OP Financial Group's
Half-year Financial Report
1 January–30 June 2024

Background material

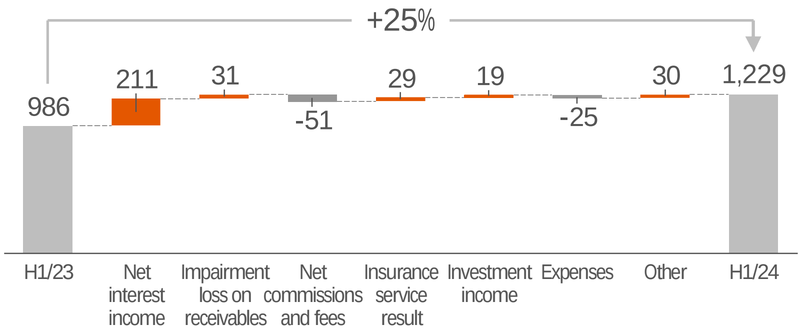
OP Financial Group's strong business performance continued

- Despite the sluggish business environment, OP Financial Group's operating profit continued to develop extremely well in the second quarter. Operating profit for the first half of 2024 grew by 25% from a year earlier, to EUR 1,229 million.
- OP Financial Group's CET1 ratio strengthened again, to 20.8%, which exceeds the minimum regulatory requirement by 7.5 percentage points. OP Financial Group is one of Europe's most financially solid large banks. Excellent profitability and strong capital adequacy and liquidity are equally vital for a bank and insurance company.
- All three business segments performed well in January–June. Growth was particularly strong in the Retail Banking segment, with operating profit rising by 31% to EUR 685 million, following favourable developments in net interest income. Corporate Banking's operating profit improved considerably, by 25% to EUR 275 million. Operating profit in the Insurance segment was EUR 267 million. This was 23% higher year on year, largely because of the excellent result in investment income.
- OP Financial Group's cost/income ratio markedly improved year on year, to the excellent level of 46%. OP Financial Group's expenses were EUR 1,104 million in January–June, growing by 2% year on year. This was chiefly the result of rising personnel costs and higher investments in ICT development.

Financial performance

Loan portfolio	Deposits	Assets under management
€98bn	€75bn	€109bn

Operating profit, € million



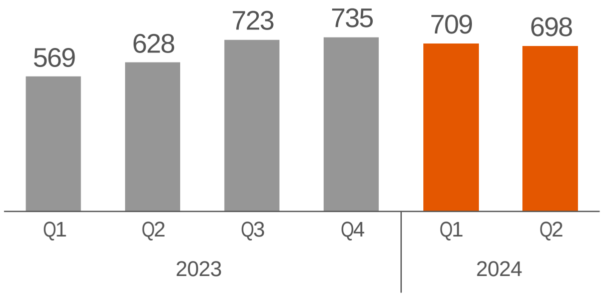
€ million

	H1/24	H1/23	Change %
Net interest income	1,407	1,196	18%
Impairment loss on receivables	-67	-99	-32%
Net commissions and fees	400	452	-11%
Insurance premium revenue	1,041	967	8%
Insurance service expenses	-1,005	-931	8%
Net income from reinsurance contracts	1	-28	-
Insurance service result	37	8	368%
Investment income	269	250	7%
Other operating income	25	21	17%
Personnel costs	-535	-484	10%
Depriciation and impairment loss	-69	-92	-25%
Other operating expenses	-501	-504	-1%
Transfers to insurance service result	263	237	11%
Total income	2,400	2,164	11%
Total expenses	-1,104	-1,079	2%
Cost/income ratio, %	46.0	49.9	-4%*
Operating profit	**1,229**	**986**	**25%**
OP bonuses included in earnings	-147	-128	15%

*Change in ratio

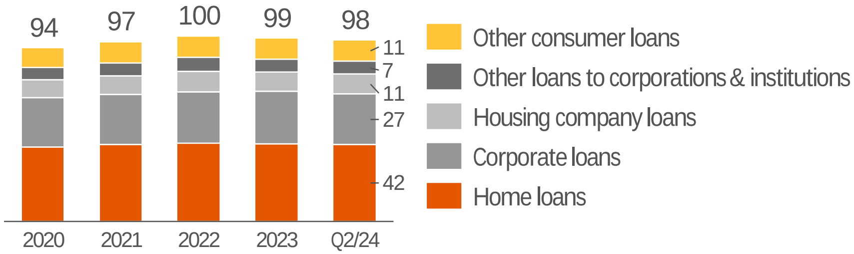
Net interest income

Net interest income by quarter, € million

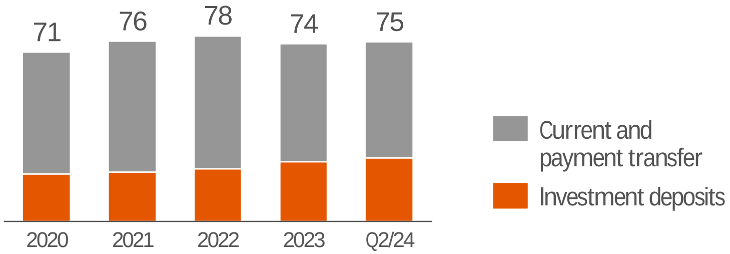


34% of personal customers' home loans were covered by interest rate cap on 30 June 2024.

Loan portfolio, € billion

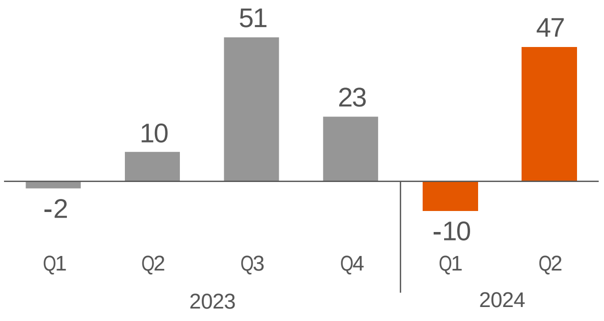


Deposits, € billion

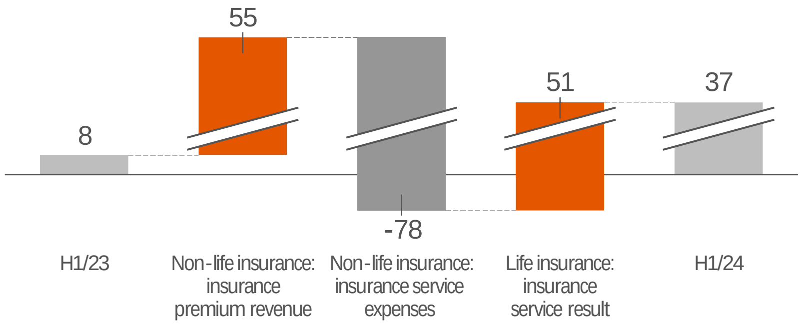


Insurance service result

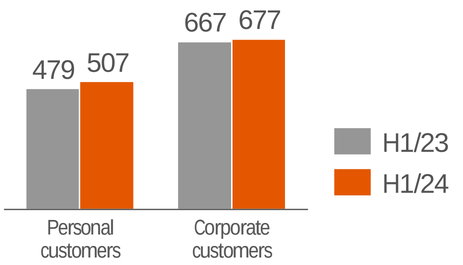
Insurance service result by quarter, € million



Change in insurance service result, € million

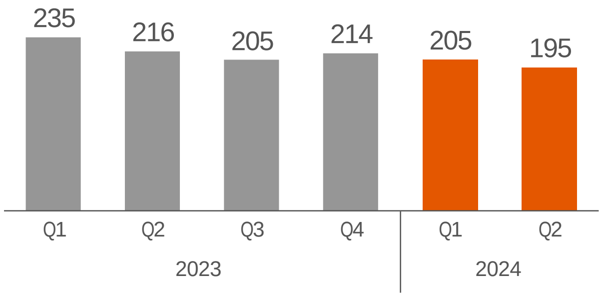


Non-life insurance: premiums written, € million

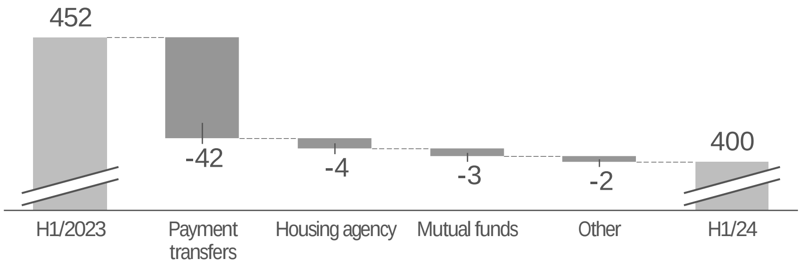


Net commissions and fees

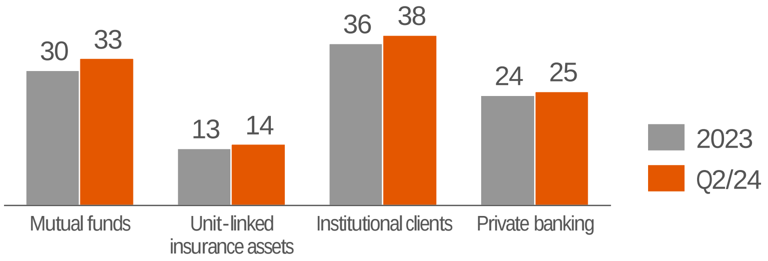
Net commissions and fees by quarter, € million



Change in net commissions and fees, € million



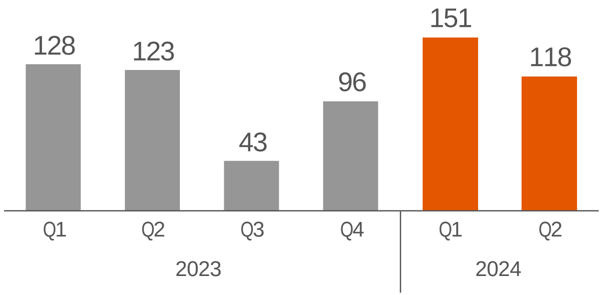
Assets under management, € billion



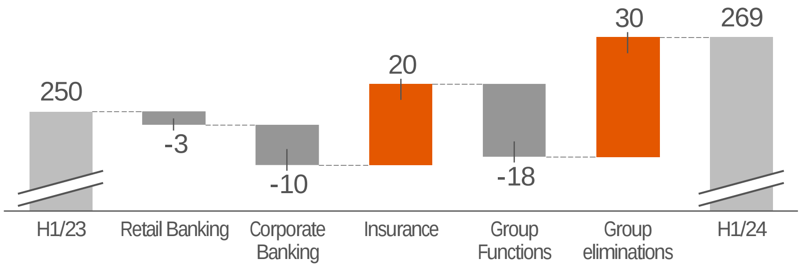
Owner-customers get daily banking services without monthly charges until the end of 2024. The value of this benefit will be an estimated EUR 88 million for 2024.

Investment income

Investment income by quarter, € million

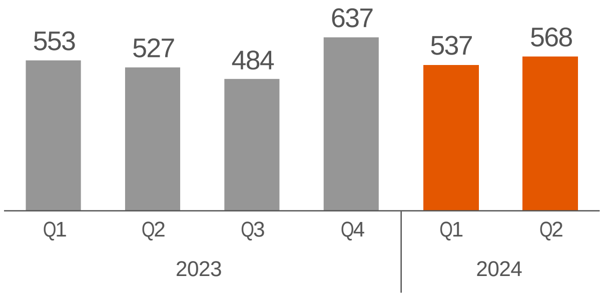


Change in investment income by business segment, € million

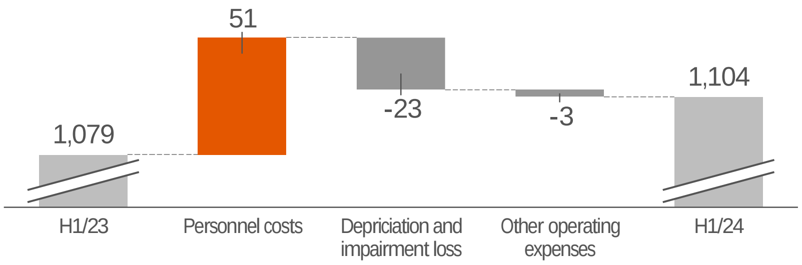


Expenses

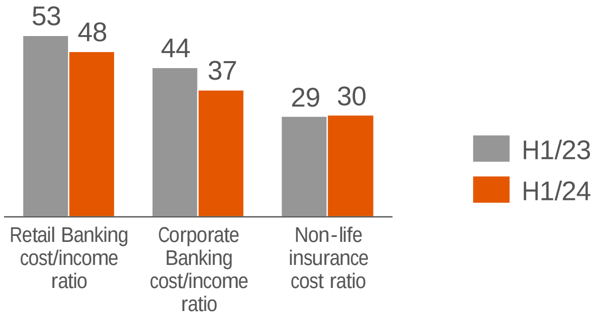
Expenses by quarter, € million



Change in expenses, € million

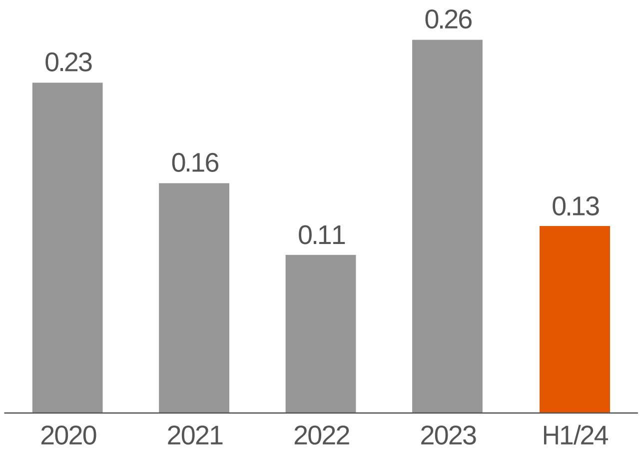


Cost/income ratio by business, %

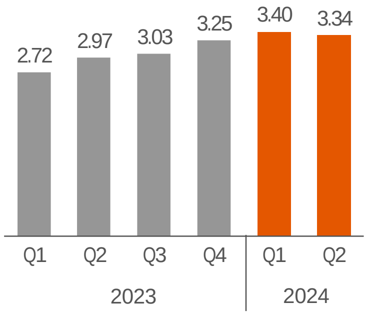


Impairment loss on receivables

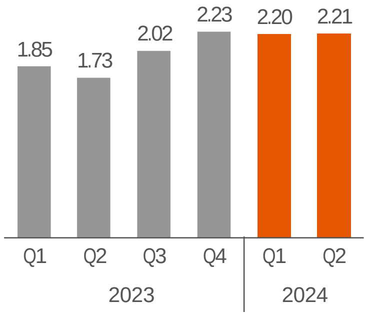
Impairment loss to loan and guarantee portfolio, %



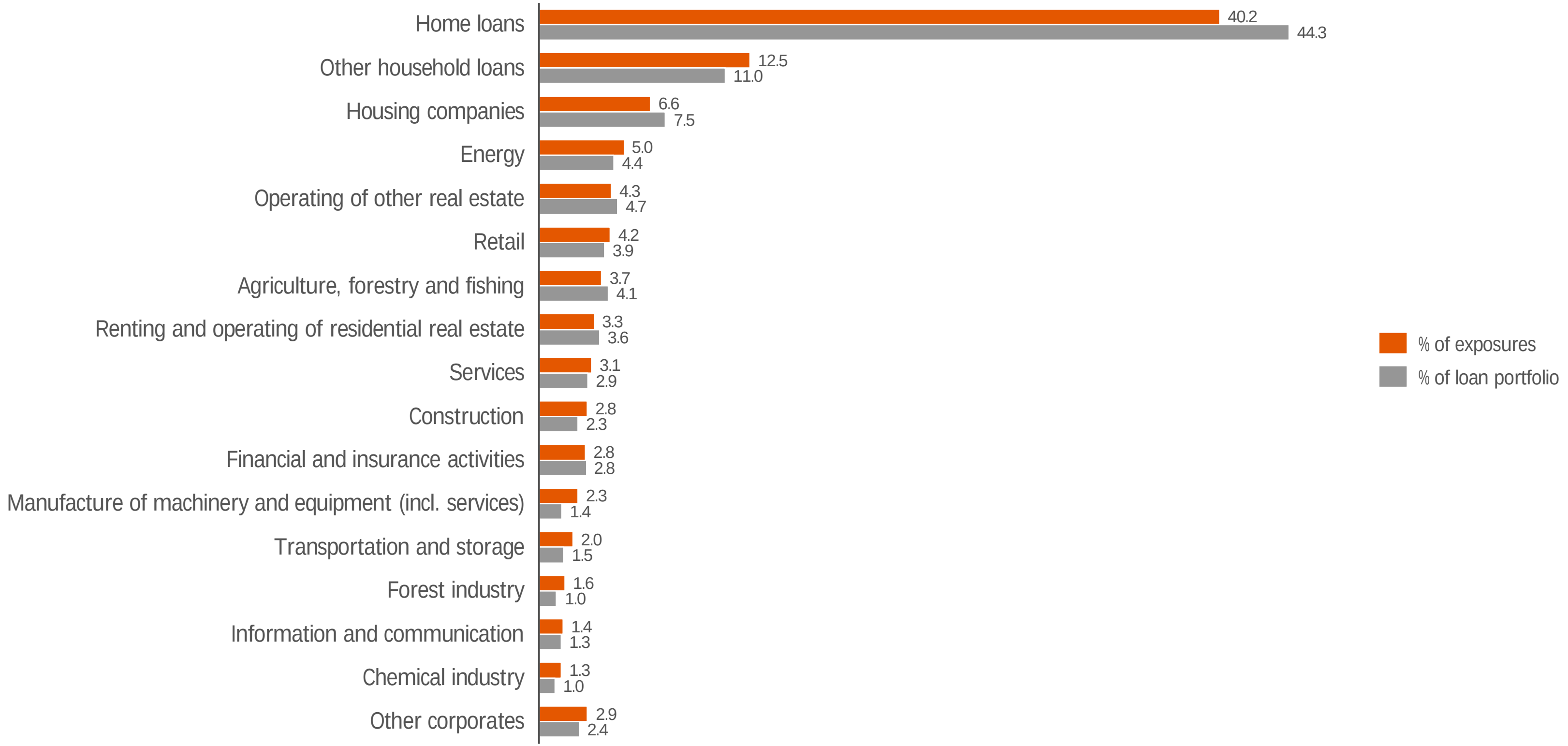
Retail Banking:
Ratio of non-performing exposures to exposures, %



Corporate Banking:
Ratio of non-performing exposures to exposures, %

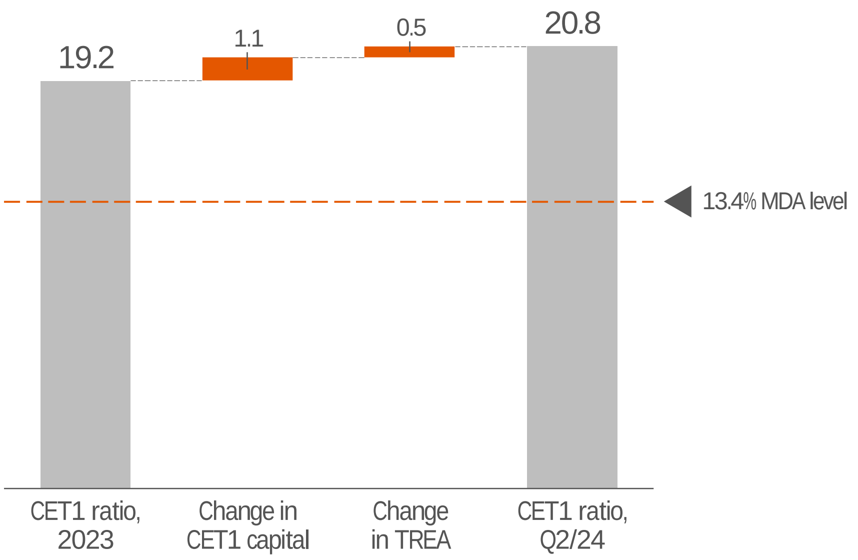


Breakdown of exposures and loan portfolio



Strong capital position

CET1 ratio development, %



€14.9bn
CET1 capital (€14.1bn)

€3.2bn
Profit Shares in CET1 capital (€3.1bn)

€71.6bn
TREA (€73.5 bn)

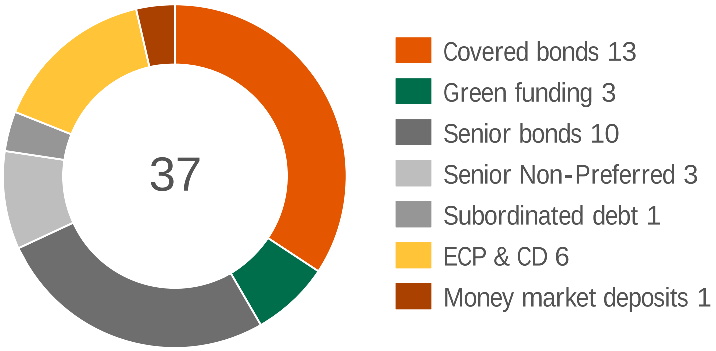
17.4%
CET1 strategic target: MDA level + 400 bps management buffer

"OP has one of the strongest S&P RAC ratios of the world's top 200 banks*

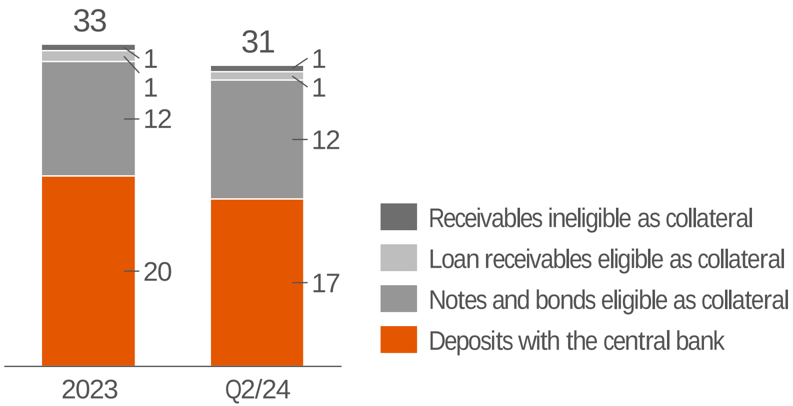
*Source: Standard & Poor's. Top 200 Banks: Capital Ratios Continue To Normalize After Pandemic Peaks, 9/2023.

Stable funding and liquidity position

Long and short-term funding, € billion



Liquidity buffer breakdown, € billion



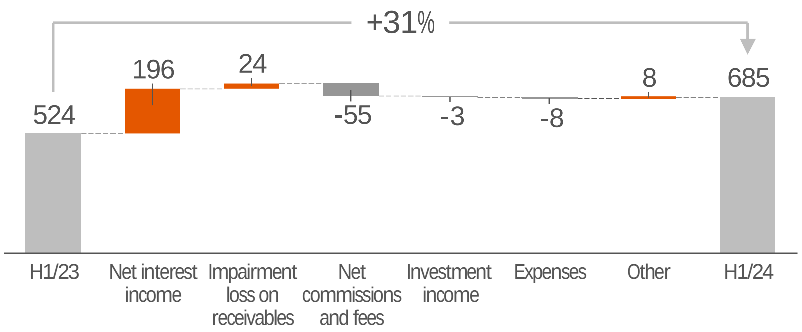
- OP Mortgage Bank issued a covered bond of €1 billion in January.
- OP Corporate Bank issued a green senior preferred bond of €500 million in March.

- LCR (Liquidity Coverage Ratio) 193%
- NSFR (Net Stable Funding Ratio) 130%

Retail Banking

Loan portfolio	Deposits	Brokered homes and real property transactions, qty
€70bn	€63bn	3,938

Operating profit, € million



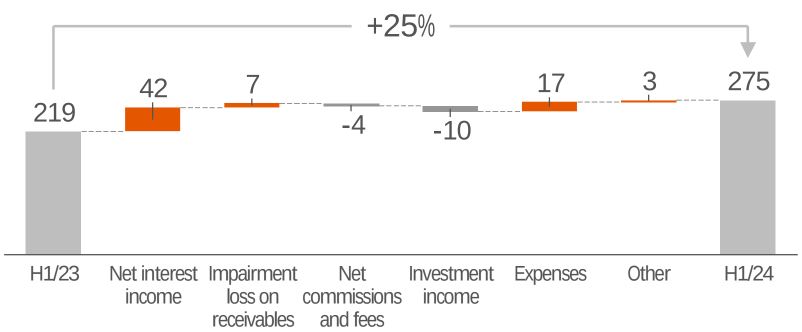
€ million

	H1/24	H1/23	Change %
Net interest income	1,092	896	22%
Impairment loss on receivables	-52	-76	-32%
Net commissions and fees	305	361	-15%
Investment income	-5	-2	-
Other operating income	35	28	27%
Personnel costs	-270	-249	8%
Depriciation and impairment loss	-18	-22	-18%
Other operating expenses	-403	-412	-2%
Total income	1,428	1,283	11%
Total expenses	-691	-683	1%
Operating profit	**685**	**524**	**31%**

Corporate Banking

Loan portfolio	Deposits	Assets under management
€27bn	€13bn	€80bn

Operating profit, € million



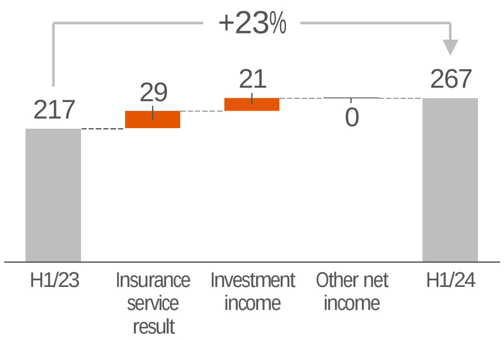
€ million

	H1/24	H1/23	Change %
Net interest income	328	285	15%
Impairment loss on receivables	-16	-23	-32%
Net commissions and fees	99	103	-4%
Investment income	19	30	-34%
Other operating income	16	12	28%
Personnel costs	-55	-54	3%
Depriciation and impairment loss	-1	-2	-70%
Other operating expenses	-115	-132	-13%
Total income	461	430	7%
Total expenses	-171	-188	-9%
Operating profit	275	219	25%

Insurance

Combined ratio, Non-life insurance	Net premium revenue, Non-life insurance	Unit-linked insurance assets
100.4%	€844m	€14bn

Operating profit, € million



€ million

	H1/24	H1/23	Change %
Insurance premium revenue	1,041	967	8%
Insurance service expenses	-1,005	-931	8%
Net income from reinsurance contracts	1	-28	-
Insurance service result	37	8	368%
Investment income	232	211	10%
Net commissions and fees	21	18	17%
Other net income	1	4	-76%
Personnel costs	-90	-87	4%
Depriciation and impairment loss	-19	-25	-24%
Other operating expenses	-177	-148	20%
Total expenses	-287	-261	10%
Transfers to insurance service result	263	237	11%
Operating profit	**267**	**217**	**23%**

Owner-customers benefit from using OP as their main bank and insurer

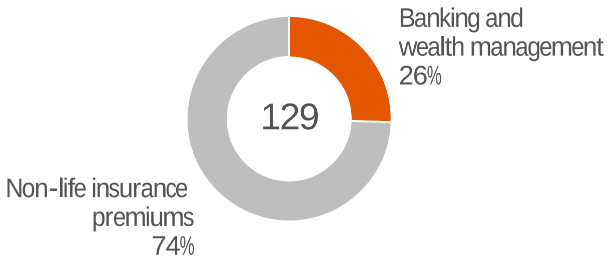
Owner-customer benefits

€154m
accrued OP bonuses in H1/24

€124m
discounts on daily banking, non-life insurance policies and mutual funds in H1/24

€88m
accrued estimated returns on Profit Shares in H1/24

OP bonus usage during H1/24, € million



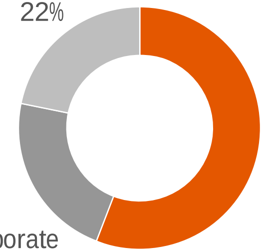
"The estimated total amount of OP bonuses to be paid in 2024 will exceed EUR 300 million.

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

OP Financial Group in brief

OP Financial Group in brief

Insurance 22%



Retail Banking 56%

Corporate Banking 22%

€1,229m

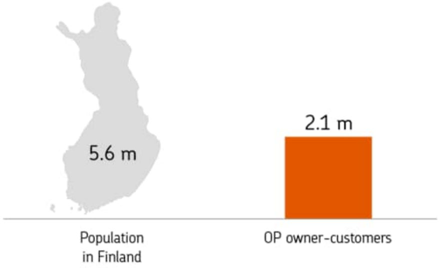
Operating profit in H1/2024

20.8%

CET1 ratio

€159bn

Total assets



Leading market position in Finland

Loans	Deposits	Non-life Insurance	Life Insurance
34%	39%	33%	19%

Source: Bank of Finland (Loans and Deposits 12/2023), Finance Finland (Non-life & Life Insurance 12/2023)

Joint liability

The central institution, OP Cooperative, and the member credit institutions (incl. both issuing entities) of the amalgamation are jointly liable for each others' debts and commitments, by virtue of the Finnish law.

Strong credit ratings

Moody's Aa3
S&P AA-

OP Corporate Bank plc

Moody's Aaa
S&P* AAA

OP Mortgage Bank's covered bonds

* EMTCN programme

OP Financial Group’s business structure

2.1 million owner-customers

101 OP cooperative banks

Central Cooperative

Retail Banking

The Retail Banking segment consists of banking for private and SME customers at OP cooperative banks and at the central cooperative consolidated.

- OP Mortgage Bank
- OP Retail Customers plc
- Pivo Wallet Oy

Corporate Banking

The Corporate Banking segment consists of banking and asset management services for corporate and institutional customers.

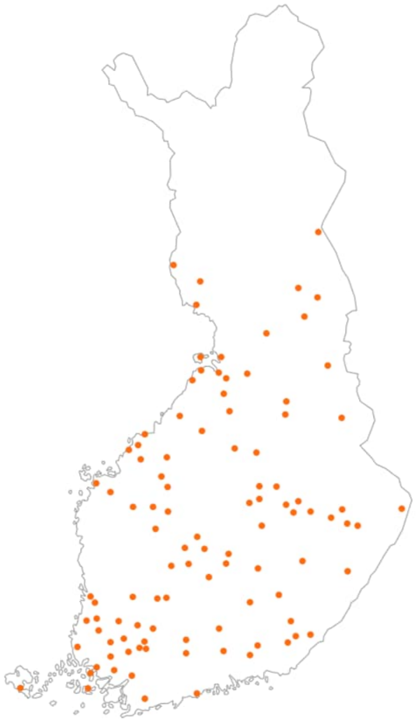
- OP Corporate Bank plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Asset Management Ltd
- OP Custody Ltd

Insurance

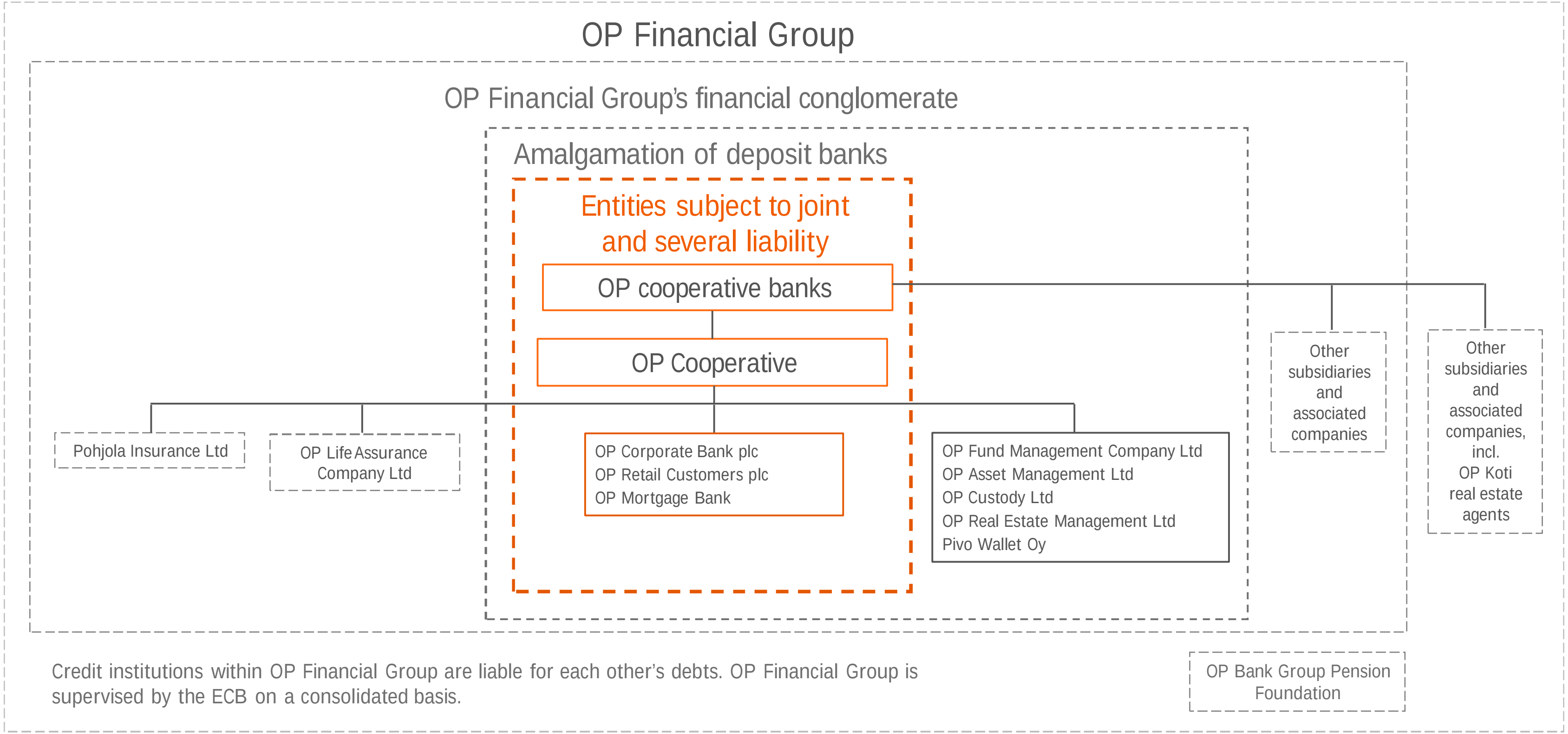
The Insurance segment comprises Pohjola Insurance and OP Life Assurance Company.

- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd

Major subsidiaries



OP Financial Group’s amalgamation structure



Joint and several liability

- Under the Act on the Amalgamation of Deposit Banks (Laki talletuspankkien yhteenliittymästä Act), the amalgamation of the cooperative banks comprises the organisation's central cooperative (OP Cooperative), its member credit institutions and the companies belonging to their consolidation groups, as well as credit and financial institutions and service companies in which the above-mentioned entities together hold more than half of the total votes.
- The central cooperative's member credit institutions at the end of the report period comprised OP Financial Group's member cooperative banks as well as OP Corporate Bank plc, OP Mortgage Bank and OP Retail Customers plc.
- By virtue of the Act on the Amalgamation of Deposit Banks, the central cooperative has both the right to control its credit institutions and the obligation to supervise their operations. The amalgamation of deposit banks is supervised on a consolidated basis. As laid down in applicable law, the member credit institutions and OP Cooperative are ultimately jointly and severally liable for each other's debts and commitments. OP Financial Group's insurance companies, for example, do not therefore fall within the scope of joint and several liability.

Central cooperative's governance structure

Cooperative Meeting	Supervisory Council and its units	Board of Directors and its committees	Group Chief Executive Officer	Central cooperative subsidiaries
OP Financial Group's Nomination Committee	Supervisory Council Nomination Committee	Risk Committee Audit Committee Nomination Committee Remuneration Committee	Executive Management Team	

The leading and most appealing financial services group in Finland

We promote the sustainable prosperity, security and wellbeing of our owner-customers and operating region.

Efficient, high-quality operations

Profitable growth

Responsible business

Value for customers

Highly skilled, motivated and satisfied personnel

PEOPLE FIRST RESPONSIBILITY SUCCEEDING TOGETHER

Geopolitical and global economic uncertainty

Polarisation and demographic change

Sustainable development and corporate responsibility

The power of technology and data

Business value chains amid major transformation

STRONG CULTURE OF RISK MANAGEMENT AND COMPLIANCE

Capital adequacy requirements

Capital adequacy for credit institutions

CET1 ratio 20.8%

Capital adequacy ratio 22.8%

The Group's operations are based on the Act on the Amalgamation of Deposit Banks.

The Act on the Amalgamation of Deposit Banks sets the minimum capital requirement for the amalgamation of cooperative banks, which is calculated according to the CRR rules and the Act on Credit Institutions.

The amalgamation of cooperative banks consists of the amalgamation's central institution (OP Cooperative), its member credit institutions and the companies belonging to their consolidation groups. Although OP Financial Group’s insurance companies do not belong to the amalgamation of cooperative banks, investments made in them have a major impact on capital adequacy calculated in accordance with the capital adequacy regulations for credit institutions.

Solvency II for insurance companies

Solvency ratio, Non-life insurance 187%

Solvency ratio, Life insurance 211%

The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.

The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's sufficient buffer specified internally.

Eligible capital covers solvency requirements.

The scope of an insurance conglomerate is the same as the scope of the financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates.

Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates (FiCo)

Conglomerate’s capital adequacy ratio 143%

OP Financial Group is a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. Such conglomerates are governed by specific provisions of the capital adequacy requirement.

Capital adequacy under the Act is calculated using the consolidation method, whereby items not included in the capital base, under the regulations for the banking or insurance industry, are added to the equity capital in the conglomerate's balance sheet.

The capital base may not include items not available for covering the losses of other companies belonging to the conglomerate.

The financial and insurance conglomerate's minimum capital requirement consists of the credit institutions' consolidated minimum capital requirement, buffers included, and the insurance companies' combined solvency capital requirements (SCR).


Together through time.