

OP Corporate Bank plc's Interim Report
1 January–30 September 2023

OP Corporate Bank plc's Interim Report 1 January–30 September 2023

Operating profit Q1–3/2023	Net interest income Q1–3/2023	Loan portfolio growth in the year to September	CET1 ratio 30 September 2023
€259million	+33%	–1.6%	13.0%

- OP Corporate Bank plc's operating profit was EUR 259 million (141).
- Net interest income grew by 33% to EUR 421 million (316). Investment income increased by EUR 41 million to EUR 53 million (13) and net commissions and fees by EUR 39 million to EUR 52 million (13).
- Impairment loss on receivables increased by EUR 46 million to EUR 63 million (16). Expected credit losses concerning the real estate sector and the construction industry increased.
- Operating expenses increased by 9% to EUR 229 million (209). The cost/income ratio improved to 42% (57).
- In the year to September, the loan portfolio decreased by 1.6% to EUR 28.0 billion (28.5) and the deposit portfolio by 14.2% to EUR 12.3 billion (14.3).
- The Corporate Banking and Capital Markets segment's operating profit increased to EUR 150 million (57). Net interest income grew by 35% to EUR 233 million (172). Investment income increased by EUR 31 million to EUR 42 million (12) and net commissions and fees by EUR 38 million to EUR 1 million (–37). Operating expenses totalled EUR 97 million (94). Impairment loss on receivables increased to EUR 32 million (1).
- The Asset and Sales Finance Services and Payment Transfers segment's operating profit increased to EUR 100 million (90). Net interest income grew by 25% to EUR 157 million (126). Net commissions and fees totalled EUR 47 million (46). Operating expenses increased to EUR 88 million (80). Impairment loss on receivables, EUR 27 million, increased by EUR 17 million.
- The Baltics segment's operating profit rose to EUR 27 million (18). Net interest income grew by 35% to EUR 50 million (37). Net commissions and fees totalled EUR 7 million (8). Operating expenses of EUR 26 million rose by EUR 5 million year on year. Impairment loss on receivables totalled EUR 4 million (5).
- The Group Functions segment's operating loss was EUR 18 million (–24). The financial position and liquidity remained strong.
- OP Corporate Bank plc's CET1 ratio was 13.0% (11.9), which exceeds the minimum regulatory requirement by 4.3 percentage points. OP Corporate Bank adopted the Standardised Approach to credit risk in its capital adequacy measurement during the first quarter.

OP Corporate Bank plc's key indicators

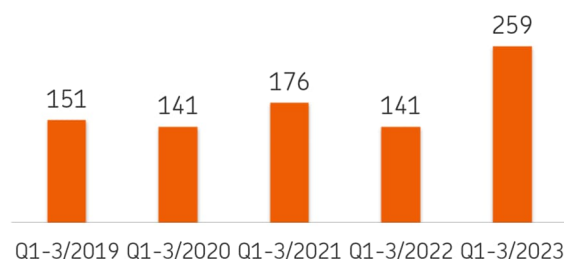
Operating profit (loss), € million	Q1–3/2023	Q1–3/2022	Change, %	Q1–4/2022
Corporate Banking and Capital Markets	150	57	165.0	186
Asset and Sales Finance Services and Payment Transfers	100	90	10.8	138
Baltics	27	18	51.7	24
Group Functions	-18	-24	-	-83
Total	259	141	83.6	265
Total income	551	367	50.2	564
Total expenses	-229	-209	9.4	-281
Cost/income ratio, %	41.5	57.0	-15.5*	-49.8
Return on equity (ROE), %	6.2	3.5	2.7*	4.9
Return on assets (ROA), %	0.31	0.16	0.16*	0.22
	30 Sep 2023	30 Sep 2022	Change, %	31 Dec 2022
CET1 ratio, %	13.0	12.3	0.6*	11.9
Loan portfolio, € million**	28,040	28,493	-1.6	28,309
Guarantee portfolio, € million	2,865	3,398	-15.7	3,412
Other exposures, € million	6,103	5,715	6.4	6,354
Deposits, € million	12,301	14,336	-14.2	14,683
Ratio of non-performing exposures to exposures, %**	2.0	1.6	0.4*	1.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %**	0.27	0.07	0.20*	0.06

Comparatives for the income statement are based on the corresponding figures a year ago. Unless otherwise specified, figures from 31 December 2022 are used as comparatives for balance-sheet and other cross-sectional items.

*Change in ratio.

**The formula for calculating key figures and ratios has been changed as of the beginning of 2023. The item 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.

Operating profit, € million



OP Corporate Bank plc's operating profit calculated as pre-tax profit under national legislation is presented as figures for 2019–2020.

OP Corporate Bank plc's Interim Report 1 January–30 September 2023

Report

OP Corporate Bank plc's key indicators.....	2
Business environment	4
OP Corporate Bank earnings.....	5
Sustainability and corporate responsibility	7
Capital adequacy.....	9
Bases for risk profile management and the business environment.....	11
Financial performance by segment.....	16
Corporate Banking and Capital Markets.....	16
Asset and Sales Finance Services and Payment Transfers.....	18
Baltics.....	20
Group Functions.....	22
ICT investments.....	24
Personnel and remuneration.....	24
Corporate governance and management.....	24
Outlook towards the year end	25
Formulas for key figures and ratios.....	26
Capital adequacy.....	30

Tables

Income statement.....	32
Statement of comprehensive income.....	32
Balance sheet.....	33
Statement of changes in equity.....	34
Cash flow statement	35
Notes	36

Business environment

The positive development indicated by economic surveys describing the world economy remained temporary in the spring. In September, the Global Purchasing Managers' Index was at its lowest level since January. Euro-area GDP grew slowly in January–September and the inflation rate decelerated to 4.3% in September from 9.2% at the end of 2022.

Stock prices in most countries were higher than at the beginning of the year, despite the drop in prices in the third quarter. Stock prices in Finland were lower than at the end of last year. In July–September, bond rates rose higher than at the end of last year.

The European Central Bank (ECB) raised its main refinancing rate several times between January and September. Following the rate increase of 0.25 percentage points in September, the deposit facility rate stood at 4.00%. In January–September, the 12-month Euribor increased by 0.93 percentage points, standing at 4.22% at the end of September.

Finnish economic growth was weak between January and September. The rapid rise in interest rates reduced home sales, and home prices fell. In August, the unemployment rate was 7.2%, slightly higher than at the end of last year. In August, inflation slowed down to 5.6%, compared to 9.1% in December 2022.

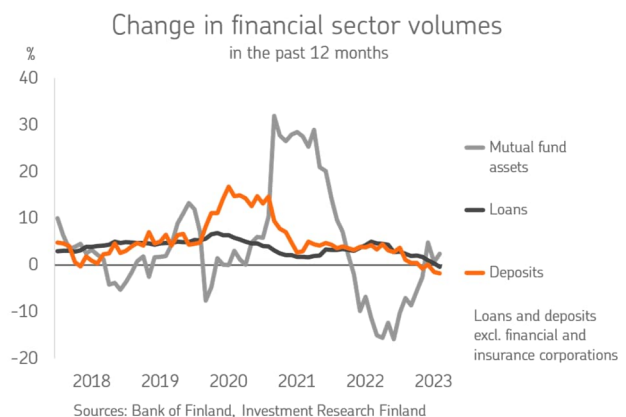
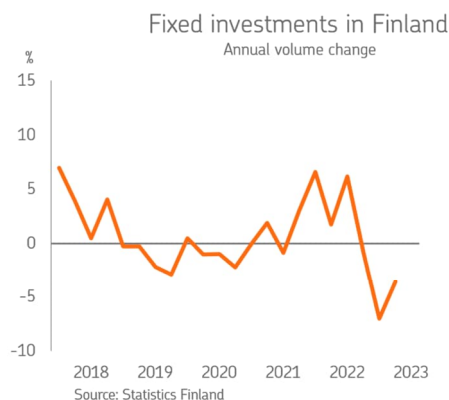
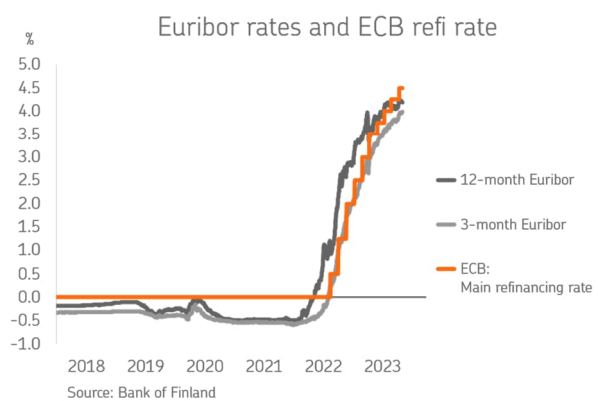
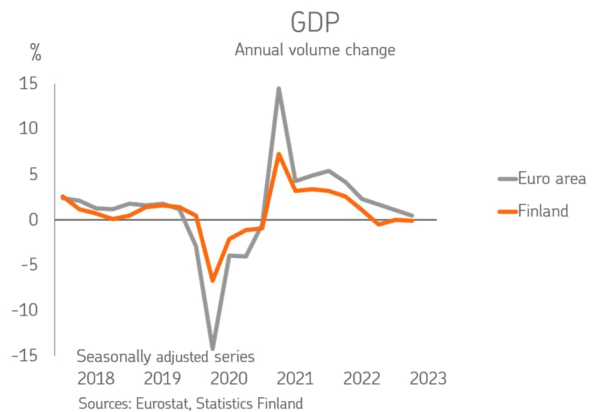
The economic outlook remained subdued and uncertain. Inflation is expected to remain above the ECB's target towards the year end and the ECB still has to pursue a tight monetary policy.

In August, total loans were 0.1% lower than a year ago. The volume of corporate loans decreased by 3.7% year on year. Housing company loans increased by 5.2%. Total household loans decreased by 1.3% year on year. The home loan portfolio was 1.6% smaller than a year ago. The annual growth rate of consumer loans was 2.5% in August as against 3.8% during the same period a year earlier.

Total deposits decreased by 0.8% year on year. Corporate deposits decreased by 8.9% and household deposits by 3.3% year on year.

The value of the assets of mutual funds registered in Finland increased from EUR 134 billion at the end of last year to EUR 141 billion at the end of September. During that period, new assets worth a total of EUR 2,464 million were invested in mutual funds registered in Finland.

Demand for insurance products remained stable. The end of the pandemic and inflationary pressures have increased claims incurred. The rise in interest rates has had a positive effect on capital adequacy.



OP Corporate Bank earnings

€ million	Q1–3/ 2023	Q1–3/ 2022	Change, %	Q3/ 2023	Q3/ 2022	Change, %	Q1–4/ 2022
Net interest income	421	316	33.4	159	135	17.1	396
Impairment loss on receivables	-63	-16	282.1	-40	24	-	-18
Net commissions and fees	52	13	292.2	12	5	141.9	19
Investment income	53	13	319.4	14	-1	-	117
Other operating income	24	25	-3.1	6	7	-1.0	32
Personnel costs	-60	-53	13.3	-17	-16	10.0	76
Depreciation/amortisation and impairment loss	-3	-7	-	0	-2	-	9
Other operating expenses	-165	-149	11.3	-45	-39	15.8	196
Operating profit	259	141	83.6	88	114	-22.6	265

January–September

OP Corporate Bank plc's operating profit (earnings before tax) increased to EUR 259 million (141). Net interest income increased by EUR 106 million to EUR 421 million and investment income by EUR 41 million to EUR 53 million. Net commissions and fees increased to EUR 52 million (13) as commission expenses decreased by EUR 38 million. Impairment loss on receivables increased by EUR 46 million to EUR 63 million. Total operating expenses increased by 9.4% to EUR 229 million (209).

Net interest income grew by 33.4% to EUR 421 million. Total interest income increased by EUR 1,612 million to EUR 2,034 million. Interest income from receivables from customers increased by EUR 708 million to EUR 898 million as a result of higher market interest rates. This increase was also affected by interest income from central bank deposits. Total interest income from receivables from credit institutions rose to EUR 724 million (24). OP Corporate Bank's loan portfolio decreased by 1.6% to EUR 28.0 billion (28.5). The loan portfolio decreased by 0.9% from its level at the end of last year. Interest expenses increased by a total of EUR 1,507 million to EUR 1,613 million. Interest expenses from liabilities to customers increased to EUR 247 million (1). The deposit portfolio decreased by 14.2% in the year to September, to EUR 12.3 billion. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose significantly over the previous year, and from securities issued to the public. The amount of debt securities issued to the public decreased to EUR 22.8 billion (25.2). At the end of the reporting period, -the amount of senior non-preferred bonds totalled EUR 4.3 billion (4.3). Subordinated liabilities totalled EUR 1.4 billion (1.4). During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 1.2 billion. During the first quarter, OP Corporate Bank paid off the TLTRO III -funding offered by the European Central Bank, totalling EUR 12.0 billion.

Impairment loss on receivables increased by EUR 46 million to EUR 63 million. Impairment loss on receivables increased mainly as a result the deteriorated situation in the construction industry and the real estate sector. Loss allowance was EUR 317 million (272) at the end of the reporting period. The item includes an additional provision of EUR 13 million based on management judgement that applies to the construction industry and the real estate sector. Final net loan losses recognised for the reporting period totalled EUR 18 million (59). Non-performing exposures accounted for 2.0% (1.6) of total exposures. Ratio of impairment loss on receivables to the loan and guarantee portfolio was 0.27% (0.07).

Net commissions and fees increased by EUR 39 million to EUR 52 million. Commission income of EUR 99 million was at the previous year's level. Commission income from lending increased by EUR 4 million to EUR 38 million and commission income from payment transfers by EUR 1 million to EUR 25 million. Commissions and fees for securities brokerage and issue fell by a total of EUR 5 million to EUR 16 million. Commission expenses decreased by a total of EUR 38 million to EUR 47 million. The fall in commission expenses is explained by lower commission expenses from derivative contracts paid to OP Financial Group's member banks. This was due to the changed operating model adopted in the fourth quarter of 2022, applying to the hedging of interest rate risk associated with derivative contracts between OP Corporate Bank and OP cooperative banks.

Investment income rose by EUR 41 million to EUR 53 million. Income from derivatives operations rose by 57.7% to EUR 31 million (19). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved income from derivatives operations by EUR 2 million (4). Income from notes and bonds held for trading increased to EUR 17 million (–23) as interest income from them grew. Income from shares and participations decreased by EUR 5 million to EUR 1 million. Capital gains on notes and bonds totalled EUR 5 million (10).

Other operating income totalled EUR 24 million (25).

Total operating expenses increased by EUR 20 million to EUR 229 million. Personnel costs increased by EUR 7 million to EUR 60 million. The increase was affected by higher headcount and growth in the provision for performance-based bonuses as well as pay rises. Depreciation/amortisation and impairment loss on receivables decreased by EUR 4 million to EUR 3 million. Other operating expenses increased by EUR 17 million to EUR 165 million. Other operating expenses were especially increased by service charges payable to OP Cooperative and expenses related to the development of anti-financial crime. Charges of financial authorities were EUR 30 million (31). Total ICT costs, EUR 67 million, were at the previous year's level.

Comprehensive income for the reporting period increased to EUR 198 million (110). Change in the fair value reserve, EUR –11 million, reduced comprehensive income for the reporting period. Changes in the fair value of notes and bonds decreased the fair value reserve by EUR 21 million. Changes in the fair value of cash flow hedges and transfers in profit or loss to net interest income increased the fair value reserve by a total of EUR 14 million. Capital gains on notes and bonds recognised from the fair value reserve in profit or loss totalled EUR 5 million. A year ago, change in the fair value reserve reduced comprehensive income by EUR 15 million. The fair value reserve was EUR –40 million (–29) at the end of the reporting period.

July–September

Third-quarter operating profit decreased to EUR 88 million (114). Net interest income grew by 17.1% to EUR 159 million. Investment income rose to EUR 14 million (–1) and net commissions and fees to EUR 12 million (5). Operating profit was especially weakened by higher impairment loss on receivables. Impairment loss on receivables totalled EUR 40 million while EUR 24 million of impairment loss on receivables was reversed a year ago. Total operating expenses increased by 11.8% to EUR 63 million.

Net interest income rose to EUR 159 million (135). Net interest income from receivables from customers rose by EUR 246 million to EUR 343 million and net interest income from receivables from credit institutions rose by EUR 236 million to EUR 256 million. Interest expenses from liabilities to customers increased by EUR 95 million to EUR 99 million. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose significantly over the previous year, and from securities issued to the public.

Impairment loss on receivables totalled EUR 40 million while EUR 24 million in impairment loss on receivables was reversed a year ago as a result of repayments of certain non-performing exposures. Impairment loss on receivables increased mainly as a result the deteriorated situation in the construction industry and the real estate sector.

Net commissions and fees increased by EUR 7 million to EUR 12 million. Commission income, EUR 28 million, decreased by EUR 3 million resulting from lower commission income from lending, securities brokerage and issue. Commission expenses fell by EUR 10 million to EUR 15 million. The fall in commission expenses was affected by lower commission expenses from derivative contracts paid to OP Financial Group's member banks.

Investment income totalled EUR 14 million (–1). Income from financial assets held for trading, EUR 15 million, increased by EUR 17 million over the previous year, income from derivatives operations totalling EUR 13 million (–1) and income from notes and bonds EUR 2 million (–4). Capital losses recognised on notes and bonds totalled EUR 1 million. A year ago, capital gains on notes and bonds totalled EUR 1 million.

Other operating income totalled EUR 6 million (7).

Total operating expenses increased by 11.8% to EUR 63 million. Personnel costs totalled EUR 17 million (16). Other operating expenses increased by EUR 6 million to EUR 45 million.

Third-quarter comprehensive income decreased by 37.6% to EUR 64 million. Change in the fair value reserve, EUR –7 million, reduced comprehensive income. A year ago, change in the fair value reserve increased comprehensive income by EUR 11 million.

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's and OP Corporate Bank's business and strategy, and responsible business is one of OP Financial Group's strategic priorities. In August 2022, OP Financial Group published its updated sustainability programme that is built around three themes: Climate and the environment, People and communities and Corporate governance.

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

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

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

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

OP Corporate Bank is committed to ensuring that its corporate loan portfolios are carbon neutral by 2050. OP Corporate Bank does not provide finance for new coal power plants or coal mines, or companies that plan to build them. Neither does OP Corporate Bank finance new corporate customers with financial dependence of over 5% on coal as an energy source, measured in net sales. This policy can be deviated from if the corporate customer is committed to shifting towards a low-carbon economy and presents a concrete plan to withdraw from coal.

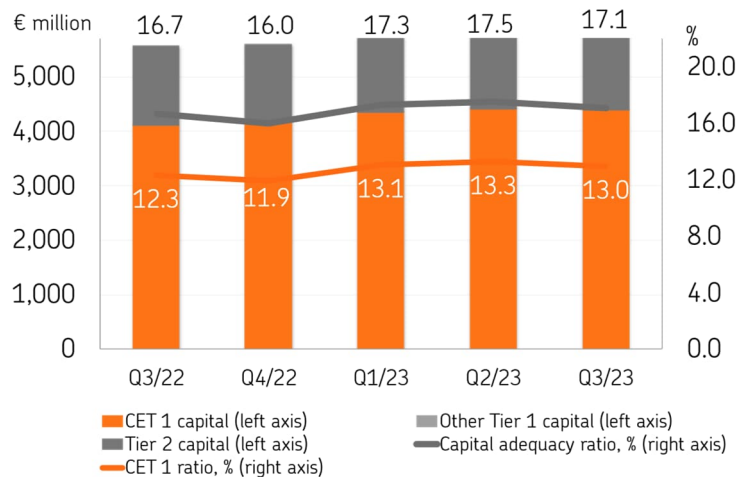
In August, OP Corporate Bank set new emissions reduction targets for three sectors in its loan portfolio: energy, agriculture and residential property sectors. In energy production, the emissions intensity will be reduced by 50% from the 2022 level by 2030. In agriculture, absolute emissions will be reduced by 30% from the 2022 levels by 2030. The emissions intensity related to home loans will be reduced by 45% from the 2022 level by 2030.

OP Corporate Bank has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. In green loans, corporate customers are committed to using the borrowed funds to promote specific projects. In sustainability-linked loans, corporate customers are committed to sustainability goals selected together when granting the loan. These targets affect the loan margin. At the end September, total exposures from these loans and facilities stood at EUR 6.2 billion (5.2).

OP Corporate Bank has issued two green bonds under the Green Bond Framework to responsible institutional investors: a senior non-preferred unsecured green bond of EUR 500 million with a maturity of 5.5 years issued in 2022 and a senior unsecured green bond of EUR 500 million with a maturity of five years issued in 2019. The green bonds support the green transition, and proceeds raised with them are allocated to sustainable corporate finance. Eligible sectors to be funded through the bonds include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use. OP Markets brokered its first ever green commercial paper in September 2023. OP Corporate Bank has also launched sustainable supply chain finance to encourage supply chains to more sustainable operations through sustainability-linked financing.

Capital adequacy

Capital base and capital adequacy



Capital adequacy for credit institutions

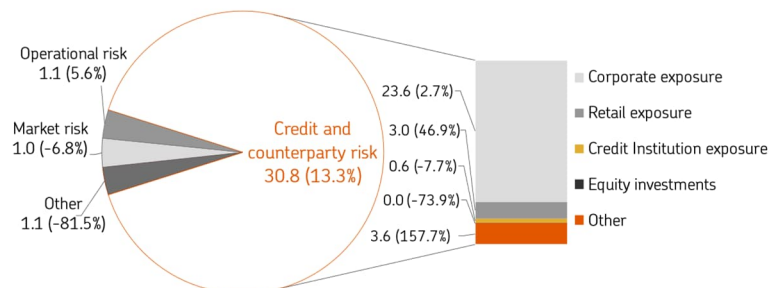
On 30 September 2023, OP Corporate Bank's CET1 ratio was 13.0% (11.9), which exceeds the minimum regulatory requirement by 4.3 percentage points. Earnings and a decrease in risk-weighted assets improved the ratio.

As a credit institution, OP Corporate Bank's capital adequacy ratio is good compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The minimum AT1 requirement, 1.5%, increases the minimum CET1 to 6%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions and the requirement for the countercyclical capital buffer of 0.2% increase the minimum capital adequacy ratio to 10.7% and the minimum CET1 ratio to 8.7%, including the shortfall of Additional Tier 1 (AT1) capital.

The CET1 capital totalled EUR 4.4 billion (4.2) on 30 September 2023. The CET1 capital was improved by earnings for the reporting period and the elimination of the allowance for expected losses based on the IRBA, which resulted from the transition to the Standardised Approach to credit risk.

On 30 September 2023, the risk exposure amount (REA) totalled EUR 33.9 billion (35.1), or 3.3% lower than on 31 December 2022. OP Corporate Bank adopted the Standardised Approach to credit risk in its capital adequacy measurement during the first quarter of 2023. This change had no effect on the CET1 ratio. Total risk exposure amount decreased as a result of a reduction in the loan portfolio, in particular.

Risk Exposure Amount 30 September 2023
Total €33.9 billion
(change from year end -3.3%)



OP Corporate Bank is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB. OP Financial Group publishes Pillar III disclosures.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In September 2023, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks. In its macroprudential policy decision in March 2023, the FIN-FSA set a systematic risk buffer of 1% for OP Financial Group, effective as of 1 April 2024.

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

Liabilities under the Resolution Act

Under regulation applied to crisis resolution of credit institutions and investment firms, the resolution authority is authorised to intervene in the terms and conditions of investment products issued by a bank in a way that affects an investor's position. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority (Single Resolution Board (SRB)). The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

The SRB updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group in March 2023. As part of the MREL, the resolution authority has updated OP Financial Group's subordination requirement in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be fulfilled with own funds or subordinated liabilities. The MREL is 22.30% of the total risk exposure and 26.38% of the total risk exposure including a combined buffer requirement, and 7.40% of leverage ratio exposures. The updated subordination requirement supplementing the MREL was 14.66% of the total risk exposure amount and 18.74% of the total risk exposure amount including a combined buffer requirement, and 7.40% of leverage ratio exposures. This took effect on 15 March 2023.

From the beginning of 2024, the MREL will be 22.89% of the total risk exposure and 26.97% of the total risk exposure including a combined buffer requirement, and 7.40% of leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 4.08%.

OP Financial Group's buffer for the MREL was EUR 7.1 billion and for the subordination requirement EUR 5.7 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 3.9 billion. These bonds provide funds for the MREL subordination requirement.

OP Financial Group clearly exceeds the new MREL requirement. At the end of September 2023, OP Financial Group's MREL ratio was 36.1% of the total risk exposure amount and, based on the subordination requirement, the MREL ratio for subordinated liabilities was 26.5% of leverage ratio exposures.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 September 2023

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

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

Bases for risk profile management and the business environment

In all of its operations, OP Corporate Bank emphasises risk-taking that is carefully prepared and moderate. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by OP Cooperative's Board of Directors.

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

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

Unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Corporate Bank's customers and on OP Corporate Bank's premises, ICT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity and the continuity of daily business in various ways. OP Corporate Bank assesses the effects of such potential shocks by means of scenario work. OP Corporate Bank is constantly prepared for such events by making various action plans for them and testing these plans.

During the reporting period, OP Corporate Bank continued to address the observations made in the AML audit completed by the FIN-FSA in 2022. The audits were performed as part of the FIN-FSA's normal supervisory and audit activities, applying to OP Corporate Bank plc, Etelä-Karjalan Osuuspankki, Turun Seudun Osuuspankki and OP Cooperative to the extent the audited banks had outsourced their tasks to it. The FIN-FSA did not make any observations that would indicate money laundering or terrorist financing. The FIN-FSA found matters requiring improvement in the assessment of money laundering risks, obtaining KYC information and keeping it up to date, assessment of risks associated with customer relationships, and matters related to internal control of AML. For several years, OP Financial Group has invested significantly in the development of AML risk management. Corrective measures related to the supervisory authority's observations have already been partly implemented, and the aim is to remedy all significant observations by the end of 2023.

During the reporting period, the materialisation of OP Corporate Bank's operational risks resulted in EUR 0.5 million (0.3) in gross losses. As regards other risks, the risk profile is examined in more detail by segment. OP Corporate Bank's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Group Functions segment.

Business segments

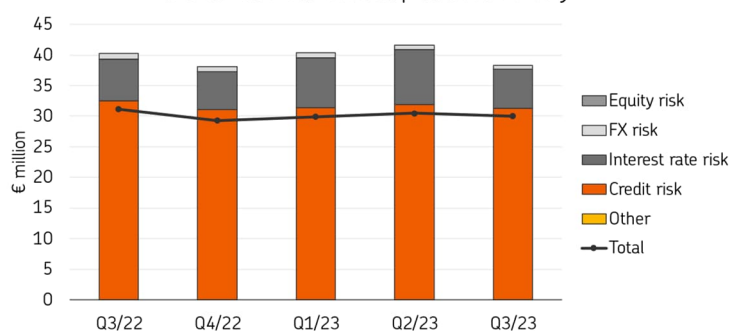
Major risks in the business segments are associated with credit risk arising from customer business, and market risk. Credit risk exposure of the business segments remained stable, risk level remained moderate and the overall quality of the loan portfolio remained good, but there is a risk of negative developments. A rise in interest rates and inflation may have a negative impact on the credit risk exposure.

The market risk level of OP Corporate Bank's investments decreased during the reporting period. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 30 million (29) on 30 September 2023. The VaR risk metric includes banking's bond investments, derivatives that hedge their interest rate risk as well as investments in money market papers.

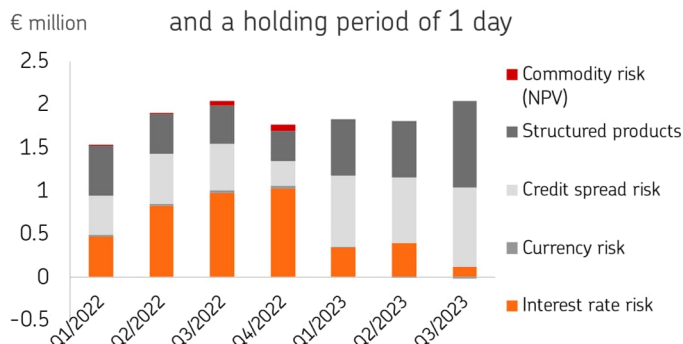
Market risks involved in Markets increased slightly during the third quarter. Since the beginning of 2023, OP Corporate Bank has used the Stressed Expected Shortfall (ES) risk measure. The Stressed ES is a more conservative risk measure than the unstressed ES used previously.

Interest rate risk in the banking book measured as the effect of a one-percentage-point increase on a 12-month net interest income was EUR 2 million (–20) and as the effect of a one-percentage-point decrease EUR –2 million (17) on average in the year to September. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

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



Market risk ES at a confidence level of 97.5% and a holding period of 1 day



Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022	30 Sep 2023	31 Dec 2022
More than 90 days past due, € million			74	69	74	69	49	44	26	25
Unlikely to be paid, € million			401	336	401	336	83	100	318	236
Forborne exposures, € million	103	144	274	163	377	308	70	59	306	249
Total, € million	103	144	749	568	852	713	202	203	650	510

Key ratios	30 Sep 2023	31 Dec 2022
Ratio of doubtful receivables to exposures, %	2.30	1.91
Ratio of non-performing exposures to exposures, %	2.02	1.53
Ratio of performing forborne exposures to exposures, %	0.28	0.39
Ratio of performing forborne exposures to doubtful receivables, %	12.0	20.3
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	37.0	38.4

*The loan portfolio included in exposures 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.

At the end of the third quarter, OP Corporate Bank plc had 6 (7) large customer exposures, totalling EUR 3.1 (3.5) billion. Large customer exposure refers to the amount of exposures of an individual group of connected clients which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. Own funds covering customer exposure means Tier 1 capital under CRR II.

The Baltics segment exposures totalled EUR 4.3 billion (4.2), which accounted for 10.0% (9.9) of OP Corporate Bank's exposures.

The distribution of loss allowance by sector is presented at Group level in OP Financial Group's Interim Report.

Group Functions

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

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

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) decreased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 29 million (27) on 30 September 2023. The VaR risk metric includes bond investments in the liquidity buffer, derivatives that hedge their interest rate risk as well as investment in money market papers.

OP Financial Group secures its liquidity through a liquidity buffer maintained by OP Corporate Bank and consisting mainly of deposits with the ECB and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

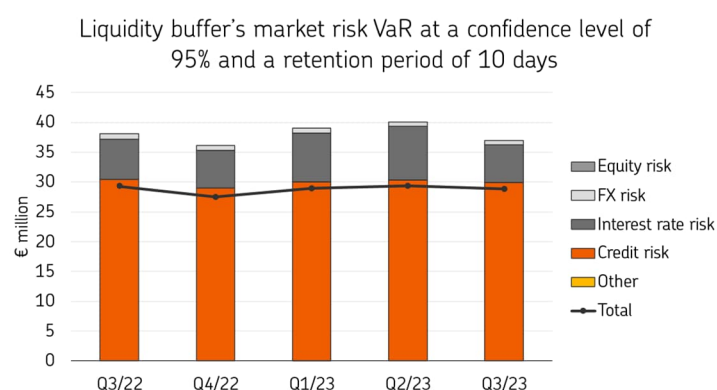
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 217% (217) at the end of the reporting period.

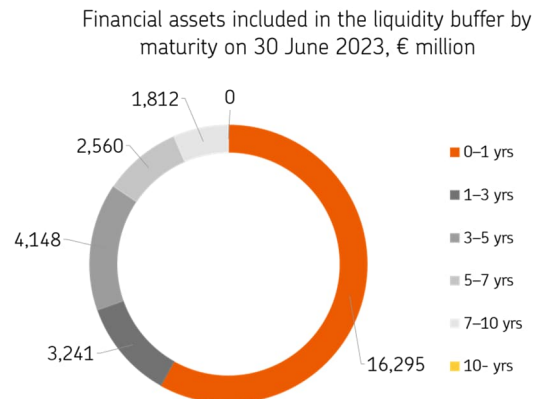
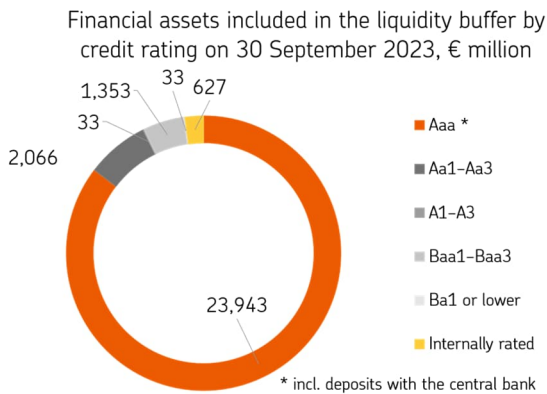
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 126% (128) at the end of the reporting period.

Liquidity buffer

€ billion	30 Sep 2023	31 Dec 2022	Change, %
Deposits with ECB	15.5	34.8	-55.5
Notes and bonds eligible as collateral	10.6	2.1	406.9
Loan receivables eligible as collateral	1.1	-	-
Total	27.2	36.9	-26.2
Receivables ineligible as collateral	0.8	0.7	13.7
Liquidity buffer at market value	28.1	37.6	-25.4
Collateral haircut	-0.7	-0.2	-
Liquidity buffer at collateral value	27.3	37.4	-27.0

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loan receivables eligible as collateral. In the reporting period, OP Corporate Bank repaid in full the EUR 12.0 billion in TLTRO III loans. At the end of the reporting period, the liquidity buffer included bonds with a carrying amount of EUR 256 million (0) classified as amortised cost issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 250 million (0). In the above information on the liquidity buffer, these bonds are measured at fair value.





For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Exposures of OP Financial Group entities represented 20.9% of OP Corporate Bank plc's exposures. These exposures decreased by EUR 4.2 billion during the reporting period. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

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

Corporate Banking and Capital Markets

- Operating profit increased to EUR 150 million (57).
- Net interest income grew by 35.3% to EUR 233 million (172). Investment income increased to EUR 42 million (12).
- Other operating expenses increased to EUR 70 million (66).
- The loan portfolio grew by 2.8% in the reporting period, to EUR 16.7 billion (16.2).
- Impairment loss on receivables totalled EUR 32 million (1).
- The cost/income ratio improved to 34.8% (62.1).

Key figures and ratios

€ million	Q1–3/2023	Q1–3/2022	Change, %	Q1–4/2022
Net interest income	233	172	35.3	225
Impairment loss on receivables	-32	-1	999.0	-1
Net commissions and fees	1	-37	-	-49
Investment income	42	12	262.0	130
Other operating income	4	5	-25.5	7
Personnel costs	-26	-25	6.7	-36
Depreciation/amortisation and impairment loss	-1	-4	-69.7	-5
Other operating expenses	-70	-66	6.2	-85
Operating profit	150	57	165.0	186
Total income	280	152	84.2	313
Total expenses	-97	-94	3.2	-128
Cost/income ratio, %	34.8	62.1	-27.3*	40.2
Return on assets (ROA), %	0.69	0.28	0.41*	0.69
	30 Sep 2023	30 Sep 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	16.7	16.5	0.9	16.2

*Change in ratio.

** 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.

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

The loan portfolio grew by 2.8% in the reporting period, to EUR 16.7 billion (16.2). The loan portfolio in corporate financing showed a moderate growth.

Financial performance for the reporting period

Operating profit amounted to EUR 150 million (57). Total income increased by 84.2%. Total expenses increased by 3.2%. The cost/income ratio improved to 34.8% (62.1) year on year, due to higher income.

Net interest income grew by 35.3% to EUR 233 million (172). The segment's loan portfolio increased by 2.8% during the reporting period, amounting to EUR 16.7 billion (16.2). Net commissions and fees increased to EUR 1 million (–37), as OP Financial Group's internal commission expenses declined.

The reversal of a fast upward trend in interest rates improved investment income. Investment income increased to EUR 42 million (12). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 2 million (4).

Other operating income decreased to EUR 4 million (5).

Total expenses were EUR 97 million (94). Personnel costs rose by 6.7% to EUR 26 million (25). Other operating expenses increased by 6.2% to EUR 70 million (66).

Impairment loss on receivables totalled EUR 32 million (1). Impairment loss on receivables increased as a result the deteriorated situation in the construction industry and the real estate sector.

Asset and Sales Finance Services and Payment Transfers

- Operating profit increased to EUR 100 million (90).
- Total income increased by 19.4% to EUR 215 million (180). Net interest income grew by 25.1% to EUR 157 million (126).
- Total expenses increased to EUR 88 million (80). The cost/income ratio improved to 41.1% (44.3).
- During the reporting period, the loan portfolio decreased by 1.7% to EUR 8.5 billion (8.7). The deposit portfolio decreased by 20.9% to EUR 10.0 billion (12.7).
- Impairment loss on receivables increased to EUR 27 million (10).
- The most significant development investments involved the upgrades of customer relationship management and payment systems.

Key figures and ratios

€ million	Q1–3/2023	Q1–3/2022	Change, %	Q1–4/2022
Net interest income	157	126	25.1	183
Impairment loss on receivables	-27	-10	162.5	-12
Net commissions and fees	47	46	2.5	63
Investment income	0	0	-	0
Other operating income	11	9	26.9	10
Personnel costs	-23	-20	18.4	-27
Depreciation/amortisation and impairment loss	-1	-1	26.2	-1
Other operating expenses	-64	-60	8.2	-78
Operating profit	100	90	10.8	138
Total income	215	180	19.4	256
Total expenses	-88	-80	10.8	-105
Cost/income ratio, %	41.1	44.3	-3.2*	41.2
Return on assets (ROA), %	1.11	1.08	0.04*	1.23
	30 Sep 2023	30 Sep 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	8.5	8.6	-1.0	8.7
Deposits, € billion	10.0	13.0	-22.6	12.7

*Change in ratio.

** 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.

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

The most significant development investments of the business segment involved the upgrades of customer relationship management and payment systems.

During the reporting period, the loan portfolio decreased by 1.7% to EUR 8.5 billion (8.7). The deposit portfolio decreased by 20.9% to EUR 10.0 billion (12.7). The slowdown in companies' willingness to invest, reduced international trade and a lower working capital need affected the development of the loan portfolio. On the other hand, car finance increased the loan portfolio in the consumer market. In consumer finance, the loan portfolio grew by 12.3% to EUR 2.9 billion (2.6) during the reporting period. During the third quarter, OP Corporate Bank further increased its market share as a lender for low-emission passenger cars. In July–September, OP Corporate Bank further expanded its sustainable product portfolio by launching sustainable supply chain finance.

Financial performance for the reporting period

Operating profit amounted to EUR 100 million (90). Total income increased by 19.4%. Total expenses increased by 10.8%. The cost/income ratio improved to 41.1% (44.3) year on year.

Net interest income grew by 25.1% to EUR 157 million. Net interest income was especially increased by interest paid on the segment's deposit portfolio by OP Corporate Bank's Treasury. Net commissions and fees totalled EUR 47 million (46). Other operating income totalled EUR 11 million (9). Impairment loss on receivables totalled EUR 27 million (10).

Impairment loss on receivables increased mainly as a result of the deteriorated situation in the construction industry and the real estate sector.

Total expenses were EUR 88 million (80). Personnel costs rose by 18.4% to EUR 23 million (20). Other operating expenses increased by 8.2% to EUR 64 million.

Baltics

- Operating profit increased to EUR 27 million (18).
- Total income increased to EUR 57 million (44). Net interest income rose to EUR 50 million (37).
- Total expenses were EUR 26 million (21).
- The loan portfolio decreased to EUR 2.8 billion (2.9) during the reporting period.
- Impairment loss on receivables totalled EUR 4 million (5).
- The most significant development investments focused on the development of the payment transfer system.

Key figures and ratios

€ million	Q1–3/2023	Q1–3/2022	Change, %	Q1–4/2022
Net interest income	50	37	35.3	49
Impairment loss on receivables	-4	-5	-19.3	-6
Net commissions and fees	7	8	-7.8	10
Investment income	0	0	-94.1	0
Other operating income	0	0	-149.9	0
Personnel costs	-7	-6	24.5	-8
Depreciation/amortisation and impairment loss	0	-2	-69.6	-2
Other operating expenses	-18	-14	32.2	-19
Operating profit	27	18	51.7	24
Total income	57	44	29.3	59
Total expenses	-26	-21	22.4	-29
Cost/income ratio, %	45.3	47.8	-2.5*	49.4
Return on assets (ROA), %	1.04	0.73	0.31*	0.74
	30 Sep 2023	30 Sep 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	2.8	2.9	3.7	2.9
Deposits, € billion**	1.2	0.9	35.0	1.5

*Change in ratio.

**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.

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

The segment's loan portfolio decreased by 3.4% in the reporting period, to EUR 2.8 billion (2.9). The deposit portfolio decreased by 19.3% to EUR 1.2 billion (1.5).

In the Baltic countries, inflation has decelerated but has remained high. Demand for corporate loans and among households has dwindled in a challenging market. However, public investments have supported the market. Companies' appetite to invest has declined in Estonia and Latvia, in particular.

The most significant development investments of the business segment in January–September focused on improving the payment transfer system and developing the related instant payments, in particular.

Financial performance for the reporting period

Operating profit amounted to EUR 27 million (18). Total income increased by 29.3%. Total expenses increased by 22.4%. The cost/income ratio improved to 45.3% (47.8) year on year.

Net interest income rose to EUR 50 million (37). Net interest income was especially increased by interest paid on the deposit portfolio by OP Corporate Bank's Treasury. Net commissions and fees decreased to EUR 7 million (8).

Total expenses were EUR 26 million (21). Personnel costs rose by 24.5% to EUR 7 million (6). Other operating expenses increased by 32.2% to EUR 18 million (14).

Impairment loss on receivables reduced earnings by EUR 4 million (5). An additional management overlay provision of EUR 1 million for the construction industry and the real estate sector is included in impairment loss on receivables.

Group Functions

- Operating loss amounted to EUR 18 million (–24).
- The financial position and liquidity remained strong.

Key figures and ratios

€ million	Q1–3/2023	Q1–3/2022	Change, %	Q1–4/2022
Net interest income	-18	-19	-	-61
Impairment loss on receivables	0	0	-	0
Net commissions and fees	-3	-4	-	-5
Investment income	11	1	994.8	-12
Other operating income	17	18	-3.4	24
Personnel costs	-4	-3	12.2	-5
Depreciation/amortisation and impairment loss	0	-1	-	-1
Other operating expenses	-21	-16	33.0	-23
Operating loss	-18	-24	-	-83
Receivables and liabilities from/to the amalgamation's central cooperative and affiliated credit institutions, net position, € billion	-11.4	-14.1	-	-16.1

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

Financial performance for the reporting period

The Group Functions segment's operating loss was EUR 18 million (–24). Operating loss at fair value was EUR 34 million (–34).

Net interest income was EUR –18 million (–19). The effect of items related to TLTRO III funding and its hedging amounted to EUR –11 million (–4) during the reporting period. A rise in market interest rates had a positive effect on net interest income compared with the corresponding period a year ago.

Investment income totalled EUR 11 million (1). Investment income included EUR 5 million (10) in capital gains on notes and bonds. Investment income was improved especially by the result of derivatives used to hedge against interest rate risk.

At the end of September, the average margin of senior and senior non-preferred wholesale funding was 45 basis points (36).

In the reporting period, OP Corporate Bank repaid in full the EUR 12.0 billion in TLTRO III loans.

In June, OP Corporate Bank issued a senior bond worth EUR 650 million. During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 1.2 billion (3.5).

At the end of the reporting period, OP Corporate Bank's balance sheet assets included bonds worth EUR 256 million (0) classified as amortised cost issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 250 million (0).

On 30 September 2023, investments by the amalgamation's central cooperative and the affiliated credit institutions in OP Corporate Bank were EUR 11.4 (16.1) billion higher than funding borrowed by them from Group Treasury. The net amount was especially decreased by a reduction in the deposits made by the affiliated credit institutions with OP Corporate Bank, due to the maturity of the Group's retained covered bonds.

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

ICT investments

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

OP Financial Group and Microsoft will deepen their IT partnership and OP Financial Group will switch over to using Microsoft cloud services on an extensive basis. This cloud migration is a significant investment for OP in new technology, IT expertise and operating model. On 22 August 2023, OP announced its decision to build its new digital services and data platforms based on Microsoft Azure and concentrate its IT services on the cloud ecosystem located in Finland, which will foster digital growth in the whole of Finland. Along with the partnership and migration to the cloud environment, OP Financial Group can further improve the services provided to its customers.

OP Corporate Bank's development costs and production maintenance ICT costs totalled EUR 67 million (67). The development costs include licence fees, purchased services, other external costs related to projects and inhouse work. Development costs totalled EUR 15 million (13). Development costs have not been capitalised.

More detailed information on OP Corporate Bank's investments can be found in the business segment reports in this Interim Report.

Personnel and remuneration

On 30 September 2023, OP Corporate Bank plc had 857 employees (820).

Personnel at period end

	30 Sep 2023	31 Dec 2022
Corporate Banking and Capital Markets	289	304
Asset and Sales Finance Services and Payment Transfers	375	342
Baltics	143	133
Group Functions	50	41
Total	857	820

Variable remuneration applied by OP Financial Group and OP Corporate Bank in 2023 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and in the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

Corporate governance and management

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

On 9 March 2023, the Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As other Board members, the AGM elected Uudenmaan Osuuspankki Managing Director Olli Lehtilä, OP Turun Seutu Managing Director Petri Rinne, OP Keski-Suomi Managing Director Pasi Sorri, OP Financial Group's Chief Financial Officer Mikko Timonen and OP Financial Group's Chief Legal Officer and Group General Counsel Tiia Tuovinen.

The AGM re-elected KPMG Oy Ab, an audit firm, to act as OP Corporate Bank's auditor for the financial year 2023, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

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

Outlook towards the year end

The economy is expected to enter a mild recession and inflation to fall slowly. An exceptional degree of uncertainty is still associated with the business environment. Rising interest rates are weakening the real estate market and the construction sector in particular. Developments in the global capital markets and the geopolitical situation may abruptly affect the business environment.

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

The most significant uncertainties affecting OP Corporate Bank's earnings performance due to geopolitical risks and inflation relate to developments in the business environment, changes in the interest rate and investment environment and to the developments in impairment loss on receivables. In addition, future earnings performance will be affected by the market growth rate and the change in the competitive situation.

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

Formulas for key figures and ratios

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

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	$\frac{\text{Financial performance for the reporting period} \times (\text{days of financial year} / \text{days of reporting period})}{\text{Equity (average at beginning and end of period)}} \times 100$	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on assets (ROA), %	$\frac{\text{Financial performance for the reporting period} \times (\text{days of financial year} / \text{days of reporting period})}{\text{Average balance sheet total (average at beginning and end of period)}} \times 100$	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Total income	Net interest income + Net commissions and fees + Investment income + Other operating income	The figure describes the development of all income.
Total expenses	Personnel costs + Depreciation/amortisation and impairment loss + Other operating expenses	The figure describes the development of all expenses.
Investment income	Net interest income from financial assets held for trading + Net investment income	The figure describes the development of all income related to investment.
Cost/income ratio, %	$\frac{\text{Total expenses}}{\text{Total income}} \times 100$	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Loans and loss allowance included in the balance sheet item Receivables from customers.	The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	$\frac{\text{Impairment loss on receivables} \times (\text{days of financial year} / \text{days of reporting period})}{\text{Loan and guarantee portfolio at period end}} \times 100$	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.

Deposits	Deposits included in balance sheet item Liabilities to customers – changes in the fair value of deposits subject to hedge accounting	Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	$\frac{\text{Loss allowance}}{\text{Balance sheet items involving credit risk + credit equivalent of off-balance-sheet items}} \times 100$	The ratio describes how much the amount of expected losses covers the amount of the liability.
Default capture rate, %	$\frac{\text{New defaulted contracts in stage 2 a year ago}}{\text{New defaulted contracts during the reporting period}} \times 100$	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words, how many contracts were in stage 2 before moving to stage 3.

Key indicators based on a separate calculation

Capital adequacy ratio, %	$\frac{\text{Total own funds}}{\text{Total risk exposure amount}} \times 100$	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, %	$\frac{\text{Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
Common Equity Tier 1 (CET1) capital ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Leverage ratio, %	$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	$\frac{\text{Liquid assets}}{\text{Liquidity outflows – liquidity inflows under stressed conditions}} \times 100$	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.

Ratio of non-performing exposures to exposures, %	$\frac{\text{Non-performing receivables (gross)}}{\text{Exposures at period end}} \times 100$	<p>The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbore exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.</p>
Ratio of doubtful receivables to exposures, %	$\frac{\text{Doubtful receivables (gross)}}{\text{Exposures at period end}} \times 100$	<p>The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forbore exposures, doubtful receivables include non-performing exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.</p>
Ratio of performing forbore exposures to exposures, %	$\frac{\text{Performing forbore exposures (gross)}}{\text{Exposures at period end}} \times 100$	<p>The ratio describes the ratio of forbore exposures to the entire exposure portfolio. Performing forbore exposures include forbore exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forbore exposures.</p>
Ratio of performing forbore exposures to doubtful receivables, %	$\frac{\text{Performing forbore exposures (gross)}}{\text{Doubtful receivables at period end}} \times 100$	<p>The ratio describes the ratio of performing forbore exposures to doubtful receivables that include not only performing forbore exposures but also non-performing exposures. Performing forbore exposures include forbore exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forbore exposures.</p>

Ratio of loss allowance (receivables from customers) to doubtful receivables, %	$\frac{\text{Loss allowance for receivables from customers in the balance sheet}}{\text{Doubtful receivables at period end}} \times 100$	The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forbore exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio	The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities	The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities	In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

Capital adequacy

Capital adequacy for credit institutions

Own funds, € million	30 Sep 2023	31 Dec 2022
OP Corporate Bank plc's equity	4,563	4,364
Fair value reserve, cash flow hedge	11	26
Common Equity Tier 1 (CET1) before deductions	4,574	4,390
Intangible assets	-1	-3
Excess funding of pension liability and valuation adjustments	-72	-75
Planned profit distribution	-62	
Shortfall of ECL minus expected losses		-125
Insufficient coverage for non-performing exposures	-42	-3
CET1 capital	4,396	4,184
Tier 1 capital (T1)	4,396	4,184
Debtenture loans	1,308	1,308
Debtentures to which transition rules apply	65	91
General credit risk adjustments	23	
Excess of ECL minus expected losses		25
Tier 2 capital (T2)	1,396	1,424
Total own funds	5,793	5,608
Risk exposure amount, € million	30 Sep 2023	31 Dec 2022
Credit and counterparty risk	30,516	26,861
Standardised Approach (SA)	30,516	6,070
Central government and central banks exposure	80	91
Credit institution exposure	578	627
Corporate exposure	23,649	4,616
Retail exposure	2,956	45
Mortgage-backed exposure	1,481	99
Defaulted exposure	519	16
Items of especially high risk	265	
Covered bonds	566	540
Receivables to which a short-term credit rating can be applied	11	0
Collective investment undertakings (CIU)	61	
Equity investments	24	0
Other	325	34
Internal Ratings-based Approach (IRB)		20,791
Corporate exposure		18,421
Retail exposure		1,967
Equity investments		93
Other		309
Risks of the CCP's default fund	1	0
Securitisations	52	111
Market and settlement risk (Standardised Approach)	998	1,070
Operational risk (Standardised Approach)	1,086	1,028
Valuation adjustment (CVA)	199	179
Other risks*	1,076	5,824
Total risk exposure amount	33,926	35,074

* Risks not otherwise covered. A year ago, the risk-weighted assets (RWA) floor based on the Standardised Approach.

Ratios, %	30 Sep 2023	31 Dec 2022
CET1 capital ratio	13.0	11.9
Tier 1 ratio	13.0	11.9
Capital adequacy ratio	17.1	16.0
Ratios, fully loaded, %	30 Sep 2023	31 Dec 2022
CET1 capital ratio	13.0	11.9
Tier 1 ratio	13.0	11.9
Capital adequacy ratio	16.9	15.7
Capital requirement, EUR million	30 Sep 2023	31 Dec 2022
Own funds	5,793	5,608
Capital requirement	3,619	3,720
Buffer for capital requirements	2,173	1,888

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

TABLES

Income statement

€ million	Note	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Interest income		2,034	422	751	176
Interest expenses		-1,613	-106	-593	-40
Net interest income	3	421	316	159	135
Impairment loss on receivables	4	-63	-16	-40	24
Commission income		99	99	28	30
Commission expenses		-47	-86	-15	-25
Net commissions and fees	5	52	13	12	5
Net interest income from financial assets held for trading	6	48	3	15	-2
Net investment income	7	5	10	-1	1
Other operating income		24	25	6	7
Personnel costs		-60	-53	-17	-16
Depreciation/amortisation and impairment loss		-3	-7	0	-2
Other operating expenses	8	-165	-149	-45	-39
Operating expenses		-229	-209	-63	-56
Operating profit (loss)		259	141	88	114
Earnings before tax		259	141	88	114
Income tax		-52	-27	-18	-23
Profit for the period		207	114	70	91

Statement of comprehensive income

€ million	Note	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Profit for the period		207	114	70	91
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		3	14	2	2
Items that may be reclassified to profit or loss					
Change in fair value reserve					
On fair value measurement		-32	-4	-21	25
On cash flow hedging		18	-15	12	-12
Income tax					
On items not reclassified to profit or loss					
On gains/(losses) arising from measurement of defined benefit plans		-1	-3	0	0
On items that may subsequently be reclassified to profit or loss					
On fair value measurement		6	1	4	-5
On cash flow hedging		-4	3	-2	2
Other comprehensive Income Items		-9	-4	-6	13
Total comprehensive Income for the period		198	110	64	103

Balance sheet

€ million	Note	30 Sep 2023	31 Dec 2022
Cash and cash equivalents		15,252	34,951
Receivables from credit institutions		13,650	12,978
Receivables from customers		27,941	28,178
Derivative contracts	15	6,029	5,782
Investment assets		11,978	16,404
Intangible assets		1	3
Property, plant and equipment		4	5
Other assets		1,160	1,132
Tax assets		29	0
Total assets		76,044	99,433
Liabilities to credit institutions		23,453	40,899
Liabilities to customers		14,606	19,014
Derivative contracts		5,844	5,739
Debt securities issued to the public and debentures	9	22,820	25,209
Provisions and other liabilities		3,033	2,509
Tax liabilities		345	316
Subordinated liabilities		1,381	1,384
Total liabilities		71,482	95,069
Equity capital			
Share capital		428	428
Fair value reserve	10	-40	-29
Other reserves		1,019	1,019
Retained earnings		3,156	2,947
Total equity		4,563	4,364
Total liabilities and equity		76,044	99,433

Statement of changes in equity

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2022	428	42	1,019	2,807	4,296
Total comprehensive income for the financial year		-15		125	110
Profit for the financial year				114	114
Other comprehensive income		-15		11	-4
Profit distribution				-80	-80
Other				0	0
Equity capital 30 September 2022	428	27	1,019	2,852	4,326

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2023	428	-29	1,019	2,947	4,364
Total comprehensive income for the financial year		-11		209	198
Profit for the financial year				207	207
Other comprehensive income		-11		2	-9
Other				0	0
Equity capital 30 September 2023	428	-40	1,019	3,156	4,563

Cash flow statement

€ million	Q1-3/2023	Q1-3/2022
Cash flow from operating activities		
Profit for the period	207	114
Adjustments to profit for the period	155	511
Increase (-) or decrease (+) in operating assets	3,611	-4,266
Receivables from credit institutions	-395	-856
Receivables from customers	-261	-2,231
Derivative contracts	-266	-246
Investment assets	4,561	-918
Other assets	-29	-15
Increase (+) or decrease (-) in operating liabilities	-21,318	-1,516
Liabilities to credit institutions	-17,507	-1,405
Liabilities to customers	-4,408	-260
Derivative contracts	320	746
Provisions and other liabilities	276	-596
Income tax paid	-49	-34
Dividends received	2	0
A. Net cash from operating activities	-17,391	-5,191
Cash flow from investing activities		
Purchase of PPE and intangible assets	0	0
Proceeds from sale of PPE and intangible assets	1	-1
B. Net cash used in investing activities	0	-1
Cash flow from financing activities		
Subordinated liabilities, change	-17	-523
Debt securities issued to the public and debentures, change	-2,437	1,615
Dividends paid		-80
Lease liabilities	-1	-1
C. Net cash used in financing activities	-2,454	1,012
Net change in cash and cash equivalents (A+B+C)	-19,845	-4,180
Cash and cash equivalents at period start	35,395	32,891
Effect of foreign exchange rate changes	-62	74
Cash and cash equivalents at period-end	15,488	28,785
Interest received	4,059	711
Interest paid	-3,750	-432
Cash in hand		
Cash and cash equivalents	15,252	28,562
Receivables from credit institutions payable on demand	236	223
Total	15,488	28,785

Notes

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

Note 1. Accounting policies

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the financial statements 2022.

The Interim Report is based on unaudited figures. Given that all figures in the Interim Report have been rounded off, the sum total of individual figures may deviate from the presented sums.

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

1. Critical accounting estimates and judgements

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

Expected credit losses

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

- selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- different assumptions and expert assessments made in the models
- selection of the estimation methods of the parameters for the ECL models
- determination of the contract's maturity for non-maturing loans (revolving credit facilities)
- determination of model risk associated with the quality of the available modelling data and other data
- proper grouping of contracts into different segments so that their ECL can be measured using the appropriate model
- selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default
- forecasting future macroeconomic scenarios and their probabilities
- extra provisions based on management judgement related to a certain industry
- reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

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

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

The ECL models take account of Environmental, Social and Governance (ESG) risks of sustainable development, as follows:

- An assessment of economic impacts has been included in the measurement of the ECL models in the macro scenario where the use of fossil energy is reduced, so that carbon neutrality will be achieved by 2035.
- Since the beginning of 2023, OP Corporate Bank has started to use an ESG warning signal in the credit rating process (R rating) of large corporations based on expert judgement that consists of an estimate of ESG risk factors. The ESG warning signal identifies situations where the ESG risk factors have an effect on the customer's rating grade. If necessary, the customer's credit rating can be lowered with the ESG warning signal and thereby increase the PD risk parameter and ECL of the customer's contracts.

Management judgement and estimates included in the calculation of expected credit losses in respect of other than that presented above are included in the 2022 financial statements.

Geopolitical risks

Geopolitical events may have an indirect effect on OP Corporate Bank's income and risks as a result of customers' changed business conditions, and a direct effect on the general financial market conditions and obstruction of the technical infrastructure. OP Corporate Bank is constantly prepared for such events by making various action plans for them and testing these plans.

2. Changes in the 2023 income statement format

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

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

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

Note 2. Segment reporting

Segment information

	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment Items	Total
Q1-3 earnings 2023, € million						
Interest income	235	77	43	1,679		2,034
Interest expenses	-2	80	7	-1,698		-1,613
Net interest income	233	157	50	-18		421
of which internal net income before tax	-310	78	-32	265		0
Impairments loss on receivables	-32	-27	-4	0		-63
Commission income	40	52	7	0		99
Commission expenses	-39	-6	0	-3		-47
Net commissions and fees	1	47	7	-3		52
Net interest income from financial assets held for trading	42		0	6		48
Net investment income	0			5		5
Other operating income	4	11	0	17	-8	24
Personnel costs	-26	-23	-7	-4		-60
Depreciation/amortisation and impairment loss	-1	-1	0	0		-3
Other operating expenses	-70	-64	-18	-21	8	-165
Operating expenses	-97	-88	-26	-25	8	-229
Operating profit (loss)	150	100	27	-18		259
Earnings before tax	150	100	27	-18		259

	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment Items	Total
Q1-3 earnings 2022, € million						
Interest income	186	121	31	-4	88	422
Interest expenses	-14	5	6	-15	-88	-106
Net interest income	172	126	37	-19		316
of which internal net income before tax	-11	-10	0	20		
Impairments loss on receivables	-1	-10	-5	0		-16
Commission income	43	48	8	0		99
Commission expenses	-80	-2	0	-4		-86
Net commissions and fees	-37	46	8	-4		13
Net interest income from financial assets held for trading	11	0	0	-9		3
Net investment income	0			10		10
Other operating income	5	9	0	18	-7	25
Personnel costs	-25	-20	-6	-3		-53
Depreciation/amortisation and impairment loss	-4	-1	-2	-1		-7
Other operating expenses	-66	-60	-14	-16	7	-149
Operating expenses	-94	-80	-21	-20	7	-209
Operating profit (loss)	57	90	18	-24		141
Earnings before tax	57	90	18	-24		141

Balance sheet 30 September 2023, € million	Corporate Banking and Capital Markets		Asset and Sales Finance Services and Payment Transfers		Baltics	Group Functions	Inter-segment Items	Total
Cash and cash equivalents	0	118		10		15,124		15,252
Receivables from credit institutions	0	257		0		13,392		13,650
Receivables from customers	16,653	8,549		2,816		-77		27,941
Derivative contracts	5,724					305		6,029
Investment assets	511					11,467		11,978
Intangible assets		1		0		0		1
Property, plant and equipment	0	1		2		1		4
Other assets	191	713		22		235		1,160
Tax assets	0	0				29		29
Total assets	23,080	9,638		2,850		40,476		76,044
Liabilities to credit institutions	680	64		0		22,709		23,453
Liabilities to customers	158	10,041		1,181		3,226		14,606
Derivative contracts	5,395					449		5,844
Debt securities issued to the public and debentures	2,313					20,507		22,820
Provisions and other liabilities	148	85		2,522		278		3,033
Tax liabilities				2		343		345
Subordinated liabilities						1,381		1,381
Total liabilities	8,694	10,190		3,705		48,893		71,482
Equity								4,563

Balance sheet 31 December 2022, € million	Corporate Banking and Capital Markets		Asset and Sales Finance Services and Payment Transfers		Baltics	Group Functions	Inter-segment Items	Total
Cash and cash equivalents	11	131		12		34,797		34,951
Receivables from credit institutions	22	298		0		12,658		12,978
Receivables from customers	16,189	8,699		2,914		375		28,178
Derivative contracts	5,612					169		5,782
Investment assets	299					16,105		16,404
Intangible assets	1	2		0		0		3
Property, plant and equipment	0	1		2		1		5
Other assets	309	263		11		549		1,132
Tax assets	0	0		0		0		0
Total assets	22,444	9,393		2,940		64,656		99,433
Liabilities to credit institutions	3	4		0		40,892		40,899
Liabilities to customers	0	12,694		1,464		4,856		19,014
Derivative contracts	5,295					443		5,739
Debt securities issued to the public and debentures	1,672					23,537		25,209
Provisions and other liabilities	5	0		854		1,649		2,509
Tax liabilities	1	0		1		314		316
Subordinated liabilities	9					1,375		1,384
Total liabilities	6,986	12,697		2,319		73,067		95,069
Equity								4,364

Note 3. Net interest income

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Interest Income				
Receivables from credit institutions	724	24	256	20
Receivables from customers				
Loans	801	296	310	110
Finance lease receivables	67	28	26	10
Fair value adjustments under hedge accounting	30	-133	6	-24
Total	898	191	343	96
Notes and bonds				
Measured at fair value through profit or loss	0	9	0	9
At fair value through other comprehensive income	93	43	36	18
Amortised cost	61	-9	12	0
Fair value adjustments under hedge accounting	58	-1,446	-21	-513
Total	212	-1,402	26	-487
Derivative contracts				
Fair value hedge	228	-66	93	-14
Cash flow hedge	-78	1,579	13	543
Ineffective portion of cash flow hedge				
Other		3		2
Total	150	1,515	106	530
Liabilities to credit institutions				
Interest		65		12
Liabilities to customers				
Negative interest	0	24	0	3
Other	50	6	20	2
Total	2,034	422	751	176
Interest expenses				
Liabilities to credit institutions				
Interest expenses for liabilities to credit institutions	-589	-63	-183	-34
Fair value adjustments under hedge accounting	-60	977	-11	406
Total	-650	914	-194	371
Liabilities to customers	-247	-1	-99	-4
Notes and bonds issued to the public				
Interest expenses for debt securities issued to the public and debentures	-378	-64	-140	-32
Fair value adjustments under hedge accounting	-75	1,088	-48	411
Total	-453	1,024	-188	378
Subordinated liabilities				
Subordinated loans				
Other	-28	-26	-10	-8
Fair value adjustments under hedge accounting	-14	78	-10	33
Total	-41	51	-19	26
Derivative contracts				
Cash flow hedge	-210	-2,024	-86	-810
Other	47	24	18	11
Total	-163	-2,000	-68	-799
Receivables from credit institutions				
Negative interest	-2	-89	0	-10
Other	-58	-5	-24	-2
Total	-1,613	-106	-593	-40
Total interest expenses	421	316	158	135

Note 4. Impairment losses on receivables

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Receivables written down as loan and guarantee losses	-18	-59	-1	-38
Recoveries of receivables written down	1	1	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-45	43	-39	61
Expected credit losses (ECL) on notes and bonds	0	-1	0	0
Total	-63	-16	-40	24

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by Impairment stage 30 September 2023

The tables below describe exposures that fall within the scope of accounting for expected credit losses. The concept of exposure was specified in Q3/2023. Previously, nominal value was used as the amount of an off-balance-sheet exposure. In the specified presentation, the off-balance-sheet exposure is presented as adjusted for the credit conversion factor (CCF), which is also used in the measurement of expected credit loss. The comparatives have been changed correspondingly.

Exposures	Stage 1	Not more than 30 DPD	Stage 2 More than 30 DPD	Total	Stage 3	Total exposure
€ million						
Receivables from customers (gross)						
Corporate Banking	25,447	3,517	162	3,679	633	29,760
Total	25,447	3,517	162	3,679	633	29,760
Off-balance-sheet limits						
Corporate Banking	2,834	339	0	340	5	3,178
Total	2,834	339	0	340	5	3,178
Other off-balance-sheet commitments						
Corporate Banking	2,703	222		222	25	2,950
Total	2,703	222		222	25	2,950
Notes and bonds						
Group Functions	12,455	78		78	3	12,536
Total	12,455	78		78	3	12,536
Total exposures within the scope of accounting for expected credit losses	43,439	4,156	163	4,318	666	48,424

Loss allowance by Impairment stage 30 September 2023

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Not more than 30 DPD	Stage 2 More than 30 DPD	Total	Stage 3	Total loss allowance
€ million						
Receivables from customers						
Corporate Banking	-32	-58	-7	-65	-187	-284
Total	-32	-58	-7	-65	-187	-284
Other off-balance-sheet commitments**						
Corporate Banking	-3	-8		-8	-21	-32
Total	-3	-8		-8	-21	-32
Notes and bonds***						
Group Functions	-1	-1		-1	0	-2
Total	-1	-1		-1	0	-2
Total	-36	-67	-7	-74	-208	-317

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

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

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

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

Summary and key indicators 30 September 2023	Stage 1	Not more than 30 DPD	Stage 2 More than 30 DPD	Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	30,984	4,078	163	4,241	663	35,887
Loss allowance						
Corporate Banking	-35	-66	-7	-73	-208	-315
Coverage ratio, %						
Corporate Banking	-0.11%	-1.61%	-4.39%	-1.72%	-31.31%	-0.88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	30,984	4,078	163	4,241	663	35,887
Total loss allowance	-35	-66	-7	-73	-208	-315
Total coverage ratio, %	-0.11%	-1.61%	-4.39%	-1.72%	-31.31%	-0.88%
Carrying amount, notes and bonds						
Group Functions	12,455	78		78	3	12,536
Loss allowance						
Group Functions	-1	-1		-1	0	-2
Coverage ratio, %						
Group Functions	-0.01%	-1.13%		-1.13%		-0.02%
Total notes and bonds	12,455	78		78		12,536
Total loss allowance	-1	-1		-1		-2
Total coverage ratio, %	-0.01%	-1.13%		-1.13%		-0.02%

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

Exposures	Stage 1	Not more than 30 DPD	Stage 2 More than 30 DPD	Total	Stage 3	Total exposure
€ million						
Receivables from customers (gross)						
Corporate Banking	26,623	2,518	109	2,627	452	29,703
Total	26,623	2,518	109	2,627	452	29,703
Off-balance-sheet limits						
Corporate Banking	3,139	129	2	130	6	3,275
Total	3,139	129	2	130	6	3,275
Other off-balance-sheet commitments						
Corporate Banking	2,706	176		176	33	2,915
Total	2,706	176		176	33	2,915
Notes and bonds						
Group Functions	12,982	73		73		13,055
Total	12,982	73		73		13,055
Total exposures within the scope of accounting for expected credit losses	45,450	2,896	111	3,006	491	48,948

Loss allowance by Impairment stage 31 December 2022

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

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

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

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

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

Summary and key indicators 31 December 2022	Stage 1	Not more than 30 DPD	Stage 2 More than 30 DPD	Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet Items						
Corporate Banking	32,468	2,823	111	2,934	491	35,892
Loss allowance						
Corporate Banking	-33	-25	-5	-30	-206	-269
Coverage ratio, %						
Corporate Banking	-0.10%	-0.87%	-4.73%	-1.02%	-42.00%	-0.75%
Receivables from customers; total on-balance-sheet and off-balance-sheet Items	32,468	2,823	111	2,934	491	35,892
Total loss allowance	-33	-25	-5	-30	-206	-269
Total coverage ratio, %	-0.10%	-0.87%	-4.73%	-1.02%	-42.00%	-0.75%
Carrying amount, notes and bonds						
Group Functions	12,982	73		73		13,055
Loss allowance						
Group Functions	-1	-1		-1		-2
Coverage ratio, %						
Group Functions	-0.01%	-1.18%		-1.18%		-0.02%
Total notes and bonds	12,982	73		73		13,055
Total loss allowance	-1	-1		-1		-2
Total coverage ratio, %	-0.01%	-1.18%		-1.18%		-0.02%

The table below shows a change in exposures within the scope of the measurement of expected credit losses by impairment Stage for January-September 2023 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet Items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; off-balance-sheet Items 1 January 2023	32,468	2,934	491	35,892
Transfers from Stage 1 to Stage 2, incl. repayments	-2,355	2,225		-130
Transfers from Stage 1 to Stage 3, incl. repayments	-261		266	5
Transfers from Stage 2 to Stage 1, incl. repayments	860	-879		-19
Transfers from Stage 2 to Stage 3, incl. repayments		-118	100	-18
Transfers from Stage 3 to Stage 1, incl. repayments	16		-33	-17
Transfers from Stage 3 to Stage 2, incl. repayments		45	-55	-10
Increases due to origination and acquisition	4,623	309	24	4,956
Decreases due to derecognition	-3,735	-252	-65	-4,051
Unchanged Stage, incl. repayments	-633	-22	-26	-970
Recognised as final credit loss			-40	249
Receivables from customers; on-balance-sheet and off-balance-sheet Items 30 September 2023	30,984	4,241	663	35,887

Transfers from stage 1 to stage 2 include the transfer of EUR 621 million concerning an additional management overlay provision to stage 2.

The table below shows the change in loss allowance by impairment stage during January-September 2023.

Receivables from customers and off-balance-sheet Items, € million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2023	33	30	206	269
Transfers from Stage 1 to Stage 2	-6	37		31
Transfers from Stage 1 to Stage 3	-1		34	33
Transfers from Stage 2 to Stage 1	1	-4		-3
Transfers from Stage 2 to Stage 3		-2	15	13
Transfers from Stage 3 to Stage 1	2		-9	-7
Transfers from Stage 3 to Stage 2		1	-16	-15
Increases due to origination and acquisition	6	6	13	24
Decreases due to derecognition	-7	-4	-26	-36
Changes in risk parameters (net)	7	10	8	24
Decrease in allowance account due to write-offs			-18	-18
Net change in expected credit losses	2	43	1	46
Loss allowance 30 September 2023	35	73	208	315
Net change in expected credit losses Q3/2023	5	13	21	39

Transfers from stage 1 to stage 2 include the transfer of EUR 10.6 million concerning an additional management overlay provision to stage 2.

OP Corporate Bank has added the over triple growth of probability of default (PD) in Q3/2023 (annualised) as a new criterion for elevated credit risk in stage 2 transfers. This caused transfers from stage 1 to stage 2. According to the criterion, the annualised PD must, however, be over 0.3%, so OP Corporate Bank uses for the first time in this connection so-called low credit risk assumption mentioned in IFRS 9.

In Q4/ 2022, an additional management overlay was used to increase the ECL provision for the construction industry by EUR 2.5 million, based on OP Corporate Bank's analysis. The analysis was updated in Q2/2023 due to the further deteriorating outlook in the industry. The analysis was made as a stress test based on the baseline scenario (weight of 60%) and the downside scenario (weight of 40%) with the assumptions that net sales decrease by 20%/35%, profitability weakens by 20%/40%, equity ratio decreases by 10%/20%, interest rates stand at 4%/6% and the prices of new homes have fallen by 15%/30%. Based on the update, the provision was increased by EUR 3.6 million to EUR 6.1 million. The provision has remained unchanged in Q3/2023.

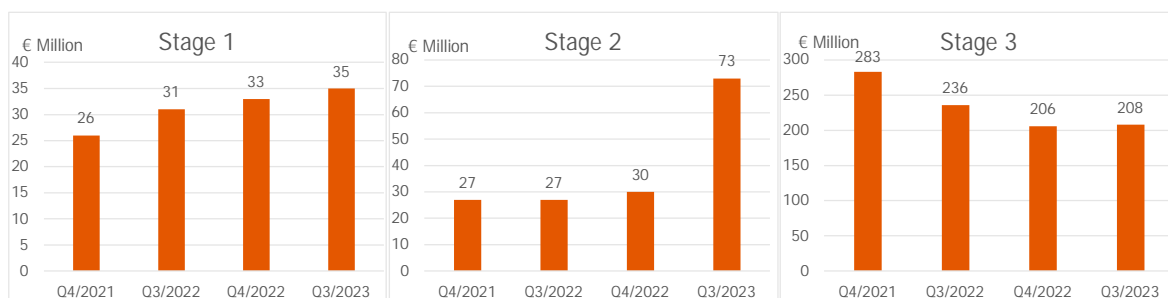
In Q2/2023 an additional management overlay provision of EUR 6.3 million was made in the real estate sector based on the weaker outlook in the sector. The analysis was made as a stress test based on the baseline scenario (weight of 70%) and the downside scenario (weight of 30%) with the assumptions that net sales increase by 3%/0%, profitability weakens by 5%/10%, equity ratio decreases by 10%/20%, interest rates stand at 4%/6%. The provision has remained unchanged in Q3/2023.

OP Corporate Bank has assessed the impact of a rise in Euribor rate on the credit risk of personal customers. The assessment made as a stress test measured the cash flow of households, on the basis of which potential customers were assessed whose repayment capacity is jeopardised. Based on the analysis, a management overlay provision of EUR 0.7 million was made in Q3/2023.

The table below shows the loss allowance before the discretionary provisions made using management overlays, the provisions themselves, and the total loss allowance amount on 30 September 2023.

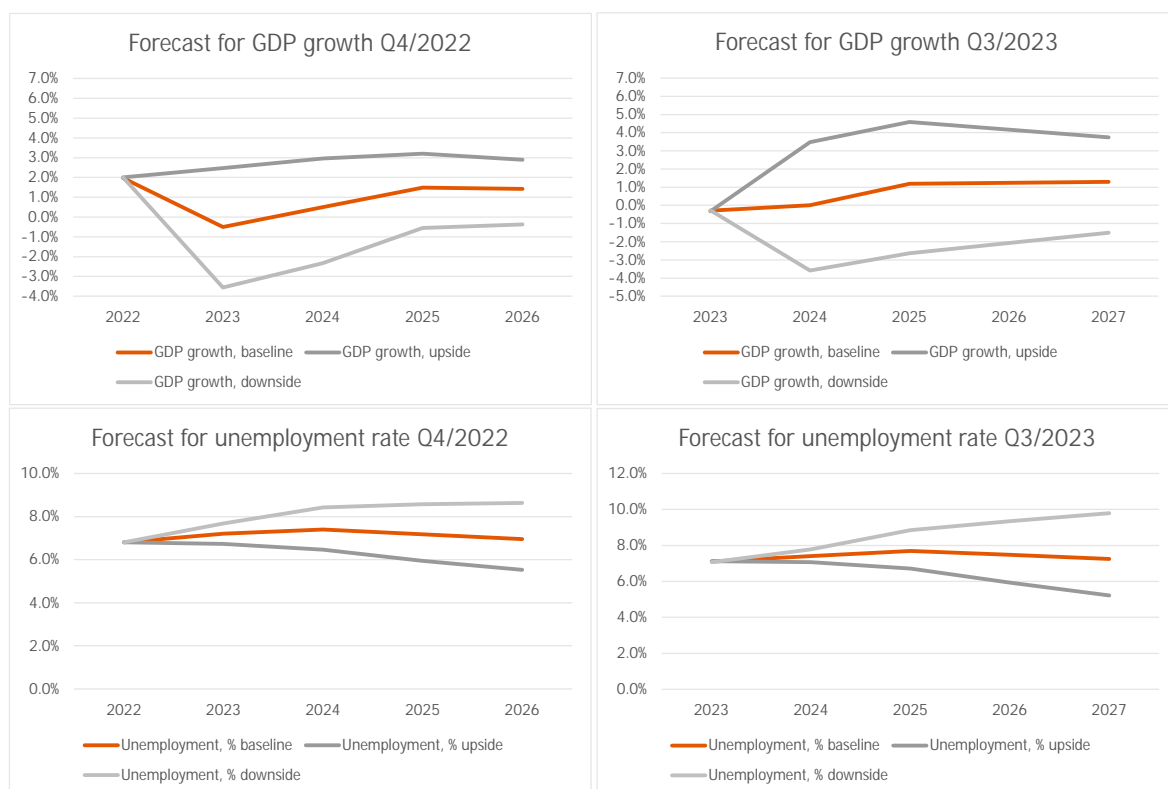
Loss allowance 30 September 2023	OP Corporate Bank
Loss allowance before discretionary provisions	302
Discretionary provisions under management overlay	
Construction industry	6
Real estate sector	6
Personal customers, interest rates	1
Total discretionary provisions under management overlay	13
Total reported loss allowance	315

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years. The graphs show a reduction of stage 3 during 2022–2023 due to the recognition of final credit losses and repayment of liabilities in stage 3.



In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at a normal level, or downside 20%, baseline 60% and upside 20%. During the third quarter of 2023, the update of the macroeconomic forecasts slightly increased the ECL.

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



Notes and bonds, € million

	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2023	1	1		2
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0	0	0	0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	0	0	0	0
Loss allowance 30 September 2023	1	1	0	2
Net change in expected credit losses Q3/2023	0	0	0	0

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	28,220	1,352	509	30,080
Transfers from Stage 1 to Stage 2, incl. repayments	-1,912	1,897		-15
Transfers from Stage 1 to Stage 3, incl. repayments	-148		133	-16
Transfers from Stage 2 to Stage 1, incl. repayments	298	-355		-57
Transfers from Stage 2 to Stage 3, incl. repayments		-88	78	-9
Transfers from Stage 3 to Stage 1, incl. repayments	14		-14	0
Transfers from Stage 3 to Stage 2, incl. repayments		14	-21	-6
Increases due to origination and acquisition	7,725	257	25	8,006
Decreases due to derecognition	-5,045	-210	-131	-5,386
Unchanged Stage, incl. repayments	3,317*	66*	-2	3,375
Recognised as final credit loss			-85	-79
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2022	32,468	2,934	491	35,892

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

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2022	26	27	283	337
Transfers from Stage 1 to Stage 2	-2	15		13
Transfers from Stage 1 to Stage 3	-3		50	47
Transfers from Stage 2 to Stage 1	0	-5		-4
Transfers from Stage 2 to Stage 3		-5	21	16
Transfers from Stage 3 to Stage 1	0		-4	-4
Transfers from Stage 3 to Stage 2		0	-5	-5
Increases due to origination and acquisition	13	6	12	30
Decreases due to derecognition	-6	-8	-60	-74
Changes in risk parameters (net)	5	-1	-6	-3
Changes in model assumptions and methodology	0	0	1	1
Decrease in allowance account due to write-offs			-85	-85
Net change in expected credit losses	7	2	-77	-68
Loss allowance 31 December 2022	33	30	206	269
Net change in expected credit losses Q3/2022	3	0	-66	-62

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

Loss allowance 31 December 2022	OP Corporate Bank
Loss allowance before discretionary bookings	267
Discretionary provisions under management overlay	
Defaults and collateral valuation of CRE backed loans	3
Total discretionary provisions under management overlay	3
Total reported loss allowance	269

Notes and bonds, € million	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
Loss allowance 1 January 2022	2	0		2
Transfers from Stage 1 to Stage 2	0	1		1
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0	0		0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	0	1		0
Loss allowance 31 December 2022	1	1		2
Net change in expected credit losses Q3/2022	0	0		0

Note 5. Net commissions and fees

Q1-3/ 2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter- segment Items	Total	Q3/2023
Commission income							
Lending	20	15	3	0		38	10
Deposits	0	0	1	0		2	1
Payment transfers	0	24	0	0		25	8
Securities brokerage	13					13	3
Securities issuance	3			0		3	0
Mutual funds	0	0		0		0	0
Asset management	2	0				2	1
Legal services	0	0				0	
Guarantees	1	6	3	0		9	3
Other		7	0	0		7	2
Total	40	52	7	0		99	28
Commission expenses							
Lending	0	-1		0		-1	0
Payment transfers	-1	-4	0	0		-5	-2
Securities brokerage	-2			0		-2	0
Securities issuance	-3			0		-3	-1
Asset management	0			-1		-1	0
Guarantees			0			0	0
Derivatives	-31					-31	-10
Other	-2			-2		-4	-1
Total	-39	-6	0	-3		-47	-15
Total net commissions and fees	1	47	7	-3		52	12
Q1-3/ 2022, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter- segment Items	Total	Q3/2022
Commission income							
Lending	19	12	3	0		34	11
Deposits	0	0	2	0		2	1
Payment transfers	0	23	0	0		24	8
Securities brokerage	18					18	4
Securities issuance	4			0		4	1
Mutual funds	0	0		0		0	0
Asset management	2	0				2	1
Legal services	0					0	0
Guarantees	1	7	2	0		10	3
Other	0	6	0			6	2
Total	43	48	8	0		99	30
Commission expenses							
Lending	0	-1		0		-1	0
Payment transfers	-1	-1	0	0		-2	-1
Securities brokerage	-3			0		-3	-1
Securities issuance	-2			0		-2	-1
Asset management	0			-3		-3	-1
Guarantees			0			0	0
Derivatives	-73					-73	-21
Other	-2			0		-3	-1
Total	-80	-2	0	-4		-86	-25
Total net commissions and fees	-37	46	8	-4		13	5

Note 6. Net interest income from financial assets held for trading

Financial assets held for trading

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Notes and bonds				
Interest income and expenses	18	3	2	1
Fair value gains and losses	-1	-25	0	-5
Total	17	-23	2	-4
Shares and participations				
Fair value gains and losses	-1	6	0	3
Dividend income and share of profits	2	0	0	0
Total	1	6	0	3
Derivatives				
Interest income and expenses	48	-9	14	-4
Fair value gains and losses	-17	28	-1	3
Total	31	19	13	-1
Total	48	3	15	-2

Note 7. Net investment income

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Capital gains and losses	5	10	-1	1
Total	5	10	-1	1
Total net investment income	5	10	-1	1

Note 8. Other operating expenses

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
ICT costs				
Production	-52	-54	-17	-17
Development	-15	-13	-5	-4
Government charges and audit fees	-50	-46	-7	-4
Service purchases	-17	-15	-5	-5
Expert services	-1	-1	0	0
Telecommunications	-2	-1	-1	-1
Marketing	-2	-1	0	0
Insurance and security costs	-11	-7	-4	-3
Other	-15	-10	-6	-4
Total	-165	-149	-45	-39

Development costs

€ million	Q1-3/2023	Q1-3/2022	Q3/2023	Q3/2022
ICT development costs	-15	-13	-5	-4
Share of own work	0	0		
Total development costs in the income statement	-15	-13	-5	-4
Total development costs	-15	-13	-5	-4
Depreciation/amortisation and impairment loss	-2	-7	0	-2

Note 9. Debt securities issued to the public and debentures

€ million	30 Sep 2023	31 Dec 2022
Bonds	11,567	10,595
Subordinated bonds	4,321	4,306
Other		
Certificates of deposit	664	1,083
Commercial paper	6,325	9,287
Included in own portfolio in trading (-)*	-56	-63
Total debt securities issued to the public	22,820	25,209

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

Note 10. Fair value reserve after income tax

€ million	Recognised at fair value through other comprehensive income		Total
	Notes and bonds	Cash flow hedges	
Opening balance 1 January 2022	43	-1	42
Fair value changes	6	-15	-9
Capital gains transferred to income statement	-10		-10
Deferred tax	1	3	4
Closing balance 30 September 2022	40	-13	27

€ million	Recognised at fair value through other comprehensive income		Total
	Notes and bonds	Cash flow hedges	
Opening balance 1 January 2023	-3	-26	-29
Fair value changes	-26	7	-19
Capital gains transferred to income statement	-6		-6
Transfers to net interest income		11	11
Deferred tax	6	-4	3
Closing balance 30 September 2023	-29	-11	-40

The fair value reserve before tax totalled EUR -50 million (34) at the end of the reporting period and the related deferred tax asset/liability EUR 10 million (-7). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (1) in the fair value reserve during the reporting period.

Note 11. Collateral given

€ million	30 Sep 2023	31 Dec 2022
Given on behalf of own liabilities and commitments		
Other	936	13,908
Total collateral given*	936	13,908
Secured derivative liabilities	698	701
Other secured liabilities	197	12,000
Total	895	12,701

* In addition, bonds with a book value of EUR 1.4 billion have been pledged in the central bank, of which EUR 1.0 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 12. Classification of financial assets and liabilities

Fair value through profit or loss

Financial assets 30 September 2023, € million	Amortised cost	Fair value through other comprehensive income	Financial assets held for trading	Hedging derivatives	Carrying amount total
Cash and cash equivalents	15,252				15,252
Receivables from credit institutions	13,650				13,650
Receivables from customers	27,941				27,941
Derivative contracts			5,797	232	6,029
Notes and bonds	563	11,160	228		11,951
Shares and participations		0	28		28
Other financial assets	1,160				1,160
Total	58,566	11,160	6,053	232	76,011

At the end of the reporting period, OP Corporate Bank's assets in the balance sheet included bonds with a carrying amount of EUR 256 million (0) and classified at amortised cost, issued by issuers other than OP Financial Group. These are not measured at fair value in accounting. The fair value of these bonds amounted to EUR 250 million (0) at the end of the reporting period.

Financial assets 31 December 2022, € million	Amortised cost	Fair value through other comprehensive income	Financial assets held for trading	Hedging derivatives	Carrying amount total
Cash and cash equivalents	34,951				34,951
Receivables from credit institutions	12,978				12,978
Receivables from customers	28,178				28,178
Derivative contracts			5,685	97	5,782
Notes and bonds	4,328	11,755	295		16,378
Shares and participations		0	26		26
Other financial assets	1,132				1,132
Total	81,567	11,755	6,006	97	99,425

Financial liabilities 30 September 2023, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		23,453		23,453
Liabilities to customers		14,606		14,606
Derivative contracts	5,480		364	5,844
Debt securities issued to the public and debentures		22,820		22,820
Subordinated loans		1,381		1,381
Other financial liabilities		3,032		3,032
Total	5,480	65,292		71,136

Financial liabilities 31 December 2022, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		40,899		40,899
Liabilities to customers		19,014		19,014
Derivative contracts	5,379		359	5,739
Debt securities issued to the public and debentures		25,209		25,209
Subordinated loans		1,384		1,384
Other financial liabilities		2,015		2,015
Total	5,379	88,521	359	94,260

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 September 2023, the fair value of these debt instruments was approximately EUR 15.862 million (13.441) based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 13. Recurring fair value measurements by valuation technique

Fair value of assets on 30 September 2023, € million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity instruments		24	3	28
Debt instruments	127	42	59	228
Derivative contracts	1	5,943	85	6,029
Recognised at fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	9,614	851	695	11,160
Total financial instruments	9,742	6,861	842	17,444
Investment property			0	0
Total	9,742	6,861	842	17,444

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

Fair value of liabilities on 30 September 2023, € million	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value through profit or loss				
Other		2		2
Derivative contracts	1	5,729	114	5,844
Total	1	5,730	114	5,846

Fair value of liabilities on 31 December 2022, € million	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value through profit or loss				
Other		0		0
Derivative contracts	7	5,638	94	5,739
Total	7	5,638	94	5,739

Fair value measurement

Derivatives

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

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

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

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

Fair value hierarchy

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

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

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

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

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

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

Reconciliation of Level 3 Items

Specification of financial assets and liabilities

Financial assets, € million	Recognised at fair value through profit or loss	Derivative contracts	Fair value through other comprehensive income	Total assets
Opening balance 1 January 2023	56	77	793	926
Total gains/losses in profit or loss	-47	8		-39
Transfers into Level 3	53		136	189
Transfers out of Level 3			-234	-234
Closing balance 30 September 2023	63	85	695	842

Financial liabilities, € million	Derivative contracts	Total liabilities
Opening balance 1 January 2023	94	94
Total gains/losses in profit or loss	20	20
Closing balance 30 September 2023	114	114

Total gains/losses included in profit or loss by item on 30 September 2023

€ million	Net Interest Income	Net Investment Income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the period included in profit or loss for assets/ liabilities held at period-end
Realised net gains (losses)	-47			-47
Unrealised net gains (losses)	-12			-12
Total net gains (losses)	-59			-59

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2023.

Note 14. Off-balance-sheet commitments

€ million	30 Sep 2023	31 Dec 2022
Guarantees	277	335
Guarantee liabilities	1,987	2,356
Loan commitments	5,828	6,247
Commitments related to short-term trade transactions	617	722
Other	587	479
Total off-balance-sheet commitments	9,296	10,138

Note 15. Derivative contracts

Total derivatives 30 September 2023

€ million	Nominal values/residual term to maturity			Total	Fair values*	
	<1 year	1-5 years	>5 years		Assets	Liabilities
Interest rate derivatives	41,051	121,912	107,372	270,336	4,864	4,697
Cleared by the central counterparty	27,834	65,300	49,430	142,564	273	273
Settled-to-market (STM)	14,708	39,311	33,644	87,663	181	175
Collateralised-to-market (CTM)	13,126	25,988	15,787	54,901	92	98
Currency derivatives	51,664	5,221	1,212	58,098	887	1,017
Credit derivatives	36	92	7	135	4	9
Other derivatives	382	884	31	1,298	86	85
Total derivatives	93,134	128,110	108,623	329,866	5,841	5,807

Total derivatives 31 December 2022

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

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

Note 16. Related-party transactions

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

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

Financial reporting

Schedule for Financial Statements Bulletin 2023 and Interim Reports and Half-year Financial Report in 2024:

Financial Statements Bulletin 2023	7 February 2024
Interim Report Q1/2024	8 May 2024
Half-year Financial Report H1/2024	24 July 2024
Interim Report Q1–3/2024	31 October 2024

Helsinki, 25 October 2023

OP Corporate Bank plc
Board of Directors

For additional information, please contact

Katja Keitaanniemi, Chief Executive Officer, tel. +358 (0)10 252 1387

Anni Hiekkänen, Chief Communications Officer, tel. +358 (0)10 252 1989

www.op.fi