OP Corporate Bank plc’s Half-year Financial Report 1 January–30 June 2023

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Operating profit H1/2023	Net interest income H1/2023	Loan portfolio growth in the year to June	CET1 ratio 30 June 2023
€171 million	+46%	–0.3%	13.3%

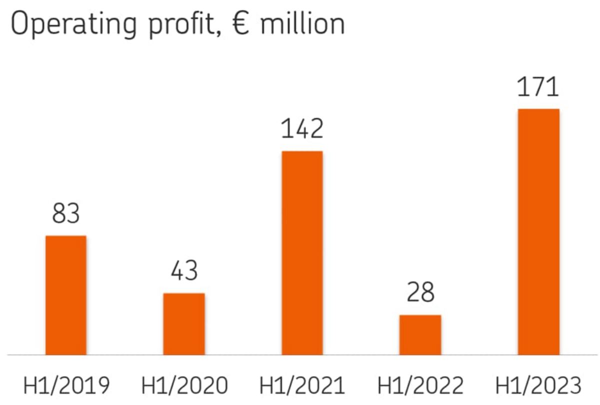
- OP Corporate Bank plc's operating profit (earnings before tax) increased to EUR 171 million (28).
- Net interest income grew by 46% to EUR 263 million (181). Net commissions and fees increased by EUR 32 million to EUR 40 million (8) and investment income by EUR 26 million to EUR 40 million (14).
- Impairment loss on receivables decreased by EUR 17 million to EUR 23 million (40).
- Operating expenses totalled EUR 166 million (153).
- The loan portfolio, EUR 27.4 billion (27.5), was almost at the previous year's level. In the year to June, the deposit portfolio decreased by 19% to EUR 11.6 billion (14.3).
- The Corporate Banking and Capital Markets segment's operating profit increased to EUR 98 million (–6). Net interest income grew by 36% to EUR 149 million (109). Investment income increased by EUR 22 million to EUR 29 million (7) and net commissions and fees by EUR 31 million to EUR 5 million (–25). Operating expenses totalled EUR 73 million (71). Impairment loss on receivables totalled EUR 14 million (29).
- The Asset and Sales Finance Services and Payment Transfers segment's operating profit increased to EUR 71 million (55). Net interest income grew by 27% to EUR 103 million (81). Net commissions and fees of EUR 32 million increased by EUR 2 million year on year. Operating expenses totalled EUR 64 million (57). Impairment loss on receivables totalled EUR 8 million (6).
- The Baltics segment's operating profit rose to EUR 19 million (9). Net interest income grew by 37% to EUR 34 million (25). Net commissions and fees totalled EUR 5 million (6). Operating expenses of EUR 18 million rose by EUR 2 million year on year. Impairment loss on receivables totalled EUR 1 million (5).
- The Group Functions segment's operating loss was EUR 18 million (–31). The financial position and liquidity remained strong.
- OP Corporate Bank plc's CET1 ratio was 13.3% (11.9), which exceeds the minimum regulatory requirement by 4.6 percentage points.

OP Corporate Bank plc's key indicators

Operating profit (loss), € million	H1/2023	H1/2022	Change, %	Q1–4/2022
Corporate Banking and Capital Markets	98	-6	-	186
Asset and Sales Finance Services and Payment Transfers	71	55	28.6	138
Baltics	19	9	109.7	24
Group Functions	-18	-31	-	-83
Total	171	28	519.8	265
Total income	360	221	63.2	564
Total expenses	-166	-153	8.5	-281
Return on equity (ROE), %	6,2	1,1	5,1*	4,9
Return on assets (ROA), %	0.31	0.05	0.26*	0.22
	30 Jun 2023	30 Jun 2022	Change, %	31 Dec 2022
CET1 ratio, %	13.3	12.4	0.9*	11.9
Loan portfolio, € million**	27,449	27,537	-0.3	28,309
Guarantee portfolio, € million	2,990	3,457	-13.5	3,412
Other exposures, € million	5,892	5,921	-0.5	6,354
Deposits, € million	11,620	14,298	-18.7	14,683
Ratio of non-performing exposures to exposures, %**	1.7	1.9	-0.2*	1.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %**	0.15	0.26	-0.11*	0.06

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



OP Corporate Bank plc's operating profit calculated as pre-tax profit under national legislation is presented as figures for 2019–2020.

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Business environment

Economic surveys describing the world economy indicated a better outlook during the first half. Services rebounded but the situation in industry weakened. GDP in the euro area declined slightly in the first half of the year. In June, inflation slowed down to 5.5%, compared to 9.2% at the end of 2022.

Stock prices rose in several countries in the first half. Stock prices in Finland were lower at the end of June than at the end of last year. At the end of June, long-term bond rates were at the 2022-end level.

The European Central Bank (ECB) raised its main refinancing rate several times between January and June. Following the rate raise of 0.25 percentage points in June, the deposit facility rate stood at 3.50%. The most common reference interest rate for home loans, the 12-month Euribor, rose by 0.84 percentage points during January–June, standing at 4.13% at the end of June.

Finnish economic growth was weak during the first half of the year. Interest rates that rose rapidly reduced home sales, and home prices fell. The unemployment rate trend in May was at the 2022-end level, standing at 6.9%. In June, inflation slowed down to 6.3%, compared to 9.1% in December 2022.

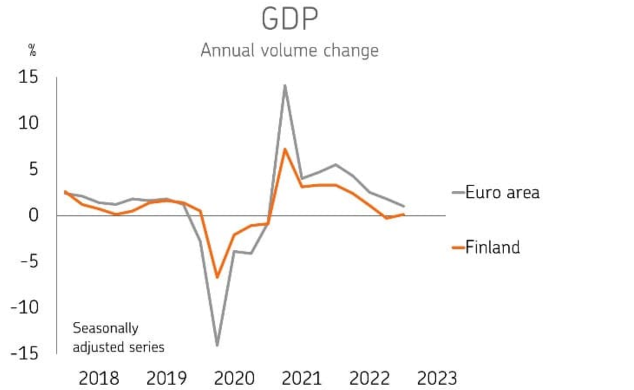
The economic outlook remains subdued and uncertain. Inflation is expected to remain above the ECB's target towards the year end and the ECB still has to pursue a tight monetary policy.

In May, total loans were 2.6% higher than a year ago. The annual growth rate of corporate loans was 3.2% and housing company loans 6.5%. Total household loans decreased by 0.4%. Demand for household loans slowed down in home loans, in particular, which decreased by 0.8% year on year. The annual growth rate of consumer loans was 2.8% in May as against 3.3% during the same period a year earlier.

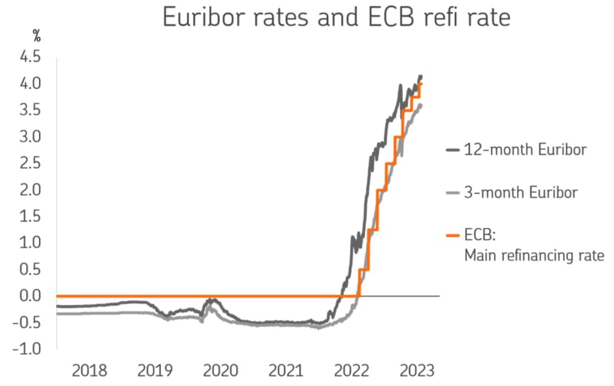
Total deposits decreased by 0.9% over the previous year. Corporate deposits increased by 0.9% in the year to June, whereas household deposits decreased by 1.8%.

The value of mutual funds registered in Finland increased from EUR 134 billion to EUR 139 billion during the first five months of 2023. During that period, new assets worth a total of EUR 1,749 million were invested in mutual funds registered in Finland.

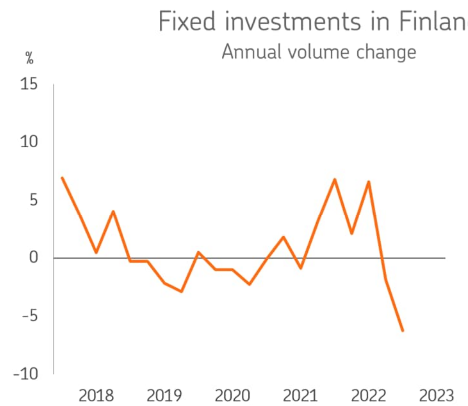
The end of the pandemic and inflationary pressures have increased insurance companies' claims incurred.



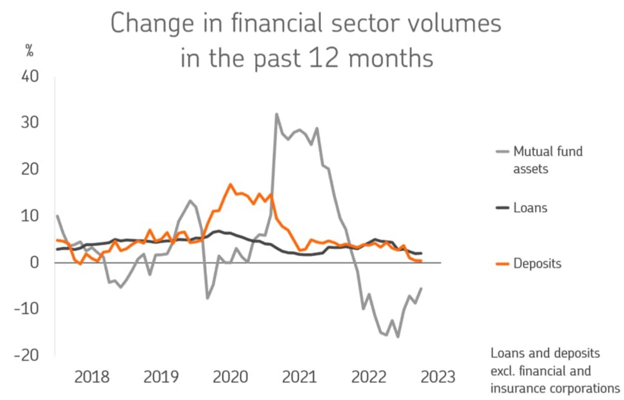
Sources: Eurostat, Statistics Finland



Source: Bank of Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

OP Corporate Bank earnings

€ million	H1/ 2023	H1/ 2022	Change, %	Q2/ 2023	Q2/ 2022	Change, %	Q1–4/ 2022
Net interest income	263	181	45.6	136	87	56.7	396
Impairment loss on receivables	-23	-40	-43.3	-12	2	-	-18
Net commissions and fees	40	8	384.5	23	5	378.0	19
Investment income	40	14	191.2	9	6	33.8	117
Other operating income	17	18	-3.8	7	7	-0.6	32
Personnel costs	-43	-38	14.7	-25	-20	22.4	76
Depreciation/amortisation and impairment loss	-2	-6	-57.9	-1	-3	-63.1	9
Other operating expenses	-120	-110	9.7	-46	-39	17.4	196
Operating profit	171	28	519.8	90	45	100.8	265

January–June

OP Corporate Bank plc's operating profit (earnings before tax) increased to EUR 171 million (28). Net interest income increased by EUR 82 million to EUR 263 million and investment income by EUR 26 million to EUR 40 million. Net commissions and fees increased to EUR 40 million (8) as commission expenses decreased by EUR 29 million. Impairment loss on receivables decreased by EUR 17 million to EUR 23 million. Operating expenses totalled EUR 166 million (153 million).

Net interest income grew by 45.6% to EUR 263 million. Total interest income increased by EUR 1,037 million to EUR 1,283 million. Interest income from receivables from customers increased by EUR 461 million to EUR 555 million as a result of higher market interest rates. This increase was also affected by interest income from central bank deposits. Total interest income from receivables from credit institutions rose to EUR 468 million (4). OP Corporate Bank's loan portfolio, EUR 27.4 billion (27.5), was almost at the previous year's level. The loan portfolio decreased by 3.0% from its year-end level. Interest expenses increased by a total of EUR 955 million to EUR 1,020 million. Interest expenses from liabilities to customers increased to EUR 148 million (–3). The deposit portfolio decreased in the year to June by 18.7% to EUR 11.6 billion. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose significantly over the previous year, from debt securities issued to the public and subordinated liabilities. The amount of debt securities issued to the public decreased to EUR 23.6 billion (25.2). At the end of the reporting period, the amount of senior non-preferred bonds - totalled EUR 4.3 billion (4.3). Subordinated liabilities totalled EUR 1.4 billion (1.4). During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 1.1 billion. During the first quarter, OP Corporate Bank paid off the TLTRO III funding offered by the European Central Bank, totalling EUR 12.0 billion.

Impairment loss on receivables totalled EUR 23 million (40). A year ago, impairment loss on receivables was increased by the indirect effects of the war in Ukraine and the weakening of individual customers' credit risk exposure. Loss allowance was EUR 279 million (272) at the end of the reporting period. The item includes an additional provision of EUR 12 million based on management judgement that applies to the construction industry and the real estate sector. Final net loan losses recognised for the reporting period totalled EUR 17 million (21). Non-performing exposures accounted for 1.7% (1.5) of total exposures. Ratio of impairment loss on receivables to loan and guarantee portfolio was 0.15% (0.26).

Net commissions and fees increased by EUR 32 million to EUR 40 million. Commissions and fees, EUR 72 million, increased by EUR 3 million. Commissions and fees for lending increased by EUR 6 million to EUR 29 million. Commissions and fees for securities brokerage and issue fell by a total of EUR 3 million to EUR 13 million. Commission expenses fell by EUR 29 million to EUR 32 million. The fall in commission expenses is explained by lower commission expenses from derivative contracts paid to OP Financial Group's member banks. The reason behind the change is a change in the operating model made in the fourth quarter of 2022 applying to hedging interest rate risk associated with derivative contracts between OP Corporate Bank and OP cooperative banks.

Investment income rose by EUR 26 million to EUR 40 million. Income from notes and bonds measured at fair value through profit or loss rose to EUR 15 million (–19). Income from shares and participations decreased by EUR 3 million to EUR 1 million and income from derivatives operations by EUR 2 million to EUR 18 million. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 2 million. A year ago, corresponding value changes improved earnings by EUR 5 million. Capital gains on notes and bonds totalled EUR 6 million (9).

Other operating income amounted to EUR 17 million (18).

Operating expenses totalling EUR 166 million increased by EUR 13 million. Personnel costs increased by EUR 6 million to EUR 43 million. The increase in personnel costs was affected by higher headcount and growth in the provision for performance-based bonuses as well as the one-off compensation under collective agreements paid to personnel during the reporting period. Depreciation/amortisation and impairment loss on receivables decreased by EUR 3 million to EUR 2 million. Other operating expenses totalling EUR 120 million increased by EUR 11 million. Other operating expenses were especially increased by service charges payable to OP Cooperative and expenses related to the development of anti-financial crime. Charges of financial authorities were EUR 29 million (31). Total ICT costs, EUR 46 million, were at the previous year's level.

Comprehensive income for the reporting period increased to EUR 134 million (7). Change in the fair value reserve, EUR –4 million, reduced comprehensive income for the reporting period. Changes in the fair values of notes and bonds decreased the fair value reserve by EUR 1 million. Changes in the fair value of cash flow hedges and transfers in profit or loss to net interest income increased the fair value reserve by a total of EUR 5 million. Capital gains on notes and bonds recognised from the fair value reserve in profit or loss totalled EUR 7 million. A year ago, change in the fair value reserve reduced comprehensive income by EUR 26 million.

April–June

Earnings before tax for the second quarter increased to EUR 90 million (45). This increase was particularly due to a strong growth in net interest income. Net interest income increased by EUR 49 million to EUR 136 million. Net commissions and fees increased by EUR 18 million to EUR 23 million. Investment income totalled EUR 9 million (EUR 6 million). Total operating expenses increased by EUR 10 million to EUR 72 million. Impairment loss on receivables totalled EUR 12 million. A year ago, impairment loss on receivables reversed came to EUR 2 million.

Net interest income rose to EUR 136 million (87). Net interest income from receivables from customers rose by EUR 247 million to EUR 292 million and net interest income from receivables from credit institutions rose by EUR 220 million to EUR 223 million. Interest expenses from liabilities to customers increased by EUR 83 million to EUR 82 million. In addition, interest expenses were increased by interest expenses from liabilities to credit institutions that rose significantly over the previous year, from debt securities issued to the public and subordinated liabilities.

Impairment loss recognised on receivables amounted to EUR 12 million. A year ago, impairment loss on receivables reversed came to EUR 2 million.

Net commissions and fees, EUR 23 million, increased by EUR 18 million. Commissions and fees, EUR 38 million, rose by EUR 3 million as commission income from lending increased. Commission expenses fell by EUR 15 million to EUR 15 million. The fall in commission expenses was affected by lower commission expenses from derivative contracts paid to OP Financial Group's member banks.

Investment income totalled EUR 9 million (EUR 6 million). Income from financial assets held for trading, EUR 6 million, was at the previous year's level, income from notes and bonds totalling EUR 1 million (–10) and derivatives operations EUR 5 million (16). Capital gains on notes and bonds totalled EUR 3 million (0).

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

Total operating expenses increased by EUR 10 million to EUR 72 million. Personnel costs increased by EUR 4 million to EUR 25 million. Depreciation/amortisation and impairment loss on receivables totalled EUR 1 million (3). Other operating expenses increased by EUR 7 million to EUR 46 million.

Total comprehensive income for the second quarter was EUR 57 million (39). Change in the fair value reserve, EUR –16 million, reduced comprehensive income (–5).

Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Financial Group's and OP Corporate Bank's business and strategy, and responsible business is one of OP Financial 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. The Corporate governance section involves integrating responsibility with all business and related risk-taking and a goal to enhance governance diversity. Read more about OP Financial Group's sustainability programme at op.fi/op-financial-group/corporate-social-responsibility.

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

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

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

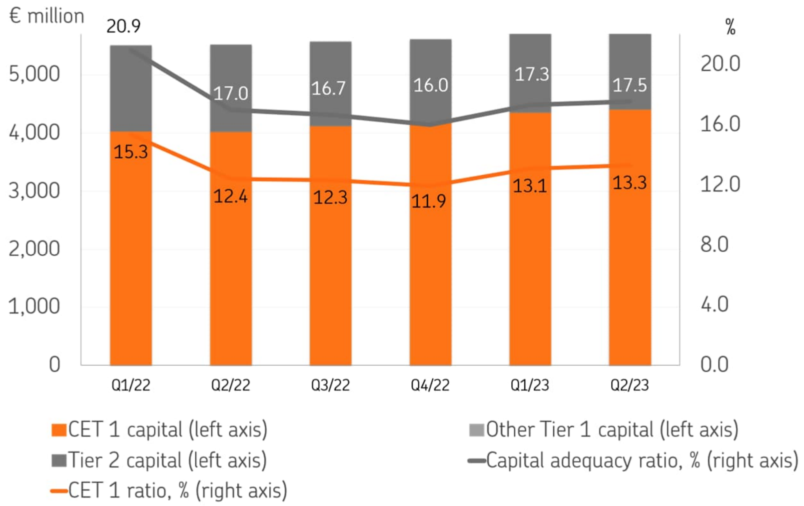
OP Corporate Bank is committed to ensuring that its corporate loan portfolios are carbon neutral by 2050. OP Corporate Bank does not provide finance for new coal power plants or coal mines, or companies that plan to build them. Neither does OP Corporate Bank finance new corporate customers with financial dependence of over 5% on coal as an energy source, measured in net sales. The only exceptions are corporate customers committed to making the low-carbon economy transition, which present a concrete plan to withdraw from coal.

OP Corporate Bank has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. In green loans, corporate customers are committed to using the borrowed funds to promote specific projects. In sustainability-linked loans, corporate customers are committed to sustainability goals selected together when granting the loan. These targets affect the loan margin. At the end of June, total exposures from these loans and facilities stood at EUR 6.0 billion (5.2).

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

Capital adequacy

Capital base and capital adequacy

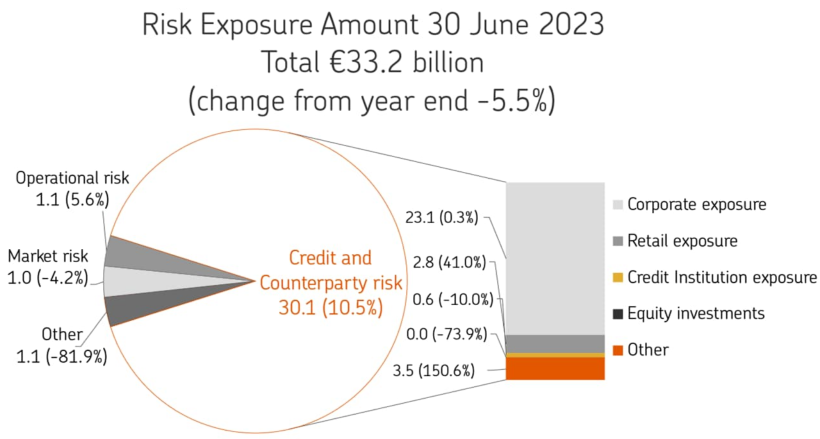


Capital adequacy for credit institutions

On 30 June 2023, OP Corporate Bank's CET1 ratio was 13.3% (11.9), which exceeds the minimum regulatory requirement by 4.6 percentage points. Earnings and a decrease in risk-weighted assets improved the ratio.

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

The CET1 capital totalled EUR 4.4 billion (4.2) on 30 June 2023. The CET1 capital was improved by earnings for the reporting period and the elimination of the allowance for expected losses based on the IRBA, which resulted from the transition to the Standardised Approach to credit risk.



On 30 June 2023, the risk exposure amount (REA) totalled EUR 33.2 billion (35.1), or 5.5% lower than on 31 December 2022. OP Corporate Bank adopted the Standardised Approach to credit risk in its capital adequacy measurement during the first quarter of 2023. This change had no effect on the CET1 ratio. Total risk exposure amount decreased as a result of a reduction in the loan portfolio, in particular.

OP Corporate Bank is part of OP Financial Group, whose capital adequacy is supervised in accordance with the Act on the Supervision of Financial and Insurance Conglomerates. As part of OP Financial Group, OP Corporate Bank plc is supervised by the ECB. OP Financial Group presents capital adequacy information in its financial statements bulletin and interim and half-year financial reports in accordance with the Act on the Amalgamation of Deposit Banks. OP Financial Group also publishes Pillar III disclosures.

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

Liabilities under the Resolution Act

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

The SRB 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 8.0 billion and for the subordination requirement EUR 5.5 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 3.9 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 37.3% of the total risk exposure amount and, based on the subordination requirement, the MREL ratio for subordinated liabilities was 26.2% of leverage ratio exposures.

Credit ratings

OP Corporate Bank plc's credit ratings on 30 June 2023

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

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

Bases for risk profile management and the business environment

In its risk-taking, OP Corporate Bank 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 OP Financial Group's management body.

OP Corporate Bank'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.

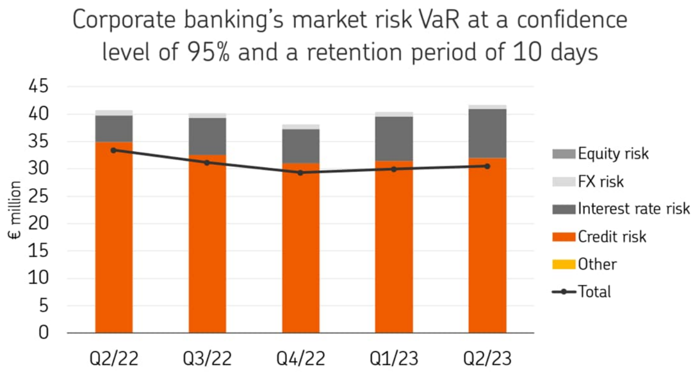
OP Corporate Bank analyses the business environment as part of the ongoing risk assessment activities and strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Corporate Bank and its customers. Such factors currently shaping the business environment include climate change and biodiversity loss, demographic change in Finland, changes in geopolitical situations as well as technological and scientific innovations. For example, climate and environmental changes, development of artificial intelligence and other factors in the business environment are considered thoroughly so that their effects on customers' future success are understood. By means of advice and business decisions, OP Corporate Bank encourages its customers in bolstering their sustainable and successful business of the future while managing its own risk profile on a longer-term basis.

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

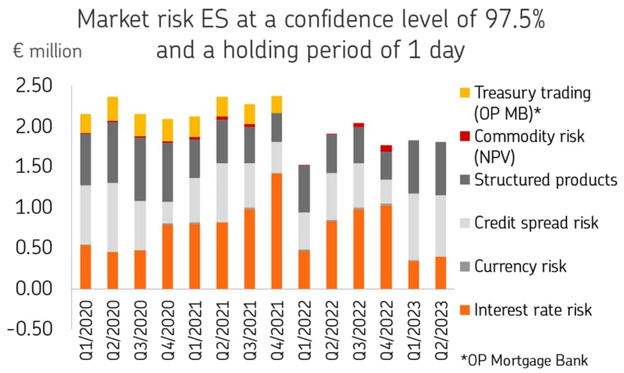
During the reporting period, the materialisation of OP Corporate Bank's operational risks resulted in EUR 0.3 million (0.2) in gross losses. As regards other risks, the risk profile is examined in more detail by segment. OP Corporate Bank's business segments include Corporate Banking and Capital Markets, Asset and Sales Finance Services and Payment Transfers as well as Baltics. Non-business segment operations are presented in the Group Functions segment.

Business segments

Major risks in the business segments are associated with credit risk arising from customer business, and market risk. Credit risk exposure of the business segments remained stable, risk level remained moderate and the overall quality of the loan portfolio remained good, but there is a risk of negative developments. A rise in interest rates and inflation may have a negative impact on the credit risk exposure.



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



Market risks associated with the Markets function remained at the first-quarter level. Since the beginning of 2023, OP Corporate Bank has used the Stressed Expected Shortfall (ES) risk measure. The Stressed ES is a more conservative risk measure than the unstressed ES used previously.

Interest rate risk in the banking book measured as the effect of a one-percentage-point increase on a 12-month net interest income was EUR 17 million (1) and as the effect of a one-percentage-point decrease EUR –17 million (–10) on average in the year to June. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022	30 Jun 2023	31 Dec 2022
More than 90 days past due, € million			74	69	74	69	48	44	26	25
Unlikely to be paid, € million			281	336	281	336	70	100	211	236
Forborne exposures, € million	111	144	270	163	382	308	65	59	316	249
Total, € million	111	144	625	568	737	713	183	203	554	510

Key ratios	30 Jun 2023	31 Dec 2022
Ratio of doubtful receivables to exposures, %	2.04	1.91
Ratio of non-performing exposures to exposures, %	1.73	1.53
Ratio of performing forborne exposures to exposures, %	0.31	0.39
Ratio of performing forborne exposures to doubtful receivables, %	15.1	20.3
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	37.5	38.4

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

At the end of the second quarter, OP Corporate Bank plc had 5 (7) large customer exposures, totalling EUR 2.5 (3.5) billion. Large customer exposure refers to the amount of exposures of an individual group of connected clients which, after allowances and other techniques applied to mitigate credit risks, exceeds 10% of the capital base covering customer risk. Own funds covering customer exposure means Tier 1 capital under CRR II.

The Baltics segment exposures totalled EUR 4.2 billion (4.2), which accounted for 10.0% (9.9) of OP Corporate Bank's exposures.

The distribution of loss allowance by sector is presented at Group level in OP Financial Group's Half-year Financial Report.

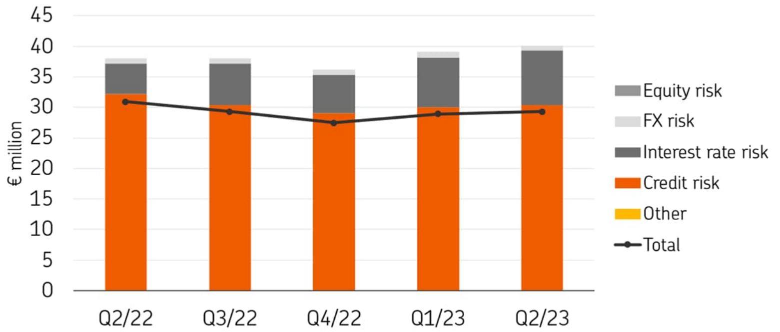
Group Functions

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

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

The market risk associated with notes and bonds in the liquidity buffer (VaR 95%) remained almost at the first-quarter level. 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 30 June 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.

Liquidity buffer's market risk VaR at a confidence level of 95% and a retention period of 10 days



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

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 214% (217) at the end of the reporting period.

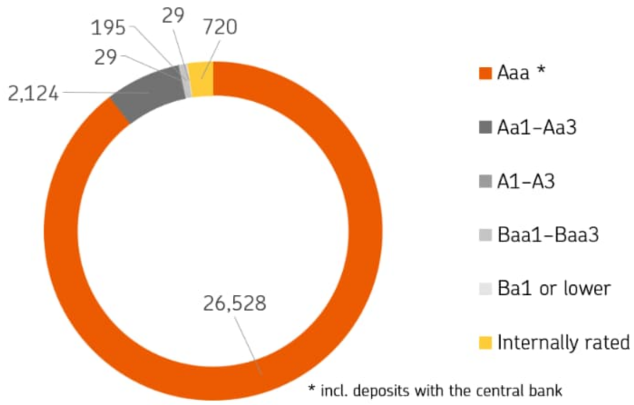
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 131% (128) at the end of the reporting period.

Liquidity buffer

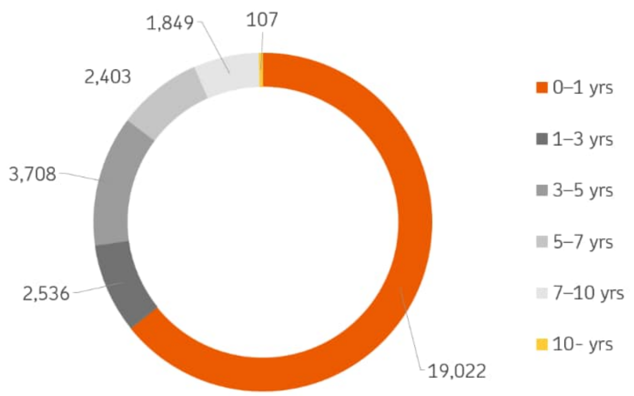
€ billion	30 Jun 2023	31 Dec 2022	Change, %
Deposits with ECB	17.2	34.8	-50.7
Notes and bonds eligible as collateral	11.6	2.1	455.4
Total	28.8	36.9	-22.0
Receivables ineligible as collateral	0.8	0.7	17.4
Liquidity buffer at market value	29.6	37.6	-21.3
Collateral haircut	-0.6	-0.2	-
Liquidity buffer at collateral value	29.0	37.4	-22.5

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings. In the reporting period, OP Corporate Bank repaid in full the EUR 12.0 billion in TLTRO III loans. At the end of the reporting period, the liquidity buffer included bonds with a carrying amount of EUR 161 million (0) classified as amortised cost issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 159 million (0). In the above information on the liquidity buffer, these bonds are measured at fair value.

Financial assets included in the liquidity buffer by credit rating on 30 June 2023, € million



Financial assets included in the liquidity buffer by maturity on 30 June 2023, € million



For OP Corporate Bank plc acting as OP Financial Group's central financial institution, OP cooperative banks and OP Cooperative with its subsidiaries form a significant customer group. Exposures of OP Financial Group entities represented 21.3% of OP Corporate Bank plc's exposures. These exposures decreased by EUR 3.4 billion during the reporting period. All exposures of OP cooperative banks and OP Cooperative are investment-grade exposures.

Financial performance by segment

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

Corporate Banking and Capital Markets

- Operating profit increased to EUR 98 million (–6).
- Net interest income grew by 35.9% to EUR 149 million (109). Investment income increased to EUR 29 million (7).
- Other operating expenses increased to EUR 53 million (51).
- The loan portfolio grew by 1.0% in the reporting period, to EUR 16.4 billion (16.2).
- Impairment loss on receivables totalled EUR 14 million (29).

Key figures and ratios

€ million	H1/2023	H1/2022	Change, %	Q1–4/2022
Net interest income	149	109	35.9	225
Impairment loss on receivables	-14	-29	-52.5	-1
Net commissions and fees	5	-25	-	-49
Investment income	29	7	340.2	130
Other operating income	3	4	-28.7	7
Personnel costs	-19	-17	9.8	-36
Depreciation/amortisation and impairment loss	-1	-3	-60.7	-5
Other operating expenses	-53	-51	4.0	-85
Operating profit	98	-6	-	186
Total income	185	94	96.7	313
Total expenses	-73	-71	2.7	-128
Cost/income ratio, %	39.3	75.3	-36.0*	40.2
Return on assets (ROA), %	0.69	-0.05	0.74*	0.69
	30 Jun 2023	30 Jun 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	16.4	15.8	3.4	16.2

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

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

The loan portfolio grew by 1.0% in the reporting period, to EUR 16.4 billion (16.2). The loan portfolio in corporate financing showed a moderate growth.
During the reporting period, OP Corporate Bank adopted an upgraded electronic foreign exchange trading platform. The upgrade enhanced and sped up pricing for customers.

Financial performance for the reporting period

Operating profit amounted to EUR 98 million (–6). Total income increased by 96.7%. Total expenses increased by 2.7%. The cost/income ratio improved to 39.3% (75.3) year on year, due to higher income.

Net interest income grew by 35.9% to EUR 149 million (109). The segment's loan portfolio increased by 1.0% during the reporting period, amounting to EUR 16.4 billion (16.2). Net commissions and fees increased to EUR 5 million (–25), as OP Financial Group's internal commission expenses declined.

The reversal of a fast upward trend in interest rates improved investment income. Investment income increased to EUR 29 million (7). Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes decreased earnings by EUR 2 million (5).

Other operating income decreased to EUR 3 million (4).

Total expenses were EUR 73 million (71). Personnel costs rose by 9.8% to EUR 19 million (17). Other operating expenses increased by 4.0% to EUR 53 million (51).

Impairment loss on receivables totalled EUR 14 million (29). An additional management overlay provision of EUR 7 million for the construction industry and the real estate sector increased impairment loss on receivables.

Asset and Sales Finance Services and Payment Transfers

- Operating profit increased to EUR 71 million (55).
- Total income increased by 21.0% to EUR 143 million (119). Net interest income grew by 27.4% to EUR 103 million (81).
- Total expenses increased to EUR 64 million (57).
- The loan portfolio decreased by 4.7% in the reporting period, to EUR 8.3 billion (8.7). The deposit portfolio decreased by 23.7% to EUR 9.7 billion (12.7).
- Impairment loss on receivables increased to EUR 8 million (6).
- The most significant development investments involved the upgrades of customer relationship management and payment systems.

Key figures and ratios

€ million	H1/2023	H1/2022	Change, %	Q1–4/2022
Net interest income	103	81	27.4	183
Impairment loss on receivables	-8	-6	31.2	-12
Net commissions and fees	32	30	5.0	63
Investment income	0	0	-	0
Other operating income	9	7	17.8	10
Personnel costs	-17	-14	20.6	-27
Depreciation/amortisation and impairment loss	-1	-1	-38.5	-1
Other operating expenses	-47	-42	11.1	-78
Operating profit	71	55	28.6	138
Total income	143	119	21.0	256
Total expenses	-64	-57	12.7	-105
Cost/income ratio, %	44.9	48.2	-3.3*	41.2
Return on assets (ROA), %	1.27	1.01	0.26*	1.23

	30 Jun 2023	30 Jun 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	8.3	8.4	–1.5	8.7
Deposits, € billion	9.7	13.0	–25.6	12.7

*Change in ratio.

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

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

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

The loan portfolio decreased by 4.7% in the reporting period, to EUR 8.3 billion (8.7). The deposit portfolio decreased by 23.7% to EUR 9.7 billion (12.7). The decrease is explained by a fall in deposits made by OP Financial Group companies with OP Corporate Bank and companies' tightening liquidity and the general market developments. The slowdown in companies' willingness to invest, reduced international trade and a lower working capital need affected the development of the loan portfolio. Growth in the loan portfolio was driven by financing for car purchases, renewable energy and energy efficiency systems. Financing for e-commerce is also on the increase. OP Financial Group's market share in financing the purchases of low-emission passenger cars increased further during the reporting period.

Financial performance for the reporting period

Operating profit amounted to EUR 71 million (55). Total income increased by 21.0%. Total expenses increased by 12.7%. The cost/income ratio improved to 44.9% (48.2) year on year.

Net interest income grew by 27.4% to EUR 103 million. Net interest income was especially increased by interest paid on the segment's deposit portfolio by OP Corporate Bank's Treasury. Net commissions and fees totalled EUR 32 million (30). Other operating income amounted to EUR 9 million (7). Impairment loss on receivables totalled EUR 8 million (6).

Total expenses were EUR 64 million (57). Personnel costs rose by 20.6% to EUR 17 million (14). Other operating expenses increased by 11.1% to EUR 47 million.

Impairment loss on receivables totalled EUR 8 million (6). An additional management overlay provision of EUR 2 million for the construction industry and the real estate sector increased impairment loss on receivables.

Baltics

- Operating profit increased to EUR 19 million (9).
- Total income increased to EUR 39 million (30). Net interest income rose to EUR 34 million (25).
- Total expenses were EUR 18 million (16).
- The loan portfolio decreased to EUR 2.8 billion (2.9) during the reporting period.
- Impairment loss on receivables totalled EUR 1 million (5).
- The most significant development investments focused on the development of the payment transfer system.

Key figures and ratios

€ million	H1/2023	H1/2022	Change, %	Q1–4/2022
Net interest income	34	25	36.7	49
Impairment loss on receivables	-1	-5	-74.1	-6
Net commissions and fees	5	6	-17.3	10
Investment income	0	0	-100.4	0
Other operating income	0	0	-136.3	0
Personnel costs	-5	-4	17.4	-8
Depreciation/amortisation and impairment loss	0	-1	-67.8	-2
Other operating expenses	-13	-10	20.4	-19
Operating profit	19	9	109.7	24
Total income	39	30	29.0	59
Total expenses	-18	-16	13.6	-29
Cost/income ratio, %	46.5	52.8	-6.3*	49.4
Return on assets (ROA), %	1.10	0.58	0.52*	0.74
	30 June 2023	30 Jun 2022	Change, %	31 Dec 2022
Loan portfolio, € billion**	2.8	2.8	–0.1	2.9
Deposits, € billion**	0.9	0.8	10.5	1.5

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

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

The loan portfolio decreased by 4.5% in the reporting period, to EUR 2.8 billion (2.9). The deposit portfolio decreased by 36.0% to EUR 0.9 billion (1.5).

Despite its deceleration, inflation in the Baltic countries has remained at a historically high level, which has decreased demand for corporate loans. Despite the high inflation, consumer spending has remained stable. Intensified competition has increased corporate deposit rates.

The most significant development investments of the business segment in the first half focused on improving the payment transfer system and developing the related express transfers, in particular.

Financial performance for the reporting period

Operating profit amounted to EUR 19 million (9). Total income increased by 29.0%. Total expenses increased by 13.6%. The cost/income ratio improved to 46.5% (52.8) year on year.

Net interest income rose to EUR 34 million (25). Net interest income was especially increased by interest paid on the deposit portfolio by OP Corporate Bank's Treasury. Net commissions and fees decreased to EUR 5 million (6).

Total expenses were EUR 18 million (16). Personnel costs rose by 17.4% to EUR 5 million. Other operating expenses increased by 20.4% to EUR 13 million (10).

Impairment loss on receivables reduced earnings by EUR 1 million (5). An additional management overlay provision of EUR 1 million for the construction industry and the real estate sector increased impairment loss on receivables.

Group Functions

- Operating loss amounted to EUR 18 million (–31).
- The financial position and liquidity remained strong.

Key figures and ratios

€ million	H1/2023	H1/2022	Change, %	Q1–4/2022
Net interest income	-22	-34	-	-61
Impairment loss on receivables	0	0	340.2	0
Net commissions and fees	-2	-2	-18.6	-5
Investment income	11	7	54.1	-12
Other operating income	12	12	-4.5	24
Personnel costs	-3	-2	9.6	-5
Depreciation/amortisation and impairment loss	0	-1	-	-1
Other operating expenses	-13	-11	26.4	-23
Operating loss	-18	-31	-	-83
Receivables and liabilities from/to the amalgamation's central cooperative and affiliated credit institutions, net position, € billion	-12.1	-15.6	-	-16.1

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

Financial performance for the reporting period

The Group Functions segment's operating loss was EUR 18 million (–31). Operating loss at fair value was EUR 23 million (–52).

Net interest income was EUR –22 million (–34). The effect of items related to TLTRO III funding and its hedging amounted to EUR –11 million (–4) during the reporting period. A rise in market interest rates had a positive effect on net interest income compared with the corresponding period a year ago.

Investment income totalled EUR 11 million (7). Investment income included EUR 6 million (9) in capital gains on notes and bonds. Investment income was improved especially by the result of derivatives used to hedge against interest rate risk.

At the end of June, the average margin of senior and senior non-preferred wholesale funding was 43 basis points (36).

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

In June, OP Corporate Bank issued a senior bond worth EUR 650 million. During the reporting period, OP Corporate Bank issued long-term bonds worth EUR 1.1 billion (2.0).

At the end of the reporting period, OP Corporate Bank's balance sheet assets included bonds worth EUR 161 million (0) classified as amortised cost issued by issuers other than OP Financial Group. The fair value of these bonds amounted to EUR 159 million (0).

On 30 June 2023, investments by the amalgamation's central cooperative and the affiliated credit institutions in OP Corporate Bank were EUR 12.1 (16.1) billion higher than funding borrowed by them from Group Treasury. The net amount was especially decreased by a reduction in the deposits made by the affiliated credit institutions with OP Corporate Bank, due to the maturity of the Group's retained covered bonds.

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

ICT investments

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

OP Corporate Bank's development costs and production maintenance ICT costs totalled EUR 46 million (46). The development costs include licence fees, purchased services, other external costs related to projects and inhouse work. Development costs totalled EUR 10 million (9). Development costs have not been capitalised.

More detailed information on OP Corporate Bank's investments can be found in each business segment's section in this Half-year Financial Report.

Personnel and remuneration

On 30 June 2023, OP Corporate Bank plc had 905 employees (820). In the second quarter, the recruitment of summer employees mainly increased OP Corporate Bank's personnel.

Personnel at period end

	30 Jun 2023	31 Dec 2022
Corporate Banking and Capital Markets	294	304
Asset and Sales Finance Services and Payment Transfers	415	342
Baltics	145	133
Group Functions	51	41
Total	905	820

Variable remuneration applied by OP Financial Group and OP Corporate Bank 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.

Corporate governance and management

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

On 9 March 2023, the Annual General Meeting (AGM) of OP Corporate Bank plc elected OP Financial Group's President and Group Chief Executive Officer Timo Ritakallio as Chair of OP Corporate Bank's Board of Directors. As other Board members, the AGM elected Uudenmaan Osuuspankki Managing Director Olli Lehtilä, OP Turun Seutu Managing Director Petteri Rinne, OP Keski-Suomi Managing Director Pasi Sorri, OP Financial Group's Chief Financial Officer Mikko Timonen and OP Financial Group's Chief Legal Officer and Group General Counsel Tiia Tuovinen.

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

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

Outlook towards the year end

The economy is expected to enter a mild recession and inflation to fall slowly. An exceptional degree of uncertainty is still associated with the business environment. Rising interest rates are weakening the real estate market and construction sector in particular. Developments in global capital markets together with the geopolitical situation may abruptly affect the business environment.

Full-year earnings estimates for 2023 will only be provided at the OP Financial Group level, in its financial statements bulletin and interim and half-year financial reports.

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

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

Formulas for key figures and ratios

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

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period) x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of period) x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Total income	Net interest income + Net commissions and fees + Investment income + Other operating income	The figure describes the development of all income.
Total expenses	Personnel costs + Depreciation/amortisation and impairment loss + Other operating expenses	The figure describes the development of all expenses.
Investment income	Net interest income from financial assets held for trading + Net investment income	The figure describes the development of all income related to investment.
Cost/income ratio, %	Total expenses / Total income x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Loans and loss allowance included in the balance sheet item Receivables from customers.	The loan portfolio is presented under Receivables from customers in the balance sheet.

Key figure	Formula		Description
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end	x 100	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers – changes in the fair value of deposits subject to hedge accounting		Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100	The ratio describes how much 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.

Key indicators based on a separate calculation

Key figure	Formula		Description
Capital adequacy ratio, %	Total own funds / Risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of own funds to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / 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 / 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.
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), %	$\frac{\text{Liquid assets}}{\text{Liquidity outflows – liquidity inflows under stressed conditions}}$	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), %	$\frac{\text{Available stable funding}}{\text{Required stable funding}}$	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.
Ratio of non-performing exposures to exposures, %	$\frac{\text{Non-performing receivables (gross)}}{\text{Exposures at period end}}$	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.
Other exposures	Interest receivables + unused standby credit facilities	In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

Capital adequacy

Capital adequacy for credit institutions

Own funds, € million	30 June 2023	31 Dec 2022
OP Corporate Bank plc's equity	4,498	4,364
Fair value reserve, cash flow hedge	21	26
Common Equity Tier 1 (CET1) before deductions	4,519	4,390
Intangible assets	-1	-3
Excess funding of pension liability and valuation adjustments	-65	-75
Planned profit distribution	-41	
Shortfall of ECL minus expected losses		-125
Insufficient coverage for non-performing exposures	-5	-3
CET1 capital	4,407	4,184
Tier 1 capital (T1)	4,407	4,184
Debenture loans	1,308	1,308
Debentures to which transition rules apply	74	91
General credit risk adjustments	23	
Excess of ECL minus expected losses		25
Tier 2 capital (T2)	1,405	1,424
Total own funds	5,811	5,608

Risk exposure amount, € million	30 Jun 2023	31 Dec 2022
Credit and counterparty risk	29,669	26,861
Standardised Approach (SA)	29,669	6,070
Central government and central banks exposure	77	91
Credit institution exposure	564	627
Corporate exposure	23,103	4,616
Retail exposure	2,837	45
Mortgage-backed exposure	1,496	99
Defaulted exposure	387	16
Items of especially high risk	220	
Covered bonds	556	540
Receivables to which a short-term credit rating can be applied	10	0
Collective investment undertakings (CIU)	68	
Equity investments	24	0
Other	325	34
Internal Ratings-based Approach (IRB)		20,791
Corporate exposure		18,421
Retail exposure		1,967
Equity investments		93
Other		309
Risks of the CCP's default fund	0	0
Securitisations	110	111
Market and settlement risk (Standardised Approach)	1,025	1,070
Operational risk (Standardised Approach)	1,086	1,028
Valuation adjustment (CVA)	211	179
Other risks*	1,052	5,824
Total risk exposure amount	33,153	35,074

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

Ratios, %	30 Jun 2023	31 Dec 2022
CET1 capital ratio	13.3	11.9
Tier 1 ratio	13.3	11.9
Capital adequacy ratio	17.5	16.0

Ratios, fully loaded, %	30 Jun 2023	31 Dec 2022
CET1 capital ratio	13.3	11.9
Tier 1 ratio	13.3	11.9
Capital adequacy ratio	17.3	15.7

Capital requirement, € million	30 Jun 2023	31 Dec 2022
Own funds	5,811	5,608
Capital requirement	3,538	3,720
Buffer for capital requirements	2,274	1,888

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

TABLES

Income statement

€ million	Note	H1/2023	H1/2022	Q2/2023	Q2/2022
Interest income		1,283	246	741	118
Interest expenses		-1,020	-65	-606	-31
Net interest income	3	263	181	136	87
Impairment loss on receivables	4	-23	-40	-12	2
Commission income		72	69	38	35
Commission expenses		-32	-61	-15	-30
Net commissions and fees	5	40	8	23	5
Net interest income from financial assets held for trading	6	33	5	6	6
Net investment income	7	6	9	3	0
Other operating income		17	18	7	7
Personnel costs		-43	-38	-25	-20
Depreciation/amortisation and impairment loss		-2	-6	-1	-3
Other operating expenses	8	-120	-110	-46	-39
Operating expenses		-166	-153	-72	-62
Operating profit (loss)		**171**	**28**	**90**	**45**
Earnings before tax		**171**	**28**	**90**	**45**
Income tax		-35	-4	-18	-8
Profit for the period		**137**	**23**	**72**	**37**

Statement of comprehensive income

€ million	Note	H1/2023	H1/2022	Q2/2023	Q2/2022
Profit for the period		**137**	**23**	**72**	**37**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		1	12	0	8
Items that may be reclassified to profit or loss					
Change in fair value reserve					
On fair value measurement		-10	-28	-8	-8
On cash flow hedging		6	-4	-11	1
Income tax					
On items not reclassified to profit or loss					
On gains/(losses) arising from measurement of defined benefit plans		0	-2	0	-2
On items that may subsequently be reclassified to profit or loss					
On fair value measurement		2	6	2	2
On cash flow hedging		-1	1	2	0
Other comprehensive income items		**-3**	**-16**	**-15**	**2**
Total comprehensive income for the period		**134**	**7**	**57**	**39**

Balance sheet

€ million	Note	30 June 2023	31 Dec 2022
Cash and cash equivalents		17,184	34,951
Receivables from credit institutions		12,970	12,978
Derivative contracts		27,345	28,178
Receivables from customers	15	5,415	5,782
Investment assets		12,930	16,404
Intangible assets		1	3
Property, plant and equipment		4	5
Other assets		970	1,132
Tax assets		27	0
Total assets		**76,847**	**99,433**
Liabilities to credit institutions		24,838	40,899
Liabilities to customers		13,869	19,014
Derivative contracts		5,244	5,739
Debt securities issued to the public and debentures	9	23,593	25,209
Provisions and other liabilities		3,100	2,509
Tax liabilities		341	316
Subordinated liabilities		1,364	1,384
Total liabilities		**72,349**	**95,069**
Equity capital			
Share capital		428	428
Fair value reserve	10	-33	-29
Other reserves		1,019	1,019
Retained earnings		3,084	2,947
Total equity		**4,498**	**4,364**
Total liabilities and equity		**76,847**	**99,433**

Statement of changes in equity

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2022	**428**	**42**	**1,019**	**2,807**	**4,296**
Total comprehensive income for the financial year		-26		33	7
Profit for the financial year				23	23
Other comprehensive income		-26		9	-16
Profit distribution				-80	-80
Other				0	**0**
Equity capital 30 June 2022	**428**	**16**	**1,019**	**2,760**	**4,223**

€ million	Share capital	Fair value reserve	Other reserves	Retained earnings	Total equity capital
Equity capital 1 Jan 2023	**428**	**-29**	**1,019**	**2,947**	**4,364**
Total comprehensive income for the financial year		-4		138	134
Profit for the financial year				137	137
Other comprehensive income		-4		1	-3
Other				0	**0**
Equity capital 30 June 2023	**428**	**-33**	**1,019**	**3,084**	**4,498**

Cash flow statement

€ million	H1/2023	H1/2022
Cash flow from operating activities		
Profit for the period	137	23
Adjustments to profit for the period	-151	603
Increase (-) or decrease (+) in operating assets	**4,309**	**-2,364**
Receivables from credit institutions	-221	108
Receivables from customers	857	-1,318
Derivative contracts	-136	-139
Investment assets	3,648	-1,080
Other assets	162	65
Increase (+) or decrease (-) in operating liabilities	**-20,631**	**-2,267**
Liabilities to credit institutions	-16,111	-1,114
Liabilities to customers	-5,145	-2,012
Derivative contracts	9	544
Provisions and other liabilities	616	314
Income tax paid	-35	-23
Dividends received	2	0
A. Net cash from operating activities	**-16,369**	**-4,029**
Cash flow from investing activities		
Purchase of PPE and intangible assets	0	0
Proceeds from sale of PPE and intangible assets	1	0
B. Net cash used in investing activities	**0**	**0**
Cash flow from financing activities		
Subordinated liabilities, change	-23	-519
Debt securities issued to the public and debentures, change	-1,627	-1,146
Dividends paid		-80
Lease liabilities	0	0
C. Net cash used in financing activities	**-1,651**	**-1,745**
Net change in cash and cash equivalents (A+B+C)	**-18,020**	**-5,774**
Cash and cash equivalents at period start	**35,395**	**32,891**
Effect of foreign exchange rate changes	24	37
Cash and cash equivalents at period-end	**17,399**	**27,154**
Interest received	**2,524**	**337**
Interest paid	**-2,304**	**-133**
Cash in hand		
Cash and cash equivalents	17,184	26,980
Receivables from credit institutions payable on demand	215	174
Total	**17,399**	**27,154**

Notes

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

Note 1. Accounting policies

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

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

The Half-year Financial Report is available in Finnish, English and Swedish. The Finnish version of the Report is official and will be used if there is any discrepancy between the language versions.

1. Critical accounting estimates and judgements

The preparation of the Half-year Financial 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 Half-year Financial Report, management judgment has been used especially in the calculation of expected credit losses.

Expected credit losses

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

- selection of appropriate ECL models so that they describe the expected credit losses on the contract portfolio as well as possible
- different assumptions and expert assessments made in the models
- selection of the estimation methods of the parameters for the ECL models
- determination of the contract's maturity for non-maturing loans (revolving credit facilities)
- determination of model risk associated with the quality of the available modelling data and other data
- proper grouping of contracts into different segments so that their ECL can be measured using the appropriate model
- selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default
- forecasting future macroeconomic scenarios and their probabilities
- extra provisions based on management judgement related to a certain industry due to the Covid-19 pandemic, for example
- reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

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

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

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

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

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

Geopolitical risks

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

2. Changes in the 2023 income statement format

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

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

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

Note 2. Segment reporting

Segment information

Earnings H1/2023, € million	**Corporate Banking and Capital Markets**	**Asset and Sales Finance Services and Payment Transfers**	**Baltics**	**Group Functions**	**Inter-segment items**	**Total**
Interest income	150	52	29	1,052		1,283
Interest expenses	-1	50	5	-1,074		-1,020
Net interest income	149	103	34	-22		263
of which internal net income before tax	-180	51	-18	148		0
Impairments loss on receivables	-14	-8	-1	0		-23
Commission income	32	35	5	0		72
Commission expenses	-27	-3	0	-2		-32
Net commissions and fees	5	32	5	-2		40
Net interest income from financial assets held for trading	29			5		33
Net investment income	0			6		6
Other operating income	3	9	0	12	-6	17
Personnel costs	-19	-17	-5	-3		-43
Depreciation/amortisation and impairment loss	-1	-1	0	0		-2
Other operating expenses	-53	-47	-13	-13	6	-120
Operating expenses	-73	-64	-18	-16	6	-166
Operating profit (loss)	**98**	**71**	**19**	**-18**		**171**
Earnings before tax	**98**	**71**	**19**	**-18**		**171**

Earnings H1/2022, € million	**Corporate Banking and Capital Markets**	**Asset and Sales Finance Services and Payment Transfers**	**Baltics**	**Group Functions**	**Inter-segment items**	**Total**
Interest income	114	68	20	-68	112	246
Interest expenses	-5	12	5	34	-112	-65
Net interest income	109	81	25	-34		181
of which internal net income before tax	-2	-19	0	21		
Impairments loss on receivables	-29	-6	-5	0		-40
Commission income	31	32	6	0		69
Commission expenses	-57	-2	0	-3		-61
Net commissions and fees	-25	30	6	-2		8
Net interest income from financial assets held for trading	6	0	0	-2		5
Net investment income	0			9		9
Other operating income	4	7	0	12	-4	18
Personnel costs	-17	-14	-4	-2		-38
Depreciation/amortisation and impairment loss	-3	-1	-1	-1		-6
Other operating expenses	-51	-42	-10	-11	4	-110
Operating expenses	-71	-57	-16	-14	4	-153
Operating profit (loss)	**-6**	**55**	**9**	**-31**		**28**
Earnings before tax	**-6**	**55**	**9**	**-31**		**28**

Balance sheet 30 June 2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total
Cash and cash equivalents		135	8	17,041		17,184
Receivables from credit institutions		222	1	12,747		12,970
Receivables from customers	16,354	8,291	2,782	-82		27,345
Derivative contracts	5,205			211		5,415
Investment assets	502			12,428		12,930
Intangible assets		1	0	0		1
Property, plant and equipment	0	1	2	1		4
Other assets		95	13	861		970
Tax assets	0	0		27		27
Total assets	**22,060**	**8,745**	**2,806**	**43,236**		**76,847**
Liabilities to credit institutions	626	65	0	24,146		24,838
Liabilities to customers	109	9,683	937	3,139		13,869
Derivative contracts	4,750			494		5,244
Debt securities issued to the public and debentures	2,091			21,502		23,593
Provisions and other liabilities	31	83	2,942	45		3,100
Tax liabilities			0	340		341
Subordinated liabilities				1,364		1,364
Total liabilities	**7,607**	**9,831**	**3,879**	**51,031**		**72,349**
Equity						**4,498**

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

Note 3. Net interest income

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
Interest income				
Receivables from credit institutions	468	4	223	3
Receivables from customers				
Loans	490	186	268	95
Finance lease receivables	41	18	23	9
Fair value adjustments under hedge accounting	24	-110	1	-60
Total	555	94	292	44
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	0
At fair value through other comprehensive income	58	26	32	14
Amortised cost	49	-8	24	-4
Fair value adjustments under hedge accounting	79	-933	-27	-440
Total	186	-915	30	-430
Derivative contracts				
Fair value hedge	135	-52	77	-28
Cash flow hedge	-91	1,036	26	494
Ineffective portion of cash flow hedge				
Other		1		0
Total	44	985	103	466
Liabilities to credit institutions				
Interest		53	76	22
Liabilities to customers				
Negative interest	0	22	0	10
Other	30	4	17	2
Total	**1,283**	**246**	**741**	**118**
Interest expenses				
Liabilities to credit institutions				
Interest expenses for liabilities to credit institutions	-406	-28	-258	-18
Fair value adjustments under hedge accounting	-49	572	21	275
Total	-456	543	-237	257
Liabilities to customers	-148	3	-82	0
Notes and bonds issued to the public				
Interest expenses for debt securities issued to the public and debentures	-238	-32	-125	-16
Fair value adjustments under hedge accounting	-26	677	76	307
Total	-265	646	-49	291
Subordinated liabilities				
Other	-18	-19	-9	-7
Fair value adjustments under hedge accounting	-4	44	2	23
Total	-22	26	-7	16
Derivative contracts				
Cash flow hedge	-125	-1,214	-225	-563
Other	30	13	16	8
Total	-95	-1,201	-209	-556
Receivables from credit institutions				
Negative interest	-1	-79	0	-38
Other	-34	-3	-20	-2
Total	**-1,020**	**-65**	**-606**	**-31**
Total interest expenses	**263**	**181**	**136**	**87**

Note 4. Impairment losses on receivables

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
Receivables written down as loan and guarantee losses	-17	-22	-17	-21
Recoveries of receivables written down	0	0	0	0
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	-6	-19	3	23
Expected credit losses (ECL) on notes and bonds	0	0	2	0
Total	**-23**	**-40**	**-12**	**2**

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 30 June 2023

Exposures € million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total exposure
Receivables from customers (gross)						
Corporate Banking	25,483	3,215	58	3,273	542	29,298
Total	**25,483**	**3,215**	**58**	**3,273**	**542**	**29,298**
Off-balance-sheet limits						
Corporate Banking	7,858	756	12	768	49	8,675
Total	**7,858**	**756**	**12**	**768**	**49**	**8,675**
Other off-balance-sheet commitments						
Corporate Banking	7,150	570		570	80	7,800
Total	**7,150**	**570**		**570**	**80**	**7,800**
Notes and bonds						
Group Functions	12,291	88		88	3	12,382
Total	**12,291**	**88**		**88**	**3**	**12,382**
Total exposures within the scope of accounting for expected credit losses	**52,783**	**4,628**	**70**	**4,699**	**673**	**58,155**

Loss allowance by impairment stage 30 June 2023

On-balance-sheet exposures and related off-balance-sheet limits* € million	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total loss allowance
Receivables from customers						
Corporate Banking	-29	-47	-5	-53	-161	-243
Total	**-29**	**-47**	**-5**	**-53**	**-161**	**-243**
Other off-balance-sheet commitments**						
Corporate Banking	-2	-5		-5	-26	-33
Total	**-2**	**-5**		**-5**	**-26**	**-33**
Notes and bonds***						
Group Functions	-1	-1		-1	0	-2
Total	**-1**	**-1**		**-1**	**0**	**-2**
Total	**-33**	**-53**	**-5**	**-58**	**-187**	**-279**

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

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

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

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

Summary and key indicators 30 June 2023	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	40,492	4,541	70	4,611	670	45,773
Loss allowance						
Corporate Banking	-32	-52	-5	-57	-187	-276
Coverage ratio, %						
Corporate Banking	-0.08%	-1.15%	-7.64%	-1.24%	-27.95%	-0.60%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**40,492**	**4,541**	**70**	**4,611**	**670**	**45,773**
Total loss allowance	**-32**	**-52**	**-5**	**-57**	**-187**	**-276**
Total coverage ratio, %	**-0.08%**	**-1.15%**	**-7.64%**	**-1.24%**	**-27.95%**	**-0.60%**
Carrying amount, notes and bonds						
Group Functions	12,291	88		88	3	12,382
Loss allowance						
Group Functions	-1	-1		-1	-0	-2
Coverage ratio, %						
Group Functions	-0.01%	-1.16%		-1.16%		-0.02%
Total notes and bonds	**12,291**	**88**		**88**		**12,382**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01%**	**-1.16%**		**-1.16%**		**-0.02%**

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

Exposures	Stage 1	Stage 2			Stage 3	
€ million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Corporate Banking	26,588	2,518	109	2,627	451	29,666
Total	**26,588**	**2,518**	**109**	**2,627**	**451**	**29,666**
Off-balance-sheet limits						
Corporate Banking	8,351	493	29	521	71	8,944
Total	**8,351**	**493**	**29**	**521**	**71**	**8,944**
Other off-balance-sheet commitments						
Corporate Banking	6,943	448		448	72	7,462
Total	**6,943**	**448**		**448**	**72**	**7,462**
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	**54,864**	**3,531**	**137**	**3,669**	**595**	**59,127**

Loss allowance by impairment stage 31 December 2022

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

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

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

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

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

Summary and key indicators 31 December 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	41,882	3,459	137	3,596	595	46,072
Loss allowance						
Corporate Banking	-33	-25	-5	-30	-206	-269
Coverage ratio, %						
Corporate Banking	-0.08%	-0.71%	-3.81%	-0.83%	-34.69%	-0.58%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**41,882**	**3,459**	**137**	**3,596**	**595**	**46,072**
Total loss allowance	**-33**	**-25**	**-5**	**-30**	**-206**	**-269**
Total coverage ratio, %	**-0.08%**	**-0.71%**	**-3.81%**	**-0.83%**	**-34.69%**	**-0.58%**
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 January-June 2023 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, € million	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Receivables from customers; off-balance-sheet items 1 January 2023	**41,882**	**3,596**	**588**	**46,072**
Transfers from Stage 1 to Stage 2, incl. repayments	-2,182	2,137		-45
Transfers from Stage 1 to Stage 3, incl. repayments	-134		149	14
Transfers from Stage 2 to Stage 1, incl. repayments	1,071	-1,062		8
Transfers from Stage 2 to Stage 3, incl. repayments		-148	130	-17
Transfers from Stage 3 to Stage 1, incl. repayments	35		-37	-2
Transfers from Stage 3 to Stage 2, incl. repayments		57	-66	-8
Increases due to origination and acquisition	3,641	98	34	3,772
Decreases due to derecognition	-3,509	-184	-62	-3,755
Unchanged Stage, incl. repayments	-311	118 *)	-27	45
Recognised as final credit loss			-39	-312
Receivables from customers; on-balance-sheet and off-balance-sheet items 30 June 2023	**40,492**	**4,611**	**670**	**45,773**

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

Transfers from stage 1 to stage 2 include the transfer of EUR 597 million concerning an additional management overlay provision to stage 2.

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

Receivables from customers and off-balance-sheet items, € million	**Stage 1**	**Stage 2**	**Stage 3**	
	12 months	**Lifetime**	**Lifetime**	**Total**
Loss allowance 1 January 2023	**33**	**30**	**206**	**269**
Transfers from Stage 1 to Stage 2	-6	31		24
Transfers from Stage 1 to Stage 3	-1		13	13
Transfers from Stage 2 to Stage 1	1	-4		-3
Transfers from Stage 2 to Stage 3		-2	14	12
Transfers from Stage 3 to Stage 1	0		-6	-6
Transfers from Stage 3 to Stage 2		3	-16	-13
Increases due to origination and acquisition	4	2	12	17
Decreases due to derecognition	-5	-1	-23	-29
Changes in risk parameters (net)	3	2	3	9
Decrease in allowance account due to write-offs			-18	-18
Net change in expected credit losses	**-4**	**30**	**-20**	**7**
Loss allowance 30 June 2023	**30**	**60**	**186**	**276**
Net change in expected credit losses Q2/2023	**1**	**19**	**-22**	**-2**

Transfers from stage 1 to stage 2 include the transfer of EUR 9.9 million concerning an additional management overlay provision to stage 2.

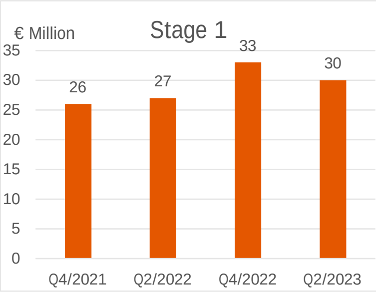
In Q4/ 2022, an additional management overlay was used to increase the ECL provision for the construction industry by EUR 2.5 million, based on OP Corporate Bank's analysis. The analysis was updated in Q2/2023 due to the further deteriorating outlook in the industry. The analysis was made as a stress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

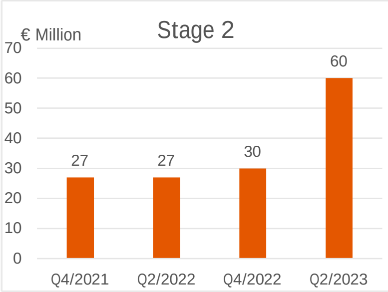
In Q2/2023 an additional management overlay provision of EUR 6.3 million was made in the real estate sector based on the weaker outlook in the sector. The analysis was made as a stress test based on the baseline scenario (weight of 70%) and the downside scenario (weight of 30%) with the assumptions that net sales increase by 3%/0%, profitability weakens by 5%/10%, equity ratio decreases by 10%/20%, interest rates stand at 4%/6%.

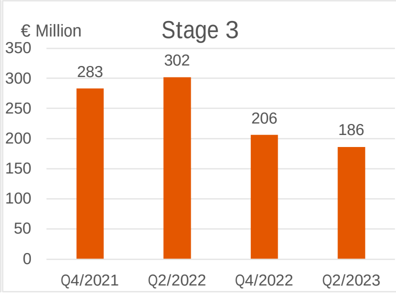
The table below shows the loss allowance before the discretionary provisions made using management overlays, the provisions themselves, and the total loss allowance amount on 30 June 2023.

Loss allowance 30 June 2023	**OP Corporate Bank**
Loss allowance before discretionary provisions	**264**
Discretionary provisions under management overlay	
Construction industry	6
Real estate sector	6
Total discretionary provisions under management overlay	**12**
Total reported loss allowance	**276**

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

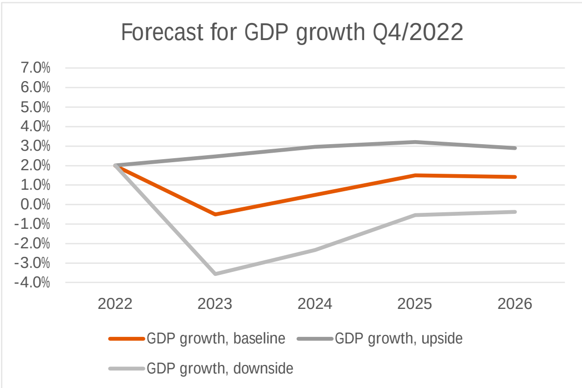


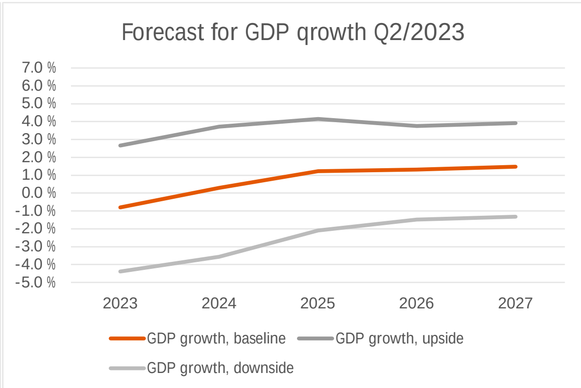


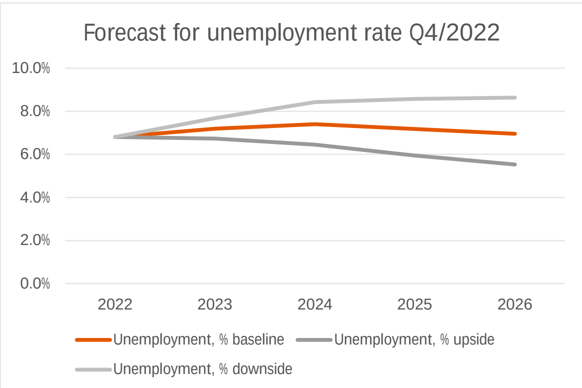


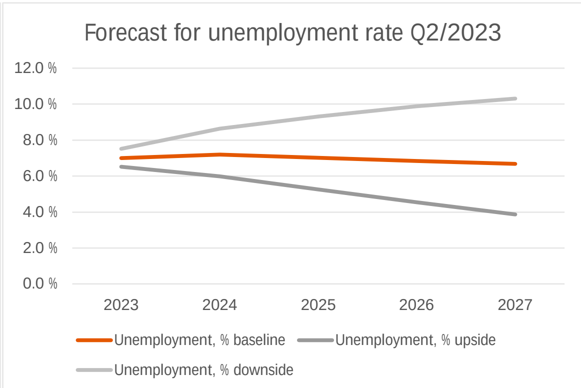
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the first half of 2023, the update of the macroeconomic forecasts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

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









Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2023	**1**	**1**		**2**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 1 to Stage 3	0		0	0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0			0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**0**	**0**	**0**
Loss allowance 30 June 2023	**1**	**1**	**0**	**2**
Net change in expected credit losses Q2/2023	**0**	**0**	**2**	**2**

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

Receivables from customers and off-balance-sheet items, € million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**36,149**	**1,703**	**661**	**38,513**
Transfers from Stage 1 to Stage 2, incl. repayments	-2,493	2,358		-135
Transfers from Stage 1 to Stage 3, incl. repayments	-186		155	-31
Transfers from Stage 2 to Stage 1, incl. repayments	399	-466		-67
Transfers from Stage 2 to Stage 3, incl. repayments		-102	92	-10
Transfers from Stage 3 to Stage 1, incl. repayments	26		-32	-6
Transfers from Stage 3 to Stage 2, incl. repayments		18	-27	-9
Increases due to origination and acquisition	9,684	300	37	10,021
Decreases due to derecognition	-6,615	-278	-181	-7,073
Unchanged Stage, incl. repayments	4 916 *)	63 *)	-33	4,954
Recognised as final credit loss			-85	-85
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2022	**41,882**	**3,596**	**588**	**46,072**

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

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

Receivables from customers and off-balance-sheet items, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**26**	**27**	**283**	**337**
Transfers from Stage 1 to Stage 2	-2	15		13
Transfers from Stage 1 to Stage 3	-3		50	47
Transfers from Stage 2 to Stage 1	0	-5		-4
Transfers from Stage 2 to Stage 3		-5	21	16
Transfers from Stage 3 to Stage 1	0		-4	-4
Transfers from Stage 3 to Stage 2		0	-5	-5
Increases due to origination and acquisition	13	6	12	30
Decreases due to derecognition	-6	-8	-60	-74
Changes in risk parameters (net)	5	-1	-6	-3
Changes in model assumptions and methodology	0	0	1	1
Decrease in allowance account due to write-offs			-85	-85
Net change in expected credit losses	**7**	**2**	**-77**	**-68**
Loss allowance 31 December 2022	**33**	**30**	**206**	**269**
Net change in expected credit losses Q2/2022	**12**	**2**	**-23**	**-9**

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

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

Notes and bonds, € million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**2**	**0**		**2**
Transfers from Stage 1 to Stage 2	0	1		1
Increases due to origination and acquisition	0	0		0
Decreases due to derecognition	0	0		0
Changes in risk parameters (net)	0	0		0
Net change in expected credit losses	**0**	**1**		**0**
Loss allowance 31 December 2022	**1**	**1**		**2**
Net change in expected credit losses Q2/2022	**0**	**0**	**0**	**0**

Note 5. Net commissions and fees

H1/2023, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q2/2023
Commission income							
Lending	17	10	2	0		29	16
Deposits	0	0	1	0		1	1
Payment transfers	0	16	0	0		17	9
Securities brokerage	10	0				10	4
Securities issuance	3			0		3	2
Mutual funds	0	0		0		0	0
Asset management	1	0				1	1
Legal services	0	0				0	0
Guarantees	1	4	2	0		6	3
Other		4	0	0		5	2
Total	**32**	**35**	**5**	**0**		**72**	**38**
Commission expenses							
Lending		-1		0		-1	0
Payment transfers	0	-3	0	0		-3	-1
Securities brokerage	-1			0		-1	-1
Securities issuance	-2			0		-2	-1
Asset management	0			-1		-1	0
Guarantees			0			0	0
Derivatives	-21					-21	-10
Other	-1			-1		-2	-1
Total	**-27**	**-3**	**0**	**-2**		**-32**	**-15**
Total net commissions and fees	**5**	**32**	**5**	**-2**		**40**	**23**

H1/2022, € million	Corporate Banking and Capital Markets	Asset and Sales Finance Services and Payment Transfers	Baltics	Group Functions	Inter-segment items	Total	Q2/2022
Commission income							
Lending	13	8	2	0		23	13
Deposits	0	0	2	0		2	1
Payment transfers	0	16	0	0		16	8
Securities brokerage	13					13	5
Securities issuance	3			0		3	2
Mutual funds	0	0		0		0	0
Asset management	1	0				1	1
Legal services	0					0	0
Guarantees	1	5	1	0		6	3
Other	0	4	0			4	2
Total	**31**	**32**	**6**	**0**		**69**	**35**
Commission expenses							
Lending		-1		0		-1	0
Payment transfers	0	-1	0	0		-1	-1
Securities brokerage	-2			0		-2	-1
Securities issuance	-1			0		-1	-1
Mutual funds							
Asset management	0			-2		-2	-1
Guarantees			0			0	0
Derivatives	-52					-52	-25
Other	-1			0		-2	-1
Total	**-57**	**-2**	**0**	**-3**		**-61**	**-30**
Total net commissions and fees	**-25**	**30**	**6**	**-2**		**8**	**5**

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

Financial assets held for trading

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
Notes and bonds				
Interest income and expenses	16	2	2	1
Fair value gains and losses	-1	-21	0	-11
Total	15	-19	1	-10
Shares and participations				
Fair value gains and losses	-1	3	-2	0
Dividend income and share of profits	2		2	
Total	1	3	0	0
Derivatives				
Interest income and expenses	34	-5	18	-6
Fair value gains and losses	-16	26	-13	22
Total	18	20	5	16
Total	**33**	**5**	**6**	**6**

Note 7. Net investment income

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Capital gains and losses	6	9	3	0
Total	**6**	**9**	**3**	**0**
Total net investment income	**6**	**9**	**3**	**0**

Note 8. Other operating expenses

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
ICT costs				
Production	-35	-37	-18	-18
Development	-10	-9	-5	-4
Government charges and audit fees	-43	-42	-6	-6
Service purchases	-11	-10	-6	-5
Expert services	-1	0	0	0
Telecommunications	-1	-1	-1	0
Marketing	-1	-1	0	0
Insurance and security costs	-8	-4	-4	-3
Other	-9	-6	-5	-3
Total	**-120**	**-110**	**-46**	**-39**

Development costs

€ million	H1/2023	H1/2022	Q2/2023	Q2/2022
ICT development costs	-10	-9	-5	-4
Share of own work	0	0	0	
Total development costs	**-10**	**-9**	**-5**	**-4**
Depreciation/amortisation and impairment loss	-2	-5	-1	-2

Note 9. Debt securities issued to the public and debentures

€ million	30 June 2023	31 Dec 2022
Bonds	11,791	10,595
Subordinated bonds	4,325	4,306
Other		
Certificates of deposit	1,159	1,083
Commercial paper	6,386	9,287
Included in own portfolio in trading (–)*	-67	-63
Total debt securities issued to the public	**23,593**	**25,209**

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

Note 10. Fair value reserve after income tax

€ million	Recognised at fair value through other comprehensive income: Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2022	**43**	**-1**	**42**
Fair value changes	-20	-4	-24
Capital gains transferred to income statement	-9		-9
Transfers to net interest income			
Deferred tax	6	1	6
Closing balance 30 June 2022	**20**	**-4**	**16**

€ million	Recognised at fair value through other comprehensive income: Notes and bonds	Cash flow hedges	Total
Opening balance 1 January 2023	**-3**	**-26**	**-29**
Fair value changes	-3	2	-2
Capital gains transferred to income statement	-7		-7
Transfers to net interest income		4	4
Deferred tax	2	-1	1
Closing balance 30 June 2023	**-12**	**-21**	**-33**

The fair value reserve before tax totalled EUR -41 million (20) at the end of the reporting period and the related deferred tax asset/liability EUR 8 million (-4). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR 0 million (0) in the fair value reserve during the reporting period.

The negative fair value reserve may recover by means of asset appreciation, capital losses and recognised impairments.

Note 11. Collateral given

€ million	30 June 2023	31 Dec 2022
Given on behalf of own liabilities and commitments		
Other	844	13,908
Total collateral given*	**844**	**13,908**
Secured derivative liabilities	677	701
Other secured liabilities	128	12,000
Total	**806**	**12,701**

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

Note 12. Classification of financial assets and liabilities

			Fair value through profit or loss			
Assets, € million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	17,184					17,184
Receivables from credit institutions	12,970					12,970
Derivative contracts			5,276		139	5,415
Receivables from customers	27,345					27,345
Notes and bonds	1,470	11,211	220			12,901
Shares and participations		0	28			28
Other financial assets	970					970
Financial assets						**76,815**
Other than financial instruments						32
Total 30 June 2023	**59,940**	**11,211**	**5,524**		**139**	**76,847**

At the end of the reporting period, OP Corporate Bank's assets in the balance sheet 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 amounted to EUR 159 million (0) at the end of the reporting period.

Assets, € million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	34,951					34,951
Receivables from credit institutions	12,978					12,978
Derivative contracts			5,685		97	5,782
Receivables from customers	28,178					28,178
Notes and bonds	4,328	11,755	295			16,378
Shares and participations		0	26			26
Other financial assets	1,132					1,132
Financial assets						**99,425**
Other than financial instruments						8
Total 31 December 2022	**81,567**	**11,755**	**6,006**		**97**	**99,433**

Liabilities, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		24,838		24,838
Derivative contracts	4,829		414	5,244
Liabilities to customers		13,869		13,869
Debt securities issued to the public and debentures		23,593		23,593
Subordinated loans		1,364		1,364
Other financial liabilities		3,100		3,100
Financial liabilities	**4,829**	**66,764**		**72,008**
Other than financial liabilities				341
Total 30 June 2023	**4,829**	**69,865**	**414**	**72,349**

Liabilities, € million	Recognised at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		40,899		40,899
Derivative contracts	5,379		359	5,739
Liabilities to customers		19,014		19,014
Debt securities issued to the public and debentures		25,209		25,209
Subordinated loans		1,384		1,384
Other financial liabilities		2,509		2,509
Financial liabilities				**94,753**
Other than financial liabilities				316
Total 31 December 2022	**5,379**	**89,015**	**359**	**95,069**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June 2023, the fair value of these debt instruments was approximately EUR 16.041 million (13.441) 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 13. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2023, € million	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Equity instruments		24	4	28
Debt instruments	97	38	84	220
Derivative contracts	2	5,337	76	5,415
Recognised at fair value through other comprehensive income				
Equity instruments		0		0
Debt instruments	9,566	847	799	11,211
Total financial instruments	**9,665**	**6,246**	**963**	**16,875**
Investment property			0	0
Total	**9,665**	**6,246**	**963**	**16,875**

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

Fair value of liabilities on 30 June 2023, € million	Level 1	Level 2	Level 3	Total
Financial liabilities recognised at fair value through profit or loss				
Other		1		1
Derivative contracts		5,145	98	5,244
Total		**5,147**	**98**	**5,245**

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

Fair value measurement

Derivatives

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

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

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

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

Fair value hierarchy

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

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

Derivatives relevant to OP Corporate Bank's business are interest rate swaps 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 Corporte Bank uses a model where the development of market prices is simulated and the actual value of the derivative is calculated in each simulation. The price of the derivate is derived from calculating the average of the simulations.

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

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, € million	Recognised at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2023	**56**	**77**	**793**	**926**
Total gains/losses in profit or loss	-42	-1		-43
Transfers into Level 3	74		177	252
Transfers out of Level 3			-172	-172
Closing balance 30 June 2023	**88**	**76**	**799**	**963**

Financial liabilities, € million	Derivative contracts	Total liabilities
Opening balance 1 January 2023	**94**	**94**
Total gains/losses in profit or loss	4	4
Closing balance 30 June 2023	**98**	**98**

Total gains/losses included in profit or loss by item on 30 June 2023

€ million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the period included in profit or loss for assets/ liabilities held at period-end
Realised net gains (losses)	-42			-42
Unrealised net gains (losses)	-5			-5
Total net gains (losses)	**-47**			**-47**

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 14. Off-balance-sheet commitments

€ million	30 June 2023	31 Dec 2022
Guarantees	302	335
Guarantee liabilities	2,001	2,356
Loan commitments	6,020	6,247
Commitments related to short-term trade transactions	687	722
Other	588	479
Total off-balance-sheet commitments	**9,597**	**10,138**

Note 15. Derivative contracts

Total derivatives 30 June 2023

€ million	Nominal values/residual term to maturity <1 year	1–5 years	>5 years	Total	Fair values* Assets	Liabilities
Interest rate derivatives	39,623	123,135	109,381	272,139	4,407	4,058
Cleared by the central counterparty	29,567	65,075	51,759	146,401	29	32
Settled-to-market (STM)	14,228	39,770	35,638	89,636	19	21
Collateralised-to-market (CTM)	15,339	25,305	16,121	56,764	10	11
Currency derivatives	50,124	5,504	975	56,603	782	1,033
Credit derivatives	39	85	9	133	3	30
Other derivatives	428	766	34	1,228	73	75
Total derivatives	**90,214**	**129,491**	**110,399**	**330,103**	**5,266**	**5,197**

Total derivatives 31 December 2022

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

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

Note 16. Related-party transactions

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

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

Financial reporting

Interim Report Q1–3/2023	25 October 2023

Helsinki, 25 July 2023

OP Corporate Bank plc
Board of Directors

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