OP Corporate Bank plc's Financial Statements Bulletin for 1 January–31 December 2017

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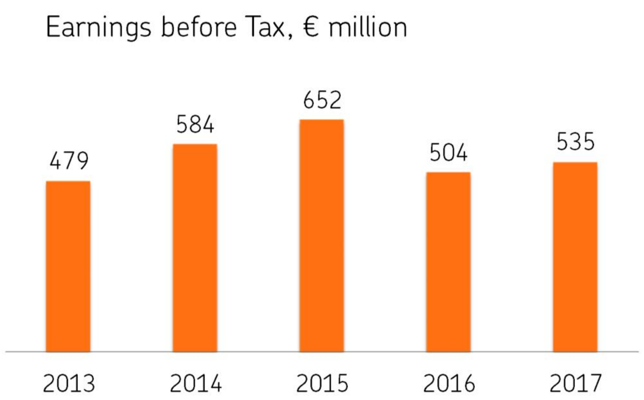
- Consolidated earnings before tax were EUR 535 million (504). The return on equity was 10.6% (10.4).
- Banking earnings before tax increased to EUR 344 million (260) due to higher net investment income and net interest income. The loan portfolio increased by 9.5% to EUR 20.1 billion. The cost/income ratio was 31.4% (32.8).
- Non-life Insurance earnings before tax decreased to EUR 193 million (231). Reduction of the discount rate weakened net insurance income and the operating combined ratio, which was 96.1% (87.6). Net return on investments at fair value totalled EUR 135 million (85).
- Other Operations earnings before tax were EUR -2 million (13). Liquidity and access to funding remained good.
- The CET1 ratio was 16.0% (14.9), while the target is 15%.
- Jouko Pölönen will resign from his position as President and CEO of OP Corporate Bank plc on 30 April 2018.
- Outlook for 2018: OP Corporate Bank Group's consolidated earnings before tax are expected to be about the same as in 2017.

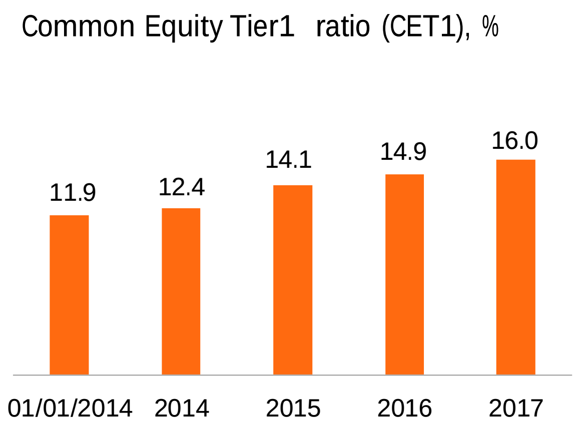
	Q1–4/2017	Q1–4/2016	Change, %
Earnings before tax, € million			
Banking	344	260	32.2
Non-life Insurance	193	231	-16.7
Other Operations	-2	13	
Group total	**535**	**504**	**6.0**

Comparatives deriving from the income statement are based on figures reported for the corresponding period a year ago. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2016 are used as comparatives.

Financial targets	31 Dec. 2017	31 Dec. 2016	Target
Customer experience, NPS (–100–+100)	69	58	70, over time 90
Common Equity Tier 1 (CET1) ratio, %	16.0	14.9	15
Return on economic capital, %	17.8	17.0	22
Expenses of present-day business*, € million	534	471	Expenses in 2020 lower than in 2015 (475)
Dividend payout ratio, % **	49.7	50.4	50

*Excluding expenses of the health and wellbeing business. Rolling 12-month.
**Board proposal





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Operating environment

The economic situation improved markedly in 2017. Confidence indicators continued to improve towards the year end. Based on preliminary information, the world economy grew at its fastest rate for over five years. Last year, the euro-area economy reached its best growth rate recorded during the current decade.

Inflation remained moderate despite the favourable economic development. The European Central Bank (ECB) continued its accommodative monetary policy. In 2017, the ECB's monthly asset purchases in the markets totalled EUR 60 billion and the main refinancing rates remained unchanged.

The Euribor rates remained negative. The 12-month Euribor rate decreased slightly because of abundant liquidity, but the 3-month Euribor rate remained unchanged. Longer-term rates rose slightly during the year.

The Finnish economy grew strongly on a wide front. Exports rose at their fastest pace during the current decade. Companies increased their fixed investments as a result of improved profitability and the need for additional capacity.

Supported by favourable employment development, consumer confidence improved to a record level and boosted consumer spending. Construction projects were abundant, the housing market picked up and home prices rose slightly on average.

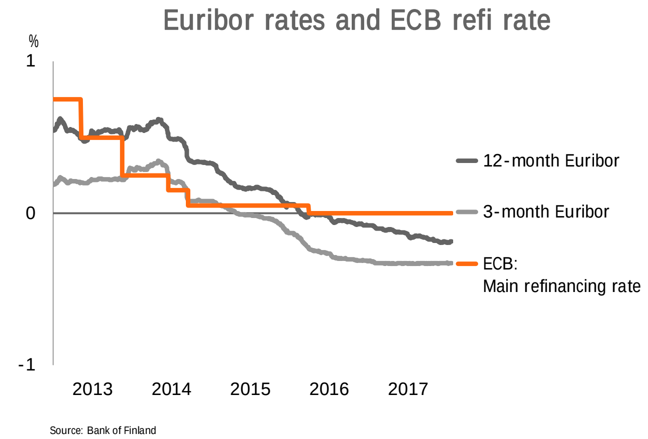
Favourable economic development is expected to continue in the near future, both in Finland and the rest of the euro area. The monetary policy is expected to tighten during 2018, but short-term interest rates should rise only slightly. The largest risks in the near future are associated with greater uncertainty in financial market and with the political environment.

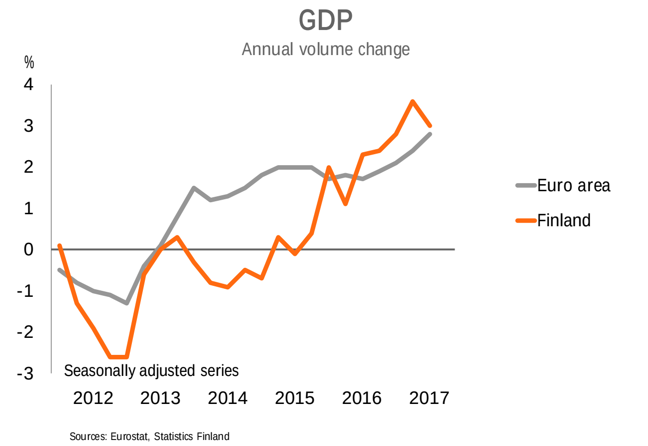
Total consumer loans increased by around 2.7% over the previous year. Consumer loans were raised more actively than a year ago. The average borrowing rate of new home loans drawn down declined further, coming to less than one percent. Corporate and housing association loans increased by 4.3% on a year earlier. Demand for consumer and corporate loans is expected to continue to pick up.

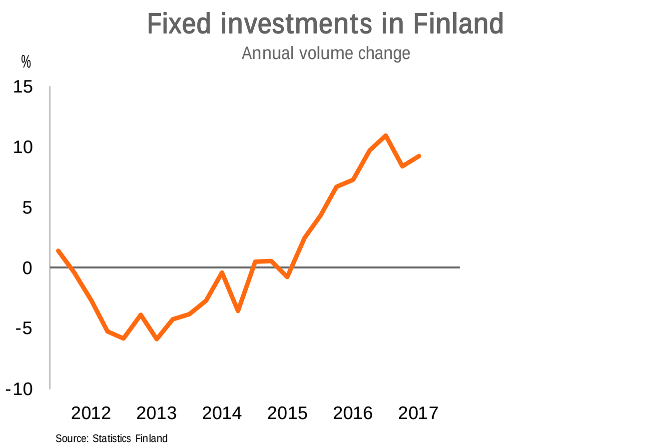
The annual growth rate of total deposits accelerated to 6.1% and that of total household decelerated deposits to 3.3%. Corporate deposits increased by 8.0% over the previous year while growth in deposits by public-sector entities remained brisk.

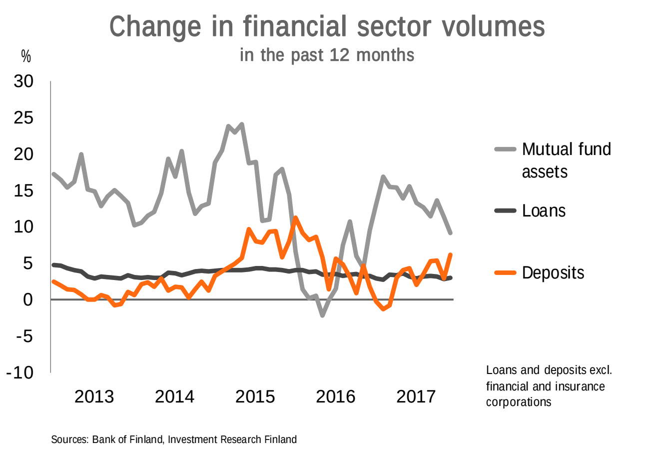
In 2017, the value of mutual funds registered in Finland increased by 8.9% to EUR 116.2 billion. A total of EUR 4.5 billion of this growth came from net asset inflows and EUR 5.1 million resulted from favourable market developments.

Positive mood in the economy and favourable developments in capital markets supported the insurance sector. However, price competition among private and corporate customers and in corporate and institutional insurance, which became fiercer during the latter half of the year, ate up premiums written.









Consolidated earnings

€ million	Q1–4/2017	Q1–4/2016	Change, %	Q4/ 2017	Q4/ 2016	Change, %
Net interest income	259	228	13.8	72	50	43.2
Net insurance income	459	534	-14.1	137	135	0.8
Net commissions and fees	-24	-4		-10	-14	-32.6
Net investment income	389	247	57.1	99	94	5.3
Other operating income	38	33	15.5	10	3	
Share of associates' profit/loss	1	-2		0	-2	
Total income	**1,121**	**1,037**	**8.2**	**308**	**266**	**15.8**
Personnel costs	164	162	1.2	43	42	3.8
Depreciation/amortisation and impairment loss	64	51	26,1	21	14	52.4
Other operating expenses	344	281	22.7	98	82	20.6
Total expenses	**573**	**494**	**16.0**	**163**	**137**	**18.7**
Impairment loss on receivables	12	37	-66.4	2	23	-92.3
OP bonuses to owner-customers	2	2	5.0	0	0	3.6
Total earnings before tax	**535**	**504**	**6.0**	**142**	**105**	**36.0**

January–December

Consolidated earnings before tax were EUR 535 million (504). Total income rose by 8.2% and total expenses by 16%. Both Banking and Non-life Insurance increased their income. Net investment income, in particular, added to total income. Total expenses were increased by higher ICT costs.

Net interest income rose to EUR 259 million (228). Banking net interest income improved as funding costs decreased and the loan portfolio increased. Net interest income was decreased by net interest income from Other Operations' derivatives operations.

Net insurance income fell to EUR 459 million (534) due to higher claims incurred. Insurance premium revenue increased by EUR 12 million thanks to the rise in insurance premium revenue from Private Customers. Increased price competition eroded income generation in both Private and Corporate Customers. Bringing forward the plan to reduce the discount rate increased claims incurred by EUR 102 million (55). In addition, claims development was poorer than a year ago.

Net commissions and fees were EUR -24 million (-4). The fees OP Corporate Bank Group pays to member cooperative banks for non-life insurance and derivatives sales increase commission expenses and turn net commissions and fees negative. Commission income was up by EUR 6 million year on year, increased by commission income from securities brokerage and securities issuance. Commission income was also increased by higher commission income from the card business than in the year before. Commission income was decreased by lower commission income from payment transfer services and insurance brokerage. Commission expenses were increased by higher fees paid to member banks for sales of derivatives and FX products and fees paid for card business. Excluding fees paid to member banks, commission expenses decreased year on year due to lower expenses of the payment transfer services.

Net investment income totalled EUR 389 million (247). Net income from securities trading increased by a total of EUR 69 million, of which EUR 32 million came from positive value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market movements. In addition, income was improved by income from Other Operations' derivatives operations. Net income from available-for-sale assets totalled EUR 196 million (137). Year on year, it was increased by a 87-million euro rise in capital gains on equity investments and a 14-million euro increase in dividends and share of profits but, conversely, decreased by EUR 56 million in capital losses on notes and bonds. Net investment income included a total of EUR 5 million (20) in impairment losses.

Other operating income increased to EUR 38 million (33). Income was increased by income from the health and wellbeing business as well as capital gains on the sale of the portfolio of agreements and POS terminals of acquiring and POS services.

Total expenses rose by 16% to EUR 573 million (494). Personnel costs were up by 1.2% over the previous year due to higher defined benefit pension costs. Other operating expenses were increased by a rise of EUR 39 million in ICT costs. In addition, other operating expenses increased by EUR 12 million due to expanding the health and wellbeing business and crediting a portion of income from the liquidity buffer to member banks. Depreciation/amortisation was increased mainly by higher depreciation/amortisation and impairment losses related to ICT investments particularly in Non-life Insurance.

ICT investments and related specifications made up a significant portion of development expenditure. Mostly development concerned the present-day business. In January–December, development expenditure totalled EUR 99 million (75). It includes licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 46 million (39).

Impairment losses on receivables totalled EUR 12 million (37), accounting for 0.05% (0.18) of the loan and guarantee portfolio.

The fair value reserve before tax decreased from its 2016-end level, totalling EUR 204 million (245) on 31 December 2017.

October–December

Earnings before tax increased to EUR 142 million (105). Income was up by 15.8% due to higher net interest income than the year before. Expenses rose by 18.7% due to higher other operating expenses.

Net interest income totalled EUR 72 million (50) as the loan portfolio increased and funding costs decreased. The loan portfolio grew by 3.9% in October–December.

Net insurance income totalled EUR 137 million (135). Insurance premium revenue was EUR 357 million (358) and claims incurred dropped to EUR 221 million (223). Intensified price competition affected income generation. A year ago, claims incurred were increased by the reduction of the discount rate.

Net commissions and fees totalled EUR -10 million (-14). Commission income was up by EUR 3 million year on year, due to income from lending and securities issuance. Commission expenses were down by EUR 1 million as commission expenses of the payment transfer services and those paid for Non-life Insurance decreased. Commission expenses were increased by higher fees paid to member banks for sales of derivatives and FX products.

Net investment income increased year on year, to EUR 99 million (94). Income was increased by EUR 38 million in capital gains on equity investments and by EUR 1 million in dividends and share of profits. Impairment losses reduced by EUR 5 million. On the other hand, capital gains on notes and bonds were EUR 21 million lower than a year ago. Net income from securities trading totalled EUR 32 million (42) and income from notes and bonds as well as derivatives in Non-life Insurance were EUR 6 million lower than a year ago.

Total expenses increased by EUR 26 million year on year, to EUR 163 million (137). Crediting a portion of income from the liquidity buffer to member banks, ICT costs as well as depreciation/amortisation and impairment losses increased expenses by EUR 19 million.

January–December highlights

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

The ECB offered 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 have been able to borrow up to 30% of their loan balance as at 31 January 2016 to be used for lending to non-financial corporations and households in the euro area, excluding loans to households for a home purchase. To contribute to strong growth, OP Financial Group participated in TLTRO-II operations in the reporting period with a total of EUR 1 billion. In total, OP Financial Group has participated in TLTRO-II with a total of EUR 4 billion.

SME financing programmes

OP Financial Group acts as an intermediary bank in two SME financing programmes guaranteed by the European Investment Fund (EIF) which enable financing worth a total of EUR 300 million. The EIF gives a 50% risk-sharing guarantee to the loans. The programmes are targeted at projects and investments of growing and innovative companies. The agreement covering the first financing programme, designed for companies with a staff of less than 500, was signed in March 2016. The agreement signed in January 2017, in turn, focuses on companies with a staff of less than 250. Within the framework of these programmes, OP has already granted 315 SME loans totalling almost EUR 180 million. By providing financing to SMEs with growth potential, OP Financial Group wants to be involved in supporting future economic growth and employment.

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.

Divestment of merchant acquiring and POS terminal services

OP Financial Group and Nets signed on 5 April 2017 an agreement whereby OP sold its portfolio of agreements and POS terminals of acquiring and POS terminal services to Nets specialising in providing digital card payments. Acquiring and POS terminal services enable merchants to accept card payments as a payment method for purchases. As a result of the transaction, OP transferred acquiring and payment terminal service agreements of some 15,000 merchants to Nets. OP and Nets have been in cooperation in the sold services since 2011. On the transaction, OP Corporate Bank Group recognised EUR 2 million in earnings.

Launch of OP Crowdfunding

September saw the launch of OP Crowdfunding: a fully digital service connecting businesses in need of capital with investors. In the service, OP intermediates financing. For businesses, the service is a new tool for financing growth while, for investors, it provides a means to support operations in line with their values and local businesses. Crowdfunding is particularly suited for financing fast-growing SMEs.

At its best, crowdfunding will create new growth and jobs in Finland, which is why this type of financing fits perfectly into OP's social role.

Timo Ritakallio to become Chair of the Board of Directors

On 20 September 2017, the Supervisory Board of OP Financial Group's central cooperative appointed Timo Ritakallio, LL.M, MBA and D.Sc. (Tech.), OP Financial Group's new President and Group Executive Chairman. Following the appointment, he will also become Chair of the Board of Directors of OP Corporate Bank. He will take up his duties at OP Financial Group on 1 March 2018. Reijo Karhinen, OP Financial Group's President and Group Executive Chairman and Chair of the Board of Directors of OP Corporate Bank, retired on 31 January 2018, based on his executive contract. Until Ritakallio takes up his duties as the new Chair of the Board, Tony Vepsäläinen will act as Chair of the Board.

Efficiency target specified

On 26 October 2017, the Supervisory Board further specified OP Financial Group's efficiency target. The previous target was that OP Financial Group's present-day business expenses for 2019 are at the same level as in 2015, at the most. The new target is that OP Financial Group's present-day business expenses for 2020 are at the 2015 level.
OP Corporate Bank's Board of Directors updated OP Corporate Bank's expense target to correspond to that of OP Financial Group.

EIB funding to support mid-sized and large companies' investments

The European Investment Bank (EIB) has agreed with OP on a risk-sharing guarantee facility for large and mid-sized companies. The agreement was signed between OP Corporate Bank and the EIB in November 2017. Following the agreement, OP makes a 300-million euro financing package available to mid-sized Finnish companies. This risk-sharing guarantee will be allocated to OP Corporate Bank's eligible mid-cap financing projects.

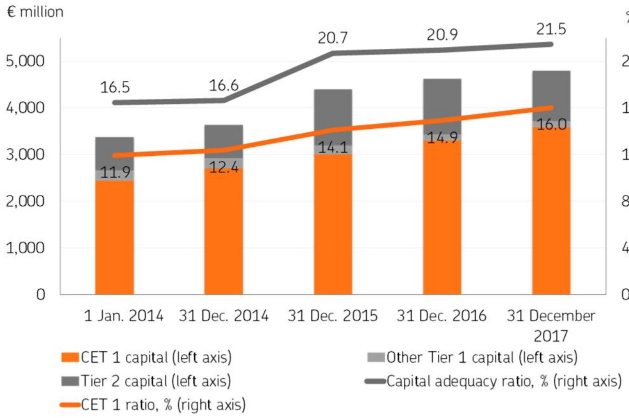
The agreement involves individual projects and enables a guarantee for a maximum of 20 contracts. Risk-sharing guarantee can be applied to projects whose financing is between EUR 7.5 million and EUR 50 million. Since the EIB will independently conduct credit appraisals and set the price for the guarantee portion, the risk-sharing model will generate no pricing benefits which could be passed on to the customer.

Jouko Pölönen to depart from OP

Jouko Pölönen will resign from his position as President and CEO of OP Corporate Bank plc on 30 April 2018 to become President and CEO of Ilmarinen Mutual Pension Insurance company. Employed by OP Financial Group since 2001, Jouko Pölönen became Executive Board member and responsible for the Group-level Banking business segment in 2014.

Group's capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

The Group's CET1 ratio was 16.0% (14.9) on 31 December 2017. The Group's CET1 target is 15%.

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

The CET1 capital totalled EUR 3.6 billion (3.3) on 31 December 2017, thanks to earnings by the Banking segment and the Other Operations segment and dividends from insurance companies.

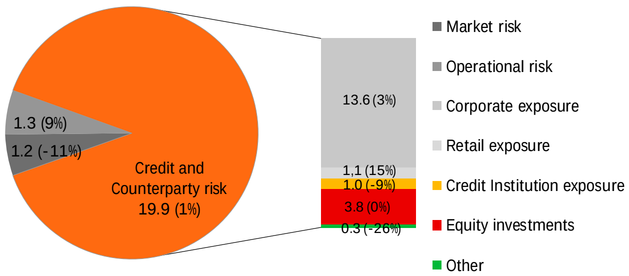
On 31 December 2017, the risk exposure amount (REA) totalled EUR 22.3 billion (22.1), or 1.1% higher than on 31 December 2016. The average credit risk weights decreased from their 2016-end levels thanks to the improved quality of the loan portfolio and optimisation of calculation methods. OP Financial Group treats insurance holdings within the financial and insurance conglomerate as risk-weighted assets, based on permission from the European Central Bank (ECB). Equity investments include EUR 3.7 billion in risk-weighted assets of OP Corporate Bank Group's internal insurance holdings with a risk weight of around 280%.

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.

The Financial Supervisory Authority makes a macroprudential policy decision on a quarterly basis. In December 2017, the Financial Supervisory Authority reiterated its decision not to impose a countercyclical capital buffer requirement on banks. On housing loans, a 15% minimum risk weight became effective from the beginning of 2018 for at least two years. The minimum risk weight on housing loans concerns OP Financial Group and has no effect on OP Corporate Bank.

The Ministry of Finance is drafting the inclusion of the systemic risk buffer in the Act on Credit Institutions. Accordingly, the Financial Supervisory Authority could set the systemic risk buffer ranging from 0 to 5%.

Risk Exposure Amount 31 December 2017
Total 22.3 € billion
(change from year end 1%)



ECB supervision

OP Financial Group is supervised by the European Central Bank (ECB). The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 1.75%. When taking account of the P2R, the minimum for OP Financial Group's CET1 ratio is 10.75% and for its capital adequacy ratio 14.25%. In addition, the ECB has set on OP Financial Group a capital adequacy guidance (P2G) of 1.0%. Failure to meet this guidance would not affect e.g. profit distribution. The P2G included, the CET1 requirement for OP Financial Group is 11.75%. OP Financial Group's capital adequacy clearly exceeds the new minimum set. The discretionary capital buffer requirement set by the ECB does not apply to OP Corporate Bank.

On 2 February 2017, OP Financial Group received the ECB's decision to set OP Financial Group's risk weight floors for retail exposures for a fixed period of 18 months. The shortcomings observed by the ECB in the IRBA (Internal Ratings Based Approach) management and validation process applied by OP Financial Group in capital adequacy measurement, especially delayed validations, lie behind the decision. The most essential shortcomings have already been fixed. Fixing the remaining shortcomings is proceeding as planned. The decision does not apply to OP Corporate Bank.

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority. The SRB is determining the minimum level of liabilities, under the Resolution Act, at the OP Financial Group level.

Solvency of non-life insurance companies

The solvency position was slightly weaker than on 31 December 2016. Dividend distributions decreased the capital base.

Non-life Insurance figures under Solvency II

€ million	31 Dec. 2017	31 Dec. 2016
Capital base, € million*	902	983
Solvency capital requirement (SCR), € million*	666	687
Solvency ratio, %*	135	143
Solvency ratio, % (excluding transitional provision)	135	127

*including transitional provisions.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 2017

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

OP Insurance Ltd's financial strength ratings on 31 December 2017

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

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

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

In July 2017, 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 stable.

At the same time, Standard & Poor's also affirmed OP Insurance Ltd's financial strength rating at A+ while keeping the outlook stable.

Risk Management

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

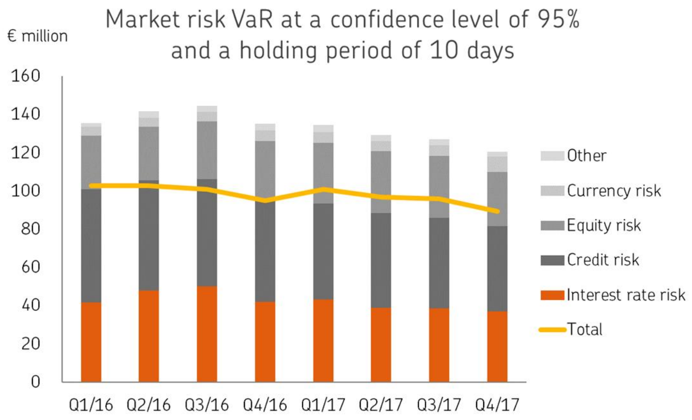
OP Corporate Bank Group's significant risks include credit risk, market risk, liquidity risk, underwriting risk and concentration risk. Strategic risks, reputational risk and operational risks (including compliance risk) are inherently related to all Group business lines.

Group risk exposure

The strong risk 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 89 million (95) on 31 December 2017. VaR includes the non-life insurance company's total assets, trading operations, the liquidity buffer of Other Operations and the interest rate exposure of Group Treasury.



The Group expects its operational risks to be moderate. The development speed of operations and services will, however, pose additional challenges to risk management in the upcoming years. Materialised operational risks resulted in approximately EUR 1.0 million (0.4) in costs during the reporting period.

Risks associated with defined benefit pension plans relate to interest rate and market risk, future increases in pension benefits and longer life expectancy. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities. The decrease in net liabilities related to defined benefit pension plans recognised in other comprehensive income during the reporting period improved comprehensive income before tax by EUR 4 million. Net liabilities were decreased by healthy return on investment and lower assumption for the increase in future employee pensions and increased by OP Bank Group Pension Fund's experience adjustments. A year ago, an increase in net liabilities related to defined benefit pension plans decreased comprehensive income before tax by EUR 79 million.

Banking

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

Credit risk exposure by Banking remained stable and credit risk remained moderate.

Doubtful receivables totalled EUR 195 million (198). 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 accounted for 0.05% (0.18) of the loan and guarantee portfolio.

Total exposure in Banking (including derivatives brokerage) was EUR 31.6 billion (29.3). The ratio of the exposure of the highest borrower grades 1–5.5 to total exposure (excluding private customers) was 66.4% (65.9). The proportion of the lowest borrower grades 11–12 was 0.6% (0.7). Corporate exposure (including housing corporations and corporate customers of retail exposure) accounted for 87.9% (88.1) of total Banking exposures. Of corporate exposures, the investment-grade exposure (borrower grades 1–5.5) accounted for 65.4% (64.9) and the exposure of the lowest two borrower grades amounted to EUR 187 million (196) or 0.7% (0.8) of the total corporate exposure.

Total Banking exposure by exposure class, € billion

	31 Dec. 2017	31 Dec. 2016	Change
Corporate exposures*	27.8	25.8	1.9
Retail exposure	1.7	1.5	0.2
Financial institutions and insurance companies	1.2	0.7	0.4
Public sector entities	1.0	1.2	-0.3
Total	**31.6**	**29.3**	**2.3**

* including housing corporations and corporate customers of retail exposure

Total Banking exposure* by borrower grade, € billion

Borrower grade	31 Dec. 2017	31 Dec. 2016	Change
1.0–2.0	2.2	1.7	0.5
2.5–5.5	17.7	16.6	1.1
6.0–7.0	6.5	5.9	0.6
7.5–9.0	3.2	3.2	0.0
9.5–10.0	0.2	0.2	0.0
11.0–12.0	0.2	0.2	0.0
Total	**29.9**	**27.8**	**2.1**

* excluding private customers

Four customers' exposures exceeded 10% of the capital base covering customer risk after allowances and other recognition of credit risk mitigation. On 31 December 2017, the amount of large corporate customer exposures totalled EUR 1.9 billion (0.0), while OP Corporate Bank's capital base covering customer risk was EUR 4.3 billion (4.6).

Corporate and housing corporation exposures by industry remained highly diversified. The most significant industries included Energy 14.8% (13.2), Trade 11.1% (10.5) and Services 9.6% (7.3).

Exposures by the Baltic operations grew to EUR 2.5 billion (2.0), accounting for 7.8% (6.9) of total exposures of the Banking segment.

In monitoring Banking exposures, OP Corporate Bank started to use exposure classes instead of the customer sectors presented previously. Comparatives have been restated to correspond to the new monitoring method.

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 45 million. A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 27 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 risk exposure of investments was stable during the reporting period. The VaR, a measure of market risk, was EUR 52 million (57) on 31 December 2017. No major changes took place in the investment portfolio's asset class allocation. The Group has used both interest rate derivatives and bonds to hedge against interest rate risk associated with insurance liability. The portfolio's interest rate and credit risk remained stable. The hedge ratio of interest rate risk associated with insurance liabilities was kept stable.

Other Operations

Major risks related to the Other Operations segment 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.

The market risk in proportion to the market value of notes and bonds in the liquidity buffer (VaR with 95% confidence) remained stable during the reporting period. The volume of investments declined slightly and the asset class allocation saw no major 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.

A decrease in the amount of notes and bonds eligible as collateral was due, for example, by their use as collateral in TLTRO-II.

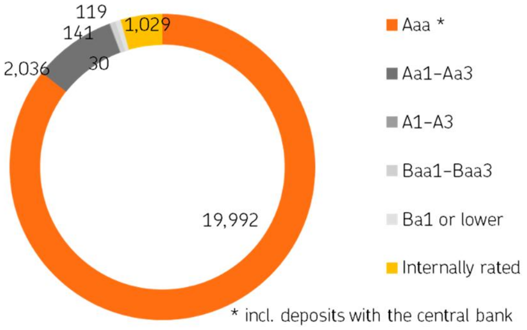
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to the transitional provisions, the LCR must be at least 80% in 2017 and at least 100% from the beginning of 2018. OP Financial Group's LCR was 123% on 31 December 2017.

Liquidity buffer

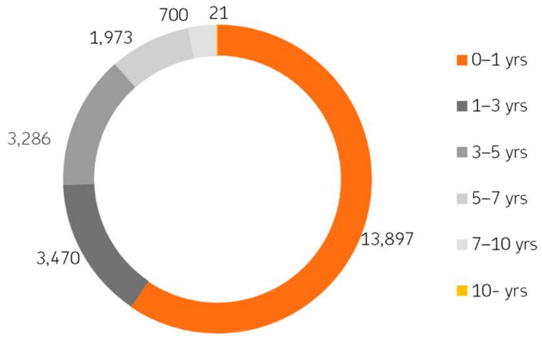
€ billion	31 Dec. 2017	31 Dec. 2016	Change, %
Deposits with central banks	12.8	9.3	37.2
Notes and bonds eligible as collateral	9.1	11.2	-18.7
Corporate loans eligible as collateral		0.1	
Total	**21.9**	**20.6**	**6.2**
Receivables ineligible as collateral	1.5	1.4	5.8
Liquidity buffer at market value	**23.3**	**22.0**	**6.2**
Collateral haircut	-0.7	-0.7	2.5
Liquidity buffer at collateral value	**22.7**	**21.3**	**6.3**

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 31 December 2017, € million



Financial assets included in the liquidity buffer by maturity on 31 December 2017, € million



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Of the aggregated exposures of the Other Operations and the Banking segments, exposures of OP Financial Group (excluding OP Corporate Bank Group) represented 16.0%. These exposures increased during the year by EUR 0.4 billion or 3.6%. All exposures of OP Financial Group member cooperative banks and OP Cooperative are investment-grade exposures.

Total Other Operations exposure by borrower grade, € billion

Borrower grade	31 Dec. 2017	31 Dec. 2016	Change
1.0–2.0	31,5	29.7	1.8
2.5–5.5	5.6	6.8	-1.2
6.0–7.0	0.0	0.0	0.0
7.5–9.0	0.5	0.1	0.4
9.5–10.0	0.0	0.0	0.0
11.0–12.0	0.0	0.0	0.0
Total	**37.6**	**36.6**	**-1.0**

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-business segment operations are presented in the Other Operations segment, including functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer. Segment reporting is based on the accounting policies applied in the Group's financial statements.

Banking

- Earnings before tax increased to EUR 344 million (260) as a result of higher net interest income and net investment income.
- The loan portfolio increased in the year to December by 9.5% to EUR 20.1 billion.
- The ratio of impairment loss on receivables to the loan and guarantee portfolio decreased to 0.05% (0.18).
- The cost/income ratio was 31.4% (32.8).
- The most significant Banking development investments involved the development of finance and payment systems.
- In late 2017, a representative office was opened in Shanghai, China, to support Finnish companies' growth and internationalisation in the Asian market.

Banking: key figures and ratios

€ million	Q1–4/2017	Q1–4/2016	Change, %
Net interest income	348	300	16.1
Net commissions and fees	129	142	-9.5
Net investment income	18	-16	
Other operating income	24	15	58.9
Total income	**520**	**442**	**17.6**
Personnel costs	54	54	0.6
Depreciation/amortisation and impairment loss	11	10	15.1
Other operating expenses	98	81	20.5
Total expenses	**163**	**145**	**12.7**
Impairment loss on receivables	12	37	-66.6
Earnings before tax	**344**	**260**	**32.2**
Cost/income ratio, %	31.4	32.8	
Loan portfolio, € billion	20.1	18.0	11.7
Guarantee portfolio, € billion	2.4	2.5	-5.8
Margin on corporate loan portfolio, %	1.25	1.41	
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.05	0.18	
Personnel	628	652	

The loan portfolio grew in the year to December by 9.5% to EUR 20.1 billion. Growth during the reporting period was partly explained by a 0.4-billion euro internal change in the Group's customer exposures. The change had no impact on OP Corporate Bank Group's loan portfolio. The guarantee portfolio totalled EUR 2.4 billion (2.5) and committed standby credit facilities amounted to EUR 4.5 billion (4.4).

As a corporate partner, OP Corporate Bank aims to promote the success and internationalisation of Finnish business. In late 2017, a representative office was opened in Shanghai, China, to support Finnish companies' growth and internationalisation in the Asian market.

September saw the launch of OP Crowdfunding: a fully digital service connecting businesses in need of capital with investors. In the service, OP intermediates financing. Crowdfunding is particularly suited for financing fast-growing SMEs. Already during the reporting period, OP Crowdfunding executed one crowdfunding round successfully and initiated in December its second crowdfunding project which was then successfully completed in January 2018.

In November 2017, OP Corporate Bank was the first player in Europe to sign an agreement with the European Investment Bank (EIB) on a risk-sharing guarantee facility for large and mid-sized companies. Following the agreement, OP Corporate Bank makes a 300-million euro financing package available to mid-sized Finnish companies. This risk-sharing guarantee will be allocated to OP Corporate Bank's eligible mid-cap financing projects. Moreover, the two other ongoing guarantee programmes, SME InnovFin and SME Initiative, have aroused interest among our corporate customers. These programmes put us in a strong position to support our customers' investments and growth.

Expectations of rising interest rates spurred the sales of interest rate protection products to Private and Corporate Customers. For example, their volume relative to home loans almost quintupled year on year.

January–December

Earnings before tax increased by 32.2% to EUR 344 million (260). Total income rose by 17.6% and total expenses by 12.7%. Total income was increased year on year by growth in the loan portfolio and positive CVA valuations. As a result of the rise in income, the cost/income ratio improved to 31.4% (32.8).

Owing to the increase in the loan portfolio and the decrease in funding costs, net interest income grew by 16.1% to EUR 348 million.

Net commissions and fees decreased by 9.5% to EUR 129 million (142). The fees paid to member banks for sales of derivatives and FX products were higher than the year before, increasing commission expenses for the reporting period.

Net investment income was increased by positive CVA valuation arising from interest rate changes and other market movements. CVA valuation was EUR 21 million as against EUR -12 million a year ago.

Other operating income was increased by a 2-million euro gain on the sale of the acquiring and POS terminal services, a 3-million euro reimbursement for funding costs from the Other Operations segment and by EUR 1 million in income from home loan guarantees which were transferred from OP Insurance Ltd to OP Corporate Bank.

Net loan losses and impairment losses amounted to EUR 12 million (37), accounting for 0.05% (0.18) of the loan and guarantee portfolio. Final loan losses recognised totalled EUR 35 million (37) and reversal of impairment losses EUR 22 million (0).

Total expenses were EUR 163 million (145). Personnel costs remained at the previous year's level at EUR 54 million. Other operating expenses increased by 20.5% to EUR 98 million (81). ICT costs rose by EUR 13 million.

During the reporting period, OP Corporate Bank's back office operations were transferred to OP Financial Group's centralised services, reducing Banking's personnel from a year ago.

Non-life Insurance

- Earnings before tax amounted to EUR 193 million (231). Net investment income totalled EUR 175 million (102). Earnings before tax at fair value were EUR 108 million (300).
- Insurance premium revenue increased by 0.9% (1.6). Net return on investments at fair value totalled EUR 135 million (85).
- The discount rate for pension liabilities was lowered to 1.5% at the end of September 2017. The reduced discount rate increased claims incurred by EUR 102 million (55).
- The operating combined ratio was 96.1% (87.6) and operating expense ratio 20.3% (18.5). The combined ratio was 97.6% (89.1). The reduced discount rate and unfavourable claims development weakened the combined ratios.
- OP Financial Group will sell all share capital of its Baltic-based subsidiary Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The parties signed the related contract of sale on 18 December 2017.
- The basic system upgrade of Non-life Insurance has begun. Launches in the reporting period included new motor liability insurance and, within the fully digital OP Nano service family, home insurance and travel insurance.

Non-life Insurance: key figures and ratios

€ million	Q1–4/2017	Q1–4/2016	Change, %
Insurance premium revenue	1432	1,420	0.9
Claims incurred	970	883	9.8
Other expenses	3	3	4.3
Net insurance income	**459**	**534**	**-14.0**
Net investment income	175	102	71.1
Other net income	-61	-77	-20.1
Total income	**573**	**559**	**2.4**
Personnel costs	102	100	2.3
Depreciation/amortisation and impairment loss	50	40	25.7
Other operating expenses	226	187	21.2
Total expenses	**378**	**326**	**16.0**
OP bonuses to owner-customers	2	2	5.0
Earnings before tax	**193**	**231**	**-16.7**
Combined ratio, %	97.6	89.1	
Operating combined ratio, %	96.1	87.6	
Operating loss ratio, %	75.8	69.1	
Operating expense ratio, %	20.3	18.5	
Operating risk ratio, %	69.3	63.3	
Operating cost ratio, %	26.9	24.3	
Solvency ratio (Solvency II), %*	135	143	
Large claims incurred retained for own account	78	61	
Changes in claims for previous years (run off result)	35	60	
Personnel	1,774	1,730	

* Including the effect of transitional provisions.

Insurance premium revenue from Private Customers and Baltics increased. Insurance premium revenue from Corporate Customers was lower than a year ago. Increased price competition particularly with respect to motor liability insurance and corporate insurance eroded income generation in both Private and Corporate Customers. Claims development was weaker than the year before.

OP bonuses earned through the use of banking and insurance services were used to pay 2,314,000 insurance bills (2,200,000), with 327,000 (297,000) of them paid in full using bonuses. Insurance premiums paid using bonuses totalled EUR 114 million (107).

Developing online and mobile services in both insurance and claims ranks among key Non-life Insurance priorities. The new vahinkoapu.op.fi site (Claim Help) and the new loss report service on OP-mobile have been in frequent use. Up to almost 70% of loss reports of private customers are filed through electronic channels. During the reporting period, OP introduced a new and fully digital OP Nano service family, with its home insurance launched in May 2017 and travel insurance in September 2017.

During the reporting period, Pohjola Health Ltd expanded its hospital network by two new Pohjola Hospitals. The Pohjola Hospital located in Helsinki and the Tampere hospital opened in 2016 were complemented by the Oulu hospital in May 2017 and the Kuopio hospital in August 2017. All four Pohjola Hospitals provide basic healthcare and special healthcare services, examinations, surgery and rehabilitation on an extensive basis. The hospital network will be completed in May 2018 when the Turku hospital opens its doors.

In its meeting of 28 September 2017, the Supervisory Board discussed the next steps of the strategic expansion of the health and wellbeing business. In the coming years, the business is to be expanded through, for instance, the construction of a nationwide medical centre network. Branching out into care services for the elderly, too, is under investigation.

Customers have been satisfied with the service provided by Pohjola Hospitals. Among surgery customers, the NPS figure was 97 (96) in January–December 2017.

OP Financial Group will sell all share capital of its Baltic-based subsidiary Seesam Insurance As (Seesam), including its Latvian and Lithuanian branches, to Vienna Insurance Group (VIG). The parties signed the related contract of sale on 18 December 2017. The divestment should be completed during 2018, provided that it is approved by relevant authorities and that the related conditions are otherwise fulfilled.

January–December

Earnings before tax amounted to EUR 193 million (231). Net insurance income fell by 14.0% to EUR 459 million, chiefly due to the reduction of the discount rate. Net investment income recognised in the income statement increased by EUR 73 million. Capital gains on investments totalled EUR 132 million (55). Earnings before tax at fair value were EUR 108 million (300).

The operating combined ratio was 96.1% (87.6). The operating ratios exclude amortisation on intangible assets arising from the corporate acquisition.

Insurance premium revenue

€ million	Q1–4/2017	Q1–4/2016	Change, %
Private customers	786	771	1.9
Corporate customers	584	591	-1.3
Baltics	62	58	8.2
Total	**1,432**	**1,420**	**0.9**

Claims incurred, excluding the reduction in the discount rate, increased by 4.8%. Claims under property and business liability insurance incurred arising from new large claims were higher than a year ago. The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 85 (78) in January December, with their claims incurred retained for own account totalling EUR 78 million (61). Provisions for unpaid claims under statutory pension changed year on year by EUR -8 million (10) in January–December. The discount rate was reduced to 1.5% at the end of September 2017. On 31 December 2016, the average discount rate was 1.97%. The reduced discount rate increased claims incurred by EUR 102 million (55) and weakened the operating combined ratio by 7.1 percentage points (3.9).

Changes in claims for previous years, excluding the effect of discount rate changes, improved the balance on technical account by EUR 35 million (60). The operating loss ratio was 75.8% (69.1). The operating risk ratio excluding indirect loss adjustment expenses was 69.3% (63.3).

Expenses grew by 16.0%, being EUR 52 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 20.3% (18.5). The operating cost ratio (including indirect loss adjustment expenses) was 26.9% (24.3).

Operating balance on technical account and combined ratio (CR)

	Q1–4/2017		Q1–4/2016	
	Balance € million	CR, %	Balance € million	CR, %
Private customers	93	88.1	130	83.1
Corporate customers	-41	107.0	41	93.1
Baltics	3	95.3	5	91.1
Total	**55**	**96.1**	**176**	**87.6**

Reduction in the discount rate weakened the balance on technical account both for Private Customers and particularly for Corporate Customers. Excluding the discount rate change deviating from the plan, the balance for Corporate Customers was EUR -4 million. The unfavourable claims development eroded the balance for major customers, in particular.

Investment

Net return on Non-life Insurance investments at fair value totalled EUR 135 million (85). Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Investment portfolio by asset class

%	31 Dec. 2017	31 Dec. 2016
Bonds and bond funds*	68.0	74.4
Alternative investments*	4.7	3.2
Equities	8.5	8.1
Private equity	1.9	2.9
Real property	8.3	9.8
Money markets	8.5	1.9
Total	**100**	**100**

*In the investment portfolio by asset class, illiquid low-risk mortgage-backed funds were transferred from bond and bond funds under alternative investments. The comparatives in the table have been restated.

Non-life Insurance's investment portfolio totalled EUR 3,903 million (3,876) on 31 December 2017. Investments within the investment-grade category accounted for 95% (91), and 65% (62) of the investments were rated at least A–. On 31 December 2017, the fixed-income portfolio's modified duration was 5.1 (5.4).

The running yield for direct bond investments averaged 1.8% (1.7) on 31 December 2017.

Other Operations

- Earnings before tax were EUR -2 million (13). Earnings were eroded by lower earnings in Group Treasury than the year before.
- Earnings included EUR 19 million (19) in capital gains on notes and bonds and EUR 11 million (3) in dividend income.
- Liquidity and access to funding remained good.

Other Operations: key figures and ratios

€ million	Q1–4/2017	Q1–4/2016	Change, %
Net interest income	-68	-48	43.1
Net commissions and fees	-94	-84	11.3
Net investment income	195	159	22.5
Other operating income	8	13	-36.0
Total income	**41**	**40**	**2.2**
Personnel costs	8	8	6.8
Other expenses	36	19	87.3
Total expenses	**43**	**27**	**59.0**
Impairment loss on receivables	0	0	
Earnings before tax	**-2**	**13**	
Receivables and liabilities from/to OP Cooperative banks, net position, € billion	-2.8	1.1	
Personnel	50	72	-30.7

OP Corporate Bank's access to funding remained good. In January–December, OP Corporate Bank issued long-term senior bonds worth EUR 1.0 billion. In April 2017, OP Corporate Bank issued in the international capital market a senior bond of EUR 500 million with a maturity of five years. Furthermore, OP Corporate Bank participated in March 2017 in the second series of the ECB's targeted longer-term refinancing operations (TLTRO-II) with a total of EUR 1.0 billion. In total, OP Corporate Bank has participated in TLTRO-II with EUR 4.0 billion.

In December 2017, the average margin of senior wholesale funding and TLTRO-II funding was 19 basis points (31). Use of the TLTRO-II funding, together with funding arriving at maturity at higher cost, lower the cost of wholesale funding.

On 31 December 2017, OP cooperative banks' investments in OP Corporate Bank's Group Treasury were higher than funding borrowed by them from Group Treasury. OP cooperative banks' investments were increased by OP Mortgage Bank's covered bond funding which resulted in higher volumes of OP cooperative banks' investments in Group Treasury than before.

January–December

Earnings before tax amounted to EUR -2 million (13). Earnings before tax at fair value were EUR 35 million (38). Earnings were eroded by lower earnings in Group Treasury than the year before. Group Treasury manages liquidity for the entire OP Financial Group and, to a limited extent, net interest income in the banking book. Year-on-year earnings may vary depending on business funding requirements and on net interest income allocated to Group Treasury.

Derivatives operations decreased net interest income and increased net income from securities trading included in net investment income. According to the OP Corporate Bank Group's accounting policy, income from derivative instruments is split between net interest income and net income from securities trading. How this income is broken down between the two income statement items may vary considerably depending on the derivative instruments used in position management at a given time. Net investment income grew year on year by EUR 36 million thanks to derivatives operations generating higher net trading income included in the item. In addition, net investment income included EUR 19 million (19) in capital gains on notes and bonds and EUR 11 million (3) in dividend income. Dividend income in the reporting period included EUR 7 million in interest on cooperative capital from Suomen Luotto-osuuskunta.

Net commissions and fees were eroded by client income from derivatives and FX trading paid to the Banking segment, which were higher than a year ago.

A year ago, 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. Income from the liquidity buffer credited to them, in turn, increased other expenses for the reporting period.

OP Corporate Bank's back office operations were transferred to OP Financial Group's centralised services, reducing personnel from a year ago.

Group restructuring

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

OP Corporate Bank's back office operations transferred to OP Financial Group's centralised services on 1 May 2017. Centralising back office operations is in line with OP Financial Group's strategy.

Foreign subsidiaries

The Estonia-based non-life insurance company Seesam Insurance AS and its branches will be sold to Vienna Insurance Group. The contract of sale was signed on 18 December 2017. The completion of the sale is conditional on obtaining the regulatory approval of the authorities. During the reporting period, Seesam's insurance premium revenue totalled EUR 62 million and its balance on technical account was EUR 55 million.

OP Corporate Bank plc has subsidiaries and branches offering banking services for corporate customers in Estonia, Latvia and Lithuania. OP Corporate Bank is examining various strategic options in respect of Baltic Banking.

Representative offices

Towards the end of the reporting period, a representative office was opened in China. The Shanghai representative office's mission is to help both Chinese and Finnish SMEs succeed in their business. It will seek to facilitate Finnish SMEs' access to large markets and promote their success, while assisting Chinese SMEs that might be interested in cooperating with Finnish partners.

The St. Petersburg representative office closed down at the end of the reporting period. The St. Petersburg representative office has served cooperative banks' corporate customers since 1994, especially with respect to opening bank accounts and working capital finance, in cooperation with Raiffeisen Bank International. OP Corporate Bank's customers will continue to be served in cooperation with Raiffeisen Bank International.

Personnel and remuneration

In Banking and Other Operations, personnel were decreased due to the concentration of OP Corporate Bank's back office operations in OP Financial Group's centralised services. In Non-life Insurance's health and wellbeing business, personnel increased year on year.

Personnel

	31 Dec. 2017	31 Dec. 2016
Banking	628	652
Non-life Insurance	1,774	1,730
Other Operations	50	72
Total	**2,452**	**2,454**

During 2017, OP Financial Group was building an operating model to update employee competencies. The model anticipates the disruption whereby digitisation and automation will destroy some of the jobs currently existing in the financial sector, while also creating new jobs which require requiring new competencies. The operating model aims to encourage and steer employees to keep their own labour market value up to date. OP seeks to provide support, in terms of education, training and in finding a new type of job, for those employees whose job will either cease to exist or drastically change in the future. The first actions within this model will be started in 2018, and some have already been piloted.

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

The long-term scheme for the entire OP Financial Group consists of a management incentive scheme and a personnel fund for other staff. In drawing up the incentive schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

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

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

Corporate governance and management

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

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

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

Jouko Pölönen acts as OP Corporate Bank's President and CEO until 30 April 2018.

On 20 September 2017, the Supervisory Board of OP Financial Group's central cooperative appointed Timo Ritakallio, LL.M, MBA and D.Sc. (Tech.), OP Financial Group's new President and Group Executive Chairman. Following the appointment, he will also become Chair of the Board of Directors of OP Corporate Bank. He will take up his duties at OP Financial Group on 1 March 2018. Reijo Karhinen, OP Financial Group's President and Group Executive Chairman and Chair of the Board of Directors of OP Corporate Bank, retired on 31 January 2018, based on his executive contract. Until Ritakallio takes up his duties as the new Chair of the Board, Tony Vepsäläinen will act as Chair of the Board.

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

On 31 December 2017, OP Corporate Bank's equity capital totalled EUR 2,697,644,183.43, of which EUR 1,445,303,773.92 represented distributable equity.

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

	EUR
Profit for 2017	394,080,029.08
Retained earnings	778,069,875.37
Reserve for invested non-restricted equity	307,931,364.75
Other non-restricted reserves	23,449,472.31
Capitalised development expenditure	-58,226,967.59
Total	**1,445,303,773.92**

The Board of Directors proposes that the company's distributable funds be distributed to shareholders as a dividend of EUR 0.66 per share, i.e. EUR 210,903,933.90. Accordingly, EUR 1,234,399,840.02 remains in the company's distributable equity.

The company's financial position has not undergone any material changes since the end of the financial year 2017. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

Outlook for 2018

Last year, the euro-area economy reached its best growth rate recorded during the current decade. Nevertheless, inflation remained moderate and the European Central Bank's monetary policy accommodative. Economic growth in Finland continued swiftly and on a broad basis. Fixed investments increased strongly and business profitability improved. Consumer confidence remained high and growth in employment sped up. Favourable economic development is expected to continue in the near future, both in Finland and the rest of the euro area. The monetary policy is expected to tighten in 2018 but short-term rates are anticipated to rise moderately. The largest risks in the near future are associated with greater uncertainty in financial markets and with the political environment. A longer-term risk is that economic growth will remain modest if Finland is not able to restructure its economy to a sufficient extent when the population is ageing and digitisation is proceeding.

The financial sector has adjusted very well to the new type of low interest rate environment. While low interest rates have retarded growth in banks' net interest income and eroded insurance institutions' income from fixed income investments, they also have improved customers' repayment capacity. Impairment losses have remained low despite the slow growth that has lasted for several years now. The most significant strategic risks in the financial sector are currently associated with changing customer behaviour, operating environment digitisation and more complex regulation. Industry disruption is threatening to slow down growth and erode income generation in the years to come. In the next few years, the financial sector will be faced with a strong need to reinvent itself. Changes in the operating environment will emphasise the necessity of reinvention with a long-term approach as well as the role of the management of profitability and capital adequacy.

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

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

Consolidated income statement

EUR million	Note	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Net interest income	3	72	50	259	228
Net insurance income	4	137	135	459	534
Net commissions and fees	5	-10	-14	-24	-4
Net investment income	6	99	94	389	247
Other operating income		10	3	38	33
Share of associates' profits		0	-2	1	-2
Total income		**308**	**266**	**1,121**	**1,037**
Personnel costs		43	42	164	162
Depreciation/amortisation		21	14	64	51
Other expenses		98	82	344	281
Total expenses		**163**	**137**	**573**	**494**
Impairments of receivables	7	2	23	12	37
OP bonuses to owner-customers		0	0	2	2
Earnings before tax		**142**	**105**	**535**	**504**
Income tax expense		29	24	105	102
Profit for the period		**113**	**81**	**430**	**402**
Attributable to:					
Owners of the parent		110	79	424	399
Non-controlling interests		3	1	6	3
Profit for the period		**113**	**81**	**430**	**402**
Statement of comprehensive income					
Profit for the period		**113**	**81**	**430**	**402**
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		0	-31	4	-79
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-26	-26	-37	104
Cash flow hedge		0	-3	-4	-7
Translation differences		0	0	0	0
Income tax on other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains(/losses) arising from remeasurement of defined benefit plans		0	6	-1	16
Items that may be reclassified to profit or loss					
Measurement at fair value		5	5	7	-21
Cash flow hedge		0	1	1	1
Total comprehensive income for the period		**93**	**33**	**400**	**416**
Attributable to:					
Owners of the parent		90	32	394	412
Non-controlling interests		2	1	6	4
Total comprehensive income for the period		**93**	**33**	**400**	**416**

Balance sheet

EUR million	Note	31 December 2017	31 December 2016
Cash and cash equivalents		12,825	9,336
Receivables from credit institutions		9,294	9,458
Financial assets held for trading		589	638
Derivative contracts	10	3,426	4,678
Receivables from customers	12	20,120	18,702
Investment assets		15,506	16,698
Investments in associates		49	46
Intangible assets		777	790
Property, plant and equipment (PPE)		115	93
Other assets		1,708	2,488
Tax assets		35	46
Total assets		**64,445**	**62,974**
Liabilities to credit institutions		14,035	10,332
Derivative contracts		3,216	4,398
Liabilities to customers		18,837	16,178
Insurance liabilities	13	3,143	3,008
Debt securities issued to the public	14	16,791	19,826
Provisions and other liabilities		2,307	3,231
Tax liabilities		419	405
Subordinated liabilities		1,547	1,592
Total liabilities		**60,295**	**58,969**
Equity capital			
Capital and reserves attributable to owners of the parent			
Share capital		428	428
Fair value reserve	15	164	197
Other reserves		1,093	1,093
Retained earnings		2,404	2,179
Non-controlling interests		60	109
Total equity capital		**4,149**	**4,005**
Total liabilities and equity capital		**64,445**	**62,974**

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 2016	**428**	**120**	**1,093**	**1,996**	**3,637**	**105**	**3,741**
Total comprehensive income for the period		77		336	412	4	416
Profit for the period				399	399	3	402
Other comprehensive income		77		-63	13	1	14
Profit distribution				-153	-153		-153
Other			0	0	0	1	1
Balance at 31 December 2016	**428**	**197**	**1,093**	**2,179**	**3,896**	**109**	**4,005**

EUR million	Attributable to owners						
	Share capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	**428**	**197**	**1,093**	**2,179**	**3,896**	**109**	**4,005**
Total comprehensive income for the period		-33		427	394	6	400
Profit for the period				424	424	6	430
Other comprehensive income		-33		3	-29	0	-30
Profit distribution				-201	-201		-201
Other			0	0	0	-55	-55
Balance at 31 December 2017	**428**	**164**	**1,093**	**2,404**	**4,089**	**60**	**4,149**

Cash flow statement

EUR million	Q1–4/ 2017	Q1–4/ 2016
Cash flow from operating activities		
Profit for the period	430	402
Adjustments to profit for the period	92	121
Increase (-) or decrease (+) in operating assets	**597**	**-3,842**
Receivables from credit institutions	617	183
Financial assets held for trading	-230	-62
Derivative contracts	-35	23
Receivables from customers	-1,443	-1,552
Investment assets	967	-1,695
Other assets	721	-740
Increase (+) or decrease (-) in operating liabilities	**5,499**	**3,931**
Liabilities to credit institutions	3,730	5,151
Financial liabilities at fair value through profit or loss	0	0
Derivative contracts	-6	-24
Liabilities to customers	2,659	-1,372
Insurance liabilities	36	29
Provisions and other liabilities	-921	146
Income tax paid	-77	-80
Dividends received	50	36
A. Net cash from operating activities	**6,592**	**569**
Cash flow from investing activities		
Decreases in held-to-maturity financial assets	29	15
Acquisition of subsidiaries and associates, net of cash acquired	-3	-33
Purchase of PPE and intangible assets	-79	-94
Proceeds from sale of PPE and intangible assets	12	6
B. Net cash used in investing activities	**-41**	**-106**
Cash flow from financing activities		
Increases in subordinated liabilities		0
Decreases in subordinated liabilities		-144
Increases in debt securities issued to the public	21,060	24,946
Decreases in debt securities issued to the public	-23,468	-24,282
Dividends paid	-201	-153
C. Net cash used in financing activities	**-2,609**	**367**
Net increase/decrease in cash and cash equivalents (A+B+C)	**3,941**	**830**
Cash and cash equivalents at period-start	**9,633**	**8,803**
Cash and cash equivalents at period-end	**13,575**	**9,633**
Interest received	**1,302**	**1,638**
Interest paid	**-1,060**	**-1,374**
Cash and cash equivalents		
Liquid assets	12,825	9,336
Receivables from credit institutions payable on demand	749	297
Total	**13,575**	**9,633**

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 20% (19%). Capital has been allocated to Non-life Insurance in such a way that the Solvency ratio (SII) is 120%. Capital allocation has an effect on the Group's internal interest amounts paid by the segment concerned.

	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Q1–4 earnings 2017, EUR million					
Net interest income	348	-15	-68	-6	259
of which internal net income before tax	-18	-12	30		
Net insurance income		459		0	459
Net commissions and fees	129	-58	-94	-1	-24
Net investment income	18	175	195	0	389
Other operating income	24	11	8	-5	38
Share of associates' profits		1			1
Total income	**520**	**573**	**41**	**-12**	**1,121**
Personnel costs	54	102	8		164
Depreciation/amortisation and impairment losses	11	50	3		64
Other operating expenses	98	226	32	-12	344
Total expenses	**163**	**378**	**43**	**-12**	**573**
Impairments of receivables	12	0	0		12
OP bonuses to owner-customers		2			2
Earnings before tax	**344**	**193**	**-2**		**535**

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

Balance sheet 31 December 2017, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	10	318	12,807	-309	12,825
Receivables from credit institutions	208	6	9,113	-33	9,294
Financial assets held for trading	-4		593		589
Derivative contracts	105	10	3,320	-10	3,426
Receivables from customers	20,591	0	29	-501	20,120
Investment assets	531	3,494	11,612	-131	15,506
Investments in associates		49			49
Intangible assets	63	688	26		777
Property, plant and equipment (PPE)	0	42	73		115
Other assets	92	727	1,095	-205	1,708
Tax assets	0	17	19		35
Total assets	**21,595**	**5,351**	**38,687**	**-1,189**	**64,445**
Liabilities to credit institutions	506		14,030	-501	14,035
Derivative contracts	118	15	3,097	-14	3,216
Liabilities to customers	11,410		7,839	-412	18,837
Insurance liabilities		3,143			3,143
Debt securities issued to the public	1,178		15,649	-37	16,791
Provisions and other liabilities	976	540	992	-202	2,307
Tax liabilities	1	75	343	0	419
Subordinated liabilities		135	1,412		1,547
Total liabilities	**14,189**	**3,908**	**43,362**	**-1,164**	**60,295**
Equity capital					**4,149**

Balance sheet 31 December 2016, EUR million	Banking	Non-life Insurance	Other operations	Eliminations	Group total
Cash and cash equivalents	4	90	9,329	-87	9,336
Receivables from credit institutions	187	6	9,280	-15	9,458
Financial assets held for trading	-4		642		638
Derivative contracts	94	26	4,582	-23	4,678
Receivables from customers	18,342	0	721	-361	18,702
Investment assets	589	3,711	12,498	-100	16,698
Investments in associates		46			46
Intangible assets	63	701	26		790
Property, plant and equipment (PPE)	2	46	45		93
Other assets	85	707	1,905	-209	2,488
Tax assets	0	10	36		46
Total assets	**19,362**	**5,345**	**39,063**	**-795**	**62,974**
Liabilities to credit institutions	352		10,357	-377	10,332
Derivative contracts	109	17	4,297	-25	4,398
Liabilities to customers	9,519		6,760	-101	16,178
Insurance liabilities		3,008			3,008
Debt securities issued to the public	1,244		18,616	-35	19,826
Provisions and other liabilities	1,249	541	1,649	-208	3,231
Tax liabilities	1	95	310	0	405
Subordinated liabilities		135	1,457		1,592
Total liabilities	**12,475**	**3,796**	**43,445**	**-747**	**58,969**
Equity capital					**4,005**

Notes

Note 1	Accounting policies
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Note 3	Net interest income
Note 4	Net insurance income
Note 5	Net commissions and fees
Note 6	Net investment income
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Note 17	Off-balance-sheet items
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Note 1. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the consolidated financial statements 2016.

The Financial Statements Bulletin is based on unaudited information. Since all figures in the Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

The Financial Statements Bulletin is available in Finnish, English and Swedish. The Finnish version is the official that will be used if there is any discrepancy between the language versions.

Effects of transition to IFRS 9

On 1 January 2018, OP Corporate Bank Group adopted IFRS 9 Financial Instruments, issued by the IASB in July 2014 and approved by the EU in November 2016. The adoption resulted in changes to the classification and measurement of financial instruments and impairments. Likewise, it has a significant effect on other standards dealing with financial instruments, such as IFRS 7 Financial Instruments, Disclosures. OP Corporate Bank Group continues to apply hedge accounting under IAS 39 after adoption of IFRS 9.

The IFRS 9 transition will cause changes to the accounting policies as well as adjustments to the amounts of receivables previously recognised in the balance sheet. Adjustments made to carrying amounts are recognised in equity capital in the opening balance sheet on the adoption date. OP Corporate Bank Group will not restate the comparative figures for prior years in its financial statements for 2018. Changes in the notes to the financial statements under IFRS 7 arising from the application of IFRS 9 will only be presented for the financial year 2018. Notes to the financial statements for the comparative period will remain unchanged.

Based on the current assessment, the adoption of IFRS 9 on 1 January 2018 will decrease the opening balance of OP Corporate Bank Group’s equity capital by EUR 58 million before tax.

- The pre-tax effect of the change in the impairment calculation method is EUR 57 million negative.
- The difference between the fair value and carrying amount resulting from the reclassification of financial assets was not significant.

The effects presented in this report resulting from the adoption of IFRS 9 may still change because OP Corporate Bank Group will continue refining and finalising ECL models and further developing related IT systems and strengthening the control environment.

New accounting policies, assessment methods and items subject to management’s judgment may change until OP Corporate Bank Group publishes its first financial statements which include the opening balance sheet of 1 January 2018.

Classification and measurement

The classification and measurement of financial assets under IFRS 9 is based on business models and contractual cash flow characteristics.

OP Corporate Bank Group has reclassified financial assets in accordance with IFRS 9 based on how the loans and notes and bonds are managed within the business models and on the contractual cash flow characteristics of notes and bonds.

The majority of OP Corporate Bank Group's loans and notes and bonds will continue to be recognised at amortised cost or fair value through other comprehensive income.

The most significant changes in classification applied to OP Corporate Bank Non-life Insurance investments. Equity investments and mutual fund investments were mainly reclassified as those recognised at fair value through profit or loss. OP Corporate Bank Group will apply a temporary overlay approach to Non-life Insurance investments that restores the earnings effect of such investments to be compliant with IAS 39.

IFRS 9 did not change the classification of OP Corporate Bank Group’s financial liabilities.

Impairment

The expected credit losses (ECL) are calculated on all balance sheet items measured at amortised cost and those recognised at fair value through other comprehensive income (FVOCI) as well as on off-balance-sheet loan commitments and guarantee agreements.

The ECL is calculated using modelled risk parameters and using the formula probability of default (PD) x loss given default (LGD) x exposure at default (EAD) for the majority of the portfolios. Large corporate exposures make an exception. They are still monitored on an individual basis. The ECL is calculated for each contract for 12 months or lifetime, depending on whether the instrument’s credit risk on the reporting day has increased significantly since initial recognition.

Both qualitative and quantitative criteria are used to assess whether the credit risk has increased significantly. Qualitative factors consist of various credit risk indicators (e.g. forbearance measures) to be mainly taken into account in credit rating models. Credit ratings will affect the lifetime PD used for assessing the quantitative change. In addition, credit risk has increased significantly if payment is over 30 days past due.

Contracts are classified into three stages:

- Stage 1: contracts whose credit risk has not increased significantly since initial recognition and for which a 12-month ECL is calculated.
- Stage 2: contracts whose credit risk has increased significantly since initial recognition and for which a lifetime ECL is calculated.
- Stage 3: includes defaulted contracts for which a lifetime ECL is also calculated.

Definition of default is consistent with the definition that is used for regulatory purposes.

OP Corporate Bank will include forward-looking information and macroeconomic scenarios in the model. The macroeconomic scenarios are the same that OP Corporate Bank Group uses otherwise in its financial annual planning. Three scenarios are used: baseline, upside and downside.

OP Corporate Bank Group will mainly shift from the calculation of impairment on an individual basis to that of the expected credit loss calculated using models under IFRS 9. Consequently, prior impairment losses on an individual and collective basis under IAS 39 have been revoked and expected credit losses of EUR 278 million under IFRS 9 have been recognised. Impairment losses of EUR 192 million previously recognised on an individual basis have mainly been replaced with expected credit losses under stage 3 and impairment losses of EUR 30 million on a collective basis with expected credit losses under stages 1 and 2. As a result, equity capital decreased by EUR 57 million before tax.

Expected credit losses increased in all product categories. Corporate loans showed the largest growth in ECL. In addition, notes and bonds measured at fair value through other comprehensive income and off-balance-sheet items were included in ECL calculation for the first time.

ECL calculation includes high level of judgment which have a significant impact on the amount of expected credit losses, such as:

- Determining significant increases in credit risk (SICR)
- Various assumptions used in 12-month and lifetime ECL calculation
- Incorporating macroeconomic estimates into the calculation.

The expected credit loss is anticipated to be sensitive to changes in macroeconomic estimates and it may increase significantly when the economic outlook deteriorates.

Since the expected credit losses (ECL), EUR 278 million, were less than expected loss deducted in capital adequacy measurement, the change has no effect on capital adequacy. The capital adequacy EL calculation method is regulated by the authorities and includes prudence, for example, in the form of various floors. However, the ECL accounting model describes the current economic situation and is based on OP Corporate Bank Group's own models without in-built prudence. OP Corporate Bank Group will not for the time being apply the transitional rule of Capital Requirements Regulation (CRR) for the period of 1 January 2018–31 December 2022, in which the effects of IFRS 9 based impairment calculation can be taken into account in stages.

IFRS 15 Revenue from Contracts with Customers

OP Corporate Bank has applied IFRS 15 since 1 January 2018. This standard replaced the current IAS 11 and IAS 18. In addition, amendments were made to IAS 40 Investment Property when IFRS 15 became effective. In OP Corporate Bank, IFRS 15 mainly applies to fees not included in the calculation of the effective interest rate in the Banking segment. The new standard will have no effect on the revenue recognition of financial instruments or insurance policies. IFRS 15 will lead to added information presented in the notes to the financial statements for 2018. The grouping of commission income and expenses in net commissions and fees is specified in the Notes. New items to be presented in net commissions and fees include commission income and expenses from health and wellbeing services, investment management fees, fees paid for investment management services, legal fees and mutual fund commission expenses. IFRS 15 will not change the revenue recognition time of the fees included in the scope of application of the standard in comparison with the current practices. Consequently, the adoption of IFRS 15 will not have any financial effect on OP Corporate Bank's financial result. OP Corporate Bank will apply IFRS 15 using the retrospective transition method.

Note 2 Key figures and ratios and their formulas

	Q1–4/ 2017	Q1–4/ 2016
Return on equity (ROE), %	10.6	10.4
Return on equity (ROE) at fair value, %	9.5	12.2
Return on assets (ROA), %	0.67	0.66
Cost/income ratio, %	51	48
Average personnel	2,458	2,401

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), %

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

Return on economic capital, %

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

NON-LIFE INSURANCE OPERATING RESULTS

	Q1–4/ 2017	Q1–4/ 2016	Change %
EUR million			
Insurance premium revenue	1,431	1,418	0.9
Claims incurred	-1,085	-979	10.8
Operating expenses	-291	-263	10.5
Amortisation adjustment of intangible assets	-21	-21	0.0
Balance on technical account	**34**	**154**	**-78.1**
Net investment income	175	102	71.1
Other income and expenses	-16	-25	-36.1
Earnings before tax	**193**	**231**	**-16.7**
Gross change in fair value reserve	-85	69	
Earnings before tax at fair value	**108**	**300**	**-64.1**

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

Note 3 Net interest income

EUR million	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Interest income				
Receivables from credit institutions	11	11	43	40
Receivables from customers				
Loans*	77	90	323	297
Finance lease receivables*	11	4	24	23
Impaired loans and other commitments	0	0	1	0
Notes and bonds				
Held for trading	1	2	6	8
Available for sale	25	26	98	117
Held to maturity	0	0	0	0
Loans and receivables	0	0	1	1
Derivative contracts				
Held for trading	194	238	824	1,073
Fair value hedge	-28	-31	-115	-130
Cash flow hedge	1	2	5	9
Ineffective portion of cash flow hedge	0	0	0	0
Other	3	2	9	7
Total	**295**	**344**	**1,219**	**1,447**
Interest expenses				
Liabilities to credit institutions	32	40	115	84
Financial liabilities at fair value through profit or loss	0	0	0	0
Liabilities to customers	-1	-2	-1	0
Debt securities issued to the public	47	46	193	179
Subordinated liabilities				
Subordinated loans	1	1	6	8
Other	11	11	44	44
Derivative contracts				
Held for trading	178	239	792	1,048
Cash flow hedge	-30	-36	-133	-142
Other	-18	-9	-65	-9
Other	2	2	9	7
Total	**222**	**293**	**960**	**1,218**
Net interest income before fair value adjustment under hedge accounting	**73**	**51**	**259**	**229**
Hedging derivatives	7	41	16	-132
Value changes of hedged items	-7	-41	-17	130
Total net interest income	**72**	**50**	**259**	**228**

* The comparative has been restated as a result of the more specified classification of finance lease receivables.

Note 4 Net insurance income

EUR million	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Net insurance premium revenue				
Premiums written	257	272	1,446	1,443
Insurance premiums ceded to reinsurers	1	-7	-5	-12
Change in provision for unearned premiums	109	94	-6	-14
Reinsurers' share	-10	-1	-3	3
Total	**357**	**358**	**1,432**	**1,420**
Net Non-life Insurance claims				
Claims paid	-237	-220	-889	-862
Insurance claims recovered from reinsurers	3	4	8	29
Change in provision for unpaid claims	2	-1	-109	-27
Reinsurers' share	11	-5	20	-23
Total	**-221**	**-223**	**-970**	**-883**
Other Non-life Insurance items	0	1	-3	-3
Total net insurance income	**137**	**135**	**459**	**534**

Note 5 Net commissions and fees

EUR million	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Comission income				
Lending	11	8	42	40
Deposits	0	0	0	0
Payment transfers	5	7	24	29
Securities brokerage	5	5	19	16
Securities issuance	4	1	11	6
Mutual funds	0	0	0	0
Asset management and legal services	3	3	13	11
Guarantees	3	3	12	13
Insurance brokerage	2	3	13	16
Other	4	3	13	8
Total	**37**	**34**	**146**	**140**
Comission expenses				
Payment transfers	0	3	5	11
Securities brokerage	2	2	9	7
Securities issuance	0	0	2	1
Asset management and legal services	1	1	4	4
Insurance operations	18	24	70	76
Other	25	18	80	43
Total	**47**	**48**	**170**	**143**
Total net commissions and fees	**-10**	**-14**	**-24**	**-4**

Note 6 Net investment income

EUR million	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Net income from available-for-sale assets				
Notes and bonds	14	34	49	106
Equity instruments	45	8	102	15
Dividend income and share of profits	7	6	50	36
Impairment losses and their reversals	0	-5	-5	-20
Total	**66**	**43**	**196**	**137**
Net income recognised at fair value through profit or loss				
Insurance				
Notes and bonds	2	-11	-3	-4
Derivatives	-3	16	14	11
Banking and Other operations				
Securities trading	32	42	158	89
Foreign exchange trading	7	11	35	38
Investment property	2	4	16	12
Total	**39**	**61**	**220**	**146**
Net income carried at amortised cost				
Loans and other receivables	1	-2	5	1
Impairment losses and their reversals	0	0	-1	0
Total	**1**	**-2**	**4**	**1**
Non-life Insurance				
Unwinding of discount	-7	-9	-32	-36
Total	**-7**	**-9**	**-32**	**-36**
Total net investment income	**99**	**94**	**389**	**247**

Note 7 Impairments of receivables

EUR million	Q4/ 2017	Q4/ 2016	Q1–4/ 2017	Q1–4/ 2016
Receivables written off as loan or guarantee losses	0	0	35	37
Recoveries of receivables written off	0	0	0	-1
Increase in impairment losses on individually assessed receivables	1	27	9	41
Decrease in impairment losses on individually assessed receivables	-1	-4	-36	-46
Collectively assessed impairment losses	2	1	5	5
Total impairments of receivables	**2**	**23**	**12**	**37**

Note 8 Classification of financial assets and liabilities

Assets, EUR million	Loans and other receivables	Invest-ments held to maturity	Financial assets at fair value through profit or loss*	Available-for-sale financial assets	Hedging derivatives	Total
Cash and cash equivalents	12,825					12,825
Receivables from credit institutions	9,294					9,294
Derivative contracts			3,283		143	3,426
Receivables from customers	20,120					20,120
Notes and bonds		51	893	14,050		14,993
Equity instruments				728		728
Other financial assets	1,779					1,779
Financial assets	**44,017**	**51**	**4,176**	**14,777**	**143**	**63,164**
Other than financial instruments						1,280
Total 31 December 2017	**44,017**	**51**	**4,176**	**14,777**	**143**	**64,445**

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

* Investment assets in the balance sheet include Non-life Insurance notes and bonds recognised at fair value 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		14,035		14,035
Derivative contracts	2,825		391	3,216
Liabilities to customers		18,837		18,837
Insurance liabilities		3,143		3,143
Debt securities issued to the public		16,791		16,791
Subordinated liabilities		1,547		1,547
Other financial liabilities	1	2,083		2,084
Financial liabilities	**2,826**	**56,436**	**391**	**59,653**
Other than financial liabilities				642
Total 31 December 2017	**2,826**	**56,436**	**391**	**60,295**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Total
Liabilities to credit institutions		10,332		10,332
Derivative contracts	4,056		341	4,398
Liabilities to customers		16,178		16,178
Insurance liabilities		3,008		3,008
Debt securities issued to the public		19,826		19,826
Subordinated liabilities		1,592		1,592
Other financial liabilities	0	3,022		3,022
Financial liabilities	**4,057**	**53,957**	**341**	**58,355**
Other than financial liabilities				614
Total 31 December 2016	**4,057**	**53,957**	**341**	**58,969**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December, the fair value of these debt instruments was EUR 227 million (268) higher than their carrying amount, based on information available in markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 9 Recurring fair value measurements by valuation technique

Fair value of assets on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Debt instruments	410	74	409	893
Derivative financial instruments	1	3,294	131	3,426
Available-for-sale				
Equity instruments	386	86	256	728
Debt instruments	10,313	3,418	319	14,050
Total	**11,109**	**6,873**	**1,115**	**19,096**

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

Fair value of liabilities on 31 Dec. 2017, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		1		1
Derivative financial instruments	5	3,120	92	3,216
Total	**5**	**3,120**	**92**	**3,217**

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

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 in Level 3 is based on a pricing model whose input parameters involve uncertainty. 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. Transfers between the levels are mainly due to the number of available market quotes.

Reconciliation of Level 3 items that involve uncertainty

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Available-for-sale financial assets	Total assets
Opening balance 1 January 2017	8	160	608	776
Total gains/losses in profit or loss	9	-29	-36	-56
Total gains/losses in other comprehensive income			4	4
Purchases			73	73
Sales			-69	-69
Settlements			-7	-7
Transfers into Level 3	392		112	504
Transfers out of Level 3			-110	-110
Closing balance 31 December 2017	**409**	**131**	**574**	**1,115**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2017	107	107
Total gains/losses in profit or loss	-15	-15
Closing balance 31 December 2017	**92**	**92**

Total gains/losses included in profit or loss by item on 31 Dec. 2017

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 31 Dec.
Realised net gains	9			9
Unrealised net gains	-14	-36	4	-46
Total net gains	**-4**	**-36**	**4**	**-37**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2017.

Note 10 Derivative contracts

31 December 2017, EUR million	Nominal values / remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	30,931	88,811	76,406	196,148	3,192	2,981
Cleared by the central counterparty	8,392	38,585	35,615	82,592	941	1,100
Currency derivatives	37,113	9,246	2,815	49,174	982	1,185
Equity and index derivatives	5	3		8	1	0
Credit derivatives	28	188	10	226	9	6
Other derivatives	235	513		748	65	36
Total derivatives	**68,313**	**98,760**	**79,230**	**246,303**	**4,250**	**4,208**

31 December 2016, EUR million	Nominal values / remaining term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	43,438	89,073	67,384	199,895	4,113	4,047
Cleared by the central counterparty	7,919	33,999	30,761	72,679	1,186	1,335
Currency derivatives	29,989	11,607	3,644	45,241	1,693	1,676
Equity and index derivatives		6		6	1	
Credit derivatives	19	296	13	328	10	7
Other derivatives	285	553	2	840	64	23
Total derivatives	**73,732**	**101,535**	**71,043**	**246,310**	**5,881**	**5,753**

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

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

Financial assets

31 December 2017, 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	4,354	-928	3,426	-1,994	-412	1,020

31 December 2016, EUR million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets*	Net amount presented in the balance sheet**	Financial assets not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral received	
Derivatives	5,829	-1,151	4,678	-2,472	-1,177	1,030

Financial liabilities

31 December 2017, 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	4,302	-1,085	3,216	-1,994	-717	506

31 December 2016, EUR million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities*	Net amount presented in the balance sheet**	Financial liabilities not set off in the balance sheet		Net amount
				Derivative contracts***	Collateral given	
Derivatives	5,704	-1,307	4,398	-2,472	-1,139	786

* Incl. daily cleared derivatives on a net basis included in cash and cash equivalents, totalling -161 (-147) 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

Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House, accordance with EMIR (EU 648/2012). Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin). Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivative contracts

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

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

31 December 2017, 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	9,295		9,295		2	9,294
Receivables from customers, of which	18,264	219	18,483	192	28	18,263
bank guarantee receivables	0	2	2	2	0	0
Finance leases	1,856		1,856			1,856
Total	**29,416**	**219**	**29,635**	**192**	**30**	**29,413**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	16,581	218	16,799	191	16	16,592
Financial institutions and insurance companies	10,077		10,077		2	10,075
Households	1,736	1	1,736	1	12	1,724
Non-profit organisations	336		336		0	336
Public sector entities	687		687		0	687
Total	**29,416**	**219**	**29,635**	**192**	**30**	**29,413**

31 December 2016, EUR million	Not impaired (gross)	Impaired (gross)	Total	Individual assessment of impairment	Collective assessment of impairment	Balance sheet value
Receivables from credit institutions and customers						
Receivables from credit institutions	9,460		9,460		2	9,458
Receivables from customers, of which*	17,110	243	17,353	219	23	17,111
bank guarantee receivables	0	2	2	2	0	0
Finance leases*	1,591		1,591			1,591
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**
Receivables from credit institutions and customers by sector						
Non-banking corporate sector	15,463	242	15,706	218	12	15,475
Financial institutions and insurance companies	10,467		10,467		2	10,464
Households	1,558	1	1,559	1	11	1,548
Non-profit organisations	290	0	290	0	0	290
Public sector entities	383		383		0	383
Total	**28,161**	**243**	**28,405**	**219**	**25**	**28,160**

* The comparative has been restated as a result of the more specified classification of finance lease receivables.

Doubtful and forborne receivables 31 December 2017, 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 custo-mers (net)
More than 90 days past due		89	89	79	10
Unlikely to be paid		225	225	106	119
Forborne receivables	49	24	73	7	66
Total	**49**	**338**	**387**	**192**	**195**

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

Key ratio, %	31 Dec. 2017	31 Dec. 2016
Exposures individually assessed for impairment, % of doubtful receivables	49.5 %	52.6 %

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

Note 13 Insurance liabilities

EUR million	31 Dec. 2017	31 Dec. 2016
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,516	1,434
Other provision for unpaid claims	1,054	988
Reserve for decreased discount rate (value of hedges of insurance liability)	-12	8
Total	2,557	2,430
Provisions for unearned premiums	585	578
Total	**3,143**	**3,008**

Note 14 Debt securities issued to the public

EUR million	31 Dec. 2017	31 Dec. 2016
Bonds	9,674	11,738
Certificates of deposit, commercial papers and ECPs	7,117	8,088
Total	**16,791**	**19,826**

Note 15 Fair value reserve after income tax

	Available-for-sale financial assets			
	Notes and bonds	Equity instruments	Cash flow hedging	Total
EUR million				
Opening balance 1 January 2017	**85**	**106**	**6**	**197**
Fair value changes	50	12	1	**63**
Capital gains transferred to income statement	-11	-89		**-100**
Impairment loss transferred to income statement	0	2		**2**
Transfers to net interest income			-5	**-5**
Deferred tax	-8	15	1	**8**
Closing balance 31 December 2017	**117**	**45**	**2**	**164**

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

The fair value reserve before tax amounted to EUR 204 million (245) and the related deferred tax liability amounted to EUR 41 million (49). On 31 December 2017, positive mark-to-market valuations of equity instruments in the fair value reserve totalled EUR 67 million (139) and negative mark-to-market valuations EUR 11 million (7).

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

Note 16 Collateral given

EUR million	31 Dec. 2017	31 Dec. 2016
Collateral given on behalf of own liabilities and commitments		
Pledges	35	1
Other	5,663	4,973
Total collateral given*	**5,699**	**4,973**
Secured derivative liabilities	889	1,351
Other secured liabilities	4,081	3,443
Total	**4,969**	**4,794**

* In addition, bonds with a book value of EUR 6.0 billion have been pledged in the central bank, of which EUR 1.5 billion in intrady settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance premission, they are not presented in the table above.

Note 17 Off-balance-sheet items

EUR million	31 Dec. 2017	31 Dec. 2016
Guarantees	532	716
Other guarantee liabilities	1,470	1,460
Loan commitments	5,495	5,470
Commitments related to short-term trade transactions	359	344
Other*	729	677
Total off-balance-sheet items	**8,585**	**8,667**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 208 million (156).

Note 18 Capital adequacy for credit institutions

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

Capital base, EUR million	31 Dec. 2017	31 Dec. 2016
OP Corporate Bank Group's equity capital	4,149	4,005
The effect of insurance companies on the Group's shareholders' equity is excluded	-125	-279
Fair value reserve, cash flow hedging	-2	-6
Common Equity Tier 1 (CET1) before deductions	**4,022**	**3,720**
Intangible assets	-76	-76
Excess funding of pension liability and valuation adjustments	-16	-23
Planned profit distribution	-212	-201
Shortfall of impairments – expected losses	-134	-126
Common Equity Tier 1 (CET1)	**3,584**	**3,295**
Subordinated loans to which transitional provision applies	137	140
Additional Tier 1 capital (AT1)	**137**	**140**
Tier 1 capital (T1)	**3,720**	**3,435**
Debenture loans	1,073	1,193
Tier 2 Capital (T2)	**1,073**	**1,193**
Total capital base	**4,793**	**4,628**

A prudent valuation adjustment of EUR 5 million has been deducted from CET1 capital.

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

Risk exposure amount, EUR million	31 Dec. 2017	31 Dec. 2016
Credit and counterparty risk	**19,694**	**19,354**
Standardised Approach (SA)	**2,069**	**1,861**
Central government and central banks exposure	18	33
Credit institution exposure	29	51
Corporate exposure ***	1,963	1,702
Retail exposure	14	12
Other*	44	64
Internal Ratings-based Approach (IRB)	**17,626**	**17,493**
Credit institution exposure	1,053	1,141
Corporate exposure	11,643	11,551
Retail exposure	1,130	983
Equity investments**	3,753	3,741
Other	47	77
Market and settlement risk (Standardised Approach)	**1,179**	**1,329**
Operational risk (Standardised Approach)	**1,266**	**1,163**
Valuation adjustment (CVA)	**205**	**253**
Total risk exposure amount	**22,343**	**22,099**

* EUR 44 million (45) 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.

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

*** The comparative information has been adjusted for SA Corporate exposures.

Ratios, %	31 Dec. 2017	31 Dec. 2016
CET1 capital ratio	16.0	14.9
Tier 1 ratio	16.7	15.5
Capital adequacy ratio	21.5	20.9

Ratios, fully loaded, %	31 Dec. 2017	31 Dec. 2016
CET1 capital ratio	16.0	14.9
Tier 1 ratio	16.0	14.9
Capital adequacy ratio	20.8	20.3

Capital requirement, EUR million	31 Dec. 2017	31 Dec. 2016
Capital base	4,793	4,628
Capital requirement	2,358	2,327
Buffer for capital requirements	2,435	2,301

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

	31 December 2017						
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	970	93.3	0.0	44.7	144	14.9	0
2.5–5.5	14,036	72.7	0.2	44.4	5,250	37.4	11
6.0–7.0	3,572	68.8	1.2	43.5	3,261	91.3	19
7.5–8.5	1,765	68.9	4.0	44.0	2,333	132.2	31
9.0–10.0	292	62.2	16.6	44.9	655	224.3	22
11.0–12.0	338	58.8	100.0	45.9			155
Total	**20,972**	**72.0**	**0.9**	**44.3**	**11,643**	**56.4**	**238**

	31 December 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	1,028	92.5	0.0	44.7	154	15.0	0
2.5–5.5	13,003	74.9	0.2	44.3	4,956	38.1	10
6.0–7.0	3,671	71.4	1.2	44.1	3,440	93.7	19
7.5–8.5	1,932	69.6	4.4	44.5	2,732	141.4	38
9.0–10.0	116	54.3	22.7	44.7	268	230.8	12
11.0–12.0	374	53.2	100.0	46.1			173
Total	**20,124**	**74.0**	**0.9**	**44.3**	**11,551**	**58.5**	**252**

The defaults, or borrower grades 11.0 and 12.0, are not included in the average PD and risk weight.

Note 20 Insurance company solvency

EUR million	31 Dec. 2017	31 Dec. 2016
Eligible capital	**902**	**983**
Solvency capital requirement (SCR)		
Market risk	460	483
Insurance risk	289	293
Counterparty risk	40	31
Operational risk	45	43
Diversification benefits and loss absorbency	-169	-164
Total	666	687
Buffer for SCR	**236**	**296**
Solvency ratio (SCR), %	**135**	**143**
Solvency ratio (SCR), % (excluding transitional provision)	**135**	**127**

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

Note 21 Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2016.

Financial reporting in 2018

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

Time of publication of 2017 reports:

OP Corporate Bank's Report by the Executive Board and Financial Statements for 2017	Week 9
OP Corporate Bank's Corporate Governance Statement 2017	Week 9
OP Financial Group's Report by the Executive Board and Financial Statements for 2017	Week 9
OP Financial Group's Corporate Governance Statement 2017	Week 9
OP Financial Group's Annual Review 2017 (incl. CSR Report)	Week 9

Schedule for Interim Reports in 2018:

Interim Report Q1/2018	3 May 2018
Interim Report H1/2018	1 August 2018
Interim Report Q1–3/2018	31 October 2018

Helsinki, 8 February 2018

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