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

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

- Consolidated earnings before tax were EUR 400 million (514). The return on equity was 11.1% (16.4).
- Banking earnings before tax decreased to EUR 189 million (259) due to lower net investment income. The loan portfolio grew in the reporting period by 6.4% to EUR 17.4 billion (16.4). Earnings included EUR 13 million (19) in impairment loss on receivables.
- Non-life Insurance earnings before tax decreased to EUR 199 million (225) due to lower net investment income. Operating combined ratio was 86.5% (86.3).
- Other Operations earnings before tax were EUR 11 million (28). Liquidity and access to funding remained good.
- The CET1 ratio was 14.5% (14.1) as against the target of 15%.
- Unchanged outlook: OP Corporate Bank Group's consolidated earnings before tax are expected to be clearly lower than earnings from continuing operations in 2015.

	Q1-3/2016	Q1-3/2015	Change, %	Q1-4/2015
Earnings before tax, € million				
Banking	189	259	-27.0	334
Non-life Insurance	199	225	-11.5	267
Other Operations	11	28	-60.3	23
Group total	400	**514**	**-22.2**	**625**

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

Financial targets*	Q1-3/2016	Q1-3/2015	Q1-4/2015	Target
Return on equity, %	11.1	16.4	14.8	13
CET1 ratio, %	14.5	13.7	14.1	15
Cost/income ratio by Banking, %	34.6	26.7	27.0	< 35
Operating combined ratio by Non-life Insurance, % **	86.5	86.3	87.3	< 92
Operating expense ratio by Non-life Insurance, %	17.6	17.4	17.7	18
Non-life Insurance solvency ratio (under Solvency II), % including the effect of transitional provisions	162		158	
Non-life Insurance solvency ratio (under Solvency II), % excluding the effect of transitional provisions	146	152	139	120
AA rating affirmed by two credit rating agencies or credit ratings at least at the main competitors' level	2	2	2	2
Dividend payout ratio at least 50%, provided that CET 1 ratio is at least 15%. Dividend payout ratio is 30% until CET1 ratio of 15% has been achieved.			30	≥ 50 (30)

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

OP Corporate Bank plc'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.

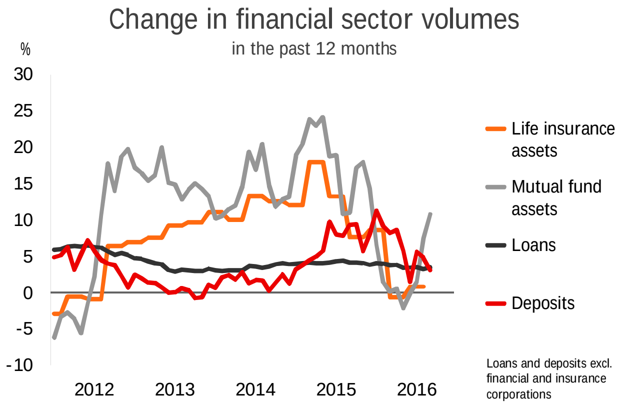
The euro-area economy is expected to continue to grow at a steady but slow rate in the near future. The inflation rate should rise slightly. The Finnish economy is expected to recover slowly in the short run, supported by the domestic market. The ECB is expected to continue its quantitative easing policy, 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.

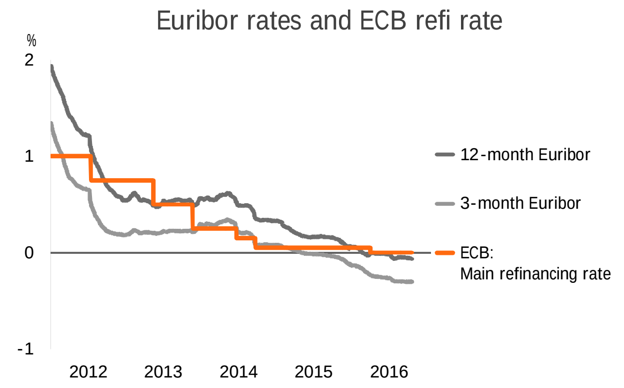
The annual growth rate of total deposits slowed to 3.1% in the third quarter. In particular, the growth rate of deposits by public-sector entities and corporations slowed down. Household deposits increased by 3.8% over the previous year, the annual growth rate picking up clearly in the third quarter.

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.

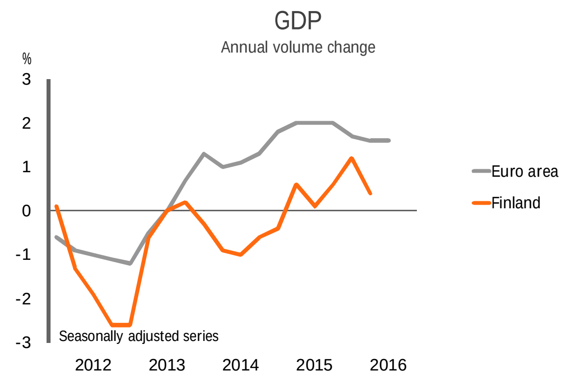
Non-life insurance premiums written increased by 0.7% in January–September. Sales of statutory workers' compensation insurance, which were weak until the end of the first half, picked up in the summer. On the other hand, claims paid out were higher than a year ago.



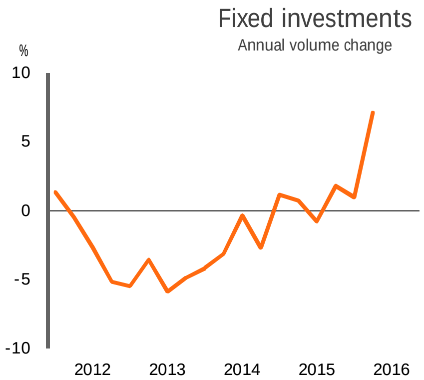
Sources: Bank of Finland, Federation of Finnish Financial Services, Investment Research Finland



Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland

Consolidated earnings

€ million	Q1-3/ 2016	Q1-3/ 2015	Change, %	Q3/ 2016	Q3/ 2015	Change, %	Q1-4/ 2015
Net interest income	177	164	8.0	60	56	7.7	220
Net insurance income	398	383	3.9	142	136	4.9	507
Net commissions and fees	11	31	-65.6	3	11	-67.4	37
Net investment income	154	272	-43.4	71	63	13.0	319
Other operating income	30	21	44.7	9	7	29.4	29
Share of associates' profit/loss	1	0		0	0		0
Total income	**771**	**871**	**-11.4**	**286**	**272**	**5.3**	**1,113**
Personnel costs	120	116	3.5	35	34	4.5	155
Depreciation/amortisation and impairment loss	37	36	3.0	13	12	2.2	49
Other operating expenses	199	184	7.9	65	58	11.5	253
Total expenses	**356**	**337**	**5.9**	**113**	**104**	**8.1**	**457**
Impairment loss on receivables	13	19	-30.8	6	2		29
OP bonuses to owner-customers	1	1	13.1	0	0	12.4	2
Earnings of continuing operations before tax	**400**	**514**	**-22.2**	**167**	**166**	**0.8**	**625**
Earnings of discontinued operations before tax*		19			4		26
Total earnings before tax	**400**	**531**	**-24.8**	**167**	**170**	**-1.8**	**652**

* In the partial demerger of OP Corporate Bank plc on 30 December 2015, wealth management, card and property management operations were transferred to OP Cooperative and their earnings are included in the figures a year ago under Earnings of discontinued operations.

January–September

Consolidated earnings before tax decreased by EUR 114 million to EUR 400 million (514). Total income was down by 11.4%, while total expenses rose by 5.9%. Income fell in both Banking and Non-life Insurance. The decrease in income was due to lower net investment income and decreasing market values. Income from the actual customer business, however, rose.

Net interest income rose to EUR 177 million (164). The loan portfolio grew by 6.4% from its 2015-end level and the average margin remained at the previous year's level.

Net insurance income grew by 3.9% to EUR 398 million (383). Insurance premium revenue increased by 2.3% year on year thanks to the rise in insurance premium revenue from private customers. Claims incurred increased by 1.3%. The reduced discount rate increased claims incurred by EUR 41 million (48).

Net commissions and fees decreased to EUR 11 million (31), due to lower commission income from securities brokerage as a result of the Invest in Finland campaign within the #Suominousuun (Putting Finland on a new growth path) initiative. Commission income from securities issuance fell, too. Commissions and fees paid to member banks increased during the reporting period due to OP Financial Group's internal operating model change. This operating model change is described in more detail below under Financial performance by segment.

Net investment income totalled EUR 154 million (272). Net income from securities trading was reduced by negative value changes in Credit Valuation Adjustment (CVA) in derivatives, owing to market changes. Net income from available-for-sale assets was lowered by a 84-million euro decrease in capital gains on equity instruments. Dividend income decreased from the previous year's level. A year ago, dividend income was increased by dividends from the OP Financial Group entities. Such dividends will no longer be paid to OP Corporate Bank Group after the changes made in the Group's structure in 2015. Net investment income included a total of EUR 13 million (7) in impairment losses.

Other operating income totalled EUR 30 million (21). This rise was due to income received from other OP Financial Group's credit institutions for covering centralised liquidity buffer costs as well as service charges received from member banks after the change in OP Financial Group's internal operating model, which OP Financial Group began charging at the beginning of the reporting period.

Total expenses increased by 5.9% to EUR 356 million (337). Personnel costs rose year on year by 3.5% due to an increase in headcount, while ICT costs increased by 14.8% mainly as a result of higher ICT costs in Non-life Insurance.

Impairment losses on receivables totalled EUR 13 million (19). Final loan losses totalled EUR 37 million (8) and impairment losses decreased by a total of EUR 23 million during the reporting period. A year ago, impairment losses increased by EUR 12 million.

The fair value reserve before tax increased by EUR 126 million, amounting to EUR 274 million (150) on 30 September 2016.

July-September

Earnings before tax totalled EUR 167 million (166). Total income was up by 5.3% and total expenses by 8.1%. Improved earnings were due to higher net interest income and net insurance income as well as a year-on-year increase in net investment income. Net commissions and fees decreased from the previous year's level. Commission income fell due to lower income from securities issuance. Commission expenses rose year on year as a result of the change in OP Financial Group's internal operating model.

Total expenses rose year on year by EUR 8 million to EUR 113 million (104), due to higher personnel costs and ICT costs.

Impairment losses on receivables totalled EUR 6 million (2).

January–September highlights

OP 2016 strategy

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

Following OP 2016 strategy, OP Corporate Bank plc's financial targets will also be updated by the end of the year.

Request for clarification from the Finnish Competition and Consumer Authority

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

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

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

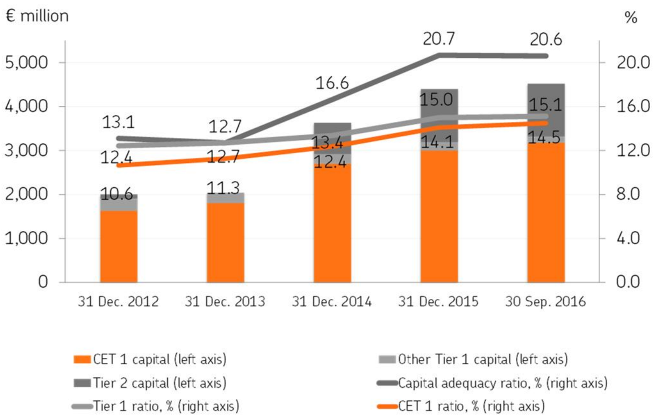
Under TLTRO-II, the banks will be able to borrow up to 30% of their loan balance as at 31 January 2016 to be used for lending to non-financial corporations and households in the euro area, excluding loans to households for a home purchase. To contribute to strong growth, OP Corporate Bank participated in the TLTRO-II in June and September with a total of 2 billion euros.

OP Cooperative investigating a possibility to buy a perpetual floating rate note of 40 million euros on the market issued by OP Corporate Bank plc

OP Cooperative is investigating a possibility to buy a perpetual floating rate note of 40 million euros on the market issued by OP Corporate Bank plc on 30 November 2005, in part or in full. Any such purchases will not affect OP Corporate Bank's capital adequacy. The possible purchases form part of OP Financial Group's capital management and funding structure optimisation.

Group's capital adequacy

Capital base and capital adequacy



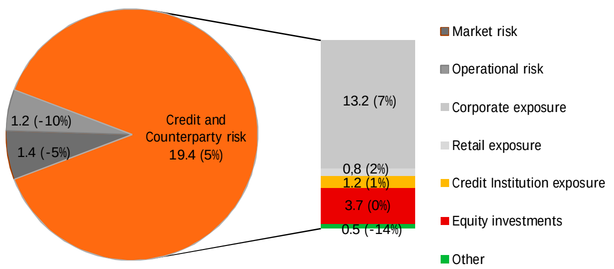
The Group's CET1 ratio was 14.5% (14.1) on 30 September 2016. The Group's minimum CET1 target is 15% by the end of 2016.

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

The CET1 capital totalled EUR 3.2 billion (3.0) on 30 September 2016, thanks to earnings by Banking and Other Operations and dividends from insurance companies.

On 30 September 2016, the risk exposure amount (REA) totalled EUR 22.0 billion (21.3), or 3.1% higher than on 31 December 2015. The average credit risk weights remained at the 2015-end level. Equity investments include EUR 3.7 billion in risk-weighted assets of the Group's internal insurance holdings.

Risk Exposure Amount 30 September 2016
Total 22.0 € billion
(change from year end 3%)



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

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

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

The ECB has 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 (CET1 ratio at 19.7%) and high capital adequacy target, the discretionary capital buffer requirement has no practical implications for OP Financial Group's or OP Corporate Bank's capital adequacy position or business. The ECB's SREP process for 2016 is underway and results will be expected towards the end of the year. Following the EU-wide guidelines resulting from the SREP process, the capital buffer requirement for OP Financial Group 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 OP Financial 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 is no need to make changes to the credit risk models used or risk weights.

Non-life Insurance

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

Non-life Insurance figures under Solvency II

€ million	30 Sept. 2016	31 Dec. 2015
Capital base, € million*	1,129	1,105
Solvency capital requirement (SCR), € million *	695	698
Solvency ratio,% *	162	158
Solvency ratio, % (excluding transitional provision)	146	139

* Including the effects of transitional provisions.

Credit ratings

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

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

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

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

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

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

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

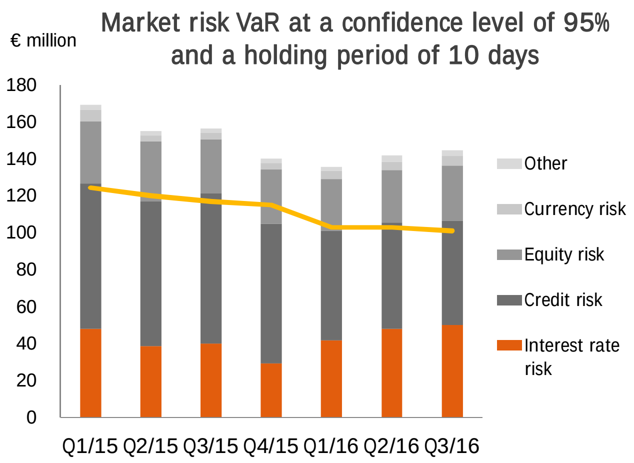
Group risk exposure

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

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

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

The Group's market risk exposure was stable during the reporting period. The Value-at-Risk (VaR) metric, a measure of market risks, was EUR 101 million (115) on 30 September 2016. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



Risks associated with the Group's defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The increase in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period decreased comprehensive income before tax by EUR 48 million. A year ago, a decrease in net liabilities related to defined benefit pension plans improved comprehensive income before tax by EUR 26 million.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate. Total doubtful receivables decreased to EUR 159 million (184). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to contractual payment terms towards the customer to make it easier for them to manage through temporary payment difficulties. Impairment losses remained low, accounting for 0.07% (0.10) of the loan and guarantee portfolio.

As from the beginning of the reporting period, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. Comparatives for Banking's total exposure have not been changed.

Total exposure by Banking totalled EUR 28 billion (30). Corporate customers (including housing corporation exposures) represented 86% (78) of total Banking exposures. Of corporate customer exposures, the investment–grade exposure (borrower grades 1–5.5) accounted for 66% (69) and the exposure of the lowest two borrower grades amounted to EUR 137 million (162) or 0.6% (0.7) of the total corporate exposure. In August, Banking adopted an updated credit rating scale for corporate customers, which affected corporate customer exposure grades. Comparatives have not been changed.

OP Corporate Bank's capital base covering customer exposure amounted to EUR 4.5 billion (4.4). No single customer's exposure exceeded 10% of the capital base after allowances and other recognition of credit risk mitigation.

In the Companies and housing associations sector, exposure by industry remained highly diversified. The most significant industries included Energy 12.8% (12.6), Trade 10.0% (10.4) and Renting and Operating of Residential Real Estate representing 8.8% (9.7). A total of 48% of exposures within Renting and Operating of Residential Real Estate were guaranteed by general government.

Exposures by the Baltic operations grew to EUR 2.0 billion (1.6), accounting for 7.2% (5.4) of total exposures of the Banking segment.

Non-life Insurance

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

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 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 under Solvency II at the end of September 2016 was slightly higher than at December-end 2015.

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.

Other Operations

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

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

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

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.

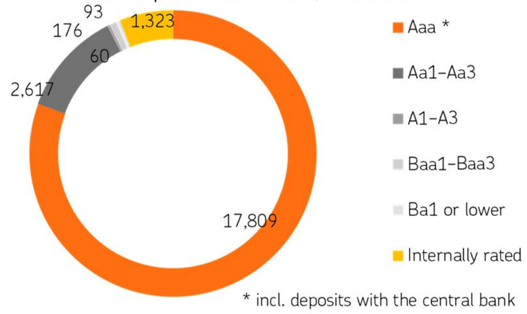
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 70% in 2016 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 123% on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

Liquidity buffer

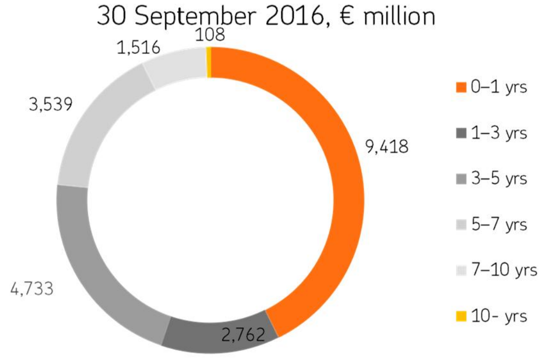
€ billion	30 Sept. 2016	31 Dec. 2015	Change, %
Deposits with central banks	8.6	8.5	1.6
Notes and bonds eligible as collateral	11.8	10.6	11.2
Corporate loans eligible as collateral	0.2	2.1	-91.7
Total	**20.6**	**21.1**	**-2.7**
Receivables ineligible as collateral	1.5	0.8	84.1
Liquidity buffer at market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

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



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



Financial performance by segment

OP Corporate Bank Group's business segments are Banking and Non-life Insurance, the latter including the health and wellbeing business. Non-segment operations are presented under the Other Operations segment. Segment reporting is based on the accounting policies applied in the Group's financial statements.

Banking

- Earnings before tax decreased by 27% year on year to EUR 189 million (259) due to lower net investment income. Net investment income was significantly lowered by OP Financial Group's internal operating model change.
- The loan portfolio increased in January–September by 6.4% to EUR 17.4 billion.
- The average margin on the corporate loan portfolio in January–September was at the previous year's level, 1.38%.
- Impairment loss on receivables totalled EUR 13 million (19), accounting for 0.07% (0.10) of the loan and guarantee portfolio.
- The operating cost/income ratio was 34.6% (26.7).

Banking: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Net interest income	221	201	10.0	273
Net commissions and fees	114	75	51.8	99
Net investment income	-37	95		116
Other operating income	11	9	24.3	12
Total income	**310**	**380**	**-18.5**	**500**
Expenses				
Personnel costs	40	40	0.1	51
Depreciation/amortisation and impairment loss	7	8	-19.8	11
Other operating expenses	60	53	13.5	75
Total expenses	**107**	**102**	**5.5**	**137**
Impairment loss on receivables	13	19	-30.5	29
Earnings before tax	**189**	**259**	**-27.0**	**334**
Cost/income ratio, %	34.6	26.7		27.0
Loan portfolio, € billion	17.4	16.1		16.4
Guarantee portfolio, € billion	2.3	2.5		2.3
Margin on corporate loan portfolio, %	1.38	1.38		1.38
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.07	0.10		0.15
Personnel	645	613		603

January–September

Earnings before tax fell by 27.0% to EUR 189 million (259). Total income decreased by 18.5% while total expenses increased by 5.5%. Total income was reduced by the change in OP Financial Group's internal operating model and an increase in the negative CVA fair values of derivatives.

As from the beginning of the reporting period, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. The operating model change reduced income by EUR 12 million year on year. The change has an impact on Banking's net interest income, commission income, net investment income and other operating income. Comparatives have not been changed.

The reduced net investment income was lowered by a negative 36-million euro (2) CVA valuation arising from interest rate changes and other market movements. As a result of the change in OP Financial Group's internal operating model, the fair value changes of balance-sheet and derivative items measured at fair value were partly allocated to Other Operations in the reporting period. A year ago, these fair value changes totalled EUR 88 million. A year ago, net investment income from shares and participations posted in net investment income was EUR 5 million higher than in the reporting period.

Net interest income increased by 10.0%. The loan portfolio increased in January–September by 6.4% to EUR 17.4 billion. The average margin on the corporate loan portfolio in January–September was at the previous year's level.

Net commissions and fees reported increased by 51.8% to EUR 114 million (75). This increase was affected by the change in OP Financial Group's internal operating model, as a result of which EUR 59 million were recognised in net commissions and fees from derivatives and FX trading.

Net loan losses and impairment losses amounted to EUR 13 million (19), accounting for 0.07% (0.10) of the loan and guarantee portfolio. Final loan losses totalled EUR 37 million (8) and impairment losses decreased by a total of EUR 23 million during the reporting period. A year ago, impairment losses increased by EUR 12 million.

The guarantee portfolio totalled EUR 2.3 billion (2.3). Committed standby credit facilities amounted to EUR 4.2 billion (3.9).

Total expenses were EUR 107 million (102).

Personnel costs remained at the previous year's level at EUR 40 million. Other operating expenses increased by 13.5% to EUR 60 million (53). ICT costs rose by EUR 3 million. In addition, other operating expenses were increased by the segment's share of the costs of a centralised liquidity buffer paid to the Other Operations segment.

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

Non-life Insurance

- Earnings before tax amounted to EUR 199 million (225). Net investment income totalled EUR 87 million (117). Earnings before tax at fair value were EUR 282 million (114).
- Insurance premium revenue increased by 2.3% (4.6).
- 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	117	-25.5	133
Other net income	-49	-53	-6.7	-70
Total income	**437**	**448**	**-2.5**	**570**
Personnel costs	74	73	0.8	101
Depreciation/amortisation and impairment loss	29	27	8.9	37
Other operating expenses	132	121	9.4	164
Total expenses	**236**	**221**	**6.5**	**302**
OP bonuses to owner-customers	1	1	72.8	2
Earnings before tax	**199**	**225**	**-11.5**	**267**
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 previous years (run off result)	41	15		32
Personnel	1,725	1,666		1,660

* Including the effect of transitional provisions.

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

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

The number of premier customer households increased in the reporting period by a record high of 47,000 to 724,000, of which up to 76% also use OP Financial Group member banks as their main bank. Group member cooperative bank customers used OP bonuses that they had earned through the use of banking and insurance services to pay 1,648,000 insurance bills (1,517,000) with 220,000 (202,000) paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 79 million (75).

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

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

January–September

Earnings before tax amounted to EUR 199 million (225). Net insurance income increased by 3.9% to EUR 398 million. Net investment income recognised in the income statement decreased by EUR 30 million. Earnings before tax at fair value were EUR 282 million (114).

The operating combined ratio was 86.5% (86.3). The 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) during January–September, with their claims incurred retained for own account totalling EUR 43 million (37). The change in provisions for unpaid claims under statutory pensions 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), weakening the operating combined ratio by 3.9 percentage points (4.6).

Changes in claims for previous years, excluding the effect of discount rate changes, 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 grew by 6.5%, being EUR 15 million higher than a year ago, due to higher ICT costs and the expansion of the health and wellbeing business. The operating expense ratio was 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	78	77
Alternative investments	1	1
Equities	8	7
Private equity	3	3
Real property	9	10
Money markets	2	3
Total	**100**	**100**

On 30 September 2016, the Non-life Insurance investment portfolio totalled EUR 3,931 million (3,687). Holdings 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.

Other Operations

- Earnings before tax amounted to EUR 11 million (28). These included EUR 7 million (23) in capital gains on notes and bonds and EUR 1 million (21) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	Q1–3/2016	Q1–3/2015	Change, %	Q1–4/2015
Net interest income	-26	-20	30.8	-30
Net commissions and fees	-63	-1		-3
Net investment income	102	57	80.3	66
Other operating income	17	7		9
Total income	**31**	**43**	**-28.5**	**43**
Personnel costs	6	3		3
Other expenses	13	12	11.3	17
Total expenses	**20**	**15**	**33.0**	**20**
Impairment loss on receivables	0	0		0
Earnings before tax	**11**	**28**	**-60.3**	**23**
Receivables and liabilities from/to OP Financial Group member banks, net position, € billion	2.4	4.4	-44.9	3.7
Personnel	71	31		32

January–September

Earnings before tax amounted to EUR 11 million (28). Earnings before tax at fair value were EUR 53 million (0).

As from the beginning of the reporting period, OP Financial Group's internal operating model was changed by transferring the Markets division's interest rate derivatives and FX trading as well as bonds trading from the Banking segment to the Other Operations segment. This operating model change increased Other Operations' income by EUR 26 million. The change has an impact on net interest income, net commissions and fees as well as net trading income included in net investment income. Comparatives have not been restated.

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

Net investment income rose year on year by EUR 45 million. Net trading income included in the item increased due to the operating model change. Net investment income included EUR 7 million (23) in capital gains on notes and bonds and EUR 1 million (4) in income recognised from mutual fund investments. Dividend income amounted to EUR 1 million (21). A year ago, dividend income was increased by EUR 16 million in dividends from the OP Financial Group entities OP Life Assurance Company Ltd and OP Card Company Plc. Such dividends will no longer be paid to OP Corporate Bank Group after the changes made in the Group's structure in 2015.

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

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

OP Corporate Bank's access to funding remained good. In January-September, OP Corporate Bank issued long-term senior bonds worth EUR 0.9 billion. In January, OP Corporate Bank issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. In addition, OP Corporate Bank participated in June and in September in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with a total of EUR 2.0 billion.

In September 2016, the average margin of senior wholesale funding and TLTRO-II funding was 35 basis points (41).

Group restructuring

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

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

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

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

Banking underwent reorganisation resulting in streamlining of the division of duties between OP Helsinki and OP Corporate Bank. Two of OP Corporate Bank's business divisions - Corporate Customers, and Markets and Baltics – were combined into one business division, to which small and mid-sized corporate and institutional customer management was transferred from OP Helsinki.

The Corporate Customers division covers corporate customer relationship management from small and mid-sized customers in the Helsinki Metropolitan Area to national large corporate and institutional customer management as well as corporate customers in the Baltic countries.

Personnel and remuneration

On 30 September 2016, the Group had a staff of 2,441 (2,295). Personnel increased within Non-life Insurance as a result of the expansion of the health and wellbeing business. OP Financial Group's internal operating model change increased personnel within Other Operations. In Banking, personnel was increased by reorganisation whereby some employees managing small and mid-sized corporate and institutional customers in OP Helsinki joined the payroll of OP Corporate Bank.

Personnel

	30 Sept. 2016	31 Dec. 2015
Banking	645	603
Non-life Insurance	1,725	1,660
Other Operations	71	32
Total	**2,441**	**2,295**

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

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

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

Consolidated income statement

EUR million	Note	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Net interest income	3	60	56	177	164
Net insurance income	4	142	136	398	383
Net commissions and fees	5	3	11	11	31
Net investment income	6	71	63	154	272
Other operating income		9	7	30	21
Share of associates' profits		0	0	1	0
Total income		**286**	**272**	**771**	**871**
Personnel costs		35	34	120	116
Depreciation/amortisation		13	12	37	36
Other expenses		65	58	199	184
Total expenses		**113**	**104**	**356**	**337**
Impairments loss on receivables	7	6	2	13	19
OP bonuses to owner-customers		0	0	1	1
Earnings before tax		**167**	**166**	**400**	**514**
Income tax expense		33	33	78	98
Results of continuing operations		134	133	321	416
Results of discontinued operations			4		14
Profit for the period		**134**	**136**	**321**	**430**
Attributable to:					
Owners of the parent		133	134	320	425
Non-controlling interests		1	3	2	5
Profit for the period		**134**	**136**	**321**	**430**
Statement of comprehensive income					
Profit for the period		**134**	**136**	**321**	**430**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		-5	-6	-48	26
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		94	-84	130	-134
Cash flow hedge		-2	0	-4	-6
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		1	1	10	-5
Items that may be reclassified to profit or loss					
Measurement at fair value		-19	17	-26	27
Cash flow hedge		0	0	1	1
Total comprehensive income for the period		**203**	**65**	**384**	**340**
Attributable to:					
Owners of the parent		202	61	381	334
Non-controlling interests		1	4	3	6
Total comprehensive income for the period		**203**	**65**	**384**	**340**
Comprehensive income attributable to owners of the parent is divided as follows:					
Continuing operations			57		320
Discontinued operations			4		14
Total			**61**		**334**

Balance sheet

EUR million	Note	30 Sep. 2016	31 Dec. 2015
Cash and cash equivalents		8,633	8,469
Receivables from credit institutions		9,295	9,678
Financial assets held for trading		769	852
Derivative contracts	10	6,116	5,735
Receivables from customers	12	18,139	17,183
Investment assets		17,481	14,881
Investments in associates		15	16
Intangible assets		792	781
Property, plant and equipment (PPE)		78	58
Other assets		2,270	1,965
Tax assets		18	35
Total assets		**63,606**	**59,655**
Liabilities to credit institutions		8,111	5,209
Derivative contracts		5,934	5,650
Liabilities to customers		16,854	17,549
Insurance liabilities	13	3,131	2,917
Debt securities issued to the public	14	20,559	19,475
Provisions and other liabilities		3,047	3,005
Tax liabilities		385	370
Subordinated liabilities		1,607	1,737
Total liabilities		**59,628**	**55,914**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	220	120
Other reserves		1,093	1,093
Retained earnings		2,123	1,996
Non-controlling interests		114	105
Total equity capital		**3,978**	**3,741**
Total liabilities and equity capital		**63,606**	**59,655**

Statement of changes in equity

EUR million	Attributable to owners						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	**428**	**231**	**1,093**	**1,564**	**3,316**	**92**	**3,408**
Total comprehensive income for the period		-112		446	334	6	340
Profit for the period				425	425	5	430
Other comprehensive income		-112		21	-91	0	-91
Profit distribution				-137	-137		-137
Other			0		0	14	14
Balance at 30 September 2015	**428**	**119**	**1,093**	**1,873**	**3,513**	**112**	**3,625**

EUR million	Attributable to owners						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**428**	**120**	**1,093**	**1,996**	**3,637**	**105**	**3,741**
Total comprehensive income for the period		100		281	381	3	384
Profit for the period				320	320	2	321
Other comprehensive income		100		-39	61	1	62
Profit distribution				-153	-153		-153
Other			0		0	7	7
Balance at 30 September 2016	**428**	**220**	**1,093**	**2,123**	**3,864**	**114**	**3,978**

Cash flow statement

EUR million	Q1–3/ 2016	Q1–3/ 2015*
Cash flow from operating activities		
Profit for the period	320	425
Adjustments to profit for the period	81	254
Increase (-) or decrease (+) in operating assets	**-3,429**	**-3,627**
Receivables from credit institutions	417	-23
Financial assets held for trading	-238	335
Derivative contracts	27	-11
Receivables from customers	-949	-1,169
Investment assets	-2,250	-3,035
Other assets	-436	276
Increase (+) or decrease (-) in operating liabilities	**2,240**	**3,060**
Liabilities to credit institutions	2,904	-400
Financial liabilities at fair value through profit or loss	0	-4
Derivative contracts	-29	13
Liabilities to customers	-695	3,267
Insurance liabilities	65	21
Provisions and other liabilities	-4	163
Income tax paid	-62	-100
Dividends received	31	45
A. Net cash from operating activities	**-820**	**55**
Cash flow from investing activities		
Increases in held-to-maturity financial assets		-20
Decreases in held-to-maturity financial assets	4	69
Disposal of subsidiaries and associates, net of cash disposed		11
Purchase of PPE and intangible assets	-65	-25
Proceeds from sale of PPE and intangible assets	1	0
B. Net cash used in investing activities	**-60**	**35**
Cash flow from financing activities		
Increases in subordinated liabilities	0	1,327
Decreases in subordinated liabilities	-144	-698
Increases in debt securities issued to the public	19,609	21,163
Decreases in debt securities issued to the public	-18,235	-20,535
Dividends paid	-153	-137
C. Net cash used in financing activities	**1,076**	**1,119**
Net increase/decrease in cash and cash equivalents (A+B+C)	**196**	**1,209**
Cash and cash equivalents at period-start	**8,803**	**4,306**
Cash and cash equivalents at period-end	**9,000**	**5,515**
Cash and cash equivalents		
Liquid assets	8,633	4,852
Receivables from credit institutions payable on demand	367	663
Total	**9,000**	**5,515**

* Includes discontinued operations

Segment information

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

Q1–3 earnings 2016, EUR million	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Net interest income	221	-15	-26		-2	177
-of which internal net income before tax	-12	-13	25			
Net insurance income		398				398
Net commissions and fees	114	-40	-63		0	11
Net investment income	-37	87	102		1	154
Other operating income	11	6	17		-5	30
Share of associates' profits		1				1
Total income	**310**	**437**	**31**		**-6**	**771**
Personnel costs	40	74	6			120
Depreciation/amortisation and impairment losses	7	29	1			37
Other operating expenses	60	132	12		-6	199
Total expenses	**107**	**236**	**20**		**-6**	**356**
Impairments loss on receivables	13	0	0			13
OP bonuses to owner-customers		1				1
Earnings before tax	**189**	**199**	**11**		**0**	**400**

	Continuing operations			Discontinued operations		
Q1–3 earnings 2015, EUR million	Banking	Non-life Insurance	Other operations	Wealth Management	Eliminations	Group total
Net interest income	201	-17	-20	1	-2	164
-of which internal net income before tax	-20	-15	33	1		
Net insurance incomes		383				383
Net commissions and fees	75	-40	-1	40	-3	70
Net investment income	95	117	57	0	3	272
Other operating income	9	4	7	1	1	22
Share of associates' profits		0		2		2
Total income	**380**	**448**	**43**	**44**	**-1**	**914**
Personnel costs	40	73	3	11		127
Depreciation/amortisation and impairment losses	8	27	1	3		39
Other operating expenses	53	121	11	11	-1	195
Total expenses	**102**	**221**	**15**	**25**	**-1**	**362**
Impairments loss on receivables	19	0	0		0	19
OP bonuses to owner-customers		1				1
Earnings before tax	**259**	**225**	**28**	**19**	**0**	**531**

Balance sheet 30 September 2016, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	1	173	8,627	-168	8,633
Receivables from credit institutions	163	6	9,142	-16	9,295
Financial assets held for trading	-4		772		769
Derivative contracts	91	48	5,998	-22	6,116
Receivables from customers	17,805	0	712	-378	18,139
Investment assets	630	3,804	13,140	-92	17,481
Investments in associates		15			15
Intangible assets	64	702	26		792
Property, plant and equipment (PPE)	3	46	28		78
Other assets	121	711	1,463	-24	2,270
Tax assets	0	4	14		18
Total assets	**18,874**	**5,509**	**39,922**	**-700**	**63,606**
Liabilities to credit institutions	388		8,109	-385	8,111
Derivative contracts	134	6	5,817	-23	5,934
Liabilities to customers	10,215		6,823	-184	16,854
Insurance liabilities		3,131			3,131
Debt securities issued to the public	1,340		19,254	-35	20,559
Provisions and other liabilities	1,319	407	1,343	-23	3,047
Tax liabilities	0	93	292	0	385
Subordinated liabilities		135	1,472		1,607
Total liabilities	**13,397**	**3,772**	**43,109**	**-650**	**59,628**
Equity capital					**3,978**

Balance sheet 31 December 2015, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	14	107	8,451	-103	8,469
Receivables from credit institutions	322	6	9,380	-30	9,678
Financial assets held for trading	849		3		852
Derivative contracts	5,403	14	337	-18	5,735
Receivables from customers	16,677		801	-294	17,183
Investment assets	668	3,556	10,736	-79	14,881
Investments in associates		16			16
Intangible assets	64	695	22		781
Property, plant and equipment (PPE)	7	47	4	0	58
Other assets	768	666	542	-11	1,965
Tax assets	0	4	31	0	35
Total assets	**24,772**	**5,111**	**30,306**	**-534**	**59,655**
Liabilities to credit institutions	1,305		4,199	-294	5,209
Derivative contracts	5,328	15	326	-19	5,650
Liabilities to customers	11,628		6,043	-121	17,549
Insurance liabilities		2,917			2,917
Debt securities issued to the public	2,159		17,351	-35	19,475
Provisions and other liabilities	1,499	322	1,207	-22	3,005
Tax liabilities	0	84	286	0	370
Subordinated liabilities	11	135	1,591		1,737
Total liabilities	**21,929**	**3,473**	**31,003**	**-492**	**55,914**
Equity capital					**3,741**

Notes

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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".

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

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

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

Note 2 Key figures and ratios and their formulas

	Q1–3/ 2016	Q1–3/ 2015
Return on equity (ROE), %	11.1	16.4
Return on equity (ROE) at fair value, %	13.2	12.9
Return on assets (ROA), %	0.70	1.08
Cost/income ratio, %	46	40
Average personnel	2,385	2,461

ALTERNATIVE PERFORMANCE MEASURES

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

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

Return on equity (ROE), %

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

Return on equity (ROE) at fair value, %

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

Return on assets (ROA), %

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

Cost/income ratio, %

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

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

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

Non-life Insurance indicators

Loss ratio (excl. unwinding of discount), %

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

Expense ratio, %

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

Risk ratio (excl. unwinding of discount), %

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

Combined ratio (excl. unwinding of discount), %

Loss ratio + expense ratio

Risk ratio + cost ratio

Cost ratio, %

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

Operating loss ratio, %

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

Operating expense ratio, %

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

Operating combined ratio, %

Operating loss ratio + Operating expense ratio

Operating risk ratio + Operating cost ratio

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

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

Operating cost ratio, %

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

INDICATORS BASED ON CAPITAL ADEQUACY MEASUREMENT

Capital adequacy ratio, %

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

Tier 1 ratio, %

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

CET1 ratio, %

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

Solvency ratio, %

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

Leverage ratio, %

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

Liquidity coverage requirement (LCR), %

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

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	117	-25.5	133
Other income and expenses	-15	-18	-13.3	-22
Earnings before tax	**199**	**225**	**-11.5**	**267**
Gross change in fair value reserve	83	-108		-87
Earnings before tax at fair value	**282**	**117**		**179**

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	10	9	29	30
Receivables from customers				
Loans	71	71	212	213
Finance lease receivables	5	5	13	15
Impaired loans and other commitments	0	0	0	0
Notes and bonds				
Held for trading	2	3	7	9
Available for sale	30	33	91	104
Held to maturity	0	0	0	0
Loans and receivables	0	0	1	3
Derivative contracts				
Held for trading	257	323	836	1,013
Fair value hedge	-33	-29	-98	-90
Cash flow hedge	2	3	7	9
Ineffective portion of cash flow hedge	0	0	0	0
Other	2	1	5	7
Total	**345**	**420**	**1,103**	**1,312**
Interest expenses				
Liabilities to credit institutions	18	12	46	36
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	-1	4	2	12
Debt securities issued to the public	46	53	133	163
Subordinated liabilities				
Subordinated loans	1	3	6	7
Other	11	11	33	30
Derivative contracts				
Held for trading	245	316	808	1,006
Cash flow hedge	-35	-35	-107	-111
Other	2	0	5	4
Total	**288**	**364**	**927**	**1,147**
Net interest income before fair value adjustment under hedge accounting	**58**	**56**	**176**	**165**
Hedging derivatives	-18	-56	-173	-6
Value changes of hedged items	20	56	174	5
Total net interest income	**60**	**56**	**177**	**164**

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
Total net insurance income	**142**	**136**	**398**	**383**

Note 5 Net commissions and fees

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Comission income				
Lending	10	10	32	32
Deposits	0	0	0	0
Payment transfers	7	7	21	23
Securities brokerage	4	4	11	16
Securities issuance	0	5	5	10
Mutual funds	0	0	0	0
Asset management and legal services	3	2	8	5
Guarantees	3	3	10	10
Insurance brokerage	5	4	13	13
Other	2	1	5	2
Total	**34**	**36**	**106**	**111**
Comission expenses				
Payment transfers	2	4	9	11
Securities brokerage	2	2	5	6
Securities issuance	0	0	1	2
Asset management and legal services	1	1	3	2
Insurance operations	17	17	52	52
Other	8	2	25	7
Total	**31**	**26**	**95**	**81**
Total net commissions and fees	**3**	**11**	**11**	**31**

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	17	20	70	70
Equity instruments	2	22	7	91
Dividend income	7	5	30	43
Impairment losses and their reversals	-2	-4	-13	-7
Total	**24**	**43**	**94**	**197**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	2	0	7	-1
Derivatives	10	-3	-5	5
Banking and Other operations				
Securities trading	32	18	47	64
Foreign exchange trading	8	8	27	23
Investment property	3	6	8	11
Total	**55**	**29**	**85**	**103**
Net income carried at amortised cost				
Loans and other receivables	1	1	3	1
Impairment losses and their reversals		0	0	0
Total	**1**	**1**	**3**	**1**
Non-life Insurance				
Unwinding of discount	-9	-9	-27	-29
Total	**-9**	**-9**	**-27**	**-29**
Total net investment income	**71**	**63**	**154**	**272**

Note 7 Impairments loss on receivables

EUR million	Q3/ 2016	Q3/ 2015	Q1–3/ 2016	Q1–3/ 2015
Receivables written off as loan or guarantee losses	0	0	37	8
Recoveries of receivables written off	0	0	0	-1
Increase in impairment losses on individually assessed receivables	6	4	14	20
Decrease in impairment losses on individually assessed receivables	-1	0	-42	-8
Collectively assessed impairment losses	1	-2	4	0
Total impairments loss on receivables	**6**	**2**	**13**	**19**

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,633					8,633
Receivables from credit institutions	9,295					9,295
Derivative contracts			5,776		340	6,116
Receivables from customers	18,139					18,139
Notes and bonds		90	993	16,064		17,147
Equity instruments				776		776
Other financial assets	2,301					2,301
Financial assets	**38,367**	**90**	**6,769**	**16,840**	**340**	**62,406**
Other than financial instruments						1,199
Total 30 September 2016	**38,367**	**90**	**6,769**	**16,840**	**340**	**63,606**

Assets, EUR million	Loans and other receivables	Investments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	8,469					8,469
Receivables from credit institutions	9,678					9,678
Derivative contracts			5,403		332	5,735
Receivables from customers	17,183					17,183
Notes and bonds		94	852	13,714		14,661
Equity instruments				754		754
Other financial assets	1,989					1,989
Financial assets	**37,320**	**94**	**6,255**	**14,468**	**332**	**58,470**
Other than financial instruments						1,185
Total 31 December 2015	**37,320**	**94**	**6,255**	**14,468**	**332**	**59,655**

* 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		8,111		8,111
Derivative contracts	5,618		316	5,934
Liabilities to customers		16,854		16,854
Insurance liabilities		3,131		3,131
Debt securities issued to the public		20,559		20,559
Subordinated loans		1,607		1,607
Other financial liabilities		2,874		2,874
Financial liabilities	**5,618**	**53,135**	**316**	**59,070**
Other than financial liabilities				558
Total 30 September 2016	**5,618**	**53,135**	**316**	**59,628**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		5,209		5,209
Derivative contracts	5,314		336	5,650
Liabilities to customers		17,549		17,549
Insurance liabilities		2,917		2,917
Debt securities issued to the public		19,475		19,475
Subordinated loans		1,737		1,737
Other financial liabilities		2,878		2,878
Financial liabilities	**5,314**	**49,766**	**336**	**55,416**
Other than financial liabilities				497
Total 31 December 2015	**5,314**	**49,766**	**336**	**55,914**

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 352 million (221) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 9 Recurring fair value measurements by valuation technique

Fair value of assets on 30 Sep. 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	372	607	15	993
Derivative financial instruments	6	5,938	172	6,116
Available-for-sale				
Equity instruments	424	65	287	776
Debt instruments	13,137	2,600	326	16,064
Total	**13,939**	**9,211**	**800**	**23,949**

Fair value of assets on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	616	215	21	852
Derivative financial instruments	2	5,557	177	5,735
Available-for-sale				
Equity instruments	418	53	283	754
Debt instruments	10,385	3,043	286	13,714
Total	**11,421**	**8,868**	**767**	**21,056**

Fair value of liabilities on 30 Sep. 2016, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	10	5,801	123	5,934
Total	**10**	**5,801**	**123**	**5,934**

Fair value of liabilities on 31 Dec. 2015, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	35	5,480	135	5,650
Total	**35**	**5,480**	**135**	**5,650**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Financial assets, EUR million				
Opening balance 1 Jan 2016	21	177	569	767
Total gains/losses in profit or loss	-7	-5	-10	-21
Total gains/losses in other comprehensive income			2	2
Purchases			48	48
Sales			-33	-33
Transfers into Level 3			109	109
Transfers out of Level 3			-72	-72
Closing balance 30 September 2016	**15**	**172**	**613**	**800**

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

Total gains/losses included in profit or loss by item on 30 September 2016

EUR million	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
Realised net gains (losses)	-7			-7
Unrealised net gains (losses)	7	-10	2	-1
Total net gains (losses)	**0**	**-10**	**2**	**-7**

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	49,682	80,561	65,844	196,087	5,633	5,648
Cleared by the central counterparty	6,506	31,837	28,794	67,137	1,610	1,893
Currency derivatives	28,994	11,392	3,620	44,006	1,329	1,444
Equity and index derivatives	56	6		62	4	
Credit derivatives	28	285	38	350	8	8
Other derivatives	369	523	2	894	64	28
Total derivatives	**79,129**	**92,767**	**69,503**	**241,399**	**7,039**	**7,127**

	Nominal values / remaining term to maturity				Fair values*	
	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
31 December 2015, EUR million						
Interest rate derivatives	42,705	94,574	65,165	202,445	4,421	4,333
Cleared by the central counterparty	7,712	26,807	24,664	59,183	890	863
Currency derivatives	31,199	9,769	6,706	47,674	1,529	1,480
Equity and index derivatives	282	6		288	15	
Credit derivatives	15	126	82	223	10	13
Other derivatives	208	733	14	955	83	62
Total derivatives	**74,410**	**105,208**	**71,966**	**251,584**	**6,057**	**5,888**

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

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

Financial assets

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		Net amount
				Derivative contracts***	Collateral received	
Derivatives	7,711	-1,595	6,116	-3,465	-828	1,823

31 December 2015, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral received	
Derivatives	6,606	-870	5,735	-3,446	-1,030	1,259

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		Net amount
				Derivative contracts***	Collateral given	
Derivatives	7,815	-1,881	5,934	-3,465	-1,246	1,224

31 December 2015, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral given	
Derivatives	6,490	-840	5,650	-3,446	-1,061	1,143

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -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	9,296		9,296		1	9,295
Receivables from customers, of which	16,934	209	17,143	197	23	16,923
Bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,215		1,215			1,215
Total	**27,446**	**209**	**27,655**	**197**	**24**	**27,434**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,064	208	15,272	196	12	15,064
Financial institutions and insurance companies	10,258		10,258		2	10,256
Households	1,544	1	1,545	1	10	1,534
Non-profit organisations	211	0	212	0	0	211
Public sector entities	368		368		0	368
Total	**27,446**	**209**	**27,655**	**197**	**24**	**27,434**

31 December 2015, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	9,680		9,680		1	9,678
Receivables from customers, of which	16,008	252	16,261	224	19	16,018
Bank guarantee receivables	0	10	10	10	0	0
Finance leases	1,166		1,166			1,166
Total	**26,854**	**252**	**27,106**	**224**	**20**	**26,862**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	14,385	252	14,637	224	11	14,402
Financial institutions and insurance companies	10,567		10,567		2	10,565
Households	1,351		1,351		7	1,344
Non-profit organisations	207	0	207	0	0	207
Public sector entities	344		344		0	344
Total	**26,854**	**252**	**27,106**	**224**	**20**	**26,862**

Doubtful receivables 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		91	91	79	12
Unlikely to be paid		213	213	115	98
Forborne receivables	43	10	53	3	49
Total	**43**	**313**	**356**	**197**	**159**

Doubtful receivables 31 December 2015, EUR million	Performing receivables from credit institutions and customers (gross)	Non-performing receivables from credit institutions and customers (gross)	Receivables from credit institutions and customers, total (gross)	Individually assessed impairment	Receivables from credit institutions and customers (net)
More than 90 days past due		111	111	93	17
Unlikely to be paid		242	242	128	113
Forborne receivables	47	9	56	3	54
Total	**47**	**362**	**409**	**224**	**184**

Key ratio, %	30 Sep. 2016	31 Dec. 2015
Exposures individually assessed for impairment, % of doubtful receivables	55.3 %	54.9 %

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

Note 13 Insurance liabilities

EUR million	30 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
Total	**3,131**	**2,917**

* Value of hedges of insurance liability.

Note 14 Debt securities issued to the public

EUR million	30 Sep. 2016	31 Dec. 2015
Bonds	12,347	12,937
Certificates of deposit, commercial papers and ECPs	8,211	6,538
Total	**20,559**	**19,475**

Note 15 Fair value reserve after income tax

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 Jan. 2016	**32**	**77**	**11**	**120**
Fair value changes	128	14	3	**145**
Capital gains transferred to income statement	-9	-18		**-26**
Impairment loss transferred to income statement		13		**13**
Transfers to net interest income			-7	**-7**
Deferred tax	-24	-2	1	**-25**
Closing balance 30 September 2016	**128**	**84**	**8**	**220**

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 Jan. 2015	**102**	**112**	**17**	**231**
Fair value changes	-67	4	3	**-61**
Capital gains transferred to income statement	-16	-62		**-78**
Impairment loss transferred to income statement		7		**7**
Transfers to net interest income			-8	**-8**
Deferred tax	16	10	1	**28**
Closing balance 30 September 2015	**36**	**71**	**12**	**119**

The fair value reserve before tax amounted to EUR 274 million (150) and the related deferred tax liability amounted to EUR 54 million (30). On 30 September 2016, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 117 million (107) million and negative mark-to-market valuations EUR 12 million (12).

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	3
Other	2,055	528
Other collateral given		
Pledges*	3,281	3,969
Total	**5,337**	**4,501**
Other secured liabilities	450	507
Total secured liabilities	**450**	**507**

* 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	714	765
Other guarantee liabilities	1,375	1,402
Loan commitments	5,878	5,745
Commitments related to short-term trade transactions	238	173
Other *	665	394
Total off-balance-sheet items	**8,870**	**8,480**

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

Note 18 Capital adequacy for credit institutions

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

Capital base, EUR million	30 Sep. 2016	31 Dec. 2015
OP Corporate Bank Group's equity capital	3,978	3,741
The effect of insurance companies on the Group's shareholders' equity is excluded	-474	-365
Fair value reserve, cash flow hedging	-8	-11
Common Equity Tier 1 (CET1) before deductions	**3,496**	**3,364**
Intangible assets	-78	-73
Excess funding of pension liability and valuation adjustments	-19	-20
Planned profit distribution	-96	-155
Shortfall of impairments – expected losses	-123	-115
Common Equity Tier 1 (CET1)	**3,180**	**3,001**
Subordinated loans to which transitional provision applies	140	192
Additional Tier 1 capital (AT1)	**140**	**192**
Tier 1 capital (T1)	**3,320**	**3,193**
Debenture loans	1,203	1,207
Tier 2 Capital (T2)	**1,203**	**1,207**
Total capital base	**4,523**	**4,400**

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

Risk exposure amount, EUR million	30 Sep. 2016	31 Dec. 2015
Credit and counterparty risk	**19,112**	**18,155**
Standardised Approach (SA)	**1,885**	**1,778**
Central government and central banks exposure	32	23
Credit institution exposure	53	53
Corporate exposure	1,746	1,575
Retail exposure	2	75
Other**	52	51
Internal Ratings-based Approach (IRB)	**17,227**	**16,377**
Credit institution exposure	1,159	1,147
Corporate exposure	11,466	10,725
Retail exposure	798	710
Equity investments*	3,727	3,730
Other	77	65
Market and settlement risk (Standardised Approach)	**1,384**	**1,450**
Operational risk (Standardised Approach)	**1,163**	**1,297**
Other risks* **	**296**	**390**
Total	**21,955**	**21,292**

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

** EUR 32 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. 2016
CET1 capital ratio	14.5	14.1
Tier 1 ratio	15.1	15.0
Capital adequacy ratio	20.6	20.7

Ratios, fully loaded, %	30 Sep. 2016	31 Dec. 2016
CET1 capital ratio	14.5	14.1
Tier 1 ratio	14.5	14.1
Capital adequacy ratio	20.0	19.8

Capital requirement, EUR million	30 Sep. 2016	31 Dec. 2016
Capital base	4,523	4,400
Capital requirement	2,311	2,238
Buffer for capital requirements	2,211	2,162

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

Note 19 Exposures by rating category

Corporate exposures (FIRB) by rating category

	30 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	992	93.3	0.0	44.7	149	15.0	0
2,5–5,5	13,003	75.0	0.2	44.4	5,105	39.3	11
6,0–7,0	3,251	72.5	1.3	44.1	3,093	95.1	18
7,5–8,5	1,901	69.0	4.4	44.5	2,687	141.4	37
9,0–10,0	192	54.1	18.6	44.8	432	225.1	16
11,0–12,0	311	54.7	100.0	46.3			144
Total	**19,649**	**74.4**	**1.0**	**44.4**	**11,466**	**59.3**	**226**

	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	1,119	92.1	0.0	44.7	167	14.9	0
2,5–5,5	12,410	70.9	0.2	44.5	5,031	40.5	11
6,0–7,0	2,823	72.3	1.3	44.4	2,759	97.7	16
7,5–8,5	1,658	70.7	4.4	44.5	2,371	143.0	32
9,0–10,0	181	54.7	17.6	44.1	397	219.3	14
11,0–12,0	369	60.7	100.0	46.0			170
Total	**18,561**	**71.5**	**0.9**	**44.5**	**10,725**	**59.0**	**243**

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

Note 20 Insurance company solvency

EUR million	30 Sept. 2016	31 Dec. 2015
Eligible capital	**1,129**	**1,105**
Solvency capital requirement (SCR)		
Market risk	470	467
Insurance risk	300	286
Counterparty risk	27	27
Operational risk	43	44
Diversification benefits and loss absorbency	-145	-126
Total	695	698
Buffer for SCR	**434**	**407**
SCR ratio, %	**162**	**158**

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

Note 21 Related-party transactions

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

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

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

Financial reporting in 2017

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

Schedule for 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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