OP Mortgage Bank's Report by the Board of Directors and Financial Statements 2024

Contents

Report by the Board of Directors

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.

The intermediary loans and loan portfolio of OP MB totalled EUR 14,800 million (16,988)* on 31 December 2024. Bonds issued by OP MB totalled EUR 14,800 million (14,915) at the end of December.

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 its first covered bond of the year 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.

In March, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in March 2017 matured. At the same time, OP cooperative banks' intermediary loans worth EUR 1 billion related to the bond in question matured.

In October, OP MB issued its second covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of five years. All proceeds of the bond were intermediated to 48 OP cooperative banks in the form of intermediary loans.

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

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIF amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

In November, a fixed-rate registered bond (Namensschuldverschreibung) worth EUR 115 million issued by OP MB in November 2012 also matured. Additionally, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in November 2014 matured in November together with OP cooperative banks' intermediary loans related to the bond worth EUR 1 billion.

At the end of December, 92 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 2.5 million (-0.3). Loss allowance was EUR 0.0 million (2.6) following the sale of the loan portfolio.

Operating profit was EUR 4.4 million (9.3). 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–December 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

The European covered bonds (premium) 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 6,250 million. The cover pool included a total of EUR 6,882 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (151/2022).

The covered bonds 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 8,550 million. The cover pool included a total of EUR 9,451 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (688/2010).

Joint and several liability of amalgamation

Under the Act on the Amalgamation of Deposit Banks (599/2010), 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 31 December 2024, OP Cooperative's member credit institutions comprised 93 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, 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.

Profit performance

OP MB's key financial indicators in 2024 are shown below:

TEUR	Q1–4/2024	Q1–4/2023
Net interest income	30,007	35,680
Impairment loss on receivables	2,500	-256
Net commissions and fees	-11,118	-16,389
Other operating income	5	3
Personnel costs	-703	-672
Other operating expenses	-16,245	-9,115
Operating profit	4,445	9,250

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 2.5 million (-0.3).

The company's financial standing remained stable throughout the reporting period. Full-year earnings before tax came to EUR 4,445 thousand (9,250).

Balance sheet

OP MB's balance sheet total was EUR 15,415 million (17,498) on 31 December 2024. The table below shows the development of key assets and liabilities.

€ million	31 Dec 2024	Adjusted 31 Dec 2023
Balance sheet	15,415	17,498
Receivables from member credit institutions	14,957	15,017
Receivables from customers		2,113
Liabilities to member credit institutions		2,012
Debt securities issued to the public	14,458	14,256
Equity capital	368	372

The bank's intermediary loans and loan portfolio decreased to EUR 14,800 million (16,988) in January–December.

As a result of the sale of OP MB's loan portfolio, households accounted for 0% (99.9) of the loan portfolio and institutional customers for 0% (0.1) on 31 December 2024. On 31 December 2024, OP MB's doubtful receivables totalled EUR 0 million (177).

The carrying amount of bonds issued to the public was EUR 14,458 million (14,256) at the end of the year. In addition to bonds, OP MB financed its operations through debt financing from OP Corporate Bank plc. At the end of the financial year, the amount of debt financing came to EUR 0 million (2,012).

OP MB has hedged its loan portfolio against interest rate risk by means of interest rate swaps. Interest rate swaps are used to swap base rate cash flows of hedged loans to Euribor cash flows. OP MB has also changed the fixed rates of the bonds it has issued to short-term market rates. OP MB's interest rate derivative portfolio totalled EUR 15,134 million (17,357). OP MB has concluded all derivative contracts for hedging purposes, with OP Corporate Bank plc being their counterparty.

Capital adequacy

OP MB's Common Equity Tier 1 (CET1) ratio stood at 797.0% (41.8) on 31 December 2024. The ratio was improved by the sale of the loan portfolio back to OP cooperative banks 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). OP MB fully covers its capital requirements with CET1 capital, which in practice means that it has a CET1 capital requirement of 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 European Central Bank. 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 3 disclosures.

Own funds and capital adequacy

TEUR	31 Dec 2024	31 Dec 2023
Equity capital	368,122	372,160
Common Equity Tier 1 (CET1) before deductions	**368,122**	**372,160**
Excess funding of pension liability		-13
Proposed profit distribution	-3,466	
Share of unaudited profits		-7,490
Insufficient coverage for non-performing exposures		-2,856
CET1 capital	**364,656**	**361,800**
Tier 1 capital (T1)	**364,656**	**361,800**
Tier 2 capital (T2)		
Total own funds	**364,656**	**361,800**

Total risk exposure amount

TEUR	31 Dec 2024	31 Dec 2023
Credit and counterparty risk	18,581	812,205
Operational risk (Standardised Approach)	26,636	25,140
Other risks*	538	27,336
Total risk exposure amount	**45,755**	**864,682**

* Risks not otherwise covered.

Ratios

Ratios, %	31 Dec 2024	31 Dec 2023
CET1 capital ratio	797.0	41.8
Tier 1 capital ratio	797.0	41.8
Capital adequacy ratio	797.0	41.8

Capital requirement

Capital requirement, TEUR	31 Dec 2024	31 Dec 2023
Own funds	364,656	361,800
Capital requirement	4,804	90,829
Buffer for capital requirements	359,852	270,971

Liabilities under the Resolution Act

Under regulation applied to the 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 Mortgage Bank would 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 356 million. The buffer consists of own funds only. OP MB clearly exceeds the MREL requirement. OP MB's MREL ratio was 797% of the total risk exposure amount.

Formulas for key figures and ratios

Key figure or ratio	Formula		Description
Capital adequacy ratio, %	$\frac{\text{Total own funds}}{\text{Total risk exposure amount}}$	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of own funds to the total risk exposure amount.
Tier 1 ratio, %	$\frac{\text{Tier 1 capital}}{\text{Total risk exposure amount}}$	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
Common Equity Tier 1 (CET1) capital ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}}$	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.

Financial indicators

Key figures and ratios	2024	2023	2022
Return on equity (ROE), %	0.9	2.0	1.8
Return on assets (ROA), %	0.02	0.04	0.03
Equity ratio, %	2.39	2.13	1.78
Cost/income ratio, %	90	51	56

Formulas for Alternative Performance Measures

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.

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.
Equity ratio, %	$\frac{\text{Equity capital}}{\text{Balance sheet total}} \times 100$	The ratio describes what proportion of the company's assets is financed with equity capital
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.

Risk management and capital adequacy management

OP Financial Group's core values, strategic goals and financial targets form the basis for OP MB's risk management and capital adequacy management. In OP Financial Group's risk policy, the central cooperative's Board of Directors confirms annually risk-management principles, actions, objectives and limits to be applied by the Group and its entities that are used to guide business to implement the policies confirmed in the Group's strategy and the principles of the Risk Appetite Framework (RAF).

The central cooperative is in charge of the OP Financial Group level risk and capital adequacy management. OP MB is responsible for its own risk and capital adequacy management in accordance with the nature and extent of its operations.

OP MB's Board of Directors makes decisions on its risk and capital adequacy management in line with the principles adopted by the central cooperative's Board of Directors. In addition, OP MB's Board of Directors deals with, in terms of quality and extent, far-reaching and important matters in principle from the perspective of the company's operations, and any unusual matters. The Board of Directors decides on principles and procedures to ensure that the company operates in compliance with external regulation and OP Cooperative's guidelines.

The Managing Director is responsible for the implementation of risk and capital adequacy management according to the principles and guidelines that have been agreed on, and reports regularly on the company's business and financial standing.

OP MB's risk and capital adequacy management tasks are centralised within OP Financial Group's Risk Management. Risk and capital adequacy management falls under internal control. Its purpose is to ensure OP MB's risk-taking competence and liquidity and, thereby, ensure business continuity. Risk-taking competence is made up of effective risk management that is proportionate to the extent and complexity of operations and of adequate capital resources and liquidity based on profitable business operations.

Risk and capital adequacy management has been made an integral part of the company's business and management. OP MB focuses on carrying out its role according to its service capabilities and risk-taking competence in accordance with shared business models. OP MB has a moderate attitude towards risk-taking.

Credit risk exposure

OP MB's loan portfolio totalled EUR 0 million (2,188)* at the end of the financial year. Doubtful receivables totalled EUR 0 million (177). Doubtful receivables refer to receivables that are more than 90 days past due, other receivables classified as risky and forborne exposure due to the customer's financial difficulties. Forbearance measures consist of concessions, agreed on the customer's initiative, regarding the original repayment plan to enable the customer to surmount temporary payment difficulties. OP cooperative banks make every effort to identify ways of solving customers' temporary financial difficulties. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables.

* The loan portfolio excludes changes in the fair value of loans in hedge accounting as of 1 January 2023. Comparatives have been adjusted to correspond to the current definition.

Forborne exposures and non-performing exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)	
TEUR	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023	31 Dec 2024	31 Dec 2023
More than 90 days past due				12,680		12,680
Unlikely to be paid				11,637		11,637
Forborne exposures		124,470		28,688		153,158
Total		**124,470**		**53,005**		**177,475**

As receivables more than 90 days past due, OP MB reports the remaining principal of receivables whose interest or principal amount has been overdue and outstanding for over three months. Other receivables categorised as risky are reported as contracts unlikely to be paid. Forborne loans include receivables that have been modified due to the customer's financial difficulties by, for example, granting a repayment holiday of 6 to 12 months.

Key figures and ratios	31 Dec 2024	31 Dec 2023
Doubtful receivables, € thousand		177,475
Ratio of doubtful receivables to exposures, %		7.60
Ratio of non-performing exposures to exposures, %		2.27
Ratio of performing forborne exposures to exposures, %		5.33
Ratio of performing forborne exposures to doubtful receivables, %		70.13
Ratio of loss allowance to doubtful receivables, %		1.40

The company does not have any group of connected clients with the total amount of customer risk exceeding the limit set in the Act on Credit Institutions of 25% of the bank's capital base. Thanks to the loan portfolio's diversity and hard collateral, OP MB's credit risk exposure is highly stable.

Market risks and liquidity risk

Market risks include the following risks both on and off the balance sheet: interest rate risk, price risks and market liquidity risk. The company's products and market instruments, funding and investment principles and applied risk monitoring methods have been defined in the market risk management guidelines confirmed by the Risk Management Committee.

Interest rate risk means the effect of changing market interest rates on the company's earnings, profitability and capital adequacy. The interest rate risk in 2024 arose mainly from the differences in the bases of interest rates for the loan portfolio available as collateral for bonds, and its funding, the differences in interest rate caps associated with loans and derivatives designated as their hedging instruments, as well as the company's equity. In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks, and from now on, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets. In the intermediary loan model, loan receivables, or risks related to them, are not transferred to OP MB. In future, interest rate risk arises mainly from equity and issued bonds, intermediary loans, and interest rate swaps hedging them. OP Corporate Bank plc is the counterparty to all derivative contracts.

The purpose of liquidity risk management is to secure the company's ability to fulfil its payment obligations without endangering business continuity, profitability or capital adequacy. 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).

OP MB's Board of Directors monitors regularly that the company's interest rate and funding risk exposure remain within the limits set in internal risk policies and applicable legislation.

Operational risks

Operational risk is a consequential risk caused by all business operations that may result from insufficient or incorrect practices, processes, systems or external factors. Operational risk includes ICT and security risks. Operational risk may materialise in the form of financial losses or other harmful consequences, such as deterioration or loss of reputation or trust. Operational risks are managed by identifying and analysing them and by ensuring that controls and management tools are appropriate and adequate. The bank assesses operational risks regularly and reports its risk status to the Board of Directors once a year. Operational risk management is aimed at ensuring that no unforeseeable operational risks materialise in operations.

Compliance risk forms part of operational risk. Compliance activities are aimed at ensuring that OP MB complies with laws, regulatory instructions and regulations, self-regulation of markets, and internal guidelines, policies and instructions of OP Financial Group and OP MB. Compliance also ensures that customer relationship management complies with appropriate and ethically sound principles and practices.

Sustainability and corporate responsibility

Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's sustainability programme guides the Group's actions and is built around three themes: Climate and the environment, People and communities, and Corporate governance. Read more about the sustainability programme at www.op.fi/en/op-financial-group/corporate-social-responsibility/corporate-social-responsibility-programme.

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. The 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 Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

Furthermore, OP Financial Group is committed to complying with the UN Principles for Responsible Investment and the UN Principles for Sustainable Insurance.

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's Report by the Board of Directors and Financial Statements 2024, including CSRD reporting, will be published in March 2025.

OP Financial Group's sustainability report is prepared on a consolidated basis for the entire OP Financial Group, on the same grounds and restrictions as OP Financial Group's Financial Statements. OP Financial Group consists of OP cooperative banks and the central cooperative (OP Cooperative), as well as a number of subsidiaries and affiliates. OP Mortgage Bank is a member credit institution, under the Act on the Amalgamation of Deposit Banks, which is permanently affiliated to a central cooperative as provided for in the Act. According to the Accounting Act's rules on the scope of application of sustainability reporting, a member credit institution can determine that the rules in section 7 of the Act do not apply in its case. OP Mortgage Bank has decided that sustainability information regarding the company will be included in OP Financial Group's sustainability report, and will not be reported separately.

OP Financial Group's biodiversity roadmap includes measures to promote biodiversity. OP Financial Group aims to grow its 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 drawn up a Human Rights Statement and Human Rights Policy. The Group respects all recognised human rights. 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 perform remediation actions if its operations have 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.

Personnel and remuneration schemes

At the end of the reporting period, OP MB had six employees. OP MB has been digitising its operations and purchases all key support services from OP Cooperative and its subsidiaries, reducing the need for its own personnel.

Variable remuneration applied by OP Financial Group in 2024 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 for the performance-based bonus scheme and the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulations applying to such schemes in the financial sector. More detailed information on variable remuneration is available on OP Financial Group's website.

OP MB belongs to OP Financial Group's OP Personnel Fund which forms a long-term remuneration scheme for employees. The company pays the Personnel Fund profit-based bonuses in accordance with pre-agreed principles. Members of the Fund may withdraw fund units on the grounds specified in Fund Rules.

Governing body members

Board of Directors

The Board of Directors manages OP MB's business. According to the Articles of Association, the Board of Directors is responsible for the company's administration and appropriate organisation of operations. The Board of Directors has general authority to decide on all issues related to the governance and other matters that, by law, are not the responsibility of the Annual General Meeting or the Managing Director. The Board of Directors decides on the strategy and key business goals. The Board of Directors' duty is to ensure that supervision of the accounting and financial management have been organised appropriately.

The Board composition is as follows:

Chair	Mikko Timonen	Chief Financial Officer, OP Cooperative
Members	Satu Nurmi	Business Lead, SME Financing, OP Retail Customers plc
	Mari Heikkilä	Head of Group Treasury & ALM, OP Corporate Bank plc

According to the Articles of Association, OP MB's Board of Directors comprises a minimum of three and a maximum of eight members. Currently, the Board has three members. Board members are elected for a period of one year. Their term begins upon closing of the Annual General Meeting that elected them and ends upon closing of the Annual General Meeting that elects the new Board. A Board member must resign after they reach the age of 65 at the latest. The Board of Directors has a quorum when more than half of its members are present. The Board of Directors held 13 meetings in the financial year.

Managing Director

OP MB's Managing Director must advance the company's interests carefully and manage the bank's daily operations according to laws and the guidelines and regulations issued by the Board of Directors. The Managing Director may take measures which, considering the extent and nature of the company's operations, are unusual or far-reaching in nature only if duly authorised by the Board of Directors, or if the Board of Director's decision cannot be awaited without causing material harm to the company's operations. It is the statutory duty of the Managing Director to ensure that the company's accounting is in compliance with the applicable law and that the bank's treasury is managed in a reliable manner.

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

OP MB's Corporate Governance Statement is available at www.op.fi.

Audit

Based on the shareholder's written decision of 2 April 2024, PricewaterhouseCoopers Oy, an audit firm, was elected as the company's auditor with Lauri Kallaskari, Authorised Public Accountant, acting as the chief auditor.

OP Cooperative's Internal Audit is in charge of the company's internal audit.

Events after the financial year

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III within the EU, are expected to reduce the capital adequacy of OP MB, nevertheless, capital adequacy remains at a very strong level. These changes took effect on 1 January 2025.

Outlook

Finland's economy contracted in 2024. However, the economy began to recover as the year progressed and preliminary figures suggest that GDP grew in the second half compared to the same period in 2023. Slower inflation and lower interest rates provide a basis for the recovery to continue. Risks associated with the economic outlook are still higher than usual. The escalation of geopolitical crises or a rise in trade barriers may affect capital markets and the economic environment.

OP MB's capital adequacy is expected to remain strong and its risk exposure favourable. This enables issuance of covered bonds in the future.

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2024, the company's distributable funds, which include EUR 3,466,300.33 in profit for the financial year, totalled EUR 63,122,322.54. The company's distributable funds totalled EUR 308,122,322.54.

The Board of Directors proposes that a dividend of EUR 45.25 per share be distributed, totalling EUR 3,465,788.00, and that following dividend distribution, the remaining amount of EUR 512.33 be recognised in retained earnings.

The company's financial position has not undergone any material changes since the end of the financial year 2024. The company's liquidity is good and will not be jeopardised by the proposed profit distribution, in the Board of Directors' view.

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Income statement

TEUR	Note	2024	Adjusted 2023
Interest income		679,781	594,819
Interest expenses		-649,775	-559,138
Net interest income	3	30,007	35,680
Impairment loss on receivables	4	2,500	-256
Commission income		86	100
Commission expenses		-11,204	-16,489
Net commissions and fees	5	-11,118	-16,389
Other operating income		5	3
Personnel costs	6	-703	-672
Other operating expenses	7	-16,245	-9,115
Operating profit (loss)		**4,445**	**9,250**
Income tax	8	-978	-1,760
Profit for the financial year		**3,466**	**7,490**

Statement of comprehensive income

TEUR	Note	2024	Adjusted 2023
Profit for the period		3,466	7,490
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		17	14
Income tax			
On gains/(losses) arising from remeasurement of defined benefit plans		-3	-3
Total comprehensive income for the financial year		3,480	7,501

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 2. Changes in accounting policies and presentation.

Balance sheet

TEUR	Note	31 Dec 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Assets				
Cash and cash equivalents	10	343,002	291,681	137,989
Receivables from member credit institutions	11	14,956,610	15,016,633	17,940,673
Receivables from customers	12		2,113,114	2,690,039
Derivative contracts	13	114,221	72,680	31,189
Other assets	14	41	1,081	877
Deferred tax assets	15	1,476	2,430	98
Total assets		**15,415,350**	**17,497,619**	**20,800,866**
Liabilities to member credit institutions	16		2,012,380	2,253,869
Derivative contracts	13	589,194	854,869	1,220,509
Debt securities issued to the public	17	14,457,644	14,256,146	16,952,566
Provisions and other liabilities	18	390	2,000	2,377
Deferred tax liabilities	15		63	234
Total liabilities		**15,047,227**	**17,125,459**	**20,429,555**
Equity capital	19			
Share capital		60,000	60,000	60,000
Reserve for invested unrestricted equity		245,000	245,000	245,000
Retained earnings		63,122	67,160	66,311
Total equity		**368,122**	**372,160**	**371,311**
Total liabilities and equity		**15,415,350**	**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 2. Changes in accounting policies and presentation.

Statement of changes in equity

TEUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity capital 1 January 2024	60,000	245,000	67,160	372,160
Profit for the financial year			3,466	3,466
Other comprehensive income for the period			-14	-14
Dividends			-7,490	-7,490
Equity capital 31 December 2024	60,000	245,000	63,122	368,122

TEUR	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total equity
Equity capital 1 January 2023	60,000	245,000	66,311	371,311
Profit for the financial year			7,490	7,490
Other comprehensive income for the period			-11	-11
Dividends			-6,631	-6,631
Equity capital 31 December 2023	60,000	245,000	67,160	372,160

Cash flow statement

TEUR	2024	Adjusted 2023
Cash flow from operating activities		
Profit for the period	3,466	7,490
Adjustments to profit for the period		
Expected credit losses	-2,493	277
Accruals of derivatives and hedge accounting	-10,210	-3,031
Valuation items related to derivatives	-12	-419
Income tax	978	1,760
Amortisation of effective interest rate	7,831	-13,745
Other	1,824	74
Total adjustments	-2,082	-15,083
Increase (-) or decrease (+) in operating assets	**2,309,991**	**3,513,393**
Receivables from member credit institutions, increases	-2,000,000	-3,000,000
Receivables from member credit institutions, decreases	1,841,819	6,058,374
Receivables from customers	2,346,366	508,914
Derivative contracts	120,765	-53,560
Other assets	1,040	-335
Increase (+) or decrease (-) in operating liabilities	**-2,129,092**	**-76,760**
Liabilities to member credit institutions	-2,012,380	-241,489
Derivative contracts	-156,289	125,085
Provisions and other liabilities	39,576	39,643
Income tax paid	-83	-4,260
Dividends received	2	2
A. Net cash from operating activities	**182,201**	**3,424,782**

Cash flow from financing activities		
Increases in debt securities issued to the public	1,991,610	2,985,540
Decreases in debt securities issued to the public	-2,115,000	-6,250,000
Dividends	-7,490	-6,631
B. Net cash used in financing activities	-130,880	-3,271,091
Net change in cash and cash equivalents (A+B)	51,321	153,691
Cash and cash equivalents at period start	291,681	137,989
Cash and cash equivalents at period end	343,002	291,681

Interest received	715,800	669,939
Interest paid	-687,752	-246,005

Notes

Note 1. Accounting policies

Introduction

OP Mortgage Bank (OP MB) is a credit institution engaged in mortgage banking in Finland.

The Act on Mortgage Credit Banks and Covered Bonds (Laki kiinnitysluottopankeista ja katetuista joukkolainoista 151/2022) entered into force on 8 July 2022. The law implemented a directive concerning covered bonds and it revoked the Act on Mortgage Credit Banks (Laki kiinnitysluottopankkitoiminnasta 688/2010). On 30 June 2022, the Finnish Financial Supervisory Authority granted OP MB a licence to engage in mortgage credit bank operations in accordance with section 8 of the Act on Mortgage Credit Banks and Covered Bonds (Laki kiinnitysluottopankeista ja katetuista joukkolainoista).

The company is part of an amalgamation of cooperative banks (OP Financial Group). Ultimately, OP Cooperative and its member credit institutions are liable for each other's debts and commitments. OP Cooperative acts as the entire OP Financial Group's strategic owner institution and as a central cooperative in charge of Group control and supervision.

OP MB is domiciled in Helsinki and the address of its registered office is Gebhardinaukio 1, FI-00510 Helsinki.

A copy of OP MB's financial statements is available at www.op.fi or the company's office at Gebhardinaukio 1, FI-00510 Helsinki.

OP MB belongs to OP Financial Group, and OP MB's accounts are included in its consolidated financial statements. A copy of OP Financial Group's consolidated financial statements is available at www.op.fi or the Group's office at Gebhardinaukio 1, FI-00510 Helsinki.

The Board of Directors of OP MB approved the financial statements bulletin for issue on 6 February 2025, and the Board of Directors approved the financial statements on 6 February 2025.

Basis of preparation

OP MB's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2024. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council. OP MB's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

In 2024, OP MB adopted the following amendments to standards:

- Amendments to IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IFRS 16 Leases and IFRS 7 Financial Instruments: Disclosures entered into force on 1 January 2024. The amendments will not have any major effect on OP MB's financial statements.

The figures in financial statements are presented in thousands of euros.

In order to ensure uniformity in the accounting policies of entities within OP Financial Group, OP Cooperative is obliged to issue guidelines on the preparation of financial statements to its member credit institutions. According to the Act on Cooperative Banks and Other Cooperative Institutions and the Act on the Amalgamation of Deposit Banks, the Board of Directors of OP Cooperative must confirm any applicable accounting policies that have no directions from IFRS.

Critical accounting judgements

The preparation of the financial statements 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.

Expected credit losses

The determination of the measurement models for expected credit losses (ECL) involves management judgement.

The actual measurement of ECL figures is performed using the ECL models based on the use of observable input data, 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 concerning, for example, the amount and timing of future cash flows and the value of collateral.

Management overlay includes either additional provisions made directly to the amount of ECL or estimates included in PD or LGD risk parameters (so-called post-model adjustments). These 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.

Calculations of loss allowance and the related key uncertainties are presented in Note 12. Receivables from customers.

Netting

Financial assets and liabilities are offset in the balance sheet if OP MB currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis.

Segment reporting

OP MB is the covered bond issuing entity of OP Financial Group. The mortgage-backed loans as collateral for the bonds are tagged from member cooperative banks' balance sheets via intermediary loan process. Since all of OP MB's operations are covered by a single segment, the company does not prepare segment reporting.

New standards and interpretations

IFRS 18 standard on presentation and disclosure in financial statements

On 9 April 2024, the IASB published the new IFRS 18 (not yet approved in the EU) on presentation and disclosure in financial statements. The new financial reporting standard will bring changes to the presentation of the income statement in particular. In addition, entities must present other items and subtotals, if such presentations are necessary for a primary financial statement to provide a useful structured summary. The new IFRS 18 requirements will improve the comparability of financial reporting between similar companies.

IFRS 18 must be applied to reporting periods beginning on or after 1 January 2027 (to be applied retrospectively to comparative information). IFRS 18 will replace IAS 1. The new standard will have no effect on the recording or valuation of items in financial statements.

OP Financial Group has launched an analysis on the impacts of the new standard. Based on current estimates, IFRS 18 will affect the following areas of financial statements:

- income statement structure and new income statement subtotals
- new notes on management-defined performance measures, which are currently presented in the Report by the Board of Directors
- disclosure of information on extended criteria for aggregation and disaggregation, which will apply to both primary financial statements and notes to the financial statements
- presentation of exchange rate differences and changes in the fair value of derivatives used for risk management purposes in the income statement.

Other upcoming amendments

Amendments to the classification and measurement of financial instruments (applies to IFRS 9 and IFRS 7; published on 30 May 2024, not yet approved in the EU). This amendment will further specify the recognition and derecognition time of some financial assets and liabilities when using an electronic payment system. The amendment also specifies the assessment of the SPPI criteria (such as the ESG target) for financial assets, and requires new notes for products whose contractual terms and conditions may change the cash flows (such as the ESG target), and further specifies the notes related to shares classified at FVOCI.

The amendment must be applied to reporting periods beginning on or after 1 January 2026 (no retrospective application to the year of comparison). OP Financial Group has launched an analysis on the impacts of the amendment.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (published on 9 May 2024, not yet approved in the EU). Application of this standard is voluntary. This standard enables certain subsidiaries to apply IFRS financial reporting standards with reduced requirements for the disclosure of notes. The standard can be applied to reporting periods beginning on or after 1 January 2027. OP MB does not expect this to have any significant effect.

Annual improvements, volume 11 (published on 18 July 2024, not yet approved in the EU). The amendments apply to the following standards: IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7. The amendments must be applied to reporting periods beginning on or after 1 January 2026. OP MB does not expect these amendments to have any significant effect.

Contracts Referencing Nature-dependent Electricity will cause amendments to IFRS 9 and IFRS 7 (published on 18 December 2024, not yet approved in the EU). This will bring changes to the own use exception in IFRS 9 regarding delivery contracts, and to hedge accounting requirements. The amendments are effective for reporting periods beginning on or after 1 January 2026. OP MB does not expect this to have any significant effect.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates will enter into force on 1 January 2025. The amendments will not have any major effect on OP MB's financial statements.

January–December highlights

In January, OP MB issued its first covered bond of the year 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.

In March, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in March 2017 matured. At the same time, OP cooperative banks' intermediary loans worth EUR 1 billion related to the bond in question matured.

In October, OP MB issued its second covered bond of the year in the international capital market. The fixed-rate covered bond worth EUR 1 billion has a maturity of five years. All proceeds of the bond were intermediated to 48 OP cooperative banks in the form of intermediary loans.

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIF amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Also, a fixed-rate registered bond (Namensschuldverschreibung) worth EUR 115 million issued by OP MB in November 2012 matured in November. Additionally, a fixed-rate covered bond worth EUR 1 billion issued by OP MB in November 2014 matured in November together with OP cooperative banks' intermediary loans related to the bond worth EUR 1 billion.

Note 2. Changes in accounting policies and presentation

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 the first quarter of 2024.

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 of 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 assets and liabilities "Derivative contracts", so derivatives' interest receivables and liabilities 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 unrestricted equity		245,000		245,000
Retained earnings		66,311		66,311
Total equity		**371,311**		**371,311**
Total liabilities and equity		**20,879,535**		**20,800,866**

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 of 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 assets and liabilities "Derivative contracts", so derivatives' interest receivables and liabilities 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 retrospectively to this item amounted to 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	Change	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 unrestricted equity		245,000		245,000
Retained earnings		67,160		67,160
Total equity		**372,160**		**372,160**
Total liabilities and equity		**17,582,690**		**17,497,619**

Changes in the income statement format for Q1–4/2023

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 2023 were transferred retrospectively to commission income. The total amount of net commissions and fees did not change.

Notes to the income statement

Note 3. Net interest income

Accounting policies

Net interest income presents received and paid interest on fixed-income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging, interest expense on issued debt securities.

Interest income calculated using the effective interest method

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. Interest on receivables with outstanding payments due is also recognised as revenue. The difference between the receivable's acquisition cost and its nominal value is recognised as interest income and that between the amount received and nominal value of the liability in interest expenses. The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised as interest income or expenses over the residual term to maturity.

Interest income has been calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets because they are over 90 days past due (in stage 3). In such a case, accrual revenue recognition of the interest of these financial assets ends and changes to a cash basis.

Interest income calculated using the effective interest method are recognised from balance sheet items recognised at amortised cost. Gains and losses arising from hedging relationships to which hedge accounting under the IFRS is applied are also presented under this item.

TEUR	2024	Adjusted 2023
Interest income calculated using the effective interest method		
From receivables from member credit institutions	594,539	492,696
From receivables from customers	72,104	89,496
Interest from derivatives hedging financial assets	2,842	9,671
Change in hedge accounting adjustment		
Change in the fair value of hedged risk	-6,083	15,456
Other adjustments	10,210	3,031
Change in the fair value of hedging derivatives	6,083	-15,456
Other interest income	87	-76
Total	**679,781**	**594,819**
Interest expenses		
From liabilities to member credit institutions	-64,963	-70,977
From debt securities issued to the public		
Interest amounts	-227,913	-203,243
Change in the fair value of hedged risk	-269,422	-493,561
From derivatives subject to hedge accounting		
Change in fair value	269,435	493,981
Interest amounts	-356,910	-285,338
Other interest expenses	-1	0
Total	**-649,775**	**-559,138**
Net interest income	**30,007**	**35,680**

* Includes the valuation of derivatives and interest.

Net interest income was EUR 30.0 million (35.7). The decrease in net interest income resulted from the decreasing of OP MB's on-balance sheet loan portfolio during the year, the sale of the loan portfolio in November, 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 4. Impairment loss on receivables

Accounting policies

Expected credit losses from customers and final credit losses and their reversals are presented under Impairment loss on receivables.

Impairment loss on receivables, TEUR	2024	2023
Receivables written down as loan losses	-86	-143
Recoveries of receivables written down	7	21
Expected credit losses (ECL) on receivables from customers	2,579	-133
Total impairment loss on receivables	**2,500**	**-256**

Impairment loss on receivables related to loans in OP MB's balance sheet totalled EUR 2.5 million (-0.3). Loss allowance was EUR 0.0 million (2.6). Expected credit losses are calculated from the balance sheet item Receivables from customers. Expected credit losses were positive, and loss allowance was removed as a result of the sale of OP MB's on-balance sheet loan portfolio. Expected credit losses are not recognised on receivables from intermediary loans.

Expected credit losses on receivables from member credit institutions

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 end of December. 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.

Note 5. Net commissions and fees

Accounting policies

Commission income

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. Fees and commissions under IFRS 15 are recognised as revenue when a service's agreed performance obligations are transferred to the customer and the key criterion is transfer of control. Commissions and fees are recognised to the amount to which an entity expects to be entitled in exchange of transferring promised services to a customer. Commission expenses are recognised in net commissions and fees on an accrual basis.

Commissions and fees consist of commissions from lending to private customers. Their performance obligations are fulfilled over time. The amount of consideration for the services is the list price or a contractually stated price. OP MB charges its customers the fees on a monthly basis according to the contract terms.

Commission expenses

In November, OP MB sold its entire on-balance sheet loan portfolio back to 85 OP cooperative banks. Before the loans were sold, OP MB refunded a share of the return (as agreed in the fee model) to the OP cooperative bank that granted the loan to the customer. Commission expenses consisted mainly of the payment to OP cooperative banks of commissions charged from lending and fees for loan management, and of commission expenses relating to the issuance of bonds.

Payment to OP cooperative banks of expenses charged from loans on OP MB's balance sheet consisted of the following items:

- Origination fees and arrangement fees
- Loan notification expenses and automatic loan servicing costs
- Handling fee for change in the interest rate reference base or interest rate charged on the interest rate adjustment date

OP MB also paid OP cooperative banks an interest margin refund for loans transferred to it and a management fee for loans sold to OP MB. The size and the payment start date of the management fee is decided by OP MB's Board of Directors.

Net commissions and fees, TEUR	2024	Adjusted 2023
Commission income		
Lending	86	100
Total	**86**	**100**
Commission expenses, TEUR		
Loan management fee to OP cooperative banks	-11,191	-16,470
Issue of bonds		-9
Other	-13	-10
Total	**-11,204**	**-16,489**
Net commissions and fees	**-11,118**	**-16,389**

In November, OP MB sold its entire on-balance sheet loan portfolio back to 85 OP cooperative banks. Prior to the sale of the loans, OP MB's balance sheet included receivables from customers; the customer relationships related to these are managed by OP cooperative banks. OP MB refunded 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. Note 10 to the Half-year Financial Report 1 January–30 June 2024, Change to presentation of balance sheet and income statement format, describes the adjustment of presentation of commission income made retrospectively for 2023.

Note 6. Personnel costs

Accounting policies

Personnel costs present wages and salaries, remunerations, pension costs and indirect personnel costs.

Employee benefits

Pension benefits

Statutory pension cover for OP MB employees is arranged by Ilmarinen Mutual Pension Insurance Company. The supplementary pension plan has been arranged through OP–Eläkesäätiö pension foundation.

Pension plans managed by Ilmarinen Mutual Pension Insurance Company are defined contribution plans in respect of funded disability and old-age pension benefits. All of the plans managed by OP-Eläkesäätiö are defined benefit plans.

Expenses arising from pension plans are recognised under 'Personnel costs' in the income statement. Contributions under defined contribution plans are charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Curtailing the defined benefit pension plan or fulfilling or changing the related obligation is recognised through profit or loss at the time of occurrence.

Defined benefit plans in OP-Eläkesäätiö are funded through payments based on actuarial calculations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets of OP-Eläkesäätiö and acceptable insurance.

Defined benefit obligations are calculated separately for each plan using the projected unit credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods. (Note 18. Other liabilities)

Short-term employee benefits

OP MB has a short-term and long-term remuneration scheme in place. Those included in the scheme may receive bonuses either in cash only or as a combination of cash and a reference instrument decided by OP Cooperative's Board of Directors. Bonuses will be paid for work performed during the performance year. The maximum estimated amount under the remuneration scheme is calculated on the grant date. and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

Performance-based bonus scheme

The performance-based bonus scheme is used to control and promote the achievement of OP Financial Group's long-term strategic targets and related annual target metrics, and to reward employees for reaching and exceeding the targets. The performance period of the performance-based bonus scheme is 6 or 12 months. The performance-based bonus is determined by the job grade and the maximum bonuses correspond to a 1–12-month annual salary.

Targets shown in the balanced scorecards may be set for each company, team and person based on matters such as customer experience, the quality of operations, profitability, commission income and sales as well as targets related to operational development derived from the strategy. Group-level metrics for all OP Financial Group managers/directors included OP Financial Group's cost/income ratio with a weight or 20 per cent and a net increase of customers meeting the cross-product metric criteria with a weight of 20 per cent. A factor applies to the bonus created through the achievement of the targets achieved in the central cooperative that is based on the central cooperative consolidated's EBT.

In addition to the achievement of the performance metrics related to the performance-based bonus, qualitative assessment affects bonus payout, where the supervisor assesses a person's performance in view of compliance with regulation and instructions. The assessment also takes account of sustainability risks regarding the roles of persons for whom consideration of sustainability risks is an integral part of their duties. The amount of the performance-based bonus will be adjusted on a risk basis, based on the severity and number of offences, using a factor of 0–1.

Personnel fund

OP MB belongs to OP Financial Group’s OP Personnel Fund into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of OP Financial Group's targets. Bonuses transferred to the Fund are recognised under "Wages and salaries" in the income statement. The counterpart is recognised as accrued expenses and deferred income until disbursed to beneficiaries.

Payment of profit-based bonuses to OP Financial Group’s Personnel Fund in 2024 was based on the achievement of the following targets: the cost/income ratio with a weight of 50% and net growth in customers fulfilling the criterion for the cross-product loyalty metric with a weight of 50%.

TEUR	2024	2023
Wages and salaries	-511	-487
Short-term employee benefits		
Personnel fund	-7	-14
Performance-based bonuses	-72	-63
Pension costs		
Defined contribution plans	-100	-96
Defined benefit plans	1	1
Other indirect personnel costs	-14	-13
Total personnel costs	**-703**	**-672**

The average number of employees was six (7) in 2024.

Remuneration schemes

OP Financial Group's variable remuneration comprises a performance-based bonus scheme and the personnel fund.

Bonuses recognised from the personnel fund in 2024 totalled 8 thousand euros (14).

A liability recognised under the performance-based bonus scheme amounted to 67 thousand euros (50) on 31 December 2024.

Note 7. Other operating expenses

Accounting policies

Other operating expenses include office expenses, ICT costs, other administrative expenses, charges of financial authorities and auditors, rents and other expenses.

Other operating expenses

TEUR	2024	2023
ICT expenses		
Production	-3,263	-4,091
Development	-985	-816
Charges of financial authorities	-608	-781
Audit fees	-351	-209
Service purchases	-1,503	-1,361
Expert services	-26	
Telecommunications	-2	-2
Marketing	-8	-9
Insurance and security costs	-849	-587
Rents	-7	-6
Service charges to OP Cooperative	-285	-284
Others*	-8,358	-968
Total	**-16,245**	**-9,115**

*In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIF amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Fees paid to auditors by assignment

TEUR	2024	2023
Auditing	92	73
Auditor's other statements	144	2
Other services		62
Total	236	137

Fees paid for 2024 to PricewaterhouseCoopers Oy for audit totalled EUR 92,400, fees for assignments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act totalled EUR 144,000, fees for tax advisory services were EUR 0 and fees for other services were EUR 0. Fees paid for 2023 to KPMG Oy Ab for audit totalled EUR 73,000, fees for assignments as referred to in chapter 1, section 1, subsection 1, paragraph 2 of the Auditing Act totalled EUR 2,400, fees for tax advisory services were EUR 0 and fees for other services were EUR 62,000. The figures do not include value added tax.

Note 8. Income tax

Accounting policies

Income tax expense shown in the income statement includes current tax, based on the taxable income for the financial year, and income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are directly linked to items entered in equity or other items in other comprehensive income. In such a case, the tax is recognised in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the companies operate and deferred tax on the basis of the current tax rate or the tax rate approved by the balance sheet date concerning years to come.

TEUR	2024	2023
Current tax		-1,154
Tax for previous financial years	-89	-2,941
Deferred tax	-889	2,335
Income tax expense on the income statement	**-978**	**-1,760**
Corporate income tax rate	20	20

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

TEUR	2024	2023
Earnings before tax	4,445	9,250
Share of profit according to the tax rate	-889	1,850
Tax for previous financial years	-89	-2,941
Other		2,851
Income tax expense on the income statement	**-978**	**1,760**

Notes to the balance sheet

Note 9. Classification of financial assets and liabilities

Accounting policies

Classification and measurement of financial assets and liabilities

OP MB classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)
- Recognised at amortised cost.

OP MB classifies financial liabilities into the following categories:

- Fair value through profit or loss (FVTPL)
- Recognised at amortised cost.

Initial recognition and measurement
At initial recognition, a financial asset or financial liability is measured at fair value. If it is not a financial asset or liability measured at fair value through profit or loss, any directly attributable transaction costs related to the acquisition or issuance of the financial asset or liability are added or deducted. Immediately after initial recognition, an expected credit loss allowance of a financial asset will be recognised if the financial asset is measured at amortised cost or at fair value through other comprehensive income. This results in an accounting loss in the income statement for recently originated or recently purchased financial assets.

Business model
The classification of financial assets is based on the company's business model, which refers to how OP MB manages its financial assets to generate cash flows. At OP MB, the business model is determined according to whether cash flows are generated solely from the collection of contractual cash flows, from both the collection of contractual cash flows and the cash flows obtained from selling the financial asset, or whether it involves trading. Financial assets within the trading business model are measured through profit or loss.

When assessing the business model, OP MB takes account of future measures to achieve the objective of the business model. The assessment includes previous experience in collecting cash flows, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel, how risks are managed and how managers of the business are compensated. For example, OP MB holds home loans and intermediary loans it has granted to collect contractual cash flows.

Amortised cost
Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, the expected cash flows are estimated by considering all the contractual terms of the financial instrument, excluding the expected credit losses (ECL). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Fees that are an integral part of the rate of a financial instrument include service and origination fees related to loan drawdown and they are amortised over the expected life of the financial instrument or a shorter period if appropriate. Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15. These include fees charged for servicing a loan, for example.

Loans
Receivables from customers are entered in OP MB's balance sheet if they have been granted directly from its balance sheet or if an OP cooperative bank has sold the loans to OP MB at market price, with the credit risk, interest rate risk and funding risk having

transferred to OP MB with the sale. These loans are presented in the balance sheet under 'Receivables from customers'. OP MB derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction which also transfers all risks and rewards associated with the asset.

In its operations, OP MB applies an intermediary loan model, which means that OP MB grants an intermediary loan to an OP cooperative bank, against which the OP cooperative bank provides mortgages as collateral for covered bonds issued by OP MB. These intermediary loans are presented in the balance sheet under 'Receivables from member credit institutions'. In the intermediary loan model, an OP cooperative bank's mortgage-backed loan's credit risk, interest rate risk or funding risk are not transferred to OP MB but the loan is entered as collateral of the bond issued by OP MB.

The classification and measurement of loans and notes and bonds depend on the following factors:

a) OP MB's business model for managing the financial assets
b) the contractual cash flow characteristics of the financial asset.

On the basis of these factors, OP MB classifies and measures all loans as follows:

At amortised cost
These financial assets are held according to a business model whose objective is to hold financial assets to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The item's carrying amount is adjusted by any allowance for expected credit losses. Interest income is recognised in interest revenue using the effective interest method.

Recognised at fair value through profit or loss
Financial assets and liabilities are held for trading or if they do not meet the criteria for either amortised cost or FVOCI. OP MB classifies only derivative contracts to this class. The associated profits and losses are recognised under interest income or interest expenses as part of hedge accounting items.

Equity instruments
Equity instruments are instruments that evidence a residual interest in the assets of a company after deducting all of its liabilities. These are typically stock investments. At OP MB, this category includes strategic investments in OP Cooperative's cooperative capital.

Equity instruments are usually measured at fair value through profit or loss. However, for these investments, OP MB has made an irrevocable election at initial recognition that they are equity instruments not held for trading, so subsequent changes in fair value are presented in other comprehensive income. Since these are investments in OP Cooperative's cooperative capital, the management has assessed that their face value equals their fair value. No capital gains or losses are realised from these investments. The interest on cooperative capital is recognised in net investment income. OP Cooperative's Cooperative Meeting confirms the amount of interest payable on an annual basis.

Cash flow characteristics
When OP MB's business model is other than trading, OP MB assesses whether contractual cash flows are consistent with a basic lending arrangement. In the basic lending arrangement, contractual cash flows are solely payments or principal and interest (SPPI) on the principal amount outstanding. The most significant interest elements are compensation for the time value of money, credit risk, lending risks and profit margin. The majority of OP MB's financial assets correspond to basic lending arrangements.

All loans to personal customers granted by OP MB contain the option for early repayment. However, the terms and conditions are consistent with the basic lending arrangement, as the amount payable before the due date corresponds to the contractual nominal amount and accrued (but unpaid) contractual interest, which may include an additional compensation for early termination of the contract.

When contractual cash flows are exposed, for example, to change in stock prices or a borrower's financial result, this is no basic lending arrangement and such financial assets are measured at fair value through profit or loss. These are typically various fund investments which do not fulfil the definition of equity in the issuer's financial statements under IAS 32.

Embedded derivatives included in financial assets are not separated from the host contract but they are considered in the overall assessment of contractual cash flows.

Modification of contractual cash flows
Loan modifications involving changes to payment terms are made as a normal measure related to the management of customer relationship but also in situations where the customer's repayment capacity has deteriorated. A loan modification due to the customer's deteriorated repayment capacity is recognised as forbearance which typically means a repayment holiday for a limited time. Generally, in these cases, the contractual cash flows

of a loan are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that loan. In such a case, the gross carrying amount of the loan is recalculated and a profit or loss on the modification is recognised in net interest income in the income statement. In addition, the loan's categorisation as forbearance transfers the loan to at least impairment stage 2. It falls within expected credit loss calculated for the entire period of validity for at least two years until the customer's repayment capacity has recovered.

Another precondition for the recovery is that after a probation period of at least two years:

- The customer has made regular and timely payments during at least half of the probation period, leading to the payment of a substantial aggregate amount of the principal or interest.
- None of the customer's exposures has been more than 30 days past due during the previous three months.

Payment modifications are subject to regular monitoring and reporting to the management as an indicator anticipating customers' solvency.

If modifications to the loan terms are significant or the loan is renegotiated, OP MB derecognises the original loan and recognises the modified new loan in the balance sheet. The loan modification date is consequently considered to be the date of initial recognition for the impairment calculation purposes. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses. OP MB uses internal rating to classify reasons for modifications and severity classes to monitor whether there has been evidence that the new loan recognised has deemed to be credit-impaired at initial recognition. Accordingly, it is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset.

Otherwise, OP MB derecognises financial assets when the contractual rights to the cash flows from the financial asset cease to be in force or OP MB transfers the financial asset to another party and the transfer qualifies for derecognition.

Classification and subsequent measurement of financial liabilities

Financial liabilities include liabilities to credit institutions, debt securities issued to the public and other financial liabilities.

Financial liabilities are classified at amortised cost using the effective interest method, except for derivative liabilities measured at fair value through profit or loss.

A financial liability (or a part of a financial liability) is derecognised when it is extinguished – in other words, when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between OP MB and original lenders of financial liabilities with substantially different terms must be accounted for as an extinguishment of the original financial liability. In such a case, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, the amortised cost of the modified financial liability will be recalculated by discounting the modified contractual cash flows using the original effective interest rate. Changes in the amortised cost of the financial liability are recognised through profit or loss. Costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. OP MB has not made any exchanges of financial liabilities for the existing financial liabilities.

Assets 31 December 2024, TEUR	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehen-sive income	Carrying amount total	Fair value total
Cash and cash equivalents	343,002			343,002	343,002
Receivables from member credit institutions	14,956,610			14,956,610	14,956,610
Derivative contracts		114,221		114,221	114,221
Other financial assets			40	40	40
Total financial assets	**15,299,612**	**114,221**	**40**	**15,413,873**	**15,413,873**

Liabilities 31 December 2024, TEUR	Amortised cost	Recognised at fair value through profit or loss	Carrying amount total	Fair value total
Liabilities to member credit institutions				
Derivative contracts		589,194	589,194	589,194
Debt securities issued to the public	14,457,644		14,457,644	14,259,981
Other financial liabilities	50		50	50
Total financial liabilities	**14,457,694**	**589,194**	**15,046,888**	**14,849,225**

Adjusted

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

Adjusted

Liabilities 31 Dec 2023, TEUR	Amortised cost	Recognised at fair value through profit or loss	Carrying amount total	Fair value total
Liabilities to member credit institutions	2,012,380		2,012,380	2,012,380
Derivative contracts		854,869	854,869	854,869
Debt securities issued to the public	14,256,146		14,256,146	14,100,873
Other financial liabilities	318		318	318
Total financial liabilities	**16,268,844**	**854,869**	**17,123,713**	**16,968,440**

Debt securities issued to the public are carried at amortised cost, including a negative valuation of EUR 441,169 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 by employing commonly used valuation techniques, amounting to EUR 14,259,981 thousand (14,100,873 thousand) at the end of December.

Receivables from member credit institutions are carried at amortised cost, including a negative valuation of EUR 1,570 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 Note 2, Impairment loss on receivables). The carrying amount of these loans is reasonably close to their fair value at the end of December.

Note 10. Cash and cash equivalents

Accounting policies

Cash and cash equivalents consist of deposits with member credit institutions.

TEUR	31 Dec 2024	31 Dec 2023
Deposits with member credit banks	343,002	291,681
Total cash and cash equivalents	343,002	291,681

Note 11. Receivables from member credit institutions

TEUR	2024	Adjusted 2023
Receivables from intermediary loans	14,954,957	14,946,671
Other	1,654	69,963
Total	**14,956,610**	**15,016,633**

Receivables from 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 they will mature at the same time as the issued bonds.

Expected credit losses are not recognised on Receivables from member credit institutions. This is described in more detail in Note 4. Impairment loss on receivables.

Note 12. Receivables from customers

TEUR	31 Dec 2024	31 Dec 2023
Loans to the public and public sector entities		2,179,753
Loss allowance		-2,579
Total receivables from customers		2,177,173

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIF amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Accounting policies

Impairment

Expected credit losses are calculated on all balance sheet items amortised at cost and those recognised at fair value through other comprehensive income (FVOCI) (instruments other than equity instruments) and on off-balance-sheet loan commitments and financial guarantee contracts. Expected credit losses are recognised at each reporting date, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Classification of contracts into three impairment stages

Contracts are classified into three stages. The different stages reflect credit deterioration since initial recognition.

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

Definition of default

In the IFRS 9 based calculation, OP MB applies the same definition of default as in internal credit risk models. OP Financial Group assesses default using its internal rating system based on payment behaviour. For personal customers, the definition of default is applied on a contract-by-contract basis whereas corporate customers are reviewed in terms of a group of connected clients. The customer is classified as a customer in default when the customer's repayment is considered unlikely, for example when the customer has a public payment default record or it has been granted a forbearance in which the present value of the loan decreases by more than 1 per cent. Default extends to all credit obligations of an obligor in default among personal customers when a significant proportion (20 per cent) of personal customer exposures are defaulted. In addition, the contract is defaulted when a payment related to a financial asset is over 90 days past due, at the latest.

The customer's default ends when it no longer meets the criteria for the definition of default and the subsequent probation period of 6–12 months has ended.

The definition of default is based on Article 178 of Regulation (EU) No 575/2013 (CRR) of the European Parliament and of the Council and on the European Banking Authority's (EBA) guidelines on the application of the definition of default (EBA/GL/2016/07 and EBA/RTS/2016/06).

Definition of non-performing exposure

The definition of non-performing exposure includes the probation periods of non-performing forborne exposures, in addition to the exposures based on the definition of default used previously, before they can be reclassified as performing. Non-performing exposure is defined in accordance with Article 47a of the Capital Requirements Regulation

(EU) No. 575/2013. OP MB uses non-performing exposures as the classification criterion for impairment stage 3.

In addition, originated credit-impaired contracts are always within the scope of the lifetime expected credit loss (POCI).

Significant increase in credit risk

The expected credit losses will be calculated for each contract for 12 months or lifetime, depending on whether the instrument's credit risk on the reporting date has increased significantly since initial recognition. Both qualitative and quantitative criteria are used to assess whether the credit risk of each contract has increased significantly. Forbearance and an entry on the watch list generated by the early warning system serve as qualitative criteria for significant increases in credit risk and the resulting transfers to impairment stage 2 for all contract types.

OP MB has included relative and absolute thresholds for the determination of significant quantitative increases in credit risk considering all relevant and supportable information.

Measurement methods

Expected credit losses are mainly measured on a system basis, using the PD/LGD method on a contract-specific basis for all personal customer exposures.

PD/LGD method

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 all portfolios per contract, and reflect expectations of future credit losses on the reporting date. PD estimates the probability of default according to the aforementioned definition of default. LGD estimates the share of an exposure not recovered if a borrower defaults and depends on factors such as the quantity and type of collateral securities and various financial guarantees. EAD estimates 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. In addition, ECL measurement incorporates expectations of prepayment.

The ECL calculation is based on three different scenarios.

Determining the period of a contract

The period of a contract for promissory notes is a contractual maturity that takes account of loan repayments under the repayment plan. The prepayment model applies to secured promissory notes (excl. default). It does not reduce the contractual maturity but is taken into account as part of the contract's EAD.

Forward-looking information

The calculation model includes forward-looking information and macroeconomic scenarios. OP Financial Group's economists update macroeconomic scenarios on a quarterly basis and the scenarios are the same that OP MB uses otherwise in its financial annual planning. Macroeconomic forecasts span five years and have been extrapolated for up to 30 years ahead using a production function. The macroeconomic factors used are GDP growth rate, unemployment rate, investment growth rate, inflation rate, change in income level, 12-month Euribor and real 3-month Euribor. In addition, the house price index is used in LGD models. Three scenarios are used: baseline, upside and downside. Scenarios also include probability weights.

Preparing macroeconomic forecasts and projecting them into the future up to 30 years involves a large amount of uncertainty, which is why actual results may differ significantly from the forecasts. OP MB has analysed that the relationship of the change in the components of risk parameters and macroeconomic factors used in the ECL calculation is not linear. Accordingly, the macroeconomic forecasts represent OP MB's best view of potential scenarios and outcomes.

Macroeconomic forecasts and ESG

Macroeconomic scenarios take account of the economic impacts of climate change, and of the related changes and adjustments made to the economy. An assessment of economic impacts has been made in calculating macroeconomic scenarios where the use of fossil energy is reduced, so that carbon neutrality is achieved by 2035. In this scenario, the Finnish GDP growth rate is an average of 0.3 percentage points slower for many years than in the baseline scenario. However, the calculation may overestimate the slowing down of the economy if the economic adjustment capacity proves to be better than usual. For this reason, the negative effect is included in a downside scenario.

Estimates of the economic impacts of climate change will be specified as new research data emerges, which can be applied to scenario calculations for the period they cover.

Recognition of expected credit losses

OP MB recognises a loss allowance for expected credit losses on a loan at carrying amount in a separate account.

Extra impairment provisions based on management judgement (management overlay)

OP MB may make an ECL provision in situations where an external factor changes very rapidly (for example in a global crisis, such as pandemic or war or a rise in Euribor rates). The provision is temporary and remains valid as long as risk parameters used in ECL measurement have been updated to describe the changed situation. OP Financial Group uses both the so-called post-model management overlay concerning the loss allowance amount, and management overlay factors included in risk parameters (e.g. in the PD). Strict monitoring criteria are applied to the extra impairment provisions made based on management judgement and such criteria are quarterly reported to Group Executive Management.

Values used in calculation of other ECLs

In ECL measurement, OP MB also uses certain values that impact on the amount of ECL:

- Fair value of collateral assessed on the basis of the collateral's geographical location
- Proper grouping of contracts into different segments so that their ECL can be calculated using the appropriate model
- Various assumptions and expert judgements made in the models
- Definition of modelling data and model risk related to data quality
- Selection of appropriate ECL models that take the best possible account of expected credit losses on the contract portfolio.
- Selection of methodology for estimating parameters used in ECL models.
- Determination of the contract's maturity for non-maturing loans (revolving credit facilities)

Write-off

A write-off constitutes a derecognition event. When OP Financial Group has no reasonable expectations of recovering a financial asset in its entirety, or a portion of the asset, a final credit loss is recognised which directly reduces the gross carrying amount of the financial asset.

A loan is partly derecognised:

- after a loan has been transferred for legal collection, the loan principal is written down to the value of collateral.
- when a repayment schedule due to a debt adjustment or corporate debt restructuring has been confirmed, and the loan involves no other parties or realisable assets.
- An entire loan is derecognised when the collateral has been liquidated or the final meeting of the bankruptcy estate has been held, or the estate administrator has confirmed that no share of the estate's assets will be forthcoming, or when debt adjustment, corporate debt restructuring or collection measures have ended.
- Payments received after the derecognition are recognised as an adjustment to impairment losses on receivables.

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses (ECL) by impairment stage

Exposures 31 Dec 2023	Stage 1	Stage 2			Stage 3	
TEUR		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Mortgage-backed loans	1,912,017	226,728	2,067	**228,795**	52,451	**2,193,263**
Receivables from customers	**1,912,017**	**226,728**	**2,067**	**228,795**	**52,451**	**2,193,263**

Loss allowance by impairment stage 31 December 2023	Stage 1	Stage 2			Stage 3	
TEUR		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers						
Mortgage-backed loans	-23	-135	-8	**-143**	-2,414	**-2,580**
Total receivables from customers	**-23**	**-135**	**-8**	**-143**	**-2,414**	**-2,580**

Summary and key indicators 31 December 2023

	Stage 1	Stage 2			Stage 3	
TEUR		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers						
Mortgage-backed loans	1,912,017	226,728	2,067	**228,795**	52,451	**2,193,263**
Loss allowance						
Mortgage-backed loans	-23	-135	-8	**-143**	-2,414	**-2,580**
Coverage ratio, %						
Mortgage-backed loans		-0.1%	-0.4%	**-0.1%**	-4.6%	**-0.1%**
Receivables from customers	**1,912,017**	**226,728**	**2,067**	**228,795**	**52,451**	**2,193,263**
Total loss allowance	**-23**	**-135**	**-8**	**-143**	**-2,414**	**-2,580**
Total coverage ratio, %		**-0.1%**	**-0.4%**	**-0.1%**	**-4.6%**	**-0.1%**

Loss allowance	Receivables from customers			
	Stage 1	Stage 2	Stage 3	
TEUR	12 months	Lifetime	Lifetime	Total
Loss allowance on 1 January 2024	23	142	2,414	**2,579**
Transfers from Stage 1 to Stage 2				
Transfers from Stage 1 to Stage 3				
Transfers from Stage 2 to Stage 1				
Transfers from Stage 2 to Stage 3				
Transfers from Stage 3 to Stage 1				
Transfers from Stage 3 to Stage 2				
Decreases due to derecognition	-23	-142	-2,353	**-2,519**
Changes in risk parameters				
Allowances due to recognised write-off	0		-61	**-61**
Total net result effect	**-23**	**-142**	**-2,414**	**-2,579**
Loss allowance on 31 December 2024				

Loss allowance on 1 January 2023	Receivables from customers			
	Stage 1	Stage 2	Stage 3	
TEUR	12 months	Lifetime	Lifetime	Total
Loss allowance on 1 January 2023	38	161	2,247	**2,446**
Transfers from Stage 1 to Stage 2	-5	45		**40**
Transfers from Stage 1 to Stage 3	-2		247	**245**
Transfers from Stage 2 to Stage 1	3	-22		**-19**
Transfers from Stage 2 to Stage 3		-22	478	**456**
Transfers from Stage 3 to Stage 1	0		-24	**-24**
Transfers from Stage 3 to Stage 2		11	-248	**-238**
Decreases due to derecognition	-3	-12	-180	**-195**
Changes in risk parameters	-9	-19	140	**113**
Changes in model assumptions and methodology				
Allowances due to recognised write-off			-245	**-245**
Total net result effect	**-15**	**-19**	**167**	**133**
Loss allowance on 31 December 2023	**23**	**142**	**2,414**	**2,579**

The table below presents gross exposures of receivables in the balance sheet by rating as well as loss allowance. Internal grades 1–12 are used for the internal rating of corporations and public-sector entities, and grades A–F for the internal rating of households. Internal grades have been combined into the table in such a way that the corporate customer grade 2 comprises grades 2 and 2.5 etc. Internal grade A for personal customers includes A+, A and A- etc.

31 Dec 2023						
TEUR	Balance sheet exposures			Loss allowance		
Rating grade	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
4	901			0		
5	1,110	513		0		
6	51			0		
7	12					
8		0				
A	1,369,097	28,665		-3	0	
B	370,877	56,563		-5	-4	
C	117,868	52,498		-6	-8	
D	52,101	54,235		-9	-37	
E		36,304			-93	
F			52,451			-2,414
Total	**1,912,017**	**228,778**	**52,451**	**-23**	**-142**	**-2,414**

OP MB may write off credit loss from financial assets in full or in part, but thereafter these will still be subject to collection measures.

On 31 December 2024, these financial assets amounted to 326 thousand euros (316 thousand euros).

Note 13. Derivative contracts

Accounting policies

Derivative contracts

Derivative contracts are classified as hedging contracts and derivative contracts held for trading. OP MB uses derivatives only for hedging purposes. Derivatives are measured at fair value at all times. OP MB has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument.

In accordance with the hedging principles, OP MB can hedge against interest rate risk by applying fair value hedge or cash flow hedge. Fair value hedging refers to hedging against changes in the fair value of the hedged asset, and cash flow hedging to hedging against changes in future cash flows. OP MB has not used cash flow hedging during the financial year.

Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

The relationship between hedging and hedged instruments is formally documented. The documentation contains information on the Risk Appetite Framework, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness and the financial relationship between the hedged item and the hedging instrument is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value of the hedging and hedged instrument. The existence of an economic relationship is assessed by qualitatively and quantitatively examining whether the key terms of the hedged item and the hedging instrument are similar. The hedge is considered effective if the change in the fair value of the hedging instrument offsets the change in the fair value of the hedged portfolio within a range of 80–125%. OP MB applies hedge accounting under IAS 39 and the fair value portfolio hedging model under the EU carve-out version to hedging certain debt and loan portfolios, in which the risk of hedges is adapted if needed.

Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (OP MB's own issues), receivables from member credit institutions as well as individual loan portfolios. Items hedged through portfolio hedging comprise asset and liability items included in OP MB's balance sheet. The hedged risk is the fair value risk of the benchmark rate. The portfolios to be hedged are formed by putting them into asset-specific and liability-specific groups. The hedged items included in these groups have similar characteristics and no changes take place in them during hedging. The most significant portfolio hedging applies to issues and intermediary loans, and these items are fully hedged. These hedging relationships may cause ineffectiveness if there are even minor differences between the hedged items and the terms of the hedging instrument. The financial year saw only minor ineffectiveness. Interest rate swaps are used as a hedging instrument.

For derivative contracts which are documented as fair value hedges and which provide effective hedges, fair value changes are recognised in the income statement. Hedged assets and liabilities are measured at fair value for the hedged risk (benchmark rate) during the period for which the hedge is designated. The accrued amount of hedge adjustments is presented in the notes below. Changes in the fair value of hedged risk and hedging derivatives are recognised in the income statement under interest income for the hedged asset and under interest expenses for the hedged liability. Any ineffectiveness is included in the same items, and if it is significant, it is detailed in the notes.

When discontinuing hedge accounting, the carrying amount adjustment to fair value of the hedged financial instrument due to the risk to be hedged, to which the effective interest method applies, is amortised to profit or loss by the financial instrument's maturity date. The adjustment is amortised based on a recalculated effective interest rate or using the straight-line method in portfolio hedges. However, if the hedged item is derecognised during the discontinuance of hedging, the fair value adjustment will also immediately be recognised in profit or loss. During the financial year, OP MB discontinued hedge accounting applied to individual loan portfolios following the sale of the loan portfolio.

Derivative contracts 31 December 2024, TEUR	Fair values Assets	 Liabilities
Interest rate derivatives		
Hedging	114,221	589,194
Total	**114,221**	**589,194**

Adjusted	Fair values	
Derivative contracts 31 December 2023, TEUR	Varat	Velat
Interest rate derivatives		
Hedging	72,680	854,869
Total	**72,680**	**854,869**

Derivative contracts held for hedging – fair value hedging 31 December 2024	Nominal values/residual term to maturity			
TEUR	Less than 1 year	1–5 yrs	> 5 years	Total
Interest rate derivatives				
Interest rate swaps	963,500	10,010,065	4,160,910	15,134,475
Total interest rate derivatives	963,500	10,010,065	4,160,910	15,134,475

Derivative contracts held for hedging – fair value hedging 31 December 2023	Nominal values/residual term to maturity			
TEUR	Less than 1 year	1–5 yrs	> 5 years	Total
Interest rate derivatives				
Interest rate swaps	4,052,059	8,619,565	4,685,200	17,356,824
Total interest rate derivatives	4,052,059	8,619,565	4,685,200	17,356,824

TEUR	Interest rate risk hedge Q1–4/2024	Q1–4/2023
Fair value hedges		
Carrying amount of hedged receivables *	14,798,430	16,976,647
of which the accrued amount of hedge adjustments	-1,570	-14,039
Carrying amount of hedged liabilities **	13,549,879	13,162,893
of which the accrued amount of hedge adjustments	-441,169	-704,161
* Presented in the balance sheet under Receivables from customers and Receivables from member credit institutions, for which the reference year has been adjusted.		
** Presented under Debt securities issued to the public in the balance sheet		

TEUR	Interest rate risk hedge Q1–4/2024	Q1–4/2023
Fair value hedges		
Changes in fair value of hedging derivatives	276	479
Change in value of hedged item that is used as basis for recognition of ineffective hedge during period	-276	-478
Hedge ineffectiveness presented in income statement	12	419

Note 14. Other assets

TEUR	31 Dec 2024	Adjusted 31 Dec 2023
Membership shares	40	40
Pension assets		17
Other	1	1,024
Total	**41**	**1,081**

Note 18. Other liabilities describes the calculation of pension plan assets in greater detail.

Note 15. Tax assets and liabilities

Accounting policies

Deferred tax liabilities are recognised for temporary taxable differences between the carrying amount of assets and liabilities and their tax base. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The company offsets deferred tax assets and liabilities in the financial statements.

TEUR	31 Dec 2024	31 Dec 2023
Income tax assets		6
Deferred tax assets	1,476	2,424
Total tax assets	**1,476**	**2,430**

TEUR	31 Dec 2024	31 Dec 2023
Income tax liabilities		
Deferred tax liabilities	0	63
Total tax liabilities	**0**	**63**

Specification of tax assets and liabilities

Deferred tax assets		
Due to defined benefit pension plans		
Due to other items	1,536	2,424
Set-off against deferred tax liabilities	-60	
Total	**1,476**	**2,424**
Deferred tax liabilities		
Due to defined benefit pension plans		3
Due to other items	60	60
Set-off against deferred tax assets	-60	
Total		**63**

Changes in deferred taxes	31 Dec 2024	31 Dec 2023
Deferred tax assets/liabilities on 1 January	2,361	24
Recognised in the income statement		
Defined benefit pension obligations	-0	-0
Other	-889	2,335
Recognised in equity		
Recognised in statement of comprehensive income		
Gains/(losses) arising from remeasurement of defined benefit plans	3	3
Total deferred tax assets/liabilities on 31 December	**1,476**	**2,361**
Income tax assets/liabilities		6
Total tax assets and liabilities	1,476	2,367

Note 16. Liabilities to member credit institutions

TEUR	31 Dec 2024	31 Dec 2023
Other than repayable on demand		
Liabilities to OP Corporate Bank		2,012,380
Total liabilities to credit institutions and central banks		**2,012,380**

Note 17. Debt securities issued to the public

TEUR	31 Dec 2024	31 Dec 2023
Bonds	14,457,644	14,256,146
Total debt securities issued to the public	**14,457,644**	**14,256,146**

Bonds issued under programmes established under the Act on Mortgage Credit Banks (Laki kiinnitysluottopankkitoiminnasta (688/2010)	Carrying amount	Fair value	Interest rate reference base	Nominal interest %	Maturity date
OP Mortgage Bank Covered Bond 2017	998,584	960,870	Fixed	0.750 %	7 Jun 2027
OP Mortgage Bank Covered Bond 2018	999,563	987,170	Fixed	0.625 %	1 Sep 2025
OP Mortgage Bank Covered Bond 2019	1,243,191	1,152,875	Fixed	0.625 %	15 Feb 2029
OP Mortgage Bank Covered Bond 2019	1,000,008	957,140	Fixed	0.010 %	19 Nov 2026
OP Mortgage Bank Covered Bond 2020	997,416	922,190	Fixed	0.050 %	21 Apr 2028
OP Mortgage Bank Covered Bond 2020	304,987	302,058	Floating	4.169 %	21 Apr 2028
OP Mortgage Bank Covered Bond 2020	1,262,348	1,069,788	Fixed	0.010 %	19 Nov 2030
OP Mortgage Bank Green Covered Bond 2021	747,832	636,915	Fixed	0.050 %	25 Mar 2031
OP Mortgage Bank Green Covered Bond 2022	997,645	961,420	Fixed	1.000 %	5 Oct 2027
Bonds issued under the programme established under the Act on Mortgage Credit Banks and Covered Bonds (151/2022)					
OP Mortgage Bank Covered Bond (Premium) 2022	1,247,070	1,256,575	Fixed	2.750 %	22 Jun 2026
OP Mortgage Bank Covered Bond (Premium) 2023	998,997	1,003,980	Fixed	2.750 %	25 Jan 2030
OP Mortgage Bank Covered Bond (Premium) 2023	995,219	1,020,390	Fixed	3.125 %	20 Oct 2028
OP Mortgage Bank Covered Bond (Premium) 2023	996,143	1,019,480	Fixed	3.375 %	15 Feb 2027
OP Mortgage Bank Covered Bond (Premium) 2024	997,021	1,014,770	Fixed	3.000 %	17 Jul 2031
OP Mortgage Bank Covered Bond (Premium) 2024	994,922	994,360	Fixed	2.500 %	3 Oct 2029
Total	**14,780,946**	**14,259,981**			

The European covered bonds (premium) 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 6,250 million. The cover pool included a total of EUR 6,882 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (151/2022).

The covered bonds 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 8,550 million. The cover pool included a total of EUR 9,451 million in loans serving as collateral on 31 December 2024. Overcollateralisation exceeded the minimum requirement under the Act (688/2010).

Reconciliation of changes in liabilities in cash flows from financing activities against balance sheet items

TEUR	31 Dec 2024	31 Dec 2023
Balance sheet value at period start	**14,185,914**	**16,970,557**
Changes in cash flows from financing activities		
Increases in bonds	1,991,610	2,985,540
Increases total	1,991,610	2,985,540
Decreases in bonds	2,115,000	6,250,000
Decreases total	2,115,000	6,250,000
Total changes in cash flows from financing activities	-123,390	-3,264,460
Amortisation of effective interest rate	277,253	479,817
Balance sheet value at period end	**14,339,777**	**14,185,914**

Note 18. Other liabilities

TEUR	31 Dec 2024	Adjusted 31 Dec 2023
Other liabilities		
Payment transfer liabilities	1	19
Accrued expenses and deferred income	291	1,664
Reverse factoring arrangements	49	297
Other	49	21
Total	390	2,000

Defined benefit pension plans

Schemes related to OP MB's supplementary pensions in OP-Eläkesäätiö pension foundation have been treated as defined benefit plans. Supplementary pension schemes supplement statutory pension cover under the Employees Pensions Act (TyEL). Supplementary pension cover provided by OP-Eläkesäätiö is fully funded.

OP-Eläkesäätiö pension foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by an employer within the pension foundation, and whose employment began before 1 July 1991. The employment term entitling to pension begins from the day the employee turned 23 years while employed by the employer. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees Pensions Act (TEL), in force until 31 December 2006. The retirement age of those covered by OP-Eläkesäätiö pension foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the pension foundation rules.

The most significant associated risk relates to the possibility of the actual return on investment assets being lower than the target set for the minimum return. If such a risk materialised in several consecutive years, this would result in the charging of contributions. The most significant actuarial risks of OP-Eläkesäätiö pension foundation are associated with interest rate and market risks, systematically increasing life expectancy and inflation risk. A change in the discount rate for pension liabilities has a substantial effect on the amount of pension liabilities.

Responsible for investment, the Board of Trustees of the pension foundation approves the pension institution's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in technical provisions and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of technical provisions for investment operations with respect to the level of security, productivity and liquidity, as well as the pension fund's risk-bearing capacity.

The company no longer has defined benefit pension obligations. A year ago, the amount of defined benefit pension obligations was 23 thousand euros, the fair value of pension assets 39 thousand euros and net pension assets 17 thousand euros. Defined benefit pension returns recognised in the income statement totalled 1 (1) thousand euros, and a loss recognised in other comprehensive income arising from remeasurement totalled 17 thousand euros (14).

Note 19. Equity capital

TEUR	31 Dec 2024	31 Dec 2023
Share capital	**60,000**	**60,000**
Unrestricted reserves	245,000	245,000
Retained earnings		
Retained earnings	59,656	59,669
Profit for the financial year	**3,466**	**7,490**
Distributable funds	308,122	312,160
Distributable profit	63,122	67,160

The Board of Directors proposes that a dividend of 45.25 euros (97.79) be distributed per share, totalling 3,466 thousand euros (7,490).

Reserve for invested non-restricted capital consists of OP Cooperative's capital investment of EUR 245,000,000.

Share capital and number of shares	Total
Share capital, EUR thousand	60,000
Number of shares	76,592
Proportion of share capital, %	100

OP Cooperative owns 100% of OP Mortgage Bank.

The minimum share capital of the Company is EUR 8,500,000 and the maximum share capital is EUR 150,000,000, within which limits the share capital may be increased or reduced without altering the Articles of Association. The minimum number of shares is 34,000 and the maximum number is 136,000. Permission from the Company is required for the acquisition of shares through transfer. The shares have no nominal value.

Note 20. Recurring fair value measurements by valuation technique

Accounting policies

Fair value determination

Fair value is the price at which an asset would be sold, or that would be paid to transfer a liability, in an orderly transaction between market participants on the measurement date.

The fair value of financial instruments is determined using either prices quoted in an active market, or the company's own valuation techniques where no active market exists. The market is deemed active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available, the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same on the balance sheet date. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of prepayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety. (Note 18. Financial instruments classification, grouped by valuation technique)

Financial instruments classification, grouped by valuation technique, TEUR

31 December 2024, TEUR	Balance sheet value	Fair value measurement at period end		
		Level 1	Level 2	Level 3
Recurring fair value measurements of assets				
Derivative contracts	114,221		114,221	
Total	**114,221**		**114,221**	
Recurring fair value measurements of liabilities				
Derivative contracts	589,194		589,194	
Total	**589,194**		**589,194**	

Fair value measurement at period end

Adjusted 31 December 2023, TEUR	Balance sheet value	Fair value measurement at period end		
		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, for example: quoted prices of similar items in active markets, 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 reporting period only include derivatives.

Transfers between hierarchy levels of recurring fair value measurements

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.

Other notes

Note 21. Funding structure

TEUR	31 Dec 2024	Share, %	Adjusted 31 Dec 2023	Share, %
Liabilities to member credit institutions			2,012,380	12.1
Debt securities issued to the public	14,457,644	97.5	14,256,146	85.7
Other liabilities	390	0.0	2,000	0.0
Equity capital	368,122	2.5	372,160	2.2
Total	**14,826,156**	**100.0**	**16,642,686**	**100.0**

Note 22. Financial assets and liabilities by residual term to maturity

The table below presents financial assets and liabilities by residual terms to maturity, in other words the times remaining until the contractual maturity date. The cash flows do not correspond to the balance sheet values, because here the cash flows are presented undiscounted and include the amounts of principal and interest. Derivatives are not presented in this Note, since the management does not review their cash flows by maturity distribution in liquidity management. OP MB only has fair value hedges in which interest rate swaps have been used to swap home loan interest, intermediary loan interest and interest on issued bonds onto the same basis rate. The maturity distribution of the notional amount of derivatives and the fair value of derivatives is presented in Note 13. Derivative contracts. Management of liquidity risk is described in more detail in Note 23.

31 December 2024, TEUR	Less than 3 months	3–12 months	1–5 yrs	5–10 yrs	More than 10 years	Total
Financial assets						
Receivables from credit institutions	472,651	1,300,752	10,699,416	4,135,192		**16,608,011**
Total financial assets	**472,651**	**1,300,752**	**10,699,416**	**4,135,192**		**16,608,011**
Debt securities issued to the public		1,001,635	9,851,329	4,045,848		**14,898,812**
Total financial liabilities		**1,001,635**	**9,851,329**	**4,045,848**		**14,898,812**

31 December 2023, TEUR	Less than 3 months	3–12 months	1–5 yrs	5–10 yrs	More than 10 years	Total
Financial assets						
Receivables from credit institutions	1,291,681	1,000,000	8,550,000	4,250,000		**15,091,681**
Receivables from customers	69,159	195,552	868,064	673,031	368,244	**2,174,050**
Total financial assets	**1,360,840**	**1,195,552**	**9,418,064**	**4,923,031**	**368,244**	**17,265,731**
Liabilities to credit institutions	2,000,000					**2,000,000**
Debt securities issued to the public	952,085	1,061,383	8,123,827	4,048,619		**14,185,914**
Total financial liabilities	**2,952,085**	**1,061,383**	**8,123,827**	**4,048,619**		**16,185,914**

Note 23. Risk Management

Risk Appetite Framework

Overview of OP Mortgage Bank's (OP MB's) significant risks

OP MB's independent Risk Management function forms part of OP Financial Group's centralised Risk Management in organisational terms.

OP Financial Group's risk management and compliance are based on the principle of three lines of defence. The first line of defence comprises business lines, the second line of defence comprises the Risk Management function and Compliance independent of the business lines/divisions and the third line of defence comprises Internal Audit. Each line of defence has its own role in performing the risk management process efficiently.

At OP Financial Group, the first line and the second line of defence in risk management cooperate on an ongoing basis. This is to ensure that all expertise needed to develop and manage operations is in use in advance. The lines of defence jointly create the risk management process, which takes account of the special features of OP Financial Group's business. There is a clear division of responsibilities between the first and second lines of defence.

The business units fulfil OP Financial Group's strategy, are responsible for planning their own operations and their efficient and effective implementation and for their internal control. Only the business concerned makes business decisions and is responsible for the quality of its customer service, its business continuity as well as its earnings and risks.

For consideration by OP Financial Group's management, the second line of defence prepares a risk management framework within the limits of which the first line of defence implements risk-taking and risk management related to its daily business. The second line of defence supports the first line of defence by consulting and constructively challenging it, especially in matters forming part of its own expertise. In addition, the second line of defence oversees compliance with regulation and OP Financial Group's guidance framework, and independently analyses the balance between earnings, risks, and capital and liquidity acting as buffers. It also analyses how business continuity can be ensured during incidents.

Internal Audit, which is independent of other lines of defence, acts as the third line of defence.

OP MB's significant risks: sources and management

Definitions and sources of significant risks

Below is a summarised description of the definitions and sources of OP MB's significant risks.

Credit risks	Credit risk refers to the risk that a contracting party to a financial instrument will be unable to fulfil its contractual repayment obligations, and thereby cause a financial loss to the other party.
Liquidity risks	Liquidity risk is the risk of liquidity or capital being insufficiently available to realise business goals as laid down in the strategy. It is caused by the timing of inflowing or outgoing cashflows (payments) and/or imbalances between them. Liquidity risks include concentration risk, market liquidity risk and refinancing risk. Concentration risk is caused by the concentration of financing across time, or between certain counterparties or instruments. Market liquidity risk is the risk of failure to execute market transactions within a desired time and/or at an estimated price, or of a contraction in the liquid assets owned by a bank. Refinancing risk involves the risk that a debt cannot be refinanced on the market.
Market risks	Market risk refers to an unfavourable change related to the value of a contract or contract revenue due to price changes observed in the financial market. Market risks include interest rate, currency, volatility, credit spread, equity and property risks associated with on- and off-balance sheet items as well as other potential price risks.
Counterparty risks	Counterparty risk refers to the risk that a party to a derivative contract, repurchase agreement (Repo), trade or reinsurance contract will fail to fulfil its financial obligations, accompanied by a risk of growing costs due to obtaining a corresponding, replacement contract. A special feature of counterparty risk is a change in the risk level alongside the agreement's market value, due to which contractual risk can grow after the conclusion of the agreement.
Operational risks	Operational risk is caused by all business operations and may result from insufficient or incorrect practices, processes, systems or external factors. OP Financial Group's operational risks also include ICT and security risks. Operational risk related to data capital means potential losses, loss of reputation or deterioration of operations caused by uncertainty in decision-making, management and reporting related to data and the information derived from it.
Compliance risks	Risks caused by non-compliance with external regulation, internal policies, appropriate procedures or ethical principles governing customer relationships.
Model risks	Model risk refers to potential losses or loss of reputation caused by decisions made on the basis of the results of models, due to errors made in the development, implementation or use of such models. In this context, a model is a method used to translate source data based on mathematics, statistics and expert assessments into data guiding business decisions or quantitative data related to financial position or risk exposure.
Reputational risks	This is the risk of a weakening in reputation or trust, primarily due to the simultaneous materialisation of an individual risk or several risks, or to some other kind of negative publicity.
Concentration risks	Risks that may arise due to a business having an excess concentration of risk in individual customers, products, lines of business, maturity periods or geographical areas. Concentration risk can also arise due to a concentration of service providers or processes.
Risks associated with future business	Risk associated with the conditions and volumes on which similar or entirely new agreements are based. This also includes risk arising from inadequate internal reaction and inflexibility in the business and competitive environment, or changes in customers' values or in technology.

Banking risks

Credit risks

OP MB has no independent customer business or a service network of its own. Its loan portfolio consisted of mortgage loans placed as collateral for bonds, which OP MB had bought from OP Financial Group member cooperative banks, and of loans they granted to their customers on behalf of OP MB before 1 March 2016. OP MB ceased to buy loans from OP cooperative banks after IFRS 9 entered into force. The loan portfolio was sold to the OP cooperative banks in November 2024. Framework agreements between OP MB and the OP cooperative banks specify obligations and rights related to the utilisation of OP MB's financing, and credit risk management. OP cooperative banks take care of credit decisions, customer relationships and loan management at local level in accordance with instructions issued by OP Financial Group and OP MB. OP Financial Group manages its credit risk through the Group-level guidelines and principles and quantitative risk limits. These are specified in the Banking Risk Policy through risk-taking principles, limits and control limits, qualitative and quantitative targets as well principles governing customer selection, collateral and covenants. Quantitative and qualitative target levels balance out the business targets and moderate risk appetite. Limits and control limits set a maximum for risk-taking. These help to ensure the sufficient diversification of the loan portfolio while avoiding the emergence of too large risk concentrations.

Credit risk management is based on careful customer selection, active customer relationship management, good knowledge of customers, strong professional skills and comprehensive documentation. The day-to-day credit process and its effectiveness play a key role in the management of credit risks. The Group also manages credit risk through the selection of the range of products and product terms and conditions. Risk associated with new lending is managed through well thought-out customer selections and the avoidance of risk concentrations. In addition, OP MB makes use of credit risk mitigation techniques (collateral and guarantees). It also makes active use of covenants. Managing risk associated with the loan portfolio is based on good customer relationship management and the proactive and consistent management of problem situations.

The customer's sufficient repayment capacity is a prerequisite for all lending. Creating a group of connected clients properly provide a foundation for credit risk management. Without a clear picture of which parties constitute the group, what the structure of the group is like and what its repayment capacity comprises, it is not possible to get a true picture of the group and understand the risk what lending to the group involves. Each business unit identifies the group of connected clients and their interdependencies, and describes them in OP Financial Group's systems according to the related instructions.

Sufficient up-to-date information must be collected for assessing the creditworthiness of customers that pose a credit risk. Creditworthiness comes from the customer's willingness to pay and repayment capacity. They both affect the customer's rating grade. Sufficient and correct basic information is used to ensure that the customer can be rated with a correct credit rating model, and that the rating grade gives a true picture of the customer's creditworthiness risk. Each business unit ensures that its customers' rating grades are constantly valid and up to date and, if necessary, updates the grade if the customer's situation changes. This is how the loan portfolio of the bank concerned and the entire OP Financial Group can be monitored on a real-time basis.

Collateral management is based on an independent collateral assessment, the validity of pledges and the fact that the collateral can be liquidated so that we can continuously maintain a realistic view of the hard collateral securities that secure receivables. The values of assets pledged in security of receivables must give a true and real-time picture of the collateral position related to the entire loan portfolio as well as individual customers. The financial standing of the collateral asset owner must be considered when valuing collateral securities. The weaker is the asset owner's financial standing, the bigger should be the weight of the realisation value in estimating the collateral asset.

Financing decision-making is based on the principle of segregation under which the person preparing financing may not make the financing decision alone. Considering that financing decisions are about risk-taking decisions, those making the decisions must be aware of all information relevant to decision-making. All credit risk decisions are made on a business-specific basis. Decision-making is guided by OP Financial Group's Risk Appetite Statement (RAS) and the target risk exposure specified in the risk policy. Decisions that deviate from the target risk status specified in the risk policy must be explained on a broader basis. The central cooperative's Risk Management function assesses key financing projects' compliance with the risk policy and provides the managements of OP Financial Group and Group banking entities with a situational picture of such compliance.

The bank's senior management and management body monitor closely the bank's credit risk exposure. The bank's management is responsible for keeping the members of the management body informed in the event that the bank's operational risk-taking deviates from the risk policy approved by the management body, in order for the Board of Directors, as its role requires, to monitor the trend in the bank's risk exposure and, if necessary, issue instructions to the management at operational level concerning risk-taking.

From the bank's perspective, credit risk materialises in a situation where the customer becomes insolvent and cannot fulfil their credit obligations without the bank taking measures, such as liquidating collateral. It is therefore important that customers whose repayment capacity has weakened or a significant threat is posed to their repayment capacity are promptly identified in both the financing process and the customer relationship management process.

Customers must be placed under special control if they are highly significant to the bank and their risk of default clearly increases, or their repayment capacity is significantly threatened in another way. For these customers, the bank must prepare an action plan on measures to resolve the customer's situation from the bank's perspective, and minimise any risk that might materialise for the bank. The monitoring and documenting of significant customers in potential or actual default is more intensive and extensive than the documentation of less risky customers, to ensure that the bank is actively aware of changes in the customer's situation and can react immediately if necessary.

Measuring credit risk

Credit risk is measured at OP Financial Group level using the amount of economic capital requirement or credit risk by loan portfolio, the ratio of economic capital requirement for credit risk to exposures at default (EAD), the ratio of non-performing receivables to exposures, and the ratio of expected credit losses (ECL) to exposures at default EAD. The risk policy sets limits for these metrics. In addition, loan portfolio concentrations are monitored by customer, industry and country. OP MB also measures the growth differential of the loan portfolio and credit risk economic capital to ensure balance between growth and risk-taking. Limits deriving from Group-level limits have been set for the business segments engaged in banking.

Limits set in the risk policy can be supplemented with qualitative targets set in the operating instructions of each segment. These targets may be segment or entity-specific. Targets may be set for the entire loan portfolio or separately in relation to personal or corporate customer financing. It is also possible to set targets measuring the quality of the credit risk process.

Customer segmentation is used to manage the loan portfolio, in order to ensure sufficient diversification of the loan portfolio and efficient capital allocation. To enable a coordinated risk policy, customer segments have been defined so as to ensure that each segment's receivables are homogenous in terms of credit risk. Based on segmentation and the breakdown by rating grade, the loan portfolio target status is presented in the risk policy. This status is not binding on the business concerned, but the business must control credit risk-taking in order to achieve the target status.

OP Financial Group utilises internal credit risk models in risk assessment. In addition to the models used for assessing probability of default (PD), OP Financial Group uses models for predicting loss given default (LGD) and exposure at default (EAD) to measure credit risk. Exposure at Default (EAD) refers to the estimated amount of the bank's receivable from the customer at default. Off-balance-sheet exposures at default are determined on the basis of the conversion factor (CF). Loss Given Default (LGD) is an estimate of economic loss incurred by the bank, as a percentage of EAD in the event of default. Procedures based on model risk management are applied to the models used in credit risk assessment.

OP Financial Group's internal credit rating system

'Rating' refers to the use of models, methods, processes, supervision, data collection and IT systems that support credit risk management, credit risk assessment, the assignment of exposures to rating grades or pools, and the quantification of default and loss estimates developed for certain types of exposures. OP Financial Group's rating system applies to all Group entities. The Board of Directors of OP Cooperative considers and approves the credit rating principles as part of the Risk Appetite Framework document. From the viewpoint of OP, the most significant part of the credit rating system is the rating model for the personal customer portfolio.

OP MB uses an internal 16-level scale of A–F to assess the probability of default for its private customer agreements, with F representing borrowers in default. OP MB assesses monthly all personal customer agreements' PD using a loan portfolio rating model. The loan portfolio rating is based on a customer's basic data, payment behaviour and other transaction history data. Average PDs have been calculated for each rating grade for a period of 12 months.

Risk Management maintains a more detailed description of the internal credit rating system and reports regularly on its effectiveness as part of OP Financial Group's risk analysis and separately to the Risk Management Committee.

Liquidity risks

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.

The liquidity buffer for OP Financial Group is centrally managed by OP Corporate Bank and therefore exploitable by OP MB.

OP MB ensures the management of its daily liquidity and, as part of its annual planning, makes an assessment of the sufficiency of liquidity. OP MB's Board of Directors monitors regularly that the company's interest rate and funding risk exposure remain within the limits set in internal risk policies and applicable legislation.

OP MB is the covered bond issuing entity of OP Financial Group. The Act on Mortgage Credit Banks (688/2010) is applied to bonds issued by OP MB before 8 July 2022 and to commitments related to them. The Act on Mortgage Credit Banks and Covered Bonds (151/2022) is applied to bonds issued by OP MB after 8 July 2022 and to commitments related to them. The board of OP Mortgage Bank sets a quantitative target for the relative share of the mortgage bank in the entire OP Financial Group's credit institution business.

The Banking Risk Policy sets a net stable funding ratio (NSFR) limit for OP MB. OP MB's NSFR requirement has arisen almost entirely from the loan portfolio on OP MB's balance sheet. The loan portfolio was sold to the OP cooperative banks in November 2024.

In its annual planning, OP MB assesses the sufficiency of available collateral in the banks' balance sheets in order to implement planned issues. OP cooperative banks' mortgages are used as collateral for covered bonds issued by OP MB. OP MB is responsible for managing the sufficiency of collateral in accordance with applicable legislation and regulations.

Liquidity regulation, as such, is not applied to the amalgamation's companies. However, with the ECB's permission, the central cooperative may give member banks special permission to deviate from the liquidity regulation. As the central institution of the amalgamation of cooperative banks, OP Cooperative has granted its member credit institutions special permission, under the Act on the Amalgamation of Deposit Banks. Pursuant to the Act, the liquidity requirements set for credit institutions mentioned in Part VI of the EU Capital Requirements Regulation are not applied to OP Cooperative's member credit institutions. Liquidity based on the regulation is subject to supervision and reporting at the level of the cooperative banks' amalgamation. To fulfil the prerequisite for granting special permission, the central cooperative gives the amalgamation's companies instructions on the risk management needed to secure liquidity and meet other qualitative requirements, and supervises compliance with these instructions.

The central cooperative senior management is responsible for organising OP Financial Group's centralised liquidity risk management according to liquidity strategy policy lines. It must ensure that management and supervision of the amalgamation's liquidity accord with the scope and quality of business, and fulfil regulatory requirements, at all times. In sales control of borrowing and lending, the management pays attention not only to growth and profitability targets but also to liquidity features.

As OP Financial Group's treasury, OP Corporate Bank plc is tasked with securing the liquidity of the entire Group and each OP cooperative bank or Group company. The Group places its entities' liquidity in its Treasury's cheque account with the Bank of Finland. This means that the Group always manages its overall liquidity position through the central bank cheque account.

OP Financial Group's Treasury is in charge of the Group's wholesale funding, manages the Group's short-term liquidity, maintains the liquidity buffer, manages the Group's minimum reserve on a centralised basis, and is responsible for managing intraday liquidity risk. In addition, OP Financial Group's Group Treasury ensures that liquidity and maintenance of the minimum reserve are managed in accordance with each country's regulatory requirements. On a centralised basis, OP Corporate Bank manages the Group's wholesale funding in the form of debt capital and equity capital, while OP MB manages secured wholesale funding. Companies that fall within the scope of joint and several liability of market-based financing seek financing from Group Treasury and other companies from OP Corporate Bank's banking operation.

Based on a decision by the Board of Directors or a body it has authorised, in normal situations Group Treasury may use collateral securities from anywhere in OP Financial Group. In a severe liquidity crisis caused by money and capital market disruptions or other events, or in preparing for such a crisis, the central cooperative's Board of Directors can, upon a proposal by the President and Group CEO, oblige the amalgamation's member banks to place part of their loan portfolio with OP Mortgage Bank as collateral for the covered bond issued by OP MB through an intermediary loan. The loan amounts needed are based on the Group-level need and are determined for each bank. The decision may be put into practice based on a decision made by the central cooperative's Board of Directors or a body it has authorised. Member banks are committed to immediately executing any measures related to the decision.

Market risks

The interest rate risk arises mainly from the differences in the bases of interest rates for the loan portfolio available as collateral for bonds, and its funding, the differences in interest rate caps associated with loans and derivatives designated as their hedging instruments, as well as the company's equity capital.

In the mortgage bank business, derivate contracts may be entered into only to hedge against risks. 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. The Banking Risk Policy sets a limit for OP MB's interest rate risk. OP MB prepares an interest rate risk management plan on an annual basis.

In November 2024, OP MB sold its loan portfolio to the OP cooperative banks. In future, interest rate risk arises from equity, issued bonds, intermediary loans, and interest rate swaps hedging them.

The independent central cooperative Risk Management produces a monthly interest rate risk report to OP MB and a quarterly report to OP MB's Board of Directors that includes information on the amount of the interest rate risk and the limit utilisation rate. OP MB's management and Group Treasury & ALM monitor the amount of the interest rate risk on a monthly basis.

Operational risks

Operational risk management at OP MB aims to ensure the efficiency and quality of key business processes and functions, as well as their continuity in abnormal circumstances. Operational risk management is based on continuous risk identification and analyses. Risk identification also takes account of forthcoming and emerging business risks, climate and environmental impacts, security threats and external requirements, and the required risk mitigation is planned in a risk-based manner. The purpose of business continuity management is to minimise the financial impact of possible incidents, the duration of an outage and any adverse reputational impacts.

Operational risk management is aimed at ensuring that no unforeseeable financial losses or other harmful consequences occur. Due to the qualitative nature of operational risks, it's not possible to ever fully protect against them, nor to prevent their adverse effects in all cases. Operational risk management does not aim to eliminate risk in every case, but to mitigate risks, holding them at an acceptable level.

OP MB's management of security risks and security work seeks to foster a culture of security throughout the organisation, and to develop and maintain the desired security level by focusing on preventive measures and the effective management of threats and incidents. When a threat occurs, the primary goal is to ensure personal security and the second priority is to protect property and data.

The management of ICT risks aims at ensuring the security, availability and quick recovery of data communications and systems that support them during an incident. It is the responsibility of every system owner to see to it that the abovementioned goals are also achieved by external ICT service providers.

The key elements of OP MB's operational risk management include:

- A clear organisational structure and defined responsibilities
- Designation of process owners responsible for the efficiency and quality of processes, and for regulatorily compliance in line with their duties and responsibilities.
- Personnel who must have the required competences and qualifications, and the responsibilities and targets that are set and described clearly and communicated appropriately.
- Permissions and authorisations to access data and ICT systems that are based on duties and limited to the data and ICT systems that the employee needs in their work. The company's management is responsible for access rights management and control. This includes defining how to avoid inadequate segregation of duties.
- Ensuring that information and cybersecurity are adequate and up to date. This is implemented through monitoring, systematic technical arrangements, daily monitoring measures and targeted information security audits.
- Verifying the accuracy of all data. The company's management and process owners are responsible for the usability, integrity, confidentiality and availability of data with the aid of technical and administrative measures as well as for protecting data from unauthorised access and illegal or accidental information processing.
- Identification and categorisation of data repositories according to their criticality, from the perspective of confidentiality, integrity and availability. Responsibility for categorisation and measures required to protect data rests with the data repository owner. A data asset is a set of data created for a certain purpose, such as an application with databases or a data set or table created for analytical purposes.

The management and process owners within companies are responsible for identifying and evaluating the risks associated with business processes, services and products and the ICT systems they involve, and for implementing the controls required to achieve an acceptable risk level and ensure process functionality and efficiency. Controls should be automated or partially automated when possible.

OP MB enforces the framework and procedures for operational risk management in OP Financial Group. OP Financial Group's operational risk management framework is divided into backward-looking (e.g. operational risk events), current situation based and proactive procedures (risk and control self-assessment, business continuity management, and RCSA regarding new products). The central cooperative's Risk Management is responsible for OP Financial Group's operational risk management framework, its maintenance and development, and issues more detailed instructions on operational risk management procedures followed in OP Financial Group. Risk Management maintains a shared risk library system for identifying operational risks at OP Financial Group – which includes cause, impact, standard risk and control libraries – and which it reviews regularly to ensure that the system is comprehensive and up to date.

OP Financial Group manages the control, responsibilities, supervision and development of security by means of the Corporate Security Principles, which are approved by the Board of Directors of OP Cooperative and which enable coherent Group-wide security work. The principles and derived guidelines constitute the corporate security governance model.

OP Financial Group uses a centralised cyber security governance model to manage, supervise and report on cybersecurity. The Cyber Security organisation provides more detailed procedures and operating instructions on implementing and ensuring information security within the Group and the management of data security breach situations. The cybersecurity operating instructions are policies which guide our activities and must be complied with when developing or procuring new systems and solutions. OP Financial Group's Cyber Security is in charge of processes and guidelines on managing deviations from instructions.

Interest rate risk

Impact on equity

TEUR	Risk parameter	Change	Impact on equity	
			31 Dec 2024	31 Dec 2023
Interest rate risk	interest rate	1 pp	-529.9	-2,494.0

Note 24. 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.

Related party transactions	31 Dec 2024		
TEUR	OP Cooperative	OP Corporate Bank	Other
Assets			
Cash and cash equivalents		343,002	
Derivative contracts		114,221	
Other assets	40	1,654	

	31 Dec 2024		
TEUR	OP Cooperative	OP Corporate Bank	Other
Liabilities			
Liabilities to member credit institutions			
Derivative contracts		589,194	
Debt securities issued to the public		328,257	
Provisions and other liabilities	52		25

TEUR	OP Cooperative	Q1–4/2024 OP Corporate Bank	Other
Interest income		15,803	
Interest expenses		-78,217	-85
Dividend income	2		
Commission expenses		-13	
Operating expenses	-2,435	-26	-2,684

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

TEUR	OP Cooperative	31 Dec 2023 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	4,382
Provisions and other liabilities			276

TEUR	OP Cooperative	Q1–4/2023 OP Corporate Bank	Other
Interest income		22,530	
Interest expenses		-107,609	-141
Dividend income	2		
Commission expenses		-10	
Operating expenses	-2,087	-4	-3,077

All OP MB's derivative contracts have been entered into with OP Corporate Bank plc. Data on derivative contracts is presented in Note 3 Net interest income and in Note 13 Derivative contracts.

Shares held by related parties

The parent company holds all of the 76,592 shares.

Executives' benefits

Wages and salaries were paid to the Managing Director and Deputy Managing Director during the financial year. No salary or remuneration was paid to members of the Board of Directors. No loans, guarantees or collateral were granted to persons in key executive positions. Persons in key executive positions do not own shares in OP Mortgage Bank or stock options. Persons in key executive positions are not covered by supplementary pension plans.

Wages and salaries and fringe benefits paid to the persons in key executive positions were as follows:

TEUR	2024	2023
Wages and salaries	234	225
Fringe benefits	1	1
Total	235	226

Pension costs of persons in key executive positions

TEUR	2024	2023
Pension costs of defined contribution plans under TyEL	59	57

Pension costs of defined contribution plans under TyEL include employee and employer shares. Management expenses have been added to pension costs from 2024 onwards.

Note 25. 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 Note 11, Receivables from member credit institutions.

OP cooperative banks paid EUR 583,045 thousand (467,781) in interest income to OP MB. OP MB paid EUR 12,625 thousand (19,138) in commission expenses and EUR 0 thousand (1) in other expenses to OP cooperative banks. Intermediary loans in OP MB balance sheet totalled EUR 14,954,957 thousand (14,946,671) at the end of the reporting period.

In November, OP MB sold a loan portfolio with a nominal value of EUR 1,825 million back to 85 OP cooperative banks. A capital loss of EUR 7.9 million was recognised on the sale in other operating expenses, and at the same time, income of EUR 5.0 million was recognised in net interest income consisting of income of EUR 7.7 million from the unwinding of hedge accounting items and an expense of EUR 2.7 million from the unwinding of loan EIF amortisations. In addition, EUR 4.5 million was recognised as expected credit loss on the sold loans. Net effect on operating profit was EUR 1.7 million. Previously, OP MB has purchased loans from OP cooperative banks as collateral for the bonds. Currently, OP MB operates on an intermediary loan model in which loans are tagged as collateral for bonds directly in OP cooperative banks' balance sheets.

Note 26. Events after the balance sheet date

The changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III within the EU, are expected to reduce the capital adequacy of OP MB, nevertheless, capital adequacy remains at a very strong level. These changes took effect on 1 January 2025.

Statement concerning the financial statements

In compliance with the IFRS Accounting Standards, these financial statements provide a true and fair view of the company's assets, liabilities, financial position and profit.

This Report by the Board of Directors faithfully represents the development and performance of the company's business, as well as key risks, uncertainty factors and other information on the condition of the company.

Helsinki, 6 February 2025

Mikko Timonen Chair of the Board of Directors	Sanna Eriksson Managing Director
Satu Nurmi Board member	Mari Heikkilä Board member

Auditor's note

We have today issued an auditor’s report on the audit performed.

Helsinki, 19 February 2025

PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari
Authorised Public Accountant

Auditor’s Report

(Translation of the Finnish Original)

To the Annual General Meeting of OP Mortgage Bank Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion the financial statements give a true and fair view of the company’s financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of OP Mortgage Bank Plc (business identity code 1614329-2) for the year ended 31 December 2024. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

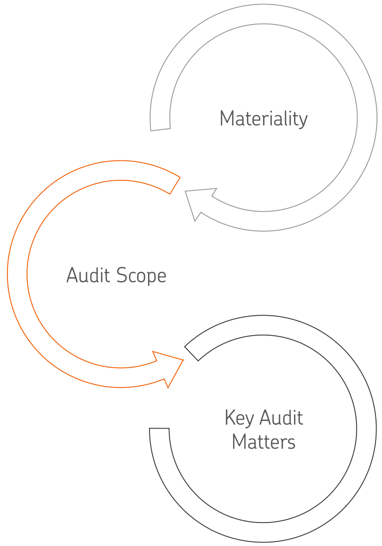
Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 7 to the Financial Statements.

Our Audit Approach

Overview



- Overall materiality: € 15,4 million, which represents approximately 0,1 % of total assets
- Audit scope: the audit has covered all of the material businesses of OP Mortgage Bank Plc
- We have determined that there are no key audit matters to communicate in our report.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall materiality	€ 15,4 million
How we determined it	Approximately 0,1 % of total assets
Rationale for the materiality benchmark applied	We selected total assets as the benchmark for determining materiality because, in our view, it is an appropriate benchmark for assessing OP Mortgage Bank Plc's financial position and performance. We chose to apply a percentage of approximately 0,1%, which is within the range of acceptable quantitative materiality thresholds in auditing standards.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We have determined that there are no key audit matters to communicate in our report. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the company's financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 2.4.2024. Our appointment represents a total period of uninterrupted engagement of one year.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in compliance with the applicable provisions.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in compliance with the applicable provisions.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 19 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)