment property and other operating income.

OP Corporate Bank's business divisions were reorganised during the financial year. 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.

As from the beginning of the financial year, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from Markets to the Treasury division. Comparatives have not been changed.

Notes to the Balance Sheet

Note 14. Receivables from credit institutions

EUR million	31 Dec. 2016	31 Dec. 2015
Repayable on demand		
Deposits	241	282
Other	54	50
Total	**296**	**332**
Other than those repayable on demand		
Deposits		
From OP Financial Group institutions	7,049	7,673
Other	2,082	1,642
Total	**9,131**	**9,315**
Total receivables from credit institutions	**9,427**	**9,647**
of which subordinated receivables	22	42

OP Corporate Bank plc has only receivables repayable on demand from central banks.

Note 15. Receivables from the public and public sector entities

EUR million	31 Dec. 2016	31 Dec. 2015
Receivables from the public and public sector entities by sector		
Non-banking corporate sector and housing corporations	12,248	11,905
Financial institutions and insurance companies	816	763
Public sector entities	140	160
Non-profit organisations serving households	275	191
Households	1,528	1,321
Foreign	2,492	1,735
Collective impairments	-23	-20
Total	**17,477**	**16,055**
of which subordinated receivables	21	22
The balance-sheet item includes EUR 0.00 million in loans for which interest income is not recognised (0.00).		
Doubtful receivables are presented in the Group's note "Receivables from credit institutions and customers, and doubtful receivables".		
Write-downs on loans		
Write-downs at year-start	248	251
+ Write-downs on individually assessed receivables during the financial year	41	33
+/- Write-downs on collectively assessed receivables during the financial year	5	2
- Write-downs reversed for individually assessed receivables during the financial year	-16	-4
- Actual impairment losses recorded during the financial year		
of which write-downs on individually assessed receivables were made previously	-29	-34
Write-downs at year-end	**248**	**248**

Final loan losses of EUR 37 million (37) were recognised from receivables.

Note 16. Asset leased out under finance leases

EUR million	31 Dec. 2016	31 Dec. 2015
Advance payments	16	22
Machinery and equipment	802	757
Real property and buildings	356	303
Other assets	60	67
Total	**1,234**	**1,150**

Note 17. Notes and bonds

Notes and bonds eligible for refinancing with central banks and other notes and bonds 31 December 2016

EUR million	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Financial assets at fair value through profit or loss	88	605	693	45
Available for sale	12,002	807	12,808	11
Held to maturity	69	10	79	
Held in another portfolio	30		30	
Total	**12,188**	**1,422**	**13,610**	**56**

Notes and bonds eligible for refinancing with central banks and other notes and bonds 31 December 2015

EUR million	Eligible for refinancing with central banks	Other notes and bonds	Total	Of which subordinated
Financial assets at fair value through profit or loss	648	331	979	23
Available for sale	10,548	586	11,134	
Held to maturity	70	25	94	
Held in another portfolio	30		30	
Total	**11,295**	**942**	**12,237**	**23**

Publicly-quoted and other notes and bonds 31 December 2016

EUR million	Publicly quoted	Other	Total
Financial assets at fair value through profit or loss	232	461	693
Available for sale	12,647	161	12,808
Held to maturity	79		79
Held in another portfolio	30		30
Total	**12,988**	**622**	**13,610**

Publicly-quoted and other notes and bonds 31 December 2015

EUR million	Publicly quoted	Other	Total
Financial assets at fair value through profit or loss	865	114	979
Available for sale	10,972	163	11,134
Held to maturity	94		94
Held in another portfolio	30		30
Total	**11,961**	**276**	**12,237**

Notes and bonds by type, EUR million	31 Dec. 2016	31 Dec. 2015
Financial assets at fair value through profit or loss		
Local authority papers	246	82
Commercial papers	194	
Other bonds	253	897
Total	**693**	**979**
Available for sale		
Convertible bonds	0	1
Other bonds	12,808	11,134
Total	**12,808**	**11,134**
Held to maturity		
Other bonds	79	94
Total	**79**	**94**
Held in another portfolio		
Other bonds	30	30
Total	**30**	**30**

By 31 December 2016, all OP Corporate Bank plc's notes and bonds accrued interest recognised in accounting.

Note 18. Reclassified notes and bonds

The table below shows the carrying amounts and fair values of the reclassified notes and bonds.

31 Dec. 2016, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	40	41	6.1	
Investments held to maturity	34	30	5.3	
Total	**74**	**72**		

31 Dec. 2015, EUR million	Carrying amount	Fair value	Effective interest rate	Impairments arising from credit risk
Loans and other receivables	40	43	6.1	
Investments held to maturity	39	35	4.4	
Total	**79**	**78**		

Value changes as shown below, if notes and bonds were not reclassified and had been measured at fair value:

	1-12/2016		1-12/2015	
EUR million	Income statement	Fair value reserve	Income statement	Fair value reserve
Effect	0	-1	-3	-1

Loans and receivables and held-to-maturity investments were reclassified in 2008. Available-for-sale financial assets were reclassified in 2012.

Interest accrued on reclassified notes and bonds in January–December totalled EUR 2 million (3). The price difference between the nominal value and acquisition value recognised in the income statement totalled EUR 0 million (1). A year ago, capital losses recognised totalled EUR 5 million. Pohjola used derivatives to hedge against interest rate risks, applying hedge accounting from 1 October 2008. Positive mark-to-market valuations recognised on hedging derivative contracts amounted to EUR 2 million (1).

Note 19. Shares and participations

31 Dec. 2016, EUR million	Publicly quoted	Other	Total
Shares and participations			
Available for sale		11	11
Shares and participations in Group companies		1,025	1,025
Total		**1,036**	**1,036**

31 Dec. 2015, EUR million	Publicly quoted	Other	Total
Shares and participations			
Available for sale	0	9	10
Shares and participations in Group companies		1,035	1,035
Total	**0**	**1,045**	**1,045**

EUR 3.0 (3.0) million in shares and participations other than those quoted publicly was measured at fair value and the rest at cost.

EUR million	31 Dec. 2016	31 Dec. 2015
Shares and participations by sector		
Non-banking corporate sector and housing corporations	4	4
Financial institutions and insurance companies	1,018	1,027
Foreign entities	14	14
Total	**1,036**	**1,045**

Note 20. Derivative contracts

Derivative contracts for hedging purposes – fair value hedge in 2016

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**3,769**	**15,218**	**8,073**	**27,060**	**386**	**473**
Interest rate swaps	3,769	15,218	8,073	27,060	386	473
Currency derivatives	**143**	**2,163**	**827**	**3,132**	**160**	**178**
Interest rate and currency swaps	143	2,163	827	3,132	160	178

Derivative contracts for hedging purposes – cash flow hedge in 2016

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**200**	**300**		**500**	**10**	
Interest rate swaps	200	300		500	10	
Currency derivatives	**4,074**			**4,074**	**113**	**10**
Forward exchange agreements	4,074			4,074	113	10

Derivative contracts held for trading in 2016

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**39,704**	**74,890**	**58,990**	**173,583**	**3,736**	**3,585**
Futures and forwards	5,071	789		5,860	1	1
Options	**11,117**	**25,403**	**11,980**	**48,500**	**588**	**465**
Called	5,522	11,834	6,123	23,479	574	10
Put	5,595	13,569	5,857	25,022	14	455
Interest rate swaps	23,516	48,697	47,010	119,223	3,122	3,113
Other swap contracts					26	6
Currency derivatives	**26,012**	**9,445**	**2,817**	**38,273**	**1,424**	**1,486**
Futures and forwards	22,117	383	50	22,550	258	248
Options	**699**	**10**		**709**	**5**	**4**
Called	357	5		362	5	
Put	342	5		347		4
Interest rate and currency swaps	3,196	9,052	2,767	15,015	1,161	1,234
Equity derivatives	**185**	**321**	**2**	**508**	**43**	
Futures and forwards						
Options		**6**		**6**	**1**	
Called		6		6	1	
Put						
Other swap contracts	185	315	2	502	43	4
Other derivatives	**119**	**427**	**13**	**559**	**31**	**26**
Futures and forwards	14	11		24	0	5
Options						
Called						
Put						
Other swap contracts	86	227		314	21	14
Credit derivatives	19	189	13	221	10	7

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts. Accrued interest is presented in deferred income and deferred expenses.

Credit equivalents of contracts in 2016

	Made for hedging purposes		Held for trading
EUR million	Fair value hedge	Cash flow hedge	
Interest rate derivatives	**584**	**11**	**4,868**
Futures and forward contracts			
Options			**797**
Called			749
Put			48
Interest rate swaps	584	11	4,071
Other swap contracts			
Currency derivatives	**332**	**155**	**2,349**
Futures and forwards		155	487
Options			**9**
Called			9
Put			
Interest rate and currency swaps	332		1,853
Equity derivatives			
Futures and forwards			
Options			**80**
Called			1
Put			
Other derivatives			79
Futures and forwards			**67**
Options			0
Called			
Put			
Other swap contracts			57
Credit derivatives			10

Derivative contracts for hedging purposes – fair value hedge in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**1,894**	**12,609**	**7,543**	**22,045**	**404**	**418**
Interest rate swaps	1,894	12,609	7,543	22,045	404	418
Currency derivatives	**1,414**	**1,926**	**1,181**	**4,520**	**123**	**85**
Interest rate and currency swaps	1,414	1,926	1,181	4,520	123	85

Derivative contracts for hedging purposes – cash flow hedge in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**200**	**500**		**700**	**17**	
Interest rate swaps	200	500		700	17	

Derivative contracts held for trading in 2015

	Nominal values/residual term to maturity				Fair values	
EUR million	<1 year	1–5 years	>5 years	Total	Positive	Negative
Interest rate derivatives	**41,084**	**82,239**	**57,562**	**180,885**	**4,028**	**3,921**
Futures and forward contracts	4,111	3,224		7,335	1	6
Options	**11,575**	**17,426**	**10,238**	**39,239**	**462**	**367**
Called	5,504	8,078	5,007	18,589	449	6
Put	6,071	9,347	5,231	20,650	12	361
Interest rate swaps	25,351	61,148	47,322	133,821	3,539	3,542
Other swap contracts		441	2	490	26	6
Currency derivatives	**29,982**	**7,843**	**5,525**	**43,350**	**1,407**	**1,396**
Futures and forwards	27,801	360	53	28,215	221	302
Options	**1,039**	**67**		**1,107**	**8**	**8**
Called	495	33		528	8	
Put	545	34		579		8
Interest rate and currency swaps	1,141	7,415	5,472	14,029	1,178	1,086
Equity derivatives	**249**	**6**		**256**	**14**	
Futures and forwards						
Options	**249**	**6**		**256**	**14**	
Called	249	6		256	14	
Put						
Other derivatives	**176**	**415**	**94**	**685**	**67**	**68**
Futures and forwards	46	35		81	2	31
Options	**52**			**52**	**1**	**1**
Called	31			31	1	
Put	20			20		1
Other swap contracts	63	257	12	332	54	24
Credit derivatives	15	123	82	220	10	12

The underlying value for interest rate derivative contracts is the nominal value, for currency derivative contracts the euro-denominated stated value of the purchased currency on the balance sheet date, and for equity derivative contracts the probable value of equities on the balance sheet date. The values are expressed in gross amounts. Accrued intrest is presented in deferred income and deferred expenses.

Credit equivalents of contracts in 2015

	Made for hedging purposes		Held for trading
EUR million	Fair value hedge	Cash flow hedge	
Interest rate derivatives	**580**	**20**	**5,209**
Futures and forward contracts			
Options			**651**
Called			595
Put			56
Interest rate swaps	580	20	4,553
Other swap contracts			5
Currency derivatives	**322**		**2,506**
Futures and forwards			521
Options			**15**
Called			15
Put			
Interest rate and currency swaps	322		1,970
Equity derivatives			
Futures and forwards			
Options			**30**
Called			30
Put			
Other derivatives			**167**
Futures and forwards			1
Options			**4**
Called			4
Put			
Other swap contracts			152
Credit derivatives			10

Derivative contracts are presented in gross amounts in this note. Netting would reduce the credit equivalent of OP Corporate Bank plc's derivative contracts by EUR 5,896 million (6,248).

Note 21. Intangible assets and tangible assets and changes during the financial year

Intangible assets

EUR million	31 Dec. 2016	31 Dec. 2015
IT costs	40	36
Other intangible assets	17	19
Total	**57**	**54**

Tangible assets

		Investment property	
31 Dec. 2016, EUR million	In own use	Book value	Fair value
Property holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in property companies	2	9	32
Total	**2**	**9**	**32**
Other tangible assets		**3**	

		Investment property	
31 Dec. 2016, EUR million	In own use	Book value	Fair value
Property holdings			
Land and water	0	0	0
Buildings	0		
Shares and holdings in property companies	2	9	32
Total	**3**	**9**	**32**
Other tangible assets		**3**	

Changes in intangible and tangible assets during the financial year

EUR million	Goodwill	Other intangible assets	Investment property	Property in own use	Other tangible assets
Acquisition cost 1 January 2016	12	135	12	4	51
+ increases during the year		14	0	0	3
- decreases during the year		0	0	-1	-3
+/- transfers between items					
- planned depreciation/amortisation		-11		0	0
-/+ impairment losses and their reversals				0	
+ accumulated depreciation/amortisation and write-downs on adjustments and transfers 1 January				1	0
- accumulated depreciation/amortisation 1 January	-12	-80		-1	-48
- accumulated impairment 1 January			-3	0	
Book value 31 December 2016		**57**	**9**	**2**	**3**

Note 22. Other assets

EUR million	31 Dec. 2016	31 Dec. 2015
Accounts receivable from securities	25	30
Payment transfer receivables	2	10
Derivative contracts	61	0
Margin receivables related to derivative contracts	147	66
Accounts receivable	207	6
Emissions allowances	2	12
Other	1,133	575
Total	**1,577**	**699**

"Other" under Other assets includes EUR 1,097 million (508) in CSA collateral receivables.

Note 23. Deferred income and advances paid

EUR million	31 Dec. 2016	31 Dec. 2015
Interest		
Interest receivables	398	583
Interest advances paid	3	4
Total	**400**	**587**
Other		
Other advances paid	0	0
Other deferred income	27	24
Total	**28**	**25**
Total deferred income and advances paid	**428**	**612**

Note 24. Deferred tax assets and liabilities

31 Dec. 2016, EUR million	Deferred tax assets	Deferred tax liabilities	Net
From timing differences	8	0	8
From other temporary differences	0	12	-12
Total	**8**	**12**	**-4**

31 Dec. 2015, EUR million	Deferred tax assets	Deferred tax liabilities	Net
From timing differences	9	0	9
From other temporary differences	0	6	-6
Total	**9**	**7**	**3**

Deferred tax assets and liabilities arising from other temporary differences comprise deferred tax assets and liabilities based on revaluations of available-for-sale financial assets recognised in the fair value reserve under equity and of derivatives designated as cash flow hedges.

Revaluations 31 December 2016

The balance sheet does not include any revaluation (-).

Appropriations

31 Dec. 2016, EUR million	Balance sheet value	Deferred tax liability	Net
Depreciation difference	172	34	138
Taxation-based provisions	1,036	207	829
Total	**1,208**	**242**	**967**

31 Dec. 2015, EUR million	Balance sheet value	Deferred tax liability	Net
Depreciation difference	145	29	116
Taxation-based provisions	966	193	773
Total	**1,111**	**222**	**889**

Depreciation difference and voluntary provisions have been entered in the balance sheet to the amount of non-deducted deferred tax.

Note 25. Debt securities issued to the public

EUR million	Book value 31 Dec. 2016	Nominal value 31 Dec. 2016	Book value 31 Dec. 2015	Nominal value 31 Dec. 2015
Certificates of deposit	28	28	248	248
Bonds	11,827	11,830	13,100	13,101
Other	8,059	8,063	6,290	6,295
Total	**19,915**	**19,921**	**19,638**	**19,644**

Note 26. Other liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Payment transfer liabilities	1,032	974
Accounts payable on securities	28	33
Margin liabilities related to derivative contracts	0	0
Other	1,290	1,062
Total	**2,350**	**2,068**

Other' includes EUR 66 million in equity and derivative liabilities (0) and EUR 1,177 million (1,030) in CSA collateral liabilities.

Note 27. Statutory provisions

EUR million	Reorganisation	Total
1 Jan. 2016	0	0
Increase in provisions		
Decrease in provisions	0	0
31 Dec. 2016		

EUR million	Reorganisation	Total
1 Jan. 2015	0	0
Increase in provisions	1	1
Increase in provisions	0	0
31 Dec. 2015	**0**	**0**

The reorganisation provision derives from expenses arising from personnel reduction.

Note 28. Deferred expenses and advances received

EUR million	31 Dec. 2016	31 Dec. 2015
Interest		
Interest liabilities	440	595
Interest advances received	3	0
Total	**443**	**595**
Other		
Other advance payments received	0	0
Vacation pay liabilities	8	7
Other deferred expenses	27	31
Total	**35**	**38**
Total deferred expenses and advances received	**478**	**633**

Note 29. Subordinated liabilities

EUR million	Book value 31 Dec. 2016	Nominal value 31 Dec. 2016
Subordinated loans	135	140
Other		
Debenture loans	1,321	1,241
Total	**1,457**	**1,381**

Perpetual loans and debentures

1. A debenture loan of CHF 100 million (euro equivalent 93 million), which is a ten-year bullet loan, will mature on 14 July 2021. The loan carries a fixed interest rate of 3.375% p.a.

2. A debenture loan of EUR 100 million, which is a ten-year bullet loan, will mature on 14 September 2021. The loan carries a fixed interest rate of 5.25% p.a.

3. A debenture loan of EUR 500 million, which is a 10-year bullet loan, will mature on 22 August 2022. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 5.75% p.a.

4. Debenture loan of JPY 10 billion (euro equivalent 81 million), which is a ten-year bullet loan, will mature on 3 July 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to the JPY Libor + 0.735%.

5. Debenture loan of SEK 3,500 million (euro equivalent 366 million), which is a ten-year non-call 5 loan. The loan may be called in on 25 August 2020, matures on 25 August 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital.
The loan carries a floating rate linked to Stibor + 1.60%.

6. Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 2.405% p.a.

Loans were issued in international capital markets.

In addition, OP Corporate Bank plc has issued a fixed debenture loan of EUR 0.8 million related to OP Financial Group management remuneration.

Subordinated loans

Subordinated loans included in Tier 1 capital

1) Subordinated loan of EUR 50 million

This is a perpetual loan without interest-rate step-ups, but with an 8% interest rate cap. The loan was issued on 31 March 2005 and its interest rate for the first year was 6.5% and thereafter CMS 10 years + 0.1%. Interest payments are made annually on 11 April. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. The loan can be called in on the interest due date as of 11 April 2010 at the earliest, subject to authorisation by the Financial Supervisory Authority. The loan's entire principal must be repaid in one instalment.

2) Subordinated loan of EUR 40 million

This perpetual loan carries a variable interest rate based on 3-month Euribor + 1.25% payable quarterly on 28 February, 30 May, 30 August and 30 November. If interest cannot be paid for a given interest period, the obligation to pay interest for the period in question will lapse. Subject to authorisation by the Financial Supervisory Authority, the loan may be called in on the due date of interest payment of 30 November 2010. The entire loan principal must be repaid in one instalment.

3) Subordinated loan of EUR 50 million

Perpetual bond of EUR 50 million, issued on 17 June 2008, carries a variable interest rate based on 3-month Euribor + 3.05%, payable on a quarterly basis on 17 March, 17 June, 17 September and 17 December. If interest cannot be paid for a given interest period, the obligation to pay interest will lapse. Subject to authorisation by the Financial Supervisory Authority, the bond may be called in on 17 June 2013 at the earliest and thereafter on the due dates of interest payment. The entire loan principal must be repaid in one instalment.

OP Corporate Bank plc has no violations of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. A year ago, EUR 1 million was recognised as expense for the loan price difference.

The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Note 30. Shareholders' equity

EUR million	Shareholder´s equity 1 Jan. 2016	Increases	Decreases	Transfers between items	Shareholder´s equity 31 Dec. 2016
Total shareholders' equity	**2,142**				**2,474**
Share capital	428				428
Share premium account	524				524
Other restricted reserves	188				212
Reserve fund	164				164
Fair value reserve	25	23			48
Fair value measurement	13	29			43
Cash flow hedge	12		6		6
Non-restricted funds	331				331
Reserve for invested non-restricted equity	308				308
Other funds	23				23
Retained earnings or losses after adjustments	671		153		518
Profit or loss for the financial year		462			462

Changes in fair value reserve

EUR million	At year-start 1 Jan. 2016	Increases	Decreases	Transferred to income statement	At year-end 31 Dec. 2016
Notes and bonds	**12**	**37**		**1**	**41**
Deferred tax	-3		7		-10
Shares and participations	**1**	**0**	**0**	**1**	**1**
Deferred tax	0		0		0
Other	**12**	**1**	**7**		**6**
Cash flow hedge	14		7		7
Deferred tax	-3	1			-1
Total	**25**	**38**	**15**	**2**	**48**

EUR million	Shareholder's equity 1 Jan. 2015	Increases	Decreases	Transfers between items	Shareholder´s equity 31 Dec. 2015
Total shareholders' equity	**2,092**				**2,142**
Share capital	428				428
Share premium account	524				524
Other restricted reserves	225				188
Reserve fund	164				164
Fair value reserve	61		37		25
Fair value measurement	44		31		13
Cash flow hedge	17		6		12
Non-restricted funds	331				331
Reserve for invested non-restricted equity	308				308
Other funds	23				23
Retained earnings or losses after adjustments	584		138		446
Profit or loss for the financial year		225			225

Changes in fair value reserve

EUR million	At year-start 1 Jan. 2015	Increases	Decreases	Transferred to income statement	At year-end 31 Dec. 2015
Notes and bonds	**40**	**6**	**36**	**2**	**12**
Deferred tax	-10	7	0		-3
Shares and participations	**4**	**1**	**-4**	**-7**	**1**
Deferred tax	-1	1			0
Other	**17**	**1**	**7**		**12**
Cash flow hedge	21		7		14
Deferred tax	-4	1			-3
Total	**61**	**8**	**39**	**-5**	**25**

Note 31. Restricted and non-restricted equity and distributable funds

EUR million	31 Dec. 2016	31 Dec. 2015
Shareholders' equity		
Restricted equity	1,164	1,140
Non-restricted equity	1,311	1,002
Total shareholders' equity	**2,474**	**2,142**

EUR million	31 Dec. 2016	31 Dec. 2015
Distributable funds		
Non-restricted equity	1,311	1,002
Capitalised development expenditure	-57	
Total distributable funds	**1,253**	**1,002**

Note 32. Financial assets and liabilities by residual term to maturity

31 Dec. 2016, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	25	172	7,374	4,602	15
Receivables from credit institutions	3,677	2,429	3,081	218	22
Receivables from the public and public sector entities	3,408	1,906	9,518	1,416	1,229
Notes and bonds	432	123	672	194	2
Total assets	**7,542**	**4,630**	**20,644**	**6,430**	**1,268**
Liabilities to credit institutions and central banks	3,923	664	4,091	1,611	10
Liabilities to the public and public sector entities	14,970	839	271	150	50
Debt securities issued to the public	8,034	2,732	6,535	2,248	371
Subordinated liabilities	0	40	736	681	
Total liabilities	**26,927**	**4,275**	**11,633**	**4,690**	**431**

31 Dec. 2015, EUR million	Less than 3 months	3–12 months	1–5 years	5–10 years	over 10 years
Notes and bonds eligible for refinancing with central banks	111	89	6,750	4,345	1
Receivables from credit institutions	3,728	1,889	3,669	337	23
Receivables from the public and public sector entities	3,079	2,007	8,268	1,471	1,231
Notes and bonds	126	114	564	137	1
Total assets	**7,043**	**4,099**	**19,250**	**6,290**	**1,256**
Liabilities to credit institutions and central banks	3,283	345	1,355	217	9
Liabilities to the public and public sector entities	15,850	1,274	261	153	131
Debt securities issued to the public	6,525	2,190	7,383	3,181	364
Subordinated liabilities	60	166	507	869	
Total liabilities	**25,718**	**3,976**	**9,507**	**4,420**	**504**

Deposits other than fixed-term deposits are included in the maturity class 'less than 3 months'.

Note 33. Classification of assets and liabilities

31 Dec. 2016, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	9,333					9,333
Receivables from credit institutions and central banks	9,457					9,457
Derivative contracts			4,290		386	4,676
Receivables from customers	18,651					18,651
Notes and bonds		79	693	12,808		13,580
Shares and participations				1,036		1,036
Other receivables	2,129		9			2,137
Total assets	**39,569**	**79**	**4,991**	**13,844**	**386**	**58,870**

31 Dec. 2016, EUR million	At fair value through profit or loss*	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		10,299		10,299
Financial liabilities held for trading (excl. derivatives)	0			0
Derivative contracts	4,064		341	4,406
Liabilities to customers		16,279		16,279
Debt instruments issued to the public		19,915		19,915
Subordinated liabilities		1,457		1,457
Other liabilities		4,040		4,040
Total liabilities	**4,065**	**51,989**	**341**	**56,395**

31 Dec. 2015, EUR million	Loans and receivables	Held to maturity	At fair value through profit or loss*	Available for sale	Hedging derivatives	Carrying amount total
Cash and balances with central banks	8,465					8,465
Receivables from credit institutions and central banks	9,676					9,676
Derivative contracts			4,765		285	5,049
Receivables from customers	16,759					16,759
Notes and bonds		94	979	11,134		12,208
Shares and participations				1,045		1,045
Other receivables	1,827		9			1,836
Total assets	**36,728**	**94**	**5,752**	**12,179**	**285**	**55,038**

31 Dec. 2015, EUR million	At fair value through profit or loss*	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		5,209		5,209
Financial liabilities held for trading (excl. derivatives)				
Derivative conctracts	4,665		298	4,963
Liabilities to customers		17,670		17,670
Debt instruments issued to the public		19,638		19,638
Subordinated liabilities		1,602		1,602
Other liabilities		3,812		3,812
Total liabilities	**4,665**	**47,932**	**298**	**52,896**

* Assets at fair value through profit or loss include financial assets held for trading, financial assets at fair value through profit or loss at inception and investment property.

Debt securities issued to the public are carried at amortised cost. On 31 December 2016, the fair value of these debt instruments was EUR 268 million (221) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than the amortised cost, but determining reliable fair values involves uncertainty.

Liite 34. Financial instruments measured at fair value, grouped by valuation technique

Financial instruments measured at fair value in the balance sheet, 31 Dec. 2016, EUR million	Level 1	Level 2	Level 3	Total
Assets				
Recognised at fair value through profit or loss	135	550	8	693
Derivative contracts	6	4,510	160	4,676
Available-for-sale	9,290	4,274	281	13,844
Total assets	**9,430**	**9,334**	**449**	**19,213**
Liabilities				
Derivative contracts	10	4,288	107	4,406
Total liabilities	**10**	**4,288**	**107**	**4,406**

Financial instruments measured at fair value in the balance sheet, 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Assets				
Recognised at fair value through profit or loss	616	342	21	979
Derivative contracts	2	4,871	177	5,049
Available-for-sale	9,208	2,679	293	12,179
Total assets	**9,826**	**7,891**	**491**	**18,208**
Liabilities				
Derivative contracts	35	4,793	135	4,963
Total liabilities	**35**	**4,793**	**135**	**4,963**

Fair value hierarchy

Level 1: Quoted prices in active markets

This level includes equities listed on major 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. The fair value hierarchy level at OP Corporate Bank plc includes OTC derivatives, quoted debt instruments issued by issued by companies, governments and financial institutions which have not been included in Level 1, repo agreements, and securities lent or borrowed.

Level 3: Valuation techniques using unobservable inputs

Valuation techniques whose input parameters involve special 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. In many cases, the Level 3 fair value is based on pricing information from a third party.

EUR million	31 Dec. 2016	31 Dec. 2015
Net income for the financial year from Level 3		
Realised net income	-12	3
Unrealised net income	11	-31
Total net income	**-1**	**-29**

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 Pohjola, 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 which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

At the end of 2015, the Group specified the classification criteria by abandoning credit rating as one classification criteria and adopting a more accurate analysis and classification of observable market prices. As a result, quoted bonds issued by governments, companies and financial institutions worth EUR 1.4 billion transferred from Level 2 to Level 1 and bonds worth EUR 0.3 billion transferred from Level 2 to Level 3.

Note 35. Assets and liabilities denominated in euros and foreign currencies

31 Dec. 2016, EUR million	Euros	Foreign currencies	Of which Subsidiaries	Of which Associates
Receivables from credit institutions	9,261	166		
Receivables from the public and public sector entities	16,578	899	384	
Notes and bonds	13,148	462		
Derivative contracts	4,518	157	13	
Other assets	13,526	154	1,229	
Total assets	**57,032**	**1,838**	**1,626**	
Liabilities to credit institutions and central banks	8,681	1,617		
Liabilities to the public and public sector entities	14,721	1,558	101	0
Debt securities issued to the public	11,883	8,032	35	
Derivative contracts and liabilities held for trading	4,272	134	15	
Subordinated liabilities	916	541		
Other liabilities	2,665	167	7	
Total liabilities	**43,139**	**12,048**	**158**	**0**

31 Dec. 2015, EUR million	Euros	Foreign currencies	Of which Subsidiaries	Of which Associates
Receivables from credit institutions	9,438	209		
Receivables from the public and public sector entities	15,254	801	324	
Notes and bonds	12,013	224		
Derivative contracts	3,155	698	13	
Other assets	13,156	90	1,039	
Total assets	**53,016**	**2,023**	**1,376**	
Liabilities to credit institutions and central banks	4,107	1,102		
Liabilities to the public and public sector entities	15,506	2,164	124	
Debt securities issued to the public	10,792	8,846	35	
Derivative contracts and liabilities held for trading	3,300	542	3	
Subordinated liabilities	955	647		
Other liabilities	3,735	88	10	
Total liabilities	**38,395**	**13,390**	**172**	

Other notes

Note 36. Variable remuneration

Personnel fund

Payment of profit-based bonuses to OP Personnel Fund in 2016 was based on the achievement of the following targets: OP Financial Group's pre-tax earnings and OP Financial Group's Common Equity Tier (CET 1),
both weighted at 30% and the change in the number of loyal customers weighted at 40%.
Profit-based bonuses for 2016 transferred to the Fund account for some 5.7% (4.3%) of the combined salaries and wages earned by the Fund's members. The bonuses recognised in 2016 totalled EUR 1.8 (1.7) million.

Remuneration schemes
OP Financial Group's remuneration comprises short-term company-specific remuneration and long-term Group-wide remuneration.
The maximum amount of remuneration is limited in all schemes.

In the short-term incentive scheme, the performance period is one calendar year and the bonus is primarily paid in cash. This short-term scheme covers all personnel.

Separately defined executives and key employees, appointed by the Executive Board, are included in the long-term management incentive scheme.
OP Cooperative's Supervisory Board shall determine OP's Group-level performance metrics for the scheme and targets set for them separately for each performance period.

The long-term scheme consists of consecutive three-year performance periods. The amount of remuneration depends on how well the targets have been reached at the end of the performance period.
The bonus for the first performance period from 2011 to 2013 will be paid after a deferment period in three equal instalments by the end of each June in 2015–2017.

Bonuses that may be paid under the remuneration scheme for performance period 2014–2016 will be paid as debentures issued by OP.
The earned euro bonus will be converted into the number of debentures once the outcome of the scheme is known. An amount will be deducted from the bonus to cover related taxes and fiscal charges. The bonus will be paid in three equal instalments between 2018 and 2020.

Deferred payment of variable remuneration
The payment of variable remuneration has been prescribed in the Act on Credit Institutions (610/2014). If a person is categorised on the basis of his duties as belonging to a group that may cause considerable risk (person affecting risk profile) to his company, the company may defer the payment of variable remuneration over three years under certain conditions.

People who may affect the company's risk profile will have their variable remuneration payment deferred if their variable remuneration for a 12-month performance period exceeds EUR 50,000 – the maximum recommended by the Financial Supervisory Authority. The remuneration of the person affecting the company's risk profile is viewed up to the EUR 50,000 deferral limit as a whole, considering both long- and short-term remuneration.

If the euro maximum for deferral is exceeded, some bonus is paid immediately, while the rest is deferred and the deferred bonus will be paid in equal instalments within the next three years.
In such a case of deferral, any short-term scheme bonuses are paid half in cash and half as debenture loans issued by OP.

Expenses charged for variable remuneration*

EUR million	2016	2015
Personnel fund	2	2
Short-term schemes	6	5
Long-term schemes		
Scheme for 2011–2013	0	0
Scheme for 2014–2016	0	0
Total	**8**	**7**

* Excluding social expenses

Note 37. Assets pledged as collateral

Assets pledged as collateral

EUR million	31 Dec. 2016	31 Dec. 2015
Given on behalf of own debts and commitments		
Other	4,973	528
Total	**4,973**	**528**
Other given on own behalf		
Pledges*	3,351	3,969
Total	**3,351**	**3,969**
Total assets pledged as collateral	**8,324**	**4,497**

* of which EUR 1,500 million in intraday settlement collateral and the rest pledged but unencumbered.

Secured liabilities totalled EUR 3,442 (506) million.
Other collateral given on own behalf consists of collateral required for the maintenance of liquidity.

Note 38. Pension liabilities

EUR million	31 Dec. 2016	31 Dec. 2015
Direct liabilities from pension commitments	3	3

The statutory pension cover for OP Corporate Bank plc employees is managed through the OP Bank Group Pension Fund and the supplementary pension cover through the OP Bank Group Pension Foundation. The Foundation has not accepted new beneficiaries since 30 June 1991. OP Bank plc's pension liabilities are fully covered.

Note 39. Finance lease and other lease liabilities

Material contract terms and conditions regarding termination and redemption

OP Corporate Bank plc has no significant lease or other rental liabilities. The contracts primarily cover personnel car leases with a maturity of three years.

Note 40. Off-balance-sheet commitments

EUR million	On behalf of subsidiaries	On behalf of affiliates	On behalf of others	Total
Off-balance-sheet commitments 31 December 2016			**8,511**	**8,511**
Commitments given to a third party on behalf of customers			**2,520**	**2,520**
Guarantees and pledges			2,176	
Other			344	
Irrevocable commitments given on behalf of customers			**5,991**	**5,991**
Loan commitments			5,470	
Other			521	

EUR million	On behalf of subsidiaries	On behalf of affiliates	On behalf of others	Total
Off-balance-sheet commitments 31 December 2015			**8,349**	**8,349**
Commitments given to a third party on behalf of customers			**2,341**	**2,341**
Guarantees and pledges			2,167	
Other			173	
Irrevocable commitments given on behalf of customers			**6,009**	**6,009**
Loan commitments			5,745	
Other			264	

Note 41. Other contingent liabilities and commitments at the year-end

On 31 December 2016, OP Corporate Bank plc's commitments to private equity funds amounted to EUR 5.2 (5.3) million and relate to those presented in Note 42.

Client assets related to brokerage amounted to EUR 3.1 (0.3) million included in 'Liabilities to the public and public sector entities'.

Accounts payable related to brokerage totalled EUR 60.0 (54.1) million and accounts receivable EUR 57.0 (53.8) million.

Note 42. Personnel and members of administrative bodies, and related parties

Average personnel in 2016	Average no.	Change during the year
Permanent full-time personnel	610	46
Permanent part-time personnel	19	2
Fixed-term personnel	51	
Total	**680**	**48**

Remuneration paid to members of administrative bodies in 2016	Wages and salaries, EUR million
Members of the Board of Directors, President and CEO, and Deputy CEO	1

In the financial year 2016, the members of the Board of Directors did not receive any monthly fees or attendance allowances.

Salaries and bonuses paid to President and CEO Jouko Pölönen for the financial year that ended on 31 December 2016 totalled 656,929 euros.*

* The amount includes EUR 11,200 in performance-based bonuses deferred for prior years and EUR 131,907 in bonuses paid under the long-term remuneration scheme. Payment of deferred amounts requires a Board decision. Detailed information on the deferral procedure can be found in Note 36 above.

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 6-month total salary, in addition to compensation for loss of office, if the company dismisses him/her or he/she has to resign or terminate the contract due to a reason attributable to the company. If the contract terminates due to a reason not attributable to the President and CEO or due to his/her retirement, the company will pay him/her the bonuses (s)he has earned according to the criteria of the incentive scheme under the terms and conditions of the incentive schemes. Bonuses earned under the short-term scheme may, by way of exception, be paid irrespective of the termination of the contract if the targets under the remuneration scheme have been met and the Supervisory Board considers that remuneration is justified. Official regulations are taken into account in their payment. The President and CEO is involved in the long-term remuneration scheme. Bonuses under the scheme for 2011–2013 will be paid between 2015 and 2014 and those for 2014–2016 between 2018 and 2020. The President and CEO has unlimited company car benefit.

The President and CEO is a member of OP Cooperative's Executive Board whose members' improved pension cover has been arranged through supplementary pension taken out with OP Life Assurance Company Ltd. A retirement age of 63 years applies to the President and CEO under the executive contract.

Loans, guarantees and collateral granted to members of the administrative bodies on 31 December 2016

As at 31 December 2016 and 31 December 2015, OP Corporate Bank plc had not granted loans or guarantees to members of the Board of Directors.

Pension commitments

Members of the administrative and supervisory bodies are not covered by any pension commitments. Furthermore, no pension commitments have been made for previous members of these bodies.

Auditors' remuneration	2016	2015
Audit	EUR 126,514	EUR 137,775
Other services based on legislation*	EUR 44,796	EUR 179,263
Tax counsultation	EUR 16,000	EUR 27,358
Other services	EUR 87,296	EUR 154,041
Total	**EUR 274,606**	**EUR 498,437**

* Assignments as referred to in sub-paragraph 2, paragraph 1, Section 1 of the Auditing Act.

Related parties

OP Corporate Bank plc's related parties include members and deputy members of the Board of Directors, President and CEO and his deputy, auditor and deputy auditor or the chief auditor of the accounting firm as well as their spouses or persons living in a marital-type relationship and underage children. The related parties also include OP Cooperative which owns 100% of OP Life Assurance Company Ltd. Related party transactions consist of paid salaries and fees as well as ordinary business transactions with OP Financial Group entities.

Transactions based on ownership, EUR million	2016	2015
Loans and other receivables	0	11
Deposits and other debts	831	1,082
Net interest income	2	-1
Dividend income	0	0
Net commissions and fees	0	0
Net other operating income	-21	-10

No impairments have been recognised for the items.

Note 43. Holdings in other companies

Subsidiaries, 31 December 2016	Holding, %	Equity capital	Profit or loss for the financial year
Pohjola Insurance Ltd Helsinki	100	392	159
A-Insurance Ltd Helsinki	100	74	5
Kaivokadun PL-hallinto Oy Helsinki	100	5	0
Vakuutuspalvelu Otava Oy Helsinki	100	0	0
Northclaims Oy Helsinki	100	0	0
OP Finance AS Estonia	100	5	1
"OP Finance" SIA Latvia	100	10	1
UAB "OP Finance" Lithuania	100	8	2

Participating interests, 31 December 2016	Holding, %	Equity capital	Profit or loss for the financial year
Finnmezzanine Rahasto III B Ky Helsinki	49.49	1	-1

Associate's data as per 31 December 2015. OP Corporate Bank plc has no shareholdings in companies in which it would have unlimited liability.

Note 44. Information by country

OP Corporate Bank plc has branches engaged in banking in Estonia, Latvia and Lithuania. In addition, it has subsidiaries in Estonia, Latvia and Lithuania engaged in finance-company operations. In Estonia OP Insurance Ltd has a non-life insurance subsidiary with a branch in both Latvia and Lithuania.

Name		Domicile
OP Corporate Bank plc Estonian Branch	Branch	Estonia
OP Corporate Bank plc Latvian Branch	Branch	Latvia
OP Corporate Bank plc Lithuanian Branch	Branch	Lithuania
OP Finance AS	Subsidiary	Estonia
"OP Finance" SIA	Subsidiary	Latvia
UAB "OP Finance"	Subsidiary	Lithuania
Seesam Insurance AS	Subsidiary	Estonia
Seesam Insurance AS Latvian Branch	Branch	Latvia
Seesam Insurance AS Lithuanian Branch	Branch	Lithuania

Financial information, EUR million	Estonia	Latvia	Lithuania	31 Dec. 2016 Total
Total operating income	36	19	24	**79**
Total EBIT	3	-1	4	**5**
Total current tax		0	1	**1**
Total personnel in man-years	178	104	123	**404**

Financial information, EUR million	Estonia	Latvia	Lithuania	31 Dec. 2015 Total
Total operating income	21	3	5	**29**
Total EBIT	4	0	2	**5**
Total current tax	0		0	**0**
Total personnel in man-years	175	99	112	**386**

Note 45. Trustee Services

OP Corporate Bank plc provides the general public with investment services and asset management and custodian services. OP Corporate Bank plc holds no assets based on discretionary investment management or on another agreement.

Notes concerning an entity under the Group's control

OP Corporate Bank plc's parent company is OP Cooperative and OP Corporate Bank Group's consolidated accounts are included in its consolidated financial statements. Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 Helsinki, Finland.

The accounts of OP Corporate Bank plc are consolidated into those of OP Corporate Bank Group. Copies of OP Corporate Bank Group's consolidated financial statements are available at www.op.com or the company's registered office, Gebhardinaukio 1, FI-00510 Helsinki, Finland.

Signatures for the Financial Statements and Report by the Board of Directors

Helsinki, 2 February 2017

Reijo Karhinen

Tony Vepsäläinen

Harri Luhtala

Jari Himanen

Jouko Pölönen
President and CEO

Auditors' note

We have today issued an auditor's report on the audit performed.

Helsinki, 8 February 2017

KPMG Oy Ab
Firm of Authorised Public Accountants

Raija-Leena Hankonen
Authorised Public Accountant

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This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's report

To the Annual General Meeting of OP Corporate Bank Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OP Corporate Bank Plc (business identity code 0199920-7) for the year ended 31 December, 2016. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

— the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

— the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Receivables from customers (notes 1, 4, 12 and 18 to consolidated financial statements)

Receivables from customers, totaling € 18.7 billion, are the most significant item on the OP Corporate Bank's consolidated balance sheet representing 30 percent of the total assets. Interest income accruing on receivables was € 0.3 billion.

Impairment losses on loans and receivables are recognized on an individual or collective basis. Impairments are assessed on an individual basis if the debtor's total exposure is significant. An impairment assessed on individual basis is recognized when there is objective evidence that the receivable cannot be recovered in full. Collectively assessed impairment is calculated on a modelled basis. OP Corporate Bank evaluates and validates the basis of the model regularly.

Valuation of receivables involves management judgement, especially in respect of the amount and timing of impairment losses.

Due to the significance of the carrying amount involved, and the high level of judgment involved relating to impairment review, receivables are addressed as a key audit matter.

Our audit procedures included assessment of recognition and valuation principles applied to receivables for appropriateness, as well as testing of internal controls over determination and recognition of loan impairments.

We evaluated the compliance with lending instructions. We tested controls over recognition and monitoring of loan receivables, interest and impairments. We utilized data analysis in our audit focusing on the loans granted during the financial year. Furthermore, we considered the appropriateness of impairments assessed on individual basis of a sample of loans selected using data analysis.

Our audit procedures also comprised interest income analysis by reference to developments in loan receivables and interest margins.

We assessed the collective impairment model in use, parameters used and the validation process of the model.

Furthermore, we considered the appropriateness of the notes provided by OP Corporate Bank in respect of receivables and impairment losses.

Investment assets and derivative contracts (notes 1, 7, 17, 19 and 26 to consolidated financial statements)

The carrying value of investment assets totals € 16.7 billion mainly consisting of investments measured at fair value. The aggregate derivative assets are € 4.7 billion and derivative liabilities € 4.4 billion comprising contracts held for trading and hedging purposes. Derivatives are measured at fair value in preparing financial statements.

We evaluated the appropriateness of the accounting principles applied and the valuation techniques used by OP Corporate Bank, and tested internal controls over the valuation process of investments and derivative contracts.

Our audit procedures also comprised assessment of net investment income by reference to developments in market and the structure of the investment portfolio.

The fair value of financial instruments is determined using either prices quoted in an active market or own valuation techniques where no active market exists. Determining fair values for investments and derivatives involves management judgements, especially in respect of those instruments for which market-based data is not available.

OP Corporate Bank's investment assets and derivative positions comprise a diverse range of interest, currency, commodity and share instruments as well as property investments and their fair values may fluctuate significantly depending on market conditions.

Due to the significant carrying values of investment assets and derivative positions involved, and management judgements related to measurement of illiquid investments, valuation of these assets is addressed as a key audit matter.

In respect of derivative contracts we considered the appropriateness of the accounting treatment applied with the requirements set under IFRS.

As part of our year-end audit procedures we compared the fair values used in valuation of investment assets and derivatives to market quotations and other external price references.

We also assessed the impairment principles applied and techniques used by OP Corporate Bank in respect of investments.

Finally, we considered the appropriateness of the notes on investment assets and derivatives.

Insurance liabilities (notes 1, 5 and 28 to consolidated financial statements)

Measurement of insurance liabilities, amounting to € 3.0 billion on OP Corporate Bank's balance sheet, is based on various actuarial assumptions and calculation methods.

Calculation of insurance liabilities is based on data processed in many IT systems and combination of that data. The databases are extensive and data volumes processed by the IT systems are substantial.

Interest rate risk associated with insurance liabilities is hedged with derivatives and interest instruments, which are measured at fair value in the financial statements.

Due to the significant carrying value of insurance liabilities involved, and the complexity associated with actuarial models used, insurance liabilities are addressed as a key audit matter.

Our audit procedures included assessment of the principles related to calculation and recognition of insurance liabilities. Our actuary specialist evaluated the appropriateness of the assumptions and methods used in determining insurance liabilities, and compared the assumptions to industry development and market information, among others.

We evaluated internal control over the accuracy of data used in calculating insurance liabilities, assessed the appropriateness of the related controls and compared them with methods widely used in the industry.

We analyzed the effectiveness of hedging against interest rate risks, and the appropriateness of the accounting for derivative instruments used for hedging purposes.

Furthermore, we considered the appropriateness of the notes on insurance liabilities.

Control environment relating to financial reporting process and IT systems

OP Corporate Bank has outsourced a significant part of its financial reporting process and IT-systems to the parent company OP Cooperative and its subsidiaries.

In respect of the accuracy of the financial statements of OP Corporate Bank, the key reporting processes are dependent on technology. Therefore, information technology plays an essential role for business continuity, incident management and the accuracy of financial reporting. Consequently, the IT environment related to the financial reporting process and the application controls of individual IT systems have a significant effect on the selected audit approach.

As the consolidated financial statements of OP Corporate Bank are based on a large number of data flows from many systems, the financial reporting IT environment is addressed as a key audit matter.

We obtained an understanding of the IT systems related to financial reporting and the associated control environment, and tested the effectiveness of the related internal controls.

Our audit procedures also concentrated on monitoring of key data flows and transactions, change management, system development and business continuity management.

For the financial year 2016 our focus areas were the subledger for corporate customer loans and the key IT systems of non-life insurance.

As part of our audit we performed extensive substantive procedures and data analyses relating to various aspects in financial reporting process.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to the going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki February 8, 2017

KPMG OY AB

[signed]

Raija-Leena Hankonen
Authorised Public Accountant, KHT