OP Corporate Bank plc’s Financial Statements Bulletin 1 January–31 December 2023

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Operating profit Q1–4/2023	Net interest income Q1–4/2023	Loan portfolio change in the year to December	CET1 ratio 31 Dec 2023
€329 million	+47%	–0.8%	13.0%

- OP Corporate Bank plc's operating profit increased to EUR 329 million (265).
- Net interest income increased by 47% to EUR 582 million (396) and net commissions and fees by EU 54 million to EUR 73 million (19). Investment income fell by 56% to EUR 52 million (117).
- Impairment loss on receivables increased by EUR 77 million to EUR 96 million (18). Expected credit losses increased especially in respect of receivables concerning construction and property investment.
- Operating expenses increased by 11% to EUR 313 million (281). The cost/income ratio improved to 42% (50).
- In the year to December, the loan portfolio decreased by 0.8% to EUR 28.1 billion (28.3) and the deposit portfolio by 0.4% to EUR 14.6 billion (14.7).
- The Corporate Banking and Capital Markets segment's operating profit increased to EUR 198 million (186). Net interest income grew by 40% to EUR 316 million (225). Investment income fell by 62% to EUR 49 million (130). Net commissions and fees totalled EUR 3 million (–49). Operating expenses increased by 4% to EUR 131 million (126). Impairment loss on receivables increased to EUR 44 million (1).
- The Asset and Sales Finance Services and Payment Transfers segment's operating profit decreased to EUR 126 million (138). Net interest income grew by 13% to EUR 207 million (183). Net commissions and fees totalled EUR 64 million (63). Operating expenses increased by 16% to EUR 122 million (105). Impairment loss on receivables increased to EUR 37 million (12).
- The Baltics segment's operating profit rose to EUR 27 million (24). Net interest income grew by 36% to EUR 67 million (49). Net commissions and fees, EUR 10 million, were at the previous year's level. Operating expenses increased by 19% to EUR 35 million (29). Impairment loss on receivables increased to EUR 15 million (6).
- The Group Functions segment's operating loss was EUR 22 million (–83). Financial position and liquidity remained strong.
- OP Corporate Bank plc's CET1 ratio was 13.0% (11.9), which exceeds the minimum regulatory requirement by 4.3 percentage points. OP Corporate Bank adopted the Standardised Approach to credit risk in its capital adequacy measurement during the first quarter.

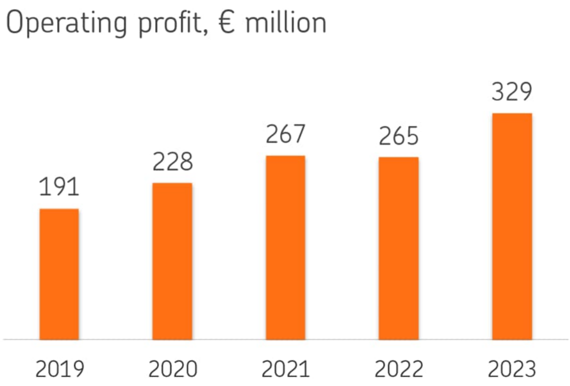
OP Corporate Bank plc's key indicators

Operating profit (loss), € million	Q1–4/2023	Q1–4/2022	Change, %
Corporate Banking and Capital Markets	198	186	6.5
Asset and Sales Finance Services and Payment Transfers	126	138	-9.2
Baltics	27	24	13.3
Group Functions	-22	-83	-
Total	329	265	24.1
Total income	738	564	30.7
Total expenses	-313	-281	11.3
Cost/income ratio, %	42.4	49.8	-7.4*
Return on equity (ROE), %	5.9	4.9	1.0*
Return on assets (ROA), %	0.30	0.22	0.08*
	31 Dec 2023	31 Dec 2022	Change, %
CET1 ratio, %	13.0	11.9	1.1*
Loan portfolio, € million**	28,076	28,309	-0.8
Guarantee portfolio, € million	3,184	3,412	-6.7
Other exposures, € million	5,745	6,354	-9.6
Deposits, € million	14,629	14,683	-0.4
Ratio of non-performing exposures to exposures, %**	2.2	1.5	0.7*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %**	0.31	0.06	0.25*

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

* Change in ratio.

** The formula for calculating key figures and ratios has been changed as of the beginning of 2023. The item excludes changes in the fair value of loans in hedge accounting as of 1 January 2023. Comparatives have been adjusted to correspond to the current definition.



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

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Report

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Business environment

According to preliminary information, world economic growth in 2023 was slightly slower than the longer-term average. Economic survey results weakened towards the end of the year. GDP in the euro area grew slowly and contracted during the latter half of the year. The inflation rate in the euro area slowed down to 2.9% in December from 9.2% at the end of the previous year.

In the last quarter, stock prices rose as market rates began to fall, and were higher than at the beginning of the year in most countries. Stock prices in Finland were lower than at the end of 2022.

The European Central Bank (ECB) raised its main refinancing rate several times between January and September. Following the rate increase of 0.25 percentage points in September, the deposit facility rate remained at 4.00% during the rest of the year. The 12-month Euribor began to decrease towards the year end, standing at 3.51% at the end of December, which was only slightly higher than a year ago.

The Finnish GDP declined slightly in 2023. In December, the unemployment rate rose to 7.6%, compared to 6.9% at the end of 2022. Inflation slowed down to 3.6% in December, compared to 9.1% a year earlier. The rise in interest rates slowed down home purchases, and home prices went down.

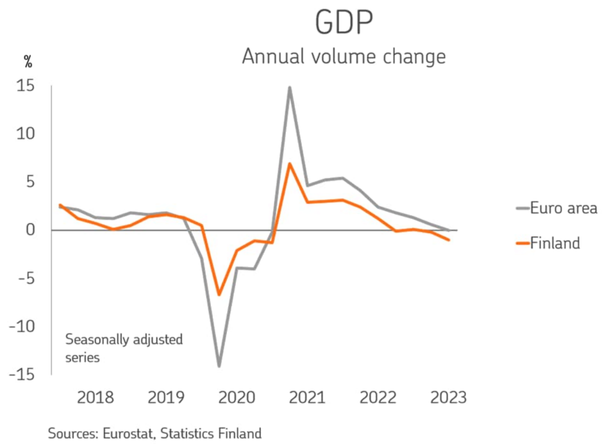
The economic outlook will remain subdued and uncertain in early 2024. Decelerating inflation is expected to enable a decrease in interest rates, which will pave the way for economic recovery towards the year end.

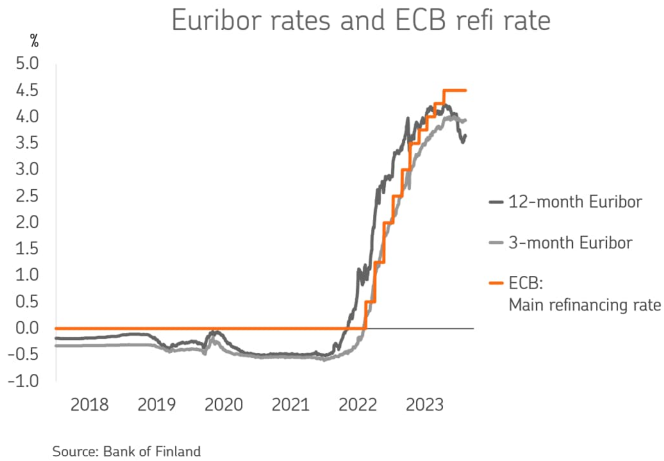
In December, total loans were 0.4% higher than a year earlier. The volume of corporate loans decreased by 0.6% on a year earlier. Total household loans decreased by 1.3% from the end of 2022, due especially to weak demand for home loans. In December, the annual growth rate of consumer loans was 2.5% (3.3).

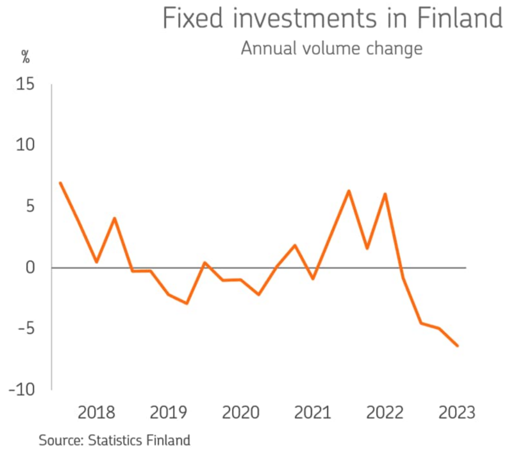
Total deposits decreased by 1.5% from the end of 2022. Corporate deposits decreased by 8.7% and household deposits by 2.6% on a year earlier.

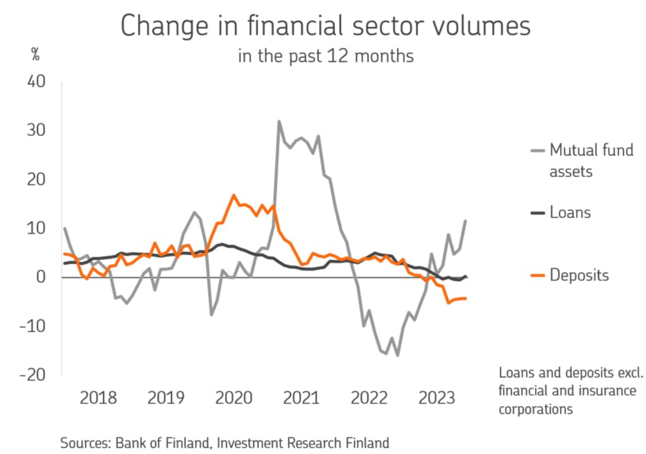
The value of the assets of mutual funds registered in Finland increased from EUR 134 billion to EUR 149 billion in the year to December. New assets worth a total of EUR 3.2 billion were invested in mutual funds registered in Finland.

Demand for insurance products remained stable. Inflation that has remained high for a long time increased claims incurred and was also reflected in insurance prices. A rise in stock prices on a global scale improved insurance companies' profitability.









OP Corporate Bank earnings

€ million	Q1–4/ 2023	Q1–4/ 2022	Change, %	Q4/ 2023	Q4/ 2022	Change, %
Net interest income	582	396	46.8	161	81	99.5
Impairment loss on receivables	-96	-18	422.2	-33	-2	-
Net commissions and fees	73	19	281.4	21	6	256.6
Investment income	52	117	-55.7	-1	105	-101.3
Other operating income	31	32	-2.3	7	7	0.5
Personnel costs	-84	-76	10.2	-23	-22	3.0
Depreciation/amortisation and impairment loss	-3	-9	-65.5	0	-2	-83.5
Other operating expenses	-226	-196	15.2	-61	-48	27.4
Operating profit	329	265	24.1	70	124	-43.7

January–December

OP Corporate Bank plc's operating profit (earnings before tax) increased to EUR 329 million (265). Net interest income grew by 46.8% to EUR 582 million (396). Net commissions and fees increased to EUR 73 million (19) as commission expenses decreased by EUR 51 million. Investment income fell by 55.7% to EUR 52 million (117). Impairment loss on receivables increased by EUR 77 million to EUR 96 million. Total operating expenses increased by 11.3% to EUR 313 million (281).

Net interest income grew by 46.8% to EUR 582 million. Interest income from receivables from customers increased by EUR 917 million to EUR 1,281 million as a result of higher market interest rates. This increase was also affected by interest income from central bank deposits. Total interest income from receivables from credit institutions rose to EUR 1,010 million (159). OP Corporate Bank's loan portfolio decreased by 0.8% to EUR 28.1 billion (28.3). Interest expenses from liabilities to customers increased to EUR 372 million (34). In the year to December, the deposit portfolio decreased by 0.4% to EUR 14.6 billion. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose significantly over the previous year, and from debt securities issued to the public. The amount of debt securities issued to the public decreased to EUR 24.0 billion (25.2). At the end of the reporting period, the amount of senior non-preferred bonds totalled EUR 4.0 billion (4.3). Subordinated liabilities totalled EUR 1.4 billion (1.4). During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 2.2 billion (4.8). During the first quarter, OP Corporate Bank paid off the TLTRO III funding offered by the European Central Bank, totalling EUR 12.0 billion.

Impairment loss on receivables increased by EUR 77 million to EUR 96 million. Expected credit losses increased especially in respect of receivables concerning construction and property investment. Loss allowance was EUR 328 million (272) at the end of the reporting period. The item includes a management overlay of EUR 11 million that mainly applies to the construction industry and the real estate sector. Final net loan losses recognised for the reporting period totalled EUR 41 million (86). Non-performing exposures accounted for 2.2% (1.5) of total exposures. Ratio of impairment loss on receivables to the loan and guarantee portfolio was 0.31% (0.06).

Net commissions and fees increased by EUR 54 million to EUR 73 million. Commission income, EUR 136 million, increased by EUR 2 million. Commission income from lending increased by EUR 6 million to EUR 54 million but commission income from securities brokerage decreased by EUR 4 million to EUR 18 million. Commission expenses decreased by a total of EUR 51 million to EUR 63 million. The fall in commission expenses is explained by lower commission expenses from derivative contracts paid to OP Financial Group's member banks. This was due to the changed operating model adopted in the fourth quarter of 2022, applying to the hedging of interest rate risk associated with derivative contracts between OP Corporate Bank and OP cooperative banks, which, due to lower commission expenses, improved net commissions and fees but, on the other hand, reduced investment income.

Investment income decreased by EUR 65 million to EUR 52 million. Income from derivatives operations fell by 74.2% to EUR 31 million (120). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 6 million (4). Income from notes and bonds held for trading rose to EUR 25 million (–20). Interest income from these increased to EUR 20 million (4) and fair value gains to EUR 5 million (–24). Income from shares and participations decreased by EUR 17 million to EUR -9 million. Capital gains on notes and bonds at fair value through other comprehensive income totalled EUR 5 million (10).

Other operating income totalled EUR 31 million (32).

Total operating expenses increased by EUR 32 million to EUR 313 million. Personnel costs increased by EUR 8 million to EUR 84 million. The increase was affected by higher headcount and growth in the provision for performance-based bonuses as well as pay rises. Depreciation/amortisation and impairment loss on receivables decreased by EUR 6 million to EUR 3 million. Other operating expenses increased by EUR 30 million to EUR 226 million. Other operating expenses were especially increased by service charges payable to OP Cooperative and expenses related to the development of anti-financial crime. Charges of financial authorities were EUR 36 million (36). ICT costs totalled EUR 93 million (92).

Comprehensive income for the reporting period increased to EUR 233 million (148). Change in the fair value reserve, EUR –34 million, reduced comprehensive income for the reporting period. Changes in the fair value of notes and bonds decreased the fair value reserve by EUR 49 million. Capital gains on notes and bonds recognised from the fair value reserve in profit or loss totalled EUR 5 million. Changes in the fair value of cash flow hedges and transfers in profit or loss to net interest income increased the fair value reserve by a total of EUR 19 million. A year ago, change in the fair value reserve reduced comprehensive income by EUR 71 million. The fair value reserve was EUR –63 million (–29) at the end of the reporting period.

October–December

Fourth-quarter operating profit decreased to EUR 70 million (124). Net interest income grew by 99.5% to EUR 161 million. Operating profit was reduced in particular by lower investment income and higher impairment loss on receivables. Net investment income decreased in the fourth quarter by EUR 106 million to EUR –1 million. Impairment loss on receivables totalled EUR 33 million (2). Net commissions and fees increased to EUR 21 million (6). Total operating expenses increased by 17.0% to EUR 84 million.

Net interest income rose to EUR 161 million (81). Interest income from receivables from customers rose by EUR 209 million to EUR 382 million and interest income from receivables from credit institutions rose by EUR 151 million to EUR 286 million. Interest expenses from liabilities to customers increased by EUR 93 million to EUR 125 million. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose over the previous year, and interest expenses from debt securities issued to the public.

Impairment loss on receivables totalled EUR 33 million (2). Impairment loss on receivables increased mainly as a result of the deteriorated situation in the construction industry and the real estate sector.

Net commissions and fees increased by EUR 15 million to EUR 21 million. Commission income, EUR 37 million, rose by EUR 2 million as commission income from lending increased. Commission expenses fell by EUR 13 million to EUR 16 million. The fall in commission expenses was affected by lower commission expenses from derivative contracts paid to OP Financial Group's member banks.

Investment income decreased to EUR –1 million (105) as income from financial assets held for trading fell by EUR 106 million. Of this, income from derivatives operations fell by EUR 100 million. A year ago, income from derivatives operations was increased by a change in the operating model applied to hedging interest rate risk associated with derivative contracts between OP Corporate Bank and OP cooperative banks. Income from notes and bonds rose by EUR 6 million to EUR 9 million, but income from shares and participations, on the other hand, fell by EUR 11 million to EUR –10 million.

Other operating income, EUR 7 million, remained at the previous year's level.

Total operating expenses increased by 17.0% to EUR 84 million. Personnel costs totalled EUR 23 million (22). Other operating expenses increased by EUR 13 million to EUR 61 million. Of these, ICT costs totalled EUR 25 million (24).

Fourth-quarter comprehensive income decreased by 10.2% to EUR 34 million. Change in the fair value reserve, EUR –23 million (–56), reduced comprehensive income.

January-December highlights

OP Corporate Bank adopted the Standardised Approach

OP Corporate Bank adopted the Standardised Approach in its capital adequacy measurement and reporting during the first quarter of 2023. Adoption of the Standardised Approach had no impact on OP Corporate Bank's capital adequacy or risk profile. On 13 March 2023, the European Central Bank (ECB) issued its decision on the application of the Standardised Approach in OP Financial Group's capital adequacy measurement. 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 internal models (IRBA) and the risk-weighted assets floor based on the Standardised Approach.

OP Corporate Bank ranked as Finland's best corporate bank

At the end of 2023, large Finnish corporations again ranked OP Corporate Bank as Finland's best corporate bank, achieving a shared first position in the Prospera survey. OP Corporate Bank is the only corporate bank in Finland to have been in the top two of the Prospera survey for six consecutive years.

Sustainability and corporate responsibility

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

OP 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.

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards and, from the 2024 report onwards, in accordance with the European Sustainability Reporting Standards (ESRS) under the Corporate

Sustainability Reporting Directive (CSRD). Non-financial and taxonomy reporting for 2023 will be published in OP Financial Group's Report by the Board of Directors for 2023.

In 2023, OP Financial Group set new emissions reduction targets for three sectors in its loan portfolio: energy, agriculture and residential property sectors. These account for more than 90% of the emissions of OP Financial Group's loan portfolio. Measured from the 2022 initial level, the goal is to reduce by 2030 1) the emissions intensity of energy production by 50%; 2) the absolute emissions associated with the agricultural sector by 30%; and 3) the emissions intensity of home loans by 45%.

In December 2023, OP Financial Group published a biodiversity road map that includes measures to promote biodiversity at OP Financial Group. The aim is to create a nature positive handprint by 2030. 'Nature positive' means that OP Financial Group's operations will have a net positive impact (NPI) on nature.

In December 2023, OP Financial Group published a Human Rights Statement and Human Rights Policy. The Group respects all recognised human rights. The Human Rights Statement includes the requirements and expectations that OP Financial Group has set for itself and actors in its value chains. OP Financial Group is committed to remediation actions if it causes adverse human rights impacts.

In late 2023, OP Financial Group attended the COP28 UN Climate Change Conference together with other Finnish companies representing various industries. The goals of the first-ever Finnish pavilion in the Conference were to highlight Finnish companies' solutions and Finland as the cutting edge of green technology and to support climate change negotiations with pioneering companies.

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

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

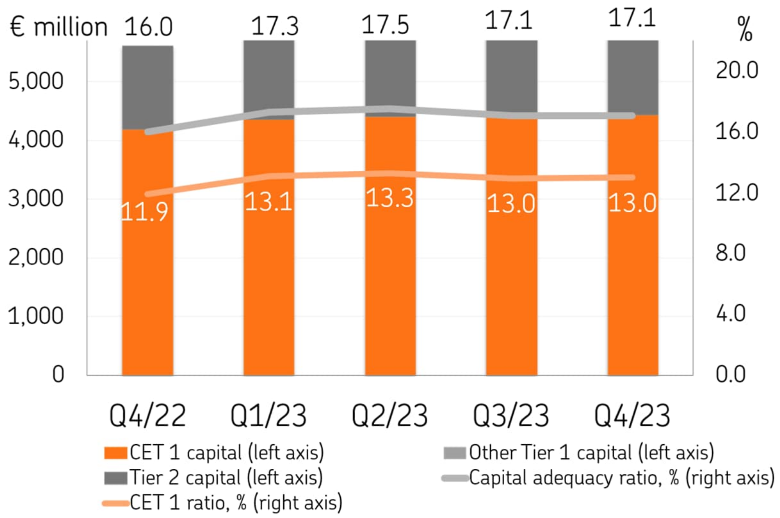
OP Corporate Bank has developed several products based on the international framework for sustainable corporate finance, such as green loans and sustainability-linked loans and sustainable supply chain finance. In green loans, corporate customers are committed to using the borrowed funds to promote specific projects. In sustainability-linked loans, corporate customers are committed to sustainability goals selected together when granting the loan. These goals affect the loan margin. At the end of December, total exposures from these loans and facilities stood at EUR 6.5 billion (5.2).

OP Corporate Bank has issued two green bonds under the Green Bond Framework to responsible institutional investors: a senior non-preferred unsecured green bond of EUR 500 million with a maturity of 5.5 years issued in 2022 and a senior unsecured green bond of EUR 500 million with a maturity of five years issued in 2019. The green bonds support the green transition, and proceeds raised with them are allocated to sustainable corporate finance. Eligible sectors to be funded through the bonds include renewable energy, green buildings and environmentally sustainable management of living natural resources and land use.

OP Markets brokered its first ever green commercial paper in September 2023. OP Corporate Bank has also launched sustainable supply chain finance to encourage supply chains to more sustainable operations through sustainability-linked financing.

Capital adequacy

Capital base and capital adequacy

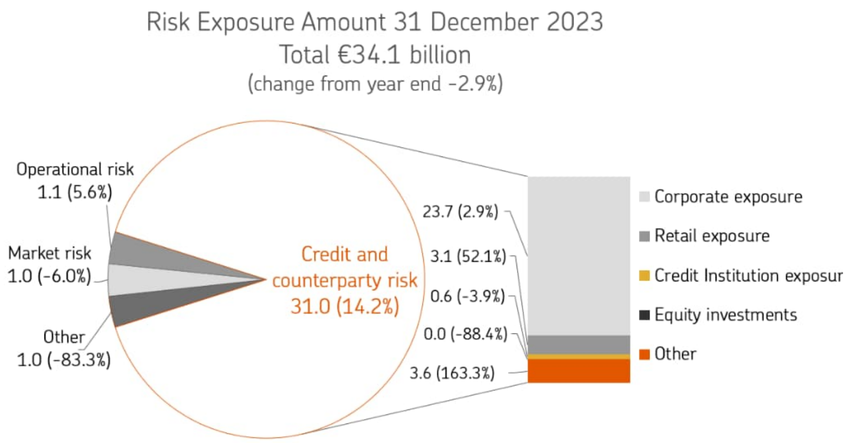


Capital adequacy for credit institutions

On 31 December 2023, OP Corporate Bank's CET1 ratio was 13.0% (11.9), which exceeds the minimum regulatory requirement by 4.3 percentage points. Earnings and a decrease in risk-weighted assets improved the ratio.

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

The CET1 capital totalled EUR 4.4 billion (4.2) on 31 December 2023. The CET1 capital was improved by earnings for the reporting period and the elimination of the allowance for expected losses based on the IRBA, which resulted from the transition to the Standardised Approach to credit risk.



On 31 December 2023, the risk exposure amount (REA) totalled EUR 34.1 billion (35.1), or 2.9% lower than on 31 December 2022. OP Corporate Bank adopted the Standardised Approach to credit risk in its capital adequacy measurement during the first quarter of 2023. This change had no effect on the CET1 ratio.

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

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

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

Liabilities under the Resolution Act

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

The SRB updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group in March 2023. As part of the MREL, the resolution authority has updated OP Financial Group's subordination requirement in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be fulfilled with own funds or subordinated liabilities. The MREL is 22.30% of the total risk exposure and 26.41% of the total risk exposure including a combined buffer requirement, and 7.40% of leverage ratio exposures. The updated subordination requirement supplementing the MREL was 14.66% of the total risk exposure amount and 18.77% of the total risk exposure amount including a combined buffer requirement, and 7.40% of leverage ratio exposures. This took effect on 15 March 2023.

From the beginning of 2024, the MREL will be 22.89% of the total risk exposure and 27.0% of the total risk exposure including a combined buffer requirement, and 7.40% of leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 4.11%.

OP Financial Group's buffer for the MREL was EUR 7.9 billion and for the subordination requirement EUR 5.6 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 3.8 billion. These bonds provide funds for the MREL subordination requirement.

OP Financial Group clearly exceeds the new MREL requirement. OP Financial Group's MREL ratio was 37.1% of the total risk exposure amount and, based on the subordination requirement, the MREL ratio for subordinated liabilities was 26.4% of leverage ratio exposures.

Credit ratings

OP Corporate Bank plc's credit ratings on 31 December 2023

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

OP Corporate Bank plc has credit ratings affirmed by Standard & Poor's Global Ratings Europe Limited and Moody's Investors Service (Nordics) AB. When assessing the company's credit rating, credit rating agencies take account of the entire OP Financial Group's financial standing. The credit ratings did not change in 2023.

Bases for risk profile management and the business environment

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

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

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

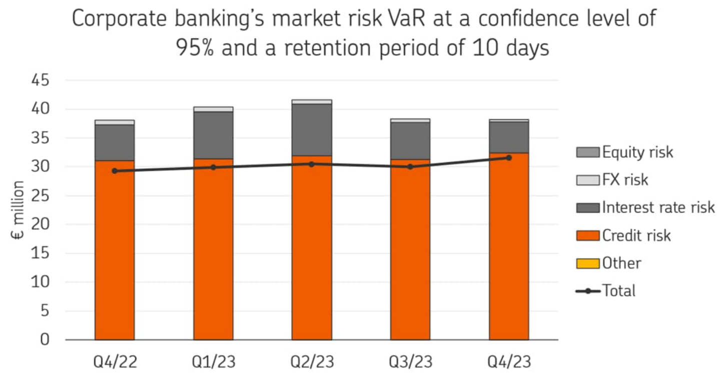
Unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Corporate Bank's customers and on OP Corporate Bank's premises, ICT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity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

During the reporting period, OP Corporate Bank continued to correct the observations made in the AML audit completed by the FIN-FSA in 2022. The audit was carried out as part of the FIN-FSA's normal supervision and audit activities. The FIN-FSA did not make any observations that would indicate money laundering or terrorist financing. The FIN-FSA found matters requiring improvement in the assessment of money laundering risks, obtaining KYC information and keeping it up to date, assessment of risks associated with customer relationships, and matters related to internal control of AML. For several years now, OP Financial Group and OP Corporate Bank have invested heavily in the development of money laundering risk management. Corrective measures related to the supervisor's observations were taken to a significant extent by the end of the year.

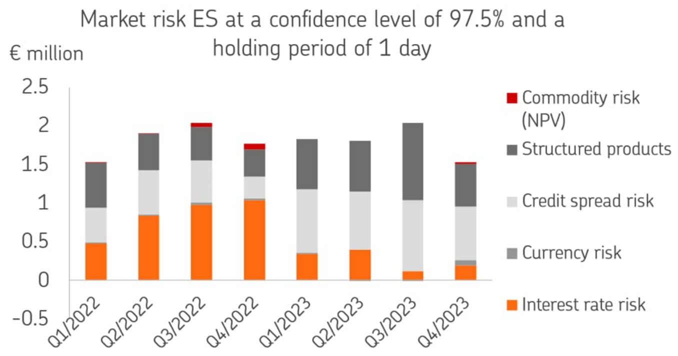
During the reporting period, the materialisation of OP Corporate Bank's operational risks resulted in roughly EUR 0.6 million (0.3) in gross losses. As regards other risks, the risk profile is examined in more detail by segment. OP Corporate Bank's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Group Functions segment.

Business segments

Major risks in the business segments are associated with credit risk arising from customer business, and market risk. The credit risk exposure of business segments remained stable, the risk level was moderate and the general quality of the loan portfolio was good although higher interest rates and inflation as regards the construction and real estate sectors have had a negative impact on the quality of the loan portfolio.



The VaR, a measure of market risks associated with OP Corporate Bank's investments, was EUR 32 million (29) on 31 December 2023. The market risk level increased during the fourth quarter. The VaR risk metric includes banking's bond investments, derivatives that hedge their interest rate risk as well as investments in money market papers. No major changes were made to the asset class allocation during the reporting period.



Market risks associated with the Markets function decreased during the fourth quarter. Since the beginning of 2023, OP Financial Group has used the Stressed Expected Shortfall (ES) risk measure. The Stressed ES is a more conservative risk measure than the unstressed ES used previously.

Interest rate risk in the banking book measured as the effect of a one-percentage-point increase on a 12-month net interest income was EUR 17 million (16) and as the effect of a one-percentage-point decrease EUR –18 million (–16) on average in the year to December. 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.

Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
More than 90 days past due, € million			52	69	52	69	30	44	22	25
Unlikely to be paid, € million			562	336	562	336	104	100	458	236
Forborne exposures, € million	108	144	212	163	320	308	59	59	261	249
Total, € million	108	144	826	568	933	713	193	203	740	510

Key ratios	31 Dec 2023	31 Dec 2022
Ratio of doubtful receivables to exposures, %	2.52	1.92
Ratio of non-performing exposures to exposures, %	2.23	1.53
Ratio of performing forborne exposures to exposures, %	0.29	0.39
Ratio of performing forborne exposures to doubtful receivables, %	11.5	20.3
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	34.8	38.4

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

At the end of the last quarter, OP Corporate Bank plc had 10 (7) large customer exposures, totalling EUR 5.4 (3.5) billion. Large customer exposure refers to the amount of exposures of an individual group of connected clients which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. Own funds covering customer exposure means Tier 1 capital under CRR II.

The Baltics segment exposures totalled EUR 4.1 billion (4.3), which accounted for 9.9% (9.9) of OP Corporate Bank's exposures.

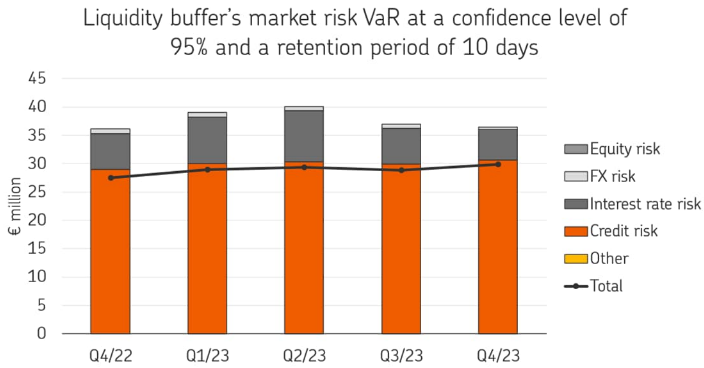
The distribution of loss allowance by sector is presented at Group level in OP Financial Group's financial statements bulletin.

Group Functions

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

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

The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 30 million (27) on 31 December 2023. The market risk level increased during the fourth quarter. The VaR risk metric includes bond investments in the liquidity buffer, derivatives that hedge their interest rate risk as well as investment in money market papers. No major changes occurred in the asset class allocation.



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

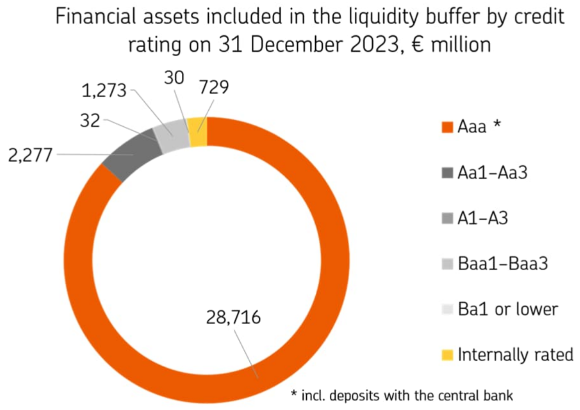
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 199% (217) at the end of the reporting period.

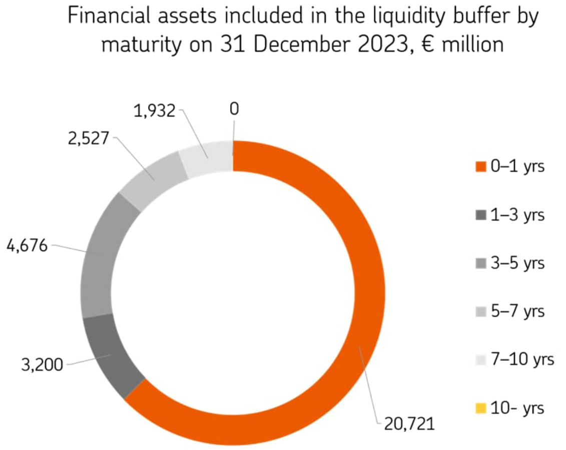
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 130% (128) at the end of the reporting period.

Liquidity buffer

€ billion	31 Dec 2023	31 Dec 2022	Change, %
Deposits with central bank	19.6	34.8	-43.8
Notes and bonds eligible as collateral	11.8	2.1	461.8
Loan receivables eligible as collateral	1.1	-	-
Total	32.4	36.9	-12.2
Receivables ineligible as collateral	0.7	0.7	-6.2
Liquidity buffer at market value	33.1	37.6	-12.1
Collateral haircut	-0.7	-0.2	-
Liquidity buffer at collateral value	32.3	37.4	-13.5

The liquidity buffer comprises notes and bonds issued by governments, municipalities, financial institutions and companies all showing good credit ratings, securitised assets and loan receivables eligible as collateral. In the reporting period, OP Corporate Bank repaid in full the EUR 12.0 billion in TLTRO III loans. At the end of the reporting period, the liquidity buffer included bonds with a carrying amount of EUR 622 million (0) classified at amortised cost, issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 640 million (0). In the above information on the liquidity buffer, these bonds are measured at fair value.





For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Exposures of OP Financial Group entities represented 18.9% of OP Corporate Bank plc's exposures. These exposures decreased by EUR 0.9 billion during the reporting period. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

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

Corporate Banking and Capital Markets

- Operating profit increased to EUR 198 million (186).
- Total income increased by 19.3% to EUR 373 million (313). Net interest income grew by 40.3% to EUR 316 million (225). Net commissions and fees increased to EUR 3 million (–49). Investment income fell by 62.1% to EUR 49 million (130).
- Total expenses increased by 4.1% to EUR 131 million (126). Personnel costs rose by 0.6% to EUR 37 million (36). Depreciation/amortisation and impairment loss decreased by 75.3% to EUR 1 million (5). Other operating expenses increased to EUR 93 million (85).
- The cost/income ratio improved to 35.1% (40.2).
- The loan portfolio grew by 3.0% in the reporting period, to EUR 16.7 billion (16.2).
- Impairment loss on receivables totalled EUR 44 million (1).

Key figures and ratios

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	316	225	40.3
Impairment loss on receivables	-44	-1	999.9
Net commissions and fees	3	-49	-
Investment income	49	130	-62.1
Other operating income	5	7	-26.5
Personnel costs	-37	-36	0.6
Depreciation/amortisation and impairment loss	-1	-5	-75.3
Other operating expenses	-93	-85	10.3
Operating profit	198	186	6.5
Total income	373	313	19.3
Total expenses	-131	-126	4.1
Cost/income ratio, %	35.1	40.2	-5.1*
Return on assets (ROA), %	0.70	0.69	0.01*
	31 Dec 2023	31 Dec 2022	Change, %
Loan portfolio € billion**	16.7	16.2	3.0

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

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

During the reporting period, the loan portfolio increased by 3.0% to EUR 16.7 billion (16.2) despite the challenging market situation.

Because of the market environment, a record volume of capital-guaranteed structured products linked to short-term interest rates was issued.

Financial performance for the reporting period

The segment operating profit amounted to EUR 198 million (186). Total income increased by 19.3%. Total expenses increased by 4.1%. The cost/income ratio improved to 35.1% (40.2) year on year, due to higher income.

Net interest income grew by 40.3% to EUR 316 million (225). The segment's loan portfolio increased by 3.0% during the reporting period, amounting to EUR 16.7 billion (16.2).

The change in the operating model applied to hedging interest rate risk associated with derivative contracts between Corporate Banking and Retail Banking, which was implemented at the end of 2022, improved net commissions and fees and, correspondingly, reduced investment income. Net commissions and fees increased to EUR 3 million (–49), as OP Financial Group's internal commission expenses declined. Investment income decreased to EUR 49 million (130). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 6 million (4).

Other operating income decreased to EUR 5 million (7).

Total expenses were EUR 131 million (126). Personnel costs rose by 0.6% to EUR 37 million (36). The increase was affected by growth in the provision for performance-based bonuses as well as pay rises. Other operating expenses increased by 10.3% to EUR 93 million (85).

Impairment loss on receivables totalled EUR 44 million (1). Impairment loss on receivables increased as a result the deteriorated situation in the construction industry and the real estate sector. An additional management overlay provision of EUR 3 million for the construction industry and the real estate sector is included in impairment loss on receivables.

Asset and Sales Finance Services and Payment Transfers

- Operating profit decreased to EUR 126 million (138).
- Total income increased by 11.4% to EUR 285 million (256). Net interest income grew by 13.1% to EUR 207 million (183). Net commissions and fees rose by 1.9% to EUR 64 million (63).
- Total expenses increased to EUR 122 million (105). The cost/income ratio weakened to 42.8% (41.2).
- During the reporting period, the loan portfolio decreased by 2.4% to EUR 8.5 billion (8.7). The deposit portfolio decreased by 1.4% to EUR 12.5 billion (12.7).
- Impairment loss on receivables increased to EUR 37 million (12).
- The most significant development investments involved the upgrades of customer relationship management and payment systems.

Key figures and ratios

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	207	183	13.1
Impairment loss on receivables	-37	-12	216.0
Net commissions and fees	64	63	1.9
Investment income	0	0	-
Other operating income	14	10	39.0
Personnel costs	-32	-27	18.8
Depreciation/amortisation and impairment loss	-1	-1	-5.1
Other operating expenses	-89	-78	14.7
Operating profit	126	138	-9.2
Total income	285	256	11.4
Total expenses	-122	-105	15.6
Cost/income ratio, %	42.8	41.2	1.5*
Return on assets (ROA), %	1.10	1.23	-0.13*

	31 Dec 2023	31 Dec 2022	Change, %
Loan portfolio, € billion**	8.5	8.7	-2.4
Deposits, € billion	12.5	12.7	-1.4

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

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

The most significant development investments of the business segment in 2023 involved the upgrades of customer relationship management and payment systems.

During the reporting period, the loan portfolio decreased by 2.4% to EUR 8.5 billion (8.7). The slowdown in companies' willingness to invest, reduced international trade and a lower need for working capital affected the development of the loan portfolio. On the other hand, the loan portfolio was grown by consumer finance and especially car finance.

During 2023, OP Corporate Bank became the market leader of passenger car finance. During the reporting period, OP Corporate Bank also strengthened its market share as a provider of financing for low-emission passenger cars.

The deposit portfolio decreased during the first half of the year but recovered strongly during the fourth quarter. Despite this, the deposit portfolio, however, reduced by 1.4% to EUR 12.5 billion during the reporting period.

Financial performance for the reporting period

The segment operating profit amounted to EUR 126 million (138). Total income increased by 11.4%. Total expenses increased by 15.6%. The cost/income ratio decreased to 42.8% (41.2) year on year.

Net interest income grew by 13.1% to EUR 207 million. Net interest income was increased by interest paid on the segment's deposit portfolio by OP Corporate Bank's Treasury. Net commissions and fees totalled EUR 64 million (63). Other operating income totalled EUR 14 million (10). Impairment loss on receivables totalled EUR 37 million (12). Impairment loss on receivables mainly increased as a result of the weakened situation in the construction industry and the real estate sector. Expected credit losses concerning personal customers also grew during 2023. Furthermore, an additional management overlay provision of EUR 3 million mainly applying to the construction industry and the real estate sector is included in impairment loss on receivables.

Total expenses were EUR 122 million (105). Personnel costs rose by 18.8% to EUR 32 million (27). The increase was affected by higher headcount and growth in the provision for performance-based bonuses as well as pay rises. Other operating expenses increased by 14.7% to EUR 89 million (78). The increase was mostly due to higher intra-Group charges at OP Financial Group.

Baltics

- Operating profit increased to EUR 27 million (24).
- Total income grew to EUR 77 million (59). Net interest income rose to EUR 67 million (49).
- Total expenses increased by 19.2% to EUR 35 million (29). The cost/income ratio improved to 45.1% (49.4).
- The loan portfolio totalled EUR 2.9 billion (2.9).
- Impairment loss on receivables totalled EUR 15 million (6).
- The most significant development investments related to sustainability and corporate responsibility and systems development.

Key figures and ratios

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	67	49	35.6
Impairment loss on receivables	-15	-6	166.0
Net commissions and fees	10	10	-2.5
Investment income	0	0	-
Other operating income	0	0	-
Personnel costs	-10	-8	25.2
Depreciation/amortisation and impairment loss	-1	-2	-67.1
Other operating expenses	-24	-19	25.3
Operating profit	27	24	13.3
Total income	77	59	30.6
Total expenses	-35	-29	19.2
Cost/income ratio, %	45.1	49.4	-4.3*
Return on assets (ROA), %	0.76	0.74	0.02*
	31 Dec 2023	31 Dec 2022	Change, %
Loan portfolio, € billion**	2.9	2.9	-1.0
Deposits, € billion**	1.4	1.5	-6.2

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

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

The segment's loan portfolio decreased by 1.0% in the reporting period, to EUR 2.9 billion (2.9). The deposit portfolio decreased by 6.2% to EUR 1.4 billion (1.5).

The business segment's most significant development investments in 2023 related to sustainability and corporate responsibility and systems development.

Financial performance for the reporting period

The segment operating profit amounted to EUR 27 million (24). Total income increased by 30.6%. Total expenses increased by 19.2%. The cost/income ratio improved to 45.1% (49.4) year on year.

Net interest income rose to EUR 67 million (49). Net interest income was especially increased by interest paid on the deposit portfolio by OP Corporate Bank’s Treasury. Net commissions and fees totalled EUR 10 million (10).

Total expenses were EUR 35 million (29). Personnel costs rose by 25.2% to EUR 10 million (8). The increase was affected by higher headcount and growth in the provision for performance-based bonuses as well as pay rises. Other operating expenses increased by 25.3% to EUR 24 million (19). The increase was mostly due to higher intra-Group charges at OP Financial Group and charges of financial authorities.

Impairment loss on receivables reduced earnings by EUR 15 million (6). Impairment loss on receivables increased mainly as a result of the deteriorated situation in the construction industry and the real estate sector. Furthermore, an additional management overlay provision of EUR 2 million applying to the construction industry and the real estate sector is included in impairment loss on receivables.

Group Functions

- Operating loss amounted to EUR 22 million (–83).
- Financial position and liquidity remained strong.

Key figures and ratios

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	-8	-61	-
Impairment loss on receivables	0	0	-
Net commissions and fees	-4	-5	-
Investment income	3	-12	-
Other operating income	23	24	-2.5
Personnel costs	-5	-5	10.7
Depreciation/amortisation and impairment loss	0	-1	-
Other operating expenses	-31	-23	33.8
Operating loss	-22	-83	-
Receivables and liabilities from/to the amalgamation's central cooperative and affiliated credit institutions, net position, € billion	-12.5	-16.1	-

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

Financial performance for the reporting period

The Group Functions segment's operating loss was EUR 22 million (–83). Operating loss at fair value was EUR 61 million (–147).

Net interest income was EUR –8 million (–61). The effect of items related to TLTRO III funding and its hedging amounted to EUR –11 million (–10) during the reporting period. A rise in market interest rates had a positive effect on net interest income compared with the corresponding period a year ago.

Investment income totalled EUR 3 million (–12). Investment income included EUR 5 million (9) in capital gains on notes and bonds. The result of derivatives used to hedge against interest rate risk improved income as against the previous year. A year ago, the impact of the interest hedge under TLTRO III funding was EUR –9 million. Meanwhile, the stock portfolio value change lowered income compared with the previous year.

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

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

In June, OP Corporate Bank issued a senior bond worth EUR 650 million. During the reporting period, OP Corporate Bank issued long-term bonds worth a total of EUR 2.2 billion (4.8).

At the end of the reporting period, OP Corporate Bank's balance sheet assets included bonds worth EUR 622 million (0) classified at amortised cost, issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 640 million (0).

On 31 December 2023, investments by the amalgamation's central cooperative and the affiliated credit institutions in OP Corporate Bank were EUR 12.5 (16.1) billion higher than funding borrowed by them from Group Treasury. The net amount was especially decreased by a lower amount of deposits made by the affiliated credit institutions with OP Corporate Bank. The volume of deposits was affected by the maturities of covered bonds retained on OP Financial Group's balance sheet.

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

ICT investments

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

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

OP Corporate Bank's development costs and production maintenance ICT costs totalled EUR 93 million (92). The development costs include licence fees, purchased services, other external costs related to projects and inhouse work. Development costs totalled EUR 20 million (19). Development costs have not been capitalised.

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

Personnel and remuneration

On 31 December 2023, OP Corporate Bank plc had 858 employees (820). The number of employees averaged 862 (824).

Personnel at period end

	31 Dec 2023	31 Dec 2022
Corporate Banking and Capital Markets	288	304
Asset and Sales Finance Services and Payment Transfers	375	342
Baltics	146	133
Group Functions	49	41
Total	858	820

Variable remuneration applied by OP Financial Group and OP Corporate Bank consisted in 2023 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 were taken into account in the metrics used in the performance-based bonus scheme and in the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

Corporate governance and management

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

On 9 March 2023, the Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As other Board members, the AGM elected Uudenmaan Osuuspankki Managing Director Olli Lehtilä, OP Turun Seutu Managing Director Petteri Rinne, OP Keski-Suomi Managing Director Pasi Sorri, OP Financial Group's Chief Financial Officer Mikko Timonen and OP Financial Group's Chief Legal Officer Tiia Tuovinen who acted as Group General Counsel until the end of 2023 and will leave OP Financial Group at her own request on 1 July 2024. She will act as Senior Advisor from the beginning of January until the end of June.

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

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

Proposal by the Board of Directors for profit distribution

As shown in the financial statements of 31 December 2023, the company’s distributable funds, which include EUR 264,955,506.86 in profit for the financial year, totalled EUR 3,149,216,428.77. The company’s distributable funds totalled EUR 3,480,597,265.83.

The Board of Directors proposes that dividends to be distributed total EUR 76,000,000.00, or EUR 0.24 per share, and that following dividend distribution, the remaining amount of EUR 188,955,506.86 be recognised in the retained earnings account. Following dividend distribution, the company’s distributable earnings total EUR 3,074,216,428.77 and its distributable funds total EUR 3,404,597,265.83.

The company’s financial position has not undergone any material changes since the end of the financial year 2023. The company’s liquidity is good and will not be jeopardised by the proposed distribution of funds, in the Board of Directors’ view.

Outlook for 2024

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

A full-year earnings estimate for 2024 will only be provided at Group level in OP Financial Group's financial statements bulletin and interim and half-year financial reports.

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

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

Formulas for key figures and ratios

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

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	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 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 period) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Total income	Net interest income + Net commissions and fees + Investment income + Other operating income	The figure describes the development of all income.
Total expenses	Personnel costs + Depreciation/amortisation and impairment loss + Other operating expenses	The figure describes the development of all expenses.
Investment income	Net interest income from financial assets held for trading + Net investment income	The figure describes the development of all income related to investment.
Cost/income ratio, %	Total expenses / Total income x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Loans and loss allowance included in the balance sheet item Receivables from customers.	The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	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 – changes in the fair value of deposits subject to hedge accounting	Deposits are presented in Liabilities to customers in the balance sheet.

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

Key indicators based on a separate calculation

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

Ratio of non-performing exposures to exposures, %	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, %	Performing forborne exposures (gross) / 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, %	$\frac{\text{Loss allowance for receivables from customers in the balance sheet}}{\text{Doubtful receivables at period end}} \times 100$	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).

Capital adequacy

Capital adequacy for credit institutions

Own funds, € million	31 Dec 2023	31 Dec 2022
OP Corporate Bank plc's equity	4,597	4,364
Fair value reserve, cash flow hedge	6	26
Common Equity Tier 1 (CET1) before deductions	4,603	4,390
Intangible assets	-1	-3
Excess funding of pension liability and valuation adjustments	-59	-75
Planned profit distribution	-76	
Shortfall of ECL minus expected losses		-125
Insufficient coverage for non-performing exposures	-37	-3
CET1 capital	4,430	4,184
Tier 1 capital (T1)	4,430	4,184
Debenture loans	1,308	1,308
Debentures to which transition rules apply	57	91
General credit risk adjustments	22	
Excess of ECL minus expected losses		25
Tier 2 capital (T2)	1,387	1,424
Total own funds	5,816	5,608

Risk exposure amount, € million	31 Dec 2023	31 Dec 2022
Credit and counterparty risk	30,744	26,861
Standardised Approach (SA)	30,744	6,070
Central government and central banks exposure	87	91
Credit institution exposure	603	627
Corporate exposure	23,701	4,616
Retail exposure	3,060	45
Mortgage-backed exposure	1,438	99
Defaulted exposure	638	16
Items of especially high risk	219	
Covered bonds	608	540
Receivables to which a short-term credit rating can be applied		0
Collective investment undertakings (CIU)	60	
Equity investments	11	0
Other	317	34
Internal Ratings-based Approach (IRB)		20,791
Corporate exposure		18,421
Retail exposure		1,967
Equity investments		93
Other		309
Risks of the CCP's default fund	1	0
Securitisations	50	111
Market and settlement risk (Standardised Approach)	1,006	1,070
Operational risk (Standardised Approach)	1,086	1,028
Valuation adjustment (CVA)	217	179
Other risks*	969	5,824
Total risk exposure amount	34,072	35,074

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

Ratios, %	31 Dec 2023	31 Dec 2022
CET1 capital ratio	13.0	11.9
Tier 1 ratio	13.0	11.9
Capital adequacy ratio	17.1	16.0

Ratios, fully loaded, %	31 Dec 2023	31 Dec 2022
CET1 capital ratio	13.0	11.9
Tier 1 ratio	13.0	11.9
Capital adequacy ratio	16.9	15.7

Capital requirement, EUR million	31 Dec 2023	31 Dec 2022
Own funds	5,816	5,608
Capital requirement	3,657	3,720
Buffer for capital requirements	2,159	1,888

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

TABLES

Income statement

€ million	Note	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Interest income		2,839	735	805	314
Interest expenses		-2,257	-339	-645	-233
Net interest income	3	582	396	161	81
Impairment loss on receivables	4	-96	-18	-33	-2
Commission income		136	134	37	34
Commission expenses		-63	-115	-16	-29
Net commissions and fees	5	73	19	21	6
Net interest income from financial assets held for trading	6	47	107	-1	105
Net investment income	7	5	10	0	0
Other operating income		31	32	7	7
Personnel costs		-84	-76	-23	-22
Depreciation/amortisation and impairment loss		-3	-9	0	-2
Other operating expenses	8	-226	-196	-61	-48
Operating expenses		-313	-281	-84	-72
Operating profit (loss)		**329**	**265**	**70**	**124**
Earnings before tax		**329**	**265**	**70**	**124**
Income tax		-64	-54	-12	-27
Profit for the financial year		**265**	**211**	**58**	**97**

Statement of comprehensive income

€ million	Note	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Profit for the financial year		**265**	**211**	**58**	**97**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		2	11	-1	-3
Items that may be reclassified to profit or loss					
Change in fair value reserve					
On fair value measurement		-67	-58	-35	-54
On cash flow hedging		24	-31	6	-16
Income tax					
On items not reclassified to profit or loss					
On gains/(losses) arising from measurement of defined benefit plans		0	-2	0	1
On items that may subsequently be reclassified to profit or loss					
On fair value measurement		13	12	7	11
On cash flow hedging		-5	6	-1	3
Other comprehensive income items		**-32**	**-63**	**-24**	**-59**
Total comprehensive income for the financial year		**233**	**148**	**34**	**38**

Balance sheet

€ million	Note	31 Dec 2023	31 Dec 2022
Cash and cash equivalents		19,710	34,951
Receivables from credit institutions		12,191	12,978
Receivables from customers		28,004	28,178
Derivative contracts	15	4,780	5,782
Investment assets		12,748	16,404
Intangible assets		1	3
Property, plant and equipment		3	5
Other assets		1,043	1,132
Tax assets		31	0
Total assets		**78,512**	**99,433**
Liabilities to credit institutions		23,830	40,899
Liabilities to customers		17,226	19,014
Derivative contracts		4,496	5,739
Debt securities issued to the public	9	23,957	25,209
Provisions and other liabilities		2,656	2,509
Tax liabilities		336	316
Subordinated liabilities		1,414	1,384
Total liabilities		**73,915**	**95,069**
Equity capital			
Share capital		428	428
Fair value reserve	10	-63	-29
Other reserves		1,019	1,019
Retained earnings		3,213	2,947
Total equity		**4,597**	**4,364**
Total liabilities and equity		**78,512**	**99,433**

Statement of changes in equity capital

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2022	**428**	**42**	**1,019**	**2,807**	**4,296**
Total comprehensive income for the financial year		-71		219	**148**
Profit for the financial year				211	**211**
Other comprehensive income		-71		9	**-63**
Profit distribution				-80	**-80**
Other				0	**0**
Equity capital 31 December 2022	**428**	**-29**	**1,019**	**2,947**	**4,364**

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2023	**428**	**-29**	**1,019**	**2,947**	**4,364**
Total comprehensive income for the financial year		-34		266	**233**
Profit for the financial year				265	**265**
Other comprehensive income		-34		1	**-32**
Other				0	**0**
Equity capital 31 December 2023	**428**	**-63**	**1,019**	**3,213**	**4,597**

Cash flow statement

€ million	Q1–4/2023	Q1–4/2022
Cash flow from operating activities		
Profit for the financial year	265	211
Adjustments to profit for the financial year	320	286
Increase (-) or decrease (+) in operating assets	**4,985**	**-1,980**
Receivables from credit institutions	528	782
Receivables from customers	182	-2,013
Derivative contracts, assets	-73	-362
Investment assets	4,260	-530
Other assets	89	142
Increase (+) or decrease (-) in operating liabilities	**-18,941**	**556**
Liabilities to credit institutions	-17,432	-752
Liabilities to customers	-1,788	657
Derivative contracts, liabilities	59	519
Provisions and other liabilities	221	132
Income tax paid	-67	-62
Dividends received	2	0
A. Net cash from operating activities	**-13,435**	**-988**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-6	0
Proceeds from sale of PPE and intangible assets	6	0
B. Net cash used in investing activities	**0**	**0**
Cash flow from financing activities		
Subordinated liabilities, change	-5	-529
Debt securities issued to the public, change	-2,015	3,809
Dividends paid		-80
Lease liabilities	-1	-1
C. Net cash used in financing activities	**-2,020**	**3,200**
Net change in cash and cash equivalents (A+B+C)	**-15,455**	**2,211**
Cash and cash equivalents at the financial year start	**35,395**	**32,891**
Effect of foreign exchange rate changes	-45	292
Cash and cash equivalents at the financial year-end	**19,894**	**35,395**
Interest received	**5,795**	**1,283**
Interest paid	**-5,357**	**-946**
Cash in hand		
Cash and cash equivalents	19,710	34,951
Receivables from credit institutions payable on demand	184	443
Total	**19,894**	**35,395**

Notes

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

Note 1. Accounting policies

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

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
- management overlays related to a certain industry
- reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

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

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

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

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

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

Geopolitical risks

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

2. Changes in the 2023 income statement format

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

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

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

Note 2. Segment reporting

Segment information

Q1–4 earnings 2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Interest income	913	692	184	2,593	-1,543	2,839
Interest expenses	-597	-485	-118	-2,600	1,543	-2,257
Net interest income	316	207	67	-8		582
of which inter-segment items	-455	116	-47	387		0
Impairments loss on receivables	-44	-37	-15	0		-96
Commission income	55	71	10	0		136
Commission expenses	-52	-7	0	-4		-63
Net commissions and fees	3	64	10	-4		73
Net interest income from financial assets held for trading	49		0	-2		47
Net investment income	0			5		5
Other operating income	5	14	0	23	-12	31
Personnel costs	-37	-32	-10	-5		-84
Depreciation/amortisation and impairment loss	-1	-1	-1	0		-3
Other operating expenses	-93	-89	-24	-31	12	-226
Operating expenses	-131	-122	-35	-37	12	-313
Operating profit (loss)	**198**	**126**	**27**	**-22**		**329**
Earnings before tax	**198**	**126**	**27**	**-22**		**329**

Q1–4 earnings 2022, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Interest income	282	223	43	307	-120	735
Interest expenses	-57	-40	6	-368	120	-339
Net interest income	225	183	49	-61		396
of which inter-segment items	-48	14	-1	35		
Impairments loss on receivables	-1	-12	-6	0		-18
Commission income	57	66	10	0		134
Commission expenses	-106	-3	0	-5		-115
Net commissions and fees	-49	63	10	-5		19
Net interest income from financial assets held for trading	129	0	0	-22		107
Net investment income	0			10		10
Other operating income	7	10	0	24	-9	32
Personnel costs	-36	-27	-8	-5		-76
Depreciation/amortisation and impairment loss	-5	-1	-2	-1		-9
Other operating expenses	-85	-78	-19	-23	9	-196
Operating expenses	-126	-105	-29	-29	9	-281
Operating profit (loss)	**186**	**138**	**24**	**-83**		**265**
Earnings before tax	**186**	**138**	**24**	**-83**		**265**

Balance sheet 31 December 2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Cash and cash equivalents	0	115	10	19,585		19,710
Receivables from credit institutions		209	0	11,981		12,191
Receivables from customers	16,682	8,493	2,886	-57		28,004
Derivative contracts	4,538			242		4,780
Investment assets	556			12,192		12,748
Intangible assets		1	0	0		1
Property, plant and equipment	0	1	2	1		3
Other assets	147	84		811		1,043
Tax assets	1	0		31		31
Total assets	**21,925**	**8,903**	**2,898**	**44,786**		**78,512**
Liabilities to credit institutions	0	5	0	23,826		23,830
Liabilities to customers	103	12,242	1,373	3,508		17,226
Derivative contracts	4,106			390		4,496
Debt securities issued to the public	2,466			21,492		23,957
Provisions and other liabilities	72	853	122	1,609		2,656
Tax liabilities		0	3	333		336
Subordinated liabilities		0		1,414		1,414
Total liabilities	**6,747**	**13,100**	**1,498**	**52,571**		**73,915**
Equity						**4,597**

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

Note 3. Net interest income

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Interest income				
Receivables from credit institutions	1,010	159	286	135
Receivables from customers				
Loans	1,142	476	333	167
Finance lease receivables	95	42	28	14
Fair value adjustments under hedge accounting	44	-154	22	-8
Total	1,281	364	382	173
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	-9
At fair value through other comprehensive income	131	66	38	22
Amortised cost	68	3	7	12
Fair value adjustments under hedge accounting	551	-1,479	493	-34
Total	751	-1,410	538	-8
Derivative contracts*				
Fair value hedge	-255	1,576	-416	65
Cash flow hedge	-17	10	-6	8
Ineffective portion of cash flow hedge				
Other		3		0
Total	-272	1,589	-422	74
Liabilities to credit institutions				
Interest		-2		-67
Liabilities to customers				
Negative interest	0	25		0
Other	71	12	21	6
Total	**2,839**	**735**	**805**	**314**
Interest expenses				
Liabilities to credit institutions				
Interest expenses for liabilities to credit institutions	-774	-162	-185	-99
Fair value adjustments under hedge accounting	-363	1,007	-303	30
Total	-1,138	845	-488	-70
Liabilities to customers	-372	-34	-125	-33
Notes and bonds issued to the public				
Interest expenses for debt securities issued to the public and debentures	-528	-146	-150	-82
Fair value adjustments under hedge accounting	-455	1,094	-380	6
Total	-983	948	-530	-76
Subordinated liabilities				
Subordinated loans				
Other	-37	-35	-10	-8
Fair value adjustments under hedge accounting	-35	82	-21	4
Total	-72	47	-31	-4
Derivative contracts*				
Cash flow hedge	331	-2,079	542	-55
Other	62	39	14	14
Total	393	-2,041	556	-41
Receivables from credit institutions				
Negative interest	-2	-90	0	-1
Other	-84	-14	-26	-9
Total	**-2,257**	**-339**	**-645**	**-233**
Total interest expenses	**582**	**396**	**161**	**81**

* Includes the valuation of derivatives and interest.

Note 4. Impairment losses on receivables

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Receivables written down as loan and guarantee losses	-42	-86	-23	-27
Recoveries of receivables written down	1	1	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-55	68	-10	25
Expected credit losses (ECL) on notes and bonds	0	0	0	0
Total	**-96**	**-18**	**-33**	**-2**

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2023

The tables below describe exposures that fall within the scope of accounting for expected credit losses.

Exposures	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Corporate Banking	25,988	3,064	150	3,214	707	29,909
Total	**25,988**	**3,064**	**150**	**3,214**	**707**	**29,909**
Off-balance-sheet limits						
Corporate Banking	2,960	173	0	173	8	3,141
Total	**2,960**	**173**	**0**	**173**	**8**	**3,141**
Other off-balance-sheet commitments						
Corporate Banking	2,632	216		216	46	2,895
Total	**2,632**	**216**		**216**	**46**	**2,895**
Notes and bonds						
Group Functions	12,737	69		69	3	12,809
Total	**12,737**	**69**		**69**	**3**	**12,809**
Total exposures within the scope of accounting for expected credit losses	**44,318**	**3,522**	**150**	**3,672**	**764**	**48,754**

Loss allowance by impairment stage 31 December 2023

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Corporate Banking	-33	-76	-7	-83	-173	-288
Total	**-33**	**-76**	**-7**	**-83**	**-173**	**-288**
Other off-balance-sheet commitments**						
Corporate Banking	-3	-11		-11	-23	-37
Total	**-3**	**-11**		**-11**	**-23**	**-37**
Notes and bonds***						
Group Functions	-1	-1		-1	-1	-2
Total	**-1**	**-1**		**-1**	**-1**	**-2**
Total	**-36**	**-88**	**-7**	**-94**	**-197**	**-328**

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

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

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

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

Summary and key indicators 31 December 2023	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						
Corporate Banking	31,581	3,453	150	3,603	761	35,945
Loss allowance						
Corporate Banking	-35	-87	-7	-94	-196	-325
Coverage ratio, %						
Corporate Banking	-0.11%	-2.52%	-4.54%	-2.60%	-25.78%	-0.90%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**31,581**	**3,453**	**150**	**3,603**	**761**	**35,945**
Total loss allowance	**-35**	**-87**	**-7**	**-94**	**-196**	**-325**
Total coverage ratio, %	**-0.11%**	**-2.52%**	**-4.54%**	**-2.60%**	**-25.78%**	**-0.90%**
Carrying amount, notes and bonds						
Group Functions	12,737	69		69	3	12,809
Loss allowance						
Group Functions	-1	-1		-1	-1	-2
Coverage ratio, %						
Group Functions	-0.01%	-0.93%		-0.93%	-16.38%	-0.02%
Total notes and bonds	**12,737**	**69**		**69**	**3**	**12,809**
Total loss allowance	**-1**	**-1**		**-1**	**-1**	**-2**
Total coverage ratio, %	**-0.01%**	**-0.93%**		**-0.93%**	**-16.38%**	**-0.02%**

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

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

Loss allowance by impairment stage 31 December 2022

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

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

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

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

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

Summary and key indicators 31 December 2022	Stage 1	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						
Corporate Banking	32,468	2,823	111	2,934	491	35,892
Loss allowance						
Corporate Banking	-33	-25	-5	-30	-206	-269
Coverage ratio, %						
Corporate Banking	-0.10%	-0.87%	-4.73%	-1.02%	-42.00%	-0.75%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**32,468**	**2,823**	**111**	**2,934**	**491**	**35,892**
Total loss allowance	**-33**	**-25**	**-5**	**-30**	**-206**	**-269**
Total coverage ratio, %	**-0.10%**	**-0.87%**	**-4.73%**	**-1.02%**	**-42.00%**	**-0.75%**
Carrying amount, notes and bonds						
Group Functions	12,982	73		73		13,055
Loss allowance						
Group Functions	-1	-1		-1		-2
Coverage ratio, %						
Group Functions	-0.01%	-1.18%		-1.18%		-0.02%
Total notes and bonds	**12,982**	**73**		**73**		**13,055**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01%**	**-1.18%**		**-1.18%**		**-0.02%**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; off-balance-sheet items 1 January 2023	**32,468**	**2,934**	**491**	**35,892**
Transfers from Stage 1 to Stage 2, incl. repayments	-1,873	1,713		-161
Transfers from Stage 1 to Stage 3, incl. repayments	-315		317	2
Transfers from Stage 2 to Stage 1, incl. repayments	1,115	-1,040		74
Transfers from Stage 2 to Stage 3, incl. repayments		-123	98	-25
Transfers from Stage 3 to Stage 1, incl. repayments	13		-21	-8
Transfers from Stage 3 to Stage 2, incl. repayments		39	-51	-12
Increases due to origination and acquisition	6,371	450	58	6,878
Decreases due to derecognition	-5,040	-332	-92	-5,464
Unchanged Stage, incl. repayments	-1,156	-37	23	-1,170
Recognised as final credit loss			-61	-61
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2023	**31,581**	**3,603**	**761**	**35,945**

Transfers from stage 1 to stage 2 include the transfer of EUR 201 million concerning an additional management overlay provision to stage 2.

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2023	**33**	**30**	**206**	**269**
Transfers from Stage 1 to Stage 2	-5	39		34
Transfers from Stage 1 to Stage 3	-1		38	37
Transfers from Stage 2 to Stage 1	1	-5		-4
Transfers from Stage 2 to Stage 3		-3	19	16
Transfers from Stage 3 to Stage 1	0		-4	-4
Transfers from Stage 3 to Stage 2		3	-14	-12
Increases due to origination and acquisition	8	19	15	42
Decreases due to derecognition	-8	-4	-37	-49
Changes in risk parameters (net)	7	15	14	37
Decrease in allowance account due to write-offs			-41	-41
Net change in expected credit losses	**2**	**64**	**-10**	**56**
Loss allowance 31 December 2023	**35**	**94**	**196**	**325**
Net change in expected credit losses Q4/2023	**0**	**21**	**-11**	**10**

Transfers from stage 1 to stage 2 include the transfer of EUR 9,8 million concerning an additional management overlay provision to stage 2.
The weak outlook for the construction industry is reflected in an increase in credit losses in stages 2 and 3.

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

In Q4/2022, an additional management overlay was used to increase the ECL provision for the construction industry by EUR 2.5 million, based on OP Corporate Bank's analysis. The analysis was updated in Q2/2023 due to the further deteriorating outlook in the industry. The analysis was made as a stress test based on the baseline scenario (weight of 60%) and the downside scenario (weight of 40%) with the assumptions that net sales decrease by 20%/35%, profitability weakens by 20%/40%, equity ratio decreases by 10%/20%, interest rates stand at 4%/6% and the prices of new homes have fallen by 15%//30%. Based on the update, the provision was increased by EUR 3.6 million to EUR 6.1 million. The provision was updated in Q4/2023 by stressing rating grades under different scenarios. In addition, the provision was extended to cover small construction companies, too. The weak outlook for the construction industry is expected to continue until 2025. The provision was increased by EUR 3.2 million to EUR 9.3 million.

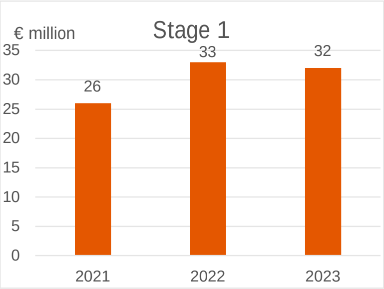
In Q2/2023 an additional management overlay provision of EUR 6.3 million was made in the real estate sector based on the weaker outlook in the sector. The analysis was made as a stress test based on the baseline scenario (weight of 70%) and the downside scenario (weight of 30%) with the assumptions that net sales increase by 3%/0%, profitability weakens by 5%/10%, equity ratio decreases by 10%/20%, interest rates stand at 4%/6%. The provision was updated in Q4/2023 and it was reversed by EUR 4.7 million to EUR 1.4 million because a rise in the inflation rate and the interest rate has been realised for the most part and credit grades have been performed.

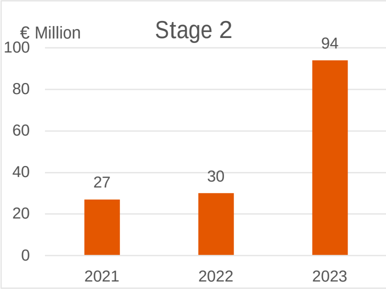
OP Corporate Bank has assessed the impact of a rise in the Euribor rate on the credit risk of personal customers. The assessment was carried out as a stress test which measured the cash flow of households, on the basis of which potential customers whose repayment capacity is jeopardised were assessed. Based on the analysis, a management overlay provision of EUR 0.7 million was made in Q3/2023. The stress test of the personal customer provision was updated with new assumptions in Q4/2023. The assumption is that the interest rate will go down slowly, the unemployment rate will rise to 8% and home prices will further decrease by 2%. However, the amount of the management overlay provision remained unchanged at EUR 0.7 million in Q4/2023.

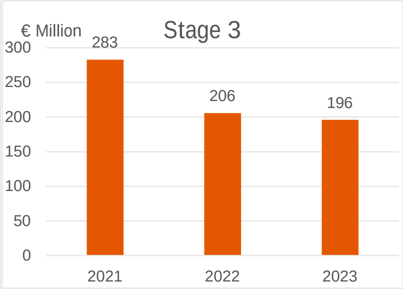
The table below shows the loss allowance before the discretionary provisions made using management overlays, the provisions themselves, and the total loss allowance amount on 31 December 2023.

Loss allowance 31 December 2023	OP Corporate Bank
Loss allowance before discretionary provisions	**314**
Discretionary provisions under management overlay	
Construction industry	9
Real estate sector	1
Personal customers, interest rates	1
Total discretionary provisions under management overlay	**11**
Total reported loss allowance	**325**

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

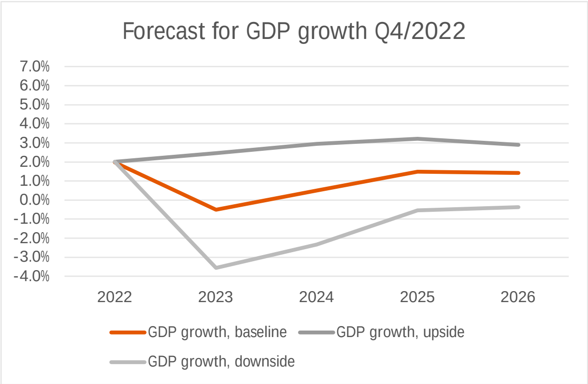


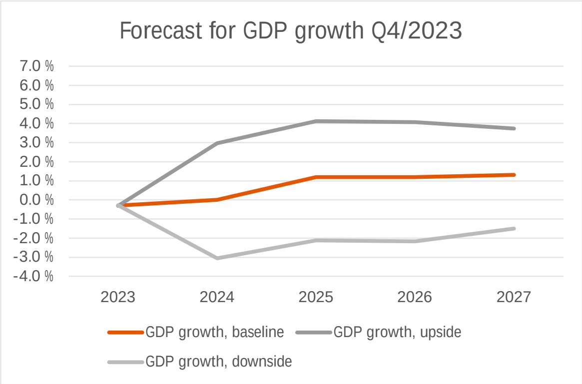


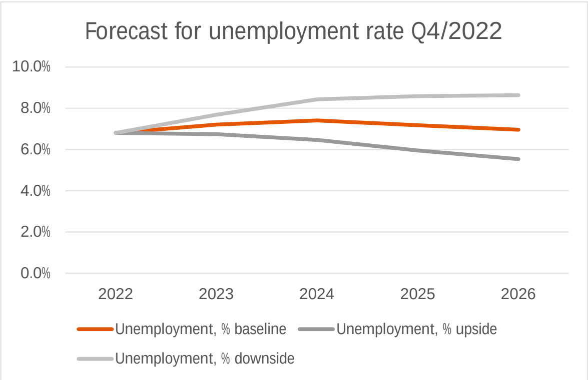


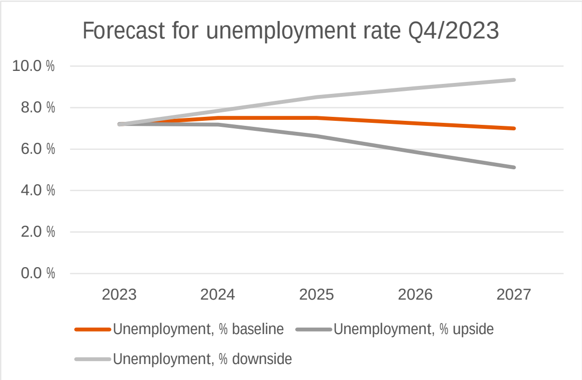
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at a normal level, or downside 20%, baseline 60% and upside 20%. During the fourth quarter of 2023, the update of the macroeconomic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

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









Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2023	**1**	**1**		**2**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		1	0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**0**	**1**	**0**
Loss allowance 31 December 2023	**1**	**1**	**1**	**2**
Net change in expected credit losses Q4/2023	**0**	**0**	**0**	**0**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**28,220**	**1,352**	**509**	**30,080**
Transfers from Stage 1 to Stage 2, incl. repayments	-1,912	1,897		-15
Transfers from Stage 1 to Stage 3, incl. repayments	-148		133	-16
Transfers from Stage 2 to Stage 1, incl. repayments	298	-355		-57
Transfers from Stage 2 to Stage 3, incl. repayments		-88	78	-9
Transfers from Stage 3 to Stage 1, incl. repayments	14		-14	0
Transfers from Stage 3 to Stage 2, incl. repayments		14	-21	-6
Increases due to origination and acquisition	7,725	257	25	8,006
Decreases due to derecognition	-5,045	-210	-131	-5,386
Unchanged Stage, incl. repayments	3 317*	66*	-2	3,382
Recognised as final credit loss			-85	-85
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2022	**32,468**	**2,934**	**491**	**35,892**

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

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2022	**26**	**27**	**283**	**337**
Transfers from Stage 1 to Stage 2	-2	15		13
Transfers from Stage 1 to Stage 3	-3		50	47
Transfers from Stage 2 to Stage 1	0	-5		-4
Transfers from Stage 2 to Stage 3		-5	21	16
Transfers from Stage 3 to Stage 1	0		-4	-4
Transfers from Stage 3 to Stage 2		0	-5	-5
Increases due to origination and acquisition	13	6	12	30
Decreases due to derecognition	-6	-8	-60	-74
Changes in risk parameters (net)	5	-1	-6	-3
Changes in model assumptions and methodology	0	0	1	1
Decrease in allowance account due to write-offs			-85	-85
Net change in expected credit losses	**7**	**2**	**-77**	**-68**
Loss allowance 31 December 2022	**33**	**30**	**206**	**269**
Net change in expected credit losses Q4/2022	**2**	**3**	**-30**	**-25**

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

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

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

Note 5. Net commissions and fees

Q1–4/2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q4/2023
Commission income							
Lending	28	22	4	0		54	15
Deposits	0	0	2	0		2	1
Payment transfers	0	32	0	0		33	8
Securities brokerage	18					18	5
Securities issuance	5			0		5	2
Mutual funds	0	0		0		0	0
Asset management	3	0				3	1
Legal services	0	0				0	0
Guarantees	1	8	3	0		12	3
Other		9	0	0		9	2
Total	**55**	**71**	**10**	**0**		**136**	**37**
Commission expenses							
Lending	0	-2		0		-2	0
Payment transfers	-1	-6	0	0		-7	-2
Securities brokerage	-2			0		-2	0
Securities issuance	-5			0		-5	-1
Asset management	0			-1		-1	0
Guarantees			0			0	0
Derivatives	-42					-42	-10
Other	-3			-2		-5	-1
Total	**-52**	**-7**	**0**	**-4**		**-63**	**-16**
Total net commissions and fees	**3**	**64**	**10**	**-4**		**73**	**21**

Q1–4/2022, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q4/2022
Commission income							
Lending	27	17	4	0		48	13
Deposits	0	0	3	0		3	1
Payment transfers	0	32	1	0		33	9
Securities brokerage	22					22	4
Securities issuance	5			0		6	2
Mutual funds	0	0		0		0	0
Asset management	2	0				2	1
Legal services	0					0	0
Guarantees	1	9	3	0		13	3
Other	0	7	0			8	2
Total	**57**	**66**	**10**	**0**		**134**	**34**
Commission expenses							
Lending	0	-1		0		-2	0
Payment transfers	-1	-2	0	0		-3	-1
Securities brokerage	-3			0		-3	0
Securities issuance	-4			0		-4	-2
Asset management	0			-4		-4	-1
Guarantees			0			0	0
Derivatives	-96					-96	-23
Other	-3	0		-1		-4	-1
Total	**-106**	**-3**	**0**	**-5**		**-115**	**-29**
Total net commissions and fees	**-49**	**63**	**10**	**-5**		**19**	**6**

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

Financial assets held for trading

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Notes and bonds				
Interest income and expenses	20	4	2	1
Fair value gains and losses	5	-24	6	2
Total	25	-20	9	3
Shares and participations				
Fair value gains and losses	-11	7	-10	1
Dividend income and share of profits	2	0		
Total	-9	7	-10	1
Derivatives				
Interest income and expenses	75	-6	27	3
Fair value gains and losses	-44	126	-27	98
Total	31	120	0	101
Total	**47**	**107**	**-1**	**105**

Note 7. Net investment income

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Capital gains and losses	5	10	0	0
Total	**5**	**10**	**0**	**0**
Total net investment income	**5**	**10**	**0**	**0**

Note 8. Other operating expenses

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
ICT costs				
Production	-72	-72	-20	-18
Development	-20	-19	-5	-6
Government charges and audit fees	-63	-55	-13	-9
Service purchases	-24	-21	-7	-6
Expert services	-2	-1	0	0
Telecommunications	-2	-2	-1	0
Marketing	-2	-2	-1	-1
Insurance and security costs	-15	-11	-4	-3
Other	-25	-13	-10	-3
Total	**-226**	**-196**	**-61**	**-48**

Development costs

€ million	Q1–4/2023	Q1–4/2022	Q4/2023	Q4/2022
ICT development costs	-20	-19	-5	-6
Share of own work	0	0	0	
Total development costs	**-20**	**-19**	**-6**	**-6**
Depreciation/amortisation and impairment loss	-2	-9	0	-2

Note 9. Debt securities issued to the public and debentures

€ million	31 Dec 2023	31 Dec 2022
Bonds	13,163	10,595
Subordinated bonds	4,045	4,306
Other		
Certificates of deposit	668	1,083
Commercial paper	6,128	9,287
Included in own portfolio in trading (–)*	-46	-63
Total debt securities issued to the public	**23,957**	**25,209**

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

Note 10. Fair value reserve after income tax

	Recognised at fair value through other comprehensive income		
€ million	Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2022	**43**	**-1**	**42**
Fair value changes	-48	-31	-79
Capital gains transferred to income statement	-10		-10
Deferred tax	12	6	18
Closing balance 31 December 2022	**-3**	**-26**	**-29**

	Recognised at fair value through other comprehensive income		
€ million	Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2023	**-3**	**-26**	**-29**
Fair value changes	-61	7	-53
Capital gains transferred to income statement	-6		-6
Transfers to net interest income		17	17
Deferred tax	13	-5	8
Closing balance 31 December 2023	**-57**	**-6**	**-63**

The fair value reserve before tax totalled EUR -79 million (-37) at the end of the reporting period and the related deferred tax asset/liability EUR 16 million (7). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (0) in the fair value reserve during the reporting period.

Note 11. Collateral given

€ million	31 Dec 2023	31 Dec 2022
Given on behalf of own liabilities and commitments		
Other	743	13,908
Total collateral given*	**743**	**13,908**
Secured derivative liabilities	657	701
Other secured liabilities	53	12,000
Total	**710**	**12,701**

* 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 12. Classification of financial assets and liabilities

		Fair value through profit or loss			
Financial assets 31 December 2023, € million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Hedging derivatives	Carrying amount total
Cash and cash equivalents	19,710				19,710
Receivables from credit institutions	12,191				12,191
Receivables from customers	28,004				28,004
Derivative contracts			4,618	162	4,780
Notes and bonds	929	11,588	217		12,734
Shares and participations		0	14		14
Other financial assets	1,043				1,043
Total	**61,877**	**11,588**	**4,850**	**162**	**78,476**

At the end of the financial year, OP Corporate Bank's assets in the balance sheet included bonds with a carrying amount of EUR 622 million (0) and classified at amortised cost, issued by issuers other than OP Financial Group. These are not measured at fair value in accounting. The fair value of these bonds amounted to EUR 640 million (0) at the end of the financial year.

In the fair value measurement of promissory notes carried at amortised cost, a price is sought for the loan that would be obtained from it on the reporting date if the loan were now granted to the customer. The average margin on the reporting date is determined by rating grade and the so-called valuation curve is created out of the rating grades. The 12-month Euribor is used as the base rate of the valuation curve for euro loans and the 6-month reference rate for other non-euro loans. The valuation curve is used to calculate a discount factor with which the loan's contractual cash flows are discounted to the reporting date. The sum of discounted cash flows is fair value. On 31 December 2023, the fair value of promissory notes was EUR 28 million higher than the carrying amount.

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

Financial liabilities 31 December 2023, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		23,830		23,830
Liabilities to customers		17,226		17,226
Derivative contracts	4,230		266	4,496
Debt securities issued to the public	2,487	21,471		23,957
Subordinated loans		1,414		1,414
Other financial liabilities		2,994		2,994
Total	**6,717**	**66,935**	**266**	**73,917**

Financial liabilities 31 December 2022, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		40,899		40,899
Liabilities to customers		19,014		19,014
Derivative contracts	5,379		359	5,739
Debt securities issued to the public	1,558	23,651		25,209
Subordinated loans		1,384		1,384
Other financial liabilities		2,727		2,727
Total	**6,937**	**87,676**	**359**	**94,972**

At the end of December, the fair value of OP Corporate Bank's senior and senior non-preferred bonds issued to the public and carried at amortised cost totalled around EUR 14,681 million (13,219). The fair value is based on information available from the market. All subordinated liabilities are carried at amortised cost. Their fair value is lower than their amortised cost, but determining reliable fair values involves uncertainty.

Note 13. Recurring fair value measurements by valuation technique

Fair value of assets on 31 December 2023, € million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity instruments		11	3	14
Debt instruments	113	71	33	217
Derivative contracts	0	4,682	98	4,780
Recognised at fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	9,166	1,694	727	11,588
Total financial instruments	**9,280**	**6,458**	**862**	**16,600**
Investment property			0	0
Total	**9,280**	**6,458**	**862**	**16,600**

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

Fair value of liabilities on 31 December 2023, € million	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value through profit or loss				
Structured notes			2,487	2,487
Other		5		5
Derivative contracts	2	4,403	91	4,496
Total	**2**	**4,408**	**2,578**	**6,987**

Fair value of liabilities on 31 December 2022, € million	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value through profit or loss				
Structured notes			1,558	1,558
Other		0		0
Derivative contracts	7	5,638	94	5,739
Total	**7**	**5,638**	**1,651**	**7,296**

Fair value measurement

Derivatives and other financial instruments measured at fair value

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

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

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

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

Fair value hierarchy

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

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

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

In the fair value measurement of complex derivatives or, for example, share structures of structured debt securities, OP Corporate Bank uses a model where the development of market prices is simulated and the actual value of the derivative is calculated in each simulation. The price of the derivate is derived from calculating the average of the simulations.

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

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, € million	Recognised at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2023	56	77	793	926
Total gains/losses in profit or loss	-44	21		-23
Transfers into Level 3	24		229	253
Transfers out of Level 3			-294	-294
Closing balance 31 December 2023	36	98	728	862

Financial liabilities, € million	Recognised at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 January 2023	1,558	94	1,651
Total gains/losses in profit or loss	52	-2	50
Other changes	877		877
Closing balance 31 December 2023	2,487	91	2,578

Total gains/losses included in profit or loss by item on 31 December 2023

€ million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	losses for the period included in profit or loss for assets/ liabilities held at period-end
Realised net gains (losses)	-44	-52		-97
Unrealised net gains (losses)	24			24
Total net gains (losses)	-21	-52		-73

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2023.

Note 14. Off-balance-sheet commitments

€ million	31 Dec 2023	31 Dec 2022
Guarantees	598	335
Guarantee liabilities	2,046	2,356
Loan commitments	5,473	6,247
Commitments related to short-term trade transactions	540	722
Other	516	479
Total off-balance-sheet commitments	9,172	10,138

Note 15. Derivative contracts

Total derivatives 31 December 2023

€ million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	51,745	118,268	102,885	272,898	3,532	3,204
Cleared by the central counterparty	27,933	69,134	46,751	143,817	103	82
Settled-to-market (STM)	14,874	39,783	32,361	87,019	61	46
Collateralised-to-market (CTM)	13,059	29,351	14,390	56,799	42	36
Currency derivatives	60,280	4,869	1,404	66,553	919	1,049
Credit derivatives	42	104	9	154	10	8
Other derivatives	438	898	39	1,375	94	76
Total derivatives	**112,506**	**124,139**	**104,336**	**340,980**	**4,555**	**4,337**

Total derivatives 31 December 2022

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

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

Note 16. Related-party transactions

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

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

Financial reporting

Time of publication of 2023 reports:

OP Corporate Bank's Report by the Board of Directors and Financial Statements for 2023	Week 11
OP Corporate Bank's Corporate Governance Statement 2023	Week 11

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

Interim Report Q1/2024	8 May 2024
Half-year Financial Report H1/2024	24 July 2024
Interim Report Q1–3/2024	31 October 2024

Helsinki, 7 February 2024

OP Corporate Bank plc
Board of Directors

For additional information, please contact
Katja Keitaanniemi, Chief Executive Officer, tel. +358 (0)10 252 1387
Lotta Ala-Kulju, Head of Corporate Communications, tel. +358 (0)10 252 8719

www.op.fi