



OP Mortgage Bank: Interim Report 1 January–31 March 2024

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

Financial standing

The intermediary loans and loan portfolio of OP MB totalled EUR 16,869 million (16,988) * on 31 March 2024. Bonds issued by OP MB totalled EUR 14,915 million (14,915) at the end of March 2024.

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

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

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

On 31 March 2024, 101 OP cooperative banks had a total of EUR 14,800 million (14,800) in intermediary loans from OP MB.

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

Operating profit was EUR 2.3 million (3.1). The company's financial standing remained stable throughout the reporting period.

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

Collateralisation of bonds issued to the public

On 31 March 2024, loans as collateral in security of the covered bonds EUR 5,250 million issued under the EMTCB programme worth EUR 25 billion established on 11 October 2022, in accordance with the Act on Mortgage Credit Banks and Covered Bonds (151/2022), totalled EUR 5,783 million. Loans as collateral in security of the covered bonds, totalling EUR 9,665 million, issued under the Euro Medium Term Covered Note programme worth EUR 20 billion established on 12 November 2010, in accordance with the Laki kiinnitysluottopankkitoiminnasta 688/2010 Act, totalled EUR 12,338 million on 31 March 2024.

Capital adequacy

OP MB's Common Equity Tier 1 (CET1) ratio stood at 43.9% (41.8) on 31 March 2024. The ratio was improved by the decrease in mortgages on OP MB's balance sheet and the resulting reduction in capital requirement for credit risk. The minimum CET1 capital requirement is 4.5% and the requirement for the capital conservation buffer is 2.5%. The minimum total capital requirement is 8% (or 10.5% with the increased capital conservation buffer). Because OP MB covers capital requirements in their entirety with CET1 capital, the CET1 capital requirement is 10.5%. Estimated profit distribution has been subtracted from earnings for the reporting period.

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



OP MB belongs to OP Financial Group. As part of the Group, OP MB is supervised by the ECB. OP Financial Group presents capital adequacy information in its financial statements bulletins and interim and half-year financial reports in accordance with the Act on the Amalgamation of Deposit Banks. OP Financial Group also publishes Pillar III disclosures.

Own funds and capital adequacy, TEUR	31 Mar 2024	31 Dec 2023
Equity capital	374,030	372,160
Excess funding of pension liability	-13	-13
Share of unaudited profits		-7,490
Planned profit distribution and unpaid profit distribution for previous financial year	-9,360	
Insufficient coverage for non-performing exposures	-3,578	-2,856
CET1 capital	361,078	361,800
Tier 1 capital (T1)	361,078	361,800
Total own funds	361,078	361,800
Total risk exposure amount		
Credit and counterparty risk	770,452	812,205
Operational risk	26,636	25,140
Other risks *	24,800	27,336
Total	821,888	864,682
Ratios, %		
CET1 ratio	43.9	41.8
Tier 1 capital ratio	43.9	41.8
Capital adequacy ratio	43.9	41.8
Capital requirement		
Own funds	361,078	361,800
Capital requirement	86,334	90,829
Buffer for capital requirements	274,744	270,971

* Risks not otherwise covered.

Joint and several liability of amalgamation

Under the Act on the Amalgamation of Deposit Banks, the amalgamation of cooperative banks comprises the organisation's central cooperative (OP Cooperative), the central cooperative's member credit institutions and the companies belonging to their consolidation groups, as well as credit and financial institutions and service companies in which the above together hold more than half of the total votes. This amalgamation is supervised on a consolidated basis. On 31 March 2024, OP Cooperative's member credit institutions comprised 102 OP cooperative banks, OP Corporate Bank plc, OP Mortgage Bank and OP Retail Customers plc.

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

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

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



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

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

Under section 20 of the Act on Mortgage Credit Banks and Covered Bonds (151/2022), the creditors of bonds and derivative contracts issued after 8 July 2022, including the related management and clearing costs, have the right to receive payment from the collateral included in the cover pool, before other creditors of OP MB or the OP cooperative bank which is the debtor of an intermediary loan. Interest and yield accruing on the collateral, and any substitute assets, fall within the scope of said priority. Section 44, subsection 3 of the said Act includes provisions on the creditor's priority related to marginal lending facility of the cover pool.

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's business and strategy, and responsible business is one of OP Financial Group's strategic priorities. The sustainability programme and its policy priorities implement OP Financial Group's strategy, and guide its sustainability and corporate responsibility actions. OP Financial Group's sustainability programme is built around three themes: Climate and the environment, People and communities and Corporate governance.

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

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards and, from the 2024 report onwards, in accordance with the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD). Non-financial and taxonomy reporting for 2023 has been published in OP Financial Group's Report by the Board of Directors for 2023.

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

OP Financial Group has also drawn up a Human Rights Statement and Human Rights Policy.

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

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

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



Personnel

On 31 March 2024, OP MB had six employees. OP MB has been digitising its operations and purchases all the most important support services from OP Cooperative and its Group members, reducing the need for its own personnel.

Management

The Board composition is as follows:

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

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

Risk profile

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

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

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

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

Outlook for 2024

The economy is expected to decline in early 2024 but decelerating inflation and falling interest rates will pave the way for economic recovery towards the year end. An exceptional degree of uncertainty is still associated with the business environment. Developments in capital markets together with increased geopolitical crises and tensions may abruptly affect the business environment.

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



Alternative Performance Measures

Ratios	Q1/2024	Q1/2023	Q1–4/2023
Return on equity (ROE), %	2.0	2.7	2.0
Cost/income ratio, %	47	42	52

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

Formulas for the Alternative Performance Measures used are presented below.

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit for the period} \times (\text{days of financial year} / \text{days of reporting period})}{\text{Equity capital (average at beginning and end of period)}} \times 100$$

$$\text{Cost/income ratio, \%} = \frac{\text{Personnel costs} + \text{Other operating expenses}}{\text{Net interest income} + \text{Net commissions and fees} + \text{Other operating income}} \times 100$$



Interim Report 1 January–31 March 2024

Tables

Primary statements

Income statement, TEUR	Note	Q1/2024	Q1/2023
Net interest income	1	8,011	9,868
Interest income		182,758	116,011
Interest expenses		-174,747	-106,143
Impairment loss on receivables	2	-31	-45
Net commissions and fees	3	-3,545	-4,436
Commission income		24	27
Commission expenses		-3,569	-4,462
Other operating income			0
Personnel costs		-165	-168
Other operating expenses		-1,932	-2,087
Operating profit		2,338	3,133
Income tax expense		-468	-627
Profit for the period		1,870	2,506

Statement of comprehensive income, TEUR	Note	Q1/2024	Q1/2023
Profit for the period		1,870	2,506
Items reclassified to the income statement			
Gains/ (losses) arising from remeasurement of defined benefit plans			
Income tax on gains/(losses) arising from remeasurement of defined benefit plans			
Total comprehensive income for the period		1,870	2,506



Balance sheet

TEUR	Note	31 Mar 2024	Adjusted 31 Dec 2023	Adjusted 1 Jan 2023
Assets				
Cash and cash equivalents		321,755	291,681	137,989
Receivables from member credit institutions		15,021,375	15,023,063	17,995,292
Receivables from customers		1,999,311	2,113,114	2,690,039
Derivative contracts	4	123,560	151,321	55,239
Other assets		988	1,081	877
Deferred tax assets		2,279	2,430	98
Total assets		17,469,269	17,582,690	20,879,869
Liabilities				
Liabilities to member credit institutions		1,911,375	2,012,380	2,253,869
Derivative contracts		974,624	933,511	1,244,559
Debt securities issued to the public		14,206,859	14,262,576	17,007,186
Provisions and other liabilities		2,294	2,000	2,377
Deferred tax liabilities		89	63	234
Total liabilities		17,095,239	17,210,530	20 508 224
Equity capital				
Share capital		60,000	60,000	60,000
Reserve for invested non-restricted equity		245,000	245,000	245,00
Retained earnings		69,030	67,160	66,311
Total equity		374,030	372,160	371,311
Total liabilities and equity		17,469,269	17,582,690	20,879,535

OP MB changed the official income statement and balance sheet format of the financial statements the beginning of 2024. The changes are described in Note 8. to the Interim Report. Change to presentation of balance sheet and income statement format.

Statement of changes in equity, TEUR	Share capital	Other reserves	Retained earnings	Total equity
Equity capital 1 Jan 2024	60,000	245,000	67,160	372,160
Profit for the period			1,870	1,870
Equity capital 31 Mar 2024	60,000	245,000	69,030	374,030
Equity capital 1 Jan 2023	60,000	245,000	66,311	371,311
Profit for the period			2,506	2,506
Dividends			-6,631	-6,631
Equity capital 31 Mar 2023	60,000	245,000	62,187	367,187



Cash flow statement, TEUR	Q1/2024	Q1/2023
Cash flow from operating activities		
Profit for the period	1,870	2,506
Adjustments to profit for the period		
Expected credit losses	36	47
Accruals of derivatives and hedge accounting	-777	-968
Income tax expense	468	627
Amortisation of effective interest rate	2,162	-8,699
Other	-24	12
Total adjustments	1,864	-8,982
Increase (-) or decrease (+) in operating assets	113,744	46,032
Receivables from member credit institutions, increases	1,000,000	66
Receivables from member credit institutions, decreases	-1,000,000	-86,600
Receivables from customers	116,492	186,718
Other assets	-2,749	-54,152
Increase (+) or decrease (-) in operating liabilities	-83,982	-15,963
Liabilities to member credit institutions	-100,000	-80,000
Derivative contracts	14,445	41,890
Provisions and other liabilities	1,573	22,146
Income tax paid	-291	-3,524
A. Net cash from operating activities	33,205	20,070
Cash flow from financing activities		
Increases in debt securities issued to the public	996,870	997,620
Decreases in debt securities issued to the public	-1,000,000	-1,000,000
Dividends		-6,631
B. Net cash used in financing activities	-3,130	-9,011
Net change in cash and cash equivalents (A+B)	30,075	11,059
Cash and cash equivalents at period start	291,681	137,989
Cash and cash equivalents at period start year end	321,755	149,048
Interest received	178,667	61,241
Interest paid	-159,041	-42,768
Cash and cash equivalents		
Cash and cash equivalents	321,755	149,048
Total	321,755	149,048



Accounting policies

The Interim Report 1 January–31 March 2024 has been prepared in accordance with IAS 34 (Interim Financial Reporting). This Interim Report applies IAS 34 Interim Financial Reporting and the accounting policies presented in the 2023 financial statements. The Interim Report should be read with the audited 2023 financial statements.

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

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

Intermediary loans

In its operations, OP MB applies an intermediary loan model, which means that OP MB grants an intermediary loan to an OP cooperative bank, against which the OP cooperative bank provides mortgages as collateral for covered bonds issued by OP MB. Intermediary loans are presented in the "Receivables from member credit institutions" row in the balance sheet. In the intermediary loan model, an OP cooperative bank's credit, interest rate or funding risk of the mortgage-backed loan receivable does not transfer to OP MB, but in the model, OP MB registers mortgage-backed loan receivables in OP cooperative banks' balance sheets in security for bonds it has issued.

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

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

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

January–March highlights

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



Corrections to and supplementations of the accounting policies

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

- a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Unreceived interest of loan receivables will be presented in the "Receivables from member credit institutions" row and the "Receivables from customers" row. Unpaid interest of financial liabilities will be presented in the "Liabilities to member credit institutions" and "Debt securities issued to the public" rows in the balance sheet.
- b) Interest receivables of derivative contracts were previously presented in the "Other assets" row in the balance sheet and interest liabilities of derivative contracts were previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest receivables of derivative contracts will be presented in the assets side to the "Derivative contracts" row. Interest liabilities of derivative contracts will be presented in the liabilities side to the "Derivative contracts" row.
- c) Commission expenses for lending paid to OP cooperative banks previously presented in commission expenses in the income statement will be netted from lending commission income. OP MB pays OP cooperative banks commissions it has received from lending.

In Note 8. to the Interim Report, Change to presentation of the balance sheet and income statement format are presented retrospectively for 2023.

At the beginning of 2024, OP MB made the following supplementations to the accounting policies which have no effect on the figures presented:

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



Notes

Note 1. Net interest income

TEUR	Q1/2024	Q1/2023
Interest income		
From receivables from member credit institutions	156,666	94,006
From receivables from customers	21,297	24,479
From derivative contracts		
From hedge accounting	4,771	2,462
Other interest income	24	-12
Total	182,758	116,011
Interest expenses		
From liabilities to member credit institutions	-20,001	-12,985
From debt securities issued to the public*	2,134	-117,435
From derivative contracts		
From hedge accounting**	-156,880	24,278
Total	-174,747	-106,143
Net interest income	8,011	9,868

* Include interest expenses and the change in the fair value of hedged risk.

** Include interest expenses and the change in the fair value hedged risk.

Net interest income was EUR 8,0 million (9,9). Net interest income due to a decrease in OP MB's loan portfolio in the balance sheet and intermediary loan portfolio.

Note 2. Impairment loss on receivables

Impairment loss on receivables, TEUR	Q1/2024	Q1/2023
Receivables written down as loan losses	-40	-88
Recoveries of receivables written down	5	2
Expected credit losses (ECL) on receivables from customers	5	41
Total	-31	-45

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



Note 3. Net commissions and fees

	Q1/2024	Adjusted Q1/2023
Net commissions and fees, TEUR		
Commission income		
Lending	24	27
Total	24	27
Commission expenses		
Loan management fee to OP cooperative banks	-3,548	-4,457
Issue of bonds	-17	-3
Other	-4	-3
Total	-3,569	-4,462
Net commissions and fees	-3,545	-4,436

OP MB refunded OP cooperative banks the amount of the returns on loans they manage paid by OP cooperative banks' customers. Interest paid by customers was recognised in interest income using the effective interest method. As a result of this, net commissions and fees were negative. The accounting policies in the Interim Report describe the adjustment of presentation of commission income made retrospectively for 2023.

Note 4. Receivables from member credit institutions

TEUR	31 Mar 2024	Adjusted 31 Dec 2023
Intermediary loans	14,957,207	14,953,100
Other	64,169	69,963
Total	15,021,375	15,023,063

Note 5. Derivative contracts

Derivative contracts 31 Mar 2024, TEUR	Nominal values/residual term to maturity			Total
	Less than 1 year	1–5 years	More than 5 years	
Interest rate derivatives				
Hedging	3,183,821	10,106,565	4,202,910	17,493,296
Total	3,183,821	10,106,565	4,202,910	17,493,296

Interest rate derivatives	Fair values	
	Assets	Liabilities
Hedging	123,560	974,624
Total	123,560	974,624



Derivative contracts 31 Dec 2023, TEUR	Nominal values/residual term to maturity			Total
	Less than 1 year	1–5 years	More than 5 years	
Interest rate derivatives				
Hedging	4,052,059	8,619,565	4,685,200	17,356,824
Total	4,052,059	8,619,565	4,685,200	17,356,824
Adjusted	Fair values			
	Assets	Liabilities		
Interest rate derivatives				
Hedging	974,624	933,511		
Total	974,624	933,511		



Note 6. Classification of financial assets and liabilities

Assets 31 Mar 2024, TEUR	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total
Cash and cash equivalents	321,755			321,755
Receivables from member credit institutions	15,021,375			15,021,375
Receivables from customers	1,999,311			1,999,311
Derivative contracts		123,560		123,560
Other financial assets	931		40	971
Total financial assets	17,343,373	123,560	40	17,466,973

Liabilities 31 Mar 2024, TEUR	Amortised cost	Recognised at fair value through profit or loss	Total
Liabilities to member credit institutions	1,911,375		1,911,375
Derivative contracts		974,624	974,624
Debt securities issued to the public	14,206,859		14,206,859
Other financial liabilities	638		638
Total financial liabilities	16,118,872	974,624	17,093,495

Adjusted Assets 31 Dec 2023, TEUR	Amortised cost	Recognised at fair value through profit or loss	Recognised at fair value through other comprehensive income	Total
Cash and cash equivalents	291,681			291,681
Receivables from member credit institutions	15,023,063			15,023,063
Receivables from customers	2,113,114			2,113,114
Derivative contracts		151,321		151,321
Other financial assets	1,024		40	1,064
Total financial assets	17,428,881	151,321	40	17,580,243

Adjusted Liabilities 31 Dec 2023, TEUR	Amortised cost	Recognised at fair value through profit or loss	Total
Liabilities to member credit institutions	2,012,380		2,012,380
Derivative contracts		933,511	933,511
Debt securities issued to the public	14,262,576		14,262,576
Other financial liabilities	318		318
Total financial liabilities	16,275,274	933,511	17,208,784



Debt securities issued to the public are carried at amortised cost, including a negative valuation of EUR 767,625 thousand (710,591 thousand) caused by risk to be hedged. The fair value of these debt instruments was assessed based on price quote information available in markets and employing commonly used valuation techniques, amounting to EUR 14,044,907 thousand (14,100,873 thousand) on the reporting date.

Receivables from customers are carried at amortised cost, including a negative valuation of EUR 10,433 thousand (7,609 thousand) caused by risk to be hedged. In terms of their carrying amount, receivables from member credit institutions and receivables from customers are reasonably close to their fair value on the reporting date. The largest items are intermediary loans granted to OP cooperative banks, which are mainly tied to the floating interest rate and their credit risk is zero due to joint and several liability.

Note 7. Financial instruments classification, grouped by valuation technique

31 Mar 2024	Balance sheet value	Fair value measurement at period end		
		Level 1	Level 2	Level 3
Recurring fair value measurements of assets				
Derivative contracts	123,560		123,560	
Total	123,560		123,560	
Recurring fair value measurements of liabilities				
Derivative contracts	974,624		974,624	
Total	974,624		974,624	

31 Dec 2023, TEUR	Balance sheet value	Fair value measurement at period end		
		Level 1	Level 2	Level 3
Recurring fair value measurements of assets				
Derivative contracts	151,321		151,321	
Total	151,321		151,321	
Recurring fair value measurements of liabilities				
Derivative contracts	933,511		933,511	
Total	933,511		933,511	

Fair value hierarchy

Level 2: Valuation techniques based on observable input parameters. The fair value of the instruments included within Level 2 means value derived from the market price of a financial instrument's components or similar financial instruments; or value which can be determined using commonly used valuation models and techniques if the inputs significant to the fair value measurement are based on observable market data. Level 2 input data includes: quoted prices of similar items in active markets and quoted prices of similar items in inactive markets, market interest rates, implied volatilities and credit spreads. OP MB's OTC derivatives and the quoted corporate, government and financial institution debt securities are classified into this hierarchical level not classified into Level 1. Recurring fair value measurements of products performed during the reporting period were only derivatives.

Transfers between hierarchy levels of recurring fair value measurements

Transfers between the levels of the fair value hierarchy are considered to take place on the date when an event causes such transfer or when circumstances change. Transfers between the levels are mainly due to the number of available market quotes. During the reporting period, transfers between the levels did not take place.



Note 8. Change to presentation of balance sheet and income statement format

OP MB changed the official balance sheet format of the financial statements at the beginning of 2024. OP MB's new balance sheet format describes the company's operations better and the balance sheet has new rows. It has also made changes retrospectively for 2023. The key changes in the balance sheet format for 31 December 2023 are as follows:

- a) Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Unreceived interest of loan receivables was transferred to the "Receivables from member credit institutions" row and the "Receivables from customers" row. Interest amounts of EUR 153,100 thousand were transferred retrospectively to the "Receivables from member credit institutions" row in the balance sheet as of 31 December 2023. Interest amounts of EUR 5,903 thousand were transferred retrospectively to the "Receivables from customers" row in the balance sheet as of 31 December 2023. Unpaid interest of financial liabilities was transferred to the "Liabilities to member credit institutions" and "Debt securities issued to the public" rows in the balance sheet. Interest amounts of EUR 12,380 thousand were transferred retrospectively to the "Liabilities to member credit institutions" row in the balance sheet as of 31 December 2023. Interest amounts of EUR 76,662 thousand were transferred retrospectively to the "Debt securities issued to the public" row in the balance sheet as of 31 December 2023.
- b) Loans of EUR 69,963 thousand were transferred retrospectively as of 31 December 2023 to "Receivables from member credit institutions" row in the balance sheet.
- c) Interest receivables of derivative contracts were previously presented in the "Other assets" row in the balance sheet and interest liabilities of derivative contracts were previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest receivables of derivative contracts were transferred to the assets side to the "Derivative contracts" row. Interest receivables transferred retrospectively on 31 December 2023 amounted to EUR 101,449 thousand. Interest liabilities of derivative contracts were transferred to the liabilities side to the "Derivative contracts" row. Interest liabilities transferred retrospectively on 31 December 2023 amounted to EUR 168,506 thousand.
- d) "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets" and "Tax liabilities" has been renamed "Deferred tax liabilities".
- e) A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred retrospectively on 31 December 2023 amounted to EUR 291,681 thousand.
- f) The row "Receivables from credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
- g) The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".



Balance sheet, TEUR	Reference	31 Dec 2023	Changes	Adjusted 31 Dec 2023
Cash and cash equivalents	e)		+291,681	291,681
Receivables from member credit institutions (Receivables from credit institutions)	a), b), e), f)	15,091,681	-68,618	15,023,063
Receivables from customers	a), b)	2,177,173	-64,059	2,113,114
Derivative contracts	c)	49,872	+101,449	151,321
Other assets	a), c)	261,533	-260,452	1,081
Tax assets	d)	2,430	-2,430	
Deferred tax assets	d)		+2,430	2,430
Total assets		17 582,690	0	17,582,690
Liabilities to member credit institutions (Liabilities to credit institution)	a), g)	2,000,000	+12,380	2,012,380
Derivative contracts	c)	765,005	+168,506	933,511
Debt securities issued to the public	a)	14,185,914	+76,662	14,262,576
Provisions and other liabilities	a), c)	259,548	-257,548	2,000
Tax liabilities	d)	63	-63	
Deferred tax liabilities	d)		+63	63
Total liabilities		17,210,530	0	17,210,530
Equity capital				
Share capital		60,000	0	60,000
Reserve for invested non-restricted equity		245,000	0	245,000
Retained earnings		67,160	0	67,160
Total equity		372,160	0	372,160
Total liabilities and equity		17,582,690	0	17,582,690

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

- Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Unreceived interest of loan receivables was transferred to the "Receivables from member credit institutions" row and the "Receivables from customers" row. Interest amounts of EUR 74,571 thousand were transferred retrospectively to the "Receivables from member credit institutions" row in the balance sheet as of 31 December 2023. Interest amounts of EUR 3,429 thousand were transferred retrospectively to the "Receivables from customers" row in the balance sheet as of 31 December 2023. Unpaid interest of financial liabilities was transferred to the "Liabilities to member credit institutions" and "Debt securities issued to the public" rows in the balance sheet. Interest amounts of EUR 7,905 thousand were transferred retrospectively to the "Liabilities to member credit institutions" row in the balance sheet as of 31 December 2023. Interest amounts of EUR 54,284 thousand were transferred retrospectively to the "Debt securities issued to the public" row in the balance sheet as of 31 March 2023.
- Loans of EUR 92,419 thousand were transferred retrospectively as of 31 March 2023 to "Receivables from member credit institutions" row in the balance sheet.
- Interest receivables of derivative contracts were previously presented in the "Other assets" row in the balance sheet and interest liabilities of derivative contracts were previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest receivables of derivative contracts were transferred to the assets side to the "Derivative contracts" row. Interest receivables transferred retrospectively on 31 March 2023 amounted to EUR 63 125 thousand. Interest liabilities of derivative contracts were transferred to the liabilities side to the "Derivative contracts" row. Interest liabilities transferred retrospectively on 31 March 2023 amounted to EUR 85,311 thousand.
- "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets" and "Tax liabilities" has been renamed "Deferred tax liabilities".
- A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred retrospectively on 31 December 2023 amounted to EUR 149,048 thousand.
- The row "Receivables from member credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
- The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".



Balance sheet, TEUR	Reference	31 Mar 2023	Changes	Adjusted 31 March 2023
Cash and cash equivalents	e)		+149,048	149,048
Receivables from member credit institutions (Receivables from credit institutions)	a), b), e), f)	18,093,957	+17,943	18,111,900
Receivables from customers	a), b)	2,607,774	-88,990	2,518,784
Derivative contracts	c)	3,462	+63,125	66,587
Other assets	a), c)	142,217	-141,126	1,091
Tax assets	d)	2,977	-2,977	
Deferred tax assets	d)		2,977	2,977
Total assets		20,850,387	0	20,850,387
Liabilities to member credit institutions (Liabilities to credit institutions)	a), g)	2,170,000	+7,905	2,177,905
Derivative contracts	c)	1,137,337	+85,310	1,222,647
Debt securities issued to the public	a)	17,025,317	+54,284	17,079,601
Provisions and other liabilities	a), c)	150,331	-147,500	2,831
Tax liabilities	d)	215	-215	
Deferred tax liabilities	d)		+215	215
Total liabilities		20,483,200	0	20,483,200
Equity capital				
Share capital		60,000	0	60,000
Reserve for invested non-restricted equity		245,000	0	245,000
Retained earnings		62,187	0	62,187
Total equity		367,187	0	367,187
Total liabilities and equity		20,850,387	0	20,850,387

The key changes in the balance sheet format for 1 January 2023 are as follows

- Unreceived interest of loan receivables was previously presented in the "Other assets" row in the balance sheet and unpaid interest of financial liabilities was previously presented in the "Provisions and other liabilities" row in the balance sheet. Unreceived interest of loan receivables was transferred to the "Receivables from member credit institutions" row and the "Receivables from customers" row. Interest amounts of EUR 35,934 thousand were transferred to the "Receivables from member credit institutions" row in the balance sheet as of 1 December 2023. Interest amounts of EUR 3,497 thousand were transferred to the "Receivables from customers" row in the balance sheet as of 1 January 2023. Unpaid interest of financial liabilities was transferred to the "Liabilities to member credit institutions" and "Debt securities issued to the public" rows in the balance sheet. Interest amounts of EUR 3,869 thousand were transferred to the "Liabilities to member credit institutions" row in the balance sheet as of 1 January 2023. Interest amounts of EUR 36,629 thousand were transferred to the "Debt securities issued to the public" row in the balance sheet as of 1 December 2023.
- Loans of EUR 100,984 thousand were transferred as of 1 December 2023 to "Receivables from member credit institutions" row in the balance sheet.
- Interest receivables of derivative contracts were previously presented in the "Other assets" row in the balance sheet and interest liabilities of derivative contracts were previously presented in the "Provisions and other liabilities" row in the balance sheet. Interest receivables of derivative contracts were transferred to the assets side to the "Derivative contracts" row. Interest receivables transferred on 1 January 2023 amounted to EUR 47,757 thousand. Interest liabilities of derivative contracts were transferred to the liabilities side to the "Derivative contracts" row. Interest liabilities transferred on 1 January 2023 amounted to EUR 43,420 thousand.
- "Tax assets" previously presented in the balance sheet has been renamed "Deferred tax assets" and "Tax liabilities" has been renamed "Deferred tax liabilities".
- A new row presented in the balance sheet is "Cash and cash equivalents", whose content was previously presented in "Receivables from credit institutions" in the balance sheet. Cash at bank transferred on 1 December 2023 amounted to EUR 137,989 thousand.
- The row "Receivables from member credit institutions" previously presented in the balance sheet was renamed "Receivables from member credit institutions".
- The row "Liabilities to credit institutions" previously presented in the balance sheet was renamed "Liabilities to member credit institutions".



Balance sheet, TEUR	Reference	31 Dec 2022	Changes	Adjusted 1 Jan 2023
Cash and cash equivalents	e)		+137,989	137,989
Receivables from member credit institutions (Receivables from credit institutions)	a), b), e), f)	17,996,364	-1,072	17,995,292
Receivables from customers	a), b)	2,787,526	-97,487	2,690,039
Derivative contracts	c)	7,482	+47,757	55,239
Other assets	a), (c)	88,065	-87,188	877
Tax assets	d)	98	-98	
Deferred tax assets	d)		+98	98
Total assets		20,879,535	0	20,879,535
Liabilities to member credit institutions (Liabilities to credit institutions)	a), g)	2,250,000	+3,869	2,253,869
Derivative contracts	c)	1,201,138	+43,420	1,244,559
Debt securities issued to the public	a)	16,970,557	+36,629	17,007,186
Provisions and other liabilities	a), c)	86,295	-83,918	2,377
Tax liabilities	d)	234	-234	
Deferred tax liabilities	d)		+234	234
Total liabilities		20,508,224	0	20,508,224
Equity capital				
Share capital		60,000	0	60,000
Reserve for invested non-restricted equity		245,000	0	245,000
Retained earnings		66,311	0	66,311
Total equity		371,311	0	371,311
Total liabilities and equity		20,879,535	0	20,879,535

Commission expenses for lending paid to OP cooperative banks previously presented in commission expenses in the income statement have been netted from lending commission income. OP MB pays OP cooperative banks commissions it has received from lending. Lending commission expenses of EUR 2,258 thousand for 1 January–31 December 2023 were transferred retrospectively to commission income. The transferred lending commission expenses for 1 January–31 December 2023 amounted to EUR 669 thousand. The total amount of net commissions and fees did not change.



Schedule for Interim Reports in 2024

Half-year Financial Report 1 January–30 June 2024
Interim Report 1 January–30 September 2024

24 July 2024
31 October 2024

Helsinki, 8 May 2024

OP Mortgage Bank
Board of Directors

For more information, please contact:
Sanna Eriksson, Managing Director, tel. +358 10 252 2517

DISTRIBUTION

LSE London Stock Exchange
Euronext Dublin (Irish Stock Exchange)
Officially Appointed Mechanism (OAM)
Major media
op.fi