OP Financial Group's interim report 1 January–30 September2016

OP Financial Group's Interim Report for 1 January–30 September 2016: Earnings and growth in the number of new customers at record levels

January–September earnings were the second best ever recorded by the Group and new home loans drawn down were 11% higher than a year ago

- Earnings before tax were EUR 921 million (926) and profitability was at the targeted level based on the strategy.
- July–September earnings before tax, EUR 306 million (299), were the best third-quarter figure ever recorded by the Group.
- Net interest income increased by 4% and net insurance income by 5% but net commissions and fees decreased by 2%. Expenses rose by 3% due mainly to higher development expenditure.
- Equity capital exceeded EUR 10 billion.
- The CET1 ratio was 19.7% (19.5) on 30 September 2016. Based on the results of the stress test conducted by the European Banking Authority, the Group's capital adequacy clearly exceeded regulatory requirements also in an operating environment of an extremely adverse scenario.
- Home and corporate loans as well as deposits increased by 5% in the year to September. Home loans drawn down rose by 11%.
- Non-life Insurance recorded an operating combined ratio of 86.5% (86.3). Insurance premium revenue rose by 2%.
- Assets managed by Wealth Management increased by 12% over the previous year.
- Full-year earnings for 2016 are expected to be of about the same size as the record earnings reported in 2015.

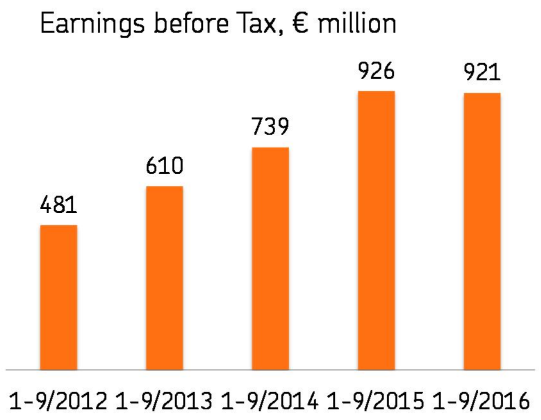
120,000 new OP Financial Group banking customers and almost 230,000 new owner-customers

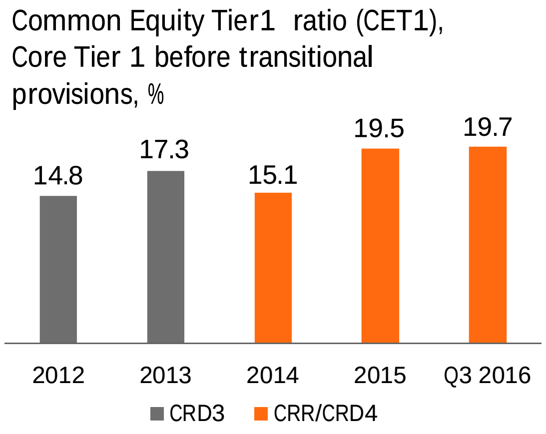
- OP Financial Group got 120,000 new banking customers, or 22% more than a year ago. Growth was concentrated on the second and third quarter. The number of owner-customers increased by almost 230,000 to over 1.7 million.
- New OP bonuses totalled over EUR 154 million, up by almost 5% year on year.
- Contrary to the general trend in the sector, customer satisfaction with the Group and reputation have improved according to the surveys published during the reporting period (Pankki ja rahoitus 2016 survey by EPSI Rating and Luottamus & Maine survey by T-media).
- In June, OP Financial Group confirmed an updated strategy aimed at broad-based renewal. The implementation of the new strategy has started on a wide front. During the reporting period, the Group opened a new Pohjola Hospital in Tampere. OP Financial Group supplemented its strategic targets with a new customer experience metric in the autumn.

OP Financial Group's key indicators

	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Earnings before tax, € million	921	926	-0.6	1,101
Banking	467	531	-12.0	642
Non-life Insurance	200	218	-8.5	259
Wealth Management	191	168	13.9	213
New OP bonuses accrued to owner-customers	154	147	4.8	197
	30 Sept. 2016	30 Sept. 2015	Change, %	31 Dec. 2015
Common Equity Tier 1 (CET1) ratio, %	19.7	18.6	1.0*	19.5
Return on economic capital, % **	22.2	21.2	1.0*	21.5
Ratio of capital base to minimum amount of capital base (under the Act on the Supervision of Financial and Insurance Conglomerates), % ***	164	180	-16*	191
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.06	0.08	0.0*	0.10
Joint banking and insurance customers (1,000)	1,720	1,637	5.1	1,656

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


Earnings before Tax, € million
481
610
739
926
921
1-9/2012
1-9/2013
1-9/2014
1-9/2015
1-9/2016


Common Equity Tier1 ratio (CET1), Core Tier 1 before transitional provisions, %
14.8
17.3
15.1
19.5
19.7
2012
2013
2014
2015
Q3 2016
CRD3
CRR/CRD4

Comments by Reijo Karhinen, President and Group Executive Chairman

Along with our new strategy, the solid financial basis and attractiveness of OP Financial Group that is boldly reinventing itself are excellent and strengthening further. We have managed to make choices that our customers appreciate. Research results show that customer satisfaction with us has improved contrary to the general trend in the sector and the influx of new customers has been extraordinarily heavy. Our above the market average growth on a wide front and our earnings performance that has remained at record level are clearly some of our successes this year.

Our good earnings performance was supported by growth in volumes and the resulting clear increase in net interest income. At the same time, we could keep costs moderate although our investments in product and service development increased substantially. It is worth noting that our loan losses have remained low. Commission income has shown weak development since the beginning of the year.

As a result of digitisation, new market entrants and drastic change in customer behaviour, the financial sector is facing a major turning point. We at OP Financial Group must ensure that we will not slow down our reinvention process at the moment of success either. A strong player too must now reinvent itself and even radical changes will be necessary when adapting to the realities that the new daily business will involve.

Our new strategy confirmed in June is guiding our choices. Our strong financial position helps to implement it. Creating a new type of a diversified services company will necessitate learning plenty of new things and unlearning old ones at an accelerating pace. Improving agility on a wide front, creating new revenue generation in the disruptive market and securing price competitiveness will be our biggest challenges.

Customers are at the core of our strategy. Customer experience and its continuous improvement have become one of our most important strategic metrics. Customer expectations and change in customer behaviour will prompt us to create new, easy-to-understand service packages across industry boundaries. In the face of a changing operating environment and a fragmenting world around us, we will need combining forces that help people to control their daily lives. Pohjola Hospital's high customer satisfaction score is proof of how a superior customer experience can be created by combining services and products in an unconventional way.

Finland, which will soon celebrate its 100th anniversary as an independent nation, deserves and needs courageous forerunners. Future economic growth requires investments which will not emerge without reinvention. Society is tasked with creating the settings that support reinvention – the old tools have largely been used up. The Finnish economy has continued its slow recovery and consumer confidence has improved slightly. The economic policy has already taken steps in the right direction, but is the speed then fast enough? The world is now changing at a pace that the philosophy based on the four-year government platform cannot recognise. What we now need in every aspect of society is more agility and innovation. In a digital operating environment, Finland will have every prospect of a becoming nation with a bigger success than what its size suggests.

OP Financial Group's Interim Report for 1 January–30 September 2016

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Operating environment

The world economy continued to grow slowly in the third quarter. Confidence indicators improved and uncertainty in financial markets caused by the UK EU membership referendum eased off at the end of the reporting period but Brexit and many other political and economic risks are, however, casting a shadow over the outlook. Economic growth in the euro area remained subdued. The inflation rate rose slightly to 0.4%.

The European Central Bank (ECB) continued as planned its asset purchase programme that it expanded in the spring. In September, the ECB announced that it would analyse measures to ensure a smooth implementation of the programme.

Market interest rates continued to decrease slightly in July following the UK referendum. The rates were at their lowest in late September when the yield requirement for the 10-year Finnish government bond turned negative for a while.

The Finnish economy continued to grow slowly led by the domestic market. Construction remained brisk and retail sales grew. In particular, strong growth in construction during the current year increased fixed investments. Unemployment decreased further and consumer confidence improved. Exports remained weak. Industry confidence, however, strengthened.

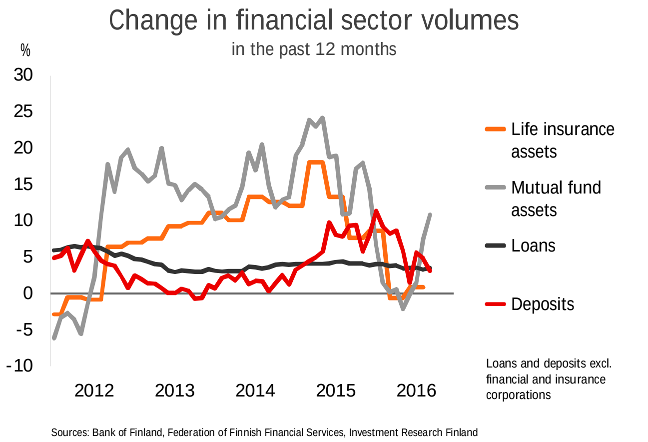
The euro-area economy is expected to continue to grow at a steady but slow rate in the near future. The inflation rate should rise slightly. The Finnish economy is expected to recover slowly in the short run, supported by the domestic market. The ECB is expected to continue its quantitative easing policy, and the interest rate environment to remain exceptionally low. A number of economic and political risks are still casting a shadow over the outlook.

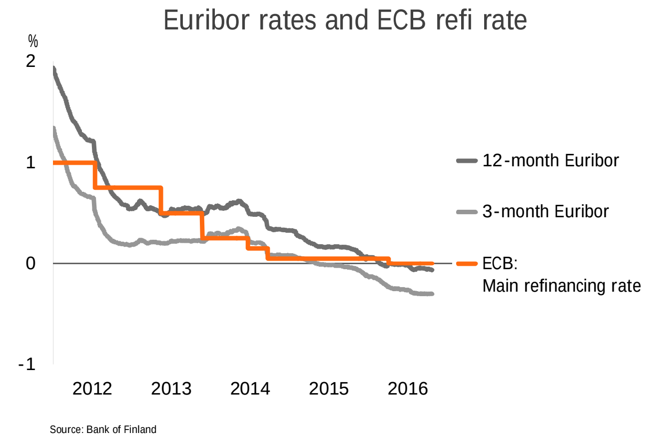
Total consumer loans increased by around 2.8% in the third quarter and especially home loans were raised more actively than a year ago. The total volume of corporate and housing corporation loans grew by roughly 4.5% over the previous year. According to the banking barometer, year-end demand for consumer and corporate loans is expected to pick up over the previous year.

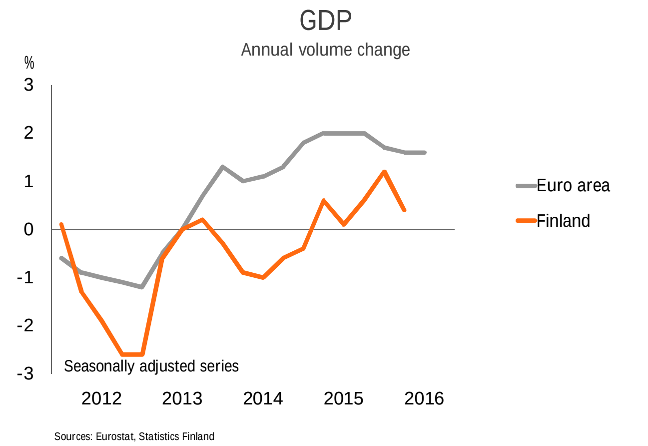
The annual growth rate of total deposits slowed to 3.1% in the third quarter. In particular, the growth rate of deposits by public-sector entities and corporations slowed down. Household deposits increased by 3.8% over the previous year, the annual growth rate picking up clearly in the third quarter.

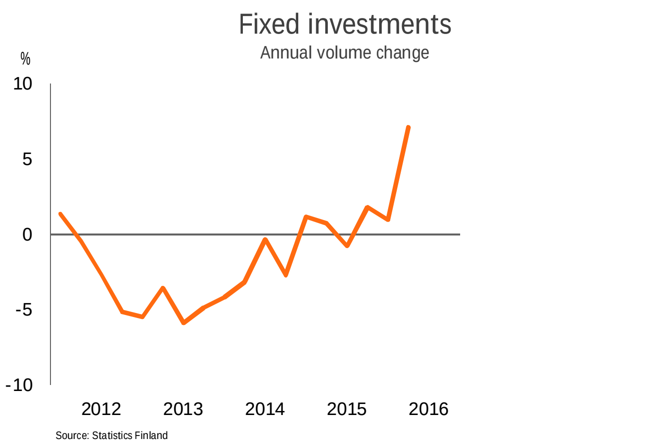
In the third quarter, the value of mutual funds registered in Finland increased by 5.5% to EUR 102.6 billion, which is an all-time high. A third of this value increase stems from net asset inflows and the rest results from favourable market developments. Life insurance sales have picked up but, as a result of the weak beginning of the year, the January–September premiums written were still 32% lower than a year ago.

Non-life insurance premiums written increased by 0.7% in January–September. Sales of statutory workers' compensation insurance, which were weak until the end of the first half, picked up in the summer. On the other hand, claims paid out were higher than a year ago.









Earnings analysis and balance sheet

Earnings analysis, € million	Q1–3/2016	Q1–3/2015	Change, %	Q3/2016	Q3/2015	Change, %	Q1–4/2015
Earnings before tax	**921**	**926**	**-0.6**	**306**	**299**	**2.4**	**1,101**
Banking	**467**	531	-12.0	172	174	-1.2	642
Non-life Insurance	**200**	218	-8.5	83	74	11.5	259
Wealth Management	**191**	168	13.9	50	40	25.0	213
Other Operations	**63**	16		1	11	-92.2	-13
Income							
Net interest income	**799**	767	4.2	271	256	5.9	1,026
Net insurance income	**418**	399	5.1	149	140	6.8	527
Net commissions and fees	**637**	652	-2.3	200	205	-2.3	855
Net investment income	**282**	368	-23.5	99	79	25.2	432
Other operating income	**104**	33		11	8	26.2	46
Share of associates' profit/loss	**5**	6	-11.8	2	2	-11.9	9
Total income	**2,245**	**2,225**	**1.0**	**732**	**690**	**6.0**	**2,894**
Expenses							
Personnel costs	**563**	573	-1.8	167	172	-2.6	781
Depreciation/amortisation and impairment loss	**116**	120	-3.4	41	38	8.6	162
Other operating expenses	**458**	411	11.3	152	121	25.8	577
Total expenses	**1,136**	**1,105**	**2.9**	**361**	**331**	**9.1**	**1,520**
Impairment loss on receivables	**36**	**47**	**-23.9**	**12**	**10**	**23.2**	**78**
New OP bonuses accrued to owner-customers	**154**	**147**	**4.8**	52	50	**5.0**	197

Key balance sheet figures, € million	30 Sept. 2016	31 Dec. 2015	Change, %
Receivables from customers	77,846	75,192	3.5
Investment assets	26,157	20,784	25.9
Liabilities to customers	59,636	58,220	2.4
Insurance liability	11,070	7,705	43.7
Debt securities issued to the public	29,072	27,706	4.9
Equity capital	10,073	9,324	8.0
Total assets	134,264	125,145	7.3

January–September

OP Financial Group's earnings before tax were EUR 921 million (926), or the second best January–September figure ever recorded. A year ago, the Group recorded its all-time high January–September EBT.

Net interest income increased by 4.2% to EUR 799 million and net insurance income rose by 5.1% to EUR 418 million. Net commissions and fees decreased by 2.3% to EUR 637 million. Net commissions and fees were reduced by a reduction of EUR 4 million in brokerage fees due to the Invest in Finland initiative as part of the #Suominousuun (Putting Finland on a new growth path) initiative, and to an increase of EUR 7 million in commission expenses.

Net investment income decreased by 23.5% to EUR 282 million. Lower returns on equity instruments and impairment losses had an effect on a reduced net income from available-for-sale assets. Income from Life Insurance notes and bonds measured at fair value was increased by the individual life insurance portfolio transferred from Suomi Mutual to OP Financial Group at the end of 2015. Net income from securities trading was reduced by negative value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes. Hedging interest rate risk associated with the insurance liability of Life Insurance added to income from derivatives.

Other operating income rose by EUR 71 million year on year to EUR 104 million. This rise resulted from the non-recurring gain of EUR 71 million recognised on the sale of Visa Europe Ltd.

Total expenses increased by 2.9% to EUR 1,136 million. The Group's major investments in service development increased other operating expenses by EUR 40 million. Development expenditure totalled EUR 96 million.

A non-recurring provision recognised a year ago for personnel costs totalled EUR 9 million, related to the reorganisation of the central cooperative consolidated. In addition, other operating expenses a year ago included the non-recurring expenses totalling EUR 18 million related to the intra-Group ownership reorganisation and the reconstruction of the Vallila premises.

Impairment losses recognised under various income statement items that reduced earnings amounted to EUR 84 million (73), of which EUR 36 million (47) concerned loans and receivables. Net impairment loss on loans and receivables were very low, at 0.06% (0.08) of the loan and guarantee portfolio.

The Group's income tax before change in deferred tax amounted to EUR 183 million (215). The effective tax rate was 19.8% (23.2). A year ago, the tax rate was increased by capital gains tax on OP Financial Group's internal transactions.

Equity capital increased by 8.0%, exceeding EUR 10 billion. Group earnings added to equity capital. On 30 September 2016, EUR 2.6 billion (2.5) in Profit Shares were included in equity, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The fair value reserve grew by EUR 169 million to EUR 411 million.

July–September

Earnings before tax for the third quarter came to EUR 306 million (299). The third-quarter EBT were the best ever recorded by the Group for the third quarter. The third-quarter earnings performance was especially supported by improved net interest income and net insurance income as well as higher net investment income. Net income from securities trading added to net investment income year on year.

Total expenses increased by 9.1% year on year to EUR 361 million as a result of administrative expenses and ICT costs.

OP Financial Group's strategy

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

At the first stage, business diversification involves expanding, for example, the health and wellbeing business. In the years to come, the Group intends to make health and wellbeing services its fourth business line alongside Banking, Non-life Insurance and Wealth Management.

The Group has initiated a large-scale development programme to speed up the digitisation of its services. The strategy will be put into practice through 15 strategic development programmes. In the next few years, the Group will increase its annual development expenditure to EUR 300–400 million. The investments required by upgrading and streamlining business will add to the Group's expenses and weaken Group profitability before the benefits from such investments are realised in terms of better financial indicators.

In its strategy in June, the Group set numerical targets for its capital adequacy (CET1), profitability (return on economic capital), efficiency (expenses of present-day business) and growth in the number of owner-customers.

In the autumn of 2016, the Group supplemented its strategic targets with a new customer experience (CX) metric based on the Net Promoter Score (NPS) that measures likelihood of recommendation. The new CX metric has two parts, consisting of the NPS target (25) for the brand and the NPS target (70, over time 90) for service. The NPS for the brand gauges the overall customer experience of OP. The NPS for service measures what kind of customer experience OP manages to create in individual service encounters in all channels.

OP Financial Group's numerical targets	30 Sept. 2016	Target
CET1 ratio, %	19.7	22
Return on economic capital, % (12-month rolling)	22.2	22
Expenses of present-day business (12-month rolling), € million	1,526	Expenses in 2019 lower than in 2015 (1,520)
Owner-customers, million	1.7	2.1 (2019)
Customer experience, NPS (–100–+100)		
Brand	15	25
Service	52	70, over time 90

January–September highlights

Definitive agreement of Visa Inc. to acquire Visa Europe Ltd

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

Transfer of Suomi Mutual's individual pension insurance portfolio

On 17 March 2016, OP Financial Group and Suomi Mutual Life Insurance Company agreed on transferring the latter's individual life insurance portfolio to OP Life Assurance Company Ltd. The portfolio was consolidated into OP Financial Group on 30 September 2016. The consolidation will have no significant effect on the Group's 2016 earnings in the prevailing market situation. Suomi Mutual's individual pension insurance portfolio comprises slightly less than 38,000 insurance contracts, totalling approximately EUR 3.2 billion.

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 Financial Group participated in TLTRO II of June and September with a total of EUR 2 billion.

Stress test by the European Banking Authority

On the basis of the stress test conducted by the European Banking Authority, OP Financial Group's capital adequacy remained on a solid basis and above the minimum capital adequacy requirement also in an operating environment of an extremely adverse scenario. The results of the stress test were published in July 2016.

In the baseline scenario under which the operating environment remains unchanged, OP Financial Group's CET1 ratio would improve further and be 21.2% in 2018. In an adverse scenario, capital adequacy would be burdened by a decrease in net interest income and significant impairment losses, bringing the CET1 ratio down to 14.9% in 2018, which would still be clearly above the minimum capital adequacy requirements.

Withdrawal from the Federation of Finnish Financial Services

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

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.

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

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

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

January–September

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

During the reporting period, OP Financial Group continued with the #Suominousuun initiatives previously decided. The #Suominousuun initiatives are aimed at giving more leeway and economic activity among OP's broad customer base and in the entire Finland.

In March, OP Financial Group signed an agreement with the European Investment Fund (EIF) for financing worth EUR 150 million to spur SME innovations and growth. Under the agreement, OP may grant innovative SMEs new loans that will have a 50% risk-sharing guarantee provided by the EIF. SMEs have shown great interest in such financing and dozens of firms have already made use of it. Loans already granted account for some fifth of the 150-million euro financing under the programme. In addition to the agreement signed in March, in October OP filed an application for the role of a financial intermediary related to the joint SME initiative of the Finnish government, the EIB Group and the European Commission. By providing financing to SMEs with growth potential, OP Financial Group wants to be involved in supporting future economic growth and employment.

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

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

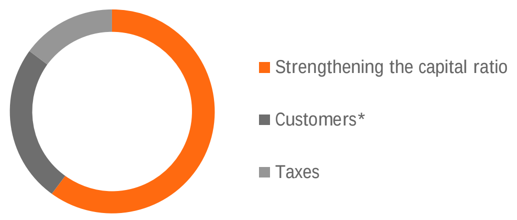
OP Financial Group is continuing the series of its #Suominousuun initiatives through a major volunteer work project in honour of the centenary of Finland's independence. OP will donate one volunteer work day for each of its almost 12,000 employees and build an open network platform open to all to match volunteers and those in need.

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

Allocation of earnings

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

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



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

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

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

OP Financial Group is one the largest tax payers in Finland measured by tax on profits. All of the 178 OP cooperative banks pay their corporate tax locally in their operating region. By paying taxes in Finland, the Group is contributing to prosperity in the whole of Finland.

Corporate social responsibility

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

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

Customer relationships and customer benefits

In January–September, the number of OP Financial Group's owner-customers increased by 228,000 to over 1.7 million. A new OP cooperative bank, OP Helsinki, was born in April. OP Helsinki accounted for 166,000 of the January–September growth in the number of owner-customers.

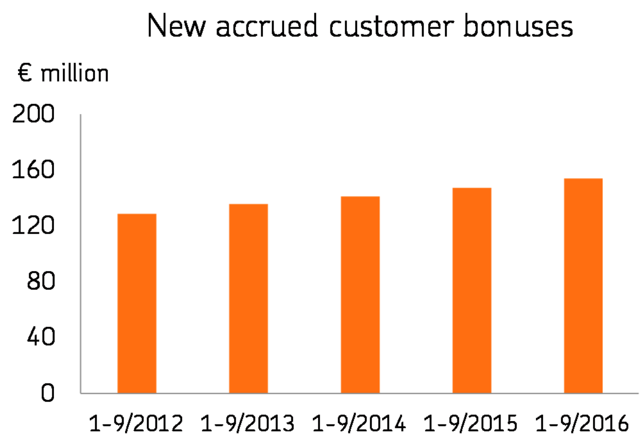
Contributions made by member cooperative banks' owner-customers to the banks' Profit Shares, ordinary cooperative capital and supplementary cooperative capital totalled EUR 2.9 billion (2.8) on 30 September 2016.

In the reporting period, OP Financial Group got 120,000 new banking customers, or 22% more than a year ago. In the third quarter, the growth rate was 28% higher than a year ago.

The number of OP Financial Group's customers increased in net terms by 35,000 in January–September, totalling 4,338,000 on 30 September 2016. The number of private customers totalled 3,900,000 and that of corporate customers 439,000. In January–September, the number of joint banking and non-life insurance customers increased by 64,000 to over 1.7 million. Services of the customers of six POP Group banks that transferred to the Group were converted from POP services to OP services in two runs in September and October.

According to the Pankki ja rahoitus 2016 survey on banking and financing conducted by EPSI Rating, OP Financial Group boasts the most satisfied corporate customers in Finland. For private customers, OP's score improved further, being above the sector average. Based on the results of Luottamus & Maine survey by T-Media gauging companies' trustworthiness and reputation, OP ranked the fifth most reputable company in Finland.

Owner-customers earn OP bonuses through banking, non-life insurance and wealth management transactions. The combined amount of new bonuses earned by OP bonus customers in the reporting period for using OP as their main bank and insurer was worth EUR 154 million (147). A total of EUR 77 million (76) of bonuses were used to pay for banking and wealth management services and EUR 79 (75) million to pay non-life insurance premiums. OP bonuses were used to pay 1,648,000 insurance bills (1,517,000), with 220,000 (202,000) of them paid in full using bonuses.



Non-life Insurance premier customer households were provided with EUR 65 million (60) in loyalty discounts during the reporting period.

Interest payable on the Profit Shares and supplementary cooperative capital contributions accrued during the reporting period is estimated to total EUR 62 million (47). The 2016 and 2017 return target for Profit Shares is 3.25%, calculated from the date the investment was made.

Multichannel services

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

In September, OP-mobile was the main channel for customers' daily transactions, with visits totalling almost 12 million. The number of visits to op.fi amounted to around 10 million. The number of visits to OP-mobile launched in 2012 exceeded that of op.fi visits for the first time in March 2016. The number of visits to the Pivo mobile application totalled around 1.8 million in September.

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

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

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

The Group also has extensive presence in the most common social media channels where it has almost 300,000 followers. In addition to the Group's national social media accounts, many member cooperative banks have their own Facebook pages where they share publications destined for local customers. OP also reaches customers and other stakeholders at OP's blog and content platform taloudessa.fi that was redesigned at the start of the year. Since the redesign, the site has had an average of 100,000 visitors a month.

The Group opened its second private hospital in 1 August 2016 in Tampere. The first hospital was established in Helsinki in 2013 under the name of Omasairaala. Omasairaala Oy was renamed Pohjola Health Ltd when the Tampere hospital unit was opened. During 2017–2018, the Group will open new Pohjola Hospitals in Oulu, Turku and Kuopio too. In June, the Group announced that it would establish Pohjola Medical Centres across Finland. The Medical Centres will supplement the Pohjola Hospitals based in university hospital cities and make the network of health and wellbeing services nationwide. Pohjola Medical Centres provide general practitioner and specialist services as well as diagnostics services.

Solvency

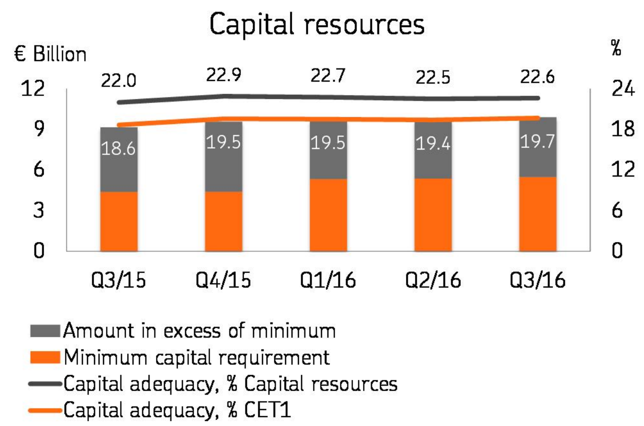
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

On 30 September 2016, OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.9 billion (4.7). The buffer was decreased by the 2 percentage point capital conservation buffer of the Other Systemically Important Institution (O-SII) adopted at the beginning of 2016 and a decline in insurance business valuation differences. Since the beginning of 2016, insurance-sector solvency has been calculated in compliance with Solvency II and the figures have been presented in view of the transitional provisions. Comparatives are also presented under the new regulation. The O-SII buffer requirement increased the consolidated capital adequacy requirement from 10.5% to 12.5%, calculated as percentage of risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 164% (191), with the O-SII buffer requirement reducing the ratio by 22 percentage points. As a result of the buffer requirements and Solvency II, the FiCo solvency does no longer reflect the minimum level of capital base of the FiCo group but the level within which the group can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

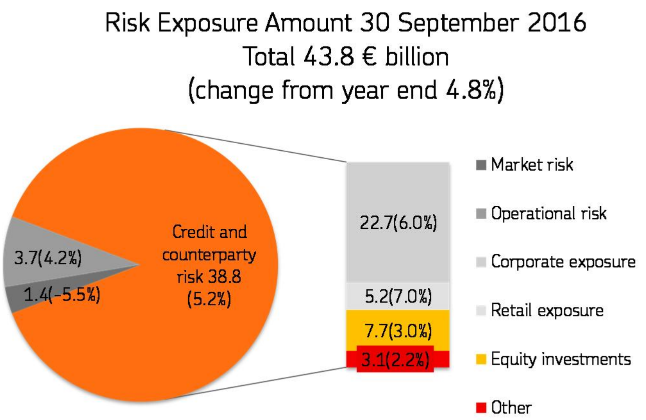
The Group's CET1 ratio was 19.7% (19.5) on 30 September 2016. An increase in CET1 capital exceeded an increase in total risk exposure amount resulting from growth in the loan portfolio. Calculated adjustments arising from reduced market interest rates for defined benefit pension plans (IAS 19) decreased the Group's CET1 ratio by around 0.5 percentage points in the reporting period.

As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions and the O-SII buffer of 2% increase in practice the minimum capital adequacy ratio to 12.5% and the CET1 ratio to 9%.



The Group's CET1 capital was EUR 8.6 billion (8.2) on 30 September 2016. CET1 capital was increased by Banking performance, Profit Share issues and dividends from the Group's insurance institutions. Adjustments under IAS 19 reduced CET1 capital. The amount of Profit Shares in CET1 capital rose to EUR 2.6 billion.

On 30 September 2016, the risk exposure amount (REA) totalled EUR 43.8 billion (41.8), or 4.8% higher than on 31 December 2015. The average risk levels of corporate and retail exposures remained virtually unchanged.



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

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

In September 2016, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. The Authority will continue preparing to set a 10% minimum risk weight on housing loans in an effort, according to the Authority, to prepare for an increased systemic risk. This 10% minimum would decrease the CET1 ratio by an estimated 0.9 percentage points and FiCo solvency by 7 percentage points.

The upcoming regulations include a ratio of the degree of indebtedness, the leverage ratio. The leverage ratio of OP Financial Group's Banking is estimated at about 7.2% based on the existing interpretations, calculated using the September-end figures, with the minimum level in the draft regulations being 3%.

Non-life and Life Insurance

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

	Non-life Insurance*		Life Insurance	
Solvency II	30 Sept. 2016	31 Dec. 2015	30 Sept. 2016	31 Dec. 2015
Capital base, € million **	1,187	1,177	1,429	1,419
Capital requirement, € million **	702	714	804	692
Solvency ratio, % **	169	165	178	205
Solvency ratio, % (excluding transitional provision)	152	146	135	149

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

ECB banking supervision

OP Financial Group is supervised by the European Central Bank (ECB). In 2015, the ECB imposed on OP Financial Group a discretionary capital buffer requirement as part of the supervisory review and evaluation process (SREP). This buffer requirement is 9.75% the CET1 capital requirement included and 11.75% the O-SII buffer requirement included. In view of OP Financial Group's strong capital base and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for the Group's capital adequacy position or business. The ECB's SREP process for 2016 is underway and information regarding the capital buffer requirement for 2017 will be expected towards the end of the year. Following the EU-wide guidelines resulting from the SREP process, the capital buffer requirement for 2017 is expected to increase slightly and extended to also cover the total capital base.

The ECB has paid attention to shortcomings in OP Financial Group's credit risk validation process. The ECB may impose sanctions on the Group due to shortcomings it has discovered, such as raising the risk weights used in capital adequacy measurement for a fixed period. Handling the matter is in progress, and the ECB's final decision on the matter can be expected during the last quarter.

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

Risk exposure

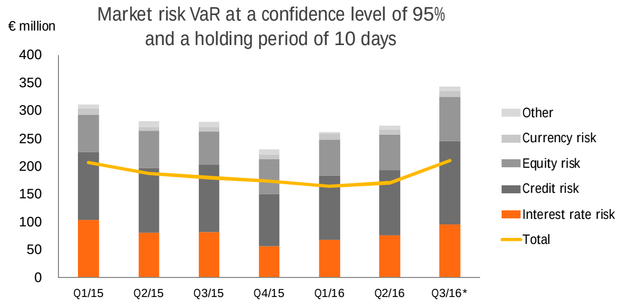
OP Financial Group's risk exposure has remained stable. The Group has a strong risk-bearing capacity that secures business continuity.

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

OP Financial Group's funding and liquidity position is good. The Group has good access to funding. During the reporting period, the Group issued long-term bonds worth EUR 2.2 billion. In addition, OP Financial Group participated in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-

II) with EUR 2 billion. The loan-to-deposit ratio remained stable during the reporting period.

OP Financial Group's market risk exposure was stable during the reporting period. The Group's VaR, a measure of market risk, was EUR 210 million (174) on 30 September 2016. It includes the balance sheet total of the insurance institutions, trading, liquidity buffer and the Group Treasury's interest rate risk exposure.



* The separated balance sheet (life insurance portfolio) transferring from Suomi Mutual is included in figures Q3/16

The Group expects its operational risks to be moderate as targeted. However, the speed of development of operations and services may present additional challenge to risk management in the next few years.

Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The increase in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period weakened comprehensive income before tax by EUR 302 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved other comprehensive income before tax by EUR 233 million.

Banking

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

Banking's credit risk exposure remained stable, at a moderate risk level. 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. Doubtful receivables totalled EUR 2.6 billion (2.1). An increase in loan modifications affected the increase in doubtful receivables. Member cooperative banks make every effort to find solutions to overcome customers' temporary financial difficulties. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Impairment losses remained low, accounting for 0.06% (0.08) of the loan and guarantee portfolio.

During the reporting period, the loan and guarantee portfolio increased by EUR 2.7 billion to EUR 80.5 billion. Private customers accounted for 61% (60) of the loan and guarantee portfolio. Of the six main categories for private customer exposure, 83% (83) of the exposures belonged to the top two categories, and 3.6% (3.6) to the lowest two. Corporate exposures (incl. housing corporations) represented 37% (36) of the loan and guarantee portfolio. Of corporate exposure, the highest borrower grade 1–5.5 exposure represented 56% (59) and the exposure of the two lowest borrower grades amounted to EUR 425 million (441), accounting for 1.1% (1.2) of the total corporate exposure. In August, the Group adopted an updated credit rating scale for corporate customers, which affected corporate customer exposure categories. Comparatives have not been restated.

No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation. The Banking capital base covering customer exposure amounted to EUR 9.9 billion (9.4).

In the Companies and housing associations sector, the most significant industries measured by exposure were Renting and Operating of Residential Real Estate representing 22.1% (21.9), Renting and Operating of Other Real Estate representing 11.3% (11.7) and Trade representing 9.2% (9.6). A total of 93% of exposures within Renting and Operating of Residential Real Estate were those by housing associations and 15.7% those guaranteed by general government.

Banking's interest rate risk measured as a one-percentage point decrease on 12-month net interest income was EUR 203 million (215) at the end of September.

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 40 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 at the end of September under Solvency II was slightly higher than at the end of December.

The investment risk level (VaR with 95% confidence, 1-month time period) was somewhat higher on 30 September 2016 than on 31 December 2015. The Group has moderately increased equity 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 total balance sheet.

Wealth Management

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

A one-year increase in life expectancy would increase insurance liability by EUR 24 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 40 million.
Risk associated with the separated life insurance portfolio transferred from Suomi Mutual has been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separate portfolio, after which OP Financial Group will bear the risks associated with the portfolio.

No major changes took place in Life Insurance's underwriting risks. The Life Insurance solvency position under Solvency II was weaker on 30 September 2016 than on 31 December 2015, due to a reduction in long-term interest rates, among other things.

The investment risk level (VaR with 95% confidence, 1-month time period) was somewhat higher on 30 September 2016 than on 31 December 2015. The Group has moderately increased equity 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. Interest rate risk associated with the total balance sheet has remained stable.

Other Operations

Major risks exposed by 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.

Despite an increase in investments in the liquidity buffer, market risks (VaR with 95% confidence) decreased slightly during the reporting period as a result of allocation changes.

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

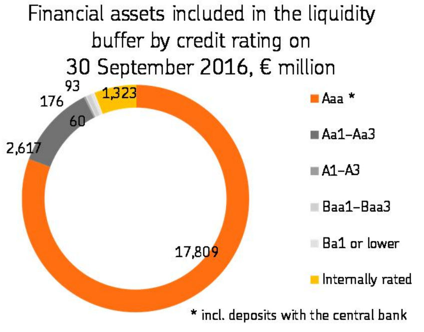
As a result of an analysis carried out in the third quarter, the Group has reassessed the application of the collateral eligibility criteria for corporate loans eligible as collateral included in the liquidity buffer, on the basis of which the comparative figure was reduced by EUR 2.2 billion. The amount of corporate loans eligible as collateral decreased during the reporting period because they were used as collateral in TLTRO-II.

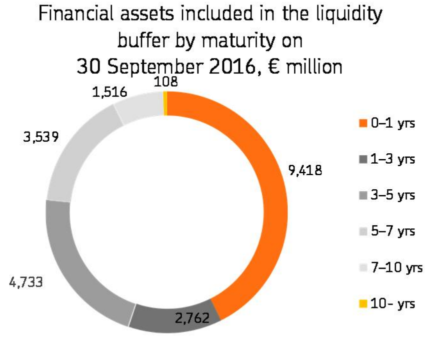
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. On 30 September 2016, OP Financial Group's LCR was 123%.

Liquidity buffer

€ billion	30 Sept. 2016	31 Dec. 2015	Change, %
Deposits with central banks	8.6	8.5	1.6
Notes and bonds eligible as collateral	11.8	10.6	11.2
Corporate loans eligible as collateral	0.2	2.1	-91.7
Total	**20.6**	**21.1**	**-2.7**
Receivables ineligible as collateral	1.5	0.8	84.1
Liquidity buffer at market value	**22.1**	**22.0**	**0.6**
Collateral haircut	-0.7	-0.9	-23.1
Liquidity buffer at collateral value	**21.4**	**21.0**	**1.6**

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.





Credit ratings

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

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

The credit ratings did not change in the reporting period. In July 2016, Standard & Poor's affirmed OP Corporate Bank plc's long-term debt rating at AA- and short-term debt rating at A-1+ while keeping the outlook negative.

Financial performance by segment

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

Banking

- Earnings before tax amounted to EUR 467 million (531).
- Income decreased by 3.1%, due especially to an increase in the negative CVA valuations and the changed operating model between the Group's Banking and Other Operations. Expenses increased by 3.3% as a result of higher development expenditure and volumes.
- The loan portfolio increased by 4.9% and the deposit portfolio by 5.3% in the year to September. Year on year, the volume of new home loans drawn down increased by 11.0% and that of corporate loans by 7.6%.
- Impairment losses of EUR 35 million (47) accounted for 0.06% (0.08) of the loan and guarantee portfolio.

Banking: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Net interest income	847	822	3.0	1,108
Net commissions and fees	564	511	10.5	663
Net investment income	-16	105	-115.4	120
Other income	22	25	-12.8	36
Total income	**1,416**	**1,462**	**-3.1**	**1,927**
Personnel costs	335	348	-3.7	472
Depreciation/amortisation and impairment loss	37	37	2.2	52
Other operating expenses	408	371	10.0	512
Total expenses	**781**	**756**	**3.3**	**1,037**
Impairment loss on receivables	35	47	-25.1	77
OP bonuses to owner-customers	133	129	3.4	171
Earnings before tax	**467**	**531**	**-12.0**	**642**
Cost/income ratio, %	**55.2**	**51.7**	**3.5**	**53.8**
€ million	**30 Sept. 2016**	**30 Sept. 2015**	**Change, %**	**31 Dec. 2015**
Home loans drawn down	5,380	4,848	11.0	6,577
Corporate loans drawn down	4,997	4,644	7.6	6,631
No. of brokered property transactions	9,470	9,171	3.3	12,149
€ billion				
Loan portfolio				
Home loans	36.5	34.9	4.6	35.3
Corporate loans	18.6	17.8	4.7	18.5
Housing corporation and other loans	22.7	21.5	5.7	21.5
Total	**77.8**	**74.2**	**4.9**	**75.2**
Guarantee portfolio	2.6	2.7	-6.2	2.6
Deposits				
Current and payment transfer	36.7	33.9	8.0	34.7
Investment deposits	17.7	17.6	0.2	17.2
Total	**54.3**	**51.6**	**5.3**	**51.9**

Market share, %**	30 Sept. 2016	30 Sept. 2015	Change, %	31 Dec. 2015
Loans	35.2	34.7	0.5*	34.9
Deposits	38.0	36.6	1.4*	37.1

* Change in ratio
** Excluding financial and insurance institutions' loans and deposits

The loan portfolio continued to grow. It increased by 4.9% in the year to September and by 3.5% in January–September. Year on year, the volume of new home loans drawn down increased by 11.0% and that of corporate loans by 7.6%.

The deposit portfolio increased by 5.3% in the year to September. The volume of investment deposits remained at the level recorded a year ago. The volume of deposits in current and payment transaction accounts increased by 8.0% in the year to September.

The Group's market share of home loans increased in the year to September by 0.8 percentage points, being 39.2% at the end of September. The market share of corporate loans increased during the same period by 0.9 percentage points to 37.5% (36.5). The Group's market share of the total euro-denominated deposits, excluding financial and insurance institutions, was 38.0% (36.6).

The volume of homes sold and bought through the OP Kiinteistökeskus real estate agents increased by 3.3% over the previous year.

Earnings

Earnings before tax amounted to EUR 467 million (531). Income decreased by 3.1% and total expenses increased by 3.3%. The segment's reduced income was affected by a change in the Group's internal operating model and an increase in the negative CVA fair values of derivatives. The reduced income also affected the cost/income ratio, which was 55 percentage points (52). Impairment losses of EUR 35 million (47) accounted for 0.06% (0.08) of the loan and guarantee portfolio.

As from the beginning of the reporting period, the Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The change affects Banking and Other Operations net interest income, net commissions and fees and net investment income. This change together with other changes in internal operating models reduced Banking income by roughly EUR 12 million. However, the change improved earnings by Other Operations. Comparatives have not been changed.

Net interest income rose to EUR 847 million (822) as a result of an increase in the loan portfolio, a higher average loan portfolio margin and lower deposit funding costs.

Net commissions and fees increased by EUR 53 million to EUR 564 million (511). This increase was affected by the change in the Group's internal operating model, as a result of which EUR 59 million were recognised in commissions and fees from derivatives and FX trading. Commissions and fees related to payment transactions increased by EUR 5 million and those to lending, wealth management and non-life insurance decreased by a total of EUR 12 million.

Net investment income decreased by a total of EUR 121 million. The reduced net investment income was lowered by a negative 36-million euro (2) CVA valuation arising from interest rate changes and other market movements. As a result of the change in the Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value are partly allocated to the Other Operations segment instead of Banking. These fair value changes recognised in Banking for the reporting period a year ago totalled EUR 88 million.

Expenses increased by 3.3% to EUR 781 million (756). Other operating expenses rose by 10.0%. ICT costs increased by EUR 23 million. Higher ICT costs were explained by heavy investments in development and growth in volumes.

Personnel costs decreased by EUR 13 million to EUR 335 million (348).

Non-life Insurance

- Earnings before tax amounted to EUR 200 million (218). Net investment income totalled EUR 87 million (110). Earnings before tax at fair value were EUR 282 million (110).
- Insurance premium revenue increased by 2.3% (5.2).
- The operating combined ratio was 86.5% (86.3) and operating expense ratio 17.6% (17.4). The combined ratio was 88.0% (87.9).

Non-life Insurance: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Insurance premium revenue	1,062	1,039	2.3	1,397
Claims incurred	660	652	1.3	885
Other expenses	3	3	5.6	5
Net insurance income	**398**	**383**	**3.9**	**508**
Net investment income	87	110	-21.4	125
Other net income	-49	-53	-7.8	-70
Total income	**436**	**441**	**-1.0**	**563**
Personnel costs	74	73	0.8	101
Depreciation/amortisation and impairment loss	29	27	7.3	37
Other operating expenses	132	121	9.4	168
Total expenses	**235**	**221**	**6.3**	**302**
OP bonuses to owner-customers	1	1	13.1	2
Earnings before tax	**200**	**218**	**-8.5**	**259**
Combined ratio, %	88.0	87.9		88.8
Operating combined ratio, %	86.5	86.3		87.3
Operating loss ratio, %	68.9	68.9		69.6
Operating expense ratio, %	17.6	17.4		17.7
Operating risk ratio, %	63.2	63.6		64.2
Operating cost ratio, %	23.3	22.7		23.1
Solvency ratio (Solvency II), %*	162			158
Large claims incurred retained for own account	43	37		60
Changes in claims for provisions of previous years (run-off result)	41	15		32

* including transitional provisions.

Insurance premium revenue from Private Customers continued to grow. Insurance premium revenue from Corporate Customers was lower than a year ago as the economic situation remained challenging. Insurance sales increased slightly year on year.

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

The number of premier customer households increased by a record high of 47,000 to 724,000 in the reporting period, of which up to 76% also use OP Financial Group member banks as their main bank.

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

Earnings

Earnings before tax amounted to EUR 200 million (218). Net insurance income increased by 3.9% to EUR 398 million. Net investment income recognised in the income statement decreased by EUR 23 million. Earnings before tax at fair value were EUR 282 million (110).

The operating combined ratio was 86.5% (86.3). These operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue € million	Q1–3/2016	Q1–3/2015	Change, %
Private Customers	578	549	5.2
Corporate Customers	441	447	-1.3
Baltics	43	42	2.0
Total	**1,062**	**1,039**	**2.3**

Claims incurred increased by 1.3%. Claims incurred arising from new large claims were higher than a year ago. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 50 (54) in January–September, with their claims incurred retained for own account totalling EUR 42.5 million (37.3). The change in provisions for unpaid claims under statutory pension increased year on year, being EUR 9 million (6) between January and September. On 30 September 2016, the average discount rate was 2.04%. On 31 December 2015, the average discount rate was 2.22%. The reduced discount rate increased claims incurred by EUR 41 million (48). The changed discount rate weakened the operating combined ratio by 3.9 percentage points (4.6).

Changes in claims for previous years, excluding the effect of changes on the discount rate, improved the balance on technical account by EUR 41 million (15). The operating loss ratio was 68.9% (68.9). The operating risk ratio excluding indirect loss adjustment expenses was 63.2% (63.6).

Expenses rose by 6.3% due to an increase in ICT costs and the expansion of the health and wellbeing business, being EUR 15 million higher than a year ago. The operating expense ratio was 17.6% (17.4). The operating cost ratio (including indirect loss adjustment expenses) was 23.3% (22.7).

Operating balance on technical account and combined ratio (CR)

	Q1–3/2016		Q1–3/2015	
	Balance, € million	CR, %	Balance, € million	CR, %
Private Customers	104	82.0	110	80.0
Corporate Customers	36	91.8	29	93.6
Baltics	3	92.3	3	92.3
Total	**143**	**86.5**	**142**	**86.3**

Investment

Income from Non-life Insurance investments at fair value totalled EUR 18 million (31). Income from investments is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio by asset class

%	30 Sept. 2016	31 Dec. 2015
Bonds and bond funds	77.6	76.6
Alternative investments	0.8	0.8
Equities	7.6	6.7
Private equity	2.9	3.4
Real property	9.2	9.9
Money markets	1.9	2.5
Total	**100**	**100**

On 30 September 2016, Non-life Insurance's investment portfolio totalled EUR 3,931 million (3,687). Investments within the investment-grade category accounted for 91% (93) and 64% (63) of the investments were rated at least A–.The average residual term to maturity of the fixed-income portfolio was 5.7 years (5.7) and the duration 5.4 years (5.2).

The running yield for direct bond investments averaged 1.66% (1.65) on 30 September 2016.

Wealth Management

- Earnings before tax amounted to EUR 191 million (168). Net investment income was EUR 102 million (84). Earnings before tax at fair value were EUR 247 million (103).
- The gross amount of assets under management increased by EUR 3.5 billion from the 2015-end level.
- Net commissions and fees decreased by 6% and Life Insurance net investment income increased by 22% year on year.

Wealth Management: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Net commissions and fees				
Funds and asset management	137	140	-2.0	188
Life insurance	123	127	-3.3	171
Expenses	103	100	3.0	139
Total net commissions and fees	**157**	**167**	**-5.9**	**220**
Life Insurance's net risk results	20	16	24.4	21
Net investment income from Life Insurance	102	84	22.3	98
Other income	10	0		5
Total income	**289**	**266**	**8.5**	**344**
Personnel costs	23	24	-3.9	32
Depreciation/amortisation and impairment loss	14	19	-25.4	24
Other operating expenses	42	38	11.5	52
Total expenses	**80**	**81**	**-1.8**	**108**
OP bonuses to owner-customers	18	17	5.1	23
Earnings before tax	**191**	**168**	**13.9**	**213**
€ billion	30 Sept. 2016	30 Sept. 2015	Change, %	31 Dec. 2015
Assets under management (gross)				
Mutual funds	22.0	20.7	6.3	21.7
Institutional clients	24.6	22.2	10.8	23.5
Private Banking	16.6	13.2	25.8	14.6
Unit-linked insurance savings	8.8	8.1	8.6	8.7
Total assets under management (gross)	**72.0**	**64.2**	**12.1**	**68.5**
€ million				
Net inflows				
Investor and saver customers	156	440	-64.5	666
Private Banking clients	316	203	55.7	469
Institutional clients	-54	-495	-	-187
Total net inflows	**418**	**149**		**948**
Market share, %	30 Sept. 2016	30 Sept. 2015	Change, %	31 Dec. 2015
Mutual funds	21.4	22.3	-0.9	22.2

Capital market sentiment improved following the Brexit referendum in June. Demand for Wealth Management products rebounded after the weak first half. Total net inflows were EUR 418 million (149) and the gross amount of assets under management increased by EUR 3.5 billion from the 2015-end level. Assets under management totalled EUR 72.0 billion, this amount including around EUR 11 billion in assets of the companies belonging to OP Financial Group.

At the beginning of June, OP Financial Group stopped permanently charging its owner-customers transaction costs related to mutual funds. This benefit aroused customers' interest, and the number of unitholders in saver's funds increased by 22,000 during the reporting period. The aggregate number of investor and saver customers grew by 2,700 in the reporting period, totalling 757,000 on 30 September 2016.

The risk-adjusted return of OP Mutual Funds remained good in the reporting period. The Morningstar rating for OP Mutual Funds was 3.2 (3.1).

During the reporting period, the Group continued to further develop electronic sales and transactions for Wealth Management. Electronic channels accounted for 42% (40) of mutual fund subscriptions.

Earnings

Earnings before tax increased to EUR 191 million (168). This improvement was due to higher net investment income from Life Insurance. Earnings before tax at fair value were EUR 247 million (103).

Net commissions and fees decreased by 5.9% year on year, amounting to EUR 157 million (167). Net commissions and fees less OP bonuses to owner-customers accounted for 0.27% (0.32) of the gross amount of the assets under management.

Income from Life Insurance investments at fair value totalled EUR 18 million (38). Income from investments is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets. These investments exclude the so-called separated balance sheets that were transferred from Suomi Mutual.

Expenses were lower than a year ago. Wealth Management's operating cost/income ratio improved to 43.0% (45.8). Expenses accounted for 0.14% (0.14) of the gross amount of the assets under management.

Interest-rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. During the reporting period, the Group began to hedge insurance liability through direct fixed-income investments. Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheet) totalled EUR 509 million (404) on 30 September 2016. Short-term supplementary interest rate provisions made for 12 months accounted for EUR 36 million (54) of these provisions.

Life Insurance's investment assets, excluding assets covering unit-linked insurance, interest rate derivatives hedging insurance liability and the separated balance sheets, amounted to EUR 4,050 million (4,080). Investments within the investment-grade category accounted for 93% (95) of the fixed-income portfolio. On 30 September 2016, the portfolio's modified duration was 5.3 (4.5).

Investment portfolio by asset class

%	30 Sept. 2016	31 Dec. 2015
Bonds and bond funds	79.1	76.2
Alternative investments	7.3	5.7
Equities and equity funds	6.1	5.1
Real property	7.1	6.6
Money markets	0.4	6.4
Total	**100**	**100**

Return on investments on the separated Life Insurance balance sheet

Suomi Mutual's individual life insurance portfolio transferred to OP Life Assurance Company Ltd on 31 December 2015. In connection with the portfolio transfer, a separated balance sheet was created out of the portfolio with a profit distribution policy differing from other life insurance operations.

On 30 September 2016, investment assets in the separated Life Insurance balance sheet, excluding interest rate derivatives hedging insurance liability, amounted to EUR 1,138 million. Of the investments, bonds and bond funds accounted for 83%, alternative investments for 7%, equities and equity funds for 3%, real property for 6% and money market investments for 1%.

Income from investments in the separated Life Insurance balance sheet at fair value was EUR 17 million. Income is calculated by deducting the value change in market-consistent insurance liability from income from investment assets.

Suomi Mutual's individual pension insurance portfolio was consolidated into OP Financial Group on 30 September 2016. A separated balance sheet was also created out of the pension insurance portfolio with a profit distribution policy differing from other life insurance operations. The transferring balance sheet totalled EUR 3.2 billion on 30 September 2016. Of the investments, bonds and bond funds accounted for 67%, money market investments for 23%, real property for 6%, equities and equity funds for 2% and alternative investments for 2%.

Other Operations

Other Operations: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Net interest income	-35	-34	2.0	-52
Net commissions and fees	-48	15		20
Net investment income	110	75	47.2	86
Other operating income	424	360	17.7	484
Total income	**452**	**416**	**8.5**	**538**
Personnel costs	130	128	2.1	176
Depreciation/amortisation and impairment loss	35	37	-5.3	48
Other operating expenses	223	236	-5.3	327
Total expenses	**389**	**401**	**-2.9**	**551**
Impairment loss on receivables	0	0		0
Earnings before tax	**63**	**16**		**-13**

Earnings

Earnings before tax reported by Other Operations amounted to EUR 63 million (16). This earnings improvement came from higher net investment income and other operating income. Net commissions and fees, however, decreased year on year. Total income increased by 8.5% to EUR 452 million.

Net interest income was EUR –35 million (–34). In September 2016, the average margin of the Group's senior wholesale funding, TLTRO II funding and covered bonds was 34 basis points (39). Covered bonds are reported as part of the Banking segment.

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

Other Operations recognised EUR 71 million in non-recurring gain under other operating income as a result of the acquisition of Visa Europe Ltd by Visa Inc.

Expenses declined by EUR 12 million to EUR 389 million. Lease payments decreased by EUR 7 million. ICT costs and purchased services increased by a total of EUR 6 million year on year. A year ago, higher other operating expenses were explained by non-recurring expenses of EUR 16 million related to the reconstruction of the Vallila premises.

Changes in OP Financial Group’s structure

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

During the reporting period, the merger of Östra Korsholms Andelsbank into Vasa Andelsbank reduced the number of member cooperative banks. The merger was registered on 29 February 2016. During the reporting period, the conversion of Helsinki OP Bank Ltd's legal form into a cooperative bank, which was registered on 1 April 2016, increased the number of member cooperative banks. The bank's new business name is Helsinki Area Cooperative Bank (OP Helsinki). OP Helsinki as subsidiary is part of OP Financial Group central cooperative consolidated. The central cooperative will continue to have a major role in capitalising the new bank, which is why OP Cooperative exercises control over OP Helsinki, according to OP Helsinki's Bylaws.

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

Enon Osuuspankki, Ilomantsin Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki have accepted a merger plan, according to which Enon Osuuspankki, Kiihtelysvaaran Osuuspankki and Tuupovaaran Osuuspankki will merge into Ilomantsin Osuuspankki. In connection with the merger, Ilomantsin Osuuspankki will be renamed Vaara-Karjalan Osuuspankki. The planned date for registration of the merger is 31 December 2016.

Puolangan Osuuspankki and Suomussalmen Osuuspankki have accepted a merger plan, according to which the former will merge into the latter. In connection with the merger, Suomussalmen Osuuspankki will be renamed Ylä-Kainuun Osuuspankki. The planned date for registration of the merger is 31 December 2016.

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

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

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

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

Personnel and remuneration

On 30 September 2016, OP Financial Group had 12,248 employees (12,130). The number of employees averaged 12,276 (12,174). OP Financial Group continued to invest in the development of digital business and customer experience, which led to higher headcount.

During the reporting period, 255 OP Financial Group employees (186) retired, at an average age of 61.9 years (61.6).

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

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

The long-term management incentive scheme has been confirmed for 2014–2016. OP Financial Group's personnel fund remuneration scheme will also be extended by one-year performance periods.

In drawing up the Group's incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes. As a rule, the remuneration scheme for 2014–2016 follows the principles observed during the previous three-year performance period.

OP Cooperative's Supervisory Board has set the following long-term target performance indicators: OP Financial Group's EBT, the Group's CET1 ratio and the growth rate of the number of customers using OP as their main bank and insurer. The Group-level targets are the same both in the management incentive scheme and OP Financial Group's Personnel Fund.

Governance of OP Cooperative

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

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

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

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

The Annual Cooperative Meeting re-elected KPMG Oy Ab, a firm of authorised public accountants, to act as the auditor, with Raija-Leena Hankonen, APA, acting as the Auditor-in-charge, appointed by KPMG Oy Ab.

Capital expenditure and service development

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

OP Financial Group's development expenditure for January–September totalled EUR 214 million (135). These include licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 118 million (82).

Outlook towards the year end

Supported by the domestic market, the Finnish economy has recovered slowly during the current year. Consumer spending and construction, in particular, have contributed to economic growth but export performance has remained sluggish. Unemployment has decreased and confidence improved. The world economy is expected to continue its slow growth and exports should not see any quick recovery. The Finnish economy is expected to continue its fairly slow growth, supported in the first place by domestic demand. Unrest in financial markets caused by the UK EU membership referendum eased off at the end of the reporting period but Brexit and many other political and economic risks are still casting a shadow over the outlook. In Finland, the faltering implementation of the economic policy measures already decided may threaten recovery.

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

OP Financial Group's full-year 2016 earnings before tax are expected to be of about the same size as the record earnings reported in 2015. Abnormally high uncertainty that is related to developments in the operating environment has further increased short-term earnings volatility, which will have an effect on the predictability of OP Financial Group's full-year earnings performance. The most significant uncertainties are related to changes in the interest rate and investment environment.

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

Consolidated income statement

EUR million	Note	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Net interest income	3	271	256	799	767
Net insurance income	4	149	140	418	399
Net commissions and fees	5	200	205	637	652
Net investment income	6	99	79	282	368
Other operating income		11	8	104	33
Share of associates' profits		2	2	5	6
Total income		**732**	**690**	**2,245**	**2,225**
Personnel costs		167	172	563	573
Depreciation/amortisation		41	38	116	120
Other expenses		152	121	458	411
Total expenses		**361**	**331**	**1,136**	**1,105**
Impairment loss of receivables	7	12	10	36	47
OP bonuses to owner-customers		53	51	153	147
Earnings before tax		**306**	**299**	**921**	**926**
Income tax expense		61	59	183	215
Profit for the period		**245**	**240**	**738**	**712**
Attributable to:					
Owners		245	239	736	708
Non-controlling interests		1	2	2	4
Profit for the period		**245**	**240**	**738**	**712**
Statement of comprehensive income					
Profit for the period		**245**	**240**	**738**	**712**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		-32	-51	-302	233
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		135	-115	230	-217
Cash flow hedge		-1	9	24	-13
Translation differences		0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		6	10	60	-47
Items that may be reclassified to profit or loss					
Measurement at fair value		-27	23	-46	43
Cash flow hedge		0	-2	-5	3
Total comprehensive income for the period		**327**	**114**	**699**	**714**
Attributable to:					
Owners		320	113	663	699
Non-controlling interests		7	1	35	15
Total comprehensive income for the period		**327**	**114**	**699**	**714**

Balance sheet

EUR million	Note	30 Sep. 2016	31 Dec. 2015
Cash and cash equivalents		8,736	8,619
Receivables from credit institutions		351	425
Financial assets held for trading		850	928
Derivative contracts	10	6,351	5,763
Receivables from customers	12	77,846	75,192
Investment assets		26,157	20,784
Assets covering unit-linked contracts		8,795	8,640
Investments in associates		92	93
Intangible assets		1,442	1,395
Property, plant and equipment (PPE)		869	843
Other assets		2,612	2,347
Tax assets		162	118
Total assets		**134,264**	**125,145**
Liabilities to credit institutions		3,510	1,673
Derivative contracts		5,411	5,369
Liabilities to customers		59,636	58,220
Insurance liabilities	13	11,070	7,705
Liabilities from unit-linked insurance and investment contracts	13	8,823	8,666
Debt securities issued to the public	14	29,072	27,706
Provisions and other liabilities		4,258	3,921
Tax liabilities		872	866
Supplementary capital contributions		79	106
Subordinated liabilities		1,460	1,590
Total liabilities		**124,191**	**115,822**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Membership capital contributions		161	154
Profit shares		2,632	2,502
Fair value reserve	15	411	242
Other reserves		2,159	2,085
Retained earnings		4,624	4,271
Non-controlling interests		86	70
Total equity capital		**10,073**	**9,324**
Total liabilities and equity capital		**134,264**	**125,145**

Statement of changes in equity

	Attributable to owners						
EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**1,709**	**425**	**1,996**	**3,014**	**7,144**	**69**	**7,213**
Total comprehensive income for the period		-197		894	698	15	713
Profit for the period				708	708	4	712
Other comprehensive income		-197		186	-10	12	1
Profit distribution				-21	-21		-21
Increase in cooperative capital	677				677		677
One-off effect of transfer of POP Group banks to OP Financial Group*	2	1	67	48	118		118
Transfer of reserves			22	-22			
Other				-2	-2	-8	-9
Balance at 30 September 2015	**2,387**	**230**	**2,085**	**3,911**	**8,613**	**77**	**8,690**

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

	Attributable to owners						
EUR million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**2,656**	**242**	**2,085**	**4,271**	**9,254**	**70**	**9,324**
Total comprehensive income for the period		169		494	663	35	698
Profit for the period				736	736	2	738
Other comprehensive income		169		-242	-73	33	-40
Profit distribution				-68	-68		-68
Increase in cooperative capital	137				137		137
Transfer of reserves			75	-75			
Other				1	1	-19	-18
Balance at 30 September 2016	**2,793**	**411**	**2,159**	**4,624**	**9,987**	**86**	**10,073**

Cash flow statement

EUR million	Q1–3/ 2016	Q1–3/ 2015
Cash flow from operating activities		
Profit for the period	738	712
Adjustments to profit for the period	435	1,177
Increase (-) or decrease (+) in operating assets	**-8,221**	**-5,786**
Receivables from credit institutions	119	204
Financial assets held for trading	-242	326
Derivative contracts	44	-22
Receivables from customers	-2,681	-2,954
Assets covering unit-linked contracts	-17	-683
Investment assets	-4,879	-2,898
Other assets	-564	242
Increase (+) or decrease (-) in operating liabilities	**6,104**	**3,626**
Liabilities to credit institutions	1,838	-271
Financial liabilities at fair value through profit or loss	0	-4
Derivative contracts	-38	12
Liabilities to customers	1,416	3,739
Insurance liabilities	3,234	23
Liabilities from unit-linked insurance and investments contracts	-248	-38
Provisions and other liabilities	-98	165
Income tax paid	-211	-295
Dividends received	70	73
A. Net cash from operating activities	**-1,085**	**-492**
Cash flow from investing activities		
Increases in held-to-maturity financial assets	0	-1
Decreases in held-to-maturity financial assets	16	83
Acquisition of subsidiaries and associates, netof cash acquired	-1	-25
Disposal of subsidiaries and associates, net of cash disposed		0
Purchase of PPE and intangible assets	-194	-194
Proceeds from sale of PPE and intangible assets	11	5
B. Net cash used in investing activities	**-168**	**-132**
Cash flow from financing activities		
Increases in subordinated liabilities	0	1,242
Decreases in subordinated liabilities	-144	-697
Increases in debt securities issued to the public	20,722	22,269
Decreases in debt securities issued to the public	-19,203	-21,684
Increases in cooperative and share capital	682	2,807
Decreases in cooperative and share capital	-572	-2,226
Dividends paid and interest on cooperative capital	-69	-30
C. Net cash used in financing activities	**1,416**	**1,681**
Net increase/decrease in cash and cash equivalents (A+B+C)	**162**	**1,057**
POP Group banks' cash and cash equivalents*		**47**
Total change in cash and cash equivalents	**162**	**1,104**
Cash and cash equivalents at period-start	**8,708**	**4,176**
Cash and cash equivalents at period-end	**8,870**	**5,280**
Interest received	**1,829**	**1,966**
Interest paid	**-1,078**	**-1,235**
Cash and cash equivalents		
Liquid assets	8,736	4,989
Receivables from credit institutions payable on demand	134	291
Total	**8,870**	**5,280**

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

Segment information

Segment capitalisation is based on OP Financial Group's capital adequacy measurement in accordance with the Act on Credit Institutions. Capital requirements according to this measurement are allocated among the operating segments. Capital has been allocated to Banking in such a way that the CET1 ratio is 19% (18%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120% and 130% in life insurance. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

Q1–3 earnings 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Net interest income	847	-15	4	-35	-1	799
-of which internal net income before tax	-15	-13	4	24		
Net insurance income		398	20		0	418
Net commissions and fees	564	-41	157	-48	5	637
Net investment income	-16	87	102	110	-1	282
Other operating income	21	6	4	424	-350	104
Share of associates' profits	1	1	3	0	0	5
Total income	**1,416**	**436**	**289**	**452**	**-348**	**2,245**
Personnel costs	335	74	23	130	0	563
Depreciation/amortisation and impairment losses	37	29	14	35		116
Other operating expenses	408	132	42	223	-349	458
Total expenses	**781**	**235**	**80**	**389**	**-349**	**1,136**
Impairments of receivables	35	0		0	1	36
OP bonuses to owner-customers	133	1	18		0	153
Earnings before tax	**467**	**200**	**191**	**63**	**0**	**921**

Q1–3 earnings 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Net interest income	822	-17	-3	-34	-2	767
-of which internal net income before tax	-20	-15	2	33		
Net insurance incomes		383	16		0	399
Net commissions and fees	511	-40	167	15	0	652
Net investment income	105	110	84	75	-6	368
Other operating income	21	4	1	360	-352	33
Share of associates' profits	4	0	2		0	6
Total income	**1,462**	**441**	**266**	**416**	**-360**	**2,225**
Personnel costs	348	73	24	128	0	573
Depreciation/amortisation and impairment losses	37	27	19	37	0	120
Other operating expenses	371	121	38	236	-355	411
Total expenses	**756**	**221**	**81**	**401**	**-354**	**1,105**
Impairments of receivables	47	0		0	0	47
OP bonuses to owner-customers	129	1	17		0	147
Earnings before tax	**531**	**218**	**168**	**16**	**-6**	**926**

Balance sheet 30 September 2016, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	103	173	659	8,627	-825	8,736
Receivables from credit institutions	5,352	6	39	10,059	-15,106	351
Financial assets held for trading	81			774	-5	850
Derivative contracts	594	48	338	5,998	-626	6,351
Receivables from customers	78,340	0	0	712	-1,205	77,846
Investment assets	6,293	3,816	7,980	18,732	-10,664	26,157
Assets covering unit-linked contracts			8,795			8,795
Investments in associates	41	2	28	0	22	92
Intangible assets	64	690	372	320	-3	1,442
Property, plant and equipment (PPE)	491	46	22	323	-13	869
Other assets	332	711	276	1,567	-274	2,612
Tax assets	94	4	15	32	17	162
Total assets	**91,785**	**5,495**	**18,523**	**47,143**	**-28,683**	**134,264**
Liabilities to credit institutions	9,415			8,286	-14,192	3,510
Derivative contracts	201	6	13	5,817	-626	5,411
Liabilities to customers	54,542		0	6,853	-1,759	59,636
Insurance liabilities		3,131	7,939		0	11,070
Liabilities from unit-linked insurance and investments contracts			8,823			8,823
Debt securities issued to the public	10,559			19,605	-1,092	29,072
Provisions and other liabilities	2,046	407	420	1,740	-355	4,258
Tax liabilities	360	93	89	312	18	872
Supplementary capital contributions	251			970	-1,143	79
Subordinated liabilities	63	135	245	1,470	-453	1,460
Total liabilities	**77,437**	**3,772**	**17,529**	**45,054**	**-19,601**	**124,191**
Equity capital						**10,073**

Balance sheet 31 December 2015, EUR million	Banking	Non-life Insurance	Wealth Management	Other operations	Eliminations	Group total
Cash and cash equivalents	130	107	230	8,451	-299	8,619
Receivables from credit institutions	4,415	6	39	10,506	-14,540	425
Financial assets held for trading	939			5	-17	928
Derivative contracts	5,735	14	75	337	-398	5,763
Receivables from customers	75,633			801	-1,242	75,192
Investment assets	6,425	3,570	5,125	16,446	-10,782	20,784
Assets covering unit-linked contracts			8,640			8,640
Investments in associates	42	2	-1	32	18	93
Intangible assets	67	695	280	261	92	1,395
Property, plant and equipment (PPE)	494	47	16	299	-13	843
Other assets	1,030	666	280	617	-247	2,347
Tax assets	47	4	10	40	16	118
Total assets	**94,958**	**5,111**	**14,694**	**37,795**	**-27,412**	**125,145**
Liabilities to credit institutions	10,712			4,374	-13,414	1,673
Derivative contracts	5,389	15	37	326	-398	5,369
Liabilities to customers	53,586		0	6,106	-1,472	58,220
Insurance liabilities		2,917	4,788		0	7,705
Liabilities from unit-linked insurance and investment contracts			8,666			8,666
Debt securities issued to the public	10,971			17,893	-1,158	27,706
Provisions and other liabilities	2,122	322	98	1,704	-325	3,921
Tax liabilities	406	84	69	299	8	866
Supplementary capital contributions	255			5,799	-5,947	106
Subordinated liabilities	80	135	281	1,591	-497	1,590
Total liabilities	**83,520**	**3,473**	**13,939**	**38,092**	**-23,203**	**115,822**
Equity capital						**9,324**

Notes

Note 1 Accounting policies

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

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

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

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

The largest changes caused by the new grouping are as follows:

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

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

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

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

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

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

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

Note 2 Key figures and ratios and their formulas

	Q1–3/ 2016	Q1–3/ 2015
Return on equity (ROE), %	10.2	12.0
Return on equity (ROE) at fair value, %	9.6	12.0
Return on assets (ROA), %	0.76	0.83
Cost/income ratio, %	51	50
Average personnel	12,276	12,195

ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity (ROE), %

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

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

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

Cost/income ratio, %

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

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

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

Non-life Insurance indicators

Loss ratio (excl. unwinding of discount), %

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

Expense ratio, %

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

Risk ratio (excl. unwinding of discount), %

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

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

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

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Operating risk ratio + Operating cost ratio

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

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

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio, %

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

Solvency ratio, %

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

Leverage ratio, %

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

Liquidity coverage requirement (LCR), %

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

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

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

Return on economic capital, %

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

NON-LIFE INSURANCE OPERATING RESULTS

EUR million	Q1–3/ 2016	Q1–3/ 2015	Change %	Q1–4/ 2015
Insurance premium revenue	1,061	1,037	2.2	1,396
Claims incurred	-731	-715	2.2	-972
Operating expenses	-187	-181	3.2	-247
Amortisation adjustment of intangible assets	-16	-16	-0.3	-21
Balance on technical account	**127**	**126**	**1.4**	**156**
Net investment income	87	110	-21.3	125
Other income and expenses	-14	-18	-18.7	-22
Earnings before tax	**200**	**218**	-8.5	**259**
Gross change in fair value reserve	83	-108		-87
Earnings before tax at fair value	**282**	**110**		**171**

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

Note 3 Net interest income

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Interest income				
Receivables from credit institutions	1	-2	4	-3
Receivables from customers				
Loans	295	310	891	938
Finance lease receivables	4	4	11	12
Impaired loans and other commitments	1	1	2	2
Notes and bonds				
Held for trading	2	3	7	9
At fair value through profit or loss		0		0
Available for sale	31	37	96	114
Held to maturity	1	1	2	3
Loans and receivables	0	0	1	3
Derivative contracts				
Held for trading	223	277	722	864
Fair value hedge	-33	-28	-97	-90
Cash flow hedge	10	8	28	25
Ineffective portion of cash flow hedge	-1	0	1	-1
Other	2	1	5	1
Total	**536**	**612**	**1,674**	**1,877**
Interest expenses				
Liabilities to credit institutions	8	1	21	3
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	22	38	75	117
Debt securities issued to the public	71	84	215	267
Subordinated liabilities				
Subordinated loans	1	2	3	5
Other	11	11	34	30
Derivative contracts				
Held for trading	189	251	633	795
Cash flow hedge	-37	-31	-108	-110
Other				
Other	2	0	5	4
Total	**268**	**356**	**877**	**1,110**
Net interest income before fair value adjustment under hedge accounting	**268**	**255**	**797**	**767**
Hedging derivatives	-10	-31	-35	-61
Value changes of hedged items	12	31	37	61
Total net interest income	**271**	**256**	**799**	**767**

Note 4 Net insurance income

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Net insurance premium revenue				
Premiums written	256	252	1,171	1,160
Insurance premiums ceded to reinsurers	1	0	-5	-9
Change in provision for unearned premiums	112	112	-108	-122
Reinsurers' share	-7	-8	4	10
Total	**362**	**357**	**1,062**	**1,039**
Net Non-life Insurance claims				
Claims paid	197	198	642	597
Insurance claims recovered from reinsurers	-12	-12	-26	-24
Change in provision for unpaid claims	27	31	26	70
Reinsurers' share	8	3	18	8
Total	**220**	**220**	**660**	**652**
Other Non-life Insurance items	0	-1	-3	-3
Life Insurance risk premiums collected	7	4	20	16
Total net insurance income	**149**	**140**	**418**	**399**

Note 5 Net commissions and fees

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Comission income				
Lending	49	48	154	152
Deposits	1	1	4	4
Payment transfers	66	65	195	188
Securities brokerage	4	5	11	17
Securities issuance	0	5	5	11
Mutual funds	31	27	100	93
Asset management and legal services	17	17	56	60
Guarantees	5	5	16	16
Housing service	17	17	51	52
Insurance brokerage	10	11	46	52
Life insurance total expense loadings	15	19	66	62
Refund of unit-linked management fees	16	17	46	47
Other	6	7	15	18
Total	**237**	**244**	**765**	**772**
Comission expenses				
Payment transfers	17	17	52	47
Securities brokerage	-2	0	7	4
Securities issuance	1	1	2	3
Asset management and legal services	3	5	11	14
Insurance operations	10	9	30	27
Other	7	8	24	25
Total	**36**	**39**	**127**	**120**
Total net commissions and fees	**200**	**205**	**637**	**652**

Note 6 Net investment income

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Net income from available-for-sale assets				
Notes and bonds	31	29	144	111
Equity instruments	17	31	62	199
Dividend income	8	5	33	36
Impairment losses and their reversals	-4	-4	-29	-10
Total	**52**	**61**	**210**	**336**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	18	-1	64	-1
Equity instruments	4		7	
Derivatives	37	43	211	-25
Banking and Other operations				
Securities trading	33	19	50	69
Foreign exchange trading	5	2	28	15
Investment property	2	8	18	13
Other	1	0	2	1
Total	**99**	**73**	**381**	**72**
Net income carried at amortised cost				
Loans and other receivables	3	2	5	5
Impairment losses and their reversals	0	0	0	0
Total	**3**	**2**	**5**	**5**
Life Insurance				
Interest credited on customers' insurance savings	-23	-24	-71	-73
Change in insurance liabilities	-5	-27	-53	67
Other technical items	-17	5	-163	-10
Total	**-45**	**-47**	**-287**	**-16**
Non-life Insurance				
Unwinding of discount	-9	-9	-27	-29
Total	**-9**	**-9**	**-27**	**-29**
Total net investment income	**99**	**79**	**282**	**368**

Note 7 Impairment loss of receivables

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Receivables written off as loan or guarantee losses	10	7	69	43
Recoveries of receivables written off	-3	-4	-11	-11
Increase in impairment losses on individually assessed receivables	19	18	54	65
Decrease in impairment losses on individually assessed receivables	-14	-8	-82	-44
Collectively assessed impairment losses	0	-3	6	-6
Total impairment loss of receivables	**12**	**10**	**36**	**47**

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,736					8,736
Receivables from credit institutions	351					351
Derivative contracts			5,680		671	6,351
Receivables from customers	77,846					77,846
Assets covering unit-linked contracts			8,795			8,795
Notes and bonds		92	4,228	18,682		23,002
Equity instruments			623	2,364		2,987
Other financial assets	2,688					2,688
Financial assets	**89,621**	**92**	**19,326**	**21,046**	**671**	**130,756**
Other than financial instruments						3,507
Total 30 September 2016	**89,621**	**92**	**19,326**	**21,046**	**671**	**134,264**

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,619					8,619
Receivables from credit institutions	425					425
Derivative contracts			5,226		536	5,763
Receivables from customers	75,192					75,192
Assets covering unit-linked contracts			8,640			8,640
Notes and bonds		108	858	17,372		18,338
Equity instruments			70	2,387		2,457
Other financial assets	2,428					2,428
Financial assets	**86,664**	**108**	**14,794**	**19,760**	**536**	**121,862**
Other than financial instruments						3,283
Total 31 December 2015	**86,664**	**108**	**14,794**	**19,760**	**536**	**125,145**

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

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		3,510		3,510
Derivative contracts	5,088		323	5,411
Liabilities to customers		59,636		59,636
Insurance liabilities		11,070		11,070
Liabilities from unit-linked insurance and investment contracts	8,823			8,823
Debt securities issued to the public		29,072		29,072
Subordinated loans		1,460		1,460
Other financial liabilities		3,435		3,435
Financial liabilities	**13,911**	**108,182**	**323**	**122,417**
Other than financial liabilities				1,774
Total 30 September 2016	**13,911**	**108,182**	**323**	**124,191**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		1,673		1,673
Derivative contracts	5,017		352	5,369
Liabilities to customers		58,220		58,220
Insurance liabilities		7,705		7,705
Liabilities from unit-linked insurance and investment contracts	8,666			8,666
Debt securities issued to the public		27,706		27,706
Subordinated loans		1,590		1,590
Other financial liabilities		3,248		3,248
Financial liabilities	**13,683**	**100,141**	**352**	**114,176**
Other than financial liabilities				1,645
Total 31 December 2015	**13,683**	**100,141**	**352**	**115,822**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September, the fair value of these debt instruments was EUR 760 million (441) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 9 Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	489	107	27	623
Debt instruments	2,221	1,940	67	4,228
Unit-linked contracts	6,343	2,452		8,795
Derivative financial instruments	6	6,174	172	6,351
Available-for-sale				
Equity instruments	855	603	906	2,364
Debt instruments	14,219	4,127	336	18,682
Total	**24,133**	**15,402**	**1,508**	**41,043**

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				
Equity instruments		70		70
Debt instruments	616	221	21	858
Unit-linked contracts	6,425	2,215		8,640
Derivative financial instruments	2	5,584	176	5,763
Available-for-sale				
Equity instruments	1,683	-9	712	2,387
Debt instruments	12,037	5,042	293	17,372
Total	**20,763**	**13,124**	**1,203**	**35,090**

Fair value of liabilities on 30 September 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	6,364	2,460		8,823
Other		0		0
Derivative financial instruments	11	5,277	123	5,411
Total	**6,375**	**7,737**	**123**	**14,235**

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				
Unit-linked contracts	6,444	2,222		8,666
Other		0		0
Derivative financial instruments	35	5,199	135	5,369
Total	**6,480**	**7,421**	**135**	**14,035**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Specification of financial assets and liabilities				
Financial assets, EUR million				
Opening balance 1 January 2016	43	176	979	1,199
Total gains/losses in profit or loss	-4	-5	-43	-52
Total gains/losses in other comprehensive income			5	5
Purchases	56		366	422
Sales	0		-102	-102
Issues				0
Settlements	0			0
Transfers into Level 3			109	109
Transfers out of Level 3			-72	-72
Closing balance 30 September 2016	**94**	**172**	**1,242**	**1,508**

	Financial assets at fair value through profit or loss	Derivative contracts	Total liabilities
Financial liabilities, EUR million			
Opening balance 1 January 2016		135	135
Total gains/losses in profit or loss		-12	-12
Closing balance 30 September 2016		**123**	**123**

	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Net gains/losses on assets and liabilities held on 30 September
Total gains/losses included in profit or loss by item on 30 September 2016				
EUR million				
Realised net gains (losses)	-4			-4
Unrealised net gains (losses)	-5	-43	5	-43
Total net gains (losses)	**-9**	**-43**	**5**	**-48**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by OP Corporate Bank, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 for which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2016.

Note 10 Derivative contracts

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
30 September 2016, EUR million						
Interest rate derivatives	44,786	69,709	59,471	173,966	5,816	5,077
Cleared by the central counterparty	6,506	31,837	28,794	67,137	1,610	1,893
Currency derivatives	28,730	11,390	3,620	43,740	1,328	1,442
Equity and index derivatives	71	6		77	4	0
Credit derivatives	28	291	38	356	8	8
Other derivatives	349	523	2	874	64	28
Total derivatives	**73,964**	**81,920**	**63,130**	**219,014**	**7,221**	**6,555**

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

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

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

Financial assets

30 September 2016, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	7,946	-1,595	6,351	-3,410	-828	2,113

31 December 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		
				Derivative contracts***	Collateral received	Net amount
Derivatives	6,633	-870	5,763	-3,412	-1,030	1,321

Financial liabilities

30 September 2016, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	7,292	-1,881	5,411	-3,410	-1,246	756

31 December 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		
				Derivative contracts***	Collateral given	Net amount
Derivatives	6,209	-840	5,369	-3,412	-1,061	896

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -279 (22) million euros.
**Fair values excluding accrued interest.
***It is the practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives
February 2013 saw the adoption of central counterparty clearing in accordance with EMIR (Regulation (EU) No 648/2012). Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House. Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts
The ISDA Master Agreement or the Master Agreement of the Federation of Finnish Financial Services or the Group will apply to derivative transactions between the Group and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

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

30 September 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	352		352		1	351
Receivables from customers, of which	76,518	587	77,104	412	61	76,631
Bank guarantee receivables	5	9	14	9	1	5
Finance leases	1,215		1,215			1,215
Total	**78,085**	**587**	**78,672**	**412**	**63**	**78,197**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	26,694	421	27,115	324	33	26,758
Financial institutions and insurance companies	1,062	0	1,062	0	2	1,060
Households	48,912	160	49,072	85	27	48,961
Non-profit organisations	677	6	682	3	1	679
Public sector entities	740		740	0	0	740
Total	**78,085**	**587**	**78,672**	**412**	**63**	**78,197**

31 December 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	426		426		1	425
Receivables from customers, of which	73,903	620	74,523	441	56	74,026
Bank guarantee receivables	6	17	23	18	0	5
Finance leases	1,166		1,166			1,166
Total	**75,495**	**620**	**76,115**	**441**	**57**	**75,617**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	25,491	471	25,961	358	32	25,571
Financial institutions and insurance companies	1,124	0	1,124	0	2	1,122
Households	47,528	143	47,671	79	22	47,570
Non-profit organisations	665	6	671	4	1	667
Public sector entities	688		688		0	688
Total	**75,495**	**620**	**76,115**	**441**	**57**	**75,617**

Doubtful receivables 30 September 2016, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		599	599	208	391
Unlikely to be paid		464	464	154	310
Forborne receivables	1,668	267	1,935	50	1,886
Total	**1,668**	**1,330**	**2,999**	**412**	**2,586**

Doubtful receivables 31 December 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		543	543	223	319
Unlikely to be paid		499	499	175	325
Forborne receivables	1,310	191	1,501	43	1,458
Total	**1,310**	**1,233**	**2,543**	**441**	**2,102**

Key ratio, %	30 Sep. 2016	31 Dec. 2015
Exposures individually assessed for impairment, % of doubtful receivables	13.7 %	17.3 %

The Group reports as the amount of a receivable that is more than 90 days past due whose interest or principal amount has been past due and outstanding for more than three months. Contracts with the lowest credit ratings (F for private customers and 11-12 for others) are reported as unlikely to be paid. Forborne receivables include receivables that have been renegotiated due to the customer's financial difficulties. The loan terms and conditions of renegotiated receivables have been eased due to the customer's financial difficulties for example by transferring to interest only terms for a period of 6-12 months.

Note 13 Insurance liabilities

EUR million	30 Sep. 2016	31 Dec. 2015
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,418	1,386
Other provision for unpaid claims	992	970
Reserve for decreased discount rate*	49	0
Total	2,459	2,357
Provisions for unearned premiums	672	560
Liabilities from unit-linked insurance and investment contracts		
Liabilities from unit-linked insurance	7,599	7,194
Investment contracts	1,224	1,473
Total	8,823	8,666
Life Insurance insurance liabilities	7,939	4,788
Total	**19,893**	**16,371**

* Value of hedges of insurance liability.

Note 14 Debt securities issued to the public

EUR million	30 Sep. 2016	31 Dec. 2015
Bonds	11,471	12,164
Covered bonds	9,389	9,003
Certificates of deposit, commercial papers and ECPs	8,211	6,539
Total	**29,072**	**27,706**

Note 15 Fair value reserve after income tax

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 January 2016	**31**	**142**	**69**	**242**
Fair value changes	200	36	53	**288**
Capital gains transferred to income statement	-16	-59		**-75**
Impairment loss transferred to income statement		28		**28**
Transfers to net interest income			-29	**-29**
Deferred tax	-37	-1	-5	**-42**
Closing balance 30 September 2016	**178**	**146**	**88**	**411**

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 January 2015	**139**	**206**	**80**	**425**
Fair value changes	-118	37	11	**-69**
Capital gains transferred to income statement	-29	-132		**-160**
Impairment loss transferred to income statement		10		**10**
Transfers to net interest income			-24	**-24**
Deferred tax	29	17	3	**49**
Closing balance 30 September 2015	**22**	**138**	**70**	**230**

The fair value reserve before tax amounted to EUR 514 million (287) and the related deferred tax liability amounted to EUR 102 million (57). On 30 September 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 244 million (246) million and negative mark-to-market valuations EUR 29 million (25).

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

Note 16 Collateral given

EUR million	30 Sep. 2016	31 Dec. 2015
Collateral given on behalf of own liabilities and commitments		
Mortages	1	1
Pledges	1	5
Loans (as collateral for covered bonds)	10,048	10,053
Other	2,230	671
Other collateral given		
Pledges*	3,281	3,969
Total	**15,561**	**14,699**
Other secured liabilities	450	507
Covered bonds	9,389	9,003
Total secured liabilities	**9,839**	**9,510**

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

Note 17 Off-balance-sheet items

EUR million	30 Sep. 2016	31 Dec. 2015
Guarantees	809	764
Other guarantee liabilities	1,818	1,848
Pledges		1
Loan commitments	11,707	10,043
Commitments related to short-term trade transactions	252	194
Other *	693	587
Total off-balance-sheet items	**15,278**	**13,437**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 144 million (121).

Note 18 Capital adequacy for credit institutions

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

	30 Sep. 2016	31 Dec. 2015
Capital base, EUR million		
OP Financial Group's equity capital	10,073	9,324
The effect of insurance companies on the Group's shareholders' equity is excluded	-445	-200
Fair value reserve, cash flow hedging	-88	-69
Supplementary cooperative capital to which transition provision applies, and cooperative capital not included in equity	79	143
Common Equity Tier 1 (CET1) before deductions	**9,618**	**9,197**
Intangible assets	-576	-518
Excess funding of pension liability and valuation adjustments	-56	-131
Planned profit distribution	-62	-66
Shortfall of impairments – expected losses	-308	-306
Common Equity Tier 1 (CET1)	**8,617**	**8,176**
Subordinated loans to which transitional provision applies	34	141
Additional Tier 1 capital (AT1)	**34**	**141**
Tier 1 capital (T1)	**8,651**	**8,316**
Debenture loans	1,248	1,253
Tier 2 Capital (T2)	**1,248**	**1,253**
Total capital base	**9,898**	**9,569**

A prudent valuation adjustment of EUR 37 (69) million has been deducted from CET1 capital.

OP Financial Group has applied transitional provisions regarding old capital instruments to supplementary cooperative capital and subordinated loans. In June 2016, the Group redeemed a subordinated loan of JPY10 billion of which EUR 52 million were included in the capital base during the reporting period. Based on the supervisor's purchase permission, EUR 50 million have been deducted from the subordinated loans.

Risk exposure amount, EUR million	30 Sep. 2016	31 Dec. 2015
Credit and counterparty risk	**38,468**	**36,445**
Standardised Approach (SA)	**3,238**	**3,026**
Central government and central banks exposure	39	27
Credit institution exposure	40	29
Corporate exposure	1,851	1,838
Retail exposure	1,003	910
Equity investments*	7	72
Other**	298	151
Internal Ratings-based Approach (IRB)	**35,230**	**33,418**
Credit institution exposure	1,162	1,149
Corporate exposure	20,863	19,587
Retail exposure	4,225	3,976
Equity investments*	7,705	7,412
Other	1,276	1,294
Market and settlement risk (Standardised Approach)	**1,384**	**1,464**
Operational risk (Standardised Approach)	**3,669**	**3,521**
Other risks* **	**296**	**394**
Total	**43,816**	**41,824**

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

** EUR 229 million of Other exposures represent deferred tax assets that are treated with a risk weight of 250% instead of a deduction from common equity Tier 1 capital.

*** Valuation adjustment (CVA)

Ratios, %	30 Sep. 2016	31 Dec. 2015
CET1 capital ratio	19.7	19.5
Tier 1 ratio	19.7	19.9
Capital adequacy ratio	22.6	22.9

Ratios, fully loaded, %	30 Sep. 2016	31 Dec. 2015
CET1 capital ratio	19.5	19.2
Tier 1 ratio	19.5	19.2
Capital adequacy ratio	22.3	22.2

Capital requirement, EUR million	30 Sep. 2016	31 Dec. 2015
Capital base	9,898	9,569
Capital requirement	5,483	4,394
Buffer for capital requirements	4,415	5,175

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

Leverage ratio	30 Sep. 2016	31 Dec. 2015
Tier 1 capital (T1)	8,651	8,316
Total exposure	120,263	114,780
Leverage ratio, %	7.2	7.2

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

Note 19 Exposures by rating category

Retail exposures by rating category (AIRB)

All retail exposures 30 September 2016

Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
Private customers, total	**49,280**	**86.2**	**0.8**	**15.0**	**3,748**	**6.9**	**150**
A	30,351	85.8	0.0	13.5	455	1.5	1
B	11,015	87.4	0.1	15.6	511	4.6	2
C	4,037	88.7	0.5	19.5	608	15.1	4
D	2,131	83.6	2.3	20.1	735	34.5	10
E	1,356	77.3	20.9	19.9	1,059	78.1	55
F	390		100.0	24.9	380	97.4	78
Corporate customers, total	**1,549**	**71.6**	**3.4**	**23.6**	**477**	**26.1**	**24**
2,5–5,5	484	71.1	0.4	14.7	38	7.9	0
6,0–7,0	603	70.7	1.4	26.2	154	25.5	2
7,5–8,5	302	73.9	5.0	29.3	126	41.8	4
9,0–10,0	110	73.5	23.6	28.7	72	65.5	7
11,0–12,0	50		100.0	33.4	86	173.1	10
Total	**50,829**	**85.1**	**0.9**	**15.3**	**4,225**	**7.5**	**174**

All retail exposures 31 December 2015

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

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

Corporate exposures (FIRB) by rating category

	30 September 2016						
Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1,0–2,0	897	93.0	0.0	44.7	131	14.6	0
2,5–5,5	17,414	74.6	0.2	44.5	7,211	41.4	17
6,0–7,0	7,238	72.6	1.3	44.2	6,364	87.9	42
7,5–8,5	4,638	70.4	4.5	44.3	5,808	125.2	93
9,0–10,0	725	55.9	21.2	44.1	1,348	186.0	68
11,0–12,0	693	55.0	100.0	45.1			313
Total	**31,605**	**73.8**	**1.6**	**44.4**	**20,863**	**67.5**	**533**

	31 December 2015						
Rating category	Exposure value (EAD), EUR million	Average CF, %	Average PD, %	Average LGD, %	RWA, EUR million	Average risk weight, %	Expected losses, EUR million
1,0–2,0	1,042	91.6	0.0	44.7	152	14.6	0
2,5–5,5	16,922	70.8	0.2	44.5	7,035	41.6	17
6,0–7,0	6,269	71.3	1.3	44.3	5,491	87.6	35
7,5–8,5	4,299	70.3	4.5	44.4	5,369	124.9	86
9,0–10,0	819	58.9	22.8	44.0	1,541	188.0	82
11,0–12,0	745	58.5	100.0	45.2			337
Total	**30,096**	**71.1**	**1.7**	**44.5**	**19,587**	**66.7**	**557**

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

Note 20 Insurance company solvency

EUR million	30 Sep. 2016		30 Dec. 2015	
	Life Insurance	Non-life Insurance	Life Insurance	Non-life Insurance
Eligible capital	**1,429**	**1,187**	**1,419**	**1,177**
Solvency capital requirement (SCR)				
Market risk	725	471	665	472
Insurance risk	507	306	432	300
Counterparty risk	27	27	27	27
Operational risk	26	43	20	45
Diversification benefits and loss absorbency	-482	-146	-452	-129
Total	804	702	692	714
Buffer for SCR	**625**	**485**	**727**	**463**
SCR ratio, %	**178**	**169**	**205**	**165**

Transitional provisions have been taken into account in figures under Solvency II. Non-life Insurance figures also include those of OVY Insurance.

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

EUR million	30 Sep. 2016	31 Dec. 2015
OP Financial Group's equity capital	10,073	9,324
Other cooperative capital, hybrid instruments, perpetual bonds and debenture bonds	1,360	1,547
Other sector-specific items excluded from capital base	-142	-70
Goodwill and intangible assets	-1,404	-1,356
Insurance business valuation differences	600	728
Proposed profit distribution	-62	-66
Items under IFRS deducted from capital base*	-21	-57
Shortfall of impairments – expected losses	-282	-280
Conglomerate's capital base, total	**10,123**	**9,769**
Regulatory capital requirement for credit institutions**	4,677	3,707
Regulatory capital requirement for insurance operations***	1,506	1,406
Conglomerate's total minimum capital requirement	**6,183**	**5,113**
Conglomerate's capital adequacy	**3,940**	**4,656**
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	**164**	**191**

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

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

*** Estimate of SCR under Solvency II.

Year-on-year figures are presented under Solvency II. Transitional provisions have been taken into account in the figures. The O-SII buffer (2%) set for OP Financial Group on 7 January 2016 reduced the capital adequancy ratio by 22 percentage points.

Note 22 Related-party transactions

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

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

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

Financial reporting in 2017

Schedule for Financial Statements Bulletin for 2016 and Interim Reports in 2017:

Financial Statements Bulletin 2016	2 February 2017
Interim Report Q1/2017	27 April 2017
Interim Report H1/2017	2 August 2017
Interim Report Q1–3/2017	1 November 2017

Helsinki, 2 November 2016

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