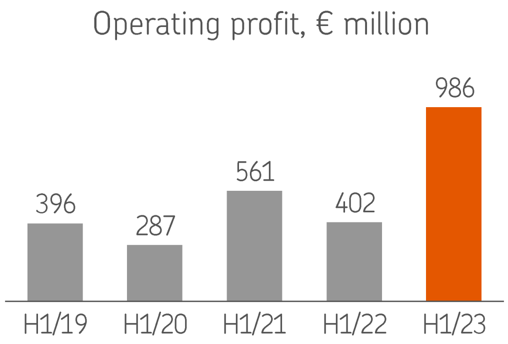
OP Financial Group's Half Year Financial Report 1 January-30 June 2023

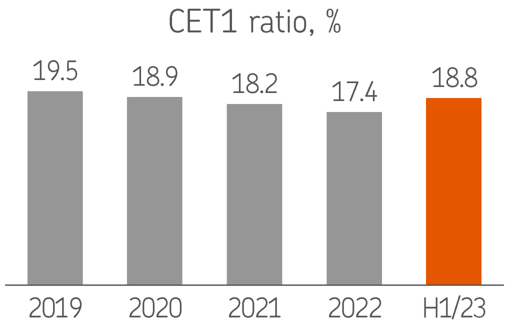
Background material

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.

H1/2023 earnings in brief

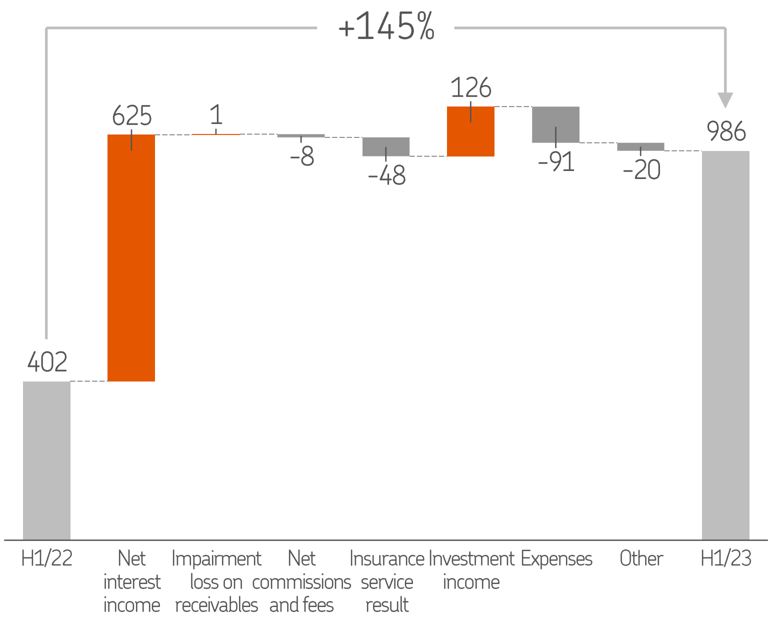
- OP Financial Group's business has continued to develop very well this year. Operating profit for the first half of 2023 amounted to 986 million euros.
- Total income rose by 44 per cent and total expenses by 9 per cent over the previous year.
- All three business segments showed good performance. Growth was particularly strong in Retail Banking, whose operating profit grew by 286 per cent, following favourable developments in net interest income. Insurance and Corporate Banking clearly outperformed their results for H1 2022.
- OP Financial Group's CET1 ratio improved to 18.8 per cent, which exceeds the minimum regulatory requirement by 6.5 percentage points. Liquidity, and customer and stakeholder confidence are also at an excellent level.
- The loan repayment capacity of personal and corporate customers remained good and the amount of non-performing exposures showed only slight growth.
- OP Financial Group will continue to invest in digitalisation by hiring an additional 300 new ICT professionals.





Financial performance

Operating profit year on year change, € million

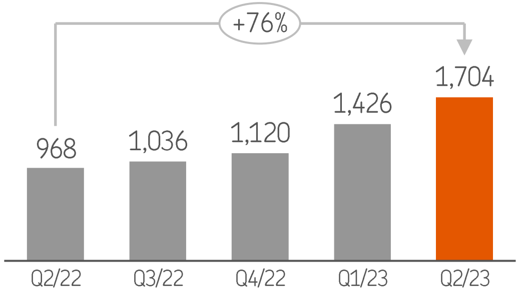


€ million

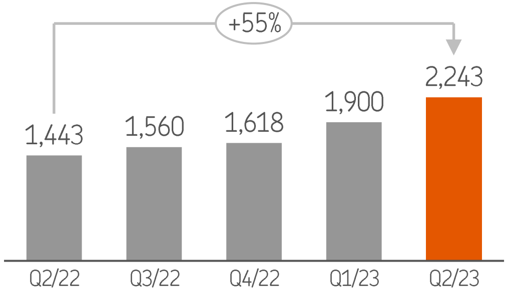
	H1/23	H1/22	Change %
Net interest income	1,299	675	93%
Impairment loss on receivables	-99	-100	-1%
Net commissions and fees	470	478	-2%
Insurance service result	8	56	-86%
Insurance premium revenue	967	916	6%
Insurance service expenses	-931	-893	4%
Net income from reinsurance contracts	-28	33	-
Investment income	250	125	101%
Other operating income	21	46	-54%
Personnel costs	-484	-427	13%
Depriciation and impairment loss	-92	-110	-17%
Other operating expenses	-504	-451	12%
Transfers to insurance service result	237	207	14%
OP bonuses to owner-customers	-122	-96	26%
Total income	**2,286**	**1,587**	**44%**
Total expenses	**-1,079**	**-988**	**9%**
Operating profit	986	402	145%

Rolling 12 months of selected P&L items

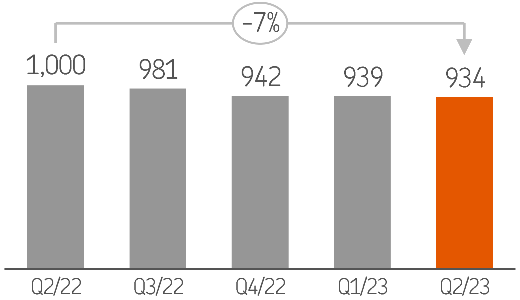
Operating profit, € million



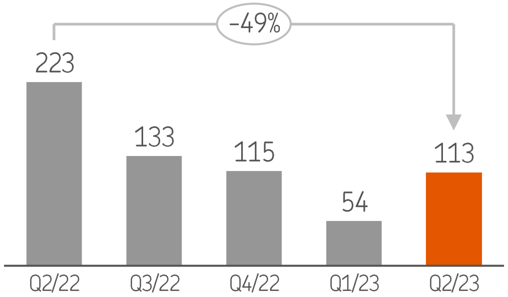
Net interest income, € million



Net commissions and fees, € million



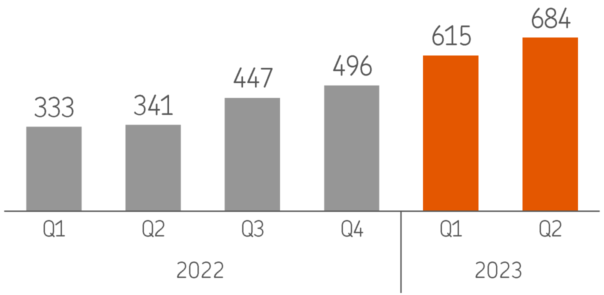
Impairment loss on receivables, € million



Due to the adoption of IFRS17 standard, rolling figures are comparable only as of Q4/22.

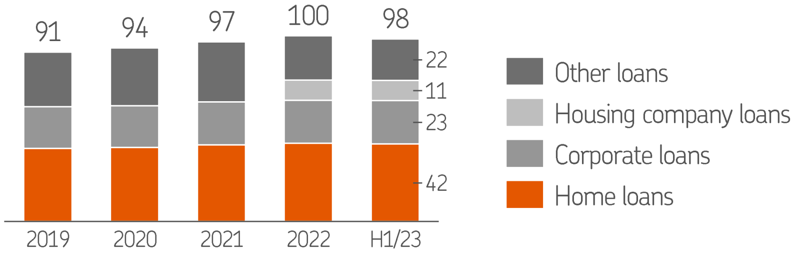
Net interest income

Net interest income by quarter, € million

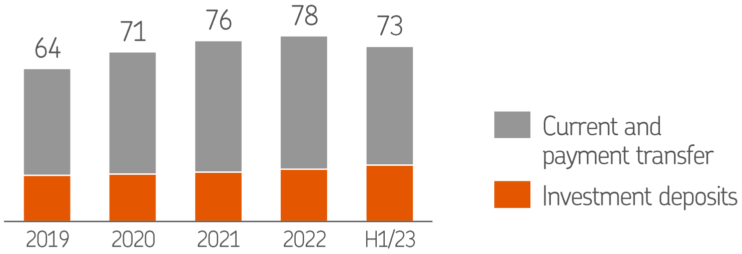


34% of private customers' home loans were covered by interest rate cap on 30 June 2023.

Loan portfolio, € billion

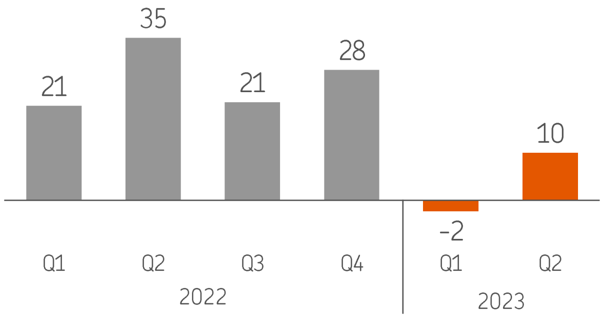


Deposits, € billion

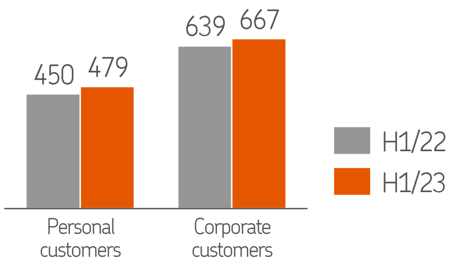


Insurance service result

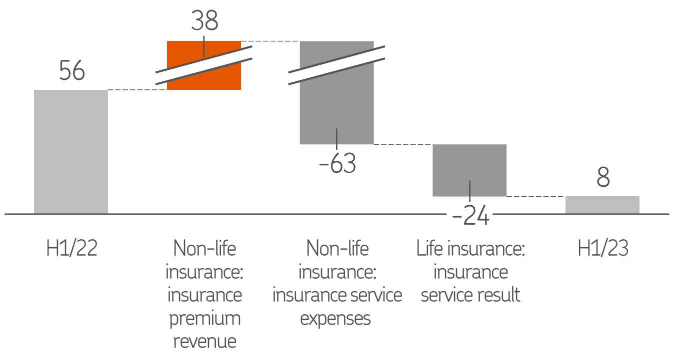
Insurance service result by quarter, € million



Non-life insurance: premiums written, € million

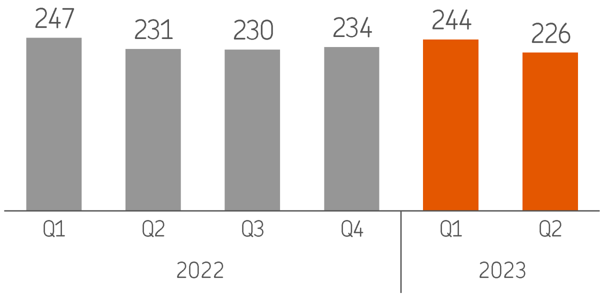


Change in insurance service result, € million

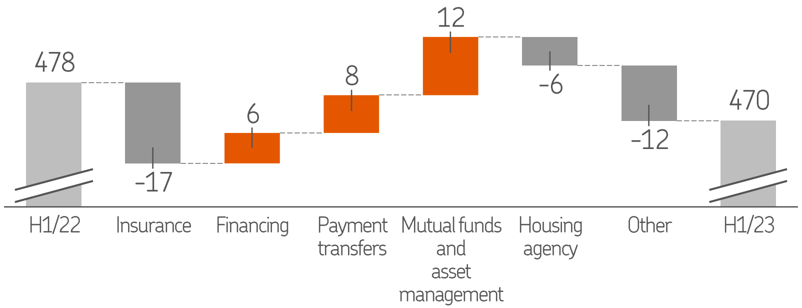


Net commissions and fees

Net commissions and fees by quarter, € million

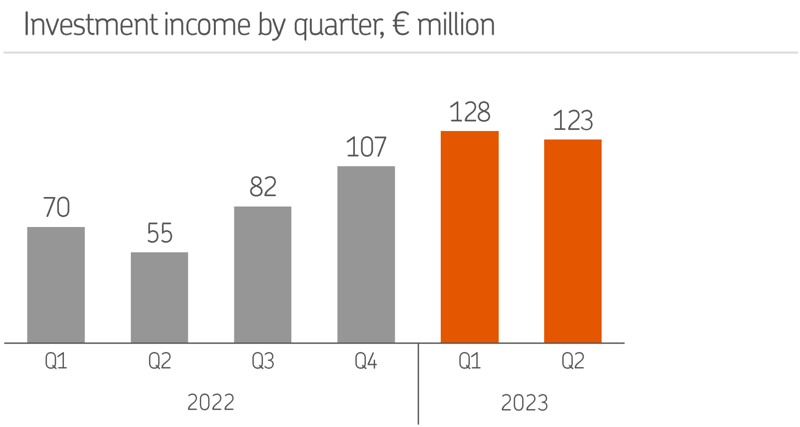


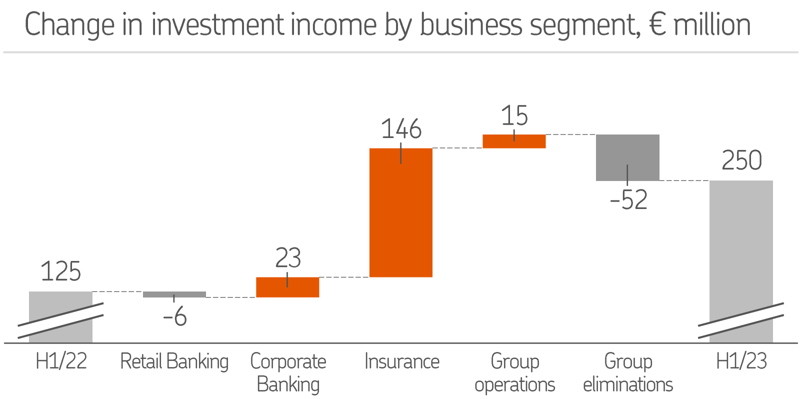
Change in net commissions and fees, € million



Assets under management, € billion

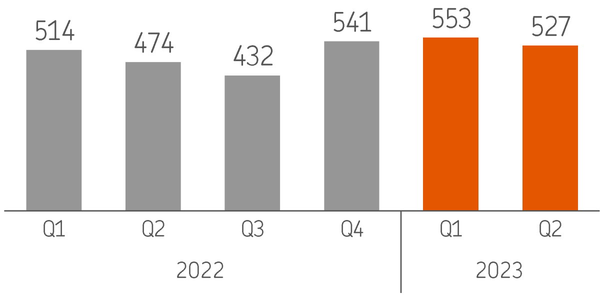
Investment income



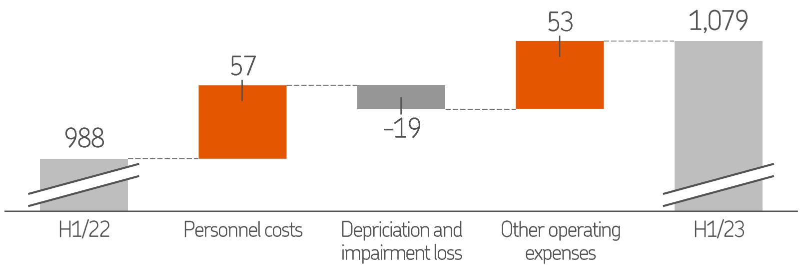


Expenses

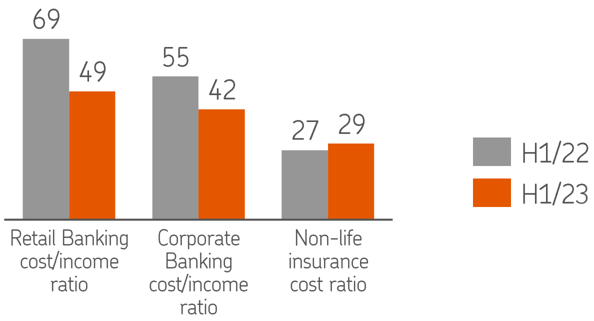
Expenses by quarter, € million



Change in expenses, € million

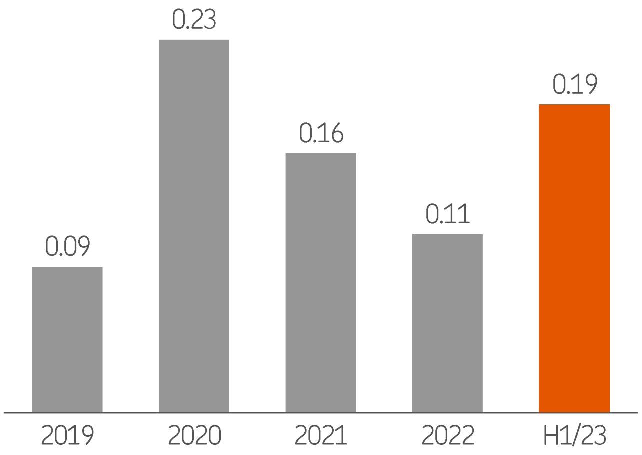


Cost/income ratio by business, %

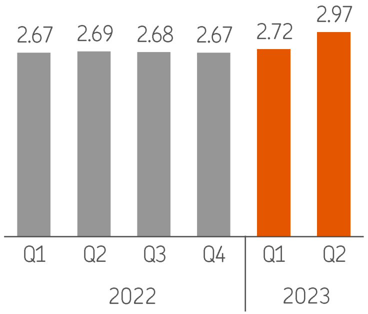


Impairment loss on receivables

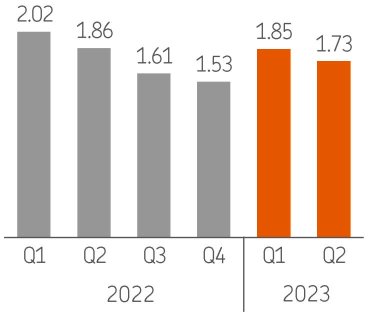
Impairment loss to loan and guarantee portfolio, %



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

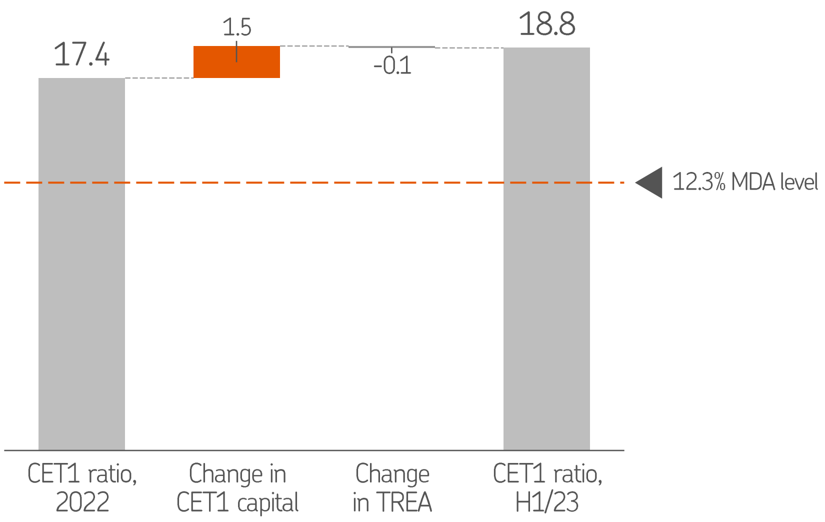


Corporate Banking:
Ratio of non-performing exposures to exposures, %



Strong capital position

CET1 ratio development, %



€13.6 bn
CET1 capital (€12.6 bn)

€3.3 bn
Profit Shares in CET1 capital (€3.2 bn)

€72.6 bn
TREA (€72.3 bn)

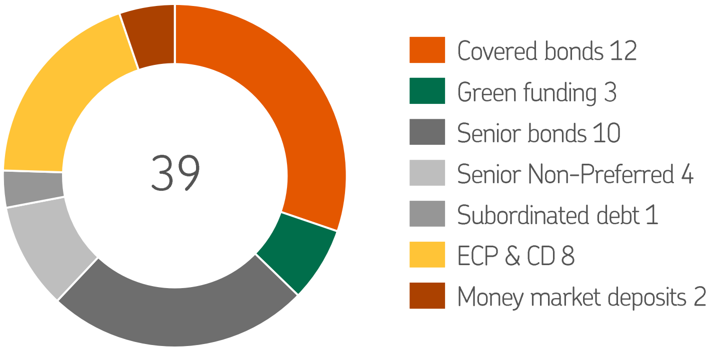
16.3%
CET1 strategic target: MDA level + 400 bps management buffer

” OP has the strongest S&P RAC ratio of Northern European banks*

*Source: Standard & Poor's. Nordic Banks: Robust Capital Provides Cushion Against Tougher Times, 9/2022.

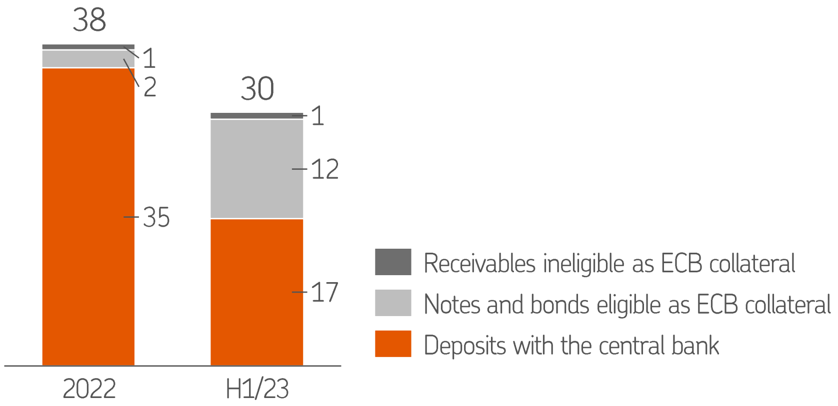
Stable funding and liquidity position

Long and short-term funding, € billion



- In April, OP Mortgage Bank issued a Covered Bond of €1 billion.
- In June, OP Corporate Bank issued a Senior Preferred of €650 million.
- OP Financial Group's buffer for the MREL was EUR 8.0 billion and the MREL ratio was 37.3% of TREA. For the subordination requirement the buffer was EUR 5.5 billion and the subordination ratio was 26.2% of TREA.

Liquidity buffer breakdown, € billion

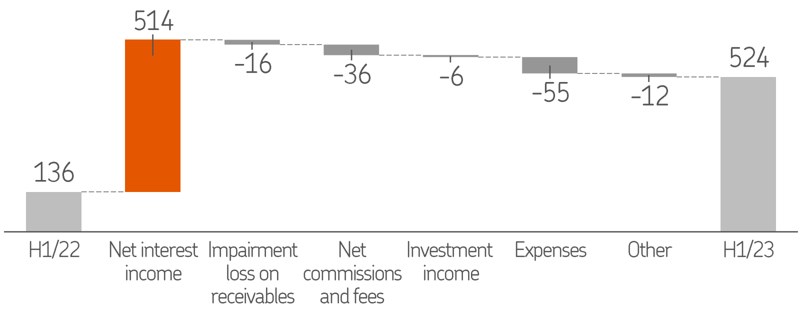


- LCR (Liquidity Coverage Ratio) 214%
- NSFR (Net Stable Funding Ratio) 131%

Retail Banking

Loan portfolio	Deposits	Brokered homes and real property transactions, qty.
€71.2 bn	€62.9 bn	4,163

Operating profit, € million



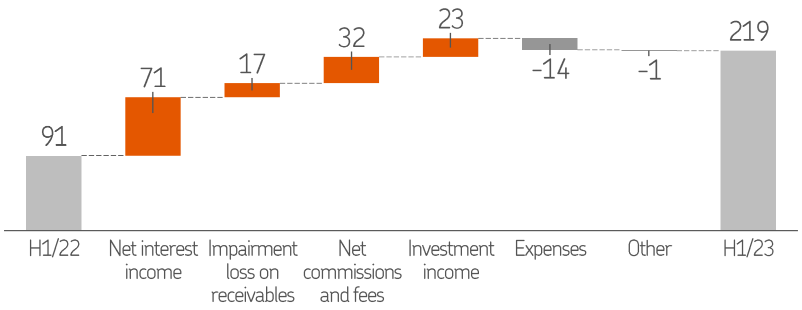
€ million

	H1/23	H1/22	Change %
Net interest income	999	485	106%
Impairment loss on receivables	-76	-60	27%
Net commissions and fees	361	397	-9%
Investment income	-2	5	-
Other operating income	28	18	56%
Personnel costs	-249	-230	9%
Depriciation and impairment loss	-22	-24	-8%
Other operating expenses	-412	-374	10%
OP bonuses to owner-customers	-103	-81	27%
Total income	**1,386**	**905**	**53%**
Total expenses	**-683**	**-628**	**9%**
Operating profit	524	136	286%

Corporate Banking

Loan portfolio	Deposits	Assets under management
€27.4 bn	€10.7 bn	€73.1 bn

Operating profit, € million



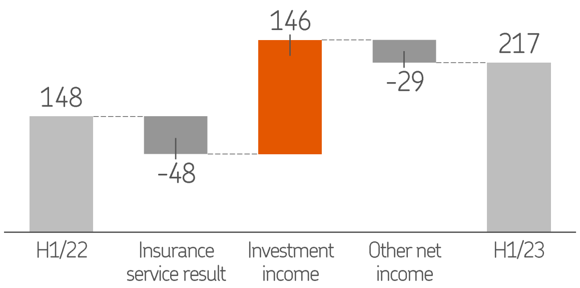
€ million

	H1/23	H1/22	Change %
Net interest income	285	214	33%
Impairment loss on receivables	-23	-40	-43%
Net commissions and fees	116	83	39%
Investment income	30	7	328%
Other operating income	12	11	13%
Personnel costs	-54	-46	16%
Depriciation and impairment loss	-2	-5	-57%
Other operating expenses	-132	-122	8%
OP bonuses to owner-customers	-13	-10	24%
Total income	443	315	41%
Total expenses	-188	-173	8%
Operating profit	219	91	140%

Insurance

Combined ratio, Non-life insurance	Net premium revenue, Non-life insurance	Unit-linked insurance assets
97.6%	€789 mn	€12.1 bn

Operating profit, € million

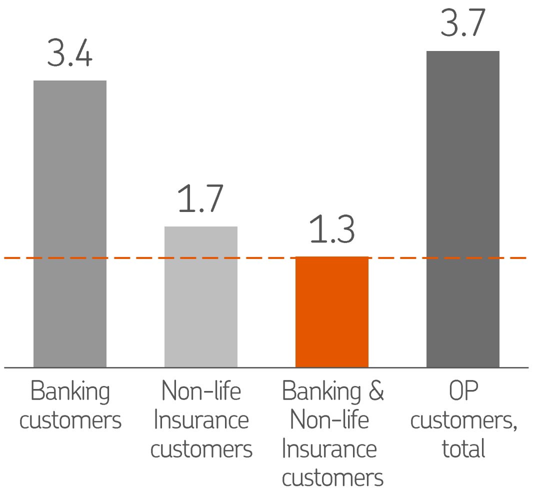


€ million

	H1/23	H1/22	Change %
Insurance service result	8	56	-86%
Net finance income	-253	1,861	-
Net investment income	464	-1,796	-
Investment income	211	65	226%
Net commissions and fees	24	25	-1%
Other net income	4	31	-87%
Personnel costs	-87	-73	19%
Depreciation and impairment loss	-25	-26	-5%
Other operating expenses	-148	-131	14%
Total expenses	**-261**	**-230**	**13%**
Transfers to insurance service result	237	207	14%
OP bonuses to owner-customers	-6	-5	20%
Operating profit	**217**	**148**	**47%**

Attractive loyalty benefits support cross-selling

Number of customers, million



1.3 mn
combined banking and non-life insurance customers

37%
of total OP customers

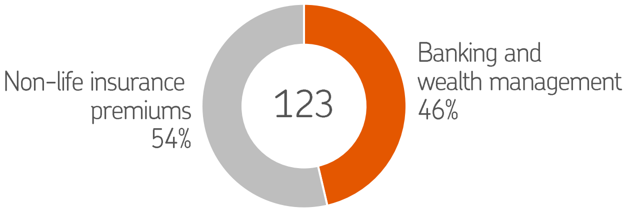
Owner-customer benefits

€134 mn
accrued OP bonuses in H1/23

€74 mn
discounts on daily banking, non-life insurance policies and mutual funds in H1/23

€144 mn
accrued returns on Profit Shares in 2022

OP bonus usage during H1/23, € million



OP Financial Group in brief

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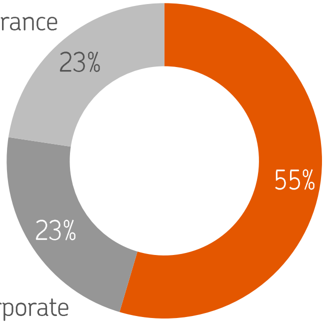


€986 mn

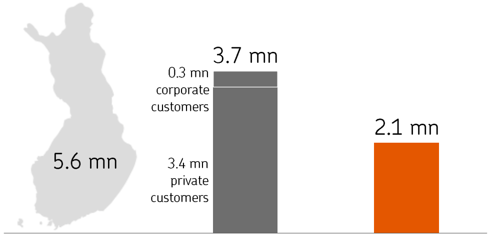
Operating profit H1/23

18.8%

CET1 ratio

€157 bn

Total assets



Leading market shares

Loans	Deposits	Non-life Insurance	Life Insurance
35%	38%	33%	20%

Source: Bank of Finland (Loans and Deposits 12/2022), 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

104 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

Corporate Banking

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

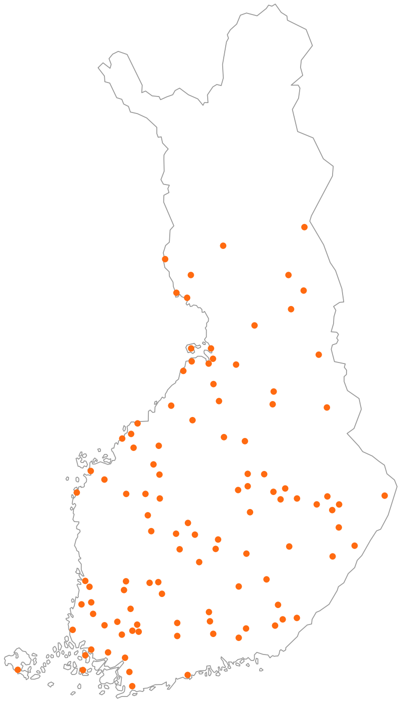
- OP Corporate Bank plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Asset Management Ltd

Insurance

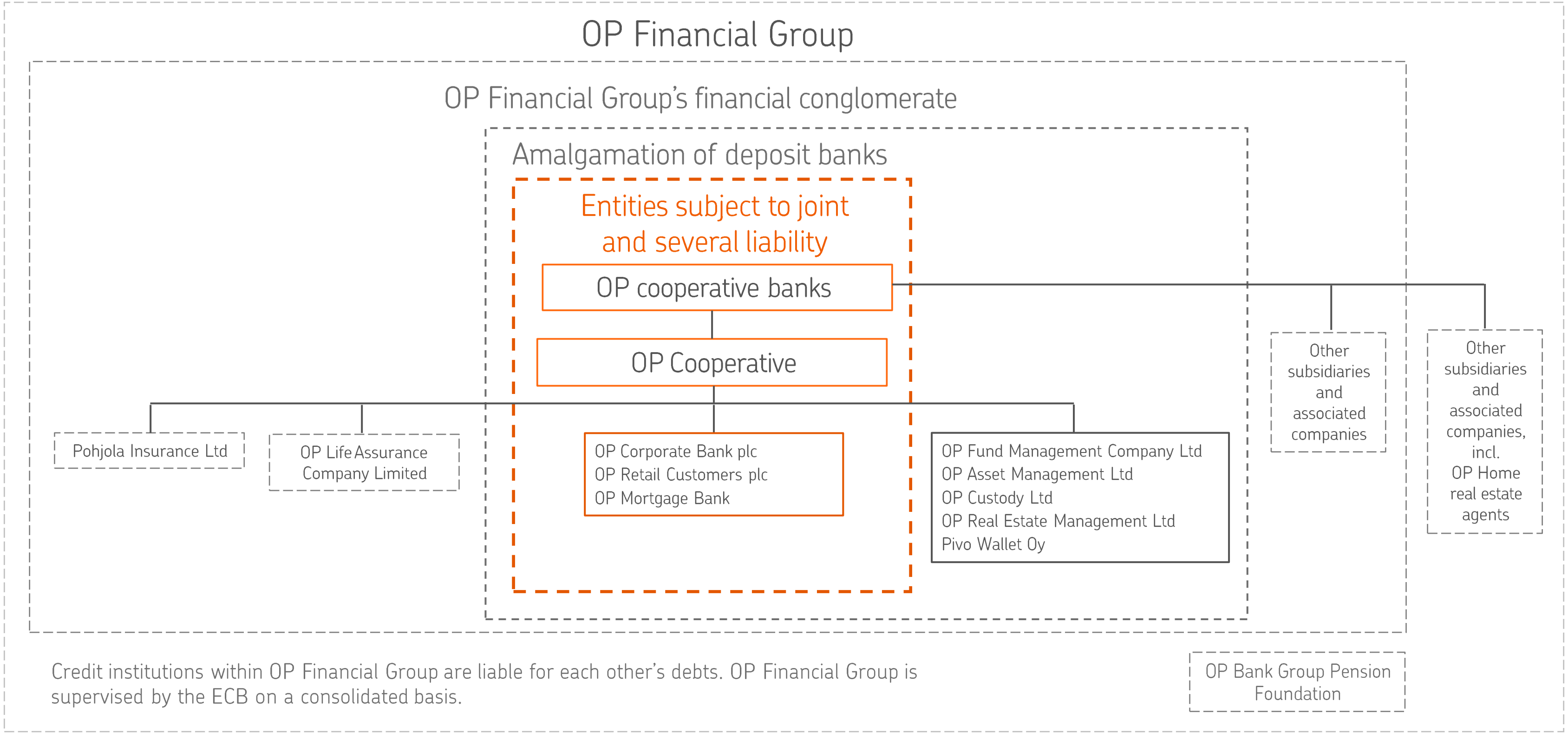
The Insurance segment comprises Pohjola Insurance and OP Life Assurance Company.

- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd

Major subsidiaries



OP Financial Group’s amalgamation structure



Joint 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 and Remuneration Committee	Executive Management Team	

The leading and most appealing financial services group in Finland

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

Value for customers

Profitable growth

Efficient, high-quality operations

Responsible business

Highly skilled, motivated and satisfied personnel

PEOPLE FIRST RESPONSIBILITY SUCCEEDING TOGETHER

Geopolitical and global economic uncertainty

Urbanisation and demographic changes

Sustainable development and corporate responsibility

The power of technology and data

Ground rules of economy at a turning point

STRONG CULTURE OF RISK MANAGEMENT AND COMPLIANCE

Capital requirements

Capital adequacy for credit institutions

CET1 ratio 18.8%

Capital adequacy ratio 20.8%

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

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

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

Solvency II for insurance companies

Solvency ratio, Non-life insurance 235%

Solvency ratio, Life insurance 258%*

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.

*Including transitional provisions

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

Conglomerate's capital adequacy ratio 141%

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.