OP Financial Group's Financial Statements Bulletin 1 January–31 December 2022

OP Financial Group

OP Financial Group's Financial Statements Bulletin for 1 January–31 December 2022:

Earnings before tax EUR 1,265 million – total income up by 2%, total expenses unchanged year on year

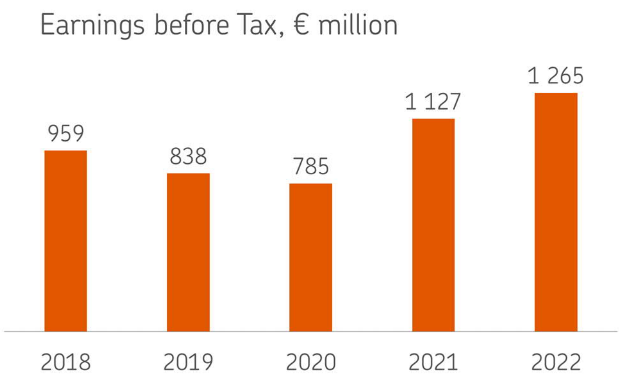
Earnings before tax Q1–4/2022	Net interest income Q1–4/2022	Net insurance income Q1–4/2022	Total expenses Q1–4/2022	CET1 ratio 31 Dec 2022
€1,265 mill.	+15%	+20%	–1%	17.4%

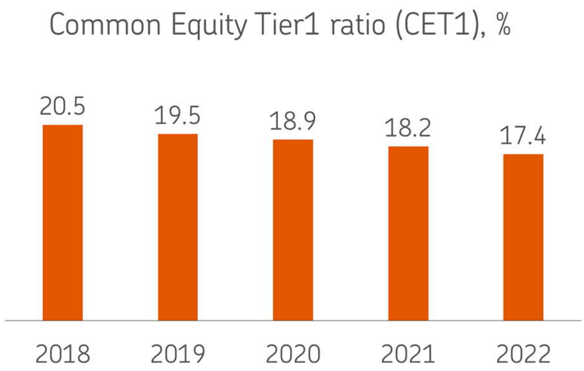
- Earnings before tax totalled EUR 1,265 million (1,127).
- Income from customer business increased by a total of 10% to EUR 3,512 million (3,186). Net interest income increased by 15% to EUR 1,618 million (1,409) and net insurance income by 20% to EUR 889 million (743). Net commissions and fees decreased by 3% to EUR 1,005 million (1,034).
- Net investment income decreased to EUR –149 million (376). The overlay approach increased investment income by EUR 143 million (–118). Including the overlay approach, investment income decreased to EUR –5 million (257).
- Total income decreased by 5% to EUR 3,426 million (3,616). Including the overlay approach, total income increased by 2% to EUR 3,570 million (3,497).
- Total expenses decreased by 1% to EUR 1,981 million (2,007).
- Impairment loss on receivables in the income statement decreased by EUR 43 million to EUR 115 million (158). Ratio of impairment loss on receivables to loan and guarantee portfolio was 0.11% (0.16).
- OP Financial Group's loan portfolio grew by 2% to EUR 99 billion (97) and deposits by 2% to EUR 77 billion (76).
- CET1 ratio was 17.4% (18.2), which exceeds the minimum regulatory requirement by 5.5 percentage points. OP Financial Group adopted a risk-weighted assets (RWA) floor, based on the Standardised Approach, in the second quarter. On the date of transition, this decreased the CET1 ratio by one percentage point.
- Retail Banking earnings before tax increased to EUR 502 million (304). Net interest income increased by 25% to EUR 1,194 million (959) and net commissions and fees by 3% to EUR 773 million (753). Impairment loss on receivables increased by EUR 12 million to EUR 96 million (84). The loan portfolio decreased by 0.3% and deposits increased by 3%.
- Corporate Banking earnings before tax decreased to EUR 416 million (474). Net interest income increased by 10% to EUR 457 million (414), net commissions and fees decreased by 19% to EUR 166 million (204) and net investment income decreased by 21% to EUR 136 million (171). Impairment loss on receivables decreased by EUR 56 million to EUR 18 million (74).
- Insurance earnings before tax decreased to EUR 433 million (504). Net insurance income grew by 20% to EUR 901 million (754), particularly due to the increase in the discount rate. Investment income decreased by EUR 257 million to EUR –87 million (170). Non-life Insurance recorded an operating combined ratio of 90.5% (85.5).
- Group Functions earnings before tax were EUR –91 million (–109).
- New OP bonuses accrued to owner-customers totalled EUR 215 million (210). OP Financial Group wants to allocate part of its profitability improvement to support its owner-customers by increasing the OP bonuses they earn for 2023 by 30%. This means an estimated additional bonus totalling more than EUR 60 million.
- Interest payable for the year 2022 on Profit Shares held by owner-customers is estimated to total EUR 144 million (96).
- On 30 September 2022, OP Financial Group filed an application with the European Central Bank (ECB) on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Financial Group's capital adequacy or risk exposure.
- OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreased by EUR 52 million on the date of transition. At the same time, the Group ceased to apply the overlay approach.
- Earnings before tax for 2023 are expected to be higher than in 2022. For more detailed information on the outlook, see "Outlook for 2023".

OP Financial Group's key indicators

	Q1–4/2022	Q1–4/2021	Change, %
Earnings before tax, € million	1,265	1,127	12.2
Retail Banking	502	304	65.2
Corporate Banking	416	474	-12.2
Insurance	433	504	-14.1
Group Functions	-91	-109	-
New OP bonuses accrued to owner-customers, € million	215	210	2.1
Return on equity (ROE), %	7.2	6.6	0.6*
Return on equity, excluding OP bonuses, %	8.3	7.8	0.5*
Return on assets (ROA), %	0.59	0.54	0.05*
Return on assets, excluding OP bonuses, %	0.68	0.64	0.04*
	31 Dec 2022	**31 Dec 2021**	**Change, %**
CET1 ratio, %	17.4	18.2	-0.8*
Loan portfolio, € billion	98.5	96.9	1.6
Deposits, € billion	77.1	75.6	2.0
Ratio of non-performing exposures to exposures, %	2.3	2.4	-0.1*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.11	0.16	-0.04*
Owner-customers (1,000)	2,066	2,049	1.0

Comparatives for the income statement are based on the corresponding figures a year ago. Unless otherwise specified, figures from 31 December 2021 are used as comparatives for balance-sheet and other cross-sectional items.
*Change in ratio





Comments by President and Group Chief Executive Officer Timo Ritakallio

In 2022, the financial sector's operating environment was characterised by exceptional uncertainty. Russia's war of aggression in Ukraine and strongly accelerated inflation resulted in a significant increase in market interest rates. Combined with a weakening economic outlook, this affected demand both for home loans and corporate finance, particularly towards the end of the year. During the year, stock prices fell in all major markets, which in turn reduced demand for investment services.

Despite the uncertain operating environment, OP Financial Group's earnings before tax for 2022 improved by 12%, reaching an excellent level of EUR 1,265 million. Net interest income increased by 15% to EUR 1,618 million and net insurance income by 20% to EUR 889 million. Meanwhile, net commissions and fees decreased by 3% year on year, totalling EUR 1,005 million. Net investment income fell substantially from the previous year. Costs remained well under control, showing a decrease of 1% year on year.

All of our three business segments performed very well last year. Earnings by Retail Banking were particularly strong. In the insurance business, claims expenditure returned to its pre-pandemic level.

At around two per cent, growth in deposits and loans was clearly slower than in previous years. Despite the weaker economy, the loan repayment capacity of both personal and corporate customers remained good throughout the year, and there was no growth in non-performing exposures. Similarly, impairment loss on receivables remained low. In recent years, we have actively offered interest rate protection to our home loan customers. This has proved its worth amidst rapidly rising market interest rates. Roughly a third of our home loan customers have taken out interest rate protection. At the end of 2022, a growing number of customers benefitted from interest rate protection, which cut their loan servicing costs.

OP Financial Group's CET1 ratio continued to be very strong, at 17.4%, exceeding the minimum regulatory requirement by 5.5 percentage points. OP Financial Group is among Europe's strongest banks in terms of capital adequacy.

In income growth, we focused on income from customer business in line with our strategic target, achieving growth of 10% in 2022. In recent years, OP Financial Group has focused on its core business – banking and insurance – in keeping with its strategy. While the Group's income from customer business has grown substantially, we have managed to keep our costs at the same level for several years. Our continuous strategy process, which we revised four years ago, has proven highly effective in the business environment of recent years, which has been marked by surprises and uncertainties. We have also been implementing a cultural change by adopting leaner organisational structures and an agile method based on multi-skilled teams. This new way of working promotes a better customer and employee experience, and operational efficiency.

Our customers are increasingly using digital channels for their banking and insurance matters. In 2022, we continued to focus our development efforts on our mobile channel. At the end of the year, OP-mobile had more than 1.4 million active users – an increase of almost 600,000 people compared to slightly over three years ago.

Despite the challenging investment environment, our customers have continued to make sustainable, far-reaching choices for their future through systematic investing. In 2022, OP Financial Group's mutual funds attracted more than 55,000 new unitholders, with the total number of unitholders exceeding 1.2 million at the year end. OP Financial Group's market share of all unitholders in Finnish mutual funds exceeded 30%. Stock investment also continued to be lively: 71,000 new book-entry and equity savings accounts were opened during the year.

In line with our strategy, we continued to increasingly embed responsibility into our investment, lending and insurance processes, and grow the share of responsible products and services in our offering. OP Financial Group's sustainable financing commitment portfolio grew by 70% from the previous year, reaching a total of EUR 5.2 billion. At the end of December, the share of sustainable financing products in OP Corporate Bank's exposures was around 17%, compared to 11% a year earlier.

OP Financial Group is a financial services group owned by its customers. In line with our mission, we want to support our owner-customers in these financially challenging times. We will allocate part of our profitability improvement to supporting the daily lives of our almost 2.1 million owner-customers, by increasing the OP bonuses they earn for 2023 by 30%. The value of this additional bonus is over EUR 60 million.

We will also allocate part of our strong profitability to further improving our customer service and to carrying out various corporate responsibility actions, with a particular focus on the wellbeing of children and young people. Through donations and sponsorships of nearly EUR 4.5 million, we will support young people's hobbies and activities promoting their financial literacy and employment around Finland.

OP Financial Group is in an excellent position to provide for its customers' banking and insurance needs today and beyond. Our leading market position, strong capital base, excellent profitability, and customers' trust in our brand provide us with a strong foundation for continuing to coach our customers in making better financial choices, pointing the way towards futures filled with hope – together through time.

I would like to express my warmest thanks to our customers for their trust and to our employees and governing body members for their outstanding and successful work in 2022!

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Business environment

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

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

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

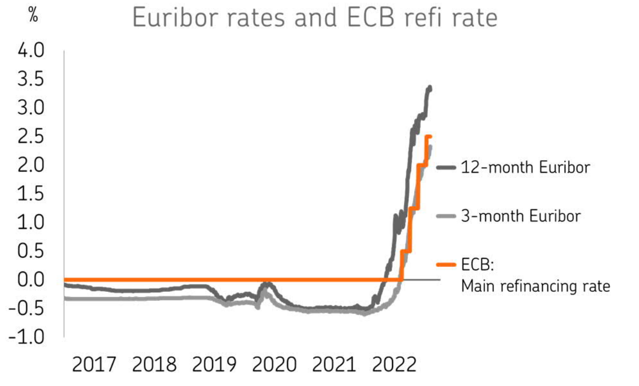
Brisk growth of the Finnish economy dwindled in 2022. Despite this slowdown, employment improved and the profitability of businesses remained good. Consumer spending decreased during the year, as inflation eroded purchasing power. A sharp rise in reference interest rates pushed prices down in the housing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

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

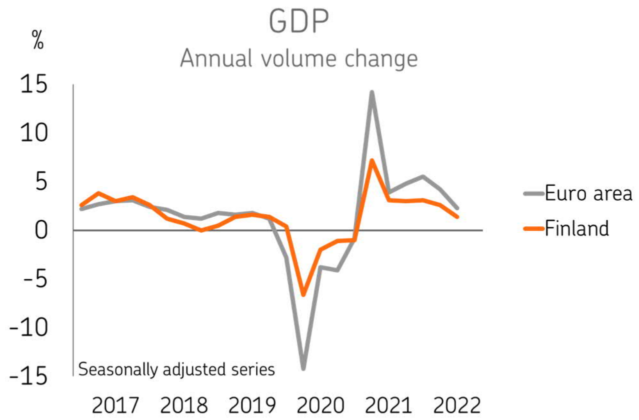
In December, total loans were 3.5% higher than a year earlier. The annual growth rate of corporate loans was 4.5%. The corresponding loan growth rate was 7.0% for housing companies and 0.8% for households. Growth in loans to households slowed down from its level of 4.0% at the end of 2021, while the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

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

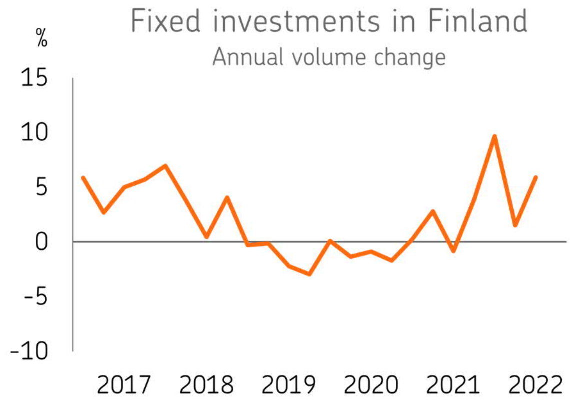
Demand for investment services remained stable. The end of the Covid-19 restrictions in Finland and the general rise in costs increased claims incurred. A decline in the capital market was partly reflected in the profitability of insurance companies.



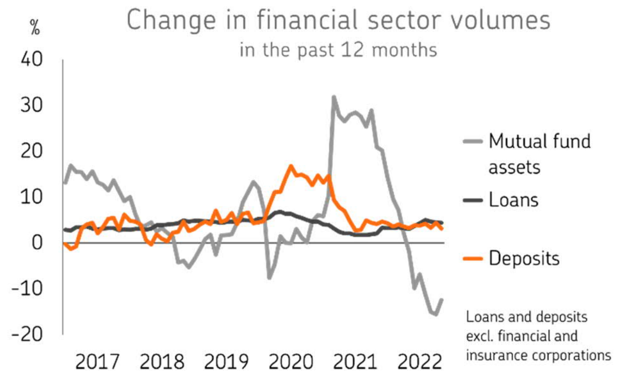
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1–4/2022	Q1–4/2021	Change, %	Q4/2022	Q4/2021	Change, %
Earnings before tax	1,265	1,127	12.2	325	270	20.5
Retail Banking	502	304	65.2	167	80	109.1
Corporate Banking	416	474	-12.2	197	119	65.8
Insurance	433	504	-14.1	113	123	-8.0
Group Functions	-91	-109	-	-75	-39	-
Income						
Net interest income	1,618	1,409	14.8	496	438	13.3
Net insurance income	889	743	19.6	336	201	67.0
Net commissions and fees	1,005	1,034	-2.8	249	273	-8.9
Net investment income	-149	376	-139.6	-76	123	-161.8
Other operating income	63	54	17.0	12	8	56.0
Total income	3,426	3,616	-5.2	1,017	1,043	-2.5
Total income, incl. overlay approach	3,570	3,497	2.1	968	973	-0.5
Expenses						
Personnel costs	894	914	-2.2	246	258	-4.7
Depreciation/amortisation and impairment loss	214	283	-24.4	55	91	-39.8
Other operating expenses	874	810	7.9	244	237	2.8
Total expenses	1,981	2,007	-1.3	545	586	-7.1
Impairment loss on receivables	-115	-158	-	-45	-63	-
Overlay approach	143	-118	-	-49	-70	-
New OP bonuses accrued to owner-customers	215	210	2.1	54	54	-

Key indicators, € million	31 Dec 2022	31 Dec 2021	Change, %
Loan portfolio	98,546	96,947	1.6
Home loans	42,304	41,522	1.9
Corporate loans	23,117	23,128	0.0
Housing company and other loans	33,125	32,297	2.6
Guarantee portfolio	3,974	4,047	-1.8
Other exposures	14,801	15,314	-3.3
Deposits	77,121	75,612	2.0
Assets under management (gross)	98,226	111,836	-12.2
Mutual funds	27,575	32,515	-15.2
Institutional clients	35,713	38,336	-6.8
Private Banking	23,326	27,831	-16.2
Unit-linked insurance assets	11,612	13,154	-11.7
Balance sheet total	175,516	174,110	0.8
Investment assets	20,754	22,945	-9.5
Insurance liabilities	7,638	8,773	-12.9
Debt securities issued to the public	37,438	34,895	7.3
Equity capital	14,335	14,184	1.1

January–December

OP Financial Group's earnings before tax amounted to EUR 1,265 million (1,127), up by EUR 137 million from the previous year. Income from customer business grew by a total of 10.2% to EUR 3,512 million (3,186). As regards income from customer business, net interest income and net insurance income increased. Earnings were reduced by lower investment income.

Net interest income grew by 14.8% to EUR 1,618 million, due to the significant increase in market interest rates. Net interest income reported by the Retail Banking segment increased by EUR 235 million, that by the Corporate Banking segment by EUR 43 million and that by the Group Functions segment by EUR 72 million. OP Financial Group's loan portfolio grew by 1.6% to EUR 98.5 billion and deposits by 2.0% to EUR 77.1 billion. New loans drawn down by customers during the reporting period totalled EUR 24.5 billion (26.4).

Net insurance income increased by 19.6% to EUR 889 million. The Insurance segment's non-life insurance premium revenue increased by 2.8% to EUR 1,598 million and claims incurred by 12.5% to EUR 1,012 million, excluding the increase in the discount rate. Claims volumes have returned to their pre-pandemic level. Large claims increased claims incurred by EUR 180 million (134). The increase in the discount rate for insurance liability improved net insurance income by EUR 283 million. Operating combined ratio reported by non-life insurance was 90.5% (85.5).

Net commissions and fees totalled EUR 1,005 million (1,034). Net commissions and fees for payment transfer services increased by EUR 8 million and those for lending and asset management by EUR 4 million. Meanwhile, net commissions and fees for mutual funds decreased by EUR 14 million and those for life insurance by EUR 17 million. Net commissions and fees for health and wellbeing services fell by EUR 8 million year on year following the sale of Pohjola Hospital that was completed on 1 February 2022.

The investment environment was challenging due to higher market interest rates and lower stock prices. Net investment income decreased by EUR 524 million to EUR –149 million. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity. The overlay approach increased investment income by EUR 143 million (–118). Total investment income decreased by EUR 262 million year on year, to EUR –5 million. On 1 January 2023, OP Financial Group adopted IFRS 17 Insurance Contracts and stopped applying the overlay approach.

Net income from financial assets at fair value through other comprehensive income totalled EUR 29 million (67), of which net capital losses accounted for EUR –10 million (14). Net capital gains on all financial instruments recognised through fair value reserve totalled EUR 16 million (144).

Net income from financial assets, recognised at fair value in net investment income through profit or loss, totalled EUR –855 million (129). Net income from financial assets held for trading decreased by a total of EUR 382 million due to changes in the fair value of derivatives. Fair values of equity instruments recognised at fair value in the income statement decreased by a total of EUR 440 million and those of notes and bonds by a total of EUR 191 million, year on year. An item related to the increase in the discount rate of the insurance liability for non-life insurance, EUR 218 million, was shown as negative value change in net investment income. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 528 million to EUR 650 million. Net income from investment property decreased by EUR 29 million to EUR 16 million.

The combined return on investments at fair value of OP Financial Group's insurance companies was –13.1% (1.7). The negative figure was affected by a rise in market interest rates and the fall in stock prices.

Other operating income increased to EUR 63 million (54). The sale of Pohjola Hospital increased other operating income by EUR 32 million. A year ago, the sale of Checkout Finland Ltd increased other operating income.

Total expenses decreased by 1.3% year on year to EUR 1,981 million. Personnel costs decreased by 2.2% to EUR 894 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 24.4% to EUR 214 million. Other operating expenses increased by 7.9% to EUR 874 million. ICT costs totalled EUR 382 million (364). Development costs were EUR 216 million (195). Charges of financial authorities increased by 28.0%, or EUR 18 million, to EUR 82 million as a result of the EUR 15 million increase in the stability contribution paid to the Single Resolution Fund financed by the euro-area banks.

Impairment loss on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 196 million (164), of which EUR 115 million (158) concerned loans and receivables. The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. OP Financial Group has assessed the impact of higher electricity prices and Euribor rates on the credit risk associated with the home loan portfolio. Following this analysis, the Group made an additional provision of EUR 42 million under expected credit losses, based on management judgment. Final credit losses recognised totalled EUR 118 million (113). Loss allowance was EUR 750 million (751) at the end of the reporting period. Non-performing exposures accounted for 2.3% (2.4) of the exposures. Impairment loss on loans and receivables accounted for 0.11% (0.16) of the loan and guarantee portfolio.

OP Financial Group's income tax amounted to EUR 242 million (224). The effective tax rate for the reporting period was 19.1% (19.8). The tax-exempt capital gain on the sale of Pohjola Hospital reduced the effective tax rate.

OP Financial Group's equity amounted to EUR 14.3 billion (14.2). Equity included EUR 3.4 billion (3.2) in Profit Shares, terminated Profit Shares accounting for EUR 0.4 billion (0.3).

Comprehensive income after tax totalled EUR 139 million (897). Changes in the fair values of equities, derivatives and notes and bonds decreased the fair value reserve. Changes in the fair value reserve decreased comprehensive income by a total of EUR 979 million (–59). Gains from the remeasurement of defined benefit plans improved comprehensive income by EUR 96 million (40) as a result of the increase in the discount rate used in the calculation.

October–December

Earnings before tax for the fourth quarter amounted to EUR 325 million against EUR 270 million a year ago. Earnings were increased by higher net interest income and net insurance income and a decrease in expenses.

Net interest income grew by 13.3% year on year, to EUR 496 million, boosted by higher interest rates. Net insurance income increased by 67.0% to EUR 336 million. The increase in the discount rate for insurance liability improved net insurance income by EUR 187 million. Net commissions and fees decreased by 8.9% to EUR 249 million.

The investment environment was challenging due to higher market interest rates and lower stock prices. Net investment income was EUR –76 million (123). Net income from financial assets recognised at fair value through profit or loss totalled EUR –104 million (31). Net income from financial assets held for trading decreased by a total of EUR 58 million due to changes in the fair value of derivatives. The fair value of equities recognised at fair value in the income statement decreased by a total of EUR 82 million year on year. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 24 million to EUR 48 million.

The overlay approach decreased investment income by EUR 49 million (–70). In total, investment income decreased by EUR 178 million to EUR –125 million.

Total expenses decreased by 7.1% to EUR 545 million. Personnel costs decreased by 4.7% to EUR 246 million. Depreciation/amortisation and impairment loss decreased by 39.8% from the previous year, to EUR 55 million. Other operating expenses increased by 2.8% to EUR 244 million.

Impairment loss on receivables totalled EUR 45 million (63). OP Financial Group has assessed the impact of higher electricity prices and Euribor rates on the credit risk associated with the home loan portfolio. Following this analysis, the Group made an additional provision of EUR 17 million under expected credit losses in the fourth quarter, based on management judgement. Final net loan losses recognised totalled EUR 36 million (15).

Comprehensive income totalled EUR 212 million (225). Changes in the fair value reserve decreased comprehensive income by EUR 12 million. A year ago, changes in the fair value reserve increased comprehensive income by EUR 6 million.

October–December highlights

Application filed with the European Central Bank on the use of the Standardised Approach

On 30 September 2022, OP Financial Group filed an application with the European Central Bank on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. Transfer to the Standardised Approach is estimated to have no essential effect on OP Financial Group's capital adequacy or risk exposure. This was due to enhanced regulatory requirements and discussions with the banking supervisor, the European Central Bank, related to the application of the Internal Ratings Based Approach (IRBA). The schedule for transferring to the Standardised Approach depends on the processing of the application at the ECB. According to OP Financial Group's assessment, the transfer will take place during the first quarter of 2023.

OP Financial Group's strategic targets and priorities

OP Financial Group has a strategy process in which it assesses, reshapes and implements its strategy on an ongoing basis. The Group systematically assesses its business environment and operating model to be able to make and implement new strategic choices when needed.

OP Financial Group's mission, values, vision and strategic priorities form a whole whose parts complement each other. OP Financial Group's vision is to be the leading and most appealing financial services group in Finland. Continuous monitoring of the business environment and the strategic priorities will help achieve the shared vision and guide all actions.

The Supervisory Council of OP Financial Group's central cooperative confirmed the Group's strategy at its meeting on 25 August 2022. In the next few years, the Group's operations will be guided by the following five strategic priorities:

- Value for customers
- Profitable growth
- Efficient, high-quality operations
- Responsible business

- Highly skilled, motivated and satisfied personnel.

OP Financial Group's operations are based on a strong culture of risk management and compliance.

OP Financial Group's strategic targets	31 Dec 2022	31 Dec 2021	Target 2025
Return on equity (ROE excluding OP bonuses), %	8.3	7.8	8.0
CET1 ratio, %	17.4	18.2	At least CET1 requirement + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers)**	Banking: 27 Insurance: 17	Banking: 29 Insurance: 16	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

* OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the December-end capital adequacy requirement was 15.9%.
** Average of quarters (per financial year)

In 2022, OP Financial Group updated the essential meanings of its values – people first, responsibility and succeeding together.

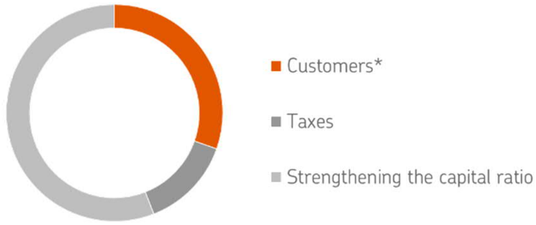
Promotion of the success of owner-customers and operating region

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. The Group's operations are based on its values, mission, a strong capital base, capable risk management and customer respect.

Allocation of earnings

OP Financial Group aims to provide its owner-customers with the services they need, as efficiently as possible. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for 2022 that is to be confirmed after the end of the financial year:



*) Customers = OP bonuses, discounts and interest on Profit Shares to owner-customers

Implementing OP Financial Group's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. A stronger capital base will require efficiency and earnings power of the Group in the years to come too. In addition to the part returned to owner-customers, a significant part of earnings is used to strengthen OP Financial Group's capital base.

Benefits created by OP Financial Group are allocated to owner-customers on the basis of the extent to which each owner-customer of an OP cooperative bank uses the Group's services. The owner-customers' loyalty benefit programme consists of OP bonuses – accrued on the basis of an owner-customer's transactions with OP – as well as benefits and discounts granted on OP's banking services, insurance contracts and savings and investment services. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be paid annually on Profit Shares as the banks' profit distribution.

In 2022, OP Financial Group celebrated its 120th anniversary by increasing the return target for Profit Shares by 1.20 percentage points. This means that the return target stands at 4.45%. Interest payment and its amount depend on the financial performance of the issuing OP cooperative bank.

OP Financial Group wants to allocate part of its strong profitability to further improving its customer service and to carrying out various corporate responsibility actions. In 2023, the Group will focus on the wellbeing of children and young people in particular. Through donations and sponsorships of nearly EUR 4.5 million, OP Financial Group will support young people's hobbies and activities promoting their financial literacy and employment around Finland.

OP Financial Group is one of the largest taxpayers in Finland measured by tax on profits. As a major taxpayer, OP is contributing to prosperity in the whole of Finland.
OP Financial Group paid EUR 214 million in corporate tax for 2021.

Customer relationships and customer benefits

OP Financial Group had a total of 2.1 million (2.0) owner-customers at the end of the reporting period. The number of owner-customers increased by 16,000.

The number of banking customers totalled 3.6 million (3.6). Retail Banking had a total of 3.3 million customers (3.3) and Corporate Banking 0.3 million customers (0.3). Non-life insurance had a total of 1.7 million customers (1.6) and life insurance 0.4 million customers (0.4).

The number of joint banking and insurance customers totalled 1.3 million (1.3).

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–December totalled EUR 215 million (210). During the reporting period, a total of EUR 101 million (107) of OP bonuses were used to pay for banking and wealth management services and EUR 114 million (112) to pay non-life insurance premiums.

Owner-customers benefitted EUR 62 million (57) from the reduced price of the daily services package of Retail Banking. Owner-customers were provided with EUR 60 million (58) in non-life insurance loyalty discounts. They also bought, sold and switched units in most mutual funds without separate charges. The value of this benefit amounted to EUR 8 million (7).

The abovementioned OP bonuses and customer benefits totalled EUR 345 million (332), accounting for 21.4% (22.8) of OP Financial Group's earnings before tax and granted benefits.

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.6 billion (3.5). The return target for Profit Shares for 2022 was an interest rate of 4.45% (3.25). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 144 million (96).

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. OP Financial Group published its new sustainability programme in August 2022. The 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.

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

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

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

Sustainability highlights in October–December

OP Financial Group has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. At the end December, total exposures from these loans and facilities stood at EUR 5.2 billion (3.0).

In December 2022, OP Financial Group and the European Investment Fund signed an agreement on new risk sharing guarantee facilities. The aim is to help SMEs obtain financing for investments that accelerate the green transition and enable them to implement projects with lower collateral requirements.

To promote diversity among its personnel, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 31% (30) at the end of December.

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards. The Group will publish its corporate sustainability report for 2022 as part of its annual review in week 10.

Taxonomy eligibility

The aim of the EU Taxonomy for sustainable finance that entered into force in 2021 is to determine the sustainability of financing and investment instruments. OP Financial Group reports taxonomy eligibility information for 2022. In future years, the Group will present key performance indicators for sustainable finance on its taxonomy-eligible assets in accordance with the disclosure obligations established under the taxonomy.

Home loans contribute to economic activities classified in taxonomy regulation, in other words, they are taxonomy eligible.

Home loans (31 Dec)	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
2022	42,304	24.3	100.0
2021	41,522	23.8	100.0

As regards Insurance business, the proportion of taxonomy-eligible economic activities related to non-life insurance is reported for 2022. Insurance contracts are taxonomy eligible if they fall within the lines of insurance specified in the EU Taxonomy criteria and if, based on the insurance terms and conditions, the insurance contracts cover losses arising from threats related to climate change. Insurance covers provided by Pohjola Insurance are regarded as taxonomy-eligible, excluding general liability, business interruption, luggage and legal expenses insurance. The indicator applied is gross premiums written.

Insurance business, Q1–4/2022	€ million	%
Non-life insurance gross premiums written	1,606	100.0
Taxonomy-eligible	1,407	87.6
Taxonomy-non-eligible	199	12.4
Reinsurance gross premiums written	82	100.0
Taxonomy-eligible	56	68.3
Taxonomy-non-eligible	26	31.7

Insurance business, Q1–4/2021	€ million	%
Non-life insurance gross premiums written	1,543	100.0
Taxonomy-eligible	1,357	87.9
Taxonomy-non-eligible	186	12.1
Reinsurance gross premiums written	70	100.0
Taxonomy-eligible	49	70.5
Taxonomy-non-eligible	21	29.5

As regards other functions, OP Financial Group reports their taxonomy eligibility on the basis of the taxonomy reporting of the companies in question. The figures are based on the percentage of taxonomy-eligible net sales reported by the companies.

31 Dec 2022	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
Corporate lending, NFRD exposures*	5,951	3.4	21.8
Non-life insurance investments**	4,100	2.4	2.6
Life insurance investments**	16,600	9.5	3.3
Banking notes and bonds***	7,082	4.1	4.0
Total	33,733	19.4	

*Companies subject to the NFRD (Non-Financial Reporting Directive) includes listed European companies with more than 500 employees.
**Fair value of investments. Life insurance investments include unit-linked investments and separated balance sheets.
***Excluding notes and bonds held for trading.

Information on the NFRD exposures of corporate lending has been collected from the public taxonomy eligibility reports of the companies concerned.

Taxonomy figures related to investments are based on information collected by an external supplier on figures reported by investees.

Balance sheet information, 31 Dec 2022	€ million	Share of balance sheet assets, %
Total balance sheet assets	175,516	100.0
Exposures to central governments, central banks and supranational issuers	39,481	22.5
Derivative contracts, assets	4,117	2.3
Financial assets held for trading	381	0.2
Receivables from credit institutions payable on demand	652	0.4

Balance sheet information, 31 Dec. 2021	€ million	Share of balance sheet assets, %
Total balance sheet assets	174,110	100.0
Exposures to central governments, central banks and supranational issuers	36,236	20.8
Derivative contracts, assets	3,467	2.0
Financial assets held for trading	409	0.2
Receivables from credit institutions payable on demand	283	0.2

As regards 2022, OP Financial Group does not report taxonomy eligibility information on nuclear power and natural gas under the EU Taxonomy Complementary Climate Delegated Act, because companies do not publish such information.

OP Financial Group constantly assesses the impacts of the EU Taxonomy on the Group, its strategy and customers. The Group guides its customers in preparing for and adapting to the various effects of climate change and the related risks. The Group is monitoring developments in sustainable finance regulation and the EU taxonomy since they will change the business environment and the conditions for success.

The Group analyses the taxonomy alignment of non-life insurance products and engages in product development. The Group has begun to prepare for taxonomy alignment reporting for 2023.

Voluntary information supplementing taxonomy reporting

Based on taxonomy regulation applied to the financial sector, OP Financial Group discloses voluntary information as part of taxonomy reporting. The Group reports assessment information on the taxonomy eligibility of investments. This reporting is based on the assessments performed by an external supplier regarding the taxonomy eligibility of the activities subject to investment by OP Financial Group. The target group subject to the assessments is wider than that of companies subject to the Non-Financial Reporting Directive (NFRD). OP Financial Group reports the taxonomy eligibility of the NFRD exposures of corporate lending and the eligibility of banking notes and bonds for 2021 on a voluntary basis. For 2022, these items are subject to mandatory reporting.

31 Dec 2022	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
Non-life insurance investments*	4,100	2.4	18.5
Life insurance investments*	16,600	9.5	25.3
Total	20,700	11.9	

*Fair value of investments. Life insurance investments include unit-linked investments and separated balance sheets.

31 Dec 2021	€ million	Share of balance sheet assets, %	Taxonomy-eligible, %
Corporate lending, NFRD exposures*	7,802	4.5	33.1
Non-life insurance investments**	4,235	2.4	37.3
Life insurance investments**	19,473	11.2	12.9
Banking notes and bonds***	7,899	4.5	3.4
Total	39,409	22.6	

*Companies subject to the NFRD (Non-Financial Reporting Directive) includes listed European companies with more than 500 employees. As regards corporate lending, the information covers Finnish companies only. The figures for 2021 and 2022 are not comparable because the source of information and the calculation method changed in 2022.

**Fair value of investments. Life insurance investments include unit-linked investments and separated balance sheets.
***Excluding notes and bonds held for trading.

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In December, the Group's mobile channels (OP-mobile, OP Business mobile) had more than 1.4 million active users (1.3). The Group provides personal customer service both at branches and digitally.

Mobile and online services, no. of logins (million)	Q1–4/ 2022	Q1–4/ 2021	Change, %
OP-mobile	513.6	481.3	6.7
OP Business mobile	27.3	20.9	30.6
Pivo	43.4	44.4	-2.3
Op.fi*	73.8	53.4	38.2
	31 Dec 2022	31 Dec 2021	Change, %
Siirto payment, registered customers (OP)	1,148,218	1,054,931	8.8

* The figures are not comparable due to a change in the measurement method in 2022.

In March, OP introduced the Google Pay service to its customers in Finland, alongside the Apple Pay service. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores. In December, OP extended the service to cover customers using Mastercard.

In March, OP published a new guide for older people to support them in using non-digital banking services, and finding options for the daily use of services without a computer or smartphone.

OP Financial Group has an extensive branch network with 297 branches (324) across the country. In addition, Pohjola Insurance has a comprehensive network of agencies and partnerships.

OP Financial Group has extensive presence in the most common social media channels where it has a total of 650,000 followers (630,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own social media accounts where they share publications targeted at local customers.

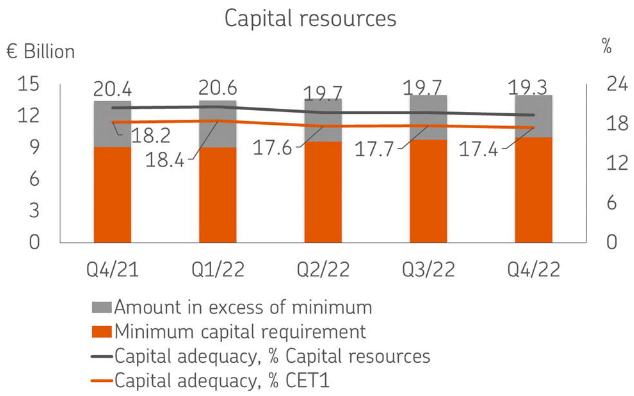
Capital adequacy and capital base

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

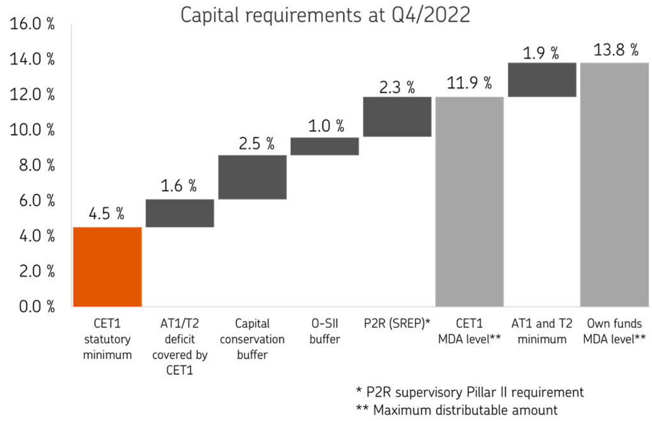
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.1 billion (4.5). Banking capital requirement remained unchanged at 13.8%, calculated on risk-weighted assets. The ratio of OP Financial Group's capital base to the minimum capital requirement was 137% (146). The ratio weakened by around 15 percentage points as a result of the adoption of the risk-weighted assets floor based on the Standardised Approach (SA floor). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 17.4% (18.2), which exceeds the minimum regulatory requirement by 5.5 percentage points. The ratio decreased by one percentage point at the time of transition to the SA floor in the second quarter. The ratio was improved by earnings performance and the issues of Profit Shares.

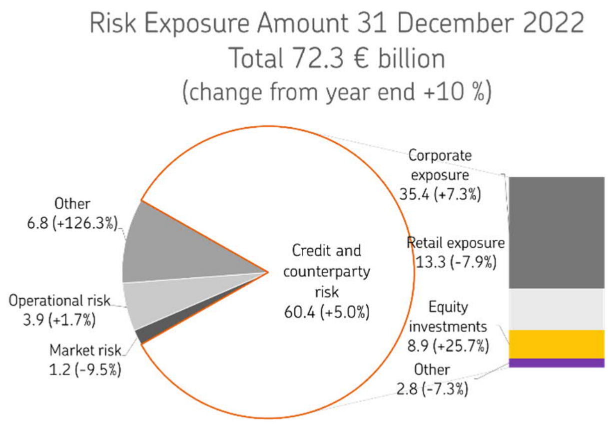


As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%; the minimum requirement of 1.6% for AT1 and T2, which needs to be covered with CET1, raises the CET1 minimum to 6.1%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 13.8% and the minimum CET1 ratio to 11.9%, including the shortfalls of Additional Tier 1 (AT1) and Tier 2 (T2) capital.



The CET1 capital of OP Financial Group as credit institution was EUR 12.6 billion (12.0). The CET1 capital was improved by Banking earnings and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 3.2 billion (3.1).

The risk exposure amount (REA) totalled EUR 72.3 billion (65.7), or 10% higher than on 31 December 2021. The SA floor increased the total risk exposure amount. OP Financial Group shifted to the Standardised Approach in its capital adequacy measurement for credit institution exposures and certain minor parts of corporate exposures during the third quarter. This change had no substantial effect on the CET1 ratio. The Group previously applied the IRBA for such exposures.



OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 8.6 billion (6.8) in risk-weighted assets of the Group's internal insurance holdings. The increase was due to the adoption of the Simple Risk Weight Approach – a risk weight of 370% – replacing the previous PD/LGD method. Under the Standardised Approach, the risk weight of insurance company holdings is 100%.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In December 2022, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks.

In its macroeconomic stability decision in December 2022, the FIN-FSA indicated imposing a systemic risk buffer in the first quarter of 2023. In connection with its macroprudential policy decision of June 2022, the FIN-FSA performed an annual review of banks' capital buffer requirements and decided to raise OP Financial Group's O-SII buffer by 0.5 percentage points to 1.5%, effective as of 1 January 2023.

The minimum leverage ratio for OP Financial Group's Banking was 7.6% (7.4). This higher ratio was due to Banking earnings in particular. The regulatory minimum requirement is 3%.

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

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

OP Financial Group's Capital Adequacy and Risk Management Report and OP Amalgamation's Pillar III tables will be published in week 10.

Insurance

The solvency position of insurance companies is strong. The solvency of the insurance business was improved mainly by higher interest rates and lower market risks.

	Non-life insurance		Life insurance	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Capital base, € mill.*	1,658	1,464	1,523	1,656
Solvency capital requirement (SCR), € mill.*	671	840	567	833
Solvency ratio, %*	247	174	269	199
Solvency ratio, % (excl. transitional provision)	247	174	232	173

*including transitional provisions

ECB's supervision

OP Financial Group is supervised by the European Central Bank.

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met.

On 19 February 2020, OP Financial Group received the ECB's decision concerning the change in the definition of default, in which the ECB set risk weighting factors for corporate and retail exposures. These risk-weighting factors will be valid until the qualitative requirements set out in the decision have been met.

On 11 December 2020, OP Financial Group received the ECB's decision concerning increases in the risk weights of retail exposures. The decision overruled the ECB's earlier decision issued on 2 February 2017.

On 18 March 2021, OP Financial Group received the ECB's decision concerning an increase in the risk parameter of corporate exposures. This risk parameter factor will be valid until the qualitative requirements set out in the decision have been met.

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 2.25% (2.25) as of 1 January 2022.

Liabilities under the Resolution Act

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

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

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

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

Risk profile

OP Financial Group's risk-taking starts from the fact that the Group assumes risks that are associated with executing the Group's mission. In its risk-taking, OP Financial Group emphasises moderation, responsibility and careful action. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by the management body.

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

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

Considering that OP Financial Group's business covers various areas of the financial sector on an extensive basis, unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Financial Group's customers and on the Group's premises, IT infrastructure and personnel.
If materialised, they may affect the risk profile, capitalisation, liquidity and the continuity of daily business in various ways.

The Group assesses the effects of such potential shocks by means of scenario work.

In 2022, OP Financial Group's operational risks were well managed. Their materialisation resulted in gross losses of EUR 7 million (10). As regards other risks, the risk profile is discussed in more detail by business segment.

Assessment of the effects of the war in Ukraine on OP Financial Group's risks

Russia's aggressive war in Ukraine may have an indirect effect on OP Financial Group'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. The impacts may be realised, for example, in the following ways:

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

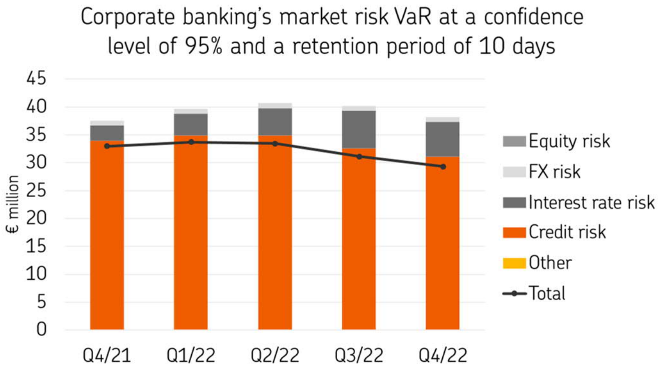
Retail Banking and Corporate Banking

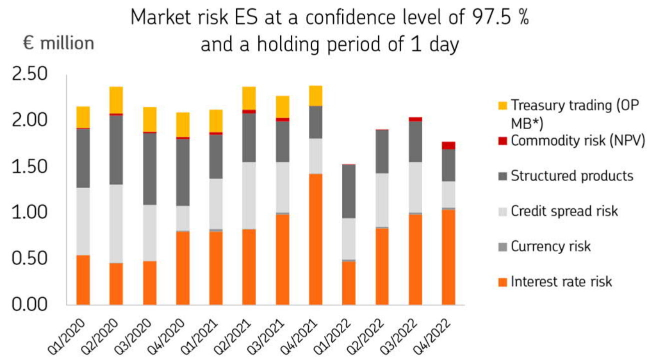
Major risks in banking are associated with credit risk arising from customer business, and market risk.

Banking credit risk exposure remained stable, its risk level remained moderate and the overall quality of the loan portfolio remained good. A rise in interest rates may have a negative effect on credit risk exposure.

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

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





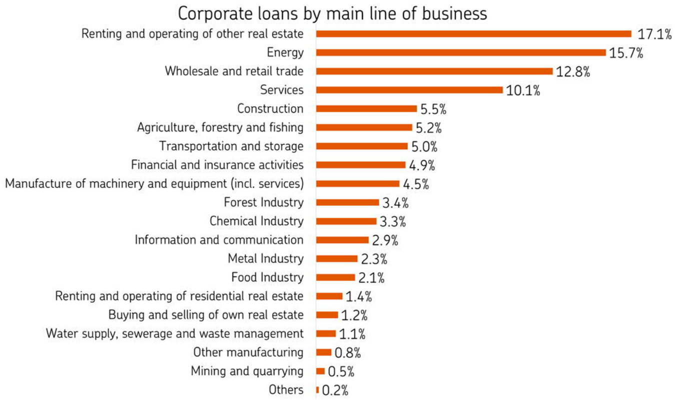
The market risks of the Markets function decreased slightly due to changes made in the open amount of credit spread. This is reflected in the decrease in Expected Shortfall (ES) and especially in the share of credit spread compared with the third quarter.

Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing receivables (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Over 90 days past due, € billion			0.52	0.64	0.52	0.64	0.19	0.24	0.33	0.40
Unlikely to be paid, € billion			0.91	0.78	0.91	0.78	0.16	0.13	0.75	0.65
Forborne exposures, € billion	3.38	3.41	1.32	1.34	4.70	4.75	0.18	0.20	4.51	4.55
Total, € billion	3.38	3.41	2.74	2.76	6.12	6.17	0.53	0.58	5.59	5.59

	OP Financial Group		Retail Banking		Corporate Banking	
Key ratios	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Ratio of doubtful receivables to exposures, %	5.23	5.31	6.75	6.57	1.88	2.29
Ratio of non-performing exposures to exposures, %	2.34	2.37	2.72	2.61	1.50	1.77
Ratio of performing forborne exposures to exposures, %	2.89	2.93	4.04	3.95	0.38	0.52
Ratio of performing forborne exposures to doubtful receivables, %	55.2	55.3	59.8	60.2	20.3	22.9
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	12.0	11.9	8.5	7.5	38.4	41.5

No single customer's exposure exceeded 10% of OP Financial Group's capital base after allowances and other recognition of credit risk mitigation.



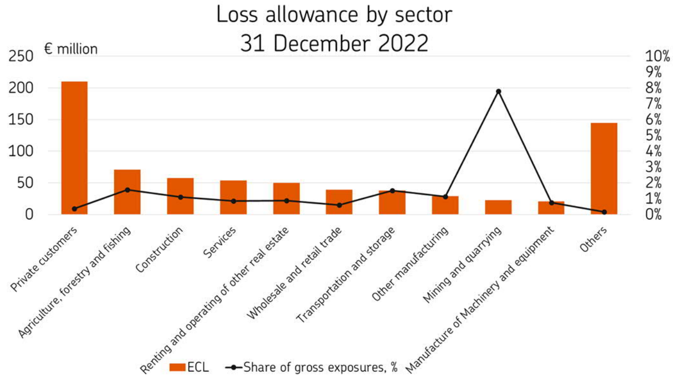
The graph shows the distribution of OP Financial Group's corporate loans by sector as percentages at the end of the reporting period.

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 286 million (380) and as the effect of a one-percentage point decrease EUR –289 million (–90) on the average per year. 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 interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 16 million (56) and as the effect of a one-percentage point decrease EUR –16 million (59) on the average per year.

Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 44.2 billion (43.0) at the end of December. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Loss allowance by sector



The graph shows the loss allowance of different sectors and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period, 31 December 2022.

Insurance

Non-life insurance

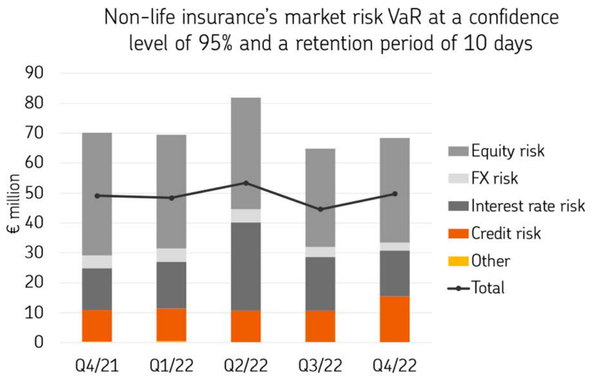
Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates. The discount rate applied in insurance liability valuation was increased by 0.8 percentage points to 2.0 per cent in the fourth quarter. In IFRS accounting, insurance liabilities discounted with a constant interest rate have been made more market-consistent by applying a supplementary interest rate provision whose value change is based on changes in the risk-free yield curve.

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 38 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 22 million (29).

No significant changes took place in non-life insurance's underwriting risks during the reporting period. Non-life insurance's significant market risks include the equity risk and the increasing insurance liability value and capital requirement resulting from lower market interest rates.

The market risk level of the investments of non-life insurance increased during the fourth quarter. The increase is explained by the increase in credit spread risk. The VaR, a measure of market risk, was EUR 49 million (49) on 31 December 2022. VaR includes the company's investment balance including investments, insurance liabilities and derivatives that hedge interest rate risk associated with insurance liabilities.

Non-life insurance's direct business transactions with Russia or Ukraine are minor, both in terms of insurance and investments. More significant business impacts arise from developments in the capital market.



Life insurance

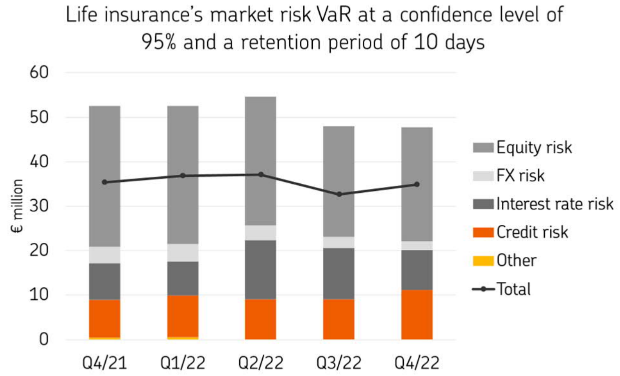
The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance liabilities, a faster-than-expected life expectancy increase among those insured, and the lapse and surrender risk arising from changes in customer behaviour.

A one-year increase in life expectancy would increase insurance liability by EUR 25 million (28). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 17 million (26). The decrease in interest rate sensitivity is due to higher interest rates and the change in the cash flows of insurance liabilities.

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 246 million (292) on 31 December 2022.

The market risk level of the investments of life insurance increased during the fourth quarter. The increase is explained by the increase in credit spread risk. VaR, a measure of market risk, was EUR 35 million (35) on 31 December 2022. VaR includes life insurance's investment balance, including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation.

Life insurance's direct investments in Russia or Ukraine are minor. More significant business impacts arise from general developments in the capital market. The geopolitical situation affects life insurance business also through the fact that some investment instruments comprising the underlying assets for unit-linked insurance have been closed.



Group Functions

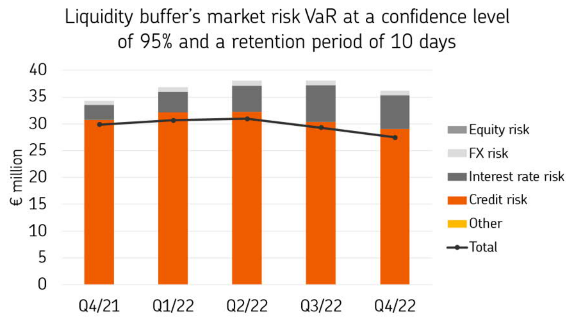
Major risks related to the Group Functions segment include credit and market risks associated with the liquidity buffer, and liquidity risks. The most significant market risk factor is the effect of credit spread changes on the value of notes and bonds included in the liquidity buffer.

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

Between January and December, OP Financial Group issued long-term bonds worth a total of EUR 8.0 billion (3.8), EUR 1.0 billion of which was a retained covered bond.

The loan-to-deposit ratio remained stable during the reporting period.

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



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

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

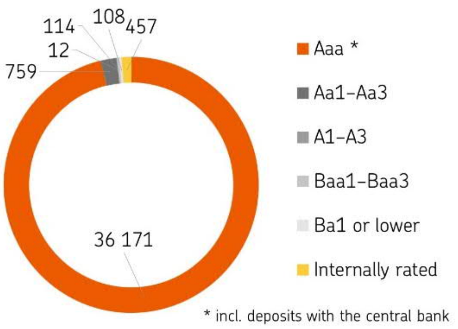
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 128% (130) at the end of the reporting period.

Liquidity buffer

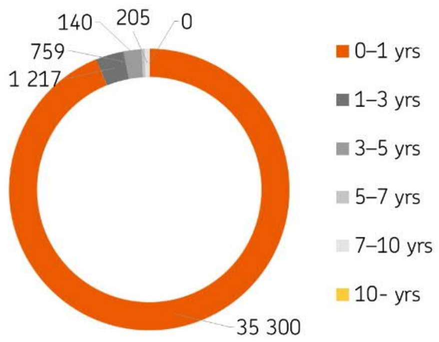
€ billion	31 Dec 2022	31 Dec 2021	Change, %
Deposits with central banks	34.8	32.6	6.7
Notes and bonds eligible as collateral	2.1	4.0	-48.2
Total	36.9	36.7	0.7
Receivables ineligible as collateral	0.7	1.0	-27.0
Liquidity buffer at market value	37.6	37.6	-0.1
Collateral haircut	-0.2	-0.3	
Liquidity buffer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

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings.

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



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



Credit ratings

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

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

Pohjola Insurance Ltd's financial strength ratings on 31 December 2022

Rating agency	Financial strength rating	Outlook
Standard & Poor's	A+	Stable
Moody's	A2	Stable

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

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Personal and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). Non-business segment operations are presented under the Group Functions segment (formerly the Other Operations segment). OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Retail Banking

- Earnings before tax increased to EUR 502 million (304).
- Total income increased by 12.6% to EUR 1,996 million. Income from customer business increased by a total of 12.1%: net interest income increased by 24.5% to EUR 1,194 million and net commissions and fees by 2.6% to EUR 773 million.
- Total expenses increased by 0.7% to EUR 1,229 million. Personnel costs increased by 2.0% to EUR 455 million and other operating expenses by 2.1% to EUR 720 million.
- Impairment loss on receivables increased to EUR 96 million (84). Non-performing exposures (gross) accounted for 2.7% (2.6) of the exposures.
- The loan portfolio decreased by 0.3% to EUR 70.7 billion, and deposits increased by 2.8% to EUR 63.9 billion.
- The most significant development investments focused on upgrading the core banking system and developing digital services.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	1,194	959	24.5
Net commissions and fees	773	753	2.6
Net investment income	-9	-16	-
Other income	39	78	-50.0
Total income	1,996	1,773	12.6
Personnel costs	455	447	2.0
Depreciation/amortisation and impairment loss	53	69	-22.0
Other operating expenses	720	705	2.1
Total expenses	1,229	1,221	0.7
Impairment loss on receivables	-96	-84	-
OP bonuses to owner-customers	-168	-165	-
Earnings before tax	502	304	65.2
Cost/income ratio, %	61.6	68.8	-7.2*
Ratio of non-performing exposures to exposures, % *	2.7	2.6	0.1*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.13	0.12	0.02*
Return on assets (ROA), %	0.40	0.26	0.15*
Return on assets, excluding OP bonuses, %	0.54	0.40	0.14*

€ million			
Home loans drawn down	7,513	8,805	-14.7
Corporate loans drawn down	2,702	2,639	2.4
No. of brokered residential property and property transactions	10,844	13,177	-17.7

€ billion	31 Dec 2022	31 Dec 2021	Change, %
Loan portfolio			
Home loans	42.3	41.5	1.9
Corporate loans	8.3	8.2	2.1
Housing company and other loans	20.1	21.3	-5.5
Total loan portfolio	70.7	71.0	-0.3
Guarantee portfolio	1.0	0.9	1.4
Other exposures	8.3	9.6	-13.5
Deposits			
Current and payment transfer deposits	42.3	41.4	2.2
Investment deposits	21.6	20.8	4.0
Total deposits	63.9	62.2	2.8

*Change in ratio

OP Financial Group's Retail Banking segment consists of banking and asset management services for personal and SME customers at OP cooperative banks and at the central cooperative consolidated.

Economic uncertainty and higher inflation and reference interest rates affected the housing market. The volume of home and real property sales brokered by OP Koti real estate agents totalled 10,884, a decrease of 17.7% year on year.

The loan portfolio decreased by 0,3% to EUR 70.7 billion. The loan portfolio includes a change of EUR –1.3 billion (0.2) in the fair value of loans in hedge accounting. New home loan drawdowns decreased by 14.7% year on year. The home loan portfolio grew by 1.9% to EUR 42.3 billion. The corporate loan portfolio increased by 2.1% to EUR 8.3 billion. Housing company and other loans decreased by 5.5% to EUR 20.1 billion.

The interest rate protection rate of personal customers' new home loans was at its highest in the first half of the year, and customers showed interest in buying protection for their home loans throughout the year. On 31 December 2022, a total of 32.8% (29.6) of personal customers' home loans were covered by interest rate protection. On the same date, the interest expenses of around 82,000 home loans were being cut by an interest rate cap; the loans' aggregate principal totalled EUR 7.3 billion.

The deposit portfolio increased by 2.8% to EUR 63.9 billion. The increase came from current and payment transfer accounts as well as from investment deposits.

In April 2022, OP Mortgage Bank issued a one-billion-euro green covered bond with a maturity of 5.5 years.

OP Financial Group customers' interest in saving and investing continued despite the uncertain business environment. OP mutual funds attracted 55,700 new unitholders, which accounted for 51% of gross market growth. The number of OP mutual fund unitholders totalled 1,200,000 in gross terms. The Morningstar rating for OP mutual funds was 3.13 (3.17). In share trading, the number of executed orders was at the previous year's level.

During the reporting period, the most significant development investments focused on upgrading the core banking system and developing digital services.

In the third quarter, OP Financial Group and Pivo stood aside from the joint venture planned with Danske Bank's MobilePay and the Norwegian Vipps. The venture would have provided a joint mobile payment platform for users of three services.

In February, digital home sales expanded to real property sales; OP Koti real estate agents were the first in Finland to implement this system. Digital sale and purchase of housing company shares began in 2019.

In March, OP introduced the Google Pay service to its customers in Finland, alongside the Apple Pay service. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores. In December, OP extended the service to cover customers using Mastercard.

At the end of December, the number of OP cooperative banks was 108 (121). Merger projects between OP cooperative banks are underway in different parts of Finland.

Financial performance for the reporting period

Retail Banking earnings before tax were EUR 502 million (304). Total income increased by 12.6% to EUR 1,996 million. Net interest income grew by 24.5% to EUR 1,194 million, due to a strong rise in market interest rates. Net commissions and fees increased by 2.6% to EUR 773 million as a result of higher fees from the card business, payments and wealth management.

Total expenses increased by 0.7% to EUR 1,229 million. Personnel costs increased by 2.0% to EUR 455 million and other operating expenses by 2.1% to EUR 720 million as a result of a higher stability contribution. Depreciation/amortisation and impairment loss decreased by 22.0% year on year, to EUR 53 million.

Impairment loss on receivables increased to EUR 96 million (84). OP Financial Group has assessed the impact of higher electricity prices and Euribor rates on the credit risk associated with the home loan portfolio. Following this analysis, the Group made an additional provision of EUR 42 million under expected credit losses, based on management judgment. Final net loan losses recognised for the reporting period totalled EUR 32 million (67). Non-performing exposures accounted for 2.7% (2.6) of the exposures.

OP bonuses to owner-customers increased by 2.2% to EUR 168 million.

Corporate Banking

- Earnings before tax decreased to EUR 416 million (474).
- Total income decreased by 12.4% to EUR 776 million. Net interest income increased by 10.4% to EUR 457 million, net commissions and fees decreased by 19.0% to EUR 166 million and net investment income decreased by 20.5% to EUR 136 million.
- Total expenses increased by 1.1% to EUR 321 million. Other operating expenses rose by 3.3% to EUR 218 million due to a higher stability contribution.
- The loan portfolio grew by 8.3% to EUR 27.8 billion. Deposits decreased by 9.1% to EUR 14.0 billion. Assets under management decreased by 12.2% to EUR 72.3 billion.
- Impairment loss on receivables totalled EUR 18 million (74). Non-performing exposures (gross) accounted for 1.5% (1.8) of the exposures.
- The most significant development investments involved the upgrades of payment and asset management systems.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	457	414	10.4
Net commissions and fees	166	204	-19.0
Net investment income	136	171	-20.5
Other income	18	97	-81.5
Total income	776	886	-12.4
Personnel costs	95	93	2.2
Depreciation/amortisation and impairment loss	8	14	-39.5
Other operating expenses	218	211	3.3
Total expenses	321	318	1.1
Impairment loss on receivables	-18	-74	-
OP bonuses to owner-customers	-20	-20	-
Earnings before tax	416	474	-12.2
Cost/income ratio, %	41.4	35.9	-5.5*
Ratio of non-performing exposures to exposures, %	1.5	1.8	-0.3*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.06	0.25	-0.20*
Return on assets (ROA), %	1.00	1.24	-0.24*
Return on assets, excluding OP bonuses, %	1.05	1.29	-0.24*

€ billion	31 Dec 2022	31 Dec 2021	Change, %
Loan portfolio			
Corporate loans	15.6	14.5	7.9
Housing company and other loans	12.2	11.2	8.8
Total loan portfolio	27.8	25.7	8.3
Guarantee portfolio	3.4	3.5	-1.8
Other exposures	6.4	5.7	12.3
Deposits	14.0	15.4	-9.1
Assets under management (gross)			
Mutual funds	27.6	32.5	-15.2
Institutional clients	35.7	38.3	-6.9
Private Banking	9.0	11.5	-21.4
Total (gross)	72.3	82.3	-12.2

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net inflows			
Private Banking clients	-1	-174	-
Institutional clients	-356	76	-
Total net inflows	-357	-98	-

*Change in ratio

OP Financial Group's Corporate Banking segment consists of banking and asset management services for corporate and institutional customers. The segment comprises OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd, OP Custody Ltd and OP Real Estate Asset Management Ltd.

The loan portfolio increased by 8.3% to EUR 27.8 billion and the deposit portfolio decreased by 9.1% to EUR 14.0 billion.

The most significant Corporate Banking development investments involved the upgrades of payment, finance and asset management systems. The upgrade of core payment systems and improvement of digital services will continue further. In asset and wealth management, fund management processes and customer service will be further upgraded.

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 5.2 billion (3.0). Corporate Banking also enhanced its role as an advisor helping clients to prepare their sustainable finance frameworks.

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

The end of 2022 saw a change in the operating model applied to hedging interest rate risk associated with derivative contracts between Corporate Banking and Retail Banking. The variation in the result of value changes due to market movements of derivative contracts between Corporate Banking and Retail Banking will decrease at OP Corporate Bank.

Within asset management, net assets inflow was EUR –357 million (–98). Assets under management by Corporate Banking decreased by 12.4% to EUR 72.3 billion (82.3). Assets under management included about EUR 23 billion (24) in assets of the companies belonging to OP Financial Group.

Despite the challenging market conditions, interest in OP mutual funds has remained strong: personal customers' subscriptions for units in these mutual funds totalled EUR 2.6 billion (3.2) during the reporting period.

OP Corporate Bank reacted to the changed market environment by offering capital-guaranteed structured products and interest rate-linked products on a broad front; the demand for such products increased.

OP Corporate Bank's direct exposures to Russia are small. Russia's aggressive war in Ukraine indirectly increased impairment loss on receivables in the first quarter of 2022.

Financial performance for the reporting period

Corporate Banking earnings before tax were EUR 416 million (474). Total income decreased to EUR 776 million (886) and total expenses increased to EUR 321 million (318). The cost/income ratio was 41.4% (35.9).

Net interest income increased by 10.4% to EUR 457 million (414). Corporate Banking's net commissions and fees totalled EUR 166 million (204). The fall in share prices reduced the amount of assets under management and net commissions and fees.

Corporate Banking segment's net commissions and fees

€ million	Q1–4/ 2022	Q1–4/ 2021	Change, %
Mutual funds	127	137	-6.7
Asset management	16	28	-43.1
Other	22	40	-44.3
Total	166	204	-19.0

A significant increase in interest rates and greater market uncertainty lowered net investment income. Net investment income decreased to EUR 136 million (171).

Total expenses increased by 1.1% to EUR 321 million. Personnel costs rose by 2.2% to EUR 95 million. Other operating expenses increased by 3.3% to EUR 218 million. The stability contribution increased by 26.2% to EUR 31 million.

Impairment loss on receivables totalled EUR 18 million (74). Non-performing exposures accounted for 1.5% (1.8) of total exposures.

Insurance

- Earnings before tax decreased to EUR 433 million (504).
- Non-life insurance premium revenue increased by 2.8% to EUR 1,598 million and claims incurred decreased by 14.6% to EUR 732 million. Claims incurred, excluding the impact from the increase in the discount rate, grew by 12.5% to EUR 1,012 million.
- Expenses decreased year on year to EUR 464 million (493).
- Investment income totalled EUR –87 million (170). Investment income excluding the item corresponding to the increase in the discount rate of insurance liabilities totalled EUR 132 million (170). Net return on investments at fair value reported by non-life insurance was EUR 78 million (222) and that by life insurance EUR –23 million (142).
- In life insurance, unit-linked insurance assets decreased by 11.7% to EUR 11.6 billion. Premiums written in term life insurance grew by 5.7%.
- Development investments focused on upgrading the core systems, improving the usability of web and mobile services and enhancing opportunities to buy insurance products.
- Pohjola Insurance focuses on its core business and sold its hospital business in early 2022.

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net insurance income	901	754	19.5
Net commissions and fees	73	96	-24.1
Net investment income	-230	288	-180.0
Other net income	31	-2	-
Total income	774	1 135	-31.8
Personnel costs	150	160	-6.4
Depreciation/amortisation and impairment loss	51	66	-22.4
Other operating expenses	263	267	-1.6
Total expenses	464	493	-5.9
OP bonuses to owner-customers	-21	-21	-
Overlay approach	143	-117	-
Earnings before tax	433	504	-14.1
Return on assets (ROA), %	1.46	1.64	-0.17*
Return on assets, excluding OP bonuses, %	1.53	1.71	-0.17*

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance business. The segment includes Pohjola Insurance Ltd and OP Life Assurance Company Ltd. Pohjola Hospital became part of Pihlajalinna on 1 February 2022. OP Financial Group recognised a capital gain of EUR 32 million on the sale.

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreased by EUR 52 million on the date of transition. At the same time, the Group ceased to apply the overlay approach.

Financial performance for the reporting period

Earnings before tax totalled EUR 433 million (504). Net insurance income increased by 19.5% to EUR 901 million. In 2022, the non-life insurance discount rate was increased from 0.85% to 2.0%, which increased net insurance income by EUR 283 million.

Due to the change in the discount rate, net investment income includes a negative value change of EUR 218 million in supplementary interest rate provisions related to insurance liabilities. Total expenses were EUR 464 million (493). The sale of the hospital business reduced expenses by EUR 28 million.

Investment income totalled EUR –87 million (170), including the overlay approach. Excluding the negative value change related to the increase in the discount rate, investment income totalled EUR 132 million (170). Net capital gains on investments amounted to EUR –4 million (67) in non-life insurance and EUR –4 million (59) in life insurance.

Investment income

€ million	Q1–4/2022	Q1–4/2021
At fair value through other comprehensive income	15	45
At fair value through profit or loss	-1,260	66
Amortised cost	2	-5
Life insurance items*	1,021	186
Unwinding of discount**	-21	-17
Associated companies	12	14
Net investment income	-230	288
Overlay approach	143	-117
Total	-87	170

* Include credited interest on customers' insurance assets, changes in supplementary interest rate provisions and other technical items, and changes in the fair value of unit-linked and separated balance sheet's investments.
** Non-life insurance.

Non-life insurance operating result

Non-life insurance's earnings stood at EUR 351 million (382). The increase in the discount rate increased net insurance income by EUR 283 million. Operational balance weakened as a result of higher claims incurred. Other income includes a capital gain on the sale of Pohjola Hospital. Investment income includes a value change in supplementary interest rate provisions related to insurance liabilities.

€ million	Q1–4/2022	Q1–4/2021	Change, %
Insurance premium revenue	1,598	1,555	2.8
Claims incurred	1,012	899	12.5
Operating expenses	434	431	0.7
Balance on technical account, operational	152	225	-32.3
Changes in reserving bases	279	42	559.4
Balance on technical account	432	267	61.6
Investment income and expenses	-198	189	-205.1
Other income and expenses	31	-11	-
Overlay approach	86	-62	-
Earnings before tax	351	382	-8.2
Operating combined ratio	90.5	85.5	
Operating risk ratio	63.3	57.8	
Operating cost ratio	27.1	27.7	

Non-life insurance: premium revenue

€ million	Q1–4/2022	Q1–4/2021	Change, %
Personal customers	908	877	3.5
Corporate customers	690	679	1.7
Total	1,598	1,555	2.8

Premium revenue increased by 2.8% to EUR 1,598 million. Among personal customers, the number of loyal customer households increased. Premium revenue from corporate customers increased by 1.7%. Premium revenue for the fourth quarter was strained by charges related to securing reinsurance capacity. Claims incurred, excluding the impact from the increase in the discount rate, increased by 12.5% to EUR 1,012 million. Claims volumes have returned to their pre-pandemic level. Difficult road conditions in early 2022 and large claims also increased claims incurred.

The reported number of new large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 116 (115) in January–December, with their claims incurred retained for own account totalling EUR 180 million (134). Changes in claims for previous years, excluding the effect of the discount rate rise, improved the balance on technical account by EUR 72 million (91). The non-life insurance operating risk ratio, excluding indirect loss adjustment expenses, was 63.3% (57.8). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 17 million (30).

In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 27.1% (27.7).

Operating combined ratio reported by non-life insurance weakened to 90.5% (85.5).

Non-life insurance: key investment indicators

€ million	Q1–4/2022	Q1–4/2021
Net return on investments at fair value, € million*	78	222
Return on investments at fair value, %	-10.8	2.7
Fixed income investments' running yield, %	1.4	0.9
	31 Dec 2022	31 Dec 2021
Investment portfolio, € million	4,071	4,287
Investments within the investment grade category, %	92	92
At least A-rated receivables, %	56	54
Modified duration	2.8	3.3

* Net return on investments is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets.

Life insurance operating result

The exceptional uncertainty in the capital market was reflected negatively in unit-linked insurance assets and net investment income. Unit-linked insurance assets, EUR 11.6 billion, were 11.7% lower than on 31 December 2021. Net asset inflow of unit-linked insurance contracts amounted to EUR 175 million (472). The amount of life insurance surrenders increased as a result of uncertainties in the capital market. Premiums written in term life insurance grew by 5.7%.

Earnings before tax decreased to EUR 76 million (118). Earnings were weakened by lower net investment income and the decrease in performance-based fees, which are presented under net commissions and fees, and higher expenses. Earnings from customer business were EUR 58 million (75).

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net risk results	35	34	4.2
Net investment income	-39	98	-
Net commissions and fees	111	128	-13.3
Total income	107	260	-58.8
Personnel costs	13	10	20.8
Depreciation/amortisation and impairment loss	20	21	-7.8
Other operating expenses	37	37	3.9
Total expenses	70	68	2.8
OP bonuses	-19	-19	-
Overlay approach	57	-55	-
Earnings before tax	76	118	-35.7
Operating ratio	39.3	34.0	

Life insurance: key investment indicators*

€ million	Q1–4/2022	Q1–4/2021
Net return on investments, € million**	-23	142
Return on investments at fair value, %	-16.1	0.6
Fixed income investments' running yield, %	1.3	0.9
	31 Dec 2022	31 Dec 2021
Investment portfolio, € million	3,235	3,646
Investments within the investment grade category, %	90	94
A-rated receivables, minimum, %	50	56
Modified duration	2.8	3.0

* Excluding the separated balance sheets
** Net return on investments is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets. These investments exclude separated balance sheets.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. In life insurance, the net change in short-term supplementary interest rate provisions was EUR –45 million (1). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 0 million (355) on 31 December 2022.

Group Functions

Key figures and ratios

€ million	Q1–4/2022	Q1–4/2021	Change, %
Net interest income	-62	10	-
Net commissions and fees	0	-2	-
Net investment income	-11	-5	-
Other operating income	657	684	-4.0
Total income	583	687	-15.2
Personnel costs	195	216	-9.8
Depreciation/amortisation and impairment loss	103	137	-24.7
Other operating expenses	376	444	-15.4
Total expenses	674	797	-15.5
Impairment loss on receivables	0	0	-
Earnings before tax	-91	-109	-

The Group Functions segment (previously the Other Operations segment) consists of OP Cooperative's functions tasked with the support and assurance of business segments, as well as OP Corporate Bank plc's treasury functions.

Financial performance for the reporting period

Group Functions earnings before tax were EUR –91 million (–109). Total income decreased by 15.2% to EUR 583 million.

Net interest income was EUR –62 million (10).
A year ago, a higher net interest income was especially explained by the recognition in profit or loss of an additional benefit from the interest rate margin of the TLTRO III funding offered by the European Central Bank to banks. The effect of items related to TLTRO III funding and its hedging amounted to EUR –10 million (103) during the reporting period.

Net investment income was EUR –11 million (–5). Other operating income decreased by 4.0% to EUR 657 million. Other operating income mainly includes OP Financial Group's intra-group items.

Total expenses decreased by 15.5% to EUR 674 million. Personnel costs decreased by 9.8% to EUR 195 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 24.7% to EUR 103 million. Other operating expenses decreased by 15.4% to EUR 376 million. The amount of margin exceeding the ECB's deposit facility rate based on the TLTRO programme allocated to the Retail Banking and Corporate Banking segments decreased to EUR 1 million (106), which decreased other operating expenses. ICT costs increased by 4.7% to EUR 263 million.

On 31 December 2022, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding and covered bonds was 27 basis points (25). In 2022, the price of wholesale funding rose, as credit spreads increased due to changes in the business environment.

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

Between January and December, OP Financial Group issued long-term bonds worth a total of EUR 8.0 billion (3.8), EUR 1.0 billion of which was a retained covered bond.

OP Financial Group's TLTRO III funding totalled EUR 12 billion (16) at the end of December. The interest rate for TLTRO III funding for each loan between 23 June 2022 and 22 November 2022 is the average of the ECB's deposit facility rate between the start date of the loan concerned and 21 November 2022, and after that the ECB's deposit facility rate.

ICT investments

OP Financial Group invests in developing its operations and improving customer experience on an ongoing basis. The central cooperative with its subsidiaries is responsible for the development of OP Financial Group's products and services, digital channels and shared technology, data and cybersecurity capabilities, while safeguarding the high quality, availability and data security of the services. ICT costs make up a significant portion of development costs.

OP Financial Group's development expenditure for January–December totalled EUR 313 million (294). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 97 million (99). More detailed information on OP Financial Group's investments can be found under each business segment's text section in this Financial Statements Bulletin.

Personnel

On 31 December 2022, OP Financial Group had 12,999 employees (13,079). The number of employees averaged 13,077 (13,009). The number of employees decreased in early 2022, due to the sale of Pohjola Hospital. The number of employees increased in areas such as sales, customer service, service development, risk management and compliance.

Personnel at period end

	31 Dec 2022	31 Dec 2021
Retail Banking	7,450	7,108
Corporate Banking	962	898
Insurance	2,373	2,550
Group Functions	2,214	2,523
Total	12,999	13,079

During the reporting period, 265 OP Financial Group employees (234) retired at an average age of 62.8 years (62.0).

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

Changes in OP Financial Group's structure

OP Financial Group's Financial Statements Bulletin at the end of the reporting period included the accounts of 108 OP cooperative banks (121) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Luhangan Osuuspankki merged into Keski-Suomen Osuuspankki on 28 February 2022.

Luopioisten Osuuspankki merged into Kangasalan Seudun Osuuspankki on 31 March 2022.

Sastamalan Osuuspankki and Satapirkan Osuuspankki merged into Satakunnan Osuuspankki on 30 April 2022. Consequently, the business name of Satakunnan Osuuspankki was changed to Satapirkan Osuuspankki.

Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki merged into Helsinki Area Cooperative Bank on 31 July 2022. Consequently, the business name of Helsinki Area Cooperative Bank was changed to Uudenmaan Osuuspankki.

Peräseinäjoen Osuuspankki merged into Alavuden Seudun Osuuspankki on 31 October 2022. Consequently, the business name of Alavuden Seudun Osuuspankki was changed to Sydänmaan Osuuspankki.

The OP cooperative banks of Askola, Kärkölä, Mäntsälä and Pukkila merged into Orimattilan Osuuspankki on 31 December 2022. Consequently, the business name of Orimattilan Osuuspankki was changed to Ylä-Uudenmaan Osuuspankki.

Miehikkälän Osuuspankki merged into Länsi-Kymen Osuuspankki on 31 December 2022.

Osuuspankki Kantrisalo merged into Lounaismaan Osuuspankki on 31 December 2022.

On 18 August 2022, Kiteen Seudun Osuuspankki, Rääkkylän Osuuspankki and Pohjois-Karjalan Osuuspankki approved merger plans according to which Kiteen Seudun Osuuspankki and Rääkkylän Osuuspankki will merge into Pohjois-Karjalan Osuuspankki. The planned date for the execution of the mergers is 31 March 2023.

On 22 September 2022, Pohjolan Osuuspankki, Tornion Osuuspankki and Oulun Osuuspankki approved merger plans according to which Pohjolan Osuuspankki and Tornion Osuuspankki will merge into Oulun Osuuspankki. The planned date for the execution of the mergers is 30 April 2023. Consequently, the business name of Oulun Osuuspankki will change to Pohjolan Osuuspankki.

Changes in OP Cooperative Consolidated's structure

Pohjola Insurance Ltd has sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price was EUR 32 million. The Finnish

Competition and Consumer Authority approved the corporate transaction on 14 January 2022. Pohjola Hospital became part of Pihlajalinna on 1 February 2022.

Following the merger of Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki into Helsinki Area Cooperative Bank on 31 July 2022, OP Cooperative's control over Helsinki Area Cooperative Bank ended, and the post-merger bank, Uudenmaan Osuuspankki, is no longer part of OP Cooperative Consolidated.

Governance of OP Cooperative

On 2 December 2021, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to 31 December 2022. In addition, according to the bylaws of OP Cooperative, the President and Group CEO is a Board member during their term of office.

The following members continued on the Board in 2022: Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Jari Himanen (Managing Director, Suur-Savon Osuuspankki), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (rahoitusneuvos, Finnish honorary title; Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki) and Mervi Väisänen (Senior Lecturer in Marketing, Kajaani University of Applied Sciences).

In addition, the Supervisory Council elected Petri Sahlström, D.Sc. (Econ. & Bus. Adm.), to the Board of Directors as a new member. Leif Enberg stepped down from the Board of Directors on 31 December 2021.

On 3 January 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 1 December 2022, the Supervisory Council elected Board members for the term 1 January–31 December 2023. The composition of the Board of Directors remained unchanged. On 21 December 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 26 April 2022, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Managing Director Mika Helin, Bachelor of Hospitality Management, MBA Mervi Hinkkanen, Managing Director Raili Hyvönen, Development Manager Mika Kainusalmi, Managing Director Kaisa Markula, Managing Director Ulf Nylund, Managing Director Teuvo Perätalo, entrepreneur Timo Syrjälä and Managing Director Pauliina Takala.

New Supervisory Council members elected were M.Sc. Eeva Harju, Municipal Manager Tuomas Lohi, Managing Director Kari Mäkelä, Managing Director Leena Selkee and farmer Janne Tiiri.

At its reorganising meeting on 26 April 2022, the Supervisory Council elected the presiding officers of the Supervisory Council. Chair of the Board of Directors Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2022, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Events after the reporting period

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreased by EUR 52 million on the date of transition. At the same time, the Group ceased to apply the overlay approach. Solvency II valuations are used in FiCo calculation, so the adoption of IFRS 17 did not affect the FiCo ratio. For more detailed information of the adoption of IFRS 17, see Note 1 in the Tables section of this Financial Statements Bulletin.

Outlook for 2023

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

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

OP Financial Group's earnings before tax for 2023 are expected to be higher than in 2022, due to an increase in market rates.

Earnings performance continues to be affected by major uncertainty. Rising inflation and the war in Ukraine, including its indirect effects, weaken the predictability associated with the economy and OP Financial Group's profit performance.

All forward-looking statements in this Financial Statements Bulletin expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view on developments in the economy, 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. The formulas for the key figures and ratios can be derived from the figures presented in this Financial Statements Bulletin, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period) x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity (average at beginning and end of period) x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Investment income	Net investment income + Overlay approach	The figure describes the development of all investment income. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity.
Loan portfolio	Balance sheet item Receivables from customers	The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end x 100	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers	Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items) x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period x 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.

Income from customer business	Net interest income + net insurance income + net commissions and fees	Income from customer business describes the development of net interest income, net insurance income and net commissions and fees. Income directly from customers is presented mainly under these items.

Non-life insurance:

Operating loss ratio, %	Claims incurred excl. changes in reserving bases / Insurance premium revenue, excl. net changes in reserving bases x 100	The ratio describes how much of the insurance premium revenue is spent on claims paid and claims management. The ratio is calculated after reinsurers' share.
Operating expense ratio, %	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases x 100	The ratio describes how much of the insurance premium revenue is spent on operating expenses (insurance acquisition, management and administration costs). The ratio is calculated after reinsurers' share.
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio	The combined ratio is a key indicator of efficiency for non-life insurance companies. The ratio describes whether the insurance premium revenue is sufficient to cover the company's expenses during the reporting period.
Operating risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. changes in reserving bases x 100	The ratio describes how much of the insurance premium revenue is spent on claims paid. The ratio is calculated after reinsurers' share.
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases x 100	The ratio describes the ratio of the company's operating costs (acquisition, management, administration and claims settlement expenses) to its insurance premium revenue.

Life insurance:

Operating ratio, %	Total expenses / Expense loading + refund of management fee x 100	The ratio describes the company's efficiency, or how well the expenses charged on insurance policies and the management fee refunds received on insurance policies cover the company's operating expenses.
Earnings from customer business	Earnings before tax – Net investment income (incl. overlay approach)	The ratio describes the development of customer business in life insurance. Income directly from customers is presented mainly in this key ratio.

Key indicators based on a separate calculation

Capital adequacy ratio, %	Total capital / Total risk exposure amount x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / Total risk exposure amount x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	CET1 capital / Total risk exposure amount x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Solvency ratio, %	Capital base / Solvency capital requirement (SCR) x 100	The ratio describes an insurance company's solvency and shows the ratio of the capital base to the total risk exposure amount.

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

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

*Transitional provisions have been taken into account in the FiCo solvency.

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	31 Dec 2022	31 Dec 2021
OP Financial Group's equity capital	14,335	14,184
Effect of insurance companies on the Group's shareholders' equity is excluded	-721	-988
Fair value reserve, cash flow hedge	337	-96
Common Equity Tier 1 (CET1) before deductions	13,951	13,101
Intangible assets	-343	-351
Excess funding of pension liability and valuation adjustments	-231	-132
Cooperative capital deducted from capital base	-163	-160
Planned profit distribution	-144	-96
Shortfall of ECL minus expected losses	-425	-356
Insufficient coverage for non-performing exposures	-76	-41
CET1 capital	12,569	11,965
Tier 1 capital (T1)	12,569	11,965
Debenture loans	1,308	1,308
Debentures to which transition rules apply	91	141
Tier 2 capital (T2)	1,399	1,448
Total capital	13,968	13,413

Risk exposure amount, € million	31 Dec 2022	31 Dec 2021
Credit and counterparty risk	60,437	57,267
Standardised Approach (SA)	8,476	4,822
Central government and central banks exposure	495	298
Credit institution exposure	627	5
Corporate exposure	5,244	3,179
Retail exposure	1,245	1,142
Mortgage-backed exposure	153	1
Defaulted exposure	72	45
Covered bonds	540	
Receivables to which a short-term credit rating can be applied	0	
Collective investment undertakings (CIU)	0	0
Equity investments	1	6
Other	99	146
Internal Ratings-based Approach (IRB)	51,960	52,446
Credit institution exposure		1,191
Corporate exposure	29,997	29,808
Retail exposure	12,002	13,320
Equity investments	8,944	7,112
Other	1,018	1,015
Risks of the CCP's default fund	0	
Securitisations	111	94
Market and settlement risk (Standardised Approach)	1,070	1,380
Operational risk (Standardised Approach)	3,851	3,786
Valuation adjustment (CVA)	179	204
Other risks*	6,678	3,000
Total risk exposure amount	72,327	65,731

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

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

Ratios, %	31 Dec 2022	31 Dec 2021
CET1 capital ratio	17.4	18.2
Tier 1 ratio	17.4	18.2
Capital adequacy ratio	19.3	20.4

Ratios, fully loaded, %	31 Dec 2022	31 Dec 2021
CET1 capital ratio	17.4	18.2
Tier 1 ratio	17.4	18.2
Capital adequacy ratio	19.2	20.2

Capital requirement, EUR million	31 Dec 2022	31 Dec 2021
Capital base	13,968	13,413
Capital requirement	9,979	9,041
Buffer for capital requirements	3,989	4,373

The capital requirement of 13.8% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 1.0%, the minimum requirement (P2R) of 2.25% set by the ECB and the country-specific countercyclical capital buffers for foreign exposures.

Leverage ratio, EUR million	31 Dec 2022	31 Dec 2021
Tier 1 capital (T1)	12,569	11,965
Total exposure	165,362	161,415
Leverage ratio, %	7.6	7.4

The leverage ratio describes indebtedness. The minimum requirement for the leverage ratio is 3%.

OP Financial Group's capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

€ million	31 Dec 2022	31 Dec 2021
OP Financial Group's equity capital	14,335	14,184
Hybrid instruments and debenture loans	1,399	1,448
Other sector-specific items excluded from capital baseGoodwill and intangible assets	-442	-392
	-1,077	-1,097
Insurance business valuation differences*	1,083	794
Proposed profit distribution	-144	-96
Items under IFRS deducted from capital base**	177	-181
Shortfall of ECL minus expected losses	-370	-330
Conglomerate's total capital base	14,961	14,331
Regulatory capital requirement for credit institutions***	9,661	8,111
Regulatory capital requirement for insurance operations*	1,237	1,672
Conglomerate's total minimum capital requirement	10,898	9,783
Conglomerate's capital adequacy	4,063	4,547
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	137	146

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR
** Excess funding of pension liability, portion of cash flow hedge of fair value reserve
*** Total risk exposure amount x 13.8%
Transitional provisions have been taken into account in figures.

TABLES

Income statement

EUR million	Notes	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net interest income	3	1,618	1,409	496	438
Net insurance income	4	889	743	336	201
Net commissions and fees	5	1,005	1,034	249	273
Net investment income	6	-149	376	-76	123
Other operating income		63	54	12	8
Total income		**3,426**	**3,616**	**1,017**	**1,043**
Personnel costs		894	914	246	258
Depreciation/amortisation		214	283	55	91
Other expenses	7	874	810	244	237
Total expenses		**1,981**	**2,007**	**545**	**586**
Impairment loss on receivables	8	-115	-158	-45	-63
OP bonuses to owner-customers		-209	-205	-54	-54
Temporary exemption (overlay approach)		143	-118	-49	-70
Earnings before tax		**1,265**	**1,127**	**325**	**270**
Income tax expense		242	224	65	59
Profit for the financial year		**1,023**	**904**	**260**	**210**
Attributable to:					
Profit for the financial year attributable to owners		1,014	900	258	207
Profit for the financial year attributable to non-controlling interest		9	4	1	4
Total		**1,023**	**904**	**260**	**210**

Statement of comprehensive income

EUR million	Notes	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Profit for the financial year		**1,023**	**904**	**260**	**210**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		120	50	-43	11
Change in revaluation reserve			15		
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value	12	-540	-57	-38	-24
Cash flow hedge	12	-540	-135	-29	-38
Temporary exemption (overlay approach)	12	-143	118	52	70
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-24	-10	9	-2
Change in revaluation reserve			-3		
Items that may be reclassified to profit or loss					
Measurement at fair value	12	108	11	8	5
Cash flow hedge	12	108	27	6	8
Temporary exemption (overlay approach)	12	29	-24	-10	-14
Other comprehensive income		**-883**	**-7**	**-46**	**14**
Total comprehensive income for the financial year		**139**	**897**	**212**	**225**
Attributable to:					
Total comprehensive income for the financial year attributable to owners		131	893	211	221
Total comprehensive income for the financial year attributable to non-controlling interests		9	4	1	4
Total		**139**	**897**	**212**	**225**

Balance sheet

EUR million	Notes	31 Dec 2022	31 Dec 2021
Cash and cash equivalents		35,004	32,846
Receivables from credit institutions		798	541
Derivative contracts	17	4,117	3,467
Receivables from customers		98,546	96,947
Investment assets		20,754	22,945
Assets covering unit-linked contracts		11,597	13,137
Intangible assets		1,153	1,212
Property, plant and equipment (PPE)		423	446
Other assets		2,819	2,419
Tax assets		303	141
Non-current assets held for sale			8
Total assets		**175,516**	**174,110**
Liabilities to credit institutions		12,301	16,650
Derivative contracts		4,432	2,266
Liabilities to customers		81,468	77,898
Insurance liabilities	9	7,638	8,773
Liabilities from unit-linked insurance and investment contracts	10	11,662	13,210
Debt securities issued to the public	11	37,438	34,895
Provisions and other liabilities		3,849	3,134
Tax liabilities		1,008	1,109
Subordinated liabilities		1,384	1,982
Liabilities associated with non-current assets held for sale			8
Total liabilities		**161,181**	**159,926**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		217	215
Profit shares		3,369	3,244
Fair value reserve	12	-656	323
Other reserves		2,172	2,184
Retained earnings		9,115	8,090
Non-controlling interests		**118**	**128**
Total equity capital		**14,335**	**14,184**
Total liabilities and equity capital		**175,516**	**174,110**

Statement of changes in equity

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2021	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**
Total comprehensive income for the financial year		-59	12	939	**893**	4	**897**
Profit for the financial year				900	**900**	4	**904**
Other comprehensive income		-59	12	40	**-7**		**-7**
Profit distribution				-94	**-94**	-7	**-101**
Change in membership and profit shares	285				**285**		**285**
Other				-3	**-3**	-5	**-9**
Balance at 31 December 2021	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2022	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**
Total comprehensive income for the financial year		-979		1,110	**131**	9	**139**
Profit for the financial year				1,014	**1,014**	9	**1,023**
Other comprehensive income		-979		96	**-883**		**-883**
Profit distribution				-96	**-96**	-7	**-103**
Change in membership and profit shares	127				**127**		**127**
Transfer of reserves			-12	12			
Other				-1	**-1**	-11	**-12**
Balance at 31 December 2022	**3,586**	**-656**	**2,172**	**9,115**	**14,217**	**118**	**14,335**

Cash flow statement

EUR million	Q1–4 2022	Q1–4 2021
Cash flow from operating activities		
Profit for the financial year	1,023	904
Adjustments to profit for the period	-316	540
Increase (-) or decrease (+) in operating assets	**-4,127**	**-3,948**
Receivables from credit institutions	84	-114
Derivative contracts	-332	169
Receivables from customers	-3,333	-3,663
Assets covering unit-linked contracts	80	-513
Investment assets	-277	430
Other assets	-350	-256
Increase (+) or decrease (-) in operating liabilities	**1,338**	**13,435**
Liabilities to credit institutions	-4,279	8,557
Derivative contracts	539	248
Liabilities to customers	4,592	4,679
Insurance liabilities	142	10
Liabilities from unit-linked insurance and investment contracts	0	368
Provisions and other liabilities	344	-427
Income tax paid	-283	-135
Dividends received	102	89
A. Net cash from operating activities	**-2,264**	**10,883**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired	0	1
Disposal of subsidiaries, net of cash disposed	33	35
Purchase of PPP and intangible assets	-123	-135
Proceeds from sale of PPE and intangible assets	11	11
B. Net cash used in investing activities	**-79**	**-88**
Cash flow from financing activities		
Subordinated liabilities, change	-517	-254
Debt securities issued to the public, change	5,135	646
Increases in cooperative and share capital	292	412
Decreases in cooperative and share capital	-165	-126
Dividends and interest on cooperative capital	-96	-189
Lease liabilities	-33	-36
Other increases in equity items	0	0
Other decreases in equity capital items		
C. Net cash used in financing activities	**4,615**	**451**
Net change in cash and cash equivalents (A+B+C)	**2,272**	**11,247**
Cash and cash equivalents at period-start	**33,129**	**22,055**
Effect of foreign exchange rate changes	255	-173
Cash and cash equivalents at period-end	**35,656**	**33,129**
Interest received	**2,298**	**1,476**
Interest paid	**-747**	**-350**
Cash and cash equivalents		
Liquid assets	35,004	32,846
Receivables from credit institutions payable on demand	652	283
Total	**35,656**	**33,129**

Notes

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

Note 1. Accounting policies

The Financial Statements Bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2021.

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

The Financial Statements Bulletin is based on unaudited information. Given that all figures in the Financial Statements Bulletin have been rounded off, the sum of single figures may differ from the presented sum total.

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

1. Critical accounting estimates and judgements

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

Expected credit losses

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

- selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- different assumptions and expert 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 due to the Covid-19 pandemic, for example
- 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 existing ECL models take account of 'Environmental, Social and Governance' (ESG) risks of sustainable development. An assessment of economic impacts has been included in their measurement in the macro scenario where the use of fossil energy is reduced, so that carbon neutrality will be achieved by 2035.

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

Russia's aggressive war in Ukraine

Russia's aggressive war in Ukraine may have an indirect effect on OP Financial Group'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. The impacts may be realised, for example, in the following ways:

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

Note 8. Impairment loss on receivables includes information on choices related to the war in Ukraine made in calculating expected credit losses.

2. Effective interest rate of TLTRO III loans

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

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

3. Adoption of IFRS 17 Insurance Contracts

OP Financial Group has applied IFRS 17 Insurance Contracts since 1 January 2023, which is the mandatory effective date. The European Union adopted IFRS 17 on 19 November 2021. In addition, OP Financial Group has applied an amendment to IFRS 17 that allows a classification overlay for financial assets. This removed an accounting mismatch between insurance contract liabilities and related financial assets due to the adoption of IFRS 17 for the adjusted comparative information. The European Union adopted the amendment on 8 September 2022.

IFRS 17 affects the measurement and recognition of OP Financial Group's non-life and life insurance products as well as their presentation in the financial statements. For the presentation of the balance sheet, the rights and obligations involved in insurance contracts are netted and presented either in assets or liabilities. In the income statement, the insurance service result is presented as a subtotal and separately investment income. In addition, the new standard means more qualitative and quantitative requirements for notes to the financial statements, such as reconciliation statements for changes in the net carrying amounts of insurance contracts during the period and an analysis of insurance service income per valuation component.

The most important goal of the standard is to harmonise the measurement of insurance contract liability on a global basis; the measurement under the existing insurance contracts standard is based on national measurements. Under IFRS 17, measurement is based on current estimates, as is the case in insurance companies' solvency measurement. However, IFRS 17 differs from solvency measurement in terms of its purpose and principle basis. The current practice, in which insurance contract liability may contain implicit margins of risk-bearing and future profits, will cease to exist, leading to explaining changes in liability in a transparent way.

Significant changes to OP Financial Group's accounting policies of the financial statements under IFRS are shown below.

IFRS 17 is applied to contracts under which OP Financial Group accepts significant insurance risk from another party. When making an assessment, OP Financial Group takes account of all terms included in a contract, explicit or implied, but OP Financial Group shall disregard terms that have no commercial substance. Contracts held by OP Financial Group that transfer significant insurance risk of underlying insurance contracts to another party are classified as reinsurance contracts and are included within the scope of the standard. Insurance contracts and reinsurance contracts expose OP Financial Group to financial risk too. Changes in assumptions of financial risk and changes in liability arising from market changes can be reversed with changes in the fair value of assets in income/expenses.

Insurance contracts with no direct participation features are measured using the General Measurement Model (GMM). This measurement model is applied to typical non-life insurance contracts and the life insurance contracts that do not fulfil the criteria of the variable fee approach (VFA). Insurance contracts with direct participation features are measured using the VFA. These are unit-linked insurance contracts which have a significant insurance risk. On initial recognition, OP Financial Group assesses whether the contract includes direct participation features using the following criteria:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items (e.g. investment basket).
- OP Financial Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- OP Financial Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

For initial measurement, insurance contracts are identified and grouped into those subject to similar risks and managed together. Insurance contracts are measured at cohort level that is created by means of a product line, customer group and cohort year. Contracts are grouped further based on their level of profitability and if the group of contracts is onerous on initial recognition or the existing group becomes onerous, the loss is immediately recognised in the income statement.

Insurance acquisition expenses are capitalised in assets in the balance sheet to the extent they can be deemed to relate to the renewal of the contracts. Capitalised acquisition expenses are allocated to the groups of future insurance contracts based on experience data using a systematic and rational method, which is presented in Other assets in the balance sheet. Capitalised cash flows are derecognised and are included in the measurement of the related new group of insurance contracts at the date of initial recognition. OP Financial Group regularly assesses the recoverability of an asset for insurance acquisition cash flows. OP Financial Group recognises an impairment loss in profit or loss if facts and circumstances indicate that the asset may be impaired. This is applied to the non-life insurance products where it is typical that some customers renew short 12-month policies, when the capitalisation criteria are fulfilled.

OP Financial Group recognises a group of insurance contracts are from the earliest of the following:

- the beginning of the coverage period of the group of contracts
- the date when the first payment from a policyholder in the group becomes due
- the date when the group of contracts becomes onerous.

The fulfilment cash flow of the group of insurance contracts is a sum of the following components:

- the fulfilment of cash flows adjusted with the time value of money
- risk adjustment that reflects OP Financial Group's risk appetite
- the contractual service margin that is a residual item and represents unearned profit.

If the contractual service margin is negative, the group of contracts is onerous and the loss is immediately recognised in loss.

The following items are included in the cash flows of groups of insurance contracts:

- cash flows within the boundary of an insurance contract and those that relate directly to the fulfilment of the contract (such as claims settlement expenses and administrative expenses as well as net commission expenses), including cash flows for which OP Financial Group has discretion over the amount and timing
- investment components with a high interrelation with insurance contracts as master agreements
- any potential embedded derivatives closely related to insurance contracts as the master agreement
- a promise that may be included in insurance contracts to provide non-insurance services or products when it is the question of ancillary cash flows.

Some life insurance contracts include investment components where their determination varies by contract type. The expenses of these investment component are presented separate from other incurred insurance service expenses.

Subsequently, at the end of each reporting period, the carrying amount in the balance sheet of the group of insurance contracts includes:

- the liability for remaining coverage (LRC) that includes measurements of the components defined in initial recognition on the reporting day, cash flows of the contracts related to the future service to be provided and the value of contractual service margin
- the liability incurred for claims (LIC) that includes claims and expenses for past service allocated to the group of insurance contracts at that date that have not yet been paid and claims that have occurred but have not yet been reported.

When measuring groups of insurance contracts, estimates of future cash flows reflect future assumptions made at the measurement date, the discount rate used is the rates at the measurement date and the estimate of risk adjustment for non-financial risk is revised. Discount rates used to determine the rate accreting on the contractual service margin are locked-in rates determined for contracts under the GMM model at the beginning of the group of contracts and for contracts under the VFA model the rate at the reporting date.

The contractual service margin represents the unearned profit of the group of insurance contracts and an amount of the contractual service margin is recognised in profit or loss in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount recognised in profit or loss is determined by:

- identifying the coverage units in the group. The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and the contract's duration
- allocating the contractual service margin at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
- recognising in profit or loss the amount allocated to coverage units provided in the period.

At OP Financial Group, coverage units are determined for the forecast lifecycle of the contract. For typical non-life insurance contracts of short duration, insurance service is interpreted to be provided evenly during the coverage period and insurance premiums received from contracts in the same insurance group are used as the basis for the coverage unit at insurance group level. The forecast lifecycle recognition of the contractual service margin of life insurance products in profit or loss, depending on the contract type, is affected by the saved amount by group, expected duration of the contract, amount of compensation or savings, lapses and future insurance premiums. Release of the contractual service margin and the basis of coverage units vary by insurance line in such a way that it is the development of the amount of assets for endowment-type insurance products and the development of capital at risk for term life insurance. In the reference year 2022, the basis is, however, an insurance premium with respect to term life insurance products.

In the VFA model, a company's share of changes in the fair value of underlying investments is included in the contractual service margin that changes on each reporting date.

Reinsurance contracts are grouped using the same principle as direct insurance contracts, but proportional and non-proportional reinsurance contracts are additionally grouped separately. The date of initial recognition of reinsurance contracts held is earlier of the following:

- the start date of the coverage period of the group of reinsurance contracts. If this date is later than the start date of the coverage period of the group of reinsurance contracts, recognition is delayed until the underlying insurance contract has been initially recognised.
- The date when OP Financial Group recognises an onerous group of underlying direct insurance contracts on which OP Financial Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

OP Financial Group adjusts the contractual service margin of reinsurance contracts held and, as a result, recognises income when recognising a loss either in connection with initial recognition of the group of underlying onerous reinsurance contracts or when adding underlying onerous insurance contracts to the group. This adjustment to the contractual service margin and the resulting income are determined by multiplying:

- the loss recognised on the underlying insurance contracts
- the percentage of claims on the underlying insurance contracts OP Financial Group expects to recover from the group of reinsurance contracts held.

Income of the group of insurance contracts is presented in the row Insurance premium revenue in the income statement, comprising the measurement of the following components: future cash flows, risk adjustment for non-financial risk and contractual service margin. Expenses related to the group of insurance contracts consist of claims incurred, losses from onerous contracts, changes related to prior periods and operating expenses and they are presented in the row Insurance service expenses. Expenses and income related to reinsurance contracts are presented in the row Net income from reinsurance contracts. The income statement item Net insurance finance income and expenses includes the effect of change in the discount rate and other financial changes on the value of insurance contract liability and the effect of the passage of time, meaning unwinding of discount. In addition, the item includes an option of risk mitigation to apply to certain life insurance contracts. Applying this option gives an opportunity to adjust accounting for contracts under the VFA model in such a way that those changes in cash flows involving a hedgeable position in respect of funding risk are transferred from the contractual service margin to the income statement. In the balance sheet, future cash flows related to contracts are presented in net terms and grouped into insurance contract liabilities or assets at portfolio level and into reinsurance contract liabilities or assets at portfolio level. The current presentation based on expense types in the income statement will change because, as a result of IFRS 17, a proportion of personnel costs, depreciation/amortisation and other operating expenses is included in the calculation of insurance contract liability under IFRS 17 and presented in Insurance service expenses.

OP Financial Group has made the following significant choices related to the accounting policies:

- Presenting financial income and expenses related to the insurance for the period through profit or loss; discounting curves are derived as the sum of the risk-free interest rate and the liquidity premium dependent on the characteristics of insurance contracts (bottom-up approach), extrapolating long-term interest rates. Similarly, investments related to insurance contract liability are reclassified in such a way that their fair value is presented through profit or loss. The overlay approach applied to equity investments allowed by IFRS 4 ceases to be effective at the date of initial application.

- A risk mitigation option is used for certain contracts based on the VFA that are hedged according to the goal and strategy of the management of market risks in interest rate risk on the balance sheet. This removes the result mismatch.
- The Cost of Capital Method is used to determine risk adjustment.
- OP Financial Group does not apply the Premium Allocation Approach (PAA), nor does it apply the option allowed by IFRS 17 adopted in the European Union to group together several annual cohorts.

In the transition to IFRS 17, the modified retrospective approach is applied to non-life insurance contracts covering all types of insurance contracts to which fully retrospective transition approach cannot be applied. The modification is especially used to adjust cash flows that have already realised and to determine the discount rate. Insofar as complete data are not in all respects available for applying the full retrospective approach, the modified retrospective approach, permitted by the standard, is applied to in situations where reasonable and supportable information can, however, be used that is available without undue cost or effort. The end results of the modified retrospective approach will quite closely correspond to those of the full retrospective approach.

In addition, the fair value approach is applied to life insurance contracts and other non-life insurance contracts to which the modified retrospective approach is not applied. According to the option allowed by the transitional provisions, all contracts are grouped on a portfolio basis into one transition cohort. The full retrospective approach is the primary transition model, but it must be able to be applied without hindsight relating, for example, to data concerning cash flows received and paid before the transition, their estimates and changes itemised for each group of insurance contracts in view of the inception year of contracts.

As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreases by 52 million euros on the date of transition. Solvency II valuations are used in FiCo calculation, so this change to OP Financial Group's equity capital will not affect the FiCo ratio.

The change in equity capital on the date of transition on 1 January 2022 is itemised in the table below. Equity capital was increased by the non-life insurance capitalised acquisition costs recognised in "Other assets", totalling 238 million euros. On the date of transition, insurance contract liabilities measured under IFRS 17 were higher than those measured under IFRS 4, which lowered equity capital. Risk adjustment added to insurance contract liabilities under IFRS 17 was higher than the margin included in the calculation under IFRS 4.

Estimated effect of the date of transition to IFRS 17 on equity capital on 1 January 2022

€ million	Cooperative capital	Fair value reserve	Other reserves	Retained earnings	Total
Equity capital 31 Dec 2021	3,459	323	2,184	8,090	14,057
Effect of non-life insurance on the transition date		-121		324	202
Effect of life insurance on the transition date		-99		-123	-223
Effect of consolidation adjustments		15		4	19
Change in deferred tax asset/liability				-51	-51
Effect of IFRS 17 transition 1 Jan. 2022, in total		**-205**		**153**	**-52**
Equity capital on 1 Jan 2022 (capital and reserved attributable to parent company owners)	3,459	118	2,184	8,244	14,004

OP Financial Group's 2022 earnings before tax measured under IFRS 17 are estimated to be EUR 100–140 million lower than those reported for 2022 in the financial statements bulletin (1,265 million). This earnings difference came mainly from a change in life insurance earnings that is caused, for example, by timing differences. Furthermore, changes in the provisions for upcoming customer bonuses due to higher interest rates have caused the difference. Entry into force of IFRS 17 will have no effect of the overall profitability of insurance contracts. There may be differences in the timing of recognition in profit or loss between the measurement models under IFRS 4 and IFRS 17.

In the income statement, Insurance service result will replace Net insurance income. Insurance premium revenue and Insurance service expenses are included in insurance service result. Insurance premium revenue includes recognition of the contractual service margin (CSM) in profit or loss, change of expected claims and operating expenses as well as risk adjustments and changes to prior period payments. Insurance service expenses include operating expenses of insurance contract, claims incurred and the losses of onerous contracts and changes related to prior periods. Insurance contract operating expenses include operating expenses and net commission expenses. In the income statement, these have been included as part of the insurance service result. Net income from reinsurance contracts in the income statement is presented in its specific row as part of Insurance service result.

"Net insurance finance income and expenses" is a new item in the income statement. The item includes the effect of change in the discount rate and other financial changes on the value of insurance contract liability and the effect of the passage of time, meaning unwinding of discount. In addition, the item includes an option of risk mitigation to apply to certain life insurance contracts. Applying this option gives an opportunity to adjust accounting for contracts under the VFA model in such a way that those changes in cash flows involving a hedgeable position in respect of funding risk are transferred from the contractual service margin to the income statement, acting as a counterpart to the value change of the hedging portfolio.

Net investment income shows return on investment assets in terms of fair value. Net investment income together with in net insurance finance income and expenses describe investment profitability.

Expenses in the income statement decreased because the operating expenses of insurance contracts measured under IFRS 17 are transferred to insurance service result. The item OP bonuses to owner-customers decreased because the cash flows payable from insurance contracts are included in the cash flows under IFRS 17 calculation, in which case they are partly included as part of the insurance service result.

Assets of reinsurance contracts measured under IFRS 17 are in OP Financial Group's balance sheet assets. The acquisition costs capitalised in non-life insurance are recognised in "Other assets".

Insurance contract liabilities in the balance sheet replaced insurance liabilities under IFRS 4.

The fair value reserve in equity capital decreased because investments related to the insurance contract liability of non-life and life insurance has been reclassified so that their fair value is now entirely presented in profit or loss based on the option allowed by IFRS 17.

On the date of transition of 1 January 2022, the contractual service margin amounted to an estimated EUR 780 million of which life insurance accounted for an estimated EUR 690 million and non-life insurance for an estimated EUR 90 million. Non-life insurance contracts have mainly duration of one year. At the beginning of the period, new insurance contracts involve a contractual service margin, releasing during the period. In life insurance, the contractual service margin is released in the result through long-term contracts, even in the course of decades. A new contractual service margin is also created in new sales of portfolios. Recognition of the contractual service margin in profit or loss in relation to a new CSM was around 7% in the reference year. In the reference year, term life insurance coverage units were determined using premiums and capital at risk is used in coverage units from the beginning of 2023. This change has no significant effect on OP Financial Group's result.

Differences between Solvency II solvency measurement and measurement under IFRS 17

IFRS 17 changes the measurement of insurance contracts for those contracts to which the standard is applied. Measurement is market-based and close to measurement in line with Solvency II solvency measurement. Mainly the same cash flows of insurance contracts as in solvency measurement form the basis. These cash flows are discounted at a risk-free interest and liquidity premium. The risk-free interest is the same as the risk-free interest in solvency measurement and the liquidity premium corresponds to the volatility adjustment, but its size is determined based on the nature of the insurance contract liability of the Group's insurance companies and the investment universe. The risk adjustment calculated using the Cost of Capital method is added to the value of insurance contracts that conceptually corresponds to the risk margin in solvency measurement but it has been calculated using the company's own parameters. As part of the IFRS 17 insurance contract liability, a contractual service margin is reserved that spreads out the profits of insurance contracts for the coverage period. In solvency measurement, the item corresponding to the contractual service margin is not deducted from own funds but the profit of insurance contracts increases own funds directly on the first measurement date. Of the acquisition expenses of insurance contracts under IFRS 17, the portion that is considered to be allocated to future annual cohorts are capitalised in the balance sheet assets. Capitalised acquisition costs are not taken into account in Solvency II own funds.

4. Changes in the 2023 income statement and balance sheet format

OP Financial Group changed its official income statement and balance sheet format as of 1 January 2023. The key changes in income statement and balance sheet format are as follows:

a) The rows Total income and Total expenses were removed because insurance income and expenses (such as personnel costs) have been presented in the row Insurance service result since the entry into force of IFRS 17 on 1 January 2023.
b) The sub-rows of Net interest income (interest income and interest expenses) and Net commissions and fees (commission income and commission expenses) have been broken down in presentation.
c) Impairment loss on receivables was transferred from the end of the income statement next to net interest income to operating items.
d) New items under IFRS 17, Insurance service result and Net insurance finance income were added to the income statement. The former row Net insurance income was removed.
e) Net income from financial assets held for trading is presented on a specific row separate from Net investment income. Net income from financial assets held for trading includes only Banking and Group Functions items. Net investment income includes net income from financial assets at fair value recognised through comprehensive income, net income from financial assets recognised through profit or loss, net income from investment property, net income from financial assets carried at amortised cost, the result of the associate or joint venture as well as net income from life insurance investment contract liabilities recognised according to IFRS 9.

f) Operating expenses Personnel costs, Depreciation/amortisation and impairment loss and Other operating expenses are mainly presented the same way as previously, showing OP Financial Group's total expenses, but item Transfers to insurance service result next to these items has been added. It describes how much of these expenses are presented in Investment service result.

g) A new row, Operating profit, is presented in the income statement. OP bonuses are presented next to Operating profit before the row Earnings before tax. The OP bonuses row no longer includes OP bonuses earned from insurance because they are presented in the insurance service result.

h) The balance sheet presents new balance sheet items under IFRS 17: Insurance contract assets, Reinsurance contract assets, Insurance contract liabilities and Reinsurance liabilities.

i) The balance sheet item Investment contract liabilities presents life investment contracts measured in accordance with IFRS 9.

Income statement

	Explanation of the format change:
Interest income	b) New row
Interest expenses	b) New row
Net interest income	No change
Impairment loss on receivables	c) Moved to another place in the format
Commission income	b) New row
Commission expenses	b) New row
Net commissions and fees	No change
Insurance premium revenue	d) New row under IFRS 17
Insurance service expenses	d) New row under IFRS 17
Net income from reinsurance contracts	d) New row under IFRS 17
Insurance service result	d) New row under IFRS 17
Net insurance finance income (+) /expenses (–)	d) New row under IFRS 17
Net interest income from financial assets held for trading	e) New row
Net investment income	e) 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
Transfers to insurance service result	f) New row related to the adoption of IFRS 17
Operating expenses	f) New row related to the adoption of IFRS 17
OP bonuses to owner-customers	g) Item content has changed
Operating profit (loss)	**g) New row**
Earnings before tax	**No change**
Income tax	No change
Profit for the period	**No change**

Balance sheet

	Explanation of the format change:
Cash and cash equivalents	No change
Receivables from credit institutions	No change
Receivables from customers	No change
Derivative contracts	No change
Investment assets	No change
Assets covering unit-linked contracts	No change
Insurance contract assets	h) New row under IFRS 17
Reinsurance contract assets	h) New row under IFRS 17
Intangible assets	No change
Property, plant and equipment	No change
Other assets	No change
Tax assets	No change
Total assets	**No change**
Liabilities to credit institutions	No change
Liabilities to customers	No change
Derivative contracts	No change
Insurance contract liabilities	h) New row under IFRS 17
Reinsurance contract liabilities	h) New row under IFRS 17
Liabilities from investment agreements	i) New row under IFRS 17
Debt securities issued to the public	No change
Provisions and other liabilities	No change
Tax liabilities	No change
Subordinated liabilities	No change
Total liabilities	No change
Equity	No change
Cooperative capital	No change
Membership capital contributions	No change
Profit Shares	No change
Fair value reserve	No change
Other reserves	No change
Retained earnings	No change
Non-controlling interests	No change
Total equity	**No change**
Total liabilities and equity	**No change**

Note 2. Segment reporting

Segment information

Q1–4 earnings 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	1,194	457	-5	-62	35	1,618
of which internal net income before tax		-35		35		
Net insurance income			901		-12	889
Net commissions and fees	773	166	73	0	-6	1,005
Net investment income	-9	136	-230	-11	-34	-149
Other operating income	39	18	36	657	-686	63
Total income	**1,996**	**776**	**774**	**583**	**-703**	**3,426**
Personnel costs	455	95	150	195	-1	894
Depreciation/amortisation	53	8	51	103	-2	214
Other operating expenses	720	218	263	376	-704	874
Total expenses	**1,229**	**321**	**464**	**674**	**-708**	**1,981**
Impairment loss on receivables	-96	-18	0	0	0	-115
OP bonuses to owner-customers	-168	-20	-21			-209
Temporary exemption (overlay approach)			143		0	143
Earnings before tax	**502**	**416**	**433**	**-91**	**4**	**1,265**

Q1–4 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	959	414	-2	10	29	1,409
of which internal net income before tax		-9		9		
Net insurance income			754		-11	743
Net commissions and fees	753	204	96	-2	-18	1,034
Net investment income	-16	171	288	-5	-62	376
Other operating income	78	97	0	684	-804	54
Total income	**1,773**	**886**	**1,135**	**687**	**-866**	**3,616**
Personnel costs	447	93	160	216	-1	914
Depreciation/amortisation	69	14	66	137	-2	283
Other operating expenses	705	211	267	444	-819	810
Total expenses	**1,221**	**318**	**493**	**797**	**-822**	**2,007**
Impairment loss on receivables	-84	-74	0	0	0	-158
OP bonuses to owner-customers	-165	-20	-21			-205
Temporary exemption (overlay approach)			-117	0	-1	-118
Earnings before tax	**304**	**474**	**504**	**-109**	**-46**	**1,127**

Value change arising from market changes in derivative contracts between Corporate Banking and Retail Banking is included in Group eliminations.

Balance sheet 31 December 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	52	154		34,797		35,004
Receivables from credit institutions	29,713	310	904	13,173	-43,302	798
Derivative contracts	1,266	5,612	76	169	-3,007	4,117
Receivables from customers	70,729	27,803		383	-369	98,546
Investment assets	537	298	8,714	20,485	-9,280	20,754
Assets covering unit-linked contracts			11,597			11,597
Intangible assets	23	181	717	202	29	1,153
Property, plant and equipment (PPE)	285	4	2	136	-4	423
Other assets	635	1,756	1,201	-493	-280	2,819
Tax assets	137	3	91	24	48	303
Total assets	**103,378**	**36,120**	**23,304**	**68,877**	**-56,163**	**175,516**
Liabilities to credit institutions	11,615	-36	65	42,621	-41,965	12,301
Derivative contracts	1,667	5,295	60	443	-3,033	4,432
Liabilities to customers	63,951	14,043		4,876	-1,402	81,468
Insurance liabilities			7,638			7,638
Liabilities from unit-linked insurance and investments contracts			11,662			11,662
Debt securities issued to the public	16,941	1,672		23,537	-4,711	37,438
Provisions and other liabilities	846	891	382	1,954	-224	3,849
Tax liabilities	514	2	117	372	4	1,008
Subordinated liabilities		-51	380	1,435	-380	1,384
Total liabilities	**95,535**	**21,816**	**20,303**	**75,239**	**-51,712**	**161,181**
Equity						**14,335**

Balance sheet 31 December 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	57	183	0	32,606		32,846
Receivables from credit institutions	26,228	138	1,908	13,950	-41,683	541
Derivative contracts	324	3,441	85	271	-653	3,467
Receivables from customers	70,952	25,666	0	580	-251	96,947
Investment assets	624	492	9,472	21,714	-9,356	22,945
Assets covering unit-linked contracts			13,137			13,137
Intangible assets	27	189	768	234	-5	1,212
Property, plant and equipment (PPE)	299	4	13	137	-7	446
Other assets	397	567	988	827	-360	2,419
Tax assets	48	0	26	19	49	141
Non-current assets held for sale			8			8
Total assets	**98,957**	**30,679**	**26,405**	**70,337**	**-52,267**	**174,110**
Liabilities to credit institutions	12,196	111	68	43,439	-39,163	16,650
Derivative contracts	285	2,553	27	117	-715	2,266
Liabilities to customers	62,222	15,448		2,801	-2,573	77,898
Insurance liabilities			8,773			8,773
Liabilities from unit-linked insurance and investments contracts			13,210			13,210
Debt securities issued to the public	16,420	1,406		21,355	-4,286	34,895
Provisions and other liabilities	707	776	430	1,454	-232	3,134
Tax liabilities	471	11	226	399	1	1,109
Subordinated liabilities			380	1,994	-392	1,982
Liabilities associated with non-current assets held for sale			8			8
Total liabilities	**92,301**	**20,304**	**23,123**	**71,559**	**-47,360**	**159,926**
Equity						**14,184**

Note 3. Net interest income

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Interest income				
Receivables from credit institutions	111	0	100	0
Receivables from customers				
Loans	1,623	1,238	573	317
Finance lease receivables	35	31	13	7
Impaired loans and other commitments				
Total	1,658	1,269	586	324
Notes and bonds				
Measured at fair value through profit or loss	0	0	-9	0
At fair value through other comprehensive income	66	52	22	13
Amortised cost	0	0	0	0
Total	66	52	14	13
Derivative contracts				
Fair value hedge	-43	-144	113	-36
Cash flow hedge	43	49	10	11
Ineffective portion of cash flow hedge	-17	-4	-1	-1
Other	0		0	
Total	-16	-99	123	-26
Liabilities to credit institutions				
Negative interest	-23	172	-69	117
Liabilities to customers				
Negative interest	24	35	1	10
Other	24	12	10	3
Total	**1,843**	**1,441**	**765**	**441**
Interest expenses				
Liabilities to credit institutions	-2	-1	1	-2
Liabilities to customers	82	12	62	2
Notes and bonds issued to the public	207	136	100	25
Subordinated liabilities				
Subordinated loans		0		
Other	35	58	8	13
Total	35	58	8	13
Derivative contracts				
Cash flow hedge	-159	-262	30	-64
Other	-40	-35	-16	-7
Total	-200	-296	14	-71
Receivables from credit institutions				
Negative interest	75	120	0	35
Other	14	5	9	2
Total	**211**	**34**	**195**	**5**
Net interest income before fair value adjustment under hedge accounting	**1,632**	**1,408**	**570**	**437**
Hedging derivatives	-481	-154	-172	-2
Value changes of hedged items	467	156	98	3
Total	**1,618**	**1,409**	**496**	**438**

Note 4. Net insurance income

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net insurance premium revenue				
Premiums written	1,606	1,543	281	272
Insurance premiums ceded to reinsurers	-6	14	-8	17
Change in provision for unearned premiums	-14	-13	133	128
Reinsurers' share	0	0	-16	-12
Total	1,587	1,545	390	404
Net non-life insurance claims				
Claims paid	-1,043	-892	-290	-230
Insurance claims recovered from reinsurers	35	47	10	5
Change in provision for unpaid claims	130	-5	221	-11
Reinsurers' share	148	17	-4	19
Total	-731	-834	-63	-217
Other non-life insurance items	-2	-1	1	3
Life insurance risk premiums collected	35	34	9	11
Total	**889**	**743**	**336**	**201**

Note 5. Net commissions and fees

Q1–4 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2022
Commission income							
Lending	104	48		0	-1	150	36
Deposits	22	3		0	0	25	7
Payment transfers	298	32		11	-12	329	83
Securities brokerage	8	22			-8	22	4
Securities issuance	0	6		0	0	6	2
Mutual funds	47	237	90	0	-109	265	68
Asset management	33	27		1	-13	48	18
Legal services	27	0			0	27	6
Guarantees	12	13		0	0	25	6
Housing service	72				0	72	16
Insurance brokerage	96		27		-70	53	8
Life insurance total expense loadings			87			87	22
Health and wellbeing services			1		0	1	
Other	94	8	0	2	-90	15	4
Total	**814**	**395**	**206**	**14**	**-302**	**1,126**	**281**
Commission expenses							
Lending	0	2		0	-1	0	0
Payment transfers	29	3	1	2	-10	25	5
Securities brokerage		4	0	0	0	4	1
Securities issuance	0	4		0	-4	0	0
Mutual funds		110	0		-109	1	0
Asset management		9	0	4		13	3
Guarantees		0				0	0
Insurance brokerage	-5		131		-70	56	15
Health and wellbeing services			0		0	0	
Other	16	98		8	-102	21	7
Total	**41**	**229**	**133**	**15**	**-296**	**121**	**32**
Total net commissions and fees	**773**	**166**	**73**	**-0**	**-6**	**1,005**	**249**

Q1–4 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q4 2021
Commission income							
Lending	96	51		0	-1	146	36
Deposits	21	3		0	0	24	6
Payment transfers	282	39		12	-12	321	81
Securities brokerage	11	28			-10	28	6
Securities issuance	0	6			0	6	1
Mutual funds	47	253	95	0	-115	279	76
Asset management	30	40		1	-25	45	17
Legal services	25	0			0	25	8
Guarantees	11	13		0	0	24	6
Housing service	78				0	78	20
Insurance brokerage	106		24		-76	53	7
Life insurance total expense loadings			104			104	39
Health and wellbeing services			14		0	14	4
Other	84	2		1	-81	7	2
Total	790	436	237	13	-321	1,155	309
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	27	5	1	3	-10	25	7
Securities brokerage		4	0	0	0	4	1
Securities issuance	0	2		1	-2	1	0
Mutual funds		116	0		-115	1	0
Asset management		10	0	4	0	14	4
Guarantees		0				0	0
Insurance brokerage	-6		134		-76	53	16
Health and wellbeing services			5		0	5	1
Other	16	93	0	8	-98	20	7
Total	37	231	141	15	-303	121	36
Total net commissions and fees	753	204	96	-2	-18	1,034	273

Note 6. Net investment income

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	44	37	13	9
Other income and expenses	-7	-3	-1	-3
Capital gains and losses	-10	14	-6	4
Currency fair value gains and losses	3	18	-8	4
Impairment losses and their reversal*	-1	2	0	0
Total	**29**	**67**	**-3**	**15**

* Expected credit losses (ECL) on notes and bonds of insurance

	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	4	3	1	1
Fair value gains and losses	-24	-5	2	-2
Total	-20	-2	3	-1
Shares and participations				
Fair value gains and losses	9	1	4	0
Dividend income and share of profits	2	4	0	-1
Total	11	5	5	-1
Derivatives				
Interest income and expenses	-8	35	-4	4
Fair value gains and losses	-456	-130	-79	-20
Total	-464	-95	-83	-16
Total	**-474**	**-92**	**-76**	**-18**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Interest income	19	18	4	4
Fair value gains and losses	-6	-55	-3	-15
Total	13	-38	1	-10
Shares and participations				
Fair value gains and losses	-209	219	-33	62
Dividend income and share of profits	89	71	22	22
Total	-120	290	-11	84
Total	**-107**	**252**	**-10**	**74**
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	20	37	5	5
Fair value gains and losses	-279	-57	-20	-14
Total	-259	-20	-15	-8
Shares and participations				
Fair value gains and losses	-24	-4	-6	-15
Dividend income and share of profits	9	7	2	2
Total	-16	3	-4	-13
Derivatives				
Fair value gains and losses	0	-15	1	-4
Total	0	-15	1	-4
Total	**-275**	**-32**	**-18**	**-26**
Total net income from financial assets recognised at fair value through profit or loss	**-855**	**129**	**-104**	**31**

Net income from investment property				
Rental income	51	51	13	13
Fair value gains and losses	6	31	-8	50
Maintenance charges and expenses	-42	-37	-14	-9
Other	1	1	0	0
Net income from investment property total	16	45	-9	54
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	7	8	2	2
Interest expenses	1	-8	3	-6
Capital gains and losses				
Impairment losses and their reversal	-2	3	0	0
Loans and receivables total	6	3	5	-3
Non-life insurance				
Unwinding of discount, Non-life Insurance	-21	-17	-6	-4
Life insurance				
Interest credited on customers' insurance savings	-76	-79	-18	-19
Change in supplementary interest rate provisions	356	135	56	21
Other technical items**	370	66	11	22
Total	650	122	48	24

** Other technical items include changes in other technical provisions than those in supplementary interest rate provisions.

Associated and joint ventures				
Accounted for using the fair value method	17	18	-8	3
Consolidated using the equity method	8	10	0	4
Total	25	27	-8	7
Total net investment income	**-149**	**376**	**-76**	**123**

Note 7. Other operating expenses

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
ICT costs				
Production	228	231	58	63
Development	153	133	47	51
Buildings	56	53	17	15
Government charges and audit fees	88	69	15	12
Purchased services	123	115	33	32
Data communications	32	32	8	8
Marketing	39	31	14	12
Corporate social responsibility	14	9	3	3
Insurance and security costs	9	10	2	2
Other	133	125	46	38
Total	**874**	**810**	**244**	**237**

Development costs

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
ICT development costs	153	133	47	51
Share of own work	63	62	17	17
Total development costs in the income statement	**216**	**195**	**64**	**68**
Capitalised ICT costs	81	84	24	30
Capitalised share of own work	16	15	4	4
Total capitalised development costs	**97**	**99**	**28**	**34**
Total development costs	**313**	**294**	**92**	**102**
Depreciation/amortisation and impairment loss	145	177	33	44

Note 8. Impairment losses on receivables

EUR million	Q1–4 2022	Q1–4 2021	Q4 2022	Q4 2021
Receivables written down as loan and guarantee losses	133	126	40	19
Recoveries of receivables written down	-15	-13	-4	-4
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-3	46	9	49
Expected credit losses (ECL) on notes and bonds*	0	0	0	0
Total	**115**	**158**	**45**	**63**

* The expected credit losses on notes and bonds in insurance operations are presented in net investment income.

Credit risk exposures and related loss allowance

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

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	62.761	8.256	51	8.306	2.127	73.195
Corporate Banking	26.588	2.518	109	2.627	451	29.666
Total	**89.349**	**10.774**	**159**	**10.933**	**2.578**	**102.861**
Off-balance-sheet limits						
Retail Banking	6.705	371	0	372	39	7.115
Corporate Banking	8.351	493	29	521	71	8.944
Total	**15.056**	**864**	**29**	**893**	**110**	**16.059**
Other off-balance-sheet commitments						
Retail Banking	2.636	54		54	26	2.715
Corporate Banking	6.943	448		448	72	7.462
Total	**9.579**	**501**		**501**	**98**	**10.178**
Notes and bonds						
Group Functions	12.982	73		73		13.055
Insurance	4.999	52		52	10	5.062
Total	**17.982**	**125**		**125**	**10**	**18.117**
Total exposures within the scope of accounting for expected credit losses	**131.965**	**12.265**	**188**	**12.453**	**2.797**	**147.215**

Loss allowance by impairment stage 31 December 2022

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-18	-78	-1	-79	-363	-457
Corporate Banking	-30	-23	-5	-28	-182	-245
Total receivables from customers	**-48**	**-101**	**-6**	**-108**	**-546**	**-701**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-2	-4
Corporate Banking	-3	-2		-2	-24	-29
Total off-balance-sheet commitments	**-4**	**-3**		**-3**	**-26**	**-32**
Notes and bonds***						
Group Functions	-1	-1		-1		-2
Insurance	-8	-1		-1	-5	-14
Total notes and bonds	**-9**	**-2**		**-2**	**-5**	**-16**
Total	**-61**	**-106**	**-6**	**-112**	**-577**	**-750**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

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

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

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

Summary and key indicators 31 December 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	72.102	8.681	51	8.732	2.192	83.026
Corporate Banking	41.882	3.459	137	3.596	595	46.072
Loss allowance						
Retail Banking	-19	-79	-1	-80	-366	-460
Corporate Banking	-33	-25	-5	-30	-206	-274
Coverage ratio, %						
Retail Banking	-0,03%	-0,91%	-1,98%	-0,92%	-16,68%	-0,55%
Corporate Banking	-0,08%	-0,71%	-3,81%	-0,83%	-34,69%	-0,59%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**113.983**	**12.139**	**188**	**12.328**	**2.787**	**129.098**
Total loss allowance	**-52**	**-104**	**-6**	**-110**	**-572**	**-734**
Total coverage ratio, %	**-0,05%**	**-0,86%**	**-3,31%**	**-0,89%**	**-20,53%**	**-0,57%**
Carrying amount, notes and bonds						
Group Functions	12.982	73		73		13.055
Insurance	4.999	52		52	10	5.062
Loss allowance						
Group Functions	-1	-1		-1		-2
Insurance	-8	-1		-1	-5	-14
Coverage ratio, %						
Group Functions	-0,01%	-1,18%		-1,18%		-0,02%
Insurance	-0,15%	-1,85%		-1,85%	-49,16%	-0,27%
Total notes and bonds	**17.982**	**125**		**125**	**10**	**18.117**
Total loss allowance	**-9**	**-2**		**-2**	**-5**	**-16**
Total coverage ratio, %	**-0,05%**	**-1,46%**		**-1,46%**	**-49,16%**	**-0,09%**

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

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61.835	7.608	8	7.615	2.095	71.545
Corporate Banking	24.673	1.058	247	1.304	508	26.486
Total	**86.508**	**8.665**	**254**	**8.919**	**2.603**	**98.031**
Off-balance-sheet limits						
Retail Banking	6.445	277	10	286	36	6.767
Corporate Banking	4.279	190	88	278	75	4.631
Total	**10.724**	**466**	**98**	**564**	**110**	**11.398**
Other off-balance-sheet commitments						
Retail Banking	3.397	46		46	16	3.458
Corporate Banking	7.196	121		121	78	7.396
Total	**10.593**	**166**		**166**	**94**	**10.854**
Notes and bonds						
Group Functions	13.160	31		31		13.191
Insurance	4.180	36		36	7	4.223
Total	**17.340**	**67**		**67**	**7**	**17.414**
Total exposures within the scope of accounting for expected credit losses	**125.165**	**9.365**	**352**	**9.717**	**2.815**	**137.697**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-59	-2	-61	-319	-398
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-42**	**-82**	**-4**	**-86**	**-588**	**-715**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-1	-2
Corporate Banking	-3	-3		-3	-14	-20
Total	**-4**	**-3**		**-3**	**-15**	**-22**
Notes and bonds***						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Total notes and bonds	**-8**	**-2**		**-2**	**-3**	**-14**
Total	**-54**	**-87**	**-4**	**-91**	**-606**	**-751**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

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

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

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

Summary and key indicators 31 December 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	71.676	7.930	17	7.947	2.146	81.770
Corporate Banking	36.149	1.368	335	1.703	661	38.513
Loss allowance						
Retail Banking	-20	-59	-2	-61	-319	-400
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Retail Banking	-0,03%	-0,75%	-12,91%	-0,77%	-14,87%	-0,49%
Corporate Banking	-0,07%	-1,85%	-0,63%	-1,61%	-42,83%	-0,88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**107.825**	**9.298**	**352**	**9.650**	**2.808**	**120.283**
Total loss allowance	**-46**	**-85**	**-4**	**-89**	**-603**	**-737**
Total coverage ratio, %	**-0,04%**	**-0,91%**	**-1,23%**	**-0,92%**	**-21,46%**	**-0,61%**
Carrying amount, notes and bonds						
Group Functions	13.160	31		31		13.191
Insurance	4.180	36		36	7	4.223
Loss allowance						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Coverage ratio, %						
Group Functions	-0,01%	-2,00%		-2,00%		-0,02%
Insurance	-0,16%	-4,16%		-4,16%	-49,03%	-0,28%
Total notes and bonds	**17.340**	**67**		**67**	**7**	**17.414**
Total loss allowance	**-8**	**-2**		**-2**	**-3**	**-14**
Total coverage ratio, %	**-0,05%**	**-3,17%**		**-3,17%**	**-49,03%**	**-0,08%**

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**107.825**	**9.650**	**2.808**	**120.283**
Transfers from Stage 1 to Stage 2, incl. repayments	-6.564	6.194		-370
Transfers from Stage 1 to Stage 3, incl. repayments	-432		378	-53
Transfers from Stage 2 to Stage 1, incl. repayments	2.937	-3.224		-288
Transfers from Stage 2 to Stage 3, incl. repayments		-582	532	-50
Transfers from Stage 3 to Stage 1, incl. repayments	65		-75	-10
Transfers from Stage 3 to Stage 2, incl. repayments		238	-272	-33
Increases due to origination and acquisition	23.512	1.160	162	24.834
Decreases due to derecognition	-14.270	-985	-434	-15.689
Unchanged Stage, incl. repayments	910*	-122	-203	585
Recognised as final credit loss	0	0	-111	-111
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2022	**113.983**	**12.328**	**2.787**	**129.098**

* Stage 1 positive net change is related to increases in off-balance-sheet limits.

The following flow statements show the changes in loss allowance by impairment stage during 2022.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2022	**46**	**89**	**603**	**737**
Transfers from Stage 1 to Stage 2	-5	38		33
Transfers from Stage 1 to Stage 3	-3		67	64
Transfers from Stage 2 to Stage 1	2	-18		-16
Transfers from Stage 2 to Stage 3		-12	57	45
Transfers from Stage 3 to Stage 2	1		-6	-6
Transfers from Stage 3 to Stage 1		4	-23	-19
Increases due to origination and acquisition	17	14	30	61
Decreases due to derecognition	-8	-14	-92	-114
Changes in risk parameters (net)	4	7	40	51
Changes in model assumptions and methodology	0	2	5	7
Decrease in allowance account due to write-offs	0	0	-108	-108
Net change in expected credit losses	**6**	**21**	**-31**	**-3**
Loss allowance 31 December 2022	**52**	**110**	**572**	**734**
Net change in expected credit losses Q4 2022	**2**	**1**	**-77**	**-75**

In June 2022, OP Financial Group updated lifetime EAD models and the maturity model. Changes in the models increased OP Corporate Bank's expected credit losses by 7 million euros, which is reported in the table above on row "changes in model assumptions and methodology". Lifetime EAD models are used in the ECL measurement under IFRS 9 to estimate a contract's on-balance-sheet exposures at default for the contract's lifetime. The maturity model is used in the ECL measurement under IFRS 9 to estimate a contract's lifetime for standby credit facilities of personal and corporate customer exposures whose credit risk has increased significantly, meaning that their ECL is measured for the contract's lifetime (Stage 2). The maturity model is used for the standby credit facilities of personal and corporate customer exposures because they have no contractual maturity.

OP Financial Group has updated its assessments of the financial effects of Russia's war of aggression in Ukraine on the credit risk of its customers. The management overlay provision of EUR 34 million included in the Q1/2022 effects of the war in Ukraine, which concerned the riskiest sectors, that is to say agriculture, construction, energy and transport, has mainly been reversed because of the abovementioned reasons. The effects were expected to arise, for example, from the closedown of business and a rise in the costs of energy, raw materials and other production, but they have been more tepid than expected because higher production costs could have been passed on to prices and government support measures have been channelled to agriculture and the energy sector, in particular.

OP Financial Group has updated its assessment of the impact of a rise in the price of electricity and Euribor rates as well as a fall in the price of residential property collateral on the credit risk associated with home loans. 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, the management overlay ECL provision previously made was increased by EUR 17.4 million to EUR 42.4 million. Several uncertain factors will affect the price development of electricity in Finland.

In Q4/2022, based on its analysis, OP Financial Group made a management overlay ECL provision of EUR 5.3 million in the construction industry. The analysis was based on the weakened outlook for the industry. It was conducted as a stress test with the assumptions that net sales will decrease by 10%, cost inflation will increase by 8% and interest rates by 3%.

In addition, OP Financial Group was prepared in Q4/2022 for the retrospective correction of the data stock on forborne exposures with a 5-million euro management overlay ECL provision to be performed in the first half of 2023.

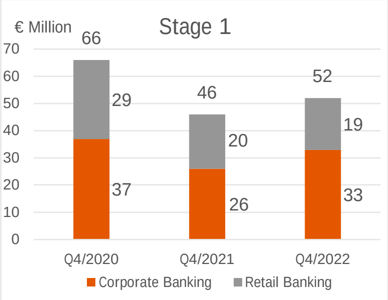
At the end of 2021, OP Financial Group made a 34-million euro additional ECL provision concerning CRE backed loans. The provision was aimed at anticipating growth in the ECL caused by the update of the collateral assessment of the riskiest collateral real estate holdings and probable default statutes. The provision was reversed during 2022 corresponding to the part of the agreements where the updates have been made to collateral values and default statuses. Provision not reversed totalled EUR 11 million at the end of the year.

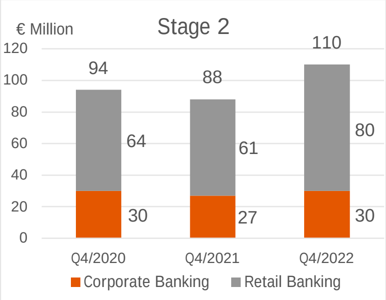
The table below shows the ECL before the discretionary provisions under management overlay, management overlay provisions described above and the total ECL.

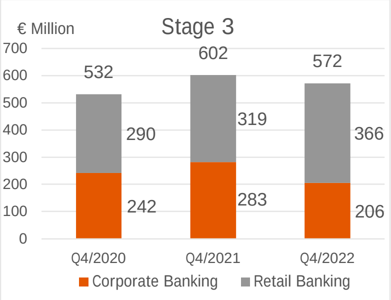
Loss allowance on 31 Dec 2022	Retail Banking	Corporete Banking	Total
ECL before discretionary provisions	401	267	668
Discretionary provisions under management overlay			
Russia-Ukraine war	2		2
Price of electricity, interest rates & value of collateral	42		42
Construction industry	3	3	5
Future retrospective correction to forborne exposures	5		5
Collateral valuation of CRE backed loans	11		11
Total discretionary provisions under management overlay	63	3	66
Total reported ECL	465	269	734

Total loss allowance on 31 Dec 2021	Retail Banking	Corporete Banking	Total
ECL before discretionary provisions	**374**	**331**	**706**
Discretionary provisions under management overlay			
Collateral valuation of CRE backed loans	26	6	31
Total discretionary provisions under management overlay	**26**	**6**	**31**
Total reported ECL	**400**	**337**	**737**

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

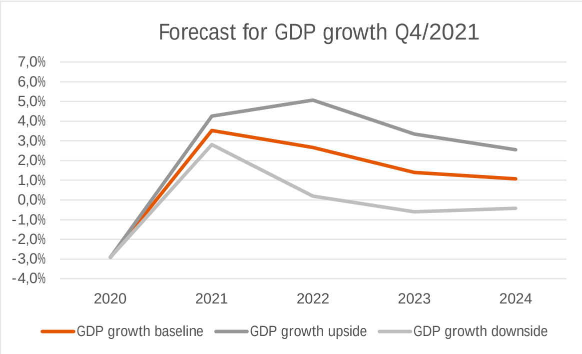


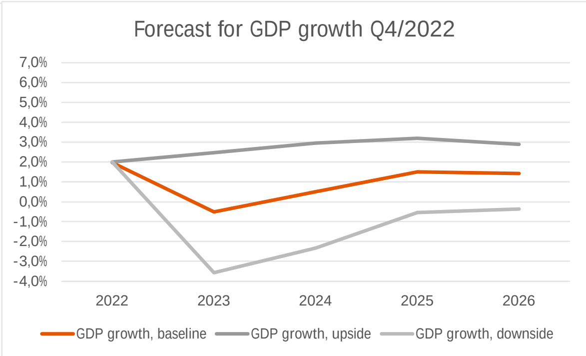


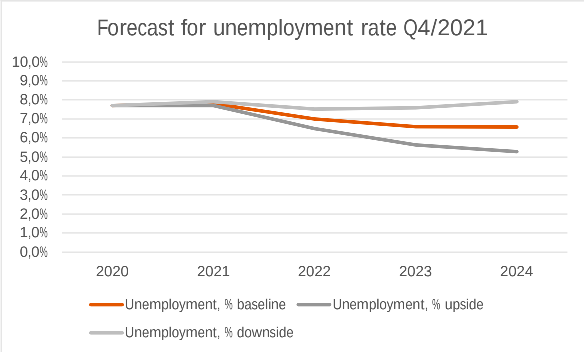


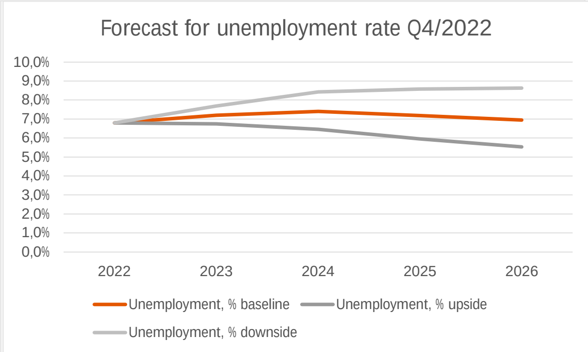
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the fourth quarter of 2022, the update of the macroeconomic forecasts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

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









Notes and bonds, EUR million	**Stage 1**	**Stage 2**	**Stage 3**	
	12 months	**Lifetime**	**Lifetime**	**Total**
Loss allowance 1 January 2022	**7**	**2**	**5**	**14**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3	0		3	3
Transfers from Stage 2 to Stage 1	0	0		0
Transfers from Stage 2 to Stage 3		0	0	0
Increases due to origination and acquisition	3	0	0	3
Decreases due to derecognition	-1	-1	-1	-3
Changes in risk parameters (net)	0	0	0	-1
Net change in expected credit losses	**1**	**0**	**2**	**3**
Loss allowance 31 December 2022	**8**	**2**	**6**	**16**
Net change in expected credit losses Q4 2022	**0**	**-1**	**-2**	**-3**

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

Receivables from customers and off-balance-sheet items, EUR million	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2021	**104.895**	**9.203**	**2.587**	**116.685**
Transfers from Stage 1 to Stage 2, incl. repayments	-4.982	4.660		-322
Transfers from Stage 1 to Stage 3, incl. repayments	-370		320	-49
Transfers from Stage 2 to Stage 1, incl. repayments	2.370	-2.593		-223
Transfers from Stage 2 to Stage 3, incl. repayments		-758	696	-62
Transfers from Stage 3 to Stage 1, incl. repayments	54		-62	-8
Transfers from Stage 3 to Stage 2, incl. repayments		187	-207	-20
Increases due to origination and acquisition	27.550	862	153	28.565
Decreases due to derecognition	-16.322	-1.626	-342	-18.291
Unchanged Stage, incl. repayments	-5.369	-279	-224	-5.872
Recognised as final credit loss		-6	-113	-119
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2021	**107.825**	**9.650**	**2.808**	**120.283**

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**65**	**93**	**533**	**692**
Transfers from Stage 1 to Stage 2	-3	30		26
Transfers from Stage 1 to Stage 3	-1		34	33
Transfers from Stage 2 to Stage 1	2	-13		-10
Transfers from Stage 2 to Stage 3		-19	78	60
Transfers from Stage 3 to Stage 2		5	-16	-11
Transfers from Stage 3 to Stage 1	1		-6	-5
Increases due to origination and acquisition	15	11	27	53
Decreases due to derecognition	-21	-14	-55	-89
Changes in risk parameters (net)	-16	-6	86	65
Changes due to update in the methodology for estimation (net)	2	0		2
Decrease in allowance account due to write-offs		0	-78	-78
Net change in expected credit losses	**-19**	**-6**	**70**	**45**
Loss allowance 31 December 2021	**46**	**89**	**603**	**737**
Net change in expected credit losses Q4 2021	**0**	**-1**	**50**	**49**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**7**	**3**	**6**	**16**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	2		0	2
Decreases due to derecognition	-2	-1	-1	-4
Changes in risk parameters (net)	0	0	0	0
Net change in expected credit losses	**0**	**-1**	**-1**	**-2**
Loss allowance 31 December 2021	**7**	**2**	**5**	**14**
Net change in expected credit losses Q4 2021	**0**	**0**	**0**	**0**

Note 9. Insurance liabilities

EUR million	31 Dec 2022	31 Dec 2021
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,300	1,535
Other provision for unpaid claims	1,329	1,204
Reserve for decreased discount rate (value of hedges of insurance liability)	-37	-48
Total	2,592	2,691
Provisions for unearned premiums	621	606
Life insurance insurance liabilities	4,425	5,475
Total	**7,638**	**8,773**

Note 10. Liabilities from unit-linked insurance and investment contracts

EUR million	31 Dec 2022	31 Dec 2021
Liabilities from unit-linked insurance	4,453	5,332
Investment contracts	7,210	7,878
Total	**11,662**	**13,210**

The breakdown of the status 31 December 2021 has been adjusted.

Note 11. Debt securities issued to the public

EUR million	31 Dec 2022	31 Dec 2021
Bonds	10,563	10,838
Subordinated bonds (SNP)	4,306	3,926
Covered bonds	12,262	12,353
Other		
Certificates of deposit	1,083	297
Commercial paper	9,287	7,539
Included in own portfolio in trading (–)*	-63	-58
Total debt securities issued to the public	**37,438**	**34,895**

* Own bonds held by OP Financial Group have been set off against liabilities.

Note 12. Fair value reserve after income tax

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2021	**109**	**70**	**203**	**382**
Fair value changes	-43	167	-88	36
Capital gains transferred to income statement	-14	-56		-70
Impairment loss transferred to income statement		7		7
Transfers to net interest income			-47	-47
Deferred tax	11	-24	27	15
Closing balance 31 December 2021	**63**	**164**	**96**	**323**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2022	**63**	**164**	**96**	**323**
Fair value changes	-525	-171	-512	-1,208
Capital gains transferred to income statement	-16	-53		-69
Impairment loss transferred to income statement		81		81
Transfers to net interest income			-28	-28
Deferred tax	108	29	108	245
Closing balance 31 December 2022	**-369**	**50**	**-337**	**-656**

The fair value reserve before tax amounted to EUR -820 million (404) at the end of the reporting period and the related deferred tax asset/liability was EUR 164 million (-81). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR -1 million (2) in the fair value reserve during the reporting period.

A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Note 13. Collateral given

EUR million	31 Dec 2022	31 Dec 2021
Given on behalf of own liabilities and commitments		
Pledges	1	1
Loans (as collateral for covered bonds)	21,048	19,429
Others	14,128	18,526
Total collateral given*	**35,176**	**37,955**
Secured derivative liabilities	701	744
Other secured liabilities	12,000	16,004
Covered bonds	12,262	12,353
Total	**24,962**	**29,101**

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

Note 14. Classification of financial assets and liabilities

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Fair value through profit or loss: Financial assets held for trading	Fair value through profit or loss: Financial assets designated as at fair value through profit or loss	Fair value through profit or loss: Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	35,004						35,004
Receivables from credit institutions	798						798
Derivative contracts			2,867			1,251	4,117
Receivables from customers	98,546						98,546
Assets covering unit-linked contracts				11,597			11,597
Notes and bonds	1	16,259	295	1,420	283		18,257
Equity instruments		0	86	199	1,456		1,741
Other financial assets	2,865						2,865
Financial assets							**172,927**
Other than financial instruments							2,589
Total 31 December 2022	**137,214**	**16,259**	**3,247**	**13,216**	**1,739**	**1,251**	**175,516**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	32,846						32,846
Receivables from credit institutions	541						541
Derivative contracts			2,672			796	3,467
Receivables from customers	96,947						96,947
Assets covering unit-linked contracts				13,137			13,137
Notes and bonds	1	17,411	331	1,987	356		20,087
Equity instruments		0	78	218	1,624		1,921
Other financial assets	2,469						2,469
Financial assets							**171,415**
Other than financial instruments							2,695
Total 31 December 2021	**132,805**	**17,412**	**3,080**	**15,342**	**1,981**	**796**	**174,110**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		12,301		12,301
Derivative contracts	2,779		1,653	4,432
Liabilities to customers		81,468		81,468
Insurance liabilities		7,638		7,638
Liabilities from unit-linked insurance and investment contracts	11,662			11,662
Debt securities issued to the public		37,438		37,438
Subordinated loans		1,384		1,384
Other financial liabilities		3,152		3,152
Financial liabilities				**159,476**
Other than financial liabilities				1,705
Total 31 December 2022	**14,441**	**143,382**	**1,653**	**161,181**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		16,650		16,650
Derivative contracts	1,933		333	2,266
Liabilities to customers		77,898		77,898
Insurance liabilities		8,773		8,773
Liabilities from unit-linked insurance and investment contracts	13,210			13,210
Debt securities issued to the public		34,895		34,895
Subordinated loans		1,982		1,982
Other financial liabilities		2,581		2,581
Financial liabilities				**158,256**
Other than financial liabilities				1,670
Total 31 December 2021	**15,143**	**142,780**	**333**	**159,926**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 December 2022, the fair value of these debt instruments was approximately EUR 1,225 million (337) lower (higher) than their carrying amount, based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are lower than their amortised costs, but determining reliable fair values involves uncertainty.

Note 15. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	736	265	740	1,741
Debt instruments	1,226	701	70	1,998
Unit-linked contracts	7,431	4,167		11,597
Derivative financial instruments	5	4,035	77	4,117
Fair value through other comprehensive income				
Debt instruments	13,057	2,401	801	16,259
Total financial instruments	**22,456**	**11,569**	**1,688**	**35,712**
Investment property			561	561
Total	**22,456**	**11,569**	**2,249**	**36,274**

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	909	316	696	1,920
Debt instruments	1,814	640	221	2,675
Unit-linked contracts	8,517	4,619		13,137
Derivative financial instruments	1	3,360	106	3,467
Fair value through other comprehensive income				
Debt instruments	14,119	2,758	534	17,411
Total financial instruments	**25,360**	**11,694**	**1,557**	**38,610**
Investment property			724	724
Total	**25,360**	**11,694**	**2,281**	**39,335**

Fair value of liabilities on 31 December 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,472	4,190		11,662
Derivative financial instruments	7	4,332	94	4,432
Total	**7,479**	**8,522**	**94**	**16,094**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	8,565	4,645		13,210
Other		0		0
Derivative financial instruments	2	2,234	30	2,266
Total	**8,566**	**6,879**	**30**	**15,476**

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 Group'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. Level 3 fair value is based on pricing information from a third party.

Transfers between levels of the fair value hierarchy

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.

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2022	**916**	**106**	**534**	**1,557**
Total gains/losses in profit or loss	-174	-30	0	-204
Total gains/losses in other comprehensive income			-1	-1
Purchases	113		0	113
Sales	-80			-80
Settlements	-9			-9
Transfers into Level 3	46		476	522
Transfers out of Level 3	-2		-208	-210
Closing balance 31 December 2022	**810**	**77**	**801**	**1,688**

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

Total gains/losses included in profit or loss by item for the financial year on 31 December 2022

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-188	14	0	-174
Unrealised net gains (losses)	-93		-1	-94
Total net gains (losses)	**-281**	**14**	**-1**	**-268**

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2022.

Note 16. Off-balance-sheet commitments

EUR million	31 Dec 2022	31 Dec 2021
Guarantees	570	641
Other guarantee liabilities	2,668	2,727
Loan commitments	14,267	15,203
Commitments related to short-term trade transactions	736	679
Other*	1,420	1,378
Total off-balance-sheet commitments	**19,662**	**20,629**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 200 million (195).

Note 17. Derivative contracts

Total derivatives 31 December 2022

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	29,963	105,209	89,412	224,584	2,981	3,096
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	55,961	5,303	1,086	62,350	958	1,157
Credit derivatives	34	63	13	110	1	34
Other derivatives	439	889	26	1,355	91	82
Total derivatives	**86,398**	**111,463**	**90,538**	**288,399**	**4,031**	**4,368**

Total derivatives 31 December 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,176	74,987	86,509	182,671	2,453	1,447
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,610	5,508	757	50,874	782	669
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	783	110	926	2	35
Other derivatives	260	1,744	28	2,032	104	43
Total derivatives	**66,081**	**83,021**	**87,403**	**236,506**	**3,342**	**2,195**

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

Note 18. Investment distribution of the Insurance segment

Non-life Insurance	31 December 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**622**	**15**	**596**	**14**
Money market instruments and deposits**	632	16	590	14
Derivatives***	-10	0	7	0
Total bonds and bond funds	**2.526**	**62**	**2.555**	**60**
Governments	303	7	432	10
Investment Grade	1.834	45	1.750	41
Emerging markets and High Yield	206	5	187	4
Structured Investments****	181	4	187	4
Total equities	**557**	**14**	**629**	**15**
Finland	67	2	113	3
Developed markets	326	8	328	8
Emerging markets	88	2	114	3
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	69	2	69	2
Total alternative investments	**31**	**1**	**33**	**1**
Hedge funds	31	1	33	1
Total property investment	**336**	**8**	**473**	**11**
Direct property investment	155	4	301	7
Indirect property investment	181	4	172	4
Total	**4.071**	**100**	**4.287**	**100**

* Includes accrued interest income.

** Includes settlement receivables and liabilities and market value of derivatives.

*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents).

**** Include covered bonds, bond funds and illiquid bonds.

Life Insurance	31 December 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**614**	**19**	**748**	**21**
Money market investments and deposits**	601	19	743	20
Derivatives***	13	0	5	0
Total bonds and bond funds	**1.976**	**61**	**2.126**	**58**
Governments	182	6	256	7
Investment Grade	1.469	45	1.586	44
Emerging markets and High Yield	161	5	121	3
Structured investments****	163	5	163	4
Total equities	**419**	**13**	**546**	**15**
Finland	44	1	91	3
Developed markets	240	7	283	8
Emerging markets	65	2	98	3
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	67	2	70	2
Total alternative investments	**38**	**1**	**40**	**1**
Hedge funds	38	1	40	1
Total real property investments	**189**	**6**	**186**	**5**
Direct property investments	24	1	23	1
Indirect property investments	165	5	163	4
Total	**3.235**	**100**	**3.646**	**100**

* Includes accrued interest income.

** Include settlement receivables and liabilities and market value of derivatives.

*** Effect of derivatives on the allocation of the asset class (delta equivalent).

**** Include covered bonds, bond funds and illiquid bonds.

Note 19. Related-party transactions

OP Financial Group's related parties comprise subsidiaries consolidated into OP Financial Group, associates, key management personnel and their close family members, and other related-party entities. OP Financial Group's key management personnel comprises OP Financial Group's President and Group Chief Executive Officer, members of OP Cooperative's Executive Management Team and directors directly reporting to the President and Group Chief Executive Officer, the Chair and members of OP Cooperative's Board of Directors as well as members of the Supervisory Council. Related parties of the management also include companies over which key management persons or their close family member exercises significant influence. Other entities regarded as related parties include OP Financial Group's Personnel Fund and OP Bank Group Pension Foundation.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2021.

Financial reporting

Time of publication of 2022 reports:

OP Financial Group's Report by the Board of Directors and Financial Statements for 2022	Week 10
OP Financial Group's Corporate Governance Statement 2022	Week 10
OP Financial Group's Annual Review 2022 (incl. CSR Reporting)	Week 10
OP Financial Group's Capital Adequacy and Risk Management Report 2022	Week 10
OP Amalgamation Pillar III Tables 31 December 2022	Week 10
Remuneration Report for Governing Bodies at OP Financial Group 2022	Week 10
Remuneration Policy for Governing Bodies at OP Financial Group	Week 10

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

Interim Report Q1/2023	3 May 2023
Half-year Financial Report H1/2023	25 July 2023
Interim Report Q1–3/2023	25 October 2023
OP Amalgamation capital adequacy tables 31 March 2023	Week 19
OP Amalgamation capital adequacy tables 30 June 2023	Week 32
OP Amalgamation capital adequacy tables 30 September 2023	Week 44

Helsinki, 8 February 2023

OP Cooperative
Board of Directors

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