OP Financial Group's Interim Report for 1 January–31 March 2023

OP Financial Group's Interim Report for 1 January–31 March 2023:

Operating profit EUR 480 million – a strong capital base and good liquidity in an uncertain business environment

Operating profit Q1/2023	Net interest income Q1/2023	Investment income Q1/2023	Total expenses Q1/2023	CET1 ratio 31 Mar 2023
€480 million	+84%	+82%	+8%	18.3%

- Operating profit (earnings before tax) was EUR 480 million (174).
- Income from customer business, or net interest income, insurance service result and net commissions and fees, increased by 43% to EUR 857 million (601). Net interest income grew by 84% to EUR 615 million (334). Insurance service result decreased by EUR 23 million to EUR –2 million (21). Net commissions and fees were EUR 244 million (247).
- Impairment loss on receivables in the income statement decreased by EUR 60 million to EUR 23 million (83). Ratio of impairment loss on receivables to loan and guarantee portfolio was 0.09% (0.33).
- Investment income increased by 82% to EUR 128 million (70).
- Total expenses increased by 8% to EUR 553 million (514).
- In the year to March, OP Financial Group's loan portfolio grew by 1% to EUR 98.8 billion (97.9) and deposits decreased by 1% to EUR 74.1 billion (75.0).
- CET1 ratio was 18.3% (17.4), which exceeds the minimum regulatory requirement by 6.0 percentage points. During the first quarter, OP Financial Group adopted the Standardised Approach to credit risk. The transition had no effect on its capital adequacy.
- Retail Banking operating profit rose to EUR 256 million (54). Net interest income grew by 93% to EUR 455 million (236). Impairment loss on receivables decreased by EUR 29 million to EUR 12 million (41). Net commissions and fees decreased by 8% to EUR 194 million (211). The loan portfolio grew by 0.4% and deposits by 0.3% year on year.
- Corporate Banking operating profit was EUR 100 million (3). Net interest income grew by 32% to EUR 138 million (104). Impairment loss on receivables decreased by EUR 32 million to EUR 11 million (43). Net commission and fees grew by 40% to EUR 58 million (42) and investment income by EUR 21 million to EUR 19 million (–2). The loan portfolio increased by 4% and deposits decreased by 20% in the year to March.
- Insurance operating profit was EUR 90 million (85). Insurance service result decreased by EUR 23 million to EUR –2 million (21). Investment income increased by 168% to EUR 94 million (35). Non-life Insurance recorded a combined ratio of 101% (98).
- Group Functions operating profit amounted to EUR 4 million (11).
- New OP bonuses accrued to owner-customers totalled EUR 64 million (54). OP Financial Group allocates part of its profitability improvement to support the daily lives of its owner-customers by increasing the OP bonuses they earn for 2023 by 30%. This means an estimated additional bonus totalling more than EUR 60 million for 2023.
- OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreased by EUR 52 million on the date of transition. At the same time, the Group ceased to apply the overlay approach. The figures in the income statement and balance sheet for 2022 have been adjusted retrospectively. Note 1 Accounting policies of this Interim Report provides more information on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.
- Operating profit (earnings before tax) for 2023 is expected to be higher than in 2022. For more detailed information on the outlook, see "Outlook towards the year end".

OP Financial Group's key indicators

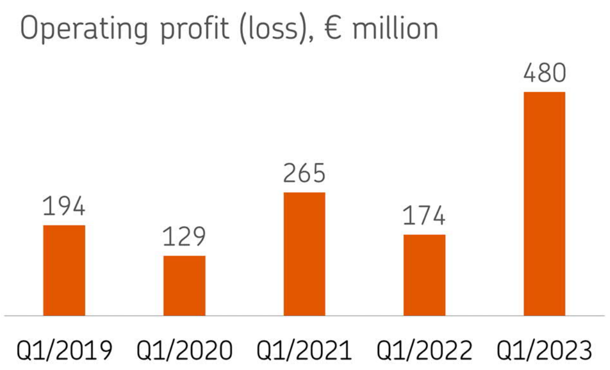
	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Operating profit, € million	480	174	176.0	1,120
Retail Banking	256	54	376.9	502
Corporate Banking	100	3	-	416
Insurance	90	85	5.7	293
Group Functions	4	11	-62.5	-91
New OP bonuses accrued to owner-customers, € million	-64	-54	19.5	-215
Total income	1,111	816	36.0	3,394
Total expenses	-553	-514	7.6	-1,961
Return on equity (ROE), %	10.5	4.3	6.3*	6.3
Return on equity, excluding OP bonuses, %	11.8	5.4	6.4*	7.4
Return on assets (ROA), %	0.94	0.35	0.59*	0.52
Return on assets, excluding OP bonuses, %	1.05	0.44	0.61*	0.61
	31 Mar 2023	31 Mar 2022	Change, %	31 Dec 2022
CET1 ratio, %	18.3	18.4	-0.1*	17.4
Loan portfolio, € billion**	98.8	97.9	0.9	100.2
Deposits, € billion**	74.1	75.0	-1.1	78.0
Ratio of non-performing exposures to exposures, % **	2.41	2.47	-0.06*	2.31
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.11	-0.02*	0.11
Owner-customers (1,000)	2,071	2,053	0.9	2,066

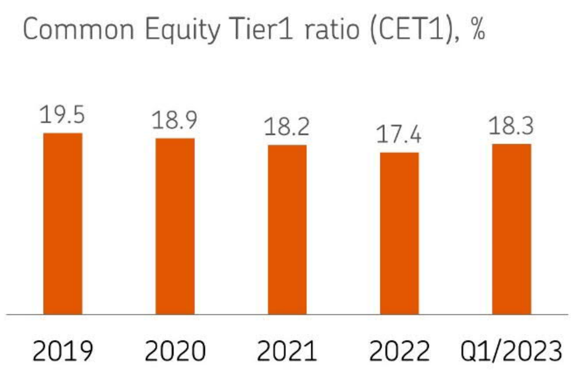
OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The 2022 figures in the income statement and balance sheet have been adjusted retrospectively. The preceding years' figures (2019, 2020 and 2021) have not been adjusted. Note 1 Accounting policies of this report provides more details on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.

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

*Change in ratio.

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





Comments by President and Group Chief Executive Officer Timo Ritakallio

The first quarter of 2023 was characterised by uncertainty on the global capital markets, which had its origins in the US. A major financial crisis seems to have been avoided, but instability persists and banks' funding costs are rising. Despite the challenges in the business environment, OP Financial Group's operations are performing strongly, with earnings at an excellent EUR 480 million in the first quarter of 2023.

Strong capital adequacy, excellent liquidity and broad trust among customers and other stakeholders are vital for a bank – particularly in an uncertain environment. OP Financial Group's CET1 ratio was very strong at 18.3%, which exceeds the minimum regulatory requirement by 6.0 percentage points. This makes us one of the most financially solid banks in Europe. Our liquidity is also excellent. In addition, various surveys state that OP Financial Group is a highly trusted financial services group with a good reputation.

In the first quarter, our net interest income grew by 84 per cent to EUR 615 million. Net commissions and fees remained at almost the same level as a year ago. The insurance service result decreased to EUR –2 million. Investment income rose, particularly at the start of the quarter. In the high-inflation environment, costs remained well under control, growing by eight per cent compared to the same period last year. Earnings were good in all three business segments – Retail Banking, Corporate Banking and Insurance. Retail Banking's earnings in euros particularly improved on last year.

Deposits and the loan portfolio performed sluggishly: deposits decreased by 1 per cent but the loan portfolio grew by 1 per cent year on year. Regardless of the uncertain business environment and rising interest rates, the loan repayment capacity of personal and corporate customers remained high, and there was no increase in non-performing exposures.

Impairment loss on receivables continued to be low. In the current situation, protecting home loans against rising interest rates brings certainty and security to our customers' daily lives. At the end of March, more than 25 per cent of our customers were benefiting from interest rate caps on their mortgages.

Our customers have continued to save and invest systematically, despite the uncertain economic outlook. Investment has remained popular – it is growing in importance as part of sound, long-term financial planning by our customers, who opened almost 22,000 new book-entry and equity savings accounts in the first quarter. More than 10,000 new accounts were opened in March alone, the second-biggest monthly total ever for OP Financial Group. Early in the year, our customers also actively invested in fixed income funds. In addition, increased interest in fixed income investment products led to growing demand for structured products with capital guarantees.

The rapid digitalisation of consumers' daily lives continues: more and more of our customers are using digital channels to manage their banking and insurance. Over 1.5 million personal and SME customers were actively using OP-mobile by the end of March.

The number of insurance customers grew in early 2023, and demand for health and term life insurance was particularly lively. Pohjola Insurance and OP Life Assurance Company have strong solvency, securing their operations even in the most volatile of capital markets. Operational and service capability development has focused on Claims Settlement in particular, and on improving the customer experience and ensuring smooth services.

Our investments in promoting a sustainable economy increased our corporate customers' commitment portfolio in this regard to EUR 5.5 billion. Demand for sustainable financing has remained strong and companies have made active use of our expertise in financing the sustainable economy. The slowdown in companies' willingness to invest led to sluggish growth in demand for loans.

As our strategy states, corporate responsibility is a key element in our investment, lending and insurance processes. In March, we began making green loans to SMEs, housing companies and farms operating as companies. These new green loans are boosting investments in areas such as energy-efficient construction, renewable energy, and infrastructure for low-emission transport. We signed a guarantee agreement with the European Investment Fund in March, to promote the green transition and innovation investment. This will enable around EUR 200 million in additional financing for the Finnish market. In the same month, we gave OP Visa cards a new look; from now on, cards with the new design will be made of recycled plastic.

As a financial services group owned by our customers, we want to benefit our clients and the business environment regardless of the tumult in the world around us. This year, we will make daily life easier for around 2.1 million of our owner-customers by paying 30 per cent extra on OP bonuses accumulated in 2023. In the first quarter, this meant an additional EUR 11 million in bonus accumulation for them. The estimated amount for the entire year will be over EUR 60 million.

In 2023, we will also share the benefits of our improved profitability by paying a total of EUR 4.5 million in donations and sponsorship to promote the wellbeing of children and young people. Our donations will be focused on enabling children and young people to pursue hobbies, and on improving their financial literacy and employment across Finland. We will also donate to Save the Children Finland's Eväitä Elämälle (Fuel for Life) programme, which supports the hobbies of under-18s from low-income families. In April, we began the Hippo Street Tennis Tour of schools across Finland, the first activity started under our new Hippo sports school concept. Our cooperation with sports federations is one of the concrete steps we take to improve wellbeing and provide children with opportunities to exercise and try out new sports on a national basis.

We aim to coach our customers to help them make better financial choices in both banking and insurance. In these uncertain times, it is also important to build confidence in a better tomorrow. Our strong capital adequacy, profitability and leading market position provide us with the basis for fulfilling these aspirations.

Many thanks to our customers for trusting in us, and to our personnel and governing bodies for our excellent start to the year!

OP Financial Group's Interim Report 1 January–31 March 2023

Tables

Business environment

Economic surveys describing world economic development indicated a better outlook during the first quarter. China lifted restrictions caused by the Covid-19 pandemic, and energy market prices came down in Europe. Euro-area GDP is expected to have grown slightly from the previous quarter. Inflation in the euro area slowed down from the 2022-end 9.2% to 6.9% in March.

Prices in the stock market turned down after the rise at the year start, as uncertainty increased because of concerns related to the banking sector. In the first quarter, stock prices in Finland remained lower than at the turn of the year. Interest rates of long-term government bonds too decreased.

In February–March, the European Central Bank raised its main refinancing rate by 0.50 percentage points to 3.00%. The most common reference interest rate for home loans, the 12-month Euribor, rose by 0.32 percentage points, standing at 3.62% at the end of March.

In early 2023, Finnish GDP continued to grow slowly. In February, the unemployment trend was 6.8%, the average rate of last year. The inflation rate slowed down to 7.9% in March from 9.1% in December. In the housing market, an uncertain financial situation and a rise in interest rates decreased the volume of transactions. Home prices continued to go down.

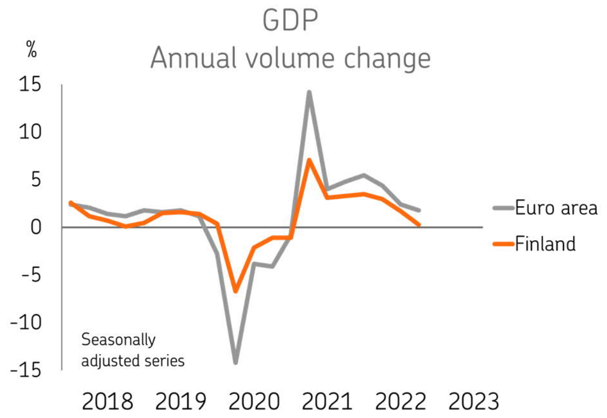
The economic outlook remained subdued and uncertain. Inflation is expected to remain above the ECB's target towards the year end and the ECB is expected to continue to further increase its benchmark interest rates.

In February, the 12-month change in total deposits turned down by 0.9%. Corporate deposits decreased by 0.3% and household deposits by 0.1%.

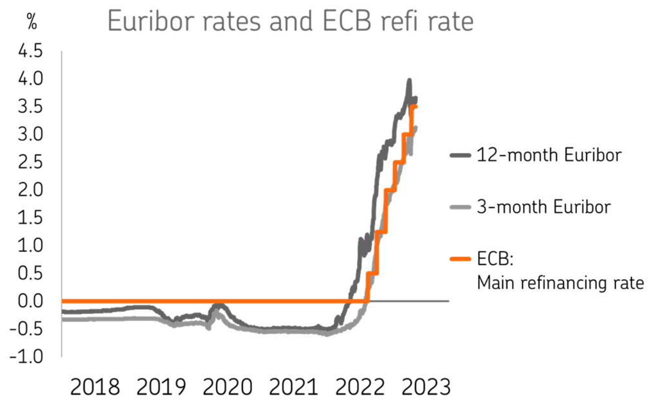
In February, total loans were 3.5% higher than a year earlier. The annual growth rate of corporate loans was 4.5%. The corresponding loan growth rate was 6.6% for housing companies and 0.8% for households. Growth in loans to households slowed down from its level of 3.8% at the end of March 2022, while the annual growth rate of home loans slowed down to 0.6%. The annual growth rate of consumer loans was 3.0% in February as against 2.9% during the same period a year earlier.

The value of mutual funds registered in Finland increased from EUR 134 billion to EUR 137 billion during the first quarter. During the first quarter, new assets worth a total of EUR 589 million were invested in mutual funds registered in Finland.

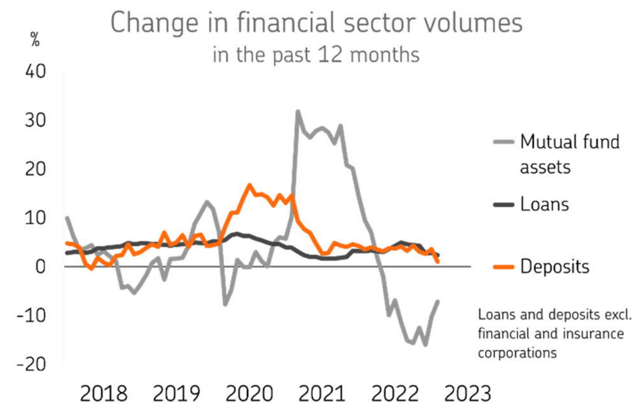
Demand for insurance products remained stable. The end of the pandemic and inflationary pressures have increased insurance companies' claims incurred.



Sources: Eurostat, Statistics Finland



Source: Bank of Finland



Sources: Bank of Finland, Investment Research Finland

Source: Statistics Finland

Earnings analysis and balance sheet

Earnings analysis, € million	Q1/ 2023	Q1/ 2022	Change, %	Q4/ 2022	Change, %	Q1–4/ 2022
Operating profit	480	174	176.0	354	35.4	1,120
Retail Banking	256	54	376.9	167	53.4	502
Corporate Banking	100	3	-	197	-49.1	416
Insurance	90	85	5.7	146	-38.3	293
Group Functions	4	11	-62.5	-75	-105.6	-91
Net interest income	615	334	84.4	496	23.9	1,618
Impairment loss on receivables	-23	-83	-72.5	45	-48.7	-115
Net commissions and fees	244	247	-1.2	234	4.5	942
Insurance service result	-2	21	-111.8	32	-107.7	109
Insurance revenue	485	451	7.5	491	-1.2	1,898
Insurance service expenses	-485	-447	8.4	-431	12.3	-1,895
Reinsurance contracts	-3	16	-117.2	-28	-89.8	106
Investment income	128	70	82.3	107	19.7	245
Other operating income	6	39	-83.9	12	-46.6	63
Personnel costs	-222	-211	5.3	-239	-7.2	-856
Depreciation/amortisation and impairment loss	-47	-57	-18.6	-55	-14.3	-214
Other operating expenses	-284	-246	15.6	-247	14.8	-892
Transfers to insurance service result	120	106	12.7	111	7.8	416
OP bonuses to owner-customers	-55	-46	21.5	-51	9.0	-198
Operating profit	480	174	176.0	354	35.4	1,120

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The figures in the income statement and balance sheet for 2022 have been adjusted retrospectively. Note 1 Accounting policies of this Interim Report provides more information on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.

Key indicators, € million	31 Mar 2023	31 Dec 2022	Change, %
Loan portfolio*	98,819	100,234	-1.4
Home loans	42,000	42,304	-0.7
Corporate loans	23,139	23,117	0.1
Housing company and other loans	33,680	34,813	-3.3
Guarantee portfolio	3,992	3,974	0.5
Other exposures	15,160	14,502	13.4
Deposits*	74,147	78,036	-5.0
Assets under management (gross)	99,531	98,226	1.3
Mutual funds	28,101	27,575	1.9
Institutional clients	35,725	35,713	0.0
Private Banking	23,800	23,326	2.0
Unit-linked insurance assets	11,904	11,612	2.5
Balance sheet total	157,757	175,691	-10.2
Investment assets	21,268	20,742	2.5
Insurance contract liabilities	11,754	11,442	2.7
Debt securities issued to the public	35,765	37,438	-4.5
Equity capital	14,937	14,668	1.8

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

January–March

OP Financial Group's operating profit (earnings before tax) was EUR 480 million (174), up by EUR 306 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 42.5% to EUR 857 million (601).

Net interest income grew by 84.4% to EUR 615 million. A significant rise in market interest rates increased net interest income. Net interest income reported by the Retail Banking segment increased by EUR 219 million and that by the Corporate Banking segment by EUR 34 million. In the year to March, OP Financial Group's loan portfolio grew by 0.9% to EUR 98.8 billion and deposits decreased by 1.1% to EUR 74.1 billion. New loans drawn down by customers during the reporting period totalled EUR 4.8 billion (6.0).

Impairment loss on loans and receivables, which reduces earnings, totalled EUR 23 million (83). A year ago, the indirect effects of Russia's aggressive war in Ukraine increased impairment loss on receivables. Final credit losses recognised totalled EUR 7 million (9). Loss allowance was EUR 752 million (736) at the end of the reporting period. Non-performing exposures accounted for 2.4% (2.3) of total exposures. Impairment loss on loans and receivables accounted for 0.09% (0.33) of the loan and guarantee portfolio.

Net commissions and fees totalled EUR 244 million (247). Net commissions and fees for payment transfer services, mutual funds and lending increased by EUR 3 million. Meanwhile, net commissions and fees for residential, insurance and securities brokerage decreased by EUR 3 million.

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The figures in the income statement and balance sheet for 2022 have been adjusted retrospectively. Insurance service result decreased by EUR 23 million to EUR –2 million. Insurance service result includes EUR 120 million (106) in operating expenses. In non-life insurance, the timing of insurance service result changed in the year to March. Expected losses are immediately recognised in the income statement, which decreases earnings for the first quarter. Meanwhile in life insurance, the recognition of loss component changed the timing of earnings between years. The Insurance segment's non-life insurance revenue increased by 5.5% to EUR 415 million. Claims incurred increased by 4.2% to EUR 304 million and operating expenses increased by 1.6% to EUR 112 million. Combined ratio reported by non-life insurance weakened to 100.5% (97.7).

The investment environment was challenging in the first quarter due to the uncertainty of the global capital markets. Nevertheless, investment income, or net investment income, net insurance finance income and financial assets held for trading, increased by a total of 82.3% to EUR 128 million. A year ago, investment income decreased due to market reactions to Russia's aggressive war in Ukraine.

OP Financial Group adopted IFRS 17 Insurance Contracts and stopped applying the overlay approach. The Insurance segment's net investment income at fair value is fully recognised in the income statement. The impact of economic assumptions, such as the changes in interest rates, on the value of insurance contract liabilities is recognised in net finance income in the income statement. 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 2.1% (–4.7).

Net income from financial assets recognised at fair value through profit or loss, or notes and bonds, shares and derivatives, totalled EUR 485 million (–1,214). Net income from investment contract liabilities totalled EUR –174 million (418). Net insurance finance income totalled EUR –223 million (837).

In banking, net income from financial assets held for trading increased by a total of EUR 52 million due to the increase in interest income from notes and bonds and derivatives. Net income from financial assets at fair value through other comprehensive income totalled EUR 4 million (9), of which capital gains accounted for EUR 4 million (9).

Other operating income decreased to EUR 6 million (54). A year ago, the sale of Pohjola Hospital increased other operating income by EUR 32 million.

Total expenses increased by 7.6% year on year, to EUR 553 million. Personnel costs rose by 5.3% to EUR 222 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 18.6% to EUR 47 million. Other operating expenses increased by 15.6% to EUR 284 million. ICT costs totalled EUR 104 million (90). Development costs were EUR 64 million (50). Charges of financial authorities, EUR 63 million, were at the previous year's level (64).

Income tax amounted to EUR 95 million (25). The effective tax rate for the reporting period was 19.7% (14.7). A year ago, the tax-exempt capital gain of EUR 32 million on the sale of Pohjola Hospital reduced the effective tax rate.

Comprehensive income after tax totalled EUR 420 million (3). Changes in the fair value reserve improved comprehensive income by a total of EUR 27 million (–173).

OP Financial Group's equity amounted to EUR 14.9 billion (14.7). Equity included EUR 3.3 billion (3.4) in Profit Shares, terminated Profit Shares accounting for EUR 0.3 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 217% (217) and NSFR was 127% (128). In the reporting period, OP Financial Group repaid in full the EUR 12 billion in TLTRO III loans.

January–March highlights

Adoption of IFRS 17 Insurance Contracts

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreased by EUR 52 million on the date of transition. At the same time, the Group ceased to apply the overlay approach. The figures in the income statement and balance sheet for 2022 have been adjusted retrospectively. Solvency II valuations are used in the financial conglomerate's FiCo calculation, so the adoption of IFRS 17 did not affect the FiCo ratio. Note 1 Accounting policies of this Interim Report provides more information on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.

OP Financial Group adopted the Standardised Approach

OP Financial Group adopted the Standardised Approach in its capital adequacy measurement and reporting during the first quarter of 2023. The transition to the Standardised Approach had no impact on OP Financial Group's capital adequacy or risk profile. On 13 March 2023, the European Central Bank (ECB) issued its decision on the application of the Standardised Approach in OP Financial Group's capital adequacy measurement.
On 30 September 2022, OP Financial Group filed an application with the ECB on the use of the Standardised Approach in capital adequacy calculation, instead of internal models (IRBA) and the risk-weighted assets floor based on the Standardised Approach.

The resolution authority has updated the Minimum Requirement for Own Funds and Eligible Liabilities for OP Financial Group

The resolution authority has updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. As part of the MREL, the resolution authority reduced OP Financial Group's subordination requirement in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be fulfilled with own funds or subordinated liabilities.

The requirements under the MREL are determined annually, using uniform principles applying to all euro-area banks as part of the EU-level resolution regulation. The EU's Single Resolution Board (SRB) based in Brussels is OP Financial Group's resolution authority.

The resolution authority kept OP Financial Group's resolution strategy unchanged. Resolution measures would focus on the OP amalgamation and on the new OP Corporate Bank that would be formed in the case of resolution.

For more detailed information on the updated requirements, see "Liabilities under the Resolution Act".

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 2023	31 Dec 2022	Target 2025
Return on equity (ROE excluding OP bonuses), %	11.8	7.4	8.0
CET1 ratio, %	18.3	17.4	at least CET1 requirement + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers) **	Banking: 25 Insurance: 16	Banking: 27 Insurance: 17	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

* OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the March-end capital adequacy requirement was 16.3%.

**Average of quarters (per financial year).

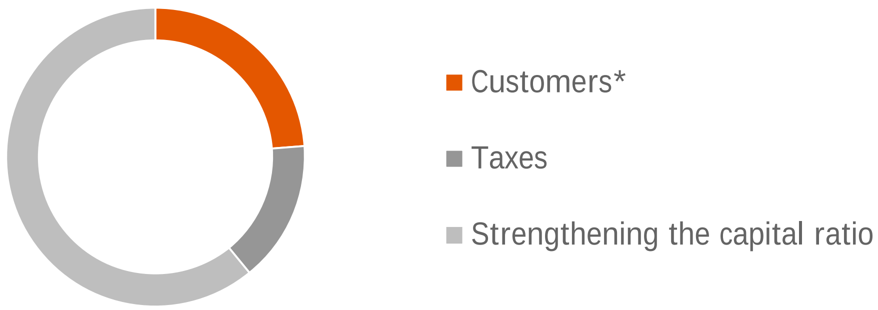
Promotion of the success of owner-customers and operating region

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 2023 that is to be confirmed after the end of the financial year:



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

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

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

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

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

Customer relationships and 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 18,000 year on year.

The number of banking customers totalled 3.4 million (3.4). Retail Banking had a total of 3.1 million customers (3.1) and Corporate Banking 0.3 million customers (0.3). Non-life insurance had a total of 1.7 million customers (1.7) and life insurance 0.4 million customers (0.4). The definition of banking customer was revised at the beginning of 2023. As a result of this, the reported number of customers decreased by around 140,000. The comparative has been adjusted to correspond to the new definition. The number of joint banking and insurance customers totalled 1.3 million (1.3).

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–March totalled EUR 64 million (54). During the reporting period, a total of EUR 33 million (33) of OP bonuses were used to pay for banking and wealth management services and EUR 30 million (27) to pay non-life insurance premiums.

Owner-customers benefitted EUR 20 million (16) from the reduced price of the daily services package of Retail Banking. At the beginning of 2023, the calculation method for the retail service package discounts was changed and the discounts for 2022 were adjusted for comparability. Owner-customers were provided with EUR 15 million (13) in non-life insurance loyalty discounts. They also bought, sold and switched units in most mutual funds without separate charges. The value of this benefit amounted to EUR 2 million (3).

The abovementioned OP bonuses and customer benefits totalled EUR 101 million (83), accounting for 17.4% (33.1) of OP Financial Group's operating profit before granted benefits.

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.5 billion (3.6). Interest on Profit Shares for the financial year 2022, payable in June 2023, totals EUR 144 million (96). The return target for Profit Shares for 2023 is an interest rate of 4.50% (4.45). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 37 million (35).

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In March, the Group's mobile channels (OP-mobile, OP Business mobile) had more than 1.5 million active users (1.3). The Group provides personal customer service both at branches and digitally.

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

	Q1/2023	Q1/2022	Change, %
OP-mobile, personal customers	143.8	125.2	14.9
OP-mobile, corporate customers*	4.9	-	-
OP Business Mobile	7.5	6.2	21.0
Pivo	10.0	10.4	-3.9
Op.fi**	18.0	12.3	46.3
	31 Mar 2023	31 Mar 2023	Change, %
Siirto payment, registered customers (OP)	1,167,819	1,076,208	8.5

* OP-mobile services for corporate customers were launched in November 2022.

** The figures are not comparable due to a change in the measurement method in Q4/2022.

In March, OP expanded its mobile payment services by introducing the Apple Pay service in OP's Mastercards, alongside OP's Visa cards. The service enables customers to pay for their purchases using phones or smartwatches in contactless payment readers and on apps and online stores. In December 2022, OP extended the Google Pay service that works on Android phones or smartwatches to cover customers using Mastercard.

OP Financial Group has an extensive branch network with 296 branches (297) 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 the Group's strategic priorities. In August 2022, OP Financial Group published its updated sustainability programme that is built around three themes: Climate and the environment, People and communities and Corporate governance.

The programme is based on OP Financial Group's values, megatrends in the business environment and materiality assessment. The programme and its goals were worked on together with different stakeholders. The Climate and environment section sets goals for the provision of sustainable financial and investment products, the emission reductions of loan and investment portfolios as well as the promotion of biodiversity. The People and communities section focuses on the wellbeing of local communities and on supporting management of personal finances and financial literacy. Corporate governance 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. The Group has agreed to follow the UN Principles for Responsible Investment and the UN Principles of Sustainable Insurance. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

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

Sustainability and corporate responsibility highlights in January–March

OP Financial Group has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. On 31 March 2023, total exposures from these loans and facilities stood at EUR 5.5 billion (5.2). On the same date, sustainable funds accounted for 59% of all fund assets.

In March 2023, OP Financial Group launched three different EIF risk sharing guarantees for the Finnish market in cooperation with the European Investment Fund (EIF). The guarantees are intended for SMEs and housing companies investing in sustainable development and innovation. The purpose of EIF's loan guarantee is to help small businesses and housing companies to invest in sustainable solutions and to boost product and service development and digitalisation. The guarantee agreement is based on the European Union's InvestEU Programme.

To promote diversity, OP Financial Group's objective is that the proportion of both women and men in defined executive positions is at least 40%. The proportion of women in these positions was 31% (31) at the end of March. OP Financial Group reports annually on sustainability issues in accordance with the GRI standards.

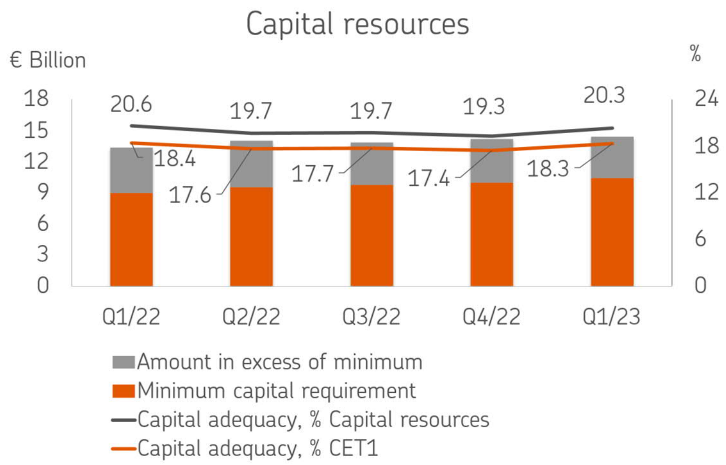
Capital adequacy and capital base

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

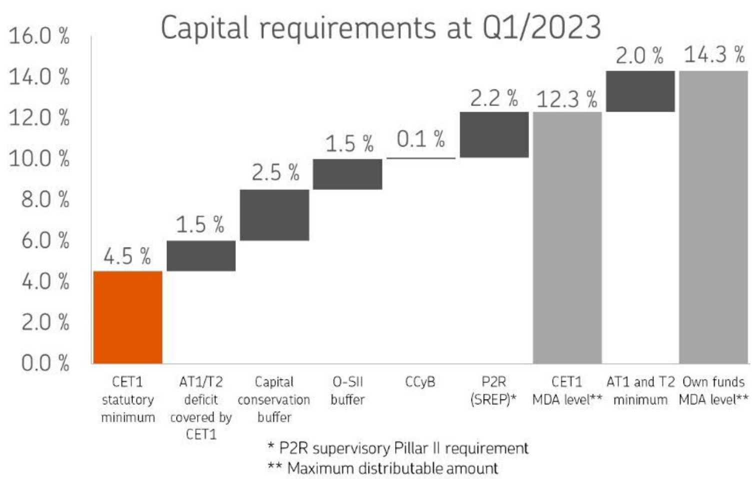
OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 4.2 billion (4.1). Banking capital requirement rose to 14.3% (13.8), calculated on risk-weighted assets. The ratio of OP Financial Group's capital base to the minimum capital requirement was 137% (137). 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 18.3% (17.4), which exceeds the minimum regulatory requirement by 6.0 percentage points. The ratio was improved by earnings performance and a decrease in risk-weighted assets which resulted from a decrease in the loan portfolio.

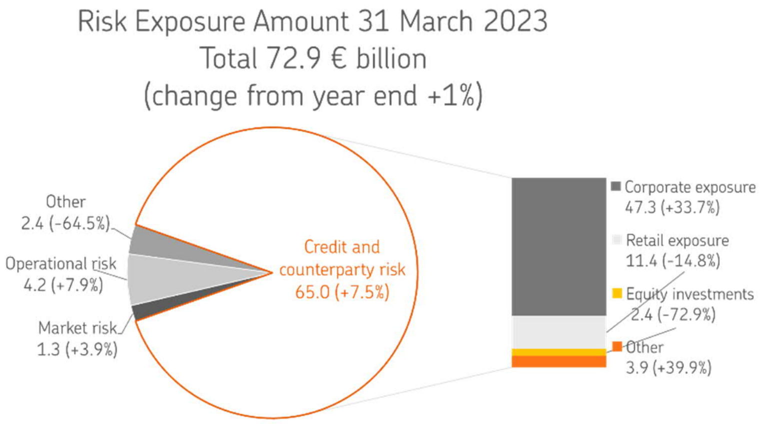


As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%; the minimum requirement of 1.5% for AT1 and T2, which needs 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% and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 14.3% and the minimum CET1 ratio to 12.3%, 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 13.3 billion (12.6). The CET1 capital was improved by Banking earnings and the elimination of the allowance for expected losses based on the IRBA, which resulted from the transition to the Standardised Approach to credit risk. The amount of Profit Shares in CET1 capital was EUR 3.3 billion (3.2).

The risk exposure amount (REA) totalled EUR 72.9 billion (72.3), or 1% higher than on 31 December 2022. In the first quarter, OP Financial Group adopted the Standardised Approach in its capital adequacy measurement, instead of the internal ratings-based approach that it applied earlier. The transition increased the total risk exposure amount, but the change had no impact on the capital adequacy ratio.



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

The minimum leverage ratio for OP Financial Group's Banking was 9.1% (7.6). The higher ratio was particularly due to the repayment of TLTRO III funding, and earnings performance. The regulatory minimum requirement is 3%.

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

The OP Amalgamation capital adequacy tables will be published in week 19.

Insurance

The solvency position of insurance companies is strong.

	Non-life insurance		Life insurance	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Capital base, € mill.*	1,711	1,658	1,552	1,523
Solvency capital requirement (SCR), € mill.*	734	670	604	567
Solvency ratio, %*	233	247	257	269
Solvency ratio, % (excl. transitional provision)	233	247	227	232

*including transitional provisions.

ECB's supervision

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

On 13 March 2023, the ECB issued its decision on the application of the Standardised Approach to credit risk in OP Financial Group's capital adequacy measurement. On 30 September 2022, OP Financial Group filed an application with the ECB on the use of the Standardised Approach in capital adequacy calculation, instead of internal models (IRBA) and the risk-weighted assets floor based on the Standardised Approach.

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 has been 2.25% (2.25) since 1 January 2022.

Liabilities under the Resolution Act

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

The SRB has updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. As part of the MREL, the resolution authority has updated OP Financial Group's subordination requirement in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be fulfilled with own funds or subordinated liabilities. The MREL is 22.30% of the total risk exposure and 26.30% of the total risk exposure including a combined buffer requirement, and 7.40% (previously 9.92%) of leverage ratio exposures. The updated subordination requirement supplementing the MREL was decreased to 14.66% of the total risk exposure amount and 18.66% of the total risk exposure amount including a combined buffer requirement, and 7.40% of leverage ratio exposures. This took effect on 15 March 2023.

From the beginning of 2024, the MREL will be 22.89% of the total risk exposure and 26.89% of the total risk exposure including a combined buffer requirement, and 7.40% of leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 3.5%.

OP Financial Group's buffer for the MREL was EUR 8.2 billion and for the subordination requirement EUR 5.6 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 4.4 billion. These bonds provide funds for the MREL subordination requirement.

OP Financial Group clearly exceeds the new MREL requirement. At the end of March 2023, OP Financial Group's MREL ratio was an estimated 37.6% of the total risk exposure amount and, based on the subordination requirement, the MREL ratio for subordinated liabilities was an estimated 26.3% of leverage ratio exposures.

Risk profile

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

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

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

Through advice and business decisions, OP Financial Group encourages its customers in developing their sustainable and successful business in the future.

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

In the first quarter of 2023, the materialisation of OP Financial Group's operational risks resulted in EUR 1 million (1) in gross losses. As regards other risks, the risk profile is discussed in more detail by business segment.

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

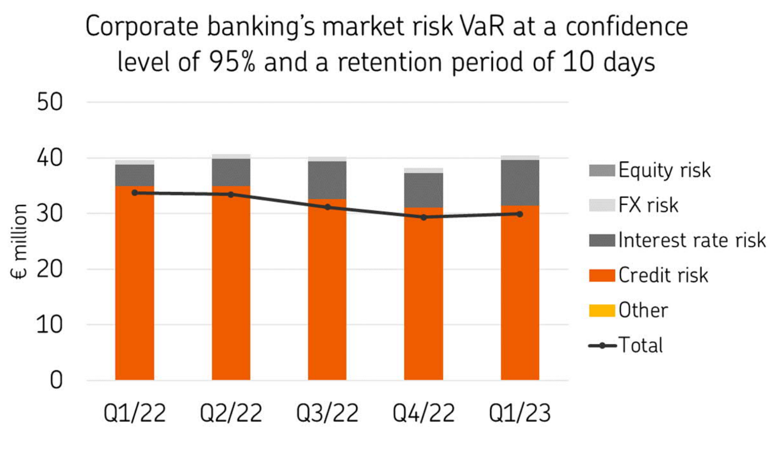
Retail Banking and Corporate Banking

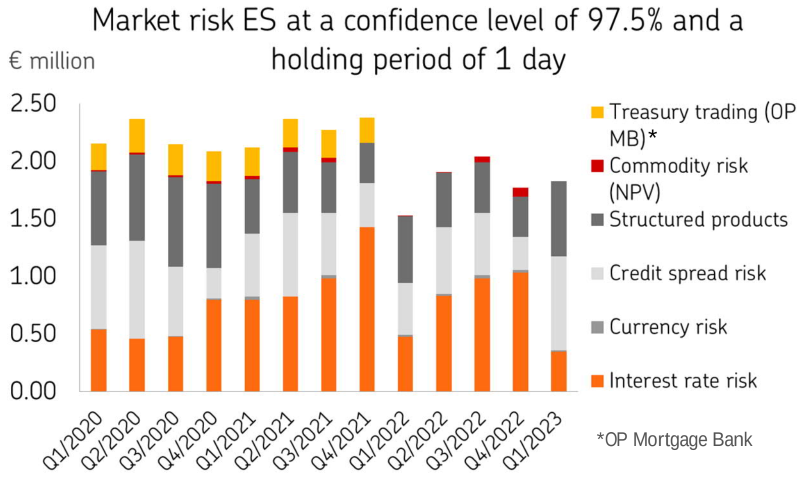
Major risks in banking are associated with credit risk arising from customer business, and market risk.

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

The market risk level of OP Corporate Bank's investments increased in the first quarter. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 30 million (29) on 31 March 2023. The VaR risk metric includes banking's bond investments and derivatives that hedge their interest rate risk as well as investments in money market papers.

The market risks of the Markets function rose slightly during the reporting period as the Stressed Expected Shortfall (ES) measure was adopted at the beginning of the year. The Stressed ES is a more conservative risk measure than the unstressed ES used previously. Due to the change, the proportion of interest rate risk of the total risk exposure of Markets has fallen considerably whereas the proportion of credit spread has increased. The Stressed ES determines expected loss by using the poorest continuous one-year period available in history, as the risk measure used previously was based on the last three years.





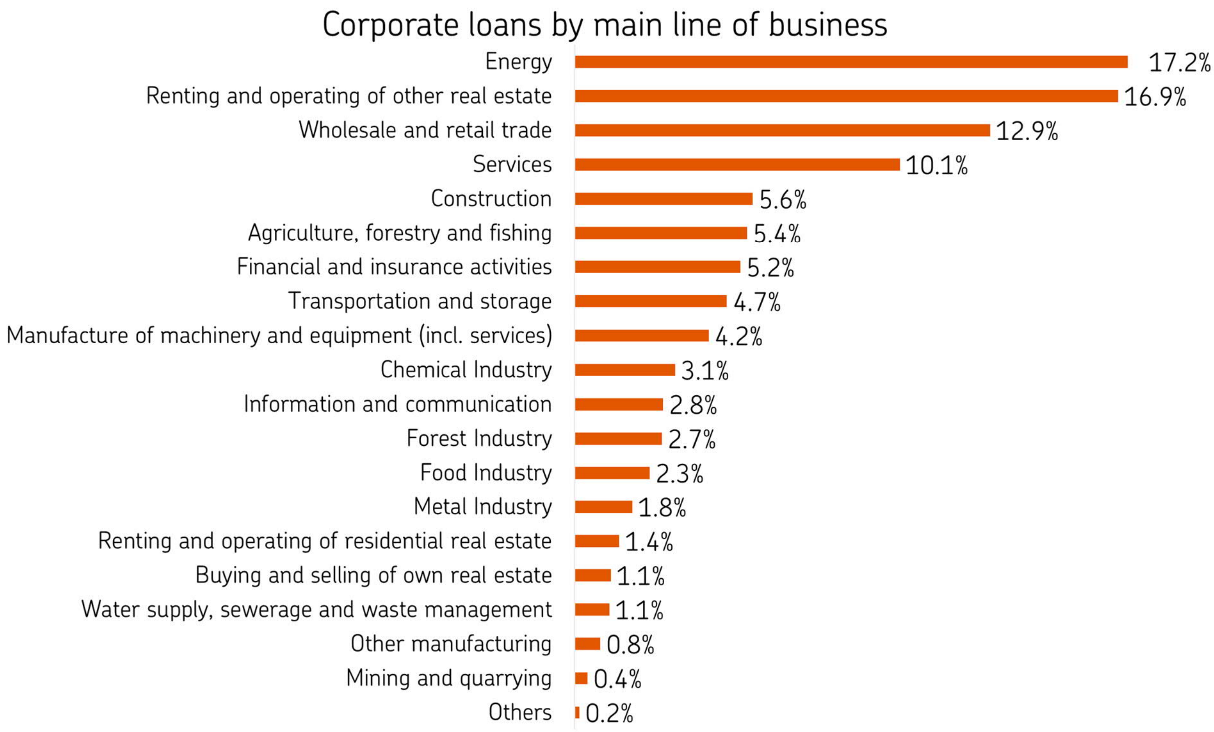
Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing receivables (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Over 90 days past due, € billion			0.55	0.52	0.55	0.52	0.20	0.19	0.35	0.33
Unlikely to be paid, € billion			0.96	0.91	0.96	0.91	0.15	0.16	0.81	0.75
Forborne exposures, € billion	3.40	3.38	1.39	1.32	4.79	4.70	0.18	0.18	4.61	4.51
Total, € billion	3.40	3.38	2.90	2.74	6.30	6.12	0.54	0.53	5.77	5.59

	OP Financial Group		Retail Banking		Corporate Banking	
Key ratios	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022	31 Mar 2023	31 Dec 2022
Ratio of doubtful receivables to exposures, %*	5.24	5.16	6.74	6.64	2.22	1.91
Ratio of non-performing receivables to exposures, %*	2.41	2.31	2.72	2.67	1.85	1.53
Ratio of performing forborne exposures to exposures, %*	2.83	2.85	4.02	3.97	0.36	0.39
Ratio of performing forborne exposures to doubtful receivables, %	54.0	55.2	59.7	59.8	16.3	20.3
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	11.9	12.0	8.6	8.5	33.7	38.4

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

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



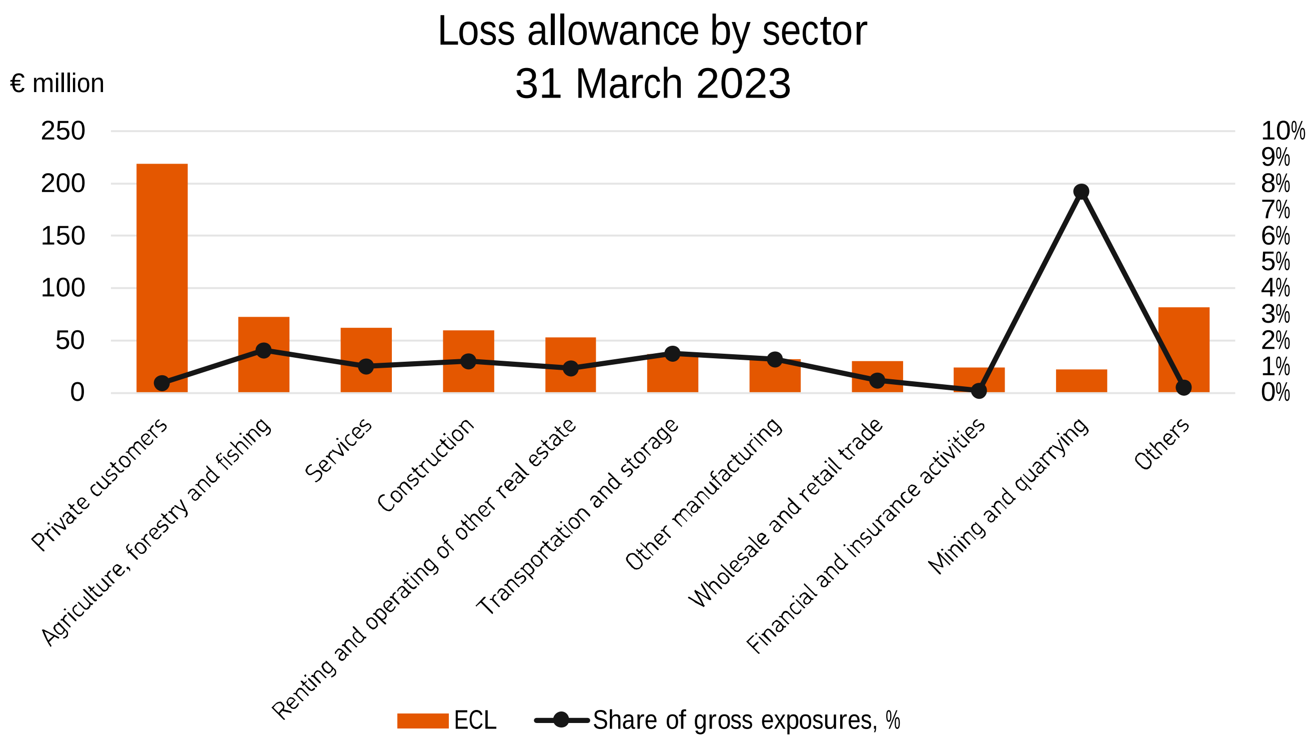
The graph shows the distribution of OP Financial Group's corporate loans by sector as percentages at the end of the reporting period. The applied classification into sectors is not risk-based.

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 265 million (351) and as the effect of a one-percentage point decrease EUR –268 million (–319) 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 (53) and as the effect of a one-percentage point decrease EUR –17 million (1) on the average per year.

Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 43.8 billion (44.2) at the end of March. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Loss allowance by sector



The graph shows the loss allowance of different sectors and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period, 31 March 2023.

Insurance

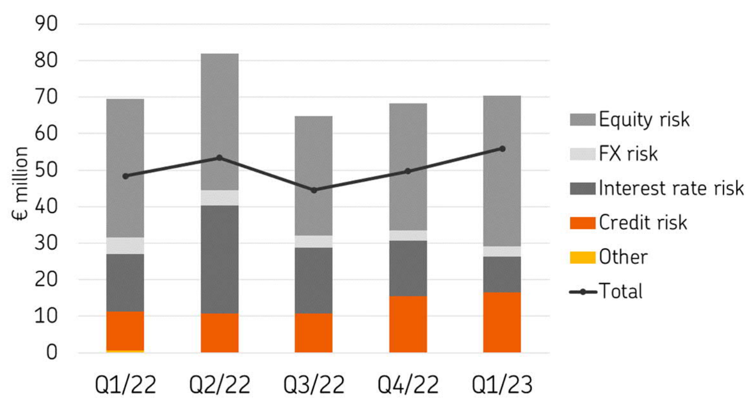
Non-life insurance

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, interest rates used in the valuation of insurance contract liabilities, and the difference between the discount rate applied to insurance contract liabilities and market interest rates.

A one-year increase in life expectancy would increase insurance contract liabilities for annuities by EUR 49 million. A 0.1 percentage point decrease in interest rates used in the valuation of insurance contract liabilities would increase insurance liabilities by EUR 20 million.

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.

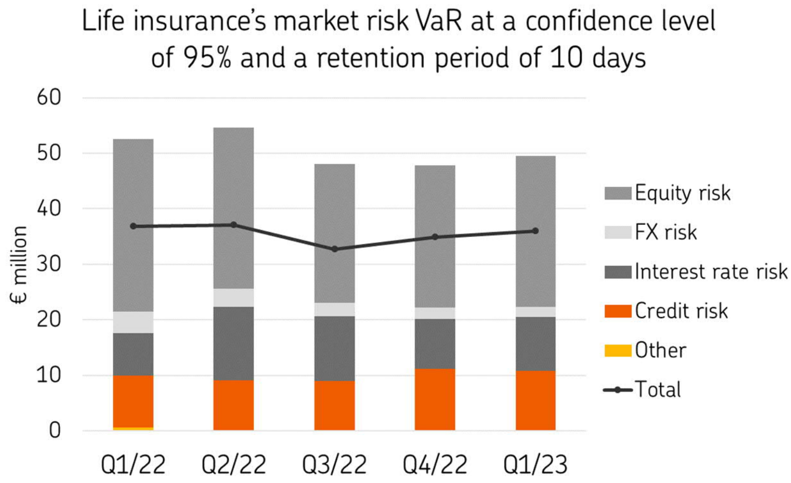
Non-life insurance's market risk VaR at a confidence level of 95% and a retention period of 10 days



The market risk level of the investments of non-life insurance increased during the first quarter. The increase is explained by the increase in equity risk. The VaR, a measure of market risk, was EUR 56 million (49) on 31 March 2023. 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, a faster-than-expected life expectancy increase among those insured, and the lapse and surrender risk arising from changes in customer behaviour.



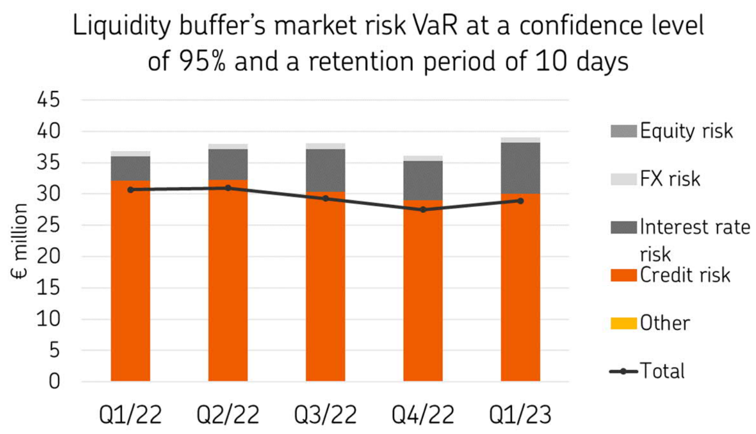
A one-year increase in life expectancy would increase insurance contract liabilities by EUR 25 million (25). A 0.1 percentage point decrease in interest rates used in the valuation of insurance contract liabilities would increase such liabilities by EUR 18 million (17). The increase in interest rate sensitivity is due to lower interest rates and the change in the cash flows of insurance contract 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 255 million (246) on 31 March 2023.

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 36 million (35) 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 is strong. In January–March, OP Financial Group issued long-term bonds worth EUR 1.2 billion (0.5). The loan-to-deposit ratio remained stable during the reporting period.

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) increased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 29 million (27) on 31 March 2023. The VaR risk metric includes bond investments in the liquidity buffer, derivatives that hedge their interest rate risk as well as investment in money market papers.

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

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

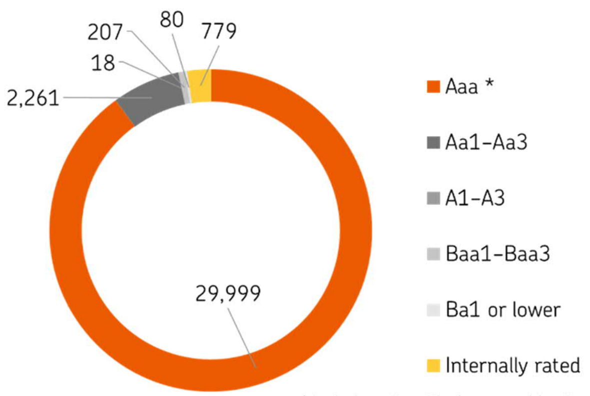
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 127% (128) at the end of the reporting period.

Liquidity buffer

€ billion	31 Mar 2023	31 Dec 2022	Change, %
Deposits with central banks	17.6	34.8	-49.4
Notes and bonds eligible as collateral	14.9	2.1	610.8
Total	32.5	36.9	-12.0
Receivables ineligible as collateral	0.9	0.7	19.5
Liquidity buffer at market value	33.3	37.6	-11.4
Collateral haircut	-0.9	-0.2	
Liquidity buffer at collateral value	32.5	37.4	-13.2

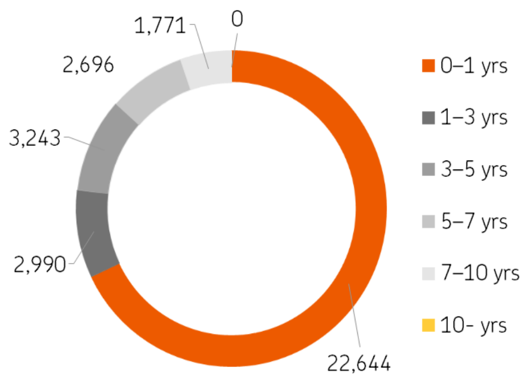
The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings. At the end of the reporting period, the liquidity buffer included bonds with a carrying amount of EUR 161 million (0) and classified at amortised cost, issued by issuers other than OP Financial Group. These are not measured at fair value in accounting. The fair value of these bonds

Financial assets included in the liquidity buffer by credit rating on 31 March 2023, € million



* incl. deposits with the central bank

Financial assets included in the liquidity buffer by maturity on 31 March 2023, € million



amounted to EUR 160 million (0) at the end of the reporting period. In the above information on the liquidity buffer, these bonds are measured at fair value.

Credit ratings

Credit ratings 31 March 2023

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

Financial performance by segment

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

Retail Banking

- Operating profit increased to EUR 256 million (54).
- Total income increased by 43.3% to EUR 661 million. Income from customer business increased by a total of 45.8%: net interest income increased by 92.7% to EUR 455 million and net commissions and fees decreased by 8.0% to EUR 194 million.
- Impairment loss on receivables decreased to EUR 12 million (41). Non-performing exposures (gross) accounted for 2.7% (2.7) of total exposures.
- Total expenses increased by 5.3% to EUR 346 million. Personnel costs increased by 5.3% to EUR 118 million and other operating expenses by 6.3% to EUR 218 million.
- OP bonuses to owner-customers increased by 22.9% to EUR 46 million (38).
- The loan portfolio grew by 0.4% to EUR 71.6 billion and deposits by 0.3% to EUR 63.3 billion in the year to March.
- The most significant development investments focused on upgrading the core banking system and developing digital services.

Key figures and ratios

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Net interest income	455	236	92.7	1,194
Impairment loss on receivables	-12	-41	-70.8	-96
Net commissions and fees	194	211	-8.0	773
Investment income	0	8	-102.1	-9
Other operating income	12	6	87.6	39
Personnel costs	-118	-112	5.3	-455
Depreciation/amortisation and impairment loss	-11	-12	-11.3	-53
Other operating expenses	-218	-205	6.3	-720
OP bonuses to owner-customers	-46	-38	22.9	-168
Operating profit	256	54	376.9	502
Total income	661	461	43.3	1,996
Total expenses	-346	-329	5.3	-522
Cost/income ratio, %	52.4	71.3	-18.9*	26.0
Ratio of non-performing exposures to exposures, % ***	2.7	2.7	0.06*	2.7
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.07	0.23	-0.16*	0.13
Return on assets (ROA), %	0.82	0.18	0.65*	0.40
Return on assets, excluding OP bonuses, %	0.97	0.30	0.67*	0.54

€ million	31 Mar 2023	31 Mar 2022	Change, %	31 Dec 2022
Home loans drawn down	1,271	2,059	-38.3	7,513
Corporate loans drawn down	478	633	-24.5	2,702
No. of brokered residential property and property transactions	1,876	2,828	-33.7	10,844

€ billion	31 Mar 2023	31 Mar 2022	Change, %	31 Dec 2022
Loan portfolio**				
Home loans	42.0	41.9	0.3	42.3
Corporate loans	8.2	8.2	0.7	8.3
Housing companies	8.8	8.4	4.4	8.8
Other loans	12.6	12.9	-1.9	12.6
Total loan portfolio	71.6	71.3	0.4	72.1
Guarantee portfolio	0.9	0.9	0.1	1.0
Other exposures	8.5	10.1	-15.8	8.3
Deposits**				
Current and payment transfer deposits	41.0	42.1	-2.6	43.3
Investment deposits	22.3	21.0	6.1	21.6
Total deposits	63.3	63.1	0.3	64.8

*Change in ratio.

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

*** In the calculation of this ratio, the exposures item excludes changes in the fair value of loans in hedge accounting as of 1 January 2023. Comparatives have been adjusted to correspond to the current definition.

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

In the year to March, the loan portfolio grew by 0.4% to EUR 71.6 billion. As a result of the slackening home loan market, the amount of home loans drawn down decreased by 38.3% year on year. The home loan portfolio grew by 0.3% to EUR 42.0 billion. At the end of the reporting period, 88% of the home loan portfolio was tied to the 12-month Euribor, 9% to shorter Euribor rates, and 3% to the OP-Prime rate and a fixed interest rate. The corporate loan portfolio grew by 0.7% to EUR 8.2 billion. The housing company loan portfolio grew by 4.4% to EUR 8.8 billion. Other loans decreased by a total of 1.9% to EUR 12.6 billion.

On 31 March 2023, a total of 33.6% (32.8) of personal customers' home loans were covered by interest rate protection. On the same date, the interest expenses of around 120,000 home loans were being cut by an interest rate cap; the loans' aggregate principal totalled EUR 10.7 billion.

The deposit portfolio increased by 0.3% to EUR 63.3 billion. Deposits on current and payment transfer accounts decreased by 2.6% and investment deposits increased by 6.1%.

High inflation and the rise in reference interest rates had a major impact on the housing market in the first quarter. The volume of home and real property sales brokered by OP Koti real estate agents totalled 1,876, a decrease of 33.7% year on year.

In March, OP launched a green loan for SMEs and housing companies. The new green loan boosts investments in areas such as energy-efficient construction, renewable energy, and infrastructure for low-emission transport.

OP Financial Group customers' interest in saving and investing continued in the first quarter. OP mutual funds attracted 21,700 new unitholders. The number of unitholders totalled 1,230,000. In share trading, the number of executed orders was 18% lower than a year ago.

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

At the end of March, the number of OP cooperative banks was 106 (108). 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 256 million (54). Total income increased by 43.3% to EUR 661 million. Net interest income grew by 92.7% to EUR 455 million, due to a strong rise in market interest rates. Net commissions and fees decreased by 8.0% to EUR 194 million. They were reduced by the change in the operating model applied to hedging interest rate risk associated with derivative contracts between Corporate Banking and Retail Banking, which was implemented at the end of 2022.

Impairment loss on receivables decreased by 70.8% to EUR 12 million (41). Final net loan losses recognised for the reporting period totalled EUR 7 million (8). Non-performing exposures accounted for 2.7% (2.7) of total exposures.

Total expenses increased by 5.3% to EUR 346 million. Personnel costs increased by 5.3% to EUR 118 million and other operating expenses by 6.3% to EUR 218 million. ICT costs increased other operating expenses. Depreciation/amortisation and impairment loss decreased by 11.3% year on year, to EUR 11 million.

OP bonuses to owner-customers increased by 22.9% to EUR 46 million. OP Financial Group increased the OP bonuses payable to its owner-customers for 2023 by 30%.

Corporate Banking

- Operating profit increased to EUR 100 million (3).
- Net interest income grew by 32.7% to EUR 138 million and net commissions and fees by 39.9% to EUR 58 million. Investment income amounted to EUR 19 million (–2).
- Impairment loss on receivables totalled EUR 11 million (43). Non-performing exposures (gross) accounted for 1.9% (2.0) of total exposures.
- Other operating expenses increased by 7.7% to EUR 80 million.
- In the year to March, the loan portfolio grew by 4.2% to EUR 27.3 billion while deposits decreased by 19.9% to EUR 11.2 billion. Assets under management by Corporate Banking decreased by 5.7% year on year, to EUR 72.9 billion.
- The most significant development investments involved the upgrades of customer relationship management, payment and asset management systems.

Key figures and ratios

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Net interest income	138	104	32.7	457
Impairment loss on receivables	-11	-43	-74.1	-18
Net commissions and fees	58	42	39.9	166
Investment income	19	-2	-	136
Other operating income	8	7	5.3	18
Personnel costs	-24	-23	3.7	-95
Depreciation/amortisation and impairment loss	-1	-3	-52.9	-8
Other operating expenses	-80	-74	7.7	-218
OP bonuses to owner-customers	-6	-5	15.7	-20
Operating profit	100	3	999	416
Total income	222	151	47.2	776
Total expenses	-105	-100	5.1	-321
Cost/income ratio, %	47.2	66.2	-19.0*	41.4
Ratio of non-performing exposures to exposures, % **	1.9	2.0	-0.1*	1.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.15	0.58	-0.43*	0.58
Return on assets (ROA), %	1.01	0.03	0.97*	1.00
Return on assets, excluding OP bonuses, %	1.07	0.09	0.98*	1.05

€ billion	31 Mar 2023	31 Mar 2022	Change, %	31 Dec 2022
Loan portfolio***				
Corporate loans	19.2	18.8	2.1	19.9
Housing companies	2.1	2.0	5.0	2.1
Other loans	6.0	5.4	11.1	5.8
Total loan portfolio	27.3	26.2	4.2	27.8
Guarantee portfolio	3.4	3.5	-3.0	3.4
Other exposures	6.5	5.5	18.2	6.4
Deposits***	11.2	14.0	-19.9	14.0
Assets under management (gross)				
Mutual funds	28.1	30.9	-9.1	27.6
Institutional clients	35.7	37.0	-3.5	35.7
Private Banking	9.1	9.4	-3.4	9.0
Total (gross)	72.9	77.4	-5.7	72.3

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Net inflows				
Private Banking clients	78	65	19.7	-1
Institutional clients	-199	-240	-	-356
Total net inflows	-120	-174	-	-357

*Change in ratio.

**In the calculation of this ratio, the exposures item excludes changes in the fair value of loans in hedge accounting as of 1 January 2023. Comparatives have been adjusted to correspond to the current definition.

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

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 year to March, the loan portfolio increased by 4.2% to EUR 27.3 billion and the deposit portfolio decreased by 19.9% to EUR 11.2 billion.

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 5.5 billion (31 Dec 2022: 5.2). Demand for sustainable financing has remained strong and companies have made active use of Corporate Banking's expertise in financing the sustainable economy.

The slowdown in companies' willingness to invest led to sluggish growth in demand for loans. The growth in the loan portfolio was driven by financing granted to personal customers for car purchases, and for home improvements such as renewable energy and energy efficiency systems. OP Financial Group's market share in financing the purchases of low-emission cars increased during the first quarter.

The most significant Corporate Banking development investments involved the upgrades of customer relationship management, payment, finance and asset management systems. With the implementation of the new Group-level customer relationship management system, we aim at higher quality and more efficient operations and better customer experience, in line with our strategic priorities. 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 –120 million (–174). Despite the challenging market conditions, assets under management by Corporate Banking increased by 0.9% during the first quarter, to EUR 72.9 billion (72.3). This included about EUR 23 billion (23) in assets of the companies belonging to OP Financial Group.

OP Fund Management Company Ltd established two new funds to complement its extensive product portfolio of alternative investments. The OP-Private Equity fund designed for aggressive investors extends our offering to unlisted equities. The OP-Alternative Credit fund for professional clients provides investment opportunities in alternative fixed income instruments.

Supported by the market situation, demand for structured products remained heavy during the first quarter.

Financial performance for the reporting period

Corporate Banking's operating profit amounted to EUR 100 million (3). The cost/income ratio was 47.2% (66.2).

Net interest income increased by 32.7% to EUR 138 million (104). Corporate Banking's net commissions and fees totalled EUR 58 million (42). The change in the operating model applied to hedging interest rate risk associated with derivative contracts between Corporate Banking and Retail Banking, which was implemented at the end of 2022, improved net commissions and fees and, correspondingly, reduced net investment income.

Corporate Banking segment's net commissions and fees

€ million	Q1/2023	Q1/2022	Change, %
Mutual funds	36	34	5.9
Asset management	3	3	-6.5
Other	19	4	343.5
Total	58	42	39.9

Impairment loss on receivables totalled EUR 11 million (43). Non-performing exposures accounted for 1.9% (2.0) of total exposures.

The reversal of a fast upward trend in interest rates improved investment income, which amounted to EUR 19 million (–2).

Personnel costs rose by 3.7% to EUR 24 million. Other operating expenses increased by 7.7% to EUR 80 million. The stability contribution increased to EUR 30 million (29).

Insurance

- Operating profit amounted to EUR 90 million (85).
- Insurance service result was EUR –2 million (21). Investment income totalled EUR 94 million (35).
- Non-life insurance premiums written increased by 7.0% to EUR 787 million. Non-life insurance combined ratio was 101% (98).
- Expenses increased year on year to EUR 129 million (118).
- In life insurance, unit-linked insurance assets increased by 2.5% during the first quarter, to EUR 11.9 billion. Premiums written in term life insurance grew by 9.2%.
- Development investments focused on the core system upgrade and the development of digital services.

Key figures and ratios

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Insurance service result	-2	21	-	109
Net finance income	-223	837	-	2,226
Net investment income	317	-802	-	-2,072
Investment income	94	35	167.6	154
Net commissions and fees	10	12	-10.9	50
Other net income	0	32	-	36
Personnel costs	-42	-39	9.0	-147
Depreciation/amortisation and impairment loss	-13	-14	-7.1	-51
Other operating expenses	-74	-65	13.1	-264
Total expenses	-129	-118	9.4	-462
Transfers to insurance service result	120	106	12.7	416
OP bonuses to owner-customers	-3	-2	12.9	-10
Operating profit	90	85	5.7	293
Return on assets (ROA), %	1.35	1.20	-0.15*	
Return on assets, excluding OP bonuses, %	1.44	1.28	-0.17*	

*Change in ratio.

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

In non-life insurance, the number of prime customer households using Pohjola Insurance as their main insurer increased by 4,814 during the first quarter, to 704,050 households. In particular, the sale of health insurance policies increased during the reporting period.

The amount of claims reported grew by 22% year on year. Medical expenses insurance showed the largest growth rate as the season of common colds increased visits to doctors. The number of large claims decreased year on year.

In the life insurance business, premiums written in term life insurance increased by 9.2% and premiums written in unit-linked group pension insurance grew by 31.3%. In life insurance, unit-linked insurance assets increased by 2.5% during the first quarter, to EUR 11.9 billion (11.6).

Financial performance for the reporting period

Operating profit amounted to EUR 90 million (85). Insurance service result was EUR –2 million (21).

Investment income totalled EUR 94 million (35). The value of insurance contract liabilities showed an increase as the interest rates decreased slightly. This was reflected in the growth in net finance expenses. A year ago, the rise in interest rates decreased the value of insurance contract liabilities. Net investment income grew as a result of the increase in the value of shares.

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The new method of recognition changed the intra-year timing of insurance service result. Expected losses are immediately recognised in the income statement, which decreases earnings for the first quarter. In life insurance, recognition of the loss component changed the timing of earnings between years, too. The investment result is recognised at fair value in the income statement. The impact of economic assumptions, such as the changes in interest rates, on the value of insurance contract liabilities is recognised in net finance income. Net investment income and net finance income together indicate the profitability of investment operations.

Investment income

€ million	Q1/2023	Q1/2022
Net finance income and expenses	-69	393
Fair value changes in liabilities (unit-linked)	-126	313
Change in the liability of separated balance sheets	-27	131
Net finance income and expenses	-223	837
Fixed-income investments	83	-358
Quoted shares	58	-62
Other liquid investments	0	-8
Property investment	5	38
Other illiquid investments	8	17
Investment income	155	-372
Value change in the investment assets of separated balance sheets	35	-128
Income from assets covering unit-linked insurance and investment contracts	299	-738
Fair value changes in liabilities (unit-linked)	-168	424
Associates, joint ventures and other	-4	12
Total investment income	94	35

Non-life insurance financial performance

Non-life insurance operating profit amounted to EUR 51 million (72). Positive developments in the value of shares strengthened the investment result. Profitability weakened slightly, year on year, as a result of higher claims incurred and higher reinsurance costs. A year ago, other income included a capital gain of EUR 32 million on the sale of Pohjola Hospital.

€ million	Q1/2023	Q1/2022	Change, %
Insurance revenue	415	394	5.5
Claims incurred	-298	-293	1.7
Operating expenses	-118	-109	8.2
Insurance service result, gross	0	-8	-93.8
Reinsurer's share of insurance revenue	-27	-10	177.2
Reinsurer's share of insurance service expenses	25	26	-4.9
Net income from reinsurance	-2	17	-109.6
Insurance service result	-2	9	-123.9
Net finance income	-38	197	-
Investment income	90	-165	-
Investment income	52	32	62.0
Other net income	2	31	-94.1
Operating profit	51	72	-28.2
Combined ratio	100.5	97.7	
Risk ratio	70.3	69.4	
Cost ratio	30.2	28.3	

Non-life insurance: premiums written

€ million	Q1/2023	Q1/2022	Change, %
Personal customers	228	214	6.6
Corporate customers	559	522	7.1
Total	787	736	7.0

Premiums written increased by 7.0% to EUR 787 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. Net insurance revenue was burdened by a rise in reinsurance costs. Net insurance revenue increased by 1.2% to EUR 389 million.

Claims incurred before reinsurer's share grew by 1.7% to EUR 298 million. The growth was attributable to the rise in the general level of costs and higher claims volumes, particularly in medical expenses insurance.

The number of large claims decreased year on year. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 24 (27) in January–March, with their claims incurred retained for own account totalling EUR 19 million (40). The non-life insurance operating risk ratio, excluding indirect loss adjustment expenses, was 70.3% (69.4). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 6 million (1).

In non-life insurance, the cost ratio (including indirect loss adjustment expenses) was 30.2% (28.3). Combined ratio reported by non-life insurance weakened to 100.5% (97.7).

Non-life insurance: investment income

€ million	Q1/2023	Q1/2022
Net finance income and expenses	-38	197
Fixed-income investments	47	-170
Quoted shares	34	-32
Other liquid investments	0	-4
Property investment	4	32
Other illiquid investments	5	8
Investment income	90	-165
Total investment income	52	32

Non-life insurance: key investment indicators

	Q1/2023	Q1/2022
Return on investments at fair value, %	2.1	-4.0
Fixed income investments' running yield, %	2.0	0.9
	31 Mar 2023	31 Dec 2022
Investment portfolio, € million	4,238	4,071
Investments within the investment grade category, %	92	92
At least A-rated receivables, %	56	56
Modified duration	3.3	2.8

Life insurance financial performance

Operating profit amounted to EUR 37 million (4) due to a stronger investment performance. Insurance service result weakened due to the index increases in defined benefit group pension insurance plans. Total expenses increased by EUR 3 million to EUR 20 million. Development costs increased as a result of the platform transitions that were launched during the reporting period in term life insurance and individual unit-linked insurance.

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Insurance service result	0	12	-	-55
Net finance expenses	-184	641		1,642
Investment income	225	-647		-1,643
Investment income	41	-6	-	-1
Net commissions and fees	9	9	-0.3	40
Personnel costs	-4	-3	10.5	-13
Depreciation/amortisation and impairment loss	-5	-5	-10.6	-20
Other operating expenses	-12	-9	38.2	-37
Total expenses	-20	-17	17.8	-70
Transfers to insurance service result	11	9	12.6	38
OP bonuses to owner-customers	-3	-3	12.9	-10
Operating profit	37	4	758.2	-57
Cost/income ratio, %	33	71	-38	312

Life insurance: investment income

€ million	Q1/2023	Q1/2022
Net finance income and expenses	-31	196
Fair value changes in liabilities (unit-linked)	-126	313
Change in the liability of separated balance sheets	-27	131
Net finance income and expenses	-184	641
Fixed-income investments	36	-188
Quoted shares	24	-29
Other liquid investments	0	-4
Property investment	1	6
Other illiquid investments	3	8
Investment income	**65**	**-207**
Value change in the investment assets of separated balance sheets	35	-128
Income from assets covering unit-linked insurance and investment contracts	299	-738
Fair value changes in liabilities (unit-linked)	-168	424
Associates, joint ventures and other	-6	3
Total investment income	41	32

Life insurance: key investment indicators*

	Q1/2023	Q1/2022
Return on investments at fair value, %	2.0	-5.6
Fixed income investments' running yield, %	1.7	1.0
	31 Mar 2023	31 Dec 2022
Investment portfolio, € million	3,269	3,235
Investments within the investment grade category, %	92	90
A-rated receivables, minimum, %	56	50
Modified duration	3.0	2.8

* Excluding the separated balance sheets.

Group Functions

Key figures and ratios

€ million	Q1/2023	Q1/2022	Change, %	Q1–Q4/2022
Net interest income	-12	-10	-	-62
Impairment loss on receivables	0	0	-	0
Net commissions and fees	1	1	23.8	0
Investment income	19	11	67.8	-11
Other operating income	176	181	-2.7	657
Personnel costs	-55	-53	4.0	195
Depreciation/amortisation and impairment loss	-22	-29	-32.5	103
Other operating expenses	-180	-171	13.4	376
Operating profit	4	11	-166.3	-91

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.

Financial performance for the reporting period

Group Functions' operating profit amounted to EUR 4 million (11).

Net interest income was EUR –12 million (–10). The effect of items related to TLTRO III funding and its hedging amounted to EUR –11 million (3) during the reporting period. A rise in market interest rates had a positive effect on net interest income.

Investment income grew by 67.8% to EUR 19 million. Other operating income decreased by 2.7% to EUR 176 million. Other operating income mainly includes OP Financial Group's intra-group items.

Personnel costs rose by 4.0% to EUR 55 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 32.5% to EUR 22 million. Other operating expenses increased by 13.4% to EUR 180 million. ICT costs increased by 2.3% to EUR 72.8 million.

OP Financial Group's funding position and liquidity is strong. At the end of the reporting period, the Group's LCR was 217% (217) and its NSFR was 127% (128). At the end of the reporting period, OP Financial Group's balance sheet assets included bonds worth EUR 162 million (1), which are not measured at fair value in accounting. The fair value of these bonds amounted to EUR 161 million (1) at the end of the reporting period.

On 31 March 2023, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding and covered bonds was 31 basis points (27). In January–March, OP Financial Group issued long-term bonds worth EUR 1.2 billion (0.5). In the reporting period, OP Financial Group repaid in full the EUR 12 billion in TLTRO III loans.

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 87 million (73). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 23 million (23). More detailed information on OP Financial Group's investments can be found in each business segment's text section in this Interim Report.

Personnel

On 31 March 2023, OP Financial Group had 13,204 employees (12,999). The number of employees averaged 13,098 (13,077). The number of employees increased in areas such as service development, risk management and compliance. A total of 92 trainees were selected to the Kiitorata trainee programme that began in March.

Personnel at period end

	31 Mar 2023	31 Dec 2022
Retail Banking	7,527	7,450
Corporate Banking	987	962
Insurance	2,370	2,373
Group Functions	2,320	2,214
Total	13,204	12,999

During the reporting period, 23 OP Financial Group employees (57) retired at an average age of 60.9 years (62.6).

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

Changes in OP Financial Group's structure

OP Financial Group's consolidated accounts at the end of the reporting period included the accounts of 106 OP cooperative banks (108) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Kiteen Seudun Osuuspankki and Rääkkylän Osuuspankki merged into Pohjois-Karjalan Osuuspankki on 31 March 2023.

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

On 16 February 2023, Etelä-Hämeen Osuuspankki and Päijät-Hämeen Osuuspankki approved a merger plan according to which the latter will merge into the former. The planned date for the execution of the merger is

31 December 2023. Consequently, the business name of Etelä-Hämeen Osuuspankki will change to Hämeen Osuuspankki.

Governance of OP Cooperative

On 1 December 2022, 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 2023. The composition of the Board of Directors remained unchanged. 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 2023: Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Jari Himanen (Managing Director, Suur-Savon Osuuspankki), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (rahoitusneuvos, Finnish honorary title; Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Petri Sahlström (Professor, University of Oulu), Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki) and Mervi Väisänen (Senior Lecturer in Marketing, Kajaani University of Applied Sciences).

On 21 December 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

Events after the reporting period

OP Cooperative's Annual Cooperative Meeting

On 26 April 2023, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Meeting re-elected the following members to the Supervisory Council who were due to resign: M.Sc. Eeva Harju, Professor Saara Julkunen, Managing Director Matti Kiuru, Senior Agricultural Economist Päivi Kujala, Authorised Public Accountant Katja Kuosa-Kaartti, Senior Manager Anssi Mäkelä, Managing Director Kari Mäkelä, Managing Director Heikki Palosaari, Managing Director Jyrki Rantala, Managing Director Teemu Sarhemaa and Managing Director Ari Väänänen.

New Supervisory Council members elected were Sales Manager Jan Drugge, HR Director Titta Saksa and entrepreneur Miika Sunikka.

At its reorganising meeting on 26 April 2023, the Supervisory Council elected the presiding officers of the Supervisory Council. Chair of the Board of Directors Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2023, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Outlook towards the year end

The economy is expected to sink into a moderate recession and inflation to decrease slowly. An exceptional degree of uncertainty is still associated with the business environment. Developments in global capital markets together with the geopolitical situation may abruptly affect the business environment.

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

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 Financial Statements Bulletin, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula		Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of financial year)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income	x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.

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 / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.
Income from customer business	Net interest income + 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 insurance revenue	x 100	The ratio describes how much of the insurance revenue is spent on claims paid. The ratio is calculated after reinsurers' share.
Cost ratio, %	Operating expenses and loss adjustment expenses / 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

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
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 receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.

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

Ratio of loss allowance (receivables from customers) to doubtful receivables, %	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.
	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

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

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	31 Mar 2023	31 Dec 2022
OP Financial Group's equity capital	14,937	14,335
Effect of insurance companies on the equity is excluded	-971	-721
Fair value reserve, cash flow hedge	308	337
Common Equity Tier 1 (CET1) before deductions	14,273	13,951
Intangible assets	-306	-343
Excess funding of pension liability and valuation adjustments	-235	-231
Cooperative capital deducted from capital base	-5	-163
Planned profit distribution and unpaid profit distribution for previous financial year	-260	-144
Shortfall of ECL minus expected losses		-425
Insufficient coverage for non-performing exposures	-129	-76
CET1 capital	13,338	12,569
Tier 1 capital (T1)	13,338	12,569
Debenture loans	1,308	1,308
Debentures to which transition rules apply	83	91
General credit risk adjustments	77	
Tier 2 capital (T2)	1,467	1,399
Total capital	14,805	13,968

Risk exposure amount, € million	31 Mar 2023	31 Dec 2022
Credit and counterparty risk	64,992	60,437
Standardised Approach (SA)	64,992	8,476
Central government and central banks exposure	553	495
Credit institution exposure	605	627
Corporate exposure	27,554	5,244
Retail exposure	9,230	1,245
Mortgage-backed exposure	19,776	153
Defaulted exposure	2,123	72
Covered bonds	1,154	
Items of especially high risk	546	540
Receivables to which a short-term credit rating can be applied	1	0
Collective investment undertakings (CIU)	30	0
Equity investments	2,421	1
Other	998	99
Internal Ratings-based Approach (IRB)		51,960
Corporate exposure		29,997
Retail exposure		12,002
Equity investments		8,944
Other		1,018
Risks of the CCP's default fund	0	0
Securitisations	110	111
Market and settlement risk (Standardised Approach)	1,097	1,070
Operational risk (Standardised Approach)	4,156	3,851
Valuation adjustment (CVA)	202	179
Other risks**	2,300	6,678
Total risk exposure amount	72,857	72,327

* OP Financial Group adopted the Standardised Approach in its capital adequacy measurement and reporting during the first quarter of 2023.

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

Ratios, %	31 Mar 2023	31 Dec 2022
CET1 capital ratio	18.3	17.4
Tier 1 ratio	18.3	17.4
Capital adequacy ratio	20.3	19.3

Ratios, fully loaded, %	31 Mar 2023	31 Dec 2022
CET1 capital ratio	18.3	17.4
Tier 1 ratio	18.3	17.4
Capital adequacy ratio	20.2	19.2

Capital requirement, EUR million	31 Mar 2023	31 Dec 2022
Capital base	14,805	13,968
Capital requirement	10,425	9,979
Buffer for capital requirements	4,380	3,989

The capital requirement of 14.3% 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.

Leverage ratio, EUR million	31 Mar 2023	31 Dec 2022
Tier 1 capital (T1)	13,338	12,569
Total exposure	146,855	165,362
Leverage ratio, %	9.1	7.6

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 2023	31 Dec 2022
OP Financial Group's equity capital	14,937	14,335
Other items included in Banking's Tier 1 and Tier 2 capital	1,467	1,399
Other sector-specific items excluded from capital base	-332	-442
Goodwill and intangible assets	-1,030	-1,077
Insurance business valuation differences*	751	1,083
Proposed profit distribution	-260	-144
Items under IFRS deducted from capital base**	144	177
Shortfall of ECL minus expected losses		-370
Conglomerate's total capital base	15,678	14,961
Regulatory capital requirement for credit institutions***	10,095	9,661
Regulatory capital requirement for insurance operations*	1,338	1,237
Conglomerate's total minimum capital requirement	11,433	10,898
Conglomerate's capital adequacy	4,245	4,063
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	137	137

* 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 14.3%.

Transitional provisions have been considered in figures.

TABLES

Income statement

€ million	Notes	Q1 2023	Q1 2022
Interest income		999	339
Interest expenses		-384	-6
Net interest income	3	615	334
Impairment loss on receivables	4	-23	-83
Commission income		277	280
Commission expenses		-33	-33
Net commissions and fees	5	244	247
Insurance premium revenue		485	451
Insurance service expenses		-485	-447
Net income from reinsurance contracts		-3	16
Insurance service result	6	-2	21
Net finance income (+)/expenses (–) related to insurance		-214	839
Net finance income (+)/expenses (–) related to reinsurance		-9	-2
Net insurance finance income (+)/expenses (–)	7	-223	837
Net interest income from financial assets held for trading	8	33	-19
Net investment income	9	317	-748
Other operating income		6	39
Personnel costs		-222	-211
Depreciation/amortisation and impairment loss		-47	-57
Other operating expenses	10	-284	-246
Transfers to insurance service result		120	106
Operating expenses		-433	-407
OP bonuses to owner-customers		-55	-46
Operating profit (loss)		**480**	**174**
Earnings before tax		**480**	**174**
Income tax		-95	-25
Profit for the period		**385**	**148**
Attributable to:			
Profit for the period attributable to owners		383	142
Profit for the period attributable to non-controlling interest		2	6
Profit for the period		**385**	**148**

Statement of comprehensive income

€ million	Notes	Q1 2023	Q1 2022
Profit for the period		**385**	**148**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans		11	35
Items that may later be reclassified to the profit or loss			
Change in fair value reserve			
On fair value measurement	15	-2	-21
On cash flow hedging	15	36	-195
Income tax			
On items not reclassified to profit or loss			
On gains/(losses) arising from measurement of defined benefit plans		-2	-7
On items that may subsequently be reclassified to profit or loss			
On fair value measurement	15	0	4
On cash flow hedging	15	-7	39
Other comprehensive income items		**35**	**-145**
Total comprehensive income for the period		**420**	**3**
Comprehensive income for the period attributable to:			
Comprehensive income for the period attributable to owners		419	-3
Comprehensive income for the period attributable to non-controlling interests		2	6
Total		**420**	**3**

Balance sheet

€ million	Notes	31 March 2023	31 Dec 2022
Cash and cash equivalents		17,537	35,004
Receivables from credit institutions		1,165	798
Receivables from customers		97,253	98,546
Derivative contracts		3,537	4,117
Investment assets		21,268	20,742
Assets covering unit-linked contracts		11,883	11,597
Reinsurance contract assets	11	237	245
Intangible assets		1,136	1,153
Property, plant and equipment		446	423
Other assets		2,921	2,401
Tax assets		374	664
Total assets		**157,757**	**175,691**
Liabilities to credit institutions		249	12,301
Liabilities to customers		75,419	81,468
Derivative contracts	20	3,808	4,432
Insurance contract liabilities		11,754	11,442
Reinsurance contract liabilities	13	2	2
Liabilities from investment agreements		7,415	7,211
Debt securities issued to the public	14	35,765	37,438
Provisions and other liabilities		5,766	3,821
Tax liabilities		1,258	1,522
Subordinated liabilities		1,384	1,384
Total liabilities		**142,820**	**161,023**
Equity capital			
Capital and reserves attributable to OP Financial Group owners			
Cooperative capital			
Member cooperative shares		215	217
Profit Shares		3,266	3,369
Fair value reserve	15	-334	-360
Other reserves		2,172	2,172
Retained earnings		9,502	9,153
Non-controlling interests		116	118
Total equity		**14,937**	**14,668**
Total liabilities and equity		**157,757**	**175,691**

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The figures in the income statement and balance sheet for 2022 have been adjusted. Note 1 Accounting policies to this Interim Report provides more information on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.

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 31 December 2021	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**
Effect of IFRS 17 transition 1 January 2022		**-205**		**154**	**-52**		**-52**
Equity capital 1 January 2022	**3,459**	**118**	**2,184**	**8,244**	**14,005**	**128**	**14,133**
Total comprehensive income for the period		-173		170	**-3**	6	**3**
Profit for the period				142	**142**	6	**148**
Other comprehensive income items		-173		28	**-145**		**-145**
Profit distribution				-34	**-34**	-2	**-36**
Changes in membership and profit shares	-58				**-58**		**-58**
Transfers between reserves			-12	12			
Other				0	**0**	-3	**-4**
Equity capital 31 March 2022	**3,401**	**-55**	**2,172**	**8,391**	**13,909**	**128**	**14,038**

€ 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**

Cash flow statement

€ million	Q1 2023	Q1 2022
Cash flow from operating activities		
Profit for the period	385	148
Adjustments to profit for the period	-149	964
Increase (-) or decrease (+) in operating assets	**145**	**-1,057**
Receivables from credit institutions	-484	158
Derivative contracts	45	-194
Receivables from customers	1,391	-1,083
Assets covering unit-linked insurance contracts	-4	-5
Investment assets	-238	334
Reinsurance contract assets	8	-18
Other assets	-573	-250
Increase (+) or decrease (–) in operating liabilities	**-15,970**	**-1,447**
Liabilities to credit institutions	-12,066	-20
Derivative contracts	-121	234
Liabilities to customers	-6,130	-1,618
Insurance contract liabilities	312	-797
Reinsurance contract liabilities	0	-1
Unit-linked investment contracts	0	0
Provisions and other liabilities	2,036	756
Income tax paid	-79	-102
Dividends received	18	36
A. Net cash from operating activities	**-15,650**	**-1,457**
Cash flow from investing activities		
Disposal of subsidiaries, net of cash and cash equivalents disposed of		33
Purchase of PPE and intangible assets	-30	-30
Proceeds from sale of PPE and intangible assets	2	3
B. Net cash used in investing activities	**-28**	**6**
Cash flow from financing activities		
Subordinated liabilities, change	-6	-493
Debt securities issued to the public, change	-1,756	-1,609
Increases in cooperative and share capital	56	102
Decreases in cooperative and share capital	-161	-160
Dividends paid and interest on cooperative capital	0	0
Lease liabilities	-8	-9
C. Net cash used in financing activities	**-1,875**	**-2,169**
Net change in cash and cash equivalents (A+B+C)	**-17,553**	**-3,620**
Cash and cash equivalents at period start	**35,656**	**33,129**
Effect of foreign exchange rate changes	-31	83
Cash and cash equivalents at period end	**18,072**	**29,593**
Interest received	**1,593**	**347**
Interest paid	**-955**	**-70**
Cash in hand		
Cash and cash equivalents	17,537	29,203
Receivables from credit institutions payable on demand	535	389
Total	**18,072**	**29,593**

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. Reinsurance contract liabilities
14. Debt securities issued to the public
15. Fair value reserve after income tax
16. Collateral given
17. Classification of financial assets and liabilities
18. Recurring fair value measurements by valuation technique
19. Off-balance-sheet commitments
20. Derivative contracts
21. Investment distribution of the Insurance segment
22. Related-party transactions

Note 1. Accounting policies

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

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

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

1. Critical accounting estimates and judgements

The preparation of the Interim Report requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies. In preparing the Interim Report, management judgement has been used especially in the calculation of expected credit losses 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
- extra provisions based on management judgement related to a certain industry due to the Covid-19 pandemic, for example
- reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

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

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

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

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

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

Geopolitical risks

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

Measurement of insurance contracts

Significant solutions based on management judgement when applying IFRS 17. Risk adjustment 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 period.
- Risk adjustment 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 swap rates are directly taken into account only until the defined maximum maturity. 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.
- 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. The methods and assumptions used have not changed during the period.

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.

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:
    - o under the contract, the policyholder is entitled to participate in the share of the underlying investment products;
    - o 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;
    - o 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 services 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 produced, 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:
    - o 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
    - o 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 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 contracts, 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 debt for the remaining coverage period of the group of insurance contracts on the date of transition and the difference of the capital value of 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. Adoption of IFRS 17 Insurance Contracts

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

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

The most important goal of the standard is to harmonise the measurement of insurance contract liability on a global basis; the previous measurement under IFRS 4 was based on national measurements. Under IFRS 17, measurement is based on current estimates, as is the case in insurance companies' solvency measurement. However, IFRS 17 differs from solvency measurement in terms of its purpose and principle basis. The previous practice under IFRS 4, in which insurance contract liability may contain implicit margins of risk-bearing and future profits, ceases to exist. leading to explaining changes in liability in a transparent way.

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

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

<u>Measurement models in use</u>

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

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

<u>Initial measurement and grouping</u>

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

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

The central cooperative consolidated recognises a group of insurance contracts are from the earliest of the following:

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

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

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

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

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

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

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

Subsequent measurement

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

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

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

Changes in the capital value of the cash flows arising from the fulfilment of insurance contracts are recognised in the GMM in the following way:

- Changes that relate to services produced in the future are adjusted at the contractual service carrying amount in the balance sheet (or the insurance service result in the income statement if the group of insurance contracts is onerous).
- Changes that relate to service for the reporting period or past service are recognised in the insurance service result in the income statement.
- Changes in the discount rate and the effect of other financial changes on the value of the insurance contract liability and the effect of the passage of time (unwinding of discount) are recognised in the net insurance finance income and expenses in the income statement.

Risk adjustment determination principle

Risk adjustment is one of the measurement components of insurance contracts. In this context, risk adjustment means compensation that the company management requires to bear uncertainty concerning the amount of future cash flows of insurance contracts and timing that is caused by risk other than financial risk. The remaining risk adjustment amount is presented in the insurance liability reconciliation statement and risk adjustment related to a separately produced service (recognised portion). OP Financial Group applies the cost of capital method in determining risk adjustment. The risk adjustment calculation takes account of uncertainty associated with risk other than financial risk in respect of the groups of insurance contracts under IFRS 17. Risk adjustment is modelled as the difference between the best estimate and the present values of the stressed cash flow. The stressed cash flow is calculated at the confidence level of 99.5%, or the same confidence level as the insurance capital requirement.

The stressed cash flow calibration uses the cash flow stresses of the capital adequacy calculation and, as applicable, the company's internal calculation models. Stress scenarios that affect the amount of the risk adjustment in the group of insurance contracts concerned depend on the groups of insurance contracts and insurance lines. In OP Life Assurance Company term life policies, for example, growth in the mortality rate and the insurance lapse rate constitute the most significant stress scenarios. Risks associated with general activities have been excluded from risk adjustment.

A larger risk adjustment results from long-term cash flows in risks of the groups of insurance contracts. As a result of setting assumptions in new insurance contracts, risk adjustment is determined higher. With increasing information, the assumptions will be updated and therefore the risk adjustment will decrease as the best estimate based on the starting point is further specified. Risk adjustment is recognised based on the cash flow forecasts used in the calculation. Pohjola Insurance's and OP Life Assurance's risk adjustments represent the proportion of the risk adjustment remaining with their responsibility after the effect reducing reinsurance risk adjustment.

Discount rate determination principle

All cash flows are discounted at a rate and discounting curves are derived as the sum of the risk-free interest rate and the liquidity premium dependent on the characteristics of insurance contracts (bottom-up approach), extrapolating long-term interest rates. The risk-free interest rate is the same for all OP Financial Group insurance companies but the liquidity premium depends on the characteristics of insurance contracts, so the calculation uses several different discount rate curves for significant currencies. Swap rate quotes are used as market data for risk-free discount rate curves in selected liquid maturities. A credit risk component is removed from the swap rates, if necessary.

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 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 discount rate used to determine the rate accreting on the contractual service margin are locked-in rates determined for contracts under the GMM at the beginning of the group of contracts determined at the beginning of the group of contracts.

Contractual service margin and its recognition

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

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

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

The insurance products of OP Financial Group, where both investment service and insurance service are produced, 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.

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

Reinsurance contracts

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

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

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

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

Presenting insurance contracts in the income statement and balance sheet

Income of the group of insurance contracts is presented in the row Insurance premium revenue in the income statement, comprising the measurement of the following components: future cash flows, risk adjustment for non-financial risk and contractual service margin. Expenses related to the group of insurance contracts consist of claims incurred, losses from onerous contracts, changes related to prior periods and operating expenses and they are presented in the row Insurance service expenses. Expenses and income related to reinsurance contracts are presented in the row Net income from reinsurance contracts.

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

In the balance sheet, future cash flows related to contracts are presented in net terms and grouped into insurance contract liabilities or assets at portfolio level and into reinsurance contract liabilities or assets at portfolio level. The previous presentation under IFRS 4 based on expense types in the income statement will change because, as a result of IFRS 4, a proportion of personnel costs, depreciation/amortisation and other operating expenses is included in the calculation of insurance contract liability under IFRS 17 and presented in Insurance service expenses.

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

- Presenting financial income and expenses related to the insurance for the period through profit or loss; discounting curves are derived as the sum of the risk-free interest rate and the liquidity premium dependent on the characteristics of insurance contracts (bottom-up approach), extrapolating long-term interest rates. Similarly, investments related to insurance contract liability are reclassified in such a way that their fair value is presented through profit or loss. The overlay approach applied to equity investments allowed by IFRS 4 ceases to be effective at the date of initial application.
- A risk mitigation option is used for certain contracts based on the VFA that are hedged according to the goal and strategy of the management of market risks in interest rate risk on the balance sheet. This removes the result mismatch.
- The Cost of Capital Method is used to determine risk adjustment.
- OP Financial Group does not apply the Premium Allocation Approach (PAA), nor does it apply the option allowed by IFRS 17 adopted in the European Union to group together several annual cohorts.

Transition to IFRS 17 **1 January 2022**

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

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

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

The change in equity capital on the date of transition on 1 January 2022 is itemised in the table below. Equity capital was increased by the non-life insurance capitalised acquisition costs recognised in "Other assets", totalling 238 million euros. On the date of transition, insurance contract liabilities measured under IFRS 17 were higher than those measured under IFRS 4, which lowered equity capital. Risk adjustment added to insurance contract liabilities under IFRS 17 was higher than the margin included in the calculation under IFRS 4. As a result of the reclassification of investments at fair value through profit or loss, the valuation difference previously accrued in the investments of insurance companies was reversed from the fair value reserve that was recognised in retained earnings.

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

€ million	Cooperative capital	Fair value reserve*	Other reserves	Retained earnings	Total
Equity capital 31 Dec 2021	3,459	323	2,184	8,090	14,057
Effect of non-life insurance on the transition date		-121		324	202
Effect of life insurance on the transition date		-99		-123	-223
Effect of consolidation adjustments		15		4	19
Change in deferred tax asset/liability				-51	-51
Effect of IFRS 17 transition 1 Jan. 2022, in total		-205		154	-52
Equity capital on 1 Jan 2022 (capital and reserved attributable to parent company owners)	3,459	118	2,184	8,244	14,005

*The figures also include changes in deferred taxes

OP Financial Group's 2022 earnings before tax measured under IFRS 17 are estimated to be EUR 1,120 million, or EUR 145 million lower than reported in the financial statements bulletin 2022 (EUR 1,265 million lower). This earnings difference comes mainly from a change in life insurance earnings that is caused, for example, by timing differences. Furthermore, changes in the provisions for upcoming customer bonuses due to higher interest rates caused the difference. Entry into force of IFRS 17 will have no effect of the overall profitability of insurance contracts. There may be differences in the timing of recognition in profit or loss between the measurement models under IFRS 4 and IFRS 17.

Changes in opening balance 1 January 2022

OP Financial Group opening balance 1 January 2022, €	31 Dec 2021	Changes	1 Jan 2022
Cash and cash equivalents	32,846		32,846
Receivables from credit institutions	541		541
Derivative contracts	3,467		3,467
Receivables from customers	96,947		96,947
Insurance contract assets			0
Reinsurance contract assets		114	114
Investment assets	22,945	-4	22,941
Assets covering unit-linked contracts	13,137		13,137
Intangible assets	1,212		1,212
Property, plant and equipment	446		446
Other assets	2,419	-244	2,176
Tax assets	141	15	156
Non-current assets held for sale	8		8
Total assets	174,110	-119	173,991
Liabilities to credit institutions	16,650		16,650
Derivative contracts	2,266		2,266
Liabilities to customers	77,898		77,898
Insurance liabilities	8,773	-8,773	
Insurance contract liabilities		13,968	13,968
Reinsurance contract liabilities		13	13
Liabilities from unit-linked insurance and investment contracts	13,210	-13,210	
Liabilities from investment agreements		7,880	7,880
Debt securities issued to the public	34,895		34,895
Provisions and other liabilities	3,134	-16	3,118
Tax liabilities	1,109	71	1,180
Subordinated liabilities	1,982		1,982
Liabilities associated with non-current assets held for sale	8		8
Total liabilities	159,926	-67	159,858
Equity capital			
Capital and reserves attributable to			
Cooperative capital			
Member cooperative shares	215		215
Profit Shares	3,244		3,244
Fair value reserve	323	-205	118
Other reserves	2,184		2,184
Retained earnings	8,090	154	8,244
Non-controlling interests	128		128
Total equity	14,184	-52	14,133
Total liabilities and equity	174,110	-119	173,991

In addition to entries due to transition to IFRS 17, changes in the opening balance sheet includes changes in recognition related to clearer presentation. Changes to presentation did not affect the amount of equity capital on 1 January 2022. Of the investment asset changes on 1 January 2022, totalling EUR–4 million, the effect of transition to IFRS 17 in the reclassification of investments was EUR 2 million and the transfer due to the change in presentation to other assets was EUR –6 million. The effect of the transition to IFRS 17 in changes in other assets, EUR 244 million, was EUR –249 million and the transfer of presentation from investment assets EUR 6 million.

Insurance contract liabilities on the date of transition 1 January 2022 divided by transition model

Insurance contract liabilities 1 Jan 2022 € million	Modified retrospective approach (MRA)	Fair value approach (FVA)	Total
Non-life insurance	2,956	28	2,985
Discounted cash flows	2,750	11	2,761
Risk adjustment	129	0	130
Contractual service margin (CSM)	77	17	94
Loss component	6	2	9
Life insurance		10,984	10,984
Discounted cash flows		10,014	10,014
Risk adjustment		284	284
Contractual service margin (CSM)		686	686
Loss component		229	229
OP Financial Group, total	2,956	11,012	13,968

Adjusted figures for 2022

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

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

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

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

OP Financial Group's income statement under IFRS 17

€ million	Q1–4/2022
Net interest income	1,618
Impairment loss on receivables	-115
Net commissions and fees	942
Insurance premium revenue	1,898
Insurance service expenses	-1,895
Net income from reinsurance contracts	106
Insurance service result	109
Net finance income (+)/expenses (–) related to insurance	2,228
Net finance income (+)/expenses (–) related to reinsurance	-1
Net insurance finance income (+)/expenses (–)	2,226
Net interest income from financial assets held for trading	-29
Net investment income	-1,952
Other operating income	63
Personnel costs	-856
Depreciation/amortisation and impairment loss	-214
Other operating expenses	-892
Transfers to insurance service result	416
Operating expenses	-1,545
OP bonuses to owner-customers	-198
Operating profit (loss)	1,120
Earnings before tax	1,120
Income tax	-213
Profit for the period	907
Earnings before tax disclosed in the 2022 financial statements bulletin	1,265

Insurance premium revenue: Recognition of the contractual service margin (CSM) in profit or loss, change of expected claims and operating expenses as well as risk adjustments and changes to prior period payments.

Insurance service expenses: Claims incurred and the losses of onerous contracts and changes related to prior periods, plus operating expenses.

Net insurance finance income expenses: The unwinding of discount during the period, the effect of change in the discount rate and other financial changes on the value of insurance contract liability, the effect of risk mitigation through life insurance.

The insurance service result includes **operating expenses for contracts measured under IFRS 17**, in other words, operating expenses and net commission expenses. In the income statement, these have been included as part of the insurance service result.

OP Financial Group's IFRS 17 balance sheet on 31 Dec 2022

€ million	31 Dec 2022
Cash and cash equivalents	35,004
Receivables from credit institutions	798
Receivables from customers	98,546
Derivative contracts	4,117
Investment assets	20,742
Assets covering unit-linked contracts	11,597
Insurance contract assets	0
Reinsurance contract assets	245
Intangible assets	1,153
Property, plant and equipment	423
Other assets	2,401
Tax assets	664
Non-current assets held for sale	0
Total assets	175,691
Liabilities to credit institutions	12,301
Liabilities to customers	81,468
Derivative contracts	4,432
Insurance contract liabilities	11,442
Reinsurance contract liabilities	2
Liabilities from investment agreements	7,211
Debt securities issued to the public	37,438
Provisions and other liabilities	3,821
Tax liabilities	1,522
Subordinated liabilities	1,384
Liabilities associated with non-current assets held for sale	0
Total liabilities	161,023
Equity capital	
Capital and reserves attributable to OP Financial Group owners	
Cooperative capital	
Member cooperative shares	217
Profit Shares	3,369
Fair value reserve	-360
Other reserves	2,172
Retained earnings	9,153
Non-controlling interests	118
Total equity	14,668
Total liabilities and equity	175,691

In OP Financial Group's balance sheet, assets of reinsurance contracts measured under IFRS 17 are in the balance sheet assets. The acquisition costs capitalised in non-life insurance are recognised in "Other assets". Insurance contract liabilities in the balance sheet replaced insurance liabilities under IFRS 4.

Insurance contract liabilities, € million	31 Dec 2022
Non-life insurance	2,536
Life insurance	8,906
Total	11,442

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

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

Amount of the contractual service margin CSM and recognition in profit or loss:

€ million	1 Jan 2022	31 Dec 2022	CSM recognition during the period
Non-life insurance	94	116	231
Life insurance	686	787	47
OP Financial Group, total	780	903	278

Adjusted figures in OP Financial Group's income statement, €	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Interest income	339	675	1,070	1,833
Interest expenses	-6	-1	52	-215
Net interest income	334	675	1,122	1,618
Impairment loss on receivables	-83	-100	-70	-115
Commission income	280	546	809	1,077
Commission expenses	-33	-68	-100	-134
Net commissions and fees	247	478	709	942
Insurance premium revenue	451	916	1,407	1,898
Insurance service expenses	-447	-893	-1,463	-1,895
Net income from reinsurance contracts	16	33	134	106
Insurance service result	21	56	77	109
Net finance income (+)/expenses (–) related to insurance	839	1,866	2,223	2,228
Net finance income (+)/expenses (–) related to reinsurance	-2	-5	-3	-1
Net insurance finance income (+) /expenses (–)	837	1,861	2,219	2,226
Net interest income from financial assets held for trading	-19	-48	-62	-29
Net investment income	-748	-1,688	-2,019	-1,952
Other operating income	39	46	52	63
Personnel costs	-211	-427	-617	-856
Depreciation/amortisation and impairment loss	-57	-110	-159	-214
Other operating expenses	-246	-451	-644	-892
Transfers to insurance service result	106	207	305	416
Operating expenses	-407	-781	-1,115	-1,545
OP bonuses to owner-customers	-46	–96	-147	-198
Operating profit (loss)	174	402	766	1,120
Earnings before tax	174	402	766	1,120
Income tax	-25	-72	-142	-213
Profit for the period	148	330	624	907

Differences between Solvency II solvency measurement and measurement under IFRS 17

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

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

OP Financial Group changed its official income statement and balance sheet format as of 1 January 2023. It has made changes retrospectively for 2022 too. Income statement income is presented without a sign and expenses with minus signs. The key changes in income statement and balance sheet format are as follows:

a) The rows Total income and Total expenses were removed because insurance income and expenses (such as personnel costs) have been presented in the row Insurance service result since the entry into force of IFRS 17 on 1 January 2023.
b) The sub-rows of Net interest income (interest income and interest expenses) and Net commissions and fees (commission income and commission expenses) have been broken down in presentation.
c) Impairment loss on receivables was transferred from the end of the income statement next to net interest income to operating items.
d) New items under IFRS 17, Insurance service result and Net insurance finance income were added to the income statement. The former row Net insurance income was removed.
e) Net income from financial assets held for trading is presented on a specific row separate from Net investment income. Net income from financial assets held for trading includes only Banking and Group Functions items. Net investment income includes net income from financial assets at fair value recognised through comprehensive income, net income from financial assets recognised through profit or loss, net income from investment property, net income from financial assets carried at amortised cost, the result of the associate or joint venture as well as net income from life insurance investment contract liabilities recognised according to IFRS 9.
f) Operating expenses Personnel costs, Depreciation/amortisation and impairment loss and Other operating expenses are mainly presented the same way as previously, showing OP Financial Group's total expenses, but item Transfers to insurance service result next to these items has been added. It describes how much of these expenses are presented in Investment service result.
g) OP bonuses to owner-customers no longer include OP bonuses of insurance contracts measured under IFRS 17 because they are presented in the insurance service result.
h) A new row, Operating profit, is presented in the income statement.
i) The balance sheet presents new balance sheet items under IFRS 17: Insurance contract assets, Reinsurance contract assets, Insurance contract liabilities and Reinsurance liabilities.
j) The balance sheet item Investment contract liabilities presents life investment contracts measured in accordance with IFRS 9.

Income statement

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

Balance sheet

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

Note 2. Segment reporting

Segment information

Q1 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 internal net profits before tax	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			-2
Net finance income (+)/expenses (–) related to insurance			-214			-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			-55
Operating profit (loss)	**256**	**100**	**90**	**4**	**29**	**480**
Earnings before tax	**256**	**100**	**90**	**4**	**29**	**480**

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

Q1 earnings 2022, € million	**Retail Banking**	**Corporate Banking**	**Insurance**	**Group Functions**	**Group eliminations**	**OP Financial Group**
Interest income	231	96	0	-28	40	339
Interest expenses	5	8	0	18	-36	-6
Net interest income	236	104	0	-10	4	334
of which internal net profits before tax		-6		6	0	0
Impairment loss on receivables	-41	-43	0	0	0	-83
Commission income	219	103	21	3	-66	280
Commission expenses	-8	-61	-10	-3	48	-33
Net commissions and fees	211	42	12	1	-18	247
Insurance premium revenue			451			451
Insurance service expenses			-447			-447
Net income from reinsurance contracts			16			16
Insurance service result			21			21
Net finance income (+)/expenses (–) related to insurance			839			839
Net finance income (+)/expenses (–) related to reinsurance			-2			-2
Net insurance finance income (+)/expenses (–)			837			837
Net interest income from financial assets held for trading	1	-2	-2	2	-20	-19
Net investment income	6	0	-800	9	37	-748
Other operating income	6	7	32	181	-188	39
Personnel costs	-112	-23	-39	-53	16	-211
Depreciation/amortisation and impairment loss	-12	-3	-14	-29	1	-57
Other operating expenses	-205	-74	-65	-89	188	-246
Transfers to insurance service result			106			106
Operating expenses	-329	-100	-12	-171	205	-407
OP bonuses to owner-customers	-38	-5	-2		0	-46
Operating profit (loss)	**54**	**3**	**85**	**11**	**20**	**174**
Earnings before tax	**54**	**3**	**85**	**11**	**20**	**174**

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

Balance sheet 31 March, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	47	138		17,352		17,537
Receivables from credit institutions	29,021	191	472	14,671	-43,190	1,165
Receivables from customers	70,400	27,289	0	-75	-361	97,253
Derivative contracts	1,182	5,031	60	154	-2,889	3,537
Investment assets	520	501	9,286	19,852	-8,891	21,268
Assets covering unit-linked contracts			11,883			11,883
Reinsurance contract assets			237			237
Intangible assets	20	179	673	202	62	1,136
Property, plant and equipment	290	3	7	149	-4	446
Other assets	775	433	1,454	711	-452	2,921
Tax assets	132	3	153	42	45	374
Total assets	**102,388**	**33,768**	**24,225**	**53,057**	**-55,680**	**157,757**
Liabilities to credit institutions	12,125	531	65	29,389	-41,862	249
Liabilities to customers	62,445	11,241		3,140	-1,407	75,419
Derivative contracts	1,596	4,663	51	409	-2,911	3,808
Insurance contract liabilities			11,754			11,754
Reinsurance contract liabilities			2			2
Liabilities from investment agreements			7,415			7,415
Debt securities issued to the public	17,029	1,826		21,620	-4,710	35,765
Provisions and other liabilities	1,154	2,425	1,025	1,460	-298	5,766
Tax liabilities	526	6	323	394	9	1,258
Subordinated liabilities	0		380	1,384	-380	1,384
Total liabilities	**94,875**	**20,692**	**21,015**	**57,797**	**-51,559**	**142,820**
Equity capital						**14,937**

Balance sheet 31 December 2022, € million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	52	154	0	34,797		35,004
Receivables from credit institutions	29,713	310	904	13,173	-43,301	798
Receivables from customers	70,729	27,803		383	-369	98,546
Derivative contracts	1,266	5,612	76	169	-3,007	4,117
Investment assets	537	298	8,702	20,485	-9,280	20,742
Assets covering unit-linked contracts			11,597			11,597
Reinsurance contract assets			245			245
Intangible assets	23	181	717	202	29	1,153
Property, plant and equipment	285	4	2	136	-4	423
Other assets	635	1,756	762	-493	-259	2,401
Tax assets	137	3	456	24	44	664
Assets	**103,378**	**36,120**	**23,462**	**68,877**	**-56,146**	**175,691**
Liabilities to credit institutions	11,615	-36	65	42,621	-41,965	12,301
Liabilities to customers	63,951	14,043		4,876	-1,402	81,468
Derivative contracts	1,667	5,295	60	443	-3,033	4,432
Insurance contract liabilities			11,442			11,442
Reinsurance contract liabilities			2			2
Liabilities from investment agreements			7,211			7,211
Debt securities issued to the public	16,941	1,672		23,537	-4,711	37,438
Provisions and other liabilities	846	891	350	1,954	-221	3,821
Tax liabilities	514	2	631	372	4	1,522
Subordinated liabilities	0	-51	380	1,435	-380	1,384
Total liabilities	**95,535**	**21,816**	**20,142**	**75,239**	**-51,709**	**161,023**
Equity capital						**14,668**

Note 3. Net interest income

€ million	Q1 2023	Q1 2022
Interest income		
Receivables from credit institutions	186	0
Receivables from customers		
Loans	752	313
Finance lease receivables	16	7
Fair value adjustments under hedge accounting	-913	-540
Total	-145	-220
Notes and bonds		
Measured at fair value through profit or loss	0	0
At fair value through other comprehensive income	26	12
Amortised cost	1	0
Fair value adjustments under hedge accounting	106	-492
Total	132	-480
Derivative contracts		
Fair value hedges	77	-33
Cash flow hedges	808	1,036
Total	885	1,002
Liabilities to credit institutions		
Interest	-77	23
Liabilities to customers		
Negative interest	1	11
Other	16	4
Total	**999**	**339**
Interest expenses		
Liabilities to credit institutions	-72	299
Liabilities to customers	-147	-3
Debt securities issued to the public	-286	806
Subordinated liabilities		
Other	-15	10
Total	-15	10
Derivative contracts		
Fair value hedges	133	-1,090
Other	18	6
Total	150	-1,084
Receivables from credit institutions		
Negative interest	0	-33
Other	-15	-1
Total	**-384**	**-6**
Total interest expenses	**615**	**334**

Note 4. Impairment losses on receivables

€ million	Q1 2023	Q1 2022
Receivables written down as loan and guarantee losses	11	12
Recoveries of receivables written down	-4	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	14	75
Expected credit losses (ECL) on notes and bonds	2	0
Total	**23**	**83**

Credit risk exposures and related loss allowance

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

Exposures	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	62,115	8,367	56	8,424	2,143	72,682
Corporate Banking	25,726	2,573	193	2,766	563	29,055
Total	**87,841**	**10,941**	**249**	**11,190**	**2,706**	**101,737**
Off-balance-sheet limits						
Retail Banking	6,475	307	3	310	35	6,820
Corporate Banking	8,267	432	56	487	79	8,833
Total	**14,741**	**739**	**59**	**797**	**114**	**15,652**
Other off-balance-sheet commitments						
Retail Banking	2,791	54		54	25	2,870
Corporate Banking	7,540	504		504	87	8,131
Total	**10,331**	**558**		**558**	**112**	**11,001**
Notes and bonds*						
Group Functions	12,694	73		73	3	12,770
Total	**12,694**	**73**	**0**	**73**	**3**	**12,770**
Total exposures within the scope of accounting for expected credit losses	**125,607**	**12,310**	**308**	**12,618**	**2,935**	**141,160**

* Notes and bonds related to the insurance business have been measured at fair value through profit or loss since 1 January 2022 in connection with the adoption of IFRS 17. So, the expected credit loss will no longer be calculated. The figures in comparative year have been adjusted.

Loss allowance by impairment stage 31 March 2023

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-18	-82	-1	-83	-365	-466
Corporate Banking	-26	-32	-7	-39	-187	-251
Total receivables from customers	**-44**	**-114**	**-7**	**-122**	**-552**	**-717**
Off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-2	-3
Corporate Banking	-3	-2		-2	-21	-27
Total off-balance-sheet commitments	**-4**	**-3**		**-3**	**-23**	**-30**
Notes and bonds***						
Group Functions	-1	-1		-1	-2	-4
Total notes and bonds	**-1**	**-1**		**-1**	**-2**	**-4**
Total	**-49**	**-118**	**-7**	**-126**	**-577**	**-752**

* 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.

Notes and bonds related to the insurance business have been measured at fair value through profit or loss since 1 January 2022 in connection with the adoption of IFRS 17. So, the expected credit loss will no longer be calculated. The figures in comparative year have been adjusted.

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 March 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	71,381	8,728	59	8,788	2,203	82,372
Corporate Banking	41,532	3,509	249	3,757	729	46,019
Loss allowance						
Retail Banking	-19	-83	-1	-84	-367	-470
Corporate Banking	-29	-34	-7	-41	-208	-278
Coverage ratio, %						
Retail Banking	-0.03%	-0.95%	-1.37%	-0.95%	-16.67%	-0.57%
Corporate Banking	-0.07%	-0.98%	-2.68%	-1.09%	-28.53%	-0.60%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**112,913**	**12,237**	**308**	**12,545**	**2,932**	**128,390**
Total loss allowance	**-48**	**-117**	**-7**	**-125**	**-575**	**-748**
Total coverage ratio, %	**-0.04%**	**-0.96%**	**-2.43%**	**-0.99%**	**-19.62%**	**-0.58%**
Carrying amount, notes and bonds						
Group Functions	12,694	73		73	3	12,770
Loss allowance						
Group Functions	-1	-1		-1	-2	-4
Coverage ratio, %						
Group Functions	-0.01 %	-1.06 %		-1.06 %		-0.03 %
Total notes and bonds	**12,694**	**73**		**73**	**3**	**12,770**
Total loss allowance	**-1**	**-1**	**0**	**-1**	**-2**	**-4**
Total coverage ratio, %	**-0.01 %**	**-1.06 %**		**-1.06 %**	**-62.00 %**	**-0.03 %**

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

Exposures	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	62,761	8,256	51	8,306	2,127	73,195
Corporate Banking	26,588	2,518	109	2,627	451	29,666
Total	**89,349**	**10,774**	**159**	**10,933**	**2,578**	**102,861**
Off-balance-sheet limits						
Retail Banking	6,705	371	0	372	39	7,115
Corporate Banking	8,351	493	29	521	71	8,944
Total	**15,056**	**864**	**29**	**893**	**110**	**16,059**
Other off-balance-sheet commitments						
Retail Banking	2,636	54		54	26	2,715
Corporate Banking	6,943	448		448	72	7,462
Total	**9,579**	**501**		**501**	**98**	**10,178**
Notes and bonds						
Group Functions	12,982	73		73		13,055
Total	**12,982**	**73**		**73**		**13,055**
Total exposures within the scope of accounting for expected credit losses	**126,966**	**12,212**	**188**	**12,401**	**2,787**	**142,153**

Loss allowance by impairment stage 31 December 2022

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-18	-78	-1	-79	-363	-457
Corporate Banking	-30	-23	-5	-28	-182	-245
Total	**-48**	**-101**	**-6**	**-108**	**-546**	**-701**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-2	-4
Corporate Banking	-3	-2		-2	-24	-29
Total	**-4**	**-3**		**-3**	**-26**	**-32**
Notes and bonds***						
Group Functions	-1	-1		-1		-2
Total notes and bonds	**-1**	**-1**		**-1**		**-2**
Total	**-53**	**-105**	**-6**	**-111**	**-572**	**-736**

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

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

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

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

Summary and key indicators 31 December 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	72,102	8,681	51	8,732	2,192	83,026
Corporate Banking	41,882	3,459	137	3,596	595	46,072
Loss allowance						
Retail Banking	-19	-79	-1	-80	-366	-460
Corporate Banking	-33	-25	-5	-30	-206	-274
Coverage ratio, %						
Retail Banking	-0.03%	-0.91%	-1.98%	-0.92%	-16.68%	-0.55%
Corporate Banking	-0.08%	-0.71%	-3.81%	-0.83%	-34.69%	-0.59%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**113,983**	**12,139**	**188**	**12,328**	**2,787**	**129,098**
Total loss allowance	**-52**	**-104**	**-6**	**-110**	**-572**	**-734**
Total coverage ratio, %	**-0.05%**	**-0.86%**	**-3.31%**	**-0.89%**	**-20.53%**	**-0.57%**
Carrying amount, notes and bonds						
Group Functions	12,982	73		73		13,055
Loss allowance						
Group Functions	-1	-1		-1		-2
Coverage ratio, %						
Group Functions	-0.01%	-1.18%		-1.18%		-0.02%
Total notes and bonds	**12,982**	**73**		**73**		**13,055**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01%**	**-1.18%**		**-1.18%**		**-0.02%**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2023	**113,983**	**12,328**	**2,787**	**129,098**
Transfers from Stage 1 to Stage 2, incl. repayments	-3,091	3,028		-63
Transfers from Stage 1 to Stage 3, incl. repayments	-178		189	11
Transfers from Stage 2 to Stage 1, incl. repayments	2,406	-2,427		-21
Transfers from Stage 2 to Stage 3, incl. repayments		-258	249	-9
Transfers from Stage 3 to Stage 1, incl. repayments	36		-36	-1
Transfers from Stage 3 to Stage 2, incl. repayments		130	-132	-2
Increases due to origination and acquisition	4,803	79	33	4,915
Unchanged Stage, incl. repayments	-608	-1	-54	-664
Recognised as final credit loss		0	-6	-6
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 March 2023	**112,913**	**12,545**	**2,932**	**128,390**

The following flow statements show the changes in loss allowance by impairment stage during 2023.

Receivables from customers and off-balance-sheet items, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2023	**52**	**110**	**572**	**734**
Transfers from Stage 1 to Stage 2	-7	26		19
Transfers from Stage 1 to Stage 3	-1		13	12
Transfers from Stage 2 to Stage 1	2	-12		-10
Transfers from Stage 2 to Stage 3		-4	18	14
Transfers from Stage 3 to Stage 2	0		-3	-3
Transfers from Stage 3 to Stage 1		5	-18	-14
Increases due to origination and acquisition	2	1	5	9
Decreases due to derecognition	-3	-2	-17	-23
Changes in risk parameters (net)	3	1	11	14
Changes in model assumptions and methodology				
Decrease in allowance account due to write-offs		0	-5	-5
Net change in expected credit losses	**-4**	**15**	**3**	**14**
Loss allowance 31 March 2023	**48**	**125**	**575**	**748**

OP Financial Group has assessed the financial effects caused by Russia's war of aggression in Ukraine on its customers' credit risk and the related remaining EUR 2 million of the management overlay provision made in Q1/2022. The provision has remained unchanged in Q1/2023.

OP Financial Group has assessed the impacts of a rise in the price of electricity and Euribor rates as well as a fall in the price of residential property collateral on the credit risk associated with home loans. The assessment made as a stress test measured the cash flow of households, on the basis of which potential customers were assessed whose repayment capacity is jeopardised. Based on the analysis, a management overlay provision of EUR 42.4 million was made in Q4/2022, which has been kept unchanged in Q1/2023.

In Q4/2022, based on its analysis, OP Financial Group made a management overlay provision of EUR 5.3 million in the construction industry. The analysis was based on the weakened outlook for the industry. It was conducted as a stress test with the assumptions that net sales will decrease by 10%, cost inflation will increase by 8% and interest rates by 3%. The provision has remained unchanged in Q1/2023.

In addition, OP Financial Group was prepared in Q4/2022 for the retrospective correction of the data stock on forborne exposures with a 5-million euro management overlay provision to be performed in the first half of 2023. The provision has still remained unchanged in Q1/2023.

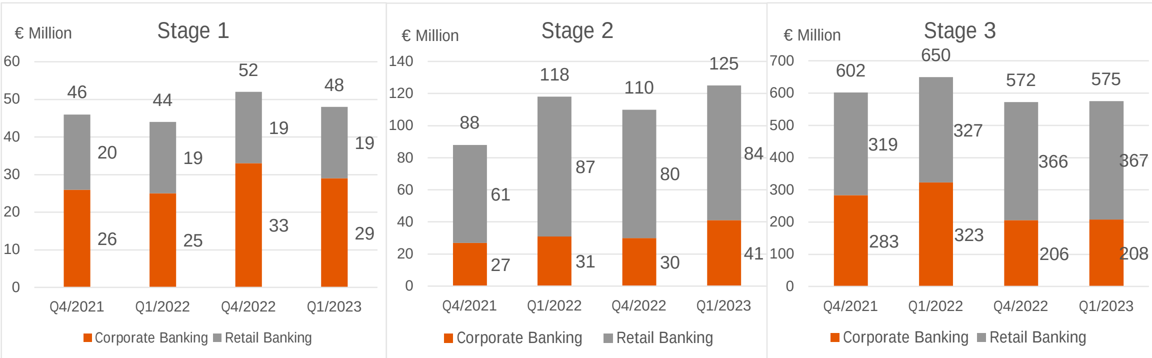
At the end of 2021, OP Financial Group made a 34-million euro additional ECL provision concerning CRE backed loans. The provision was aimed at anticipating growth in the ECL caused by the update of the collateral assessment of the riskiest collateral real estate holdings and probable default statutes. The remaining provision for Q1/2023 is EUR 11 million.

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 March 2023	**Retail Banking**	**Corporate Banking**	**Total**
Loss allowance before discretionary provisions	406	276	682
Discretionary provisions under management overlay			
Russia-Ukraine war	2		2
Price of electricity, interest rates & value of collateral	42		42
Construction industry	3	3	5
Future retrospective correction to forborne exposures	5		5
Collateral valuation of CRE backed loans	11		11
Total discretionary provisions under management overlay	63	3	66
Total reported loss allowance	470	278	748

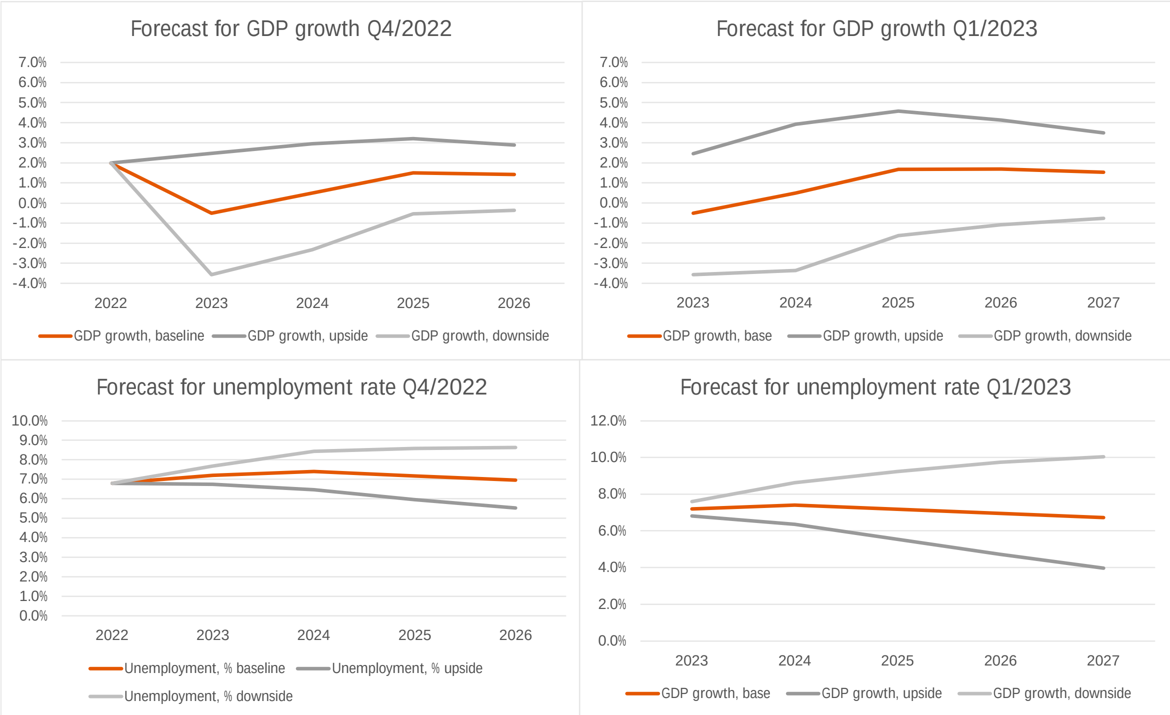
Loss allowance 31 December 2022	**Retail Banking**	**Corporate Banking**	**Total**
Loss allowance before discretionary provisions	401	267	668
Discretionary provisions under management overlay			
Russia-Ukraine war	2		2
Price of electricity, interest rates & value of collateral	42		42
Construction industry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

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 2023, the update of the macroeconomic forecasts slightly increased the ECL.

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



Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Transfers from Stage 1 to Stage 3	**2**	**0**		**1**
Transfers from Stage 1 to Stage 3	0		2	2
Increases due to origination and acquisition	0			0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**0**	**2**	**2**
Loss allowance 31 March 2023	**1**	**1**	**2**	**4**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**107,825**	**9,650**	**2,808**	**120,283**
Transfers from Stage 1 to Stage 2, incl. repayments	-6,564	6,194		-370
Transfers from Stage 1 to Stage 3, incl. repayments	-432		378	-53
Transfers from Stage 2 to Stage 1, incl. repayments	2,937	-3,224		-288
Transfers from Stage 2 to Stage 3, incl. repayments		-582	532	-50
Transfers from Stage 3 to Stage 1, incl. repayments	65		-75	-10
Transfers from Stage 3 to Stage 2, incl. repayments		238	-272	-33
Increases due to origination and acquisition	23,512	1,160	162	24,834
Decreases due to derecognition	-14,270	-985	-434	-15,689
Unchanged Stage, incl. repayments	910*	-122	-203	585
Recognised as final credit loss	0	0	-111	-111
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2022	**113,983**	**12,328**	**2,787**	**129,098**

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

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

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

Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 31 December 2021	**7**	**2**	**5**	**14**
IFRS 17 transition 1 Jan 2022	-5	-2	-5	-12
Loss allowance 1 January 2022	**2**	**0**	**0**	**2**
Transfers from Stage 1 to Stage 2	0	1		1
Transfers from Stage 1 to Stage 3				
Transfers from Stage 2 to Stage 1				
Transfers from Stage 2 to Stage 3				
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0	0		0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**1**	**0**	**0**
Loss allowance 31 December 2022	**2**	**0**	**0**	**1**

Note 5. Net commissions and fees

Q1 2023, € million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	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			0	6
Guarantees	3	3		0	0	6
Housing agency	15				0	15
Sales commissions on insurance contracts	39		13		-23	29
Life insurance total expense loading			6			6
Other	11	3		0	-9	4
Total	**205**	**100**	**19**	**6**	**-53**	**277**
Commission expenses						
Lending	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**

Q1 2022, € million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group
Commission income						
Lending	30	10		0	0	40
Deposits	5	1		0	0	6
Payment transfers	70	8		2	-2	78
Securities brokerage	2	8			-2	8
Securities issuance		1		0	0	1
Mutual funds	12	63	0	0	-12	63
Asset management	9	7		0	-3	12
Legal services	6	0				6
Guarantees	3	3		0	0	6
Housing agency	18				0	18
Sales commissions on insurance contracts	37		14		-21	30
Life insurance total expense loading			6			6
Other	27	2	1	2	-25	6
Total	**219**	**103**	**21**	**3**	**-66**	**280**
Commission expenses						
Lending	0	0		0	0	0
Payment transfers	-6	0	0	0	2	-5
Securities brokerage		-1		0	0	-1
Securities issuance	0	0		0	0	0
Mutual funds		-29	0		12	-17
Asset management		-3	0	-1	0	-3
Guarantees		0				0
Sales commissions on insurance contracts	1		-8		6	-1
Other	-3	-27	-2	-2	28	-5
Total	**-8**	**-61**	**-10**	**-3**	**48**	**-33**
Total net commissions and fees	**211**	**42**	**12**	**1**	**-18**	**247**

Note 6. Net insurance income

€ million	Q1 2023	Q1 2022
Non-life insurance		
Expected claims incurred and other directly allocated insurance service costs	306	301
Changes in risk adjustment (other than adjustments related to funding risks)	2	5
Contractual service margin of services produced during the period	73	49
Insurance acquisition cash flow amortisation	27	28
Other changes in insurance premium revenue	6	11
Non-life insurance premium revenue according to the General Measurement Model (GMM), total	**415**	**394**
Life insurance		
Expected claims incurred and other directly allocated insurance service costs	31	29
Changes in risk adjustment (other than adjustments related to funding risks)	2	4
Contractual service margin of services produced during the period	17	10
Insurance acquisition cash flow amortisation	3	0
Other changes in insurance premium revenue	9	9
Life insurance premium revenue according to the General Measurement Model (GMM), total	**63**	**52**
Expected claims incurred and other directly allocated insurance service costs	4	5
Changes in risk adjustment (other than adjustments related to funding risks)	1	2
Contractual service margin of services produced during the period	2	1
Insurance acquisition cash flow amortisation	0	0
Other changes in insurance premium revenue	-1	-3
Life insurance premium revenue according to the Variable Fee Approach (VFA), total	**7**	**6**
Total life insurance premium revenue	**70**	**57**
Total insurance premium revenue	**485**	**451**
Non-life insurance		
Actual claims incurred and other directly allocated insurance service costs	-282	-323
Changes arising from insurance events occurred in services for past periods	-100	-42
Reversal of acquisition costs of insurance contracts	-27	-28
Losses and reversals of onerous contracts	-7	-8
Non-life insurance insurance service expenses according to the General Measurement Model (GMM), total	**-416**	**-402**
Life insurance		
Actual claims incurred and other directly allocated insurance service costs	-39	-33
Changes arising from insurance events occurred in services for past periods	-2	-2
Reversal of acquisition costs of insurance contracts	-3	0
Onerous contracts	-15	-14
Life insurance insurance service expenses according to the General Measurement Model (GMM), total	-60	-50
Actual claims incurred and other directly allocated insurance service costs	-5	-5
Changes arising from insurance events occurred in services for past periods	-2	-1
Reversal of acquisition costs of insurance contracts	0	0
Onerous contracts	-2	10
Life insurance insurance service expenses according to the Variable Fee Approach (VFA), total	-9	4
Life insurance insurance service expenses, total	**-69**	**-45**
Total insurance service expenses	**485**	**447**
Net income from non-life insurance reinsurance contracts	-2	17
Net income from life insurance reinsurance contracts	-1	0
Total net income from reinsurance contracts	-3	16
Insurance service result	**-2**	**21**

Note 7. Net insurance finance expenses

€ million	Q1 2023	Q1 2022
Non-life insurance		
Unwinding of discount of insurance liability	-4	0
Effect of insurance contract interest rates and changes in economic assumptions	-27	199
Exchange rate differences of insurance contracts	0	0
Finance income and expenses related to non-life insurance direct insurance contracts (GMM), total	-30	199
Finance income and expenses related to non-life insurance reinsurance contracts, total	-8	-2
Life insurance		
Unwinding of discount of insurance liability	5	8
Effect of insurance contract interest rates and changes in economic assumptions	-49	197
Finance income and expenses related to life insurance direct insurance contracts (GMM), total	-45	205
Insurance contract net financing items, risk mitigation	-13	122
Effect of insurance contract interest rates and changes in economic assumptions	0	
Net financing items of fair value changes of underlying insurance contract items	-126	313
Finance income and expenses related to life insurance direct insurance contracts (VFA), total	-139	435
Finance income and expenses related to life insurance reinsurance contracts, total	0	0
Net insurance finance income (+)/expenses (–)	**-223**	**837**

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

Financial assets held for trading

€ million	**Q1 2023**	**Q1 2022**
Notes and bonds		
Interest income and expenses	14	1
Fair value gains and losses of notes and bonds	-1	-10
Total	13	-9
Shares and participations		
Fair value gains and losses	4	7
Dividend income and share of profits	1	0
Total	5	7
Derivatives		
Interest income and expenses	14	0
Fair value gains and losses	1	-17
Total	15	-17
Total	**33**	**-19**

Note 9. Net investment income

€ million	**Q1 2023**	**Q1 2022**
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Capital gains and losses	4	9
Other income and expenses		0
Total	**4**	**9**

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

Financial assets held for trading, insurance business

€ million	**Q1 2023**	**Q1 2022**
Derivatives		
Interest income and expenses	-4	5
Fair value gains and losses	20	-212
Total	**16**	**-206**

Financial assets that must be measured at fair value through profit or loss		
Shares and participations		
Fair value gains and losses		-3
Dividend income and share of profits		5
Total		**2**
Financial assets designated as at fair value through profit or loss		
Notes and bonds		
Interest income	31	25
Fair value gains and losses	71	-271
Total	102	-246
Shares and participations		
Fair value gains and losses	51	-56
Dividend income and share of profits	17	31
Total	68	-25
Derivatives		-1
Total	**170**	**-272**
Income from assets covering unit-linked insurance and investment contracts		
Interest income	17	-5
Fair value gains and losses	282	-732
Total	**299**	**-738**
Net income from financial assets designated as at fair value through profit or loss, total	**469**	**-1,010**
Total net income from financial assets recognised at fair value through profit or loss	**485**	**-1,214**
Net income from investment property		
Rental income	13	14
Fair value gains and losses	-1	24
Maintenance charges and expenses	-10	-9
Other	-1	0
Total net income from investment property	**2**	**29**

Net income from loans and receivables recognised at amortised cost

Loans and receivables		
Interest income	2	1
Interest expenses	0	-1
Impairment losses and their reversals	-3	-1
Total	0	-1
Associates and joint ventures		
Accounted for using the fair value method	1	12
Consolidated using the equity method	0	0
Total	1	12
Financial liabilities designated as at fair value through profit or loss		
Premiums written from insurance contracts	116	165
Claims paid under investment contracts	-86	-110
Change in investment contract liabilities	-204	362
Total net income from investment contract liabilities	-174	418
Other net investment income of insurance		
Interest on insurance subordinated loans of insurance	0	0
Currency fair value gains/losses related to insurance service result	0	0
Other income and expenses from loans and receivables	0	
Total	0	0
Total net investment income	**317**	**-748**

Note 10. Other operating expenses

€ million	**Q1 2023**	**Q1 2022**
ICT costs		
Production	-59	-56
Development	-45	-34
Buildings	-12	-22
Government charges and audit fees	-64	-66
Service purchases	-33	-28
Expert services	-13	-6
Telecommunications	-7	-8
Marketing	-9	-6
Donations	-3	-3
Insurance and security costs	-7	-3
Expenses of short-term and low-value leases	-1	7
Other	-30	-21
Total	**-284**	**-246**

Development costs

€ million	**Q1 2023**	**Q1 2022**
ICT development costs	45	34
Share of own work	18	16
Total development costs in the income statement	**64**	**50**
Capitalised ICT costs	20	18
Transfer of capitalised costs/personnel costs	3	4
Total capitalised development costs	**23**	**23**
Total development costs	**87**	**73**
Total development costs	-32	-41

Note 11. Reinsurance contract assets

€ million	31 Mar 2023	31 Dec 2022
Non-life insurance		
Reinsurance contract assets for the remaining coverage period	-43	-24
Reinsurance contract liability for occurred losses	280	268
Total non-life insurance reinsurance contract assets	237	245
Life insurance		
Reinsurance contract assets for the remaining coverage period	0	
Total life insurance reinsurance contract assets	0	
Total reinsurance contract assets	**237**	**245**

Note 12. Insurance contract liabilities

€ million	31 Mar 2023	31 Dec 2022
Non-life insurance		
Liabilities for the remaining coverage period, GMM	340	180
Liability for occurred losses, GMM	2,382	2,356
Total non-life insurance contract liabilities	2,722	2,536
Life insurance		
Liabilities for the remaining coverage period, GMM	3,296	3,257
Liability for occurred losses, GMM	13	12
Liabilities for the remaining coverage period, VFA total	5,672	5,586
Liability for occurred losses (VFA), total	51	51
Total life insurance contract liabilities	9,032	8,906
Total insurance contract liabilities	**11,754**	**11,442**

Note 13. Reinsurance contract liabilities

€ million	31 Mar 2023	31 Dec 2022
Life insurance		
Reinsurance contract liabilities for the remaining coverage period	2	2
Total life insurance reinsurance contract liabilities	2	2
Total reinsurance contract liabilities	**2**	**2**

Note 14. Debt securities issued to the public

€ million	31 Mar 2023	31 Dec 2022
Bonds	10,578	10,563
Subordinated bonds	4,314	4,306
Mortgage-backed bonds	12,680	12,262
Other		
Certificates of deposit	724	1,083
Commercial papers	7,523	9,287
Included in own portfolio in trading (-)*	-54	-63
Total debt securities issued to the public	**35,765**	**37,438**

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

Note 15. Fair value reserve after tax

€ million	Recognised at fair value through other comprehensive income: Notes and bonds	Recognised at fair value through other comprehensive income: Shares and participations (overlay approach)	Cash flow hedges	Total
Closing balance 31 December 2021	**63**	**164**	**96**	**323**
Effect of transition to IFRS 17 Insurance Contracts	-41	-164		-205
Opening balance 1 January 2022	**22**		**96**	**118**
Fair value changes	-13		-191	-203
Capital gains transferred to income statement	-8			-8
Transfers to net interest income			-5	-5
Deferred tax	4		39	43
Closing balance 31 March 2022	**6**		**-61**	**-55**

€ million	Recognised at fair value through other comprehensive income: Notes and bonds	Recognised at fair value through other comprehensive income: Shares and participations (overlay approach)	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**

The fair value reserve before tax amounted to EUR -417 million (-69) at the end of the reporting period and the related deferred tax asset/liability was EUR 83 million (-14). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR -2 million (0) in the fair value reserve during the reporting period.

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

Note 16. Collateral given

€ million	31 March 2023	31 Dec 2022
Pledges	90	1
Loans (as collateral for covered bonds)	20,997	21,048
Others	1,058	14,128
Total collateral given*	**22,145**	**35,176**
Secured derivative liabilities	636	701
Other secured liabilities	207	12,000
Covered bonds	12,680	12,262
Total	**13,523**	**24,962**

* In addition, bonds with a book value of EUR 4.3 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 17. Classification of financial assets and liabilities

			Recognised at fair value through profit or loss				
Assets, € 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	17,537						17,537
Receivables from credit institutions	1,165						1,165
Liabilities to credit institutions			2,341			1,196	3,537
Receivables from customers	97,253						97,253
Assets covering unit-linked contracts				11,883			11,883
Notes and bonds	162	11,596	228	6,620			18,606
Equity instruments		1	92	1,865	2		1,961
Other than financial instruments	2,919						2,919
Financial assets	**119,036**	**11,598**	**2,661**	**20,369**	**2**	**1,196**	**154,861**
Other than financial assets							2,896
Total 31 March 2023	**119,036**	**11,598**	**2,661**	**20,369**	**2**	**1,196**	**157,757**

At the end of the reporting period, OP Financial Group's balance sheet had bonds worth EUR 162 million (0), which were not measured at market value due to the measurement category. The market value of these bonds amounted to EUR 161 million (0) at the end of the reporting period.

			Recognised at fair value through profit or loss				
Assets, € 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	35,004						35,004
Receivables from credit institutions	798						798
Liabilities to credit institutions			2,867			1,251	4,117
Receivables from customers	98,546						98,546
Assets covering unit-linked contracts				11,597			11,597
Notes and bonds	1	11,755	295	6,247			18,298
Equity instruments		0	86	1,653	2		1,741
Other financial assets	2,394						2,394
Financial assets	**136,743**	**11,756**	**3,247**	**19,497**	**2**	**1,251**	**172,496**
Other than financial instruments							3,195
Total 31 December2022	**136,743**	**11,756**	**3,247**	**19,497**	**2**	**1,251**	**175,691**

Liabilities, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		249		249
Derivative contracts	2,259		1,549	3,808
Liabilities to customers		75,419		75,419
Liabilities from investment agreements	7,415			7,415
Debt securities issued to the public		35,765		35,765
Subordinated loans		1,384		1,384
Other financial liabilities		5,764		5,764
Financial liabilities	**9,674**	**118,581**	**1,549**	**129,804**
Other than financial liabilities				13,016
Total 31 March 2023	**9,674**	**118,581**	**1,549**	**142,820**

Liabilities, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		12,301		12,301
Derivative contracts	2,779		1,653	4,432
Liabilities to customers		81,468		81,468
Liabilities from investment agreements	7,211			7,211
Debt securities issued to the public		37,438		37,438
Subordinated loans		1,384		1,384
Other financial liabilities		3,816		3,816
Financial liabilities	**9,990**	**136,408**	**1,653**	**148,051**
Other than financial liabilities				12,970
Total 31 December 2022	**9,990**	**136,408**	**1,653**	**161,023**

Bonds included in debt securities issued to the public are carried at amortised cost. On 31 March 2023, the fair value of these debt instruments was approximately EUR 1,139 million (1,225) lower than their carrying amount, based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are lower than their amortised costs, but determining reliable fair values involves uncertainty.

Note 18. Recurring fair value measurements by valuation technique

Fair value of assets on 31 March 2023, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	1,006	231	723	1,959
Debt instruments	5,331	1,224	293	6,848
Unit-linked contracts	7,251	4,633		11,883
Derivative financial instruments	2	3,464	72	3,537
Fair value through other comprehensive income				
Equity instruments	1			1
Debt instruments	9,648	1,019	929	11,596
Total financial instruments	**23,239**	**10,570**	**2,016**	**35,825**
Investment property			556	556
Total	**23,239**	**10,570**	**2,572**	**36,381**

Fair value of assets on 31 December 2022, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	736	265	740	1,741
Debt instruments	5,090	1,382	70	6,542
Unit-linked contracts	7,431	4,167		11,597
Derivative financial instruments	5	4,035	77	4,117
Fair value through other comprehensive income				
Debt instruments	9,193	1,721	801	11,755
Total financial instruments	**22,456**	**11,569**	**1,688**	**35,712**
Investment property			561	561
Total	**22,456**	**11,569**	**2,249**	**36,274**

Fair value of liabilities on 31 March 2023, € million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	4,524	2,891		7,415
Derivative financial instruments	1	3,716	91	3,808
Total	**4,525**	**6,607**	**91**	**11,223**

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	4,620	2,591		7,211
Derivative financial instruments	7	4,332	94	4,432
Total	**4,627**	**6,922**	**94**	**11,643**

Fair value measurement

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

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

Reconciliation of Level 3 items

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
Adoption of IFRS 17 and changes for 2022	51		-8	43
Opening balance 1 Jan 2023	810	77	799	1,686
Total gains/losses in profit or loss	-59	-5		-64
Purchases	95			95
Sales	-10			-10
Repayments	-2			-2
Transfers to level 3	133		201	334
Transfers from level 3	-3		-65	-68
Closing balance 31 March 2023	1,015	72	928	2,016

Financial liabilities, € million	Derivative contracts	Total liabilities
Opening balance 1 Jan 2023	94	94
Total gains/losses in profit or loss	-2	-2
Closing balance 31 March 2023	91	91

Breakdown of net income by income statement item 31 March 2023

€ million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net income	-32	-27		-59
Unrealised net income	-3			-3
Total net income	-35	-27		-62

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

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2023.

Note 19. Off-balance-sheet commitments

€ million	31 March 2023	31 Dec 2022
Guarantees	535	570
Guarantee liabilities	2,744	2,668
Loan commitments	14,347	14,267
Commitments related to short-term trade transactions	714	736
Other*	1,752	1,420
Total off-balance-sheet commitments	20,091	19,662

* Of which Non-life Insurance commitments to private equity funds amount to EUR 247 million (200).

Note 20. Derivative contracts

Total derivatives 31 March 2023

€ million	Nominal values/residual term to maturity				Fair values*	
	< 1 year	1–5 years	> 5 years	Total	Assets	Liabilities
Interest rate derivatives	35,843	103,853	89,103	228,798	2,706	2,785
Cleared by the central counterparty	27,933	61,078	53,748	142,759	48	55
Settled-to-market (STM)	14,288	35,992	37,026	87,306	35	39
Collateralised-to-market (CTM)	13,645	25,086	16,722	55,453	13	16
Currency derivatives	54,350	5,100	1,046	60,496	740	961
Credit derivatives	31	95	7	132	2	30
Other derivatives	439	777	21	1,237	67	79
Total derivatives	**90,662**	**109,824**	**90,177**	**290,663**	**3,515**	**3,855**

Total derivatives 31 December 2022

€ million	Nominal values/residual term to maturity				Fair values*	
	< 1 year	1–5 years	> 5 years	Total	Assets	Liabilities
Interest rate derivatives of which	29,963	105,209	89,412	224,584	2,981	3,096
Cleared by the central counterparty	22,144	60,716	55,600	138,460	190	191
Settled-to-market (STM)	11,535	35,194	39,212	85,941	126	134
Collateralised-to-market (CTM)	10,609	25,521	16,388	52,519	64	58
Currency derivatives	55,961	5,303	1,086	62,350	958	1,157
Credit derivatives	34	63	13	110	1	34
Other derivatives	439	889	26	1,355	91	82
Total derivatives	**86,398**	**111,463**	**90,538**	**288,399**	**4,031**	**4,368**

* 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 21. Investment distribution of the Insurance segment

Non-life Insurance	31 March 2023		31 December 2022	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**556**	**13**	**622**	**15**
Money market instruments and deposits**	556	13	632	16
Derivatives***	0	0	-10	0
Total bonds and bond funds	**2,631**	**62**	**2,526**	**62**
Governments	251	6	303	7
Investment Grade	1,979	47	1,834	45
Emerging markets and High Yield	221	5	206	5
Structured Investments****	180	4	181	4
Total equities	**686**	**16**	**557**	**14**
Finland	75	2	67	2
Developed markets	438	10	326	8
Emerging markets	97	2	88	2
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	69	2	69	2
Total alternative investments	**30**	**1**	**31**	**1**
Hedge funds	30	1	31	1
Total property investment	**335**	**8**	**336**	**8**
Direct property investment	155	4	155	4
Indirect property investment	180	4	181	4
Total	**4,238**	**100**	**4,071**	**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 2023		31 December 2022	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**616**	**19**	**614**	**19**
Money market investments and deposits**	603	18	601	19
Derivatives***	13	0	13	0
Total bonds and bond funds	**1,980**	**61**	**1,976**	**61**
Governments	186	6	182	6
Investment Grade	1,475	45	1,469	45
Emerging markets and High Yield	156	5	161	5
Structured investments****	163	5	163	5
Total equities	**449**	**14**	**419**	**13**
Finland	49	1	44	1
Developed markets	269	8	240	7
Emerging markets	62	2	65	2
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	66	2	67	2
Total alternative investments	**37**	**1**	**38**	**1**
Hedge funds	37	1	38	1
Total real property investments	**188**	**6**	**189**	**6**
Direct property investments	24	1	24	1
Indirect property investments	164	5	165	5
Total	**3,269**	**100**	**3,235**	**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 22. 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 2022.

Financial reporting 2023

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

Helsinki, 3 May 2023

OP Cooperative
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