OP Corporate Bank plc's Financial Statements Bulletin 1 January–31 December 2022

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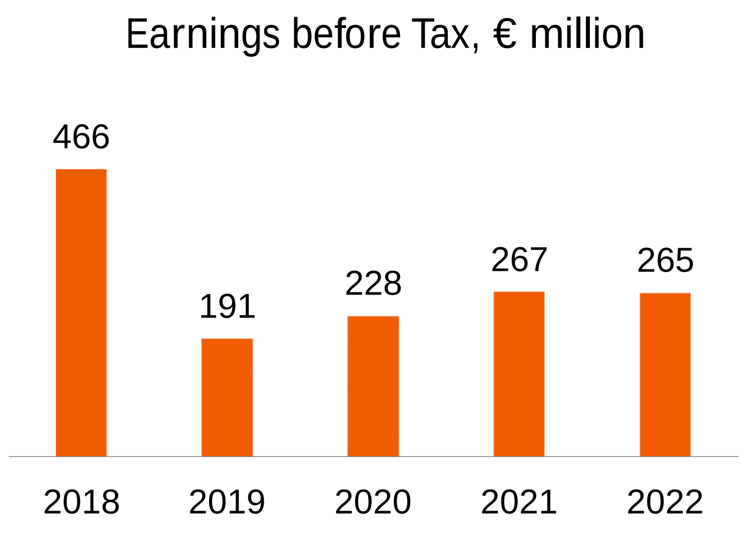
Earnings before tax Q1–4/2022	Total income Q1–4/2022	Loan portfolio growth in the year to December	CET1 ratio 31 Dec 2022
€265 million	–15%	+7%	11.9%

- OP Corporate Bank plc's earnings before tax were EUR 265 million (267).
- Total income decreased by 15% to EUR 564 million (661). Net investment income decreased by 30% to EUR 117 million (168). Net interest income decreased by 4% to EUR 396 million (412). A year ago, the increase was especially explained by the recognition in profit or loss of an additional benefit from the interest rate margin of the TLTRO III funding offered by the European Central Bank to banks. Other operating income decreased by EUR 17 million to EUR 32 million (49). Net commissions and fees fell by EUR 12 million to EUR 19 million (31).
- Total expenses decreased by 12% to EUR 281 million (320). A year ago, expenses were particularly increased by the transfer of the interest rate benefit from the interest rate margin received under TLTRO III funding to OP Financial Group companies.
- Impairment loss on receivables decreased by EUR 56 million to EUR 18 million (74).
- The loan portfolio grew in the year to December by 7% to EUR 28.2 billion (26.2). The deposit portfolio decreased by 9% to EUR 14.7 billion (16.1).
- The Corporate Banking and Capital Markets segment's earnings before tax decreased to EUR 186 million (261). Total income decreased by 25% to EUR 313 million (420). Net interest income increased by 6% to EUR 225 million (213). Net investment income decreased by 23% to EUR 130 million (167). Net commissions and fees totalled EUR –49 million (–31). Other operating income decreased to EUR 7 million (70). A year ago, other operating income was increased by capital gain on the sale of OP Custody Ltd and the transfer of the interest rate benefit of OP Corporate Bank's Group Treasury under TLTRO III funding to business units. Total expenses increased by 4% to EUR 126 million (121). Impairment loss on receivables totalled EUR 1 million (38).
- The Asset and Sales Finance Services and Payment Transfers segment's earnings before tax increased by EUR 48 million to EUR 138 million (90). Total income increased by 11% to EUR 256 million (231). Net interest income increased by 18% to EUR 183 million (155) and net commissions and fees by 8% to EUR 63 million (58). Total expenses increased by 2% to EUR 105 million (104). Impairment loss on receivables totalled EUR 12 million (37).
- The Baltics segment's earnings before tax rose to EUR 24 million (20). Total income increased to EUR 59 million (42). Net interest income increased by 48% to EUR 49 million (33). Net commissions and fees totalled EUR 10 million (9). Total expenses increased by EUR 7 million to EUR 29 million (22). Impairment loss on receivables totalled EUR 6 million (0).
- The Group Functions segment's earnings before tax amounted to EUR –83 million (–105). The financial position and liquidity remained strong.
- OP Corporate Bank plc's CET1 ratio was 11.9% (15.4), which exceeds the minimum regulatory requirement by 3.3 percentage points. OP Financial Group adopted a risk-weighted assets (RWA) floor, based on the Standardised Approach, in the second quarter. On the date of the adoption, this decreased OP Corporate Bank's CET1 ratio by 2.4 percentage points.
- On 30 September 2022, OP Financial Group filed an application with the European Central Bank (ECB) on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Corporate Bank's capital adequacy or risk exposure.

OP Corporate Bank plc's key indicators

Earnings before tax, € million	Q1–4/2022	Q1–4/2021	Change, %
Corporate Banking and Capital Markets	186	261	-28.7
Asset and Sales Finance Services and Payment Transfers	138	90	53.8
Baltics	24	20	18.9
Group Functions	-83	-105	-
Total	265	267	-0.5
Return on equity (ROE), %	4.9	5.2	-0.3*
Return on assets (ROA), %	0.22	0.25	-0.03*
	31 Dec 2022	31 Dec 2021	Change, %
CET1 ratio, %	11.9	15.4	-3.5*
Loan portfolio, € million	28,178	26,236	7.4
Guarantee portfolio, € million	3,412	3,475	-1.8
Other exposures, € million	6,354	5,731	-10.9
Deposits, € million	14,683	16,089	-8.7
Ratio of non-performing exposures to exposures, %	1.5	1.8	-0.3*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.06	0.25	-0.19*

*Change in ratio



OP Corporate Bank plc's earnings before tax calculated as pre-tax profit under national legislation are presented as figures for 2018–2019.

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Tables

Business environment

World economic growth slowed down markedly in 2022. As a result of Russia's aggressive war in Ukraine, the European energy market was unstable throughout the year. Raw material prices that rose rapidly early in the year decreased after the middle of the year. In addition, the acceleration of inflation to its climax since the 1980s cast a shadow on economies in general. Strong growth in the euro area almost came to a standstill during the latter part of the year.

In the financial market, interest rates soared, as central banks began to tighten their policy. The European Central Bank (ECB) started to tighten its monetary policy in the summer and raised the deposit facility rate to two per cent in December. The most common reference interest rate for home loans in Finland, the 12-month Euribor, increased by 3.8 percentage points to 3.3 per cent during the year.

Stock prices fell considerably around the world. In the fourth quarter, stock prices rebounded, as fears of the energy crisis and higher interest rates abated.

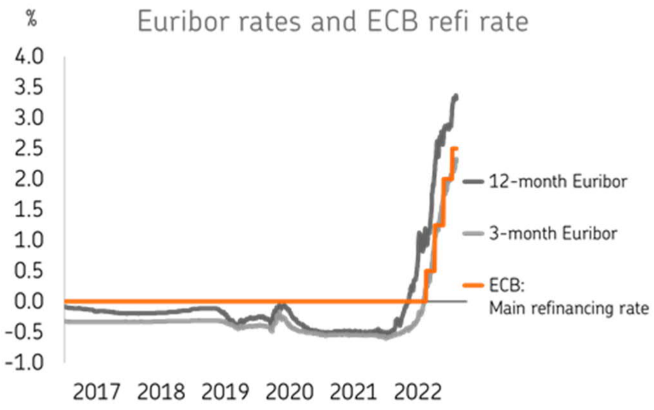
Brisk growth of the Finnish economy dwindled in 2022. Despite this slowdown, employment improved and the profitability of businesses remained good. Consumer spending decreased during the year, as inflation eroded purchasing power. A sharp rise in reference interest rates pushed prices down in the housing market after the favourable first half of the year, and home sales decreased during the rest of the year. The economic outlook is still exceptionally uncertain, and the economy is expected to continue to weaken during 2023. A rise in short-term interest rates is anticipated to dampen the housing market.

In December, the annual growth rate of total deposits slowed down to 0.7%, compared to 5.0% at the end of 2021. On an annual basis, corporate deposits increased by 2.4% and household deposits by 2.4%.

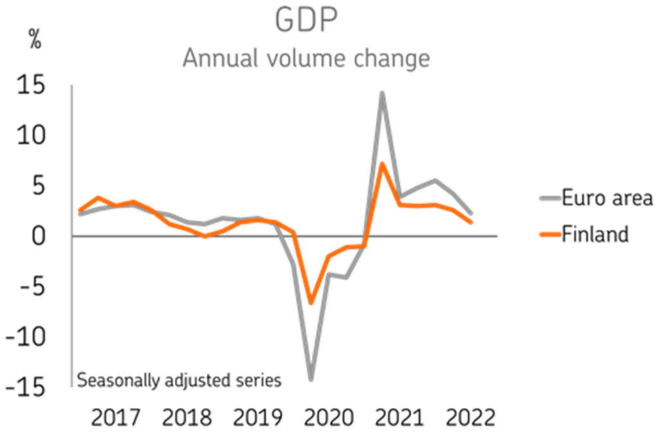
In December, total loans were 3.5% higher than a year earlier. The annual growth rate of corporate loans was 4.5%. The corresponding loan growth rate was 7.0% for housing companies and 0.8% for households. Growth in loans to households slowed down from its level of 4.0% at the end of 2021, while the annual growth rate of home loans slowed down to 0.5%. The annual growth rate of consumer loans was 3.1% in December as against 2.4% during the same period a year earlier.

The value of mutual funds registered in Finland decreased from the 2021 record of EUR 158.8 billion to EUR 134 billion. Assets redeemed in 2022 totalled EUR 4.4 billion.

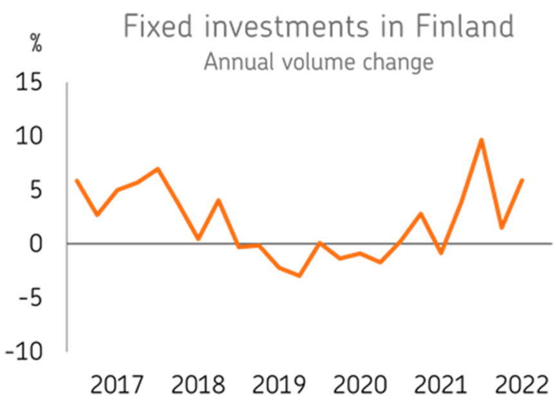
Demand for insurance services remained stable. The end of the Covid-19 restrictions in Finland and the general rise in costs increased claims incurred. A decline in the capital market was partly reflected in the profitability of insurance companies.



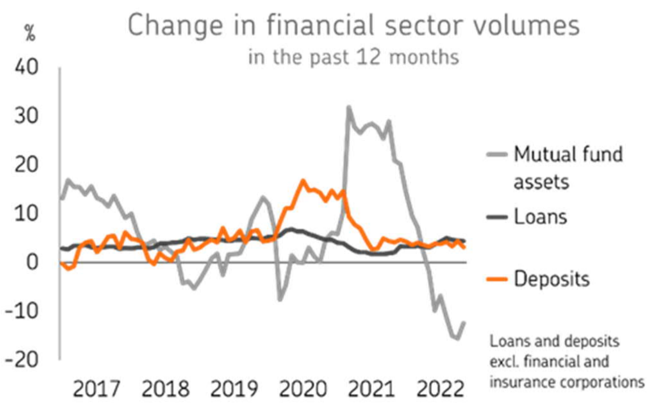
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

OP Corporate Bank earnings

€ million	Q1–4/2022	Q1–4/2021	Change, %	Q4/2022	Q4/2021	Change, %
Net interest income	396	412	-3.9	81	181	-55.6
Net commissions and fees	19	31	-39.3	6	6	4.3
Net investment income	117	168	-30.3	105	40	160.7
Other operating income	32	49	-35.2	7	25	-71.9
Total income	564	661	-14.6	198	252	-21.4
Personnel costs	76	72	4.7	22	21	5.4
Depreciation/amortisation and impairment loss	9	12	-28.6	2	4	-47.7
Other operating expenses	196	236	-16.7	48	87	-45.3
Total expenses	281	320	-12.4	72	112	-35.7
Impairment loss on receivables	-18	-74	-75.2	-2	-49	-96.1
Total earnings before tax	265	267	-0.5	124	91	36.6

January–December

OP Corporate Bank plc's earnings before tax were EUR 265 million (267). Total income decreased by EUR 96 million to EUR 564 million. Net interest income decreased to EUR 396 million (412). A year ago, the increase was especially explained by the recognition in profit or loss of an additional benefit from the interest rate margin of the TLTRO III funding offered by the European Central Bank to banks. Net commissions and fees fell by EUR 12 million to EUR 19 million. Net investment income, EUR 117 million, fell by EUR 51 million. Other operating income decreased by EUR 17 million to EUR 32 million. A year ago, other operating income included a capital gain on the sale of OP Custody Ltd shares. Total expenses of EUR 281 million decreased by EUR 40 million year on year. Other operating expenses, EUR 196 million, were EUR 39 million lower than the year before. Other operating expenses a year ago were especially increased by the interest benefit from TLTRO III funding that was transferred from OP Corporate Bank's Treasury to OP Financial Group companies. Impairment loss on receivables reduced earnings by EUR 18 million (74).

Net interest income decreased by EUR 16 million to EUR 396 million. A year ago, OP Corporate Bank recognised as income EUR 103 million in the additional benefit from the interest rate margin related to the TLTRO III funding. OP Corporate Bank repaid EUR 4.0 billion of TLTRO III loans during the reporting period. TLTRO III loans totalled EUR 12.0 billion at the end of the reporting period. The cost of the TLTRO loans lowered net interest income for the reporting period by EUR 10 million. Interest income from receivables from customers increased by EUR 137 million to EUR 518 million, spurred by higher interest rates and growth in the loan portfolio. In the year to December, OP Corporate Bank's loan portfolio increased by 7.4% to EUR 28.2 billion (26.2). Interest income from receivables from credit institutions increased by EUR 122 million to EUR 159 million. Interest expenses of liabilities to credit institutions rose by EUR 105 million to EUR 162 million and interest expenses of liabilities to customers increased by EUR 45 million to EUR 34 million. The deposit portfolio decreased in the year to December by 8.7% to EUR 14.7 billion (16.1). Interest expenses of debt securities issued to the public increased by EUR 66 million to EUR 146 million, year on year. Debt securities issued to the public rose to EUR 25.2 billion (22.6). In the year to December, the amount of senior non-preferred bonds rose by EUR 0.4 billion to EUR 4.3 billion. Interest expenses of subordinated liabilities decreased by EUR 28 million to EUR 35 million from the previous year. During the reporting period, subordinated liabilities decreased to EUR 1.4 billion (2.0).

Net commissions and fees decreased by EUR 12 million to EUR 19 million. Commission income decreased by EUR 7 million and commission expenses rose by EUR 6 million. Commission income from lending, payment transfers, issue of securities and securities brokerage decreased. Commission expenses were increased by fees paid to OP Financial Group member banks.

Net investment income decreased by EUR 51 million to EUR 117 million. Income from derivatives held for trading fell by EUR 46 million to EUR 120 million. The release of TLTRO III funding hedging weakened net investment income by EUR 9 million. The end of 2022 saw a change in the operating model applied to hedging interest rate risk associated with derivative contracts between OP Corporate Bank and OP Financial Group member cooperative banks. Following the change, the variation in the result of value changes due to market movements of derivative contracts between OP Corporate Bank and OP cooperative banks will decrease at OP Corporate Bank. The related valuation adjustment was reversed in the fourth quarter. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 4 million (15). Capital gains on notes and bonds, EUR 10 million, increased by EUR 6 million year on year.

Other operating income decreased by EUR 17 million to EUR 32 million. A year ago, other operating income was increased by capital gain on the sale of OP Custody Ltd shares.

Total expenses, EUR 281 million, decreased by EUR 40 million. Personnel costs increased by EUR 3 million to EUR 76 million. Depreciation/amortisation and impairment loss decreased by EUR 4 million to EUR 9 million. Other operating expenses totalling EUR 196 million decreased by EUR 39 million. A year ago, other operating expenses were increased by the transfer of the interest rate benefit, EUR 54 million, received under TLTRO III funding to OP Financial Group companies. Charges of financial authorities increased by EUR 8 million to EUR 36 million as a result of a rise in the stability contribution paid to the Single Resolution Fund financed by the euro-area banks. ICT costs of EUR 92 million remained at the previous year's level.

Impairment loss on receivables totalled EUR 18 million (74). The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter, but no longer continued to do so after that. In the third quarter, impairment loss on receivables was significantly reduced by the repayments of certain non-performing exposures. In the fourth quarter, OP Corporate Bank recognised a 2.5-million-euro additional provision of impairment loss on receivables based on management judgement that applied to the construction industry. Final net loan losses recognised for the reporting period totalled EUR 86 million (46). Loss allowance was EUR 272 million (339) at the end of the reporting period. Non-performing exposures accounted for 1.5% (1.8) of total exposures. Impairment loss on loans and receivables accounted for 0.06% (0.25) of the loan and guarantee portfolio.

Comprehensive income for the reporting period totalled EUR 148 million (238). Change in the fair value reserve, EUR –71 million, reduced comprehensive income for the reporting period. Changes in the fair value of notes and bonds and cash flow hedges reduced the fair value reserve by EUR 70 million. Capital gains on notes and bonds transferred from the fair value reserve to the income statement totalled EUR 10 million. Cash flow hedges of EUR 9 million were transferred from the fair value reserve to net interest income in the income statement. A year ago, change in the fair value reserve improved comprehensive income by EUR 20 million.

October–December

Earnings before tax for the fourth quarter increased to EUR 124 million (91). Earnings were increased by higher net investment income, lower other operating expenses and impairment loss on receivables that was lower than a year ago. Total income decreased by EUR 54 million to EUR 198 million. Net interest income decreased by EUR 101 million to EUR 81 million. Net investment income, EUR 105 million, increased by EUR 64 million. Other operating income decreased by EUR 18 million to EUR 7 million. Total expenses decreased by EUR 40 million to EUR 72 million. Other operating expenses decreased by EUR 39 million to EUR 48 million. Impairment loss on receivables totalled EUR 2 million (49).

Net interest income decreased to EUR 81 million (181). Net interest income a year ago was increased by the revenue recognition of the additional margin of TLTRO III funding when the criteria for net lending performance was fulfilled. Net interest income from receivables from customers rose by EUR 82 million to EUR 181 million and net interest income from receivables from credit institutions rose by EUR 130 million to EUR 135 million. Interest expenses of liabilities to customers rose by EUR 36 million to EUR 33 million and interest expenses of liabilities to credit institutions rose by EUR 88 million to EUR 99 million. Interest expenses of debt securities issued to the public increased by EUR 69 million to EUR 82 million.

Net commissions and fees, EUR 6 million, were at the previous year's level.

Net investment income increased in the fourth quarter by EUR 64 million to EUR 105 million. This increase was attributable in particular to a change in the operating model applied to hedging interest rate risk associated with derivative contracts between OP Corporate Bank and OP Financial Group member cooperative banks. As a result of the change in the operating model, the value change of EUR –82 million, recognised by the end of September, was released. The value change was due to the market movements of derivative contracts between OP Corporate Bank and OP Financial Group member cooperative banks.

Other operating income decreased by EUR 18 million to EUR 7 million. Other operating income a year ago included a capital gain of EUR 18 million on the sale of OP Custody Ltd shares.

Total expenses decreased by EUR 40 million to EUR 72 million. Personnel costs totalled EUR 22 million (21) and depreciation/amortisation and impairment loss EUR 2 million (4). Other operating expenses decreased by EUR 39 million to EUR 48 million. Other operating expenses a year ago were increased by the transfer of the interest rate benefit received under TLTRO III funding to OP Financial Group companies.

Impairment loss on receivables was EUR 2 million, being EUR 47 million lower than a year ago. Final net loan losses recognised totalled EUR 27 million (2).

Comprehensive income for the reporting period totalled EUR 38 million (81). Change in the fair value reserve, EUR –56 million, reduced comprehensive income for the reporting period. A year ago, change in the fair value reserve improved comprehensive income by EUR 8 million.

Corporate responsibility

Corporate responsibility is an integral part of OP Financial Group's and OP Corporate Bank's business and strategy. Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group published its new sustainability programme in August 2022. The programme and its policy priorities implement OP Financial Group's strategy, guiding its sustainability and corporate responsibility actions. OP Financial Group's sustainability programme is built around three themes: Climate and the environment, People and communities and Corporate governance.

The programme is based on OP Financial Group's values, megatrends in the business environment and materiality assessment. The sustainability programme and its goals have been worked on together with different stakeholders. The Climate and environment section sets goals for the provision of sustainable financial and investment products, the emission reductions of loan and investment portfolios as well as the promotion of biodiversity. The People and communities section focuses on the wellbeing of local communities and on supporting management of personal finances and financial literacy. Corporate governance involves integrating responsibility with all business and related risk-taking and a goal to enhance governance diversity.

OP Corporate Bank as part of OP Financial Group is committed to complying with the ten principles of the UN Global Compact initiative in the areas of human rights, labour rights, the environment and anti-corruption. OP has agreed to follow the UN Principles for Responsible Investment and the UN Principles of Sustainable Insurance. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

OP Financial Group is committed to the international Partnership for Carbon Accounting Financials (PCAF), which aims to develop and implement a harmonised approach to assessing and disclosing greenhouse gas emissions associated with partners' loans and investments.

In its loan decisions, OP Corporate Bank considers the ESG themes and risks related to environmental, social and governance factors in accordance with the EBA (European Banking Authority) Guidelines on loan origination and monitoring. In the ESG analysis, customers are reviewed on a sector-specific basis in respect of the ESG themes.

OP Corporate Bank is committed to ensuring that its corporate loan portfolios are carbon neutral by 2050. OP Corporate Bank does not provide finance for new coal power plants or coal mines, or companies that plan to build them. Neither does OP Corporate Bank finance new corporate customers with financial dependence of over 5% on coal as an energy source, measured in net sales. The only exceptions are corporate customers committed to making the low-carbon economy transition, which present a concrete plan to withdraw from coal.

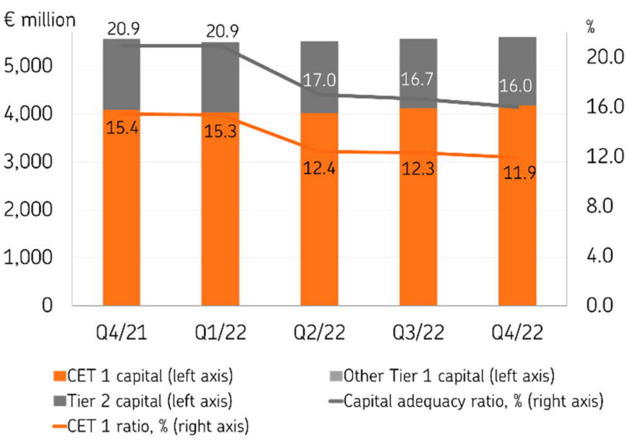
OP Corporate Bank has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. In green loans, corporate customers are committed to using the borrowed funds to promote specific projects. In sustainability-linked loans, corporate customers are committed to sustainability goals selected together when granting the loan. These targets affect the loan margin. At the end December, total exposures from these loans and facilities stood at EUR 5.2 billion (3.0).

In January 2022, OP Corporate Bank plc issued a green bond worth EUR 500 million in accordance with its updated Green Bond Framework. The green bond will support the green transition, and proceeds raised with it are allocated to sustainable corporate finance. Targeted at international institutional investors, the bond is OP Corporate Bank's second green bond and first senior non-preferred, unsecured green bond. The bond amounts to EUR 500 million and has a maturity of 5.5 years. Eligible sectors to be funded include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use.

More detailed information on corporate responsibility at OP Corporate Bank is reported as part of OP Financial Group's sustainability reporting. A report of non-financial information for 2022 is published at Group level in OP Financial Group's Report by the Board of Directors, which will be published in week 10. Corporate responsibility reporting based on the GRI Standards is published at Group level in OP Financial Group's Annual Review 2022, which will be published in week 10. The reporting also includes a review based on the TCFD framework (Task-force on Climate related Financial Disclosures).

Capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

On 31 December 2022, OP Corporate Bank's CET1 ratio was 11.9% (15.4), which exceeds the minimum regulatory requirement by 3.3 percentage points. In the second quarter, the CET1 ratio decreased by 2.4 percentage points as a result of the adoption of the risk-weighted assets floor based on the Standardised Approach (SA floor).

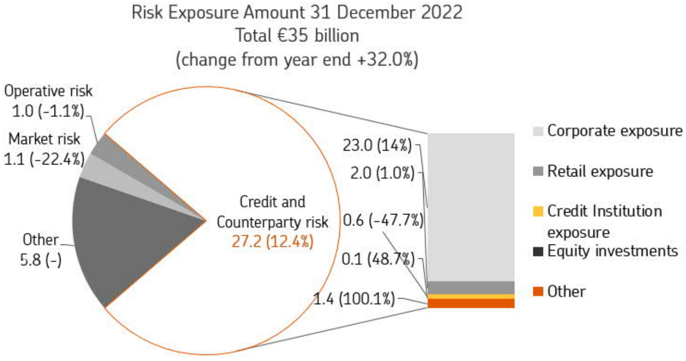
As a credit institution, the company's capital adequacy ratio is good compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%; the AT1 minimum requirement of 1.5% increases the minimum CET1 ratio to 6%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions increases the minimum capital adequacy ratio to 10.6% and the minimum CET1 ratio to 8.6%, including the shortfall of Additional Tier 1 (AT1) capital.

The CET1 capital totalled EUR 4.2 billion (4.1) on 31 December 2022. The financial performance for the reporting period affected CET1 capital.

On 31 December 2022, the risk exposure amount (REA) totalled EUR 35.1 billion (26.6), or 32% higher than on 31 December 2021. The SA floor increased the total risk exposure amount. OP Corporate Bank shifted to the Standardised Approach in its capital adequacy measurement for credit institution exposures and certain minor parts of corporate exposures during the third quarter. This change had no substantial effect on the CET1 ratio. OP Corporate Bank has previously applied the IRBA for such exposures.

OP Corporate Bank is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB. OP Financial Group presents capital adequacy information in its financial statements bulletin and interim and half-year financial reports in accordance with the Act on the Amalgamation of Deposit Banks. OP Financial Group also publishes Pillar III disclosures.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In December 2022, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks. In its macroeconomic stability decision in December 2022, the FIN-FSA indicated imposing a systemic risk buffer in the first quarter of 2023. In June 2022, the FIN-FSA performed an annual review of banks' capital buffer requirements and decided to raise OP Financial Group's O-SII buffer by 0.5 percentage points to 1.5%, effective as of 1 January 2023. The O-SII buffer and the systemic risk buffer will not affect OP Corporate Bank's capital adequacy requirements.



On 30 September 2022, OP Financial Group filed an application with the European Central Bank (ECB) on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Corporate Bank's capital adequacy or risk exposure. According to OP Financial Group's assessment, the transfer will take place during the first quarter of 2023.

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III, are assessed to not have a substantial effect on the capital adequacy of OP Corporate Bank plc. The changes are expected to take effect in 2025.

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 has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

On 21 February 2022, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 25.8% of the risk-weighted assets (RWA) and 9.9% of the leverage ratio exposures (LRE).

As part of the MREL, the resolution authority has set a subordination requirement for OP Financial Group in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be met with own funds or with subordinated liabilities. From 2022, the subordination requirement supplementing the MREL is 22% of the total risk exposure amount and 9.9% of the leverage ratio exposures. From the beginning of 2024, the subordination requirement will be 24% of the total risk exposure amount and 9.9% of the leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 3.5%.

OP Financial Group's buffer for the MREL was EUR 9.0 billion and for the subordination requirement EUR 1.9 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 4.4 billion. These bonds provide funds for the MREL subordination requirement.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 2022

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

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Global Ratings Europe Limited and Moody's Investors Service (Nordics) AB. When assessing the company's credit rating, credit rating agencies take account of the entire OP Financial Group's financial standing.

Risk profile

In its risk-taking, OP Corporate Bank emphasises moderation, responsibility and careful action. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by OP Financial Group's management body.

OP Corporate Bank's success is based on the trust of customers and other stakeholders, on the adequacy of capital and liquidity, and on extensive data and knowledge of customers. Risk-taking is based on understanding matters affecting customers' future operations and success in the current business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

OP Corporate Bank analyses the business environment as part of the ongoing strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Corporate Bank and its customers. Such factors currently shaping the business environment include sustainable development and responsibility (ESG), demographic change in the population, geopolitical factors, energy crisis in Europe, strongly accelerated inflation, exceptionally rapid increase in market interest rates and fast technological progress. For example, climate and environmental changes and other factors in the business environment are considered thoroughly so that their effects on the customers' future success are understood. By means of advice and business decisions, OP Corporate Bank encourages its customers in bolstering their sustainable and successful business of the future.

Unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Corporate Bank's customers and on OP Corporate Bank's premises, IT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity and the continuity of daily business in various ways. OP Corporate Bank assesses the effects of such potential shocks by means of scenario work.

Operational risks at Group level were well managed and no significant losses were caused by the materialised operational risks to OP Corporate Bank. For other risks, the risk profile is examined in greater detail for each business segment and the Group Functions segment. OP Corporate Bank's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Group Functions segment.

Assessment of the effects of the war in Ukraine on OP Corporate Bank's risks

Russia's aggressive war in Ukraine may have an indirect effect on OP Corporate Bank's income and risks as a result of customers' changed business conditions, and a direct effect on the general situation in the financial market and obstruction of the technical infrastructure. The impacts may be realised, for example, in the following ways:

- higher impairment loss on receivables
- lower values of investment assets
- effects of extensive sanctions and counter sanctions on OP Corporate Bank or its customers' activities
- problems in the availability of wholesale funding and a rise in the wholesale funding price
- problems in business continuity as a result of cyber attacks towards OP Corporate Bank or its customers.

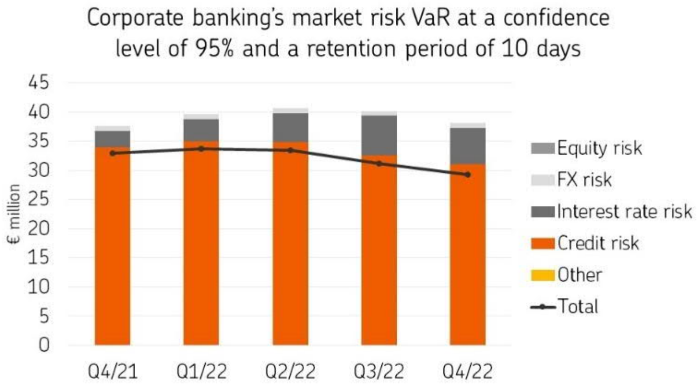
Business segments

Major risks in the business segments are associated with credit risk arising from customer business, and market risk.

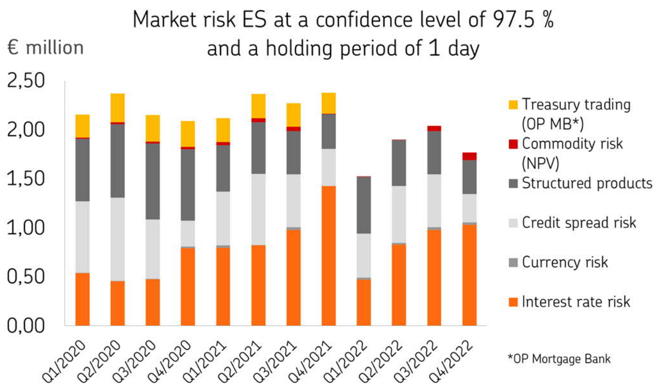
Credit risk exposure of the business segments remained stable, risk level remained moderate and the overall quality of the loan portfolio remained good, but there is a risk of negative developments. A rise in interest rates may have a negative effect on credit risk exposure.

OP Corporate Bank has no significant direct exposures to Russia. The impacts of the war in Ukraine on credit risk exposure mainly arise indirectly to corporate loans, especially due to changes in energy and raw material prices and individual customer relationships.

The market risk level of long-term investments decreased in the fourth quarter. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 29 million (33) on 31 December 2022. The VaR risk metric includes the liquidity buffer and long-term bond investments as well as derivatives that hedge their interest rate risks.



Market risks of the Markets function decreased slightly because changes were made to the open amount of credit spreads. This reflected in the decrease in Expected Shortfall (ES) and especially in the share of credit spread compared with the preceding quarter.



Interest rate risk in the banking book measured as the effect of a one-percentage-point increase on a 12-month net interest income was EUR 16 million (56) and as the effect of a one-percentage-point decrease EUR –16 million (59) on average in the year to December. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
More than 90 days past due, € billion			69	178	69	178	44	92	25	86
Unlikely to be paid, € million			336	310	336	310	100	89	236	221
Forborne exposures, € million	144	186	163	139	308	324	59	85	249	239
Total, € million	144	186	568	627	713	812	203	266	510	546

Key ratios	31 Dec 2022	31 Dec 2021
Ratio of doubtful receivables to exposures, %	1.88	2.29
Ratio of non-performing exposures to exposures, %	1.50	1.77
Ratio of performing forborne exposures to exposures, %	0.38	0.52
Ratio of performing forborne exposures to doubtful receivables, %	20.3	22.9
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	38.4	41.5

At the end of the fourth quarter, OP Corporate Bank plc had 7 (7) large customer exposures, totalling EUR 3.6 (3.5) billion. Large customer exposure refers to the amount of exposures of an individual group of connected clients which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. Own funds covering customer exposure means Tier 1 capital under CRR II.

The Baltics segment exposures totalled EUR 4.2 billion (3.7), which accounted for 9.8% (9.3) of OP Corporate Bank's exposures.

The distribution of loss allowance by sector is presented at Group level in OP Financial Group's financial statements bulletin.

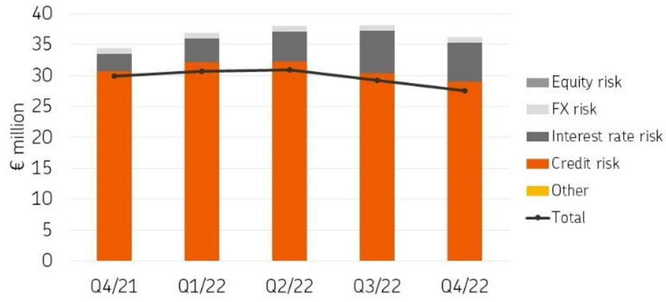
Group Functions

Major risks related to the Group Functions segment include credit and market risks associated with the liquidity buffer, and liquidity risks. The most significant market risk factor is the effect of credit spread changes on the value of notes and bonds included in the liquidity buffer.

OP Financial Group's and OP Corporate Bank plc's funding position and liquidity is strong.

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) decreased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 27 million (30) on 31 December 2022. The VaR risk metric includes the long-term bond investments within the liquidity buffer and the derivative contracts that hedge their interest rate risks.

Liquidity buffer's market risk VaR at a confidence level of 95% and a retention period of 10 days



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 is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 217% (212) at the end of the reporting period.

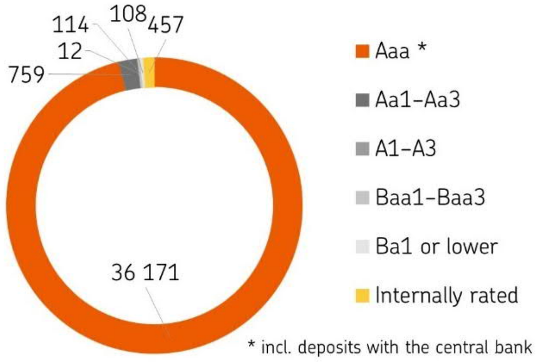
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 128% (130) at the end of the reporting period.

Liquidity buffer

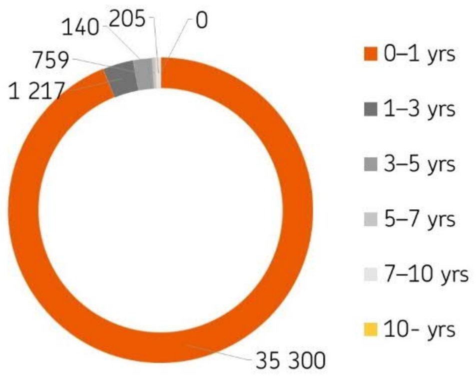
€ billion	31 Dec 2022	31 Dec 2021	Change, %
Deposits with central banks	34.8	32.6	6.7
Notes and bonds eligible as collateral	2.1	4.0	-48.2
Total	36.9	36.7	0.7
Receivables ineligible as collateral	0.7	1.0	-27.0
Liquidity buffer at market value	37.6	37.6	-0.1
Collateral haircut	-0.2	-0.3	
Liquidity buffer at collateral value	37.4	37.3	0.3

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings. During the reporting period, corporate loans became ineligible as collateral for central banks. This reduced the collateral value of the liquidity buffer by EUR 4.0 billion.

Financial assets included in the liquidity buffer by credit rating on 31 December 2022, € million



Financial assets included in the liquidity buffer by maturity on 31 December 2022, € 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. Exposures of OP Financial Group entities represented 19.9% of OP Corporate Bank plc's exposures. These exposures increased by EUR 1,819 million during the reporting period. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

OP Corporate Bank's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Group Functions segment (formerly the Other Operations segment). OP Corporate Bank plc prepares its segment reporting in compliance with its accounting policies.

Corporate Banking and Capital Markets

- Earnings before tax decreased to EUR 186 million (261).
- Total income decreased by 25.5% to EUR 313 million (420). Net interest income increased by 5.6% to EUR 225 million (213). Net investment income decreased to EUR 130 million (167). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 4 million (15).
- Total expenses increased by 3.8% to EUR 126 million (121). The stability contribution increased by EUR 4 million.
- The loan portfolio grew in the reporting period by 6.2% to EUR 16.2 billion (15.2).
- Impairment loss on receivables totalled EUR 1 million (38).

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	225	213	5.6
Net commissions and fees	-49	-31	-
Net investment income	130	167	-22.5
Other operating income	7	70	-90.0
Total income	313	420	-25.5
Personnel costs	36	36	2.1
Depreciation/amortisation and impairment loss	5	7	-33.9
Other operating expenses	85	78	8.2
Total expenses	126	121	3.8
Impairment loss on receivables	-1	-38	-
Earnings before tax	186	261	-28.7
Cost/income ratio, %	40.2	28.9	-11.4*
Return on assets (ROA), %	0.69	1.29	-0.60*
Return on assets, excluding OP bonuses, %	0.69	1.29	-0.60*

	31 Dec 2022	30 Sep 2021	Change, %
Loan portfolio, € billion	16.2	15.2	6.2

*Change in ratio

The Corporate Banking and Capital Markets business segment provides corporate and institutional customers with financing and liquidity management services. The services also range from the arrangement of debt issues, equity, foreign exchange, bond, money market and derivative products and structured investment products to investment research. In addition to its own clients, the segment provides capital market products and services to corporate and personal clients through OP cooperative banks.

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 5.1 billion (3.0). The number of sustainability-linked loans increased during the reporting period, showing a major increase year on year. Corporate Banking has also strengthened its role as a sustainable finance advisor in the preparation work of sustainable finance frameworks for its customers.

The number of clients making currency hedges, and volumes on a per client basis have increased as a result of inflation that has remained high, geopolitical risks and the uncertain economic situation.

OP Corporate Bank has reacted to the changed market environment by offering capital-guaranteed and interest rate-linked structured products on a broad front. Demand for these products has increased significantly.

OP Corporate Bank's direct exposures to Russia are small. Russia's aggressive war in Ukraine indirectly increased impairment loss on receivables in the first quarter.

Financial performance for the reporting period

The segment earnings before tax were EUR 186 million (261). Total income fell by 25.5%. Total expenses increased by 3.8%. The cost/income ratio weakened to 40.2% (28.9) year on year, due to reduced income.

Net interest income increased by 5.6% to EUR 225 million (213). The segment's loan portfolio increased by 6.2% during the reporting period, amounting to EUR 16.2 billion (15.2). Net commissions and fees decreased to EUR –49 million (–31), as OP Financial Group's internal commission expenses increased.

A significant increase in interest rates and a greater market uncertainty lowered net investment income. Total income decreased to EUR 130 million (167). The end of 2022 saw a change in the operating model applied to hedging interest rate risk associated with derivative contracts between OP Corporate Bank and OP Financial Group member cooperative banks. Following the change, the variation in the result of value changes due to market movements of derivative contracts between OP Corporate Bank and OP cooperative banks will decrease at OP Corporate Bank.

Other operating income decreased to EUR 7 million (70). A year ago, other operating income was increased by the additional margin under TLTRO III funding and the capital gain on the sale of OP Custody Ltd.

Total expenses were EUR 126 million (121). Personnel costs rose by 2.1% to EUR 36 million. Other operating expenses increased by 8.2% to EUR 85 million (78) as a result of a higher stability contribution paid to the Single Resolution Fund financed by the euro-area banks. The stability contribution increased by EUR 4 million to EUR 18 million.

Impairment loss on receivables totalled EUR 1 million (38). The repayments of non-performing exposures reduced impairment loss during the reporting period.

Asset and Sales Finance Services and Payment Transfers

- Earnings before tax increased to EUR 138 million (90).
- Total income increased by 10.8% to EUR 256 million (231). Net interest income increased by 17.9% to EUR 183 million (155).
- Total expenses increased to EUR 105 million (104).
- The loan portfolio grew by 8.2% in the reporting period, to EUR 8.7 billion (8.0). The deposit portfolio decreased by 14.8% to EUR 12.7 billion (14.9).
- Impairment loss on receivables totalled EUR 12 million (37).
- The most significant development investments involved the development of payment systems.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	183	155	17.9
Net commissions and fees	63	58	7.9
Net investment income	0	0	-99.9
Other operating income	10	18	-43.3
Total income	256	231	10.8
Personnel costs	27	26	1.8
Depreciation/amortisation and impairment loss	1	2	-39.5
Other operating expenses	78	76	2.7
Total expenses	105	104	1.8
Impairment loss on receivables	-12	-37	-
Earnings before tax	138	90	53.8
Cost/income ratio, %	41.2	44.9	3.7*
Return on assets (ROA), %	1.23	1.10	0.13*
Return on assets, excluding OP bonuses, %	1.23	1.10	0.13*
	31 Dec 2022	31 Dec 2021	Change, %
Loan portfolio, € billion	8.7	8.0	8.2
Deposits, € billion	12.7	14.9	14.8

*Change in ratio

The Asset and Sales Finance Services and Payment Transfers business segment provides consumers and companies with customer financing services, payment and liquidity management services, financing services for foreign trade and leasing and factoring services.

The most significant development investments of the business segment involved the upgrades of core payment systems. In addition, digital transaction services were updated and improved.

The loan portfolio grew by 8.2% in the reporting period, to EUR 8.7 billion. The deposit portfolio decreased by 14.8% to EUR 12.7 billion. The decrease is explained by a fall in deposits made by OP Financial Group companies with OP Corporate Bank and the general market developments. Demand for financing services has remained quite brisk, but challenges in supply chains have made customers postpone their fixed investments and the implementation of projects.

At the end of 2022, OP Corporate Bank was the market leader in finance for passenger cars and vans.

Direct exposures of the Asset and Sales Finance and Payment Transfers segment to Russia are small and limited to the trade finance business.

Financial performance for the reporting period

The segment earnings before tax were EUR 138 million (90). Total income increased by 10.8%. Total expenses increased by 1.8%. The cost/income ratio improved to 41.2% (44.9) year on year.

Net interest income grew by 17.9% to EUR 183 million. Net interest income was increased by growth not only in net interest income from the deposit business but also in the loan portfolio of the asset and sales finance solutions. Net commissions and fees increased to EUR 63 million (58). Other operating income of EUR 10 million (18) decreased on a year earlier. Impairment loss on receivables totalled EUR 12 million (37).

Total expenses were EUR 105 million (104). Personnel costs rose by 1.8% to EUR 27 million. Other operating expenses increased by 2.7% to EUR 78 million.

Baltics

- Earnings before tax increased to EUR 24 million (20).
- Total income increased to EUR 59 million (42). Net interest income rose to EUR 49 million (33).
- Total expenses increased to EUR 29 million (22). The stability contribution represented EUR 1 million of the increase.
- The loan portfolio grew in the reporting period to EUR 2.9 billion (2.4).
- Impairment loss on receivables totalled EUR 6 million (0).
- The most significant development investments focused on the development of the payment transfer system.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	49	33	48.4
Net commissions and fees	10	9	11.7
Net investment income	0	0	-
Other operating income	0	0	-
Total income	59	42	39.5
Personnel costs	8	6	30.6
Depreciation/amortisation and impairment loss	2	2	-3.3
Other operating expenses	19	14	35.1
Total expenses	29	22	30.5
Impairment loss on receivables	-6	0	-
Earnings before tax	24	20	18.9
Cost/income ratio, %	49.4	52.8	3.4*
Return on assets (ROA), %	0.74	0.71	0.03*
Return on assets, excluding OP bonuses, %	0.74	0.71	0.03*
	31 Dec 2022	31 Dec 2021	Change, %
Loan portfolio, € billion	2.9	2.4	22.2
Deposits, € billion	1.5	0.7	120.8

The Baltic subsidiaries of OP Corporate Bank merged into OP Corporate Bank in October 2021, which affects the comparability of the figures and ratios.
*Change in ratio

With its local expertise, the Baltics segment provides corporate and institutional customers with financing and liquidity management services and financing services for foreign trade. OP Corporate Bank plc has branches in Estonia, Latvia and Lithuania.

The segment's loan portfolio grew by 22.2% in the reporting period, to EUR 2.9 billion (2.4). The deposit portfolio increased by 120.8% to EUR 1.5 billion (0.7).

The direct exposures of the Baltics segment to Russia are small. The segment has enhanced the monitoring of customers' credit risk exposure after Russia attacked on Ukraine.

The most significant development investments in 2022 especially focused on improving the payment transfer system and developing the related express transfers, in particular.

Financial performance for the reporting period

The Baltic subsidiaries of OP Corporate Bank merged into OP Corporate Bank in October 2021, which affects the comparability of the figures and ratios.

The segment earnings before tax were EUR 24 million (20). Total income increased by 39.5%. Total expenses increased by 30.5%. The cost/income ratio improved to 49.4% (52.8) year on year.

Net interest income rose to EUR 49 million (33). The loan portfolio grew to EUR 2.9 billion (2.4) and the deposit portfolio to EUR 1.5 billion (0.7) in the year to December. Net commissions and fees increased to EUR 10 million (9).

Impairment loss on receivables reduced earnings by EUR 6 million (0).

Total expenses were EUR 29 million (22). Personnel costs rose by 30.6% to EUR 8 million. Other operating expenses increased by 35.1% to EUR 19 million (14). The stability contribution increased by EUR 1 million to EUR 4 million.

Group Functions

- Earnings before tax totalled EUR –83 million (–105).
- The financial position and liquidity remained strong.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	-61	11	-
Net commissions and fees	-5	-5	-
Net investment income	-12	1	-
Other operating income	24	19	22.0
Total income	-54	27	-
Personnel costs	5	4	7.6
Other expenses	25	127	-80.7
Total expenses	29	132	-77.8
Impairment loss on receivables	0	0	0
Earnings before tax	-83	-105	-
Receivables and liabilities from/to the amalgamation's central cooperative and member credit institutions, net position, € billion	-16.1	-13.1	-

Functions supporting OP Financial Group, such as Group Treasury, are centralised within Group Functions. Group Treasury is responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Operating income derives mainly from net interest income and net investment income. The most significant risk categories are market risks and credit risk. In addition, income, expenses, investments and capital which have not been allocated to the business segments are reported under Group Functions.

Financial performance for the reporting period

The Group Functions segment's earnings before tax amounted to EUR –83 million (–105). Earnings before tax at fair value were EUR –147 million (–86).

Net interest income was EUR –61 million (11). A year ago, the increase was especially explained by the recognition in profit or loss of an additional benefit from the interest rate margin of the TLTRO III funding offered by the European Central Bank to banks. The effect of items related to TLTRO III funding and its hedging amounted to EUR –10 million (103) during the reporting period. The elimination of the costs of matured subordinated loans has a positive effect on net interest income.

Net investment income totalled EUR –12 million (1). Net investment income included EUR 9 million (3) in capital gains on notes and bonds. Net investment income was reduced especially by the result of derivatives used to hedge against interest rate risk. The release of TLTRO III funding hedging weakened net investment income by EUR 9 million.

Compared with the corresponding period a year ago, other expenses for the reporting period were decreased by a reduction in the margin exceeding the ECB deposit facility rate in TLTRO funding that is transferred within OP Financial Group, to one million euro (106).

At the end of December, the average margin of senior and senior non-preferred wholesale funding was 36 basis points (34). In 2022, the price of wholesale funding rose, as credit spreads increased due to changes in the business environment.

OP Corporate Bank's TLTRO III funding totalled EUR 12.0 billion at the end of December. The interest rate for TLTRO III funding for each loan between 23 June 2022 and 22 November 2022 is the average of the ECB's deposit facility rate between the start date of the loan concerned and 22 November 2022 and after that the ECB's deposit facility rate.

In January, OP Corporate Bank issued a green senior non-preferred bond worth EUR 500 million with a maturity of 5.5 years. Between May and June, OP Corporate Bank issued a senior bond worth EUR 800 million with a maturity of two years when taking account of tap issues, and issued in June a senior bond worth GBP 350 million with a maturity of 3.5 years. OP Corporate Bank issued a senior bond of EUR 1.25 billion with a maturity of 3.25 years in September and a senior bond of EUR 500 million with a maturity of 4.5 years in October.

Between January and December, OP Corporate Bank issued long-term bonds worth EUR 4.8 billion (3.1).

On 31 December 2022, investments by the amalgamation's central cooperative and the member credit institutions in OP Corporate Bank were EUR 16.1 (13.1) billion higher than funding borrowed by them from Group Treasury. This amount was increased by growth in deposits made by member credit institutions with OP Corporate Bank.

OP Financial Group's and OP Corporate Bank plc's funding position and liquidity is strong.

ICT investments

OP Corporate Bank invests in developing its operations and improving customer experience on an ongoing basis. ICT investments make up a significant portion of the costs of developing these services.

ICT costs of OP Corporate Bank's development and production maintenance totalled EUR 92 million (92). The development costs include licence fees, purchased services, other external costs related to projects and inhouse work. Development costs totalled EUR 19 million (17). Development costs have not been capitalised.

More detailed information on OP Corporate Bank's investments can be found under each business segment's text section in this financial statements bulletin.

Personnel and remuneration

On 31 December 2022, OP Corporate Bank plc had 820 employees (767).

Personnel at period end

	31 Dec 2022	31 Dec 2021
Corporate Banking and Capital Markets	304	290
Asset and Sales Finance Services and Payment Transfers	342	312
Baltics	133	125
Group Functions	41	40
Total	820	767

Variable remuneration applied by OP Financial Group and OP Corporate Bank in 2022 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

Corporate governance and management

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

On 2 March 2022, the Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As other Board members, the AGM elected OP Financial Group's Chief Financial Officer Mikko Timonen, OP Turun Seutu Managing Director Petri Rinne, OP Keski-Suomi Managing Director Pasi Sorri and Jarmo Viitanen who acted as Helsinki Area Cooperative Bank's Managing Director until 31 July 2022. Helsinki Area Cooperative Bank merged into Uudenmaan Osuuspankki on 31 July 2022. Jarmo Viitanen sat on the Board until 31 December 2022.

Upon decision by OP Cooperative, OP Corporate Bank's shareholder, the following persons were appointed to the Board of Directors of OP Corporate Bank plc as of 1 January 2023: Olli Lehtilä, Managing Director of Uudenmaan Osuuspankki (M.Sc. (Agr. & For.), eMBA), and Tiia Tuovinen, Chief Legal Officer (CLO) and Group General Counsel (LL.M., LL.M.Eur.).

The AGM re-elected KPMG Oy Ab, an audit firm, to act as OP Corporate Bank's auditor for the financial year 2022, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Katja Keitaanniemi, Lic.Sc. (Tech.), Executive Vice President of OP Financial Group's Banking Corporate and Institutional Customers, has acted as OP Corporate Bank plc's CEO since 6 August 2018. Jari Jaulimo, LL.M., Trained on the bench, MBA, Head of Transaction Banking, has acted as deputy to the CEO since 1 August 2020.

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2022, the company's distributable funds, which include EUR 210,882,275.47 in profit for the financial year and taxation-based provisions of EUR 1,300,008,870.48 recognised in 2021 transition to IFRS-based financial statements, totalled EUR 2,943,922,131.76.
The company's distributable funds totalled EUR 3,275,302,968.82.

The Board of Directors proposes that no dividend be distributed and that the profit for the financial year 2022 is entered in the account of retained earnings/loss.

The company's financial position has not undergone any material changes since the end of the financial year 2022. The company has good liquidity.

Outlook for 2023

Economic growth slowed down in the course of 2022 and economic surveys suggest that economic development is still likely to deteriorate. Last year, business profitability remained good and the employment situation was strong. High inflation eroded the purchasing power among households and higher interest rates and greater uncertainty cut down on home sales.

The economy is expected to sink into a moderate recession, inflation to decrease slowly while short-term interest rates are predicted to rise further. The economic outlook remains surrounded by an exceptional degree of uncertainty. In addition to economic factors, the price and availability of energy and developments in global markets together with the geopolitical situation may abruptly affect the economic outlook.

Full-year earnings estimates for 2023 will only be provided at the OP Financial Group level, in its financial statements bulletin and interim and half-year financial reports.

The most significant uncertainties affecting earnings performance due to the war in Ukraine and inflation relate to changes in the interest rate and investment environment and to the developments in impairment loss on receivables. In addition, future earnings performance will be affected by the market growth rate and the change in the competitive situation.

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 business environment and the future financial performance of OP Corporate Bank plc and its various functions, and actual results may differ materially from those expressed in the forward-looking statements.

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below.

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	$\frac{\text{Financial performance for the reporting period x (days of financial year/days of reporting period)}}{\text{Equity (average at beginning and end of period)}} \times 100$	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on assets (ROA), %	$\frac{\text{Financial performance for the reporting period x (days of financial year/days of reporting period)}}{\text{Average balance sheet total (average at beginning and end of period)}} \times 100$	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Cost/income ratio, %	$\frac{\text{Total expenses}}{\text{Total income}} \times 100$	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Balance sheet item Receivables from customers	The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	$\frac{\text{Impairment loss on receivables x (days of financial year/days of reporting period)}}{\text{Loan and guarantee portfolio at period end}} \times 100$	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers	Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	$\frac{\text{Loss allowance}}{\text{Receivables from customers (on-balance-sheet and off-balance-sheet items)}} \times 100$	The ratio describes how much the amount of expected losses covers the amount of the liability.
Default capture rate, %	$\frac{\text{New defaulted contracts in stage 2 a year ago}}{\text{New defaulted contracts during the reporting period}} \times 100$	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.

Key indicators based on a separate calculation

Capital adequacy ratio, %	$\frac{\text{Total capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	$\frac{\text{Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.

Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Ratio of non-performing exposures to exposures, %	Non-performing receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of doubtful receivables to exposures, %	Doubtful receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forborne exposures, doubtful receivables include non-performing exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of performing forborne exposures to exposures, %	Performing forborne exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of forborne exposures to the entire exposure portfolio. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.

Ratio of performing forborne exposures to doubtful receivables, %	Performing forborne exposures (gross) / Doubtful receivables at period end	x 100	The ratio describes the ratio of performing forborne exposures to doubtful receivables that include not only performing forborne exposures but also non-performing exposures. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	Loss allowance for receivables from customers in the balance sheet / Doubtful receivables at period end	x 100	The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forborne exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio		The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities		The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

Capital adequacy

Capital adequacy for credit institutions

Capital base, € million	31 Dec 2022	31 Dec 2021
OP Corporate Bank plc's equity	4,364	4,296
Fair value reserve, cash flow hedge	26	1
Common Equity Tier 1 (CET1) before deductions	4,390	4,297
Intangible assets	-3	-12
Excess funding of pension liability and valuation adjustments	-75	-35
Planned profit distribution		-80
Shortfall of ECL minus expected losses	-125	-72
Insufficient coverage for non-performing exposures	-3	-1
CET1 capital	4,184	4,098
Tier 1 capital (T1)	4,184	4 098
Debenture loans	1,308	1,308
Debentures to which transitional provision applies	91	141
Excess of ECL minus expected losses	25	16
Tier 2 capital (T2)	1,424	1,464
Total capital	5,608	5,562

Risk exposure amount, € million	31 Dec 2022	31 Dec 2021
Credit and counterparty risk	26,861	23,853
Standardised Approach (SA)	6,070	3,118
Central government and central banks exposure	91	40
Credit institution exposure	627	5
Corporate exposure	4,616	2,966
Retail exposure	45	52
Mortgage-backed exposure	99	
Defaulted exposure	16	16
Covered bonds	540	
Receivables to which a short-term credit rating can be applied	0	
Equity investments	0	
Other	34	39
Internal Ratings-based Approach (IRB)	20,791	20,735
Credit institution exposure		1,194
Corporate exposure	18,421	17,242
Retail exposure	1,967	1,940
Equity investments	93	63
Other	309	297
Risks of the CCP's default fund	0	
Securitisations	111	94
Market and settlement risk (Standardised Approach)	1,070	1,380
Operational risk (Standardised Approach)	1,028	1,040
Valuation adjustment (CVA)	179	204
Other risks*	5,824	
Total risk exposure amount	35,074	26,570

*Addition of risk-weighted assets based on the Standardised Approach

The presentation of the total risk exposure amount table has been changed. Comparatives for the changed items have been adjusted to correspond to the new presentation.

Key ratios, %	31 Dec 2022	31 Dec 2021
CET1 capital ratio	11.9	15.4
Tier 1 ratio	11.9	15.4
Capital adequacy ratio	16.0	20.9

Ratios, fully loaded, %	31 Dec 2022	31 Dec 2021
CET1 capital ratio	11.9	15.4
Tier 1 ratio	11.9	15.4
Capital adequacy ratio	15.7	20.4

Capital requirement, EUR million	31 Dec 2022	31 Dec 2021
Capital base	5,608	5,562
Capital requirement	3,720	2,792
Buffer for capital requirements	1,888	2,770

The capital requirement comprises the minimum requirement of 8%, the capital conservation buffer of 2.5% and the countercyclical capita buffers by country for foreign exposures.

TABLES

Income statement

EUR million	Notes	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net interest income	3	396	412	81	181
Net commissions and fees	4	19	31	6	6
Net investment income	5	117	168	105	40
Other operating income		32	49	7	25
Total income		**564**	**661**	**198**	**252**
Personnel costs		76	72	22	21
Depreciation/amortisation		9	12	2	4
Other expenses	6	196	236	48	87
Total expenses		**281**	**320**	**72**	**112**
Impairments loss on receivables	7	-18	-74	-2	-49
Earnings before tax		**265**	**267**	**124**	**91**
Income tax expense		54	52	27	18
Profit for the financial year		**211**	**215**	**97**	**73**

Statement of comprehensive income

EUR million	Notes	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Profit for the financial year		**211**	**215**	**97**	**73**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		11	4	-3	0
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-58	28	-54	11
Cash flow hedge		-31	-4	-16	0
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-2	-1	1	0
Items that may be reclassified to profit or loss					
Measurement at fair value		12	-6	11	-2
Cash flow hedge		6	1	3	0
Other comprehensive income		**-63**	**23**	**-59**	**8**
Total comprehensive income for the financial year		**148**	**238**	**38**	**81**

Balance sheet

EUR million	Notes	31 Dec 2022	31 Dec 2021
Cash and cash equivalents		34.951	32.789
Receivables from credit institutions		12.978	13.419
Derivative contracts	14	5.782	3.712
Receivables from customers		28.178	26.236
Investment assets		16.404	17.373
Intangible assets		3	12
Property, plant and equipment (PPE)		5	5
Other assets		1.132	1.274
Tax assets		0	
Total assets		**99.433**	**94.820**
Liabilities to credit institutions		40.899	42.660
Derivative contracts		5.739	2.669
Liabilities to customers		19.014	18.357
Debt securities issued to the public	8	25.209	22.630
Provisions and other liabilities		2.509	1.874
Tax liabilities		316	339
Subordinated liabilities		1.384	1.994
Total liabilities		**95.069**	**90.524**
Equity capital			
Share capital		428	428
Fair value reserve	9	-29	42
Other reserves		1.019	1.019
Retained earnings		2.947	2.807
Total equity capital		**4.364**	**4.296**
Total liabilities and equity capital		**99.433**	**94.820**

Statement of changes in equity

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Balance at 1 January 2021	**428**	**22**	**1.019**	**2.551**	**4.020**
Total comprehensive income for the financial year		20		218	**238**
Profit for the financial year				215	**215**
Other comprehensive income		20		4	**23**
OP Corporate Bank plc's partial demerger 29 Nov 2021				-13	**-13**
Other*				51	**51**
Balance at 31 December 2021	**428**	**42**	**1.019**	**2.807**	**4.296**

* The Baltic subsidiaries OP Finance AS (Estonia), OP Finance SIA (Latvia) and AB OP Finance (Lithuania) merged into their parent company OP Corporate Bank plc on 31 October 2021 through a cross-border merger. The merger difference of EUR 51 million was recognised in retained earnings.

EUR million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Balance at 1 January 2022	**428**	**42**	**1.019**	**2.807**	**4.296**
Total comprehensive income for the financial year		-71		219	**148**
Profit for the financial year				211	**211**
Other comprehensive income		-71		9	**-63**
Profit distribution				-80	**-80**
Other				0	**0**
Balance at 31 December 2022	**428**	**-29**	**1.019**	**2.947**	**4.364**

Cash flow statement

EUR million	Q1–4 2022	Q1–4 2021
Cash flow from operating activities		
Profit for the financial year	211	215
Adjustments to profit for the period	286	497
Increase (-) or decrease (+) in operating assets	**-1.980**	**-5.453**
Receivables from credit institutions	782	-2.146
Derivative contracts	-362	-68
Receivables from customers	-2.013	-1.088
Investment assets	-530	-1.977
Other assets	142	-173
Increase (+) or decrease (-) in operating liabilities	**556**	**15.441**
Liabilities to credit institutions	-752	13.275
Derivative contracts	519	225
Liabilities to customers	657	1.954
Provisions and other liabilities	132	-13
Income tax paid	-62	-23
Dividends received	0	3
A. Net cash from operating activities	**-988**	**10.680**
Cash flow from investing activities		
Purchase of PPE and intangible assets	0	1
Proceeds from sale of PPE and intangible assets	0	
B. Net cash used in investing activities	**0**	**1**
Cash flow from financing activities		
Subordinated liabilities, change	-529	-290
Debt securities issued to the public, change	3.809	833
Dividends paid	-80	0
Lease liabilities	-1	-1
C. Net cash used in financing activities	**3.200**	**541**
Net change in cash and cash equivalents (A+B+C)	**2.211**	**11.222**
Cash and cash equivalents at period-start	**32.891**	**21.842**
Effect of foreign exchange rate changes	292	-173
Cash and cash equivalents at period-end	**35.395**	**32.891**
Interest received	**1.283**	**694**
Interest paid	**-946**	**-509**
Cash and cash equivalents		
Liquid assets	34.951	32.789
Receivables from credit institutions payable on demand	443	102
Total	**35.395**	**32.891**

Notes

1. Accounting policies
2. Segment reporting
3. Net interest income
4. Net commissions and fees
5. Net investment income
6. Other operating expenses
7. Impairment losses on receivables
8. Debt securities issued to the public
9. Fair value reserve after income tax
10. Collateral given
11. Classification of financial assets and liabilities
12. Recurring fair value measurements by valuation technique
13. Off-balance-sheet commitments
14. Derivative contracts
15. Related-party transactions

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 financial statements 2021.

Since the beginning of 2022, the new name of the Other Operations segment has been the Group Functions segment.

The Financial Statements Bulletin is based on unaudited information. Given that all figures in the Financial Statements 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 official that will be used if there is any discrepancy between the language versions.

1. Critical accounting estimates and judgements

The preparation of the Financial Statements Bulletin requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies. In preparing the Financial Statements Bulletin, management judgement has been used especially in the calculation of expected credit losses.

Expected credit losses

The determination of the measurement models for expected credit losses (ECL) involves several factors requiring management judgement, such as:

- Selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible.
- Different assumptions and expert judgements made in the models.
- Selection of the estimation methods of the parameters for the ECL models.
- Determination of the contract's maturity for non-maturing loans (revolving credit facilities).
- Determination of model risk associated with the quality of the available modelling data and other data.
- Proper grouping of contracts into different segments so that their ECL can be measured using the appropriate model.
- Selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default.
- Forecasting future macroeconomic scenarios and their probabilities.
- Extra provisions based on management judgement concerning a certain industry due to abrupt crises such as the Covid-19 pandemic or Russia's war of aggression in Ukraine.
- Reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

Management judgement has also been used in the assessment of a significant increase in credit risk, such as in:

- The expert judgement used in the assessment of change in relative credit risk associated with personal customers to ensure a true number of contracts that move to stage 2 before moving to stage 3 (so-called default capture rate).
- The selection of the absolute threshold that is based on historical default behaviour and OP Financial Group's credit risk process.
- The determination of the length of a period during which the customer must prove proper payment behaviour so that the impairment stage 3 can improve to stage 2 or 1.

The actual measurement of ECL figures is performed using the ECL models, except if it is mainly the question of a large corporate exposure in stage 2 or 3 and on the watch list, in which case the ECL is calculated using the cash flow based ECL method based on expert judgement. Management judgement is involved in expert judgements.

Extra provisions based on management overlay directly to the ECL figures (post-model adjustments) are intended only for temporary use until an unpredictable event caused by the overlay provision or circumstance could have been taken into account in the ECL models.

The existing ECL models take account of Environmental, Social and Governance (ESG) risks of sustainable development. An assessment of economic impacts has been included in their measurement in the macro scenario where the use of fossil energy is reduced, so that carbon neutrality will be achieved by 2035.

Management judgement and estimates included in the calculation of expected credit losses in respect of other than that presented above are included in the 2021 financial statements.

Russia's aggressive war in Ukraine

Russia's aggressive war in Ukraine may have an indirect effect on OP Corporate Bank's income and risks as a result of customers' changed business conditions, and a direct effect on the general situation in the financial market and obstruction of the technical infrastructure. The impacts may be realised, for example, in the following ways:

- higher impairment loss on receivables
- lower values of investment assets
- effects of extensive sanctions and counter sanctions on OP Corporate Bank or its customers' activities
- problems in the availability of wholesale funding and a rise in the wholesale funding price
- problems in business continuity as a result of cyber attacks on OP Financial Group or its customers.

Note 7. Impairment loss on receivables includes information on choices related to the war in Ukraine made in calculating expected credit losses.

2. Effective interest rate of TLTRO III loans

OP Corporate Bank's TLTRO III funding amounted to a total of EUR 12 billion (16) at the end of December. The interest rate for TLTRO III funding for each loan between 23 June 2022 and 22 November 2022 is the average of the ECB's deposit facility rate between the start date of the loan concerned and 22 November 2022 and after that the ECB's deposit facility rate. The effect of items related to TLTRO III funding and its hedging amounted to EUR –10 million (103) during the reporting period.

The effective interest rate for TLTRO funding has been calculated by taking account of all the loan's contractual terms and management judgement of expected payments. If changes occur later in the loan's contractual terms or management judgement, they will be treated as changes in the loan's carrying amount. The gross carrying amount of the loan is recalculated in such a way that it corresponds to the present value of the reassessed cash flows that is discounted at the loan's original effective interest rate. The resulting adjustment is recognised through profit or loss.

3. Changes in the 2023 income statement format

OP Corporate Bank changed its income statement format as of 1 January 2023. The key changes in presentation are as follows:

a) The rows Total income and Total expenses were removed.
b) The sub-rows of Net interest income and Net commissions and fees (interest income, interest expenses, commission income and commission expenses) have been broken down in presentation.
c) Impairment loss on receivables has been transferred from the end of the income statement next to net interest income to operating items.
d) Net income from financial assets held for trading is presented on a specific row separate from Net investment income. Net investment income includes net income from financial assets at fair value through comprehensive income.
e) Operating expense items Personnel costs, Depreciation/amortisation and impairment loss and Other operating expenses are presented the same way as at present, showing OP Corporate Bank's expenses.
f) A new row, Operating profit, has been added to the income statement.

	Explanation of the format change:
Interest income	b) New row
Interest expenses	b) New row
Net interest income	No change
Impairment loss on receivables	c) Moved to another place in the format
Commission income	b) New row
Commission expenses	b) New row
Net commissions and fees	No change
Net interest income from financial assets held for trading	d) New row
Net investment income	d) Item content has changed
Other operating income	No change
Personnel costs	No change
Depreciation/amortisation and impairment loss	No change
Other operating expenses	No change
Operating expenses	e) New row
Operating profit (loss)	g) New row
Earnings before tax	No change
Income tax	No change
Profit for the period	No change

Note 2. Segment reporting

Segment information

Q1–4 earnings 2022, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Net interest income	225	183	49	-61		396
of which internal net income before tax	-48	14	-1	35		
Net commissions and fees	-49	63	10	-5		19
Net investment income	130	0	0	-12		117
Other operating income	7	10	0	24	-9	32
Total income	**313**	**256**	**59**	**-54**	**-9**	**564**
Personnel costs	36	27	8	5		76
Depreciation/amortisation	5	1	2	1		9
Other operating expenses	85	78	19	23	-9	196
Total expenses	**126**	**105**	**29**	**29**	**-9**	**281**
Impairments loss on receivables	-1	-12	-6	0		-18
Earnings before tax	**186**	**138**	**24**	**-83**		**265**

Q1–4 earnings 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Net interest income	213	155	33	11		412
of which internal net income before tax	21	-30	1	9		
Net commissions and fees	-31	58	9	-5		31
Net investment income	167	0	0	1		168
Other operating income	70	18	0	19	-58	49
Total income	**420**	**231**	**42**	**27**	**-58**	**661**
Personnel costs	36	26	6	4		72
Depreciation/amortisation	7	2	2	1		12
Other operating expenses	78	76	14	126	-58	236
Total expenses	**121**	**104**	**22**	**132**	**-58**	**320**
Impairments loss on receivables	-38	-37	0	0		-74
Earnings before tax	**261**	**90**	**20**	**-105**		**267**

Balance sheet 31 December 2022, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Cash and cash equivalents	11	131	12	34.797		34.951
Receivables from credit institutions	22	298	0	12.658		12.978
Derivative contracts	5.612			169		5.782
Receivables from customers	16.189	8.699	2.914	375		28.178
Investment assets	299	0	0	16.105		16.404
Intangible assets	1	2	0	0		3
Property, plant and equipment (PPE)	0	1	2	1		5
Other assets	309	263	11	549		1.132
Tax assets	0	0	0	0		0
Total assets	**22.444**	**9.393**	**2.940**	**64.656**		**99.433**
Liabilities to credit institutions	3	4	0	40.892		40.899
Derivative contracts	5.295			443		5.739
Liabilities to customers	0	12.694	1.464	4.856		19.014
Debt securities issued to the public	1.672			23.537		25.209
Provisions and other liabilities	5	0	854	1.649		2.509
Tax liabilities	1	0	1	314		316
Subordinated liabilities	9			1.375		1.384
Total liabilities	**6.986**	**12.696**	**2.321**	**73.067**		**95.069**
Equity						**4.364**

Balance sheet 31 December 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Cash and cash equivalents	11	124	48	32.606		32.789
Receivables from credit institutions	-2	133	-3	13.291		13.419
Derivative contracts	3.441			271		3.712
Receivables from customers	15.240	8.041	2.385	570		26.236
Investment assets	487	0	0	16.886		17.373
Intangible assets	5	3	2	1		12
Property, plant and equipment (PPE)	1	1	3	1		5
Other assets	307	321	-97	743		1.274
Tax assets	0	0	0	0		
Total assets	**19.490**	**8.622**	**2.338**	**64.370**		**94.820**
Liabilities to credit institutions	-40	151	0	42.549		42.660
Derivative contracts	2.553			117		2.669
Liabilities to customers	-1	14.894	663	2.801		18.357
Debt securities issued to the public	1.406			21.225		22.630
Provisions and other liabilities	747	0	-4	1.131		1.874
Tax liabilities	1	0	2	336		339
Subordinated liabilities				1.994		1.994
Total liabilities	**4.665**	**15.045**	**661**	**70.153**		**90.524**
Equity						**4.296**

Note 3. Net interest income

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Interest income				
Receivables from credit institutions	159	36	135	5
Receivables from customers				
Loans	476	356	167	92
Finance lease receivables	42	24	14	7
Impaired loans and other commitments				
Total	518	381	181	99
Notes and bonds				
Measured at fair value through profit or loss	0	0	-9	0
At fair value through other comprehensive income	66	52	22	13
Amortised cost	3	-12	12	-5
Total	69	40	26	8
Derivative contracts				
Fair value hedge	-41	-109	26	-27
Cash flow hedge	9	0	8	0
Other	3	5	0	1
Total	-28	-105	34	-26
Liabilities to credit institutions				
Negative interest	-2	203	-67	125
Liabilities to customers				
Negative interest	25	41	0	12
Other	12	7	6	2
Total	**752**	**604**	**315**	**225**
Interest expenses				
Liabilities to credit institutions	162	57	99	11
Liabilities to customers	34	-11	33	-3
Notes and bonds issued to the public	146	80	82	13
Subordinated liabilities				
Subordinated loans		0		
Other	35	62	8	14
Total	35	63	8	14
Derivative contracts				
Cash flow hedge	-103	-152	16	-36
Other	-39	-35	-14	-7
Total	-142	-187	1	-44
Receivables from credit institutions				
Negative interest	90	181	1	46
Other	14	5	9	1
Total	**339**	**187**	**233**	**38**
Net interest income before fair value adjustment under hedge accounting	413	417	82	186
Hedging derivatives	-565	-72	0	-9
Value changes of hedged items	549	68	-2	4
Total	**396**	**412**	**81**	**181**

The effect of items related to TLTRO III funding and its hedging on net interest income amounted to EUR –10 million during the reporting period. A year ago, the additional margin of –0.5% exceeding the ECB's deposit facility rate under TLTRO III funding increased net interest income by EUR 103 million.

Note 4. Net commissions and fees

Q1–4 2022, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q4 2022
Commission income							
Lending	27	17	4	0		48	13
Deposits	0	0	3	0		3	1
Payment transfers	0	32	1	0		33	9
Securities brokerage	22					22	4
Securities issuance	5			0		6	2
Mutual funds	0	0		0		0	0
Asset management	2	0				2	1
Legal services	0					0	0
Guarantees	1	9	3	0		13	3
Other	0	7	0			8	2
Total	**57**	**66**	**10**	**0**		**134**	**34**
Commission expenses							
Lending	0	1		0		2	0
Payment transfers	1	2	0	0		3	1
Securities brokerage	3			0		3	0
Securities issuance	4			0		4	2
Asset management	0			4		4	1
Guarantees			0			0	0
Derivatives	96					96	23
Other	3	0		1		4	1
Total	**106**	**3**	**0**	**5**		**115**	**29**
Total net commissions and fees	**-49**	**63**	**10**	**-5**		**19**	**6**

Q1–4 2021, EUR million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q4 2021
Commission income							
Lending	31	17	3	0		50	14
Deposits	0	0	3	0		3	1
Payment transfers	0	35	0	0		35	9
Securities brokerage	28					28	6
Securities issuance	6					6	1
Mutual funds	0	0		0		0	0
Asset management	2	0				2	1
Guarantees	2	9	2	0		13	3
Other	0	1	0	0		2	0
Total	**69**	**62**	**9**	**0**		**140**	**35**
Commission expenses							
Lending	0	1		0		1	0
Payment transfers	1	3	0	0		3	1
Securities brokerage	4			0		4	1
Securities issuance	2			1		3	1
Asset management	0			4		4	1
Guarantees			0			0	0
Derivatives	90					90	24
Other	3	0	0	1		4	1
Total	**100**	**4**	**0**	**5**		**109**	**29**
Total net commissions and fees	**-31**	**58**	**9**	**-5**		**31**	**6**

Note 5. Net investment income

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Capital gains and losses	10	4	0	1
Total	**10**	**4**	**-0**	**1**

Net income recognised at fair value through profit or loss

Financial assets held for trading				
Notes and bonds				
Interest income and expenses	4	3	1	-3
Fair value gains and losses	-24	-5	2	-2
Total	-20	-2	3	-4
Shares and participations				
Fair value gains and losses	7	-3	1	1
Dividend income and share of profits	0	3		0
Total	7	0	1	1
Derivatives				
Interest income and expenses	-6	15	3	-1
Fair value gains and losses	126	151	98	45
Total	120	166	101	43
Total	**107**	**164**	**105**	**40**
Total net investment income	**117**	**168**	**105**	**40**

Note 6. Other operating expenses

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
ICT costs				
Production	72	75	18	19
Development	19	17	6	6
Buildings	0	0	0	0
Government charges and audit fees	37	29	5	4
Service charges to OP Cooperative	18	22	4	5
Purchased services	21	13	6	3
Data communications	2	2	0	0
Marketing	2	2	1	1
Corporate social responsibility	0	0	0	0
Insurance and security costs	11	3	3	1
Other*	15	72	4	48
Total	**196**	**236**	**48**	**87**

* A year ago, other operating expenses increased by EUR 54 million due to the transmission within OP Financial Group of the margin exceeding the ECB's deposit facility rate based on the TLTRO III programme launched in 2021.

Development costs

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
ICT development costs	19	17	6	6
Share of own work	0	0		0
Total development costs in the income statement	**19**	**17**	**6**	**6**
Total development costs	**19**	**17**	**6**	**6**
Depreciation/amortisation and impairment loss	8	11	2	3

Note 7. Impairment losses on receivables

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Receivables written down as loan and guarantee losses	-86	-46	-27	-3
Recoveries of receivables written down	1	1	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	68	-28	25	-47
Expected credit losses (ECL) on notes and bonds	0	0	0	0
Total	**-18**	**-74**	**-2**	**-49**

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2022

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Corporate Banking	26.588	2.518	109	2.627	451	29.666
Total	**26.588**	**2.518**	**109**	**2.627**	**451**	**29.666**
Off-balance-sheet limits						
Corporate Banking	8.351	493	29	521	71	8.944
Total	**8.351**	**493**	**29**	**521**	**71**	**8.944**
Other off-balance-sheet commitments						
Corporate Banking	6.943	448		448	72	7.462
Total	**6.943**	**448**		**448**	**72**	**7.462**
Notes and bonds						
Group Functions	12.982	73		73		13.055
Total	**12.982**	**73**		**73**		**13.055**
Total exposures within the scope of accounting for expected credit losses	**54.864**	**3.531**	**137**	**3.669**	**595**	**59.127**

Loss allowance by impairment stage 31 December 2022

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Corporate Banking	-30	-23	-5	-28	-182	-240
Total	**-30**	**-23**	**-5**	**-28**	**-182**	**-240**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-2		-2	-24	-29
Total	**-3**	**-2**		**-2**	**-24**	**-29**
Notes and bonds***						
Group Functions	-1	-1		-1		-2
Total notes and bonds	**-1**	**-1**		**-1**		**-2**
Total	**-35**	**-25**	**-5**	**-31**	**-206**	**-272**

* Loss allowance is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	41.882	3.459	137	3.596	595	46.072
Loss allowance						
Corporate Banking	-33	-25	-5	-30	-206	-269
Coverage ratio, %						
Corporate Banking	-0,08%	-0,71%	-3,81%	-0,83%	-34,69%	-0,58%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**41.882**	**3.459**	**137**	**3.596**	**595**	**46.072**
Total loss allowance	**-33**	**-25**	**-5**	**-30**	**-206**	**-269**
Total coverage ratio, %	**-0,08%**	**-0,71%**	**-3,81%**	**-0,83%**	**-34,69%**	**-0,58%**
Carrying amount, notes and bonds						
Group Functions	12.982	73		73		13.055
Loss allowance						
Group Functions	-1	-1		-1		-2
Coverage ratio, %						
Group Functions	-0,01%	-1,18%		-1,18%		-0,02%
Total notes and bonds	**12.982**	**73**		**73**		**13.055**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0,01%**	**-1,18%**		**-1,18%**		**-0,02%**

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2021

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Corporate Banking	24.673	1.058	247	1.304	508	26.486
Total	**24.673**	**1.058**	**247**	**1.304**	**508**	**26.486**
Off-balance-sheet limits						
Corporate Banking	4.279	190	88	278	75	4.631
Total	**4.279**	**190**	**88**	**278**	**75**	**4.631**
Other off-balance-sheet commitments						
Corporate Banking	7.196	121		121	78	7.396
Total	**7.196**	**121**		**121**	**78**	**7.396**
Notes and bonds						
Group Functions	13.160	31		31		13.191
Total	**13.160**	**31**		**31**		**13.191**
Total exposures within the scope of accounting for expected credit losses	**49.309**	**1.399**	**335**	**1.733**	**661**	**51.704**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-23**	**-23**	**-2**	**-25**	**-269**	**-317**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-3		-3	-14	-20
Total	**-3**	**-3**		**-3**	**-14**	**-20**
Notes and bonds***						
Group Functions	-2	-1		-1		-2
Total notes and bonds	**-2**	**-1**		**-1**		**-2**
Total	**-28**	**-26**	**-2**	**-28**	**-283**	**-339**

* Loss allowance is recognised as one component to deduct the balance sheet item.

** Loss allowance is recognised in provisions and other liabilities in the balance sheet.

*** Loss allowance is recognised in the fair value reserve in other comprehensive income.

The table below shows a summary of loss allowance relative to the exposure amount by impairment stage. The coverage ratio describes the ratio of loss allowance to exposure amount.

Summary and key indicators 31 December 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	36.149	1.368	335	1.703	661	38.513
Loss allowance						
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Corporate Banking	-0,07%	-1,85%	-0,63%	-1,61%	-42,83%	-0,88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**36.149**	**1.368**	**335**	**1.703**	**661**	**38.513**
Total loss allowance	**-26**	**-25**	**-2**	**-27**	**-283**	**-337**
Total coverage ratio, %	**-0,07%**	**-1,85%**	**-0,63%**	**-1,61%**	**-42,83%**	**-0,88%**
Carrying amount, notes and bonds						
Group Functions	13.160	31		31		13.191
Loss allowance						
Group Functions	-2	-1		-1		-2
Coverage ratio, %						
Group Functions	-0,01%	-2,00%		-2,00%		-0,02%
Total notes and bonds	**13.160**	**31**		**31**		**13.191**
Total loss allowance	**-2**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0,01%**	**-2,00%**		**-2,00%**		**-0,02%**

The table below shows a change in exposures within the scope of the measurement of expected credit losses by impairment Stage for 2022 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; off-balance-sheet items 1 January 2022	**36.149**	**1.703**	**661**	**38.513**
Transfers from Stage 1 to Stage 2, incl. repayments	-2.493	2.358		-135
Transfers from Stage 1 to Stage 3, incl. repayments	-186		155	-31
Transfers from Stage 2 to Stage 1, incl. repayments	399	-466		-67
Transfers from Stage 2 to Stage 3, incl. repayments		-102	92	-10
Transfers from Stage 3 to Stage 1, incl. repayments	26		-32	-6
Transfers from Stage 3 to Stage 2, incl. repayments		18	-27	-9
Increases due to origination and acquisition	9.684	300	37	10.021
Decreases due to derecognition	-6.615	-278	-181	-7.073
Unchanged Stage, incl. repayments	4,916*	63*	-33	4.954
Recognised as final credit loss			-85	-85
Receivables from customers; on-balance-sheet and off-balance-sheet items 30 September 2022	**41.882**	**3.596**	**588**	**46.072**

* Positive net changes in stage 1 and 2 are due to increases in off-balance-sheet limits.

The table below shows the change in loss allowance by impairment stage during 2022.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2022	**26**	**27**	**283**	**337**
Transfers from Stage 1 to Stage 2	-2	15		13
Transfers from Stage 1 to Stage 3	-3		50	47
Transfers from Stage 2 to Stage 1	0	-5		-4
Transfers from Stage 2 to Stage 3		-5	21	16
Transfers from Stage 3 to Stage 1	0		-4	-4
Transfers from Stage 3 to Stage 2		0	-5	-5
Increases due to origination and acquisition	13	6	12	30
Decreases due to derecognition	-6	-8	-60	-74
Changes in risk parameters (net)	5	-1	-6	-3
Changes in model assumptions and methodology	0	0	1	1
Decrease in allowance account due to write-offs			-85	-85
Net change in expected credit losses	**7**	**2**	**-77**	**-68**
Loss allowance 31 December 2022	**33**	**30**	**206**	**269**
Net change in expected credit losses Q4 2022	**2**	**3**	**-30**	**-25**

In June 2022, OP Corporate Bank updated lifetime EAD models and the maturity model. Changes in the models increased OP Corporate Bank's expected credit losses by 1 million euros, which is reported in the table above on row "changes in model assumptions and methodology". Lifetime EAD models are used in the ECL measurement under IFRS 9 to estimate a contract's on-balance-sheet exposures at default for the contract's lifetime. The maturity model is used in the ECL measurement under IFRS 9 to estimate a contract's lifetime for standby credit facilities of personal and corporate customer exposures whose credit risk has increased significantly, meaning that their ECL is measured for the contract's lifetime (stage 2). The maturity model is used for the standby credit facilities of personal and corporate customer exposures because they have no contractual maturity.

OP Corporate Bank has updated its assessments of how Russia's attack on Ukraine has financially impacted on customers' credit risk. Impacts were expected due to factors such as business closures and a rise in the costs of energy, raw materials and other production. Such impacts have been milder than expected because higher production costs have been passed onto prices and government support has been provided, particularly for the energy sector. An ECL provision of EUR 7 million was recognised in Q1/2022, based on a management overlay, to cover the impacts of the war in Ukraine on the riskiest sectors – construction, energy and transport. The overlay has been reversed for the abovementioned reasons.

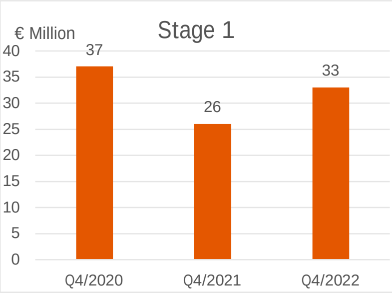
At the end of 2021, OP Corporate Bank recognised an additional ECL provision of EUR 6 million concerning CRE backed loans nearest to stage 3. The provision was made to anticipate growth in the ECL due to updates in collateral assessments of riskier collateral real estate holdings and probable default statutes. The provision was completely reversed in 2022, due to updates made in the collateral values of the agreements concerned and the default statutes.

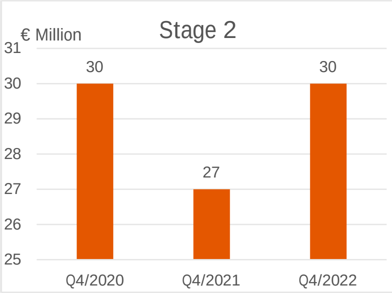
In the last quarter, a management overlay was used to increase the ECL provision for the construction sector by EUR 2.5 million, based on OP Corporate Bank's Q4 analysis. The analysis was considered necessary due to the weakened outlook of the sector. It was done as a stress test, assuming a decrease in the sector's turnover of 10%, a cost inflation increase of 8% and an interest rate rise of 3%.

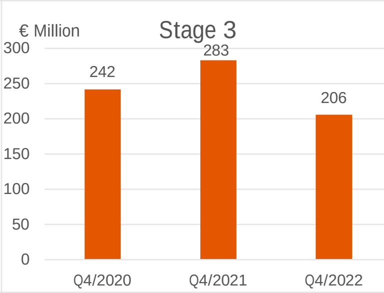
The table below shows the ECL before the discretionary provisions made using management overlays, the provisions themselves, and the total ECL amount on 31 December 2022.

Loss allowance 31 December 2022	OP Corporate Bank
ECL before discretionary provisions	**267**
Discretionary provisions under management overlay	
Construction industry	3
Total discretionary provisions under management overlay	**3**
Total reported ECL	**269**

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years. The graphs show a reduction of stage 3 during 2022 due to the recognition of final credit losses, repayment of liabilities in stage 3.

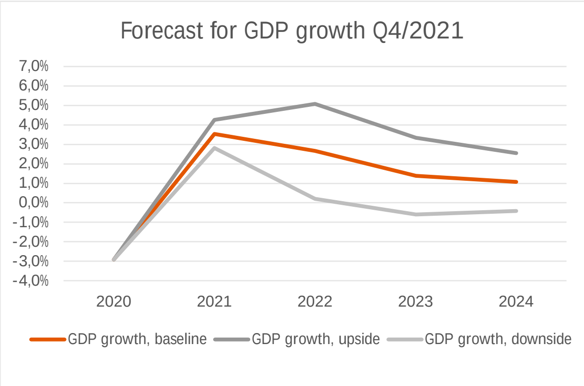


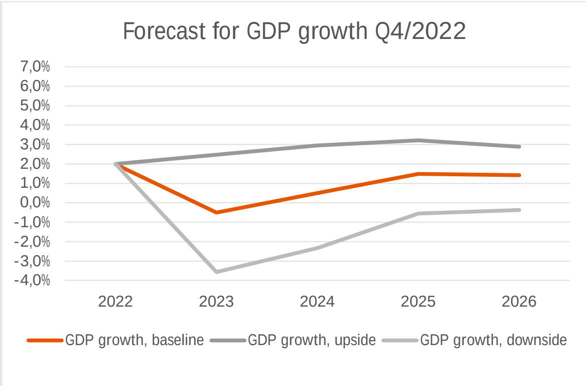


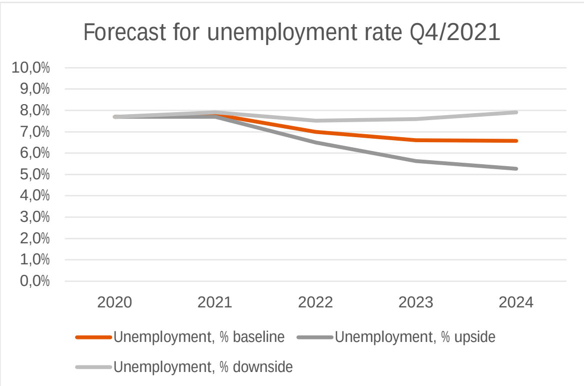


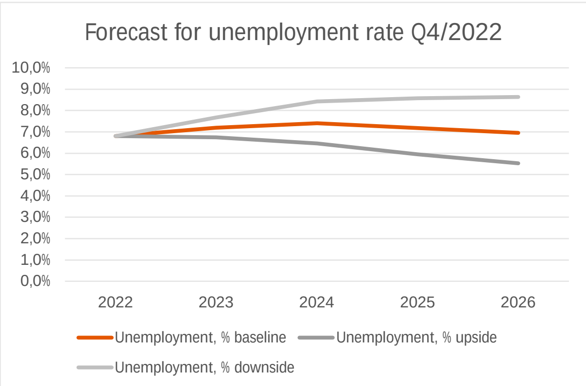
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the fourth quarter of 2022, the update of the macroeconomic forecasts slightly increased the ECL.

The following graphs illustrate change in forecasts for GDP and the unemployment rate.









Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**2**	**0**		**2**
Transfers from Stage 1 to Stage 2	0	1		1
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0	0		0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**1**		**0**
Loss allowance 31 December 2022	**1**	**1**	**0**	**2**
Net change in expected credit losses Q4 2022	**0**	**0**	**0**	**0**

The table below shows the change in loss allowance by impairment stage during 2021.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**36**	**29**	**243**	**308**
Transfers from Stage 1 to Stage 2	-1	6		5
Transfers from Stage 1 to Stage 3	0		13	13
Transfers from Stage 2 to Stage 1	1	-4		-4
Transfers from Stage 2 to Stage 3		-7	32	25
Transfers from Stage 3 to Stage 1	0		-2	-2
Transfers from Stage 3 to Stage 2		2	-3	-1
Increases due to origination and acquisition	10	5	8	24
Decreases due to derecognition	-17	-6	-25	-48
Changes in risk parameters (net)	-3	1	46	44
Changes due to update in the methodology for estimation (net)	1	1	0	2
Decrease in allowance account due to write-offs		0	-30	-30
Net change in expected credit losses	**-10**	**-2**	**40**	**27**
Loss allowance 31 December 2021	**26**	**27**	**283**	**337**
Net change in expected credit losses Q4 2021	**2**	**6**	**39**	**47**

The table below shows a change in exposures within the scope of the calculation of expected credit losses by impairment Stage for 2021 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2021	**33.197**	**2.021**	**682**	**35.900**
Transfers from Stage 1 to Stage 2, incl. repayments	-913	857		-57
Transfers from Stage 1 to Stage 3, incl. repayments	-92		73	-19
Transfers from Stage 2 to Stage 1, incl. repayments	549	-613		-64
Transfers from Stage 2 to Stage 3, incl. repayments		-134	115	-20
Transfers from Stage 3 to Stage 1, incl. repayments	11		-14	-3
Transfers from Stage 3 to Stage 2, incl. repayments		25	-28	-2
Increases due to origination and acquisition	-1.097	-47	-95	-1.240
Decreases due to derecognition	11.579	231	50	11.861
Unchanged Stage, incl. repayments	-7.085	-634	-81	-7.800
Recognised as final credit loss		-3	-40	-43
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2021	**36.149**	**1.703**	**661**	**38.513**

The table below shows the ECL before the discretionary provisions made using management overlays, the provisions themselves, and the total ECL amount on 31 December 2021.

Loss allowance 31 December 2022	OP Corporate Bank
ECL before discretionary bookings	**331**
Discretionary provisions under management overlay	
Defaults and collateral valuation of CRE backed loans	6
Total discretionary provisions under management overlay	**6**
Total reported ECL	**337**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**2**	**1**		**2**
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	0			0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**0**		**0**
Loss allowance 31 December 2021	**2**	**0**		**2**
Net change in expected credit losses Q4 2021	**0**	**0**		**0**

Note 8. Debt securities issued to the public

EUR million	31 Dec 2022	31 Dec 2021
Bonds	10,595	10,927
Subordinated bonds (SNP)	4,306	3,926
Other		
Certificates of deposit	1,083	297
Commercial paper	9,287	7,539
Included in own portfolio in trading (–)*	-63	-58
Total debt securities issued to the public	**25,209**	**22,630**

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

OP Corporate Bank has issued two green bonds under the Green Bond Framework to responsible institutional investors: a green non-preferred unsecured green bond of EUR 500 million with a maturity of 5.5 years issued on 27 December 2022 and a senior green unsecured bond or EUR 500 million with a maturity of five years issued in 2019. The green bonds will support the green transition, and proceeds raised with them are allocated to sustainable corporate finance. Eligible sectors to be funded through the bonds include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use.

Note 9. Fair value reserve after income tax

EUR million	Fair value through other comprehensive income Notes and bonds	Cash flow hedging	Total
Opening balance 1 January 2021	**20**	**2**	**22**
Fair value changes	30	-4	27
Capital gains transferred to income statement	-2		-2
Deferred tax	-6	1	-5
Closing balance 31 December 2021	**43**	**1**	**42**

EUR million	Fair value through other comprehensive income Notes and bonds	Cash flow hedging	Total
Opening balance 1 January 2022	**43**	**-1**	**42**
Fair value changes	-48	-22	-70
Capital gains transferred to income statement	-10		-10
Transfers to net interest income		-9	-9
Deferred tax	12	6	18
Closing balance 31 December 2022	**3**	**26**	**29**

The fair value reserve before tax amounted to EUR -37 million (52) at the end of the reporting period and the related deferred tax asset/liability was EUR 7 million (-10). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (0) in the fair value reserve during the reporting period.

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

Note 10. Collateral given

EUR million	31 Dec 2022	31 Dec 2021
Given on behalf of own liabilities and commitments		
Others	13,908	18,320
Total collateral given*	**13,908**	**18,320**
Secured derivative liabilities	701	744
Other secured liabilities	12,000	16,004
Total	**12,701**	**16,748**

* In addition, bonds with a book value of EUR 1.5 billion have been pledged in the central bank, of which EUR 1.0 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 11. Classification of financial assets and liabilities

			Fair value through profit or loss			
Assets, EUR million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	34,951					34,951
Receivables from credit institutions	12,978					12,978
Derivative contracts			5,685		97	5,782
Receivables from customers	28,178					28,178
Notes and bonds	4,328	11,755	295			16,378
Equity instruments		0	26			26
Other financial assets	1,132					1,132
Financial assets						**99,425**
Other than financial instruments						8
Total 31 December 2022	**81,567**	**11,755**	**6,006**		**97**	**99,433**

Assets, EUR million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	32,789					32,789
Receivables from credit institutions	13,419					13,419
Derivative contracts			3,444		268	3,712
Receivables from customers	26,236					26,236
Notes and bonds	3,853	13,171	331			17,355
Equity instruments		0	18			18
Other financial assets	1,274					1,274
Financial assets						**94,803**
Other than financial instruments						17
Total 31 December 2021	**77,571**	**13,171**	**3,792**		**268**	**94,820**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		40,899		40,899
Derivative contracts	5,379		359	5,739
Liabilities to customers		19,014		19,014
Debt securities issued to the public		25,209		25,209
Subordinated loans		1,384		1,384
Other financial liabilities		2,393		2,393
Financial liabilities				**94,637**
Other than financial liabilities				431
Total 31 December 2022	**5,379**	**88,899**	**359**	**95,069**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		42,660		42,660
Derivative contracts	2,579		91	2,669
Liabilities to customers		18,357		18,357
Debt securities issued to the public		22,630		22,630
Subordinated loans		1,994		1,994
Other financial liabilities		1,748		1,748
Financial liabilities				**90,059**
Other than financial liabilities				465
Total 31 December 2021	**2,579**	**87,389**	**91**	**90,524**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December 2022, the fair value of these debt instruments was approximately EUR 1 164 million (190) lower (higher) than their carrying amount, based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are lower than their amortised costs, but determining reliable fair values involves uncertainty.

Note 12. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments		21	5	26
Debt instruments	38	206	51	295
Derivative financial instruments	5	5,699	77	5,782
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	9,193	1,769	793	11,755
Total financial instruments	**9,237**	**7,695**	**926**	**17,858**
Investment property			0	0
Total	**9,237**	**7,695**	**926**	**17,858**

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments		13	5	18
Debt instruments	77	60	193	331
Derivative financial instruments	1	3,604	106	3,712
Fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	10,269	2,376	527	13,171
Total financial instruments	**10,347**	**6,053**	**832**	**17,232**
Investment property			0	0
Total	**10,347**	**6,053**	**832**	**17,232**

Fair value of liabilities on 31 December 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	7	5,638	94	5,739
Total	**7**	**5,638**	**94**	**5,739**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Other		0		0
Derivative financial instruments	2	2,637	30	2,669
Total	**2**	**2,637**	**30**	**2,669**

Fair value measurement

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

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

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

The fair value measurement of OTC derivative contracts related to banking takes account of credit risk of the parties to the transaction and credit spreads exceeding the financing costs. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debt Valuation Adjustment (DVA). CVAs and DVAs are calculated for each counterparty. CVA and DVA adjustments are calculated for each counterparty by simulating the market values of derivatives and events of default based primarily on data obtained from markets. In assessing probabilities of default, OP Corporate Bank utilises counterparty rating information, liquid credit risk indices and the CDS sector curves of market data providers. OP Corporate Bank assesses the effect of the financing costs of OTC derivatives on fair value measurement by editing discount curves used in the measurement by means of the statistical differences of credit spreads between credit risk instruments with and without capital.

Fair value hierarchy

Level 1: Quoted prices in active markets
This level includes equities listed on major stock exchanges, quoted debt instruments issued by companies, governments and financial institutions, as well as exchange-traded derivatives. The fair value of these instruments is determined on the basis of the quotes in active markets.

Level 2: Valuation techniques using observable inputs
Valuation techniques based on observable input parameters. The fair value of the instruments included within this level means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. This hierarchy level includes the majority of OP Corporate Bank plc's OTC derivatives and quoted debt instruments issued by companies, governments and financial institutions which have not been included in Level 1.

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

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.

Derivatives relevant to OP Corporate Bank's business are interest rate swaps and interest rate options. Interest rate swaps are measured by deriving valuation curves from the prices of interest rate swaps and other interest rate derivatives observed in the market. Valuation curves are used to forecast future cash flows and determine the present values of cash flows also through interest rate swaps whose price is not directly observable in the market. The same method applies to the fair value measurement of interest rate options. Volatilities describing the price of interest rate options observed in the market are also used in comparison with interest rate swaps.

In the fair value measurement of complex derivatives, such as structured equity product, OP Corporte Bank uses a model where the development of market prices is simulated and the actual value of the derivative is calculated in each simulation. The price of the derivate is derived from calculating the average of the simulations.

Level 2 input data includes: quoted prices of similar items in active markets and quoted prices of similar items in inactive markets, market interest rates, implied volatilities and credit spreads.

Level 3 input data are input data that are not observable for an item subject to valuation. Level 3 input data include, for example: use of historical volatility in the fair value measurement of an option, such long-term interest rate with no corresponding contracts are not observable in the market.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2022	**198**	**106**	**527**	**832**
Total gains/losses in profit or loss	-188	-30		-218
Transfers into Level 3	46		473	519
Transfers out of Level 3			-207	-207
Closing balance 31 December 2022	**56**	**77**	**793**	**926**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2022	**30**	**30**
Total gains/losses in profit or loss	63	63
Closing balance 31 December 2022	**94**	**94**

Total gains/losses included in profit or loss by item on 31 December 2022

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the period included in profit or loss for assets/ liabilities held
Realised net gains (losses)	-188			-188
Unrealised net gains (losses)	-93			-93
Total net gains (losses)	**-281**			**-281**

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 2022.

Note 13. Off-balance-sheet commitments

EUR million	2022	2021
Guarantees	335	406
Other guarantee liabilities	2,356	2,413
Loan commitments	6,247	5,678
Commitments related to short-term trade transactions	722	656
Other	479	495
Total off-balance-sheet commitments	**10,138**	**9,649**

Note 14. Derivative contracts

Total derivatives 31 December 2022

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	32,473	118,934	114,884	266,291	4,638	4,416
Cleared by the central counterparty	22,144	60,716	55,600	138,460	190	191
Settled-to-market (STM)	11,535	35,194	39,212	85,941	126	134
Collateralised-to-market (CTM)	10,609	25,521	16,388	52,519	64	58
Currency derivatives	56,067	5,303	1,086	62,456	950	1,169
Equity and index-linked derivatives						
Credit derivatives	34	63	13	110	1	34
Other derivatives	439	889	26	1,355	91	82
Total derivatives	**89,014**	**125,188**	**116,010**	**330,211**	**5,679**	**5,700**

Total derivatives 31 December 2021

EUR million	Nominal values/residual maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	36,731	90,360	97,277	224,368	2,706	1,808
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,689	5,508	757	50,954	790	662
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	62		95	2	35
Other derivatives	260	544	28	832	104	43
Total derivatives	**81,716**	**96,473**	**98,061**	**276,251**	**3,602**	**2,549**

* The fair values include accrued interest that is, excluding other than those held-for-trading derivatives, presented in the balance sheet in other assets or provisions and other liabilities. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Note 15. Related-party transactions

OP Corporate Bank plc's related parties comprise subsidiaries consolidated into OP Cooperative Consolidated, associates, key management personnel and their close family members, and other related-party entities. The company's key management personnel comprises the CEO and Deputy CEO and other members of senior management as well as members of the Board of Directors. Related parties also include companies over which key management persons or their close family member, either alone or together with another person, exercises significant influence. Other entities regarded as related parties include OP Bank Group Pension Foundation and OP Financial Group's Personnel Fund.

Standard terms and conditions for credit are applied to loans granted to the related parties. Loans are tied to generally used reference rates.

Financial reporting

Time of publication of 2022 reports:

OP Corporate Bank's Report by the Board of Directors and Financial Statements for 2022	Week 10
OP Corporate Bank's Corporate Governance Statement 2022	Week 10

Schedule for Interim Reports and Half-year Financial Report in 2023:

Interim Report Q1/2023	3 May 2023
Half-year Financial Report H1/2023	25 July 2023
Interim Report Q1–3/2023	25 October 2023

Helsinki, 8 February 2023

OP Corporate Bank plc
Board of Directors

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