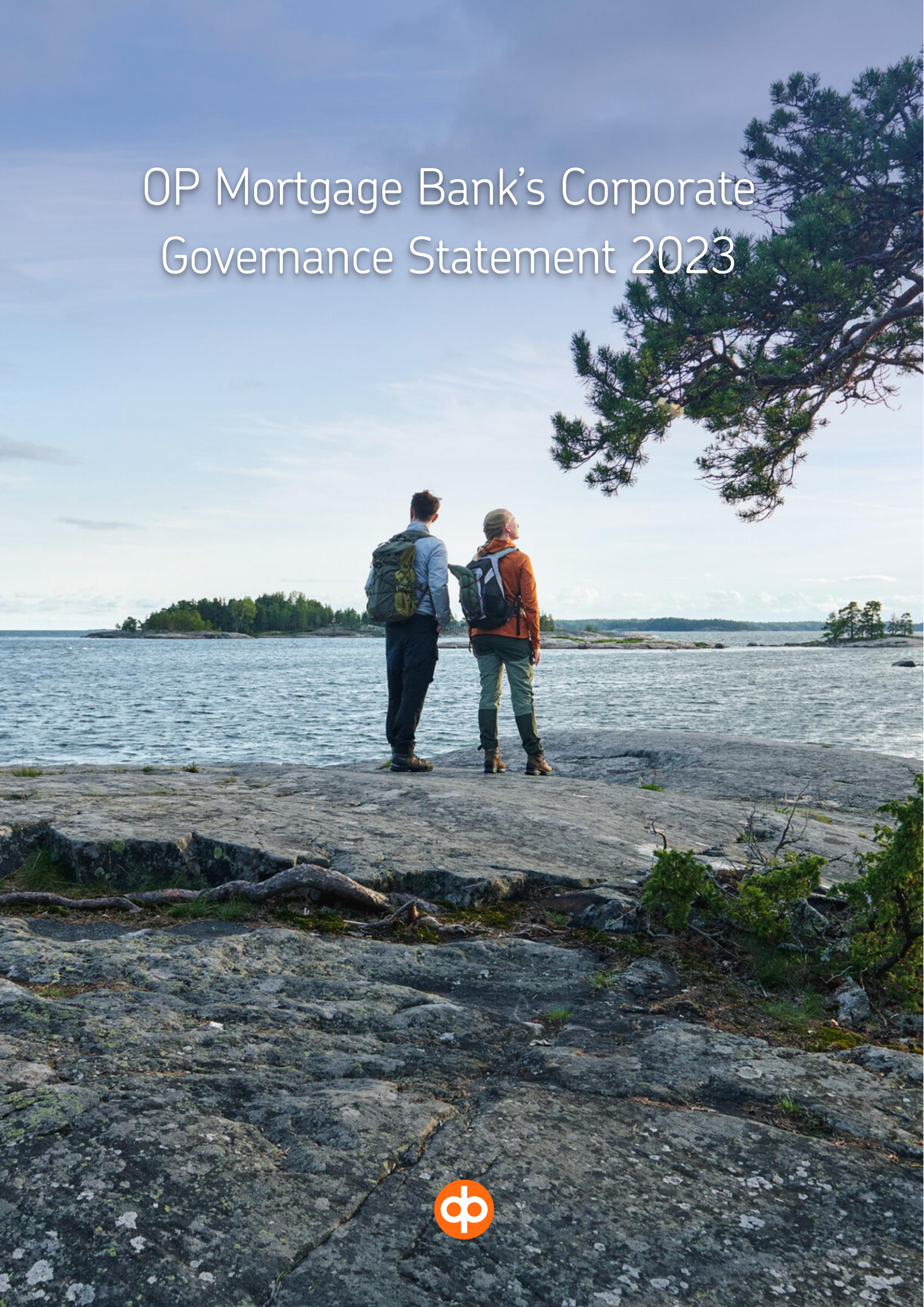


OP Mortgage Bank's Corporate Governance Statement 2023





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1 APPLICABLE REGULATIONS

1.1 Introduction

OP Mortgage Bank's (later also OP MB) corporate governance is comprehensive and proportionate with respect to the nature, scope and diversity of its operations to ensure the efficient management of the credit institution in accordance with prudential business principles, and so that the Board of Directors can effectively supervise its management.

This OP Mortgage Bank's Corporate Governance Statement 2023 has been prepared in accordance with the Act on Credit Institutions, the Securities Markets Act, the requirements of the EU's supervisory authorities (EBA, ESMA, EIOPA) and the Finnish Corporate Governance Code (2020) where applicable. Section 1.2 provides more detailed information on compliance with the Finnish Corporate Governance Code at OP MB. Furthermore, this Statement provides a report on company remuneration in 2023 based on the Credit Institutions Act and, where applicable, the Corporate Governance Code.

The Board of Directors discussed this Corporate Governance Statement at its meeting on 2 February 2024. KPMG Oy Ab, the company's auditor, has verified that the Statement has been issued and that the description it contains covering the main features of internal control and risk management systems related to the financial reporting process is consistent with the financial statements. This Statement has been issued separately from the Report by the Board of Directors.

This Statement together with the Financial Statements, Report by the Board of Directors and Auditor's Report are available at www.op.fi - OP Financial Group - To the media - Publications - [OP Mortgage Bank's financial reports](#).

Updated information on key governance areas covered by this Statement is available on OP Financial Group's debt investors website at www.op.fi - OP Financial Group - [Debt investors](#).

In its operations, OP MB complies with Finnish legislation. In addition to the Finnish Limited Liability Companies Act, OP MB complies with regulations governing securities issuers, the Act on Mortgage Credit Banks and Covered Bonds, regulations concerning financial services companies, its Articles of Association and the guidelines issued by OP Cooperative, OP Financial Group's central cooperative. In its international operations, OP MB also complies with local laws when applicable.

The Finnish Corporate Governance Code 2020 for listed companies, issued by the Securities Market Association, is available on the Association's website at www.cgfinland.fi.

1.2 Compliance with the Finnish Corporate Governance Code, and deviations from recommendations

In 2023, OP MB complied with the Finnish Corporate Governance Code (2020) for Finnish listed companies on a voluntary basis insofar as the Code applies to a wholly-owned subsidiary and credit institution that belongs to a financial services group. A key rationale for deviating from the Code is the ownership structure of OP MB.



Deviations from the recommendations of the Finnish Corporate Governance Code, and rationale for such deviations

Recommendation	Deviations	Rationale
1, 2, 3, 4, 10 and 22	<p>A General Meeting is not organised but the shareholders make a unanimous decision as stated in chapter 5, section 1 of the Limited Liability Companies Act. A notice of meeting is not sent, neither are the minutes of the meeting published on the op.fi website.</p> <p>All of the members of the Board of Directors are executive members dependent on the company and/or its shareholder, OP Cooperative.</p> <p>The General Meeting does not discuss the remuneration policy.</p>	OP Cooperative is the only shareholder of OP Mortgage Bank.
Reporting requirements	OP Mortgage Bank complies with the reporting requirements stated in the Finnish Corporate Governance Code insofar as they apply to a wholly-owned subsidiary and credit institution.	The deviations concern information that is not available with respect to OP Mortgage Bank, or which is irrelevant due to the ownership structure of OP Mortgage Bank (such as a description of the management team). See above for more detailed rationale concerning deviations from certain recommendations of the Finnish Corporate Governance Code.

2 OP FINANCIAL GROUP'S STRUCTURE, AND GROUP STRUCTURE

OP MB is a subsidiary wholly owned by OP Cooperative acting as OP Financial Group's central cooperative, and a member credit institution. OP MB acts as a mortgage bank issuing bonds with mortgage collateral and bonds with public sector collateral. OP MB is part of OP Cooperative Consolidated.

Established in 1902, OP Financial Group is a financial services group based on a cooperative foundation. As at 31 December 2023, OP Financial Group consists of 102 member cooperative banks (108 as at 31 December 2022) and their central cooperative, OP Cooperative, with its subsidiaries and affiliates.

The amalgamation of deposit banks comprises OP Cooperative (the central cooperative) and its member credit institutions, such as OP MB, OP Financial Group member cooperative banks and such credit institutions, financial institutions and service companies in which the above-mentioned institutions jointly hold more than half of the voting rights.

OP Cooperative Consolidated comprises OP Cooperative, which acts as the parent entity, and entities majority-owned or wholly-owned by the parent institution or any of its subsidiaries.

The central cooperative is obliged to support its member credit institution in order to prevent it from being placed into liquidation and is liable for its member credit institution's debts which cannot be paid using the member credit institution's capital. Each member credit institution, for its part, is liable to pay a proportion of the amount which the central cooperative has paid to another member credit institution as part of support action or to a creditor of such member credit institution in payment of an amount overdue. In the case of



the central cooperative's default, a member credit institution has unlimited refinancing liability for the central cooperative's debts.

Read more about OP Financial Group's structure in section 2 of OP Financial Group's Corporate Governance Statement 2023.

3 OP FINANCIAL GROUP'S RESPONSIBLE OPERATIONS AND GOOD CORPORATE GOVERNANCE

OP Financial Group's values and principles governing corporate responsibility and good corporate governance also guide the operations of OP MB.

OP Financial Group has defined values that guide its operations and support its mission. The Group's values are people first, responsibility, and succeeding together. In its operations, OP Financial Group applies its Code of Business Ethics, which includes the key principles for corporate responsibility and environmental impact that all employees and members of governing bodies of OP Financial Group must observe. OP Financial Group is committed to complying with international principles that guide operational responsibility, such as the principles of the United Nations Global Compact initiative. OP Financial Group is a Founding Signatory of the Principles for Responsible Banking under the United Nations Environment Programme Finance Initiative (UNEP FI).

Corporate responsibility is an integral part of OP Financial Group's business and strategy. OP Financial Group annually reports on its corporate sustainability in accordance with the Global Reporting Initiative (GRI) guidelines and from 2024 in accordance with sustainability reporting standards under the CSRD.

OP Cooperative's Board of Directors and, with respect to the diversity of governance, the Supervisory Council, have confirmed the Principles of Good Corporate Governance for OP Financial Group. These Principles cover all OP Financial Group entities as applicable. The Group entities may, if necessary, also draw up their own guidelines expanding on the Group-wide guidelines.

Read more about OP Financial Group's corporate responsibility and good corporate governance in section 3 of OP Financial Group's Corporate Governance Statement 2023.

4 OP MB'S GOVERNANCE STRUCTURE

OP Cooperative, the only shareholder of OP MB, exercises decision-making powers at a General Meeting. The General Meeting elects the Board of Directors and auditors, for example. Instead of the General Meeting, a shareholder may make a written shareholder decision on a matter within the powers of the General Meeting. The Board of Directors is in charge of the OP MB's strategic management. Responsibility for operational management rests with the Managing Director appointed by the Board of Directors.

On 31 December 2023, OP MB had seven employees. OP MB purchases all the most important support services from OP Cooperative and its Group companies, reducing its need for its own personnel.

5 GENERAL MEETING

The Annual General Meeting (AGM) must be held by the end of May on a date determined by the Board of Directors. The AGM shall discuss matters assigned to it in accordance with the Articles of Association and any other business referred to in the notice of the meeting.

Based on the written decision of OP Cooperative, OP MB's only shareholder, OP Cooperative's Annual General Meeting (AGM) of 9 March 2023 discussed the matters within the remit of the AGM, as specified in the Articles of Association, and adopted the Financial Statements for 2022, discharged members of the Board of Directors and the Managing Director from liability and decided to distribute a dividend of EUR 86.57 per share as well as elected members to the company's Board of Directors and the auditor.

6 BOARD OF DIRECTORS

6.1 Election and composition of the Board of Directors

The General Meeting of OP MB elects members to the Board of Directors, and the parent OP Cooperative prepares proposals to the General Meeting related to the election.

The company's Board of Directors has a minimum of three and a maximum of eight members. A Board member's term begins upon closing of the General Meeting electing the member and terminates upon closing of the Annual General Meeting following the election.

Credit institutions' board members are required to demonstrate the kind of reliability and professionalism and to fulfil the fit and proper criteria specified in the Act on Credit Institutions and official regulations as well as OP Financial Group's internal instructions. Board members are subject to a regular Fit & Proper assessment.

OP Financial Group has a long-term approach to planning the composition of its management bodies. Effective work in management bodies requires that their members have sufficiently diverse expertise, skills and experience. Read more about the principles of the diversity of management bodies in section 3.3 of OP Financial Group's Corporate Governance Statement 2023.

Composition of the Board of Directors in 2023

Mikko Timonen, b. 1975
Chair of the Board of Directors
CFO, OP Financial Group
M.Sc. (Econ. & Bus. Adm.)

Mari Heikkilä, b. 1976
Head of ALM and Group Treasury, OP Corporate Bank plc
M.Sc. (Econ. & Bus. Adm.)

Satu Nurmi, b. 1981
Head of Personal Finance and Real Estate Services, OP Retail Customers plc
M.Sc. (Econ. & Bus. Adm.)

Up-to-date personal data, key work experience and the most significant other relevant positions of the Board members can be found in English on OP Financial Group's debt investors pages at www.op.fi - OP Financial Group - Debt investors - Corporate Governance (OP Mortgage Bank) - [Board members](#).

In 2023, the Board of Directors had 11 meetings. The Board members' meeting attendance rate was 100%.

All of the members of OP MB's Board of Directors are executive members dependent on the company and/or its shareholder (OP Cooperative).



6.2 Duties of the Board of Directors

In each subsidiary of OP Cooperative, the board of directors is responsible for due organisation of the subsidiary's governance and operations. When performing their duties, the board of directors must take account of OP Financial Group's strategic statements and other policy lines, confirmed principles and instructions issued by the central cooperative's Supervisory Council, Board of Directors and President and Group Chief Executive Officer concerning matters where the central cooperative is obliged or has the right to issue policy lines regarding the entire Group. The charters of the subsidiaries' boards of directors describe the duties of each board of directors.

OP MB's Board of Directors is responsible for the company's administration and appropriate organisation of operations and for the due organisation of the supervision of accounting and financial management. In addition, the Board of Directors deals with, in terms of quality and extent, far-reaching and fundamentally important matters in principle from the perspective of the company's operations, and any unusual matters.

The Board of Directors and the Managing Director must manage the company professionally following sound and prudent business practices and the principles of good corporate governance.

The Board of Directors has confirmed a written charter defining the duties and meeting procedures applying to the Board of Directors. In this respect, the Board of Directors shall, among other things:

- appoint and dismiss the Managing Director and their deputy after hearing the Board of Directors of the central cooperative
- confirm values to be adhered to with respect to the company's operations
- decide on the company's business strategy and its implementation
- decide on major organisational changes
- decide on significant investments
- decide on other matters relevant to the company's business, such as major changes to the product portfolio or pricing principles
- decide on the issuance of capital instruments
- decide on the remuneration of the company's management and personnel in line with Group-level principles
- approve the annual plan and targets and supervise their implementation
- record guidelines issued by the central cooperative under section 17 of the Act on the Amalgamation of Deposit Banks, confirm any other guidelines issued by the central cooperative and approve the necessary supplementary instructions specific to business segments and companies
- decide on significant outsourcing arrangements
- monitor and assess the effectiveness of the company's internal control, internal audit and risk management systems and consult, at least once a year, the company's Compliance Officer, Chief Audit Officer and the auditor
- monitor and assess the company's financial reporting system
- regularly monitor the values of collateral
- ascertain internal control of the bond register on an annual basis
- discuss and approve the financial statements, prepare the report by the Board of Directors and make the proposal for dividend distribution
- be responsible for any other duties of the Board of Directors as prescribed by legislation or in regulations issued by the relevant authority.

7 MANAGING DIRECTOR AND MANAGEMENT TEAM

The Board of Directors appoints the Managing Director. The central cooperative's Board of Directors may exercise the parent entity's shareholder engagement in the appointment of the Managing Director.

Sanna Eriksson (b. 1976), M.Sc. (Econ. & Bus. Adm.), has acted as OP MB's Managing Director since 1 June 2019. Tuomas Ruotsalainen (b. 1979), BBA, has acted as Deputy Managing Director since 1 July 2020.

The Managing Director is in charge of the company's daily management in accordance with the instructions and orders issued by the Board of Directors, while ensuring that accounting practices comply with the laws and that financial management is organised in a reliable manner. The Managing Director's duties include the management and supervision of the company's business, and responsibility for the development and coordination of the company's operations.

Up-to-date personal data, key work experience and the most significant other relevant positions of the Managing Director can be found in English on OP Financial Group's debt investors pages at www.op.fi - OP Financial Group - Debt investors - Corporate Governance (OP Mortgage Bank) - [Managing Director](#). Information on the Managing Director's remuneration can be found in section 10 below.

The company has no management team.

8 INTERNAL AND EXTERNAL CONTROL

8.1 Internal control

Internal control is a continuous process implemented by the management and other personnel with the aim of providing reasonable assurance of the achievement of targets related to functions, reporting and compliance. It consists of continuous advance guidance and retrospective assurance tasks and functions, which seek to ensure high-quality operations and compliance with guidelines and regulations. These actions apply to all operations, including outsourced services.

At OP Financial Group, OP Cooperative's Board of Directors confirms the Group-level principles of internal control that are observed by all OP Financial Group entities, including OP Mortgage Bank.

At OP Financial Group, internal control involves all of the internal guidance exercised to ensure that operations are directed towards targets. It includes all of the operating methods intended to ensure high-quality leadership, risk prevention and management, operational development, the assessment of profitability, accurate reporting and regulatory compliance in operations. Internal control seeks to ensure that the management lays the foundations for high-quality operations.

The roles and responsibilities related to internal control and risk management are arranged into three lines of defence. The first line of defence, the business and centralised functions, are the risk owners. Therefore, they are responsible for compliance with the principles of the confirmed risk management framework – the risk limits and moderate risk appetite – as well as the principles of internal control.

The second line of defence, the functions independent of the business, is responsible for maintaining the internal control framework and for monitoring the implementation of the related policies and procedures. The central cooperative's Risk Management is responsible



for OP Financial Group's risk management framework, assessment, monitoring and reporting. The central cooperative's Compliance is responsible for monitoring and ensuring compliance with internal and external rules throughout the organisation, as well as the process for managing compliance risks.

The third line of defence, the central cooperative's Internal Audit, which is independent of the business and the second line of defence, performs independent internal audit activities directed at governance, risk management and control processes and reports to the Group entities' boards of directors and other management. Furthermore, external auditors ensure the effectiveness of internal control.

Every line of defence is responsible for the organisation, adequacy and implementation of the internal control of its own activities.

In the central cooperative's governance, the Audit Committee of the Board of Directors, in particular, has a major role in ensuring that internal control performs effectively and in compliance with regulation. Internal control observations, recommendations given to the business line/division concerned and the progress of the implementation of such recommendations are reported to the Committee on a regular basis.

OP Mortgage Bank's Board of Directors is tasked with ensuring that internal control is duly organised, taking account of the Group-wide internal control principles and the supplementary central cooperative guidelines. The company's Managing Director and senior management are responsible for ensuring internal control in practice and that duties are duly segregated.

Internal control is complemented by the opportunity of anyone employed by an OP Financial Group entity to report through an independent channel if they suspect that rules or regulations have been violated (whistleblowing). The channel is also available to parties outside of OP Financial Group.

8.2 Compliance

Managing compliance risks forms part of internal control and good corporate governance and, as such, forms an integral part of business management and corporate culture. Almost all activities involve compliance risk, and responsibility for the management of risks rests with the business lines/divisions. OP Mortgage Bank's Managing Director is in charge of the company's compliance activities. OP Financial Group's Compliance organisation also controls OP MB's compliance activities. Compliance also supports the Managing Director and the person in charge in has appointed reports to OP MB's Board of Directors.

The Compliance organisation assists Group Executive Management and senior management as well as business lines/divisions in the management of risk associated with regulatory non-compliance, supervises regulatory compliance and, for its part, develops internal control further. Compliance ensures that regulations are complied with and implemented mainly by means of control and risk assessments of new procedures. Compliance activities, compliance observations and the related recommendations issued to the business lines/divisions are reported regularly to OP Mortgage Bank's Board of Directors and OP Financial Group's Compliance organisation. Compliance activities must also be reported to OP Cooperative's Executive Management Team and to the Risk Committee of the Board of Directors as part of OP Financial Group level reporting.

One of the strategic priorities of OP Financial Group is to strengthen the risk management and compliance culture. In 2023, OP Financial Group updated its compliance risk assessment and ML, TF and sanctions risk assessments, which are key tools in the risk-based targeting of compliance supervision and compliance support provided to business divisions.



In addition, Compliance continued to further develop its tools, improved the system support for the management of OP Financial Group's guidelines and continued to utilise data analytics as part of the compliance risk assessment and controls. Compliance increased its human resources during the year.

The Compliance organisation annually draws up a compliance action plan which will be discussed and confirmed by OP MB's Board of Directors with respect to the company. The principles and instructions governing compliance are also confirmed in the same manner.

Compliance is aimed at preventing the materialisation of compliance risks. To this end, the Compliance organisation shall, for example:

- prepare and maintain guidelines on key matters related to practices
- advise employees on, and train them in, matters related practices;
- support OP MB's business in the planning of development measures promoting the management of compliance risks;
- keeps executive and senior management and the business informed of upcoming regulatory changes and monitor the business's preparation for regulatory changes;
- supervise compliance within the company with the current regulatory framework, ethical practices and internal guidelines related to practices; and
- regularly report to executive and senior management on recommendations given to the business, the results of control and other observations related to compliance risk exposure.

8.3 Risk management

OP MB's independent Risk Management function forms part of OP Financial Group's centralised Risk Management in organisational terms. At OP Financial Group, OP Cooperative's Board of Directors is the most important decision-making body for duties related to risk management. OP Cooperative's Supervisory Council confirms the decisions by the Board of Directors that apply to OP Financial Group's risk appetite. The Risk Committee of the Board of Directors assists the Board of Directors in performing duties related to risk-taking and risk management. Based on the decision by the President and Group Chief Executive Officer, the Executive Management Team has set up a Risk Management Committee, Steering and Compliance Committee and Banking ALM Committee that approve instructions and policy descriptions specifying the Risk Appetite Statement and the Risk Appetite Framework. The risk management-related tasks of various bodies are described in more detail in their respective charters.

The principles for the arrangement of OP Financial Group's risk management set by OP Cooperative's Board of Directors and prepared by OP Cooperative's senior management are as follows:

- Strategy and OP Financial Group's RAS: Senior management prepares business divisions' strategic choices that, in terms of risk-taking, are based on OP Financial Group's Risk Appetite Statement (RAS), confirmed by OP Cooperative's Supervisory Council. The Risk Appetite Statement outlines and gives grounds for what risks each business is ready to take and to what extent. Businesses are obliged to operate within the limits of these restrictions.
- Division of responsibilities: Senior management decides on how risk-taking responsibilities are divided. The Group defines what risks different revenue logics (product and service packages) can take and any potential elaborations on what risks legal entities and various functions can take within the revenue logics.



- Governance structures: The governance structure provides the basis on which key principles guide operations and the related policies, and operating instructions are appropriately prepared and resolved. In addition, governance structures provide a basis for proper assessment and supervision of the quality, scope and complexity of each activity by expert, business-independent parties, in addition to the business's own monitoring. Senior management must ensure the maintenance and development of sufficient resourcing and expertise for the monitoring functions of the first, second and third line of defence.
- The Risk Appetite Framework (RAF): OP Financial Group's RAF defines the general strategic intents of the risk management process at OP Financial Group and specifies this intent by revenue logic. The guidelines set preconditions for how senior management should organise the risk management process at OP Financial Group.
- Joint and several liability: Control of joint and several liability between the central cooperative and member cooperative banks is based on the document, Principles of corporate governance as required under joint and several liability.
- Remuneration principles: OP Financial Group's remuneration schemes are built in line with the Group's mission, values and targets, ensuring regulatory compliance. Remuneration must not incentivise unnecessary risk-taking or the taking of actions against the customer's interests. The same risk measurement methods are used in remuneration as in capital and liquidity adequacy assessment processes. In addition, any risk adjustments to be made before remuneration must be based on other risk management metrics. If these metrics are adjusted as part of risk management processes, corresponding adjustments must be made in remuneration.
- Internal control, good business practices and corporate security: Principles of internal control, good corporate governance and good business practices and corporate security also set preconditions for practices.

In 2023, the most significant areas in need of development related to mortgage banking reporting and the development of plans related to contingency planning and business continuity.

8.4 Internal audit

Internal Audit of OP Cooperative (OP MB's parent entity), or OP Financial Group's Internal Audit, is responsible for internal audit. Internal audit constitutes independent and objective assessment, verification and consulting activities with a view to generating added value to OP Financial Group and improving its operations. Internal Audit is headed by the Chief Audit Executive who is appointed by OP Cooperative's Board of Directors.

The Audit Committee of OP Cooperative's Board of Directors confirms the Internal Audit action plan, and OP MB's Board of Directors confirms the part of the action plan related to the company. Internal Audit reports its observations and recommendations as well as the implementation of the recommendations to OP MB's Board of Directors, the management of the auditable entity, OP Cooperative's Executive Management Team and the Audit Committee of the Board of Directors.

In its operations, Internal Audit complies with the Internal Audit Charter confirmed by OP Cooperative's Board of Directors, and the International Standards for the Professional Practice of Internal Auditing confirmed by the Institute of Internal Auditors (IIA). Internal audit performance is subject to external quality assessment every five years.

OP MB's Board of Directors confirmed the internal audit action plan for 2023. In addition to the audit directly targeted at the company, internal audit has been performed indirectly as

part of audit applying to the centralised functions of OP Financial Group. The audits were prioritised and targeted on a risk basis by taking account of OP Financial Group's strategic targets, regulatory requirements and Internal Audit priorities.

8.5 External control

8.5.1 Audit

The General Meeting of OP Mortgage Bank elects an audit firm chartered by the Finnish Patent and Registration Office to act as the auditor.

The Audit Committee of the Board of Directors of OP Cooperative (OP MB's parent entity) puts audit services out to tender at some seven years' interval, on the basis of which it makes a recommendation to the Board of Directors on the auditor to be appointed. The Board of Directors makes a proposal to the Cooperative Meeting regarding the appointment of an auditor. Competitive tendering of an auditor was carried out in 2022 for 2024. The Audit Committee of OP Cooperative's Board of Directors annually assesses the quality of the auditor's performance and ancillary services and the independence of auditors and the statement of the ancillary services.

The auditor is tasked with auditing the accounting, internal control, accounting policies, management accounting judgements, presentation and structure of the financial statements of the company in order to obtain assurance that the financial statements have been prepared in compliance with the rules and regulations in force governing the preparation of financial statements and gives the company's shareholders and other stakeholders a true and fair view of the financial position, financial performance and cash flows of the company.

KPMG Oy Ab, an audit firm, acted as the company's auditor in 2023, with Tiia Kataja, APA, acting as the chief auditor, appointed by KPMG Oy Ab. KPMG Oy Ab has acted as the company's auditor since 2002 and Tiia Kataja, APA, as chief auditor since 2019.

OP MB has used KPMG Oy Ab's advisory services related mainly to the comfort letters of bond programmes.

In 2023, audit fees paid totalled EUR 73,000 (53,000), whereas fees for assignments as referred to in chapter 1, section 1(1)(2) of the Auditing Act totalled EUR 2,400 (2,000), fees for tax advisory services EUR 0 (0) and fees for other services EUR 62,000 (55,000). Non-audit services provided by KPMG Oy Ab totalled EUR 62,000 (55,000) (excl. VAT). The corresponding figures for 2022 are shown in brackets.

8.5.2 Supervision by the central cooperative

OP MB belongs to the amalgamation of deposit banks, under applicable laws. The amalgamation comprises OP Cooperative as the central cooperative together with its member credit institutions as well as financial institutions and service companies in which the above-mentioned institutions jointly hold more than half of the voting rights. OP Cooperative controls the amalgamation's operations and provides the companies within the amalgamation with guidelines on the qualitative requirements for safeguarding their liquidity and capital adequacy, as well as guidelines for their risk management, good corporate governance and internal control. The central cooperative may also confirm general principles to be followed by the member credit institutions in operations relevant to the amalgamation.

In addition, OP Cooperative supervises the operations of its member credit institutions, including OP MB, in the manner referred to in the Act on the Amalgamation of Deposit

Banks. In its operations, the company takes account of OP Financial Group's strategy, confirmed by OP Cooperative's Supervisory Council, and regulations and guidelines on risk management and other operations issued by OP Cooperative to the member banks. The company reports to OP Cooperative in a separately agreed manner.

8.5.3 Regulatory supervision

As part of OP Financial Group, the company is supervised by the Financial Supervisory Authority and the European Central Bank as prescribed in the laws governing financial markets.

9 FINANCIAL REPORTING PROCESS

The different financial management units subordinate to OP Financial Group's CFO take charge of not only the preparation of interim reports, half-year financial reports, financial statements bulletins and annual financial statements for OP Financial Group and Group entities, as required by financial accounting, but also of the production of management accounting reports, such as monthly reports on business performance. The Controller function within OP Financial Group also produces earnings forecasts, analyses the actual outcome in comparison with the forecasts, and reports on any deviations.

Correctly consolidated information using sub-ledger accounting forms the basis of reliable financial reporting.

OP MB uses company-wide financial reporting and risk reporting to monitor the achievement of its business goals and financial targets, and these reports are regularly reviewed at the meetings of senior management, OP MB's Board of Directors and OP Cooperative's Executive Management Team. Financial information in financial reports is compared with related plans and any differences are analysed and the report also describes earnings outlook for the current year and for a longer period of time. The same principles apply to the management's monthly financial performance and risk reports. When preparing and examining the report, the management ascertains the accuracy and correctness of the financial results and reporting by analysing performance and risk exposure and any deviations from targets.

External reporting is based, for example, on the International Financial Reporting (IFRS) Standards, the Finnish Limited Liability Companies Act, the Act on Mortgage Credit Banks and Covered Bonds, the Act on Credit Institutions, the Accounting Act, and the standards and regulations issued by the Financial Supervisory Authority. OP Financial Group's shared principles are applied in the accounting and financial statements of all OP Financial Group entities. Responsibility for the interpretation of, guidelines on and advice on standards, other laws governing the preparation of financial statements and official accounting requirements as well as the preparation of and compliance with common accounting policies rests with OP Cooperative, OP Financial Group's central cooperative. Whenever necessary, the company turns to auditors who give a statement of the selected principles and interpretations.

OP MB's Board of Directors must ensure that supervision of accounting and financial management is duly organised. It decides on reporting, procedures and qualitative and quantitative indicators used to assess operational efficiency and performance in line with principles adopted by OP Cooperative. The Board of Directors discusses and approves the financial statements and interim reports.

The Board of Directors is tasked with ensuring that the company has a sufficient internal control system covering all of its operations. It must also evaluate how the company complies with laws, regulations, official instructions and internal instructions. The Board also



discusses the most significant changes made to the accounting policies during the financial year, principles governing impairment testing for goodwill and intangible assets and the outcome of this testing, and critical accounting estimates and judgements, as well as control reports and reports prepared by regulators, auditors, Internal Audit and the Compliance organisation.

Under the Limited Liability Companies Act, the Managing Director will ensure that the company's accounting practices comply with the law and that financial management is organised in a reliable manner. OP Cooperative's Finance and Group Treasury, independent of business lines/divisions, is responsible for the company's financial reporting. This function produces reliable, relevant and up-to-date information on the company's performance and finances, and keeps the Board of Directors and the Managing Director and other decision-makers informed of the company's financial performance and near-term outlook. The Managing Director is also tasked with controlling the quality of outsourced accounting services and services for reports to regulators and other relevant authorities, and developing business control and risk management methods, indicators and the supporting systems.

Compiling financial statements information and interim reports for publication is coordinated at the central cooperative consolidated level. The needs of the management and business lines/divisions as well as applicable legislation guide reporting. Reporting systems and communications are defined so as to enable appropriate monitoring and supervision of objectives, performance, operations and risk at all organisational levels. When reporting OP MB's and its business lines' results and other confidential company information, the company ensures that information confidentiality has been mentioned in the reports and that confidentiality remains when distributing the reports.

Business control primarily uses OP Financial Group's shared systems. Operational duties related to financial and management accounting are coordinated at OP Cooperative Consolidated level.

As provided by law, auditors shall assess the accuracy of external financial reporting. The auditors are tasked with auditing the accounting, financial statements and governance of the company in order to obtain assurance that the company and its administrative bodies act in compliance with applicable laws and that the financial statements have been prepared in compliance with the rules and regulations in force, and that they give owners and other stakeholders a true and fair view of the financial position, financial performance and cash flows of the company.

In its audits, Internal Audit assesses the effectiveness and adequacy of the company's financial reporting, and reports these audits to the senior management and the Board of Directors.

OP MB's financial statements were prepared in accordance with IFRS, applying IASs, IFRSs and SIC and IFRIC interpretations effective on 31 December 2023.

10 REMUNERATION

10.1 Board emoluments and other benefits

The Annual General Meeting (AGM) decides on Board emoluments and other benefits proposed to the AGM by the parent entity, OP Cooperative.

No separate meeting allowances were paid in 2023 to the members of the Board of Directors employed by OP Cooperative or its subsidiaries.

10.2 Managing Director's salary and other benefits

The Board of Directors appoints the Managing Director and decides on their salary, benefits and the terms and conditions of their executive contract. A written Managing Director executive contract stipulates the terms and conditions of the contract.

Pension benefits are determined in accordance with pension laws and OP Financial Group's own pension plans. The Managing Director is covered by the Finnish Employees Pensions Act which provides pension benefits based on the years of employment and earnings as prescribed in the Act. The Managing Director is not included in any supplementary pension plan.

The period of notice applicable under the Managing Director's executive contract is six months in case the company terminates the contract. In case the executive contract terminates due to reasons attributable to the company, the Managing Director will be entitled to bonuses under the performance-based bonus scheme for the year of contract termination and the bonuses from the personnel fund, provided that the schemes' performance criteria and the criteria for payment under the terms and conditions are fulfilled.

10.3 Principles governing remuneration paid to the Managing Director and other management

The remuneration schemes approved by OP Cooperative Consolidated are aimed at encouraging and engaging key persons in the development of business and ensuring that the company attracts new employees. OP Mortgage Bank's Board of Directors, and OP Cooperative's Board of Directors and its Remuneration Committee assess and monitor regularly the effectiveness of the company's remuneration schemes with the aim of ensuring that remuneration policies and practices with respect to all personnel groups are in line with the Group's core values, strategy, targets and goals, risk policies and control systems. The regulations regarding the financial sector's remuneration schemes have been taken into account in establishing the incentive schemes.

Remuneration of the Managing Director and other management consists of the following three components:

- 1) basic pay (salary and fringe benefits, based on the job grade and skills);
- 2) performance-based bonus (based on the achievement of targets under the annual plan), and
- 3) personnel fund (based on the achievement of targets derived from OP Financial Group's strategy).

The Board of Directors is responsible for deciding on remuneration to the Managing Director and other management.

10.4 Performance-based bonus scheme

The Board of Directors annually decides on the performance-based bonus scheme. Remuneration is based on metrics deriving from annual targets. Such metrics may be determined at Group-, function-, team- and employee level. In addition to achieving the annual targets, bonus payout requires the fulfilment of the conditions set for Group- and/or company-level remuneration.

In 2023, the metrics for the Managing Director's performance-based bonus were based on customer feedback, the development of operations and processes, and the fulfilment of system and regulatory requirements.



Bonus payouts must be justifiable based on the company's financial success, compliance with internal guidelines and external regulations, and operation in accordance with the Risk Appetite Statement and Risk Appetite Framework.

The Group-level precondition for remuneration is that OP Financial Group's LCR (Liquidity Coverage Ratio) exceeds 11 per cent and the CET1 ratio exceeds the CET1 MDA + 2 percentage points on the bonus payout date (CET1 MDA = CET1 minimum level. If this level is not met, profit distribution will be restricted).

The final amount of the bonus earned based on the metrics in the balanced scorecard is also determined by the EBT of the central cooperative consolidated, multiplied by a factor of 0.5–1.25.

The Board of Directors decides on any reduction of bonuses earned if the financial statements for the performance year show that

- OP Financial Group's LCR is 100–110 per cent or
- OP Financial Group's CET1 ratio is the CET1 MDA – CET1 MDA + 2 per cent.

Earned bonus will not be paid if the financial statements for the performance year show that

- OP Financial Group's Liquidity Coverage Ratio (LCR) is less than 100 per cent or
- OP Financial Group's CET1 ratio is less than CET1 MDA.

Another precondition for bonus payout is that the EBT of OP Mortgage Bank shows a profit.

Furthermore, bonuses earned will be reduced or completely refused if binding internal guidelines within the Group or task or regulatory requirements have been ignored and separately specified qualitative or risk management elements have materialised. Earned bonuses may also be reduced, left unpaid or clawed back in situations where OP Financial Group or an employer company has been sanctioned because of breach of regulation or law. Paid bonuses may also be fully or partly clawed back if the beneficiary is found guilty of misdemeanours, of intentionally endangering the future of business, or of breaking the law.

For 2023, the Managing Director is entitled to bonus corresponding to their regular three-month salary subject to PAYE tax at a maximum. Bonuses under the performance-based bonus scheme are paid in cash, in view of OP Financial Group's payment guidelines with respect to persons affecting the company's risk profile (Identified Staff).

10.5 Personnel fund

Personnel (including the Managing Director) is included in the long-term incentive scheme based on OP Financial Group Personnel Fund. The personnel fund is grounded on the achievement of the Group's shared strategic goals and targets. In 2023, the scheme's target performance metrics were based on OP Financial Group's cost/income ratio and net growth in the number of customers meeting the cross-product loyalty criteria. The Board of Directors annually determines the amount of profit-based bonuses transferred to the personnel fund. The maximum amount of the profit-based bonus in 2023 accounted for 3 per cent of the total wages and salaries of the employees included in the personnel fund.

10.6 Managing Director's earnings in 2023

Managing Director Sanna Eriksson's remuneration in 2023, euros
(The Managing Director does not receive a separate salary in their capacity as OP Mortgage Bank's Managing Director but the salary is based on their role in OP Financial Group.)



Regular salary	113,658
Holiday bonus	5,748
Fringe benefits	240
Short-term performance-based bonus earned and the personnel fund's profit-based bonus for 2022	25,242
Total salaries, bonuses and fringe benefits paid in 2023	144,888

11 INSIDER MANAGEMENT AND PUBLIC ACCESS TO INSIDER REGISTERS AND LISTS

As securities issuer, OP MB has its own Insider Guidelines and Guidelines for Insider Trading as part of OP Financial Group's Guidelines for Insiders and Insider Trading. The Insider Guidelines and Guidelines for Insider Trading for securities issuers contain regulations governing inside information, prohibition against abuse and improper disclosure of inside information, disclosure of inside information, public insider registers, lists of executives, reporting and disclosure of transactions, trading restrictions applicable to insiders and insider management. The Guidelines also cover the organisation of supervision of compliance with the restrictions.

The Insider Guidelines and Guidelines for Insider Trading are based on laws governing securities markets, such as the Market Abuse Regulation, regulations issued by the Finnish Financial Supervisory Authority, Guidelines for Insiders of Listed Companies issued by Nasdaq Helsinki, and Trading Instructions for FFI Member Organisations.

The guidelines are aimed at fostering stock market players' trust in OP Financial Group and OP MB.

OP Legal Services maintains public insider registers of OP Financial Group entities, registers of relevant persons, lists of company-specific permanent insiders and lists of executives. Such maintenance is organised through the SIRE system maintained by Euroclear Finland Ltd.

When necessary, OP MB maintains project-specific insider lists.

As credit institutions providing investment services, OP MB's operations include participation in securities trades performed by clients or in other transactions related to securities. In connection with financing arrangements or as part of OP MB's other ordinary operations, OP MB and its executives and salaried employees may also receive inside information on client companies. For the abovementioned reasons, among other things, OP MB and its executives and salaried employees are subject to insider regulation as referred to in the applicable law.

Training in insider issues is available on a regular basis. Such training will particularly take place at times following changes in insider guidelines.

Anyone has the right to access the public register of insider holdings and receive extracts and copies of the information in the register against a charge. However, a natural person's personal ID code and address and the name of a natural person other than the insider are not publicly available. Information included in the list of executives or the list of project-specific insiders is not publicly available, unlike that included in public insider registers. Ex-



tracts from and copies of the public insider register can be ordered from OP's Legal Services for Wealth Management unit. Written requests for such information specifically describing the information should be submitted to:

OP Legal Services
Legal Services for Wealth Management
P.O. BOX 308
FI-00013 OP

12 PRINCIPLES FOR RELATED PARTY TRANSACTIONS

OP Financial Group observes regulations governing related party transactions as provided by the Act on Credit Institutions, the Limited Liability Companies Act and IAS 24 (including the decree of the Ministry of Finance on the financial statements and consolidated financial statements and the report by the board of directors, and the Accounting Ordinance).

OP Cooperative's Board of Directors has approved the principles for OP Financial Group related party lending and investments in the related party of a Group entity, which are observed by the following OP Financial Group entities: OP Corporate Bank plc, OP Mortgage Bank, OP Retail Customers plc, OP Asset Management Ltd and OP cooperative banks.

OP Mortgage Bank has defined related parties and related party transactions as stipulated in the Act on Credit Institutions as well as in the reference provision included in the decree of the Ministry of Finance and the Accounting Ordinance as required by IAS 24. Information on persons and entities included in related parties is registered in a separate register which contains the identification details of these persons and entities, as well as the reason for them being included in related parties. Related party transactions are recorded, and there is a defined decision-making procedure for related party lending and investments. In connection with the guidelines for related party lending and investments, OP Mortgage Bank's Board of Directors has confirmed the decision-making powers associated with such lending and investments. Related party lending and investments are approved either by the board of directors or by a separately defined decision-making body authorised by the board of directors. A board decision is always required if a related party loan or investment is not granted under normal loan terms.

Related party lending and investments are regularly reported to OP Mortgage Bank and regularly controlled as part of compliance supervision. Persons in charge of compliance at OP Mortgage Bank report any observations concerning related party lending and investments to the company's Board of Directors on an annual basis. In addition, any observations are reported to the central cooperative's Compliance organisation.

OP Financial Group entities report related party transactions in the notes to the accounts as specified in IAS 24.

13 DISCLOSURE POLICY

OP Mortgage Bank pursues OP Financial Group's communications and disclosure policy.

OP Cooperative's subsidiaries OP Corporate Bank plc (OP Corporate Bank) and OP Mortgage Bank (OP MB) are in charge of OP Financial Group's funding from money and capital markets. Securities issued by OP Financial Group entities are traded on Euronext Dublin (issued as of 16 February 2018), London Stock Exchange (issued prior to 16 February 2018), or other stock exchanges, in addition to or in place of Nasdaq Helsinki. Additionally, OP Corporate Bank has issued and may issue unlisted bonds and/or certificates of deposit on the Finnish, UK, Irish, Australian and Japanese markets, among others. OP MB may also issue unlisted bonds on the German market, among other things.

In their disclosure policy, OP Financial Group, OP Corporate Bank and OP MB comply with legislation, decrees and other binding regulations and the rules of Nasdaq Helsinki and, to the appropriate extent, those of other stock exchanges and the regulations and guidelines issued by the Finnish Financial Supervisory Authority and the European Securities and Markets Authority (ESMA). OP Financial Group's Communications takes into account not only the above but also the Corporate Governance Recommendations and the Code of Business Ethics.

OP Financial Group's Communications and Disclosure Policy applies to the disclosure principles and practices of bond issuers (OP Corporate Bank and OP MB) and OP Financial Group. The disclosure policy was adopted by OP Cooperative's Board of Directors on 26 October 2021 and by OP MB's Board of Directors on 27 October 2021. Technical clarifications have been made to the background information for the disclosure policy. The President and Group CEO approved the clarifications on 4 December 2023

The objective of the disclosure policy is to ensure that all market participants have sufficient and accurate information concerning OP Financial Group's matters that may materially affect the value of securities issued by OP Corporate Bank and OP MB. OP Financial Group decides the disclosure of information by assessing at Group level whether the matter or event in question materially affects OP Financial Group's or the issuer's capital adequacy and repayment capacity and, through this, the value of a security.

It is the duty of OP Cooperative to ensure that OP Corporate Bank and OP MB too disclose, distribute and make available information on matters covered by the disclosure obligation as prescribed by law. The subsidiaries report and publish their own interim reports, financial statements and reports by the board of directors. OP Cooperative discloses for and on behalf of its subsidiaries other information that falls under its disclosure obligation. Communication with regard to securities issued by OP Corporate Bank and OP MB is decided upon on a case-by-case basis with the issuer. Responsibility for the issuer's disclosure obligation rests with each issuer.

The disclosure policy describes the key principles and policies followed by OP Financial Group and issuers in their communication with capital market participants and other stakeholders. In addition, the policy describes the disclosure, dissemination and storage of the information within the scope of the disclosure obligation as prescribed by law. OP Financial Group assesses its disclosure policy's consistency, suitability and sufficiency on a regular basis, at least once a year.

OP Financial Group's communications are tasked with promoting the Group's business by providing all stakeholders with accurate information on the Group's goals, targets and operations. External and internal communications aim to support the Group's strategic and business goals and enhance and maintain the Group's strong corporate image while fostering cooperation within the Group. Both external and internal communications are based on facts and provide a true picture of the state of affairs.

OP Financial Group's Communications and Disclosure Policy followed by OP MB can be found on OP Financial Group's website at www.op.fi - OP Financial Group - To the media - [Communications and disclosure policy](#).