OP Financial Group's Interim Report for 1 January–31 March 2024

OP Financial Group's Interim Report for 1 January–31 March 2024:

OP Financial Group reports a strong Q1 – operating profit EUR 618 million

Operating profit Q1/2024	Net interest income Q1/2024	Total income Q1/2024	Total expenses Q1/2024	CET1 ratio 31 Mar 2024
€618 million	+24%	+13%	–3%	19.6%

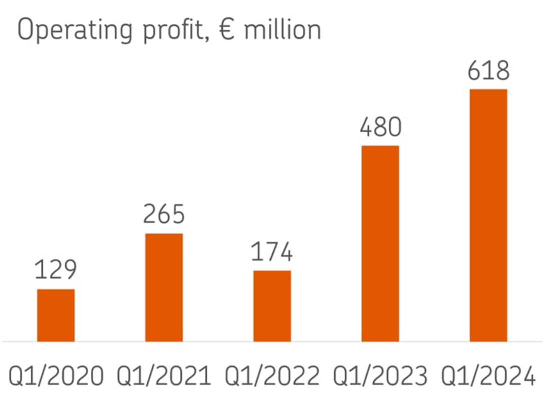
- Operating profit was EUR 618 million (480).
- Income from customer business, or net interest income, insurance service result and net commissions and fees, increased by 13% to EUR 969 million (857). Net interest income grew by 24% to EUR 763 million (615). Insurance service result decreased by EUR 8 million to EUR –10 million (–2). Net commissions and fees decreased by 11% to EUR 217 million (244).
- Impairment loss on receivables in the income statement was EUR 39 million (23), accounting for 0.15% (0.09) of the loan and guarantee portfolio.
- Investment income increased by 19% to EUR 151 million (128).
- Total expenses decreased by 3% to EUR 537 million (553). The cost/income ratio improved to 43% (50).
- In the year to March, the loan portfolio decreased by 1% to EUR 98.4 billion (98.8). Deposits decreased by 1% to EUR 73.6 billion (74.1).
- CET1 ratio was 19.6% (19.2), which exceeds the minimum regulatory requirement by 7.3 percentage points.
- Retail Banking segment's operating profit rose to EUR 368 million (256). Net interest income grew by 34% to EUR 611 million (455). Impairment loss on receivables increased by EUR 15 million to EUR 27 million (12). Net commissions and fees decreased by 17% to EUR 161 million (194). The cost/income ratio improved to 43% (52). The loan portfolio decreased by 1% and deposits by 2% year on year.
- Corporate Banking segment's operating profit rose to EUR 140 million (100). Net interest income grew by 21% to EUR 166 million (138). Impairment loss on receivables increased by EUR 1 million to EUR 12 million (11). Net commissions and fees decreased by 3% to EUR 57 million (58). The cost/income ratio improved to 34% (47). The loan portfolio grew by 2% and deposits by 11% year on year.
- Insurance segment's operating profit rose to EUR 118 million (90). Insurance service result decreased by EUR 8 million to EUR –10 million (–2). Investment income increased by 37% to EUR 129 million (94). Combined ratio reported by non-life insurance weakened to 109% (101).
- Group Functions operating loss was EUR –5 million (4).
- OP Financial Group increased the OP bonuses earned by owner-customers in 2024 by 40% compared to the 2022 level. The estimated total amount of OP bonuses to be paid in 2024 will exceed EUR 300 million. In addition, owner-customers will get daily banking services without monthly charges until the end of 2024. The estimated total value of this benefit will be EUR 88 million for 2024.
- OP Financial Group's operating profit for 2024 is expected to be at a good level but lower than that for 2023. For more detailed information on the outlook, see "Outlook towards the year end".

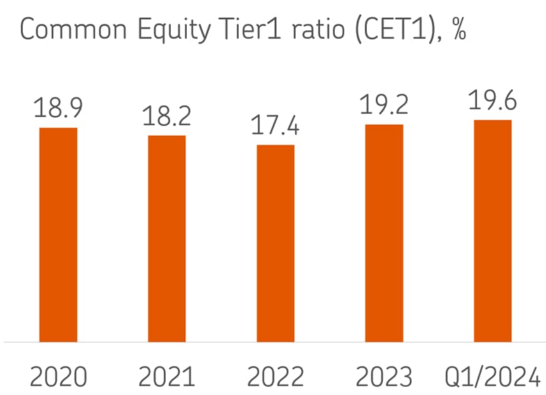
OP Financial Group's key indicators

	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Operating profit, € million	618	480	28.7	2,050
Retail Banking	368	256	43.5	1,223
Corporate Banking	140	100	39.8	408
Insurance	118	90	31.4	414
Group Functions	-5	4	-	-26
New OP bonuses accrued to owner-customers, € million	-75	-64	17.4	-275
Total income	1,259	1,111	13.3	4,775
Total expenses	-537	-553	-2.9	-2,201
Cost/income ratio, %	42.6	49.8	-7.1*	46.1
Return on equity (ROE), %	12.1	10.5	1.6*	10.6
Return on equity, excluding OP bonuses, %	13.4	11.8	1.6*	12.0
Return on assets (ROA), %	1.25	0.94	0.31*	0.98
Return on assets, excluding OP bonuses, %	1.39	1.05	0.34*	1.11
	31 Mar 2024	31 Mar 2023	Change, %	31 Dec 2023
CET1 ratio, %	19.6	18.3	1.3*	19.2
Loan portfolio, € billion	98.4	98.8	-0.5	98.9
Deposits, € billion	73.6	74.1	-0.8	74.5
Ratio of non-performing exposures to exposures, %	3.04	2.41	0.6*	2.94
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.15	0.09	0.06*	0.26
Owner-customers (1,000)	2,095	2 071	1.1	2,094

Comparatives for the income statement are based on the corresponding figures in 2023. Unless otherwise specified, figures from 31 December 2023 are used as comparatives for balance-sheet and other cross-sectional items.

* Change in ratio





Comments by the President and Group Chief Executive Officer

Finland's economic performance was weaker than forecast, inflation continued to slow and, despite a small decrease, interest rates remained higher than in previous years

Finland's economic growth in January–March was slower than forecast. This was due to factors such as strikes and the poor performance of the construction sector. Despite this, the economy is slowly resuming an upward trend thanks to exports and consumer spending. After a poor start to the year, the Finnish economy could even recover brusquely, but this would still be just a rebound from a long-standing, sluggish growth trend.

Inflation in Finland slowed to a couple of per cent in early 2024. The slowdown in the inflation rate and the fall in interest rates will support the economic turnaround. In January–March, market rates remained considerably higher than previously familiar levels, due to the ECB's continuation of its tight monetary policy.

On the housing market, home sale volumes and demand for home loans were clearly lower than a year earlier. In addition, home prices continued their moderate downward trend.

Low economic growth affected construction and the related sectors in particular. Overall risks in the real estate sector remained a cause for concern. The number of new bankruptcies was again considerably higher than in previous years; new bankruptcy petitions were filed in sectors such as construction, accommodation and restaurant services in particular.

Geopolitical risks remained high as the situation in the Middle East deteriorated. No improvement is expected in this regard in the near future. The global economic outlook has nevertheless improved in recent months and indicators suggest that the economy will gradually pick up.

OP Financial Group had a strong first quarter – this excellent performance enables considerable benefits for owner-customers

Despite the challenging business environment, OP Financial Group's operating profit fared extremely well. Earnings before tax for January–March grew by 29 per cent year on year. Operating profit was 618 million euros in the first quarter. Our strong profit performance enables us to provide outstanding benefits for our almost 2.1 million owner-customers in 2024. This year again, we will use such benefits to help ease the strain on households in economically challenging times. OP Financial Group will pay 40% extra on OP bonuses earned in 2024 and will not charge owner-customers monthly fees for daily services throughout the year. Together, these benefits will add up to around 400 million euros in value for owner-customers. Being customer-owned, OP Financial Group will continue to share its financial success through a range of financial and other benefits for its owner-customers.

Strong capital adequacy and excellent liquidity provide security in an uncertain and often unpredictable business environment. OP Financial Group's CET1 ratio strengthened again, to 19.6 per cent, which exceeds the minimum regulatory requirement by 7.3 percentage points. OP Financial Group is one of the most financially solid large banks in Europe. Furthermore, our liquidity remained excellent. Strong capital adequacy, excellent liquidity and broad trust among customers and other stakeholders are vital both for banks and insurance companies. OP Financial Group is in great shape in all these respects.

OP Financial Group's income from customer business continued to grow, mainly spurred by the strong increase in net interest income. Both deposit funding and wholesale funding costs rose. On the other hand, net commissions and fees decreased by 11 per cent year on year, chiefly due to the benefit (provided for owner-customers) of zero monthly charges for daily banking services.

The insurance service result was a EUR 10 million loss, attributable to growth in claims expenditure in particular. In early 2024, claims expenditure was swelled by several large claims and claims due to frost damage, as well as active use of health insurance.

Income from investment activities was excellent, rising by 24 million euros from last year to 151 million euros in total. Total income grew by 13 per cent in January–March, compared to the same period in 2023.

On the other hand, OP Financial Group's costs decreased by three per cent year on year, the key reduction being the fall of 62 million euros in stability contributions. The EU's Single Resolution Board (SRB) will not collect stability contributions from banks for 2024. Without this effect, expenses would have grown by 9 per cent. This was chiefly the result of rising personnel costs and higher investments in ICT development. OP Financial Group's cost/income ratio markedly improved year on year, to the excellent level of 43 per cent.

All three business segments performed well. Growth was particularly strong in the Retail Banking segment, with operating profit rising by 44 per cent to 368 million euros, following favourable developments in net interest income. Corporate Banking's profit improved considerably, by 40 per cent, to 140 million euros. Earnings in the insurance segment were 118 million euros. This was 31 per cent higher year on year, largely because of the excellent result in investment income.

Deposit and loan volumes turned slightly downwards – customers' repayment capacity remained very good

The deposit portfolio decreased by 0.8 per cent over the year. This was mainly due to a clear reduction in deposits by corporate and institutional customers. Household deposits, on the other hand, grew by just over a per cent. OP Financial Group's market share of household deposits rose again, to 42.6 per cent.

OP Financial Group's loan portfolio shrank by 0.5 per cent, with demand for new home loans and corporate loans at a low level. Despite higher interest rates, home loan customers have been repaying their loans diligently and on schedule. The number of loan modification applications was lower than the year before. OP Financial Group's market share of home loans was 39 per cent. Following the deterioration in the construction and real estate sectors in 2023, the situation regarding customers in these sectors remained difficult in the first quarter of 2024. The weak economy led to another slight increase in expected credit loss provisions and non-performing exposures, but these were moderate in historical terms.

Interest in saving and investing grew

We aim to coach our customers to help them make better financial choices. We provide various ways of managing personal finances more easily, while enabling and supporting long-term saving and investing. Asset and wealth management is one of our growth focus areas and we aim to make a clear growth leap in this business activity. During the quarter, our customers retained a strong interest in securing their financial futures and accumulating wealth.

OP Financial Group's customers were interested in systematically investing in funds, with 51 per cent more new investment agreements being made than in the same period last year. The number of OP mutual fund unitholders rose to more than 1.31 million. There was also considerable growth in the number of active equity investors. Reaching almost 107 billion euros in value, investment assets managed by OP Financial Group grew by 8 per cent year on year.

Clear rise in insurance claims expenditure

Insurance claims expenditure grew by 22 per cent compared to the first quarter in 2023, owing to a few large claims, the exceptionally freezing weather at the start of the year, and active use of health insurance. Compensation was paid for 94 per cent of all claims. Hard frosts in January led to a record number of broken pipe and emergency road service claims. Compared to January–March last year, property damage claims rose by 91 per cent and emergency road service claims by as much as 129 per cent. The weak claims trend raised the non-life insurance risk ratio to almost 82 per cent. Insurance revenue rose by eight per cent in early 2024.

Steady growth in use of digital services continues

Use of digital services grew substantially again. Personal and corporate customers increasingly use digital channels for banking and insurance. OP-mobile was logged into more than 57 million times in March. OP-mobile already has more than 1.6 million active users.

Major structural change is underway between OP cooperative banks

Several plans for restructuring projects between OP cooperative banks around Finland were published during the first quarter. If the projects announced so far were implemented, the number of OP cooperative banks would reduce from 102 at the end of 2023 to 71 by the end of 2025. In addition, several merger projects (not yet published) between OP cooperative banks were at the planning stage.

Key drivers of merger projects include OP cooperative banks' aim to ensure that they can provide banking services of the widest possible range and highest quality in their operating region, and the increase in regulatory requirements in the banking sector.

Together through time

OP Financial Group is in good shape and we are ready to support our customers during the mild recession now underway. For example, I would encourage customers experiencing loan repayment problems to contact their OP cooperative bank at the earliest possible stage, so that we can seek the best solution together.

At the beginning of April, the Ministry of Finance invited comments on a draft proposal to reform the tax treatment of customer bonuses in the financial sector. If the bill is implemented, it will affect the tax treatment of OP-bonuses used to pay insurance premiums. However, OP Financial Group will ensure that there is no reduction in the net value of normal benefits accrued by owner-customers, even if the legislative change occurs.

My warm thanks to all our customers for the trust they showed in OP Financial Group in early 2024. We aim to continue being worthy of the confidence you place in us. I would also like to thank our employees and governing bodies for their excellent work in the first quarter of 2024.

Timo Ritakallio
President and Group CEO

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Report

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Business environment

Economic surveys describing the world economy indicated a better outlook in the first quarter as against the latter half of the previous year. GDP development in the euro area remained weak in the first quarter, based on economic indicators. In March, euro-area inflation slowed down to 2.4%, compared to 2.9% at the end of 2023.

Stock prices rose during the first quarter with improved economic expectations. In most countries, they were higher than at the end of 2023. Stock prices in Finland were lower at the end of March than at the end of last year.

The European Central Bank (ECB) kept its main refinancing rate unchanged between January and April. The deposit facility rate remained at 4.00%. The market's expectations of a reduction in interest rates decreased during the first few months of the year, and the 12-month Euribor was slightly higher at the end of the first quarter than at the turn of the year.

In Finland, the economy is expected to have continued to contract during the first few months of the year compared with the previous year. Job actions aggravated the economic situation in March. In March, the unemployment rate rose to 8.1%, compared to 7.7% at the end of 2023. Inflation slowed down to 2.2% in March, compared to 3.6% in December 2023. Sale and purchase of homes decreased from the previous year and home prices fell.

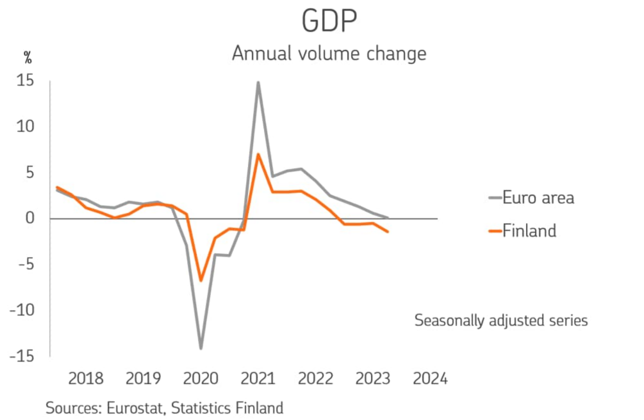
The Finnish economy is showing weak development in the early year. Decelerating inflation is expected to enable a decrease in interest rates, which will pave the way for economic recovery towards the year end.

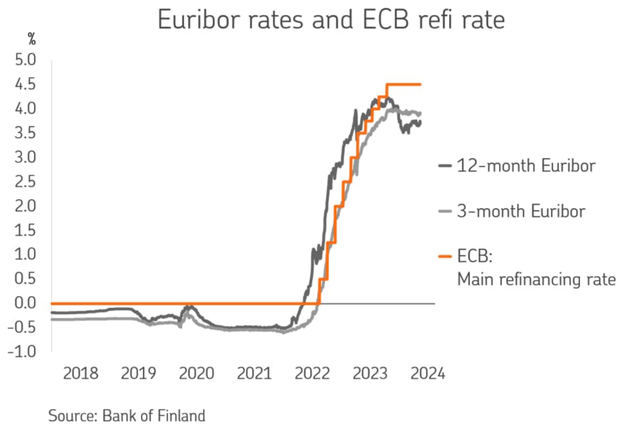
In March, total loans in the Finnish market were 0.5% higher than a year ago. The volume of corporate loans increased by 2.7% on a year earlier. This was mainly attributable to the loan portfolio of an operator merged into the banking sector, which was added to the statistics. Total household loans decreased by 0.8% from the previous year, due especially to weak demand for home loans. In March, the annual growth rate of consumer loans was 3.6%.

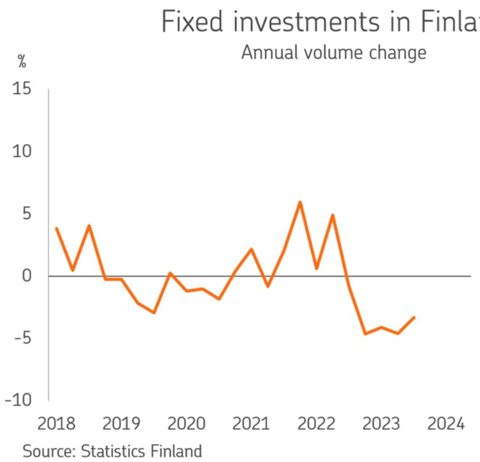
Total deposits increased by 0.3% over the previous year. Corporate deposits decreased by 2.2% and household deposits by 0.6% year on year.

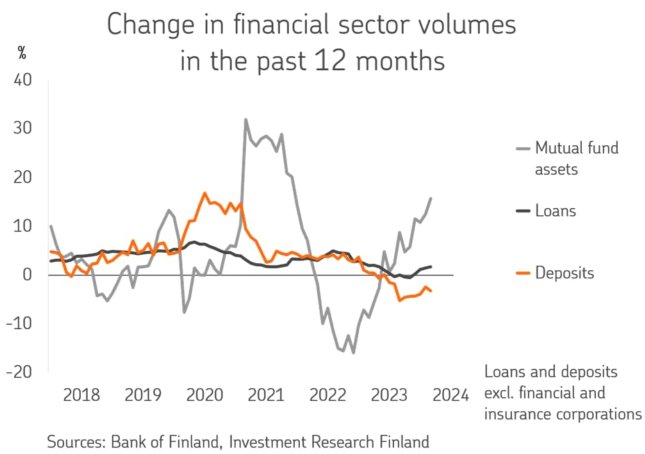
The value of assets of mutual funds registered in Finland increased from EUR 149 billion to EUR 159 billion during the first quarter. New assets invested during the reporting period totalled EUR 2.5 billion.

Demand for insurance products remained stable. A rise in stock prices on a global scale improved insurance companies' profitability.









Earnings analysis and balance sheet

Earnings analysis, € million	Q1/2024	Q1/2023	Change, %	Q4/2023	Change, %	Q1–4/2023
Operating profit	618	480	28.7	480	28.7	2,050
Retail Banking	368	256	43.5	304	20.9	1,223
Corporate Banking	140	100	39.8	87	60.8	408
Insurance	118	90	31.4	116	1.8	414
Group Functions	-5	4	-	-24	-	-26
Net interest income	763	615	24.0	792	-3.7	2,871
Impairment loss on receivables	-39	-23	72.1	-99	-60.0	-269
Net commissions and fees	217	244	-11.3	223	-2.9	908
Insurance revenue	523	485	7.9	534	-2.0	2,000
Insurance service expenses	-512	-485	5.7	-455	12.6	-1,824
Reinsurance contracts	-21	-3	-	-56	-62.0	-95
Insurance service result	-10	-2	-	23	-	81
Investment income	151	128	18.6	96	58.5	389
Other operating income	9	6	38.4	12	-27.1	40
Personnel costs	-256	-222	15.4	-262	-2.3	-964
Depreciation/amortisation and impairment loss	-33	-47	-29.2	-89	-62.7	-226
Other operating expenses	-248	-284	-12.8	-287	-13.6	-1,011
Transfers to insurance service result	129	120	8.2	137	-5.6	485
OP bonuses to owner-customers	-65	-55	17.2	-67	-2.3	-255

Key indicators, € million	31 Mar 2024	31 Dec 2023	Change, %
Loan portfolio	98,373	98,871	-0.5
Home loans	41,616	41,856	-0.6
Corporate loans	27,425	28,181	-2.7
Housing company loans*	10,640	10,656	-0.2
Other loans to corporations and institutions	7,102	6,838	3.8
Other consumer loans	11,591	11,339	2.2
Guarantee portfolio	3,986	4,136	-3.6
Other exposures	13,093	13,005	-0.7
Deposits	73,558	74,465	-1.2
Assets under management (gross)	106,894	102,844	3.9
Mutual funds	31,888	30,010	6.3
Institutional clients	37,358	35,878	4.1
Private Banking	24,439	24,378	0.3
Unit-linked insurance assets	13,209	12,579	5.0
Balance sheet total	157,438	160,391	-1.8
Investment assets	22,720	21,896	3.8
Insurance contract liabilities	11,904	11,589	2.7
Debt securities issued to the public	35,286	37,511	-5.9
Equity capital	16,543	16,262	1.7

* Housing company loans include housing companies and housing investment companies.

January–March

OP Financial Group's operating profit was EUR 618 million (480), up by EUR 138 million year on year. Income from customer business, or net interest income, net commissions and fees and insurance service result, increased by a total of 13.1% to EUR 969 million (857). The cost/income ratio improved to 42.6% (49.8).

Net interest income grew by 24.0% to EUR 763 million. A rise in market rates continued to increase net interest income. Net interest income reported by the Retail Banking segment increased by 34.3% to EUR 611 million and that by the Corporate Banking segment increased by 20.8% to EUR 166 million. OP Financial Group's loan portfolio decreased by 0.5% to EUR 98.4 billion and deposits by 0.8% to EUR 73.6 billion year on year. However, household deposits increased by 1.3% to EUR 47.0 billion. New loans drawn down by customers during the reporting period totalled EUR 4.5 billion (4.8).

Impairment loss on loans and receivables, which reduces earnings, totalled EUR 39 million (23). Final credit losses recognised totalled EUR 12 million (7). At the end of the reporting period, loss allowance was EUR 957 million (929), of which management overlay accounted for EUR 109 million (109). Non-performing exposures accounted for 3.0% (2.9) of total exposures. Impairment loss on loans and receivables accounted for 0.15% (0.09) of the loan and guarantee portfolio.

Net commissions and fees decreased by 11.3% to EUR 217 million. Owner-customers have got daily banking services without monthly charges since October 2023. This contributed to the decrease in payment transfer net commissions and fees. Net commissions and fees for payment transfer services decreased by EUR 21 million to EUR 55 million, and those for residential brokerage by EUR 2 million to EUR 13 million. Net sales commissions on insurance contracts decreased by EUR 12 million to EUR 14 million. Meanwhile, net commissions and fees for mutual funds increased by EUR 7 million to EUR 55 million.

Insurance service result decreased by EUR 8 million to EUR –10 million as a result of higher net claims incurred. In January–March, the number of large claims was higher than usual, which increased claims incurred. Insurance service result includes EUR 129 million (120) in operating expenses. Non-life insurance revenue increased by 9.1% to EUR 453 million, net claims incurred after reinsurer's share by 25.2% to EUR 345 million and operating expenses by 1.7% to EUR 118 million. Combined ratio reported by non-life insurance weakened to 108.9% (100.5).

Investment income, or net investment income, net insurance finance expenses and income from financial assets held for trading, increased by a total of 18.6% to EUR 151 million. Investment income grew as a result of the increase in the value of equity investments. Net investment income together with net finance income describe investment profitability in the insurance business. The combined return on investments at fair value of OP Financial Group's insurance companies was 2.0% (2.1).

Net income from financial assets recognised at fair value through profit or loss, or notes and bonds, shares and derivatives, totalled EUR 744 million (485). Net income from investment contract liabilities totalled EUR –359 million (–174). Net insurance finance expenses totalled EUR –250 million (–223).

In banking, net income from financial assets held for trading decreased by a total of EUR 25 million to EUR 8 million due to the decrease in interest income from notes and bonds.

Other operating income increased to EUR 9 million (6).

Total expenses decreased by 2.9% to EUR 537 million. Personnel costs rose by 15.4% to EUR 256 million. The increase was affected by headcount growth and pay increases. At OP Financial Group, the number of personnel increased by 1,000 year on year. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 29.2% to EUR 33 million. Other operating expenses decreased by 12.8% to EUR 248 million. ICT costs totalled EUR 123 million (104). Development costs were EUR 83 million (64) and capitalised development expenditure EUR 14 million (23). Charges of financial authorities fell by EUR 62 million to EUR 1 million. The EU's

Single Resolution Board (SRB) will not collect stability contributions from banks for 2024. In 2023, OP Financial Group paid a total of EUR 62 million in stability contributions.

The income statement item 'OP bonuses to owner-customers' grew by 17.2% to EUR 65 million (55) as a result of the additional bonuses paid for 2024.

Income tax amounted to EUR 125 million (95). The effective tax rate for the reporting period was 20.3% (19.7). Comprehensive income after tax totalled EUR 509 million (420).

OP Financial Group's equity amounted to EUR 16.5 billion (16.3). Equity included EUR 3.2 billion (3.3) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.4).

OP Financial Group's funding position and liquidity is strong. At the end of the reporting period, the Group's LCR was 199% (199) and NSFR was 130% (130).

January–March highlights

Additional benefits for owner-customers

OP Financial Group allocates part of its profitability improvement to provide additional benefits to owner-customers. The Group increased the OP bonuses earned by owner-customers in 2024 by 40% compared to the 2022 level. The estimated total amount of OP bonuses to be paid in 2024 will exceed EUR 300 million.

In addition, owner-customers will get daily banking services without monthly charges until the end of 2024. The estimated total value of this benefit will be EUR 88 million for 2024.

OP Financial Group's strategic targets and priorities

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

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

In the next few years, OP Financial Group's operations will be guided by the following five strategic priorities:

- Value for customers
- Profitable growth
- Efficient, high-quality operations
- Responsible business
- Highly skilled, motivated and satisfied personnel.

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

OP Financial Group's strategic targets

	31 Mar 2024	31 Dec 2023	Target 2027
Return on equity (ROE excluding OP bonuses), %	13.4	12.0	9.0
CET1 ratio, %	19.6	19.2	At least CET1 requirement + 4 pps*
Brand recommendations, bNPS (Net Promoter Score, personal and corporate customers)**	Banking: 1 Insurance: 2 (shared)	Banking: 1 Insurance: 3	Banking: 1 Insurance: 1
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

* OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the March 2024 end capital adequacy requirement was 16.4%.

** Ranking in the survey on switching bank and insurer by Kantar Finland Oy and in a nationwide survey on SMEs by Red Note Oy.

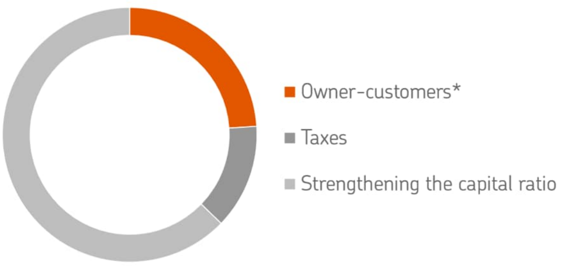
Promotion of the success of owner-customers and operating region

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

Allocation of earnings

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

OP Financial Group's estimated earnings allocation for 2024 that is to be confirmed after the end of the financial year:



*) Owner-customers = OP bonuses, benefits and interest on Profit Shares to owner-customers

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

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

OP Financial Group is one of the largest taxpayers in Finland measured by tax on profits. As a major taxpayer, OP Financial Group is contributing to prosperity in the whole of Finland.

Owner-customer benefits

OP Financial Group had a total of 2.1 million (2.1) owner-customers at the end of the reporting period. The number of owner-customers increased by 24,000 year on year.

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. OP Financial Group increased the OP bonuses earned for 2024 by 40% compared to the 2022 level. The value of the new OP bonuses earned in January–March totalled EUR 75 million (64).

During the reporting period, a total of EUR 20 million (33) of OP bonuses were used to pay for banking and wealth management services and EUR 46 million (30) to pay non-life insurance premiums.

Owner-customer benefits

€ million	Q1/2024	Q1/2023
New OP bonuses earned	75	64
Daily services*	52	29
Insurance**	5	4
Investing and saving***	4	4
Total	136	101

* daily services packages, Current Account without account service charge, daily services free of charge in 2024
** loyalty discount
*** trading in shares or mutual funds, securities custody and Equity Savings Account free of charge

OP bonuses and other owner-customer benefits totalled EUR 136 million (101), accounting for 18.0% (17.5) of OP Financial Group's operating profit before granted owner-customer benefits.

Owner-customers also get daily banking services without monthly charges until the end of 2024. The value of this benefit was EUR 23 million for the reporting period and will be an estimated EUR 88 million for 2024.

Contributions made by OP cooperative banks' owner-customers to the banks' Profit Shares and cooperative shares totalled EUR 3.4 billion (3.6). The return target for Profit Shares for 2024 is an interest rate of 5.50% (4.50). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 44 million (37).

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In March, OP Financial Group's mobile channels (OP-mobile, OP Business mobile) had more than 1.6 million active users (1.6). The Group provides personal customer service both at branches and digitally.

OP Financial Group's mobile payment app Pivo will be closed down on 4 September 2024. Pivo was introduced in 2013, and it has been available to any bank's customers. In future, OP Financial Group will focus on developing OP-mobile and its mobile payment features. At present, the mobile payment options that OP Financial Group provides to its customers include Apple Pay, Google Pay and Siirto.

Mobile and online services, no. of logins (million)

	Q1/2024	Q1/2023	Change, %
OP-mobile, personal customers	158.4	143.8	10.1
OP-mobile, corporate customers	8.7	4.9	75.5
OP Business mobile	10.0	7.5	32.3
Pivo	7.9	10.0	-20.9
Op.fi	17.2	18.0	-4.4
	31 Mar 2024	31 Mar 2023	Change, %
Siirto payment, registered customers (OP)	1.23	1.17	5.7

OP and Nordea are establishing a joint venture to create solutions for payment challenges. They aim to develop phone number-based payment and e-invoice management solutions for consumers and businesses. The solution will be open to other market actors. The aim is for the company to start operating in 2024. Realisation of the venture must await approval from the competition authorities.

OP Financial Group has an extensive branch network with 289 branches (289) across the country. In addition, Pohjola Insurance has a comprehensive network of agencies and partnerships.

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's business and strategy, and responsible business is one of OP Financial Group's strategic priorities. OP Financial Group'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 has three main sections. The Climate and environment section sets goals for the provision of sustainable financial and investment products, emission reductions in loan and investment portfolios, and 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 the 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 Financial Group has agreed to follow the UN Principles for Responsible Investment and the UN Principles for Sustainable Insurance. OP Financial

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

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

OP Financial Group set 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%.

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

Sustainability and corporate responsibility highlights in January–March

OP Financial Group has developed several products based on the international framework for sustainable finance, such as green loans, sustainability-linked loans and sustainable supply chain finance. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. The purpose of sustainable supply chain finance is to encourage supply chains to more sustainable operations through sustainability-linked financing. On 31 March 2024, total exposures from green loans and sustainability-linked loans and facilities stood at EUR 6.7 billion (6.6). Sustainable funds accounted for 87.2% of all fund assets.

In January, the Carbon Disclosure Project (CDP) organisation published the results of its annual CDP survey for 2023. OP Financial Group once again scored a 'B' in the survey, which meets the financial sector average. The CDP survey focuses on measuring and reporting developments in greenhouse gas emissions, climate and environmental targets and action.

In January, OP Financial Group joined the Partnership for Biodiversity Accounting Financials (PBAF), which aims to promote the financial sector's awareness of biodiversity and introduce new measurement tools.

During the reporting period, OP Financial Group and WWF entered a three-year partnership to promote the diversity of Finnish nature.

In March, OP Corporate Bank published its updated Green Bond Framework 2024. In March, OP Corporate Bank also issued a senior green bond worth EUR 500 million.

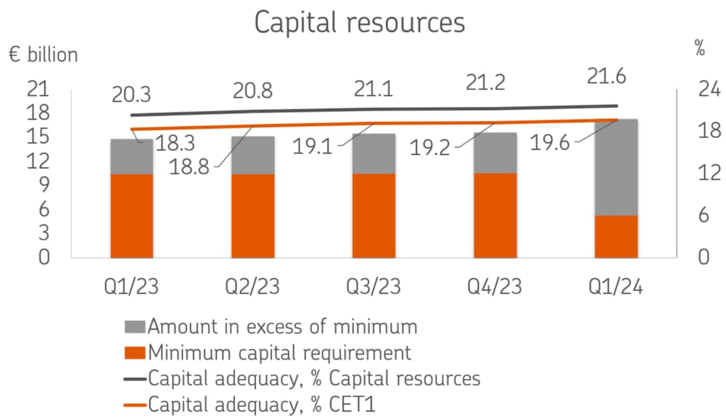
To promote diversity, OP Financial Group's objective is to achieve at least a 40% proportion of both women and men in defined executive positions. The proportion of women in these positions was 32% (31) at the end of March.

As of the reporting year 2024, OP Financial Group reports on its sustainability and corporate responsibility in accordance with the European Sustainability Reporting Standards (ESRS) under the EU's Corporate Sustainability Reporting Directive (CSRD).

Capital adequacy and capital base

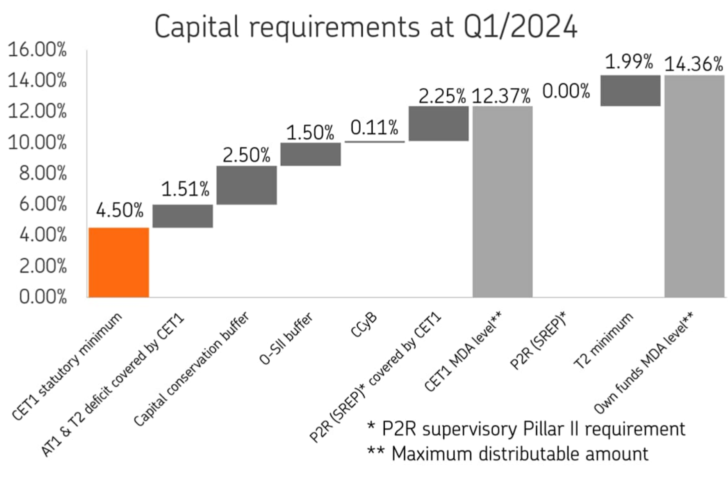
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 5.4 billion (5.2). Banking capital requirement was 14.4% (14.4), calculated on risk-weighted assets. The ratio of OP Financial Group's capital base to the minimum capital requirement was 145% (144). As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.



Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 19.6% (19.2), which exceeds the minimum regulatory requirement by 7.3 percentage points. The ratio was improved by the earnings performance for the period.

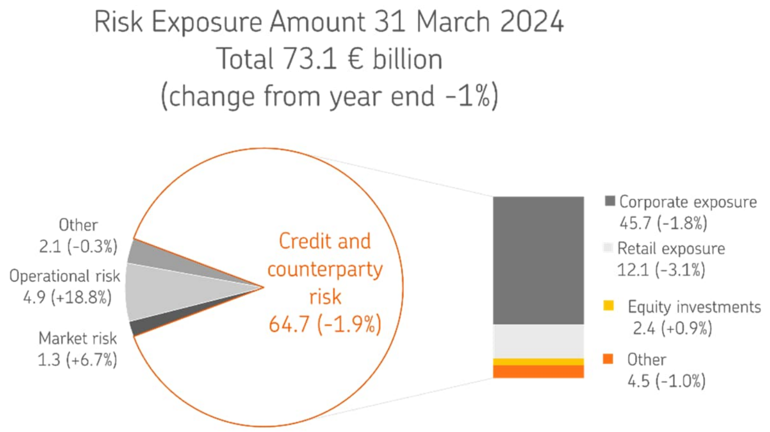


As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%; the minimum requirement of 1.5% for AT1 and T2, which needs to be covered with CET1, raises the CET1 minimum to 6.0%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1.5%, the change in the countercyclical capital buffer for foreign exposures, and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 14.4% and the minimum CET1 ratio to 12.4%, including the shortfalls of Additional Tier 1 (AT1) and Tier 2 (T2) capital.

The CET1 capital of OP Financial Group as credit institution was EUR 14.4 billion (14.1). The CET1 capital was improved by Banking earnings and reduced by the full-year profit distribution on Profit Shares, which was subtracted from CET1 capital. The amount of Profit Shares in CET1 capital was EUR 3.2 billion (3.1).

The total risk exposure amount (TREA) was EUR 73.1 billion (73.5). The risk-weighted assets for operational risk increased in line with income for previous years. Risk-weighted credit risk assets decreased.

OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 2.3 billion in risk-weighted assets of the Group's internal insurance holdings. Under the Standardised Approach, the risk weight of insurance company holdings is 100%.



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

The minimum leverage ratio for OP Financial Group's Banking was 9.8% (9.5). The higher ratio was particularly due to a decrease in central bank deposits, and earnings performance. The regulatory minimum requirement is 3%.

The future changes in the EU Capital Requirements Regulation (CRR3), which implement the final elements of Basel III, are assessed to have a slight deteriorating effect on the capital adequacy of OP Financial Group. The changes should take effect in early 2025.

OP Amalgamation's Pillar III disclosures for 31 March 2024 will be published in week 19.

Insurance

The solvency position of insurance companies is strong. Both companies' solvency ratio weakened due to a higher capital requirement. The increase in capital requirement was due to the rise in equity risk (which forms part of market risk) in line with the investment plan.

	Non-life insurance		Life insurance	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
Capital base, € mill.	1,755	1,747	1,502	1,466
Solvency capital requirement (SCR), € mill.	961	851	718	660
Solvency ratio, %	183	205	209	222

ECB's supervision

OP Financial Group is supervised by the European Central Bank (ECB).

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

Liabilities under the Resolution Act

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

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. From the beginning of 2024, the MREL is 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 subordination requirement supplementing the MREL is 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. These requirements took effect on 15 March 2023 and include a combined buffer requirement (CBR) of 4.11%.

OP Financial Group's buffer for the MREL was EUR 8.3 billion (7.9) and for the subordination requirement EUR 5.9 billion (5.6). The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 3.8 billion (3.8). These bonds provide funds for the MREL subordination requirement.

OP Financial Group clearly exceeds the MREL requirement. OP Financial Group's MREL ratio was 38.3% (37.1%) of the total risk exposure amount and, based on the subordination requirement, the MREL ratio for subordinated liabilities was 26.9% (26.4) of the total risk exposure amount.

Bases for risk profile management and the business environment

The basic principle of OP Financial Group's risk-taking is acknowledgement that it takes risks related to fulfilling its mission. In all operations, the Group emphasises moderation and careful preparation in risk taking. The principles and limits prepared by senior management and adopted by OP Cooperative steer and limit the Group's risk taking.

OP Financial Group's success lies in a foundation of accumulated trust capital, sufficient capital and liquidity and diverse customer information. From a risk carrying perspective, it is essential for OP Financial Group to understand change factors affecting its customers' needs, activities and future success in the prevailing business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

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

OP Financial Group has extensive business operations in different areas of the financial sector. For this reason, unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Financial Group's customers and on the Group's premises, ICT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity and the continuity of daily business in various ways. OP Financial Group assesses the effects of such potential shocks by means of scenario work and continuously prepares for such effects by creating and testing action plans.

Operational risks

There was a major change in the cybersecurity environment in 2022 due to Russia's aggressive war in Ukraine. Since then, the cybersecurity threat level has remained elevated, including in Finland. OP Financial Group protects its operations and the data of its customers and other stakeholders by maintaining a strong digital infrastructure, data security capabilities and cyber preparedness. This task extends to the level of the financial sector and the entire society.

Cooperation with the authorities and within the financial sector has been stepped up in Finland and the Nordic countries. This has proven an effective way to maintain resistance against cyber attacks throughout the financial sector. OP Financial Group has developed its cybersecurity on a long-term basis, taking account of cyber risks and the continuous changes in external threats. To ensure high-quality operations, the Group emphasises continuous practice, testing of activities, maintenance of competencies and sufficient resourcing. An analysis of successfully stopped attacks and systems-related vulnerabilities has shown that OP Financial Group has a good reaction speed and strong preventative capabilities, combining expertise, processes and technologies.

OP Financial Group is systematically maintaining its operational capability and continuing the holistic development of its cybersecurity. Despite the preparedness of OP Financial Group, the financial sector and authorities, the risk of cyber attacks and other operations remains elevated.

The inspection initiated by the FIN-FSA on 4 April 2023 concerning anti-money laundering and counter-terrorist financing in OP Retail Customers plc was completed in April 2024. The inspection concerned compliance with enhanced customer due diligence related to credit card customers in high-risk countries outside of the European Economic Area, and the related procedures. High-risk countries mean here countries defined by the European Commission whose systems for preventing and investigating money laundering and terrorist financing have shortcomings. The FIN-FSA's observations concerned the company's operations in 2022. OP Retail Customers plc has fixed the major shortcomings in processes already during the inspection.

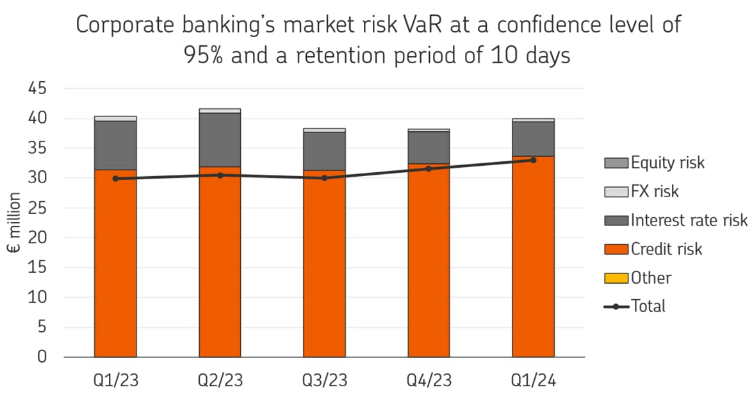
At the end of the reporting period, around 500 specialists worked in financial crime prevention in OP Financial Group's central cooperative. Employees of OP cooperative banks and OP Financial Group's other companies also play an important role in financial crime prevention.

During the reporting period, the volume of materialised operational risks remained moderate at OP Financial Group, resulting in EUR 1 million (1) in losses. The risk profile of other risks is discussed in more detail by business segment.

Retail Banking and Corporate Banking

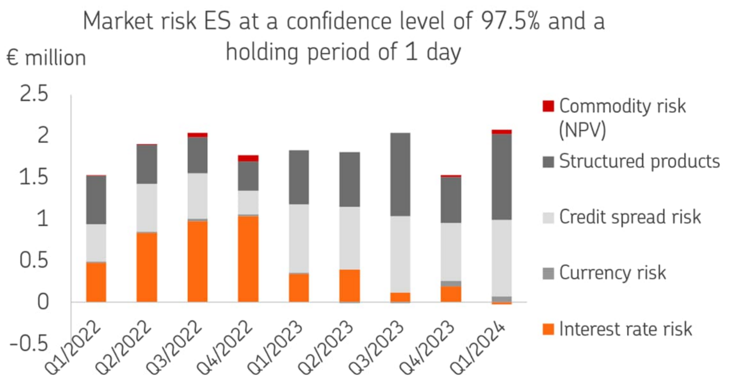
Major risks in banking are associated with credit risk arising from customer business, and market risk.

Banking credit risk exposure remained stable, the risk level was moderate and the overall quality of the loan portfolio was good. Following the deterioration in the construction and real estate sectors in 2023, the situation regarding customers in these sectors remained difficult in the first quarter of 2024.



The VaR, a measure of market risks associated with Corporate Banking's investments, was EUR 33 million (32) on 31 March 2024. 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 increased during the first quarter. OP Financial Group uses the Stressed Expected Shortfall (ES) risk measure.



Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 44.2 billion (44.2) at the end of the reporting period, which equals 60.0% of deposits (59.3). The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

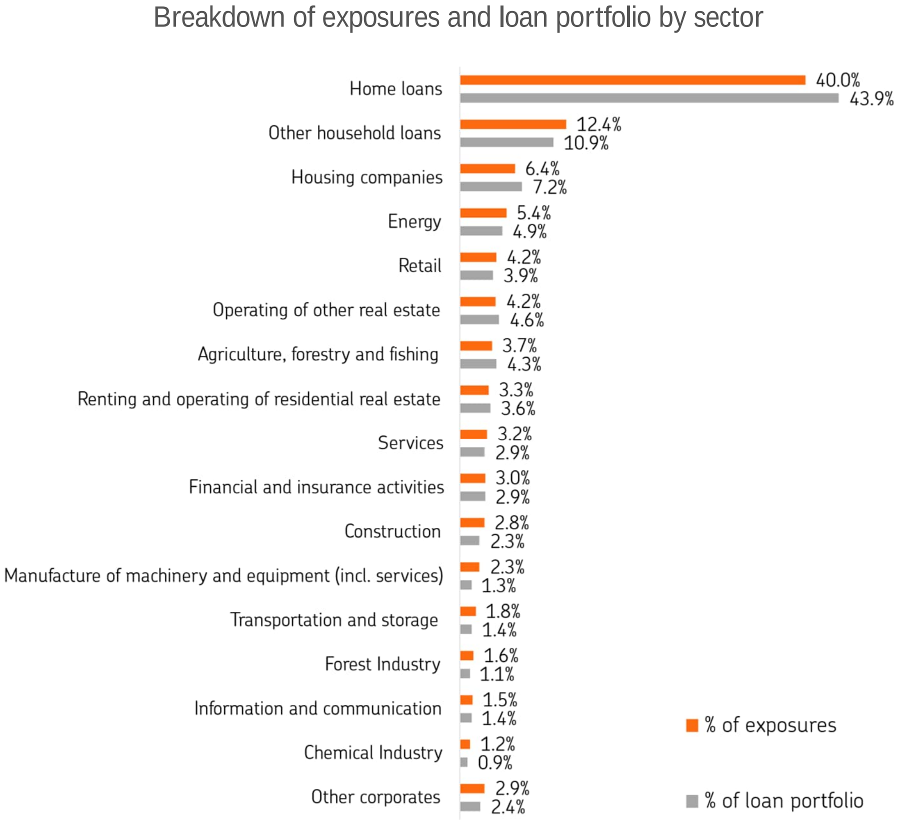
Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
Over 90 days past due, € billion			0.66	0.59	0.66	0.59	0.22	0.21	0.44	0.38
Unlikely to be paid, € billion			1.18	1.37	1.18	1.37	0.19	0.21	0.99	1.16
Forborne exposures, € billion	3.55	3.33	1.67	1.45	5.22	4.78	0.24	0.20	4.99	4.59
Total, € billion	3.55	3.33	3.51	3.41	7.06	6.74	0.65	0.61	6.41	6.13

Key ratios	OP Financial Group		Retail Banking		Corporate Banking	
	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023	31 Mar 2024	31 Dec 2023
Ratio of doubtful receivables to exposures, %	6.11	5.81	7.36	7.30	3.32	2.52
Ratio of non-performing exposures to exposures, %	3.04	2.94	3.40	3.25	2.20	2.23
Ratio of performing forborne exposures to exposures, %	3.08	2.87	3.96	4.06	1.12	0.29
Ratio of performing forborne exposures to doubtful receivables, %	50.34	49.5	53.79	55.6	33.65	11.5
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	13.52	13.7	10.56	10.4	27.86	34.8

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

Breakdown of exposures and loan portfolio

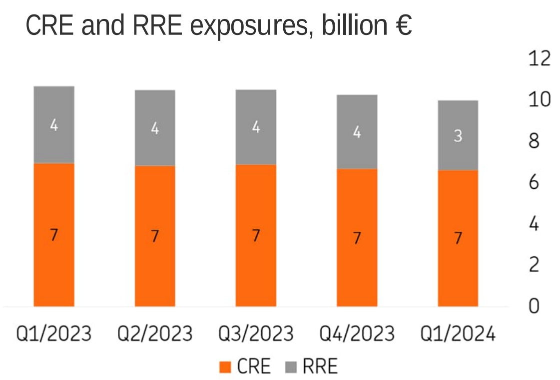


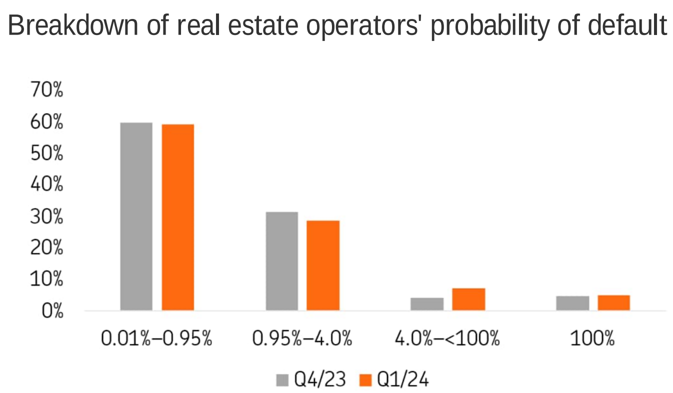
The graph shows the breakdown of OP Financial Group's exposures and loans by sector as percentages at the end of the reporting period.

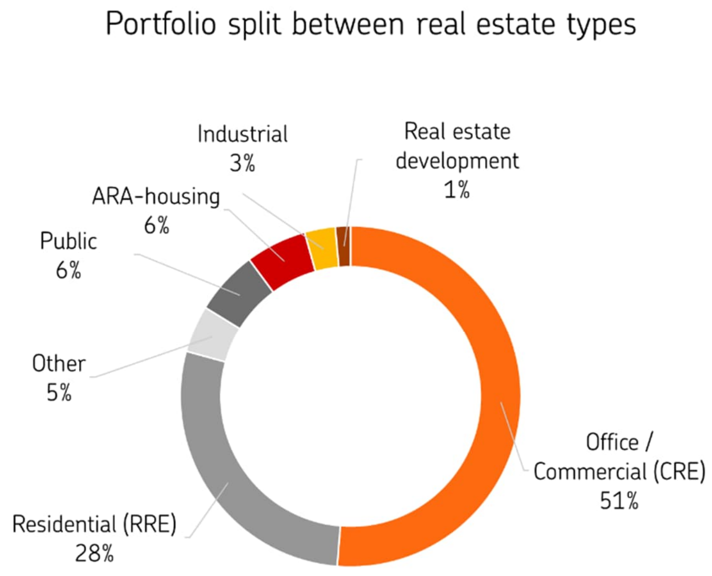
Below is a more detailed description of the development of OP Financial Group's exposures to the real estate sector, and the breakdown of exposures by type of real estate. An increase in risk has been identified in the real estate sector due to the changed interest rate environment. In the graph above, exposures to the real estate sector are mainly included in Operating of other real estate, and Renting and operating of residential real estate.

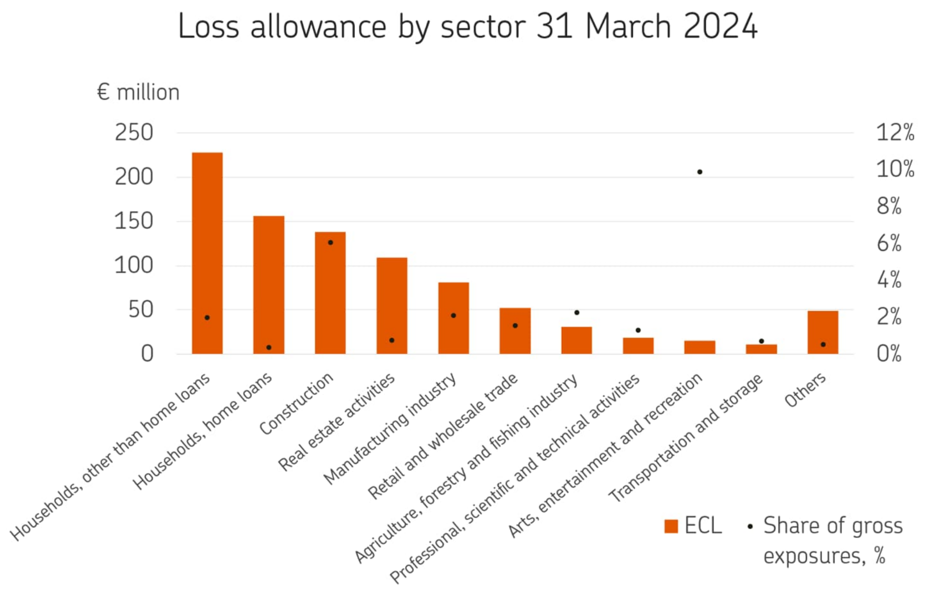
OP Financial Group's exposures to the real estate sector totalled 8.7% (8.9) of all exposures at period end. These exposures are well spread across different types of real estate. The largest type of real estate is commercial real estate units, which includes offices. On 31 March 2024, 63.0% (63.0) of OP Financial Group's real estate portfolio was held by Corporate Banking and 37.0% (37.0) by Retail Banking.

At the end of March 2024, 4.98% of the real estate exposures (4.63%) were classified as non-performing exposures.









The graph shows the loss allowance of different sectors and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period, 31 March 2024. The presentation of the table was updated at the beginning of 2024.

Interest rate risk

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 113 million (265) and as the effect of a one-percentage point decrease EUR –114 million (–268) on the average per year. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

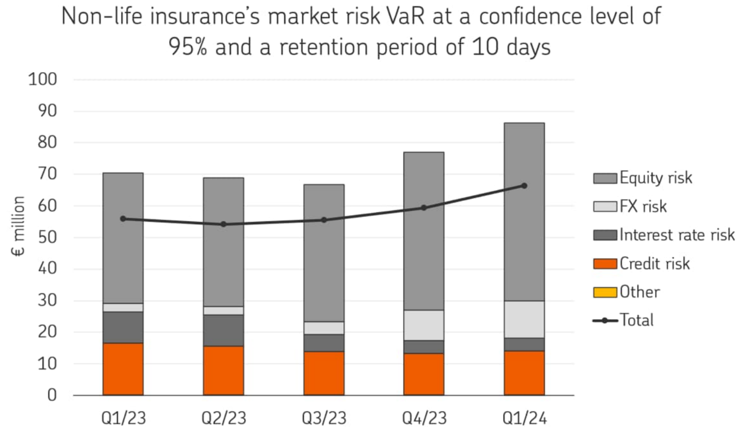
Corporate Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 16 million (16) and as the effect of a one-percentage point decrease EUR –17 million (–17) on the average per year.

Insurance

Non-life insurance

Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance contract liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance contract liabilities for annuities, and interest rates used in the valuation of insurance contract liabilities.

Longevity, or the decline in mortality, increases payments made from pension portfolios. A 5% decrease in mortality assumptions would have an annual impact of EUR 15 million (15) on insurance contract liabilities. A one percentage point decrease in interest rates used in the valuation of insurance contract liabilities would have an annual impact of EUR 178 million (176) on such liabilities.



No significant changes took place in non-life insurance's underwriting risks during the reporting period. Non-life insurance's significant market risks include the equity risk, and lower market interest rates that increase the value of insurance contract liabilities and the capital requirement.

Compared to the previous report, non-life insurance equity risk on investments increased. The VaR, a measure of market risk, was EUR 66 million (59) on 31 March 2024. VaR includes the company's investment balance including investments, insurance contract liabilities and derivatives that hedge against interest rate risk associated with insurance contract liabilities.

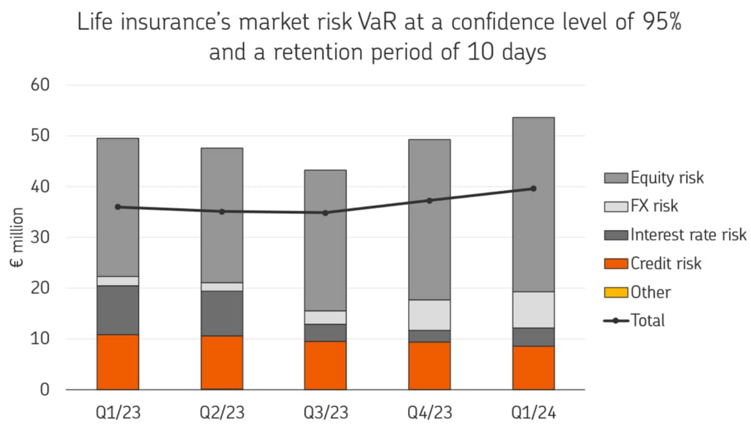
Life insurance

The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance contract liabilities, changes in mortality rates among those insured, and the lapse risk arising from changes in customer behaviour.

Longevity, or the decline in mortality, increases payments made from pension portfolios. Overall, a 5% decrease in mortality assumptions would have an annual impact of EUR 23 million (22) on insurance contract liabilities related to annuity portfolios. Meanwhile, in term life insurance portfolios, the growth in mortality rates increases the number of claims. Overall, a 5% increase in mortality assumptions would have an annual impact of EUR 19 million (21) on insurance contract liabilities related to term life insurance portfolios. A 10% increase in the insurance policy lapse rate would have an annual impact of EUR 54 million (58) on insurance contract liabilities. A one percentage point decrease in interest rates used in the valuation of insurance contract liabilities would have an annual impact of EUR 176 million (177) on such liabilities.

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 247 million (245) on 31 March 2024.

The market risk level of the investments of life insurance increased during the first quarter. The increase is explained by the increase in equity risk. VaR, a measure of market risk, was EUR 40 million (37) at the end of the reporting period. VaR includes the life insurance's investment balance, including investments, insurance contract liabilities and derivatives that hedge against interest rate risk associated with insurance contract liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation.



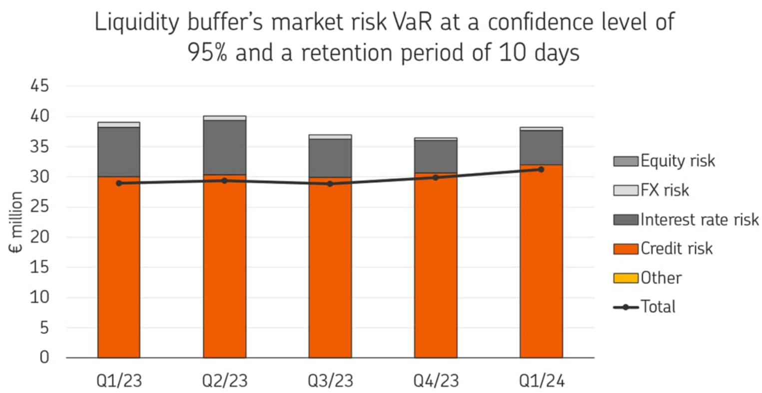
Group Functions

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

OP Financial Group's funding position and liquidity are strong. In January–March, OP Financial Group issued long-term bonds worth EUR 1.6 billion (1.2).

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% (130) at the end of the reporting period.

The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 31 million (30) on 31 March 2024. 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 which consists mainly of deposits with central banks and receivables eligible as collateral for central bank refinancing. The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

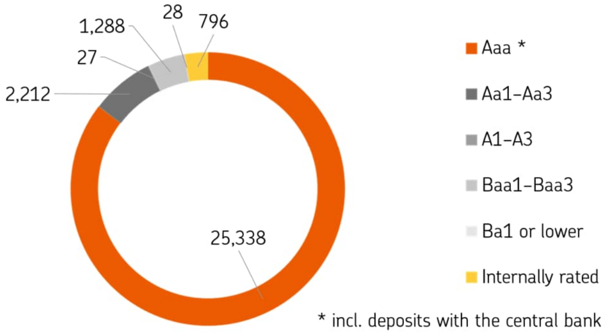
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 199% (199) at the end of the reporting period.

Liquidity buffer

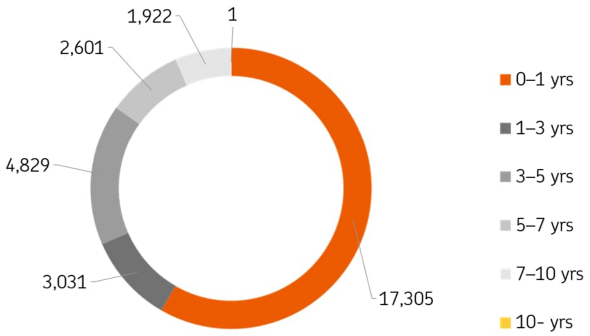
€ billion	31 Mar 2024	31 Dec 2023	Change, %
Deposits with ECB	15.7	19.6	-19.9
Notes and bonds eligible as collateral	12.2	11.8	3.6
Loan receivables eligible as collateral	1.1	1.1	0.0
Total	28.9	32.4	-10.7
Receivables ineligible as collateral	0.8	0.7	16.3
Liquidity buffer at market value	29.7	33.1	-10.2
Collateral haircut	-0.8	-0.7	
Liquidity buffer at collateral value	28.9	32.3	-10.5

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. At the end of the reporting period, the liquidity buffer included bonds with a carrying amount of EUR 1,324 million (622), classified at amortised cost and issued by non-OP Financial Group issuers. The fair value of these bonds amounted to EUR 1,337 million (640). In the above information on the liquidity buffer, these bonds are measured at fair value.

Financial assets included in the liquidity buffer by credit rating on 31 March 2024, € million



Financial assets included in the liquidity buffer by maturity on 31 March 2024, € million



Credit ratings

Credit ratings 31 March 2024

Rating agency	OP Corporate Bank plc				Pohjola Insurance Ltd	
	Short-term debt	Outlook	Long-term debt	Outlook	Financial strength rating	Outlook
Standard & Poor's	A-1+	-	AA-	Stable	A+	Stable
Moody's	P-1	Stable	Aa3	Stable	A2	Stable

OP Corporate Bank plc has credit rating and Pohjola Insurance Ltd has financial strength rating affirmed by Standard & Poor's and Moody's. When assessing OP Corporate Bank's credit rating, credit rating agencies take account of the entire OP Financial Group's financial position. The credit ratings did not change in 2024.

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Personal and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). Non-business segment operations are presented under the Group Functions segment. OP Financial Group prepares its segment reporting in compliance with its accounting policies. The Retail Banking segment's name in Finnish was changed during the first quarter of 2024. The segment's name in English was not changed.

Retail Banking

- Operating profit increased to EUR 368 million (256) and the cost/income ratio improved to 42.8% (52.4).
- Total income increased by 18.7% to EUR 785 million. Income from customer business increased by a total of 18.7%: net interest income increased by 34.3% to EUR 611 million and net commissions and fees decreased by 17.0% to EUR 161 million. The decrease in net commissions and fees was affected by the fact that owner-customers have got their daily banking services free of monthly charges since October 2023.
- Impairment loss on receivables increased to EUR 27 million (12). Non-performing exposures (gross) accounted for 3.4% (3.2) of total exposures.
- Total expenses decreased by 3.0% to EUR 336 million. Personnel costs increased by 11.5% to EUR 132 million. Other operating expenses decreased by 9.9% to EUR 196 million.
- OP bonuses to owner-customers increased by 15.8% to EUR 54 million (46).
- In the year to March, the loan portfolio decreased by 1.4% to EUR 70.6 billion and deposits by 2.4% to EUR 61.8 billion.
- The most significant development investments focused on upgrading the lending and borrowing systems. Besides the reform of the core systems, investments were targeted at promoting key areas of development in credit risk management and the development of self-service channels and customer relationship management systems.

Key figures and ratios

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Net interest income	611	455	34.3	2,258
Impairment loss on receivables	-27	-12	126.5	-173
Net commissions and fees	161	194	-17.0	686
Investment income	-1	0	-	-29
Other operating income	13	12	6.2	61
Personnel costs	-132	-118	11.5	-500
Depreciation/amortisation and impairment loss	-8	-11	-23.7	-57
Other operating expenses	-196	-218	-9.9	-806
OP bonuses to owner-customers	-54	-46	15.8	-217
Operating profit	368	256	43.5	1,223
Total income	785	661	18.7	2,976
Total expenses	-336	-346	-3.0	-1,363
Cost/income ratio, %	42.8	52.4	-9.6*	45.8
Ratio of non-performing exposures to exposures, %	3.4	2.7	0.7*	3.2
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.15	0.07	0.09*	0.24
Return on assets (ROA), %	1.24	0.82	0.41*	0.99
Return on assets, excluding OP bonuses, %	1.42	0.97	0.45*	1.17

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Home loans drawn down	1,067	1,271	-16.0	5,569
Corporate loans drawn down	344	478	-27.9	1,996
No. of brokered residential property and property transactions	1,708	1,876	-9.0	8,932

€ billion	31 Mar 2024	31 Mar 2023	Change, %	31 Dec 2023
Loan portfolio				
Home loans	41.6	42.0	-0.9	41.9
Corporate loans	7.7	8.2	-6.3	7.9
Housing companies**	8.6	8.8	-2.2	8.6
Other loans to corporations and institutions	4.3	4.0	5.7	4.2
Other consumer loans	8.4	8.6	-1.4	8.4
Total loan portfolio	70.6	71.6	-1.4	70.9
Guarantee portfolio	1.0	0.9	1.5	1.0
Other exposures	7.9	8.5	-7.1	7.6
Deposits				
Current and payment transfer deposits	36.3	41.0	-11.5	36.8
Investment deposits	25.5	22.3	14.4	24.4
Total deposits	61.8	63.3	-2.4	61.2

* Change in ratio

** Housing company loans includes housing companies and housing investment companies

OP Financial Group's Retail Banking segment consists of banking and asset management services for personal and SME customers at OP cooperative banks and at OP Mortgage Bank and OP Retail Customers plc, which belong to the central cooperative consolidated.

In the year to March, the loan portfolio decreased by 1.4% to EUR 70.6 billion. The home loan portfolio decreased by 0.9% to EUR 41.6 billion. As a result of the prolonged slack home loan market, the amount of home loans drawn down totalled EUR 1.1 billion, representing a decrease of 16.0% year on year. The volume of home and real property sales brokered by OP Koti real estate agents totalled 1,708, a decrease of 9.0%. At the end of the reporting period, 79.9% (87.9) of the home loan portfolio was tied to the 12-month Euribor, 16.5% (9.0) to shorter Euribor rates, and 3.6% (3.1) to the OP-Prime rate and a fixed interest rate. The corporate loan portfolio decreased by 6.3% to EUR 7.7 billion due to the continued low appetite of SMEs to invest. The housing company loan portfolio decreased by 2.2% to EUR 8.6 billion. Other loans to corporations and institutions increased by 5.7% to EUR 4.3 billion. Other consumer loans decreased by 1.4% to EUR 8.4 billion.

On 31 March 2024, a total of 34.2% (34.4) of personal customers' home loans were covered by interest rate protection. On the same date, the interest expenses of around 156,000 home loans were being cut by an interest rate cap; the loans' aggregate principal totalled EUR 13.7 billion. In financial terms, the net benefit gained by customers from interest rate caps during the reporting period totalled EUR 67 million.

In the year to March, the deposit portfolio decreased by 2.4% to EUR 61.8 billion. This was mainly attributable to the decrease in corporate customers' payment transfer deposits. Deposits on current and payment transfer accounts decreased by 11.5% and investment deposits increased by 14.4%.

In 2023, OP Financial Group launched a green loan for SMEs and housing companies. The green loan boosts investments in areas such as energy-efficient construction, renewable energy, and infrastructure for low-emission transport. At the end of March, green loans granted to SMEs totalled EUR 99 million (62).

OP Financial Group customers' interest in saving and investing continued. During the reporting period, OP Financial Group's mutual funds attracted 40,000 new unitholders, and customers made 47,000 new systematic investment plans on mutual funds. At the end of the reporting period, the Group's mutual funds had more than 1.31 million unitholders. The number of active equity investor customers was record high, showing a growth of 17.2% year on year. In share trading, the number of executed orders was 8.7% higher than a year ago.

OP Financial Group increased the OP bonuses earned by owner-customers in 2024 by 40% compared to the 2022 level. The estimated total amount of OP bonuses to be paid in 2024 will exceed EUR 300 million. Owner-customers also get daily banking services free of charge until the end of 2024. The estimated total value of this benefit will be EUR 88 million for 2024.

In April, OP Financial Group announced that it would close down its mobile payment app Pivo in September 2024. In future, OP Financial Group will focus on developing OP-mobile and its mobile payment features.

In January–March, the most significant development investments focused on upgrading the lending and borrowing systems. The aim of this upgrade is to modernise the core systems and increase operational efficiency. Besides the reform of the core systems, investments were targeted at promoting key areas of development in credit risk management and the development of self-service channels and customer relationship management systems.

OP Financial Group and Nordea are establishing a joint venture to create solutions for payment challenges. The aim is for the company to start operating in 2024. Realisation of the venture must await approval from the competition authorities.

At the end of March, the number of OP cooperative banks was 102 (102). Merger projects between OP cooperative banks are underway in different parts of Finland.

Financial performance for the reporting period

Retail Banking's operating profit amounted to EUR 368 million (256). Total income increased by 18.7% to EUR 785 million. Net interest income grew by 34.3% to EUR 611 million due to the rise in market interest rates that began in spring 2022. From 1 November 2023 onwards, owner-customers have got a 0.25% interest on deposits in their current accounts.

Net commissions and fees decreased by 17.0% to EUR 161 million. The decrease in net commissions and fees was affected by the fact that owner-customers have got their daily banking services free of monthly charges since October 2023.

Impairment loss on receivables increased to EUR 27 million (12). Final net loan losses recognised for the reporting period totalled EUR 11 million (7). Non-performing exposures accounted for 3.4% (3.2) of total exposures.

Total expenses decreased by 3.0% to EUR 336 million. Personnel costs rose by 11.5% to EUR 132 million. The increase was affected by headcount growth and pay increases. Other operating expenses decreased by 9.9% to EUR 196 million. Charges of financial authorities decreased by EUR 32 million. The EU's Single Resolution Board (SRB) will not collect stability contributions from banks for 2024. In 2023, Retail Banking paid a total of EUR 32 million in stability contributions.

Depreciation/amortisation and impairment loss decreased by 23.7% year on year, to EUR 8 million.

OP bonuses to owner-customers grew by 15.8% to EUR 54 million as a result of a higher bonus accrual for 2024.

Corporate Banking

- Operating profit increased to EUR 140 million (100) and the cost/income ratio improved to 34.2% (47.2).
- Total income grew to EUR 242 million (222). Net interest income grew by 20.8% to EUR 166 million (138). Net commissions and fees decreased by 3.0% to EUR 57 million (58). Investment income decreased to EUR 10 million (19).
- Impairment loss on receivables totalled EUR 12 million (11). Non-performing exposures (gross) accounted for 2.2% (2.2) of total exposures.
- Total expenses decreased to EUR 83 million (105). Personnel costs increased by 9.1% to EUR 26 million (24). Other operating expenses decreased by 29.1% to EUR 57 million (80).
- The loan portfolio grew by 2.0% to EUR 27.8 billion and deposits by 10.5% to EUR 12.4 billion, year on year. Assets under management by Corporate Banking increased by 7.0% to EUR 78.0 billion, year on year.
- The most significant development investments involved the upgrades of customer relationship management, payment systems and the core banking system, and development work on funds' management processes.

Key figures and ratios

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Net interest income	166	138	20.8	591
Impairment loss on receivables	-12	-11	10.3	-96
Net commissions and fees	57	58	-3.0	219
Investment income	10	19	-44.4	53
Other operating income	9	8	19.8	21
Personnel costs	-26	-24	9.1	-104
Depreciation/amortisation and impairment loss	0	-1	-74.3	-3
Other operating expenses	-57	-80	-29.1	-247
OP bonuses to owner-customers	-8	-6	24.0	-26
Operating profit	140	100	39.8	408
Total income	242	222	9.1	885
Total expenses	-83	-105	-21.1	-354
Cost/income ratio, %	34.2	47.2	-13.1*	40.1
Ratio of non-performing exposures to exposures, %	2.2	1.9	0.3*	2.2
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.16	0.15	0.01	0.31
Return on assets (ROA), %	1.36	1.01	0.35*	0.93
Return on assets, excluding OP bonuses, %	1.44	1.07	0.37*	0.99

€ billion	31 Mar 2024	31 Mar 2023	Change, %	31 Dec 2023
Loan portfolio				
Corporate loans	20.2	19.2	4.8	20.4
Housing companies**	2.0	2.1	-3.6	2.0
Other consumer loans	3.3	2.9	14.0	3.2
Other loans	2.4	3.1	-23.1	2.3
Total loan portfolio	27.8	27.3	2.0	28.1
Guarantee portfolio	3.0	3.4	-11.9	3.2
Other exposures	5.6	6.5	–14.7	5.7
Deposits	12.4	11.2	10.5	13.8
Assets under management (gross)				
Mutual funds	31.9	28.1	13.5	30.0
Institutional clients	37.4	35.7	4.6	35.9
Private Banking	8.8	9.1	-3.7	8.8
Total (gross)	78.0	72.9	7.0	74.7

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Net inflows				
Private Banking clients	104	78	33.0	174
Institutional clients	143	-199	-	-313
Total net inflows	248	-120	-	-139

* Change in ratio.

** Housing company loans includes housing companies and housing investment companies.

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

In the first quarter, the loan portfolio decreased by 0.8% to EUR 27.8 billion. Companies' low appetite to invest, small needs for working capital and slack international trade were reflected in sluggish growth in demand for loans. On the other hand, demand for car finance increased the loan portfolio.

In the first quarter, the deposit portfolio decreased by 10.1% to EUR 12.4 billion.

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 6.6 billion (6.5). Demand for sustainable financing has remained healthy, and companies have made active use of Corporate Banking's expertise in financing the sustainable economy.

In Corporate Banking, the most significant development investments involved the upgrades of customer relationship management and payment systems. With the implementation of the new Group-level customer relationship management system, Corporate Banking aims at better customer experience and higher quality and more efficient operations. The upgrade of core payment systems and improvement of digital services will continue further. In asset and wealth management, fund management processes and customer service will be further upgraded.

Within asset management, net assets inflow was EUR 248 million (–120). Assets under management by Corporate Banking grew by 4.5% during the first quarter, to EUR 78.0 billion (74.7). This included EUR 24.2 billion (23.2) in assets of the companies belonging to OP Financial Group. Growth in assets under management in mutual funds was very strong, supported by sales and favourable market developments.

In the first quarter, Corporate Banking piloted OP Flexible Capital, a new product in unsecured working capital financing for SME customers.

Financial performance for the reporting period

Corporate Banking's operating profit amounted to EUR 140 million (100). The cost/income ratio was 34.2% (47.2). Net interest income grew by 20.8% to EUR 166 million (138), due to a rise in market interest rates.

Impairment loss on receivables totalled EUR 12 million (11). Non-performing exposures accounted for 2.2% (2.2) of total exposures.

Corporate Banking's net commissions and fees totalled EUR 57 million (58).

Corporate Banking segment's net commissions and fees

€ million	Q1/2024	Q1/2023	Change, %
Mutual funds	30	36	-16.3
Asset management	10	3	224.3
Other	16	19	-15.9
Total	57	58	-3.0

Investment income decreased to EUR 10 million (19). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 3 million (1).

Personnel costs rose by 9.1% to EUR 26 million. The increase was affected by headcount growth and pay increases. Other operating expenses decreased by 29.1% to EUR 57 million. Charges of financial authorities decreased by EUR 29 million. The EU's Single Resolution Board (SRB) will not collect stability contributions from banks for 2024. In 2023, Corporate Banking paid a total of EUR 30 million in stability contributions.

Insurance

- Operating profit increased to EUR 118 million (90) as a result of the strong investment performance.
- Insurance service result was EUR –10 million (–2). Investment income totalled EUR 129 million (94).
- Non-life insurance premiums written increased by 3.5% to EUR 815 million. Combined ratio reported by non-life insurance weakened to 108.9% (100.5).
- In life insurance, unit-linked insurance assets increased by 5.0% in the first quarter, to EUR 13.2 billion. Premiums written in term life insurance grew by 6.3%.
- Return on investments by non-life insurance at fair value was 2.2% (2.1) and that by life insurance was 1.8% (2.0).
- Total expenses increased to EUR 141 million (129) mainly as a result of higher ICT costs. Development investments focused on the core system upgrades and the development of digital services.

Key figures and ratios

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Insurance revenue	523	485	7.9	2,000
Insurance service expenses	-512	-485	5.7	-1,824
Reinsurance contracts	-21	-3	-	-95
Insurance service result	-10	-2	-	81
Investment income	129	94	37.4	347
Net commissions and fees	14	10	32.1	56
Other net income	0	0	-	4
Personnel costs	-45	-42	6.8	-167
Depreciation/amortisation and impairment loss	-10	-13	-24.5	-64
Other operating expenses	-86	-74	16.5	-317
Total expenses	-141	-129	9.2	-548
Transfers to insurance service result	129	120	8.2	485
OP bonuses to owner-customers	-4	-3	25.7	-12
Operating profit	118	90	31.4	414
Return on assets (ROA), %	1.73	1.35	0.38*	1.54
Return on assets, excluding OP bonuses, %	1.84	1.44	0.39*	1.64

* Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance business. The segment includes Pohjola Insurance Ltd and OP Life Assurance Company Ltd.

In non-life insurance, the number of customers increased. In particular, growth in personal customers' motor vehicle insurance outperformed market growth.

The amount of claims reported grew by 11%. Hard frosts in January increased the number of claims due to broken pipes and towing of vehicles. In health insurance too, claims volumes remained high due to the winter's influenza season. The number of large claims was higher than a year ago, weakening the risk ratio.

In the life insurance business, premiums written in term life insurance grew by 6.3%. In life insurance, unit-linked insurance assets increased by 5.0% in the first quarter, to EUR 13.2 billion (12.6).

Financial performance for the reporting period

Operating profit improved to EUR 118 million (90). Insurance service result was EUR –10 million (–2).

Investment income increased to EUR 129 million (94). Net investment income grew as a result of the increase in the value of equity investments. Net investment income and net finance income together indicate the profitability of investment operations.

Investment income

€ million	Q1/2024	Q1/2023
Insurance companies' investments		
Fixed income investments	29	83
Quoted shares	105	58
Other liquid investments	1	0
Property investment	3	5
Other illiquid investments	19	8
Insurance companies' net investment income	157	155
Net finance income*	-13	-69
Interest on subordinated loans, and other income and expenses	-5	-1
Investment income	139	86
Net income from separated balance sheets	2	11
Net income from customers' savings and investments agreements	-12	-2
Total investment income	129	94

* Excluding net finance income from separated balance sheets and customers' savings and investments agreements

Non-life insurance financial performance

Non-life insurance operating profit amounted to EUR 44 million (51). Positive developments in the value of equity investments strengthened the investment result. Insurance service result decreased year on year due to higher claims incurred.

€ million	Q1/2024	Q1/2023	Change, %
Insurance revenue	453	415	9.1
Claims incurred	-356	-301	18.2
Operating expenses	-118	-116	1.7
Insurance service result, gross	-20	-1	-
Reinsurer's share of insurance revenue	-30	-27	12.9
Reinsurer's share of insurance service expenses	12	26	-51.9
Net income from reinsurance	-18	-1	-
Insurance service result	-38	-2	-
Net finance income	-16	-38	-57.7
Income from investment activities	99	90	9.5
Investment income	82	52	59.6
Other net income	0	2	-
Operating profit	44	51	-13.9
Combined ratio	108.9	100.5	
Risk ratio	81.7	71.0	
Cost ratio	27.3	29.6	

Non-life insurance: premiums written

€ million	Q1/2024	Q1/2023	Change, %
Personal customers	243	228	6.5
Corporate customers	572	559	2.3
Total	815	787	3.5

Premiums written increased by 3.5% to EUR 815 million. Besides the growth in the number of customers, the increase was attributable to the rise in the general level of costs and the resulting index increments and price increases in insurance premiums. Net insurance revenue including reinsurer's share grew by 8.8% to EUR 423 million.

In January–March, the number of large claims was considerably higher than usual, which increased claims incurred. In health insurance, claims volumes remained high due to the winter's influenza season. Hard frosts in January increased the number of claims in motor vehicle insurance and property insurance. Net claims incurred after reinsurer's share grew by 25.2% to EUR 345 million.

The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 40 (24) in January–March 2024, with their claims incurred retained for own account totalling EUR 76 million (19). Non-life insurance risk ratio weakened to 81.7% (71.0) due to the high number of large claims. Large claims accounted for 18.0% (4.9) of the risk ratio.

Operating expenses remained at the previous year's level at EUR 118 million. Personnel costs increased due to pay rises and a higher headcount. ICT development costs grew as a result of a change in the capitalisation practice. These costs are no longer capitalised because development has been migrated to the cloud environment. The amount of sales commissions paid decreased year on year.

In non-life insurance, the cost ratio was 27.3% (29.6). Combined ratio reported by non-life insurance weakened to 108.9% (100.5).

Non-life insurance: investment income

€ million	Q1/2024	Q1/2023
Net finance income and expenses	-16	-38
Fixed income investments	19	47
Quoted shares	67	34
Other liquid investments	1	0
Property investment	3	4
Other illiquid investments	10	5
Income from investment activities	100	90
Interest on subordinated loans, and other income and expenses	-1	0
Total investment income	82	52

Non-life insurance: key investment indicators

	Q1/2024	Q1/2023
Return on investments at fair value, %	2.2	2.1
Fixed income investments' running yield, %*	3.99	4.04
	31 Mar 2024	31 Dec 2023
Investment portfolio, € million	4,576	4,334
Investments within the investment grade category, %	90	90
At least A-rated receivables, %	53	53
Modified duration	3.5	3.5

* Portfolio's market value weighted yield of direct bonds excluding occurrences of default

Life insurance financial performance

Operating profit increased to EUR 73 million (37) due to a growth in income and a moderate growth in expenses. Insurance service result improved to EUR 28 million, investment income grew by 10.7% to EUR 46 million and net commissions and fees increased by 32.6% to EUR 12 million. A contractual service margin of EUR 17 million (19) was recognised in the insurance service result. Investment result improved, particularly due to the strong performance of equity investments. Total expenses remained at the previous year's level. Development costs increased as a result of the core system reforms that were continued during the reporting period in term life insurance and individual unit-linked insurance.

€ million	Q1/2024	Q1/2023	Change, %
Insurance service result	28	0	-
Net finance income and expenses	-234	-184	26.9
Income from investment activities	279	227	23.1
Investment income	46	41	10.7
Net commissions and fees	12	9	32.6
Other operating income and expenses	0	0	-
Personnel costs	-4	-3	10.1
Depreciation/amortisation and impairment loss	-4	-5	-26.3
Other operating expenses	-13	-12	8.5
Total expenses	-20	-20	0.5
Transfers to insurance service result	11	11	8.0
OP bonuses to owner-customers	-4	-3	25.7
Operating profit	73	37	94.9
Cost/income ratio, %	21	33	-
Contractual service margin at period end	717	811	-11.6

Life insurance: investment income

€ million	Q1/2024	Q1/2023
Insurance company's investments		
Fixed income investments	10	36
Quoted shares	38	24
Other liquid investments	0	0
Property investment	0	1
Other illiquid investments	9	3
Insurance company's net investment income	57	65
Net finance income*	4	-31
Interest on subordinated loans, and other income and expenses	-5	-2
Investment income	56	33
Net income from separated balance sheets	2	11
Net income from customers' savings and investments agreements	-12	2
Total investment income	46	41

* Excluding net finance income from separated balance sheets and customers' savings and investments agreements

Life insurance: key investment indicators*

	Q1/2024	Q1/2023
Return on investments at fair value, %	1.8	2.0
Fixed income investments' running yield, %**	4.1	4.1
	31 Mar 2024	**31 Dec 2023**
Investment portfolio, € million	3,255	3,201
Investments within the investment grade category, %	90	91
A-rated receivables, minimum, %	51	53
Modified duration	3.3	3.3

* Excluding the separated balance sheets

** Portfolio's market value weighted yield of direct bonds excluding occurrences of default

Group Functions

Key figures and ratios

€ million	Q1/2024	Q1/2023	Change, %	Q1–4/2023
Net interest income	-6	-12	-	1
Impairment loss on receivables	0	0	-	0
Net commissions and fees	1	1	-	-1
Investment income	5	19	-74.3	10
Other operating income	190	176	8.0	741
Personnel costs	-65	-55	17.5	-232
Depreciation/amortisation and impairment loss	-15	-22	-31.1	-104
Other operating expenses	-115	-103	11.3	-441
Operating loss	-5	4	-	-26

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

On 31 March 2024, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding and covered bonds was 36 basis points (34). In January–March, OP Financial Group issued long-term bonds worth EUR 1.6 billion (1.2).

OP Financial Group's funding position and liquidity are strong. At the end of the reporting period, the Group's LCR was 199% (199) and NSFR was 130% (130). At the end of the reporting period, OP Financial Group's balance sheet assets included bonds worth EUR 1,324 million (623), which are not measured at fair value in accounting. The fair value of these bonds amounted to EUR 1,337 million (641) at the end of the reporting period.

Financial performance for the reporting period

Group Functions operating loss was EUR –5 million (4). Net interest income was EUR –6 million (-12).

Investment income totalled EUR 5 million (19). Changes in the value of derivatives decreased investment income. Other operating income increased by 8.0% to EUR 190 million. Other operating income mainly includes OP Financial Group's intra-group items.

Personnel costs rose by 17.5% to EUR 65 million. The increase was affected by headcount growth and pay increases. The number of employees increased in areas such as service development, risk management and compliance. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 31.1% to EUR 15 million. Other operating expenses increased by 11.3% to EUR 115 million. ICT costs increased by 13.4% to EUR 83 million.

ICT investments

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

OP Financial Group's development expenditure for January–March totalled EUR 97 million (87). This included licence fees, purchased services, other external costs related to projects, and in-house work. The capitalised development expenditure totalled EUR 14 million (23). More detailed information on OP Financial Group's investments can be found in the business segment reports in this Interim Report.

Personnel

On 31 March 2024, OP Financial Group had 14,204 employees (13,806). The number of employees averaged 14,024 (13,533). During the reporting period, the number of employees increased in areas such as service development, sales, customer service, risk management and compliance. A total of 103 trainees (92) were selected to the Kiitorata trainee programme that began in March.

Personnel at period end

	31 Mar 2024	31 Dec 2023
Retail Banking	7,956	7,785
Corporate Banking	1,040	1,010
Insurance	2,536	2,494
Group Functions	2,672	2,517
Total	14,204	13,806

During the reporting period, 42 OP Financial Group employees (23) retired at an average age of 62.8 years (60.9).

Variable remuneration applied by OP Financial Group in 2024 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets 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.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period included the accounts of 102 OP cooperative banks (102) and their subsidiaries, and OP Cooperative Consolidated.

On 27 September 2023, Etelä-Karjalan Osuuspankki and Kymenlaakson Osuuspankki approved a merger plan, according to which the latter merged into the former on 30 April 2024. In connection with the merger, the business name of Etelä-Karjalan Osuuspankki was changed to Kaakkois-Suomen Osuuspankki.

On 22 February 2024, Taivalkosken Osuuspankki, Kuusamon Osuuspankki and Pudasjärven Osuuspankki approved merger plans, according to which Taivalkosken Osuuspankki and Pudasjärven Osuuspankki will merge into Kuusamon Osuuspankki. The planned date for the execution of the mergers is 31 August 2024. Consequently, the business name of Kuusamon Osuuspankki will change to Koillismaan Osuuspankki.

Governance of OP Cooperative

On 5 December 2023, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to 31 December 2024. In addition, according to the bylaws of OP Cooperative, the President and Group CEO is a Board member during their term of office.

The following members continued on the Board in 2024: Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (rahoitusneuvos (Finnish honorary title); Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Petri Sahlström (Professor of Accounting and Finance, University of Oulu) and Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki).

In addition, the Supervisory Council elected the following new members of the Board of Directors: Matti Kiuru, M.Sc. (Econ. & Bus. Adm.), eMBA (Managing Director, Länsi-Suomen Osuuspankki) and Katja Kuosa-Kaartti, M.Sc. (Econ. & Bus. Adm.), (Authorised Public Accountant, Tilintarkastus Kuosa-Kaartti Oy). Jari Himanen's and Mervi Väisänen's term of office in the Board of Directors ended on 31 December 2023.

On 20 December 2023, the Board of Directors elected from among its members the chair and vice chair, and members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

Events after the reporting period

Bill regarding a change in the tax practices related to customer bonuses in the financial sector

In April, a bill regarding a change in the tax practices related to customer bonuses in the financial sector was sent out for a consultation round. The bill, which was based on an entry in the Finnish Government's government programme, would affect OP bonuses. If the bill is implemented, it will affect the tax treatment of OP bonuses used to pay insurance premiums. The draft act proposes that customer bonuses in the financial sector should be taxable if these are used for things other than the services which initially brought the bonuses. OP Financial Group will ensure that there is no reduction in the net value of normal benefits accrued by owner-customers, even if the legislative change occurs.

A new Head of Wealth Management for OP Financial Group

OP Financial Group is seeking significant growth in wealth management services. On 1 April 2024, Hanna Porkka (53), M.Sc. (Econ. & Bus. Adm.), took up her duties as Executive Vice President, Wealth Management and member of OP Cooperative's Executive Management Team.

OP Cooperative's Annual Cooperative Meeting

On 23 April 2024, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Managing Director Kaisa Markula, Managing Director Ulf Nylund, Managing Director Teuvo Perätalo, HR Director Titta Saksa and Professor of Regional Development Studies Markku Sotarauta.

New Supervisory Council members elected were Customer Relationship Director Essi Alaluukas, Senior Lecturer Kati Antola, Lawyer Sanna Ebeling, Managing Director Jouni Hautala, Managing Director Miia Hirvonen, Managing

Director Ari Karhapää, Managing Director Juha Korhonen, Managing Director Leena Perämäki, Managing Director Eija Sipola, Managing Director Kirsi Soltin, Managing Director Agneta Ström-Hakala and entrepreneur Antti Turkka.

At its reorganising meeting on 23 April 2024, the Supervisory Council elected the Chairs of the Supervisory Council. Chair of the Board of Directors Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting elected PricewaterhouseCoopers Oy, an audit firm, to act as auditor for the financial year 2024, with APA Lauri Kallaskari as the chief auditor.

The Annual Cooperative Meeting elected PricewaterhouseCoopers Oy, a sustainability audit firm, to assure OP Financial Group's sustainability reporting for the financial year 2024, with Tiina Puukkoniemi, ASA, acting as the chief authorised sustainability auditor.

Outlook towards the year end

The Finnish economy declined in the first quarter, but recovery in the export market, improvement in spending power and a fall in interest rates are anticipated to ameliorate the economy towards the year end. The escalation of geopolitical crises may abruptly affect capital markets and the economic environment.

OP Financial Group's operating profit for 2024 is expected to be at a good level but lower than that for 2023.

The most significant uncertainties affecting OP Financial Group's earnings performance are associated with developments in the business environment, changes in the interest rate and investment environment and developments in impairment loss on receivables. Forward-looking statements in this Interim Report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view on developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below. The formulas for the key figures and ratios can be derived from the figures presented in this Interim Report, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula		Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income	x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Total income	Net interest income + Net commissions and fees + Insurance service result + Investment income + Other operating income + Transfers to insurance service result		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 insurance finance income + Net interest income from financial assets held for trading + Net investment income		The figure describes the development of all income related to investment.
Loan portfolio	Loans and loss allowance included in the balance sheet item Receivables from customers.		Total amount of loans granted to customers.
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		Total amount of deposits by customers.
Coverage ratio, %	Loss allowance / Balance sheet items involving credit risk + Credit equivalent of off-balance-sheet items	x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.
Income from customer business	Net interest income + insurance service result + net commissions and fees		Income from customer business describes the development of net interest income, insurance service result and net commissions and fees. Income directly from customers is presented mainly under these items.
Non-life insurance:			
Combined ratio, %	Risk ratio + Cost ratio		The combined ratio is a key indicator of efficiency for non-life insurance companies. The ratio describes whether the insurance revenue is sufficient to cover the company's expenses during the reporting period.
Risk ratio, %	Claims incurred, net / Net insurance revenue	x 100	The ratio describes how much of the insurance revenue is spent on claims paid. Claims incurred (net) are calculated by deducting operating expenses and reinsurers' share from insurance service expenses.
Cost ratio, %	Operating expenses, net / Net insurance revenue	x 100	The ratio describes the ratio of the company's costs (acquisition, management, administration and claims settlement expenses) to its insurance revenue.

Key indicators based on a separate calculation

Indicator	Formula		Description
Capital adequacy ratio, %	Total own funds / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of own funds to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
Common Equity Tier 1 (CET1) capital ratio, %	CET1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Solvency ratio, %	Capital base / Solvency capital requirement (SCR)	x 100	The ratio describes an insurance company's solvency and shows the ratio of the capital base to the total risk exposure amount.
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.
Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates*	Conglomerate's total capital base / Conglomerate's total minimum capital requirement	x 100	The ratio describes the capital adequacy of the financial conglomerate and shows the ratio of the capital base to the minimum amount of the capital base.
Ratio of non-performing exposures to exposures, %	Non-performing exposures (gross) /	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire

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

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

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € mill.	31 Mar 2024	31 Dec 2023
OP Financial Group's equity capital	16,543	16,262
Excluding the effect of insurance companies on the Group's equity	-1,398	-1,297
Fair value reserve, cash flow hedge	216	212
Common Equity Tier 1 (CET1) before deductions	15,361	15,177
Intangible assets	-315	-314
Excess funding of pension liability and valuation adjustments	-229	-216
Cooperative capital deducted from own funds	-5	-198
Planned profit distribution and unpaid profit distribution for previous financial	-246	-148
Shortfall of ECL minus expected losses		
Insufficient coverage for non-performing exposures	-207	-190
CET1 capital	14,358	14,111
Tier 1 capital (T1)	14,358	14,111
Debenture loans	1,288	1,308
Debentures to which transition rules apply	48	57
General credit risk adjustments	122	120
Tier 2 capital (T2)	1,458	1,484
Total own funds	15,816	15,595

Risk exposure amount, € million	31 Mar 2024	31 Dec 2023
Credit and counterparty risk	64,743	65,997
Standardised Approach (SA)	64,743	65,997
Central government and central banks exposure	508	509
Credit institution exposure	553	603
Corporate exposure	26,222	27,591
Retail exposure	9,783	10,174
Mortgage-backed exposure	19,515	18,988
Defaulted exposure	2,309	2,309
Items of especially high risk	1,658	1,697
Covered bonds	671	608
Receivables to which a short-term credit rating can be applied		
Collective investment undertakings (CIU)	177	201
Equity investments	2,432	2,410
Other	915	907
Internal Ratings-based Approach (IRB)		
Corporate exposure		
Retail exposure		
Equity investments		
Other		
Risks of the CCP's default fund	1	1
Securitisations	43	50
Market and settlement risk (Standardised Approach)	1,103	1,006
Operational risk (Standardised Approach)	4,936	4,156
Valuation adjustment (CVA)	202	217
Other risks*	2,084	2,084
Total risk exposure amount	73,112	73,511

* Risks not otherwise covered.

Ratios, %	31 Mar 2024	31 Dec 2023
CET1 capital ratio	19.6	19.2
Tier 1 ratio	19.6	19.2
Capital adequacy ratio	21.6	21.2

Ratios, fully loaded, %	31 Mar 2024	31 Dec 2023
CET1 capital ratio	19.6	19.2
Tier 1 ratio	19.6	19.2
Capital adequacy ratio	21.6	21.1

Capital requirement, € million	31 Mar 2024	31 Dec 2023
Own funds	15,816	15,595
Capital requirement	10,501	10,558
Buffer for capital requirements	5,315	5,037

The capital requirement of 14.4% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 1.5%, the minimum requirement (P2R) of 2.25% set by the ECB and the country-specific countercyclical capital buffers for foreign exposures. Transitional provisions regarding Tier 2 capital included in capital adequacy for credit institutions have been taken into account in figures.

Leverage ratio, EUR million	31 Mar 2024	31 Dec 2023
Tier 1 capital (T1)	14,358	14,111
Total exposure	146,135	148,849
Leverage ratio, %	9.8	9.5

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

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

€ million	31 Mar 2024	31 Dec 2023
OP Financial Group's equity capital	16,543	16,262
Other items included in Banking's Tier 1 and Tier 2 capital	1,458	1,484
Other sector-specific items excluded from capital base	-400	-574
Goodwill and intangible assets	-994	-1,000
Insurance business valuation differences*	802	855
Proposed profit distribution	-246	-148
Items under IFRS deducted from capital base**	35	48
Shortfall of ECL minus expected losses		
Conglomerate's total capital base	17,199	16,928
Regulatory capital requirement for credit institutions***	10,170	10,227
Regulatory capital requirement for insurance operations*	1,679	1,511
Conglomerate's total minimum capital requirement	11,848	11,738
Conglomerate's capital adequacy	5,350	5,190
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	145	144

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR
** Excess funding of pension liability, portion of cash flow hedge of fair value reserve
*** Total risk exposure amount x 14.4%
Transitional provisions regarding Tier 2 capital included in capital adequacy for credit institutions have been taken into account in figures.

TABLES

Income statement

€ million	Notes	Q1 2024	Q1 2023
Interest income		1,607	999
Interest expenses		-844	-384
Net interest income	3	763	615
Impairment loss on receivables	4	-39	-23
Commission income		249	277
Commission expenses		-32	-33
Net commissions and fees	5	217	244
Insurance premium revenue		523	485
Insurance service expenses		-512	-485
Net income from reinsurance contracts		-21	-3
Insurance service result	6	-10	-2
Net finance income (+)/expenses (–) related to insurance		-250	-214
Net finance income (+)/expenses (–) related to reinsurance		0	-9
Net insurance finance income (+)/expenses (–)	7	-250	-223
Net interest income from financial assets held for trading	8	8	33
Net investment income	9	393	317
Other operating income		9	6
Personnel costs		-256	-222
Depreciation/amortisation and impairment loss		-33	-47
Other operating expenses	10	-248	-284
Transfers to insurance service result		129	120
Operating expenses		-407	-433
OP bonuses to owner-customers		-65	-55
Operating profit (loss)		**618**	**480**
Earnings before tax		**618**	**480**
Income tax		-125	-95
Profit for the period		**492**	**385**
Attributable to:			
Profit for the period attributable to owners		491	383
Profit for the period attributable to non-controlling interest		2	2
Profit for the period		**492**	**385**

Statement of comprehensive income

€ million	Notes	Q1 2024	Q1 2023
Profit for the period		**492**	**385**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		25	11
Changes in own credit risk on liabilities measured at fair value		-14	
Items that may later be reclassified to the profit or loss			
Change in fair value reserve			
On fair value measurement	14	16	-2
On cash flow hedging	14	-6	36
Translation differences			
Income tax			
On items not reclassified to profit or loss			
On gains/(losses) arising from measurement of defined benefit plans		-5	-2
Changes in own credit risk on liabilities measured at fair value		3	
On items that may subsequently be reclassified to profit or loss			
On fair value measurement	14	-3	0
On cash flow hedging	14	1	-7
Other comprehensive income items		**17**	**35**
Total comprehensive income for the period		**509**	**420**
Comprehensive income for the period attributable to:			
Comprehensive income for the period attributable to owners		508	419
Comprehensive income for the period attributable to non-controlling interests		2	2
Total		**509**	**420**

Balance sheet

€ million	Notes	31 March 2024	31 Dec 2023
Cash and cash equivalents	16	15,839	19,755
Receivables from credit institutions	16	1,001	858
Receivables from customers	16	97,331	97,836
Derivative contracts	16, 19	2,968	3,401
Investment assets		22,720	21,896
Assets covering unit-linked contracts	16	13,205	12,581
Reinsurance contract assets	11	110	106
Intangible assets		1,059	1,065
Property, plant and equipment		399	398
Other assets		2,515	2,222
Tax assets		293	273
Total assets		**157,438**	**160,391**
Liabilities to credit institutions	16	75	66
Liabilities to customers	16	75,378	76,656
Derivative contracts	16, 19	2,903	3,271
Insurance contract liabilities	12	11,904	11,589
Reinsurance contract liabilities	12	0	0
Liabilities from investment agreements	16	8,368	7,944
Debt securities issued to the public and debentures	13	35,286	37,511
Provisions and other liabilities		4,422	4,450
Tax liabilities		1,158	1,229
Subordinated liabilities		1,402	1,414
Total liabilities		**140,896**	**144,129**
Equity capital			
Capital and reserves attributable to OP Financial Group owners			
Cooperative capital			
Member cooperative shares		217	219
Profit Shares		3,176	3,335
Fair value reserve	14	-282	-290
Other reserves		2,172	2,172
Retained earnings		11,128	10,703
Non-controlling interests		132	124
Total equity		**16,543**	**16,262**
Total liabilities and equity		**157,438**	**160,391**

Statement of changes in equity

€ million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Equity capital 1 January 2023	**3,586**	**-360**	**2,172**	**9,153**	**14,550**	**118**	**14,668**
Total comprehensive income for the period		27		392	419	2	420
Profit for the period				383	383	2	385
Other comprehensive income items		27		9	35		35
Profit distribution				-46	-46	-2	-48
Changes in membership and profit shares	-105				-105		-105
Other			0	4	4	-2	2
Equity capital 31 March 2023	**3,480**	**-334**	**2,172**	**9,502**	**14,821**	**116**	**14,937**

€ million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Equity capital 1 January 2024	**3,554**	**-290**	**2,172**	**10,703**	**16,139**	**124**	**16,262**
Total comprehensive income for the period		8		499	508	2	509
Profit for the period				491	491	2	492
Other comprehensive income items		8		9	17		17
Profit distribution				-75	-75	-1	-76
Changes in membership and profit shares	-161				-161		-161
Other				0	0	8	8
Equity capital 31 March 2024	**3,393**	**-282**	**2,172**	**11,128**	**16,411**	**132**	**16,543**

Cash flow statement

€ million	Q1 2024	Q1 2023
Cash flow from operating activities		
Profit for the period	492	385
Adjustments to profit for the period	-43	-149
Increase (-) or decrease (+) in operating assets	**-725**	**145**
Receivables from credit institutions	-51	-484
Receivables from customers	463	45
Derivative contracts	-20	1,391
Investment assets	-764	-4
Assets covering unit-linked contracts	-58	-238
Reinsurance contract assets	-5	8
Other assets	-291	-573
Increase (+) or decrease (–) in operating liabilities	**-940**	**-15,970**
Liabilities to credit institutions	9	-12,066
Liabilities to customers	-1,200	-121
Derivative contracts	78	-6,130
Insurance contract liabilities	315	312
Reinsurance contract liabilities	0	0
Liabilities from investment agreements	0	0
Provisions and other liabilities	-143	2,036
Income tax paid	-220	-79
Dividends received	15	18
A. Net cash from operating activities	**-1,422**	**-15,650**
Cash flow from investing activities		
Purchase of PPE and intangible assets	-24	-30
Proceeds from sale of PPE and intangible assets	2	2
B. Net cash used in investing activities	**-22**	**-28**
Cash flow from financing activities		
Subordinated liabilities, change	-13	-6
Debt securities issued to the public and debentures, change	-2,180	-1,756
Increases in cooperative and share capital	32	56
Decreases in cooperative and share capital	-193	-161
Dividends paid and interest on cooperative capital	0	0
Lease liabilities	-9	-8
C. Net cash used in financing activities	**-2,363**	**-1,875**
Net change in cash and cash equivalents (A+B+C)	**-3,806**	**-17,553**
Cash and cash equivalents at period start	**19,947**	**35,656**
Effect of foreign exchange rate changes	-18	-31
Cash and cash equivalents at period end	**16,122**	**18,072**
Interest received	**2,630**	**1,593**
Interest paid	**-2,138**	**-955**
Cash in hand		
Cash and cash equivalents	15,839	17,537
Receivables from credit institutions payable on demand	284	535
Total	**16,122**	**18,072**

Notes

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

Note 1. Accounting policies

The Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the financial statements 2023.

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

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

The Retail Banking segment's name in Finnish was changed during the first quarter of 2024. The segment's name in English remained unchanged.

1. Critical accounting judgements

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

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, in addition to recovery times set by the authorities.

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.

Management judgement and estimates included in the calculation of expected credit losses in respects of other than those presented above are included in the 2023 financial statements.

Measurement of insurance contracts

In applying IFRS 17, risk adjustment for non-financial risk is one of the components in the measurement of insurance contracts and the management has exercised the following judgement:

- In the calculation of risk adjustment, 5% has been set as the level of the cost of capital (CoC) parameter. The CoC level is shared by OP Life Assurance Company Ltd and Pohjola Insurance Ltd in the measurement of insurance contracts. OP Financial Group assesses the value of the cost of capital parameter at least once a year and it is changed, if necessary. The parameter can also be revised if the management deems it necessary on the basis of a business change or the market situation, for example. The methods and assumptions used have not changed during the financial year.
- Risk adjustment for non-financial risk is determined for OP Life Assurance Company Ltd and Pohjola Insurance Ltd separately and diversification benefits between the companies are not taken into account when determining risk adjustment.
- The confidence level for Pohjola Insurance varies between 70% and 75% and for OP Life Assurance Company between 90% and 95%. A scaling technique related to the confidence level of normal distribution has been used as the confidence level determination technique. OP Financial Group's combined confidence level is 85%.

Management has exercised judgement in the determination of the discount rate used in the calculation of insurance contracts, as follows:

- Discounting curves are derived as the sum of the risk-free interest rate and liquidity premium dependent on the characteristics of insurance contracts. The management exercises judgement in defining the principles for the parameters of the risk-free discounting curve and the liquidity premium. Insurance contract cash flows typically extend over a longer term than liquid market quotes, so euro swap rates are directly taken into account only until the defined maximum maturity (20 years). Thenceforth, the risk-free curve is extrapolated towards a long-term balance level. A credit risk component is removed from the swap rates, if necessary. The maximum maturity of the USD yield curve has been set at 30 years and the long-term equilibrium interest rate of the EUR, USD, NOK and SEK yield curves has been set at 3.3 percent in accordance with the UFR analysis of the EIOPA.
- Liquidity premium is determined by means of the investment universe that takes account of each insurance company's exposure. The investment universe means a portfolio allocation. When creating it, the amount of exposure is taken into account in weightings and index choices, the maturities of exposure and investment cash flows as well as cash flow predictability. The investment universe includes reference indices and their weights for government bonds, IG corporate bonds (IG, credit rating AAA-BBB and higher-risk corporate bonds (HY, credit rating BB-C). The management reviews the allocation on a regular basis.
- The movements of the discount rate affect earnings through the value change of cash flows and the selection of the interest rate model has a significant impact on earnings. At least once a year, OP Financial Group reviews the values of the parameters used in the yield curve modelling. The parameters can also be revised if the management deems it necessary.

Judgement exercised by the management to measure insurance contracts in the adoption of IFRS 17 and the assessment process of the input data of these methods:

- When measuring groups of insurance contracts, estimates concerning future cash flows reflect future assumptions made on the measurement date that include an adjustment that reflects the time value of money and financial risks associated with future cash flows to the extent that the financial risks are not included in the values of future cash flows as well as an estimate of risk adjustment to other than the financial risk.
- The objective of estimating future cash flows is to determine the expected value, or probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. Reasonable and supportable information available at the reporting date without undue cost or effort includes information on past events and current conditions, and forecasts of future conditions.
- Deterministic technical provisions models are used to model the expected value unless cash flows are affected by factors requiring complex stochastic simulation. OP Financial Group uses simulation in the calculation of time value of customer bonuses in OP Life Assurance Company's insurance contracts.

- Mortality models based on the latest mortality studies are used in cash flow assumptions. OP Financial Group monitors the relevance of the mortality models on an ongoing basis and, if needed, updates the models. In addition, customer behaviour assumptions and assumptions of operating expenses have a significant impact on insurance contract cash flows. The assumptions have been modelled using statistics and are continuously monitored and updated with increasing information. Since endowment and single-premium savings policies are often sold as long-term contracts, some policyholders terminate their contracts by surrendering the policies according to their needs before the date of expiry under the contract. The risk of surrender in individual pension plans is very low, since law limits surrender opportunities only in specific cases mentioned in the law such as divorce and long-term unemployment. In addition to mortality assumptions, the term life insurance is significantly affected by lapse rate assumptions, or how customers decide to terminate their insurance.
- Cash flows from claims and operating expenses consist of provisions for unknown and known claims, discretionary extra provisions and their operating expense loading, and they are determined by the principles described below.
    - Provision will be made for known claims if claims expenditure is estimated to exceed the defined euro value. The claim-specific provision for such large claims is made based on the assessments by claims specialists in compliance with provision guidelines approved by the Actuarial function. In addition, provisions for all known foreign underwriting business claims are made on a case-by-case basis, including claims where the proportion of reinsurers of non-proportional reinsurance does not deviate from zero.
    - Unknown claims and the proportion of known claims for which no provision is made are statistically assessed using the observed speed of settling claims, risk ratio developments and assumptions of changes, if any. At the same time, the amount of claim-specific provisions is adjusted collectively to the best estimate. The collective method is used for a statistical forecast method applicable to each risk group, mainly methods based on development factors and the Cape Cod method. The forecasts place the heaviest emphasis mainly on the year of occurrence itself and its immediate years. Furthermore, the forecasts emphasise years of occurrence with a large volume and where a significant proportion of claims has already been paid out. Collective estimates are implemented with accuracy that is relevant to the product risk and phenomenon.
    - Provision for outstanding claims in pension insurance benefits are made on a claim-specific basis by applying the reference mortality model produced by the Insurance Centre.
    - The insurance contract liability is supplemented on a discretionary basis through special provisions, utilising assessments by the business unit, claims processing and Actuarial function specialists unless there is sufficient statistical data on the phenomenon to calculate the statistical provision. Such special provisions can be made in case there is some other known reason or phenomenon on the basis of which the provision for outstanding claims must be supplemented. For example, provision for delay in processing can be made in a situation where the number of unprocessed claims has become exceptionally large compared with the basic situation.
    - If a certain loss event, such as a storm, causes several claims with a total estimated value exceeding the specified value, a provision can be made for a claim accumulation.
    - Future cash flows from operating expenses consist of forecasts of insurance management and administrative expenses as well as a forecast of claims settlement expenses. Forecasts of claims settlement expenses are formed as the best estimate by loading cash flows related to claims forecasts. Forecasts of other operating expenses are formed by means of amortising insurance premiums on a pro rata basis by applying the operating expense factor to them.

Judgement exercised by the management in the application of the Variable Fee Approach (VFA) in the adoption of IFRS 17:

- OP Financial Group grants endowment, unit-linked and pension insurance policies. According to the contract concerned, their objective is to produce, or is expected to produce, investment-related services and receive a fee from the services as compensation that is determined based on the underlying items. The insurance contract may contain various investment products.
- On initial recognition, such contracts must be assessed whether they include direct participation features using the following criteria:

    - under the contract, the policyholder is entitled to participate in the share of the underlying investment products;
    - OP Financial Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items;
    - OP Financial Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.
- OP Financial Group assesses the fulfilment of the VFA terms applied to insurance contracts according to the expectations prevailing at inception of a contract and does not reassess the terms afterwards, except if changes are made to the contract. In selecting a valuation model, OP Financial Group considers all substantive rights and obligations to which all terms and conditions are included in the contract. A unit of account under IFRS 17 is a group of contracts, which is why the same valuation model is applied to the entire Group according to the characteristics of its cash flows. All contracts with similar risks belong to the group of insurance contracts and they are managed together.

Judgement exercised by the management in the adoption of IFRS 17 in defining coverage units that determine recognition:

- The contractual service margin included in the contract in the group of insurance contracts is recognised an amount in profit or loss in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount of the contractual service margin recognised in profit or loss is determined using coverage units included in the group of contracts. The coverage units describe the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and the contract's duration.
- For typical non-life insurance contracts of short duration, insurance service is interpreted to be provided evenly during the coverage period and insurance premiums received from contracts in the same insurance group are used as the basis for the coverage unit at insurance group level. The forecast lifecycle recognition of the contractual service margin of life insurance products in profit or loss, depending on the contract type, is affected by the saved amount by group, expected duration of the contract, amount of compensation or savings, lapses and future insurance premiums. Release of the contractual service margin and the basis of coverage units vary by insurance line: the basis is the development of the amount of assets for endowment-type insurance products and the development of capital at risk for term life insurance.
- The insurance products of OP Financial Group, where both investment service and insurance service are provided, are produced evenly and in the same proportion over the expected duration of the contract. In addition, both services are produced at the same time and their contract periods are of the same duration.

Judgement exercised by the management in the adoption of IFRS 17 related to the determination of investment components:

- Management has identified that some life insurance contracts of OP Financial Group include investment components. Their size is determined at the amount that OP Financial Group must pay back to the policyholder under the insurance contract in all circumstances. Examples of these situations include those where an insurance event occurs or the contract expires or cease to be in effect without the occurrence of an insurance event.
- The following life insurance contracts include significant investment components determined as follows:
    - Unit-linked and pension insurance:
        - if death cover is over 100%, the investment component is the amount of savings.
        - if death cover is less than 100%, the investment component is the amount covered with death cover.
    - In separated balance sheets, the investment component is the amount of claims paid.

Judgement related to fair value determination and the modifications under the MRA used in the IFRS 17 transition:

- The method of transition to the MRA has been applied to the majority of insurance contracts granted by Pohjola Insurance. The values of transition to IFRS 17 have separately been determined for typical insurance contracts and insurance contracts requiring special treatment. Typical insurance contracts mean contracts of short duration, generally duration of one year or sometimes a few years. The MRA transition method is applied to them. Pohjola Insurance uses the modification to especially adjust cash flows that have already realised in order to avoid undue cost and effort in the determination of the values of transition.

- The fair value transition approach has been applied to OP Life Assurance Company contracts, which is due to the long-term nature of the products. The contracts have already been in force before the date when reasonable and supportable information needed for retrospective calculation was available that could be used without hindsight.
- To apply the fair value approach, OP Financial Group has determined the contractual service margin included in the contract or the fair value of the loss component of the liability for remaining coverage of the group of insurance contracts on the date of transition and the difference of the fulfilment cash flows resulting from the fulfilment of the contract determined on the date concerned. Under IFRS 17, the contractual service margin of the group of insurance contracts reflects the group's expected future profit that is recognised during the future life cycle of the group of insurance contracts.
- The fair value determination determined for the group of insurance contracts takes account of the discounted present value of the future cash flows of the group of insurance contracts, risk adjustment, in view of the future profit or loss arising from the insurance premiums already accrued in the group of insurance contracts as well as the future profit or loss arising from future insurance premiums on the date of transition on 1 January 2022 and the risk premiums generally required by the market participant in connection with the sale of the portfolio. The management has exercised judgement in the determination of the used valuation parameters in determining cash flows, the discount rate and risk margin, for example. In practice, there are no active and established markets for selling insurance portfolios but potential sales are often executed in bilateral transactions that would correspond to the most favourable market.

2. January–March highlights

Additional benefits for owner-customers

OP Financial Group allocates part of its profitability improvement to provide additional benefits to owner-customers. OP Financial Group pays 40 per cent extra on OP bonuses earned by owner-customers for 2024 compared with the 2022 level. The estimated total amount of OP bonuses to be paid in 2024 will exceed EUR 300 million.

In addition, owner-customers will get daily banking services without monthly charges until the end of 2024. The estimated total value of this benefit will be EUR 88 million for 2024.

3. Events after the reporting period

Bill regarding a change in the tax practices related to customer bonuses in the financial sector

In April, a bill regarding a change in the tax practices related to customer bonuses in the financial sector was sent out for a consultation round. The bill, which was based on an entry in the Finnish Government's government programme, would affect OP bonuses. If the bill is implemented, it will affect the tax treatment of OP bonuses used to pay insurance premiums. The draft act proposes that customer bonuses in the financial sector should be taxable if these are used for things other than the services which initially brought the bonuses. OP Financial Group will ensure that there is no reduction in the net value of normal benefits accrued by owner-customers, even if the legislative change occurs.

A new Head of Wealth Management for OP Financial Group

OP Financial Group is seeking significant growth in wealth management services. On 1 April 2024, Hanna Porkka (53), M.Sc. (Econ. & Bus. Adm.), took up her duties as Executive Vice President, Wealth Management and member of OP Cooperative's Executive Management Team.

OP Cooperative's Annual Cooperative Meeting

On 23 April 2024, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Managing Director Kaisa Markula, Managing Director Ulf Nylund, Managing Director Teuvo Perätalo, HR Director Titta Saksa and Professor of Regional Development Studies Markku Sotarauta.

New Supervisory Council members elected were Customer Relationship Director Essi Alaluukas, Senior Lecturer Kati Antola, Lawyer Sanna Ebeling, Managing Director Jouni Hautala, Managing Director Miia Hirvonen, Managing Director Ari Karhapää, Managing Director Juha Korhonen, Managing Director Leena Perämäki, Managing Director Eija Sipola, Managing Director Kirsi Soltin, Managing Director Agneta Ström-Hakala and entrepreneur Antti Turkka.

At its reorganising meeting on 23 April 2024, the Supervisory Council elected the Chairs of the Supervisory Council. Chair of the Board of Directors Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting elected PricewaterhouseCoopers Oy, an audit firm, to act as auditor for the financial year 2024, with APA Lauri Kallaskari as the chief auditor.

The Annual Cooperative Meeting elected PricewaterhouseCoopers Oy, a sustainability audit firm, to assure OP Financial Group's sustainability reporting for the financial year 2024, with Tiina Puukkoniemi, ASA, acting as the chief authorised sustainability auditor.

Note 2. Segment reporting

Segment information

Q1 earnings 2024, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Interest income	1,127	569	1	899	-989	1,607
Interest expenses	-516	-403	0	-904	979	-844
Net interest income	611	166	1	-6	-10	763
of which inter-segment items	0	-100		100	0	0
Impairment loss on receivables	-27	-12		0	0	-39
Commission income	172	99	21	6	-50	249
Commission expenses	-11	-43	-8	-6	35	-32
Net commissions and fees	161	57	14	1	-15	217
Insurance premium revenue			523		0	523
Insurance service expenses			-512		0	-512
Net income from reinsurance contracts			-21		0	-21
Insurance service result			-10			-10
Net finance income (+)/expenses (–) related to insurance			-250		0	-250
Net finance income (+)/expenses (–) related to reinsurance			0		0	0
Net insurance finance income (+)/expenses (–)			-250		0	-250
Net interest income from financial assets held for trading	0	10	0	5	-8	8
Net investment income	-1	0	379	0	16	393
Other operating income	13	9	0	190	-204	9
Personnel costs	-132	-26	-45	-65	11	-256
Depreciation/amortisation and impairment loss	-8	0	-10	-15	0	-33
Other operating expenses	-196	-57	-86	-115	206	-248
Transfers to insurance service result			129		0	129
Operating expenses	-336	-83	-11	-195	218	-407
OP bonuses to owner-customers	-54	-8	-4		0	-65
Operating profit (loss)	**368**	**140**	**118**	**-5**	**-3**	**618**
Earnings before tax	**368**	**140**	**118**	**-5**	**-3**	**618**

The calculated ineffectiveness of fair value hedges arising from the elimination of internal items is presented in Group eliminations.

Q1 earnings 2023, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Interest income	703	111	0	436	-251	999
Interest expenses	-247	26	0	-447	285	-384
Net interest income	455	138	0	-12	34	615
of which inter-segment items	0	-61			61	0
Impairment loss on receivables	-12	-11		0	0	-23
Commission income	205	100	19	6	-53	277
Commission expenses	-11	-42	-9	-5	34	-33
Net commissions and fees	194	58	10	1	-19	244
Insurance premium revenue			485			485
Insurance service expenses			-485			-485
Net income from reinsurance contracts			-3			-3
Insurance service result			-2		0	-2
Net finance income (+)/expenses (–) related to insurance			-214		0	-214
Net finance income (+)/expenses (–) related to reinsurance			-9			-9
Net insurance finance income (+)/expenses (–)			-223			-223
Net interest income from financial assets held for trading	0	18	-2	13	3	33
Net investment income	-1	0	318	6	-7	317
Other operating income	12	8	0	176	-189	6
Personnel costs	-118	-24	-42	-55	17	-222
Depreciation/amortisation and impairment loss	-11	-1	-13	-22	0	-47
Other operating expenses	-218	-80	-74	-103	191	-284
Transfers to insurance service result			120			120
Operating expenses	-346	-105	-9	-180	208	-433
OP bonuses to owner-customers	-46	-6	-3		0	-55
Operating profit (loss)	**256**	**100**	**90**	**4**	**29**	**480**
Earnings before tax	**256**	**100**	**90**	**4**	**29**	**480**

Balance sheet 31 March 2024, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	43	125		15,671	0	15,839
Receivables from credit institutions	24,126	152	710	12,105	-36,092	1,001
Receivables from customers	69,876	27,835	0	-53	-327	97,331
Derivative contracts	857	4,284	45	130	-2,349	2,968
Investment assets	453	570	9,487	17,000	-4,790	22,720
Assets covering unit-linked contracts			13,205			13,205
Reinsurance contract assets			110			110
Intangible assets	23	178	626	170	62	1,059
Property, plant and equipment	258	2	3	141	-5	399
Other assets	1,305	393	546	1,003	-733	2,515
Tax assets	102	3	103	44	41	293
Total assets	**97,042**	**33,544**	**24,835**	**46,211**	**-44,194**	**157,438**
Liabilities to credit institutions	9,920	4	59	24,883	-34,790	75
Liabilities to customers	61,284	12,225		3,225	-1,356	75,378
Derivative contracts	1,198	3,773	32	300	-2,400	2,903
Insurance contract liabilities			11,904		0	11,904
Reinsurance contract liabilities			0			0
Liabilities from investment agreements			8,368			8,368
Debt securities issued to the public and debentures	14,132	2,361		19,432	-639	35,286
Provisions and other liabilities	1,591	1,117	300	2,071	-657	4,422
Tax liabilities	523	3	227	402	4	1,158
Subordinated liabilities	0	0	380	1,402	-380	1,402
Total liabilities	**88,647**	**19,483**	**21,270**	**51,714**	**-40,218**	**140,896**
Equity capital						**16,543**

Balance sheet 31 December 2023, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	45	125		19,585	0	19,755
Receivables from credit institutions	24,254	209	570	12,705	-36,880	858
Receivables from customers	70,157	28,061	0	-53	-329	97,836
Derivative contracts	902	4,538	58	242	-2,340	3,401
Investment assets	453	555	9,460	16,223	-4,794	21,896
Assets covering unit-linked contracts			12,581			12,581
Reinsurance contract assets			106			106
Intangible assets	22	179	634	169	62	1,065
Property, plant and equipment	260	3	3	137	-4	398
Other assets	1,176	264	558	914	-690	2,222
Tax assets	101	1	82	48	41	273
Assets	**97,370**	**33,935**	**24,051**	**49,969**	**-44,934**	**160,391**
Liabilities to credit institutions	10,638	5	59	25,006	-35,642	66
Liabilities to customers	60,817	13,656		3,509	-1,325	76,656
Derivative contracts	1,158	4,106	27	390	-2,410	3,271
Insurance contract liabilities			11,589			11,589
Reinsurance contract liabilities			0			0
Liabilities from investment agreements			7,944			7,944
Debt securities issued to the public and debentures	14,190	2,466		21,492	-637	37,511
Provisions and other liabilities	1,699	1,056	316	1,937	-559	4,450
Tax liabilities	581	4	248	391	5	1,229
Subordinated liabilities	0	0	380	1,414	-380	1,414
Liabilities	**89,083**	**21,292**	**20,563**	**54,138**	**-40,947**	**144,129**
Equity capital						**16,262**

The Retail Banking segment's name in Finnish was changed at the beginning of 2024.

Note 3. Net interest income

€ million	Q1 2024	Q1 2023
Interest income		
Receivables from credit institutions	175	186
Receivables from customers		
Loans	1,178	751
Finance lease receivables	26	16
Fair value adjustments under hedge accounting	-12	-912
Total	1,192	-145
Notes and bonds		
Measured at fair value through profit or loss	0	0
At fair value through other comprehensive income	39	26
Amortised cost	8	1
Fair value adjustments under hedge accounting	-71	106
Total	-24	132
Derivative contracts*		
Fair value hedges	278	890
Cash flow hedges	-34	-5
Total	244	885
Liabilities to credit institutions		
Interest	0	-77
Liabilities to customers		
Negative interest	2	1
Other	17	16
Total	**1,607**	**999**
Interest expenses		
Liabilities to credit institutions		
Interest expenses for liabilities to credit institutions	0	-1
Fair value adjustments under hedge accounting	43	-71
Total	43	-72
Liabilities to customers	-312	-147
Debt securities issued to the public and debentures		
Interest expenses for debt securities issued to the public and debentures	-181	-140
Fair value adjustments under hedge accounting	104	-147
Total	-77	-286
Subordinated liabilities		
Other	-8	-9
Fair value adjustments under hedge accounting	-1	-6
Total	-9	-15
Derivative contracts*		
Fair value hedges	-474	133
Other	7	18
Total	-467	150
Receivables from credit institutions		
Negative interest	0	0
Other	-22	-15
Total	**-844**	**-384**
Total interest expenses	**763**	**615**

* Includes the valuation of derivatives and interest.

Note 4. Impairment losses on receivables

€ million	Q1 2024	Q1 2023
Receivables written down as loan and guarantee losses	-18	-11
Recoveries of receivables written down	6	4
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-28	-14
Expected credit losses (ECL) on notes and bonds	0	-2
Total	**-39**	**-23**

Credit risk exposures and related loss allowance

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

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

Exposures	Stage 1	Stage 2			Stage 3	
31 March 2024, € million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	55,085	11,622	74	11,696	2,456	69,237
Corporate Banking	25,558	3,312	118	3,430	672	29,660
Total	**80,643**	**14,934**	**192**	**15,126**	**3,128**	**98,896**
Off-balance-sheet limits						
Retail Banking	1,796	312	0	312	10	2,118
Corporate Banking	3,478	178	14	191	7	3,677
Total	**5,274**	**489**	**14**	**504**	**18**	**5,795**
Other off-balance-sheet commitments						
Retail Banking	698	34		34	15	747
Corporate Banking	2,586	198		198	44	2,828
Total	**3,284**	**231**		**231**	**59**	**3,575**
Notes and bonds*						
Group Functions	13,475	50		50	3	13,528
Total	**13,475**	**50**		**50**	**3**	**13,528**
Total exposures within the scope of accounting for expected credit losses	**102,676**	**15,704**	**206**	**15,911**	**3,208**	**121,795**

Loss allowance by impairment stage

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
31 March 2024 € million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-157	-5	-162	-429	-611
Corporate Banking	-33	-69	-7	-75	-183	-290
Total receivables from customers	**-52**	**-226**	**-11**	**-238**	**-612**	**-901**
Off-balance-sheet commitments**						
Retail Banking	0	-2		-2	-4	-7
Corporate Banking	-2	-17		-17	-27	-46
Total off-balance-sheet commitments	**-3**	**-19**		**-19**	**-31**	**-53**
Notes and bonds***						
Group Functions	-1	-1		-1	-1	-2
Total notes and bonds	**-1**	**-1**		**-1**	**-1**	**-2**
Total	**-56**	**-246**	**-11**	**-257**	**-643**	**-957**

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

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

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

Summary and key indicators 31 March 2024	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	57,578	11,967	75	12,042	2,482	72,102
Corporate Banking	31,623	3,687	131	3,819	723	36,164
Loss allowance						
Retail Banking	-20	-159	-5	-164	-434	-618
Corporate Banking	-35	-86	-7	-92	-209	-337
Coverage ratio, %						
Retail Banking	-0.03%	-1.33%	-6.53%	-1.36%	-17.48%	-0.86%
Corporate Banking	-0.11%	-2.33%	-4.95%	-2.42%	-28.93%	-0.93%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**89,201**	**15,654**	**206**	**15,861**	**3,205**	**108,267**
Total loss allowance	**-55**	**-245**	**-11**	**-257**	**-643**	**-954**
Total coverage ratio, %	**-0.06%**	**-1.57%**	**-5.53%**	**-1.62%**	**-20.06%**	**-0.88%**
Carrying amount, notes and bonds						
Group Functions	13,475	50		50	3	13,528
Loss allowance						
Group Functions	-1	-1		-1	-1	-2
Coverage ratio, %						
Group Functions	-0.01%	-1.25%		-1.25%	-16.38%	-0.02%
Total notes and bonds	**13,475**	**50**		**50**	**3**	**13,528**
Total loss allowance	**-1**	**-1**		**-1**	**-1**	**-2**
Total coverage ratio, %	**-0.01%**	**-1.25%**		**-1.25%**	**-16.38%**	**-0.02%**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2024	**89,032**	**15,948**	**3,159**	**108,139**
Transfers from Stage 1 to Stage 2, incl. repayments	-2,831	2,795		-36
Transfers from Stage 1 to Stage 3, incl. repayments	-94		89	-5
Transfers from Stage 2 to Stage 1, incl. repayments	2,352	-2,391		-39
Transfers from Stage 2 to Stage 3, incl. repayments		-295	286	-9
Transfers from Stage 3 to Stage 1, incl. repayments	13		-13	0
Transfers from Stage 3 to Stage 2, incl. repayments		118	-121	-3
Increases due to origination and acquisition	2,895	93	79	3,067
Decreases due to derecognition	-2,244	-298	-202	-2,744
Unchanged Stage, incl. repayments	78	-109	-61	-93
Recognised as final credit loss	0		-11	-11
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 March 2024	**89,201**	**15,861**	**3,205**	**108,267**

The following flow statements show the changes in loss allowance by impairment stage:

Receivables from customers and off-balance-sheet items, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2024	**57**	**256**	**614**	**927**
Transfers from Stage 1 to Stage 2	-2	21		19
Transfers from Stage 1 to Stage 3	0		9	9
Transfers from Stage 2 to Stage 1	2	-18		-16
Transfers from Stage 2 to Stage 3		-12	38	26
Transfers from Stage 3 to Stage 1	0		-1	-1
Transfers from Stage 3 to Stage 2		3	-13	-9
Increases due to origination and acquisition	2	4	20	25
Decreases due to derecognition	-2	-9	-33	-44
Changes in risk parameters (net)	-2	11	17	27
Decrease in allowance account due to write-offs			-8	-8
Net change in expected credit losses	**-2**	**1**	**29**	**28**
Loss allowance 31 March 2024	**55**	**257**	**643**	**954**

OP Financial Group has assessed the impacts of a rise in inflation and Euribor rates as well as a fall in the price of residential property collateral on the credit risk associated with home loans. The assessment 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, an additional management overlay of EUR 42.4 million was made in Q4/2022. This was reduced by EUR 6.4 million in Q3/2023 as the effect of inflation was removed from the stress test. In addition, the management overlay was extended to cover all exposures to personal customers. 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 35.9 million in Q1/2024.

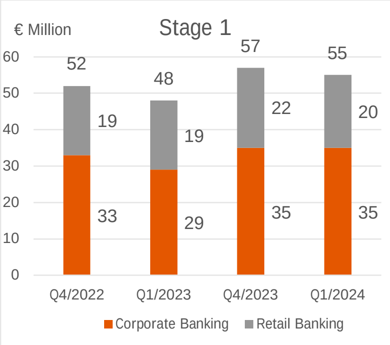
In Q4/2022, the management overlay was used to perform the ECL provision for the construction industry worth EUR 5.3 million, based on OP Financial Group's analysis. The analysis was updated in Q2/2023 due to the further deteriorating outlook in the industry. The analysis was made as a stress test based 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 11.7 million to EUR 17.0 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 21.7 million to EUR 38.7 million in Q4/2023. The provision has remained unchanged in Q1/2024.

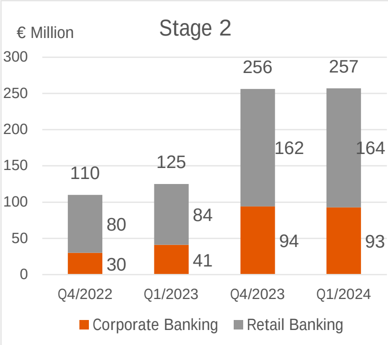
In Q2/2023, a management overlay provision of EUR 27.2 million was made in the real estate sector based on the weaker outlook in the sector. The analysis was made as a stress test based on the baseline scenario (weight of 70%) and the downside scenario (weight of 30%) with the assumptions that net sales 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 13 million to EUR 14.2 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. The provision has remained unchanged in Q1/2024.

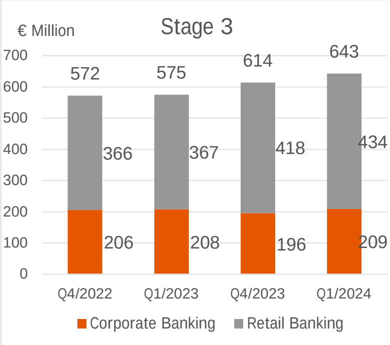
At the end of 2021, OP Financial Group made a 34 million euro additional ECL provision concerning CRE backed loans. The provision was aimed at anticipating growth in the ECL caused by the update of the collateral assessment of the riskiest collateral real estate holdings and probable default statutes. The remaining provision for Q1/2024 is EUR 6 million. The provision has remained unchanged in Q1/2024.

In Q4/2023, OP Financial Group made a new management overlay provision to improve the processes for the early warning system (EWS) and a group of connected clients. The improvement will be carried out during 2024. The process improvement is expected to increase expected credit losses by roughly EUR 14.1 million in the Retail Banking segment. The provision has remained unchanged in Q1/2024.

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years.







In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the first quarter of 2024, the update of the macroeconomic forecasts slightly increased the ECL.

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

GDP growth, %	Q1 2024	Q1 2025	Q1 2026	Q1 2027	Q1 2028
Baseline	0.0 %	1.4 %	1.3 %	1.3 %	1.3 %
Upside	3.0 %	4.3 %	4.2 %	3.7 %	3.8 %
Downside	-3.0 %	-1.9 %	-2.0 %	-1.5 %	-1.4 %

Unemployment, %	Q1 2024	Q1 2025	Q1 2026	Q1 2027	Q1 2028
Baseline	7.7 %	7.7 %	7.4 %	7.1 %	6.5 %
Upside	7.3 %	6.7 %	5.9 %	5.1 %	4.1 %
Downside	8.1 %	8.8 %	9.2 %	9.5 %	9.5 %

Loss allowance 31 March 2024	Retail Banking	Corporate Banking	Total
Loss allowance before discretionary provisions	**520**	**325**	**845**
Discretionary provisions under management overlay			
Personal customers: inflation, interest rates and value of collateral securities	35	1	36
Construction industry	29	9	39
Real estate sector	13	1	14
Collateral valuation of CRE backed loans	6		6
Improvement to the identification processes for EWS and connected clients	14		14
Total discretionary provisions under management overlay	**98**	**11**	**109**
Total reported loss allowance	**618**	**337**	**954**

Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2024	**1**	**1**		**2**
Transfers from Stage 1 to Stage 2		0		0
Transfers from Stage 1 to Stage 3			1	0
Transfers from Stage 2 to Stage 1	0			
Increases due to origination and acquisition	0	0		0
Net change in expected credit losses			**1**	**0**
Loss allowance 31 March 2024	**1**	**1**	**1**	**2**

Exposures within the scope of accounting for expected credit losses by impairment stage in the comparison period.

Exposures 31 December 2023, € million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total exposure
Receivables from customers (gross)						
Retail Banking	55,280	11,893	61	11,955	2,373	69,608
Corporate Banking	25,988	3,064	150	3,214	707	29,909
Total	**81,269**	**14,957**	**211**	**15,168**	**3,080**	**99,517**
Off-balance-sheet limits						
Retail Banking	1,449	354	0	354	8	1,811
Corporate Banking	2,960	173	0	173	8	3,141
Total	**4,410**	**526**	**0**	**527**	**16**	**4,952**
Other off-balance-sheet commitments						
Retail Banking	721	36		36	17	775
Corporate Banking	2,632	216		216	46	2,895
Total	**3,354**	**253**		**253**	**63**	**3,670**
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	**101,769**	**15,805**	**212**	**16,017**	**3,163**	**120,948**

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
31 December 2023, € million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-21	-160	-1	-161	-413	-594
Corporate Banking	-33	-76	-7	-83	-173	-288
Total	**-53**	**-236**	**-8**	**-243**	**-586**	**-882**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-5	-7
Corporate Banking	-3	-11		-11	-23	-37
Total	**-3**	**-13**		**-13**	**-29**	**-44**
Notes and bonds***						
Group Functions	-1	-1		-1	-1	-2
Total notes and bonds	**-1**	**-1**		**-1**	**-1**	**-2**
Total	**-58**	**-249**	**-8**	**-257**	**-615**	**-929**

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

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

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

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

Summary and key indicators 31 December 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						
Retail Banking	57,451	12,283	62	12,345	2,398	72,194
Corporate Banking	31,581	3,453	150	3,603	761	35,945
Loss allowance						
Retail Banking	-21	-161	-1	-162	-418	-602
Corporate Banking	-35	-87	-7	-94	-196	-325
Coverage ratio, %						
Retail Banking	-0.04%	-1.31%	-1.42%	-1.31%	-17.43%	-0.83%
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	**89,032**	**15,736**	**212**	**15,948**	**3,159**	**108,139**
Total loss allowance	**-57**	**-248**	**-8**	**-256**	**-614**	**-927**
Total coverage ratio, %	**-0.06%**	**-1.58%**	**-3.64%**	**-1.60%**	**-19.44%**	**-0.86%**
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%**

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2023	**96,485**	**11,097**	**2,549**	**110,131**
Transfers from Stage 1 to Stage 2, incl. repayments	-9,329	8,887		-442
Transfers from Stage 1 to Stage 3, incl. repayments	-756		719	-37
Transfers from Stage 2 to Stage 1, incl. repayments	3,245	-3,379		-135
Transfers from Stage 2 to Stage 3, incl. repayments		-704	630	-74
Transfers from Stage 3 to Stage 1, incl. repayments	53		-65	-12
Transfers from Stage 3 to Stage 2, incl. repayments		263	-297	-34
Increases due to origination and acquisition	15,116	1,138	165	16,419
Decreases due to derecognition	-10,038	-1,078	-343	-11,459
Unchanged Stage, incl. repayments	-5,744	-274	-109	-6,124
Recognised as final credit loss	0	-1	-91	-95
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2023	**89,032**	**15,948**	**3,159**	**108,139**

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	**52**	**110**	**572**	**734**
Transfers from Stage 1 to Stage 2	-8	132		124
Transfers from Stage 1 to Stage 3	-1		84	83
Transfers from Stage 2 to Stage 1	2	-16		-15
Transfers from Stage 2 to Stage 3		-11	67	56
Transfers from Stage 3 to Stage 1	0		-9	-8
Transfers from Stage 3 to Stage 2		5	-31	-26
Increases due to origination and acquisition	12	32	35	79
Decreases due to derecognition	-11	-12	-71	-94
Changes in risk parameters (net)	11	17	32	59
Decrease in allowance account due to write-offs		0	-65	-65
Net change in expected credit losses	**5**	**146**	**42**	**193**
Loss allowance 31 December 2023	**57**	**256**	**614**	**927**
Net change in expected credit losses Q1 2023	**-1**	**49**	**16**	**64**

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

Loss allowance 31 December 2023	Retail Banking	Corporate Banking	Total
Loss allowance before discretionary provisions	**504**	**314**	**818**
Discretionary provisions under management overlay			
Personal customers: inflation, interest rates and value of collateral securities	35	1	36
Construction industry	29	9	39
Real estate sector	13	1	14
Collateral valuation of CRE backed loans	6		6
Improvement to the identification processes for EWS and connected clients	14		14
Total discretionary provisions under management overlay	**98**	**11**	**109**
Total reported loss allowance	**602**	**325**	**927**

The following tables illustrate change in forecasts for GDP and the unemployment rate in the comparison period.

GDP growth, %	Q1 2023	Q1 2024	Q1 2025	Q1 2026	Q1 2027
Baseline	-0.3 %	0.0 %	1.2 %	1.2 %	1.3 %
Upside	-0.3 %	3.0 %	4.1 %	4.1 %	3.7 %
Downside	-0.3 %	-3.1 %	-2.1 %	-2.2 %	-1.5 %

Unemployment, %	Q1 2023	Q1 2024	Q1 2025	Q1 2026	Q1 2027
Baseline	7.2 %	7.5 %	7.5 %	7.3 %	7.0 %
Upside	7.2 %	7.2 %	6.6 %	5.9 %	5.1 %
Downside	7.2 %	7.9 %	8.5 %	8.9 %	9.3 %

Notes and bonds, € million	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	Total
Loss allowance 1 January 2023	**1**	**1**		**2**
Transfers from Stage 1 to Stage 2		0		0
Transfers from Stage 1 to Stage 3			1	0
Transfers from Stage 2 to Stage 1	0			
Increases due to origination and acquisition	0	0		0
Net change in expected credit losses			**1**	**0**
Loss allowance 31 December 2023	**1**	**1**	**1**	**2**

Note 5. Net commissions and fees

Q1 2024, € million	Retail Banking	Corporate Banking	Insurance	Group operations	Group eliminations	OP Financial Group
Commission income						
Lending	30	12		0	0	42
Deposits	6	1			0	6
Payment transfers	55	8		6	-5	63
Securities brokerage	2	5			-2	5
Securities issuance	0	2		0	0	2
Mutual funds	13	57	13		-12	70
Asset management	7	9		0	-5	11
Legal services	5	0				5
Guarantees	3	3		0		6
Housing agency	13				0	13
Sales commissions on insurance contracts	31		2		-18	15
Life insurance contracts			7			7
Other	9	3		0	-8	5
Total	**172**	**99**	**21**	**6**	**-50**	**249**
Commission expenses						
Lending	0	0				0
Payment transfers	-9	-2	-1	-1	4	-8
Securities brokerage		-1		0	0	-1
Securities issuance	0	0		0	0	0
Mutual funds		-27	0		12	-15
Asset management		-2	0	0	0	-2
Guarantees		0				0
Sales commissions on insurance contracts			-6		6	0
Other	-3	-10	0	-4	12	-5
Total	**-11**	**-43**	**-8**	**-6**	**35**	**-32**
Total net commissions and fees	**161**	**57**	**14**	**1**	**-15**	**217**

Q1 2023, € million	Retail Banking	Corporate Banking	Insurance	Group operations	Group eliminations	OP Financial Group
Commission income						
Lending	31	12		0	0	43
Deposits	6	1		0	0	6
Payment transfers	74	8		5	-4	83
Securities brokerage	2	6		0	-2	6
Securities issuance		1		0	0	1
Mutual funds	12	63	1		-12	64
Asset management	7	4		0	-3	8
Legal services	6	0				6
Guarantees	3	3		0	0	6
Housing agency	15				0	15
Sales commissions on insurance contracts	39		13		-23	29
Life insurance contracts			6			6
Other	11	3		0	-9	4
Total	**205**	**100**	**19**	**6**	**-53**	**277**
Commission expenses						
Lending	0	0			0	0
Payment transfers	-8	-2	0	-1	3	-7
Securities brokerage		-1		0	0	-1
Securities issuance	0	-1			0	-1
Mutual funds		-27	0		12	-15
Asset management		0	0	-1		0
Guarantees		0				0
Sales commissions on insurance contracts			-9		6	-3
Other	-3	-12	0	-3	13	-5
Total	**-11**	**-42**	**-9**	**-5**	**34**	**-33**
Total net commissions and fees	**194**	**58**	**10**	**1**	**-19**	**244**

The Retail Banking segment's name in Finnish was changed at the beginning of 2024.

Note 6. Net insurance income

€ million	Q1 2024	Q1 2023
Non-life insurance		
Expected claims incurred and other directly allocated insurance service costs	358	306
Changes in risk adjustment (other than adjustments related to funding risks)	3	2
Contractual service margin of services produced during the period	58	73
Recognition of insurance acquisition cash flows as revenue	28	27
Other changes in insurance premium revenue	5	6
Non-life insurance premium revenue according to the General Measurement Model (GMM), total	**453**	**415**
Life insurance		
Expected claims incurred and other directly allocated insurance service costs	35	31
Changes in risk adjustment (other than adjustments related to funding risks)	3	2
Contractual service margin of services produced during the period	16	17
Recognition of insurance acquisition cash flows as revenue	3	3
Other changes in insurance premium revenue	7	9
Life insurance premium revenue according to the General Measurement Model (GMM), total	**63**	**63**
Expected claims incurred and other directly allocated insurance service costs	4	4
Changes in risk adjustment (other than adjustments related to funding risks)	1	1
Contractual service margin of services produced during the period	1	2
Recognition of insurance acquisition cash flows as revenue	0	0
Other changes in insurance premium revenue	0	-1
Life insurance premium revenue according to the Variable Fee Approach (VFA), total	**7**	**7**
Total life insurance premium revenue	**70**	**70**
Total insurance premium revenue	**523**	**485**
Non-life insurance		
Actual claims incurred and other directly allocated insurance service costs	-402	-282
Changes arising from insurance events occurred in services for past periods	-14	-100
Insurance contract acquisition costs	-28	-27
Losses and reversals of onerous contracts	-27	-7
Non-life insurance insurance service expenses according to the General Measurement Model (GMM), total	**-471**	**-416**
Life insurance		
Actual claims incurred and other directly allocated insurance service costs	-39	-39
Changes arising from insurance events occurred in services for past periods	0	-2
Insurance contract acquisition costs	-3	-3
Losses and reversals of onerous contracts	5	-15
Life insurance insurance service expenses according to the General Measurement Model (GMM), total	-37	-60
Actual claims incurred and other directly allocated insurance service costs	-8	-5
Changes arising from insurance events occurred in services for past periods	0	-2
Reversal of acquisition costs of insurance contracts	0	0
Losses and reversals of onerous contracts	4	-2
Life insurance insurance service expenses according to the Variable Fee Approach (VFA), total	-5	-9
Life insurance insurance service expenses, total	**-41**	**-69**
Total insurance service expenses	**-512**	**-485**
Net income from non-life insurance reinsurance contracts	-20	-2
Net income from life insurance reinsurance contracts	-2	-1
Total net income from reinsurance contracts	**-21**	**-3**
Insurance service result	**-10**	**-2**

Note 7. Net insurance finance income (+)/expenses (–)

€ million	Q1 2024	Q1 2023
Non-life insurance		
Unwinding of discount of insurance liability	-13	-4
Effect of insurance contract interest rates and changes in economic assumptions	-3	-27
Exchange rate differences of insurance contracts	0	0
Finance income and expenses related to non-life insurance direct insurance contracts (GMM), total	-16	-30
Finance income and expenses related to non-life insurance reinsurance contracts, total	0	-8
Life insurance		
Unwinding of discount of insurance liability	1	5
Effect of insurance contract interest rates and changes in economic assumptions	-1	-49
Finance income and expenses related to life insurance direct insurance contracts (GMM), total	0	-45
Insurance contract net financing items, risk mitigation	-2	-13
Effect of insurance contract interest rates and changes in economic assumptions	0	0
Net financing items of fair value changes of underlying insurance contract items	-231	-126
Finance income and expenses related to life insurance direct insurance contracts (VFA), total	-234	-139
Finance income and expenses related to life insurance reinsurance contracts, total	0	0
Net insurance finance income (+)/expenses (–)	**-250**	**-223**

Note 8. Net interest income from financial assets held for trading

Financial assets held for trading

€ million	**Q1 2024**	**Q1 2023**
Notes and bonds		
Interest income and expenses	3	14
Fair value gains and losses of notes and bonds	-1	-1
Total	2	13
Shares and participations		
Fair value gains and losses	7	4
Dividend income and share of profits	0	1
Total	7	5
Derivatives		
Interest income and expenses	52	14
Fair value gains and losses	-52	1
Total	-1	15
Total	**8**	**33**

Note 9. Net investment income

€ million	**Q1 2024**	**Q1 2023**
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Capital gains and losses	0	4
Total	**0**	**4**

Net income from financial assets recognised at fair value through profit or loss

Financial assets held for trading, insurance business

€ million	**Q1 2024**	**Q1 2023**
Derivatives		
Interest income and expenses	-6	-4
Fair value gains and losses	2	20
Total	-4	16
Total	**-4**	**16**

Financial assets designated as at fair value through profit or loss		
Notes and bonds		
Interest income	37	31
Fair value gains and losses	-14	71
Total	23	102
Shares and participations		
Fair value gains and losses	132	51
Dividend income and share of profits	15	17
Total	147	68
Total	**170**	**170**
Income from assets covering unit-linked insurance and investment contracts		
Interest income	2	0
Fair value gains and losses	576	299
Total	**578**	**299**
Net income from financial assets designated as at fair value through profit or loss, total	**748**	**469**
Total net income from financial assets recognised at fair value through profit or loss	**744**	**485**

Net income from investment property		
Rental income	13	13
Fair value gains and losses	-1	-1
Maintenance charges and expenses	-10	-10
Other	0	-1
Total net income from investment property	2	2
Net income from loans and receivables recognised at amortised cost		
Interest income	2	2
Interest expenses	0	0
Impairment losses and their reversals	1	-3
Total net income from loans and receivables recognised at amortised cost	2	0
Associates and joint ventures		
Accounted for using the fair value method, associates	2	1
Consolidated using the equity method, associates	3	0
Joint ventures	0	0
Total	4	1
Financial liabilities designated as at fair value through profit or loss		
Premiums written from insurance contracts	156	116
Claims paid under investment contracts	-91	-86
Change in investment contract liabilities	-424	-204
Total net income from investment contract liabilities	-359	-174
Other net investment income of insurance		
Interest on insurance subordinated loans of insurance	0	
Currency fair value gains/losses related to insurance service result		0
Other income and expenses from loans and receivables	0	0
Total	0	0
Total net investment income	**393**	**317**

Note 10. Other operating expenses

€ million	Q1 2024	Q1 2023
ICT costs		
Production	-66	-59
Development	-57	-45
Buildings	-13	-12
Government charges and audit fees	-2	-64
Service purchases	-35	-33
Expert services	-11	-13
Telecommunications	-9	-7
Marketing	-9	-9
Donations	-3	-3
Insurance and security costs	-6	-7
Expenses of short-term and low-value leases	-1	-1
Other	-35	-30
Total	**-248**	**-284**

Development costs

€ million	Q1 2024	Q1 2023
ICT development costs	-57	-45
Share of own work	-26	-18
Total development costs in the income statement	**-83**	**-64**
Capitalised ICT costs	-12	-20
Transfer of capitalised costs/personnel costs	-2	-3
Total capitalised development costs	**-14**	**-23**
Total development costs	**-97**	**-87**
Depreciation/amortisation and impairment loss	-19	-32

Note 11. Reinsurance contract assets

€ million	31 March 2024	31 Dec 2023
Non-life insurance		
Reinsurance contract assets for the remaining coverage period	-12	-18
Reinsurance contract liability for occurred losses	123	124
Total non-life insurance reinsurance contract assets	**110**	**106**

Note 12. Insurance contract liabilities

€ million	31 March 2024	31 Dec 2023
Non-life insurance		
Liabilities for the remaining coverage period, GMM	383	230
Liability for occurred losses, GMM	2,332	2,303
Total non-life insurance contract liabilities	2,716	2,533
Life insurance		
Liabilities for the remaining coverage period, GMM	3,132	3,177
Liability for occurred losses, GMM	13	14
Liabilities for the remaining coverage period, VFA total	6,002	5,824
Liability for occurred losses (VFA), total	42	41
Total life insurance contract liabilities	9,189	9,056
Life insurance		
Reinsurance contract liabilities for the remaining coverage period	0	0
Total life insurance reinsurance contract liabilities	0	0
Total reinsurance contract liabilities	**11,904**	**11,589**

Note 13. Debt securities issued to the public and debentures

€ million	31 March 2024	31 Dec 2023
Bonds	12,255	12,845
Subordinated bonds	4,034	4,045
Mortgage-backed bonds	13,808	13,871
Other		
Certificates of deposit	607	668
Commercial papers	4,708	6,128
Included in own portfolio in trading (-)*	-126	-46
Total debt securities issued to the public and debentures	**35,286**	**37,511**

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

Note 14. Fair value reserve after tax

€ million	Recognised at fair value through other comprehensive income Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2023	**-24**	**-337**	**-360**
Fair value changes	1	31	32
Capital gains transferred to income statement	-4		-4
Transfers to net interest income		5	5
Deferred tax	0	-7	-7
Closing balance 31 March 2023	**-26**	**-308**	**-334**

€ million	Recognised at fair value through other comprehensive income Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2024	**-78**	**-212**	**-290**
Fair value changes	17	-40	-23
Capital gains transferred to income statement	-1		-1
Transfers to net interest income		35	35
Deferred tax	-3	1	-2
Closing balance 31 March 2024	**-66**	**-216**	**-282**

The fair value reserve before tax amounted to EUR -352 million (-417) at the end of the reporting period and the related deferred tax asset/liability was EUR 70 million (83). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (-2) in the fair value reserve during the reporting period.

Note 15. Collateral given

€ million	31 March 2024	31 Dec 2023
Given on behalf of own liabilities and commitments		
Pledges	240	241
Loans (as collateral for covered bonds)	18,122	18,163
Others	1,015	744
Total collateral given*	**19,377**	**19,148**
Secured derivative liabilities	638	657
Other secured liabilities	461	168
Covered bonds	13,808	13,871
Total	**14,907**	**14,696**

* 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 16. Classification of financial assets and liabilities

			Recognised at fair value through profit or loss				
Financial assets 31 March 2024, € million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Financial assets designated as at fair value through profit or loss**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	15,839						15,839
Receivables from credit institutions	1,001						1,001
Liabilities to credit institutions			1,945			1,023	2,968
Receivables from customers	97,331						97,331
Assets covering unit-linked contracts				13,205			13,205
Notes and bonds	1,325	11,601	250	6,126			19,302
Equity instruments		0	107	2,636	1		2,744
Other than financial instruments	2,519						2,519
Total	**118,015**	**11,601**	**2,302**	**21,966**	**1**	**1,023**	**154,908**

At the end of the reporting period, OP Financial Group's balance sheet had bonds worth EUR 1,325 million (623), which were not measured at market value due to the measurement category. The market value of these bonds amounted to EUR 1,338 million (641) at the end of the reporting period.

			Recognised at fair value through profit or loss				
Financial assets 31 Dec 2023, € million	**Amortised cost**	**Fair value through other comprehen-sive income**	**Financial assets held for trading**	**Financial assets designated as at fair value through profit or loss**	**Must be measured at fair value through profit or loss**	**Hedging derivatives**	**Carrying amount total**
Cash and cash equivalents	19,755						19,755
Receivables from credit institutions	858						858
Liabilities to credit institutions			2,256			1,145	3,401
Receivables from customers	97,836						97,836
Assets covering unit-linked contracts				12,581			12,581
Notes and bonds	623	11,588	216	6,367			18,793
Equity instruments		0	84	2,349	1		2,434
Other financial assets	2,226						2,226
Total	**121,298**	**11,588**	**2,556**	**21,297**	**1**	**1,145**	**157,885**

Financial liabilities 31 March 2024, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		75		75
Derivative contracts	2,619		284	2,903
Liabilities to customers		75,378		75,378
Liabilities from investment agreements	8,368			8,368
Debt securities issued to the public and debentures	2,176	33,110		35,286
Subordinated loans		1,402		1,402
Other financial liabilities	5	5,550		5,556
Total	**13,167**	**115,516**	**284**	**128,968**

Financial liabilities 31 Dec 2023, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		66		66
Derivative contracts	2,895		375	3,271
Liabilities to customers		76,656		76,656
Liabilities from investment agreements	7,944			7,944
Debt securities issued to the public and debentures	2,210	35,300		37,511
Subordinated loans		1,414		1,414
Other financial liabilities		5,739		5,739
Total	**13,049**	**119,176**	**375**	**132,600**

At the end of March, the fair value of OP Financial Group's senior and senior non-preferred bonds issued to the public and carried at amortised cost totalled around EUR 28,205 million (28,782). The fair value is based on information available from the market. All subordinated liabilities are carried at amortised cost. Their fair value is EUR 1,407 million.

Note 17. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2024, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	1,753	276	716	2,744
Debt instruments	5,424	774	177	6,376
Unit-linked contracts	8,407	4,798		13,205
Derivative financial instruments	6	2,843	119	2,968
Fair value through other comprehensive income				
Equity instruments	0			0
Debt instruments	10,200	678	722	11,601
Total financial instruments	**25,791**	**9,369**	**1,734**	**36,894**
Investment property			527	527
Total	**25,791**	**9,369**	**2,261**	**37,420**

Fair value of assets on 31 December 2023, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	1,425	263	746	2,434
Debt instruments	5,564	936	83	6,583
Unit-linked contracts	7,624	4,957		12,581
Derivative financial instruments	0	3,303	98	3,401
Fair value through other comprehensive income				
Debt instruments	9,166	1,694	727	11,588
Total financial instruments	**23,779**	**11,153**	**1,655**	**36,587**
Investment property			527	527
Total	**23,779**	**11,153**	**2,182**	**37,114**

Fair value of liabilities on 31 March 2024, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	5,327	3,040		8,368
Structured notes			2,176	2,176
Other		5		5
Derivative financial instruments	0	2,827	76	2,903
Total	**5,328**	**5,873**	**2,252**	**13,452**

Fair value of liabilities on 31 December 2022, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	4,814	3,130		7,944
Structured notes			2,210	2,210
Other		5		5
Derivative financial instruments	2	3,178	91	3,271
Total	**4,815**	**6,313**	**2,302**	**13,430**

Fair value measurement

Derivatives and other financial instruments measured at fair value

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

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

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

The fair value measurement of OTC derivative contracts related to banking takes account of credit risk of the parties to the transaction and credit spreads exceeding the financing costs. Credit risk is adjusted with a Credit Valuation Adjustment (CVA) and with a Debt Valuation Adjustment (DVA). CVAs and DVAs are calculated for each counterparty. CVA and DVA adjustments are calculated for each counterparty by simulating the market values of derivatives and events of default based primarily on data obtained from markets. In assessing probabilities of default, OP Financial Group utilises counterparty rating information, liquid credit risk indices and the CDS sector curves of market data providers. OP Financial Group 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 and 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'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 levels of the fair value hierarchy

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

Derivatives relevant to OP Financial Group'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 date include, for example: 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.

Real estate investments have no similar daily quoted prices or price sources as in liquid markets. The appraisal process of real estate is based on using external valuers (property value over 1 million euros) or on the business's own appraisal methods.

The main sources of the appraisal of direct real estate investments are appraisal documents given by authorised external valuers. The external valuer independently selects the method that best suits the appraisal of each property. The commonly used methods include the transactions value method, income capitalisation approach and replacement value method. The values of real estate funds are obtained from underlying investee funds on the date determined by the rules of each underlying fund and according to the standard laid down by the rules. The valuations are mainly based on the combined values of the underlying investee fund's real estate units plus the underlying investee fund's net asset. The values of individual property units are mainly based on appraisal reports drawn up by authorised independent valuers.

Valuation techniques whose input parameters involve uncertainty (Level 3)

Breakdown of financial assets and financial liabilities

Financial assets, € million	Recognised at fair value through profit or loss	Derivative contracts	Fair value through other comprehensive income	Total assets
Opening balance 1 Jan 2024	**829**	**98**	**727**	**1,655**
Total gains/losses in profit or loss	-42	21		-22
Purchases	13			13
Sales	-14			-14
Repayments	0			0
Transfers to level 3	106		82	188
Transfers from level 3			-87	-87
Closing balance 31 March 2024	**893**	**119**	**722**	**1,734**

Financial liabilities, € million	Recognised at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 Jan 2024	**2,210**	**91**	**2,302**
Total gains/losses in profit or loss	39	-15	24
Other changes	-74		-74
Closing balance 31 March 2024	**2,176**	**76**	**2,252**

Breakdown of net income by income statement item 31 March 2024

€ million	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Net income	**-46**		**-46**

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2024.

Note 18. Off-balance-sheet commitments

€ million	31 March 2024	31 Dec 2023
Guarantees	860	841
Guarantee liabilities	2,635	2,743
Loan commitments	12,510	12,525
Commitments related to short-term trade transactions	491	553
Other*	1,591	1,509
Total off-balance-sheet commitments	**18,088**	**18,171**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 218 million (224).

Note 19. Derivative contracts

Total derivatives 31 March 2024

	Nominal values/residual term to maturity				Fair values*	
€ million	< 1 year	1–5 years	> 5 years	Total	Assets	Liabilities
Interest rate derivatives	45,632	102,610	78,837	227,079	2,355	2,132
Cleared by the central counterparty	24,653	70,512	45,355	140,520	22	15
Settled-to-market (STM)	14,353	40,484	31,231	86,068	9	6
Collateralised-to-market (CTM)	10,300	30,028	14,124	54,452	13	8
Currency derivatives	53,216	4,800	1,161	59,177	514	671
Credit derivatives	16	119	7	142	13	2
Other derivatives	462	848	45	1,356	135	76
Total derivatives	**99,325**	**108,377**	**80,051**	**287,753**	**3,017**	**2,881**

Total derivatives 31 December 2023

	Nominal values/residual term to maturity				Fair values*	
€ million	< 1 year	1–5 years	> 5 years	Total	Assets	Liabilities
Interest rate derivatives of which	47,197	103,240	80,309	230,746	2,451	2,144
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	59,921	4,869	1,404	66,193	922	1,044
Credit derivatives	42	104	9	154	10	8
Other derivatives	438	898	39	1,375	94	76
Total derivatives	**107,598**	**109,111**	**81,760**	**298,469**	**3,477**	**3,271**

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

Note 20. Investment distribution of the Insurance segment

Non-life Insurance	31 March 2024		31 December 2023	
Investment asset portfolio allocation	Fair value*, € million	%	Fair value*, € million	%
Money market total	**409**	**9**	**433**	**10**
Money market instruments and deposits**	396	9	422	10
Derivatives***	14		11	0
Total bonds and bond funds	**2,763**	**60**	**2,662**	**61**
Governments	367	8	304	7
Investment Grade	1,980	43	1,928	44
Emerging markets and High Yield	237	5	234	5
Structured Investments****	179	4	196	5
Total equities	**1,033**	**23**	**872**	**20**
Finland	157	3	122	3
Developed markets	699	15	582	13
Emerging markets	95	2	90	2
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	75	2	71	2
Total alternative investments	**29**	**1**	**29**	**1**
Hedge funds	29	1	29	1
Total property investment	**341**	**7**	**338**	**8**
Direct property investment	153	3	153	4
Indirect property investment	188	4	186	4
Total	**4,576**	**100**	**4,334**	**100**

* Includes accrued interest income.

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

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

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

Life Insurance	31 March 2024		31 December 2023	
Investment asset portfolio allocation	Fair value*, € million	%	Fair value*, € million	%
Total money market instruments	**355**	**11**	**367**	**11**
Money market investments and deposits**	348	11	361	11
Derivatives***	7	0	6	0
Total bonds and bond funds	**2,063**	**63**	**2,070**	**65**
Governments	252	8	225	7
Investment Grade	1,511	46	1,519	47
Emerging markets and High Yield	146	4	156	5
Structured investments****	153	5	170	5
Total equities	**618**	**19**	**546**	**17**
Finland	102	3	82	3
Developed markets	388	12	343	11
Emerging markets	56	2	53	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	69	2	65	2
Total alternative investments	**37**	**1**	**36**	**1**
Hedge funds	37	1	36	1
Total real property investments	**182**	**6**	**180**	**6**
Direct property investments	13	0	13	0
Indirect property investments	169	5	168	5
Total	**3,255**	**100**	**3,201**	**100**

* Includes accrued interest income.

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

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

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

Note 21. Related-party transactions

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

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

Related-party transactions have not undergone any substantial changes since 31 December 2023.

Financial reporting 2024

Half-year Financial Report H1/2024	24 July 2024
Interim Report Q1–3/2024	31 October 2024
OP Amalgamation Pillar III Disclosures 30 June 2024	Week 33
OP Amalgamation Pillar III Disclosures 30 September 2024	Week 45

Helsinki, 8 May 2024

OP Cooperative
Board of Directors

Additional information:
Timo Ritakallio, President and Group Chief Executive Officer, tel. +358 (0)10 252 4500
Mikko Timonen, Chief Financial Officer, tel. +358 (0)10 252 1325
Lotta Ala-Kulju, Head of Corporate Communications, tel. +358 (0)10 252 8719

www.op.fi