



OP Financial Group's Financial Statements Bulletin 1 January–31 December 2020

Background material

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- Retail Banking
- Corporate Banking
- Insurance
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- Capital adequacy and capital base
- OP Financial Group in a nutshell



OP Financial Group's Financial Statements Bulletin

Earnings before tax EUR 785 million – net interest income and net insurance income increased in an uncertain business environment

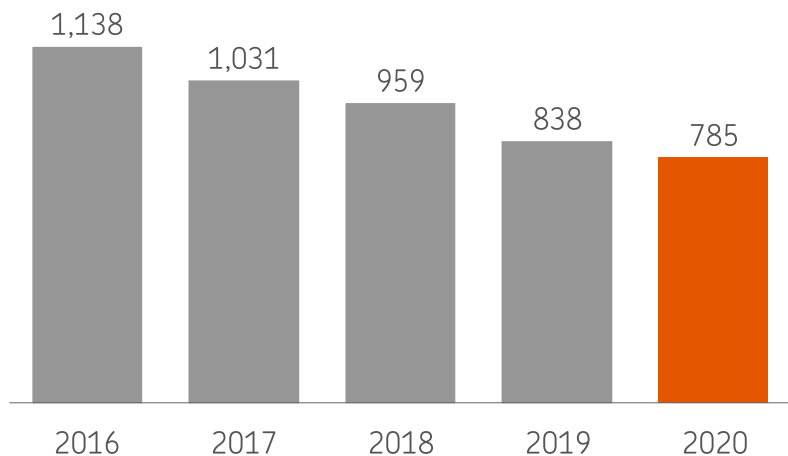
	Q1–Q4/2020	Q1–Q4/2019	Change, %
Earnings before tax, € million	785	838	-6.3
Retail Banking	115	235	-51.2
Corporate Banking	349	311	12.5
Insurance	348	373	-6.5
Other Operations	3	-37	-
New OP bonuses accrued to owner-customers	-255	-254	0.4
Return on equity (ROE), %	5.0	5.5	-0.5 *
Return on equity excluding OP bonuses, %	6.6	7.1	-0.6 *
Return on assets (ROA), %	0.42	0.47	-0.05 *
Return on assets excluding OP bonuses, %	0.55	0.60	-0.06 *
	31 December 2020	31 December 2019	Change, %
CET1 ratio, %	18.9	19.5	-0.6 *
Loan portfolio, € bn	93.6	91.5	2.4
Deposits, € bn	70.9	64.0	10.8
Ratio of non-performing receivables to loan and guarantee portfolio, %	2.0	1.1	0.9 *
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.23	0.09	0.14 *
Owner customers (1,000)	2,025	2,003	1.1

* Change in ratio

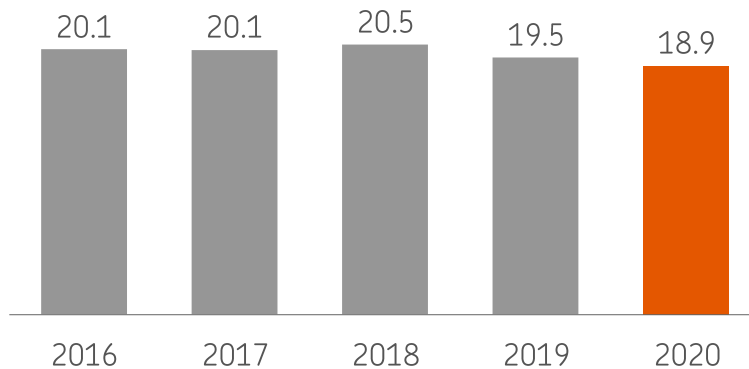
- In customer business, net interest income increased by 4% to EUR 1,284 million (1,241) and net insurance income by 36% to EUR 572 million (421). Net commissions and fees totalled EUR 931 million (936).
- The effects of the COVID-19 pandemic on capital market developments weakened investment income particularly in the first quarter. Investment income fell by 58% year on year, to EUR 181 million (425).
- Total income decreased by 3% to EUR 3,103 million (3,181).
- Total expenses decreased by 3% to EUR 1,839 million (1,903). The transfer of the remaining statutory earnings-related pension liability to Ilmarinen Mutual Pension Insurance Company at the end of 2020 reduced OP Financial Group's pension costs by EUR 96 million. Excluding the effect of the pension liability transfer, total expenses increased by 2% to EUR 1,935 million.
- Impairment loss on receivables, EUR 225 million (87), accounted for 0.23% (0.09) of loans and receivables. Impairment loss on receivables was increased by the effects of the COVID-19 pandemic on the loan portfolio quality and by the adoption of the new definition of default based on a regulatory change.
- The CET1 ratio was 18.9% (19.5). The lower ratio was affected by the increase in the loan portfolio and the adoption of the new definition of default.

OP Financial Group's earnings and capital adequacy

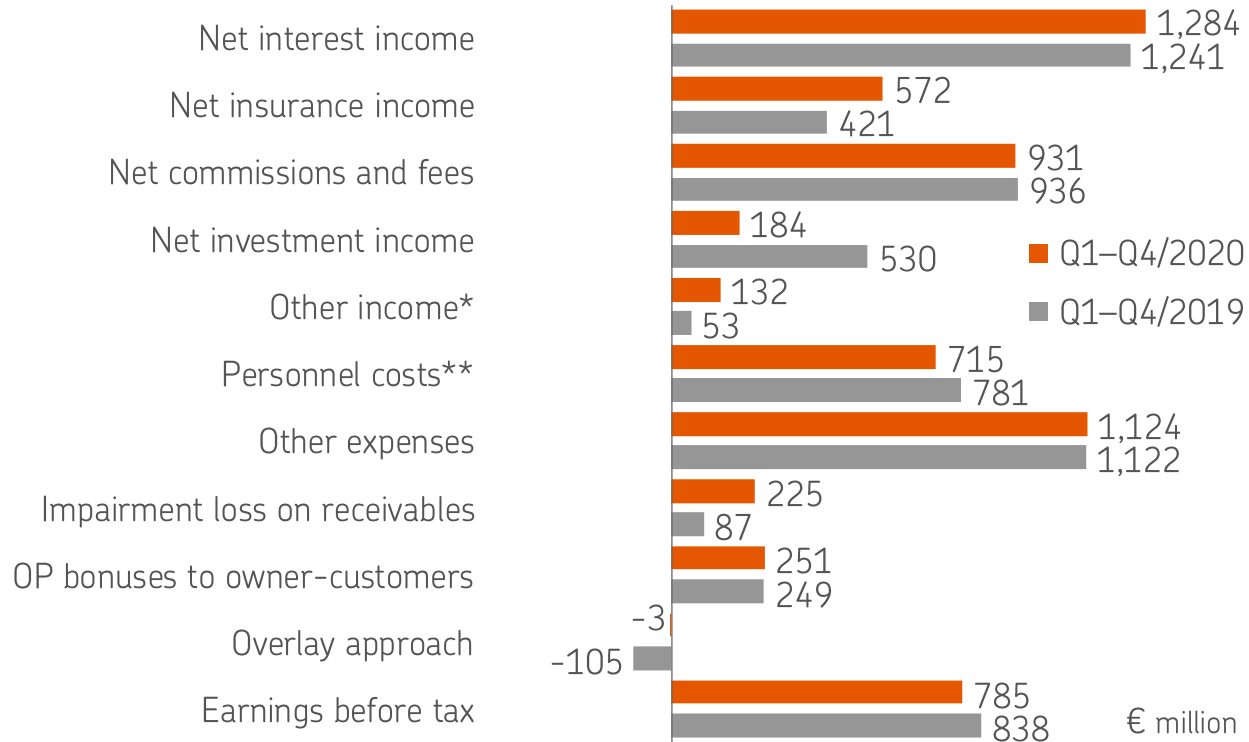
Earnings before tax, € million



Common Equity Tier 1 ratio (CET1),%



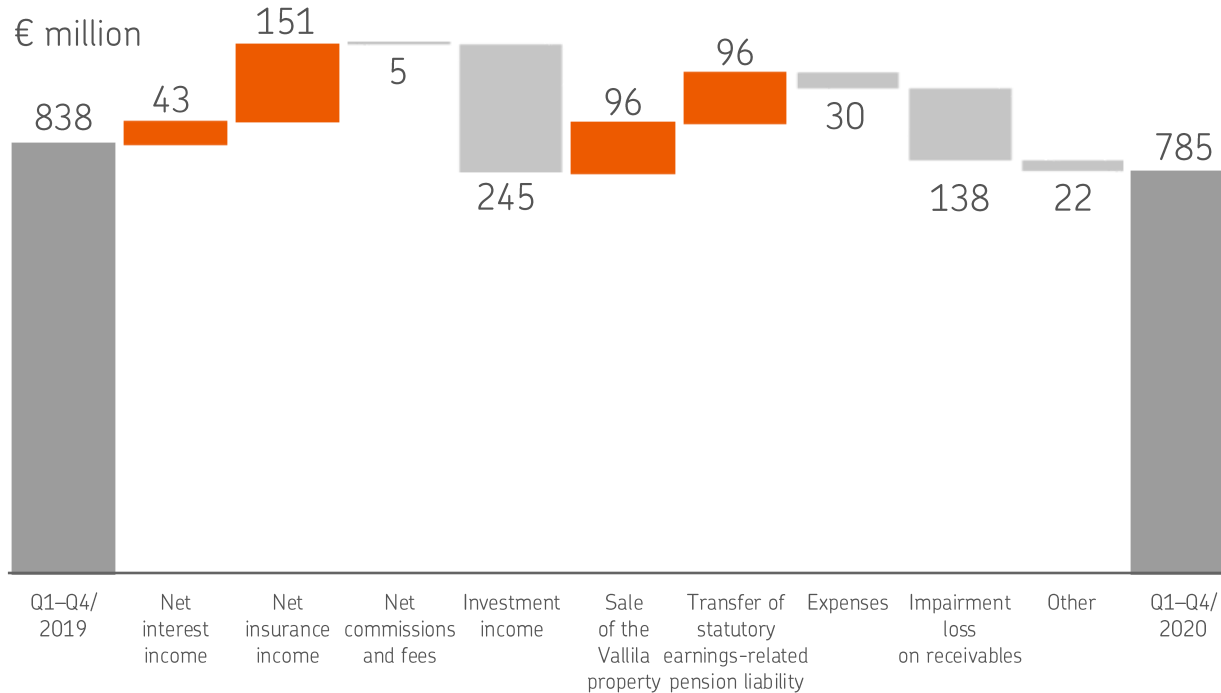
OP Financial Group's main income statement items



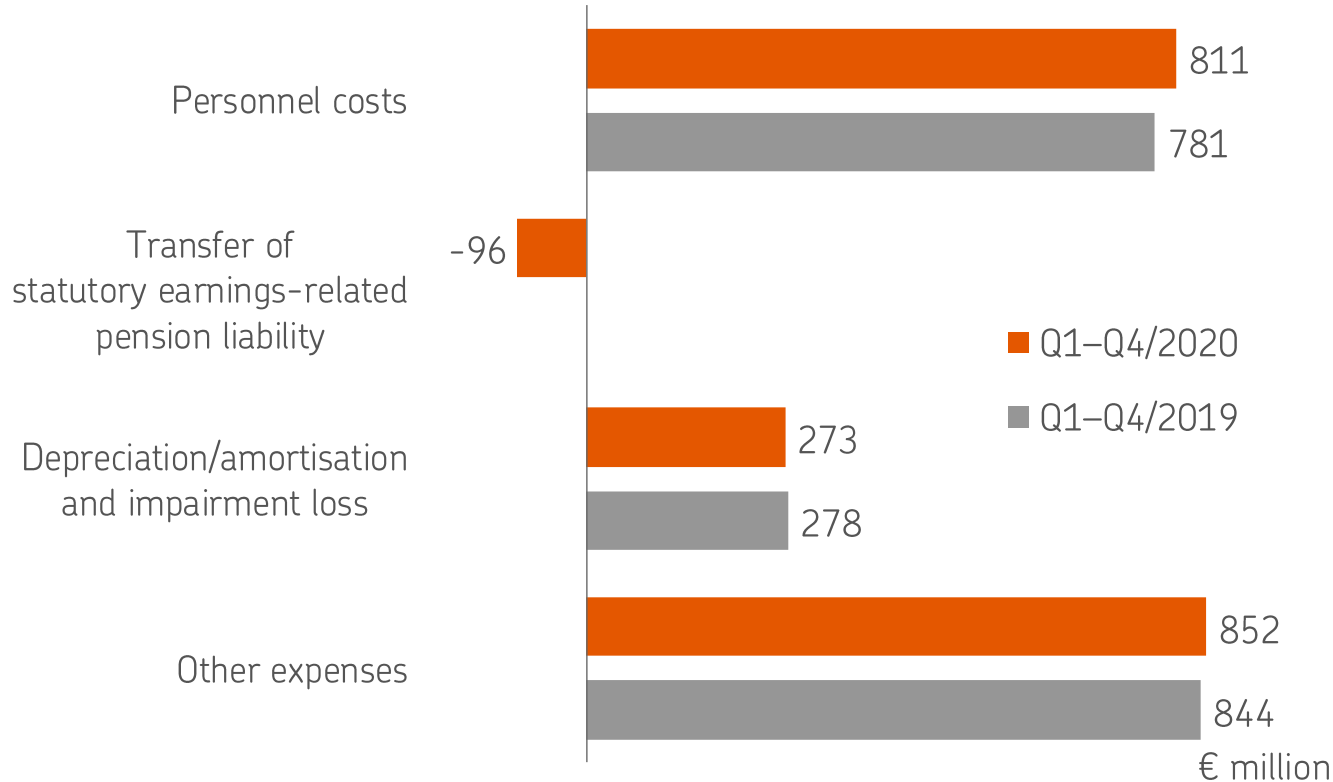
*Includes a capital gain on the sale of the Vallila property

** Includes the transfer of statutory earnings-related pension liability

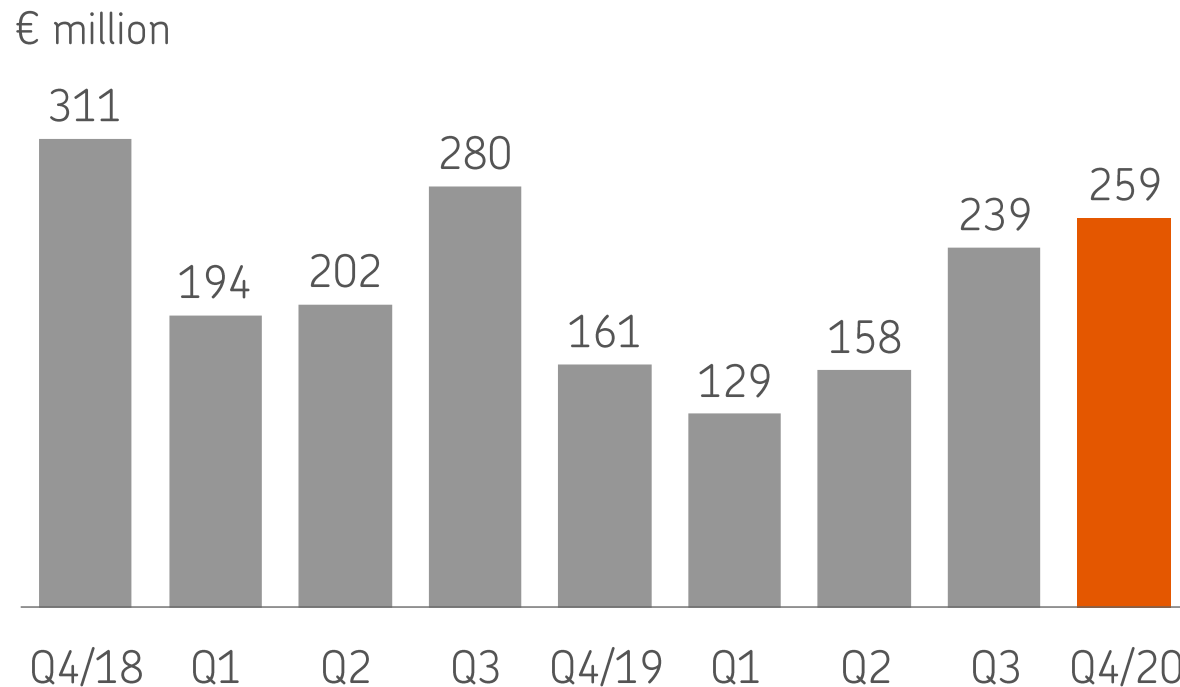
OP Financial Group's financial performance



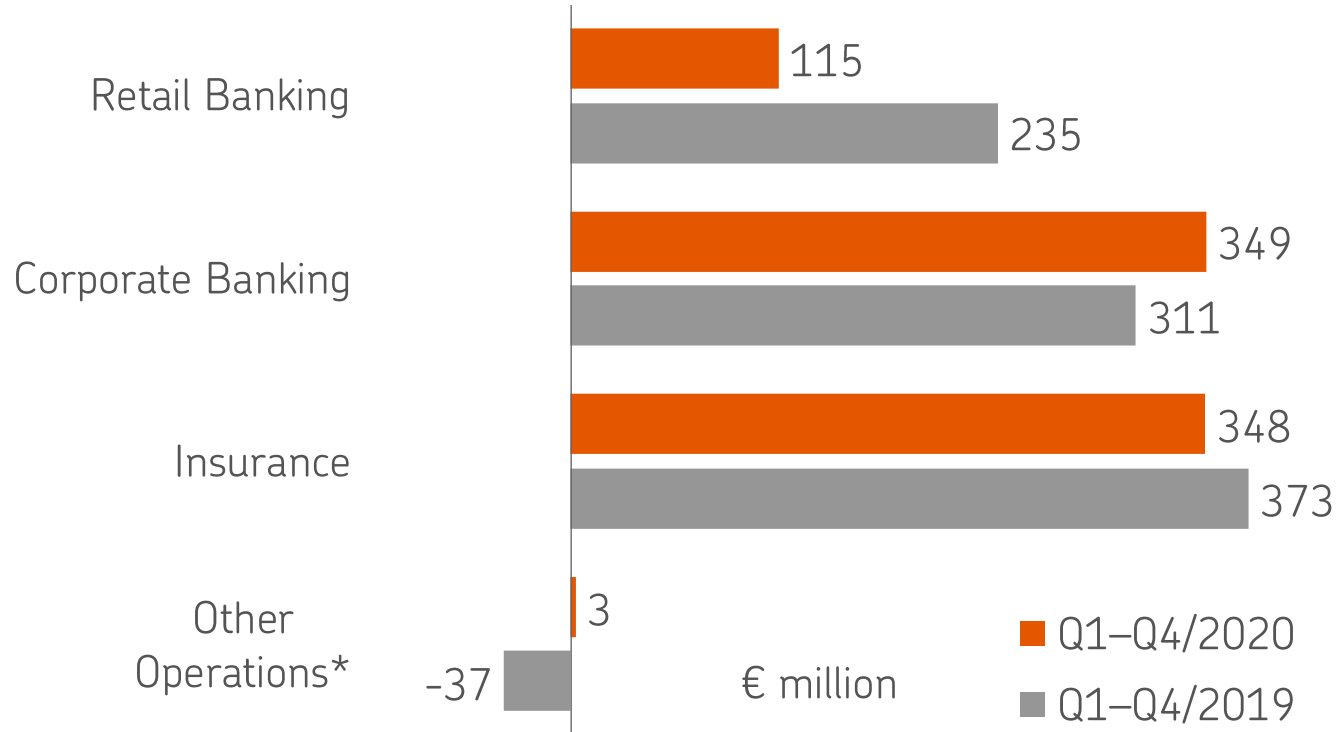
OP Financial Group's cost performance



OP Financial Group's EBT by quarter



OP Financial Group's EBT by business segment



*Including a capital gain on the sale of the Vallila property

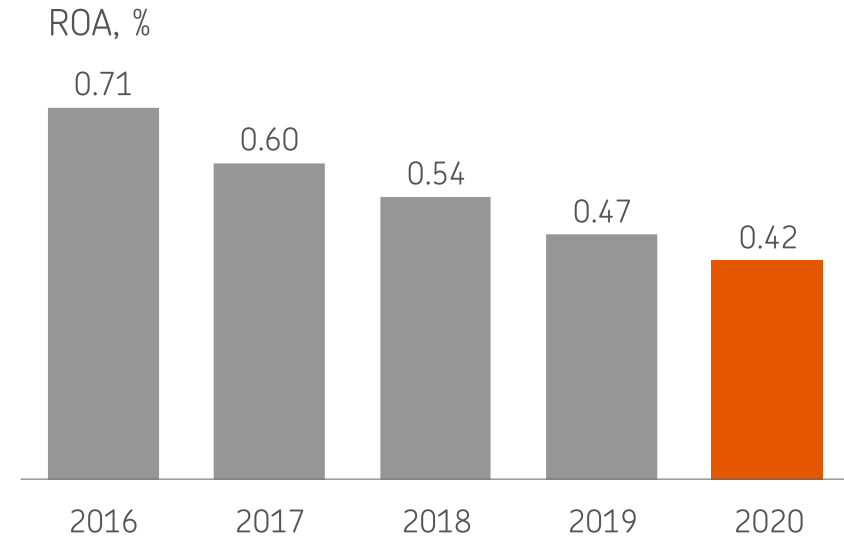
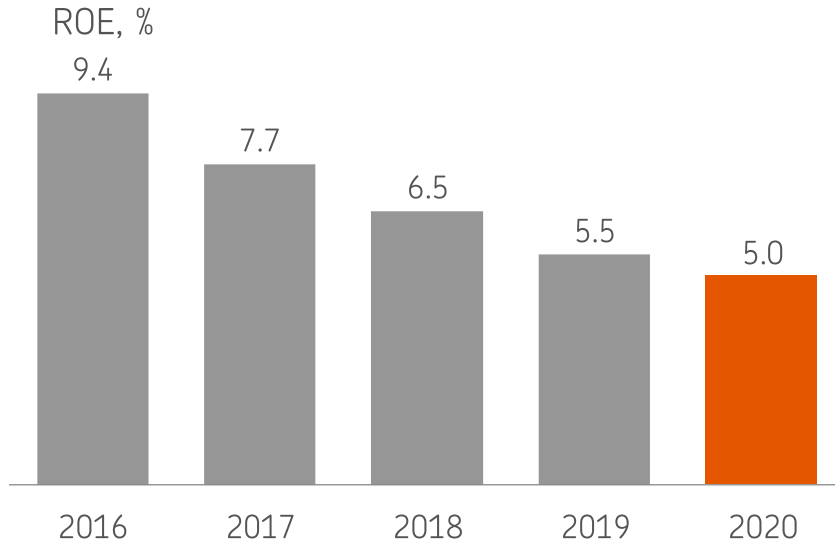
OP Financial Group's income statement

January 1 to December 31	2020	2019	Change, € million	%	Q4/20	Q4/19	Change, %
Net interest income	1,284	1,241	43	3.5	324	318	1.6
Net insurance income	572	421	151	35.9	95	9	945.0
Net commissions and fees	931	936	-5	-0.5	252	257	-1.8
Net investment income	184	530	-346	-65.3	153	257	-40.6
Other operating income	132	53	78	146.2	11	12	-11.4
Total income	3,103	3,181	-79	-2.5	835	854	-2.2
Personnel costs	715	781	-67	-8.6	120	208	-42.2
Depreciation/amortisation and impairment loss	273	278	-5	-1.7	77	88	-13.0
Other operating expenses	852	844	8	0.9	228	242	-5.6
Total expenses	1,839	1,903	-64	-3.4	425	538	-21.0
Impairment loss on receivables	-225	-87	-138	-	-42	-51	-
OP bonuses	-251	-249	-1	-	-61	-63	-
Overlay approach	-3	-105	101	-	-48	-40	-
Earnings before tax	785	838	-53	-6.3	259	161	60.4

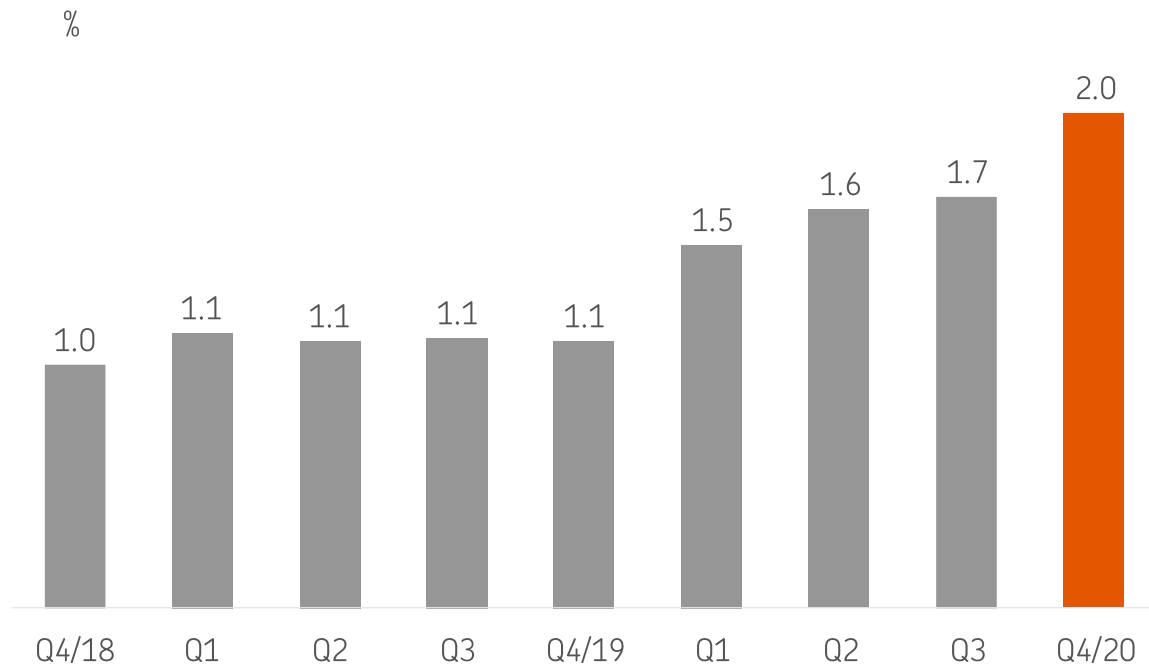
OP Financial Group's quarterly performance

€ million	Q1/2019	Q2	Q3	Q4	Q1	Q2	Q3	Q4/2020
Net interest income	294	309	321	318	319	327	315	324
Net insurance income	109	165	138	9	131	164	181	95
Net commissions and fees	234	216	229	257	244	211	224	252
Net investment income	145	73	54	257	-140	112	59	153
Other operating income	9	26	6	12	107	5	8	11
Total income	790	790	748	854	662	819	787	835
Personnel costs	197	208	169	208	208	207	179	120
Depreciation/amortisation and impairment loss	59	69	62	88	65	64	67	77
Other operating expenses	210	212	181	242	245	204	174	228
Total expenses	465	488	411	538	518	475	421	425
Impairment loss on receivables	-11	-28	3	-51	-105	-60	-17	-42
OP bonuses to owner-customers	-64	-60	-62	-63	-60	-64	-65	-61
Overlay approach	-55	-12	2	-40	151	-62	-44	-48
Earnings before tax	194	202	280	161	129	158	239	259

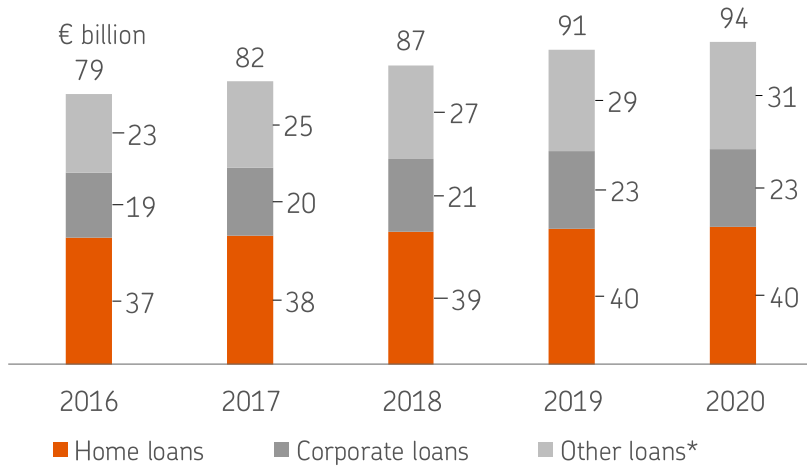
OP Financial Group's return on equity



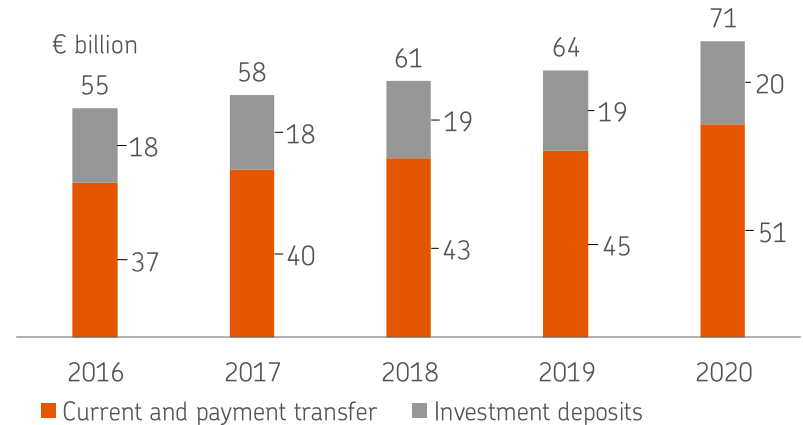
Ratio of non-performing receivables to loan and guarantee portfolio



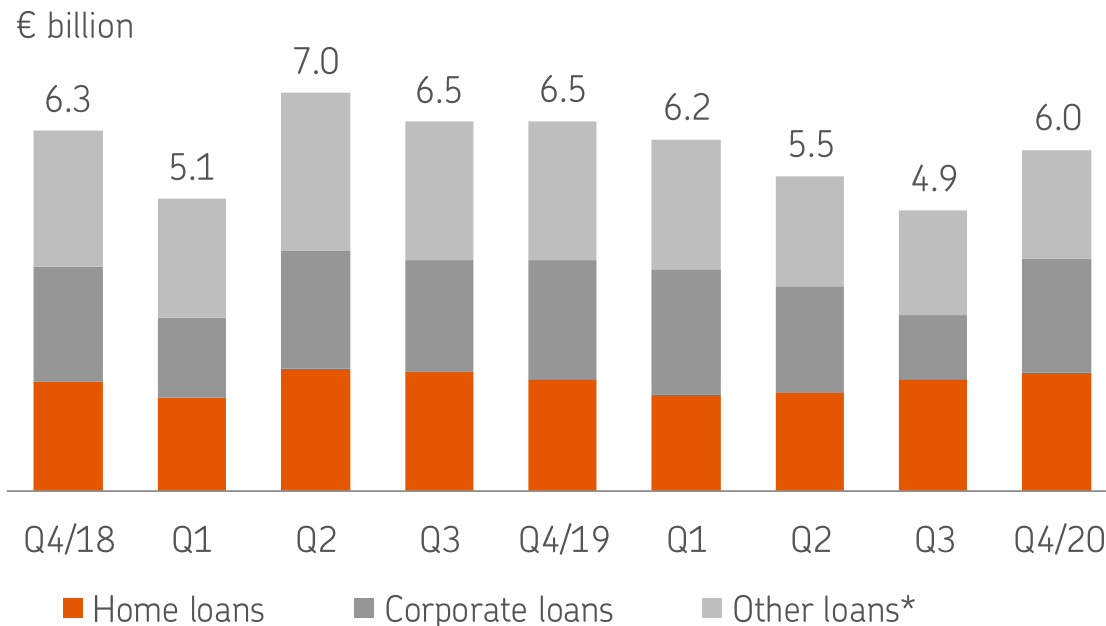
OP Financial Group's loan portfolio grew by 2.4% and the deposit portfolio by 10.8% year on year



* incl. housing companies and public-sector entities



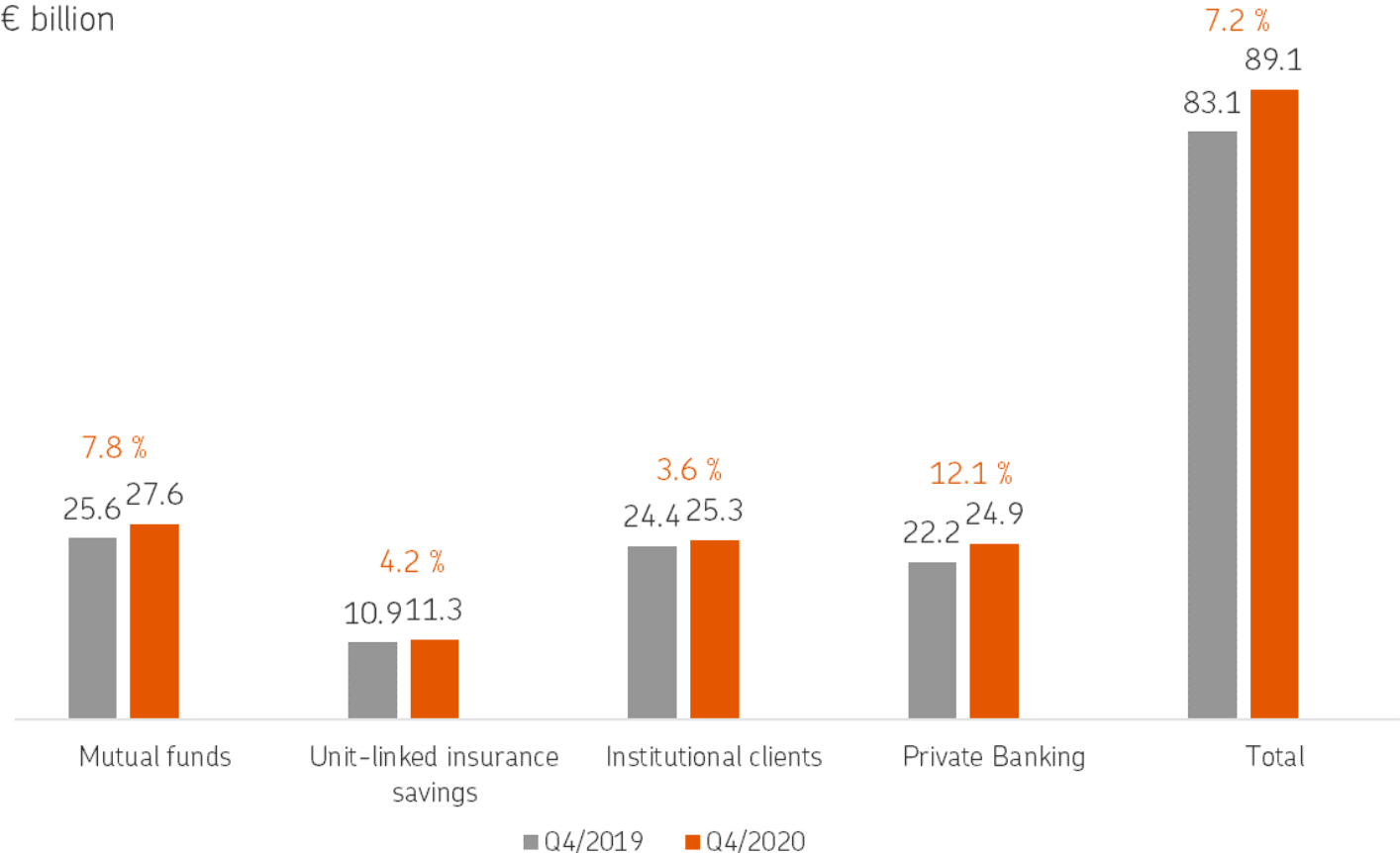
OP Financial Group's new loans drawn down



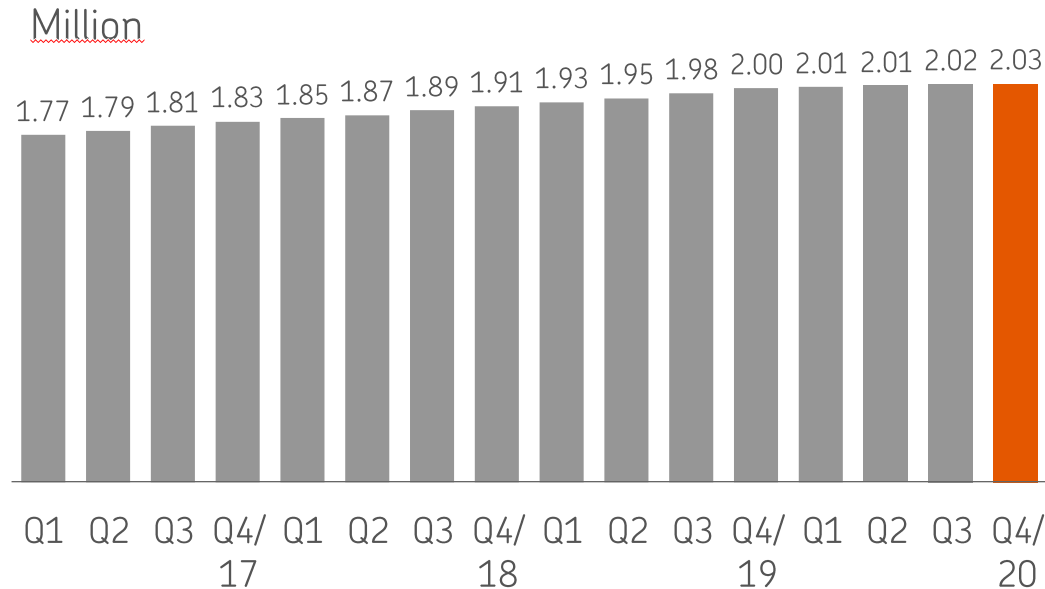
*incl. housing companies and public-sector entities

OP Financial Group's assets under management

€ billion



More than 2 million owner-customers



The figures include the owner-customers of Helsinki Area Cooperative Bank established on 1 April 2016 and the owner-customers of POP Group banks that transferred to OP's customer systems in September 2016.

Retail Banking



Retail Banking

OP Financial Group's Retail Banking is the Group's largest business segment by volume, providing private and SME customers with an extensive and comprehensive range of products and services.

- Services and products for private customers include daily banking, loans, savings and investments, and housing-related services. OP is Finland's leading provider of home loans.
- OP provides private and SME customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.

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

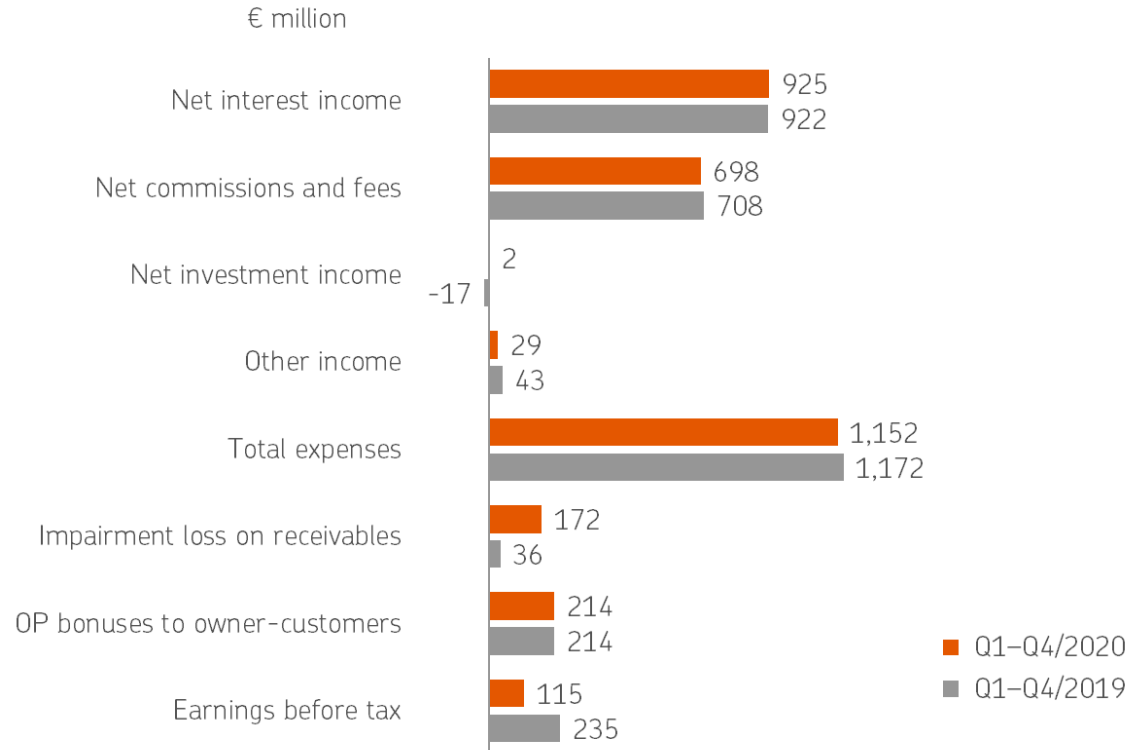
Key figures for Q1–Q4/2020

Earnings before tax
€115 million

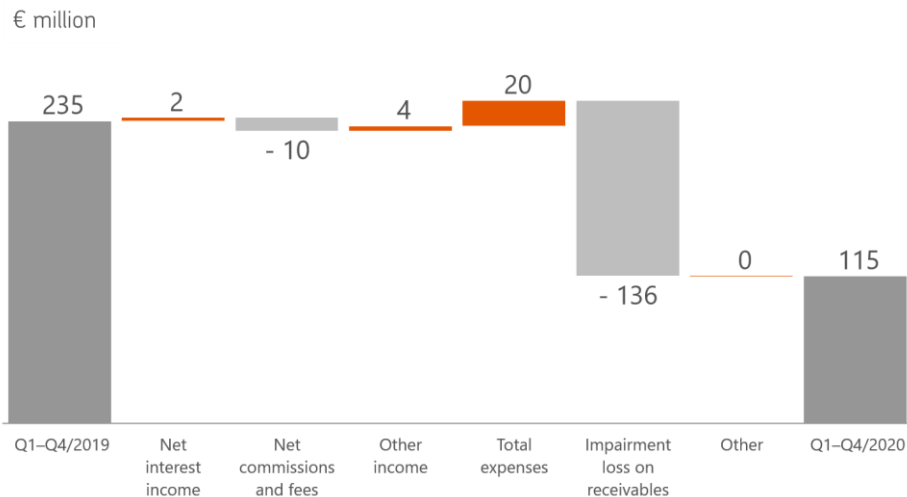
Loan portfolio
€69.4 billion

Deposit portfolio
€59.1 billion

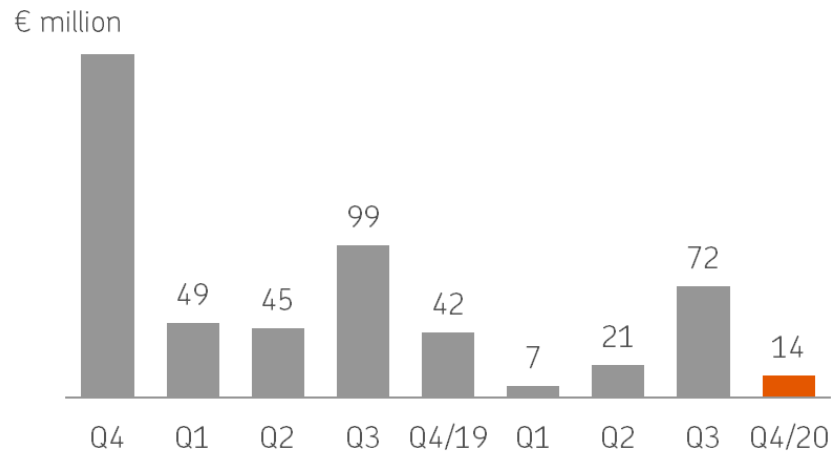
Retail Banking earnings before tax decreased to EUR 100 million



Higher impairment loss on receivables reduced earnings

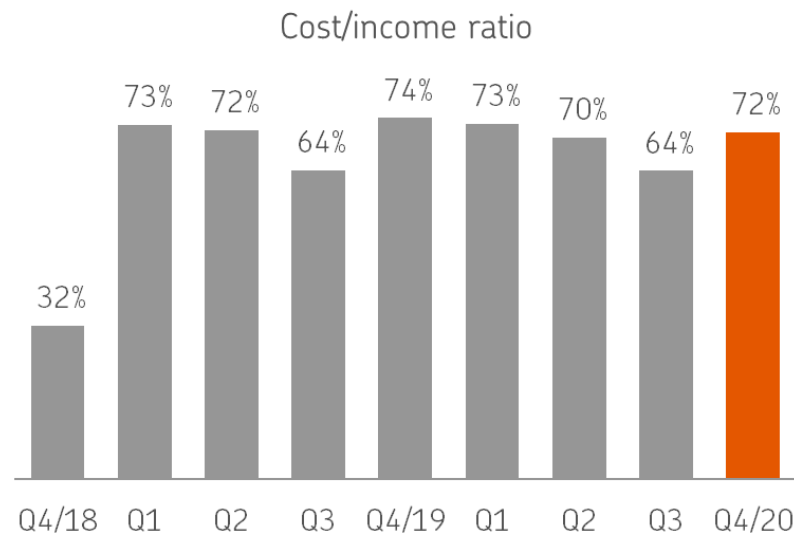
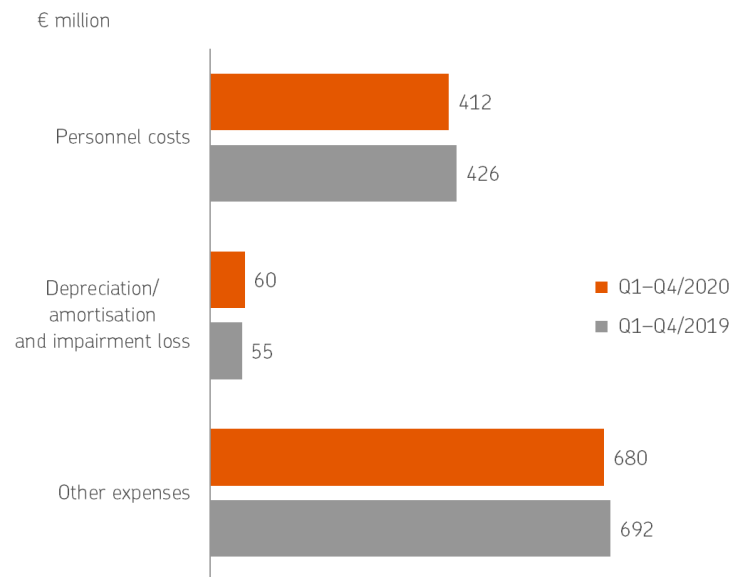


Total income fell by 0.2% and total expenses by 1.7%. Impairment loss on receivables increased mainly due to the adoption of the new definition of default and the effects of the coronavirus pandemic.



Transfer of the pension liability improved segment earnings in Q4/2018 (EUR 199 million)

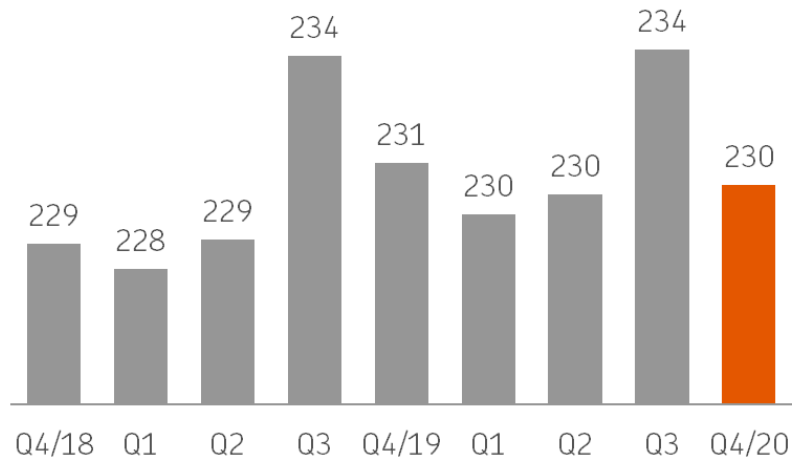
Other operating expenses and personnel costs decreased year on year



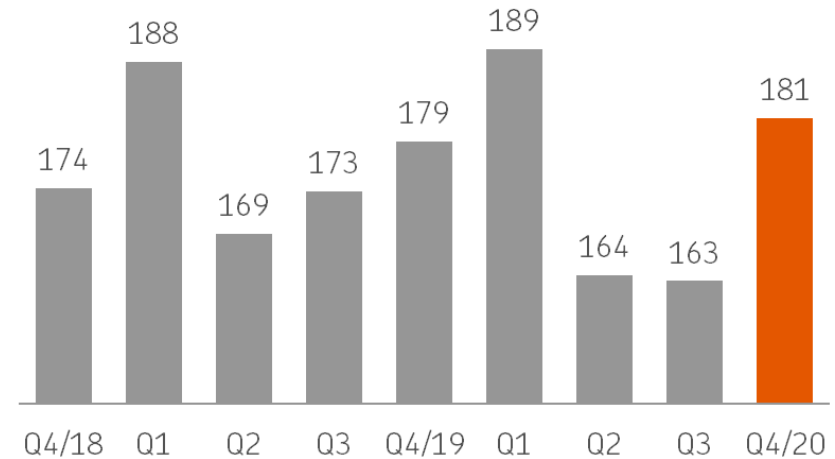
Q4/2018 personnel costs include the transfer of pension liability EUR 199 million

Net interest income increased and net commissions and fees decreased year on year

Net interest income, € million

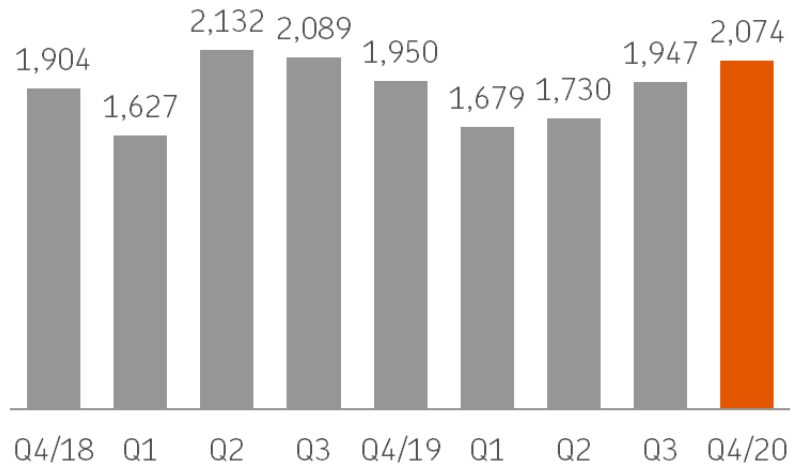


Net commissions and fees, € million

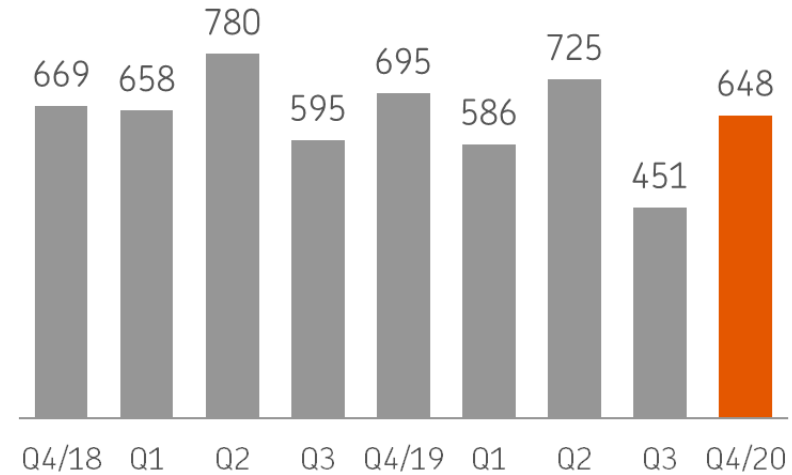


Home loan drawdowns and corporate loan drawdowns by SMEs decreased year on year

Home loans drawn down, € million

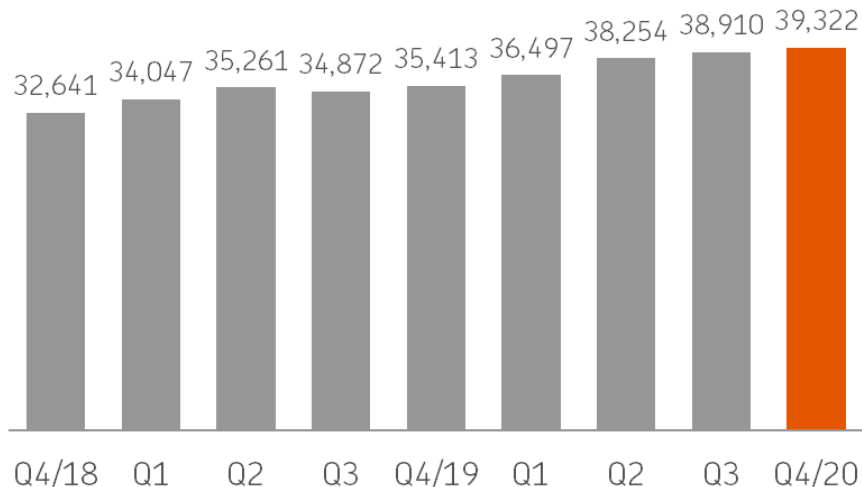


SME corporate loans drawn down, € million

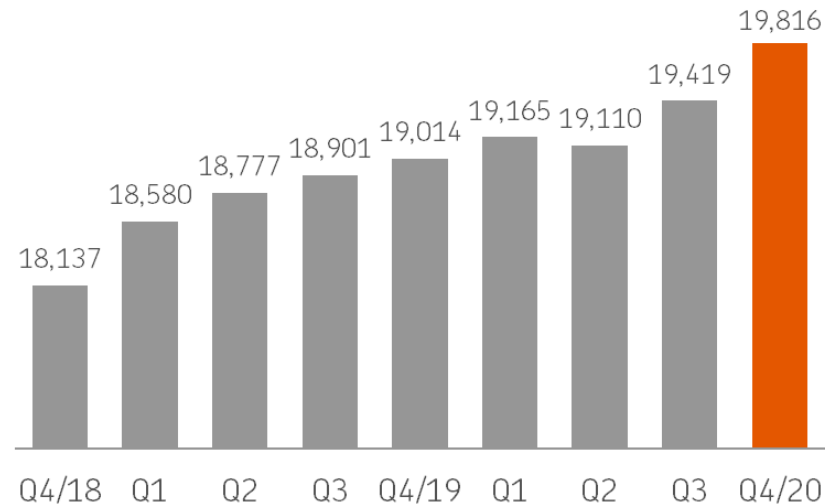


Deposit portfolio increased, particularly in current and payment transfer accounts

Current and payment transfer, € million

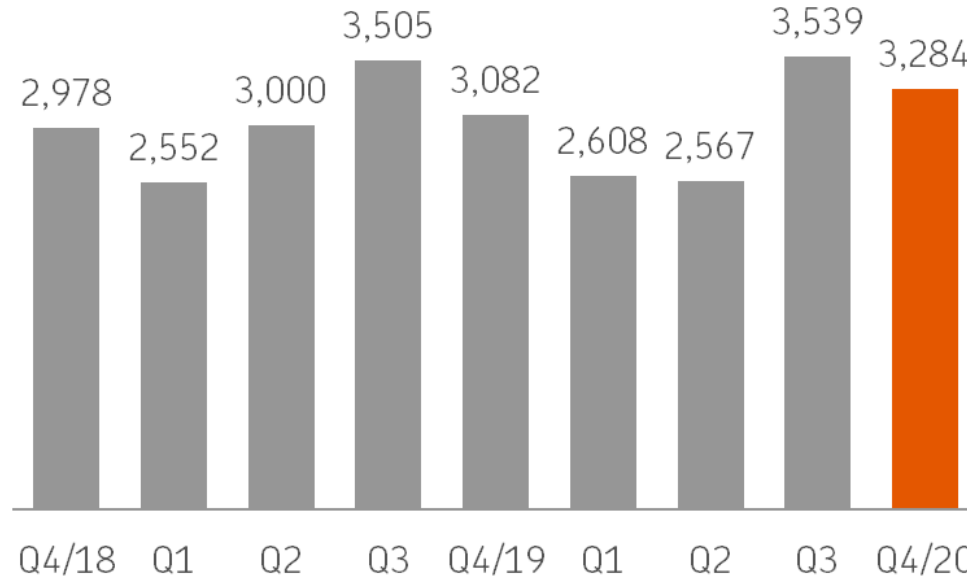


Investment deposits, € million



Brokerage of homes and other real property picked up in the summer but accumulated sales volumes decreased year on year

No. of brokered homes and real property transactions



Corporate Banking



Corporate Banking

OP is Finland's leading provider of corporate loans.

OP Financial Group's Corporate Banking segment comprises banking for corporate and institutional customers as well as asset management business, including OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd and OP Property Management Ltd.

- OP provides banking services to companies and organisations and associations. We provide our customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.
- OP also seeks to meet its Private and corporate customers' savings and investment needs in a customer-focused and comprehensive way and to provide the best digital asset management services.

Key figures for Q1-Q4/2020

Earnings before tax

€349 million

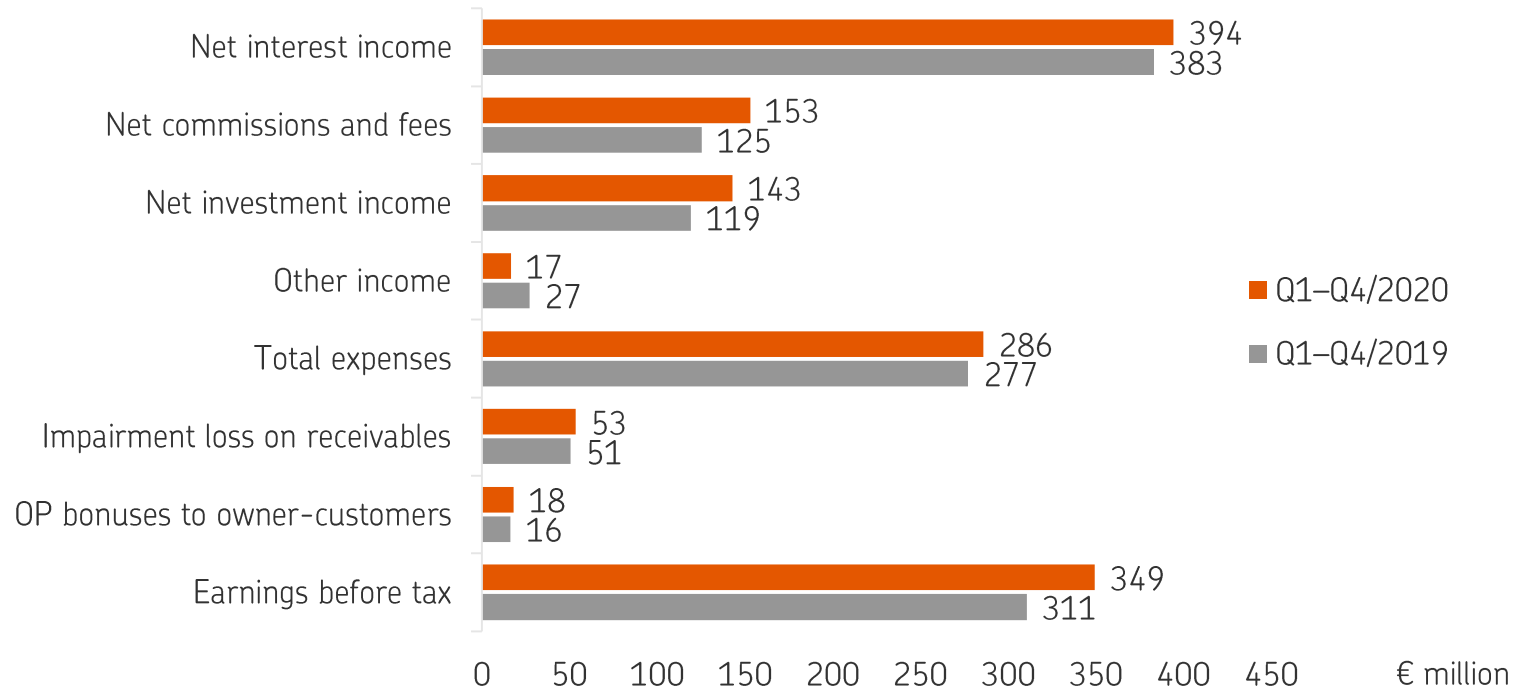
Loan portfolio

€24.0 billion

Assets under
management

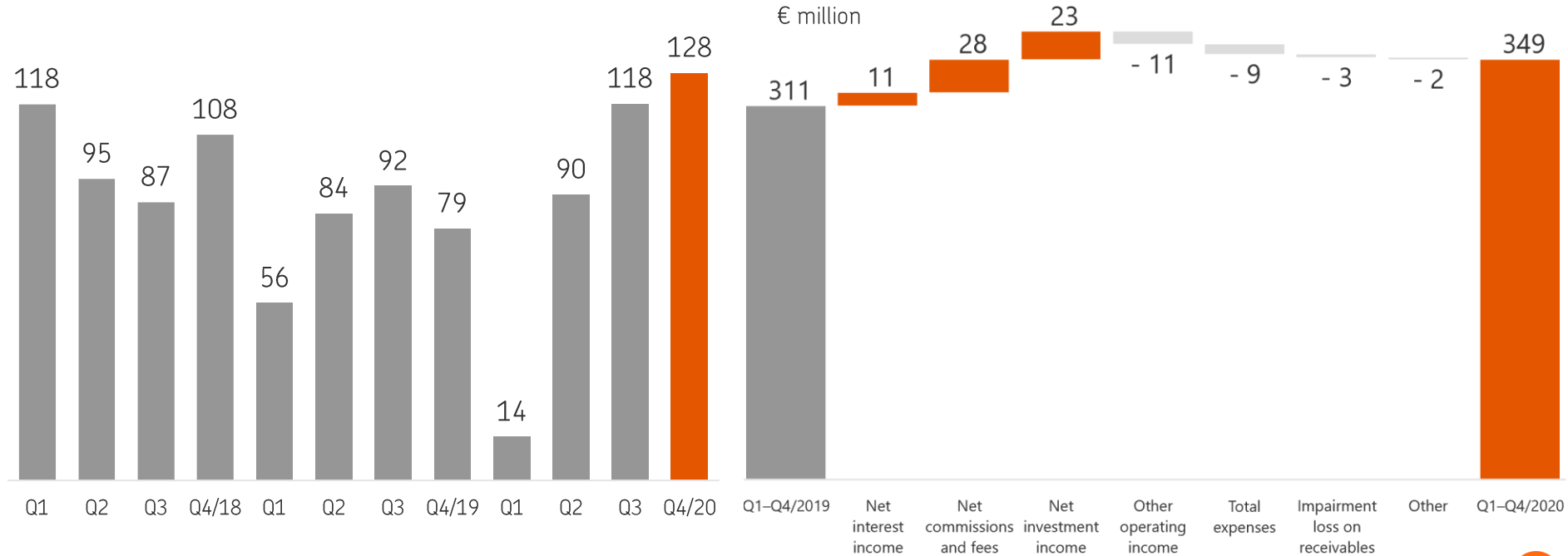
€64.2 billion

Corporate Banking earnings before tax EUR 349 million

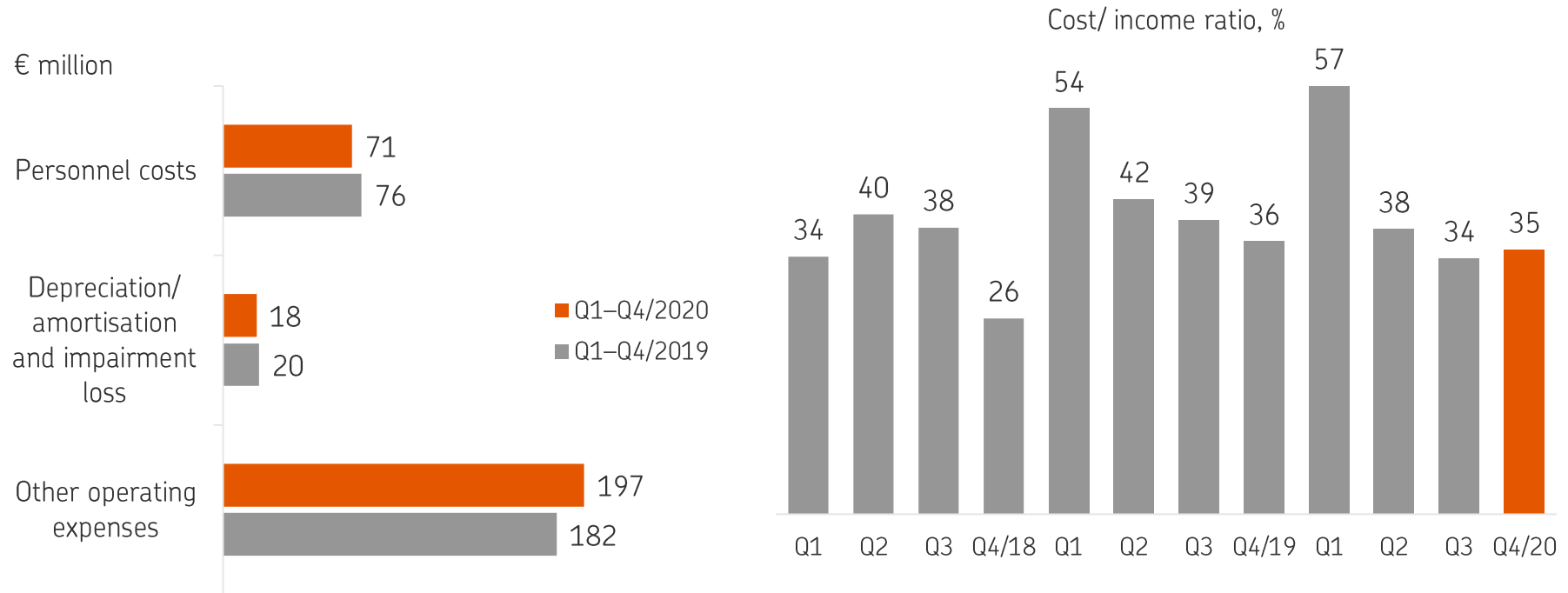


Earnings up by EUR 39 million, income up by 8% year on year

€ million

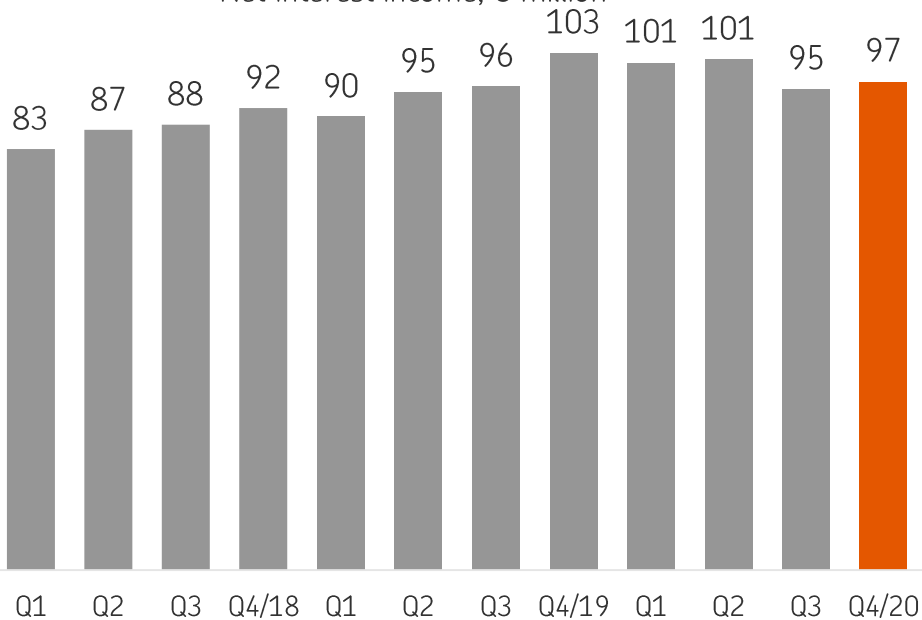


Transfer of statutory earnings-related pension liability decreased personnel costs in Q4

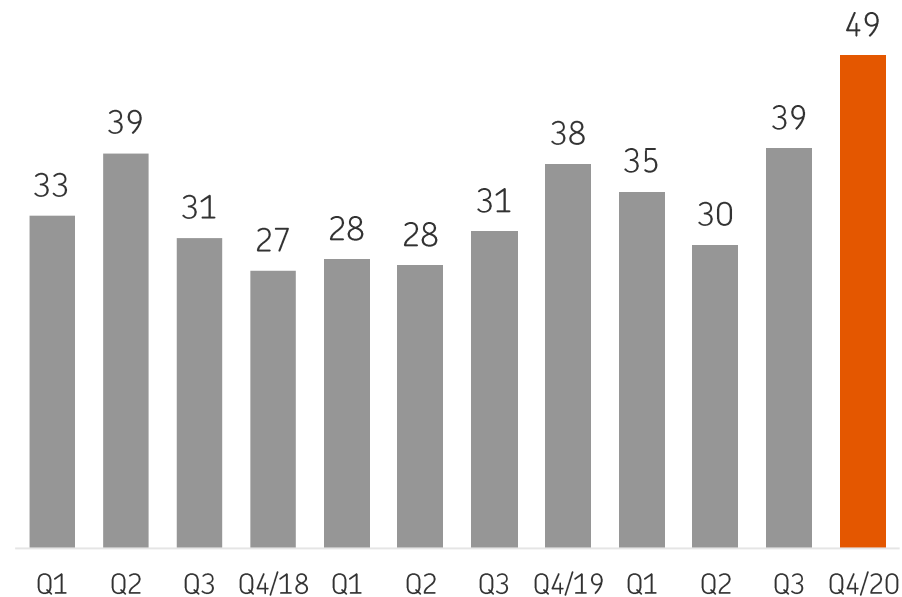


Net commissions and fees increased by 22% year on year

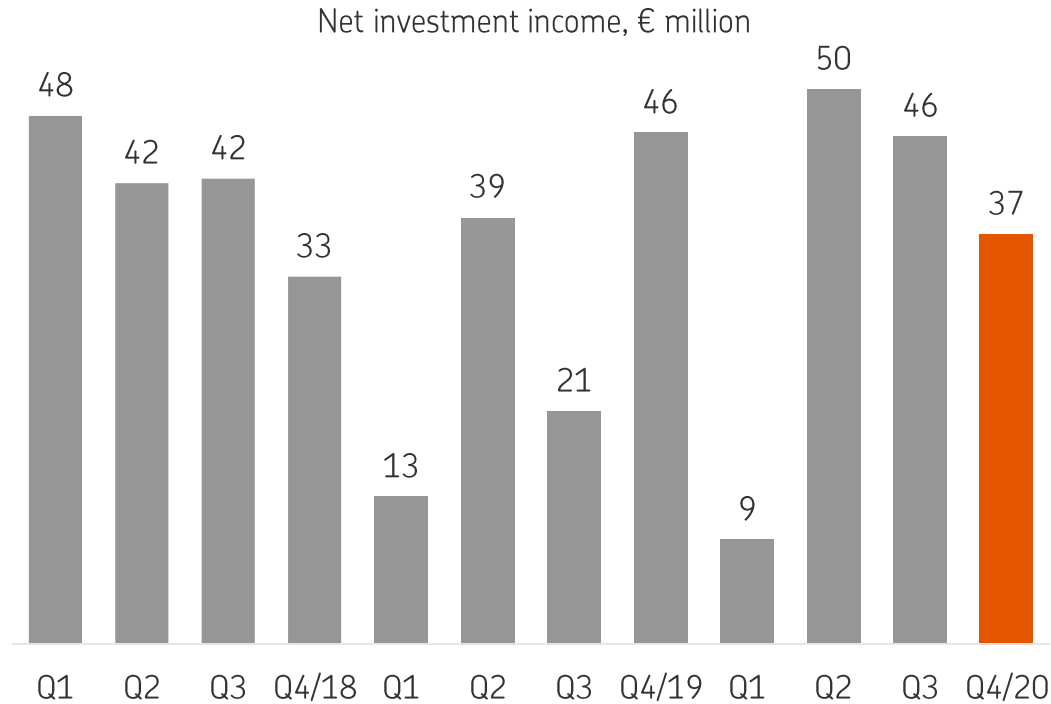
Net interest income, € million



Net commissions and fees, € million



Net investment income increased by EUR 23 million year on year



Insurance

Insurance

OP provides an extensive range of non-life and life insurance services to private, corporate and institutional customers. The insurance business segment comprises Pohjola Insurance, OP Life Assurance Company and Pohjola Hospital.

- The key insurance lines for private customers include home, motor vehicle and other property policies and personal insurance, such as accident and health policies, as well as comprehensive services for saving through insurance.
- We provide our corporate customers with diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems. For employee remuneration and companies' investment needs, we offer a diverse range of supplementary pension and investment solutions.
- With our claims service partners, we can ensure high-quality customer experience, and claims services that are cost-efficient, of consistent quality and closely available to our customers

Key figures for 2020

Earnings before tax

€348 million

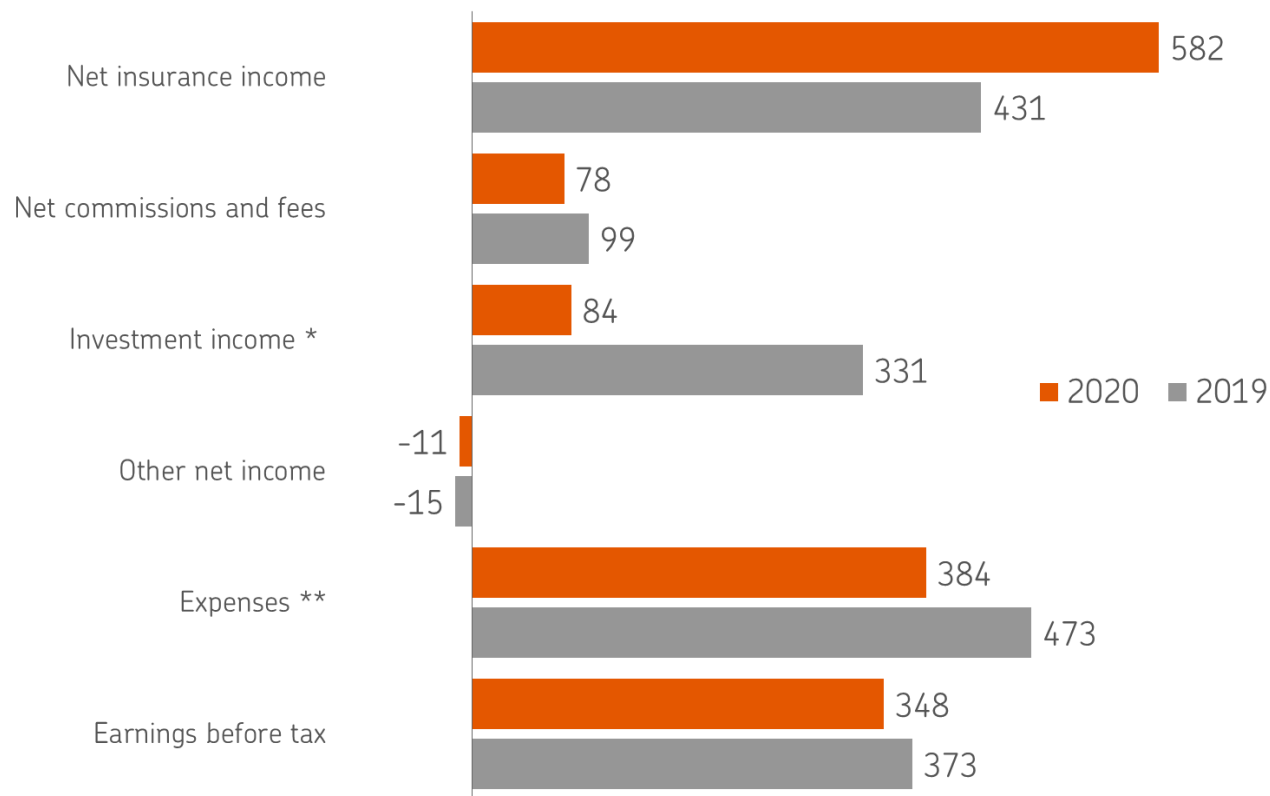
Insurance premium revenue

€1,506 million

Unit-linked insurance assets

€11.3 billion

Insurance EBT, € million

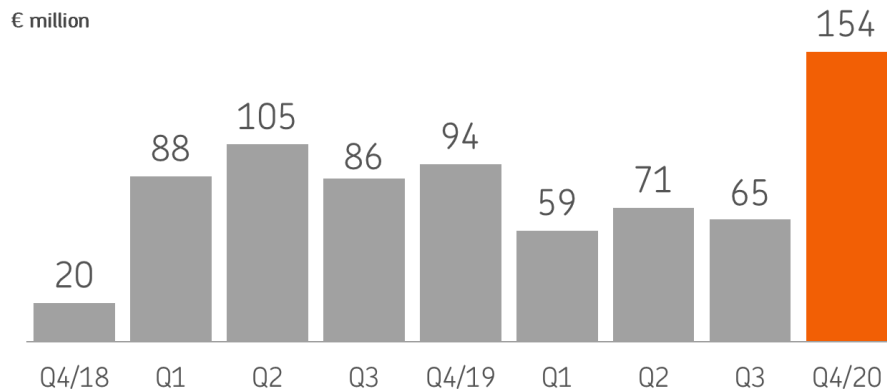


* Includes net investment income and overlay approach

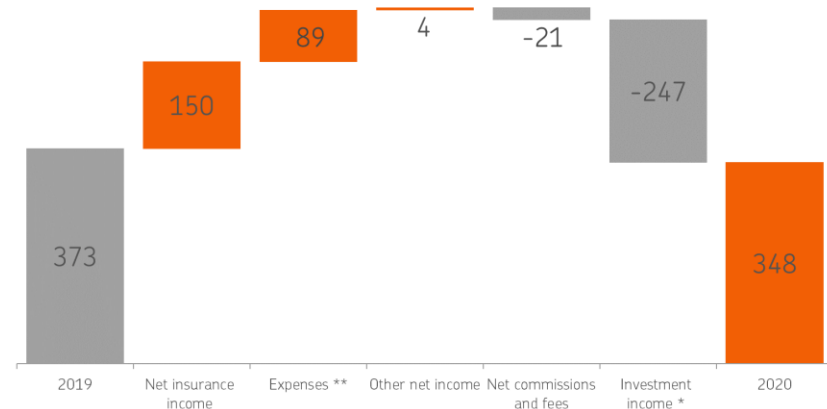
** Transfer of earnings-related pension decreased expenses by EUR 85 million

Effects of the coronavirus pandemic on capital market developments weakened investment income

Earnings before tax
€ million by quarter



Earnings before tax, € million
2020 change vs. 2019

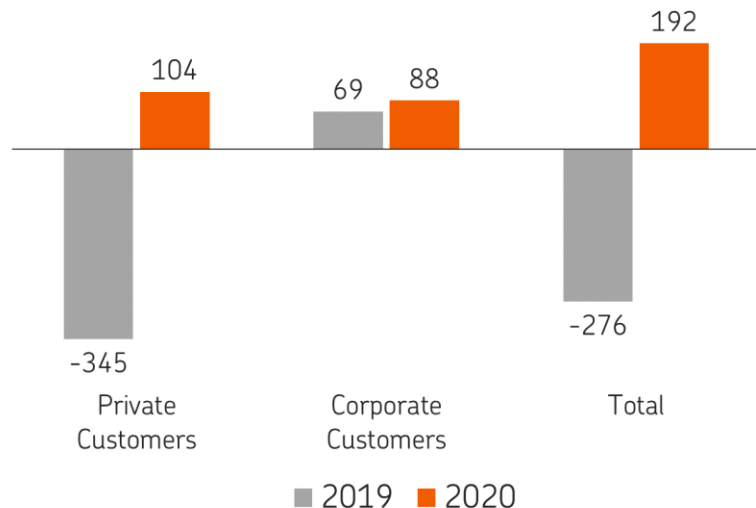


* Includes net investment income and overlay approach

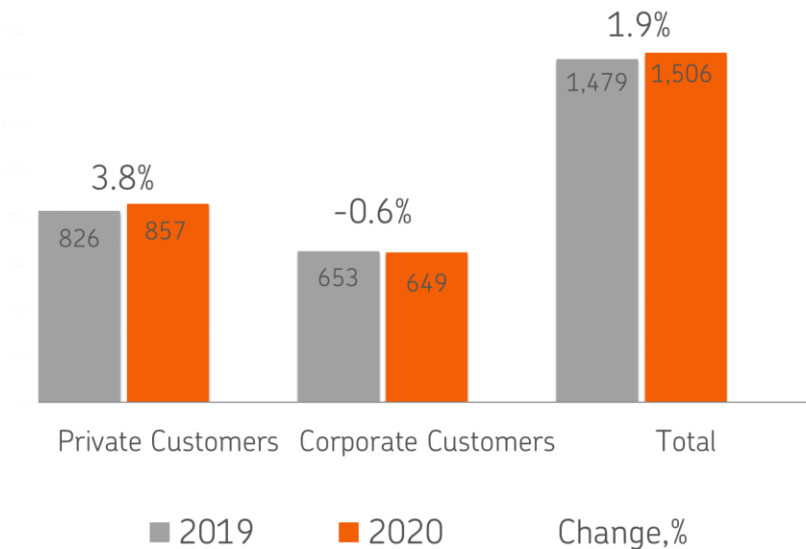
** Transfer of earnings-related pension decreased expenses by EUR 85 million

Net sales and insurance premium revenue

Life Insurance, Net assets inflow of unit-linked insurance contracts, € million

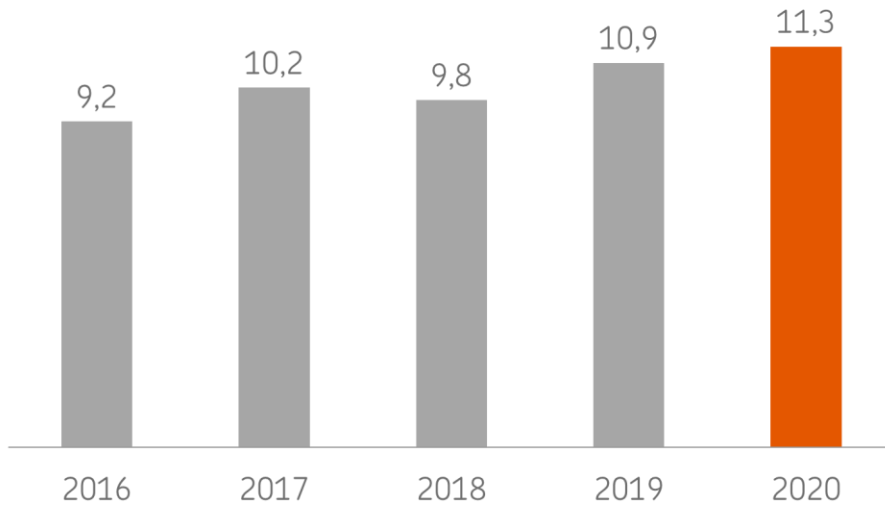


Non-life Insurance premiums written, € million

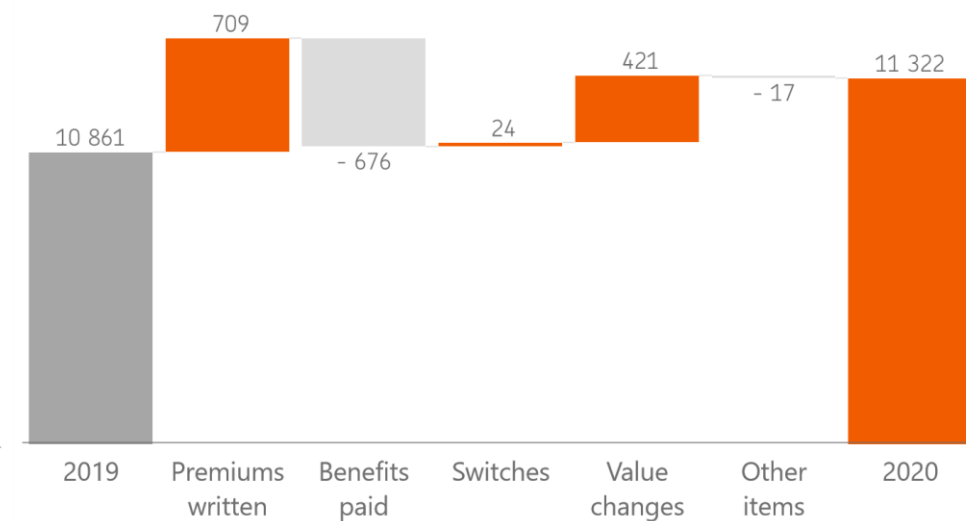


Unit-linked insurance assets increased by 4.2%

Unit-linked insurance assets, € billion

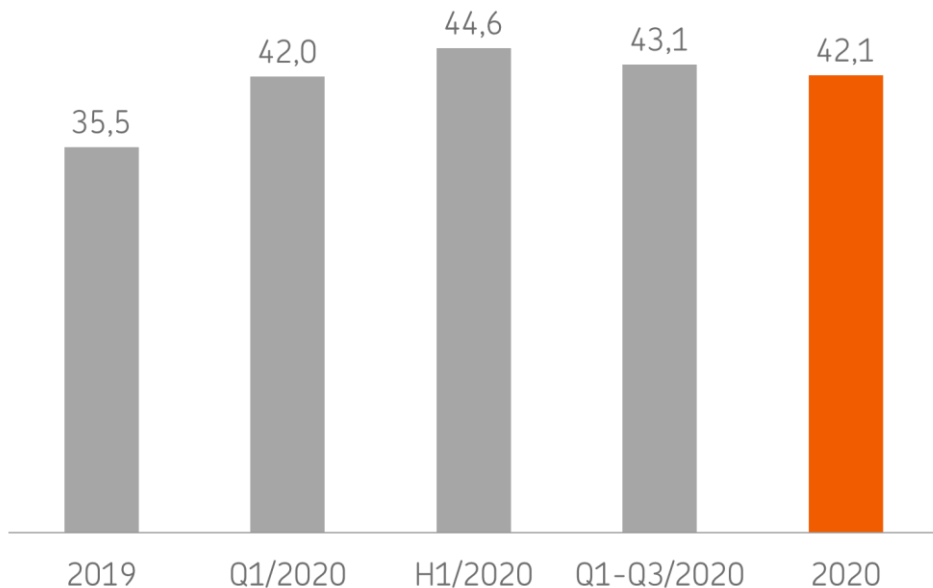


Change in unit-linked insurance assets, € million

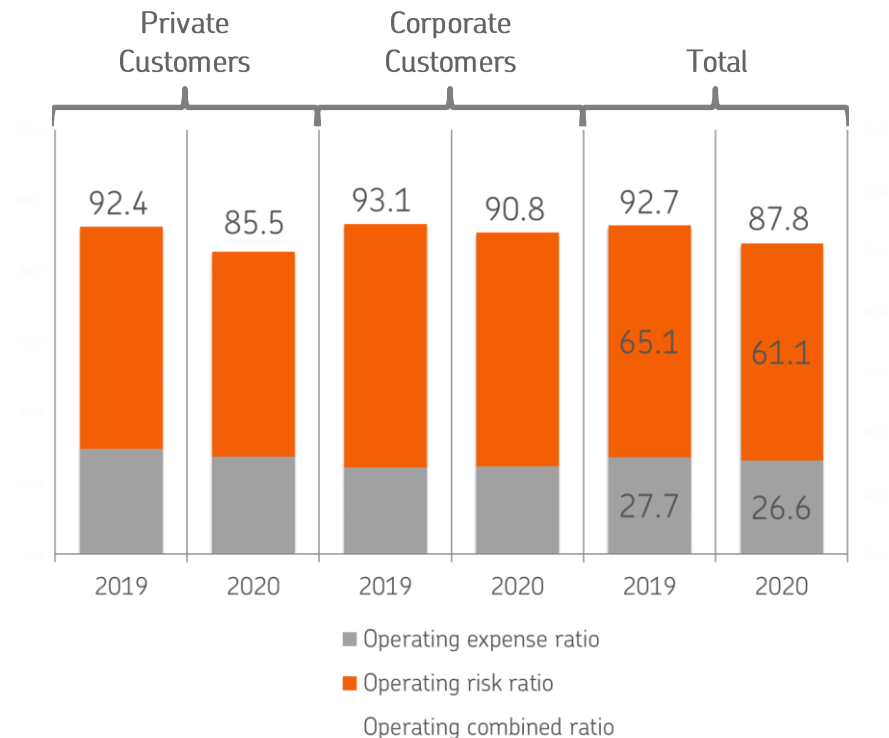


Insurance profitability

Life Insurance, operating ratio %



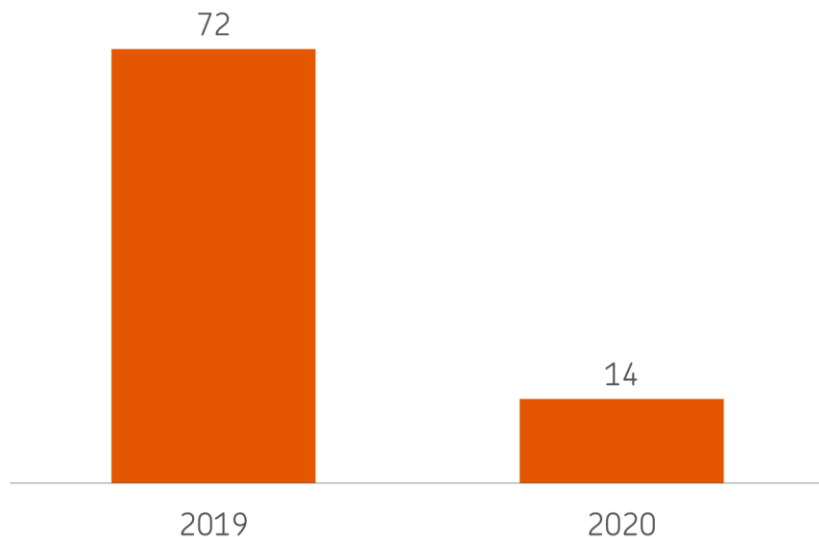
Non-life Insurance, operating combined ratio %



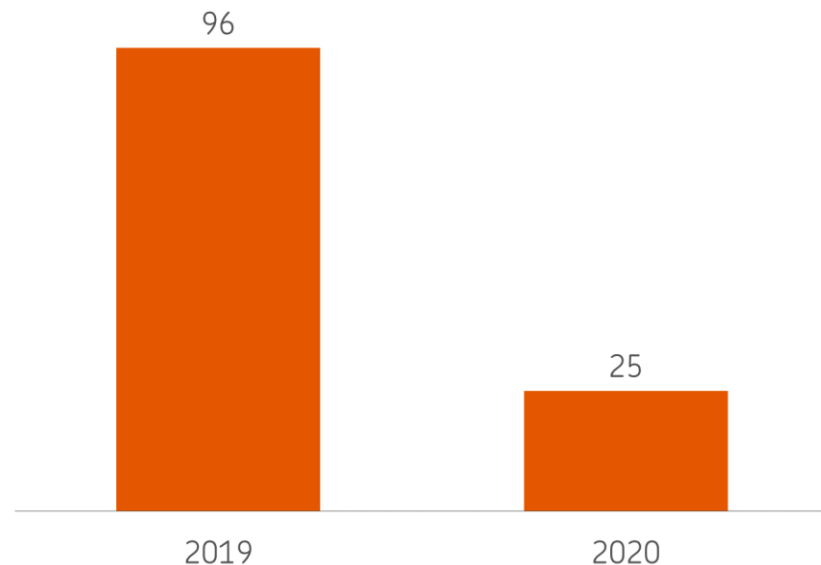
■ Operating expense ratio
■ Operating risk ratio
Operating combined ratio

Net return on insurance investments at fair value, € million

Life Insurance *



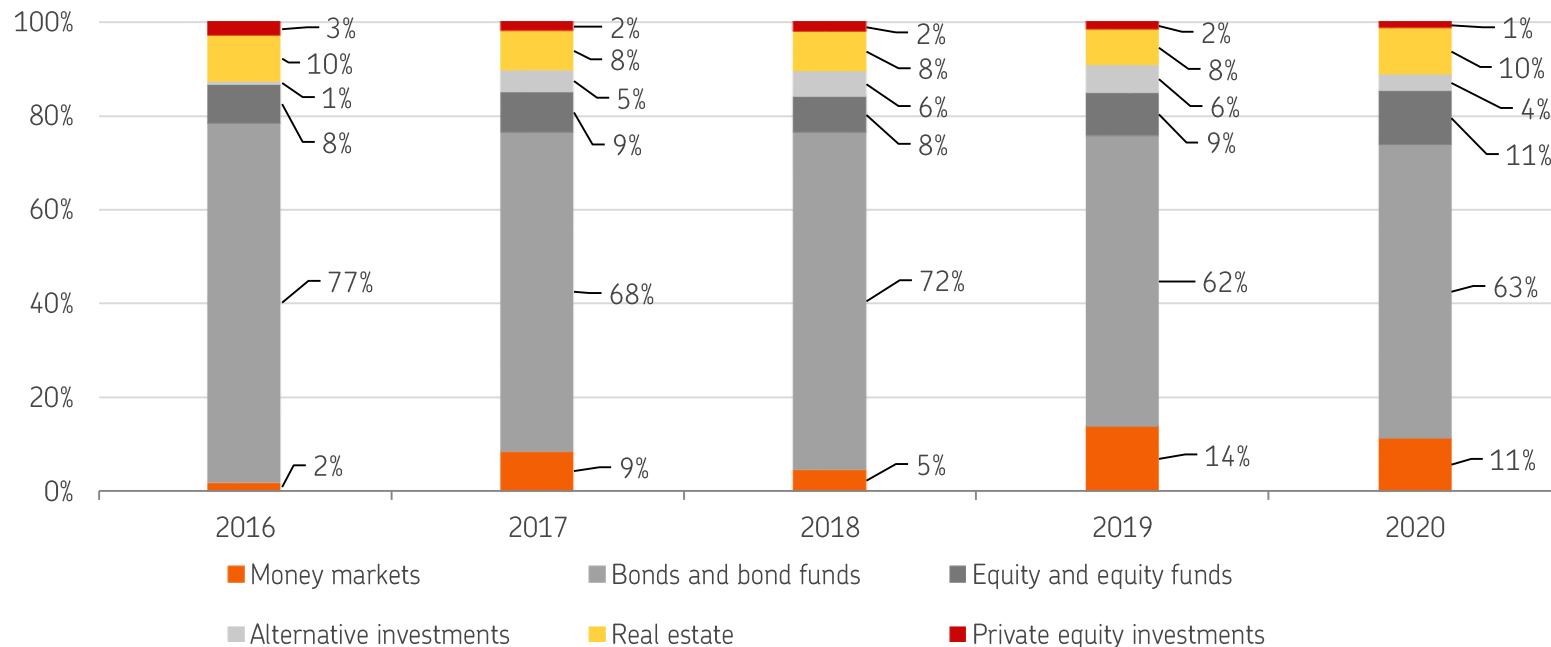
Non-life Insurance *



*Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets. These Life Insurance investments exclude the so-called separated balance sheets that were transferred from Suomi Mutual.

Non-life insurance investment portfolio allocation

Investment portfolio (€4.1 bn) by asset class as at 31st December 2020

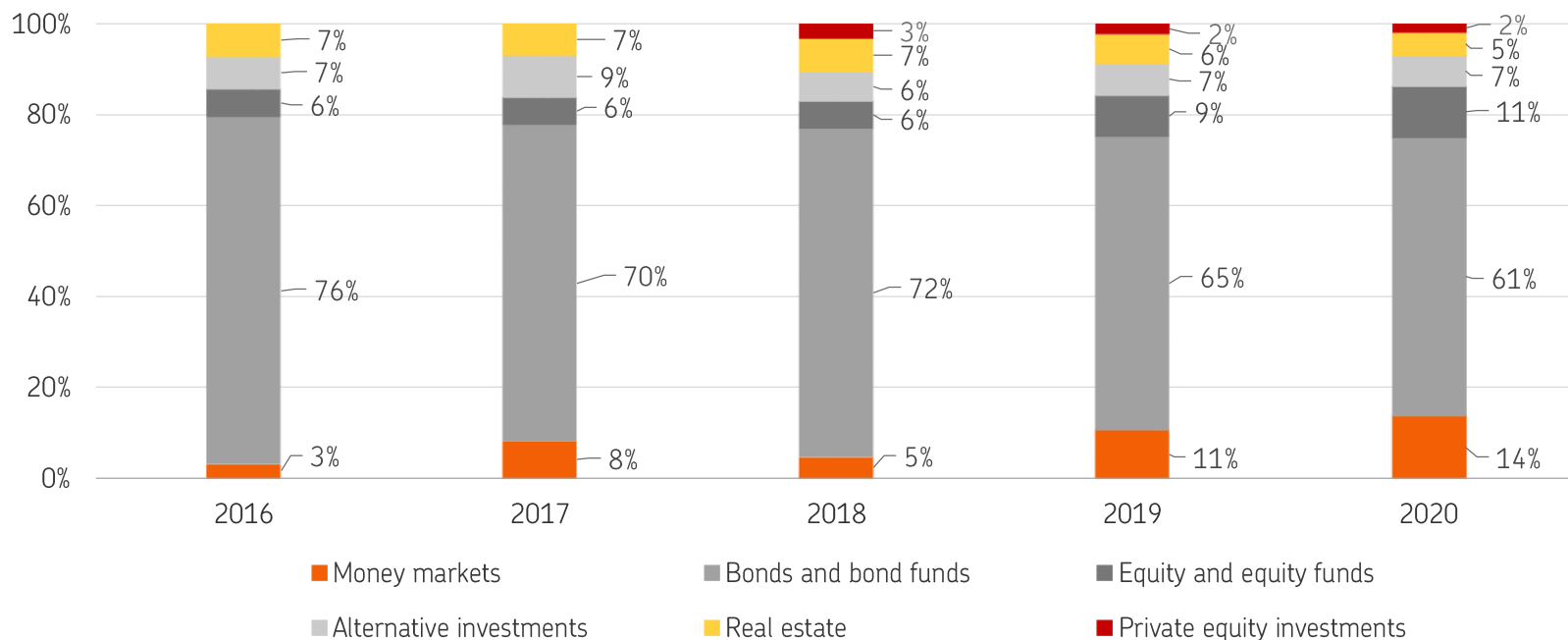


The duration of the fixed-income portfolio was 3.5 (4.0) years.

The running yield for direct bond investments averaged 1.0% (1.3) at end-December 2020.

Life Insurance investment portfolio allocation

Investment portfolio (€3.6 bn) by asset class as at 31st December 2020

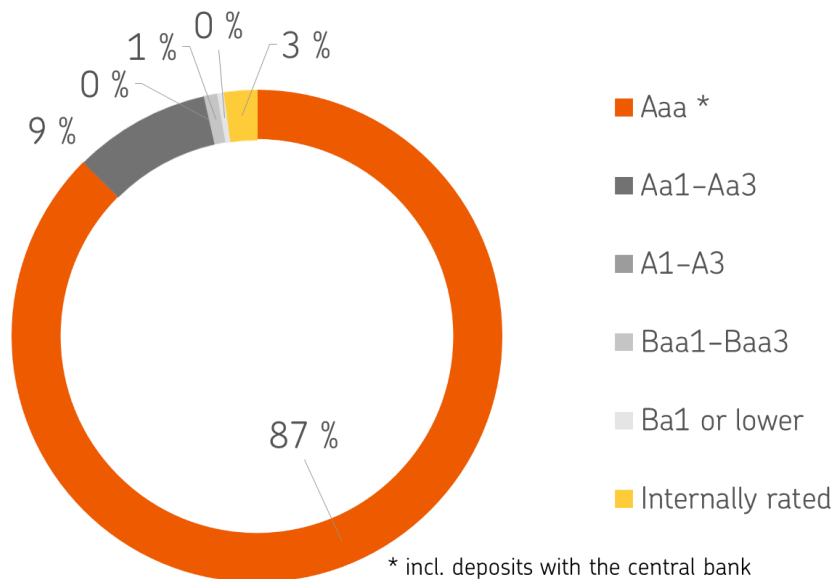


The duration of the fixed-income portfolio was 3.2 (2.9) years.
The running yield for direct bond investments averaged 1.0 (1.2) at end-December 2020.

Liquidity and funding

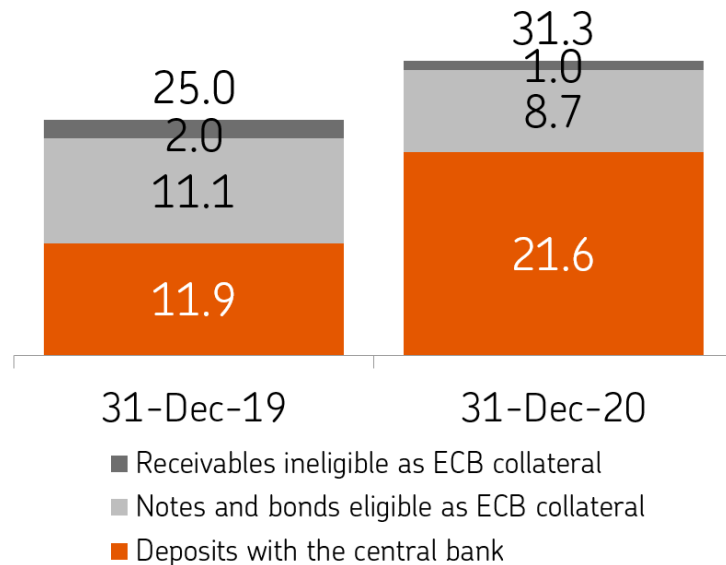
Liquidity buffer includes highly-rated assets

Liquidity buffer by credit rating as at 31 December 2020



Liquidity buffer €31.3 bn at end-Dec 2020

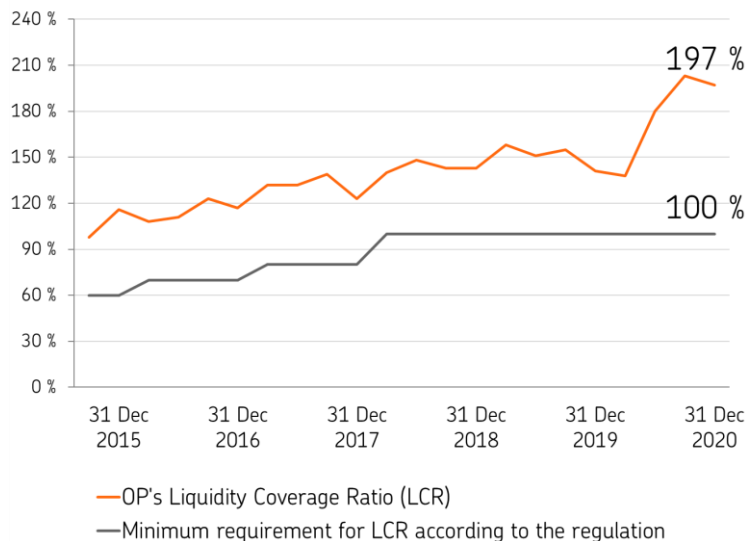
Liquidity buffer breakdown, € bn



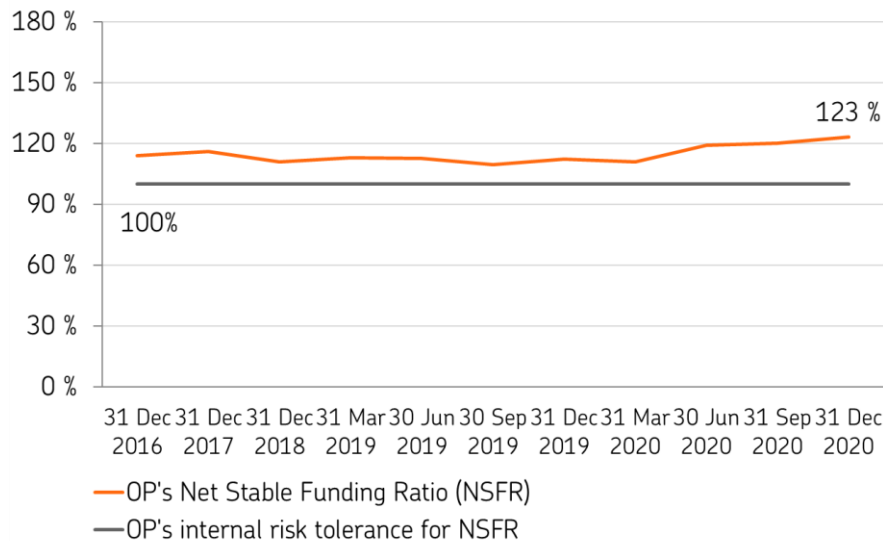
The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

Despite the effects of COVID-19 pandemic, OP's liquidity and funding position have remained good

LCR vs. minimum requirement

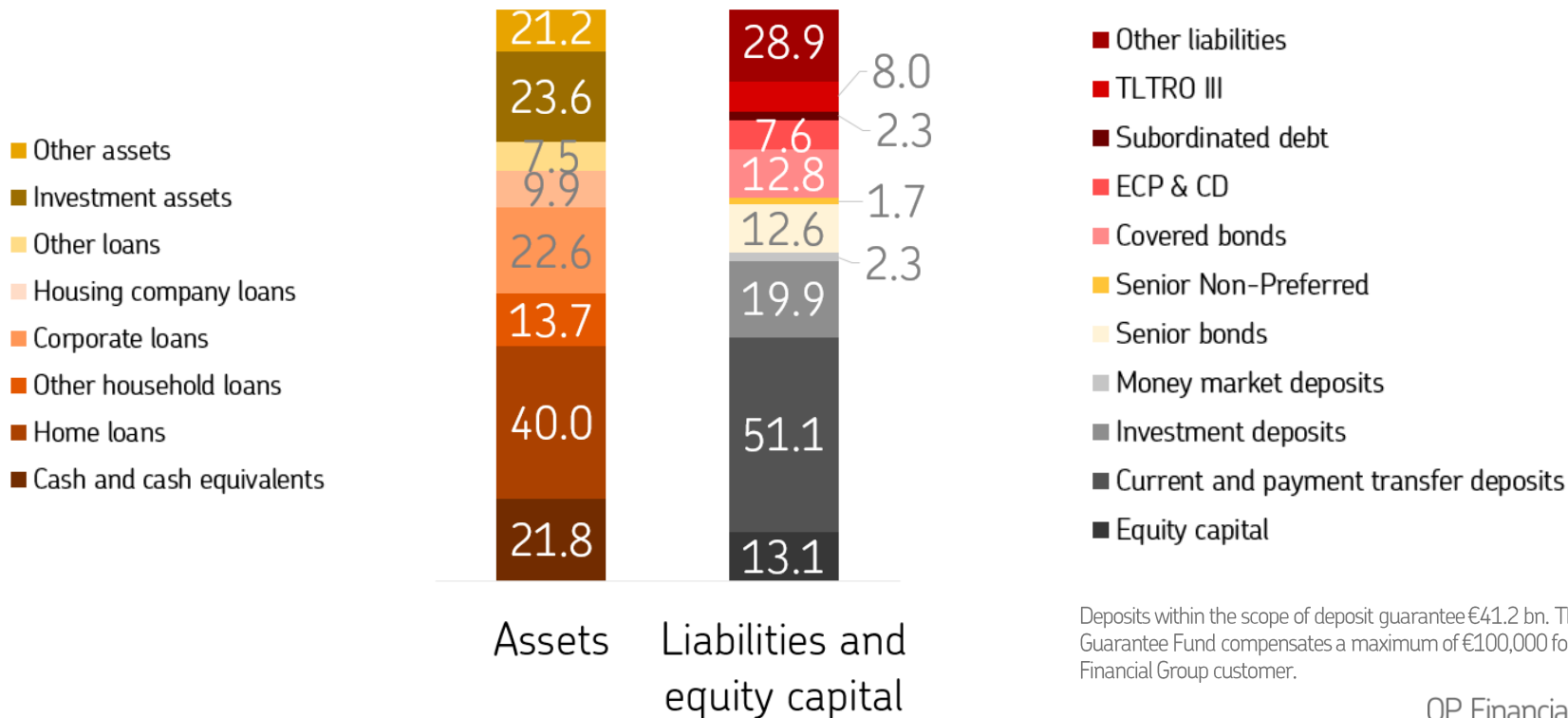


NSFR vs. internal risk tolerance



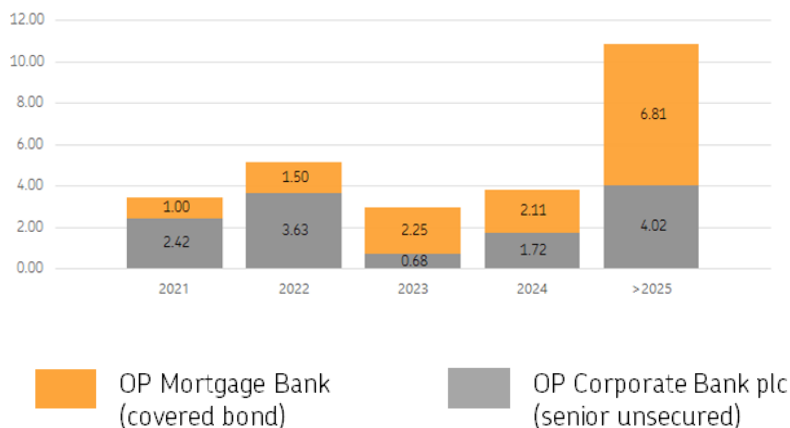
Balance sheet totalled €160 bn at end-Dec 2020

Loans 58%, deposits 44% and market-based funding 25% of the balance sheet

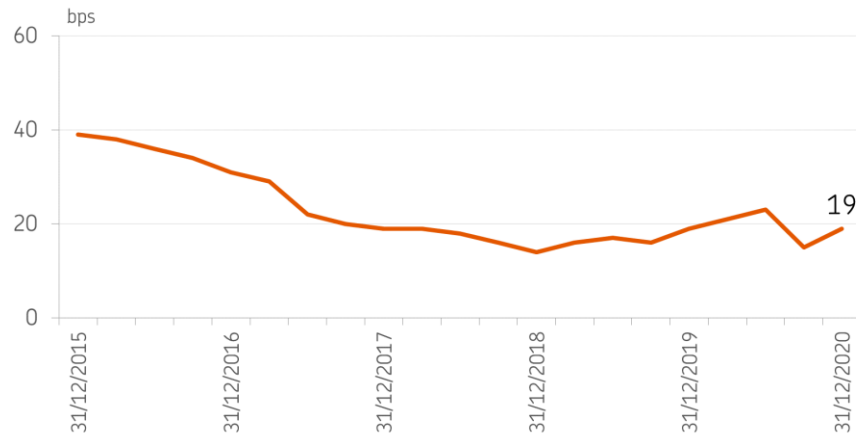


Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 31 Dec 2020 (€ bn)



Average margin of senior & SNP wholesale funding, TLTRO funding and covered bonds



The Single Resolution Board (SRB) has set OP Financial Group's Minimum Requirement for own funds and Eligible Liabilities (MREL) at 12% of liabilities and own funds or accounting for 27% of the total risk exposure amount at the end of 2018. OP Financial Group aims to meet the requirements under the MREL with its capital base and other subordinated debt. OP Financial Group has specified the MREL ratio calculation, and the MREL ratio was an estimated 40% on 31 December 2020. The SRB has confirmed a resolution strategy for OP Financial Group whereby the resolution measures would apply to OP Corporate Bank acting as a Single Point of Entry.

Issued long-term bonds €8.9 bn in 2020

OP Corporate Bank plc's benchmark bonds 2019–20

Year	Month	Amount	Maturity	Cost
2020	November	€1 bn	7 yrs	m/s +48 bps
2020	June-July	€1 bn	4 yrs	m/s +50 bps
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)	m/s +200 bps
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)	m/s +230 bps
2020	May	€1 bn	5.25 yrs	m/s +85 bps
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps
2019	November	€500 mn (SNP)	10 yrs	m/s +68 bps
2019	June	€500 mn (SNP)	5 yrs	m/s +60 bps
2019	February	€500 mn (Green)	5 yrs	m/s +35 bps

OP Mortgage Bank's benchmark covered bonds 2019–20

Year	Month	Amount	Maturity	Cost
2020	November	€1.25 bn	10 yrs	m/s + 2 bps
2020	April	€300 mn (retained)	8 yrs	Eb3 +45 bps
2020	April	€500mn (retained)	2 yrs	Eb3 +30 bps
2020	January	€1 bn	8.25 yrs	m/s +3 bps
2019	November	€1 bn	7 yrs	m/s +3 bps
2019	February	€1.25 bn	10 yrs	m/s +10 bps

In March 2020, OP took ECB's USD-denominated financing worth \$500 mn with a maturity of less than a year. Additionally, OP participated in ECB's TLTRO III financing operation by €6 bn (maturity 3 yrs) in June 2020.

Capital adequacy and capital base

Three capital requirements

Consolidated capital adequacy = capital adequacy of the amalgamation of cooperative banks

- 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 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 the 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

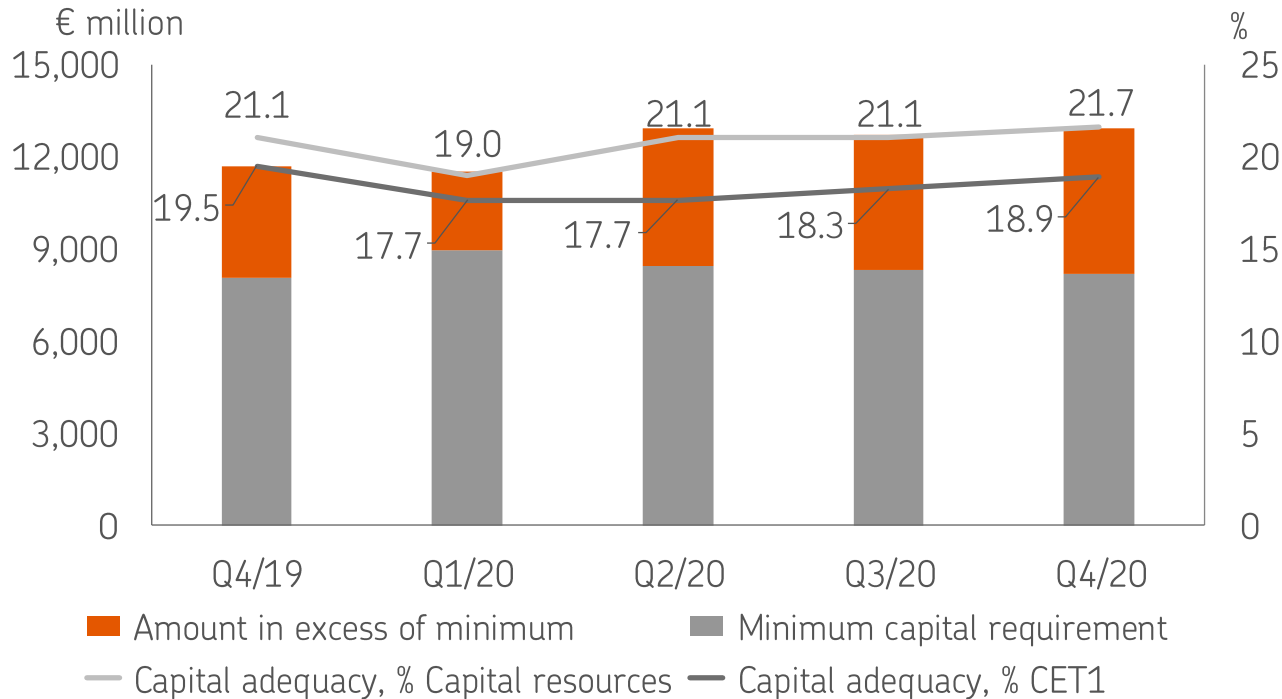
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's 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) = OP Financial Group's capital adequacy

- 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).

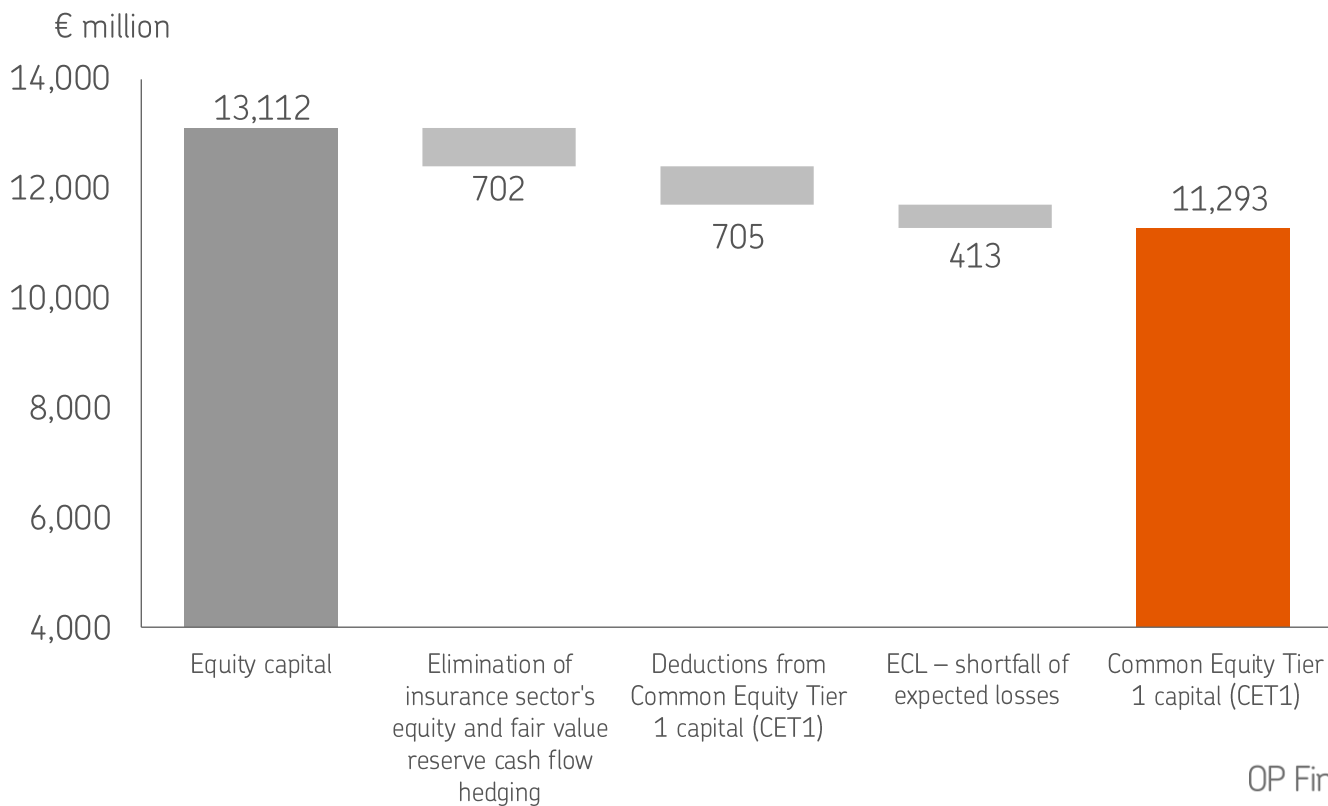
Amalgamation of cooperative banks

Capital base and capital adequacy

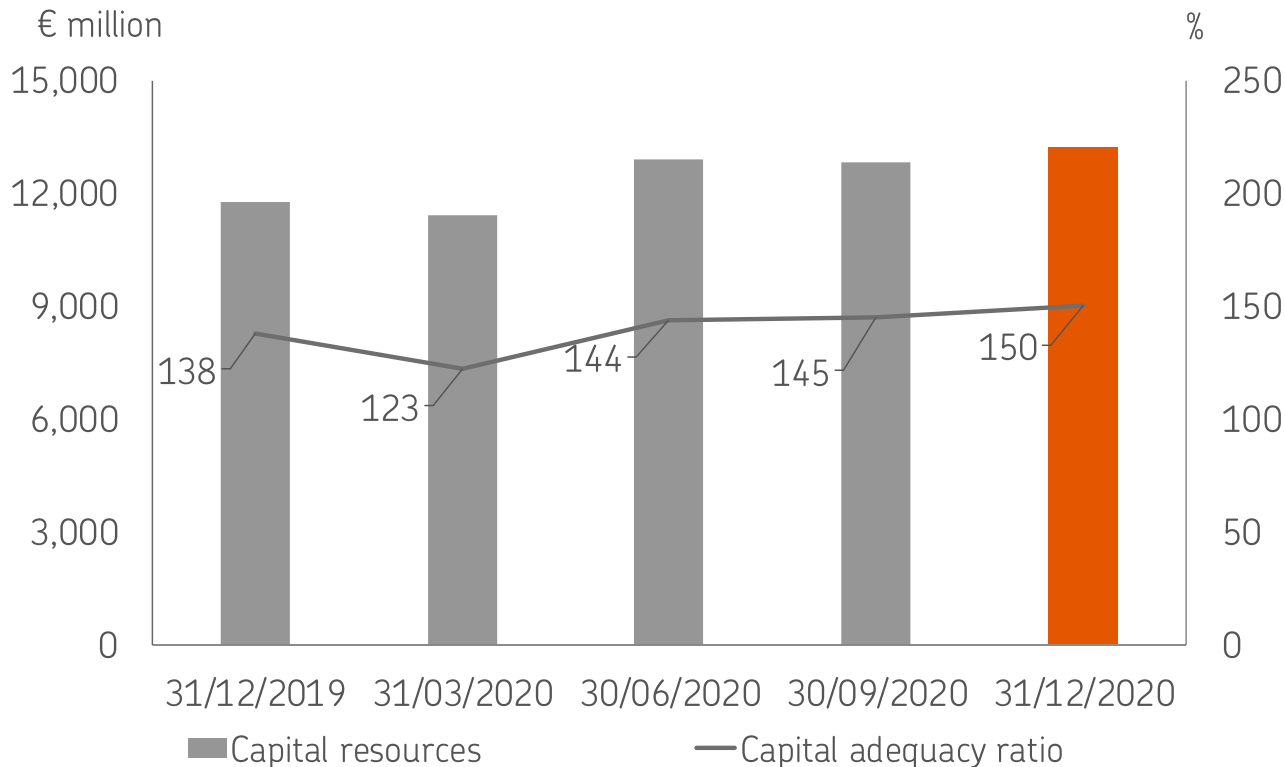


Common Equity Tier 1 (CET1)

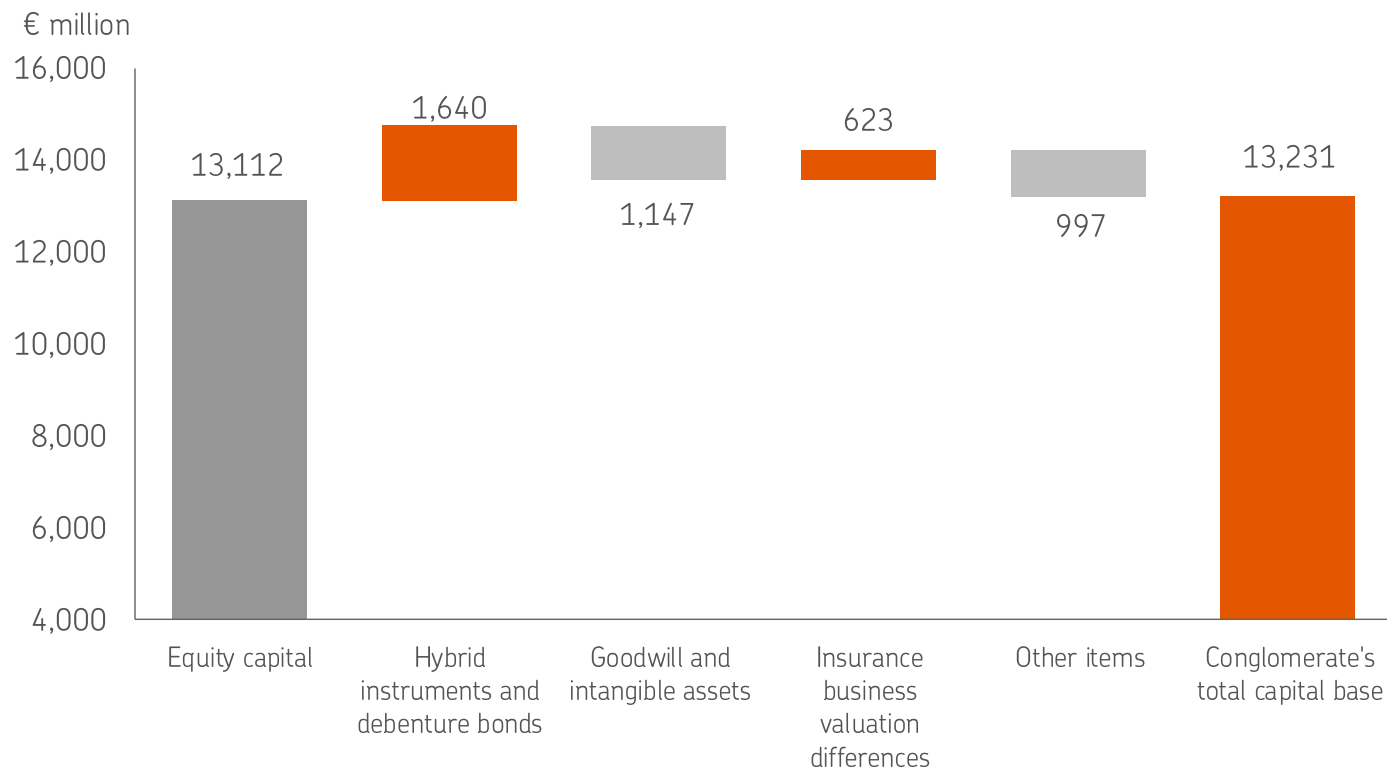
31 December 2020



OP Financial Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates (FiCo)



FiCo capital 31 December 2020





OP Financial Group in a nutshell

A close-up photograph of a smiling family. A woman on the left is laughing with her mouth open, showing her teeth. A man on the right is smiling and waving his hand. A baby is in the center, looking up at the camera. The background is slightly blurred, showing some colorful patterns.

OP is a financial services group owned by its customers

OP Financial Group's mission

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

OP Financial Group allocates a substantial amount of its earnings to the benefit of its customers and operating region



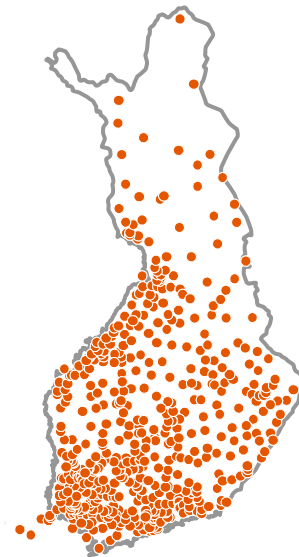
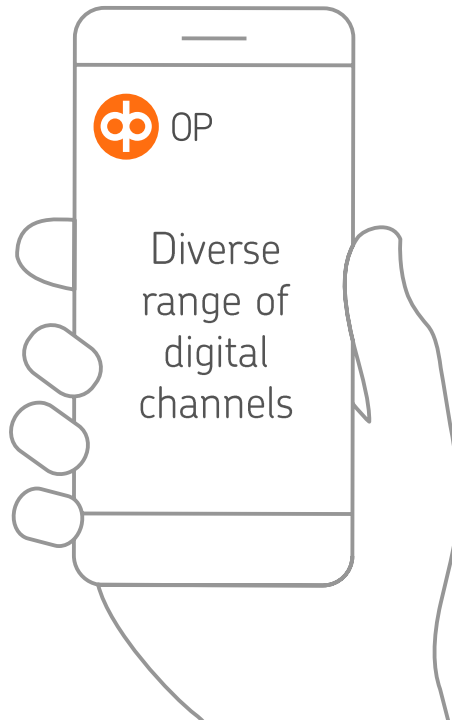
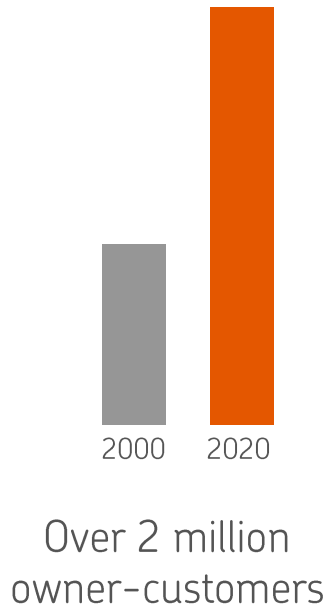
Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period

*) Customers = customer bonuses, discounts and interest on contributions made by owner-customers

OP Financial Group's strategic long-term targets

	31 Dec 2020	31 Dec 2019	Target 2025
Return on equity (ROE) excluding OP bonuses, %	6.6	7.1	8.0
CET1 ratio, %	18.9	19.5	At least CET1 ratio requirement + 4 pps
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	23	26	30
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

Finland's most extensive and diverse service network



137 OP cooperative banks

OP Financial Group's service channels

	Q1–4/2020	30 Dec 2020	12-month change
Online and mobile services			
Op.fi logins	68,056,151		-33%
OP-mobile logins	403,767,034		34%
OP Business mobile logins	15,239,200		50%
Pivo mobile application visits	43,713,062		-17%
eServices Agreements (private customers)		1,980,308	2%
Branches and telephone services			
Bank branches		342	-3%
Private Banking branches		48	-
Customer contacts in telephone service (Q1–3/2019)	4,637,865		-2%
Social media			
Followers on Facebook (OP Financial Group, Pohjola Insurance, OP Koti and OP cooperative banks)		442,004	17%
Followers on Twitter		46,591	10%
Followers on LinkedIn		60,188	33%
Followers on Instagram		18,211	22%

Joint Liability, Deposit Guarantee and Investors' Compensation

- 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, Helsinki Area Cooperative Bank , OP Mortgage Bank and OP Card Company 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 liability.
- Deposit banks belonging to OP Financial Group, i.e. its member cooperative banks, OP Corporate Bank plc and Helsinki Area Cooperative Bank, are regarded as a single bank with respect to deposit guarantee. Under legislation governing the Investors' Compensation Fund, OP Financial Group is also considered a single entity in respect of investors' compensation.



Together we'll make it
through hard times.