OP Corporate Bank plc's Report by the Board of Directors and Financial Statements 2023

Contents

Report by the Board of Directors 2023

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

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

OP Corporate Bank plc's key indicators

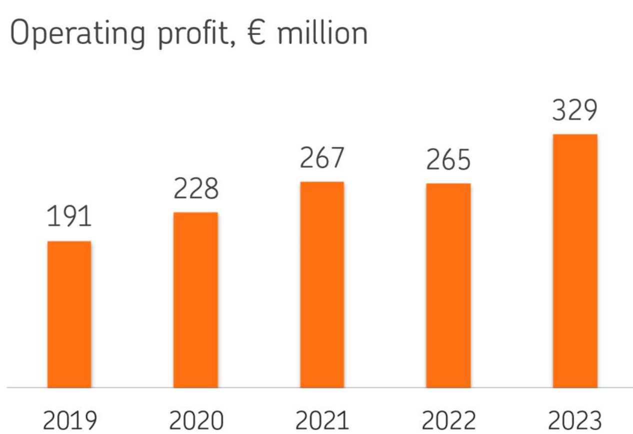
Operating profit (loss), € million	Q1–4/2023	Q1–4/2022	Change, %
Corporate Banking and Capital Markets	198	186	6.5
Asset and Sales Finance Services and Payment Transfers	126	138	-9.2
Baltics	27	24	13.3
Group Functions	-22	-83	-
Total	**329**	**265**	**24.1**
Total income	**738**	**564**	**30.7**
Total expenses	**-313**	**-281**	**11.3**
Cost/income ratio, %	42.4	49.8	-7.4*
Return on equity (ROE), %	5.9	4.9	1.0*
Return on assets (ROA), %	0.30	0.22	0.08*

	31 Dec 2023	31 Dec 2022	Change, %
CET1 ratio, %	13.0	11.9	1.1*
Loan portfolio, € million**	28,076	28,309	-0.8
Guarantee portfolio, € million	3,184	3,412	-6.7
Other exposures, € million	5,745	6,354	-9.6
Deposits, € million	14,629	14,683	-0.4
Ratio of non-performing exposures to exposures, %**	2.2	1.5	0.7*
Ratio of impairment loss on receivables to loan and guarantee portfolio, %**	0.31	0.06	0.25*

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

* Change in ratio.

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



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

Business environment

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

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

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

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

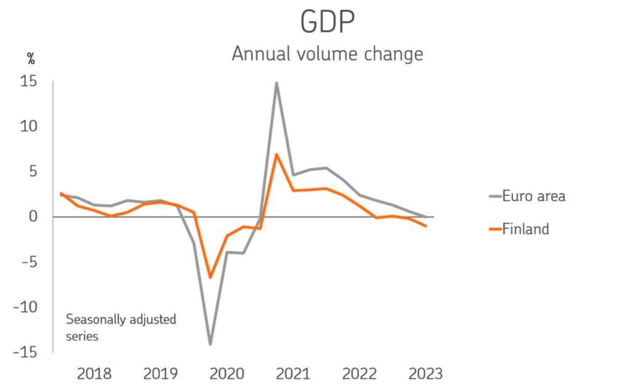
The economic outlook will remain subdued and uncertain in early 2024. Decelerating inflation is expected to enable a decrease in interest rates, which will pave the way for economic recovery towards the year end.

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

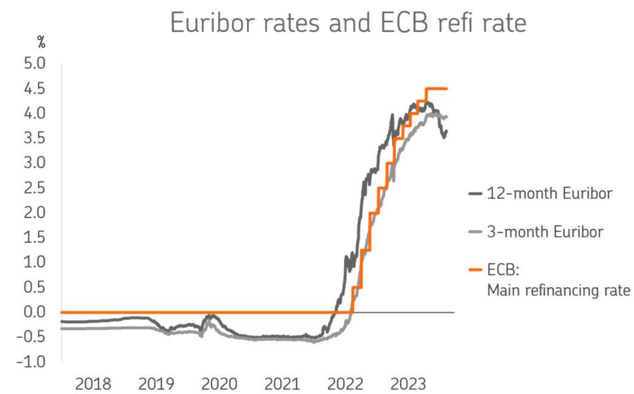
Total deposits decreased by 1.5% from the end of 2022. Corporate deposits decreased by 8.7% and household deposits by 2.6% on a year earlier.

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

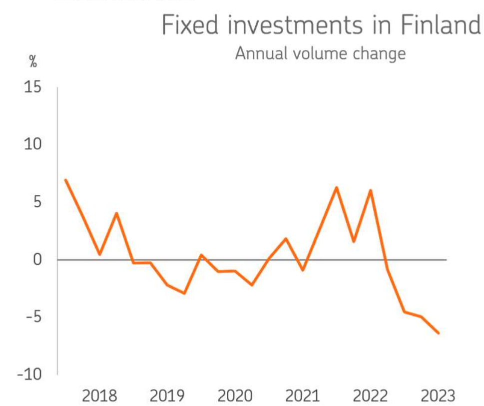
Demand for insurance products remained stable. Inflation that has remained high for a long time increased claims incurred and was also reflected in insurance prices. A rise in stock prices on a global scale improved insurance companies' profitability.



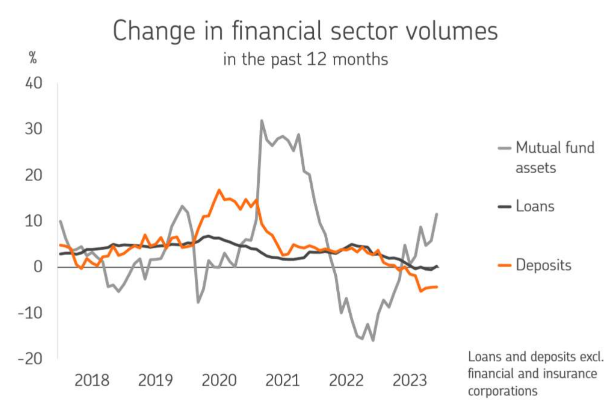
Sources: Eurostat, Statistics Finland



Source: Bank of Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

OP Corporate Bank earnings

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	582	396	46.8
Impairment loss on receivables	-96	-18	422.2
Net commissions and fees	73	19	281.4
Investment income	52	117	-55.7
Other operating income	31	32	-2.3
Personnel costs	-84	-76	10.2
Depreciation/amortisation and impairment loss	-3	-9	-65.5
Other operating expenses	-226	-196	15.2
Operating profit	**329**	**265**	**24.1**

January–December

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

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

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

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

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

Other operating income totalled EUR 31 million (32).

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

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

January-December highlights

OP Corporate Bank adopted the Standardised Approach

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

OP Corporate Bank ranked as Finland's best corporate bank

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

Sustainability and corporate responsibility

OP Corporate Bank is part of OP Financial Group. Sustainability and corporate responsibility form an integral part of OP Financial Group's business and strategy. Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's sustainability programme is built around three themes: Climate and the environment, People and communities and Corporate governance.

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

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

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

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards and, from the 2024 report onwards, in accordance with the European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD). Non-financial and taxonomy reporting for 2023 will be published in OP Financial Group's Report by the Board of Directors for 2023.

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

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

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

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

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

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

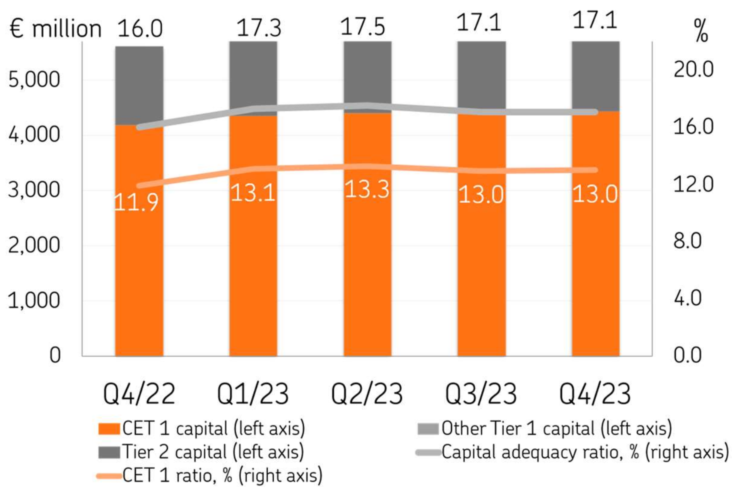
OP Corporate Bank has developed several products based on the international framework for sustainable corporate finance, such as green loans and sustainability-linked loans and sustainable supply chain finance. In green loans, corporate customers are committed to using the borrowed funds to promote specific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

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

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

Capital adequacy

Capital base and capital adequacy



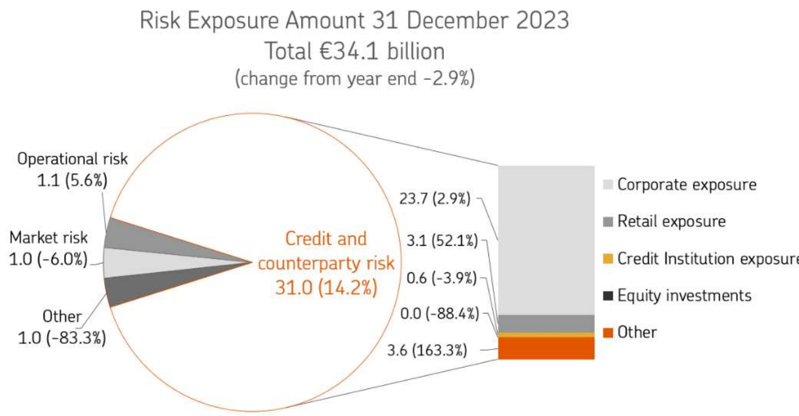
Capital adequacy for credit institutions

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

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

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

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



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

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

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

Liabilities under the Resolution Act

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

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

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

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

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

Credit ratings

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

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

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

Bases for risk profile management and the business environment

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

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

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

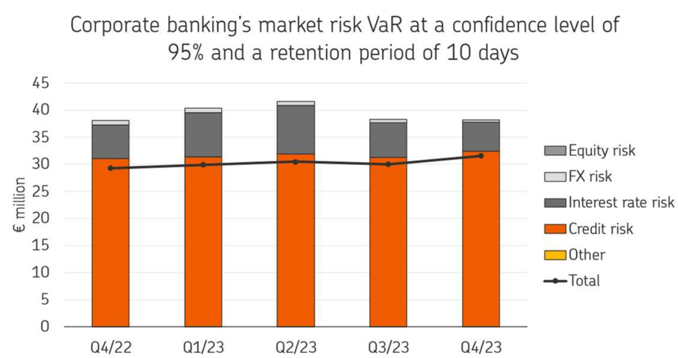
Unexpected external shocks from the economic environment may cause various direct and indirect effects on the prosperity of OP Corporate Bank's customers and on OP Corporate Bank's premises, ICT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity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

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

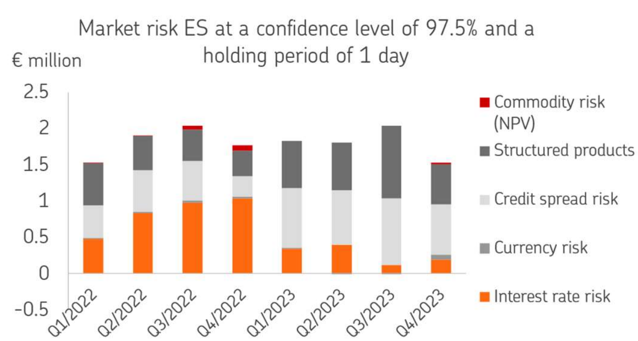
During the financial year, the materialisation of OP Corporate Bank's operational risks resulted in roughly EUR 0.6 million (0.3) in gross losses. As regards other risks, the risk profile is examined in more detail by segment. OP Corporate Bank's business segments include Corporate Banking and Capital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

Business segments

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



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



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

Interest rate risk in the banking book measured as the effect of a one-percentage-point increase on a 12-month net interest income was EUR 17 million (16) and as the effect of a one-percentage-point decrease EUR –18 million (–16) on average in the year to December. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Non-performing and forborne exposures

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

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

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

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

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

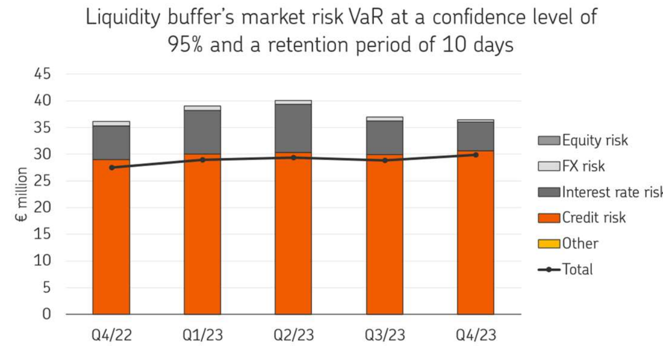
The distribution of loss allowance by sector is presented at Group level in OP Financial Group's financial statements bulletin.

Group Functions

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

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

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



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

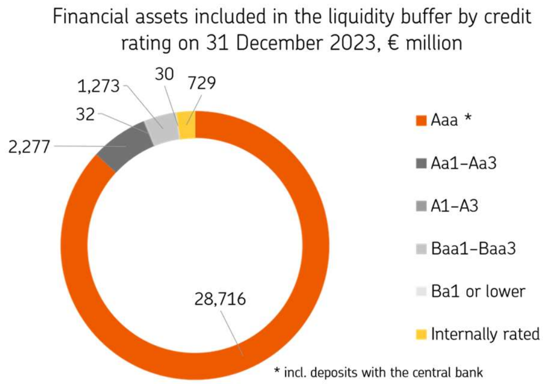
OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 199% (217) at the end of the financial year.

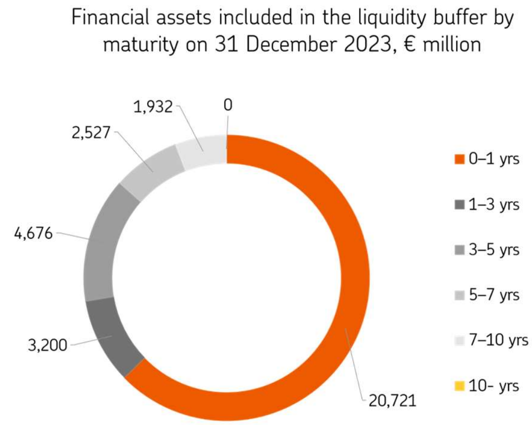
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 130% (128) at the end of the financial year.

Liquidity buffer

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

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





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

Financial performance by segment

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

Corporate Banking and Capital Markets

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

Key figures and ratios

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

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

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

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

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

Financial performance for the financial year

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

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

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

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

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

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

Asset and Sales Finance Services and Payment Transfers

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

Key figures and ratios

€ million	Q1–4/2023	Q1–4/2022	Change, %
Net interest income	207	183	13.1
Impairment loss on receivables	-37	-12	216.0
Net commissions and fees	64	63	1.9
Investment income	0	0	-
Other operating income	14	10	39.0
Personnel costs	-32	-27	18.8
Depreciation/amortisation and impairment loss	-1	-1	-5.1
Other operating expenses	-89	-78	14.7
Operating profit	**126**	**138**	**-9.2**
Total income	**285**	**256**	**11.4**
Total expenses	**-122**	**-105**	**15.6**
Cost/income ratio, %	42.8	41.2	1.5*
Return on assets (ROA), %	1.10	1.23	-0.13*
	31 Dec 2023	31 Dec 2022	Change, %
Loan portfolio, € billion**	8.5	8.7	-2.4
Deposits, € billion	12.5	12.7	-1.4

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

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

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

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

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

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

Financial performance for the financial year

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

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

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

Baltics

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

Key figures and ratios

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

	31 Dec 2023	31 Dec 2022	Change, %
Loan portfolio, € billion**	2.9	2.9	-1.0
Deposits, € billion**	1.4	1.5	-6.2

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

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

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

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

Financial performance for the financial year

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

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

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

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

Group Functions

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

Key figures and ratios

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

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

Financial performance for the financial year

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

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

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

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

In the financial year, 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 financial year, OP Corporate Bank issued long-term bonds worth a total of EUR 2.2 billion (4.8).

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

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

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

ICT investments

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

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

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

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

Personnel and remuneration

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

Personnel at period end

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

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

Corporate governance and management

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

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

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

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

Joint and several liability

OP Corporate Bank plc is a member of the central cooperative (OP Cooperative) of an amalgamation, as referred to in the Act on the Amalgamation of Deposit Banks, and belongs to said amalgamation.

The amalgamation is formed by OP Corporate Bank, OP Cooperative as the central cooperative of the amalgamation, other companies belonging to the central cooperative's consolidation group, the central cooperative's member credit institutions and companies belonging to their consolidation groups, and credit institutions, financial institutions and service companies in which the abovementioned institutions jointly hold more than half of the voting rights.

The member credit institutions within the amalgamation (102 OP cooperative banks, OP Corporate Bank plc, OP Mortgage Bank and OP Retail Customers plc) and the central cooperative are jointly and severally liable for each other's debts. A creditor who has not received payment of an overdue amount (principal debt) from a member credit institution may demand payment from the central cooperative when the principal debt falls due. In such a case, the central cooperative must produce a statement referred to in said Act, showing the amount of liability apportioned to each member credit institution. This liability between the credit institutions is determined in proportion to the total assets shown in their most recently adopted balance sheets.

The member credit institutions, including OP Corporate Bank plc, are obliged to participate in any necessary support measures aimed at preventing another member credit institution from going into liquidation, and to pay a debt for another member credit institution as referred to in section 5 of the Act on the Amalgamation of Deposit Banks.

Furthermore, upon default of the central cooperative, a member credit institution shall have unlimited refinancing liability for the central cooperative's debts as laid down in the Co-operatives Act.

The central cooperative supervises its member credit institutions as specified in the Act on the Amalgamation of Deposit Banks, confirms the operating principles referred to in section 5 of said Act with which it must comply, and issues instructions to the member credit institutions on capital adequacy and risk management, good corporate governance and internal control to secure liquidity and capital adequacy, as well as instructions on compliance with uniform accounting policies in the preparation of the amalgamation's consolidated financial statements.

Protection afforded by the Deposit Guarantee Fund and the Investors' Compensation Fund

OP Corporate Bank plc belongs to the Deposit Guarantee Fund and to the Investors' Compensation Fund.

Under the law governing the Deposit Guarantee Fund, deposit banks as members of the amalgamation of cooperative banks (including OP Corporate Bank plc) are regarded as a single bank with respect to deposit guarantee. The Deposit Guarantee Fund reimburses a maximum total of EUR 100,000 to an individual account holder who has receivables from deposit banks belonging to the amalgamation of cooperative banks.

Under the law governing the Investors' Compensation Fund, the amalgamation of the cooperative banks is considered to constitute a single credit institution in respect of investors' compensation. An investor's receivables are compensated up to a total maximum of EUR 20,000. The Fund does not cover losses incurred due to changes in the prices of securities or to wrong investment decisions. The Fund safeguards only retail investors' claims.

Deposit guarantee is the responsibility of the Financial Stability Authority operating under the Ministry of Finance.

Proposal by the Board of Directors for profit distribution

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

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

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

Outlook for 2024

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

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

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

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

Key income statement and balance sheet items

Key income statement items, € million	2023	2022	2021
Net interest income	582	396	412
Impairment loss on receivables	-96	-18	-74
Net commissions and fees	73	19	31
Investment income	52	117	168
Other income	31	32	49
Personnel costs	-84	-76	-72
Other expenses	-229	-205	-248
Operating profit	**329**	**265**	**267**

Key balance sheet items – assets, € million			
Cash and cash equivalents	19,710	34,951	32,789
Receivables from credit institutions	12,191	12,978	13,419
Receivables from customers	28,004	28,178	26,236
Derivative contracts	4,780	5,782	3,712
Investment assets	12,748	16,404	17,373
Property, plant and equipment, and intangible assets	4	8	17
Other items	1,074	1,132	1,274
Total assets	**78,512**	**99,433**	**94,820**

Key balance sheet items – liabilities and equity, € million			
Liabilities to credit institutions	23,830	40,899	42,660
Liabilities to customers	17,226	19,014	18,357
Derivative contracts	4,496	5,739	2,669
Debt securities issued to the public	23,957	25,209	22,630
Other liabilities	4,406	4,208	4,208
Equity capital	4,597	4,364	4,296
Total liabilities and equity	**78,512**	**99,433**	**94,820**

Earnings by quarter

€ million	Q1/ 2023	Q2/ 2023	Q3/ 2023	Q4/ 2023	Q1–4/ 2023	Q1–4/ 2022
Net interest income	127	136	159	161	582	396
Impairment loss on receivables	-11	-12	-40	-33	-96	-18
Net commissions and fees	17	23	12	21	73	19
Investment income	31	9	14	-1	52	117
Other operating income	11	7	6	7	31	32
Personnel costs	-19	-25	-17	-23	-84	-76
Depreciation/amortisation and impairment loss	-1	-1	0	0	-3	-9
Other operating expenses	-74	-46	-45	-61	-226	-196
Operating profit	**81**	**90**	**88**	**70**	**329**	**265**
Earnings before tax	**81**	**90**	**88**	**70**	**329**	**265**
Income tax	-17	-18	-18	-12	-64	-54
Profit for the period	**65**	**72**	**70**	**58**	**265**	**211**

Financial indicators

	2023	2022	2021
Return on equity (ROE), %	5.9	4.9	5.2
Return on equity at fair value (ROE), %	5.2	3.2	5.5
Return on assets (ROA), %	0.3	0.2	0.2
Equity ratio, %	5.9	4.4	4.5
Cost/income ratio, %	42.4	49.8	48.5%
Average personnel	862	824	758
Share-related figures and ratios			
Equity per share, €	14.38	13.66	13.44
Dividend per share, €*	0.24	-	0.25
Dividend payout ratio, %*	28.68	-	37.23
Number of shares, financial year end	319,551,415	319,551,415	319,551,415

* Board proposal 2023
OP Cooperative holds all shares of OP Corporate Bank plc. The number of shares did not change during the financial year.

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 financial years. The formulas for the used Alternative Performance Measures are presented below.

Alternative Performance Measures

Key figure or ratio	Formula	Description
Return on equity (ROE), %	Profit for the financial year / 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 financial year.
Return on equity (ROE) at fair value, %	Total comprehensive income for financial year / Equity (average at beginning and end of period) x 100	The ratio describes how much return (as shown in comprehensive income) is generated on equity capital as a percentage of equity during the financial year.
Return on assets (ROA), %	Profit for the financial year / Average balance sheet total (average at beginning and end of financial year) x 100	The ratio describes how much return is generated on capital tied up on business during the financial year.
Equity ratio, %	Equity capital / Balance sheet total x 100	The ratio describes what proportion of the company's assets is equity capital.
Equity per share	Equity capital / Share-issue adjusted number of shares on the balance sheet date	The ratio describes shareholders' equity per share.
Dividend per share, €	Dividends paid for the financial year / Share-issue adjusted number of shares on the balance sheet date	Dividend per share describes the ratio of dividend to each share.
Dividend payout ratio, %	Dividend per share / Earnings per share x 100	The dividend payout ratio describes the proportion of dividend to earnings for the financial year
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, %	$\frac{\text{Total expenses}}{\text{Total income}} \times 100$	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Loan portfolio	Loans and loss allowance included in the balance sheet item Receivables from customers.	The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	$\frac{\text{Impairment loss on receivables x (days of financial year/days of financial year)}}{\text{Loan and guarantee portfolio at end of financial year}} \times 100$	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers – changes in the fair value of deposits subject to hedge accounting	Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	$\frac{\text{Loss allowance}}{\text{Balance sheet items involving credit risk + credit equivalent of off-balance-sheet items}} \times 100$	The ratio describes how much the amount of expected losses covers the amount of the liability.
Default capture rate, %	$\frac{\text{New defaulted contracts at Stage 2 a year ago}}{\text{New defaulted contracts during the financial year}} \times 100$	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.

Key indicators based on a separate calculation

Capital adequacy ratio, %	$\frac{\text{Total own funds}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of own funds to the total risk exposure amount.
Tier 1 ratio, %	$\frac{\text{Tier 1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
Common Equity Tier 1 (CET1) capital ratio, %	$\frac{\text{CET1 capital}}{\text{Total risk exposure amount}} \times 100$	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Leverage ratio, %	$\frac{\text{Tier 1 capital (T1)}}{\text{Exposure amount}} \times 100$	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	$\frac{\text{Liquid assets}}{\text{Liquidity outflows – liquidity inflows under stressed conditions}} \times 100$	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.

Net stable funding ratio (NSFR), %	$\frac{\text{Available stable funding}}{\text{Required stable funding}} \times 100$	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Ratio of non-performing exposures to exposures, %	$\frac{\text{Non-performing receivables (gross)}}{\text{Exposures at end of financial year}} \times 100$	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, %	$\frac{\text{Doubtful receivables (gross)}}{\text{Exposures at end of financial year}} \times 100$	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, %	$\frac{\text{Performing forborne exposures (gross)}}{\text{Exposures at end of financial year}} \times 100$	The ratio describes the ratio of forborne exposures to the entire exposure portfolio. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.

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

Capital adequacy

Capital adequacy for credit institutions

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

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

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

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

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

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

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

TABLES

Income statement

€ million	Note	2023	2022
Interest income		2,839	735
Interest expenses		-2,257	-339
Net interest income	5	582	396
Impairment loss on receivables	6	-96	-18
Commission income		136	134
Commission expenses		-63	-115
Net commissions and fees	7	73	19
Net interest income from financial assets held for trading	8	47	107
Net investment income	9	5	10
Other operating income	10	31	32
Personnel costs	11	-84	-76
Depreciation/amortisation and impairment loss	12	-3	-9
Other operating expenses	13	-226	-196
Operating expenses		-313	-281
Operating profit (loss)		**329**	**265**
Earnings before tax		**329**	**265**
Income tax	14	-64	-54
Profit for the financial year		**265**	**211**

Statement of comprehensive income

€ million	Note	2023	2022
Profit for the financial year		**265**	**211**
Items that will not be reclassified to profit or loss			
Gains/(losses) arising from remeasurement of defined benefit plans	28	2	11
Items that may be reclassified to profit or loss			
Change in fair value reserve			
On fair value measurement	30	-67	-58
On cash flow hedging	30	24	-31
Income tax			
On items not reclassified to profit or loss			
On gains/(losses) arising from measurement of defined benefit plans	24	0	-2
On items that may subsequently be reclassified to profit or loss			
On fair value measurement	30	13	12
On cash flow hedging	30	-5	6
Other comprehensive income items		**-32**	**-63**
Total comprehensive income for the financial year		**233**	**148**

Balance sheet

€ million	Note	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	15	19,710	34,951
Receivables from credit institutions	16	12,191	12,978
Receivables from customers	17	28,004	28,178
Derivative contracts	18	4,780	5,782
Investment assets	19	12,748	16,404
Intangible assets	20	1	3
Property, plant and equipment	21	3	5
Other assets	23	1,043	1,132
Tax assets	24	31	0
Total assets		**78,512**	**99,433**
Liabilities to credit institutions	25	23,830	40,899
Liabilities to customers	26	17,226	19,014
Derivative contracts	18	4,496	5,739
Debt securities issued to the public	27	23,957	25,209
Provisions and other liabilities	28	2,656	2,509
Tax liabilities	24	336	316
Subordinated liabilities	29	1,414	1,384
Total liabilities		**73,915**	**95,069**
Equity capital	30		
Share capital		428	428
Fair value reserve		-63	-29
Other reserves		1,019	1,019
Retained earnings		3,213	2,947
Total equity		**4,597**	**4,364**
Total liabilities and equity		**78,512**	**99,433**

Statement of changes in equity

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

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

Cash flow statement

€ million		2023	2022
Cash flow from operating activities			
Profit for the financial year		265	211
Adjustments to profit for the financial year		320	286
Increase (-) or decrease (+) in operating assets		**4,985**	**-1,980**
Receivables from credit institutions	16	528	782
Receivables from customers	17	182	-2,013
Derivative contracts	18	-73	-362
Investment assets	19	4,260	-530
Other assets	23	89	142
Increase (+) or decrease (-) in operating liabilities		**-18,941**	**556**
Liabilities to credit institutions	25	-17,432	-752
Liabilities to customers	26	-1,788	657
Derivative contracts	18	59	519
Provisions and other liabilities	28	221	132
Income tax paid		-67	-62
Dividends received		2	0
A. Net cash from operating activities		**-13,435**	**-988**
Cash flow from investing activities			
Purchase of PPE and intangible assets	20.21	-6	0
Proceeds from sale of PPE and intangible assets	20.21	6	0
B. Net cash used in investing activities		**0**	**0**
Cash flow from financing activities			
Subordinated liabilities, increases	29		6
Subordinated liabilities, decreases	29	-5	-534
Increases in debt securities issued to the public	27	10,457	18,727
Decreases in debt securities issued to the public	27	-12,472	-14,918
Dividends paid			-80
Lease liabilities	22	-1	-1
C. Net cash used in financing activities		**-2,020**	**3,200**
Net change in cash and cash equivalents (A+B+C)		**-15,455**	**2,211**
Cash and cash equivalents at financial year start		**35,395**	**32,891**
Effect of foreign exchange rate changes		-45	292
Cash and cash equivalents at financial year end		**19,894**	**35,395**
Interest received		**5,795**	**1,283**
Interest paid		**-5,357**	**-946**
Adjustments to profit for the financial year			
Non-cash items and other adjustments			
Impairment loss on receivables		97	19
Changes in value of financial instruments		160	203
Defined benefit pension plans		0	0
Depreciation/amortisation and impairment loss		3	9
Income tax paid		64	54
Other		-4	0
Total adjustments		**320**	**286**
Cash in hand			
Cash and cash equivalents		19,710	34,951
Receivables from credit institutions payable on demand		184	443
Total		**19,894**	**35,395**

Notes to the financial statements

Contents

Note 1. OP Corporate Bank plc's accounting policies

General

OP Corporate Bank is one of the leading corporate banks in Finland. OP Corporate Bank has a well-established and broad customer base consisting of companies and institutions to which it provides an extensive range of banking services. In addition, OP Corporate Bank acts as the central bank for OP Financial Group's cooperative banks.

OP Corporate Bank plc belongs to OP Financial Group, which consists of 102 cooperative banks and their central cooperative, OP Cooperative, with its subsidiaries. OP Financial Group's member credit institutions comprise OP Corporate Bank plc, OP Retail Customers plc and OP Cooperative's member cooperative banks.

In accordance with the Act on the Amalgamation of Deposit Banks, the member credit institutions, OP Corporate Bank included, and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. If a member credit institution's own capital is depleted to such a low level owing to losses that the criteria, specified in the Act, for being placed in liquidation are fulfilled, OP Cooperative has the right to collect from its member credit institutions extra contributions on the basis of the combined balance sheets previously adopted.

OP Corporate Bank is domiciled in Helsinki and the address of its registered office is Gebhardinaukio 1, FI-00510 Helsinki. The postal address of its registered office is P.O. Box 308, FI-00013 OP. A copy of OP Corporate Bank plc's financial statements is available at www.op.fi or the company's registered office.

OP Corporate Bank's parent company is OP Cooperative and OP Corporate Bank's accounts are included in its consolidated financial statements.

Copies of the financial statements of OP Cooperative are available at the following address: Gebhardinaukio 1, FI-00510 Helsinki. OP Financial Group's financial statements are available at www.op.fi or the company's registered office at Gebhardinaukio 1, FI-00510 Helsinki.

The Board of Directors of OP Corporate Bank approved the financial statements bulletin for issue on 7 February 2024 and the Board of Directors approved the financial statements on 7 February 2024.

1 Basis of preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS), applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2023. The International Financial Reporting Standards refer to standards and their interpretations adopted in accordance with Regulation (EU) No. 1606/2002 of the European Parliament and of the Council. OP Corporate Bank's notes also conform to the requirements of Finnish accounting and company legislation that complement IFRS regulations.

In 2023, OP Corporate Bank adopted the following standards and interpretations:

- Amendments to IAS 1, IAS 8 and IAS 12 took effect on 1 January 2023. The amendments will not have any significant effect on OP Corporate Bank's financial statements.

OP Corporate Bank plc's financial statements were prepared at historical cost, with the exception of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, hedged items in fair value hedging (for hedged risk) and derivative contracts measured at fair value. In addition, defined benefit pension plans are accounted for according to IAS 19.

The financial statements are presented in millions of euros. Number zero in the tables in Notes means that the item contains some balance but it is rounded off to zero. If nothing (blank) is presented in the item, the balance of the item is zero.

OP Financial Group presents Pillar III disclosures in compliance with EU Regulation No. 575/2013 of the European Parliament and of the Council in a separate OP Financial Group Risk and Capital Adequacy Report and the OP Amalgamation Pillar 3 tables. A summary of OP Corporate Bank's capital adequacy is presented in OP Corporate Bank's Report by the Board of Directors.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRS requires the management to make judgements, estimates and assumptions in the application of the accounting policies. The preparation of the financial statements 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.

Critical accounting judgements

2.1. Sustainability and corporate responsibility

Sustainability and corporate responsibility form an integral part of OP Corporate Bank's and OP Financial Group's business and strategy and responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's sustainability programme and its policy priorities implement OP Financial Group's strategy, guiding the sustainability actions taken by the business units and OP cooperative banks. OP Financial Group's sustainability programme is built around three themes: Climate and the environment, People and communities and Corporate governance.

The management has assessed that the sustainability themes affect the following sub-areas in OP Corporate Bank's financial statements:

- Expected credit losses (Note 31. Loss allowance regarding receivables and notes and bonds)
- Green bonds (Note 27. Debt securities issued to the public)
- Green loans and sustainability-linked loans (Note 17. Receivables from customers)

2.2 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 judgements made in the models.
- Selection of the estimation methods of the parameters for the ECL models.
- Determination of the contract's maturity for non-maturing loans (revolving credit facilities).
- Determination of model risk associated with the quality of the available modelling data and other data.
- Proper grouping of contracts into different segments so that their ECL can be measured using the appropriate model.
- Selection of macroeconomic factors in such a way that their changes correlate with the contracts' probability of default.
- Forecasting future macroeconomic scenarios and their probabilities.
- Management overlays related to a certain industry.
- Reductions in collateral value made on the basis of the geographical location of collateral based on management judgement.

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

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

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

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

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 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 loss allowance of the customer's contracts.

Calculations of loss allowance regarding receivables and the related key uncertainties are presented in Note 31. Loss allowance regarding receivables and notes and bonds. Section 6.4 includes a description of the accounting policies used in expected credit losses.

2.3 Fair values of financial instruments

The management must assess when the market for financial instruments is not active. The management must also assess whether an individual financial instrument is actively traded and whether the price obtained from the market is a reliable indication of the instrument's fair value. When the fair value of financial instruments is determined using a valuation technique, management judgement is required to select the applicable valuation technique. Whenever market observable input data is not available for outputs produced by valuation techniques, the management must evaluate how much other information will be used. Note 35. Recurring fair value measurements by valuation technique describes key uncertainties related to fair value measurement. The determination principles used in the fair value of financial instruments are described in section 6.1.

3 Foreign currency translation

OP Corporate Bank's financial statements are presented in euros, which is the company's functional and presentation currency. Non-euro transactions are recognised in euros at the exchange rate quoted on the transaction date or at the average exchange rate of the month of recognition. On the balance sheet date, non-euro monetary balance sheet items are translated into euros at the exchange rate quoted on the balance sheet date. Non-monetary balance sheet items measured at cost are presented at the exchange rate quoted on the transaction date.

The exchange rate differences arising from the translation of non-euro transactions and monetary balance sheet items into euros are recognised as foreign exchange gains or losses under Net investment income in the income statement (Note 9. Net investment income).

4 Summary of presentation of income statement items:

Net interest income (interest income and interest expenses)	Received and paid interest on fixed income instruments, the recognised difference between the nominal value and acquisition value, interest on interest-rate derivatives and fair value change in fair value hedging. Fees that are regarded as compensation for the risk taken by the bank associated with the financial instrument and as being an integral part of the financial instrument's effective interest rate.
Impairment loss on receivables	Expected credit losses from customers, off-balance-sheet items and notes and bonds as well as final credit losses and their reversals.
Net commissions and fees (commission income and commission expenses)	Commission income from lending, deposits, payment transactions, securities brokerage, securities issuance, mutual funds, asset management, legal services and guarantees. Commission expenses for lending, payment transactions, securities brokerage, securities issuance, asset management, guarantees and derivatives.
Net interest income from financial assets held for trading	Interest income and expenses of held-for-trading notes and bonds and derivatives, and fair value gains and losses. Also, fair value gains and losses on equities, and dividends. Financial assets held for trading are measured at fair value through profit or loss.
Net investment income	Realised capital gains and losses on notes and bonds recognised at fair value through other comprehensive income, interest income as well as impairment losses and their reversals.
Other operating income	Central banking service fees and other operating income.
Operating expenses	Includes the following rows in the income statement: personnel costs, depreciation/amortisation and impairment loss, other operating expenses and transfers to insurance service result.
Personnel costs	Wages and salaries, pension costs, indirect personnel costs.
Depreciation/amortisation and impairment loss	Amortisation and impairment loss on information systems and right-of-use assets.
Other operating expenses	ICT production and development costs, charges of financial authorities, charges of auditors, costs of purchased services, expert service costs, telecommunications costs, marketing costs, insurance and security costs and other expenses.

5 Revenue recognition

5.1 Interest income

Interest income and expenses for interest-bearing assets and liabilities are recognised using the effective interest method. More detailed information on the effective interest method can be found in 6.2.1 Amortised cost herein. Interest on receivables with non-settled, due payments is also recognised as revenue. The difference between the receivable's acquisition cost and its nominal value is recognised as interest income and that between the amount received and nominal value of the liability in interest expenses. The difference between the nominal value and the acquisition cost of fixed-rate bonds is recognised as interest income or expenses over the residual term to maturity.

The customer margin of the interest rate cap and interest rate corridor loans would accrue net interest income as the customer pays the additional margin related to the derivative clause. (Note 5. Net interest income).

5.2 Commission income

Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15 Revenue from Contracts with Customers. Fees and commissions under IFRS 15 are recognised as revenue when a service's agreed performance obligations are transferred to the customer and the key criterion is transfer of control. Commissions and fees are recognised to the amount to which an entity expects to be entitled in exchange of transferring promised services to a customer. Commission expenses are recognised in net commissions and fees on an accrual basis.

In the Corporate Banking and Capital Markets segment, commissions and fees are charged from corporate, institutional and personal customers as well as OP Financial Group's internal actors. Commission income consists of that from lending, securities brokerage and issues, investment research and guarantees. In the Asset and Sales Finance Services and Payment Transfers segment, commissions are charged from personal customers and corporate customers. Commission income consists of that from lending, payment transactions and guarantees. In the Baltics segment, commissions are charged from personal and corporate customers in Estonia, Latvia and Lithuania. Commission income consists of that from lending, payment transactions and guarantees. The abovementioned commission items consist of several fee types whose performance obligations are fulfilled over time or at a point in time, according to the type of the fee. The performance obligations of lending, investment research and guarantee fees are mainly fulfilled over time while other fees at a point in time. The amount of consideration for the services is mainly the list price or a contractually stated price. Revenue from contracts with customers by segment is presented in Note 7. Net commissions and fees.

5.3 Dividend income

Dividends are primarily recognised when they are approved by the General Meeting of the distributing company. Dividend income is shown in net investment income.

6 Financial instruments

6.1 Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (Note 35. Recurring fair value measurements by valuation technique).

The fair value of financial instruments is determined using either prices quoted in an active market or the company's own valuation techniques where no active market exists. The market is deemed to be active if price quotes are easily and regularly available and reflect real and regularly occurring market transactions on an arm's length basis. The current bid price is used as the quoted market price of financial assets.

If the market has a commonly used valuation technique applied to a financial instrument to which the fair value is not directly available (e.g. OTC derivatives), the fair value is based on a commonly used valuation technique and market quotations of the inputs used by the technique.

If the valuation technique is not a commonly used technique in the market, a valuation model created for the instrument in question will be used to determine the fair value. Valuation models are based on widely used measurement techniques, incorporating all factors that market participants would consider in setting a price, and are consistent with accepted economic methodologies for pricing financial instruments.

The valuation techniques used include prices of market transactions, the discounted cash flow method and reference to the current fair value of another instrument that is substantially the same on the balance sheet date. The valuation techniques take account of estimated credit risk, applicable discount rates, the possibility of early repayment and other factors affecting the reliable measurement of the fair value of financial instruments.

The fair values of financial instruments are categorised into three hierarchy levels, depending on the inputs used in valuation techniques:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (Level 3).

If the inputs used to measure fair value are categorised into different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety at the same level as the lowest level input that is significant to the entire measurement. The significance of inputs has been assessed on the basis of the fair value measurement in its entirety.

It is typical of illiquid instruments that their price calculated using a pricing model differs from the actual transaction price. However, the actual transaction price is the best evidence of the instrument's fair value. The Day 1 profit/loss, based on the difference between the actual transaction price and the price deriving from the pricing model that uses market prices, is recognised in the income statement over the term of the agreement or a shorter period taking account of the product's structure and counterparty. However, the non-recognised amount will be recognised as soon as there is a genuine market price for the instrument or a well-established pricing practice is created in the market. The amount of illiquid financial assets is insignificant in OP Corporate Bank's balance sheet.

6.2 Financial assets and liabilities

OP Corporate Bank's financial assets are shown in Notes 15. Liquid assets, 16. Receivables from credit institutions, 17. Receivables from customers, 18. Derivative contracts, 19. Investment assets and 23. Other assets. Financial liabilities are shown in Notes 25. Liabilities to credit institutions, 26. Liabilities to customers, 27. Debt securities issued to the public, 28. Provisions and other liabilities and 29. Subordinated liabilities.

6.2.1. Amortised cost

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest method uses the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the effective interest rate, OP Corporate Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument excluding the expected credit losses (ECL). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. Fees that are an integral part of the rate of a financial instrument include office and origination fees related to loan drawdown and they are amortised over the expected life of the financial instrument or a shorter period if that is appropriate. Fees that are not an integral part of the effective interest rate of a financial instrument are accounted for in accordance with IFRS 15. These include fees charged for servicing a loan, for example.

Interest income

Interest revenue has been calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets because they are over 90 days past due (in stage 3). In such a case, accrual revenue recognition of the interest of these financial assets ends and changes to a cash basis.

6.2.2. Initial recognition and measurement

At initial recognition, OP Corporate Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Immediately after initial recognition, an expected credit loss allowance of a financial asset will be recognised if the financial asset is measured at amortised cost or at fair value through other comprehensive income. This results in accounting loss recognition for newly originated or newly purchased financial assets in the income statement.

6.3 Classification and subsequent measurement of financial assets

OP Corporate Bank classifies financial assets into the following categories:

- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)
- Carried at amortised cost.

6.3.1 Loans and notes and bonds

The classification and subsequent measurement of loans and notes and bonds depend on the following factors:

- OP Corporate Bank's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset.

On the basis of these factors, OP Corporate Bank classifies loans and notes and bonds into the following three measurement categories:

- Financial assets measured at amortised cost are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial asset's carrying amount is adjusted by any allowance for expected credit losses and interest revenue is recognised in interest revenue using the effective interest method.
- Financial assets recognised at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In addition, the contractual terms of the financial asset specify cash flows occurring on specific dates which are solely payments of principal and interest on the principal amount outstanding. Changes in the fair value are recognised in the fair value reserve. Impairment gains or losses and foreign exchange gains or losses are recognised in profit or loss. When a financial asset is derecognised, the cumulative profit or loss in the fair value reserve is reclassified from equity to profit or loss in net investment income as a reclassification adjustment. Interest calculated using the effective interest method is recognised in interest income.
- Financial assets measured at fair value through profit or loss are held for trading or if the financial asset does not meet the criteria for amortised cost or FVOCI. Gains and losses are recognised in net investment income. Interest income and expenses of held-for-trading notes and bonds and derivatives are presented in net investment income since.

Business model

A business model refers to how OP Corporate Bank manages its financial assets in order to generate cash flows. OP Corporate Bank's business model determines whether cash flows will result solely from collecting contractual cash flows or from collecting contractual cash flows and cash flows and by selling a financial asset, or whether the purpose is held for trading. Financial assets within the trading business model are measured through profit or loss. When assessing the business model, OP Corporate Bank takes account of future measures to achieve the objective of the business model. The assessment includes previous experience in collecting cash flows, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel, how risks are managed and how managers of the business are compensated. For example, OP Corporate Bank holds corporate loans it has granted to collect contractual cash flows. For example, the objective of the business model of OP Corporate Bank's liquidity buffer is to collect contractual cash flows and to sell financial assets.

Change in the business model

Changes in the business model are expected rarely as a result of internal or external changes and they must be significant in terms of OP Corporate Bank's operations. OP Cooperative's Board of Directors decides on changes in the business model. The business model changes in case OP Corporate Bank acquires or transfers a business division or closes down it. The business model change is appropriately documented by the business unit concerned and is handled by Finance and Risk Management to determine the related accounting effects (incl. the effects on loss allowance). The change of the objective of the entity's business model must be executed before the date of the reclassification.

The reclassification is applied prospectively from the reclassification date onwards. The reclassification date is the first date of the following reporting period, before which a decision on the reclassification has been made. Prior reporting periods are not adjusted retrospectively.

OP Corporate Bank's business model did not see any changes during 2022–2023.

The table below shows the effects of various reclassifications on accounting:

Initial measurement category	New measurement category	Accounting effect
Amortised cost	FVTPL	Fair value is determined on the reclassification date. Any gain or loss on the difference that may arise between a financial asset previously measured at amortised cost and the fair value is recognised through profit or loss.
FVTPL	Amortised cost	The fair value on the reclassification date becomes a new gross carrying amount. The effective interest rate is determined based on the fair value on the reclassification date.
Amortised cost	FVOCI	Any gain or loss on the difference that may arise between a financial asset previously measured at amortised cost and the fair value is recognised in other comprehensive income. The effective interest rate and the amount of expected credit losses are not adjusted as a result of the reclassification.
FVOCI	Amortised cost	The fair value on the reclassification date becomes a new amortised cost. A gain or loss previously recognised in other comprehensive income is, however, derecognised from equity and recognised to adjust the fair value of a financial asset on the reclassification date. The effective interest rate and the amount of expected credit losses are not adjusted as a result of the reclassification.
FVTPL	FVOCI	The fair value on the reclassification date becomes a new carrying amount. The effective interest rate is determined based on the fair value on the reclassification date.
FVOCI	FVTPL	The fair value on the reclassification date becomes a new carrying amount. A gain or loss previously recognised in other comprehensive income is transferred as an adjustment due to the reclassification from equity through profit or loss on the reclassification date.

Cash flow characteristics

When OP Corporate Bank's business model is other than trading, OP Corporate Bank assesses whether contractual cash flows are consistent with a basic lending arrangement. In the basic lending arrangement, contractual cash flows are solely payments or principal and interest on the principal amount outstanding (SPPI) where consideration for the time value of money, credit risk, lending risks and profit margin are typically the most significant elements of interest. The majority of OP Corporate Bank's financial assets are basic lending arrangements.

All loans to personal customers and some corporate loans granted by OP Corporate Bank contain the option for early repayment. The terms and conditions are, however, consistent with the basic lending arrangement because the prepayment amount substantially represents the contractual nominal amount and accrued (but unpaid) contractual interest, which may include reasonable additional compensation for the early termination of the contract.

OP Corporate Bank grants its corporate customers sustainable finance loans, in which the achievement of company-specific sustainability targets has been agreed on (such as on the reduction of greenhouse gas emissions) that affect the level of the loan margin. OP Corporate Bank has assessed that the cash flows of such agreements solely constitute payment of capital and the interest on the remaining capital amount.

OP Corporate Bank uses the SPPI Test solution to test the cash flow characteristics of notes and bonds. On the basis of its test result (pass/fail), the SPPI test is either passed or failed with no further reviews or OP Corporate Bank reviews the cash flow characteristics using OP Financial Group's internal guidelines before the decision on classification (further review required as the result). The solution identifies various elements in contract terms that affect whether the SPPI definition is satisfied.

When contractual cash flows are exposed, for example, to change in stock prices or a borrower's financial result, this is no basic lending arrangement and such financial assets are measured at fair value through profit or loss. These are typically various mutual fund investments which do not fulfil the definition of equity in the issuer's financial statements under IAS 32.

Embedded derivatives included in financial assets are not separated from the host contract but they are considered in the overall assessment of contractual cash flows.

If OP Corporate Bank has to change its business model for managing financial assets, it may have to reclassify financial assets. The reclassification must be applied prospectively from the reclassification date. Such changes are expected to be very infrequent.

6.3.2 Equity instruments

Equity instruments are instruments that evidence a residual interest in the assets of a company after deducting all of its liabilities. These are typically stock investments.

Equity instruments are subsequently measured at fair value through profit or loss.

6.3.3 Modification of contractual cash flows

Modifications in the contractual payment terms are made as a normal measure related to the management of customer relationship but also in situations where the customer's repayment capacity has deteriorated. The modification to the loan due to the customer's deteriorated repayment capacity is recognised as forbearance which typically, for example, means a moratorium for a limited time. Generally, in these cases, the contractual cash flows of a loan are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that loan. In such a case, OP Corporate Bank recalculates the gross carrying amount of the loan and recognises a profit or loss on the modification in net interest income in the income statement. In addition, the loan's categorisation as forbearance transfers the loan to at least impairment stage 2 and falls within expected credit loss calculated for the entire period of validity for at least two years until the customer's repayment capacity has recovered.

Another precondition for the recovery is that after a probation period of at least two years:

- The customer has made regular and timely payments during at least half of the probation period, leading to the payment of a substantial aggregate amount of the principal or interest.
- None of the customer's exposures has been more than 30 days past due during the previous three months.
-

Payment modifications are subject to regular monitoring and reporting to the management as an indicator describing customers' solvency.

If modifications to the loan terms are significant or the loan is renegotiated, OP Corporate Bank derecognises the original loan and recognises the modified new loan in the balance sheet. The date of renegotiation is consequently considered to be the date of initial recognition for the impairment calculation purposes. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses. OP Corporate Bank uses internal rating to classify reasons for modifications and severity classes to monitor whether there has been evidence that the new loan recognised has deemed to be credit-impaired at initial recognition. Accordingly, it is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset.

Otherwise, OP Corporate Bank derecognises financial assets when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset to another party and the transfer qualifies for derecognition.

6.4 Impairment

Expected credit losses are calculated on all balance sheet items amortised at cost and those recognised at fair value through other comprehensive income (FVOCI) (instruments other than equity instruments) and on off-balance-sheet loan commitments and financial guarantee contracts (Note 31. Loss allowance regarding receivables and notes and bonds). Expected credit losses are recognised at each reporting date, reflecting:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- the time value of money and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

6.4.1 Classification of contracts into three impairment stages

Contracts are classified into three stages. The different stages reflect credit deterioration since initial recognition.

- Stage 1: contracts whose credit risk has not increased significantly since initial recognition and for which a 12-month ECL is calculated.
- Stage 2: contracts whose credit risk has increased significantly since initial recognition and for which a lifetime ECL is calculated.
- Stage 3: non-performing contracts in 2021 (defaulted contracts in 2020) for which a lifetime ECL is also calculated.

Definition of default

In the IFRS 9 based calculation, OP Corporate Bank applies the same definition of default as in internal credit risk models. OP Corporate Bank assesses default using its internal rating system based on payment behaviour. For personal customers, the definition of default is applied on a contract-by-contract basis whereas corporate customers are reviewed in terms of a group of connected clients. The customer is classified as a customer in default when the customer's repayment is considered unlikely, for example when the customer has registered payment default or it has been granted a forbearance in which the present value of the loan decreases by more than 1 per cent. Default extends to all credit obligations of an obligor in default among personal customers when a significant proportion (20 per cent) of personal customer exposures are defaulted. In addition, the contract is defaulted when a payment related to a financial asset is over 90 days past due, at the latest.

The customer's default ends when it no longer meets the criteria for the definition of default and the subsequent probation period of 6–12 months has ended.

The definition of default is based on Article 178 of Regulation (EU) No 575/2013 (CRR) of the European Parliament and of the Council and on the European Banking Authority's (EBA) guidelines on the application of the definition of default (EBA/GL/2016/07 and EBA/RTS/2016/06).

Definition of non-performing exposure

The definition of non-performing exposure includes the probation periods of non-performing forborne exposures, in addition to the exposures based on the definition of default used previously before they can be reclassified as performing. Non-performing exposure is defined in accordance with Article 47a of the Capital Requirements Regulation (EU) No. 575/2013. OP Corporate Bank uses non-performing exposures as the classification criterion for impairment stage 3.

In addition, originated credit-impaired contracts are always within the scope of the lifetime expected credit loss (POCI).

Significant increase in credit risk

The expected credit losses will be calculated for each contract for 12 months or lifetime, depending on whether the instrument's credit risk on the reporting date has increased significantly since initial recognition. Both qualitative and quantitative criteria are used to assess for each contract whether the credit risk has increased significantly. Forbearance and a comparable breach of covenant are regarded as a qualitative criterion for a significant increase in credit risk and thereby give rise to transfers to impairment stage 2. Likewise, an entry on the watch list generated by the early warning system and an over threefold increase of the annualised PD from the original value are regarded as criteria for a significant increase in credit risk. However, the annualised PD must be over 0.3 per cent, so the so-called low credit risk assumption permitted by IFRS 9 is applied here.

OP Corporate Bank has included relative and absolute thresholds for the determination of significant quantitative increases in credit risk considering all relevant and supportable information.

A quantitative change is assessed based on the relative change in lifetime PD figures (PD curve). The original lifetime PD curve is calculated on the origination date of the loan taking account of macroeconomic factors. Next, the acceptable natural range of variation is determined for the limits within which the credit risk is not considered to increase significantly during the remaining maturity of the loan. The acceptable range has been modelled separately for personal and corporate customers. This yields a so-called threshold value curve. On each reporting date, the current lifetime PD curve is compared to the threshold value curve. If the threshold value is exceeded, the credit risk has increased significantly and a credit loss (calculated for the entire remaining maturity of the loan) is recognised. In addition to this limit of the relative change, a further requirement is that a rating grade has deteriorated since initial recognition so that shifting to the lifetime ECL calculation does not occur only on the basis of the passage of time. In addition, an absolute threshold is used for the weakest rating grades (E+, E, E-, 9.0, 9.5 and 10.0).

In addition to the aforementioned criteria, credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

OP Corporate Bank monitors regularly how effectively the abovementioned criteria perceive a significant increase in credit risk before contractual payments have been over 30 days past due and that the contracts do not generally move from impairment stage 1 directly to impairment stage 3 and performs the required calibrations to the calculation method of the relative change.

6.4.2 Measurement methods

Expected credit losses are mainly measured on a system basis using the PD/LGD method on a contract-specific basis for all personal and corporate customer exposures. In addition to this, the cash flow based ECL measurement method based on expert judgement is used for the largest corporate exposures on the watch list and covered by the R rating model, whose exposures have, in general, been moved to stage 2 or 3 in the ECL measurement.

6.4.2.1 PD/LGD method

Expected credit losses are measured using modelled risk parameters with the formula probability of default (PD) x loss given default (LGD) x exposure at default (EAD) for majority of portfolios per contract and they reflect expectations of future credit losses at the reporting date. PD describes probability of default according to the definition of default described above. LGD describes the share of an asset if a borrower defaults. It is affected, for example, by the quantity and type of collateral securities and various financial guarantees. EAD describes the exposure amount at default, including exposure in the balance sheet (capital and accrued interest) and expected use of off-balance-sheet items at default.

The ECL calculation is based on three different scenarios. Risk parameters PD, LGD and EAD are calculated for yearly time buckets in each scenario. Yearly ECL figures are discounted to the reporting date and a probability-weighted ECL is calculated from the figures of different scenarios. The contract's effective interest or its estimate is used as the discount factor. The contract's maximum residual term to maturity is limited to 30 years in the calculation.

The lifetime probability of default (lifetime PD) models for a contract have been prepared separately for personal customers and corporate customers. The PD models are substantially affected by the contract's credit rating, loan age (personal customers) as well as the model's sub-segment, which is determined for corporate customers on the basis the rating model and for personal customers on the basis of the product type. In addition, PD estimates are dependent on macroeconomic factors and their forecasts in each scenario. Change in GDP and real interest rates are used as macroeconomic explanatory factors in the lifetime PD model for corporate exposures. In the lifetime PD model for personal customers, the macroeconomic factors have been divided by segment and a GDP change and the 12-month Euribor are used, for example, in home loans, where the effects of GDP and inflation have been deducted. The variables in revolving credit facilities include change in GDP and the real 3-month Euribor.

The lifetime LGD consists of the following three components:

- cure rate
- collateral return
- non-collateral return.

The values of the components depend fundamentally on a product type, industry (companies), collateral type and the time how long the contract has been in default.

The cure rate in personal customer exposures has been estimated at a product category level, whereas estimates concerning corporate customer exposures are industry-specific. The collateral return describes how much of the cash flows received from collateral securities covers the remaining amount of exposure. The collateral return is calculated by means of a lower-than-market value of collateral (haircut). The lower-than-market values have been estimated by comparing the realisation values of collateral by type of collateral in relation to the fair value of collateral, also considering the direct expenses incurred due to collateral repossession and sale. Finally, a margin of conservatism has been added to the lower-than-market-value estimates because of uncertainties associated with collateral data and estimation. The non-collateral return describes cash flows that have been estimated for the remaining exposure amount at product category level, which the collateral return does not cover.

The estimates for the non-collateral return and the cure rate for impairment stage 3 time-dependent so that they will decrease if the period of default or debt collection increases.

The macroeconomic factors and their forecasts affect the first two components.

The lifetime exposure at default (lifetime EAD) for a contract is based on contractual cash flows, utilisation rate, prepayment rate and maturity model, depending on the product type.

Determining the period of a contract

The period of a contract for promissory notes is a contractual maturity that takes account of repayments under the payment terms. The prepayment model applies to secured promissory notes (excl. default). It does not reduce the contractual maturity but is taken into account as part of the contract's EAD.

Revolving credit facilities (such as credit cards) are contracts valid until further notice and an expected maturity has been modelled for them. The modelled maturity depends on the product type and rating grade, averaging some 13 years.

In stage 3, additional drawdowns following the default status are taken into account in loan commitments, bank guarantees and standby credit facilities using the credit conversion factor (CCF).

Forward-looking information

The calculation model includes forward-looking information and macroeconomic scenarios. OP Corporate Bank's economists update macroeconomic scenarios on a quarterly basis and the scenarios are the same that OP Corporate Bank uses otherwise in its financial planning. Macroeconomic scenarios span 2–3 years of the baseline economic scenarios. After that, the scenario converges towards an economic balance in the long term. In the long-term balance, GDP and some of other variables are calculated using production function methodology. Alternative scenarios around the baseline are defined using the autoregressive model where the paths of each variable with desired probabilities are solved from the joint probability distribution of variables. The probability distribution of the variables is based on economic shocks observed in history and on correlations between the variables. The forecast errors in OP Corporate Bank's economic forecast are also taken into account in defining alternative scenarios. Three scenarios are used: baseline, upside and downside. The macroeconomic factors used are GDP growth rate, unemployment rate, investment growth rate, inflation rate, change in income level, 12-month Euribor and real 3-month Euribor. In addition, the house price index is used in LGD models.

Preparing macroeconomic forecasts and projecting them into the future up to 30 years involves a large amount of uncertainty, which is why actual results may differ significantly from the forecasts. OP Corporate Bank has analysed that the relationship of the change in the components of risk parameters and macroeconomic factors used in the ECL calculation is not linear. Accordingly, the macroeconomic forecasts represent OP Corporate Bank's best view of potential scenarios and outcomes.

Macroeconomic forecasts and ESG

Macroeconomic scenarios take account of impacts from climate change, the related change in the economy and adjustment on the economy. An assessment of economic impacts has been made in calculating macroeconomic scenarios where the use of fossil energy is reduced, so that carbon neutrality will be achieved by 2035. In this scenario, the Finnish GDP growth rate is an average of 0.3 percentage points slower for many years than in the baseline scenario. However, the calculation may overestimate the slowing down of the economy if the economic adjustment capacity proves to be better than usual. For this reason, the negative effect is included in a weaker scenario.

Estimates of the economic impacts resulting from climate change will be specified as new research data on the impacts becomes available that can be applied to the scenario calculations for the period they cover.

6.4.2.2 Cash flow based ECL method based on customer-specific expert judgement

The target group of customers subject to the expert ECL testing method are R-rated corporate counterparties on the watch list, whose exposures have, in general, been moved to Stage 2 or 3 of ECL calculation. Such expert judgement is performed in connection with a rating or credit decision.

The forward-looking information used in the calculation is part of the credit rating assessment and rating proposal by a credit analyst that cover developments in business, markets, competitive situation and the forecast cash flow. The calculation also takes account of the scenarios describing the effect of macroeconomic variables (upside, baseline and downside), on the basis of which the customer's weighted expected credit loss is calculated. The scenarios used in the PD/LGD model are utilised in the determination of the scenarios.

When the customer included in the ECL measurement based on the customer-specific expert judgement does no longer meet the criteria for default and has been identified and classified as a 'performing' obligor, it is excluded from this method and returns to be included in the ECL measurement based on the normal PD/LGD model.

6.4.3 Impairment of notes and bonds

The expected loss on notes and bonds recognised through other comprehensive income is recognised through profit or loss and to adjust the fair value reserve.

OP Corporate Bank uses a model in the calculation of the expected credit loss on notes and bonds that is based on credit rating information.

In the model, credit ratings are sought for purchase lots on the purchase date and the reporting date, and they are converted into PD figures. OP Corporate Bank primarily uses the averages of external credit ratings and secondarily internal credit ratings, in case no external credit ratings exist.

The PDs correspond to the actual historical default rates by credit rating for each period from the date of issuing the credit rating. The historical data, for which the determined equivalence is based on, is comprehensive and on a long-term basis. The LGDs also correspond to the studied historical actuals by investment class/collateral type (seniority, covered bond status) and these are not separately assessed on an issuer- or investment-specific basis. Because external credit ratings measure total credit risk (ECL), not PD, the LDG in these cases affect only the division of the ECL between PD and LGD components.

6.4.3.1 Classification of notes and bonds into impairment stages

Investments whose 12-month PD has doubled in such a way that the change is at least 0.2 percentage points, an investment is subject to forbearance measures or its payments are over 30 days past due are transferred to stage 2. Investments related to an issuer in default are classified into stage 3 if its payments are over 90 days past due or if the customer is a customer in potential default.

6.4.4 Impairment of off-balance-sheet items

Several products provided by OP Corporate Bank include a limit, credit facility or another off-balance-sheet loan commitment as a standard feature or a feature in some stage of the product lifecycle. For example, revolving credit facilities, such as credit cards and accounts with credit facility, include both a loan and an undrawn commitment component. Moreover, OP Corporate Bank is an issuer in various guarantee contracts, such as financial guarantees and other commercial guarantees or guarantees given to authorities, to all of which IFRS 9 impairment rules apply. For loan commitments and financial guarantee contracts, the date that OP Corporate Bank becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements. Accordingly, only OP Corporate Bank's binding items are taken into account in the calculation of expected credit losses.

The expected credit loss is calculated for these items using the same principles as for loans. Likewise, increases in significant credit risk are assessed on the same grounds. OP Corporate Bank models EAD for such products that forecasts exposure at default. It includes both the utilisation rate and credit conversion factor. In addition, a maturity model is applied to contracts valid until further notice. The model takes account of cases where OP Corporate Bank has a contractual ability to demand repayment and cancel the undrawn commitment but it does not limit OP Corporate Bank's exposure to credit losses during the contractual notice period.

6.4.5 Recognition of expected credit losses

OP Corporate Bank mainly recognises a loss allowance for expected credit losses on a loan at carrying amount in a separate account. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. For products that include both a loan receivable (i.e. financial asset) and an undrawn commitment (i.e. loan commitment) component and OP Corporate Bank cannot separately identify the expected credit losses on the loan commitment component from those on the financial asset component, the expected credit losses on the loan commitment are recognised together with the loss allowance for the financial asset.

6.4.6 Extra impairment provisions based on management judgement (management overlay)

OP Corporate Bank may make an ECL provision based on management judgement in situations where an external factor changes very rapidly (for example in global crisis, such as pandemic or war or a rise in Euribor rates). The provision is temporary and remains valid as long as risk parameters used in ECL measurement have been updated to describe the changed situation. OP Corporate Bank has so far used only the so-called post-model management overlay concerning the loss allowance amount. However, OP Corporate Bank may also perform the so-called in-model management overlay concerning, for example, the PD risk parameter. Strict monitoring criteria are applied to the extra impairment provisions made based on management judgement and they are quarterly reported to Group Executive Management.

6.4.7 Write-off

A write-off constitutes a derecognition event. When OP Corporate Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof, the final credit loss is recognised to directly reduces the gross carrying amount of the financial asset.

A loan is derecognised when collateral securities have been realised or when the final meeting of the bankruptcy estate has been held, or when a notification has been received from the trustee in bankruptcy that no proportional share of the estate exists, or debt rescheduling or financial restructuring has come to an end or when collection measures have ended. Since early 2022, OP Corporate Bank has partially written off the amount not received already when the payment plan of the debt rescheduling or financial restructuring has been confirmed and the loan has no other parties or realisable assets. Payments received after the derecognition are recognised as an adjustment to impairment losses on receivables.

6.5 Cash and cash equivalents

Cash and cash equivalents consist of cash and receivables from credit institutions repayable on demand (Note 15. Cash and cash equivalents).

6.6 Classification and subsequent measurement of financial liabilities

Financial liabilities comprise deposits and other liabilities to credit institutions and customers, debt securities issued to the public and other financial liabilities.

Financial liabilities are classified at amortised cost using the effective interest method, except for derivative liabilities measured at fair value through profit or loss. Liabilities held for trading also include an obligation to deliver securities to the counterparty which have been sold but which are not owned at the time of selling (short selling).

Upon initial recognition, OP Corporate Bank has not designated financial liabilities as measured at fair value through profit or loss.

OP Corporate Bank derecognises a financial liability (or a part of a financial liability) when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between OP Corporate Bank and original lenders of financial liabilities with substantially different terms must be accounted for as an extinguishment of the original financial liability. In such a case, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, the amortised cost of the modified financial liability will be recalculated by discounting the modified contractual cash flows using the original effective interest rate. Changes in the amortised cost of the financial liability is recognised through profit or loss. Costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. OP Corporate Bank has not made any exchanges of financial liabilities for the existing financial liabilities.

6.7 Netting

Financial assets and liabilities are offset in the balance sheet if OP Corporate Bank currently has a legally enforceable right of set-off in the normal course of business and in the event of default, insolvency or bankruptcy, and intends to settle the asset and liability on a net basis (Note 37. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements).

6.8 Derivative contracts

Derivative contracts are classified as hedging derivative contracts and derivative contracts held for trading. They include interest rate, currency, equity, commodity and credit derivatives. Derivatives are measured at fair value at all times (Note 18. Derivative contracts).

Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House, in accordance with the EMIR regulation (EU 648/2012). In the model used, the central counterparty (CCP) will become the derivatives counterparty at the end of the daily clearing process. Depending on the clearing broker, the settled-to-market (STM) or collateralised-to-market (CTM) practice is used as the settlement model. In both models, daily payments of derivatives are offset with the central counterparty. In addition, the fair value change of derivatives (variation margin) is either paid or received in cash. In the STM model, the daily payment is determined on a contractual basis as final payment and part of the derivative contract's cash flows. The daily payment is recognised as a fair value change through profit or loss. In such a case, the derivative contract involves no fair value change other than the valuation difference between OP and the CCP. The difference is recognised in derivative assets or derivative liabilities (Sum of net liability positions) in the balance sheet. The CTM model differs from the STM model in such way that the daily payment has not on a contractual basis defined as the final payment but as collateral. It is, however, offset with the fair value of the derivative in the balance sheet. Other derivatives are presented in the balance sheet on a gross basis, in which case positive value changes are presented as derivative contracts under assets and negative value changes as derivative contracts under liabilities.

6.8.1 Hedging instruments

OP Corporate Bank has prepared methods and internal principles used for hedge accounting, whereby a financial instrument can be defined as a hedging instrument. In accordance with the hedging principles, OP Corporate Bank can hedge against interest rate risk, currency risk and price risk by applying fair value hedge or cash flow hedge. Fair value hedging refers to hedging against changes in the fair value of the hedged asset, and cash flow hedging to hedging against changes in future cash flows. In OP Corporate Bank, the hedgeable risk categories are fair value and cash flow interest rate risks as well as currency risk.

Contracts are not accounted for according to the rules of hedge accounting if the hedging relationship between the hedging instrument and the related hedged item, as required by IAS 39, does not meet the criteria of the standard. OP Corporate Bank also enters into derivative contracts which are in fact used to hedge against financial risks but which do not fulfil these criteria.

Hedge accounting will be discontinued prospectively if the hedging instrument expires, is sold, terminated or exercised or hedging no longer fulfils the criteria set for the application of hedge accounting or its designation as a hedge is revoked. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of the entity's documented hedging strategy. Additionally, for this purpose there is not an expiration or termination of the hedging instrument if as a consequence of laws or regulations or the introduction of laws or regulations, the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. For this purpose, a clearing counterparty is an entity that acts as a counterparty in order to effect clearing by a central counterparty.

6.8.2 Derivatives held for trading

The difference between interest received and paid on interest rate swaps held for trading is recorded in Net investment income in the income statement and the corresponding interest carried forward is recognised in Derivative contracts in the balance sheet. Changes in the fair value of derivatives held for trading are recorded under Net investment income in the income statement. Derivatives are carried as assets under Derivative contracts when their fair value is positive and as liabilities under Derivative contracts when their fair value is negative.

6.9 Hedge accounting

Hedge accounting is used to verify that changes in the fair value of a hedging instrument or cash flows fully or partially offset the corresponding changes of a hedged item.

The relationship between hedging and hedged instruments is formally documented. The documentation contains information on risk management principles, hedging strategy and the methods used to demonstrate hedge effectiveness. Hedge effectiveness is tested at the inception of the hedge and in subsequent periods by comparing respective changes in the fair value or cash flows of the hedging instrument and the hedged item. The hedge is considered highly effective if the change in the fair value of the hedging instrument or in cash flows offsets the change in the fair value of the hedged contract or portfolio or in cash flows within a range of 80–125%. Due, however, to the Interest Rate Benchmark Reform, if the real result of the retrospective effectiveness test is outside of the limits concerned, the central cooperative consolidated assesses whether hedge accounting can continue or be discontinued. This includes that hedging is still expected to be prospectively effective and the hedging relationship effectiveness can be calculated reliably. When assessing proactive effectiveness testing whether hedge is still highly probable, the reference rate will not be changed due to the Interest Rate Benchmark Reform. The effectiveness test also involves assessing any potential effects of market participants following the Reform on OP Corporate Bank's hedging relationship. OP Corporate Bank will stop applying the changes to hedging relationship effectiveness tests when uncertainty due to the Interest Rate Benchmark Reform ceases to affect cash flows based on reference rate of a hedged item or hedging derivative or when the hedging relationship ceases to exist. OP Corporate Bank applies hedge accounting based on IAS 39 and the related changes caused by the Interest Rate Benchmark Reform.

OP Financial Group has a Reference Interest Rate Committee tasked with monitoring the progress of the Interest rate Benchmark Reform and its effects on OP Financial Group and reporting the progress to the management on a regular basis. OP Financial Group has made a business continuity plan required by the Benchmarks Regulation that determines a substitute rate for contracts if the reference rates now used were no longer available and where the existing contract terms by product are identified and the effects on different parts of business are assessed. OP Corporate Bank will adopt new reference rates in new contracts, based on market practice. When it comes to the old portfolio of contracts, the changes have already been implemented by adopting practices applied in the market to replace IBORs.

6.9.1 Fair value hedges

Fair value hedging against interest rate risk involves long-term fixed-rate debt instruments (such as central bank debt, own issues and certain term deposit issues), individual bond and loan portfolios, as well as individual loans. OP Corporate Bank applies a fair-value portfolio hedging model based on the IAS 39 EU carve-out version to hedging against interest rate risk involved in the derivative clause of certain loans, demand deposit current and savings accounts with an interest rate cap or a fixed interest rate. For these hedging relationships, the prepayment option related to the hedged item causes ineffectiveness only rarely. OP Corporate Bank uses interest rate options, forward exchange contracts and interest rate and currency swaps (OTC swaps) as hedging instruments.

For derivative contracts which are documented as fair value hedges and which provide effective hedges, the changes in the fair value are recognised in the income statement. Hedged assets and liabilities are measured at fair value during the period for which the hedge is designated, and any fair value changes of the hedged risk are recognised through profit or loss.

In fair value hedge accounting, changes in the fair value of the hedging instrument and the hedged item are recorded in the income statement under net interest income and net investment income. Any ineffectiveness that may arise from a hedge relationship may be caused by the timing differences between the cash flows of the hedging instrument and the hedged item, and it is correspondingly recognised in the abovementioned items.

When discontinuing hedge accounting, the carrying amount adjustment to fair value of the hedged financial instrument due to the risk to be hedged, to which the effective interest method applies, must be amortised to profit or loss by the financial instrument's maturity date. The adjustment is amortised based on a recalculated effective interest rate or using the straight-line method in portfolio hedges. However, if the hedged item during the discontinuance of hedging is derecognised, the fair value adjustment will also immediately be recognised in profit or loss.

Governed by the EU Benchmarks Regulation, the methodology for the determination of the Euribor has been reformed. The European Securities and Market Authority (ESMA) has supervised Euribors since early 2022. OP Financial Group expects that the Euribor will remain the reference interest rate in the future too because the Euribor panel could have been reinforced. The European Money

Market Institute (EMMI), the administrator of the Euribor rate, began to publish the forward-looking €STR derivative market EFTERM rate (Euro Forward-looking term rate) during Q4/2022 for use as a replacement rate. The EONIA rate (Euro Over Night Index Average) ceased to exist on 3 January 2022 and was replaced by the €STR published by the ECB.

6.9.2 Cash flow hedges

A cash flow hedge is a hedge of the exposure to the variability attributable to a particular risk associated with variable-rate debt or other variable-rate assets and liabilities. In addition, cash flow hedges are used to hedge the future interest flows of the loan portfolio defined on the basis of reference interest rate linkage. Interest rate swaps are used as hedging instruments, for example.

Derivative contracts which are documented as cash flow hedges and provide effective hedges are measured at fair value. The effective portion of changes in the fair value of the hedging instrument is recognised in other comprehensive income. Any ineffectiveness that may arise from a hedge relationship may be caused by the timing differences between the cash flows of the hedging instrument and the hedged item, and it is recognised in net interest income in the income statement. Fair value changes recognised in equity are included in the income statement in the period when hedged items affect net income.

If the hedged cash flows are no longer expected to occur, the fair value changes from the hedging instrument are transferred from equity as an adjustment due to reclassification to profit or loss. In respect of revoked hedge designations, if the hedged cash flows are still expected to occur, accrued fair value changes will remain in equity as a separate item until the hedged cash flows affect the income statement if cash flows are expected to affect several reporting periods, the accrued amount will be amortised using the straight-line method.

OP Corporate Bank has assessed to what extent cash flow hedges are dependent on the uncertainty associated with the Interest rate Benchmark Reform on the reporting date. Hedged items and hedging derivatives continue indexing in respect of the reference interest rate that is not changed and whose quotations continue on a daily basis and whose cash flows are changed between counterparties as before. In respect of cash flow hedges, OP Corporate Bank has not seen that the Reform causes any uncertainty with timing or Euribor cash flows on the reporting date of 31 December 2023. LIBORs (excl. USD LIBOR) ceased to exist on 12/2021 and USD LIBOR ceased to exist on 6/2023. OP Financial Group was prepared for the cessation of the USD LIBOR and carried out appropriate changes in the terms and conditions of agreements.

7 Intangible assets

Information systems are presented in the intangible assets group on the balance sheet. (Note 20. Intangible assets).

7.1 Information systems

Information systems are measured at cost less amortisation and any impairment losses. In general, computer software and licences are amortised over 4 years and other intangible assets over 5 years.

The development costs of internally generated intangible assets (software) are capitalised from the time when they can be determined reliably, completing the asset is technically feasible and the asset can be used or sold and it has been demonstrated that the software will generate future economic benefit. The capitalised expenditure includes, for example, licence fees, purchased services, other external costs related to projects and inhouse work. The asset will be amortised from the time it is ready for use. An asset that is not yet ready for use is assessed annually for impairment. Research costs are recognised as expenses for the financial year.

7.2 Cloud computing arrangements

In cloud computing arrangements, in other words Software as a Service (SaaS) or Infrastructure as a Service (IaaS), the software vendor has partial or full control over the software or service concerned, and OP Corporate Bank does not capitalise fees for software or services controlled by the vendor as intangible assets.

The development costs of a cloud computing arrangement, before its implementation, are recognised in prepayments under other assets. The amount capitalised in prepayments constitutes costs related to the implementation project and customisation that are performed by the service provider before the service provider is able to produce the service for OP Corporate Bank. Costs capitalised in prepayments are an integral part of the service and they are not separable from the service itself. Prepayment costs are spread over the contract period from the date when the service is ready for use.

8 Property, plant and equipment

Property, plant and equipment (PPE) assets are carried at cost less depreciation and any impairment losses. These assets are depreciated on a straight-line basis over their estimated useful lives. Land is not subject to depreciation. Subsequent expenditures are capitalised at the asset's carrying amount only if it is probable that the asset will generate greater economic benefits than initially estimated (Note 21. Property, plant and equipment).

The estimated useful lives are mainly as follows:

Buildings	20–50 years
Machinery and equipment	3–10 years
Cars	5–6 years
Other PPE assets	3–10 years

The assets' residual value and useful lives are reviewed on each balance sheet date and adjusted as appropriate if expectations differ from previous estimates with respect to economic benefits. PPE assets are written off from accounting when they have gone out of use.

8.1 Impairment of PPE and intangible assets

On each balance sheet date, OP Corporate Bank assesses whether there is any indication of an asset's impairment. If such indication exists, the amount recoverable from the asset will be estimated. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its future recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell (net selling price) or value in use. The recoverable amount is primarily determined on the basis of the asset's net selling price, but if this is not possible, the asset's value in use must be determined. The asset's value in use equals the present value of future cash flows expected to be recoverable from the asset.

If the asset's net selling price cannot be determined and the asset does not generate cash flows independent of other assets, the need for impairment will be determined through the cash-generating unit, or the business segment or its company, to which the asset belongs. In such a case, the carrying amounts of the unit's assets are compared with the entire unit's recoverable amounts.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount of the asset may not exceed the carrying amount of the asset that would have been determined had no impairment loss been previously recognised.

9 Leases

At the inception of the lease, OP Corporate Bank assesses whether the contract concerned is a lease or contains a lease. It is the question of a lease treated under IFRS 16 if the following conditions are fulfilled in all respects:

- The contract is based on control over an identified asset in such a way that OP Corporate Bank or its employees have the right to decide on the use of the asset throughout the lease period when OP Corporate Bank is the lessee and the customer and its Group companies have decision-making powers related to the use of the asset when OP Corporate Bank is the lessor.
- The contract includes rights and obligations and related payments.
- The asset identified in the contract is used only by OP Corporate Bank or its employees when OP Corporate Bank is the lessee, and by the customer or its Group companies when OP Corporate Bank is the lessor.

9.1 Recognition of assets leased out

On the date of inception, OP Corporate Bank classifies leased out assets as finance leases or operating leases depending on the substance of the transaction. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership to the lessee. All other leases are classified as operating leases. Lease classification is performed at the inception of the lease.

Assets leased out under finance lease are recorded as receivables from customers in the balance sheet. The asset is recognised to the amount equal to the net investment in the lease. Finance income from the lease is recognised in interest income based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Assets leased out under operating lease are shown under property, plant and equipment and are depreciated on a straight-line basis over the lease term. Lease income is presented under other operating income and is recognised on straight-line basis over the lease term. The fixed duration specified in the contract is determined as the lease term in the leased contracts that may not be extended or terminated without a good reason or sanction.

9.2 Recognition of leased right-of-use assets

Leased right-of-use assets are presented in PPE assets and are mainly derecognised during the lease term. The corresponding lease liability is presented in other liabilities and the related interest expenses are presented in net interest income. Service charges related to leases, which are separated from the lease amount, are presented in other operating expenses. Separating the service charge is performed by right-of-use asset class.

For leased contracts, OP Corporate Bank defines the lease term as follows:

- a fixed term that cannot be extended or terminated without any good reason or sanction or
- based on management judgement, for a maximum of three years when it is the question of a property lease until further notice to which a mutual notice period applies. If the lease is fixed at first and is renewed to be valid until further notice as described above, the lease term is a combination of these. When such a lease has been terminated, the notice period is defined as the lease term. When determining the lease term, OP Corporate Bank assesses that it is reasonably certain that the lessee stays on the premises longer because the property based on the lease has a central location and no substitutive property is necessarily available.
- the lessor's notice period if it is the question of a lease other than a property lease until further notice to which a mutual notice period applies. The lease term will always be renewed with a new notice period after the end of the notice period unless the lease has been terminated. When determining the lease term, OP Corporate Bank assesses that it is reasonably certain that leases have been concluded for a longer time because terminating and renewing such leases would not be profitable or
- the useful life of the leased property if it is shorter than the lease terms defined in a matter mentioned above.

In calculating lease liability, OP Corporate Bank usually uses the incremental borrowing rate of the lessor. The interest rate quoted by the OP Corporate Bank Treasury is used as the incremental borrowing rate that Treasury uses to lend OP cooperative banks and OP Financial Group's subsidiaries.

OP Corporate Bank applies entry concessions allowed for lessors. Expenses of low-value and short-term leases for the financial year are recognised in other operating expenses. These leases include laptops, mobile phones and smaller devices and devices and machines leased on a one-time basis.

OP Corporate Bank applies IAS 36 Impairment of assets to determine whether the asset concerned has impaired. On every day at the end of the reporting period, OP Corporate Bank assesses whether there is any indication of impairment of an asset. If there is such indication, OP Corporate Bank will assess the asset's recoverable amount. An asset has impaired when its carrying amount exceeds its recoverable amount.

OP Corporate Bank's leased contracts are mainly those related to premises, company cars and safety devices (Note 22. Leases).

10 Employee benefits

10.1 Pension benefits

Statutory pension cover for OP Corporate Bank employees is arranged by Ilmarinen Mutual Pension Insurance Company. OP Corporate Bank provides its employees with supplementary pension cover through OP-Eläkesäätiö (pension foundation) or an insurance company.

Pension plans managed by Ilmarinen Mutual Pension Insurance Company are defined contribution plans. Supplementary pension plans managed by insurance companies may be either defined benefit or defined contribution plans. All of the plans managed by OP-Eläkesäätiö are defined benefit plans.

Expenses arising from pension plans are recognised under personnel costs in the income statement. Contributions under defined contribution plans are paid to the insurance company and charged to expenses for the financial year to which they relate. No other payment obligations are included in defined contribution plans. Curtailing the defined benefit pension plan or fulfilling or changing the related obligation is recognised through profit or loss at the time of occurrence.

Defined benefit plans managed by insurance companies and OP Bank Group Pension Foundation are funded through payments based on actuarial calculations.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets of OP Bank Group Pension Foundation and acceptable insurance.

Defined benefit obligations are calculated separately for each plan using the Projected Unit Credit method. Pension costs are charged to expenses over the employees' expected working lives on the basis of calculations performed by authorised actuaries. The discount rate for the present value of the defined benefit obligation is determined on the basis of the market return on high-grade corporate bonds on the closing date of the reporting period.

Items resulting from remeasurements of the net defined benefit liability are recognised in other comprehensive income in the period they occur. Remeasurements of the net defined benefit liability recognised in other comprehensive income will not be reclassified to income statement in later financial periods.

10.2 Short-term employee benefits

OP Corporate Bank has in place a performance-based bonus scheme and a personnel fund. Bonuses will be paid for work performed during the performance year and the amount charged to expenses is recognised in personnel costs and deferred expenses over the vesting period.

The amount of compensation corresponding to the objectives reached is reviewed quarterly. Any effects resulting from reviewing the original estimates are recognised in personnel costs in the income statement, and the corresponding adjustment is made in accrued expenses and deferred income.

10.2.1 Performance-based bonus scheme

The performance period of the performance-based bonus scheme is 12 months. Short-term remuneration schemes are based on targets set for each company, team and person derived from the annual plan, covering all personnel of OP Corporate Bank.

The bonus is determined by the job grade and the maximum bonuses correspond to a 1–10-month annual salary. Thus, the proportion of fixed remuneration to variable remuneration is 8–83%, depending on the maximum bonuses.

Performance metrics of the performance-based bonus scheme in 2023

A factor applies to the bonus created through the achievement of the targets achieved in OP Corporate Bank that is based on the central cooperative consolidated's EBT. The total bonus amount in separately defined positions is based on OP Corporate Bank's EBT. Targets shown in the balanced scorecards and derived from annual planning are decided by the business lines/functions. Group-level metrics for all OP Corporate Bank managers/directors included OP Financial Group's cost/income ratio with a weight or 20% and a net increase of customers meeting the cross-product metric criteria with a weight of 20%.

In addition to the achievement of the performance metrics related to the performance-based bonus, qualitative assessment affects bonus payout, where the supervisor assesses a person's performance in view of compliance with regulation and instructions. The assessment also takes account of sustainability risks regarding the roles of persons for whom consideration of sustainability risks is an integral part of their duties. The performance-based bonus will be cut on the basis of the severity and number of offences using a factor of 0–1.

10.2.2 Personnel fund

All personnel of OP Corporate Bank, excluding directors and the Baltic personnel, belongs to OP Financial Group's Personnel Fund, into which bonuses are paid on the basis of pre-agreed principles, depending on the achievement of OP Financial Group's targets. Bonuses transferred to the Fund are recognised under 'Wages and salaries' in the profit and loss account and the counterpart as 'Deferred expenses' in the balance sheet until they are disbursed to their beneficiaries.

Payment of profit-based bonuses to OP Financial Group's Personnel Fund in 2023 was based on the achievement of the following targets: the cost/income ratio with a weight of 50% and net growth in customers fulfilling the criterion for the cross-product loyalty metric with a weight of 50%.

11 Provisions and contingent liabilities

A provision is recognised for an obligation if the obligation is based on a past event and it is probable that an outflow of resources will be required to settle the obligation, but there is uncertainty about the timing or amount required in settlement. In addition, an entity must have a present legal or constructive obligation towards a third party as a result of past events. If it is possible to receive compensation for part of the obligation from a third party, the compensation is recognised as a separate asset, but only at the time when receipt of the compensation is actually certain. (Note 28. Provisions and other liabilities).

A contingent liability is a possible obligation arising from past events, whose existence will be confirmed only by the realisation of an uncertain future event beyond OP Corporate Bank's control. A present obligation which probably does not require fulfilment of payment obligation or the amount of which cannot be defined reliably is also considered as contingent liability.

12 Income tax

Income taxes shown in the income statement include current tax, based on the taxable income of OP Corporate Bank, income tax for prior financial years and deferred tax expense or income. Taxes are recognised in the profit and loss except when they are directly linked to items entered into equity or other items in other comprehensive income. In such a case, the tax is recognised in the items in question. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and deferred tax on the basis of the current tax rate or the tax rate approved by the balance sheet date concerning years to come.

Deferred tax liabilities are recognised for all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax assets are calculated on tax-deductible temporary differences between the carrying amount and taxable value included in the financial statements, and on losses confirmed for tax purposes. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax assets are not recognised insofar as taxable profits are not likely to be generated against which taxable losses or refunds can be utilised. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted by the balance sheet date (Note 24. Tax assets and liabilities).

13 Charges of financial authorities

OP Corporate Bank pays charges to various authorities. Responsibility for banking supervision rests with the European Central Bank. The Finnish Financial Supervisory Authority is responsible for macroprudential supervision and supervision of conduct of business. The EU's Single Resolution Board (SRB) is responsible for bank resolution. The financial authority charges and fees are in full recognised under other operating expenses at the beginning of the year (Note 13. Other operating expenses).

13.1 Stability contribution

Stability contributions will be paid to the euro-area Single Resolution Fund (SRF) until 2023 in such a way that the target of at least 1% of the amount of covered deposits will be reached. The SRF is managed by the Single Resolution Board which also determines the amount of stability contributions. The SRF ensures that the financial industry, as a whole, finances the stabilisation of the financial system. The stability contribution is determined based on the bank's importance and risk profile.

13.2 Deposit guarantee contribution

Amounts contributed to the former Deposit Guarantee Fund currently exceed the EU requirements governing the deposit guarantee level. By virtue of its rules, the former Deposit Guarantee Fund takes charge of the deposit guarantee contributions payable by its member banks to the new Deposit Guarantee Fund in proportion to which each member bank has made contributions to the former Deposit Guarantee Fund over the years. The Financial Stability Fund determines the contribution for each member bank but charges the amount directly from the former Deposit Guarantee Fund. The deposit guarantee contribution had no effect on OP Corporate Bank in 2022 and 2023 in terms of expenses.

13.3 Financial Stability Authority's administrative fee

The administrative fee charged by the Financial Stability Authority is based on the same calculation method as the supervision fee charged by the Financial Supervisory Authority.

13.4 Financial Supervisory Authority's supervision fee

The supervision fee charged by the Financial Supervisory Authority comprises a relative supervision fee, which is based on an entity's balance sheet total, and a fixed basic fee.

13.5 European Central Bank's supervisory fee

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

14 Government grants

Government grants mean support by which resources are transferred to an entity that has followed or will follow certain conditions related to its business in consideration of the support. Benefit that is received at an interest rate lower than that for the market interest rate of the public authority for the loan is treated as a government grant. The benefit lower than the market interest rate for the loan must be determined based on the difference between the loan's original carrying amount and received payments. However, government grant will be recognised only when it is reasonably certain that the entity fulfils the related terms and condition and that the grant will be given. Grants related to income are reduced from respective expenses in the financial statements and are recognised through profit for the periods when the expenses are recognised as expenditure that the grant is meant to cover.

15 Upcoming amendments to standards

Amendments to IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures will enter into force on 1 January 2024. Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates will enter into force on 1 January 2025. The amendments will not have any significant effect on OP Corporate Bank's financial statements.

Note 2. OP Corporate Bank plc's Risk Appetite Framework

2.1 Overview of OP Corporate Bank's significant risks

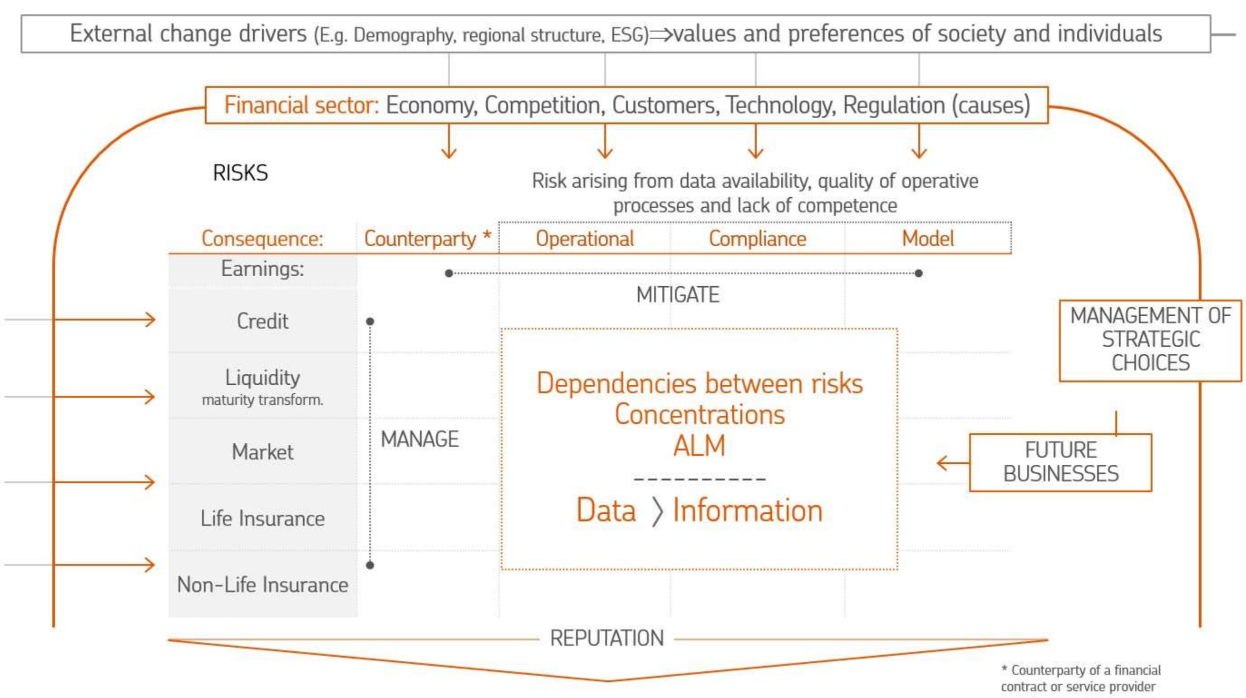
OP Corporate Bank's independent Risk Management function forms part of OP Financial Group's centralised Risk Management in organisational terms. OP Financial Group's Risk Appetite Statement and Risk Appetite Framework cover all operations. Its general risk management principles are further specified by revenue logic (by product and service). The bases for establishing revenue logics include services provided to customers; processes needed in service production, operational analyses and reporting; and understanding of the risks involved for OP Financial Group in providing the services.

Due to the characteristics of OP Financial Group's business and industry, risks have two distinct fundamental principles: OP Financial Group may earn revenue through risks (earnings risks) or risks may be a consequence of something (consequential risks). Reviewing earnings risks involves the examination of OP Financial Group's critical success factors from the business perspective. For this reason, OP presents the sources and management of earnings risk in detailed descriptions of significant risks by revenue logic, except for Group-level risks that apply to all revenue logics. Most consequential risks are Group-level. Reducing potential negative impacts is the key focus of consequential risk reviews.

The graph below shows a summary of OP Financial Group's significant risks and their sources. The sources and root causes of significant risks are presented in shaded grey and orange in the periphery of the figure's table. The negative effect of potential materialisation of risks on OP Financial Group's trust and reputation is also described outside the table.

It is highly important to note the following in the graph's table:

- Taking earnings risks may cause consequential risks in addition to the sources and causes of OP Financial Group's external risks.
- The combined effect of earnings and consequential risks may result in new Group-level risks, due, for example, to concentrations and interdependencies between risks.
- Due to the different functions of earnings and consequential risks, OP Corporate Bank primarily aims to manage earnings risks, whereas it primarily aims to reduce consequential risks.



OP Financial Group's revenue logics are: Banking through the balance sheet, Banking – Markets, Banking – Asset Management, Non-life Insurance and Life Insurance. The revenue logic, Banking through the balance sheet, is further divided by business segment between Corporate Banking, Retail Banking, and Group Treasury (included in other operations according to OP Financial Group's segment division). Banking's revenue logics include both the Retail Banking segment and the Corporate Banking segment. The Life and non-life Insurance revenue logics belong to the Insurance segment.

OP Financial Group's risk management and compliance are based on the three lines of defence principle. The first line of defence comprises businesses, the second line of defence comprises the Risk Management and Compliance assurance functions independent of the businesses, and the third line of defence comprises Internal Audit (independent of the other lines of defence). Each line of defence has its own role in performing the risk management process efficiently.

At OP Financial Group, the first line and the second line of defence in risk management cooperate on an ongoing basis. This is to ensure that all expertise needed to develop and manage operations is available in advance. The lines of defence jointly create the risk management process, which takes account of the special features of OP Financial Group's business. There is a clear division of responsibilities between the first and second lines of defence.

- OP Financial Group's businesses fulfil its strategy and are responsible for planning and efficiently and effectively implementing their own operations and for internal control. Only the business concerned makes business decisions and is responsible for the quality of its customer service, its business continuity as well as its earnings and risks. The businesses' routines include reporting on risks concerning business operations.
- The second line of defence prepares a risk management framework for approval by OP Financial Group's management. Within this framework, the first line of defence takes and manages risks related to its daily business. The second line of defence supports the first line of defence by consulting and constructively challenging it, especially in matters forming part of its own expertise. In addition, the second line of defence oversees compliance with regulation and OP Financial Group's guidance framework, and independently analyses the balance between earnings, risks, and capital and liquidity acting as buffers. It also analyses how business continuity can be ensured during incidents. Risk Management also assesses whether the businesses' strategic goals and choices are in line with the Risk Appetite Statement set by management, and other principles covering risk-taking and risk management.
- Internal Audit, which independent of other lines of defence, acts as the third line of defence.

2.2 OP Corporate Bank's significant risks: sources and management

2.2.1 Definitions and sources of significant risks

Below is a summarised description of the definitions and sources of OP Corporate Bank's significant risks.

Credit risks	Credit risk refers to the risk of a contracting party to a financial instrument being unable to fulfil its contractual repayment obligations, and thereby causing a financial loss to the other party.
Liquidity risks	A liquidity risk is the risk of liquidity or capital availability being insufficient to realise business goals as laid down in the strategy. It is caused by the timing of inflowing or outgoing cashflows (payments) and/or imbalances between them. Liquidity risks include concentration risk, market liquidity risk and refinancing risk. Concentration risk is caused by the concentration of financing across time, or between certain counterparties or instruments. Market liquidity risk is the risk of failure to execute market transactions within a desired time and/or at an estimated price, or of a contraction in the liquid assets owned by a bank.

	Refinancing risk involves the risk that a debt cannot be refinanced on the market.
Structural interest rate risk on the balance sheet	Risk arising from the effects of interest rate movements on Banking's annual net interest income, and solvency. The banking book consists of non-trading book customer agreements (loans and deposits), market-based funding, equity capital, liquidity buffer (fixed income investments and cash) and interest rate derivatives (items that balance risks and liquidity).
Other market risks	Other market risk refers to an unfavourable change related to the value of a contract or contract revenue due to price changes observed in the financial market. Market risks include interest rate, currency, volatility, credit spread, equity and property risks associated with on- and off-balance sheet items as well as other potential price risks.
Counterparty risks	Counterparty risk refers to the risk that a party to a derivative contract, repurchase agreement (Repo), trade or reinsurance contract will fail to fulfil its financial obligations, accompanied by a risk of growing costs due to obtaining a corresponding, replacement contract. A special feature of counterparty risk is a change in the risk level alongside the agreement's market value, due to which contractual risk can grow after an agreement is made.
Operational risks	Operational risk is caused by all business operations and may result from insufficient or incorrect practices, processes, systems or external factors. OP Financial Group's operational risks also include ICT and security risks. Operational risk related to data capital means potential losses, loss of reputation or deterioration of operations caused by uncertainty in decision-making, management and reporting related to data and the information derived from it.
Compliance risks	Risks related to non-compliance with regulations and guidelines
Model risks	Model risk occurs when a model created to describe a certain phenomenon or behaviour fails to do so in the intended manner. Model risk can be used to monitor financial losses or loss of reputation caused by decisions made on the basis of the results of models, due to errors made in the development, implementation or use of such models. The model risk management model provides a way of describing, quantifying or simulating a certain phenomenon or behaviour. A model translates source data based on mathematics, statistics and expert assessments into data guiding business decisions or quantitative or qualitative data related to financial risk exposure. Source data/inputs can be quantitative and/or qualitative, or based on expert assessments.
Reputational risks	This is the risk of a weakening in reputation or trust, primarily due to the simultaneous realisation of an individual risk or several risks, or to some other kind of negative publicity.
Concentration risks	Risks that may arise due to a business having an excess concentration of risk in individual customers, products, lines of business, maturity periods or geographical areas. Concentration risk can also arise due to a concentration of service providers or processes.

Risks associated with future business	Risk associated with the conditions and volumes on which similar or entirely new agreements are based. This also includes risk arising from inadequate internal reaction and inflexibility in the business and competitive environment, or changes in customers' values or in technology.

Risks associated with future business are not dealt with as a separate whole, because they may emerge in the form of various significant risks, or as part of different risk types.

Customer behaviour risk may materialise in several risk types (the impact of a change in customer behaviour affecting matters such as the value of insurance contracts, volume of deposits or early repayments of contracts).

Residual risk is a lingering risk which a party cannot or does not want to eliminate, or that remains after possible risk reduction measures. Residual risk can be considered synonymous with risk. As such, residual risk is not an equivalent concept to the significant risks described above, but may apply to any of those risks.

Drivers of change in the business environment, such as technological or climate change and other sustainability factors (ESG factors – Environmental, Social and Governance), affect the needs and preferences of customers and other members of society. ESG factors are external megatrends – examples of root causes on OP Financial Group's risk map. They are defined as change factors affecting different risk types, not as separate risks, in risk identification processes.

Worsening climate change and environmental damage create physical risk factors:

- Acute risk factors include extreme weather conditions such as events related to drought, floods and storms or, for example, an individual environmental catastrophe.
- Longer-term changes emerge more slowly: examples include global warming, rising sea levels, reduction in biodiversity, land and water pollution, and the destruction of living environments.

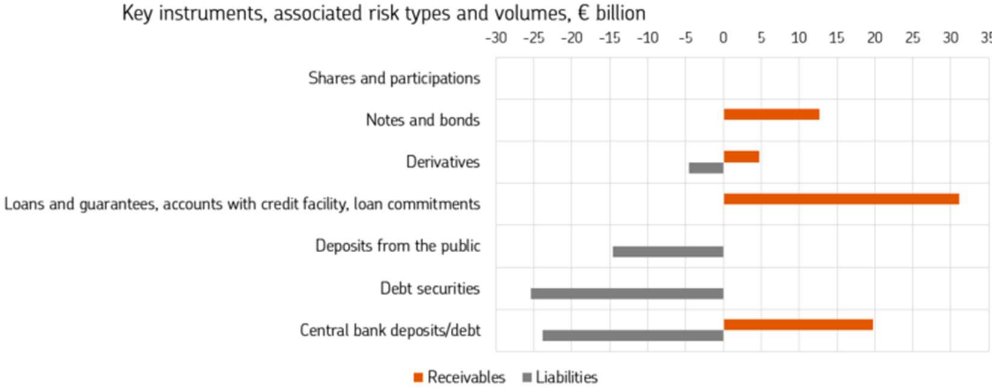
The transition towards a low-carbon and more environmentally sustainable economy will have direct and indirect impacts. These include, for example, climate or environmental policy decisions, technological development, market confidence, and changes in customer choices.

Physical and transition risks will impact on OP Financial Group's business and financial success through customers and other stakeholders, in particular. If they materialise, such risks may affect the risk profile, capitalisation, liquidity and continuity of daily business in various ways.

Key instruments and risk types

The graph below describes risk types associated with key financial instruments and illustrates the significance of risk types by means of the balance sheet values of each financial instrument (31 December 2023).

Key instruments, associated risk types and volumes, € billion



Credit	Market	Operational	Liquidity
	x	x	x
x	x	x	x
x	x	x	x
x	x	x	x
	x	x	x
	x	x	x
	x	x	x

2.2.2 Banking risks

Credit risks

Credit risk related to customer relationships in banking mainly concerns bilateral promissory notes agreed with Finnish customers. As a rule, the terms of these promissory notes do not allow them to be sold onwards. Exposures' maturities vary from short-term products with credit limits to longer-term promissory notes, but the latter dominate the balance sheet quantitatively. The average maturity of personal customer exposures is based on mortgages, and that of corporate customers is based on promissory notes with 3–7-year maturity periods. The credit risk transfer of these assets to the markets, either individually or in portfolios, is not part of OP Financial Group's business model. Personal customers can repay variable-rate loans faster than required by the repayment schedule. Correspondingly, successful companies often use their negotiation power to refinance variable-rate loans prematurely, when the new loan is available for a lower loan margin than the current one. This results in faster contraction of assets based on borrowers with improved creditworthiness, than on those whose credit risk has increased.

The above require that OP Financial Group succeed overall in:

- proactively steering the overall portfolio structure so that each portfolio goes overweight in terms of customer groups (portfolio segments) with homogeneous risks, which are likely to succeed in the future business environment,

- excelling our competitors at selecting customers from the overall customer population that improve/maintain their creditworthiness and retaining such customers and their loans on the basis of the original, risk-based terms. Conversely, the pricing of each customer with deteriorating creditworthiness ~~must~~ be adjustable to cover the growing risk.

To succeed in credit risk management, senior management needs top-quality, continuously updated data on individual groups of connected clients, the financial status of each group of connected clients, and the related, explanatory factors (particularly how such factors change in different future business environment scenarios). In addition, senior management must identify mutual dependencies between individual actors. Through this information, it must assess the repayment ability of groups of connected clients on the basis of forecast free cash flow and the related uncertainty. Such assessment requires comprehensive, continuously updated data on customers, their "balance sheet", and the management of current agreements, as well as analyses in support of decision-making

Phases of credit risk management strategy

To arrange credit risk management in line with risk appetite, senior management must define and describe the following matters, and implement them in processes:

- **A consistent picture of processes:** The basis of all activities must be a shared view of the customer financing process, the related credit risk management process phases, and dependencies between these phases. Each process forms a whole whose phased tasks, the outputs of such tasks, and the data needed and created at each phase must be defined. The credit risk management principles are also applied to management of Corporate Banking's bond portfolio.

- **A clear picture of homogenous groups** : customer and/or transaction groups (portfolio segmentation) with homogeneous credit risks must be defined on the basis of the borrower's income sources and collateral types. Repayment of loans and/or the refinancing of debt depend on the borrower's ability to generate free cash flow. For this reason, income source is the primary segmentation criterion and segmentation must be adjusted by collateral type. Grounds must be given for not adjusting segmentation in this way. Although agreements' legal terms and conditions are not used as grounds for credit risk segmentation, such information must be taken into account when advising the customer and assessing credit risk.

- **Credit risk management:** consistent customer relationship management and agreement management practices, and analysis and measurement methods, must be defined for portfolio segments. This must take account of legal terms and conditions in the agreement that affect the size of the credit risk (PD, LGD and EAD). When risk parameters are assessed at portfolio level, account must be taken of e.g. probability of default (PD) and collateral value dependencies. These consistently defined practices must be systematically applied at the various phases of the financing process. This group of portfolio segment-specific practices (the credit rating system) must form the basis of operations and their development.

- **Definition of data needs:** The same systematic practices can be applied in different portfolio-specific credit rating systems, but such systems differ in terms of the data required. Data must be defined for each portfolio, to enable the various phases of financing and credit risk management processes. In addition, possible deficiencies in data availability and usability must be reported to the management and the data owner.

- **Processes and instructions:** Customer financing service processes and the related credit risk management processes must take account of the above matters, to ensure that the required source data can be collected from customer processes and external sources, and that quantitative data generated in various process phases is made available for other phases. This is described in greater detail in section 4.2.3.

Credit risk management phases of customer relationship

Maintenance of customer's basic information: The legal basis for determining groups of connected clients must be recorded and customers' basic information kept up to date, to enable high-quality and efficient risk management.

Continuous profiling of the customer and collateral: the customer business's revenue logic, current status and current realisation value of assets to be pledged as collateral must be determined. Information must also be collected to enable assessment of the customer's financial success and how collateral value will develop in various scenarios. Customer analysis is done whenever a new customer is onboarded or the customer's situation changes. Senior management must arrange at least the following:

- The financial statements and balance sheet information of groups of connected clients must be kept up to date, and historical data must be maintained. If a borrower is in default and their information must be updated, a quantitative grading and collateral liquidation value are required.

- A granular assessment must be performed of the customer's revenue logic and of factors affecting future free cash flow and asset values. The customer's vulnerability to price risks on the markets – whether they involve production factors, financial assets or end products – must be determined. The customer's financial statements must be closely analysed to identify balance sheet and profit dependencies on particular product ranges or customers, suppliers and market areas etc, so that actual groups of connected clients can be identified.

- Assessment of financial sustainability must include taking account of climate-related factors as part of financing decisions. Collateral valuation must include assessment of how climate and biodiversity-related factors impact on projected values. Our corporate customers must be sorted into ESG (Environmental, Social, Governance) categories based on industry exposure to ESG factors, and an ESG analysis must be performed, if necessary.

- Information on the customer and collateral must be updated sufficiently often and used as the basis for assessing the customer's or transaction's credit rating and/or collateral liquidation value. The credit rating methodology (specific to the credit rating system) and collateral valuation methodologies must be described.

- The probability of default (PD) trends of individual borrowers in each rating grade and loss given default (LGD) ratios must be assessed over time.

Sizing and pricing of new loans

When the customer and their collateral have been assessed, the results must be used to measure and price any new loans, or to restructure the customer's current loan portfolio.

Granting of loans must be based on the customer's repayment capacity and the loan terms and conditions. The current and future repayment capacity set limits on the loan amount and other terms. In addition, loan sizing must take account of how future terms will impact on the customer's financial success. The purpose of collateral is to limit potential credit loss – collateral is only realised in cases of default.

Agreement pricing must include the customer's PD over time and LGD over time, but in such a way as to avoid allocating the entire portfolio's diversification or concentration impacts to these risk parameter values. It must also take account of interdependencies between (as well as developments in) default and collateral value, and the loan repayment schedule and seniority of creditors. Detailed pricing principles are presented in Appendix 2: senior management can base precise, portfolio segment-specific pricing models on these principles.

Deciding on and implementing agreements

Because credit decisions involve a decision to take a risk, there must be sufficient, accurate and up-to-date information about the factors affecting the project and decision. The decisions and its grounds must be recorded in the decision-making system. Financing decision-making is based on the principle of segregation, whereby the person preparing financing may not make the financing decision alone. Decisions that deviate from the target risk profile specified in the risk policy must be explained on a broader basis.

Credit management during the agreement's validity

Credit control and proactive customer-specific assessment must be based on the same information (on the customer, collateral and agreement terms) as credit granting. The agreement terms set must be based on such information, or indicators derived from it.

To identify the customer's financial situation (particularly possible financial distress), credit control processes must comply with the practices defined for the credit rating system. Precise indicators and their threshold values must be defined, on the basis of which the customer/loan is assigned to a certain credit risk-cycle phase. Comprehensive information must be available across the credit life cycle about different credit risk-cycle phases and rating grades, and about any realised losses, to enable the allocation of collateral assets to the correct exposures. As the values of defined indicators change, ~~the responsible parties~~ must take action in accordance with agreed practices and report the matter to management.

Customers that are most significant to the bank and whose risk of default has clearly increased, or whose repayment capacity is subject to another significant threat, must be placed under special control. For these customers, the bank must prepare an action plan on measures to resolve the customer's situation from the bank's perspective, and minimise any risk that might materialise for the bank.

Senior management must define and describe how work is divided between the first and second lines of defence for the above customer-specific credit risk management. As a general principle, the first line of defence is responsible for all credit risk management tasks except the following second line of defence roles: credit rating methodology, verification of rating grades and collateral values, and quantification of risk parameters. The division of tasks between lines of defence is described in section 4.2. Risk management process infrastructure.

Phases of portfolio-level credit risk management

Due to OP Financial Group's structure, there is no single, centralised party that could decide on the portfolio structure and its adjustment. Senior management must arrange portfolio management and the organisation of tasks based on the following phases:

- Basic monitoring of the credit risk portfolio: Assets must be divided into portfolio segments and rating grades, customer and transaction specifically. Descriptive indicators must be defined for such assets, which make monitoring of risk allocation easy. The grounds for portfolio diversification benefits and concentrations, and the impacts of such benefits and concentrations on capital need, must be reported separately.

- **Preparation of target portfolio and risk policy:** A target portfolio for credit risk assets in banking must be prepared annually, as part of the annual planning process. This target portfolio must take account of the current portfolio structure and its economic capital, business strategy priorities, forecast changes in the external business environment, and customers' needs. Portfolio segment/credit rating-specific weightings for new lending and pricing, and indicators and impact analyses that give an accurate picture of assets, must be specified for the risk policy.

- **Preparation of detailed credit policy:** The credit policy must define portfolio-specific weightings for new sales and pricing, for inclusion in the risk policy. Customer-specific credit risk taking is steered by the credit policy, which provides portfolio segment-specific policies for rating grades, collateral shortfalls and loan repayment terms and conditions. Implementation of the credit policy must be reported and monitored on the basis of the portfolio segment-specific return on risk-adjusted capital (RORAC). Accordingly, the economic capital metrics used must make different asset types mutually comparable, to enable credit risk taking in line with the credit policy.

- **Detailed analysis and reporting and ad-hoc reporting of the credit risk portfolio:** The risk parameters of assets, and the impact of sectors and large, individual customers in the portfolio, must be reported for banking as a whole and broken down between the Retail and Corporate Banking segments. Moreover, senior management must be capable of producing specific reports based on separately defined target groups and scenarios, rather than portfolio segmentation.

Liquidity risks

<u>Identifying liquidity risks</u>

OP Financial Group's Treasury and other business units plus Risk Management continuously identify and assess risks associated with funding and business and other business environment. In the risk assessment of new products, services, business models, processes and systems, every business must also take account of liquidity risks. At least once a year, the Risk Management function and representatives of the business concerned make a comprehensive liquidity risk assessment to ensure that the internal liquidity adequacy assessment process (ILAAP) is appropriate and adequate in relation to the Group's liquidity risks.

<u>Assessment and measurement</u>

The central cooperative consolidated assesses the future cash flows of receivables, liabilities and off-balance-sheet commitments based on the contract maturity date, repayment programme, expert assessments or statistical models based on customer behaviour history.

Structural funding risk is measured as the difference between cash inflows and cash outflows in different maturities. In addition, the central cooperative consolidated calculates the regulatory Net Stable Funding Ratio (NSFR), which determines the amount of stable funding sources expected to span over one year in proportion to assets requiring stable funding.

From the perspective of the relevant authority, funding liquidity risk is measured using the Liquidity Coverage Ratio (LCR). The sufficiency of the liquidity requirement in terms of time is assessed though maturing items on the balance sheet, wherein agreements are not renewed but ended at maturity. Based on the economic perspective, OP Financial Group measures the sufficiency of the liquidity buffer through stress testing.

The Group measures funding concentration risk by calculating the amount of bond funding with a maturity of rolling 12 months and 3 months. In the time horizon of less than 12 months, OP Financial Group measures the total wholesale funding amount, comprising short- and long-term wholesale funding, for 3 months. When it comes to deposit funding, the Group monitors the concentration of the largest deposit volumes. Concentrations by counterparty and instrument are also subject to monitoring.

The central cooperative consolidated measures its asset encumbrance by proportioning encumbered assets to the aggregate amount of balance sheet assets and collateral securities.

Risk assessment and measurement methods related to liquidity buffer investments are defined as part of market risks.

Liquidity stress testing

The adequacy of OP Financial Group's liquidity buffer and buffer items is assessed through various scenarios. OP Financial Group-specific and market-specific scenarios, as well as their combination, are used as stress scenarios. The scenarios must cover both short- and long-term stress conditions. When measuring member bank-specific structural funding risk, the liquidity requirement based on the regulatory stress scenario is counted as a deposit in Treasury on a bank-specific basis. A reverse stress test is used in connection with the Group's Recovery Plan. Senior management confirms the scenarios to be used, use and reporting of stress test results.

Funding plan

OP Financial Group's funding plan defines guidelines for wholesale funding for the next few years. In its funding plan, OP Financial Group must take account of its member banks' estimate of the funding need for years to come. Implementation of the plan is monitored regularly and the plan is updated, where needed, during the year. Deposit funding is primarily based on the business strategy and plan. The funding plan specifies the sources of wholesale funding and presents how the Group covers its need for key wholesale funding sources in view of market depth and sufficient diversification. It also defines the related decision-making powers. Moreover, the funding plan must take account of unfavourable scenarios lasting several years, and of any abrupt changes in key funding items.

OP Financial Group's liquidity and wholesale funding plan and authorisations to raise capital are subject to approval by the Boards of Directors of OP Corporate Bank and OP Mortgage Bank.

Non-euro liquidity management

OP Financial Group carries out non-euro funding due to the diversification of funding sources. Since almost all the Group's receivables are in euros, the Group mainly converts its non-euro funding into euros through derivative transactions in connection with an issue.

According to liquidity regulation, a non-euro currency is significant if non-euro liabilities account for over 5 per cent of the amalgamation's balance sheet total. The Group monitors significant currencies every month when it produces its liquidity report for the supervisor. Foreign currencies account for only a small proportion of the balance sheet and the liquidity risk due to currency availability has been minimised by the operating model.

Management of intraday liquidity

OP Financial Group's Treasury monitors intraday funding sources and anticipates and monitors the execution of intraday payments. The Group holds intraday funding sources at an amount that allows it to make payments due on the banking day.

Based on the liquidity contingency plan, the Group can raise its level of preparedness even if intraday liquidity is disturbed in order to ensure efficient operations in the case of an increased threat of a crisis.

Liquidity buffer

From the financial perspective, the liquidity buffer consists of deposits in the Bank of Finland and unencumbered notes and bonds eligible as collateral for central bank refinancing held by OP Corporate Bank. It also includes other notes and bonds held by OP Corporate Bank marketable on the secondary market and unencumbered corporate loans eligible as collateral for central bank refinancing.

From the regulatory perspective, OP Financial Group's liquidity buffer consists of the liquidity buffer that fulfils the criteria for liquidity buffer requirement provisions (LCR buffer).

The Group's Treasury is responsible for preparing the investment plan at least once a year. The bond investments in the liquidity buffer held by the Treasury are included in it. OP Corporate Bank's Board of Directors approves the plan. The investment plan applies the restrictions and objectives set in OP Financial Group's Risk Appetite Statement (RAS) and Risk Policy for market risk, credit risk and funding liquidity risk. To the appropriate extent, the investment plan establishes a framework for testing the liquidity of notes and bonds.

OP Corporate Bank diversifies investments, for example, by product, counterparty and country, in view of both internal risk appetite and external regulatory requirements.

Collateral management and asset encumbrance

In this context, collateral securities mean OP Financial Group's assets used as collateral to fulfil liquidity needs, either in normal or stress conditions. Group Treasury monitors collateral on a centralised basis, and is responsible for its use and transfer.

Home loans serving as collateral for covered bonds issued by OP Mortgage Bank constitute the largest source of asset encumbrance in the balance sheet. Central bank operations and the derivatives business are the other main sources of asset encumbrance. From the perspective of preparing for liquidity needs, the central cooperative consolidated restricts asset encumbrance through the quantitative limits specified in its Risk Policy.

To increase liquidity potential, it is necessary to identify the eligibility of the balance sheet receivables as collateral and create readiness to use receivables as collateral.

Securing liquidity in stress conditions

OP Financial Group's liquidity contingency plan establishes a framework that safeguards the Group's ability to meet its payment obligations, even during a liquidity crisis. The plan provides well-defined operational guidelines and operating models for reducing liquidity risk: these enable the detection of elevated liquidity risks and steer OP Financial Group towards timely and appropriate measures if the threat of a crisis has grown. It specifies control and monitoring practices for each liquidity level, which become more rigorous as escalation proceeds. The liquidity contingency plan is subject to approval by the central cooperative's senior management.

Furthermore, OP Financial Group's Recovery Plan includes liquidity management recovery measures.

Liquidity risk reporting

The Group reports liquidity risks to the central cooperative's management on a regular basis, switching to weekly or daily reporting if the liquidity preparedness level is raised. OP Financial Group's companies report regularly to boards of directors on liquidity risks. As part of OP Financial Group's risk analysis, Risk Management reports quarterly to the Risk Committee, which operates under the central cooperative's Board of Directors, on liquidity risks.

Liquidity management and control within the amalgamation

Liquidity regulation as such is not applied to the amalgamation's companies. However, with the ECB's permission, the central cooperative may give member banks special permission to deviate from the liquidity regulation. As the central institution of the amalgamation of cooperative banks, OP Cooperative has granted its member credit institutions special permission, under the Act on the Amalgamation of Deposit Banks. Pursuant to the Act, the liquidity requirements set for credit institutions mentioned in Part VI of the EU Capital Requirements Regulation are not applied to OP Cooperative's member credit institutions. Liquidity based on the regulation is subject to supervision and reporting at the level of the cooperative banks' amalgamation. To fulfil the prerequisite for granting special permission, the central cooperative gives the amalgamation's companies instructions on the risk management needed to secure liquidity and meet other qualitative requirements, and supervises compliance with these instructions.

The central cooperative senior management is responsible for organising OP Financial Group's centralised liquidity risk management according to liquidity strategy policy lines. It must ensure that management and supervision of the amalgamation's liquidity accord with the scope and quality of business, and fulfil regulatory requirements, at all times. In the sales control of borrowing and lending, the management pays attention not only to growth and profitability targets but also to liquidity features. Product development related to customer service must also aim to reduce risks associated with the liquidity and funding structure.

As OP Financial Group's treasury, OP Corporate Bank plc is tasked with securing the liquidity of the entire Group and each OP cooperative bank or Group company. OP Financial Group places its entities' liquidity in its Treasury's cheque account with the Bank of Finland. This means that the Group always manages its overall liquidity position through the central bank cheque account. OP Financial Group's Treasury is in charge of the Group's wholesale funding, manages the Group's short-term liquidity, maintains the liquidity buffer, manages the Group's minimum reserve on a centralised basis, and is responsible for managing intraday liquidity risk. In addition, OP Financial Group's Group Treasury ensures that liquidity and maintenance of the minimum reserve are managed in accordance with each country's regulatory requirements. OP Corporate Bank manages the Group's wholesale funding on a centralised basis, in the form of debt capital and equity capital, while OP Mortgage Bank manages wholesale funding based on covered bonds. Companies that fall within the scope of joint and several liability of market-based financing seek financing from Group Treasury and other companies from OP Corporate Bank's banking operation.

Based on a decision by the Board of Directors or a body it has authorised, in normal situations Group Treasury may use collateral securities from anywhere in OP Financial Group. In a severe liquidity crisis caused by money and capital market disruptions or other events, or in preparing for such a crisis, the central cooperative's Board of Directors can, upon a proposal by the President and Group CEO, oblige the amalgamation's member banks to place part of their loan portfolio with OP Mortgage Bank as collateral for the covered bond issued by OP MB through an intermediary loan. The loan amounts needed are based on the Group-level need and are determined for each bank. The decision may be put into practice based on a decision made by the central cooperative's Board of Directors or a body it has authorised. Member banks are committed to immediately executing any measures related to the decision.

The primary funding sources of OP cooperative banks' lending include equity capital, deposit funding and funding for intermediary loans from OP Mortgage Bank.

Allocation of liquidity risk costs within the amalgamation

The costs of wholesale funding and liquidity buffer maintenance are allocated among member banks based on the principles adopted by OP Cooperative's Board of Directors. The costs of liquidity maintenance are allocated through liquidity deposits and the costs of wholesale funding are allocated through the margin added to the base rate of OP Financial Group's loans/deposits, or through some other practice.

Market risks

Interest Rate Risk in the Banking Book (IRRBB) management strategy

The interest rate risk in the banking book is posed by retail banking transactions and the size of risk is affected by developments in customer credit and deposits. The interest rate risk in the banking book has been defined as one of OP Financial Group's significant risks.

The general principles for managing interest rate risk in the banking book are as follows:

- Senior management is responsible for arranging the management of interest rate risks in the banking book as part of OP Financial Group's banking activities, in line with the interest rate risk management strategy and grounded, stable and documented practices. Such methods must ensure that realisation of interest rate risk in the banking book (IRRBB) remains at Group level and within the limits set for each bank, and that the IRRBB is compliant with regulations.
- IRRBB limits set the size of interest rate risk at a level matching each member bank's risk-bearing capacity, taking account of each bank's deposit funding structure. This is particularly necessary when an attempt is made to increase net interest income using spreads between long-term and short-term interest rates.
- Member banks of the central cooperative manage interest rate risk in the banking book within the scope of the risk policy and limits, other guidelines and targets issued by the central cooperative, and the terms and

conditions of accounts, deposits and loans. Member banks must understand how interest rate movements and customer behaviour affect net interest income and have sufficient expertise in the use of derivatives in order to manage interest rate risks related to products provided by the Group Treasury. As part of their annual planning, member banks prepare an ALM plan that includes a management plan for their interest rate risk in the banking book.

- Overall interest rate risk in the banking book (IRRBB) is monitored by OP Financial Group's Treasury, and the Banking ALM Committee can provide member banks with recommendations on how to manage interest risk. Such recommendations can also be binding.
- The central cooperative must ensure that, through centralised hedge accounting, the financial statements of the Group and its major companies take account of interest rate risk transfer, in accordance with the nature of businesses in question.
- Interest income risk metrics are used to assess changes in net interest income and present value risk metrics to measure changes in the value of on-balance sheet and off-balance sheet items over the entire term to maturity assumed for the contracts. The interest rate outlook must include an assessment of how changes in the general interest rate and the shape of the rate curve will impact on net interest income and the present value of balance sheet items.
- When measuring interest rate risk, account must be taken of optionalities included in assets and liabilities, so as to make their impact visible in future cash flows. The models' functionality is ensured in accordance with the model risk management principles.
- When measuring interest rate risk, equity capital items – equity capital, cooperative capital and retained earnings – are non-interest-bearing items which are placed on a timeline in accordance with the term structure set for them. In risk calculation, subordinated loans in own funds are treated in accordance with their contractual terms and conditions. In the case of Profit Shares, cash flows must be set in accordance with the customer promise in each case.
- Regular stress tests must be performed regarding interest rate risk. In particular, this involves testing any change in customer behaviour in relation to how credit, deposits and Profit Shares have performed historically as portfolios. Changes in other key operational assumptions must also be tested, such as removal of the zero interest rate floor or the possible impacts of climate or biodiversity risk factors on interest rate risk.
- The risk assessment procedure applied to OP Financial Group's new products, services, operating models, processes and systems must ensure that the requirements of interest rate risk management are appropriately described and taken into account when developing customer business.
- Economic capital is allocated for interest rate risk in the banking book.

Management of other market risks in Banking through the balance sheet

Other market risks associated with revenue logic arising from banking through the balance sheet are chiefly due to the management of OP Financial Group's liquidity buffer and OP Corporate Bank's portfolio of bonds.

OP Corporate Bank's Group Treasury manages OP Financial Group's banking liquidity buffer. The regulatory liquidity coverage ratio (LCR) determines the constraints on the size and allocation of the liquidity buffer. Alongside Group Treasury deposits, the liquidity buffer contains the liquidity buffer portfolio, and items in the liquidity buffer portfolio must conform to the regulatory creditworthiness and liquidity requirements. For this reason, the portfolio includes securities carrying a very low likelihood of credit losses materialising. Because these securities most often have fixed interest rates, their value varies depending on movements in market rates and credit spreads.

The liquidity buffer portfolio is monitored and managed using market risk management methods:

- The Banking risk policy determines the risk measurement methods and risk-taking limits, as well as other restrictions.
- An investment plan is prepared for the investment portfolio, describing business models, the goals of investment activities and the principles of portfolio management. OP Corporate Bank's Board of Directors approves the investment plan.

- The Group ensures sufficient portfolio diversification by means of restrictions by issuer.

In addition, OP Corporate Bank invests in corporate bonds. OP Corporate Bank's bond portfolio is OP Corporate Bank's equivalent to a lending business.

The following methods are used to manage and monitor OP Corporate Bank's bond portfolio:

- The banking risk policy determines the risk measurement methods and risk-taking limits, and other restrictions.
- An investment plan is prepared for the portfolio, describing the goals of investment activities and the principles of portfolio management.
- Investment decisions for the portfolio comply with OP Corporate Bank's corporate responsibility principles.

OP Corporate Bank manages equity and real estate risk in Banking primarily through instructions which strictly limit risk-taking. Real estate risk chiefly involves real property units used by OP cooperative banks. The current Banking business models do not call for an increase in equity or real estate risk.

If surplus liquidity emerges in an OP cooperative bank's customer business, it will be channelled to investment products provided by the OP Financial Group's Treasury to support the implementation of the entire OP Financial Group's mission. Investment is not counted among the basic tasks of OP cooperative banks. In their social role, OP cooperative banks may invest in local private equity funds in their operating region. With their investments, the banks, according to their cooperative values, support prosperity in their region and economic activity in their region and among the bank's customer base.

Risk management in Markets

OP Financial Group's trading in capital market products has been centralised in OP Corporate Bank's Markets function. The risks taken include market risks such as interest rate risk in different currencies, currency risk, volatility risk related to options, credit spread risks, and credit risks such as counterparty and issuer risks. Repurchases of structured investment products also generate a degree of equity risk. Markets manages risk exposures by actively trading on the market. Risks and earnings in Markets are monitored on a daily basis. In addition, Markets' risks are reported to the Board of Directors' Risk Committee and the senior management, as part of OP Financial Group's risk analysis.

The Markets function is exposed to risks associated with liquidity and market liquidity. Risk associated with failure to meet financial obligations is due to secured derivative contracts' collateral requirements dependent on market values. This is managed as part of other liquidity management conducted by Treasury. The low market liquidity of some markets and products, general market liquidity weakening or technical malfunction on the part of the central counterparty may lead to a situation where the needed transactions cannot be executed at the expected price or following the selected hedging strategy is not possible. Regarding risks associated with the liquidity of markets, it is necessary to ensure that customers have been proactively informed of the consequences of any possible differing market situations. Furthermore, it is necessary to create preparedness to use, if needed, an alternative central counterparty to ensure the continuity of customer business.

Market risks taken by the Markets function are measured using the expected shortfall measure, as well as various sensitivity and nominal value metrics for specific products and positions. The impacts of market movements that are significant to the business are assessed via stress tests. This is important in order to understand the risks of rare market movements and those with a major impact. Economic capital is calculated in relation to market risks taken by the Markets function. The risk policy sets limits and frameworks for business models. The risk policy is prepared in such a way that the risks are visible for each business model and any risk-taking that goes beyond the business model is tightly constrained.

Entering into derivative contracts gives rise to counterparty credit risk, which is managed by applying customer-specific limits. Limits are decided by OP Corporate Bank's credit decision-making process, taking account of OP Corporate Bank's corporate responsibility principles. The counterparty risk associated with derivatives is included in economic capital related to credit risk. To take account of the risk, OP Corporate Bank adjusts the valuations of derivatives using Credit Valuation Adjustment (CVA and DVA). The size of the valuation adjustment is affected by the credit-risk-free valuation of derivatives, interest rates, volatility of interest rate options, exchange rates, and credit risk market price. Fluctuations in adjustments to the value of credit risk due to the valuation adjustment are mitigated by entering into derivative contracts.

Ownership of bonds and money market instruments causes issuer risk. Risk is limited by setting limits on portfolio composition in the Markets supplementary limit framework or by setting issuer specific limits.

Note 3. Changes in accounting policies and presentation

1. 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 the same way as at present, showing OP Corporate Bank's expenses.
f) A new row, Operating profit, has been added to the income statement.

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

Note 4. Segment reporting

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. OP Corporate Bank plc's segment reporting is based on accounting policies applied in its financial statements. Defining segments and presentation are based on management reporting. The segments' earnings and profitability are assessed in terms of EBT.

Corporate Banking and Capital Markets

The Corporate Banking and Capital Markets business segment provides corporate and institutional customers with financing and capital market services. The services also range from the arrangement of debt issues, equity, foreign exchange, bond, money market, derivative and structured investment products to investment research. In addition to its own clients, the segment provides capital market products and services to corporate and retail clients through OP cooperative banks. The segment's net income derives mainly from net interest income, investment income and net commissions and fees. Expenses mainly come from personnel and ICT costs. The most significant risk categories of the segment are credit risk and market risk.

Asset and Sales Finance Services and Payment Transfers

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. Net income generated by the segment derives mainly from net interest income and commissions and fees. Expenses mainly come from personnel and ICT costs. Credit risk is the most significant risk type for the segment.

Baltics

The Baltic business 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. Net income generated by the segment derives mainly from net interest income and commissions and fees. Expenses mainly come from personnel and ICT costs. Credit risk is the most significant risk type for the segment.

Group Functions

Functions supporting OP Financial Group and its business, such as Group Treasury and the liquidity buffer, have been centralised within the Group Functions segment. The Group Functions segment is also responsible for the management of the funding and liquidity of member credit institutions and the central cooperative consolidated. It is also in charge of OP Financial Group's wholesale funding together with OP Mortgage Bank. Net income generated by Other Operations derives mainly from net interest income and 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.

Segment accounting policies

Segment reporting conforms to the accounting policies. Income, expenses, assets and liabilities which have been considered to relate directly to and be reasonably attributable to the segments are allocated to the segments. Items between segments are reported in column 'Inter-segment items'.

Segment information

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

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

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

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

Notes to the income statement

Note 5. Net interest income

€ million	2023	2022
Interest income		
Receivables from credit institutions	1,010	159
Receivables from customers		
Loans	1,142	476
Finance lease receivables	95	42
Fair value adjustments under hedge accounting	44	-154
Total	1,281	364
Notes and bonds		
Measured at fair value through profit or loss	0	0
At fair value through other comprehensive income	131	66
Amortised cost	68	3
Fair value adjustments under hedge accounting	551	-1,479
Total	751	-1,410
Derivative contracts*		
Fair value hedges	-255	1,576
Cash flow hedges	-17	10
Ineffective portion of cash flow hedge		
Other		3
Total	-272	1,589
Liabilities to credit institutions		
Interest		-2
Liabilities to customers		
Negative interest	0	25
Other	71	12
Total	**2,839**	**735**
Interest expenses		
Liabilities to credit institutions		
Interest expenses for liabilities to credit institutions	-774	-162
Fair value adjustments under hedge accounting	-363	1,007
Total	-1,138	845
Liabilities to customers	-372	-34
Debt securities issued to the public and debentures		
Interest expenses for debt securities issued to the public and debentures	-528	-146
Fair value adjustments under hedge accounting	-455	1,094
Total	-983	948
Subordinated liabilities		
Other	-37	-35
Fair value adjustments under hedge accounting	-35	82
Total	-72	47
Derivative contracts*		
Fair value hedges	331	-2,079
Other	62	39
Total	393	-2,041
Receivables from credit institutions		
Negative interest	-2	-90
Other	-84	-14
Total	**-2,257**	**-339**
Total interest expenses	**582**	**396**

* Includes the valuation of derivatives and interest.

Interest income calculated using the effective interest method totalled EUR 2 234 (683) million.

Note 6. Impairment losses on receivables

€ million	2023	2022
Receivables written down as loan and guarantee losses	-42	-86
Recoveries of receivables written down	1	1
Expected credit losses* (ECL) on receivables from customers and off-balance-sheet items	-55	68
Expected credit losses* (ECL) on notes and bonds	0	0
Total	**-96**	**-18**

* Loss allowance is itemised in Note 31. Loss allowance regarding receivables and notes and bonds.

Note 7. Net commissions and fees

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

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

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

Financial assets held for trading

€ million	**2023**	**2022**
Notes and bonds		
Interest income and expenses	20	4
Fair value gains and losses of notes and bonds	5	-24
Total	25	-20
Shares and participations		
Fair value gains and losses	-11	7
Dividend income and share of profits	2	0
Total	-9	7
Derivatives		
Interest income and expenses	75	-6
Fair value gains and losses	-44	126
Total	31	120
Total	**47**	**107**

Note 9. Net investment income

€ million	**2023**	**2022**
Net income from assets at fair value through other comprehensive income		
Notes and bonds		
Capital gains and losses	5	10
Other income and expenses	0	0
Total	**5**	**10**
Total net investment income	5	10

Note 10. Other operating income

€ million	**2023**	**2022**
OP Financial Group's internal income		
Central banking service fees	14	14
Other internal income received from OP Financial Group	10	10
Other operating income	7	7
Other operating income	0	0
Total	**31**	**32**

Note 11. Personnel costs

€ million	**2023**	**2022**
Wages and salaries	-56	-52
Variable remuneration	-15	-11
Pension costs		
Defined contribution plans	-10	-9
Defined benefit plans*	0	0
Other personnel related costs	-3	-3
Total	**-84**	**-76**

* Note 28. Provisions and other liabilities

Personnel fund

All personnel of OP Corporate Bank, excluding directors and the Baltic personnel, belongs to OP Financial Group's Personnel Fund. Profit-based bonuses for 2023 transferred to the Fund account for about 3% (1.5%) of the combined salaries and wages earned by the Fund's members.

Expenses recognised for variable remuneration*

€ million	**2023**	**2022**
Personnel fund	-1	0
Performance-based bonuses	-14	-12
Total	**-16**	**-12**

* Excl. social expenses.

More information on the remuneration schemes is available at www.op.fi.

Note 12. Depreciation/amortisation and impairment loss

€ million	2023	2022
Depreciation and amortisation		
Machinery and equipment	0	0
Information systems and other	-2	-9
Right-of-use assets	-1	-1
Leased out assets		1
Total	-3	-9
Impairment loss		
Other	0	0
Total	0	0
Total	**-3**	**-9**

Note 13. Other operating expenses

€ million	2023	2022
ICT costs		
Production	-72	-72
Development	-20	-19
Government charges and audit fees*	-63	-55
Service purchases	-24	-21
Expert services	-2	-1
Telecommunications	-2	-2
Marketing	-2	-2
Insurance and security costs	-15	-11
Other	-25	-13
Total	**-226**	**-196**

* In 2023, audit fees paid by OP Corporate Bank plc to auditors totalled EUR 298,000 million (264,000), whereas fees for assignments as referred to in chapter 1, section 1, sub-section 2, paragraph 1 of the Auditing Act were EUR 7,000 (2,000), those for tax counselling EUR 103,000 (127,000) and for other services EUR 153,000 (81,000). Non-audit services rendered by KPMG Oy Ab totalled EUR 256,000 (183,000) (excl. VAT). The corresponding figures for 2022 are shown in brackets.

Development costs

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

Note 14. Income tax

€ million	2023	2022
Current tax	-64	-55
Tax for previous financial years	3	1
Deferred tax	-3	0
Income tax expense	**-64**	**-54**
Corporate income tax rate	20.0	20.0

Reconciliation between tax expense in the income statement and tax expense calculated by the applicable tax rate

	2023	2022
Earnings before tax	329	265
Tax calculated at a tax rate of 20%	-66	-53
Tax for previous financial years	3	1
Tax-exempt income	0	0
Non-deductible expenses	0	0
Tax adjustments	-2	-2
Other items	0	0
Tax expense	**-64**	**-54**

Notes to assets

Note 15. Liquid assets

€ million	31 Dec 2023	31 Dec 2022
Cash	115	131
Deposits with central banks repayable on demand*	19,595	34,820
Total liquid assets	**19,710**	**34,951**

* Deposits with central banks repayable on demand includes an overnight deposit of EUR 18,861 million made with the Bank of Finland (33,970).

In accordance with the minimum reserve system under the euro system, credit institutions are obligated to have a minimum reserve deposit with their national central bank. The reserve deposit equals the required percentage of the reserve base, as specified by the European Central Bank. The reserve base includes deposits (extensive) and debt securities with a maximum maturity of two years. The reserve base does not include deposits from other parties subject to the minimum reserve obligation. The reserve deposit is currently 1% of the reserve base. Credit institutions within OP Financial Group place a reserve deposit with OP Corporate Bank plc, which acts as an intermediary authorised by OP Financial Group credit institutions and is responsible for OP Financial Group's obligation to place a deposit with the Bank of Finland.

Note 16. Receivables from credit institutions

€ million	31 Dec 2023	31 Dec 2022
Deposits		
Repayable on demand	184	443
Other	593	
Total	777	443
Loans and receivables		
Other		
From OP Financial Group institutions	11,340	12,458
From other credit institutions	75	79
Total	11,415	12,537
Loss allowance*		
From other credit institutions	-1	-2
Total	-1	-2
Total receivables from credit institutions	**12,191**	**12,978**

* Loss allowance is itemised in Note 31. Loss allowance regarding receivables and notes and bonds.

Note 17. Receivables from customers

€ million	31 Dec 2023	31 Dec 2022
Loans to the public and public sector entities	25,919	26,187
Finance lease receivables*	2,372	2,228
Guarantee receivables	0	1
Total	28,291	28,417
Loss allowance**	-287	-238
Total receivables from customers	**28,004**	**28,178**

* Finance lease receivables are itemised in Note 22.

** Loss allowance is itemised in Note 31. Loss allowance regarding receivables and notes and bonds.

Note 18. Derivative contracts

Assets

€ million	31 Dec 2023	31 Dec 2022
Held for trading		
Interest rate derivatives	4,025	4,939
Currency derivatives	573	704
Equity and index derivatives		0
Credit derivatives		0
Commodity derivatives	20	42
Total	4,618	5,685
Hedging derivative contracts*		
Fair value hedging		
Interest rate derivatives	25	36
Currency derivatives	137	61
Cash flow hedge		
Interest rate derivatives	0	
Total	162	97
Total derivative contracts	**4,780**	**5,782**

* The balance sheet item includes positive changes in fair value of derivative contracts as well as premiums paid.

Liabilities

€ million	31 Dec 2023	31 Dec 2022
Held for trading		
Interest rate derivatives	3,635	4,647
Currency derivatives	576	694
Credit derivatives	0	
Other	19	39
Total	4,230	5,379
Hedging derivative contracts*		
Fair value hedging		
Interest rate derivatives	150	220
Currency derivatives	115	135
Cash flow hedge		
Interest rate derivatives	0	4
Total	266	359
Total derivative contracts	**4,496**	**5,739**

* The balance sheet item includes negative changes in value of derivative contracts as well as premiums received.

Derivatives held for trading 31 December 2023

	Nominal values/residual maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	26,678	68,883	60,062	155,623	1,758	1,424
Cleared by the central counterparty	20,790	46,080	38,319	105,188	78	55
Settled-to-market (STM)	12,453	33,860	31,637	77,950	60	40
Collateralised-to-market (CTM)	8,337	12,220	6,682	27,238	18	15
OTC interest rate options						
Purchased	3,122	7,683	8,005	18,810	1,148	58
Written	1,899	4,922	18,801	25,622	114	1,143
Put and floors						
Purchased	5,535	5,443	5,442	16,420	392	209
Written	4,987	2,766	1,788	9,541	25	264
Total OTC interest rate derivatives	42,222	89,696	94,098	226,016	3,436	3,098
Interest rate futures	1,173	95		1,268	0	1
Total exchange traded derivatives	1,173	95		1,268	0	1
Total interest rate derivatives	43,394	89,791	94,098	227,284	3,437	3,099
Currency derivatives						
Forward exchange agreements	54,946	1,063		56,009	569	573
Interest rate and currency swaps	1,373	2,321	941	4,635	206	233
Currency options						
Call						
Purchased	183			183	2	0
Written	191			191	0	3
Put						
Purchased	190			190	2	1
Written	202			202	1	1
Total OTC currency derivatives	57,085	3,385	941	61,411	781	811
Total currency derivatives	57,085	3,385	941	61,411	781	811
Credit derivatives						
Credit default swaps	42	104	9	154	10	8
Total credit derivatives	42	104	9	154	10	8
Other						
Other forward contracts	106	68		173	11	10
Other swaps	288	812	39	1,139	82	65
Total other OTC derivatives	394	879	39	1,312	94	75
Other futures contracts	45	19		64	0	0
Total other derivatives	438	898	39	1,375	94	76
Total derivatives held for trading	**100,960**	**94,178**	**95,086**	**290,225**	**4,322**	**3,994**

Derivatives held for trading 31 December 2022

	Nominal values/residual maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	18,883	55,239	69,635	143,756	2,566	2,108
Cleared by the central counterparty	14,541	35,327	44,533	94,400	155	141
Settled-to-market (STM)	10,085	27,030	38,669	75,783	123	123
Collateralised-to-market (CTM)	4,456	8,298	5,864	18,617	31	19
OTC interest rate options						
Call and caps						
Purchased	2,389	10,231	6,625	19,245	1,396	37
Written	660	5,563	17,724	23,947	50	1,449
Put and floors						
Purchased	1,018	8,546	6,494	16,058	495	295
Written	1,082	7,120	2,097	10,299	22	393
Total OTC interest rate derivatives	24,031	86,699	102,575	213,305	4,529	4,281
Interest rate futures	838	1,050		1,888	0	0
Total exchange traded derivatives	838	1,050		1,888	0	0
Total interest rate derivatives	24,869	87,749	102,575	215,193	4,529	4,281
Currency derivatives						
Forward exchange agreements	51,465	604	4	52,072	697	686
Interest rate and currency swaps	91	2,826	401	3,318	185	175
Currency options						
Call						
Purchased	192	1		193	3	0
Written	190	1		191	0	3
Put						
Purchased	187			187	2	2
Written	208			208	1	2
Total OTC currency derivatives	52,332	3,431	405	56,169	889	868
Total currency derivatives	52,332	3,431	405	56,169	889	868
Credit derivatives						
Credit default swaps	34	63	13	110	1	34
Total credit derivatives	34	63	13	110	1	34
Other						
Other forward contracts	102	57		159	10	5
Other swaps	286	816	26	1,128	79	75
Total other OTC derivatives	387	873	26	1,287	89	80
Other futures contracts	52	16		68	1	2
Total other derivatives	439	889	26	1,355	91	82
Total derivatives held for trading	**77,675**	**92,131**	**103,020**	**272,826**	**5,509**	**5,264**

Derivative contracts for hedging purposes - fair value hedging 31 December 2023

	Nominal values/residual maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	6,043	22,104	8,530	36,677	25	29
Cleared by the central counterparty	6,043	22,054	8,432	36,529	25	26
Settled-to-market (STM)	2,421	5,924	724	9,069	2	6
Collateralised-to-market (CTM)	3,622	16,130	7,708	27,461	23	20
Forward rate agreements						
OTC interest rate options						
Put and floors						
Purchased		193		193	3	2
Written	1,208	5,179	257	6,643	67	74
Total OTC interest rate derivatives	7,251	27,476	8,787	43,514	95	105
Total interest rate derivatives	7,251	27,476	8,787	43,514	95	105
Currency derivatives						
Interest rate and currency swaps		1,485	463	1,947	4	122
Total OTC currency derivatives		1,485	463	1,947	4	122
Total currency derivatives		1,485	463	1,947	4	122
Total derivative contracts, fair value hedge	**7,251**	**28,961**	**9,249**	**45,461**	**99**	**227**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2023

	Nominal values/residual term to maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	1,100	1,000		2,100	0	0
Cleared by the central counterparty	1,100	1,000		2,100	0	0
Collateralised-to-market (CTM)	1,100	1,000		2,100	0	0
Total OTC interest rate derivatives	1,100	1,000		2,100	0	0
Total interest rate derivatives	**1,100**	**1,000**		**2,100**	**0**	**0**
Currency derivatives						
Forward exchange agreements	3,195			3,195	134	115
Total OTC currency derivatives	3,195			3,195	134	115
Total currency derivatives	3,195			3,195	134	115
Total derivative contracts, cash flow hedge	**4,295**	**1,000**		**5,295**	**134**	**116**
Total derivative contracts held for hedging	**11,546**	**29,961**	**9,249**	**50,756**	**233**	**343**

Derivative contracts for hedging purposes – fair value hedging 31 December 2022

	Nominal values/residual maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	7,104	22,838	11,166	41,107	36	54
Cleared by the central counterparty	7,104	22,788	11,068	40,960	35	46
Settled-to-market (STM)	1,450	8,165	544	10,158	3	11
Collateralised-to-market (CTM)	5,654	14,624	10,524	30,801	32	35
Forward rate agreements						
OTC interest rate options						
Put and floors						
Purchased		43	150	193	3	2
Written		5,703	994	6,697	67	74
Total interest rate derivatives	7,104	28,585	12,309	47,998	105	130
Currency derivatives						
Forward exchange agreements					37	10
Interest rate and currency swaps		1,872	681	2,553	11	166
Total OTC currency derivatives		1,872	681	2,553	49	176
Total currency derivatives		1,872	681	2,553	49	176
Total derivative contracts, fair value hedge	**7,104**	**30,456**	**12,991**	**50,550**	**154**	**306**

Derivative contracts for hedging purposes – cash flow hedge 31 December 2022

	Nominal values/residual maturity				Fair values*	
€ million	**<1 year**	**1–5 years**	**>5 years**	**Total**	**Assets**	**Liabilities**
Interest rate derivatives						
Interest rate swaps	500	2,600		3,100	3	4
Cleared by the central counterparty		2,600		2,600		4
Collateralised-to-market (CTM)	500	2,600		3,100		4
Total OTC interest rate derivatives	500	2,600		3,100	3	4
Total interest rate derivatives	**500**	**2,600**		**3,100**	**3**	**4**
Currency derivatives						
Forward exchange agreements	3,735			3,735	12	125
Total OTC currency derivatives	3,735			3,735	12	125
Total currency derivatives	3,735			3,735	12	125
Total derivative contracts, cash flow hedge	**4,235**	**2,600**		**6,835**	**16**	**129**
Total derivative contracts held for hedging	**11,338**	**33,056**	**12,991**	**57,385**	**170**	**435**

Total derivatives 31 December 2023

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

Total derivatives 31 December 2022

€ million	Nominal values/residual 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**

* Fair values include accrued interest which is shown under other assets or provisions and other liabilities in the balance sheet. In addition, the fair value of derivatives for central counterparty clearing is offset in the balance sheet.

Interest rate derivatives for central counterparty clearing are offset in the balance sheet. Note 37 below presents the effects of netting. Other derivative contracts are presented on a gross basis in the balance sheet.

Average interest rates of interest rate derivative contracts in hedge accounting – fair value 31 December 2023

	<1 year	1–5 years	>5 years	Total
Interest rate derivatives				
Cleared by the central counterparty	0.928	0.618	0.907	0.739
OTC interest rate derivatives	-0.450	-0.221	3.009	0.379
Total interest rate derivatives	0.239	0.199	1.958	0.559

Average interest rates of interest rate derivative contracts in hedge accounting – fair value 31 December 2022

	<1 year	1–5 years	>5 years	Total
Interest rate derivatives				
Cleared by the central counterparty	0.862	0.510	0.461	0.557
OTC interest rate derivatives		3.086	3.006	3.040
Total interest rate derivatives	0.862	0.516	0.477	0.565

Average interest rates of interest rate swaps and currency swaps in hedge accounting related to significant currencies 31 December 2023

	<1 year	1–5 years	>5 years	Total
AUD			2.440	2.440
GBP		2.318		2.318
HKD		2.940		2.940
JPY		0.700	1.300	1.000
SEK		4.450		4.450
NOK			4.334	4.334
USD			3.607	3.607

Average interest rates of interest rate swaps and currency swaps in hedge accounting related to significant currencies 31 December 2022

	<1 year	1–5 years	>5 years	Total
AUD			2.440	2.440
GBP		2.151		2.151
HKD		2.959		2.959
JPY		0.700	1.300	1.000
SEK			4.432	4.432
NOK		4.454		4.454
USD	2.328	1.675	3.611	2.538

Average prices of currency derivatives in hedge accounting concerning significant currencies 31 December 2023

	<1 year	1–5 years	>5 years	Total
Currency derivatives				
Forward exchange agreements				
Average EUR:CHF	0.942			0.942
Average EUR:GBP	0.886			0.886
Average EUR:USD	1.094			1.094

Average prices of currency derivatives in hedge accounting concerning significant currencies 31 December 2022

	<1 year	1–5 years	>5 years	Total
Currency derivatives				
Forward exchange agreements				
Average EUR:AUD	1.490			1.490
Average EUR:CHF	0.970			0.970
Average EUR:GBP	0.862			0.862
Average EUR:USD	1.064			1.064

Effects of hedge accounting on financial position and result

€ million	Interest rate risk hedge 31 Dec 2023	31 Dec 2022
Fair value hedges		
Carrying amount of hedged receivables*	18,469	19,190
- of which the accrued amount of hedge adjustments**	-792	-1,540
Carrying amount of hedged liabilities***	20,662	24,915
- of which the accrued amount of hedge adjustments	-1,118	1,962
Remaining hedge adjustment amount of discontinued hedges	23	3

* Presented under Receivables from customers and Investment assets in the balance sheet.

** The figures also take account of adjustments between the fair value reserve and the income statement related to hedge accounting.

*** Presented in the balance sheet under Liabilities to customers, Debt securities issued to the public and Subordinated liabilities.

€ million	Interest rate risk hedge 31 Dec 2023	31 Dec 2022
Fair value hedges		
Changes in fair value of hedging derivatives	273	-565
Change in value of hedged item that is used as basis for recognition of ineffective hedge during period	-258	549
Hedge ineffectiveness presented in income statement	15	-16

€ million	Interest rate risk hedge 31 Dec 2023	31 Dec 2022
Cash flow hedges		
Changes in fair value of hedging derivatives	-8	-37
Change in value of hedged item that is used as basis for recognition of ineffective hedge during period	8	36
Hedge ineffectiveness presented in income statement	0	0
Change in cash flow hedge reserve concerning continuous hedges	24	-38

Note 19. Investment assets

€ million	31 Dec 2023	31 Dec 2022
Financial assets at fair value through other comprehensive income		
Notes and bonds	11,588	11,755
Shares and participations	0	0
Total	11,588	11,755
Financial assets held for trading		
Notes and bonds	217	295
Shares and participations	14	26
Total	232	322
Amortised cost		
Notes and bonds	929	4,328
Total	929	4,328
Total investment assets	**12,748**	**16,404**

Note 20. Intangible assets

Changes in intangible assets, € million	Information systems	Information systems under development	Other	Total
Acquisition cost 1 January 2023	38		0	39
Increases	0			0
Acquisition cost 31 December 2023	38		0	39
Acc. amortisation and impairments 1 January 2023	-35		0	-36
Amortisation during the financial year	-2		0	-2
Acc. amortisation and impairments 31 December 2023	-38		0	-38
Carrying amount 31 December 2023	**1**		**0**	**1**

Changes in intangible assets, € million	Information systems	Information systems under development	Other	Total
Acquisition cost 1 January 2022	61	0	0	61
Increases	0		0	0
Decreases	-23			-23
Transfers between items	0	0		
Acquisition cost 31 December 2022	38		0	39
Acc. amortisation and impairments 1 January 2022	-49		0	-49
Amortisation for the period	-9		0	-9
Decreases	22			22
Accumulated amortisation and impairments 31 December 2022	-35		0	-36
Carrying amount 31 December 2022	**3**		**0**	**3**

Note 21. Property, plant and equipment

€ million	31 Dec 2023	31 Dec 2022
Property in own use		
Land and water areas	0	0
Machinery and equipment	0	0
Other tangible assets	2	2
Right-of-use assets	2	2
Total property, plant and equipment	**3**	**5**

Changes in property, plant and equipment (PPE), and investment property, € million	Property in Group use	Machinery and equipment	Other tangible assets	Total PPE
Acquisition cost 1 January 2023	1	0	2	4
Increases		0	6	6
Decreases		0	-6	-6
Transfers between items	0	0	0	-1
Acquisition cost 31 December 2023	1	0	2	3
Accumulated depreciation and impairments 1 January 2023	-1	0	0	-1
Depreciation for the financial year		0	0	0
Decreases		0		0
Transfers between items	0	0	0	1
Accumulated depreciation and impairments 31 December 2023	0	0	0	-1
Right-of-use asset*				2
Carrying amount 31 December 2023	**0**	**0**	**2**	**3**

Changes in property, plant and equipment (PPE), and investment property, € million	Property in Group use	Machinery and equipment	Other tangible assets	Total PPE
Acquisition cost 1 January 2022	1	1	2	4
Increases		0		0
Decreases		0	0	0
Acquisition cost 31 December 2022	1	0	2	4
Accumulated depreciations and impairments 1 January 2022	-1	0	0	-1
Depreciation for the financial year		0		0
Decreases		0		0
Accumulated depreciations and impairments 31 December 2022	-1	0	0	-1
Right-of-use asset*				2
Carrying amount 31 December 2022	**0**	**0**	**2**	**5**

* Note 22. Leases

Note 22. Leases

Right-of-use assets, € million	Buildings	Other	Total
Carrying amount 1 January 2023	2	0	2
Increases	0	0	0
Decreases		0	0
Depreciation for the financial year	0	0	-1
Value changes for the financial year	0	0	0
Carrying amount 31 December 2023	**2**	**0**	**2**

Right-of-use assets, € million	Buildings	Other	Total
Carrying amount 1 January 2022	2	1	3
Increases	0	0	0
Decreases		0	0
Depreciation for the financial year	0	0	-1
Value changes for the financial year	0	0	0
Carrying amount 31 December 2022	**2**	**0**	**2**

Lease liabilities, € million	31 Dec 2023	31 Dec 2022
Carrying amount*	2	2
Contractual maturities		
< 1 year	1	1
1–2 years	0	0
2–3 years	0	0
3–4 years	0	0
4–5 years	0	0
Over 5 years	0	0

* Note 28 Provisions and other liabilities.

Items entered in the income statement, € million	**31 Dec 2023**	**31 Dec 2022**
Interest expenses	0	0
Depreciation on right-of-use assets	-1	-1
Expenses of short-term and low-value leases	-1	-1
Total cash flow from leases	-1	-1

Finance lease receivables

OP Corporate Bank plc uses finance leases to finance moveable capital assets, real property units and other premises in Finland. In addition, OP Corporate Bank's branches in Estonia, Latvia and Lithuania use finance leases to finance moveable capital assets.

€ million	**31 Dec 2023**	**31 Dec 2022**
Maturity of finance lease receivables		
< 1 year	770	763
1–2 years	598	590
2–3 years	482	390
3–4 years	286	294
4–5 years	182	138
Over 5 years	218	216
Gross investment in finance leases	2,536	2,391
Unearned finance income (–)	-164	-162
Present value of minimum lease payments	**2,372**	**2,229**
Present value of minimum lease payment receivables		
< 1 year	719	707
1–2 years	563	552
2–3 years	459	366
3–4 years	272	280
4–5 years	173	131
Over 5 years	186	192
Total	**2,372**	**2,229**

Items entered in the income statement, € million	**31 Dec 2023**	**31 Dec 2022**
Interest income from finance lease receivables	87	35
Capital gain/loss accrued from finance leases		1

Note 23. Other assets

€ million	**31 Dec 2023**	**31 Dec 2022**
Payment transfer receivables	151	202
Pension assets	19	17
Accrued income and prepaid expenses		
Deferred interest income	349	317
Deferred interest income from derivatives	32	26
Other accrued income	26	27
Derivatives receivables, central counterparty clearing	11	47
CSA receivables from derivative contracts	308	353
Securities receivables	9	0
Other receivables	138	142
Total	**1,043**	**1,132**

Note 24. Tax assets and liabilities

€ million	31 Dec 2023	31 Dec 2022
Deferred tax assets	31	26
Total tax assets	**31**	**26**

€ million	31 Dec 2023	31 Dec 2022
Income tax liabilities	4	10
Deferred tax liabilities	332	331
Total tax liabilities	**336**	**341**

Deferred tax assets, € million	1 Jan 2023	Recognised in the income statement	Recognised in other comprehensive income	Recognised in equity	31 Dec 2023
Notes and bonds	1		13		15
Provisions	0	0			0
Cash flow hedges	6		-5		2
Defined benefit pension plans	12	0			12
Right-of-use assets	0	0			0
Other temporary differences	6	-3			3
Total	**26**	**-3**	**8**		**31**

Deferred tax liabilities, € million	1 Jan 2023	Recognised in the income statement	Recognised in other comprehensive income	Recognised in equity	31 Dec 2023
Tax provisions	325				325
Notes and bonds	0		0		0
Defined benefit pension plans	5	0	0		6
Other temporary differences	1	0			1
Total	**332**	**0**	**0**		**332**
Change in deferred tax in the income statement (deferred tax assets – deferred tax liabilities)		**-3**	**8**		

Deferred tax assets, € million	1 Jan 2022	Recognised in the income statement	Recognised in other comprehensive income	Recognised in equity	31 Dec 2022
Notes and bonds	0		1		1
Cash flow hedges	0		6		6
Defined benefit pension plans	13	0	0		12
Right-of-use assets	0	0			0
Other temporary differences	6	0			6
Total	**19**	**0**	**7**		**26**

Deferred tax liabilities, € million	1 Jan 2022	Recognised in the income statement	Recognised in other comprehensive income	Recognised in equity	31 Dec 2022
Tax provisions	325				325
Notes and bonds	11		-10		0
Defined benefit pension plans	4		2		5
Other temporary differences	1	0		0	1
Total	**340**	**0**	**-9**	**0**	**332**
Change in deferred tax in the income statement (deferred tax assets – deferred tax liabilities)		**0**	**16**		

Deferred tax assets and liabilities for 2022 on the balance sheet have been netted in respect of deferred tax. The specification of the note has been adjusted to correspond to the new 2023 presentation model.

Notes to liabilities and equity capital

Note 25. Liabilities to credit institutions

€ Million	31 Dec 2023	31 Dec 2022
Liabilities to central banks**		11,977
Liabilities to credit institutions		
Repayable on demand		
Deposits		
With OP Financial Group entities	2,208	1,817
With other credit institutions	56	219
Other liabilities		
With OP Financial Group entities	0	0
Total	2,265	2,037
Other than repayable on demand		
Deposits		
With OP Financial Group entities*	21,566	26,818
With other credit institutions		69
Total	21,566	26,886
Total liabilities to credit institutions and central banks	**23,830**	**40,899**

* The item includes LCR deposits by member credit institutions.

**During the financial year, OP Corporate Bank paid off the TLTRO III refinancing of EUR 12.0 billion provided by the European Central Bank.

Note 26. Liabilities to customers

€ million	31 Dec 2023	31 Dec 2022
Deposits		
Repayable on demand		
Private	16	17
Companies and public-sector entities	13,466	13,816
Total	13,482	13,834
Other		
Private	1	0
Companies and public-sector entities	1,146	850
Total	1,147	850
Total deposits	14,629	14,683
Other financial liabilities		
Repayable on demand		
Companies and public-sector entities	4	7
Total	4	7
Other		
Companies and public-sector entities	2,593	4,323
Total	2,593	4,323
Total other financial liabilities	2,597	4,330
Total liabilities to customers	**17,226**	**19,014**

Note 27. Debt securities issued to the public

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

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

Reconciliation of changes in liabilities in cash flows from financing activities against balance sheet items

€ million	Debt securities issued to the public	Subordinated liabilities
Balance sheet value 1 Jan 2023	**25,209**	**1,384**
Changes in cash flows from financing activities		
Increases in bonds	2,591	
Increases in certificates of deposit	713	
Increases in commercial papers	7,153	
Increases total	**10,457**	
Decreases in bonds	-1,031	
Decreases in certificates of deposit	-1,128	
Decreases in commercial papers	-10,312	
Decreases in debentures		-5
Decreases total	**-12,472**	**-5**
Total changes in cash flows from financing activities	**-2,015**	**-5**
Valuations	763	35
Balance sheet value 31 Dec 2023	**23,957**	**1,414**

€ million	Debt securities issued to the public	Subordinated liabilities
Balance sheet value 1 Jan 2022	**22,630**	**1,994**
Changes in cash flows from financing activities		
Increases in bonds	5,090	
Increases in certificates of deposit	1,194	
Increases in commercial papers	12,443	
Increases in debentures		6
Increases total	**18,727**	**6**
Decreases in bonds	-3,816	
Decreases in certificates of deposit	-407	
Decreases in commercial papers	-10,695	
Decreases in debentures		-534
Decreases total	**-14,918**	**-534**
Total changes in cash flows from financing activities	**3,809**	**-529**
Valuations	-1,231	-82
Balance sheet value 31 Dec 2022	**25,209**	**1,384**

Long-term loans and interest rate bases	Book value	Fair value	Interest rate
OP Corporate Bank plc Issue of EUR 500 Million Floating Rate Senior Unsecured Notes Due January 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	502.4	EUB3 + 1.000%
OP Corporate Bank plc Issue of EUR 20,000,000 1.097 per cent. Instruments due 16 February 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	20.0	19.9	Fixed 1.097%
OP Corporate Bank plc Issue of EUR 500,000,000 0.375 per cent. Instruments due 26 February 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	497.3	Fixed 0.375%
OP Corporate Bank plc Issue of EUR 800,000,000 Floating Rate Note due 17 May 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	800.0	806.3	EUB3 + 1.000%
OP Corporate Bank plc Issue of EUR 15,000,000 Fixed Rate Notes due 14 June 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	15.0	14.7	Fixed 0.780%
OP Corporate Bank plc Issue of EUR 500,000,000 0.375 per cent. Senior Non-Preffered Instruments due 19 June 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	491.5	Fixed 0.375%
OP Corporate Bank plc Issue of EUR 10,000,000 0,725 per cent. Instruments due 20 June 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	10.0	9.8	Fixed 0.725%
OP Corporate Bank plc Issue of EUR 1,000,000,000 0.125 per cent. Unsubordinated Instruments due 1 July 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1000.0	980.8	Fixed 0.125%
OP Corporate Bank plc Issue of EUR 20,000,000 0,55 per cent. Instruments due 30 Aug 2024 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	20.0	19.5	Fixed 0.550%
OP Corporate Bank plc Issue of AUD 200,000,000 Floating Rate Senio Non-Preffered Instruments due 25 November 2024 under the AUD 3 000,000,000 Programme for the Issuance of Debt Instruments	123.0	123.0	BBSW + 1.150%
OP Corporate Bank plc Issue of EUR 57,000,000 1.07 per cent. Notes due 2025 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments.	57.0	57.0	Fixed 1.070%
OP Corporate Bank plc Issue of EUR 500,000,000 1.00 per cent. Instruments due 22 May 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	500.0	483.3	Fixed 1.000%
OP Corporate Bank plc Issue of EUR 1,000,000,000 0.500 per cent. Unsubordinated Instruments due 12 August 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1000.0	954.7	Fixed 0.500%
OP Corporate Bank plc Issue of HKD 1,270,000,000 3.001 per cent Fixed Rate Notes due 4 September 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	147.1	143.8	Fixed 3.001%
OP Corporate Bank plc Issue of JPY 10 000 000 000,00 due 17 Nov 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	64.0	64.0	Fixed 0.700%
OP Corporate Bank plc Issue of GBP 50,000,000 Floating Rate Notes due 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	57.5	57.9	SONIA + 1.020%
OP Corporate Bank plc Issue of 2y EUR 750,000,000 Euro Medium Term Note Programme under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	750.0	750.7	EUB3 + 48 BPS
OP Corporate Bank plc Issue of EUR 1,250,000,000 due 15 Dec 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1250.0	1243.3	Fixed 2.875%
OP Corporate Bank plc Issue of SEK 1,000,000,000 New Senior Preferred FRN issue in SEK due 2025 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	90.1	90.1	SES3 + 0.640%
OP Corporate Bank plc Issue of EUR 20,000,000 0.91 per cent. Fixed Rate Notes due 14 January 2026 under the EUR 20,000,000 Programme for the Issuance of Debt Instruments	20.0	19.1	Fixed 0.910%
OP Corporate Bank plc Issue of GBP 350,000,000 Fixed Rate Senior Preferred Instruments due 14 Jan 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	402.7	392.4	Fixed 3.375%
OP Corporate Bank plc Issue of HKD 663,000,000 2.88 per cent. Instrumenst due 21 January 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	76.8	74.6	Fixed 2.880%
OP Corporate Bank plc Issue of SEK 500,000,00 FRN due 16 Feb 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	45.1	45.4	Fixed 0.000%
OP Corporate Bank plc Issue of 5yr EUR 500 000 000 Fixed Rate Senior Non-Preferred Instruments due 24 March 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	467.0	Fixed 0.250%
OP Corporate Bank plc Issue of EUR 50,000,000 0.25 per cent. Fixed Rate Notes due 1 July 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	45.9	Fixed 0.250%
OP Corporate Bank plc Issue of Short 5yr GBP 400,000,000 Fixed Rate Senior Non-Preferred Instruments due 4 September 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	460.3	417.8	Fixed 1.375%
OP Corporate Bank plc Issue of SEK 700,000,00 due 23 Oct 2026 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	63.1	64.7	Fixed 4.454%

OP Corporate Bank plc Issue of EUR 500,000,000 0.600 per cent. Senior Non-Preferred Instruments due 18 January 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	458.6	Fixed 0.600%
OP Corporate Bank plc Issue of EUR 500,000,000 Fixed Rate Senior Preferred Instruments due 18 April 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	514.0	Fixed 4.125%
OP Corporate Bank plc Issue of EUR 10,000,000 1.058 per cent. Instruments due 18 May 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	9.3	Fixed 1.058%
OP Corporate Bank plc Issue of EUR 35,000,000 Senior Preferred Fixed Rate Notes due 25 May 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	35.0	33.5	Fixed 1.873%
OP Corporate Bank plc Issue of EUR 500 000 000 Fixed Rate Green Senior Non-Preferred Instruments due 27 July 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	453.8	Fixed 0.625%
OP Corporate Bank plc Issue of SEK 750 000 000,00 New senior preferred FRN issue in SEK due 19 Aug 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	67.6	68.0	SES3 +0.920%
OP Corporate Bank plc Issue of EUR 50,000,000 3.086 per cent. Instruments due 23 August 2027 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	50.0	49.1	Fixed 3.086%
OP Corporate Bank plc Issue of EUR 25,000,000 1.00 per cent. Notes due 2027 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	25.0	25.0	Fixed 1.000%
OP Corporate Bank plc Issue of EUR 1,000,000,000 0.100 per cent. Instruments due 16 November 2027 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	1000.0	890.2	Fixed 0.100%
Issue of OP Corporate Bank plc Issue of 5yr EUR 650,000,000 Fixed Rate Senior Preferred Instruments due 13 June 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	650.0	671.4	Fixed 4.000%
OP Corporate Bank plc Issue of USD 60,000,000 3.692 per cent. Instruments due 15 Jun 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	54.3	52.3	Fixed 3.692%
OP Corporate Bank plc Issue of 7yr EUR 500 000 000 Fixed Rate Senior Non-Preferred Instruments due 16 June 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	440.5	Fixed 0.375%
OP Corporate Bank plc Issue of EUR 10,000,000 1.30 per cent. Instruments due 23 Oct 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	9.1	Fixed 1.300%
OP Corporate Bank plc Issue of USD 100,000,000 3.901 per cent. Instruments due 7 Dec 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	90.5	87.7	Fixed 3.901%
OP Corporate Bank plc Issue of 7.25yr EUR 500 000 000 Fixed Rate Senior Non-Preferred Instruments due 8 December 2028 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	432.1	Fixed 0.375%
OP Corporate Bank plc Issue of EUR 10,000,000 1.310 per cent. Fixed Rate Instruments due 24 January 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	9.0	Fixed 1.310%
OP Corporate Bank plc Issue of EUR 75,000,000 Programme for the Floating Rate Instruments under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	75.0	76.0	EUB + 86 BPS
OP Corporate Bank plc Issue of EUR 19,000,000 1.005 per cent. Fixed Rate Instruments due 6 March 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	19.0	19.0	Fixed 1.005%
OP Corporate Bank plc Issue of NOK 900,000,000 FXD Senior Preferred Note, due 25 May 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	80.1	78.7	Fixed 3.755%
OP Corporate Bank plc Issue of AUD 65,000,000 Floating Rate Note Due 25 May 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	40.0	40.6	BBSW +1.300%
OP Corporate Bank plc Issue of NOK 200,000,000 3.80 per cent. Instruments due 27 May 2029 under the EUR 15,000,000,000 Programme for Debt Instruments	17.8	17.4	Fixed 3.800%
OP Corporate Bank plc Issue of AUD 197,000,000 2.440% per cent.	121.1	121.1	Fixed 2.440%
OP Corporate Bank plc Issue of USD 50,000,000 Fixed Rate Senior Non-Preferred Instruments due 17 July 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	45.2	41.4	Fixed 2.933%
OP Corporate Bank plc Issue of EUR 500,000,000 0.625 per cent. Senior Non-Preferred Instruments due 12 November 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	500.0	428.2	Fixed 0.625%
OP Corporate Bank plc Issue of EUR 10,000,000 0.53 per cent. Fixed Rate Instruments due 15 November 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	8.4	Fixed 0.530%
OP Corporate Bank plc Issue of NOK 1,000,000,000 FXD Senior Preferred Note, due 5 December 2029 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	106.8	106.8	Fixed 4.400%
OP Corporate Bank plc Issue of EUR 25,000,000 7Y 23 May 2030 Senior Preferred Floating Rate Notes under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	25.0	25.0	EUB3 + 92 BPS
OP Corporate Bank plc Issue of EUR 30,000,000 1.70 per cent. Notes due 2030 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	30.0	30.0	Fixed 1.700%

OP Corporate Bank plc Issue of EUR 50,000,000 2.045 per cent. Instruments due 18 November 2030 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	45.5	Fixed 2.045%
OP Corporate Bank plc Issue of EUR 10,000,000 1.865 per cent. Instruments due 27 January 2031 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	10.0	8.9	Fixed 1.865%
OP Corporate Bank plc Issue of 10yr EUR 300 000 000 Fixed Rate Senior Non-Preferred Instruments due 24 March 2031 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	300.0	254.8	Fixed 0.750%
OP Corporate Bank plc Issue of NOK 850,000,000 FXD Senior Preferred Note, due 11 November 2032 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	75.6	78.4	Fixed 5.010%
OP Corporate Bank plc Issue of EUR 50,000,000 Fixed Rate Note Due 23 Nov 2032 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	50.0	50.7	Fixed 4.148%
OP Corporate Bank plc Issue of EUR 50,000,000 1.706 per cent. Unsubordinated Instruments due 12 December 2033 (the "Instruments") under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments.	50.0	42.3	Fixed 1.706%
OP Corporate Bank plc Issue of EUR 30,000,000 3.068 per cent. Instruments due 21 March 2034 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	30.0	28.7	Fixed 3.068%
OP Corporate Bank plc Issue of EUR 30,000,000 Fixed Rate Notes due 2034 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	30.0	26.6	Fixed 3.015%
OP Corporate Bank plc Issue of EUR 40,000,000 Fixed Rate Notes due 2034 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	40.0	38.0	Fixed 3.000%
Pohjola Bank plc Issue of EUR 40,000,000 1.40 per cent. Instruments due 16 March 2035 under the EUR 15,000,000,000 Programme for the Issuance of Debt Instruments	40.0	32.0	Fixed 1.400%
OP Corporate Bank plc Issue of EUR 30,000,000 2.155 per cent. Instruments due 20 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	30.0	25.8	Fixed 2.155%
OP Corporate Bank plc Issue of JPY 2,500,000,000 1.30 per cent. Instruments due 27 November 2035 under the EUR 20,000,000,000 Programme for the Issuance of Debt Instruments	16.0	16.0	Fixed 1.300%

The interest rate is the rate according to the issue currency. Euro equivalents are calculated using the average rate of the European Central Bank on the balance sheet date. The nominal value of structured products issued by OP Corporate Bank plc was EUR 2,496 million (EUR 1,621 million). The products' interest rate is determined by the underlying assets, such as interest rates, stocks, share indexes. Any possible additional return for the investor is hedged using a corresponding derivative structure.

Note 28. Provisions and other liabilities

€ million	31 Dec 2023	31 Dec 2022
Provisions		
Loss allowance on off-balance sheet items	37	29
Reorganisation provision	0	1
Total	37	30
Other liabilities		
Payment transfer liabilities	886	868
Accrued expenses		
Interest payable	286	174
Interest payable on derivatives	50	20
Other accrued expenses	52	46
Derivative CSA and other liabilities	1,175	1,290
Pension liabilities	4	5
Lease liabilities	2	2
Accounts payable on securities	6	6
Payables based on purchase invoices	5	3
Total	1,581	1,545
Financial liabilities held for trading	5	
Other	147	66
Total provisions and other liabilities	**2,656**	**2,509**

Changes in provisions

€ million	Loss allowance	Re-organisation	Other provisions	Total
1 Jan 2023	29	1		30
Increase in provisions	8			8
Reversal of unused provisions		-1		-1
31 Dec 2023	37	0		37

€ million	Loss allowance	Re-organisation	Other provisions	Total
1 Jan 2022	20			20
Increase in provisions	9	1		10
Provisions used	0			0
31 Dec 2022	29	1		30

Defined benefit pension plans

OP Corporate Bank plc has funded assets of its pension schemes through insurance companies and OP Bank Group Pension Foundation. Schemes related to supplementary pensions in OP Bank Group Pension Foundation are treated as defined benefit plans. Statutory pension cover managed by Ilmarinen Mutual Pension Insurance Company is treated as a defined contribution plan.

Supplementary pension at OP Bank Group Pension Foundation and insurance companies

OP Bank Group Pension Foundation manages supplementary pension cover provided by OP Corporate Bank for its employees. The purpose of the Pension Foundation is to grant old-age and disability pension benefits and sickness benefits to employees covered by the Pension Foundation activities, and survivors' pension benefits to their beneficiaries, and burial grant. In addition, the Pension Foundation may grant said employees benefits related to rehabilitation. Arranging supplementary pension is voluntary. Supplementary pension cover provided by the Pension Foundation is fully funded.

The Pension Foundation covers every employee who has reached the age of 20 years and who has been employed, as specified by TyEL, for two consecutive years by the employer within the Pension Foundation and whose employment has begun before 1 July 1991. The employment term entitling to pension begins from the day the employee turned 23 years in the employment of the employer. The salary/wage serving as the basis for the calculation of pension refers to pensionable pay based on one and the same employment and calculated under the Finnish Employees' Pensions Act, TEL, in force until 31 December 2006. The retirement age of those covered by the Pension Foundation varies from 60 to 65 years, depending on the personnel group to which the employee belongs under the Pension Foundation rules.

At national level, the supplementary pension foundation complies with the Act on supplementary pension foundations and supplementary pension funds (unofficial translation of "Laki lisäeläkesäätiöistä ja lisäeläkekassoista" (LESKL)). As a result, the most significant risk is that of the actual return on investment assets being lower than the target set for the minimum return. If such a risk were to materialise in several consecutive years, it would result in the charging of premiums.

Furthermore, the most significant actuarial risks of OP-Eläkesäätiö pension foundation are associated with interest rate and market risks, systematically increasing life expectancy, and inflation risk.

Responsible for investment, the Board of Trustees of the Pension Foundation approves the pension institution's investment plan related to its assets. A pension institution's chief actuary prepares annually a forecast for developments in insurance liabilities and pension costs. On this basis, investment asset allocation takes account of the requirements set by the nature of insurance liabilities for investment operations with respect to the level of security, productivity and liquidity, as well as the Pension Foundation's risk-bearing capacity.

Supplementary pension has also been arranged in life insurance companies. In general, insured persons are entitled to retire on an old-age pension at the age of 63. They are also entitled to disability pension and, after their death, their beneficiaries are entitled to a burial grant and survivors' pension. Insurance contributions are collected based on the retirement age of 65. The employer pays the uncovered portion of the pension on a lump-sum basis when the person retires at the promised retirement age of 63. Payable benefits are tied to the TyEL index. The employer will be annually charged an additional payment if the insurance company's own index compensation is smaller than the indexation of benefits.

When reporting promised benefits under IAS 19, the key risks are associated with the inflationary expectation, wage inflation and interest rates on the balance sheet date. The most significant risk in these plans is the inflation assumption, which affects the pension obligation through the assumed increase in benefits. The interest rate applied affects not only the pension obligation but also the value of assets corresponding to the obligation, reducing the effect of any change in the net benefit liability or receivable to be recognised.

Balance sheet value of defined benefit plans, € million	Defined benefit obligations		Fair value of pension assets		Net liabilities (assets)	
	2023	2022	2023	2022	2023	2022
Opening balance 1 Jan	41	56	-53	-58	-12	-2
Defined benefit pension costs recognised in income statement						
Current service cost	0	0			0	0
Interest expense (income)	1	1	-2	-1	0	0
Administrative expenses			0	0	0	0
Total	**2**	**1**	**-2**	**0**	**0**	**0**
Losses (gains) recognised in other comprehensive income arising from remeasurement						
Actuarial losses (gains) arising from changes in economic expectations	1	-14			1	-14
Experience adjustments	2	0			2	0
Return on plan assets, excluding amount (–) of net defined benefit liability (asset)			-5	3	-5	3
Total	**3**	**-14**	**-5**	**3**	**-2**	**-11**
Other						
Employer contributions			0	0	0	0
Benefits paid	-3	-2	3	2		
Total	**-3**	**-2**	**2**	**2**	**0**	**0**
Closing balance 31 Dec	**43**	**41**	**-58**	**-53**	**-14**	**-12**

Liabilities and assets recognised in the balance sheet, € million	31 Dec 2023	31 Dec 2022
Net assets (-) (Pension Foundation)	-19	-17
Net liabilities (Supplementary pension schemes of insurance companies)	4	5
Net assets (-) (Supplementary pension schemes of insurance companies)	0	
Total net liabilities	**4**	**5**
Total net assets	**-19**	**-17**

Pension Foundation assets, € million	31 Dec 2023	31 Dec 2022
Shares and participations	9	9
Notes and bonds	10	10
Real property	1	1
Mutual funds	33	26
Derivatives	0	0
Other assets	1	3
Total	**54**	**49**

Pension plan assets include, € million,	31 Dec 2023	31 Dec 2022
Other receivables from OP Financial Group companies	1	3
Total	**1**	**3**

Contributions payable under the defined benefit pension plan in 2024 are estimated at EUR 0.4 million.

The duration of the defined benefit pension obligation in the Pension Foundation on 31 December 2023 was 12.1 years, and in other plans 11.9 years.

	31 Dec 2023		31 Dec 2022	
Key actuarial assumptions used	Pension Foundation	Insurance companies	Pension Foundation	Insurance companies
Discount rate, %	3.1	3.2	3.6	3.4
Future pay increase assumption, %	3.0	3.1	3.3	3.3
Future pension increases, %	2.4	2.5	2.7	2.7
Inflation rate, %	2.2	2.3	2.5	2.5
Estimated remaining service life of employees in years	5.0	5.0	6.0	5.0
Life expectancy for 65-year old people				
Men	21.4	21.4	21.4	21.4
Women	25.4	25.4	25.4	25.4
Life expectancy for 45-year old people after 20 years				
Men	23.7	23.7	23.7	23.7
Women	28.1	28.1	28.1	28.1

	Pension Foundation Change in defined benefit pension obligation		Supplementary pension schemes of insurance companies change in defined benefit net pension liability	
Sensitivity analysis of key actuarial assumptions, 31 Dec 2023	€ million	%	€ million	%
Discount rate				
0.5 pp increase	-2	-5.5	0	-7.1
0.5 pp decrease	2	6.0	0	8.0
Pension increases				
0.5 pp increase	2	5.8	0	37.8
0.5 pp decrease	-2	-5.5	0	-35.6
Mortality				
1-year increase in life expectancy	1	3.4	0	3.4
1-year decrease in life expectancy	-1	-3.3	0	-3.3

	Pension Foundation Change in defined benefit pension obligation		Supplementary pension schemes of insurance companies change in defined benefit net pension liability	
Sensitivity analysis of key actuarial assumptions, 31 Dec 2022	€ million	%	€ million	%
Discount rate				
0.5 pp increase	-2	-5.5	0	-6.9
0.5 pp decrease	2	6.1	0	7.7
Pension increases				
0.5 pp increase	2	5.8	0	34.1
0.5 pp decrease	-2	-5.5	0	-32.0
Mortality				
1-year increase in life expectancy	1	3.2	0	3.3
1-year decrease in life expectancy	-1	-3.1	0	-3.2

Note 29. Subordinated liabilities

€ million	31 Dec 2023	31 Dec 2022
Subordinated loans		
Debentures	1,414	1,384
Total subordinated liabilities	**1,414**	**1,384**

Debentures

1. Debenture loan of JPY 10 billion (euro equivalent 64 million), which is a ten-year bullet loan, will mature on 3 July 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to the JPY Libor + 0.735%.
2. Debenture loan of 100 million euros, which is a 10-year bullet loan, will mature on 25 September 2025. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 2.405% p.a.
3. Debenture loan of SEK 3,250 million (euro equivalent 317 million), which is a ten-year bullet loan, will mature on 3 June 2030. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a floating rate linked to a 3-month Stibor + 2.300%.
4. Debenture loan of 1,000 million euros, which is a 10-year bullet loan, will mature on 9 June 2030. Under the terms and conditions of the loan, the issuer will have the opportunity for early redemption in case the principal cannot be counted as part of the bank's Tier 2 capital. The loan carries a fixed interest rate of 1.625% p.a.

Loans 1–4 were issued in international capital markets.

OP Corporate Bank plc has no breaches of the terms and conditions of the loan contracts with respect to principal, interest and other conditions. The difference between the nominal value and carrying amount is due to the fair value hedge related to interest rate risk measurement.

Note 30. Equity capital

€ million	31 Dec 2023	31 Dec 2022
Liabilities to central banks	428	428
Reserves		
Restricted reserves		
Share premium account	524	524
Reserve fund	164	164
Fair value reserve		
Cash flow hedge	-6	-26
Measurement at fair value	-57	-3
Non-restricted reserves		
Reserve for invested non-restricted equity	308	308
Other non-restricted reserves	23	23
Retained earnings		
Profit (loss) for previous financial years	2,948	2,736
Profit (loss) for the financial year	265	211
Total equity capital	**4,597**	**4,364**

Share capital and shares

The number of shares remained unchanged, 319,551,415. The shares have no nominal value and their stated value (not an exact figure) is 1.34 euros per share. All of the shares issued have been paid in full.

Proposed distribution of dividend

The Board of Directors proposes that dividends to be distributed total EUR 76,000,000.00, or EUR 0.24 per share, and that following dividend distribution, the remaining amount of EUR 188,955,506.86 be recognised in the retained earnings account. Following dividend distribution, the company's distributable earnings total EUR 3,073,216,428.77 and its distributable funds total EUR 3,404,597,265.83. No dividend was distributed for 2022.

Reserves

Share premium account

The share premium account was formed during the validity of regulations in force before 1 September 2006. Items entered in the share premium account include amounts exceeding the stated value paid for shares in a rights issue and amounts exceeding the stated value of a share and paid for share subscription based on stock options.

The share premium account may be lowered in compliance with the regulations governing the reduction of share capital and may be used to increase the share capital. The amount of the subscription price exceeding the stated value of shares subscribed in September and November 2006, based on stock options, was entered in the share premium account, because the General Meeting had made the decision on issuing stock options before the entry into force of the new Companies Act. Otherwise, it has no longer been possible to increase the share premium account since 1 September 2006.

Reserve fund

The reserve fund consists of profits transferred to it during previous periods and the loan loss provisions transferred to it in 1990. The reserve fund may be used to cover losses for which the non-restricted equity is not sufficient. The reserve fund may also be used to increase the share capital and it may be reduced in the same way as the share capital. Since 1 September 2006, it has no longer been possible to increase the reserve fund.

Fair value reserve

The reserve includes the change in the fair value of financial assets recognised through the statement of comprehensive income. Items included in this reserve are derecognised and recorded in the income statement when the financial asset is disposed of or is subject to impairment. The expected loss on notes and bonds recognised through other comprehensive income is recognised to add the fair value reserve. The reserve also includes the net fair value change of interest rate derivatives as cash flow hedges verified as effective and adjusted for deferred tax. Fair value changes are included in the income statement in the period when hedged cash flows affect net income.

Fair value reserve after income tax

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

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

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

Other restricted reserves

These reserves consist of retained earnings based on the Articles of Association or other rules describing their purpose.

Reserve for Invested non-restricted equity

Capital raised through the rights offering in 2009 was entered in the reserve for invested non-restricted equity.

Other non-restricted reserves

These reserves consist of retained earnings based on decisions by the General Meeting.

Retained earnings

Retained earnings contain tax-based provisions transferred in the IFRS transition and gains/losses due to the redefinition of defined benefit pension plans less deferred tax.

Restricted and non-restricted equity and distributable funds

€ million	31 Dec 2023	31 Dec 2022
Shareholders' equity		
Restricted equity	1,052	1,086
Non-restricted equity	3,544	3,278
Total shareholders' equity	**4,597**	**4,364**

€ million	31 Dec 2023	31 Dec 2022
Distributable funds		
Reserve for Invested non-restricted equity	308	308
Other non-restricted reserves	23	23
Fair value reserve	-63	
Retained earnings, defined benefit plans	-63	-64
Retained earnings for previous financial years	1,711	1,500
Tax-based provisions transferred in transition to IFRS	1,300	1,300
Profit for the financial year	265	211
	3,481	3,278
Capitalised development expenditure	-1	-3
Total distributable funds	**3,481**	**3,275**

Other notes to on-balance and off-balance sheet items

Note 31. Loss allowance regarding receivables and notes and bonds

Credit risk exposures and related loss allowance

A description of OP Corporate Bank´s credit risk formation and management can be found in section 2 of Note 2. The measurement principles of expected credit losses are described in section 6.4 Impairment of Note 1.

Expected credit losses are calculated on receivables measured at amortised cost and notes and bonds recognised at fair value through other comprehensive income (investments in bonds). OP Corporate Bank receivables include loans, standby credit facilities (e.g. credit cards and accounts with credit facility and lease and factoring receivables). In addition, expected credit losses are calculated on off-balance-sheet items, such as loan commitments, credit facilities and bank guarantees. However, notes and bonds are investments in bonds. For expected credit losses, loss allowance is recognised in the balance sheet or in the case of notes and bonds in other comprehensive income.

The following factors, for example, affect the amount of expected credit losses: exposure amount, exposure validity, customer borrower grade and collateral value as well as forward-looking information.

The following table shows receivables, exposed to credit risk, on the basis of which expected credit loss is calculated. On-balance sheet and off-balance sheet exposures in the table represent the maximum exposure amount subject to credit risk, excluding collateral securities or other arrangements that improve credit quality. An off-balance sheet exposure represents an exposure or guarantee amount binding on the bank, multiplied by the credit conversion factor ("CCF").

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

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

Loss allowance by stage 31 December 2023

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

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

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

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

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

Summary and key indicators 31 December 2023	Stage 1	Stage 2 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	31,581	3,453	150	3,603	761	35,945
Loss allowance						
Corporate Banking	-35	-87	-7	-94	-196	-325
Coverage ratio, %						
Corporate Banking	-0.11%	-2.52%	-4.54%	-2.60%	-25.78%	-0.90%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**31,581**	**3,453**	**150**	**3,603**	**761**	**35,945**
Total loss allowance	**-35**	**-87**	**-7**	**-94**	**-196**	**-325**
Total coverage ratio, %	**-0.11%**	**-2.52%**	**-4.54%**	**-2.60%**	**-25.78%**	**-0.90%**
Carrying amount, notes and bonds						
Group Functions	12,737	69		69	3	12,809
Loss allowance						
Group Functions	-1	-1		-1	-1	-2
Coverage ratio, %						
Group Functions	-0.01%	-0.93%		-0.93%	-16.38%	-0.02%
Total notes and bonds	**12,737**	**69**		**69**	**3**	**12,809**
Total loss allowance	**-1**	**-1**		**-1**	**-1**	**-2**
Total coverage ratio, %	**-0.01%**	**-0.93%**		**-0.93%**	**-16.38%**	**-0.02%**

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

Exposures € 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	26,623	2,518	109	2,627	452	29,703
Total	**26,623**	**2,518**	**109**	**2,627**	**452**	**29,703**
Off-balance-sheet limits						
Corporate Banking	3,139	129	2	130	6	3,275
Total	**3,139**	**129**	**2**	**130**	**6**	**3,275**
Other off-balance-sheetcommitments						
Corporate Banking	2,706	176		176	33	2,915
Total	**2,706**	**176**		**176**	**33**	**2,915**
Notes and bonds						
Group Functions	12,982	73		73		13,055
Total	**12,982**	**73**		**73**		**13,055**
Total exposures within the scope of accounting for expected credit losses	**45,450**	**2,896**	**111**	**3,006**	**491**	**48,948**

Loss allowance by stage 31 December 2022

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	-30	-23	-5	-28	-182	-240
Total	**-30**	**-23**	**-5**	**-28**	**-182**	**-240**
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	**-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 Not more than 30 DPD	More than 30 DPD	Total	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Corporate Banking	32,468	2,823	111	2,934	491	35,892
Loss allowance						
Corporate Banking	-33	-25	-5	-30	-206	-269
Coverage ratio, %						
Corporate Banking	-0.10%	-0.87%	-4.73%	-1.02%	-42.00%	-0.75%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**32,468**	**2,823**	**111**	**2,934**	**491**	**35,892**
Total loss allowance	**-33**	**-25**	**-5**	**-30**	**-206**	**-269**
Total coverage ratio, %	**-0.10%**	**-0.87%**	**-4.73%**	**-1.02%**	**-42.00%**	**-0.75%**
Carrying amount, notes and bonds						
Group Functions	12,982	73		73		13,055
Loss allowance						
Group Functions	-1	-1		-1		-2
Coverage ratio, %						
Group Functions	-0.01%	-1.18%		-1.18%		-0.02%
Total notes and bonds	**12,982**	**73**		**73**		**13,055**
Total loss allowance	**-1**	**-1**		**-1**		**-2**
Total coverage ratio, %	**-0.01%**	**-1.18%**		**-1.18%**		**-0.02%**

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

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

Transfers from Stage 1 to Stage 2 include the transfer of EUR 201 million in exposures related to a management overlay.

Changes in loss allowance during financial year

The table below shows the change in loss allowance by impairment stage during 2023 in respect of the effect of the following factors:
Note 1, section 6.4.1 describes impairment stages.

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

Transfers from Stage 1 to Stage 3 compare the current year-end Stage 3 of a financial asset to the situation at the beginning of the year. Of these, some 77% (see the default capture rate below) have been reported in Stage 2 during 2023, so the agreements have, as a rule, transferred to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

Transfers from Stage 3 to Stages 2 or 1 compare the year-start Stage 3 with the year-end Stage 2 or 1. As the main rule, the transfers, however, took place within 2023 with a delay of one month.

Of loans transferred to Stage 2, most transfers have been based on use of OP Corporate Bank's relative SICR model, regardless of the rating grade. Payments becoming 30 days past due is the most common reason for transfer to Stage 2 in the case of middle and lower-level ratings: forbearance measures are the most frequent cause of transfer to Stage 2 in the case of corporate customers with middle or lower-level rating grades. Among personal customer exposures, Stage 2 transfer due to forbearance measures occurs more evenly across all ratings. Exposures with the lowest ratings are transferred to Stage 2 on the basis of an absolute rating limit: there are several reasons for transfer to Stage 2 in these cases in particular. Default is identified on a real-time basis and causes immediate transfer to Stage 3.

Non-performing exposures are classified into Stage 3, i.e. its definition is the same as credit impaired financial assets due to credit risk under IFRS 9.

In 2023, transfers from Stage 1 to Stage 2 include an additional management overlay of EUR 9.8 million.

The weak outlook for the construction industry is reflected in an increase in credit losses in stages 2 and 3.

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

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

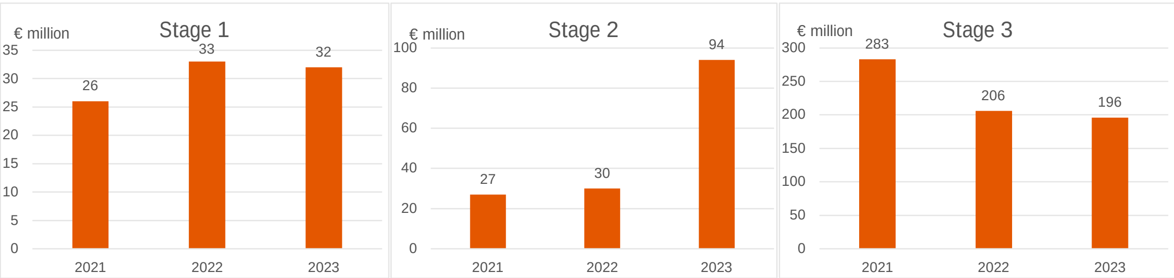
In Q2/2023 an additional management overlay provision of EUR 6.3 million was made in the real estate sector based on the weaker outlook in the sector. The analysis was made as a stress test based on the baseline scenario (weight of 70%) and the downside scenario (weight of 30%) with the assumptions that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

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

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

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

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



In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at a normal level, or downside 20%, baseline 60% and upside 20%. Macroeconomic forecast updates in 2023 increased expected credit losses slightly.

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

Changes in loss allowance during 2022

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

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

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

The table below shows the change in loss allowance by impairment stage during 2022 in respect of the effect of the following factors:

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 2	0		-4	-4
Transfers from Stage 3 to Stage 1		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 due to update in the methodology for estimation (net)	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**

Transfers from Stage 1 to Stage 3 compare the current year-end Stage 3 of a financial asset to the situation at the beginning of the year. Of these, some 76% (see the default capture rate below) have been reported in Stage 2 during 2022, so the agreements have, as a rule, transferred to Stage 3 through Stage 2. The agreement may transfer directly to Stage 3 due to external payment default.

Transfers from Stage 3 to Stages 2 or 1 compare the year-start Stage 3 with the year-end Stage 2 or 1. As the main rule, the transfers, however, took place within 2022 with a delay of one month and through Stage 2.

Of loans transferred to Stage 2, most transfers have been based on use of OP Corporate Bank's relative SICR model, regardless of the rating grade. Payments becoming 30 days past due is the most common reason for transfer to Stage 2 in the case of middle and lower-level ratings: forbearance measures are the most frequent cause of transfer to Stage 2 in the case of corporate customers with middle or lower-level rating grades. Among personal customer exposures, Stage 2 transfer due to forbearance measures occurs more evenly across all ratings. Exposures with the lowest ratings are transferred to Stage 2 on the basis of an absolute rating limit: there are several reasons for transfer to Stage 2 in these cases in particular. Default is identified on a real-time basis and causes immediate transfer to Stage 3.

Non-performing exposures are classified into Stage 3, i.e. its definition is the same as credit impaired financial assets due to credit risk under IFRS 9.

In June 2022, OP Corporate Bank updated its lifetime EAD models and maturity model. Changes in the models increased OP Corporate Bank's expected credit losses by EUR 1 million, which is reported in the table above on the row "changes in model assumptions and methodology". Lifetime EAD models are used in ECL measurement under IFRS 9 to estimate a contract's on-balance-sheet exposures at default over the lifetime of the contract. The maturity model is used in ECL measurement under IFRS 9 to estimate a contract's lifetime for standby credit facilities of personal and corporate customer exposures whose credit risk has increased significantly, meaning that their ECL is measured for the contract's lifetime (Stage 2). The maturity model is used for standby credit facilities of personal and corporate customer exposures because they have no contractual maturity.

OP Corporate Bank has updated its assessments of how Russia's attack on Ukraine has financially impacted on customers' credit risk. Impacts were expected due to factors such as business closures and a rise in the costs of energy, raw materials and other production. Such impacts have been milder than expected because higher production costs have been passed onto prices and government support has been provided, particularly for the energy sector. An ECL provision of EUR 7 million was recognised in Q1/2022, based on a management overlay, to cover the impacts of the Ukraine war on the riskiest sectors – construction, energy and transport. The overlay has been reversed for the abovementioned reasons.

At the end of 2021, OP Corporate Bank recognised an additional ECL provision of EUR 6 million concerning CRE backed loans nearest to stage 3. The provision was made to anticipate growth in the ECL due to updates in collateral assessments of riskier collateral real estate holdings and probable defaults. The provision was completely reversed in 2022, because of updates made in the collateral values of the agreements concerned and defaults.

At the end of 2022, a management overlay was used to increase the ECL provision for the construction industry by EUR 2.5 million, based on an analysis by OP Corporate Bank. The analysis was considered necessary due to the weakened outlook of the sector and was conducted as a stress test, assuming a decrease in the industry's net sales of 10%, a cost inflation increase of 8% and an interest rate rise of 3%.

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 2 to Stage 1	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**

The table below presents on-and-off-balance sheet gross exposures by rating grade. It also shows exposure amounts after collateral has been deducted, and loss allowance. Internal grades 1–12 are used for the internal rating of corporations and public-sector entities, and grades A–F for the internal rating of households. Internal grades have been combined with the table in such a way that, for example, corporate customer grade 2 comprises grades 2 and 2.5. Internal grade A for private customers includes, for example, A+, A and A- etc. OP Financial Group's approach to credit rating is described in section 2.2.1. of Appendix 2. Net exposure has been calculated for each contract and excludes overcollateralisation.

31 December 2023

€ million	Balance sheet exposures			Off-balance-sheet exposure, gross			Net exposure after collateral			Loss allowance		
Rating	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
1	1,082			1,990			3,039			0		
2	966	5		193	26		851	13		-1	-2	
3	2,862	20		618			2,440	7		-1	-1	
4	5,689	78		1,210			3,750	63		-3	-1	
5	4,732	533		795	60		3,248	561		-4	-2	
6	4,501	543		474	67		1,716	246		-7	-3	
7	3,140	583		237	88		708	415		-12	-9	
8	538	603		70	81		124	214		-4	-25	
9		181			20			34			-7	
10		111			46			86			-29	
11			586			53			327			-157
12			12			1			9			-10
A	114	0		3			29			0		
B	751	9		3	0		131	0		0	0	
C	1,198	21		2	1		198	5		-1	0	
D	415	123		1	1		102	17		-1	-1	
E		404			1			101			-13	
F			108			0			47			-29
Total	**25,988**	**3,214**	**707**	**5,593**	**389**	**53**	**16,334**	**1,763**	**383**	**-35**	**-94**	**-196**

31 December 2022

€ million	Balance sheet exposures			Off-balance-sheet exposure, gross			Net exposure after collateral			Loss allowance		
Rating	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
1	1,245			2,029			3,168			0		
2	1,115	5		475	2		1,012	5		0	0	
3	3,781	9		671			2,937	3		0	0	
4	4,620	195		1,163	10		3,368	204		-2	0	
5	4,983	392		679	97		2,331	424		-3	-1	
6	4,686	796		557	75		1,750	747		-6	-2	
7	3,176	266		221	43		969	96		-9	-2	
8	629	455		42	73		89	302		-9	-8	-160
9		102			4			12			-3	-26
10		19			1			3			-5	
11			339			39			179			
12			28			0			25			
A	110			2			27	0		0		
B	680	0		2	0		127	0		0	0	
C	1,141	11		2	0		203	5		-1	0	
D	456	68		1	0		126	13		-2	0	
E		310			0		0	82		0	-9	
F			85			0			36			-21
Total	**26,623**	**2,627**	**452**	**5,845**	**306**	**39**	**16,107**	**1,898**	**241**	**-33**	**-30**	**-206**

Of loans transferred to Stage 2, most transfers have been based on use of OP Corporate Bank's relative SICR model, regardless of the rating grade. Payments becoming 30 days past due is the most common reason for transfer to Stage 2 in the case of middle and lower-level ratings: Forbearance measures are a more frequent cause of transfer to Stage 2 in the case of corporate customers with middle and lower-level ratings. Among personal customer exposures, Stage 2 transfer for this reason occurs more evenly across all ratings. Exposures with the lowest ratings are transferred to Stage 2 on the basis of an absolute rating limit: there are several reasons for transfer to Stage 2 in these cases in particular. Default is identified on a real-time basis and causes immediate transfer to Stage 3.

OP Corporate Bank may write off credit loss from financial assets in full or in part, but thereafter these will still be subject to collection measures. The amount of such financial assets were EUR 18 million (17) on 31 December 2023.

Significant increase in credit risk (SICR)

A significant increase in credit risk is discovered on a technical basis as presented in the accounting policies (Note 1 section 6.4.1).

SICR-model classification of contracts into similar credit risk groups is identical with lifetime PD (probability at default) models. Credit ratings are key input data for PD models. Both current PDs and threshold PDs include forward-looking information (below).

The effectiveness of SICR is assessed on every reporting date using the following indicators:

The default capture rate measures how many contracts were in Stage 2 before it transferred to Stage 3. The rate was 77% (76) on 31 December 2023. The higher the rate is, the better the SICR model can capture a significant increase in credit risk. Contracts in Stage 2 accounted for 8% (4) of the entire non-default loan portfolio.

A specific model has been developed for the SICR criterion for a relative increase in PD, whose parameters are calculated from historical data. In addition to these parameters, the SICR model is affected, for example, by the contract rating grade, segment and macroeconomic variables which together determine the PD of the contract lifetime. In addition, the comparison of the relative increase is affected by the contract's passed and remaining lifetime. For these reasons, no general threshold has been determined for an increase in the PD. It can, however, stated that, on average, a doubling or trebling of the PD causes the quantitative SICR criterion to trigger.

Forward-looking information included in the ECL measurement models

The assessment of SICR and the measurement of expected credit loss incorporate forward-looking information; OP Financial Group has analysed what macroeconomic variables have an explanatory significance to the credit risk amount.

The table below shows a summary of the values of the five most important macroeconomic variables for 2023–2028 used in the models (average, minimum and maximum) for three scenarios that have been used in the measurement of the expected credit loss. The macroeconomic forecasts extend to 30 years but the next 5 years are the most relevant ones in respect of ECL measurement. These values were used for all product groups on 31 December 2023.

Economic variable	Scenario	Average (%)	Minimum (%)	Maksimum (%)
GDP growth	Downside	-1.8	-3.1	-0.3
	Baseline	0.8	-0.3	1.3
	Upside	3.0	-0.3	4.1
Unemployment rate	Downside	8.5	7.2	9.4
	Baseline	7.2	6.5	7.5
	Upside	6.1	4.5	7.2
House price index	Downside	-1.5	-6.0	0.1
	Baseline	0.7	-6.0	3.0
	Upside	2.8	-6.0	5.7
12-month Euribor where the effect of GDP growth and inflation has been deducted	Downside	1.1	-0.5	2.2
	Baseline	1.5	-0.3	2.1
	Upside	2.2	-0.2	3.1
3-month real interest rate	Downside	1.0	0.1	2.1
	Baseline	1.1	1.0	1.3
	Upside	1.5	0.7	2.3

On 31 December 2023, the probability weights of the scenarios were Downside 20%, Baseline 60% and Upside 20%.

The table below shows a summary of the values of the five most important macroeconomic variables for 2022–2027 used in the models (average, minimum and maximum) for three scenarios that have been used in the measurement of expected credit losses. The macroeconomic forecasts extend to 30 years but the next 5 years are the most relevant ones in respect of ECL measurement. These values were used for all product groups on 31 December 2022.

Economic variable	Scenario	Average (%)	Minimum (%)	Maksimum (%)
GDP growth	Downside	-3.6	-3.6	-2.0
	Baseline	-0.5	-0.5	2.0
	Upside	2.7	2.0	3.2
Unemployment rate	Downside	8.1	6.8	8.6
	Baseline	7.0	6.7	7.4
	Upside	6.1	5.2	6.8
House price index	Downside	-0.9	-6.6	0.9
	Baseline	0.8	-5.1	3.0
	Upside	2.3	-3.5	4.5
12-month Euribor where the effect of GDP growth and inflation has been deducted	Downside	-0.6	-4.1	0.6
	Baseline	0.3	-0.4	1.6
	Upside	1.2	-0.4	0.7
3-month real interest rate	Downside	-0.2	-0.6	
	Baseline	-0.1	-0.6	0.1
	Upside		-0.6	0.2

On 31 December 2022, the probability weights of the scenarios were Downside 20%, Baseline 60% and Upside 20%.

The scenarios are based on the forecasts performed by OP Financial Group economists. The forecast process also takes account of comparable forecasts by external organisations, such as the OECD, International Monetary Fund, Bank of Finland, Ministry of Finance etc., as well as academic research.

The rationality of the used macroeconomic variables is assessed when reviewing the functionality of the models for PD, LGD, EAD and prepayment.

The table below shows loss allowance regarding significant receivables under various scenarios by impairment stage on 31 December 2023.

Total private customer and corporate customer exposures, € million	Weighted loss allowance	Loss allowance under downside scenario	Loss allowance under baseline scenario	Loss allowance under upside scenario
Stage 1*	34	35	30	27
Stage 2*	84	91	83	78
Stage 3	196	196	196	196
Total	**314**	**322**	**310**	**300**

* Without management overlay provisions.

The table below shows loss allowance regarding significant receivables under various scenarios by impairment stage on 31 December 2022.

Total private customer and corporate customer exposures, € million	Weighted loss allowance	Loss allowance under downside scenario	Loss allowance under baseline scenario	Loss allowance under upside scenario
Stage 1*	33	33	30	27
Stage 2*	30	32	29	22
Stage 3	206	206	206	206
Total	**269**	**271**	**265**	**255**

* Without management overlay provisions.

All personal and corporate customer risk parameters affect in a parallel way in such a way that loss allowance is the largest under the downside scenario. The LGD model for Stage 3 is independent of macroeconomic factors, but a significant proportion of Stage 3 exposures is assessed by means of a cash flow based expert assessment that also takes account of forward-looking information.

Sensitivity analysis

The sensitivity analysis describes the sensitivity of loss allowance to changes in macroeconomic factors. The analysis below only describes somewhat potential economic deterioration and not an economic upswing at all. In addition, all different components of the sensitivity analysis do not necessarily develop together during a recession in the way presented in the sensitivity analysis.

The most significant macroeconomic variables in risk parameters and exposure classes include the 12-month Euribor rate, the real 3-month Euribor rate (minus the effect of inflation), and GDP growth. Changes used in sensitivity analyses include a 1 percentage point increase in the 12-month Euribor rate, a 1 percentage point increase the 3-month Euribor rate, a 1 percentage point increase in the inflation rate, and a 3.5 percentage point decrease in the GDP growth rate. The figures therefore reflect an economic situation that is poorer than now – all of them increase loss allowance and are based on the following facts. The levels used in the sensitivity analysis are based on the behaviour of variables during the historic period, and the changes roughly correspond to the change in standard deviation.

The sensitivity analysis covers only Stage 1 and 2 contracts. The sensitivity analysis takes account of transfers between Stage 1 and 2 taking place due to a significant increase in credit risk (SICR), which is shown as a decrease in Stage 1 and an increase in Stage 2. The sensitivity analysis takes account of changes in the lifetime PD stressed scenarios and in PD estimates based on the loss

The table below show the sensitivity of change in the loss allowance of the groups of household and corporate customers on 31 December 2023, when the economic situation weakens due to the combined effect of changes in interest rates, the real interest rate, inflation rate and GDP:

Group Stage	Loss allowance 31 December 2023	Loss allowance sensitivity analysis*	Proportional change
Households			
Stage 1	-2	-3	6%
Stage 2	-13	-15	9%
Corporate customers			
Stage 1	-28	-31	10%
Stage 2	-71	-80	13%
Total	**-115**	**-128**	**12%**

* 1 percentage point increase in the 12-month Euribor rate, 1 percentage point increase in the real 3-month Euribor rate. 1 percentage point increase in the inflation rate and a 3.5 percentage point decrease in the GDP growth rate under all scenarios.

The table below show the sensitivity of change in the loss allowance of the groups household and corporate customers on 31 December 2022, when the economic situation weakens due to changes in the combined effects of interest rates, investment growth rate and GDP:

Group Stage	Loss allowance 31 December 2023	Loss allowance sensitivity analysis*	Proportional change
Households			
Stage 1	-2	-2	-5% **
Stage 2	-9	-10	5%
Corporate customers			
Stage 1	-27	-30	11%
Stage 2	-34	-41	19%
Total	**-73**	**-83**	**13%**

* 1 percentage point increase in the 12-month Euribor rate, 1 percentage point increase in the real interest rate and a 3.5 percentage point decrease in the GDP rate under all scenarios.

** The negative change is due to the transfer from Stage 1 to Stage 2.

Loss allowances are largely determined based on the first couple of years when the first years of the simulated scenario years are essential in terms of the results.

A 1 percentage point increase in interest rates increases the amount of loss allowance in both personal customers and corporate customers. GDP growth has a negative relation to the amount of loss allowance through all model components. Slower GDP growth increases PD values for both personal customers and corporate customers. It also affects through the LGD in such a way that a GDP decrease weakens developments in the fair value of residential property collateral, which has an effect on Stage 2 contracts.

The analysis shows that the most significant proportional and absolute changes apply to the corporate customers where the amounts of loss allowance regarding Stage 1 and 2 contracts increase significantly. Changes are considerably smaller in personal customers than in corporate customers because the estimates of their risk parameters are not so sensitive to economic conditions.

Note 32. Collateral given

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

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

Note 33. Financial collateral held

OP Corporate Bank has received collateral, in accordance with the Financial Collateral Act, which it may resell or repledge.

€ million	31 Dec 2023	31 Dec 2022
Fair value of collateral received		
Derivatives	1,131	1,228
Total	**1,131**	**1,228**

The credit risk arising from derivatives is mitigated through collateral, which means the use of ISDA Credit Support Annex (CSA) contract associated with the ISDA general agreement. In the collateral system, the counterparty provides securities or cash in security for the receivable. The amount of CSA-related collateral received in cash totalled EUR 1,131 million on the balance sheet date (1,228). The Group had no securities received as collateral on the balance sheet date.

Note 34. Classification of financial assets and liabilities

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

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

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

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

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

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

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

Note 35. Recurring fair value measurements by valuation technique

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

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

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

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

Fair value measurement

Derivatives and other financial instruments measured at fair value

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

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

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

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

Fair value hierarchy

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

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

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

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

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

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

Valuation techniques whose input parameters involve uncertainty (Level 3)

Specification of financial assets and liabilities

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

Financial assets, € million	Recognised at fair value through profit or loss	Derivative contracts	Fair value through other comprehensive income	Total assets
Opening balance 1 January 2022	198	106	527	832
Total gains/losses in profit or loss	-188	-30		-218
Transfers into Level 3	46		473	519
Transfers out of Level 3			-207	-207
Closing balance 31 December 2022	56	77	793	926

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

Financial liabilities, € million	Recognised at fair value through profit or loss	Derivative contracts	Total liabilities
Opening balance 1 January 2022	1,176	30	1,207
Total gains/losses in profit or loss	-16	63	47
Other changes	398		398
Closing balance 31 December 2022	1,558	94	1,651

Total gains/losses included in profit or loss by item for the financial year on 31 December 2023

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

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

EUR Million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-188	16		-172
Unrealised net gains (losses)	-93			-93
Total net gains (losses)	-281	16		-265

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2023.

Sensitivity analysis of input parameters involving uncertainty on 31 December 2023

Type of instrument, € million	Receivables	Liabilities	Net balance	Effect on the income statement	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Private equity funds*	33		33	3.3	10 %
Real estate funds***	3		3	0.6	20 %
Derivatives:					
Index-linked bond hedges and structured derivatives, and derivatives with a long-term maturity**	98	-91	7	0.8	11 %
Fair value through profit or loss					
Bond investments	727		727	72.7	10 %

Sensitivity analysis of input parameters involving uncertainty on 31 December 2022

Type of instrument, € million	Receivables	Liabilities	Net balance	Effect on the income statement	Reasonably possible change in fair value
Recognised at fair value through profit or loss:					
Private equity funds*	51		51	5.1	10 %
Real estate funds***	5		5	1.0	20 %
Derivatives:					
Index-linked bond hedges and structured derivatives, and derivatives with a long-term maturity**	77	-94	-17	-1.9	11 %
Fair value through profit or loss					
Bond investments	793		793	79.3	10 %

* The value of private equity funds depends mainly on the profit performance of portfolio companies and the PE ratios of similar listed companies. The Total Value to Paid-in (TVPI) multiple, which has changed an average of 10%, is used to monitor the progress of the fair value of private equity funds.

** Following stress scenarios: the combined value change of volatility of shares (30%), dividends of shares (30%), credit risk premiums (30%) and significant correlation changes.

*** In the valuation of real estate funds, OP mainly uses the income approach whose main components are yield requirement and net rent. A +/– 1 percentage point change in the yield requirement leads on average to around 20% change in the fair value.

Note 36. Off-balance-sheet commitments

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

Note 37. Financial assets and liabilities offset in the balance sheet or subject to enforceable master netting arrangements or similar agreements

Financial assets

31 December 2023, € million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets	Net amount presented in the balance sheet	Financial assets not set off in the balance sheet: Master agreements*	Financial assets not set off in the balance sheet: Collateral received	Net amount
Derivatives	6,425	-1,644	4,780	-2,352	-1,131	1,297

31 December 2022, € million	Gross amount of financial assets	Gross amount of financial liabilities deducted from financial assets	Net amount presented in the balance sheet	Financial assets not set off in the balance sheet: Master agreements*	Financial assets not set off in the balance sheet: Collateral received	Net amount
Derivatives	7,818	-2,037	5,782	-3,113	-1,228	1,440

Financial liabilities

31 December 2023, € million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities	Net amount presented in the balance sheet	Financial liabilities not set off in the balance sheet: Master agreements*	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Derivatives	5,583	-1,088	4,496	-2,352	-308	1,836

31 December 2022, € million	Gross amount of financial liabilities	Gross amount of financial assets deducted from financial liabilities	Net amount presented in the balance sheet	Financial liabilities not set off in the balance sheet: Master agreements*	Financial liabilities not set off in the balance sheet: Collateral given	Net amount
Derivatives	7,301	-1,562	5,739	-3,113	-263	2,362

* It is OP Corporate Bank plc's practice to enter into master agreements for derivative transactions with all derivative counterparties.

Central counterparty clearing for OTC derivatives

Standardised OTC derivative transactions entered into with financial counterparties are cleared in London Clearing House, accordance with EMIR (EU 648/2012). Based on this model, the central counterparty will become the derivatives counterparty at the end of the daily clearing process, with whom daily payments for derivatives are netted. In addition, collateral is paid or received daily, which corresponds to the change in the fair value of open positions (variation margin), which is treated as collateral or final payment, depending on the clearing method. Interest rate derivatives cleared by the central counterparty are presented on a net basis in the balance sheet.

Other bilaterally cleared OTC derivatives

The ISDA Master Agreement or the Master Agreement of Finance Finland or the OP Corporate Bank will apply to derivative transactions between the OP Corporate Bank and other clients and to derivative transactions to which central counterparty clearing in accordance with the Regulation does not pertain. On the basis of these agreements, derivative payments may be netted per transaction on each payment date and in the event of counterparty default and bankruptcy. It is also possible to agree on collateral on a counterparty-specific basis in the terms and conditions of the agreement. Such derivatives are presented on a gross basis in the balance sheet.

Notes to risk management

Note 2 describes the Risk Appetite Framework.

Note 38. Credit losses and impairments

Credit losses and impairments

€ million	2017	2018*	2019	2020	2021	2022	2023
Gross credit losses and impairments	-48	-24	-50	-54	-74	-19	-97
Reversals	36	0	1	1	1	1	1
Net credit losses and impairments	-12	-23	-50	-53	-74	-18	-96

* IFRS 9 was adopted on 1 January 2018.

Note 39. Collateral received by type of collateral

€ million	31 Dec 2023	%	31 Dec 2022	%
Object of financing as collateral	4,823	33.6	4,464	31.0
Property or lease mortgage on office or industrial property	3,835	26.7	3,438	23.9
Public-sector guarantees	1,856	12.9	2,222	15.4
Shares and participations, other	1,171	8.2	1,431	9.9
Shares in housing corporations, and housing associations and property companies in residential use	1,106	7.7	1,156	8.0
Property or lease mortgage on residential property	502	3.5	488	3.4
Other collateral	449	3.1	439	3.0
Business mortgage	244	1.7	313	2.2
Factoring	183	1.3	286	2.0
Bank guarantee	170	1.2	176	1.2
Total	**14,338**	**100.0**	**14,412**	**100.0**

Received collateral by type of collateral has been calculated on the basis of the values of collateral held by the bank allocated to liabilities. The collateral's fair value is used as the basis for calculating the collateral value which is derived from the fair value on the basis of valuation percentages, based on conservative estimates, by type of collateral.

Note 40. Funding structure

€ million	31 Dec 2023	%	31 Dec 2022	%
Liabilities to credit institutions	23,830	35.9	40,899	47.3
Liabilities to customers				
Deposits	14,629	22.0	14,683	17.0
Other	2,597	3.9	4,330	5.0
Debt securities issued to the public				
Certificates of deposits and commercial papers including ECPs (Euro Commercial Paper)	6,796	10.2	10,370	12.0
Bonds*	13,117	19.7	10,532	12.2
Subordinated bonds	4,045	6.1	4,306	5.0
Subordinated liabilities	1,414	2.1	1,384	1.6
Total	**66,427**	**100.0**	**86,506**	**100.0**

* Include bonds included in own portfolio in trading.

Note 41. Maturity of financial assets and liabilities by residual term to maturity

31 December 2023, € million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Assets						
Liquid assets	19,710					19,710
Receivables from credit institutions	3,200	3,752	5,478	226	435	13,092
Receivables from customers	3,517	5,289	20,154	1,348	1,410	31,719
Investment assets	220	624	7,175	4,714	0	12,734
Total assets	**26,648**	**9,666**	**32,807**	**6,289**	**1,845**	**77,255**
Liabilities						
Liabilities to credit institutions	10,588	1,423	8,694	3,125		23,830
Financial liabilities recognised at fair value through profit or loss			3	2		5
Liabilities to customers	15,878	1,000	406			17,284
Debt securities issued to the public	4,545	6,375	11,239	1,616	182	23,957
Subordinated liabilities			1,414			1,414
Total liabilities	**31,011**	**8,798**	**21,756**	**4,744**	**182**	**66,491**
Guarantees	104	162	273	26	33	598
Other guarantee liabilities	189	670	522	650	15	2,046
Loan commitments	5,473					5,473
Commitments related to short-term trade transactions	143	307	89			540
Other	515	0	0	0		516
Total off-balance-sheet commitments	**6,423**	**1,140**	**884**	**677**	**48**	**9,172**

31 December 2022, € million	Less than 3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Assets						
Liquid assets	34,951					34,951
Receivables from credit institutions	2,850	2,417	6,668	754	289	12,978
Receivables from customers	4,245	4,653	18,960	2,203	1,595	31,656
Investment assets	601	4,703	6,439	4,635	0	16,378
Total assets	**7,696**	**11,773**	**32,067**	**7,592**	**1,884**	**95,963**
Liabilities						
Liabilities to credit institutions	23,203	5,146	7,728	4,822		40,899
Liabilities to customers	17,667	937	436			19,040
Debt securities issued to the public	4,739	6,091	11,585	2,566	228	25,209
Subordinated liabilities			1,384			1,384
Total liabilities	**45,610**	**12,174**	**21,133**	**7,387**	**228**	**86,532**
Guarantees	24	96	177	7	31	335
Other guarantee liabilities	209	615	662	851	20	2,356
Loan commitments	6,247					6,247
Commitments related to short-term trade transactions	115	491	115			722
Other	477	1	0	0		479
Total off-balance-sheet commitments	**7,072**	**1,202**	**955**	**858**	**51**	**10,138**

Note 42. Maturities of financial assets and liabilities by repricing

31 December 2023, € million	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	19,710						19,710
Receivables from credit institutions	4,587	4,660	2,484	241	168	52	12,191
Receivables from customers	4,728	9,882	8,091	442	3,131	1,730	28,004
Investment assets	912						
Total assets	**29,937**	**14,673**	**11,170**	**1,607**	**8,760**	**6,492**	**72,639**
Liabilities to credit institutions	10,361	3,505	2,096	645	5,060	2,163	23,830
Financial liabilities recognised at fair value through profit or loss				0	3	2	5
Liabilities to customers	14,576	1,296	1,347	7			17,226
Debt securities issued to the public	2,396	4,715	5,752	3,103	6,347	1,645	23,957
Subordinated liabilities	62	285		1,067	0		1,414
Total liabilities	**27,396**	**9,800**	**9,195**	**4,822**	**11,409**	**3,811**	**66,432**

Debt repayable on demand totalled EUR 15.7 billion, consisting mainly of public deposits.

31 December 2022, € million	1 month or less	>1–3 months	>3–12 months	>1–2 years	>2–5 years	>5 years	Total
Cash and cash equivalents	34,951						34,951
Receivables from credit institutions	3,812	4,849	2,784	1,140	322	71	12,978
Receivables from customers	5,274	9,756	8,522	494	2,654	1,479	28,178
Investment assets	978	4,495	610	968	5,013	4,314	16,378
Total assets	**45,039**	**19,203**	**11,964**	**2,611**	**8,083**	**5,881**	**92,486**
Liabilities to credit institutions	22,588	7,833	2,456	945	3,620	3,458	40,899
Liabilities to customers	15,505	2,212	1,297				19,014
Debt securities issued to the public	2,824	3,836	6,336	2,109	7,356	2,748	25,209
Subordinated liabilities	67	277			1,040		1,384
Total liabilities	**40,984**	**14,157**	**10,088**	**3,054**	**12,016**	**6,207**	**86,506**

Debt repayable on demand totalled EUR 15.9 billion, consisting mainly of public deposits.

Note 43. Sensitivity analysis of interest rate risk in the banking book and market risk

Table 1 shows information on how rises and falls in market rate parallels would affect OP Corporate Bank plc's projected net interest income. The effect is calculated for three years on the recurring balance sheet and the years' average is interpreted as a year's risk. The Group keeps the balance sheet structure unchanged in the calculation by replacing items falling due with corresponding interest rate bases or the fixed-rate maturities. The "Passing on changes in the market interest rate to deposit interest rates" model is applied to calculation of non-maturity deposits and the "Early loan repayment" model is applied to credit.

Table 1 Effect on projected net interest income	1 pp parallel rise	1 pp parallel fall	0.5 pp parallel rise	0.5 pp parallel fall
31 Dec 2023	17	-18	8	-9
31 Dec 2022	16	-16	8	-8

Table 2 shows information on how rises and falls in market rate parallels would affect OP Corporate Bank plc's reported equity.

Table 2 Effect on reported equity	1 pp parallel rise	1 pp parallel fall	0.5 pp parallel rise	0.5 pp parallel fall
31 Dec 2023	-18	19	-9	9
31 Dec 2022	-22	21	-11	10

Changes would affect the reported fair value reserve counted as equity by increasing or decreasing the values of the receivables whose fair value changes are recognised through items in other comprehensive income.

Table 3 shows information on how rises and falls in credit spreads would affect the value of OP Corporate Bank plc's long-term investment assets. The effect of credit spreads can be seen in the result through all investment assets.

Table 3 Effect on value of long-term investment assets	1 pp parallel rise	1 pp parallel fall	0.5 pp parallel rise	0.5 pp parallel fall
31 Dec 2023	-514	514	-257	257
31 Dec 2022	-475	475	-237	237

Note 44. Liquidity buffer

The liquidity buffer is presented under the Group Functions segment.

Liquidity buffer by maturity and credit rating on 31 December 2023, € million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Pro-portion, %
Aaa*	19,850	2,211	3,349	2,017	1,290		28,716	86.9
Aa1–Aa3	191	302	940	388	457	0	2,277	6.9
A1–A3	0	5	21	6	0		32	0.1
Baa1–Baa3	336	557	287	93	0		1,273	3.9
Ba1 or lower	12	4	13				30	0.1
Internally rated	332	120	67	24	186		729	2.2
Total	**20,721**	**3,200**	**4,676**	**2,527**	**1,932**	**0**	**33,056**	**100.0**

* Includes deposits with the central bank.

The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.7 years.

Liquidity buffer by maturity and credit rating on 31 December 2022, € million

Year(s)	0–1	1–3	3–5	5–7	7–10	10–	Total	Pro-portion, %
Aaa*	34,979	526	388	108	170		36,171	96.1
Aa1–Aa3	119	391	214		35	0	759	2.0
A1–A3	6	0	2	3			12	0.0
Baa1–Baa3	37	42	33	3	0	0	114	0.3
Ba1 or lower	0	42	41	25			108	0.3
Internally rated	158	216	81	2			457	1.2
Total	**35,300**	**1,217**	**759**	**140**	**205**	**0**	**37,621**	**100.0**

* Includes deposits with the central bank.

The liquidity buffer's (excl. deposits with the central bank) residual term to maturity averages 4.0 years.

Other notes

Note 45. Information by country

OP Corporate Bank plc operates mainly in Finland. OP Corporate Bank plc has branches engaged in banking and asset and sales finance operations in Estonia, Latvia and Lithuania.

2023

Name		Domicile
OP Corporate Bank plc Estonian Branch	Branch	Estonia
OP Corporate Bank plc Latvian Branch	Branch	Latvia
OP Corporate Bank plc Lithuanian Branch	Branch	Lithuania

Financial information on 31 December 2023, € million	Estonia	Latvia	Lithuania	Total
Total operating income	54	65	119	**238**
Total EBIT	11	9	22	**42**
Total current tax	3	4	4	**12**
Total personnel in man-years	41	38	48	**127**

2022

Name		Domicile
OP Corporate Bank plc Estonian Branch	Branch	Estonia
OP Corporate Bank plc Latvian Branch	Branch	Latvia
OP Corporate Bank plc Lithuanian Branch	Branch	Lithuania

Financial information on 31 December 2022, € million	Estonia	Latvia	Lithuania	Total
Total operating income	19	18	30	**67**
Total EBIT	6	5	14	**25**
Total current tax	1	0	3	**4**
Total personnel in man-years	39	37	44	**120**

Note 46. 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 President and CEO, Deputy President and 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.

Related-party transactions 2023

EUR 1,000	Parent company	Key management personnel	Others*
Loans	712,949	284	3,684,054
Other receivables	2,997		1,202,136
Deposits	723,802		1,273,531
Other liabilities	6,443		130,369
Interest income	35,347		187,428
Interest expenses	21,826	11	45,748
Commission income	400	4	6,194
Commission expenses	5,739	1	1,465
Net investment income			10,264
Other operating income	2,309		6,288
Operating expenses	98,178		20,592
Contingent liabilities and derivatives			
Off-balance-sheet commitments			
Guarantees			12,500
Other guarantee liabilities			1,409
Derivative contracts			
Nominal values			18,915,007
Credit equivalents			22,940
Salaries, other short-term benefits and performance-based pay			
Salaries, other short-term benefits and performance-based pay		660	
Related-party holdings			
Number of shares	319,551,415		

Related-party transactions 2022

EUR 1,000	Parent company	Key management personnel	Others*
Loans	854,575	190	3,749,301
Other receivables	1,910		5,597,345
Deposits	514,661		2,364,097
Other liabilities	4,533		112,022
Interest income	9,483	5	33,452
Interest expenses	1,895		22,098
Commission income	363	2	5,202
Commission expenses	1,242	1	15,792
Net investment income			-72,986
Other operating income	2,382		6,940
Operating expenses	89,832		9,802
Contingent liabilities and derivatives			
Off-balance-sheet commitments			
Guarantees			12,500
Other guarantee liabilities			383,238
Derivative contracts			
Nominal values			3,340,676
Credit equivalents			40,359
Salaries, other short-term benefits and performance-based pay			
Salaries, other short-term benefits and performance-based pay		607	
Related-party holdings			
Number of shares	319,551,415		

* Other related-party entities include OP Bank Group Pension Foundation, OP Financial Group's Personnel Fund and their sister companies within OP Cooperative Consolidated.

Board member fees 2023

In financial year 2023, the members of the Board of Directors did not receive from OP Corporate Bank any monthly fees or share-based bonuses. No separate meeting allowances were paid in 2023 to the members of the Board of Directors employed by OP Cooperative or its subsidiaries. The meeting allowance paid to the Board members employed by OP Financial Group's cooperative banks amounted to 660 euros per meeting in 2023.

Salaries and bonuses paid to the President and CEO Katja Keitaanniemi in the financial year ending 31 December 2022 EUR 660,257.

The period of notice applicable under the President and CEO's executive contract is six months. According to this contract, the company must pay the President and CEO severance pay equalling his 6-month total salary, in addition to compensation for loss of office, if the company dismisses him or he has to resign or terminate the contract due to a reason attributable to the company. In case the executive contract terminates due to reasons attributable to the company, the President and CEO will also be entitled to bonuses under the performance-based bonus scheme for the year of contract termination and any possible deferred bonuses under regulation, provided that the scheme's performance criteria and the criteria for payment under the scheme's terms and conditions are fulfilled.

Pension obligations of key management persons

The President and CEO is covered by TyEL (the Finnish Employees Pensions Act) which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The retirement age of the President and CEO is the age equivalent to the lowest pensionable age under the Employees Pensions Act (TyEL). The supplementary pension plan for the President and CEO has been arranged through OP Life Assurance Company Ltd. The costs of the supplementary pension plan for the President and CEO totalled EUR 89,520 (88,200). No pension obligations apply to Board members. This also applies to former Board members. More detailed information on OP Corporate Bank plc's pension plans can be found in Note 28. Provisions and other liabilities.

Pension costs of key management persons, thousands of euros	2023	2022
Pension costs of defined contribution plans under TyEL	589	528
IFRS expense of voluntary supplementary pension	8	26
Pension obligation of voluntary supplementary pension	729	564
Pension costs of supplementary defined contribution plans	90	88

Pension costs of defined contribution plans under TyEL include employee and employer shares.

Note 47. Events after the balance sheet date

No significant events took place after the balance sheet date.

Signatures for the Financial Statements and Report by the Board of Directors

Helsinki, 7 February 2024

Timo Ritakallio
Chair of the Board of Directors

Olli Lehtilä

Petteri Rinne

Pasi Sorri

Mikko Timonen

Tiia Tuovinen

Katja Keitaanniemi
CEO

Auditor's note

We have today issued an auditor's report on the audit performed.

Helsinki, 14 February 2024

KPMG Oy Ab
Audit firm

Juha-Pekka Mylén
Authorised Public Accountant

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Auditor's Report

To the Annual General Meeting of OP Corporate Bank plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OP Corporate Bank Plc (business identity code 0199920-7) for the year ended on 31 December 2023. The financial statements comprise the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the company's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the company are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 13 to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Measurement of receivables from customers (notes 1, 6, 17, 31 and 34 to the financial statements)

Receivables from customers, totaling EUR 28.0 billion, are the most significant item on OP Corporate Bank's balance sheet representing 36 percent of the total assets. Calculation of expected credit losses (ECL) in accordance with IFRS 9 Financial Instruments involves assumptions, estimates and management judgement, for example, in respect of determining the probability and amount of expected credit losses as well as the significant increases in credit risk. Development and uncertainty of the economic environment may increase credit risk, which can realize in higher impairment loss on receivables. The elements of accounting for expected credit losses are updated and defined, based on materialized credit risk developments, validation and improvement of the accounting process as well as on regulations and changes therein. Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, measurement of receivables is addressed as a key audit matter.	We evaluated compliance with the lending instructions and assessed principles and controls over recognition and monitoring of loan receivables. We assessed the methods and the key assumptions for calculating expected credit losses as well as tested the controls related to the calculation process and credit risk models for the expected credit losses. The main focus areas in our audit of ECL were the most significant factors requiring management judgement in the calculation of ECL, cash flow based ECL calculation based on expert assessment, as well as recalculation of the most significant ECL models and sensitivity analysis. We have also assessed the basis for the temporary extra provisions formed based on management judgement (management overlay). Our IFRS and financial instruments specialists were involved in the audit. Furthermore, we considered the appropriateness of the notes provided by OP Corporate Bank in respect of receivables and expected credit losses.

Measurement of investment assets and derivative contracts (notes 1, 8, 9, 18, 19, 34 and 35 to the financial statements)

The carrying value of investment assets totals EUR 12.7 billion mainly consisting of investments measured at fair value. The aggregate derivative assets are EUR 4.8 billion and derivative liabilities EUR 4.5 billion comprising contracts held for trading and hedging purposes. Derivatives are measured at fair value in preparing financial statements.

The fair value of financial instruments is determined using either prices quoted in an active market or OP Corporate Bank's own valuation techniques where no active market exists. Determining fair values for investments and derivatives involves management judgements, especially in respect of those instruments for which market-based data is not available.

Due to the significant carrying values of investment assets and derivative positions involved, and management judgements related to the measurement of illiquid investments, measurement of these assets is addressed as a key audit matter.

We evaluated the appropriateness of the accounting principles applied and the valuation techniques used by OP Corporate Bank, and tested accounting for and valuation of investment assets and derivative contracts.

In respect of derivative contracts, we considered the accounting treatment and the valuation process in relation to the requirements set under IFRS.

As part of our year-end audit procedures, we compared the fair values used in measurement of investment assets and derivatives with market quotations and other external price references. We assessed the accuracy of the input data used in valuations as well as the reasonableness of the assumptions and estimates applied.

We also assessed the impairment principles applied and techniques used by OP Corporate Bank in respect of investments.

Our IFRS and financial instruments specialists were involved in the audit.

Finally, we considered the appropriateness of the notes on investment assets and derivative contracts.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting in 2002, and our appointment represents a total period of uninterrupted engagement of 22 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 14 February 2024

KPMG OY AB

JUHA-PEKKA MYLÉN
Authorised Public Accountant, KHT