OP Financial Group's Financial Statements Bulletin 1 January–31 December 2023

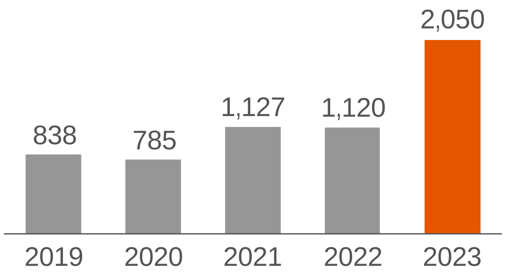
Background material

OP Financial Group has applied IFRS 17 Insurance Contracts as of 1 January 2023. The 2022 figures in the income statement and balance sheet have been adjusted retrospectively. The preceding years' figures (2019, 2020 and 2021) have not been adjusted. Note 1 Accounting policies to this Interim Report provides more information on the adoption of IFRS 17 and the changes in the format of the income statement and balance sheet.

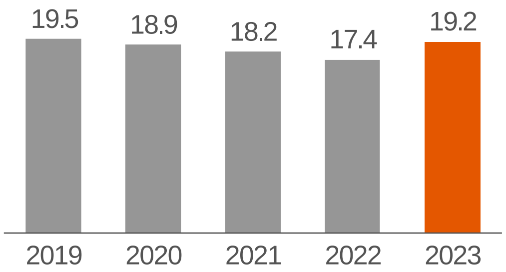
Summary of 2023

- Despite the challenges in the business environment, OP Financial Group's business operations fared extremely well in 2023. Operating profit grew by 83% on the previous year, to EUR 2,050 million. The good result was especially due to higher net interest income and favourable developments in investment income, despite the difficult capital market environment.
- OP Financial Group's CET1 ratio improved again, to 19.2 per cent, which exceeds the minimum regulatory requirement by 6.9 percentage points. OP Financial Group is one of the most financially solid large banks in Europe.
- Furthermore, our liquidity remained excellent. Strong capital adequacy, excellent liquidity and broad trust among customers and other stakeholders are vital both for banks and insurance companies. OP Financial Group is in great shape in all these respects.
- Because of this strong performance, we are providing our almost 2.1 million owner-customers with better benefits in 2024. The total value of higher benefits on OP bonuses and daily services will rise to around EUR 400 million in 2024.

Operating profit, € million

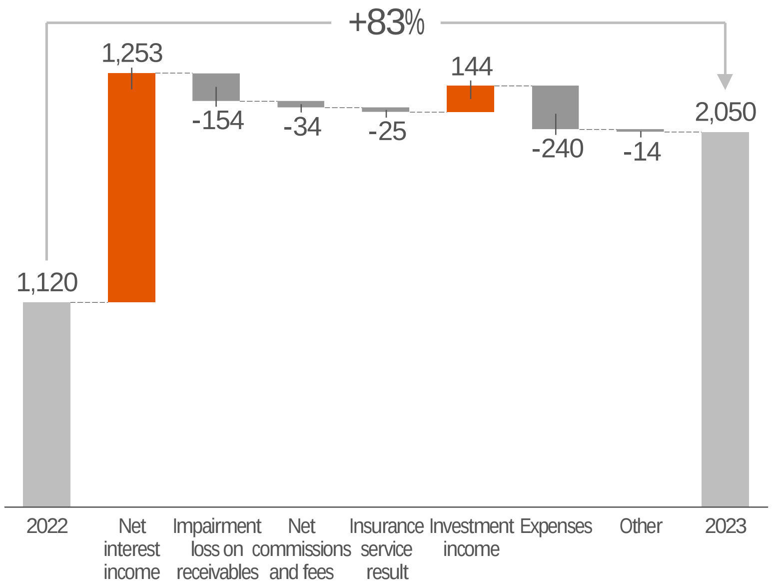


CET1 ratio, %



Financial performance

Operating profit year on year change, € million



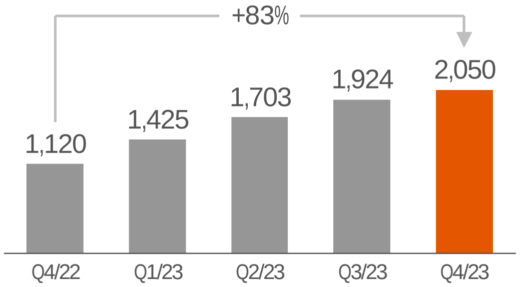
€ million

	2023	2022	Change %
Net interest income	2,871	1,618	77%
Impairment loss on receivables	-269	-115	134%
Net commissions and fees	908	942	-4%
Insurance service result	81	106	-23%
Insurance premium revenue	2,000	1,898	5%
Insurance service expenses	-1,824	-1,898	-4%
Net income from reinsurance contracts	-95	106	-
Investment income	389	245	59%
Other operating income	40	67	-40%
Personnel costs	-964	-856	13%
Depriciation and impairment loss	-226	-214	6%
Other operating expenses	-1,011	-892	13%
Transfers to insurance service result	485	416	17%
OP bonuses to owner-customers	-255	-198	29%
Total income	**4,775**	**3,394**	**41%**
Total expenses	**-2,201**	**-1,961**	**12%**
Cost/income ratio, %	**46,1**	**57,8**	**-12%***
Operating profit	2,050	1,120	83%

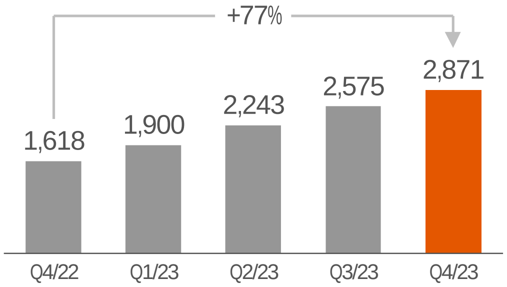
*Change in ratio

Rolling 12 months of selected P&L items

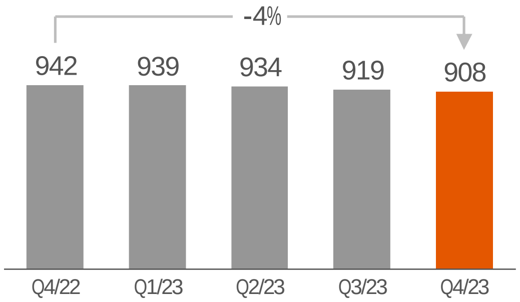
Operating profit, € million



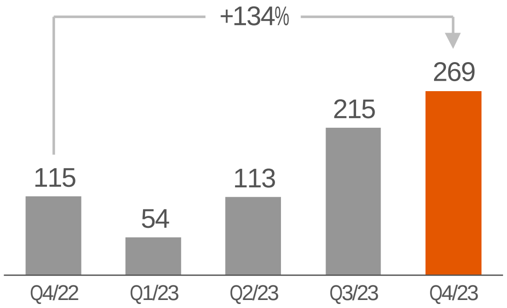
Net interest income, € million



Net commissions and fees, € million

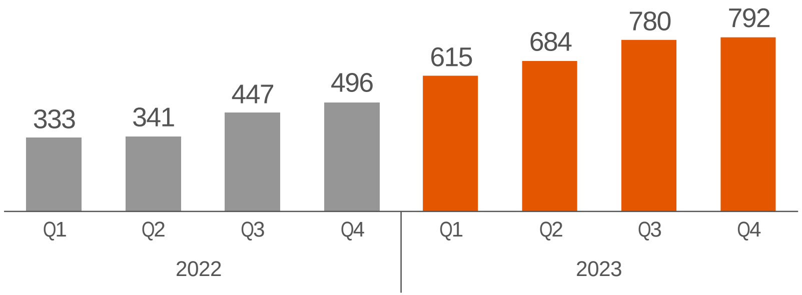


Impairment loss on receivables, € million



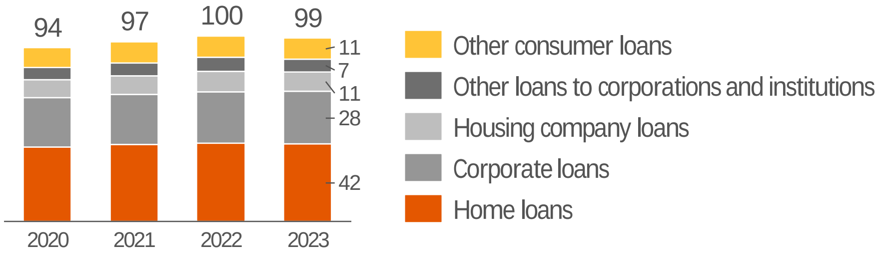
Net interest income

Net interest income by quarter, € million

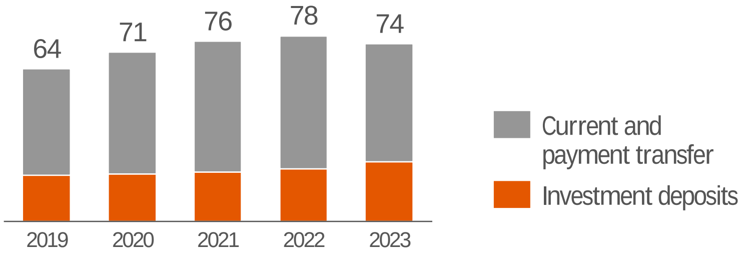


34% of personal customers' home loans were covered by interest rate cap on 31 December 2023.

Loan portfolio, € billion

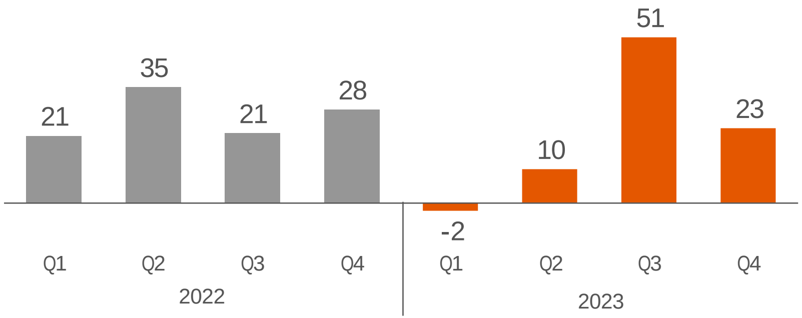


Deposits, € billion

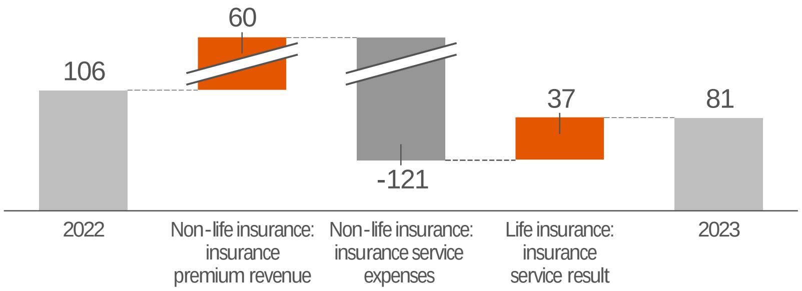


Insurance service result

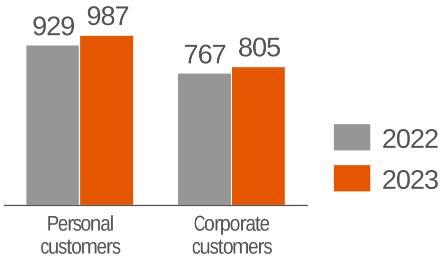
Insurance service result by quarter, € million



Change in insurance service result, € million

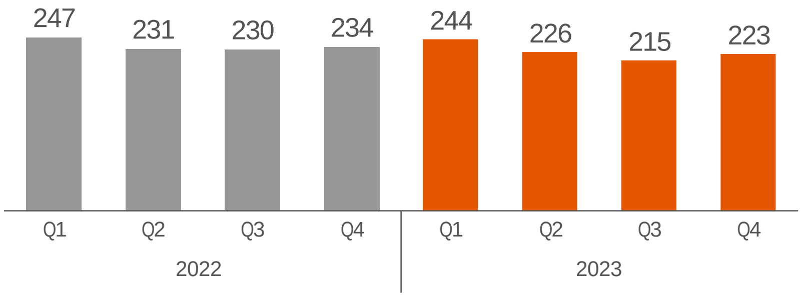


Non-life insurance: premiums written, € million

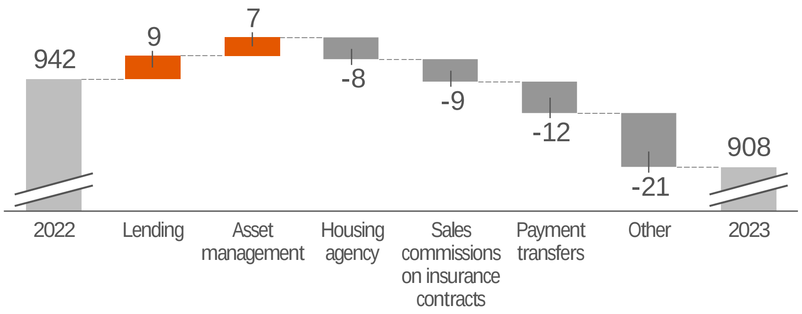


Net commissions and fees

Net commissions and fees by quarter, € million



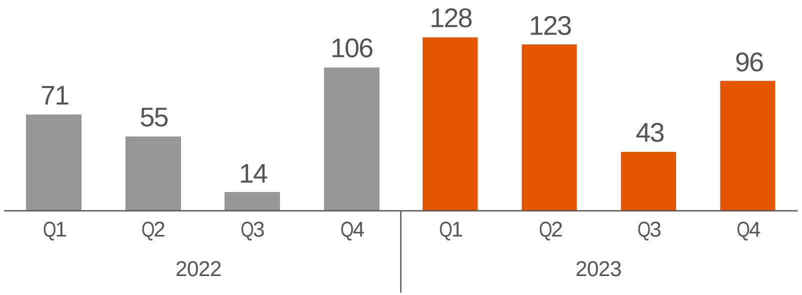
Change in net commissions and fees, € million



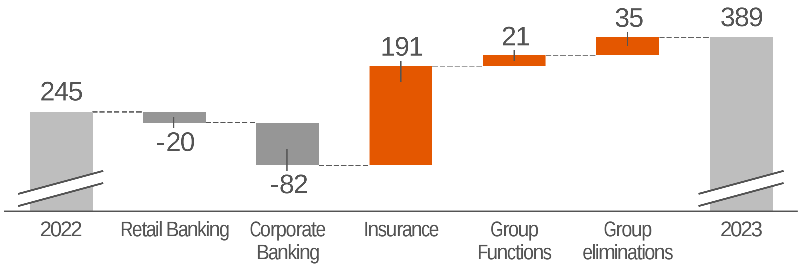
Assets under management, € billion

Investment income

Investment income by quarter, € million

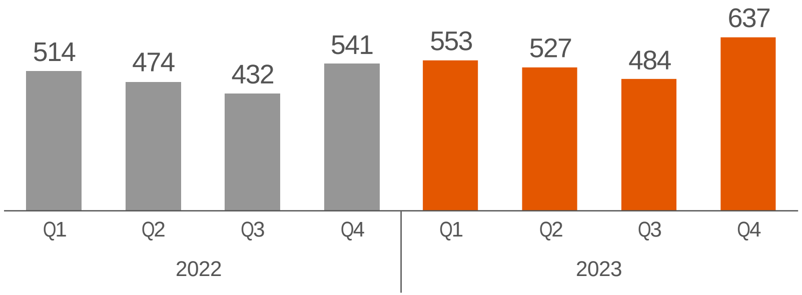


Change in investment income by business segment, € million

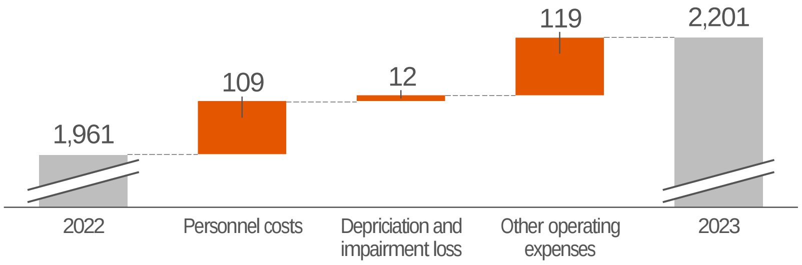


Expenses

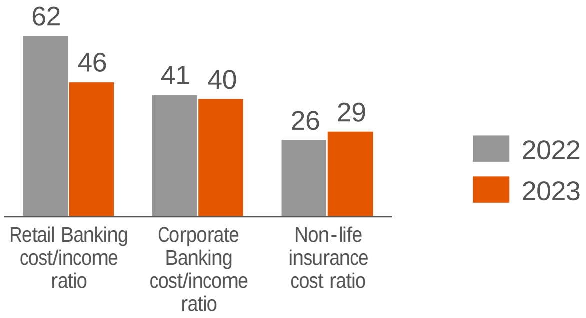
Expenses by quarter, € million



Change in expenses, € million

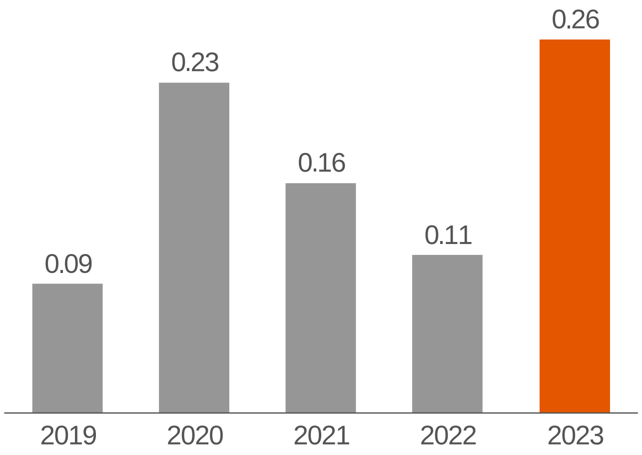


Cost/income ratio by business, %

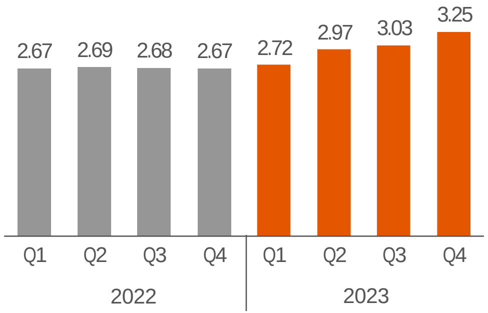


Impairment loss on receivables

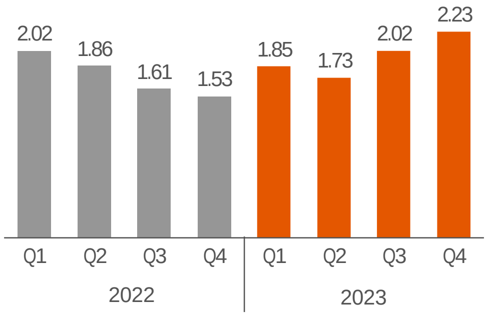
Impairment loss to loan and guarantee portfolio, %



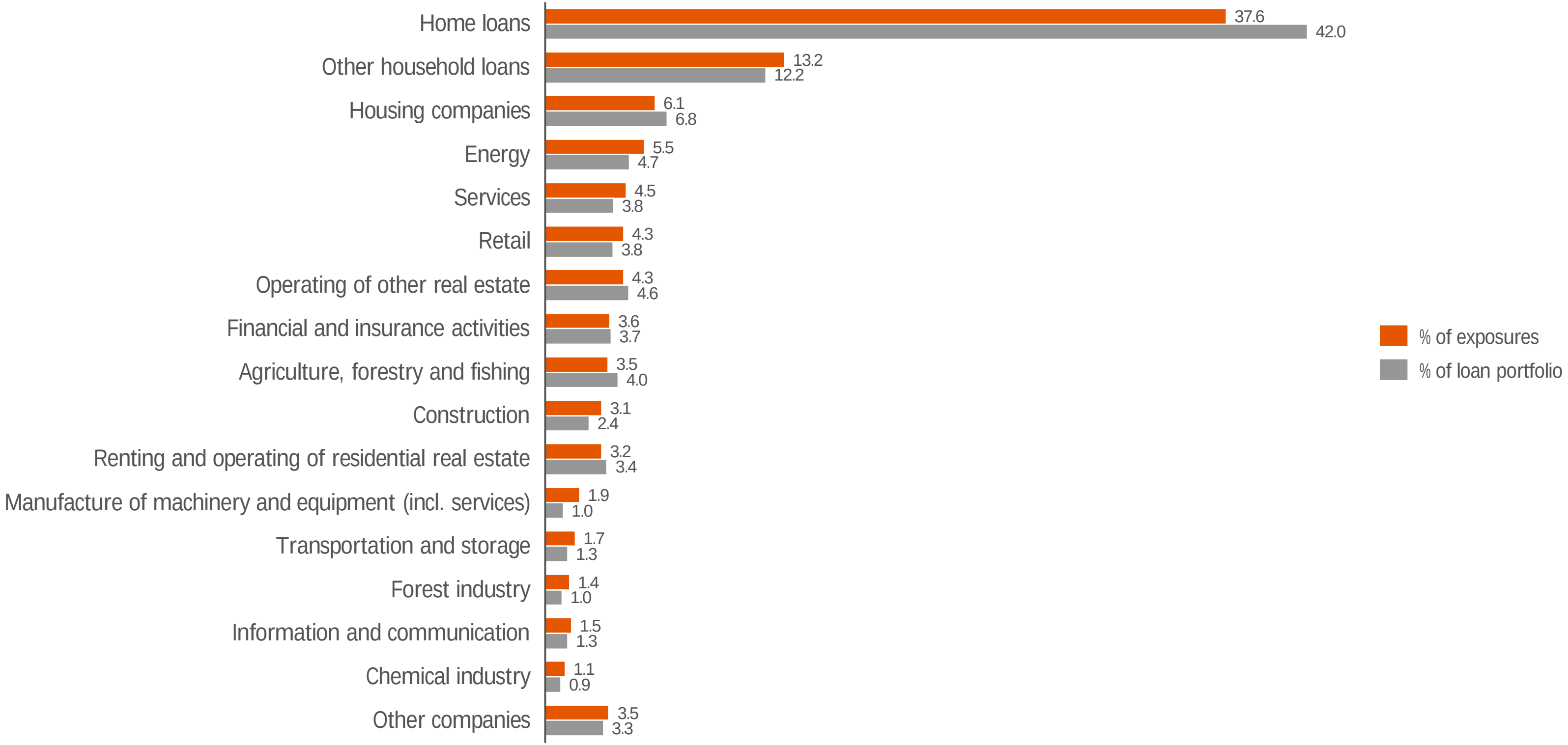
Retail Banking:
Ratio of non-performing exposures to exposures, %



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

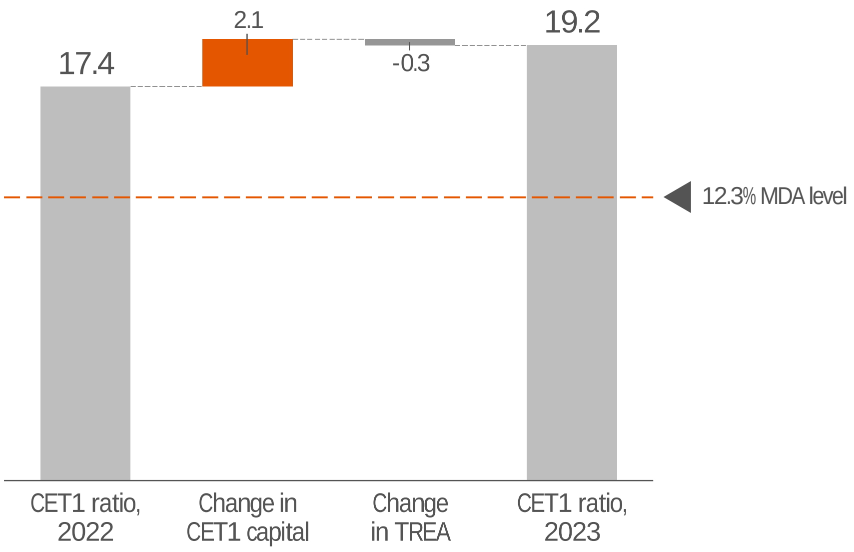


Breakdown of exposures and loan portfolio



Strong capital position

CET1 ratio development, %



€14.1 bn
CET1 capital (€12.6 bn)

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

€73.5 bn
TREA (€72.3 bn)

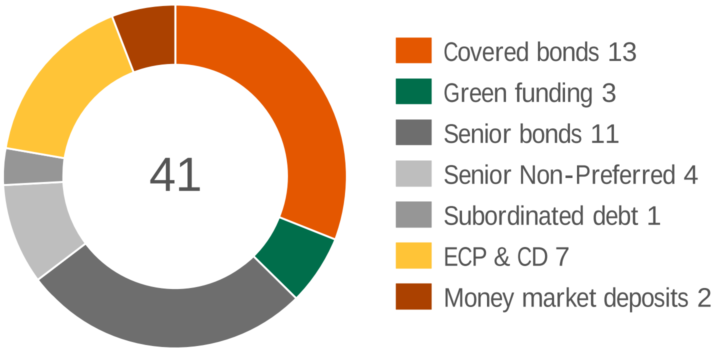
16.3%
CET1 strategic target: MDA level + 400 bps management buffer

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

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

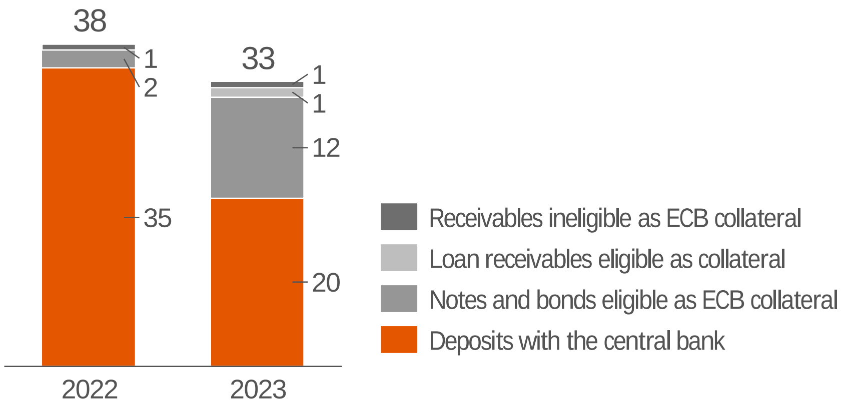
Stable funding and liquidity position

Long and short-term funding, € billion



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

Liquidity buffer breakdown, € billion

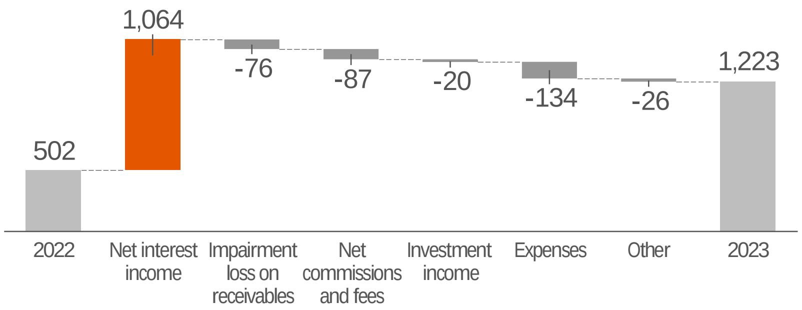


- LCR (Liquidity Coverage Ratio) 199%
- NSFR (Net Stable Funding Ratio) 130%

Retail Banking

Loan portfolio	Deposits	Brokered homes and real property transactions, qty.
€70.9 bn	€61.2 bn	8,949

Operating profit, € million



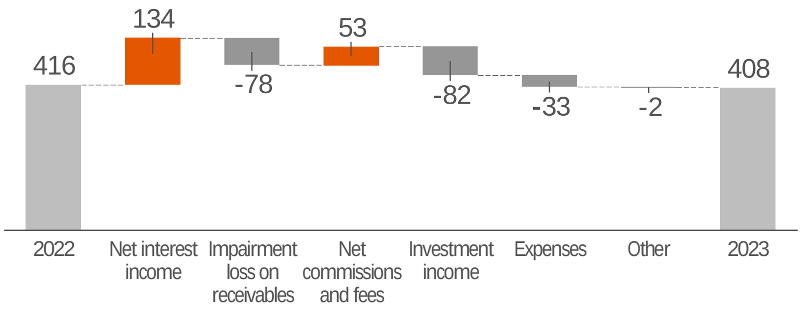
€ million

	2023	2022	Change %
Net interest income	2,258	1,194	89%
Impairment loss on receivables	-173	-96	79%
Net commissions and fees	686	773	-11%
Investment income	-29	-9	-
Other operating income	61	39	57%
Personnel costs	-500	-455	10%
Depriciation and impairment loss	-57	-53	7%
Other operating expenses	-806	-720	12%
OP bonuses to owner-customers	-217	-168	29%
Total income	**2,976**	**1,996**	**49%**
Total expenses	**-1,363**	**-1,229**	**11%**
Operating profit	1,223	502	143%

Corporate Banking

Loan portfolio	Deposits	Assets under management
€28.1 bn	€13.8 bn	€74.7 bn

Operating profit, € million



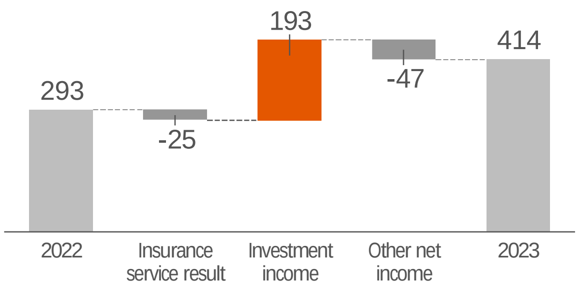
€ million

	2023	2022	Change %
Net interest income	591	457	29%
Impairment loss on receivables	-96	-18	425%
Net commissions and fees	219	166	32%
Investment income	53	136	-61%
Other operating income	21	18	20%
Personnel costs	-104	-95	10%
Depriciation and impairment loss	-3	-8	-63%
Other operating expenses	-247	-218	13%
OP bonuses to owner-customers	-26	-20	30%
Total income	885	776	14%
Total expenses	-354	-321	10%
Operating profit	408	416	-2%

Insurance

Combined ratio, Non-life insurance	Net premium revenue, Non-life insurance	Unit-linked insurance assets
93.8%	€1.7 bn	€12.6 bn

Operating profit, € million



€ million

	2023	2022	Change %
Insurance service result	81	106	-23%
Net finance income	-722	2,226	-
Net investment income	1,069	-2,072	-
Investment income	347	154	125%
Net commissions and fees	56	50	13%
Other net income	4	39	-90%
Personnel costs	-167	-147	14%
Depreciation and impairment loss	-64	-51	25%
Other operating expenses	-317	-264	20%
Total expenses	**-548**	**-462**	**18%**
Transfers to insurance service result	485	416	17%
OP bonuses to owner-customers	-12	-10	23%
Operating profit	414	293	41%

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

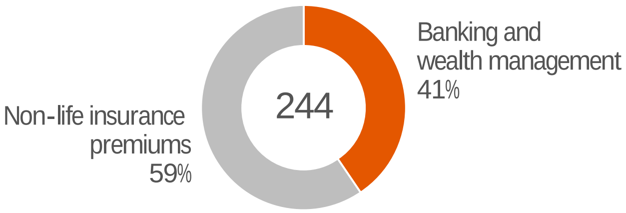
Owner-customer benefits

€275 mn
accrued OP bonuses in 2023

€167 mn
discounts on daily banking, non-life insurance policies and mutual funds in 2023

€148 mn
accrued estimated returns on Profit Shares in 2023

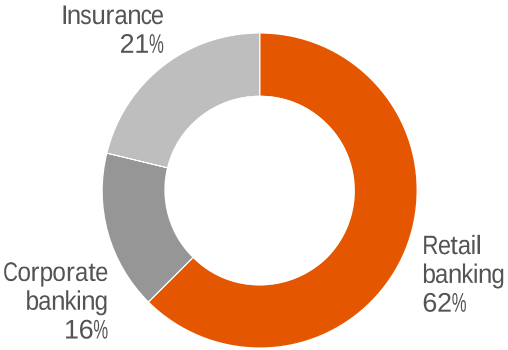
OP bonus usage during 2023, € million



" We will pay 40% extra on OP bonuses earned in 2024 and will not charge our owner-customers any monthly fees for daily services throughout the year. The total value of higher benefits on OP bonuses and daily services will rise to around EUR 400 million.

OP Financial Group in brief

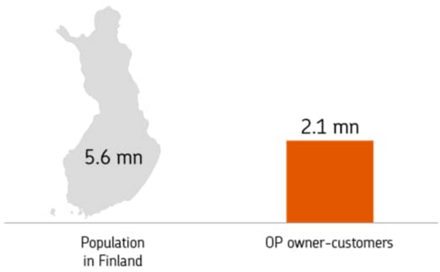
OP Financial Group in brief



€2,050 mn
Operating profit
in 2023

19.2%
CET1 ratio

€160 bn
Total assets



Leading market shares

Loans	Deposits	Non-life Insurance	Life Insurance
34%	38%	33%	20%

Source: Bank of Finland (Loans and Deposits 6/2023), Finance Finland (Non-life & Life Insurance 12/2022)

Joint liability

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

Strong credit ratings

Moody's Aa3 S&P AA-	Moody's Aaa S&P* AAA
OP Corporate Bank plc	OP Mortgage Bank's covered bonds

* EMTCN programme

OP Financial Group’s business structure

2.1 million owner-customers

102 OP cooperative banks

Central Cooperative

Retail Banking

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

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

Corporate Banking

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

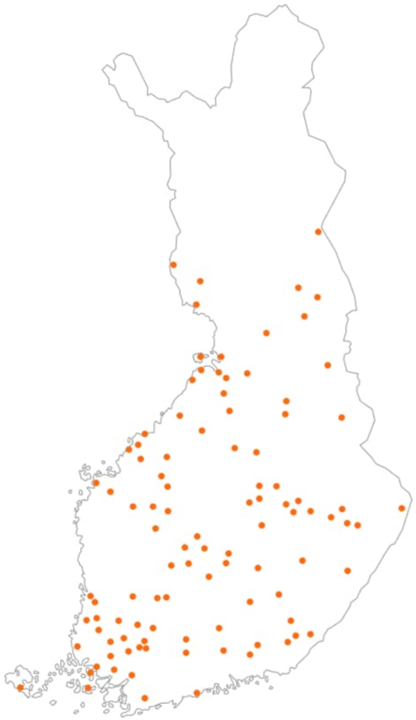
- OP Corporate Bank plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Asset Management Ltd
- OP Custody Ltd

Insurance

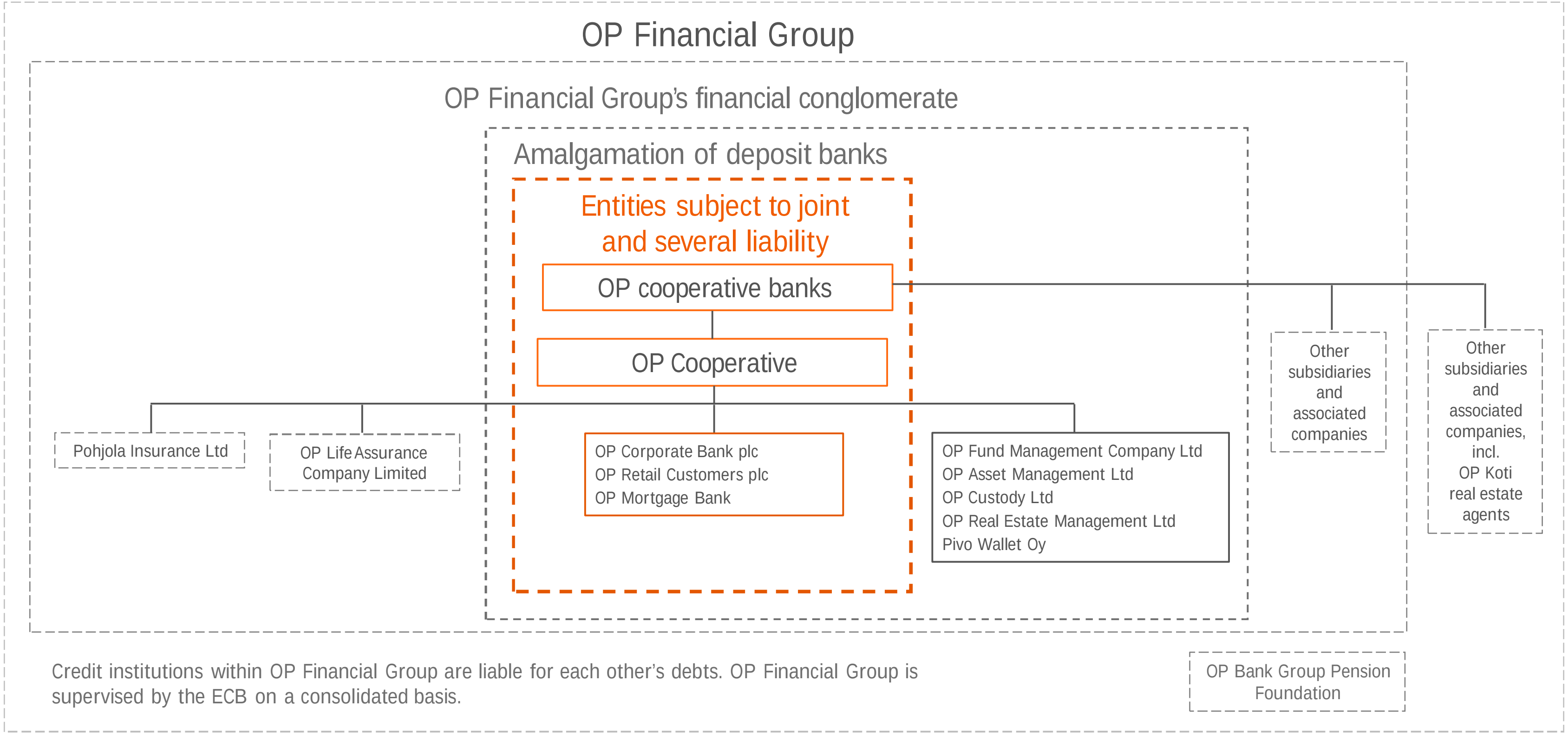
The Insurance segment comprises Pohjola Insurance and OP Life Assurance Company.

- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd

Major subsidiaries



OP Financial Group’s amalgamation structure



Credit institutions within OP Financial Group are liable for each other’s debts. OP Financial Group is supervised by the ECB on a consolidated basis.

Joint Liability

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

Central cooperative's governance structure

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

Efficient, high-quality operations
Profitable growth
Responsible business
Value for customers
Highly skilled, motivated and satisfied personnel
The leading and most appealing financial services group in Finland
We promote the sustainable prosperity, security and wellbeing of our owner-customers and operating region.
PEOPLE FIRST
RESPONSIBILITY
SUCCEEDING TOGETHER
Geopolitical and global economic uncertainty
Polarisation and demographic change
Sustainable development and corporate responsibility
The power of technology and data
Business value chains amid major transformation
STRONG CULTURE OF RISK MANAGEMENT AND COMPLIANCE

Capital adequacy requirements

Capital adequacy for credit institutions

CET1 ratio 19.2%

Capital adequacy ratio 21.2%

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

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

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

Solvency II for insurance companies

Solvency ratio, Non-life insurance 205%

Solvency ratio, Life insurance 222%

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

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

Eligible capital covers solvency requirements.

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

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

Conglomerate's capital adequacy ratio 144%

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

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

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

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


Together through time.