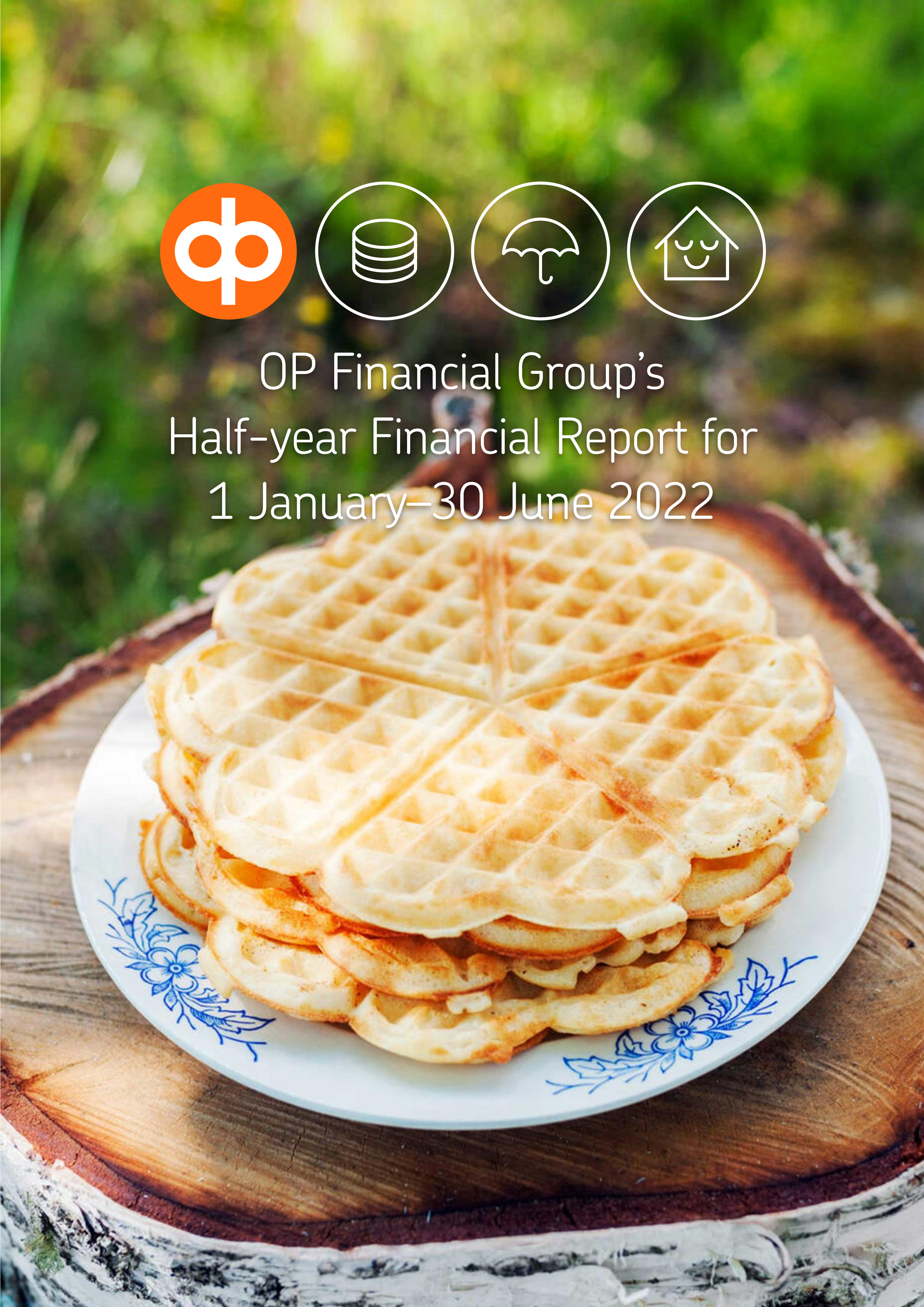
OP Financial Group's Half-year Financial Report for 1 January–30 June 2022



OP Financial Group's Half-year Financial Report for 1 January–30 June 2022:

Earnings before tax EUR 459 million – a good result in an uncertain business environment

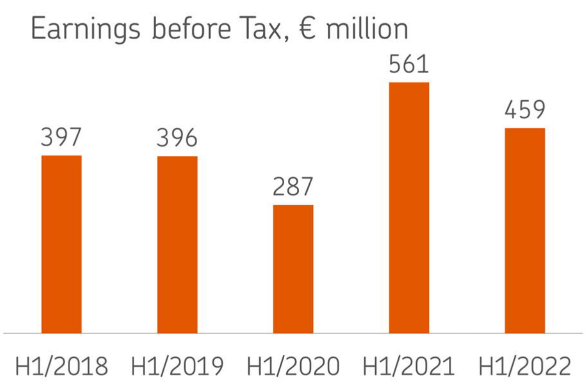
Earnings before tax H1/2022	Net interest income H1/2022	Net insurance income H1/2022	Net commissions and fees H1/2022	CET1 ratio 30 June 2022
€459 million	+5%	+17%	0%	17.6%

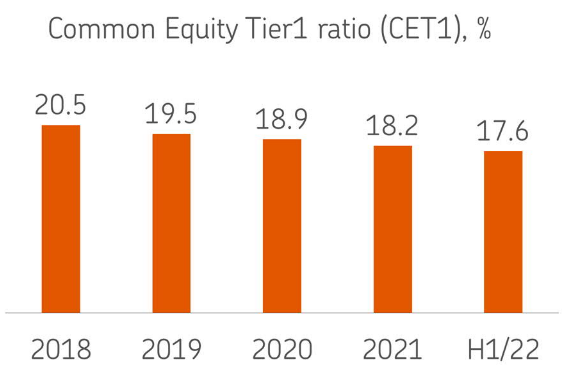
- Earnings before tax totalled EUR 459 million (561).
- Income from customer business increased by a total of 6% to EUR 1,572 million (1,479). Net interest income increased by 5% to EUR 675 million (641) and net insurance income by 17% to EUR 383 million (326). Net commissions and fees totalled EUR 515 million (512).
- Investment income decreased by 73% to EUR 44 million (164).
- Total income decreased by 15% to EUR 1,505 million (1,777). Including the overlay approach, total income decreased by 1% to EUR 1,662 million (1,682).
- Total expenses increased by 1% to EUR 1,001 million (991).
- Impairment loss on receivables in the income statement increased by EUR 65 million to EUR 100 million (35). This increase mainly came from the indirect effects of the war in Ukraine in the first quarter. Ratio of impairment loss on receivables to loan and guarantee portfolio was 0.20% (0.07).
- OP Financial Group has no significant direct exposures to Russia. The impacts of the war in Ukraine on credit risk exposure mainly arise indirectly from certain sectors, especially as a result of a rise in energy and raw material prices, hence affecting the corporate loan portfolio.
- OP Financial Group's loan portfolio grew by 4% to EUR 98 billion (95) and deposits by 3% to EUR 76 billion (74) in the year to June.
- The CET1 ratio was 17.6% (18.2), which exceeds the minimum regulatory requirement by 7.9 percentage points. OP Financial Group adopted a risk-weighted assets (RWA) floor, based on the Standardised Approach, in the second quarter. This decreased the CET1 ratio by 1.0 percentage points.
- Retail Banking earnings before tax were EUR 136 million (138). Net interest income increased by 2% to EUR 485 million (474) and net commissions and fees by 6% to EUR 397 million (376). Impairment loss on receivables increased by EUR 13 million to EUR 60 million (47). The loan portfolio grew by 2% and deposits by 4% in the year to June.
- Corporate Banking earnings before tax were EUR 91 million (276). Net interest income increased by 6% to EUR 214 million (203), net commissions and fees decreased by 15% to EUR 83 million (98) and net investment income decreased by EUR 88 million to EUR 7 million (95). Impairment loss on receivables increased by EUR 52 million to EUR 40 million.
- Insurance earnings before tax were EUR 205 million (220). Net insurance income grew by 17% to EUR 393 million (335). Investment income decreased by EUR 107 million to EUR –13 million (94). Non-life Insurance recorded an operating combined ratio of 91.8% (86.2).
- Group Functions earnings before tax were EUR –24 million (–51).
- New OP bonuses accrued to owner-customers totalled EUR 107 million (103).
- OP Financial Group celebrates its 120th anniversary by increasing the return target for its owner-customers' Profit Shares by 1.20 percentage points. This means that the return target for 2022 stands at 4.45%.
- On 26 July 2022, OP Cooperative's Board of Directors decided to file a pre-application with the European Central Bank on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. A possible transfer to the Standardised Approach will not affect OP Financial Group's capital adequacy or risk exposure.
- Earnings before tax for 2022 are expected to be lower than in 2021. For more detailed information on the outlook, see "Outlook towards the year end".

OP Financial Group's key indicators

	H1/2022	H1/2021	Change, %	Q1–4/2021
Earnings before tax, € million	459	561	-18.1	1,127
Retail Banking	136	138	-1.9	304
Corporate Banking	91	276	-66.9	474
Insurance	205	220	-7.1	504
Group Functions	-24	-51	-	-109
New OP bonuses accrued to owner-customers, € million	107	103	4.0	210
Return on equity (ROE), %	5.4	6.9	-1.5*	6.6
Return on equity, excluding OP bonuses, %	6.6	8.1	-1.5*	7.8
Return on assets (ROA), %	0.44	0.55	-0.11*	0.54
Return on assets, excluding OP bonuses, %	0.54	0.65	-0.11*	0.64
	30 Jun 2022	30 Jun 2021	Change, %	31 Dec 2021
CET1 ratio, %	17.6	18.3	-0.7*	18.2
Loan portfolio, € billion	98.2	94.7	3.7	96.9
Deposits, € billion	75.5	73.6	2.6	75.6
Ratio of non-performing exposures to exposures, %	2.4	2.4	0.0*	2.4
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.20	0.07	0.13*	0.16
Owner-customers (1,000)	2,057	2,039	0.9	2,049

Comparatives for the income statement are based on the corresponding figures a year ago. Unless otherwise specified, figures from 31 December 2021 are used as comparatives for balance-sheet and other cross-sectional items.
*Change in ratio





Comments by President and Group Chief Executive Officer Timo Ritakallio

OP Financial Group performed well in the first half despite the uncertain business environment. January–June earnings before tax were EUR 459 million. Earnings developed particularly well in Retail Banking and Insurance, whereas earnings reported by Corporate Banking fell clearly short of the previous year's level. Income from our customer business rose by 6% year on year. Net interest income was clearly higher year on year, growing by 5%. Net insurance income grew by 17%, due to the increased discount rate in particular. Net commissions and fees remained at the previous year's level. Excluding the increase in the non-life insurance discount rate, income from customer business remained at the previous year's level. Meanwhile, due to the challenging investment environment, investment income fell by 73% to EUR 44 million, taking account of the overlay approach.

Growth in expenses has remained moderate, and our development investments have progressed as planned. In the year to June, OP Financial Group's loan portfolio increased by 4% and deposit portfolio by 3%. The growth rate in deposits has continued to slow since the early stages of the pandemic.

The direct and indirect implications of the war in Ukraine markedly increased impairment loss on receivables in January–March, but no longer continued to do so in April–June. This shows that the loan repayment capacity of both our personal and corporate customers has remained good despite the weaker economic outlook.

Our strategic choices over the last few years have been successful, and our strategic focus on our core business – banking and insurance – has proven effective. Although our business environment continued to be challenging in many ways during the second quarter, OP Financial Group's overall earnings remained at a good level.

OP Financial Group's CET1 ratio remained strong at 17.6%. On 30 June 2022, we adopted the risk-weighted assets (RWA) floor, based on the Standardised Approach, in the calculation of our capital adequacy ratio. Adoption of the floor eventually decreased OP Financial Group's CET1 ratio by just one percentage point.

The number of OP-mobile users once again reached a new record, with more than 1.3 million active users logging into the service more than 46 million times in June. Lifting of the Covid-19 restrictions, the uncertain economic outlook and Russia's aggressive war in Ukraine led to a slight increase in demand for cash, following a strong decline in previous years. Cash withdrawals by personal customers increased by 7% in euro terms and 2% in volume terms, year on year.

Our clients continued to make long-term investments in mutual funds and equities despite market fluctuations in early 2022. This year, we have made more than 61,000 new systematic investment plans on mutual funds, reaching a total of half a million such plans at the end of the reporting period. A total of 44,000 new book-entry accounts and equity savings accounts were opened during the first half of 2022, and the number of active equity investors grew by nearly 6%. Our clients have increasingly spread their investment risk, both geographically and across asset classes. Although Finnish equities are still the most popular investment option among retail investors, their purchases of international equities grew by 70% in June compared to June 2021. OP-mobile is by far the most popular trading channel, providing investors with a handy tool for making and monitoring investments and comparing investment options.

In the housing market, the first half was fairly lively but residential property transactions and demand for home loans slowed from the previous year, approaching their pre-pandemic levels. Higher interest rates are affecting the daily lives of growing numbers of people with home loans. Preparation for rising housing expenses continues to be a smart move due to higher interest rates and the surge in energy prices fuelled by inflation. The most common reference rate for home loans, the 12-month Euribor, turned positive in April and has increased apace. At the end of June, the reference rate was at the level of one per cent, and markets expect it to rise markedly during the next 12 months. On 30 June 2022, a total of 32% of our personal customers' home loan portfolio was covered by interest rate protection.

As a result of exceptionally rapid changes, the economic outlook continues to be highly uncertain. While the overall economic climate remains relatively good, economic growth is clearly slowing and the risk of drifting into recession has increased significantly. The Finnish economy is still being buoyed by growth in service consumption and the post-pandemic recovery in exports. Meanwhile, the impacts of Russia's aggressive war are combining with faster-growing inflation, monetary tightening, capacity constraints and a slowdown in export markets to cause a gradual reduction in growth.

Despite the uncertain outlook in our business environment, OP Financial Group's strong capital base will keep us in an excellent position to cater for the service needs of our banking and insurance customers in the years to come. With our customers, we continue to work together through time – including challenging times like this.

OP Financial Group's Half-year Financial Report 1 January–30 June 2022

Tables

Business environment

The world economy still developed favourably during the first half in terms of many indicators. Companies showed good financial results and labour markets were exceptionally tight in many countries. However, inflation accelerated drastically, Russia's attack on Ukraine caused uncertainty and Covid-19 restrictions in China aggravated production chain bottlenecks. Economic confidence actually began to deteriorate during the second quarter. Financial market expectations of a tightening monetary policy increased interest rates sharply and stock prices fell.

At its meeting in July, the European Central Bank (ECB) decided to raise its main refinancing rates by 0.50 percentage points. Further hikes will depend on the economic situation. The ECB terminated its net purchases of assets in early July but announced a new programme to prevent an unjustified rise in government bond interest rates.

The Finnish economy grew briskly in the first half. As the Covid-19 restrictions were removed, the service sector began to recover and a strong order book supported companies. Employment increased rapidly, dampening the impact of accelerating inflation on purchasing power. Household confidence declined sharply but, so far, this has not been reflected as strongly in household spending. The housing market subsided but remained quite active.

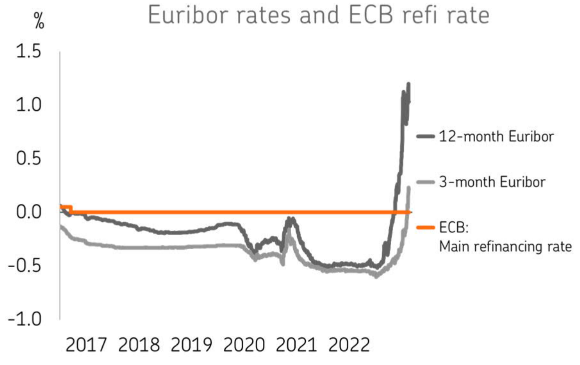
Towards the year end, economic growth is predicted to slow down and the rise in short-term market rates is expected to continue. Exceptional levels of uncertainty are still casting a shadow over the outlook.

Growth in total loans in the Finnish financial sector remained relatively stable during the first half. In May, the annual growth rate of 3.0% was slightly lower than a year ago (3.3%). In May, annual growth in total loans taken out by Finnish households was 2.9% while the corresponding figure for housing companies was 6.5% and for corporate loans 1.6%. Home loans as a driver of growth in household loans increased by 3.1% on an annual basis.

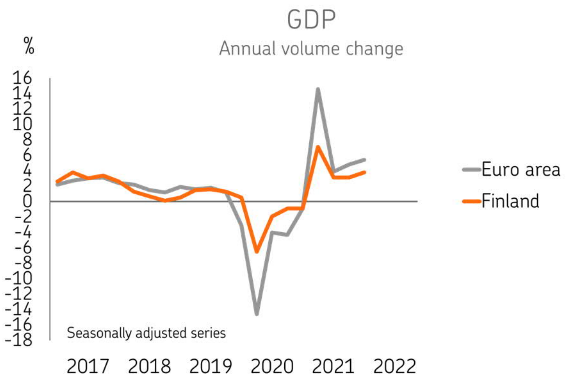
The annual growth rate of total deposits slowed down in May to 3.4% from 5.3% in 2021. In May, corporate deposits increased by 2.9% and household deposits by 5.1% on an annual basis.

The value of mutual funds registered in Finland decreased from the 2021 record peak of EUR 158.8 billion to EUR 143 billion at the end of May. In January–May, fund unit redemptions totalled EUR 2.4 billion.

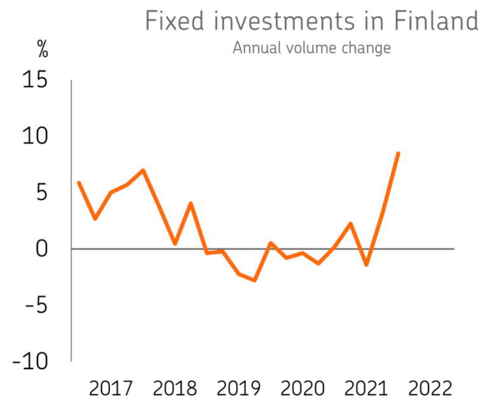
In the insurance sector, demand for insurance coverage remained stable in the first half. Negative developments in the capital market were partly reflected in the profitability of insurance companies.



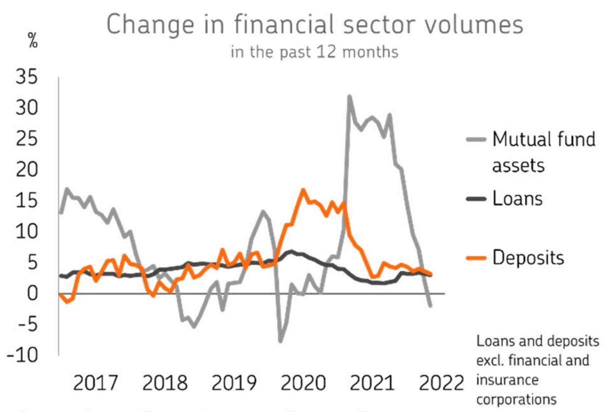
Source: Bank of Finland



Sources: Eurostat, Statistics Finland



Source: Statistics Finland



Sources: Bank of Finland, Investment Research Finland

Earnings analysis and balance sheet

Earnings analysis, € million	H1/2022	H1/2021	Change, %	Q2/2022	Q2/2021	Change, %	Q1–4/2021
Earnings before tax	459	561	-18.1	270	296	-8.8	1,127
Retail Banking	136	138	-1.9	82	73	12.7	304
Corporate Banking	91	276	-66.9	88	161	-45.3	474
Insurance	205	220	-7.1	105	104	0.7	504
Group Functions	-24	-51	-	-35	-29	-	-109
Income							
Net interest income	675	641	5.3	341	324	5.2	1,409
Net insurance income	383	326	17.5	252	170	48.7	743
Net commissions and fees	515	512	0.5	243	242	0.1	1,034
Net investment income	-113	255	-144.3	-131	109	-219.7	376
Other operating income	46	43	7.0	7	36	-81.3	54
Total income	1,505	1,777	-15.3	712	881	-19.2	3,616
Expenses							
Personnel costs	451	460	-2.1	224	238	-5.9	914
Depreciation/amortisation and impairment loss	110	128	-14.2	53	65	-18.5	283
Other operating expenses	440	403	9.3	201	181	11.0	810
Total expenses	1,001	991	1.0	478	484	-1.2	2,007
Impairment loss on receivables	-100	-35	-	-17	-13	-	-158
Overlay approach	157	-91	-	106	-36	-	-118
New OP bonuses accrued to owner-customers	107	103	4.0	54	52	3.0	210

Key indicators, € million	30 Jun 2022	31 Dec 2021	Change, %
Loan portfolio	98,198	96,947	1.3
Home loans	42,307	41,522	1.9
Corporate loans	23,497	23,128	1.6
Housing company and other loans	32,395	32,297	0.3
Guarantee portfolio	4,004	4,047	-1.0
Other exposures	15,329	15,314	0.0
Deposits	75,539	75,612	-0.1
Assets under management (gross)	98,259	111,836	-12.1
Mutual funds	28,199	32,515	-13.3
Institutional clients	35,730	38,336	-6.8
Private Banking	22,790	27,831	-18.1
Unit-linked insurance assets	11,540	13,154	-12.3
Balance sheet total	167,705	174,110	-3.7
Investment assets	21,596	22,945	-5.9
Insurance liabilities	8,257	8,773	-5.9
Debt securities issued to the public	33,180	34,895	-4.9
Equity capital	13,843	14,184	-2.4

January–June

OP Financial Group's earnings before tax amounted to EUR 459 million (561), down by EUR 102 million from the previous year. Income from customer business, or net interest income, net insurance income and net commissions and fees, increased. Earnings were reduced by lower investment income and higher impairment loss on receivables.

Net interest income increased by 5.3% to EUR 675 million. Net interest income reported by the Retail Banking, Corporate Banking and Group Functions segments increased by EUR 11 million. OP Financial Group's loan portfolio grew by 3.7% to EUR 98.2 billion and deposits by 2.6% to EUR 75.5 billion, year on year. New loans drawn down by customers during the reporting period totalled EUR 12.9 billion (11.7).

Net insurance income increased by 17.5% to EUR 383 million. The Insurance segment's non-life insurance premium revenue increased by 5.9% to EUR 797 million and claims incurred by 17.3% to EUR 517 million, excluding the increase in the discount rate. Large claims increased claims incurred by EUR 91 million year on year. The increase in the discount rate for insurance liability improved net insurance income by EUR 96 million. Operating combined ratio reported by non-life insurance was 91.8% (86.2).

Net commissions and fees totalled EUR 515 million (512). Net commissions and fees for lending increased by EUR 4 million and those for asset management and legal services by EUR 3 million. Net commissions and fees for health and wellbeing services fell by EUR 3 million year on year following the sale of Pohjola Hospital that was completed on 1 February 2022.

The investment environment was challenging due to higher interest rates and lower stock prices. Net investment income decreased by EUR 368 million to EUR –113 million. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity. The overlay approach increased investment income by EUR 157 million (–91). Total investment income decreased by EUR 120 million year on year, to EUR 44 million.

Net income from financial assets at fair value through other comprehensive income totalled EUR 23 million (37), of which net capital losses accounted for EUR 1 million. A year ago, net capital gains totalled EUR 9 million. Net capital gains on all financial instruments recognised through fair value reserve totalled EUR 17 million (85).

Net income from financial assets, recognised at fair value in net investment income through profit or loss, totalled EUR –647 million (83). Net income from financial assets held for trading decreased by a total of EUR 283 million due to changes in the fair value of derivatives. Value changes in Credit Valuation Adjustment (CVA) in derivatives owing to market changes improved earnings by EUR 4 million (15). Fair value of equity instruments recognised at fair value in the income statement decreased by a total of EUR 340 million and that from notes and bonds by a total of EUR 151 million, year on year. An item corresponding to the increase in the discount rate of the insurance liability for non-life insurance, EUR 96 million, was shown as negative value change in net investment income. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 353 million to EUR 478 million. Net income from investment property increased by EUR 25 million due to positive changes in fair value following the sale of hospital buildings.

The combined return on investments at fair value of OP Financial Group's insurance companies was –10.9% (0.5). The negative figure was affected by a rise in interest rates and the fall in stock prices.

Other operating income increased to EUR 46 million (43). The sale of Pohjola Hospital increased other operating income by EUR 32 million. A year ago, the sale of Checkout Finland Ltd increased other operating income.

Total expenses increased by 1.0% year on year, to EUR 1,001 million. Personnel costs decreased by 2.1% to EUR 451 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 14.2% to EUR 110 million. Other operating expenses grew by 9.3% to EUR 440 million. ICT costs totalled EUR 185 million (172). Development costs were EUR 104 million (90). Charges of financial authorities increased by 29.9%, or EUR 16 million, to EUR 69 million as a result of a higher stability contribution paid to the Single Resolution Fund financed by the euro-area banks.

Impairment loss on loans and receivables and on investments recognised under various income statement items that reduced earnings amounted to EUR 112 million (38), of which EUR 100 million (35) concerned loans and receivables. The indirect effects of the war in Ukraine markedly increased impairment loss on receivables in the first quarter, but no longer continued to do so in the second quarter. Sectors particularly affected included agriculture, construction, transport and energy. Final credit losses recognised totalled EUR 37 million (51). Loss allowance was EUR 816 million (751) at the end of the reporting period. Non-performing exposures accounted for 2.4% (2.4) of the exposures. Impairment loss on loans and receivables accounted for 0.20% (0.07) of the loan and guarantee portfolio.

OP Financial Group's income tax amounted to EUR 84 million (109). The effective tax rate for the reporting period was 18.3% (19.4). The tax-exempt capital gain on the sale of Pohjola Hospital reduced the effective tax rate.

OP Financial Group's equity amounted to EUR 13.8 billion (14.2). Equity included EUR 3.2 billion (3.2) in Profit Shares, terminated Profit Shares accounting for EUR 0.2 billion (0.3). The return target for Profit Shares for 2022 is 4.45%.

Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (47). The amount of interest paid for 2021 in June 2022 totalled EUR 96 million.

Comprehensive income after tax totalled EUR –247 million (466). Changes in the fair values of equities, and notes and bonds decreased the fair value reserve. Changes in the fair value reserve decreased comprehensive income by a total of EUR 731 million (–17). Gains from the remeasurement of defined benefit plans improved comprehensive income by EUR 135 million (38) as a result of the increase in the discount rate used in the calculation.

April–June

Earnings before tax amounted to EUR 270 million against EUR 296 million a year ago. Income from customer business, or net interest income, net insurance income and net commissions and fees, increased.

Net interest income grew by 5.2% to EUR 341 million. Net insurance income increased by 48.7% to EUR 252 million. The increase in the discount rate for insurance liability improved net insurance income by EUR 96 million. Net commissions and fees, EUR 243 million, were at the previous year's level (242).

The investment environment was challenging due to higher interest rates and lower stock prices. Net investment income decreased by EUR 240 million to EUR –131 million. Net income from financial assets recognised at fair value through profit or loss totalled EUR –395 million (104). Net income from financial assets held for trading decreased by a total of EUR 240 million due to changes in the fair value of derivatives. Fair value of equity instruments recognised at fair value in the income statement decreased by a total of EUR 177 million and that from notes and bonds by a total of EUR 115 million, year on year. An item corresponding to the increase in the discount rate of the insurance liability for non-life insurance, EUR 96 million, was shown as negative value change in net investment income. Life insurance items, which include, for example, changes in technical items, increased net investment income by EUR 265 million to EUR 256 million. The overlay approach increased investment income by EUR 106 million (–36). Total investment income decreased by 133% to EUR –24 million.

Other operating income amounted to EUR 7 million (36). A year ago, the sale of Checkout Finland Ltd increased other operating income.

Total expenses decreased by 1.2% to EUR 478 million. Personnel costs decreased by 5.9% to EUR 224 million. Depreciation/amortisation and impairment loss decreased by 18.5% from the previous year, to EUR 53 million. Other operating expenses grew by 11.0% to EUR 201 million.

Impairment loss on receivables, EUR 17 million, increased by EUR 4 million year on year. Final net loan losses recognised totalled EUR 29 million (15).

Comprehensive income totalled EUR –85 million (279). Changes in the fair value reserve decreased comprehensive income by EUR 380 million. A year ago, changes in the fair value reserve improved comprehensive income by EUR 21 million.

April–June highlights

Changes in the Executive Management Team of OP Financial Group's central cooperative

Kasimir Hirn, M.Sc. (Econ. & Bus. Adm.), was appointed as the new Chief Information Officer (CIO) of OP Financial Group as of 1 September 2022. He will also become a member of OP Cooperative's Executive Management Team.

As the CIO, Hirn will be responsible for the development and maintenance of OP Financial Group's services and systems and for the Development & Technologies unit. Hirn has worked for OP Financial Group since 2001, most recently as the head of the Infrastructure & Architecture function.

OP Financial Group's current CIO, Juho Malmberg, will resign from OP Financial Group at his own request on 1 November 2022. He will act as Senior Advisor as of 1 September until 31 October.

OP Financial Group has established a new historical foundation to celebrate its 120th anniversary

Because OP Financial Group turned 120 years old on 14 May 2022, OP Cooperative's Board of Directors has established a foundation to cherish the Group's heritage. The foundation's main task will be to maintain and develop OP Financial Group's museum, which tells the story of the Group's growth from cooperative credit societies into Finland's largest financial services group. It will also promote and support Finnish cooperative banking and its cultural heritage, and manage and assemble the Group's historical information, collections, artefacts and material. In addition, the foundation will issue permits for using its material in research.

OP Financial Group adopted a risk-weighted assets floor, based on the Standardised Approach, in the calculation of the capital adequacy ratio

On 1 March 2022, OP Financial Group decided to adopt a risk-weighted assets floor (SA floor) in the calculation of its capital adequacy ratio – based on the Standardised Approach – in the second quarter of 2022. This was due to enhanced regulatory requirements and discussions with the banking supervisor, the European Central Bank, on the application of the Internal Ratings Based Approach (IRBA). In the second quarter, the SA floor decreased OP Financial Group's CET1 ratio by 1.0 percentage points. The impact of the SA floor was smaller than anticipated due to a more advanced calculation methodology.

OP Financial Group's strategic targets and priorities

OP Financial Group has a strategy process in which it assesses, reshapes and implements its strategy on an ongoing basis. The Group systematically assesses its business environment and operating model to be able to make and implement new strategic choices when needed.

OP Financial Group's mission, values, vision and strategic priorities form a whole whose parts complement each other. OP Financial Group's vision is to be the leading and most appealing financial services group in Finland. Continuous monitoring of the business environment and the strategic priorities will help achieve the shared vision and guide all actions.

The Supervisory Council of OP Financial Group's central cooperative confirmed the Group's strategy at its meeting on 25 August 2021. The updated strategy defines OP Financial Group's key strategic priorities for the next few years. The strategic priorities are as follows:

- Value for customers
- Profitable growth
- Efficient, high-quality operations
- Responsible business
- Highly skilled, motivated and satisfied personnel.

OP Financial Group's operations are based on a strong culture of risk management and compliance.

On 30 October 2019, the Supervisory Board (as of 1 January 2020, the Supervisory Council) of OP Financial Group's central cooperative confirmed OP Financial Group's strategic long-term targets. The targets entered into force as of 1 January 2020.

On 25 August 2021, the Supervisory Council specified the long-term target for brand recommendations by dividing the NPS target between banking and insurance business.

OP Financial Group's strategic targets	30 Jun 2022	31 Dec 2021	Target 2025
Return on equity (ROE excluding OP bonuses), %	6.6	7.8	8.0
CET1 ratio, %	17.6	18.2	At least CET1 requirement + 4 pps*
Brand recommendations, NPS (Net Promoter Score, personal and corporate customers)**	Banking: 28 Insurance: 17	Banking: 29 Insurance: 16	Banking: 30 Insurance: 20
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

*OP Financial Group's target CET1 ratio is at least the CET1 capital adequacy requirement plus four percentage points. The CET1 target calculated by applying the June-end capital adequacy requirement was 13.7%.
**Average of quarters (per financial year)

Promotion of the success of owner-customers and operating region

OP Financial Group's mission is to promote the sustainable prosperity, security and wellbeing of its owner-customers and operating region. The Group's operations are based on its confirmed values, mission, a strong capital base, capable risk management and customer respect. The Group's values are people first, responsibility, and succeeding together.

Allocation of earnings

OP Financial Group aims not to maximise profits for its owners but to provide, as efficiently as possible, the services which the OP cooperative banks' owner-customers need. The shared success will be used for the benefit of owner-customers in the form of loyalty benefits and other financial benefits as well as the maintenance and further development of service capabilities.

OP Financial Group's estimated earnings allocation for 2022 that is to be confirmed after the end of the financial year:

*) Customers = OP bonuses, discounts and interest on Profit Shares to owner-customers

Implementing OP Financial Group's mission successfully requires a strong capital base which the requirements set by the authorities also necessitate. A stronger capital base will require efficiency and earnings power of the Group in the years to come too. In addition to the part returned to owner-customers, a significant part of earnings is used to strengthen OP Financial Group's capital base.

Benefits created by OP Financial Group are allocated to owner-customers on the basis of the extent to which each owner-customer of an OP cooperative bank uses the Group's services. The owner-customers' loyalty benefit programme consists of OP bonuses – accrued on the basis of an owner-customer's transactions with OP – as well as benefits and discounts granted on OP's banking services, insurance contracts and savings and investment services. Owner-customers also have the opportunity to contribute capital to their own OP cooperative bank through Profit Shares. Interest will be paid annually on Profit Shares as the banks' profit distribution.

OP Financial Group celebrates its 120th anniversary by increasing the return target for its owner-customers' Profit Shares by 1.20 percentage points. This means that the return target for 2022 stands at 4.45%. Interest payment and its amount depend on the financial performance of the OP cooperative bank in question.

OP Financial Group is one of the largest taxpayers in Finland measured by tax on profits. As a major taxpayer, OP is contributing to prosperity in the whole of Finland.

Customer relationships and customer benefits

OP Financial Group had a total of 2.1 million (2.0) owner-customers at the end of the reporting period. The number of owner-customers increased by 8,000.

The number of banking customers totalled 3.6 million (3.6). Retail Banking had a total of 3.3 million customers (3.3) and Corporate Banking 0.3 million customers (0.3). Non-life insurance had a total of 1.6 million customers (1.6) and life insurance 0.4 million customers (0.4).

The number of joint banking and insurance customers totalled 1.3 million (1.3).

Contributions made by OP cooperative banks' owner-customers to the OP cooperative banks' Profit Shares and cooperative shares totalled EUR 3.4 billion (3.4).

OP cooperative banks' owner-customers earn OP bonuses through banking, insurance and wealth management transactions. The value of new OP bonuses accrued in January–June totalled EUR 107 million (103). During the reporting period, a total of EUR 58 million (58) of OP bonuses were used to pay for banking and wealth management services and EUR 55 million (55) to pay non-life insurance premiums.

Owner-customers benefitted EUR 30 million (29) from the reduced price of the daily services package of Retail Banking. Owner-customers were provided with EUR 24 million (29) in non-life insurance loyalty discounts. They also bought, sold and switched units in most mutual funds without separate charges. The value of this benefit amounted to EUR 4 million (4).

The abovementioned OP bonuses and customer benefits totalled EUR 165 million (165), accounting for 26.4% (22.7) of OP Financial Group's earnings before tax and granted benefits.

Interest on Profit Shares for the financial year 2021, paid in June 2022, totalled EUR 96 million (95). The return target for Profit Shares for 2022 is an interest rate of 4.45% (3.25). Interest payable on Profit Shares accrued during the reporting period is estimated to total EUR 72 million (47).

Corporate responsibility

Corporate responsibility is an integral part of OP Financial Group's business and strategy. Responsible business is one of OP Financial Group's strategic priorities. OP Financial Group's aim is to be a forerunner of corporate responsibility within its sector in Finland. OP Financial Group's Corporate Responsibility Programme is built around four themes: we improve financial literacy in Finland, we foster a sustainable economy, we support local vitality and community spirit, and we use our information capital responsibly.

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

OP Financial Group reports annually on sustainability issues in accordance with the GRI standards. The Group published its corporate responsibility report for 2021 as part of its annual review. In addition, OP Financial Group's Report by the Board of Directors includes a report of non-financial information. Both reports are available at vuosi.op.fi/en/2021.

Corporate responsibility highlights in April–June

In April, OP Mortgage Bank issued a 1 billion-euro green covered bond with a maturity of 5.5 years. This fixed-rate covered bond is targeted at international institutional investors, and proceeds raised with the bond will be allocated to OP Financial Group's home loans recognised as green ones according to the Green Covered Bond Framework of OP Mortgage Bank. The sector to be financed is energy-efficient residential buildings (green buildings).

In April–May, OP Financial Group organised the Financial Literacy Competition, which has a long tradition, in cooperation with The Association for Teachers of History and Social Studies in Finland (HYOL ry). This year, around 20,000 young people from 325 schools all over Finland participated in the national competition. The final was arranged in Vallila, Helsinki on 25 May 2022. During the spring, OP cooperative banks supported students in preparing for the competition by organising financial literacy sessions as a part of the curriculum.

In May, OP organised a nationwide campaign week, Feel Confident Online. During the week, we taught digital skills to older people in a nationwide webinar, on OP Financial Group's social media channels and in around 20 OP cooperative banks across Finland.

In May, OP Financial Group donated EUR 500,000 to Finnish Red Cross for helping the Ukrainians.

OP Financial Group donated a total of EUR 1.8 million to Finnish universities. OP Financial Group's central cooperative's, that is to say OP Cooperative's, share of the donation was EUR 1.2 million. It was equally distributed between ten universities that teach economic sciences: Aalto University, the universities of Eastern Finland, Jyväskylä, Oulu, Tampere, Turku and Vaasa, as well as LUT University, Hanken School of Economics and Åbo Akademi each received a donation of EUR 120,000. In addition, OP cooperative banks donated a total of EUR 620,000 to their regional universities. With the donations to universities, OP Financial Group aims to support Finnish expertise and research, create opportunities for sustainable growth and promote the long-term success of its operating region.

In June, Pohjola Insurance and OmaKamu ry signed a cooperation agreement whereby an increasing number of children will be able to participate in OmaKamu activities and have a safe adult in their lives. OmaKamu activities aim to promote the wellbeing of children and youth proactively and on a long-term basis.

In June, OP Financial Group joined the international Partnership for Carbon Accounting Financials (PCAF), which aims to develop and implement a harmonised approach to assessing and disclosing greenhouse gas emissions associated with partners' loans and investments. A harmonised accounting approach will provide financial institutions with a basis for achieving the goals of the Paris Agreement. OP Financial Group is helping its stakeholders to make the transition to sustainability as a provider of financing, an insurer and an investor, and by developing new sustainable finance products.

OP Financial Group has developed two products based on the international framework for sustainable finance: green loans and sustainability-linked loans. Green loans are designed for corporate customers that can make a commitment to using the borrowed funds to promote specific projects, while sustainability-linked loans are for corporate customers that are prepared to pursue sustainability-based performance targets agreed with the lender. These targets affect the loan margin. At the end June, total exposures from these loans and facilities stood at EUR 3.9 billion (3.0).

To promote diversity, OP Financial Group's objective is that the proportion of both genders in defined executive positions is at least 40%. Women accounted for 30% (30) at the end of June.

Multichannel services

OP Financial Group has a multichannel service network comprising online, mobile, branch and telephone services. In June, the Group's mobile channels (OP-mobile, OP Business mobile) had around 1.4 million active users (1.3). The Group provides personal customer service both at branches and digitally.

Mobile and online services, no. of logins (million)	H1/ 2022	H1/ 2021	Change, %
OP-mobile	261.3	231.0	13.1
OP Business mobile	12.9	9.5	36.0
Pivo	21.5	20.6	4.3
Op.fi	23.1	28.3	-18.4
	30 Jun 2022	31 Dec 2021	Change, %
Siirto payment, registered customers (OP)	1,096,262	1,054,931	3.9

In March, OP introduced the Google Pay service to its customers in Finland. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores.

In March, OP published a new guide for older people to support them in the use of non-digital banking services, in other words, without using a computer or smartphone.

OP Financial Group has an extensive branch network with 307 branches (324) across the country. In addition, Pohjola Insurance has a comprehensive network of agencies and partnerships.

OP Financial Group has extensive presence in the most common social media channels where it has a total of 650,000 followers (630,000). In addition to OP Financial Group's national social media accounts, many OP cooperative banks have their own social media accounts where they share publications targeted at local customers.

Capital adequacy and capital base

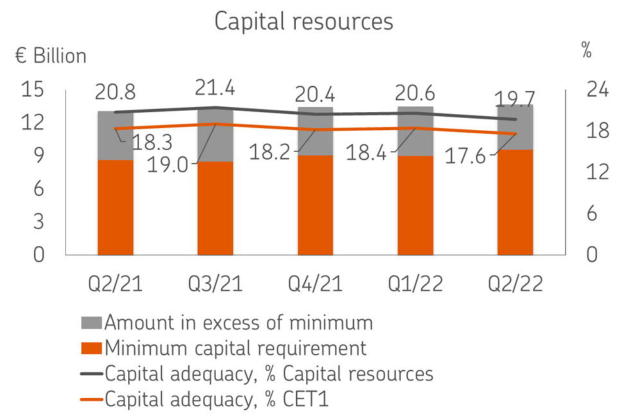
Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

OP Financial Group's capital base, calculated according to the Act on the Supervision of Financial and Insurance

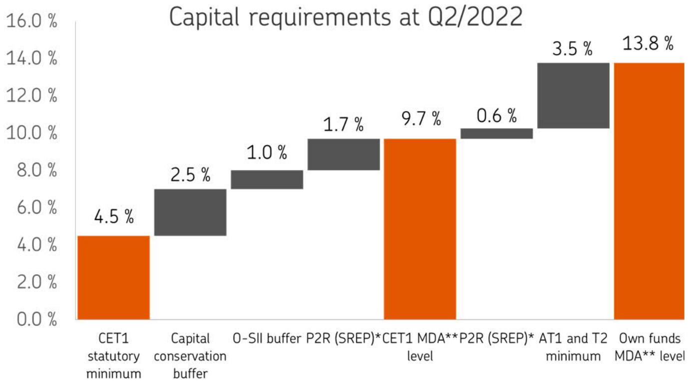
Conglomerates (FiCo), exceeded the minimum amount specified in the Act by EUR 3.9 billion (4.5). Banking capital requirement remained unchanged at 13.8%, calculated on risk-weighted assets. The ratio of the Group capital base to the minimum capital requirement was 137% (146). The ratio decreased by around 15 percentage points following the adoption of the SA floor. As a result of the buffer requirements for banking and the solvency requirements for insurance companies, the minimum FiCo solvency of 100% reflects the level within which the conglomerate can operate without regulatory obligations resulting from buffers below the required level.

Capital adequacy for credit institutions

OP Financial Group's CET1 ratio was 17.6% (18.2), which exceeds the minimum regulatory requirement by 7.9 percentage points. The ratio decreased by one percentage point following the adoption of the SA floor. The ratio was improved by earnings performance and the issues of Profit Shares.



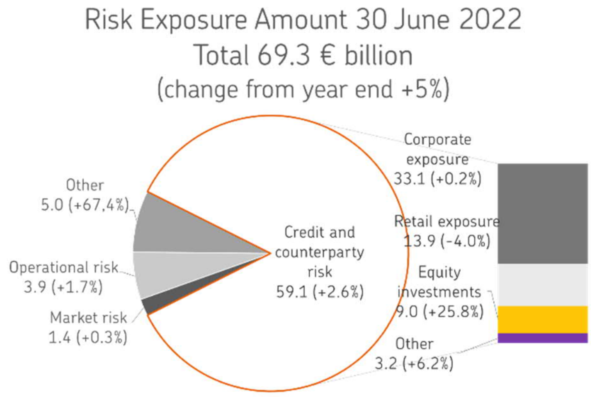
As a credit institution, OP Financial Group's capital adequacy is on a solid basis compared to the statutory requirements and those set by the authorities. The statutory minimum for the capital adequacy ratio is 8% and for the CET1 ratio 4.5%. The requirement for the capital conservation buffer of 2.5% under the Act on Credit Institutions, the O-SII buffer of 1% and the ECB's P2R requirement increase, in practice, the minimum total capital ratio to 13.8% and the minimum CET1 ratio to 9.7%.



* P2R supervisory Pillar II requirement
** Minimum distributable amount

The CET1 capital of OP Financial Group as credit institution was EUR 12.2 billion (12.0). The CET1 capital was improved by Banking earnings and Profit Share issues. The amount of Profit Shares in CET1 capital was EUR 3.2 billion (3.1).

The risk exposure amount (REA) totalled EUR 69.3 billion (65.7), or 5% higher than at the turn of the year. The SA floor increased the REA.



OP Financial Group treats insurance holdings within the financial conglomerate as risk-weighted assets, based on permission from the ECB. Equity investments include EUR 8.6 billion (6.8) in risk-weighted assets of the Group's internal insurance holdings. The increase was due to the adoption of the Simple Risk Weight Approach – a risk weight of 370% – replacing the previous PD/LGD method.

The Finnish Financial Supervisory Authority (FIN-FSA) makes a macroprudential policy decision on a quarterly basis. In June 2022, the FIN-FSA reiterated its decision not to impose a countercyclical capital buffer requirement on banks. At the same time, the FIN-FSA performed an annual review of banks' capital buffer requirements and decided to raise OP Financial Group's O-SII buffer by 0.5 percentage points to 1.5%, effective as of 1 January 2023.

The minimum leverage ratio for OP Financial Group's Banking was 7.8% (7.4). The ratio increased as a result of a decrease in central bank deposits. The regulatory minimum requirement is 3%.

OP Financial Group is in discussions with the ECB on reassessing the scope of application of internal models (IRBA, Internal Ratings-Based Approach). The Group will shift to the Standardised Approach in its capital adequacy measurement for credit institution exposures and certain minor parts of corporate exposures during the third quarter. The Group has previously applied the IRBA for such exposures. This change will not affect OP Financial Group's capital adequacy.

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

The OP Amalgamation capital adequacy tables of 30 June 2022 will be published in week 32.

Insurance

The solvency position of insurance companies is strong. The solvency of the insurance business was improved mainly by higher interest rates.

	Non-life insurance		Life insurance	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Capital base, € mill.*	1,586	1,464	1,565	1,656
Solvency capital requirement (SCR), € mill.*	736	840	583	833
Solvency ratio, %*	215	174	268	199
Solvency ratio, % (excl. transitional provision)	215	174	225	173

*including transitional provisions

ECB's supervision

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

On 25 April 2019, OP Financial Group received the ECB's decision on increases in the risk weights of mortgage-backed retail exposures as part of the targeted review of internal models (TRIM). These risk weight increases will be valid until further notice, until the qualitative requirements set out in the decision have been met.

On 19 February 2020, OP Financial Group received the ECB's decision concerning the change in the definition of default, in which the ECB set risk weighting factors for corporate and retail exposures. These risk-weighting factors will be valid until the qualitative requirements set out in the decision have been met.

On 11 December 2020, OP Financial Group received the ECB's decision concerning increases in the risk weights of retail exposures. The decision overruled the ECB's earlier decision issued on 2 February 2017.

On 18 March 2021, OP Financial Group received the ECB's decision concerning an increase in the risk parameter of corporate exposures. This risk parameter factor will be valid until the qualitative requirements set out in the decision have been met.

The ECB has set a capital requirement for OP Financial Group based on the supervisory review and evaluation process (SREP). The capital buffer requirement (P2R) set by the ECB is 2.25% (2.25) as of 1 January 2022.

Liabilities under the Resolution Act

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

On 21 February 2022, the resolution authority updated the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) for OP Financial Group. The updated MREL is 26.1% of the risk-weighted assets (RWA) and 9.9% of the leverage ratio exposures (LRE).

As part of the MREL, the resolution authority has set a subordination requirement for OP Financial Group in accordance with the Single Resolution Mechanisms Regulation. The subordination requirement determines how much of the MREL must be met with own funds or with subordinated liabilities. From 2022, the subordination requirement supplementing the MREL is 22% of the total risk exposure amount and 9.9% of the leverage ratio exposures. From the beginning of 2024, the subordination requirement will be 24% of the total risk exposure amount and 9.9% of the leverage ratio exposures. The requirements include a combined buffer requirement (CBR) of 3.5%.

OP Financial Group's buffer for the MREL was EUR 7.3 billion and for the subordination requirement EUR 2.4 billion. The amount of senior non-preferred (SNP) bonds issued by OP Financial Group totalled EUR 4.4 billion. These bonds provide funds for the MREL subordination requirement.

Risk profile

OP Financial Group's risk-taking starts from the fact that the Group assumes risks that are mainly associated with executing the Group's mission. In its risk-taking, OP Financial Group emphasises moderation, responsibility and careful action. Risk-taking is directed and limited by means of principles and limits prepared by senior management and approved by the management body.

OP Financial Group's success is based on the trust of customers and other stakeholders, on the adequacy of capital and liquidity, and on extensive data and knowledge of customers. Risk-taking is based on understanding matters affecting customers' future operations and success in the current business environment and in situations where the business environment is affected by an unexpected shock or change in trend.

OP Financial Group analyses the business environment as part of the continuous strategy process. Megatrends and future visions behind the strategy reflect driving forces that affect the daily activities, conditions and future of OP Financial Group and its customers. Such factors shaping the business

environment include sustainable development and responsibility (ESG), demographic change in the population, geopolitical factors and fast technological progress.
For example, climate and environmental changes and other factors in the business environment are considered thoroughly so that their effects on the customers' future success are understood. Through advice and business decisions, OP Financial Group encourages its customers in developing their sustainable and successful business in the future. At the same time, OP Financial Group ensures that its operations are profitable and in compliance with its values in the long term.

Considering that OP Financial Group's business covers various areas of the financial sector on an extensive basis, unexpected external shocks may cause various direct and indirect effects on the prosperity of OP Financial Group's customers and on the Group's premises, IT infrastructure and personnel. If materialised, they may affect the risk profile, capitalisation, liquidity and the continuity of daily business in various ways. The Group makes the effects of such potential shocks visible by means of scenario work.

Operational risks were well managed at Group level. Their materialisation resulted in gross losses of EUR 2 million (3). As regards other risks, the risk profile is discussed in more detail by business segment.

Assessment of the effects of the war in Ukraine on OP Financial Group's risks

Russia's aggressive war in Ukraine may have an indirect effect on OP Financial Group's income and risks as a result of customers' changed business conditions, the general market situation and obstruction of the technical infrastructure. The impacts may be realised, for example, in the following ways:

- higher impairment loss on receivables
- lower values of investment assets
- effects of extensive sanctions and counter sanctions on OP Financial Group or its customers' activities
- higher price of wholesale funding
- problems in business continuity as a result of cyber attacks on OP Financial Group or its customers.

Retail Banking and Corporate Banking

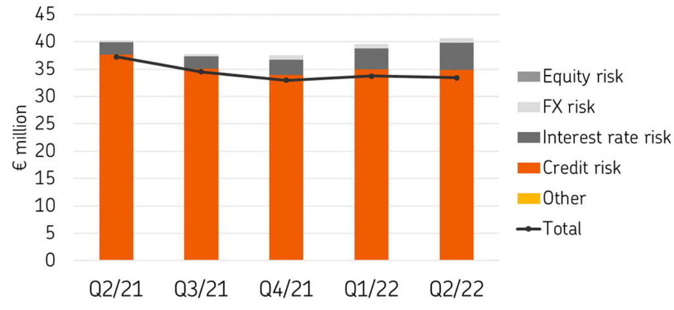
Major risks in banking are associated with credit risk arising from customer business, and market risk.

Banking credit risk exposure remained stable, its risk level remained moderate and the overall quality of the loan portfolio remained good, but there is a risk of negative developments. A rise in interest rates may have a negative effect on credit risk exposure.

Since OP Financial Group has no significant direct exposures to Russia, the impacts of the war in Ukraine on credit risk exposure mainly affect corporate loans, arising indirectly from certain sectors (construction, agriculture, transport and energy), especially due to higher energy and raw material prices and individual customer relationships.

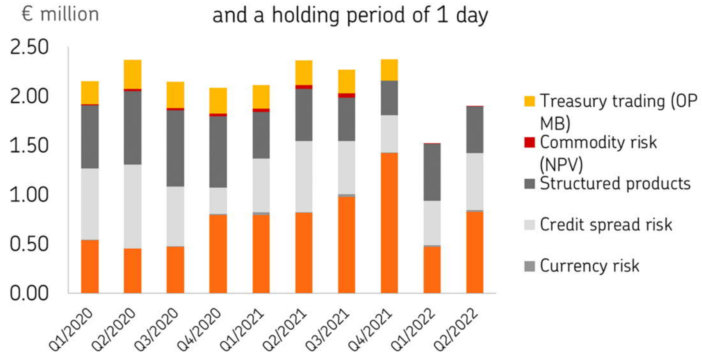
The market risk level of Corporate Banking's long-term investments decreased in the second quarter. No major changes were made to the asset class allocation during the reporting period. The VaR, a measure of market risks, was EUR 33 million (33) on 30 June 2022. The VaR risk metric includes the liquidity buffer and banking's long-term bond investments as well as derivatives that hedge their interest rate risks.

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



The open interest rate risk of Markets is still low, but the large interest rate movements during early 2022 have increased interest rate risk. This is reflected in the increase in Expected Shortfall (ES), a market risk measure, and especially in a higher share of interest rate risk, compared with the preceding quarter.

Market risk ES at a confidence level of 97.5 % and a holding period of 1 day

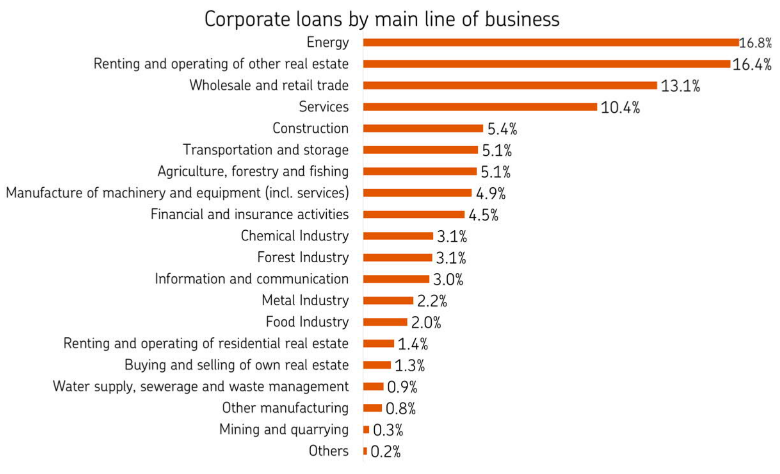


Non-performing and forborne exposures

	Performing forborne exposures (gross)		Non-performing exposures (gross)		Doubtful receivables (gross)		Loss allowance		Doubtful receivables (net)	
	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Over 90 days past due, € billion			0.59	0.64	0.59	0.64	0.23	0.24	0.36	0.40
Unlikely to be paid, € billion			1.10	0.78	1.10	0.78	0.20	0.13	0.91	0.65
Forborne exposures, € billion	2.96	3.41	1.19	1.34	4.15	4.75	0.20	0.20	3.95	4.55
Total, € billion	2.96	3.41	2.88	2.76	5.84	6.17	0.62	0.58	5.22	5.59

	OP Financial Group		Retail Banking		Corporate Banking	
Key ratios	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021	30 Jun 2022	31 Dec 2021
Ratio of doubtful receivables to exposures, %	4.95	5.31	6.13	6.57	2.26	2.29
Ratio of non-performing exposures to exposures, %	2.44	2.37	2.69	2.61	1.86	1.77
Ratio of performing forborne exposures to exposures, %	2.51	2.93	3.44	3.95	0.39	0.52
Ratio of performing forborne exposures to doubtful receivables, %	50.6	55.3	56.1	60.2	17.5	22.9
Ratio of loss allowance (receivables from customers) to doubtful receivables, %	13.7	11.9	7.8	7.5	42.9	41.5

No single customer's exposure exceeded 10% of OP Financial Group's capital base after allowances and other recognition of credit risk mitigation.



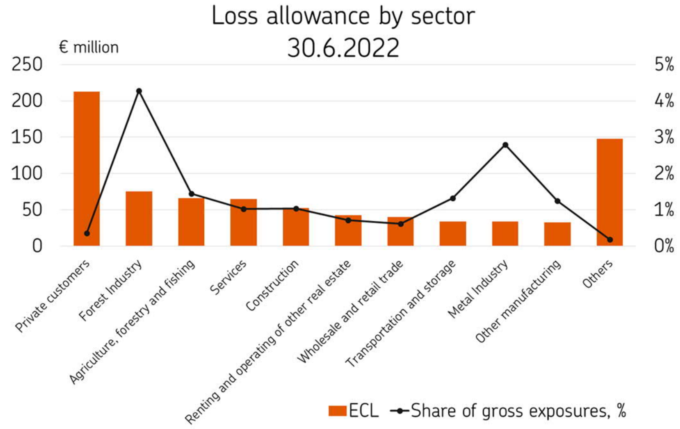
The graph shows the distribution of OP Financial Group's corporate loans by sector as percentages at the end of the reporting period.

Retail Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 328 million (337) and as the effect of a one-percentage point decrease EUR –364 million (–62) on the average per year. Interest income risk is calculated for a one-year period by dividing the sum of the interest income risk for the next three years by three.

Corporate Banking's interest rate risk in the banking book measured as the effect of a one-percentage point interest rate increase on net interest income was EUR 1 million (25) and as the effect of a one-percentage point decrease EUR –10 million (75) on the average per year.

Deposits within the scope of deposit guarantee and managed by OP Financial Group totalled EUR 44.2 billion (43.0) at the end of June. The Deposit Guarantee Fund compensates a maximum of EUR 100,000 for each OP Financial Group customer.

Loss allowance by sector



The graph shows the loss allowance of different sectors at the end of the reporting period and the ratio of loss allowance to gross exposures of the sector at the end of the reporting period.

Insurance

Non-life insurance

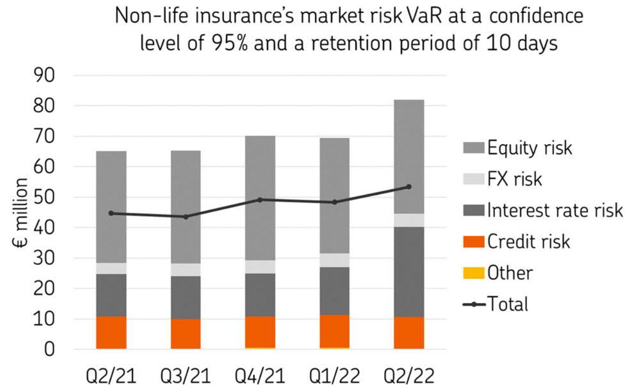
Major risks within non-life insurance include underwriting risks associated with claims developments, market risks associated with investments covering insurance liabilities, a faster-than-expected increase in life expectancy of the beneficiaries related to insurance liability for annuities, interest rates used in insurance liability valuation and the difference between the discount rate applied to insurance liabilities and market interest rates. During the second quarter, OP Financial Group decided to increase the discount rate applied in insurance liability valuation by 0.35 percentage points to 1.20 per cent. In IFRS accounting, insurance liabilities discounted with a constant interest rate have been made more market-consistent by applying a supplementary interest rate provision whose value change is based on changes in the risk-free yield curve.

A one-year increase in life expectancy would increase insurance liability for annuities by EUR 43 million (45). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 27 million (29).

No significant changes took place in non-life insurance's underwriting risks during the reporting period. Non-life insurance's significant market risks include the equity risk and the increasing insurance liability value and capital requirement resulting from lower market interest rates. The Group has used derivative contracts to dampen earnings volatility caused by changes in interest rates used in insurance liability valuation. These derivatives were closed during the second quarter.

The market risk level of the investments of non-life insurance increased during the second quarter. This was due to a higher interest rate risk caused by a lower hedge ratio of interest rate risk associated with insurance liabilities. The VaR, a measure of market risk, was EUR 53 million (49) on 30 June 2022. VaR includes the company's investment balance including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities.

Non-life insurance's direct business transactions with Russia or Ukraine are minor, both in terms of insurance and investments. More significant business impacts arise from developments in the capital market.



Life insurance

The key risks associated with life insurance are the market risks of life insurance's investment assets, the interest rate used for the valuation of insurance liabilities, a faster-than-expected life expectancy increase among those insured, and the lapse and surrender risk arising from changes in customer behaviour.

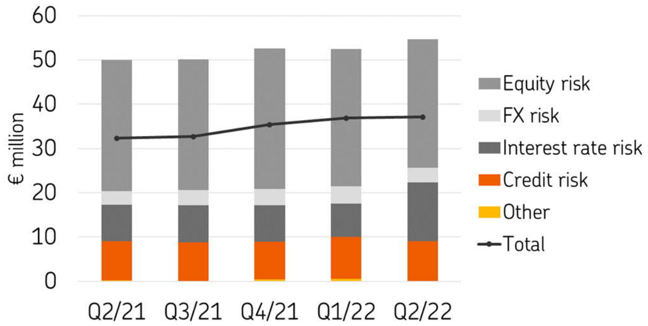
A one-year increase in life expectancy would increase insurance liability by EUR 27 million (28). A 0.1 percentage point decrease in interest rates used in insurance liability valuation would increase insurance liabilities by EUR 19 million (26). The decrease in interest rate sensitivity is due to higher interest rates and the change in the cash flows of insurance liabilities.

Investment risks associated with separated insurance portfolios and risks associated with changes in customer behaviour have been buffered. The buffer is sufficient to cover a significant negative return on the investment assets included in the separated portfolios, after which OP Financial Group will bear the risks associated with the portfolios. The buffers totalled EUR 257 million (292) on 30 June 2022.

The market risk level of the investments of life insurance at the end of the reporting period was higher than on 31 December 2021. This was due to a higher interest rate risk caused by a lower hedge ratio of interest rate risk associated with insurance liabilities. VaR, a measure of market risk, was EUR 37 million (35) on 30 June 2022. VaR includes life insurance's investment balance, including investments, insurance liabilities and derivatives that hedge against interest rate risk associated with insurance liabilities. Market risks associated with separated life insurance portfolios, assets that buffer against those risks or customer bonuses, are not included in the calculation.

As regards investments related to the with-profit portfolio, life insurance's direct business transactions with Russia or Ukraine are minor. More significant business impacts arise from developments in the capital market. The geopolitical situation affects life insurance business also through the fact that some investment instruments comprising the underlying assets for unit-linked insurance have been closed.

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



Group Functions

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

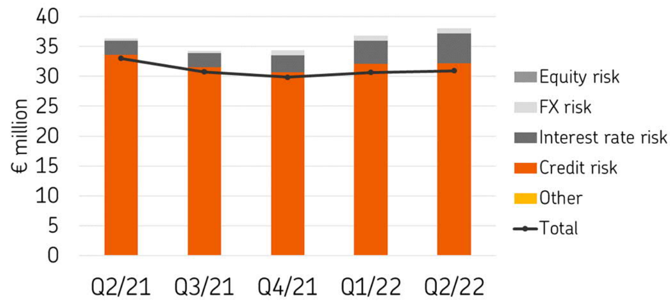
OP Financial Group's funding position and liquidity is strong.

Between January and June, OP Financial Group issued long-term bonds worth a total of EUR 4.0 billion (2.7), EUR 1.0 billion of which was a retained covered bond.

The loan-to-deposit ratio remained stable during the reporting period.

The market risk of notes and bonds in the liquidity buffer (VaR with 95% confidence) increased during the reporting period. No major changes occurred in the asset class allocation. The VaR risk metric that measures market risk associated with the liquidity buffer was EUR 31 million (30) on 30 June 2022. The VaR risk metric includes long-term bond investments within the liquidity buffer and the derivative contracts that hedge their interest rate risks.

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



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

OP Financial Group monitors its liquidity and the adequacy of its liquidity buffer using, for example, the LCR (Liquidity Coverage Ratio). According to regulation, the LCR must be at least 100%. OP Financial Group's LCR was 189% (228) at the end of the reporting period.

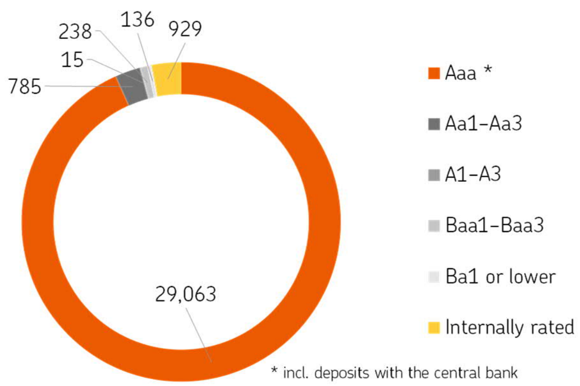
OP Financial Group monitors its long-term funding sufficiency, for example, by means of the Net Stable Funding Ratio (NSFR), which measures structural funding risk. According to regulation, the NSFR must be at least 100%. OP Financial Group's NSFR was 131% (132) at the end of the reporting period.

Liquidity buffer

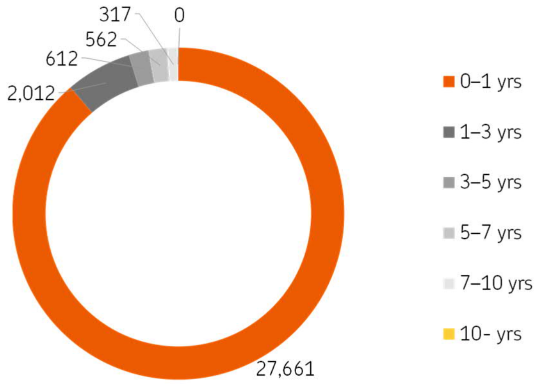
€ billion	30 Jun 2022	31 Dec 2021	Change, %
Deposits with central banks	26.8	32.6	-17.8
Notes and bonds eligible as collateral	3.2	4.0	-21.0
Corporate loans eligible as collateral			-
Total	30.0	36.7	-18.2
Receivables ineligible as collateral	2.0	1.0	104.6
Liquidity buffer at market value	32.0	37.6	-15.0
Collateral haircut	-0.3	-0.3	-
Liquidity buffer at collateral value	31.7	37.3	-15.1

The liquidity buffer comprises notes, bonds and securitised assets issued by governments, municipalities, financial institutions and companies all showing good credit ratings.

Financial assets included in the liquidity buffer by credit rating on 30 June 2022, € million



Financial assets included in the liquidity buffer by maturity on 30 June 2022, € million



Credit ratings

OP Corporate Bank plc's credit ratings on 30 June 2022

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

Pohjola Insurance Ltd's financial strength ratings on 30 June 2022

Rating agency	Rating	Outlook
Standard & Poor's	A+	Stable
Moody's	A2	Stable

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

Financial performance by segment

OP Financial Group's business segments are Retail Banking (Banking Personal and SME Customers), Corporate Banking (Banking Corporate and Institutional Customers) and Insurance (Insurance Customers). Non-business segment operations are presented under the Group Functions segment (formerly the Other Operations segment). OP Financial Group prepares its segment reporting in compliance with its accounting policies.

Retail Banking

- Earnings before tax totalled EUR 136 million (138).
- Total income increased by 3.8% to EUR 905 million. Income from customer business increased by a total of 3.5%: net interest income increased by 2.3% to EUR 485 million and net commissions and fees by 5.6% to EUR 397 million.
- Total expenses increased by 3.5% to EUR 628 million. Personnel costs increased by 2.1% to EUR 230 million and other operating expenses by 5.3% to EUR 374 million.
- Impairment loss on receivables increased to EUR 60 million (47). The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. Non-performing exposures (gross) accounted for 2.7% (2.6) of the exposures.
- The loan portfolio increased by 1.5% and the deposit portfolio by 4.0% year on year.
- The most significant development investments focused on upgrading the account and financing systems and developing digital services.

Key figures and ratios

€ million	H1/2022	H1/2021	Change, %	Q1–4/2021
Net interest income	485	474	2.3	959
Net commissions and fees	397	376	5.6	753
Net investment income	5	2	174.4	-16
Other income	18	19	-7.9	78
Total income	905	871	3.8	1,773
Personnel costs	230	225	2.1	447
Depreciation/amortisation and impairment loss	24	26	-9.0	69
Other operating expenses	374	356	5.3	705
Total expenses	628	607	3.5	1,221
Impairment loss on receivables	-60	-47	-	-84
OP bonuses to owner-customers	-81	-79	-	-165
Earnings before tax	136	138	-1.9	304
Cost/income ratio, %	69.4	69.6	-0.2*	68.8
Ratio of non-performing exposures to exposures, %**	2.7	2.6	0.1*	2.6
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.17	0.13	0.03*	0.12
Return on assets (ROA), %	0.22	0.24	-0.02*	0.26
Return on assets, excluding OP bonuses, %	0.35	0.37	-0.02*	0.40

€ million				
Home loans drawn down	4,336	4,347	-0.2	8,805
Corporate loans drawn down	1,418	1,256	12.9	2,639
No. of brokered residential property and property transactions	5,763	6,498	-11.3	13,177

€ billion	30 Jun 2022	30 Jun 2021	Change, %	31 Dec 2021
Loan portfolio				
Home loans	42.3	40.7	4.0	41.5
Corporate loans	8.3	8.1	2.3	8.2
Housing company and other loans	20.5	21.3	-3.4	21.3
Total loan portfolio	71.1	70.1	1.5	71.0
Guarantee portfolio	1.0	0.9	2.4	0.9
Other exposures	9.4	9.6	-2.0	9.6
Deposits				
Current and payment transfer deposits	42.6	41.0	3.8	41.4
Investment deposits	21.2	20.4	4.2	20.8
Total deposits	63.8	61.4	4.0	62.2

*Change in ratio

OP Financial Group's Retail Banking segment consists of banking and asset management services for personal and SME customers at OP cooperative banks and at the central cooperative consolidated.

The impacts of inflation and higher interest rates on home buyers were reflected in home purchases. The volume of home and real property sales brokered by OP Koti real estate agents decreased by 11.3%, compared to the lively market a year ago.

The loan portfolio grew by 1.5% to EUR 71.1 billion. New home loan drawdowns were almost unchanged year on year. The home loan portfolio grew by 4.0% to EUR 42.3 billion. The corporate loan portfolio increased by 2.3% to EUR 8.3 billion.

Customers continued to be interested in protecting their home loans and housing company loans as a result of the rise in market interest rates. However, higher market interest rates increased the prices of interest rate protection products, dampening demand for such products in the second quarter. On 30 June 2022, a total of 31.6% (29.6) of personal customers' home loans were covered by interest rate protection.

The deposit portfolio increased by 4.0% to EUR 63.8 billion. The increase came from current and payment transfer accounts as well as from investment deposits. Household deposits showed the strongest growth.

In April, OP Mortgage Bank issued a 1 billion-euro green covered bond with a maturity of 5.5 years.

OP's customers' interest in saving and investing continued despite the uncertain business environment. OP mutual funds attracted 36,500 new unitholders, which accounted for 60% of total market growth. Almost 87% of the new unitholders selected responsible investment funds. The number of OP fund unitholders totalled 1,190,000 in gross terms. The Morningstar rating for OP mutual funds was 2.98 (3.08). In share trading, the number of executed orders was 13% higher than a year ago.

During the reporting period, the most significant development investments focused on upgrading the account and financing systems and developing digital services.

In February, digital home sales expanded to real property sales; OP Koti real estate agents were the first in Finland to implement this system. Digital sale and purchase of housing company shares began in 2019.

In March, OP introduced the Google Pay service to its customers in Finland. The service enables customers to pay for their purchases using Android phones or smartwatches in contactless payment readers and on apps and online stores.

At the end of June, the number of OP cooperative banks was 117 (121). Merger projects between OP cooperative banks are underway in different parts of Finland.

Financial performance for the reporting period

Retail Banking earnings before tax were EUR 136 million (138). Total income increased by 3.8% to EUR 905 million. Net interest income increased by 2.3% to EUR 485 million and net commissions and fees by 5.6% to EUR 397 million mainly due to the increase in commissions from the sale of interest rate protection products and from the card business and payment transactions.

Total expenses increased by 3.5% to EUR 628 million. Personnel costs increased by 2.1% to EUR 230 million and other operating expenses by 5.3% to EUR 374 million as a result of a higher stability contribution. Depreciation/ amortisation and impairment loss decreased by 9.0% year on year, to EUR 24 million.

Impairment loss on receivables grew by 27.3% to EUR 60 million. The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. Final net loan losses recognised for the reporting period totalled EUR 16 million (47). Non-performing exposures accounted for 2.7% (2.6) of the exposures.

OP bonuses to owner-customers increased by 2.6% to EUR 81 million.

Corporate Banking

- Earnings before tax totalled EUR 91 million (276).
- Total income decreased by 29.4% to EUR 315 million. Net interest income increased by 5.5% to EUR 214 million, net commissions and fees decreased by 15.0% to EUR 83 million and net investment income decreased by EUR 88 million to EUR 7 million.
- Total expenses increased by 0.5% to EUR 173 million. Other operating expenses rose by 3.7% to EUR 122 million due to a higher stability contribution.
- During the reporting period, the loan portfolio grew by 5.3% to EUR 27.0 billion and deposits decreased by 10.9% to EUR 13.9 billion. Assets under management by Corporate Banking decreased by 11.7% during the reporting period, to EUR 72.7 billion.
- Impairment loss on receivables increased by EUR 52 million to EUR 40 million. The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. Non-performing exposures (gross) accounted for 1.9% (2.1) of the exposures.
- The most significant development investments involved the upgrades of payment and asset management systems.

Key figures and ratios

€ million	H1/2022	H1/2021	Change, %	Q1–4/2021
Net interest income	214	203	5.5	414
Net commissions and fees	83	98	-15.0	204
Net investment income	7	95	-92.7	171
Other income	11	50	-78.4	97
Total income	315	446	-29.4	886
Personnel costs	46	48	-2.6	93
Depreciation/amortisation and impairment loss	5	7	-31.3	14
Other operating expenses	122	118	3.7	211
Total expenses	173	173	0.5	318
Impairment loss on receivables	-40	12	-	-74
OP bonuses to owner-customers	-10	-9	-	-20
Earnings before tax	91	276	-66.9	474
Cost/income ratio, %	55.0	38.7	-16.3*	35.9
Ratio of non-performing exposures to exposures, %	1.9	2.1	-0.2*	1.8
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.27	-	-	0.25
Return on assets (ROA), %	0.46	1.45	-0.99*	1.24
Return on assets, excluding OP bonuses, %	0.51	1.50	-0.99*	1.29

€ billion	30 Jun 2022	30 Jun 2021	Change, %	31 Dec 2021
Loan portfolio				
Corporate loans	15.2	14.6	4.3	14.5
Housing company and other loans	11.8	9.8	20.4	11.2
Total loan portfolio	27.0	24.4	10.7	25.7
Guarantee portfolio	3.5	2.9	20.1	3.5
Other exposures	5.9	5.7	3.5	5.7
Deposits	13.9	13.8	0.5	15.6
Assets under management (gross)				
Mutual funds	28.2	30.9	-8.7	32.5
Institutional clients	35.7	25.9	37.7	38.3
Private Banking	8.8	12.1	-27.1	11.5
Total (gross)	72.7	68.9	5.5	82.3

€ million	H1/2022	H1/2021	Change, %	Q1–4/2021
Net inflows				
Private Banking clients	22	-102	-	-174
Institutional clients	-465	307	-	76
Total	-443	205	-	-98

*Change in ratio

OP Financial Group's Corporate Banking segment consists of banking and asset management services for corporate and institutional customers. The segment comprises OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd, OP Custody Ltd and OP Real Estate Asset Management Ltd.

In the year to June, the loan portfolio grew by 10.7% to EUR 27.0 billion and deposits by 0.5% to EUR 13.9 billion.

The most significant Corporate Banking development investments involved the upgrades of payment, finance and asset management systems. The upgrade of core payment systems and improvement of digital services will continue further. In asset and wealth management, fund management processes and customer service will be further upgraded.

Investments by Corporate Banking in promoting a sustainable economy increased the commitment portfolio of sustainable finance to EUR 3.9 billion (3.0). The number of sustainability-linked loans increased during the reporting period, showing a major increase year on year. Corporate Banking has also strengthened its role as a sustainable finance advisor in the preparation work of sustainable finance frameworks for its customers.

Within asset management, net assets inflow was EUR –443 million (205). Assets under management by Corporate Banking decreased by 11.7% to EUR 72.7 billion from their year-end level. Assets under management included about EUR 23 billion (24) in assets of the companies belonging to OP Financial Group.

During the reporting period, OP launched the revamped Family Office concept for customers whose total assets exceed EUR 10 million. The concept meets growing demand from the wealthy customers' segment by providing OP's comprehensive services and long-term partnership based on an understanding of the needs of this demanding customer segment.

Sales of interest rate and foreign currency hedges were at record levels during the first half because of high inflation, rapidly increased interest rates and uncertainty caused by geopolitical risks.

OP Corporate Bank's direct exposures to Russia are small. Russia's aggressive war in Ukraine indirectly increased impairment loss on receivables. Higher interest rates and lower stock prices decreased investment income and reduced assets under management.

Financial performance for the reporting period

Corporate Banking earnings before tax were EUR 91 million (276). Total income decreased to EUR 315 million (446) and total expenses increased to EUR 173 million (173). The cost/income ratio was 55.0% (38.7).

Net interest income increased by 5.5% to EUR 214 million. Corporate Banking's net commissions and fees totalled EUR 83 million (98). OP Financial Group's internal commission expenses increased.

Corporate Banking segment's net commissions and fees

€ million	H1/ 2022	H1/ 2021	Change, %
Mutual funds	65	65	0.8
Asset management	8	8	10.9
Other	10	26	-61.6
Total	83	98	-15.0

Net investment income decreased to EUR 7 million (95). Value change arising from market changes in derivative contracts between OP Corporate Bank and OP Financial Group cooperative banks reduced income from derivatives business by EUR 59 million (7).

Total expenses increased by 0.5% to EUR 173 million. Personnel costs decreased by 2.6% to EUR 46 million. Other operating expenses grew by 3.7% to EUR 122 million. The stability contribution increased by 26.2% to EUR 31 million.

Impairment loss on receivables reduced earnings by EUR 40 million. A year ago, the reversal of impairment loss on receivables improved earnings by EUR 12 million. The indirect effects of the war in Ukraine increased impairment loss on receivables in the first quarter. Non-performing exposures accounted for 1.9% (2.1) of the exposures.

Insurance

- Earnings before tax totalled EUR 205 million (220).
- Non-life insurance premium revenue increased by 5.9% to EUR 796 million and claims incurred decreased by 2.5% to EUR 421 million. Claims incurred, excluding the increase in the discount rate, increased by 17.3% to EUR 517 million.
- Expenses decreased year on year to EUR 232 million (240).
- Investment income totalled EUR –13 million (94). Investment income excluding the item corresponding to the increase in the discount rate of insurance liabilities totalled EUR 83 million (94). Net return on investments at fair value reported by non-life insurance was EUR 33 million (134) and that by life insurance EUR –49 million (104).
- The non-life insurance operating combined ratio was 91.8% (86.2) and operating risk ratio 64.9% (58.6). The operating cost ratio was 26.9% (27.6).
- In life insurance, unit-linked insurance assets decreased by 12.3% to EUR 11.5 billion from the 2021-end level. Premiums written in term life insurance grew by 4.3%.
- Development investments focused on upgrading the core systems, improving the accessibility of web and mobile services and enhancing opportunities to buy insurance products.
- Pohjola Insurance focuses on its core business and sold its hospital business.

Key figures and ratios

€ million	H1/2022	H1/2021	Change, %	Q1–4/2021
Net insurance income	393	335	17.3	754
Net commissions and fees	38	40	-4.8	96
Net investment income	-170	184	-192.3	288
Other net income	29	1	-	-2
Total income	290	561	-48.2	1,135
Personnel costs	75	81	-7.6	160
Depreciation/amortisation and impairment loss	26	29	-9.1	66
Other operating expenses	131	130	0.8	267
Total expenses	232	240	-3.2	493
OP bonuses to owner-customers	-11	-10	-	-21
Overlay approach	157	-91	-	-117
Earnings before tax	205	220	-7.1	504
Return on assets (ROA), %	1.40	1.49	-0.09*	1.64
Return on assets, excluding OP bonuses, %	1.47	1.55	-0.09*	1.71

*Change in ratio

OP Financial Group's Insurance segment comprises life and non-life insurance business. The segment includes Pohjola Insurance Ltd and OP Life Assurance Company Ltd.
On 14 January 2022, the Competition and Consumer Authority approved the corporate transaction whereby Pohjola Insurance would sell Pohjola Hospital to Pihlajalinna Terveys, part of Pihlajalinna Group. Pohjola Hospital became part of Pihlajalinna on 1 February 2022. OP Financial Group recognised a capital gain of EUR 32 million on the sale.

Financial performance for the reporting period

Earnings before tax totalled EUR 205 million (220). Net insurance income increased by 17.3% to EUR 393 million. The non-life insurance discount rate was increased from 0.85% to 1.2%, which increased net insurance income by EUR 96 million. An item corresponding to the change in the discount rate was shown as negative value change in net investment income. Total expenses were lower than a year ago at EUR 232 million (240).

Investment income totalled EUR –13 million (94), including the overlay approach. Investment income excluding the item corresponding to the aforementioned increase in the discount rate of insurance liabilities totalled EUR 83 million (94). Capital gains/losses on investment amounted to EUR –8 million (41) in non-life insurance and to EUR –5 million (30) in life insurance.

Investment income

€ million	H1/2022	H1/2021
At fair value through other comprehensive income	10	22
At fair value through profit or loss	-934	13
Amortised cost	-4	1
Life insurance items*	759	150
Unwinding of discount**	-9	-9
Associated companies	8	8
Net investment income	-170	184
Overlay approach	157	-91
Total	-13	94

*Include credited interest on customers' insurance assets, changes in supplementary interest rate provisions and other technical items, and changes in the fair value of unit-linked and separated balance sheet's investments.
**Non-life insurance.

Non-life insurance operating result

Non-life insurance's earnings stood at EUR 171 million (166). The increase in the discount rate increased net insurance income by EUR 96 million. Operational balance weakened as a result of higher claims incurred. Other income includes a capital gain on the sale of Pohjola Hospital. Investment income includes value changes in insurance liability hedges.

€ million	H1/2022	H1/2021	Change, %
Insurance premium revenue	797	752	5.9
Claims incurred	517	441	17.3
Operating expenses	214	208	3.2
Balance on technical account, operational	66	104	-36.8
Increase in discount rate	96	0	-
Balance on technical account	162	104	55.7
Investment income and expenses	-108	108	-200.0
Other income and expenses	27	-4	-
Overlay approach	90	-42	-
Earnings before tax	171	166	2.9
Operating combined ratio	91.8	86.2	
Operating risk ratio	64.9	58.6	
Operating cost ratio	26.9	27.6	

Non-life insurance: premium revenue

€ million	H1/2022	H1/2021	Change, %
Personal customers	446	430	3.8
Corporate customers	351	321	8.8
Total	797	752	5.9

Premium revenue increased by 5.9% to EUR 797 million. Among personal customers, the number of loyal customer households increased. Premium revenue from corporate customers increased by 7.3%. Claims incurred, excluding the increase in the discount rate, increased by 17.3% to EUR 517 million. The number of insurance claims is gradually reaching its pre-pandemic level. Difficult road conditions and large claims reported during the reporting period also increased claims incurred. The reported number of large claims under property and business liability insurance (in excess of EUR 0.3 million) amounted to 62 (51) in January–June, with their claims incurred retained for own account totalling EUR 91 million (53). Changes in claims for previous years, excluding the increase in the discount rate, weakened the balance on technical account by EUR 7 million, whereas changes a year ago improved the balance on technical account by EUR 31 million. The non-life insurance operating risk ratio, excluding indirect loss adjustment expenses, was 64.9% (58.6). Changes in the provision for outstanding claims under statutory pensions improved earnings by EUR 9 million (7).

In non-life insurance, the operating cost ratio (including indirect loss adjustment expenses) was 26.9% (27.6). Higher ICT costs and sales commissions increased operating expenses.

Operating combined ratio reported by non-life insurance weakened to 91.8% (86.2).

Non-life insurance: key investment indicators

€ million	H1/2022	H1/2021
Net return on investments at fair value, € million*	33	134
Return on investments at fair value, %	-9.2	0.9
Fixed income investments' running yield, %	1.0	0.8
	30 Jun 2022	31 Dec 2021
Investment portfolio, € million	3,755	4,287
Investments within the investment grade category, %	90	92
At least A-rated receivables, %	54	54
Modified duration	3.0	3.3

*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.

Life insurance operating result

The challenging capital market in early 2022 reduced unit-linked insurance assets and investment income. Unit-linked insurance assets, EUR 11.5 billion, were 12.3% lower than on 31 December 2021. Net asset inflow of unit-linked insurance contracts amounted to EUR 110 million (250). The amount of life insurance surrenders increased as a result of uncertainties in the capital market. Premiums written in term life insurance grew by 4.3%.

Earnings before tax decreased to EUR 24 million (57) as a result of lower net investment income. Earnings before tax from customer business improved to EUR 29 million (26).

€ million	H1/2022	H1/2021	Change, %
Net risk results	18	15	17.6
Net investment income	-72	79	-
Net commissions and fees	55	53	3.2
Total income	1	147	-99.5
Personnel costs	7	5	26.2
Depreciation/amortisation and impairment loss	10	11	-3.6
Other operating expenses	17	17	1.2
Total expenses	34	33	3.7
OP bonuses	-10	-9	4.9
Overlay approach	67	-48	-
Earnings before tax	24	57	-58.1
Operating ratio	39.4	37.5	

Life insurance: key investment indicators*

€ million	H1/2022	H1/2021
Net return on investments at fair value, € million**	-49	104
Return on investments at fair value, %	-12.8	0.0
Fixed income investments' running yield, %	1.0	0.9
	30 Jun 2022	31 Dec 2021
Investment portfolio, € million	3,340	3,646
Investments within the investment grade category, %	90	94
A-rated receivables, minimum, %	52	56
Modified duration	2.7	3.0

*Excluding the separated balance sheets
**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 investments exclude separated balance sheets.

Interest rate risk associated with insurance liability has been hedged through supplementary interest rate provisions and interest rate derivatives. In life insurance, the net change in short-term supplementary interest rate provisions was EUR –1 million (0). Accrued supplementary interest rate provisions related to insurance liabilities (excluding the separated balance sheets) totalled EUR 120 million (390) on 30 June 2022. Short-term supplementary interest rate provisions accounted for EUR 44 million (44) of these provisions.

Group Functions

Key figures and ratios

€ million	H1/2022	H1/2021	Change, %	Q1–4/2021
Net interest income	-35	-46	-	10
Net commissions and fees	0	1	-107.7	-2
Net investment income	7	8	-8.0	-5
Other operating income	342	343	-0.2	684
Total income	314	306	2.9	687
Personnel costs	101	108	-6.7	216
Depreciation/amortisation and impairment loss	56	67	-16.3	137
Other operating expenses	182	182	0.0	444
Total expenses	339	357	-5.1	797
Impairment loss on receivables	0	0	-	0
Earnings before tax	-24	-51	-	-109

The Group Functions segment (previously the Other Operations segment) consists of OP Cooperative's functions tasked with the support and assurance of business segments, as well as OP Corporate Bank plc's treasury functions.

Financial performance for the reporting period

Group Functions earnings before tax were EUR –24 million (–51). Total income increased by 2.9% to EUR 314 million.

Net interest income was EUR –35 million (–46). Net interest income was increased by a better year-on-year result of the market risk position and by the elimination of the cost of subordinated loans matured after the corresponding period a year ago.

Net investment income was EUR 7 million (8). Other operating income, EUR 342 million (343), remained at the previous year's level. Other operating income mainly includes OP Financial Group's intra-group items.

Total expenses decreased by 5.1% to EUR 339 million. Personnel costs decreased by 6.7% to EUR 101 million. Depreciation/amortisation and impairment loss on PPE and intangible assets decreased by 16.3% to EUR 56 million. Other operating expenses remained at the previous year's level at EUR 182 million (182). ICT costs increased by 9.3% to EUR 130 million.

On 30 June 2022, the average margin of OP Financial Group's senior and senior non-preferred wholesale funding and covered bonds was 26 basis points (25).

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

Between January and June, OP Financial Group issued long-term bonds worth a total of EUR 4.0 billion (2.7), EUR 1.0 billion of which was a retained covered bond.

OP Financial Group's TLTRO III funding totalled EUR 12 billion (16) at the end of June. The total interest rate for TLTRO III funding between 24 June 2020 and 23 June 2022 can be the ECB's deposit facility rate (–0.50% for the entire period) minus 0.50%. The reduced interest rate is conditional on fulfilling the criteria for net lending performance. The latter net lending review period expired on 31 December 2021 and the Bank of Finland confirmed that the interest rate benefit concerned was gained during the reporting period. The interest rate for TLTRO III funding for each loan after 23 June 2022 is the average of the ECB's deposit facility rate for the entire loan term.

ICT investments

OP Financial Group invests in developing its operations and improving customer experience on an ongoing basis. The central cooperative with its subsidiaries is responsible for OP Financial Group's service development. ICT investments make up a significant portion of the costs of developing these services.

OP Financial Group's development expenditure for January–June totalled EUR 151 million (139). This included licence fees, purchased services, other external costs related to projects and in-house work. The capitalised development expenditure totalled EUR 47 million (48). More detailed information on OP Financial Group's investments can be found in each business segment's text section in this Half-year Financial Report.

Personnel

On 30 June 2022, OP Financial Group had 13,332 employees (13,079). The number of employees averaged 13,096 (13,009). The increase in the second quarter was due to the recruitment of summer employees. A number of employees transferred from Group Functions to Retail Banking during the reporting period.

Personnel at period end

	30 Jun 2022	31 Dec 2021
Retail Banking	7,690	7,108
Corporate Banking	1,023	898
Insurance	2,387	2,550
Group Functions	2,232	2,523
Total	13,332	13,079

During the reporting period, 124 OP Financial Group employees (114) retired at an average age of 62.9 years (61.9).

Variable remuneration applied by OP Financial Group in 2022 consists of the performance-based bonus scheme covering all personnel, and the personnel fund. Company-specific targets based on the annual plan and the Group-level strategic targets are taken into account in the metrics used in the performance-based bonus scheme and in the personnel fund. In drawing up the remuneration schemes, OP has taken account of the regulation regarding the financial sector's remuneration schemes.

Changes in OP Financial Group's structure

OP Financial Group's consolidated financial statements at the end of the reporting period included the accounts of 117 OP cooperative banks (121) and OP Cooperative Consolidated. The number of OP cooperative banks decreased during the reporting period due to mergers.

Luhangan Osuuspankki merged into Keski-Suomen Osuuspankki on 28 February 2022.

Luopioisten Osuuspankki merged into Kangasalan Seudun Osuuspankki on 31 March 2022.

Sastamalan Osuuspankki and Satapirkan Osuuspankki merged into Satakunnan Osuuspankki on 30 April 2022. Consequently, the business name of Satakunnan Osuuspankki was changed to Satapirkan Osuuspankki.

On 29 September 2021, Itä-Uudenmaan Osuuspankki, Uudenmaan Osuuspankki and Helsinki Area Cooperative Bank approved merger plans according to which Itä-Uudenmaan Osuuspankki and Uudenmaan Osuuspankki will merge into Helsinki Area Cooperative Bank. The planned date for the execution of the mergers is 31 July 2022. Consequently, the business name of Helsinki Area Cooperative Bank will change to Uudenmaan Osuuspankki.

On 5 May 2022, Peräseinäjoen Osuuspankki and Alavuden Seudun Osuuspankki approved a merger plan, according to which the former will merge into the latter. The planned date for the execution of the merger is 31 October 2022. Consequently, the business name of Alavuden Seudun Osuuspankki will change to Sydänmaan Osuuspankki.

On 19 May 2022, Askolan Osuuspankki, Kärkölän Osuuspankki, Mäntsälän Osuuspankki, Pukkilan Osuuspankki and Orimattilan Osuuspankki approved merger plans according to which Askolan Osuuspankki, Kärkölän Osuuspankki, Mäntsälän Osuuspankki and Pukkilan Osuuspankki will merge into Orimattilan Osuuspankki. The planned date for the execution of the mergers is 31 December 2022. Consequently, the business name of Orimattilan Osuuspankki will change to Ylä-Uudenmaan Osuuspankki.

On 21 June 2022, Miehikkälän Osuuspankki and Länsi-Kymen Osuuspankki approved a merger plan, according to which the former will merge into the latter. The planned date for the execution of the merger is 31 December 2022.

On 22 June 2022, Osuuspankki Kantrisalo and Lounaismaan Osuuspankki approved a merger plan according to which the former will merge into the latter. The planned date for the execution of the merger is 31 December 2022.

Pohjola Insurance Ltd has sold all shares of Pohjola Hospital Ltd to Pihlajalinna Terveys Oy, part of Pihlajalinna Group. The corporate transaction was published on 2 July 2021. The net debt free transaction price was EUR 31.8 million. The Finnish Competition and Consumer Authority approved the corporate transaction on 14 January 2022. Pohjola Hospital became part of Pihlajalinna on 1 February 2022.

OP Cooperative's Board of Directors established the Historical Foundation of OP Financial Group to cherish the Group's heritage. The Foundation will maintain and develop the OP Museum, while promoting cooperative banking and its cultural legacy in Finland. The Foundation was registered on 6 May 2022.

Governance of OP Cooperative

On 2 December 2021, the Supervisory Council of OP Cooperative (the central cooperative of OP Financial Group) elected the members of the Board of Directors of OP Cooperative for the term of office from 1 January to 31 December 2022.

The following members will continue on the Board in 2022: Jarna Heinonen (Professor in Entrepreneurship, Turku School of Economics), Jari Himanen (Managing Director, Suur-Savon Osuuspankki), Kati Levoranta (Executive Vice President, Commercial and Operational Activities, P2X Solutions Ltd), Pekka Loikkanen (board professional), Tero Ojanperä (Chair of the Board of Directors, Silo AI Ltd), Riitta Palomäki (board professional), Jaakko Pehkonen (rahoitusneuvos, Finnish honorary title; Professor of Economics, University of Jyväskylä), Timo Ritakallio (President and Group CEO, OP Financial Group), Olli Tarkkanen (Managing Director, Etelä-Pohjanmaan Osuuspankki) and Mervi Väisänen (Senior Lecturer in Marketing, Kajaani University of Applied Sciences).

In addition, the Supervisory Council elected Petri Sahlström, D.Sc. (Econ. & Bus. Adm.), to the Board of Directors as a new member. Leif Enberg stepped down from the Board of Directors on 31 December 2021.

On 3 January 2022, the Board of Directors elected from among its members the chairs, vice chairs and other members to the statutory Board Committees for the new term. Jaakko Pehkonen will continue as Chair and Jarna Heinonen as Vice Chair of the Board of Directors.

On 26 April 2022, OP Cooperative held its Annual Cooperative Meeting which elected members of the Supervisory Council and the auditor.

The Supervisory Council comprises 36 members. The Annual Cooperative Meeting re-elected the following members to the Supervisory Council who were due to resign: Managing Director Mika Helin, Bachelor of Hospitality Management, MBA Mervi Hinkkanen, Managing Director Raili Hyvönen, Development Manager Mika Kainusalmi, Managing Director Kaisa Markula, Managing Director Ulf Nylund, Managing Director Teuvo Perätalo, entrepreneur Timo Syrjälä and Managing Director Pauliina Takala.

New Supervisory Council members elected were M.Sc. Eeva Harju, Municipal Manager Tuomas Lohi, Managing Director Kari Mäkelä, Managing Director Leena Selkee and farmer Janne Tiiri.

At its reorganising meeting on 26 April 2022, the Supervisory Council elected the presiding officers of the Supervisory Council. CFO Annukka Nikola was elected as Chair and entrepreneur Taija Jurmu and Managing Director Ari Väänänen as Vice Chairs of the Supervisory Council.

The Annual Cooperative Meeting re-elected KPMG Oy Ab, an audit firm, to act as the auditor for the financial year 2022, with Juha-Pekka Mylén, APA, acting as the chief auditor, appointed by KPMG Oy Ab.

Events after the reporting period

On 26 July 2022, OP Cooperative's Board of Directors decided to file a pre-application with the European Central Bank (ECB) on the use of the Standardised Approach in capital adequacy calculation, instead of the internal models (IRBA) and the currently applied risk-weighted assets floor based on the Standardised Approach. A possible transfer to the Standardised Approach will not affect OP Financial Group's capital adequacy or risk exposure. These decisions were based on increased regulatory requirements and discussions with the banking supervisor (ECB) on the application of the IRBA.

Outlook towards the year end

The world and Finnish economy still developed favourably during the first half of the year in terms of many indicators. Companies showed good financial results and unemployment fell to the rate prevailing in boom conditions. However, Russia's aggressive war in Ukraine, the Covid-19 pandemic, higher energy prices and inflation increased the level of uncertainty and undermined development.

Central banks began to tighten their monetary policy and market interest rates rose sharply in the spring. The financial market experienced greater uncertainty and stock prices fell markedly.

Several exceptional factors affect the economic outlook. The Covid-19 pandemic, the war in Ukraine, high inflation, increasing uncertainty in the financial market and the tightening monetary policy are undermining the economic outlook. However, there is a lot of pent-up demand following the pandemic, and the economic situation is still strong. In the near future, inflation is expected to remain high and economic growth to slow down, but the economic situation in Finland and the rest of the euro area should remain fairly good. As the year proceeds, monetary policy is anticipated to tighten and interest rates are expected to continue rising.

OP Financial Group's earnings before tax for 2022 are expected to be lower than in 2021. The most significant uncertainties affecting earnings performance due to the war in Ukraine, the Covid-19 pandemic and inflation relate to changes in the interest rate and investment environment and to the developments in impairment loss on receivables. The war in Ukraine and the related sanctions and counter-sanctions are expected to substantially increase the uncertainties associated with the economy and profit performance.

All forward-looking statements in this Half-year Financial Report expressing the management's expectations, beliefs, estimates, forecasts, projections and assumptions are based on the current view on developments in the economy, and actual results may differ materially from those expressed in the forward-looking statements.

Formulas for key figures and ratios

The Alternative Performance Measures are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. The formulas for the used Alternative Performance Measures are presented below. The formulas for the key figures and ratios can be derived from the figures presented in this Half-year Financial Report, so separate reconciliation statements for the Alternative Performance Measures are not presented.

Alternative Performance Measures

Key figure or ratio	Formula		Description
Return on equity (ROE), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period.
Return on equity (ROE) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Equity (average at beginning and end of period)	x 100	The ratio describes how much return is generated on equity capital as a percentage of equity during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Return on assets (ROA), %	Financial performance for the reporting period x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of period)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period.
Return on assets (ROA) excluding OP bonuses, %	(Financial performance for the reporting period + OP bonuses after tax) x (days of financial year/days of reporting period) / Average balance sheet total (average at beginning and end of period)	x 100	The ratio describes how much return is generated on capital tied up on business during the reporting period, excluding OP bonuses paid to owner-customers that are charged to expenses.
Cost/income ratio, %	Total expenses / Total income	x 100	The ratio describes the ratio of expenses to income. The lower that ratio, the better.
Investment income	Net investment income + Overlay approach		The figure describes the development of all investment income. An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity.
Loan portfolio	Balance sheet item Receivables from customers		The loan portfolio is presented under Receivables from customers in the balance sheet.
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	Impairment loss on receivables x (days of financial year/days of reporting period) / Loan and guarantee portfolio at period end	x 100	The ratio describes the ratio of impairment loss on receivables entered in the income statement to the loan and guarantee portfolio. The lower that ratio, the better.
Deposits	Deposits included in balance sheet item Liabilities to customers		Deposits are presented in Liabilities to customers in the balance sheet.
Coverage ratio, %	Loss allowance / Receivables from customers (on-balance-sheet and off-balance-sheet items)	x 100	The ratio describes the extent to which the amount of expected losses covers the amount of the liability.
Default capture rate, %	New defaulted contracts in stage 2 a year ago / New defaulted contracts during the reporting period	x 100	The ratio describes the effectiveness of the SICR model (significant increase in credit risk), in other words how many contracts were in stage 2 before moving to stage 3.
Income from customer business	Net interest income + net insurance income + net commissions and fees		Income from customer business describes the development of net interest income, net insurance income and net commissions and fees. Income directly from customers is presented mainly under these items.

Non-life insurance:

Operating loss ratio, %	Claims incurred excl. changes in reserving bases / Insurance premium revenue, excl. net changes in reserving bases	x 100	The ratio describes how much of the insurance premium revenue is spent on claims paid and claims management. The ratio is calculated after reinsurers' share.
Operating expense ratio, %	Operating expenses / Insurance premium revenue, excl. net changes in reserving bases	x 100	The ratio describes how much of the insurance premium revenue is spent on operating expenses (insurance acquisition, management and administration costs). The ratio is calculated after reinsurers' share.
Operating combined ratio, %	Operating loss ratio + operating expense ratio Operating risk ratio + operating cost ratio		The combined ratio is a key indicator of efficiency for non-life insurance companies. The ratio describes whether the insurance premium revenue is sufficient to cover the company's expenses during the reporting period.
Operating risk ratio (excl. unwinding of discount), %	Claims excl. loss adjustment expenses and changes in reserving bases / Net insurance premium revenue, excl. changes in reserving bases	x 100	The ratio describes how much of the insurance premium revenue is spent on claims paid. The ratio is calculated after reinsurers' share.
Operating cost ratio, %	Operating expenses and loss adjustment expenses / Net insurance premium revenue, excl. changes in reserving bases	x 100	The ratio describes the ratio of the company's operating costs (acquisition, management, administration and claims settlement expenses) to its insurance premium revenue.

Life insurance:

Operating ratio, %	Total expenses / Expense loading + refund of management fee	x 100	The ratio describes the company's efficiency, or how well the expenses charged on insurance policies and the management fee refunds received on insurance policies cover the company's operating expenses.

Key indicators based on a separate calculation

Capital adequacy ratio, %	Total capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of total capital to the total risk exposure amount.
Tier 1 ratio, %	Tier 1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of Tier 1 capital to the total risk exposure amount.
CET1 ratio, %	CET1 capital / Total risk exposure amount	x 100	The ratio describes a credit institution's capital adequacy and shows the ratio of CET1 capital to the total risk exposure amount.
Solvency ratio, %	Capital base / Solvency capital requirement (SCR)	x 100	The ratio describes an insurance company's solvency and shows the ratio of the capital base to the total risk exposure amount.
Leverage ratio, %	Tier 1 capital (T1) / Exposure amount	x 100	The ratio describes a credit institution's indebtedness and shows the ratio of Tier 1 capital to the total risk exposure amount.
Liquidity coverage requirement (LCR), %	Liquid assets / Liquidity outflows – liquidity inflows under stressed conditions	x 100	The ratio describes short-term funding liquidity risk that requires the bank to have sufficient, high-quality liquid assets to get through an acute 30-day stress scenario.

Net stable funding ratio (NSFR), %	Available stable funding / Required stable funding	x 100	The ratio describes a long-term liquidity risk that requires the bank to have a sufficient amount of stable funding sources in relation to items requiring stable funding sources. The objective is to secure the sustainable maturity structure of assets and liabilities applying a 12-month time horizon and to restrict excessive resort to short-term wholesale funding.
Capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates*	Conglomerate's total capital base / Conglomerate's total minimum capital requirement	x 100	The ratio describes the capital adequacy of the financial conglomerate and shows the ratio of the capital base to the minimum amount of the capital base.
Ratio of non-performing exposures to exposures, %	Non-performing exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with severe payment difficulties to the entire exposure portfolio. Non-performing exposures refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forborne exposures related to such receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. Non-performing exposures are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of doubtful receivables to exposures, %	Doubtful receivables (gross) / Exposures at period end	x 100	The ratio describes the ratio of customers with payment difficulties to the entire exposure portfolio. Doubtful receivables refer to receivables that are more than 90 days past due and other receivables classified as risky as well as forbearance related to such receivables or to performing receivables due to the customer's financial difficulties. Forbearance measures consist of concessions agreed at the customers' initiative to the original repayment plan to make it easier for them to manage through temporary payment difficulties. In addition to non-performing forborne exposures, doubtful receivables include non-performing exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as doubtful receivables. Doubtful receivables are presented in gross terms; expected credit losses have not been deducted from them.
Ratio of performing forborne exposures to exposures, %	Performing forborne exposures (gross) / Exposures at period end	x 100	The ratio describes the ratio of forborne exposures to the entire exposure portfolio. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.
Ratio of performing forborne exposures to doubtful receivables, %	Performing forborne exposures (gross) / Doubtful receivables at period end	x 100	The ratio describes the ratio of performing forborne exposures to doubtful receivables that include not only performing forborne exposures but also non-performing exposures. Performing forborne exposures include forborne exposures reclassified as performing ones during their probation period or forbearance measures made into a performing agreement. Loan modifications due to reasons other than the customer's financial difficulties are not classified as forborne exposures.

Ratio of loss allowance (receivables from customers) to doubtful receivables, %	$\frac{\text{Loss allowance for receivables from customers in the balance sheet}}{\text{Doubtful receivables at period end}}$ x 100		The ratio describes the ratio of expected losses to all doubtful receivables. Doubtful receivables include non-performing exposures and performing forborne exposures.
Loan and guarantee portfolio	Loan portfolio + guarantee portfolio		The indicator describes the total amount of loans and guarantees given.
Exposures	Loan and guarantee portfolio + interest receivables + unused standby credit facilities		The sum of the loan and guarantee portfolio, interest receivables and unused standby credit facilities (undrawn loans and limits) is used as the basis for proportioning doubtful receivables and non-performing exposures.
Other exposures	Interest receivables + unused standby credit facilities		In addition to the loan and guarantee portfolio, exposures come from interest receivables and unused standby credit facilities (undrawn loans and limits).

*Transitional provisions have been taken into account in the FiCo solvency.

Capital adequacy and solvency

Capital adequacy for credit institutions

Capital base, € million	30 Jun 2022	31 Dec 2021
OP Financial Group's equity capital	13,843	14,184
Effect of insurance companies on the Group's shareholders' equity is excluded	-611	-988
Fair value reserve, cash flow hedge	178	-96
Common Equity Tier 1 (CET1) before deductions	13,411	13,101
Intangible assets	-337	-351
Excess funding of pension liability and valuation adjustments	-243	-132
Cooperative capital deducted from capital base	0	-160
Planned profit distribution	-143	-96
Shortfall of ECL minus expected losses	-407	-356
Insufficient coverage for non-performing exposures	-59	-41
CET1 capital	12,223	11,965
Tier 1 capital (T1)	12,223	11,965
Debenture loans	1,308	1,308
Debentures to which transitional provision applies	108	141
Excess of ECL minus expected losses	6	
Tier 2 capital (T2)	1,423	1,448
Total capital	13,645	13,413

Risk exposure amount, € million	30 Jun 2022	31 Dec 2021
Credit and counterparty risk	58,896	57,361
Standardised Approach (SA)	5,272	4,822
Central government and central banks exposure	398	298
Credit institution exposure	7	5
Corporate exposure	3,492	3,180
Retail exposure	1,192	1,142
Equity investments	1	6
Other	182	190
Internal Ratings-based Approach (IRB)	53,624	52,539
Credit institution exposure	1,220	1,191
Corporate exposure	29,563	29,808
Retail exposure	12,697	13,320
Equity investments	8,950	7,112
Other	1,193	1,109
Market and settlement risk (Standardised Approach)	1,384	1,380
Operational risk (Standardised Approach)	3,851	3,786
Valuation adjustment (CVA)	183	204
Other risks*	5,023	3,000
Total risk exposure amount	69,338	65,731

* Addition of risk-weighted assets based on the Standardised Approach

Ratios, %	30 Jun 2022	31 Dec 2021
CET1 capital ratio	17.6	18.2
Tier 1 ratio	17.6	18.2
Capital adequacy ratio	19.7	20.4

Ratios, fully loaded, %	30 Jun 2022	31 Dec 2021
CET1 capital ratio	17.6	18.2
Tier 1 ratio	17.6	18.2
Capital adequacy ratio	19.5	20.2

Capital requirement, € million	30 Jun 2022	31 Dec 2021
Capital base	13,645	13,413
Capital requirement	9,539	9,041
Buffer for capital requirements	4,106	4,373

The capital requirement of 13.8% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the O-SII buffer requirement of 1.0%, the minimum requirement (P2R) of 2.25% set by the ECB and the country-specific countercyclical capital buffers for foreign exposures.

Leverage ratio, EUR million	30 Jun 2022	31 Dec 2021
Tier 1 capital (T1)	12,223	11,965
Total exposure	158,102	161,415
Leverage ratio, %	7.8	7.4

The leverage ratio describes indebtedness. The minimum requirement for the leverage ratio is 3%.

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

€ million	30 Jun 2022	31 Dec 2021
OP Financial Group's equity capital	13,843	14,184
Hybrid instruments and debenture loans	1,416	1,448
Other sector-specific items excluded from capital base	-267	-392
Goodwill and intangible assets	-1,067	-1,097
Insurance business valuation differences*	1,031	794
Planned profit distribution	-143	-96
Items under IFRS deducted from capital base**	2	-181
Shortfall of ECL minus expected losses	-352	-330
Conglomerate's total capital base	14,463	14,331
Regulatory capital requirement for credit institutions***	9,222	8,111
Regulatory capital requirement for insurance operations*	1,319	1,672
Conglomerate's total minimum capital requirement	10,542	9,783
Conglomerate's capital adequacy	3,921	4,547
Conglomerate's capital adequacy ratio (capital base/minimum of capital base) (%)	137	146

* Differences between fair values and carrying amounts based on the solvency of insurance companies and an estimate of SCR
** Excess funding of pension liability, portion of cash flow hedge of fair value reserve
*** Total risk exposure amount x 13.8%

Transitional provisions have been taken into account in figures.

TABLES

Income statement

EUR million	Notes	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Net interest income	3	675	641	341	324
Net insurance income	4	383	326	252	170
Net commissions and fees	5	515	512	243	242
Net investment income	6	-113	255	-131	109
Other operating income		46	43	7	36
Total income		**1,505**	**1,777**	**712**	**881**
Personnel costs		451	460	224	238
Depreciation/amortisation		110	128	53	65
Other expenses	7	440	403	201	181
Total expenses		**1,001**	**991**	**478**	**484**
Impairment loss on receivables	8	-100	-35	-17	-13
OP bonuses to owner-customers		-102	-98	-54	-52
Temporary exemption (overlay approach)		157	-91	106	-36
Earnings before tax		**459**	**561**	**270**	**296**
Income tax expense		84	109	55	54
Profit for the period		**375**	**452**	**215**	**242**
Attributable to:					
Profit for the period attributable to owners		369	451	215	241
Profit for the period attributable to non-controlling interest		6	1	0	1
Profit for the period		**375**	**452**	**215**	**242**

Statement of comprehensive income

EUR million	Notes	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Profit for the period		**375**	**452**	**215**	**242**
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		135	38	101	20
Change in revaluation reserve					
Items that may be reclassified to profit or loss					
Change in fair value reserve					
Measurement at fair value		-414	-36	-221	5
Cash flow hedge		-343	-76	-147	-15
Temporary exemption (overlay approach)		-157	90	-107	36
Income tax					
Items that will not be reclassified to profit or loss					
Gains/(losses) arising from remeasurement of defined benefit plans		-27	-8	-20	-4
Change in revaluation reserve					
Items that may be reclassified to profit or loss					
Measurement at fair value		83	7	44	-1
Cash flow hedge		69	15	29	3
Temporary exemption (overlay approach)		31	-18	21	-7
Total comprehensive income for the period		**-247**	**466**	**-85**	**279**
Attributable to:					
Total comprehensive income for the period attributable to owners		-254	465	-85	278
Total comprehensive income for the period attributable to non-controlling interests		6	1	0	1
Total comprehensive income for the period		**-247**	**466**	**-85**	**279**

Balance sheet

EUR million	Notes	30 June 2022	31 Dec 2021
Cash and cash equivalents		27,034	32,846
Receivables from credit institutions		888	541
Derivative contracts	17	3,737	3,467
Receivables from customers		98,198	96,947
Investment assets		21,596	22,945
Assets covering unit-linked contracts		11,522	13,137
Intangible assets		1,175	1,212
Property, plant and equipment (PPE)		450	446
Other assets		2,861	2,419
Tax assets		244	141
Non-current assets held for sale			8
Total assets		**167,705**	**174,110**
Liabilities to credit institutions		12,950	16,650
Derivative contracts		3,666	2,266
Liabilities to customers		77,603	77,898
Insurance liabilities	9	8,257	8,773
Liabilities from unit-linked insurance and investment contracts	10	11,588	13,210
Debt securities issued to the public	11	33,180	34,895
Provisions and other liabilities		4,187	3,134
Tax liabilities		1,000	1,109
Subordinated liabilities		1,431	1,982
Liabilities associated with non-current assets held for sale			8
Total liabilities		**153,862**	**159,926**
Equity capital			
Share of OP Financial Group's owners			
Cooperative capital			
Cooperative shares		214	215
Profit shares		3,246	3,244
Fair value reserve	12	-408	323
Other reserves		2,172	2,184
Retained earnings		8,483	8,090
Non-controlling interests		**135**	**128**
Total equity capital		**13,843**	**14,184**
Total liabilities and equity capital		**167,705**	**174,110**

Statement of changes in equity

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2021	**3,174**	**382**	**2,172**	**7,248**	**12,975**	**137**	**13,112**
Total comprehensive income for the period		-17		482	**465**	1	**466**
Profit for the period				451	**451**	1	**452**
Other comprehensive income		-17		30	**14**		**14**
Profit distribution				-94	**-94**	-6	**-100**
Change in membership and profit shares	-13				**-13**		**-13**
Other				0	**0**	-2	**-2**
Balance at 30 June 2021	**3,161**	**365**	**2,172**	**7,636**	**13,334**	**129**	**13,463**

EUR million	Coope-rative capital	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity capital
	Attributable to owners						
Balance at 1 January 2022	**3,459**	**323**	**2,184**	**8,090**	**14,057**	**128**	**14,184**
Total comprehensive income for the period		-731		477	**-254**	6	**-247**
Profit for the period				369	**369**	6	**375**
Other comprehensive income		-731		108	**-623**		**-623**
Profit distribution				-96	**-96**	-2	**-98**
Change in membership and profit shares	1				**1**		**1**
Transfer of reserves			-12	12			
Other				0	**0**	3	**3**
Balance at 30 June 2022	**3,460**	**-408**	**2,172**	**8,483**	**13,708**	**135**	**13,843**

Cash flow statement

EUR million	Q1–2 2022	Q1–2 2021
Cash flow from operating activities		
Profit for the period	375	452
Adjustments to profit for the period	475	440
Increase (-) or decrease (+) in operating assets	**-3,543**	**-1,671**
Receivables from credit institutions	-257	-7
Derivative contracts	-135	185
Receivables from customers	-2,446	-1,251
Assets covering unit-linked contracts	-32	-233
Investment assets	-402	-127
Other assets	-272	-238
Increase (+) or decrease (-) in operating liabilities	**-2,237**	**11,035**
Liabilities to credit institutions	-3,702	8,158
Derivative contracts	549	-25
Liabilities to customers	287	2,594
Insurance liabilities	60	39
Liabilities from unit-linked insurance and investment contracts		228
Provisions and other liabilities	569	40
Income tax paid	-139	-84
Dividends received	61	49
A. Net cash from operating activities	**-5,008**	**10,220**
Cash flow from investing activities		
Acquisition of subsidiaries, net of cash acquired		0
Disposal of subsidiaries, net of cash disposed	33	35
Purchase of PPP and intangible assets	-67	-60
Proceeds from sale of PPE and intangible assets	8	4
B. Net cash used in investing activities	**-26**	**-22**
Cash flow from financing activities		
Subordinated liabilities, change	-507	-47
Debt securities issued to the public, change	-78	-354
Increases in cooperative and share capital	164	113
Decreases in cooperative and share capital	-163	-126
Dividends and interest on cooperative capital	-96	-96
Lease liabilities	-17	-18
C. Net cash used in financing activities	**-698**	**-528**
Net change in cash and cash equivalents (A+B+C)	**-5,732**	**9,671**
Cash and cash equivalents at period-start	**33,129**	**22,053**
Effect of foreign exchange rate changes	37	-199
Cash and cash equivalents at period-end	**27,434**	**31,525**
Interest received	**756**	**742**
Interest paid	**-56**	**-212**
Cash and cash equivalents		
Liquid assets	27,034	31,198
Receivables from credit institutions payable on demand	401	327
Total	**27,434**	**31,525**

Notes

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

Note 1. Accounting policies

The Half-year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting and with the accounting policies presented in the financial statements 2021.

Since the beginning of 2022, the new name of the Other Operations segment has been the Group Functions segment.

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

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

1. Critical accounting estimates and judgements

The preparation of the Half-year Financial Report requires making estimates and assumptions about the future and the actual results may differ from these estimates and assumptions. It also requires the management to exercise its judgement in the process of applying the accounting policies. In preparing the Half-year Financial Report, management judgment has been used especially in the calculation of expected credit losses.

Expected credit losses

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

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

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

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

The actual measurement of ECL figures is performed using the ECL models without management judgement, except if it is mainly the question of a large corporate exposure in stage 2 or 3 and on the watch list, in which case the ECL is calculated using the cash flow based ECL method based on expert assessment.

Management overlays directly to the ECL figures (post-model adjustments) are intended only for temporary use until an unpredictable event caused by the overlay provision or circumstance could have been taken into account in the ECL models. The existing ECL models do not take account of the Environmental, Social and Governance (ESG) risks as a separate component.

Management judgement and estimates included in the calculation of expected credit losses in respect of other than that presented above are included in the 2021 financial statements.

Russia's aggressive war in Ukraine

Note 8. Impairment loss on receivables includes information on choices related to the war in Ukraine made in calculating expected credit losses.

Goodwill and assets with indefinite useful lives are subject to an annual impairment test or whenever there is any indication that the value of the cash-generating unit applied in testing may have lowered. The recoverable amount determined in the impairment test is usually based on value in use, and its calculation requires estimates of future cash flows. A total of EUR 629 million in goodwill and EUR 162 million in the value of brands are covered by impairment tests. In the reporting period, the cash flow forecasts of cash-generating units for the upcoming five years were updated, and the change was compared to the corresponding forecasts at the time of testing in 2021. Despite Russia's aggressive war in Ukraine, expectations on future cash flows did not change markedly during the reporting period, so there were no such indications of impairment that would have required the performance of new actual impairment tests.

2. Adoption of IFRS 17 Insurance Contracts

OP Financial Group will begin to apply IFRS 17 Insurance Contracts as of 1 January 2023, which is the mandatory effective date. Significant changes to OP Financial Group's accounting policies of the financial statements under IFRS are shown below.

Contracts issued by insurance companies are categorised and grouped into those subject to similar risks and managed together. Insurance contracts are measured at cohort level that is created by means of a product line, customer group and cohort year. Contracts are grouped further based on their level of profitability and if the group of contracts is onerous on initial recognition or the existing group becomes onerous, the loss is immediately recognised in the income statement.

Insurance contracts with no direct insurance participating contracts are measured using the General Measurement Approach (GMA). Insurance contracts with direct insurance participating contracts are measured using the Variable Fee Approach (VFA). Income of the group of contracts is presented in the row Insurance service income in the income statement, comprising the measurement of the following components: future cash flows, risk adjustment for non-financial risk and contractual service margin. Expense items related to the group of contracts are presented in the row Insurance service expenses. In the balance sheet, future cash flows related to contracts are presented in net terms and grouped into insurance contract liabilities or assets at portfolio level. The current presentation based on expense types in the income statement will change because, as a result of IFRS 17, a proportion of personnel costs, depreciation/amortisation and other operating expenses is included in the calculation of insurance liability under IFRS 17 and presented in Insurance service expenses.

OP Financial Group has made the following significant choices related to the accounting policies:

- Presenting financial income and expenses related to the insurance for the period through profit or loss, discounting curves are derived as the sum of the risk-free interest rate and the liquidity premium dependent on the characteristics of insurance contracts, extrapolating long-term interest rates. Similarly, investments related to insurance liability are reclassified in such a way that their fair value is presented through profit or loss
- A risk mitigation alternative is used for certain contracts based on the VFA that are hedged according to the goal and strategy of the management of market risks in interest rate risk on the balance sheet
- The Cost of Capital Method is used to determine risk adjustment.

In the IFRS 17 transition, a fair value transition method is applied to insurance contracts issued by OP Life Assurance Company covering all contracts within the scope of IFRS 17 and valid on the transition date. All contracts are grouped on a portfolio basis into one transition cohort. The full retrospective approach is the primary transition model, but it must be able to be applied without hindsight relating, for example, to data concerning cash flows received and paid before the transition, their estimates and changes itemised for each group of insurance contracts in view of the inception year of contracts.

The modified retrospective approach is applied to insurance contracts issued by Pohjola Insurance covering all types of short-term insurance contracts which usually have a coverage period of one year or sometimes a few years. The modification is especially used to adjust cash flows that have already realised and to determine the discount rate. Considering that complete data are not in all respects available to Pohjola Insurance to apply the full retrospective approach, the modified retrospective approach, permitted by the standard, is applied to these in situations where reasonable and supportable information can, however, be used that is available without undue cost or effort. The end results of the modified retrospective approach will quite closely correspond to those of the full retrospective approach.

As a result of the IFRS 17 transition, OP Financial Group's equity capital on 1 January 2022 decreases by 200–350 million euros. Solvency II valuations are used in FiCo calculation, so this change to OP Financial Group's equity capital will not affect the FiCo ratio.

3. Effective interest rate of TLTRO III loans

The effective interest rate has been calculated on TLTRO loans based on management judgement related to the fulfilment of net lending criteria for review periods. If changes occur later in this management judgement, they will be treated as changes in the loan's carrying amount. The gross carrying amount of the loan is recalculated in such a way that it corresponds to the present value of the reassessed cash flows that is discounted at the loan's original effective interest rate. The resulting adjustment is recognised through profit or loss.

Note 2. Segment reporting

Segment information

Q2 earnings 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	485	214	-2	-35	13	675
of which internal net income before tax		-21		21		
Net insurance income			393		-10	383
Net commissions and fees	397	83	38	0	-4	515
Net investment income	5	7	-170	7	38	-113
Other operating income	18	11	31	342	-357	46
Total income	**905**	**315**	**290**	**314**	**-320**	**1,505**
Personnel costs	230	46	75	101	-1	451
Depreciation/amortisation	24	5	26	56	-1	110
Other operating expenses	374	122	131	182	-369	440
Total expenses	**628**	**173**	**232**	**339**	**-371**	**1,001**
Impairment loss on receivables	-60	-40	0	0	0	-100
OP bonuses to owner-customers	-81	-10	-11			-102
Temporary exemption (overlay approach)			157		0	157
Earnings before tax	**136**	**91**	**205**	**-24**	**52**	**459**

Value change arising from market changes in derivative contracts between Corporate Banking and Retail Banking is included in Group eliminations.

Q2 earnings 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Net interest income	474	203	-1	-46	11	641
of which internal net income before tax		-2		2		
Net insurance income			335		-9	326
Net commissions and fees	376	98	40	1	-3	512
Net investment income	2	95	184	8	-34	255
Other operating income	19	50	2	343	-372	43
Total income	**871**	**446**	**561**	**306**	**-407**	**1,777**
Personnel costs	225	48	81	108	-1	460
Depreciation/amortisation	26	7	29	67	-1	128
Other operating expenses	356	118	130	182	-383	403
Total expenses	**607**	**173**	**240**	**357**	**-385**	**991**
Impairment loss on receivables	-47	12	0	0	0	-35
OP bonuses to owner-customers	-79	-9	-10			-98
Temporary exemption (overlay approach)			-91			-91
Earnings before tax	**138**	**276**	**220**	**-51**	**-23**	**561**

Value change arising from market changes in derivative contracts between Corporate Banking and Retail Banking is included in Group eliminations.

Balance sheet 30 June 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	54	196		26,784		27,034
Receivables from credit institutions	28,790	235	1,758	13,916	-43,812	888
Derivative contracts	711	4,351	53	270	-1,649	3,737
Receivables from customers	71,137	27,027		417	-383	98,198
Investment assets	574	567	8,448	22,572	-10,565	21,596
Assets covering unit-linked contracts			11,522			11,522
Intangible assets	28	184	219	205	539	1,175
Property, plant and equipment (PPE)	299	4	7	144	-5	450
Other assets	455	694	1,218	664	-170	2,861
Tax assets	95	1	86	22	39	244
Total assets	**102,144**	**33,261**	**23,312**	**64,993**	**-56,005**	**167,705**
Liabilities to credit institutions	11,821	296	66	42,142	-41,376	12,950
Derivative contracts	969	4,179	45	237	-1,764	3,666
Liabilities to customers	63,812	13,819		2,476	-2,505	77,603
Insurance liabilities			8,257			8,257
Liabilities from unit-linked insurance and investments contracts			11,588			11,588
Debt securities issued to the public	17,039	1,385		19,483	-4,726	33,180
Provisions and other liabilities	820	1,150	413	1,887	-83	4,187
Tax liabilities	470	3	169	328	30	1,000
Subordinated liabilities			380	1,431	-380	1,431
Total liabilities	**94,931**	**20,831**	**20,918**	**67,985**	**-50,803**	**153,862**
Equity						**13,843**

Balance sheet 31 December 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Group Functions	Group eliminations	OP Financial Group
Cash and cash equivalents	57	183	0	32,606		32,846
Receivables from credit institutions	26,228	138	1,908	13,950	-41,683	541
Derivative contracts	324	3,441	85	271	-653	3,467
Receivables from customers	70,952	25,666	0	580	-251	96,947
Investment assets	624	492	9,472	21,714	-9,356	22,945
Assets covering unit-linked contracts			13,137			13,137
Intangible assets	27	189	768	234	-5	1,212
Property, plant and equipment (PPE)	299	4	13	137	-7	446
Other assets	397	567	988	827	-360	2,419
Tax assets	48	0	26	19	49	141
Non-current assets held for sale			8			8
Total assets	**98,957**	**30,679**	**26,405**	**70,337**	**-52,267**	**174,110**
Liabilities to credit institutions	12,196	111	68	43,439	-39,163	16,650
Derivative contracts	285	2,553	27	117	-715	2,266
Liabilities to customers	62,222	15,448		2,801	-2,573	77,898
Insurance liabilities			8,773			8,773
Liabilities from unit-linked insurance and investments contracts			13,210			13,210
Debt securities issued to the public	16,420	1,406		21,355	-4,286	34,895
Provisions and other liabilities	707	776	430	1,454	-232	3,134
Tax liabilities	471	11	226	399	1	1,109
Subordinated liabilities			380	1,994	-392	1,982
Liabilities associated with non-current assets held for sale			8			8
Total liabilities	**92,301**	**20,304**	**23,123**	**71,559**	**-47,360**	**159,926**
Equity						**14,184**

Note 3. Net interest income

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Interest income				
Receivables from credit institutions	0	0	0	0
Receivables from customers				
Loans	650	611	334	312
Finance lease receivables	14	16	7	8
Impaired loans and other commitments				
Total	664	627	342	321
Notes and bonds				
Measured at fair value through profit or loss	0	0	0	0
At fair value through other comprehensive income	26	26	14	13
Amortised cost	0	0	0	0
Total	26	26	14	13
Derivative contracts				
Fair value hedge	-75	-71	-42	-36
Cash flow hedge	24	25	12	13
Ineffective portion of cash flow hedge	-14	-2	-6	-1
Total	-65	-49	-36	-24
Liabilities to credit institutions				
Negative interest	36	31	14	20
Liabilities to customers				
Negative interest	21	16	10	8
Other	9	6	5	0
Total	**691**	**658**	**348**	**338**
Interest expenses				
Liabilities to credit institutions	-3	0	0	0
Liabilities to customers	7	7	5	3
Notes and bonds issued to the public	61	76	32	35
Subordinated liabilities				
Subordinated loans	0	0	0	0
Other	19	30	7	15
Total	19	30	7	15
Derivative contracts				
Cash flow hedge	-133	-135	-68	-66
Other	-13	-19	-8	-9
Total	-146	-154	-76	-75
Receivables from credit institutions				
Negative interest	67	52	32	30
Other	4	2	2	1
Total	**8**	**14**	**2**	**9**
Net interest income before fair value adjustment under hedge accounting	**683**	**644**	**346**	**329**
Hedging derivatives	-191	-120	-67	-37
Value changes of hedged items	183	116	63	32
Total	**675**	**641**	**341**	**324**

Note 4. Net insurance income

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Net insurance premium revenue				
Premiums written	1,018	977	321	300
Insurance premiums ceded to reinsurers	6	-5	5	8
Change in provision for unearned premiums	-261	-253	71	68
Reinsurers' share	24	23	5	4
Total	786	743	403	380
Net non-life insurance claims				
Claims paid	-516	-430	-257	-208
Insurance claims recovered from reinsurers	21	13	10	6
Change in provision for unpaid claims	36	-32	64	-35
Reinsurers' share	40	20	26	21
Total	-419	-429	-157	-217
Other non-life insurance items	-2	-3	-1	-1
Life insurance risk premiums collected	18	15	7	8
Total	**383**	**326**	**252**	**170**

Note 5. Net commissions and fees

Q1–2 2022, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q2 2022
Commission income							
Lending	56	23		0	0	79	39
Deposits	10	2		0	0	12	6
Payment transfers	144	16		5	-5	159	81
Securities brokerage	5	13			-5	13	5
Securities issuance	0	3		0	0	3	2
Fund fees	24	121	43	0	-56	132	65
Asset management	14	14		1	-7	22	10
Legal services	14	0			0	14	8
Guarantees	6	6		0	0	12	6
Housing service	37				0	37	19
Insurance brokerage	55		20		-39	36	6
Life insurance total expense loadings			43			43	21
Health and wellbeing services			1		0	1	
Other	50	4	0	2	-48	8	3
Total	**416**	**203**	**108**	**7**	**-160**	**574**	**273**
Commission expenses							
Lending	0	1		0	-1	0	0
Payment transfers	14	1	1	1	-4	12	7
Securities brokerage		2	0	0	0	2	1
Securities issuance	0	1		0	-1	0	0
Mutual funds		56	0		-56	0	0
Asset management		5	0	2	0	7	3
Guarantees		0				0	0
Insurance brokerage	-3		69		-39	27	12
Health and wellbeing services			0		0	0	
Other	8	53		4	-55	10	7
Total	**19**	**119**	**70**	**7**	**-156**	**59**	**30**
Total net commissions and fees	**397**	**83**	**38**	**0**	**-4**	**515**	**243**

Q1–2 2021, EUR million	Retail Banking	Corporate Banking	Insurance	Other operations	Elimi-nations	OP Financial Group	Q2 2021
Commission income							
Lending	51	24		0	-1	74	35
Deposits	10	2		0	0	12	6
Payment transfers	136	21		7	-6	158	79
Securities brokerage	6	16			-6	16	7
Securities issuance		5			0	5	2
Fund fees	22	120	45	0	-55	132	67
Asset management	12	14		0	-6	20	10
Legal services	12	0			0	12	6
Guarantees	5	7		0	0	12	6
Housing service	38				0	38	20
Insurance brokerage	61		18		-41	38	7
Life insurance total expense loadings			43			43	21
Health and wellbeing services			6		0	6	3
Other	38	2		0	-37	3	2
Total	**393**	**210**	**112**	**7**	**-153**	**570**	**273**
Commission expenses							
Lending	0	0		0	0	0	0
Payment transfers	11	3	1	1	-5	11	6
Securities brokerage		2	0	0	0	2	1
Securities issuance	0	1		0	-1	0	0
Mutual funds		55	0		-55	0	0
Asset management		6	0	1	0	6	3
Guarantees		0				0	0
Insurance brokerage	-3		66		-38	25	12
Health and wellbeing services			2		0	2	1
Other	8	44	0	4	-46	10	6
Total	**16**	**112**	**69**	**7**	**-146**	**57**	**31**
Total net commissions and fees	**376**	**98**	**43**	**1**	**-6**	**512**	**242**

Note 6. Net investment income

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Net income from assets at fair value through other comprehensive income				
Notes and bonds				
Interest income	20	19	10	9
Other income and expenses	-2	-1	-1	0
Capital gains and losses	-1	9	-7	0
Currency fair value gains and losses	7	7	5	-3
Impairment losses and their reversal*	-1	2	1	0
Total	**23**	**37**	**9**	**6**

* Expected credit losses (ECL) on notes and bonds of insurance

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Net income recognised at fair value through profit or loss				
Financial assets held for trading				
Notes and bonds				
Interest income and expenses	2	2	1	1
Fair value gains and losses	-21	-2	-11	0
Total	-19	0	-10	1
Shares and participations				
Fair value gains and losses	4	5	-3	5
Dividend income and share of profits	1	0	0	-1
Total	5	5	-3	4
Derivatives				
Interest income and expenses	0	19	-6	8
Fair value gains and losses	-338	-94	-185	24
Total	-338	-75	-191	33
Total	**-353**	**-70**	**-203**	**37**
Financial assets that must be measured at fair value through profit or loss				
Notes and bonds				
Interest income	10	9	5	5
Fair value gains and losses	-2	-27	-8	2
Total	7	-19	-3	6
Shares and participations				
Fair value gains and losses	-158	152	-105	50
Dividend income and share of profits	53	42	20	14
Total	-104	194	-85	64
Total	**-97**	**175**	**-88**	**70**
Financial assets designated as at fair value through profit or loss				
Notes and bonds				
Interest income	10	12	5	6
Fair value gains and losses	-196	-38	-102	-7
Total	-186	-26	-97	-1
Shares and participations				
Fair value gains and losses	-18	11	-12	2
Dividend income and share of profits	5	3	3	2
Total	-13	13	-8	5
Derivatives				
Fair value gains and losses	1	-9	2	-7
Total	1	-9	2	-7
Total	**-198**	**-22**	**-104**	**-4**
Total net income from financial assets recognised at fair value through profit or loss	**-647**	**83**	**-395**	**104**

Net income from investment property				
Rental income	26	25	12	12
Fair value gains and losses	19	-6	-5	-5
Maintenance charges and expenses	-19	-19	-9	-10
Other	0	1	0	0
Net income from investment property total	26	1	-2	-2
Net income from loans and receivables measured at amortised cost				
Loans and receivables				
Interest income	4	4	1	2
Interest expenses	-2	-1	-1	-1
Capital gains and losses				
Impairment losses and their reversal	-1	3	0	2
Loans and receivables total	1	5	1	3
Non-life insurance				
Unwinding of discount, Non-life Insurance	-9	-9	-5	-4
Life insurance				
Interest credited on customers' insurance savings	-38	-40	-19	-20
Change in supplementary interest rate provisions	235	100	120	16
Other technical items**	281	65	155	-5
Total	478	125	256	-9

** Other technical items include changes in other technical provisions than those in supplementary interest rate provisions.

Associated and joint ventures				
Accounted for using the fair value method	13	9	1	8
Consolidated using the equity method	3	4	3	3
Total	16	13	5	11
Total net investment income	**-113**	**255**	**-131**	**109**

Note 7. Other operating expenses

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
ICT costs				
Production	113	114	57	52
Development	72	58	38	29
Buildings	26	24	13	12
Government charges and audit fees	72	56	6	8
Purchased services	57	56	29	29
Data communications	15	16	8	9
Marketing	16	12	10	7
Corporate social responsibility	8	4	5	2
Insurance and security costs	3	4	2	3
Other	58	59	33	31
Total	**440**	**403**	**201**	**181**

Development costs

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
ICT development costs	72	58	38	29
Share of own work	32	32	16	16
Total development costs in the income statement	**104**	**90**	**54**	**45**
Capitalised ICT costs	39	40	20	19
Capitalised share of own work	8	8	4	4
Total capitalised development costs	**47**	**48**	**25**	**23**
Total development costs	**151**	**139**	**78**	**68**
Depreciation/amortisation and impairment loss	78	88	38	44

Note 8. Impairment losses on receivables

EUR million	Q1–2 2022	Q1–2 2021	Q2 2022	Q2 2021
Receivables written down as loan and guarantee losses	44	56	33	18
Recoveries of receivables written down	-7	-5	-4	-3
Expected credit losses (ECL) on receivables from customers and off-balance-sheet items	63	-16	-12	-3
Expected credit losses (ECL) on notes and bonds*	0	0	0	0
Total	**100**	**35**	**17**	**13**

* The expected credit losses on notes and bonds in insurance operations are presented in net investment income.

Credit risk exposures and related loss allowance

Exposures within the scope of accounting for expected credit losses by impairment stage 30 June 2022

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	62,861	7,682	32	7,714	2,183	72,758
Corporate Banking	26,221	1,806	173	1,979	536	28,737
Total	**89,082**	**9,488**	**205**	**9,693**	**2,719**	**101,494**
Off-balance-sheet limits						
Retail Banking	6,641	308	5	313	34	6,988
Corporate Banking	8,887	381	79	460	65	9,412
Total	**15,528**	**689**	**84**	**773**	**99**	**16,400**
Other off-balance-sheet commitments						
Retail Banking	3,421	47		47	23	3,491
Corporate Banking	7,352	476		476	94	7,922
Total	**10,773**	**523**		**523**	**117**	**11,412**
Notes and bonds						
Group Functions	13,082	34		34		13,116
Insurance	4,220	37		37	9	4,266
Total	**17,302**	**71**		**71**	**9**	**17,382**
Total exposures within the scope of accounting for expected credit losses	**132,685**	**10,772**	**289**	**11,060**	**2,944**	**146,689**

Loss allowance by impairment stage 30 June 2022

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-88	-2	-90	-331	-440
Corporate Banking	-26	-18	-6	-24	-270	-320
Total	**-45**	**-106**	**-8**	**-114**	**-601**	**-760**
Off-balance-sheet commitments**						
Retail Banking	0	-1		-1	-2	-4
Corporate Banking	-2	-3		-3	-31	-36
Total	**-3**	**-3**		**-3**	**-34**	**-40**
Notes and bonds***						
Group Functions	-1	-1		-1		-2
Insurance	-8	-1		-1	-6	-15
Total notes and bonds	**-9**	**-2**		**-2**	**-3**	**-17**
Total	**-57**	**-111**	**-8**	**-119**	**-638**	**-816**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

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

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

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

Summary and key indicators 30 June 2022	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	72,923	8,038	37	8,074	2,240	83,237
Corporate Banking	42,461	2,663	252	2,915	695	46,070
Loss allowance						
Retail Banking	-20	-89	-2	-90	-334	-444
Corporate Banking	-28	-21	-6	-27	-301	-356
Coverage ratio, %						
Retail Banking	-0.03%	-1.10%	-4.84%	-1.12%	-14.90%	-0.53%
Corporate Banking	-0.07%	-0.78%	-2.47%	-0.92%	-43.31%	-0.77%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**115,383**	**10,700**	**289**	**10,989**	**2,935**	**129,307**
Total loss allowance	**-47**	**-109**	**-8**	**-117**	**-635**	**-799**
Total coverage ratio, %	**-0.04%**	**-1.02%**	**-2.77%**	**-1.07%**	**-21.63%**	**-0.62%**
Carrying amount, notes and bonds						
Group Functions	13,082	34		34		13,116
Insurance	4,220	37		37	9	4,266
Loss allowance						
Group Functions	-1	-1		-1		-2
Insurance	-8	-1		-1	-6	-15
Coverage ratio, %						
Group Functions	-0.01%	-1.74%		-1.74%		-0.02%
Insurance	-0.19%	-3.79%		-3.79%	-60.26%	-0.35%
Total notes and bonds	**17,302**	**71**		**71**	**9**	**17,382**
Total loss allowance	**-9**	**-2**		**-2**	**-6**	**-17**
Total coverage ratio, %	**-0.05%**	**-2.81%**		**-2.81%**	**-60.26%**	**-0.10%**

Exposures within the scope of accounting for expected credit losses by impairment stage 31 December 2021

Exposures	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total exposure
Receivables from customers (gross)						
Retail Banking	61,835	7,608	8	7,615	2,095	71,545
Corporate Banking	24,673	1,058	247	1,304	508	26,486
Total	**86,508**	**8,665**	**254**	**8,919**	**2,603**	**98,031**
Off-balance-sheet limits						
Retail Banking	6,445	277	10	286	36	6,767
Corporate Banking	4,279	190	88	278	75	4,631
Total	**10,724**	**466**	**98**	**564**	**110**	**11,398**
Other off-balance-sheet commitments						
Retail Banking	3,397	46		46	16	3,458
Corporate Banking	7,196	121		121	78	7,396
Total	**10,593**	**166**		**166**	**94**	**10,854**
Notes and bonds						
Group Functions	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Total	**17,340**	**67**		**67**	**7**	**17,414**
Total exposures within the scope of accounting for expected credit losses	**125,165**	**9,365**	**352**	**9,717**	**2,815**	**137,697**

Loss allowance by impairment stage 31 December 2021

On-balance-sheet exposures and related off-balance-sheet limits*	Stage 1	Stage 2			Stage 3	
EUR million		Not more than 30 DPD	More than 30 DPD	Total		Total loss allowance
Receivables from customers						
Retail Banking	-19	-59	-2	-61	-319	-398
Corporate Banking	-23	-23	-2	-25	-269	-317
Total	**-42**	**-82**	**-4**	**-86**	**-588**	**-715**
Other off-balance-sheet commitments**						
Retail Banking	-1	-1		-1	-1	-2
Corporate Banking	-3	-3		-3	-14	-20
Total	**-4**	**-3**		**-3**	**-15**	**-22**
Notes and bonds***						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Total notes and bonds	**-8**	**-2**		**-2**	**-3**	**-14**
Total	**-54**	**-87**	**-4**	**-91**	**-606**	**-751**

* Loss allowance for on- and related off-balance sheet limits is recognised as one component to deduct the balance sheet item.

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

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

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

Summary and key indicators 31 December 2021	Stage 1	Stage 2			Stage 3	
		Not more than 30 DPD	More than 30 DPD	Total		Total
Receivables from customers; on-balance-sheet and off-balance-sheet items						
Retail Banking	71,676	7,930	17	7,947	2,146	81,770
Corporate Banking	36,149	1,368	335	1,703	661	38,513
Loss allowance						
Retail Banking	-20	-59	-2	-61	-319	-400
Corporate Banking	-26	-25	-2	-27	-283	-337
Coverage ratio, %						
Retail Banking	-0.03%	-0.75%	-12.91%	-0.77%	-14.87%	-0.49%
Corporate Banking	-0.07%	-1.85%	-0.63%	-1.61%	-42.83%	-0.88%
Receivables from customers; total on-balance-sheet and off-balance-sheet items	**107,825**	**9,298**	**352**	**9,650**	**2,808**	**120,283**
Total loss allowance	**-46**	**-85**	**-4**	**-89**	**-603**	**-737**
Total coverage ratio, %	**-0.04%**	**-0.91%**	**-1.23%**	**-0.92%**	**-21.46%**	**-0.61%**
Carrying amount, notes and bonds						
Group Functions	13,160	31		31		13,191
Insurance	4,180	36		36	7	4,223
Loss allowance						
Group Functions	-2	-1		-1		-2
Insurance	-7	-2		-2	-3	-12
Coverage ratio, %						
Group Functions	-0.01%	-2.00%		-2.00%		-0.02%
Insurance	-0.16%	-4.16%		-4.16%	-49.03%	-0.28%
Total notes and bonds	**17,340**	**67**		**67**	**7**	**17,414**
Total loss allowance	**-8**	**-2**		**-2**	**-3**	**-14**
Total coverage ratio, %	**-0.05%**	**-3.17%**		**-3.17%**	**-49.03%**	**-0.08%**

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

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2022	**107,825**	**9,650**	**2,808**	**120,283**
Transfers from Stage 1 to Stage 2, incl. repayments	-4,818	4,705		-113
Transfers from Stage 1 to Stage 3, incl. repayments	-303		286	-17
Transfers from Stage 2 to Stage 1, incl. repayments	2,659	-2,798		-139
Transfers from Stage 2 to Stage 3, incl. repayments		-455	433	-21
Transfers from Stage 3 to Stage 1, incl. repayments	77		-80	-3
Transfers from Stage 3 to Stage 2, incl. repayments		179	-184	-5
Increases due to origination and acquisition	14,167	350	66	14,582
Decreases due to derecognition	-8,209	-519	-234	-8,961
Unchanged Stage, incl. repayments	3 985*	-123	-125	3,737
Recognised as final credit loss			-35	-36
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 June 2022	**115,383**	**10,989**	**2,934**	**129,307**

* Stage 1 positive net change is related to increases in off-balance-sheet limits.

The following flow statements show the changes in loss allowance by impairment stage during January-June 2022.

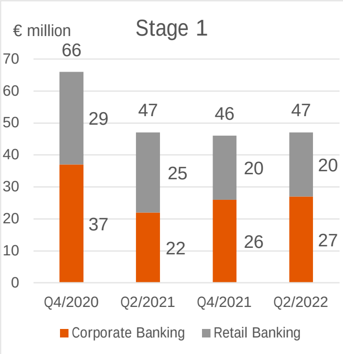
Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**46**	**89**	**603**	**737**
Transfers from Stage 1 to Stage 2	-4	29		26
Transfers from Stage 1 to Stage 3	-3		64	61
Transfers from Stage 2 to Stage 1	2	-14		-12
Transfers from Stage 2 to Stage 3		-11	46	35
Transfers from Stage 3 to Stage 2	0		-8	-7
Transfers from Stage 3 to Stage 1		3	-17	-14
Increases due to origination and acquisition	6	4	10	20
Decreases due to derecognition	-6	-9	-34	-49
Changes in risk parameters (net)	7	24	-4	27
Changes in model assumptions and methodology	0	2	5	7
Decrease in allowance account due to write-offs			-30	-30
Net change in expected credit losses	**2**	**28**	**32**	**62**
Loss allowance 30 June 2022	**47**	**117**	**635**	**799**
Net change in expected credit losses Q2 2022	**3**	**-1**	**-15**	**-13**

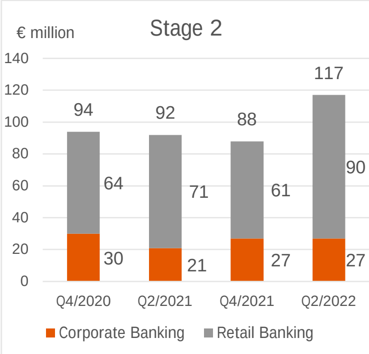
In June 2022, OP Financial Group updated lifetime EAD models and the maturity model. Changes in the models increased OP Corporate Bank's expected credit losses by 7 million euros, which is reported in the table above on row "changes in model assumptions and methodology". Lifetime EAD models are used in the ECL measurement under IFRS 9 to estimate a contract's on-balance-sheet exposures at default for the contract's lifetime. The maturity model is used in the ECL measurement under IFRS 9 to estimate a contract's lifetime for standby credit facilities of personal and corporate customer exposures whose credit risk has increased significantly, meaning that their ECL is measured for the contract's lifetime (Stage 2). The maturity model is used for the standby credit facilities of personal and corporate customer exposures because they have no contractual maturity.

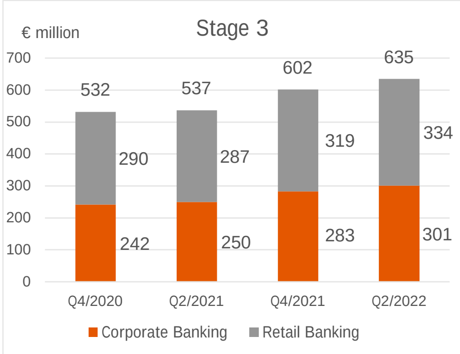
OP Financial Group has assessed the financial effects of Russia's war of aggression in Ukraine on the credit risk of its customers. The effects arise, for example, from business closure and a rise in energy, raw material and other production costs. Impairment loss on receivables during the first half of the year in the income statement increased year on year by EUR 65 million to EUR 100 million (35). This increase mainly came from the indirect effects of the war in Ukraine. The remaining EUR 32 million consist of the management overlay provision affecting the riskiest sectors, that is to say agriculture, construction, energy and transport. Significant uncertainty is still involved in the amount of expected credit losses arising from the effects of the war in Ukraine.

At the end of 2021, OP Financial Group made a 34-million euro additional ECL provision concerning CRE backed loans. The provision was aimed at anticipating growth in the ECL caused by the update of the collateral assessment of riskier collateral real estate holdings and probable default statutes. The provision was not reversed during Q2/2022.

The following graphs illustrate the trend in the expected credit losses of customer receivables by impairment stage during the last few years. The graphs show the effect of the Russian military operations in Stages 2 and 3 in Q2/2022.

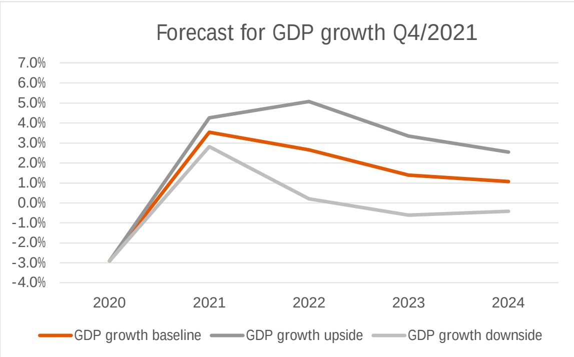


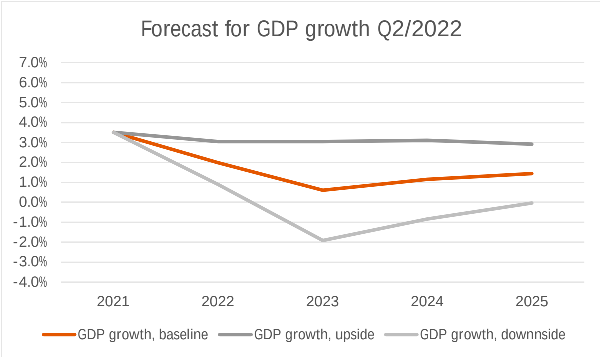


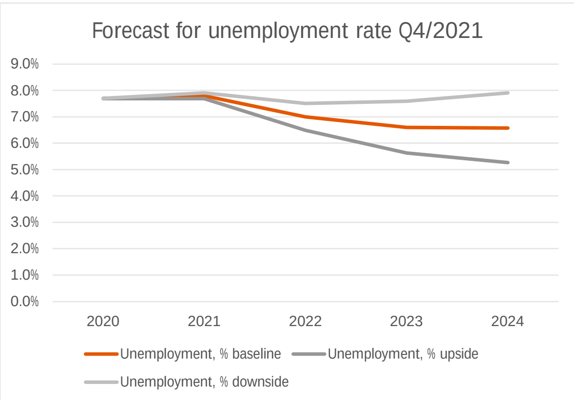


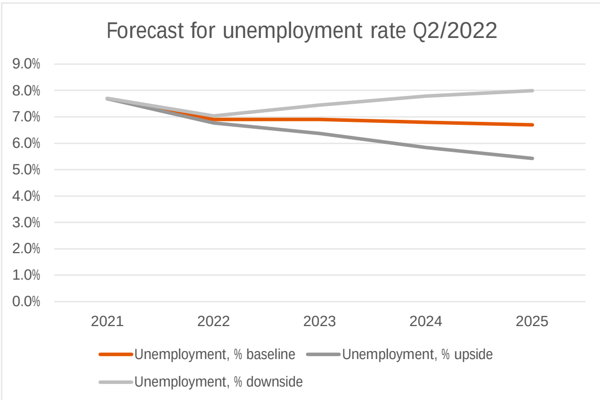
In ECL measurement, macroeconomic factors are updated on a quarterly basis. The ECL is measured as the weighted average under three scenarios. Scenario weights have been at normal level, or downside 20%, baseline 60% and upside 20%. During the first half of the year 2022, the update of the macroeconomic forecasts did not have any significant effect on the ECL.

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









Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2022	**7**	**2**	**5**	**14**
Transfers from Stage 1 to Stage 2	0	1	0	0
Transfers from Stage 1 to Stage 3	0	0	2	2
Transfers from Stage 2 to Stage 1	0	0	0	0
Transfers from Stage 2 to Stage 3		0	0	0
Transfers from Stage 3 to Stage 1	0		-1	-1
Increases due to origination and acquisition	2	0	0	2
Decreases due to derecognition	-1	0		-1
Changes in risk parameters (net)	0	0	1	1
Net change in expected credit losses	**1**	**0**	**3**	**4**
Loss allowance 30 June 2022	**8**	**2**	**7**	**17**
Net change in expected credit losses Q2 2022	**0**	**0**	**1**	**1**

The table below shows a change in exposures within the scope of the measurement of expected credit losses by impairment Stage for 2021 resulting from the effect of the following factors:

Receivables from customers and off-balance-sheet items, EUR million	Stage 1	Stage 2	Stage 3	Total
Receivables from customers; on-balance-sheet and off-balance-sheet items 1 January 2021	**104,895**	**9,203**	**2,587**	**116,685**
Transfers from Stage 1 to Stage 2, incl. repayments	-4,982	4,660		-322
Transfers from Stage 1 to Stage 3, incl. repayments	-370		320	-49
Transfers from Stage 2 to Stage 1, incl. repayments	2,370	-2,593		-223
Transfers from Stage 2 to Stage 3, incl. repayments		-758	696	-62
Transfers from Stage 3 to Stage 1, incl. repayments	54		-62	-8
Transfers from Stage 3 to Stage 2, incl. repayments		187	-207	-20
Increases due to origination and acquisition	27,550	862	153	28,565
Decreases due to derecognition	-16,322	-1,626	-342	-18,291
Unchanged Stage, incl. repayments	-5,369	-279	-224	-5,872
Recognised as final credit loss		-6	-113	-119
Receivables from customers; on-balance-sheet and off-balance-sheet items 31 December 2021	**107,825**	**9,650**	**2,808**	**120,283**

The table below shows the change in loss allowance by impairment stage during 2021.

Receivables from customers and off-balance-sheet items, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**65**	**93**	**533**	**692**
Transfers from Stage 1 to Stage 2	-3	30		26
Transfers from Stage 1 to Stage 3	-1		34	33
Transfers from Stage 2 to Stage 1	2	-13		-10
Transfers from Stage 2 to Stage 3		-19	78	60
Transfers from Stage 3 to Stage 2		5	-16	-11
Transfers from Stage 3 to Stage 1	1		-6	-5
Increases due to origination and acquisition	15	11	27	53
Decreases due to derecognition	-21	-14	-55	-89
Changes in risk parameters (net)	-16	-6	86	65
Changes due to update in the methodology for estimation (net)	2	0		2
Decrease in allowance account due to write-offs		0	-78	-78
Net change in expected credit losses	**-19**	**-6**	**70**	**45**
Loss allowance 31 December 2021	**46**	**89**	**603**	**737**
Net change in expected credit losses Q2 2021	**-16**	**1**	**13**	**-3**

Notes and bonds, EUR million	Stage 1 12 months	Stage 2 Lifetime	Stage 3 Lifetime	Total
Loss allowance 1 January 2021	**7**	**3**	**6**	**16**
Transfers from Stage 1 to Stage 2	0	0		0
Transfers from Stage 2 to Stage 1	0	0		0
Increases due to origination and acquisition	2		0	2
Decreases due to derecognition	-2	-1	-1	-4
Changes in risk parameters (net)	0	0	0	0
Net change in expected credit losses	**0**	**-1**	**-1**	**-2**
Loss allowance 31 December 2021	**7**	**2**	**5**	**14**
Net change in expected credit losses Q2 2021	**0**	**0**	**0**	**-1**

Note 9. Insurance liabilities

EUR million	30 June 2022	31 Dec 2021
Provision for unpaid claims		
Provision for unpaid claims for annuities	1,451	1,535
Other provision for unpaid claims	1,260	1,204
Reserve for decreased discount rate (value of hedges of insurance liability)	-113	-48
Total	2,598	2,691
Provisions for unearned premiums	867	606
Life insurance insurance liabilities	4,792	5,475
Total	**8,257**	**8,773**

Note 10. Liabilities from unit-linked insurance and investment contracts

EUR million	30 June 2022	31 Dec 2021
Liabilities from unit-linked insurance	4,546	5,332
Investment contracts	7,042	7,878
Total	**11,588**	**13,210**

The breakdown of the status 31 December 2021 has been adjusted.

Note 11. Debt securities issued to the public

EUR million	30 June 2022	31 Dec 2021
Bonds	9,316	10,838
Subordinated bonds (SNP)	4,352	3,926
Covered bonds	12,478	12,353
Other		
Certificates of deposit	582	297
Commercial paper	6,513	7,539
Included in own portfolio in trading (–)*	-62	-58
Total debt securities issued to the public	**33,180**	**34,895**

* Own bonds held by OP Financial Group have been set off against liabilities.

Note 12. Fair value reserve after income tax

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2021	**109**	**70**	**203**	**382**
Fair value changes	-24	113	-53	36
Capital gains transferred to income statement	-11	-28		-39
Impairment loss transferred to income statement		5		5
Transfers to net interest income			-23	-23
Deferred tax	7	-18	15	4
Closing balance 30 June 2021	**81**	**142**	**143**	**365**

	Fair value through other comprehensive income			
EUR million	Notes and bonds	Shares and participations (overlay approach)	Cash flow hedging	Total
Opening balance 1 January 2022	**63**	**164**	**96**	**323**
Fair value changes	-401	-142	-332	-875
Capital gains transferred to income statement	-13	-26		-39
Impairment loss transferred to income statement		11		11
Transfers to net interest income			-11	-11
Deferred tax	83	31	69	183
Closing balance 30 June 2022	**-268**	**39**	**-178**	**-408**

The fair value reserve before tax amounted to EUR -510 million (457) at the end of the reporting period and the related deferred tax asset/liability was EUR 102 million (-91). The loss allowance on notes and bonds recognised at fair value through other comprehensive income totalled EUR -1 million (3) in the fair value reserve during the reporting period.

A negative fair value reserve may recover by means of asset appreciation and recognised impairments.

Note 13. Collateral given

EUR million	30 June 2022	31 Dec 2021
Given on behalf of own liabilities and commitments		
Pledges	1	1
Loans (as collateral for covered bonds)	20,023	19,429
Others	13,469	18,526
Total collateral given*	**33,493**	**37,955**
Secured derivative liabilities	552	744
Other secured liabilities	12,000	16,004
Covered bonds	12,478	12,353
Total	**25,030**	**29,101**

* In addition, bonds with a book value of EUR 2.5 billion have been pledged in the central bank, of which EUR 0.5 billion in intraday settlement collateral. Given that the bonds are available for withdrawal without the central bank's advance permission, they are not presented in the table above.

Note 14. Classification of financial assets and liabilities

			Fair value through profit or loss				
Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	27,034						27,034
Receivables from credit institutions	888						888
Derivative contracts			2,728			1,009	3,737
Receivables from customers	98,198						98,198
Assets covering unit-linked contracts				11,522			11,522
Notes and bonds	1	16,457	531	1,609	348		18,945
Equity instruments		1	88	205	1,577		1,871
Other financial assets	2,913						2,913
Financial assets							**165,108**
Other than financial instruments							2,598
Total 30 June 2022	**129,034**	**16,457**	**3,346**	**13,336**	**1,925**	**1,009**	**167,705**

Assets, EUR million	Amortised cost	Fair value through other comprehen-sive income	Financial assets held for trading	Financial assets designated as at fair value through profit or loss	Must be measured at fair value through profit or loss	Hedging derivatives	Carrying amount total
Cash and cash equivalents	32,846						32,846
Receivables from credit institutions	541						541
Derivative contracts			2,672			796	3,467
Receivables from customers	96,947						96,947
Assets covering unit-linked contracts				13,137			13,137
Notes and bonds	1	17,411	331	1,987	356		20,087
Equity instruments		0	78	218	1,624		1,921
Other financial assets	2,469						2,469
Financial assets							**171,415**
Other than financial instruments							2,695
Total 31 December 2021	**132,805**	**17,412**	**3,080**	**15,342**	**1,981**	**796**	**174,110**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		12,950		12,950
Derivative contracts	2,623		1,042	3,666
Liabilities to customers		77,603		77,603
Insurance liabilities		8,257		8,257
Liabilities from unit-linked insurance and investment contracts	11,588			11,588
Debt securities issued to the public		33,180		33,180
Subordinated loans		1,431		1,431
Other financial liabilities		3,389		3,389
Financial liabilities				**152,063**
Other than financial liabilities				1,799
Total 30 June 2022	**14,211**	**136,810**	**1,042**	**153,862**

Liabilities, EUR million	Financial liabilities at fair value through profit or loss	Other liabilities	Hedging derivatives	Carrying amount total
Liabilities to credit institutions		16,650		16,650
Derivative contracts	1,933		333	2,266
Liabilities to customers		77,898		77,898
Insurance liabilities		8,773		8,773
Liabilities from unit-linked insurance and investment contracts	13,210			13,210
Debt securities issued to the public		34,895		34,895
Subordinated loans		1,982		1,982
Other financial liabilities		2,581		2,581
Financial liabilities				**158,256**
Other than financial liabilities				1,670
Total 31 December 2021	**15,143**	**142,780**	**333**	**159,926**

Bonds included in debt securities issued to the public are carried at amortised cost. On 30 June 2022, the fair value of these debt instruments was approximately EUR 1,639 million (337) lower (higher) than their carrying amount, based on information available from markets and employing commonly used valuation techniques. Subordinated liabilities are carried at amortised cost. Their fair values are higher than their amortised costs, but determining reliable fair values involves uncertainty.

Note 15. Recurring fair value measurements by valuation technique

Fair value of assets on 30 June 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	814	319	738	1,870
Debt instruments	1,413	794	280	2,487
Unit-linked contracts	7,648	3,874		11,522
Derivative financial instruments	9	3,647	81	3,737
Fair value through other comprehensive income				
Debt instruments	13,208	2,218	1,031	16,457
Total financial instruments	**23,092**	**10,851**	**2,130**	**36,073**
Investment property			570	570
Total	**23,092**	**10,851**	**2,700**	**36,643**

Fair value of assets on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Equity instruments	909	316	696	1,920
Debt instruments	1,814	640	221	2,675
Unit-linked contracts	8,517	4,619		13,137
Derivative financial instruments	1	3,360	106	3,467
Fair value through other comprehensive income				
Debt instruments	14,119	2,758	534	17,411
Total financial instruments	**25,360**	**11,694**	**1,557**	**38,610**
Investment property			724	724
Total	**25,360**	**11,694**	**2,281**	**39,335**

Fair value of liabilities on 30 June 2022, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	7,692	3,896		11,588
Derivative financial instruments	4	3,597	64	3,666
Total	**7,696**	**7,493**	**64**	**15,254**

Fair value of liabilities on 31 December 2021, EUR million	Level 1	Level 2	Level 3	Total
Recognised at fair value through profit or loss				
Unit-linked contracts	8,565	4,645		13,210
Other		0		0
Derivative financial instruments	2	2,234	30	2,266
Total	**8,566**	**6,879**	**30**	**15,476**

Level 1: Quoted prices in active markets

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

Level 2: Valuation techniques using observable inputs

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

Level 3: Valuation techniques using unobservable inputs

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

Transfers between levels of the fair value hierarchy

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

Reconciliation of Level 3 items

Specification of financial assets and liabilities

Financial assets, EUR million	Financial assets at fair value through profit or loss	Derivative contracts	Fair value through other comprehen-sive income	Total assets
Opening balance 1 January 2022	**916**	**106**	**534**	**1,557**
Total gains/losses in profit or loss	-189	-26	0	-214
Total gains/losses in other comprehensive income			-3	-3
Purchases	79		4	82
Sales	-36			-36
Settlements	-5			-5
Transfers into Level 3	253		608	861
Transfers out of Level 3			-112	-112
Closing balance 30 June 2022	**1,018**	**81**	**1,031**	**2,130**

Financial liabilities, EUR million	Derivative contracts	Total liabilities
Opening balance 1 January 2022	**30**	**30**
Total gains/losses in profit or loss	34	34
Closing balance 30 June 2022	**64**	**64**

Total gains/losses included in profit or loss by item for the financial year on 30 June 2022

EUR million	Net interest income	Net investment income	Statement of comprehensive income/ Change in fair value reserve	Total gains/ losses for the financial year included in profit or loss for assets/ liabilities held at year-end
Realised net gains (losses)	-191	2	0	-189
Unrealised net gains (losses)	-60		-2	-62
Total net gains (losses)	**-250**	**2**	**-3**	**-251**

Derivatives included in Level 3 comprise structured derivatives for customer needs, whose market risk is covered by a corresponding derivatives contract. The uncovered market risk does not have any effect on earnings. Level 3 derivatives relate to structured bonds issued by OP Corporate Bank, whose return is determined by the value performance of an embedded derivative instrument. The fair value change of these embedded derivatives is not presented in the above table. In addition, long-maturity derivatives have been included in Level 3 for which the Group had to extrapolate the market data used in their value measurement.

Changes in the levels of hierarchy

No major changes occurred in valuation techniques in 2022.

Note 16. Off-balance-sheet commitments

EUR million	30 June 2022	31 Dec 2021
Guarantees	667	641
Other guarantee liabilities	2,663	2,727
Loan commitments	15,214	15,203
Commitments related to short-term trade transactions	675	679
Other*	1,133	1,378
Total off-balance-sheet commitments	**20,352**	**20,629**

* Of which Non-life Insurance commitments to private equity funds amount to EUR 152 million (195).

Note 17. Derivative contracts

Total derivatives 30 June 2022

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	25,817	91,918	92,678	210,413	2,402	2,436
Cleared by the central counterparty	14,175	49,084	56,054	119,313	252	245
Settled-to-market (STM)	8,261	31,289	39,007	78,557	175	153
Collateralised-to-market (CTM)	5,914	17,795	17,047	40,756	78	92
Currency derivatives	54,027	5,266	858	60,151	1,042	1,011
Equity and index-linked derivatives	2			2	1	
Credit derivatives	22	59	11	93	0	37
Other derivatives	633	569	69	1,271	109	125
Total derivatives	**80,501**	**97,812**	**93,616**	**271,929**	**3,555**	**3,609**

Total derivatives 31 December 2021

	Nominal values/residual maturity				Fair values*	
EUR million	<1 year	1–5 years	>5 years	Total	Assets	Liabilities
Interest rate derivatives	21,176	74,987	86,509	182,671	2,453	1,447
Cleared by the central counterparty	10,327	38,295	51,866	100,487	11	13
Settled-to-market (STM)	6,155	24,603	37,311	68,069	9	11
Collateralised-to-market (CTM)	4,171	13,692	14,554	32,418	2	3
Currency derivatives	44,610	5,508	757	50,874	782	669
Equity and index-linked derivatives	2			2	0	
Credit derivatives	34	783	110	926	2	35
Other derivatives	260	1,744	28	2,032	104	43
Total derivatives	**66,081**	**83,021**	**87,403**	**236,506**	**3,342**	**2,195**

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

Note 18. Investment distribution of the Insurance segment

Non-life Insurance	30 June 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Money market total	**465**	**12**	**596**	**14**
Money market instruments and deposits**	465	12	590	14
Derivatives***		0	7	0
Total bonds and bond funds	**2,330**	**62**	**2,555**	**60**
Governments	318	8	432	10
Investment Grade	1,596	42	1,750	41
Emerging markets and High Yield	208	6	187	4
Structured Investments****	208	6	187	4
Total equities	**603**	**16**	**629**	**15**
Finland	91	2	113	3
Developed markets	330	9	328	8
Emerging markets	105	3	114	3
Fixed assets and unquoted equities	6	0	6	0
Private equity investments	71	2	69	2
Total alternative investments	**32**	**1**	**33**	**1**
Hedge funds	32	1	33	1
Total property investment	**326**	**9**	**473**	**11**
Direct property investment	147	4	301	7
Indirect property investment	178	5	172	4
Total	**3,755**	**100**	**4,287**	**100**

* Includes accrued interest income.

** Includes settlement receivables and liabilities and market value of derivatives.

*** Effect of derivatives on the allocation of the asset class (delta-weighted equivalents).

**** Include covered bonds, bond funds and illiquid bonds.

Life Insurance	30 June 2022		31 December 2021	
Investment asset portfolio allocation	Fair value*, EUR million	%	Fair value*, EUR million	%
Total money market instruments	**644**	**19**	**748**	**21**
Money market investments and deposits**	632	19	743	20
Derivatives***	11	0	5	0
Total bonds and bond funds	**1,991**	**60**	**2,126**	**58**
Governments	194	6	256	7
Inflation-linked bonds				
Investment Grade	1,454	44	1,586	44
Emerging markets and High Yield	162	5	121	3
Structured investments****	181	5	163	4
Total equities	**484**	**15**	**546**	**15**
Finland	73	2	91	3
Developed markets	260	8	283	8
Emerging markets	80	2	98	3
Fixed assets and unquoted equities	3	0	3	0
Private equity investments	68	2	70	2
Total alternative investments	**39**	**1**	**40**	**1**
Hedge funds	39	1	40	1
Total real property investments	**182**	**5**	**186**	**5**
Direct property investments	23	1	23	1
Indirect property investments	160	5	163	4
Total	**3,340**	**100**	**3,646**	**100**

* Includes accrued interest income.

** Include settlement receivables and liabilities and market value of derivatives.

*** Effect of derivatives on the allocation of the asset class (delta equivalent).

**** Include covered bonds, bond funds and illiquid bonds.

Note 19. Related-party transactions

OP Financial Group's related parties comprise subsidiaries consolidated into OP Financial Group, associates, key management personnel and their close family members, and other related-party entities. OP Financial Group's key management personnel comprises OP Financial Group's President and Group Chief Executive Officer, members of OP Cooperative's Executive Management Team and directors directly reporting to the President and Group Chief Executive Officer, the Chair and members of OP Cooperative's Board of Directors as well as members of the Supervisory Council. Related parties of the management also include companies over which key management persons or their close family member exercises significant influence. Other entities regarded as related parties include OP Financial Group's Personnel Fund and OP Bank Group Pension Foundation.

Normal loan terms and conditions apply to loans granted to related parties. These loans are tied to generally used reference rates.

Related-party transactions have not undergone any substantial changes since 31 December 2021.

Financial reporting in 2022

Interim Report Q1–3/2022	26 October 2022
OP Amalgamation capital adequacy tables 30 June 2022	Week 32
OP Amalgamation capital adequacy tables 30 September 2022	Week 44

Helsinki, 27 July 2022

OP Cooperative
Board of Directors

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