OP Mortgage Bank: Half-year Financial Report 1 January–30 June 2024

OP Mortgage Bank (OP MB) is the covered bond issuing entity of OP Financial Group. Together with OP Corporate Bank plc, its role is to raise funding for OP Financial Group from money and capital markets.

Financial standing

The intermediary loans and loan portfolio of OP MB totalled EUR 16,758 million (16,988)* on 30 June 2024. Bonds issued by OP MB totalled EUR 14,915 million (14,915) at the end of June.

OP MB's covered bonds after 8 July 2022 are issued under the Euro Medium Term Covered Bond (Premium) programme (EMTCB), pursuant to the Finnish Act on Mortgage Credit Banks and Covered Bonds (151/2022). The collateral is added to the EMTCB cover pool from the member cooperative banks' balance sheets via the intermediary loan process on the issue date of a new covered bond.

In January, OP MB issued a covered bond in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of seven years and six months. All proceeds of the bond were intermediated to 63 OP cooperative banks in the form of intermediary loans.

The terms of issue are available on the op.fi website, under Debt investors: www.op.fi/op-ryhma/velkasijoittajat/issuers/op-mortgage-bank/emtcb-debt-programme-documentation.

On 30 June 2024, 100 OP cooperative banks had a total of EUR 14,800 million (14,800) in intermediary loans from OP MB.

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 0.1 million (0.0). Loss allowance was EUR 2.5 million (2.6).

Operating profit was EUR 4.4 million (6.1). The company's financial standing remained stable throughout the reporting period.

* The comparatives for 2023 are given in brackets. For income statement and other aggregated figures, January–June 2023 figures serve as comparatives. For balance-sheet and other cross-sectional figures, figures at the end of the previous financial year (31 December 2023) serve as comparatives.

Collateralisation of bonds issued to the public

On 30 June 2024, loans as collateral in security of the covered bonds of EUR 5,250 million issued under the EMTCB programme worth EUR 25 billion established on 11 October 2022, in accordance with the Act on Mortgage Credit Banks and Covered Bonds (151/2022), totalled EUR 5,782 million. Loans as collateral in security of the covered bonds, totalling EUR 9,665 million, issued under the Euro Medium Term Covered Note programme worth EUR 20 billion established on 12 November 2010, in accordance with the Act on Mortgage Credit Banks (Laki kiinnitysluottopankkitoiminnasta, 688/2010), totalled EUR 12,013 million on 30 June 2024.

Capital adequacy

OP MB's Common Equity Tier 1 (CET1) ratio stood at 46.0% (41.8) on 30 June 2024. The ratio was improved by the decrease in mortgages on OP MB's balance sheet and the resulting reduction in capital requirement for credit risk. The minimum CET1 capital requirement is 4.5% and the requirement for the capital conservation buffer is 2.5%. The minimum total capital requirement is 8% (or 10.5% with the increased capital conservation buffer). Because OP MB covers capital requirements in their entirety with CET1 capital, the CET1 capital requirement is 10.5%. Estimated profit distribution has been subtracted from earnings for the reporting period.

OP MB uses the Standardised Approach (SA) to measure its capital adequacy requirement for credit risk. The Standardised Approach is also used to measure the capital requirement for operational risks.

OP MB belongs to OP Financial Group. As part of the Group, OP MB is supervised by the ECB. OP Financial Group presents capital adequacy information in its financial statements bulletins 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.

Own funds and capital adequacy, TEUR	30 Jun 2024	31 Dec 2023
Equity capital	368,140	372,160
Excess funding of pension liability	-13	-13
Share of unaudited profits		-7,490
Planned profit distribution	-3,470	
Insufficient coverage for non-performing exposures	-4,412	-2,856
CET1 capital	360,244	361,800
Tier 1 capital (T1)	360,244	361,800
Total own funds	360,244	361,800
Total risk exposure amount		
Credit and counterparty risk	729,812	812,205
Operational risk	26,636	25,140
Other risks *	26,541	27,336
Total	782,989	864,682
Ratios, %		
CET1 ratio	46.0	41.8
Tier 1 capital ratio	46.0	41.8
Capital adequacy ratio	46.0	41.8
Capital requirement		
Own funds	360,244	361,800
Capital requirement	82,250	90,829
Buffer for capital requirements	277,944	270,971

* Risks not otherwise covered.

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 case of resolution. According to the resolution strategy, OP MB will continue its operations as the new OP Corporate Bank's subsidiary.

The SRB has set a Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP MB. From May 2024, the MREL is 16% of the total risk exposure amount and 18.5% of the total risk exposure amount including a combined buffer requirement, and 6% of leverage ratio exposures. The requirement entered into force on 15 May 2024. The requirement includes a Combined Buffer Requirement (CBR) of 2.5%.

OP MB's buffer for the MREL requirement was EUR 215 million. The buffer consists of own funds only. OP MB clearly exceeds the MREL requirement. OP MB's MREL ratio was 46% of the total risk exposure amount.

Joint and several liability of amalgamation

Under the Act on the Amalgamation of Deposit Banks, the amalgamation of cooperative banks comprises the organisation’s central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups, as well as credit and financial institutions and service companies in which the above together hold more than half of the total votes. This amalgamation is supervised on a consolidated basis. On 30 June 2024, OP Cooperative's member credit institutions comprised 101 OP cooperative banks, OP Corporate Bank plc, OP Mortgage Bank and OP Retail Customers plc.

The central cooperative is responsible for issuing instructions to its member credit institutions concerning their internal control and risk management, their procedures for securing liquidity and capital adequacy, and for compliance with harmonised accounting policies in the preparation of the amalgamation's consolidated financial statements.

As a support measure referred to in the Act on the Amalgamation of Deposit Banks, the central cooperative is liable to pay any of its member credit institutions the amount necessary to preventing the credit institution from being placed in liquidation. The central cooperative is also liable for the debts of a member credit institution which cannot be paid using the member credit institution's assets.

Each member bank is liable to pay a proportion of the amount which the central cooperative has paid to either another member bank as a support measure or to a creditor of such a member bank in payment of an overdue amount which the creditor has not received from the member bank. Furthermore, if the central cooperative defaults, a member bank has unlimited refinancing liability for the central cooperative's debts as referred to in the Co-operatives Act.

Each member bank's liability for the amount the central cooperative has paid to the creditor on behalf of a member bank is divided between the member banks in proportion to their last adopted balance sheets. OP Financial Group's insurance companies do not fall within the scope of joint and several liability.

According to section 25 of the Act on Mortgage Credit Banks (688/2010), which was valid at that time, the creditors of covered bonds issued prior to 8 July 2022 have the right to receive payment, before other claims, for the entire term of the bond, in accordance with the terms and conditions of the bond, out of the funds entered as collateral for the bond, without this being prevented by OP MB's liquidation or bankruptcy. A similar and equal priority also applies to derivative contracts entered in the register of bonds, and to marginal lending facilities referred to in section 26, subsection 4 of said Act. For mortgage-backed loans issued prior to 8 July 2022 and included in the total amount of collateral of covered bonds, the priority of the covered bond holders' payment right is limited to the amount of loan that, with respect to home loans, corresponds to 70% of the value of shares or property serving as security for the loan and entered in the bond register at the time of the issuer's liquidation or bankruptcy declaration.

Under section 20 of the Act on Mortgage Credit Banks and Covered Bonds (151/2022), which entered into force on 8 July 2022, the creditors of bonds issued after 8 July 2022, including the related management and clearing costs, have the right to receive payment from the collateral included in the cover pool, before other creditors of OP MB or the OP cooperative bank which is the debtor of an intermediary loan. A similar priority also applies to creditors of derivative contracts related to covered bonds, including the related management and clearing costs. Interest and yield accruing on the collateral, and any substitute assets, fall within the scope of said priority. Section 44, subsection 3 of the Act on Mortgage Credit Banks and Covered Bonds includes provisions on the creditor's priority claim regarding cover pool liquidity support. According to said subsection, the creditor has the right to receive payment against the funds contained in the cover pool after claims based on the principal and interest of covered bonds secured by the cover assets included in the cover pool, obligations based on derivatives contracts associated with covered bonds, as well as administration and liquidation costs.

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's business and strategy, and responsible business is one of OP Financial Group's strategic priorities. The sustainability programme and its policy priorities implement OP Financial Group's strategy, and guide 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.

At OP Financial Group, sustainability and corporate responsibility are guided by a number of principles and policies. OP Financial Group is committed to complying not only with all applicable laws and regulations, but also with a number of international initiatives and standards guiding our operations. It is also 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. Furthermore, OP Financial Group is committed to complying with the UN Principles for Responsible Investment and is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

As of the reporting year 2024, OP Financial Group reports on its sustainability and corporate responsibility in accordance with the European Sustainability Reporting Standards (ESRS) under the EU's Corporate Sustainability Reporting Directive (CSRD).

OP Financial Group has drawn up a biodiversity road map that includes measures to promote biodiversity at OP Financial Group. The aim is to create a nature positive handprint by 2030. 'Nature positive' means that OP Financial Group's operations will have a net positive impact (NPI) on nature.

OP Financial Group has also drawn up a Human Rights Statement and Human Rights Policy. OP Financial Group respects all recognised human rights, and the Human Rights Statement includes the requirements and expectations that OP Financial Group has set for itself and actors in its value chains. OP Financial Group is committed to remediation actions if it causes adverse human rights impacts.

In March 2024, OP MB published a Green Covered Bond Report on the allocation and impacts of Finland's first green covered bonds issued in March 2021 and April 2022. Under OP MB's Green Covered Bond Framework, the proceeds from the bonds have been allocated to mortgages with energy-efficient residential buildings as collateral.

The environmental impacts allocated to the green covered bonds in 2023 were 59,000 MWh of energy use avoided per year and 8,800 tonnes of CO2-equivalent emissions avoided per year.

In June, OP Financial Group published its updated Responsible AI policies to ensure ethical use of artificial intelligence throughout the Group.

Personnel

On 30 June 2024, OP MB had seven employees. OP MB has been digitising its operations and purchases all key support services from OP Cooperative and its Group members, reducing the need for its own personnel.

Management

The Board composition is as follows:

Chair	Mikko Timonen	Chief Financial Officer, OP Cooperative
Members	Satu Nurmi	Head of Personal Finance and Real Estate Services, OP Retail Customers plc
	Mari Heikkilä	Head of Group Treasury & AML, OP Corporate Bank plc

OP MB's Managing Director is Sanna Eriksson. The deputy Managing Director is Tuomas Ruotsalainen, Senior Covered Bonds Manager at OP MB.

Risk profile

OP MB has a strong capital base, capital buffers and risk-bearing capacity. OP MB's capital base is sufficient to secure business continuity.

OP MB's most significant risks are related to the quality of collateral and to the structural liquidity and interest rate risks on the balance sheet for which limits have been set in the Banking Risk Policy. The key credit risk indicators in use show that OP MB's credit risk exposure is stable. OP MB has used interest rate swaps to hedge against its interest rate risk. Interest rate swaps have been used to swap home loan interest, intermediary loan interest and interest on issued bonds onto the same basis rate. OP MB has concluded all derivative contracts for hedging purposes, applying fair value hedges which have OP Corporate Bank plc as their counterparty. OP MB's interest risk exposure is under control, and has been within the set limit.

The liquidity buffer for OP Financial Group is centrally managed by OP Corporate Bank and therefore exploitable by OP MB. At the end of the reporting period, OP Financial Group's Liquidity Coverage Ratio (LCR) was 193% and the Net Stable Funding Ratio (NSFR) was 130%. OP MB monitors its cash flows on a daily basis to secure funding liquidity, and its structural funding risk on a regular basis as part of the company's internal capital adequacy assessment process (ICAAP). The amount of overcollateralisation in cover pools 1 and 2 clearly exceeded the minimum required under the Act on Mortgage Credit Banks and Covered Bonds.

An analysis of OP MB's risk exposure should always take account of OP Financial Group's risk exposure, which is based on the joint and several liability of all its member credit institutions. The member credit institutions are jointly liable for each other's debts. All member banks must participate in support measures, as referred to in the Act on the Amalgamation of Deposit Banks, to support each other's capital adequacy.

OP Financial Group analyses the business environment as part of the ongoing risk assessment activities and strategy process. Megatrends and worldviews behind OP Financial Group's strategy reflect driving forces that affect the daily activities, conditions and future of the Group and its customers. Factors currently shaping the business environment include climate, biodiversity loss, scientific and technological innovations, polarisation, demography and geopolitics. External business environment factors are considered thoroughly, so that their effects on customers' future success are understood. OP Financial Group provides advice and makes business decisions that promote the sustainable financial success, security and wellbeing of its owner-customers and operating region while managing the Group's risk profile on a longer-term basis. Advice for customers, risk-based service sizing, contract lifecycle management, decision-making, management and reporting are based on correct and comprehensive information.

Outlook for 2024

The Finnish economy was sluggish in the first half of 2024. GDP contracted over the previous year and unemployment increased. After spring, however, economic confidence has improved. Decelerating inflation and falling interest rates are paving the way for economic recovery. Risks associated with the economic outlook are still higher than usual. The escalation of geopolitical crises may abruptly affect capital markets and the economic environment.

OP MB's capital adequacy is expected to remain strong, risk exposure favourable and the overall quality of the loan portfolio good. This will enable the issuance of new covered bonds in 2024.

Alternative Performance Measures

Figures and ratios	H1/2024	H1/2023	Q1–4/2023
Return on equity (ROE), %	1.9	2.6	2.0
Cost/income ratio, %	49	42	52

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

Formulas for the Alternative Performance Measures used are presented below.

Return on equity (ROE), %

$$\frac{\text{Financial performance for the reporting period x (days of financial year/days of the reporting period)}}{\text{Equity capital (average at beginning and end of period)}} \times 100$$

Cost/income ratio, %

$$\frac{\text{Personnel costs + Other operating expenses}}{\text{Net interest income + Net commissions and fees + Other operating income}} \times 100$$

Half-year Financial Report 1 January–30 June 2024

Tables

Primary statements

Income statement, TEUR	Note	H1/2024	Adjusted H1/2023	Q2/2024	Adjusted Q2/2023
Net interest income	1	15,436	19,224	7,425	9,356
Interest income		357,716	266,665	174,958	150,654
Interest expenses		-342,280	-247,441	-167,532	-141,298
Impairment loss on receivables	2	91	22	122	67
Net commissions and fees	3	-6,930	-8,685	-3,386	-4,249
Commission income		45	53	21	26
Commission expenses		-6,976	-8,738	-3,407	-4,276
Other operating income		5	2	5	2
Personnel costs		-359	-352	-194	-184
Other operating expenses		-3,801	-4,081	-1,869	-1,994
Operating profit		4,441	6,130	2,104	2,997
Income tax		-972	-1,315	-504	-689
Profit for the period		3,470	4,815	1,600	2,309

Statement of comprehensive income, TEUR	Note	H1/2024	H1/2023	Q2/2024	Q2/2023
Profit for the period		3,470	4,815	1,600	2,309
Items reclassified to the income statement					
Gains/ (losses) arising from remeasurement of defined benefit plans					
Income tax on gains/(losses) arising from remeasurement of defined benefit plans					
Total comprehensive income for financial year		3,470	4,815	1,600	2,309

Balance sheet

TEUR	Note	30 Jun 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Assets				
Cash and cash equivalents		265,198	291,681	137,989
Receivables from member credit institutions	4	14,992,552	15,016,633	17,940,673
Receivables from customers		1,893,198	2,113,114	2,690,039
Derivative contracts	5	36,681	72,680	31,189
Other assets		1,778	1,081	877
Deferred tax assets		2,127	2,430	98
Total assets		17,191,535	17,497,619	20,800,866

TEUR				
Liabilities				
Liabilities to member credit institutions		1,759,997	2,012,380	2,253,869
Derivative contracts	5	908,435	854,869	1,220,509
Debt securities issued to the public		14,153,026	14,256,146	16,952,566
Provisions and other liabilities		1,870	2,000	2,377
Deferred tax liabilities		67	63	234
Total liabilities		16,823,395	17,125,459	20,429,555
Equity capital				
Share capital		60,000	60,000	60,000
Reserve for invested non-restricted equity		245,000	245,000	245,000
Retained earnings		63,140	67,160	66,311
Total equity		368,140	372,160	371,311
Total liabilities and equity		17,191,535	17,497,619	20,800,866

OP MB changed the official income statement and balance sheet format of the financial statements at the beginning of 2024. The changes are described in Note 10. to the Half-year Financial Report (Change to presentation of balance sheet and income statement format).

Statement of changes in equity, TEUR	Share capital	Other reserves	Retained earnings	Total equity
Equity capital 1 Jan 2024	60,000	245,000	67,160	372,160
Profit for the period			3,470	3,470
Dividends			-7,490	-7,490
Equity capital 30 Jun 2024	60,000	245,000	63,140	368,140
Equity capital 1 Jan 2023	60,000	245,000	66,311	371,311
Profit for the period			4,815	4,815
Dividends			-6,631	-6,631
Equity capital 30 Jun 2023	60,000	245,000	64,496	369,496

Cash flow statement, TEUR	H1/2024	H1/2023
Cash flow from operating activities		
Profit for the period	3,470	4,815
Adjustments to profit for the period		
Expected credit losses	-87	-18
Accruals of derivatives and hedge accounting	-1,525	-1,956
Income tax expense	972	1,315
Amortisation of effective interest rate	3,955	-14,658
Other	-27	45
Total adjustments	3,288	-15,272
Increase (-) or decrease (+) in operating assets	215,250	3,301,010
Receivables from member credit institutions, increases	1,000,000	-2,000,000
Receivables from member credit institutions, decreases	-1,000,000	5,032,929
Receivables from customers	224,688	290,079
Derivative contracts	-8,742	-22,153
Other assets	-697	155
Increase (+) or decrease (-) in operating liabilities	-237,207	9,857
Liabilities to member credit institutions	-252,383	-72,541
Derivative contracts	5,207	71,627
Provisions and other liabilities	9,969	10,771
Income tax paid	-665	-3,859
Dividends received	2	2
A. Net cash from operating activities	-15,862	3,296,553
Cash flow from financing activities		
Increases in debt securities issued to the public	996,870	1,991,120
Decreases in debt securities issued to the public	-1,000,000	-5,250,000
Dividends	-7,490	-6,631
B. Net cash used in financing activities	-10,620	-3,265,511
Net change in cash and cash equivalents (A+B)	-26,482	31,043
Cash and cash equivalents at period start	291,681	137,989
Cash and cash equivalents at period end	265,198	169,032

Accounting policies

The Half-year Financial Report 1 January–30 June 2024 has been prepared in accordance with IAS 34 (Interim Financial Reporting). This Half-year Financial Report applies IAS 34 Interim Financial Reporting and the accounting policies presented in the 2023 financial statements. The Half-year Financial Report should be read with the audited 2023 financial statements.

This Half-year Financial Report is based on unaudited figures. Given that all figures have been rounded, the sum total of individual figures may deviate from the presented sums.

The Half-year Financial Report is available in Finnish and English. The Finnish version is official and will be used if there is any discrepancy between the language versions.

Intermediary loans

OP MB is responsible for secured wholesale funding for OP Financial Group. In its operations, OP MB applies an intermediary loan model complying with the Act on Mortgage Credit Banks and Covered Bonds (151/2022, chapter 7). OP MB issues covered bonds for which mortgage-backed loan receivables are tagged as collateral from the balance sheets of OP cooperative banks to the cover pool. The future cash flows related to said mortgage-backed loan receivables serve as collateral for the covered bonds. In the intermediary loan model loan receivables, or risks related to them, are not transferred to OP MB. OP MB provides funding to OP cooperative banks by transmitting proceeds from bonds to OP cooperative banks as intermediary loans. Receivables from intermediary loans are presented in OP MB's balance sheet under item Receivables from member credit institutions, and it has been agreed that they mature at the same time as the issued bonds.

As a support measure referred to in the Act on the Amalgamation of Deposit Banks, the central cooperative is liable to pay any of its member credit institutions the amount necessary to preventing the credit institution from being placed in liquidation. The central cooperative is also liable for the debts of a member credit institution which cannot be paid using the member credit institution's assets. Each member bank is liable to pay a proportion of the amount which the central cooperative has paid to either another member bank as a support measure or to a creditor of such a member bank in payment of an overdue amount which the creditor has not received from the member bank. Furthermore, if the central cooperative defaults, a member bank has unlimited refinancing liability for the central cooperative’s debts as referred to in the Co-operatives Act. Each member bank’s liability for the amount the central cooperative has paid to the creditor on behalf of a member bank is divided between the member banks in proportion to their last adopted balance sheets. OP Financial Group’s insurance companies do not fall within the scope of joint and several liability.

Expected credit losses are measured using modelled risk parameters with the formula probability of default (PD) x loss given default (LGD) x exposure at default (EAD) for majority of portfolios per contract, and they reflect expectations of future credit losses at the reporting date. PD describes the probability of default according to the definition of default.

Since OP Financial Group is assessed as a whole based on the principle of joint and several liability under the Act on the Amalgamation of Deposit Banks, expected credit loss cannot be separately calculated for an individual member credit institution. The probability of default applied to OP Financial Group’s internal loans, including intermediary loans, is zero due to the joint and several liability. LGD describes the share of an asset if a borrower defaults. It is affected, for example, by the quantity and type of collateral securities and various financial guarantees. The amalgamation's joint and several liability guarantees all expected losses of the member credit institution, so the LGD component too in OP Financial Group's internal loans is zero. This is affected by OP Financial Group's current strong financial standing, which is expected to remain so in the foreseeable future too. EAD describes the exposure amount at default, including exposure in the balance sheet (capital and accrued interest), and expected use of off-balance-sheet items at default.

January–June highlights

In January, OP MB issued a covered bond in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of seven years and six months. All proceeds of the bond were intermediated to 63 OP cooperative banks in the form of intermediary loans totalling EUR 1 billion. A fixed-rate covered bond worth EUR 1 billion issued by OP MB in March 2017 arrived at maturity in March. At the same time, OP cooperative bank's intermediary loans worth EUR 1 billion related to the bond in question arrived at maturity.

Changes and supplements to the accounting policies

OP MB changed the official balance sheet format of the financial statements at the beginning of 2024. OP MB's new balance sheet format describes the company's operations better and the balance sheet has new rows. The changes have been made retrospectively also for 2023 and for the first quarter of 2024. The changes are presented retrospectively for 2023 in note 10 to the Half-year Financial Report (Change to presentation of the balance sheet and income statement format).

At the beginning of 2024, OP MB made the following supplements to its accounting policies:

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (OP MB's own issues), to which portfolio hedging under IAS 39 is applied. The item hedged is part of fixed-rate liabilities in OP MB's balance sheet, and the hedged risk is the fair value risk of the benchmark rate. Hedged portfolios have been group by issue, and no changes take place in them during hedging. These hedging relationships may cause ineffectiveness if there are even minor differences between the hedged item and the terms of the hedging instrument. Any ineffectiveness is included in interest expenses under net interest income and itemised in the notes to the financial statements. Interest rate swaps are used as a hedging instrument: interest rate risk fair value hedge accounting is also applied to individual loan portfolios in the balance sheet. The hedged risk in these is fair value risk between the benchmark rates, and the risk of hedges is adjusted whenever required. For these hedging relationships, the prepayment option related to the hedged item causes ineffectiveness only rarely. Interest rate swaps are used as hedging instruments.

Notes

Note 1. Net interest income

TEUR	H1/2024	Adjusted H1/2023	Q2/2024	Adjusted Q2/2023
Interest income calculated using the effective interest method				
From receivables from member credit institutions	307,225	219,356	150,560	125,350
From receivables from customers	46,920	39,325	22,790	21,871
Interest from derivatives hedging financial assets	2,029	6,516	849	2,710
Changes in hedge calculation adjustment			0	0
Change in the fair value of hedged risk	-27,365	47,939	-23,774	-42,735
Other adjustments	1,515	1,515	758	758
Change in the fair value of hedging derivatives	27,365	-47,939	23,774	42,735
Other interest income	25	-46	-1	-34
Total	357,716	266,665	174,956	150,654
Interest expenses				
From liabilities to member credit institutions	-38,414	-30,273	-18,413	-17,288
From debt securities issued to the public				
Interest amounts	-110,616	-110,531	-55,715	-58,935
Change in the fair value of hedged risk	120,474	-24,437	63,441	41,402
From derivatives subject to hedge accounting				
Change in fair value	-120,465	24,877	-63,450	-41,172
Interest amounts	-193,258	-107,077	-93,393	-65,306
Other interest expenses	-1		-1	
Total	-342,280	-247,441	-167,532	-141,298
Net interest income	15,436	19,224	7,423	9,356

Net interest income was EUR 15.4 million (19.2). The decrease in net interest income resulted from a decrease in OP MB's loan portfolio in the balance sheet and a decrease in the intermediary loan portfolio. OP MB has used interest rate swaps to hedge against its interest rate risk. Interest rate swaps have been used to swap home loan interest, intermediary loan interest and interest on issued bonds onto the same basis rate. As a result of interest rate hedging, any changes in market rates have a minor impact on OP MB's net interest income on home loans, intermediary loans and issued bonds.

Note 2. Impairment loss on receivables

Impairment loss on receivables, TEUR	H1/2024	H1/2023	Q2/2024	Q2/2023
Receivables written down as loan losses	-40	-134		-46
Recoveries of receivables written down	5	4	0	2
Expected credit losses (ECL) on receivables from customers	127	152	122	111
Total	91	22	122	67

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 0.1 million (0.0). Loss allowance was EUR 2.5 million (2.6). Expected credit losses are calculated on "Receivables from customers" in the balance sheet. Expected credit losses are not recognised on intermediary loans. The intermediary loan model is described in the accounting policies included in the Half-year Financial Report.

Note 3. Net commissions and fees

Net commissions and fees, TEUR	H1/2024	Adjusted H1/2023	Q2/2024	Adjusted Q2/2024
Palkkiotuotot				
Luotonanto	45	53	21	26
Yhteensä	45	53	21	26
Commission expenses, TEUR				
Loan management fee to OP cooperative banks	-6,969	-8,723	-3,420	-4,266
Issue of bonds		-9	17	-7
Other	-7	-6	-3	-3
Total	-6,976	-8,738	-3,407	-4,276
Net commissions and fees	-6,930	-8,685	-3,386	-4,249

OP MB's balance sheet includes receivables from customers; customer relationships related to these are managed by OP cooperative banks. OP MB refunds OP cooperative banks the amount of the returns paid by customers on loans managed by the banks, as management fees agreed in the fee model. Management fees paid to OP cooperative banks are shown as commission expenses under net commissions and fees. Interest paid by customers was recognised in interest income using the effective interest method. The accounting policies in the Half-year Financial Report describe the adjustment of presentation of commission income made retrospectively for 2023.

Note 4. Receivables from member credit institutions

TEUR	30 Jun 2024	Adjusted 31 Dec 2023
Intermediary loans	14,934,007	14,946,671
Other	58,545	69,963
Total	14,992,552	15,016,633

Note 5. Derivative contracts

	Fair values	
Derivative contracts 30 Jun 2024	Assets	Liabilities
Interest rate derivatives		
Hedging	36,681	908,435
Total	36,681	908,435

	Fair values	
Adjusted Derivative contracts 31 Dec 2023, TEUR	Assets	Liabilities
Interest rate derivatives		
Hedging	72,680	854,869
Total	72,680	854,869

Note 6. Classification of financial assets and liabilities

Assets 30 Jun 2024, TEUR	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total
Cash and cash equivalents	265,198			265,198
Receivables from member credit institutions	14,992,552			14,992,552
Receivables from customers	1,893,198			1,893,198
Derivative contracts		36,681		36,681
Other financial assets	1,722		40	1,762
Total financial assets	17,152,670	36,681	40	17,189,391

Liabilities 30 Jun 2024, TEUR	Recognised at fair value through profit or loss	Amortised cost	Total
Liabilities to member credit institutions		1,759,997	1,759,997
Derivative contracts	908,435		908,435
Debt securities issued to the public		14,153,026	14,153,026
Other financial liabilities		320	320
Total financial liabilities	908,435	15,913,344	16,821,779

Adjusted Assets 31 Dec 2023, TEUR	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total
Cash and cash equivalents	291,681			291,681
Receivables from member credit institutions	15,016,633			15,016,633
Receivables from customers	2,113,114			2,113,114
Derivative contracts		72,680		72,680
Other financial assets	1,024		40	1,064
Total financial assets	17,422,452	72,680	40	17,495,172

Adjusted Liabilities 31 Dec 2023, TEUR	Recognised at fair value through profit or loss	Amortised cost	Total
Liabilities to member credit institutions		2,012,380	2,012,380
Derivative contracts	854,869		854,869
Debt securities issued to the public		14,256,146	14,256,146
Other financial liabilities		318	318
Total	854,869	16,268,844	17,123,713

Debt securities issued to the public are carried at amortised cost, including a negative valuation of EUR 831,065 thousand (717,020 thousand) caused by risk to be hedged. The fair value of these debt instruments was assessed based on price quote information available in markets and employing commonly used valuation techniques, amounting to EUR 14,028,357 thousand (14,100,873 thousand) on the reporting date.

Receivables from customers are carried at amortised cost, including a negative valuation of EUR 11,155 thousand (7,609 thousand) caused by risk to be hedged. In terms of their carrying amount, receivables from customers are floating-rate loans that are reasonably close to their fair value on the reporting date. Receivables from member credit institutions are carried at amortised cost, including a negative valuation of EUR 22,305 thousand (6,429 thousand) caused by risk to be hedged. The largest item carried at amortised cost is receivables from member credit institutions, which consists of intermediary loans granted to OP cooperative banks. These are mainly tied to the floating interest rate, and their credit risk is zero due to joint and several liability (for a description of the joint and several liability, see the chapter on Intermediary loans in the Accounting policies section. The carrying amount of these loans is reasonably close to their fair value on the reporting date.

Note 7. Financial instruments classification, grouped by valuation technique

Financial instruments classification, grouped by valuation technique, TEUR		Fair value measurement at period end		
30 Jun 2024	Balance sheet value	Level 1	Level 2	Level 3
Recurring fair value measurements of assets				
Derivative contracts	36,681		36,681	
Total	36,681		36,681	
Recurring fair value measurements of liabilities				
Derivative contracts	908,435		908,435	
Total	908 435		908,435	

Adjusted		Fair value measurement at period end		
31 Dec 2023, TEUR	Balance sheet value	Level 1	Level 2	Level 3
Recurring fair value measurements of assets				
Derivative contracts	72,680		72,680	
Total	72,680		72,680	
Recurring fair value measurements of liabilities				
Derivative contracts	854,869		854,869	
Total	854,869		854,869	

Fair value hierarchy

Level 2: Valuation techniques based on observable input parameters. The fair value of the instruments included within Level 2 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. 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. OP MB's OTC derivatives and the quoted corporate, government and financial institution debt securities not classified into Level 1 are classified into this hierarchical level. Products subject to recurring fair value measurement during the half-year financial period only include derivatives.

Transfers between hierarchy levels of recurring fair value measurement

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. No transfers between the levels took place during the reporting period.

Note 8. Related party transactions

OP MB's related parties comprise OP Cooperative (parent company) and companies 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 Managing Director, Deputy Managing Director and members of the Board of Directors. Related parties also include companies over which a key management person or their close family member, either alone or together with another person, exercises control. Other entities regarded as related parties include OP-Eläkesäätiö pension foundation and OP Ryhmän Henkilöstörahasto personnel fund. Related parties have been defined in accordance with IAS 24.

Related party transactions consist of paid salaries and fees as well as ordinary business transactions. No substantial changes have taken place in related-party transactions since 31 December 2023.

		30 Jun 2024	
Related party transactions, TEUR	OP Cooperative	OP Corporate Bank	Other
Assets			
Cash and cash equivalents		265,198	
Derivative contracts		36,681	
Other assets	40	653	17

TEUR	OP Cooperative	OP Corporate Bank	Other
Liabilities			
Liabilities to member credit institutions		1,759,997	
Derivative contracts		908,435	
Debt securities issued to the public		329,011	
Provisions and other liabilities	20		

		H1/2024	
TEUR	OP Cooperative	OP Corporate Bank	Other
Interest income		4,368	
Interest expenses		-45,252	
Dividend income	2		
Commission expenses		-7	
Operating expenses	-1,199	-23	-14

		31 Dec 2023	
TEUR	OP Cooperative	OP Corporate Bank	Other
Assets			
Cash and cash equivalents		291,681	
Derivative contracts		72,680	
Other assets	40	808	17

TEUR	OP Cooperative	OP Corporate Bank	Other
Liabilities			
Liabilities to member credit institutions		2,012,380	
Derivative contracts		854,869	
Debt securities issued to the public		310,641	

	H1/2023		
TEUR	OP Cooperative	OP Corporate Bank	Other
Interest income		14,630	
Interest expenses		-77,397	
Dividend income	2		
Commission expenses		-8	
Operating expenses	-1,417	-3	-6

Note 9. Transactions with OP cooperative banks

The accounts of OP MB and the member cooperative banks are consolidated into OP Financial Group's financial statements. Transactions between OP MB and member cooperative banks are mainly related to the intermediary loan model, which is explained in greater detail in the accounting policies included in the Half-year Financial Report. OP cooperative banks paid EUR 302,857 thousand (204,726) in interest income to OP MB. OP MB paid EUR 7,983 thousand (10,135) in commission expenses to OP cooperative banks. Intermediary loans in OP MB balance sheet totalled EUR 14,934,007 thousand (14,946,671). Other receivables from OP cooperative banks totalled EUR 58,545 thousand (69,963) at the end of the reporting period.

Note 10. Change to presentation of balance sheet and income statement format

OP MB changed the official balance sheet format of the financial statements at the beginning of 2024. OP MB's new balance sheet format describes the company's operations better and the balance sheet has new rows. The changes have been made retrospectively also for 2023 and for the first quarter of 2024.

The key changes in the balance sheet format for 1 January 2023:

a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet, and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest amounts of EUR 35,934 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet. Interest amounts of EUR 3,497 thousand were transferred to the "Receivables from customers" row in the balance sheet. Interest amounts of EUR 3,869 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet. Interest amounts of EUR 36,629 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet.
b) Loans of EUR 100,984 thousand were transferred from the balance sheet item "Receivables from customers" to the balance sheet item "Receivables from member credit institutions".
c) Interest receivables and liabilities on derivative contracts were previously presented in the balance sheet rows "Other assets" and "Provisions and other liabilities". Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfers, assets in the balance sheet item "Derivative contracts" increased by EUR 23,707 thousand, and "Derivative contracts" in balance sheet liabilities increased by EUR 19,371 thousand.
d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets", and "Tax liabilities" has been renamed "Deferred tax liabilities".
e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred to this item totalled EUR 137,989 thousand.
f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".
h) An adjustment of EUR 54,620 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
i) The adjustments reduced balance sheet assets and liabilities by a total of EUR 78,670 thousand.

Balance sheet, TEUR	Reference	1 Jan 2023	Changes	Adjusted 1 Jan 2023
Cash and cash equivalents	e)		137,989,	137,989
Receivables from member credit institutions	a), b), e), f), h), i)	17,996,364	-55,691	17,940,673
Receivables from customers	a), b)	2,787,526	-97,487	2,690,039
Derivative contracts	c), i)	7,482	23,707	31,189
Other assets	a), c)	88,065	-87,188	877
Tax assets	d)	98	-98	
Deferred tax assets	d)		98	98
Total assets		20,879,535	-78,670	20,800,866
Liabilities to member credit institutions	a), g)	2,250,000	3,869	2,253,869
Derivative contracts	c)	1,201,138	19,371	1,220,509
Debt securities issued to the public	a), h), i)	16,970,557	-17,991	16,952,566
Provisions and other liabilities	a), c)	86,295	-83,918	2,377
Tax liabilities	d)	234	-234	
Deferred tax liabilities	d)		234	234
Total liabilities		20,508,224	-78,670	20,429,555
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		66,311		66,311
Total equity		371,311		371,311
Total liabilities and equity		20,879,535	-78,670	20,800,866

The key changes in the balance sheet format for 31 March 2023:

a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet, and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest amounts of EUR 74,571 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet. Interest amounts of EUR 3,429 thousand were transferred to the "Receivables from customers" row in the balance sheet. Interest amounts of EUR 7,905 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet. Interest amounts of EUR 54,284 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet.
b) Loans of EUR 92,419 thousand were transferred from the balance sheet item "Receivables from customers" to the balance sheet item "Receivables from member credit institutions".
c) Interest receivables and liabilities on derivative contracts were previously presented in the balance sheet rows "Other assets" and "Provisions and other liabilities". Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfers, assets in the balance sheet item "Derivative contracts" increased by EUR 22,447 thousand, and "Derivative contracts" in balance sheet liabilities increased by EUR 44,633 thousand.
d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets", and "Tax liabilities" has been renamed "Deferred tax liabilities".
e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred to this item totalled EUR 149,048 thousand.
f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".
h) An adjustment of EUR 43,844 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
i) The adjustments reduced balance sheet assets and liabilities by a total of EUR 84,522 thousand.

Balance sheet, TEUR	Reference	31 Mar 2023	Changes	Adjusted 31 Mar 2023
Cash and cash equivalents	e)		149,048	149,048
Receivables from member credit institutions	a), b),e),f),h),i)	18,093,957	-25,902	18,068,056
Receivables from customers	a), b)	2,607,774	-88,990	2,518,784
Derivative contracts	c), i)	3,462	22,447	25,909
Other assets	a), c)	142,217	-141,125	1,091
Tax assets	d)	2,977	-2,977	
Deferred tax assets	d)		2,977	2,977
Total assets		20,850,387	-84,522	20,765,865
Liabilities to member credit institutions	a), g)	2,170,000	7,905	2,177,905
Derivative contracts	c)	1,137,337	44,633	1,181,970
Debt securities issued to the public	a), h), i)	17,025,317	10,440	17,035,757
Provisions and other liabilities	a), c)	150,331	-147,500	2,831
Tax liabilities	d)	215	-215	
Deferred tax liabilities	d)		215	215
Total liabilities		20,483,200	-84,522	20,398,678
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		62,187		62,187
Total equity		367,187		367,187
Total liabilities and equity		20,850,387	-84,522	20,765,865

The key changes in the balance sheet format for 30 June 2023:

a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet, and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest amounts of EUR 99,020 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet. Interest amounts of EUR 3,822 thousand were transferred to the "Receivables from customers" row in the balance sheet. Interest amounts of EUR 11,328 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet. Interest amounts of EUR 47,659 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet.
b) Loans of EUR 83,680 thousand were transferred from the balance sheet item "Receivables from customers" to the balance sheet item "Receivables from member credit institutions".
c) Interest receivables and liabilities on derivative contracts were previously presented in the balance sheet rows "Other assets" and "Provisions and other liabilities". Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfers, assets in the balance sheet item "Derivative contracts" increased by EUR 21,035 thousand, and "Derivative contracts" in balance sheet liabilities increased by EUR 66,041 thousand.
d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets", and "Tax liabilities" has been renamed "Deferred tax liabilities".
e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred to this item totalled EUR 169,032 thousand.
f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".
h) An adjustment of EUR 42,203 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
i) The adjustments reduced balance sheet assets and liabilities by a total of EUR 91,211 thousand.

Balance sheet, TEUR	Reference	30 Jun 2023	Changes	Adjusted 30 Jun 2023
Cash and cash equivalents	e)		169,032	169,032
Receivables from member credit institutions	a),b),e),f),h),i)	14,994,478	-28,535	14,965,942
Receivables from customers	a), b)	2,441,259	-79,858	2,361,401
Derivative contracts	c), i)	4,989	21,035	26,023
Other assets	a), c)	173,474	-172,884	590
Tax assets	d)	2,736	-2,736	
Deferred tax assets	d)		2,736	2,736
Total assets		17,616,935	-91,211	17,525,725
Liabilities to member credit institutions	a), g)	2,170,000	11,328	2,181,328
Derivative contracts	c)	1,179,504	66,040	1,245,544
Debt securities issued to the public	a), h), i)	13,721,456	5,455	13,726,911
Provisions and other liabilities	a), c)	176,151	-174,034	2,117
Tax liabilities	d)	329	-329	
Deferred tax liabilities	d)		329	329
Total liabilities		17,247,440	-91,211	17,156,229
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		64,496		64,496
Total equity		369,496		369,496
Total liabilities and equity		17,616,936	-91,211	17,525,725

The key changes in the balance sheet format for 30 September 2023:

a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet, and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest amounts of EUR 145,696 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet. Interest amounts of EUR 5,686 thousand were transferred to the "Receivables from customers" row in the balance sheet. Interest amounts of EUR 12,359 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet. Interest amounts of EUR 75,139 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet.
b) Loans of EUR 76,615 thousand were transferred from the balance sheet item "Receivables from customers" to the balance sheet item "Receivables from member credit institutions".
c) Interest receivables and liabilities on derivative contracts were previously presented in the balance sheet rows "Other assets" and "Provisions and other liabilities". Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfers, assets in the balance sheet item "Derivative contracts" increased by EUR 18,987 thousand, and "Derivative contracts" in balance sheet liabilities increased by EUR 91,123 thousand.
d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets", and "Tax liabilities" has been renamed "Deferred tax liabilities".
e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred to this item totalled EUR 235,968 thousand.
f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".
h) An adjustment of EUR 35,326 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
i) The adjustments reduced balance sheet assets and liabilities by a total of EUR 113,308 thousand.

Balance sheet, TEUR	Reference	30 Sep 2023	Changes	Adjusted 30 Sep 2023
Cash and cash equivalents	e)		235,968	235,968
Receivables from member credit institutions	a), b),e),f),h),i)	14,044,378	-48,982	13,995,396
Receivables from customers	a), b)	2,301,149	-70,928	2,230,221
Derivative contracts	c), i)	5,523	18,987	24,510
Other assets	a), c)	249,098	-248,352	746
Tax assets	d)	2,584	-2,584	
Deferred tax assets	d)		2,584	2,584
Total assets		16,602,733	-113,308	16,489,425
Liabilities to member credit institutions	a), g)	2,070,000	12,359	2,082,359
Derivative contracts	c)	1,185,970	91,123	1,277,093
Debt securities issued to the public	a), h), i)	12,716,643	39,813	12,756,456
Provisions and other liabilities	a), c)	258,597	-256,603	1,994
Tax liabilities	d)	280	-280	
Deferred tax liabilities	d)		280	280
Total liabilities		16,231,490	-113,308	16,118,181
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		66,244		66,244
Total equity		371,244		371,244
Total liabilities and equity		16,602,733	-113,308	16,489,425

The key changes in the balance sheet format for 31 December 2023:

a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet, and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest amounts of EUR 153,100 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet. Interest amounts of EUR 5,903 thousand were transferred to the "Receivables from customers" row in the balance sheet. Interest amounts of EUR 12,380 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet. Interest amounts of EUR 76,662 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet.
b) Loans of EUR 69,963 thousand were transferred from the balance sheet item "Receivables from customers" to the balance sheet item "Receivables from member credit institutions".
c) Interest receivables and liabilities on derivative contracts were previously presented in the balance sheet rows "Other assets" and "Provisions and other liabilities". Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfers, assets in the balance sheet item "Derivative contracts" increased by EUR 22,807 thousand, and "Derivative contracts" in balance sheet liabilities increased by EUR 89,864 thousand.
d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets", and "Tax liabilities" has been renamed "Deferred tax liabilities".
e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred to this item totalled EUR 291,681 thousand.
f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".
h) An adjustment of EUR 6,429 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
i) The adjustments reduced balance sheet assets and liabilities by a total of EUR 85,071 thousand.

Balance sheet, TEUR	Reference	31 Dec 2023	Changes	Adjusted 31 Dec 2023
Cash and cash equivalents	e)		291,681	291,681
Receivables from member credit institutions	a),b),e),f),h),i)	15,091,681	-75,048	15,016,633
Receivables from customers	a), b)	2,177,173	-64,059	2,113,114
Derivative contracts	c), i)	49,872	22,808	72,680
Other assets	a), c)	261,533	-260,452	1,081
Tax assets	d)	2,430	-2,430	
Deferred tax assets	d)		2,430	2,430
Total assets		17,582,690	-85,071	17,497,619
Liabilities to member credit institutions	a), g)	2,000,000	12,380	2,012,380
Derivative contracts	c)	765,005	89,864	854,869
Debt securities issued to the public	a), h), i)	14,185,914	70,232	14,256,146
Provisions and other liabilities	a), c)	259,548	-257,548	2,000
Tax liabilities	d)	63	-63	
Deferred tax liabilities	d)		63	63
Total liabilities		17,210,530	-85,071	17,125,459
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		67,160		67,160
Total equity		372,160		372,160
Total liabilities and equity		17,582,690	-85,071	17,497,619

The key changes in the balance sheet format for 31 March 2024:

a) Fair values of derivative contracts will be presented in the balance sheet rows of "Derivative contracts" under assets and liabilities, so interest receivables and liabilities related to derivatives were transferred to the same item with the actual derivative contract. After the transfer, assets in the balance sheet item "Derivative contracts" decreased by EUR 81,253 thousand, and "Derivative contracts" in balance sheet liabilities decreased by EUR 81,253 thousand.
b) An adjustment of EUR 20,096 thousand on hedged risk, based on retrospective calculation of portfolio hedging, was entered for intermediary loans. This entry adjusts debt securities issued to the public recorded in balance sheet liabilities.
c) The adjustments reduced balance sheet assets and liabilities by a total of EUR 101,349 thousand.

Balance sheet, TEUR	Reference	31 Mar 2024	Changes	Adjusted 31 Mar 2023
Cash and cash equivalents		321,755		321,755
Receivables from member credit institutions	b), c)	15,021,375	-20,096	15,001,280
Receivables from customers		1,999,311		1,993,311
Derivative contracts	a)	123,560	-81,253	42,307
Other assets		988		988
Deferred tax assets		2,279		2,279
Total assets		17,469,269	-101,349	17,367,920
Liabilities to member credit institutions		1,911,375		1,911,375
Derivative contracts	a)	974,624	-81,253	893,371
Debt securities issued to the public	b), c)	14,206,859	-20,096	14,186,763
Provisions and other liabilities		2,294		2,294
Deferred tax liabilities		89		89
Total liabilities		17,095,239	-101,349	16,993,891
Equity capital				
Share capital		60,000		60,000
Reserve for invested non-restricted equity		245,000		245,000
Retained earnings		69,030		69,030
Total equity		374,030		374,030
Total liabilities and equity		17,469,267	-101,349	17,367,920

OP MB's balance sheet includes receivables from customers, for which OP MB charges fees from customers; customer relationships related to these are managed by OP cooperative banks. OP MB refunds OP cooperative banks for lending-related fees that OP MB has obtained regarding loans managed by OP cooperative banks. Commission expenses for lending, payable to OP cooperative banks, were previously presented under commission expenses in the income statement. This presentation has been adjusted retrospectively; commission expenses for lending paid to OP cooperative banks, previously presented in commission expenses in the income statement, will be presented on a netted basis in lending commission income. Lending commission expenses of EUR 2,258 thousand for the year were transferred retrospectively to commission income. The transferred lending commission expenses totalled EUR 669 thousand for 1 January–31 March 2023, EUR 1,245 thousand for 1 January–30 June 2023, and EUR 1,747 thousand for 1 January–30 September 2023. The total amount of net commissions and fees did not change.

Changes made to the balance sheet format have been taken into account retrospectively in the 2023 cash flow statements and in the cash flow statement for 1 January–31 March 2024. The changes affected only the breakdown of changes in business cash flows. The changes in the income statement and balance sheet formats had no effect on the total amount of cash flows from business, investments or financing activities. The total amount of cash and cash equivalents did not change. The adjusted cash flow statements will be presented as a cash flow statement comparative in OP MB's Half-year Financial Report for 1 January–30 June 2024, Interim Report for 1 January–30 September 2024, Financial Statements Bulletin for 1 January–31 December 2024 and Interim Report for 1 January–31 March 2025.

Schedule for Interim Reports in 2024

Interim Report 1 January–30 September 2024	31 October 2024

Helsinki, 24 July 2024

OP Mortgage Bank
Board of Directors

Additional information:
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