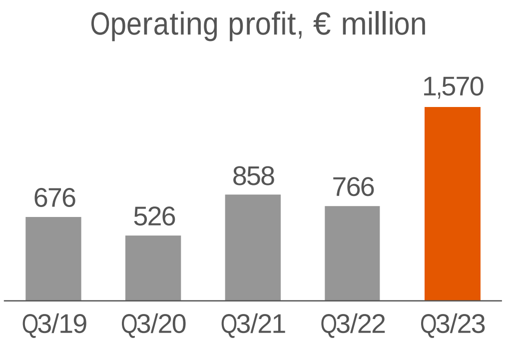
OP Financial Group's Interim Report for 1 January–30 September 2023

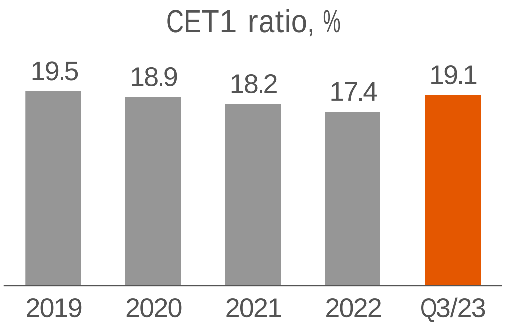
Background material

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.

Q3/2023 earnings in brief

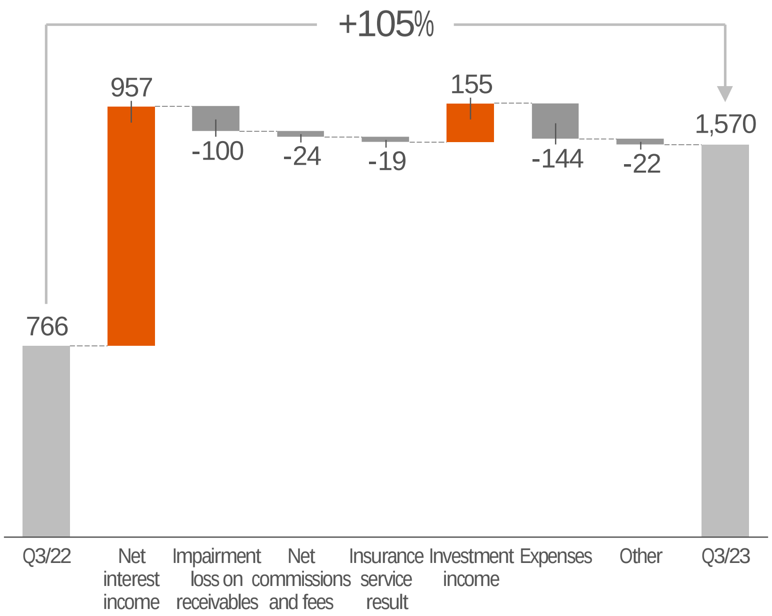
- OP Financial Group continued its strong performance. January–September 2023 operating profit increased to EUR 1,570 million.
- All three business segments performed well during the reporting period. Earnings growth was particularly strong in Retail Banking, following favourable developments in net interest income. Similarly, Corporate Banking and Insurance clearly outperformed their results for the same period in 2022.
- OP Financial Group's total income increased by 45% and total expenses by 10%. The cost/income ratio was 45%.
- OP Financial Group's capital adequacy and liquidity are excellent. The Group's CET1 ratio improved to 19.1%, which exceeds the minimum regulatory requirement by 6.8 percentage points.
- Thanks to our strong earnings performance, we will continue offering additional benefits to our owner-customers in 2024. We will pay 40% extra on OP bonuses earned in 2024 and will not charge our owner-customers any monthly charges for daily services during the entire year. The combined value of these benefits will be around EUR 174 million.





Financial performance

Operating profit year on year change, € million



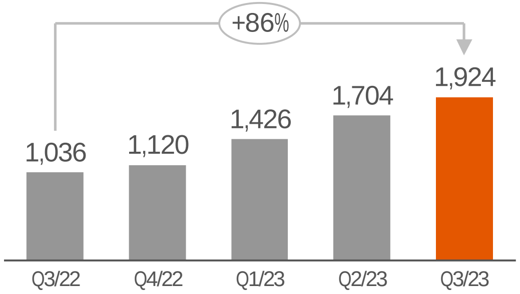
€ million

	Q3/23	Q3/22	Change %
Net interest income	2,079	1,122	85%
Impairment loss on receivables	-170	-70	142%
Net commissions and fees	685	709	-3%
Insurance service result	58	77	-24%
Insurance premium revenue	1,466	1,407	4%
Insurance service expenses	-1,369	-1,463	-
Net income from reinsurance contracts	-38	134	-
Investment income	294	138	112%
Other operating income	28	52	-46%
Personnel costs	-702	-617	14%
Depriciation and impairment loss	-137	-159	-
Other operating expenses	-725	-644	12%
Transfers to insurance service result	348	305	14%
OP bonuses to owner-customers	-188	-147	28%
Total income	3,492	2,403	45%
Total expenses	-1,564	-1,420	10%
Cost/income ratio, %	45	59	-14%*
Operating profit	1,570	766	105%

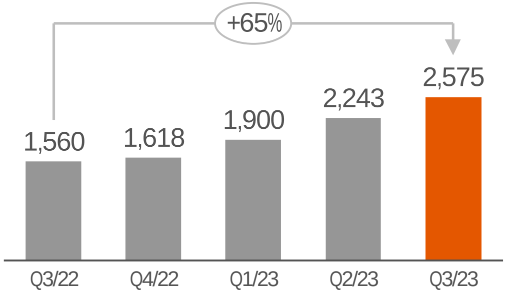
*Change in ratio

Rolling 12 months of selected P&L items

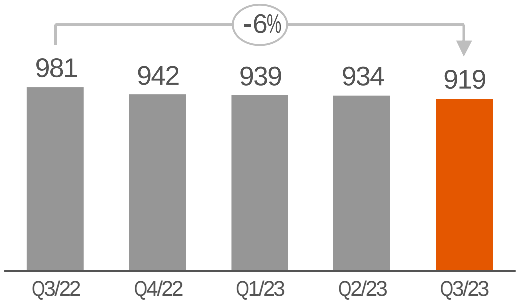
Operating profit, € million



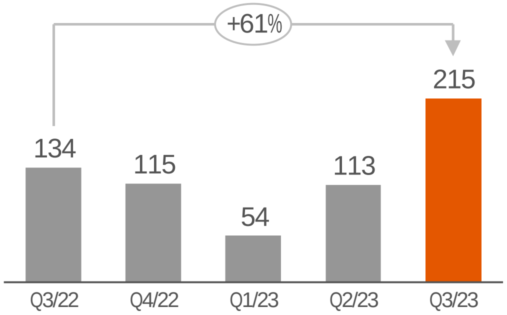
Net interest income, € million



Net commissions and fees, € million

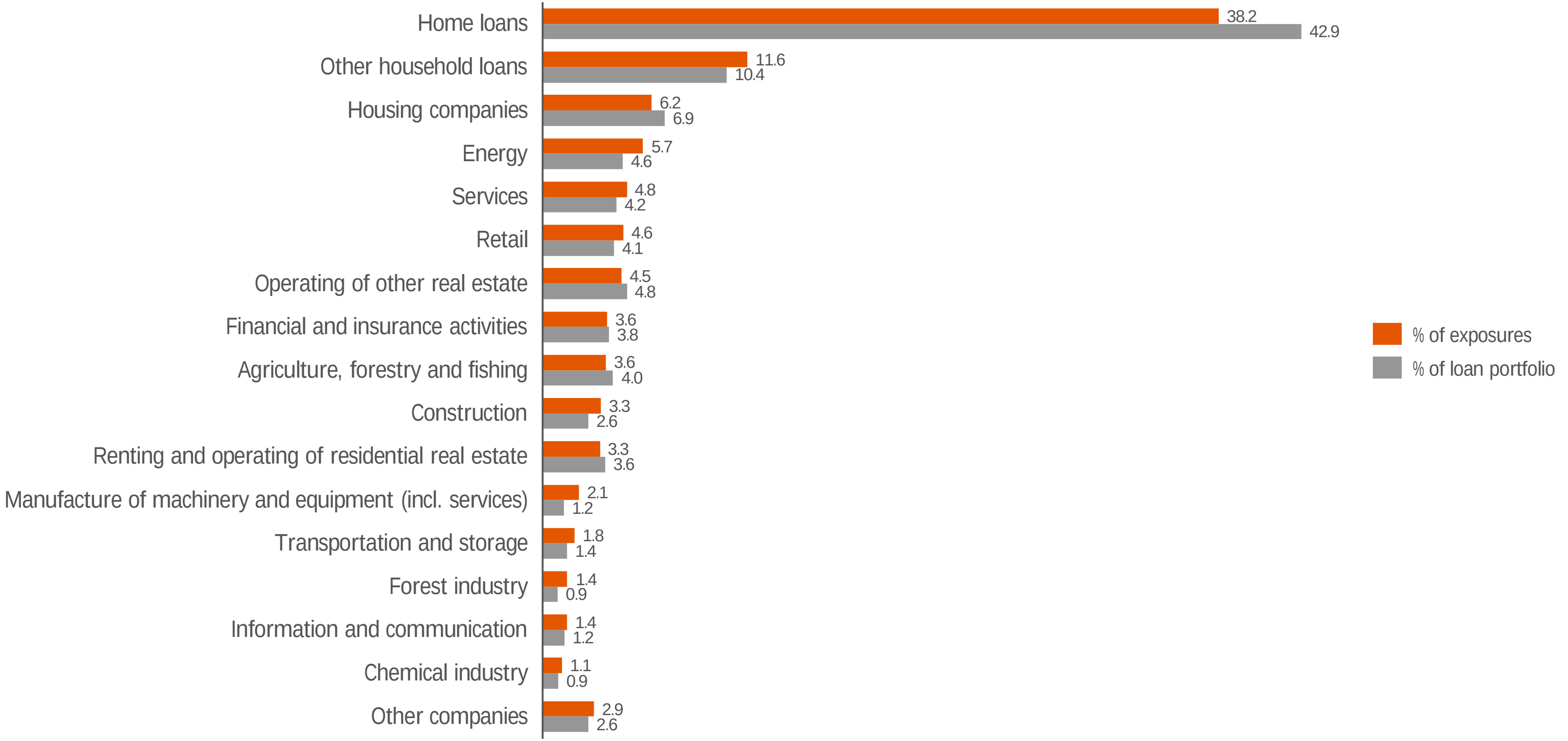


Impairment loss on receivables, € million



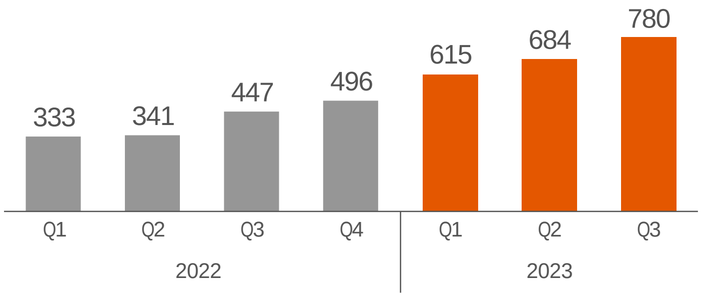
Due to the adoption of IFRS17 standard, rolling figures are comparable only as of Q4/22.

Breakdown of exposures and loan portfolio



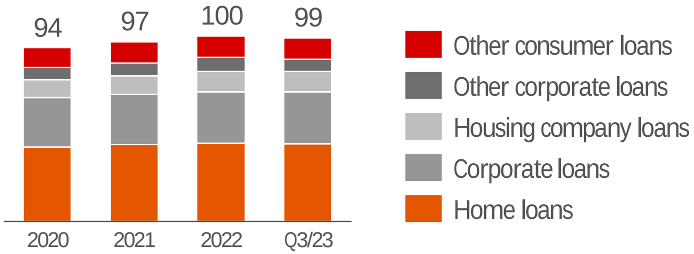
Net interest income

Net interest income by quarter, € million

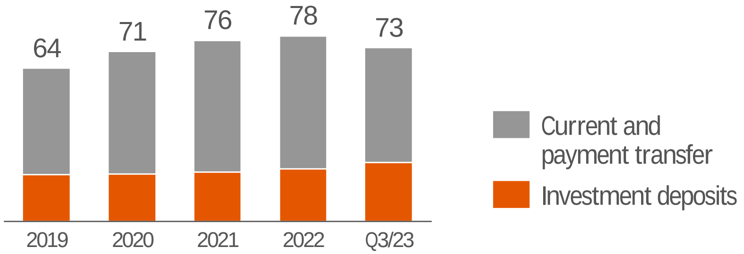


35% of private customers' home loans were covered by interest rate cap on 30 September 2023.

Loan portfolio, € billion

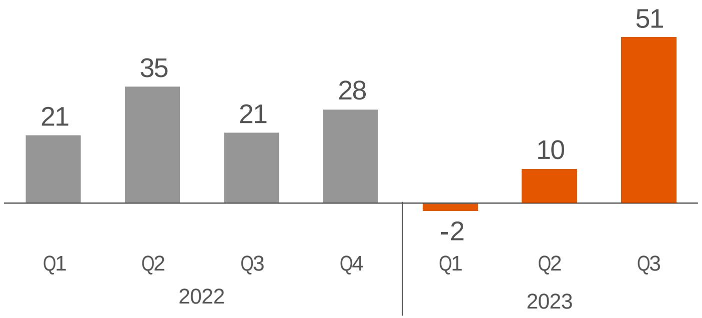


Deposits, € billion

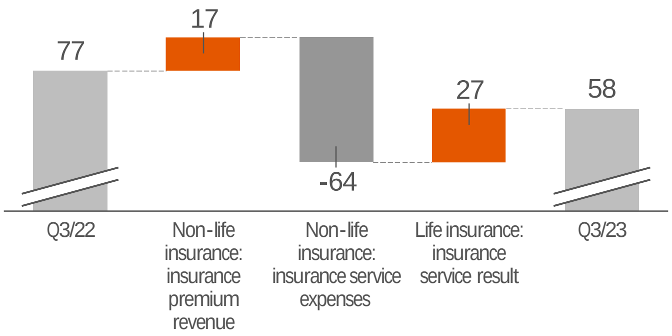


Insurance service result

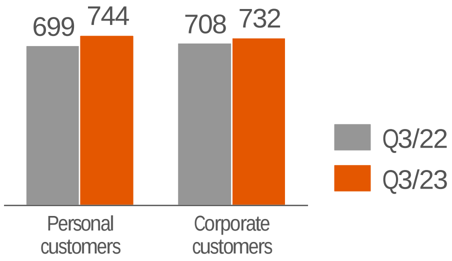
Insurance service result by quarter, € million



Change in insurance service result, € million

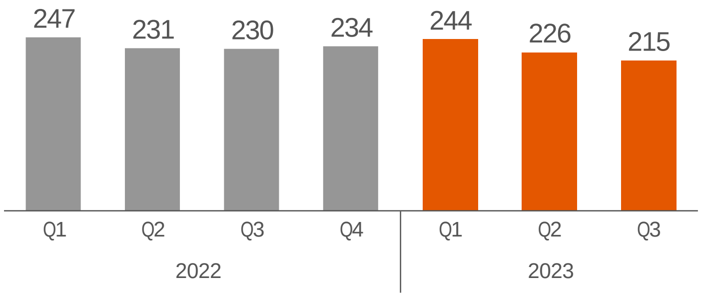


Non-life insurance: premiums written, € million

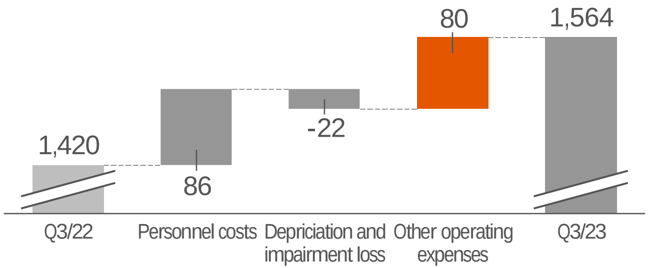


Net commissions and fees

Net commissions and fees by quarter, € million



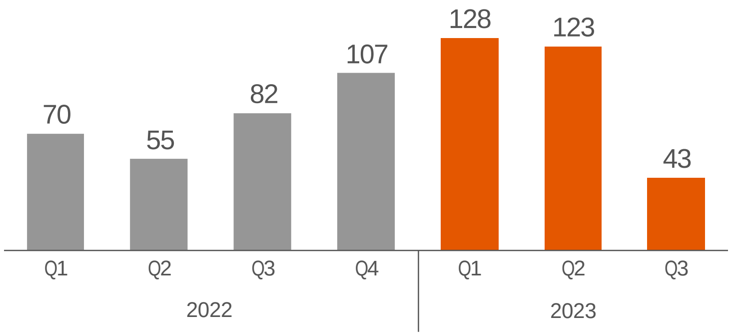
Change in net commissions and fees, € million



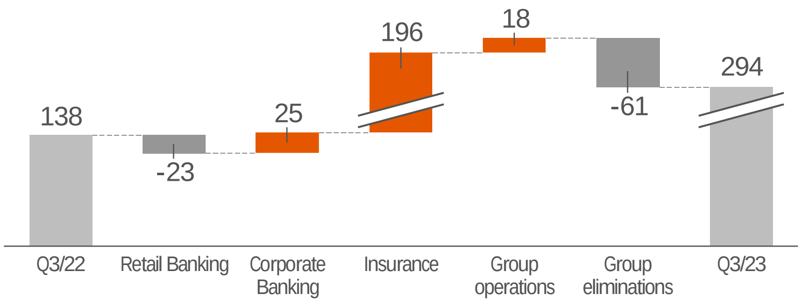
Assets under management, € billion

Investment income

Investment income by quarter, € million

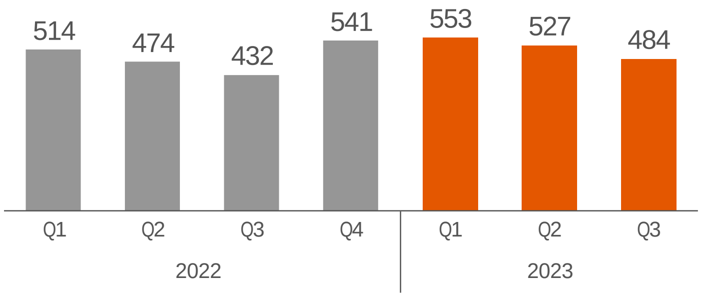


Change in investment income by business segment, € million

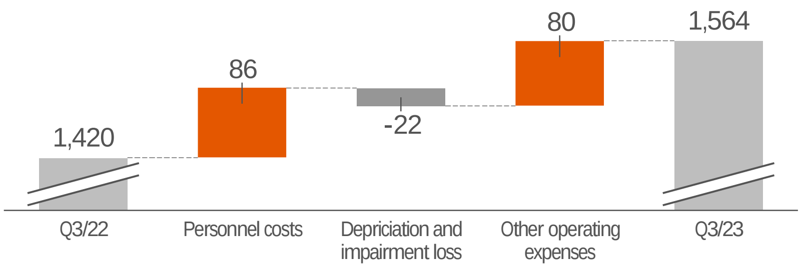


Expenses

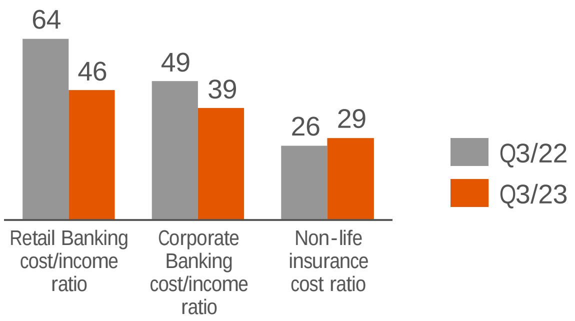
Expenses by quarter, € million



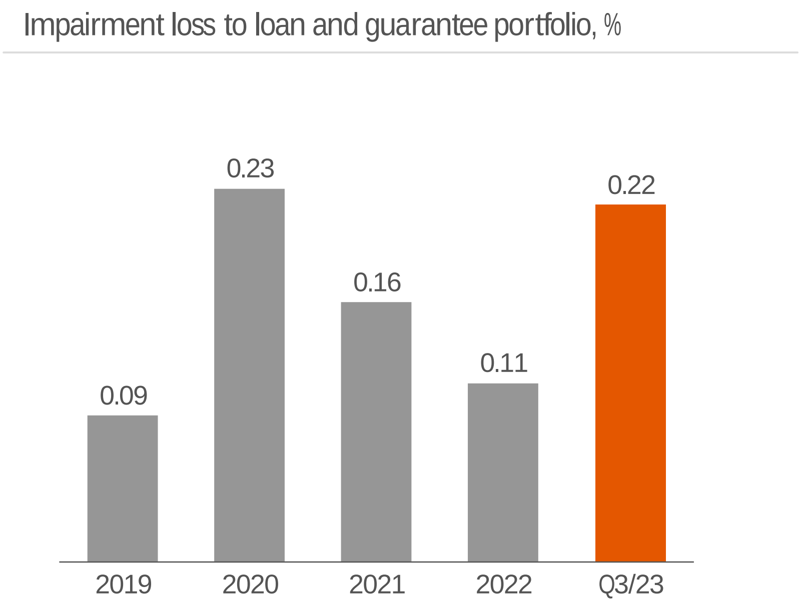
Change in expenses, € million

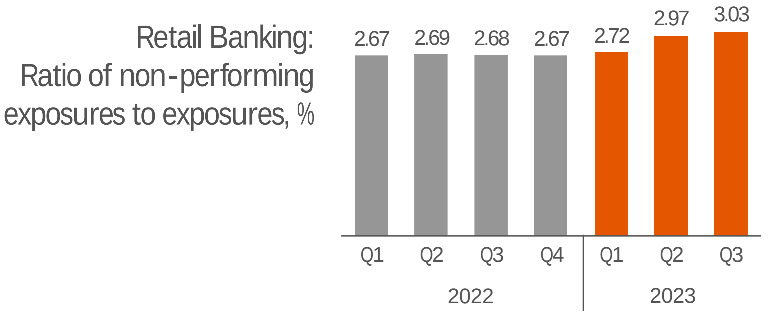


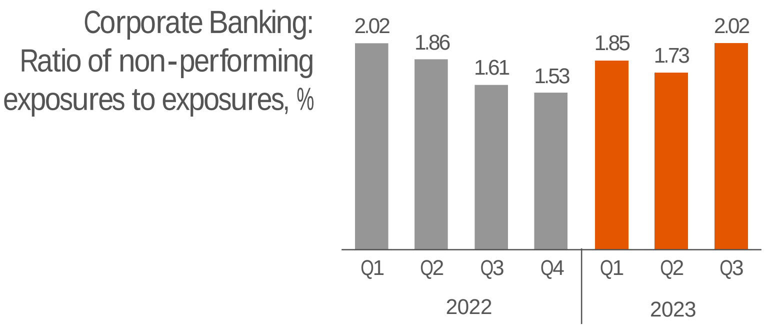
Cost/income ratio by business, %



Impairment loss on receivables

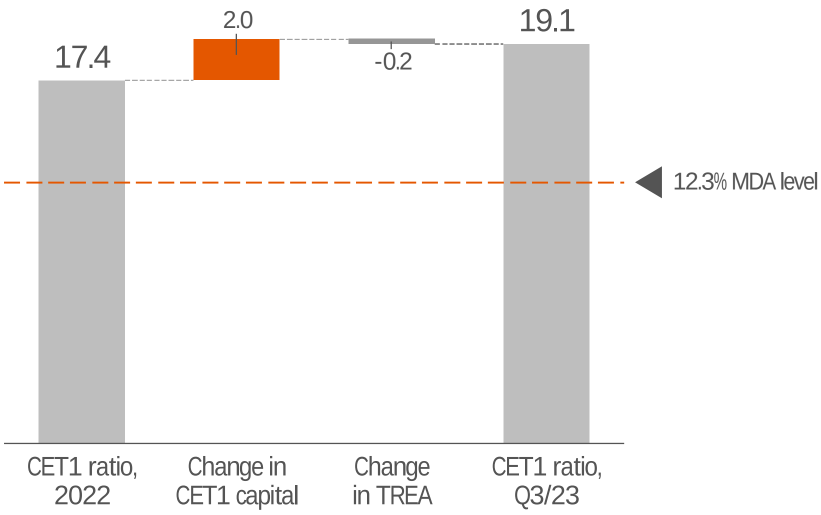






Strong capital position

CET1 ratio development, %



€14.0 bn
CET1 capital (€12.6 bn)

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

€73.3 bn
TREA (€72.3 bn)

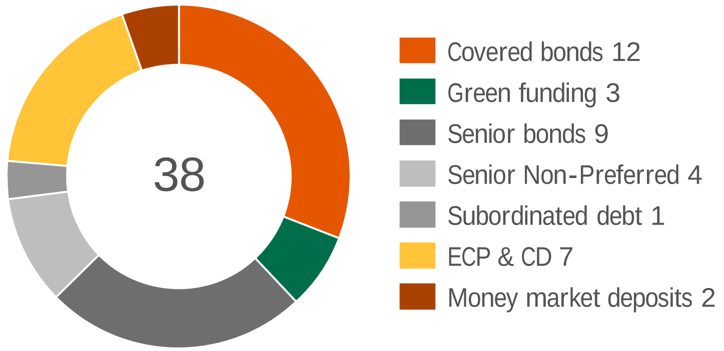
16.3%
CET1 strategic target: MDA level + 400 bps management buffer

> "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.

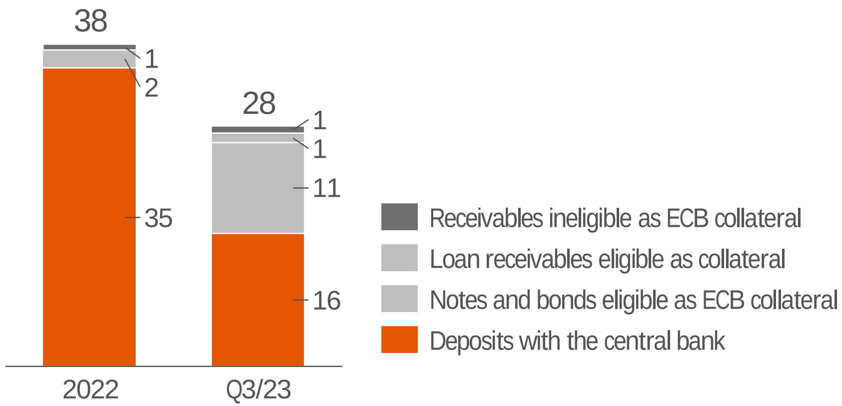
Stable funding and liquidity position

Long and short-term funding, € billion



- OP Financial Group's buffer for the MREL was EUR 7.1 billion and the MREL ratio was 36.1% of TREA. For the subordination requirement the buffer was EUR 5.7 billion and the subordination ratio was 26.5% of TREA.

Liquidity buffer breakdown, € billion

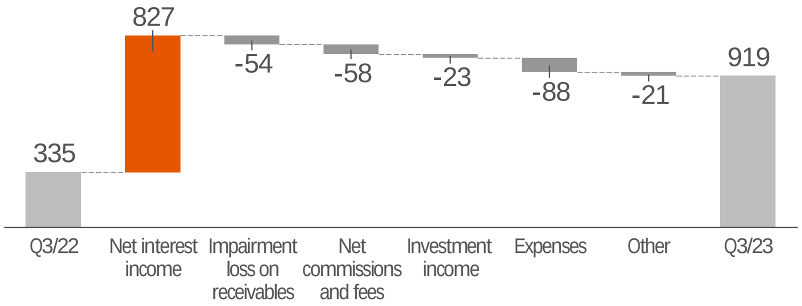


- LCR (Liquidity Coverage Ratio) 217%
- NSFR (Net Stable Funding Ratio) 126%

Retail Banking

Loan portfolio	Deposits	Brokered homes and real property transactions, qty.
€71.0 bn	€61.7 bn	6,586

Operating profit, € million



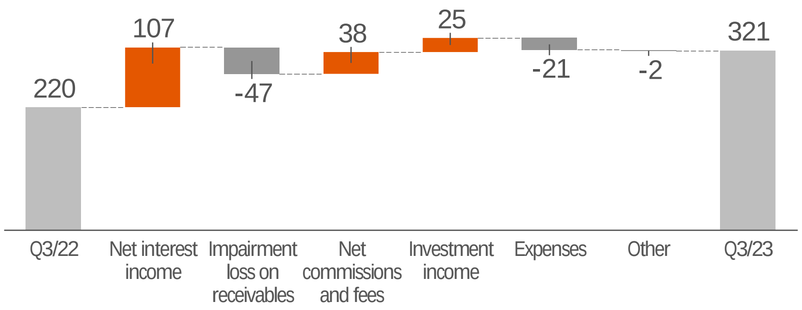
€ million

	Q3/23	Q3/22	Change %
Net interest income	1,619	792	104%
Impairment loss on receivables	-107	-54	100%
Net commissions and fees	524	583	-10%
Investment income	-10	13	-
Other operating income	42	28	50%
Personnel costs	-365	-332	10%
Depriciation and impairment loss	-34	-36	-
Other operating expenses	-591	-535	11%
OP bonuses to owner-customers	-160	-125	28%
Total income	2,176	1 416	54%
Total expenses	-990	-902	10%
Operating profit	919	335	174%

Corporate Banking

Loan portfolio	Deposits	Assets under management
€28.0 bn	€11.3 bn	€72.1 bn

Operating profit, € million



€ million

	Q3/23	Q3/22	Change %
Net interest income	441	334	32%
Impairment loss on receivables	-63	-16	288%
Net commissions and fees	163	124	31%
Investment income	43	18	143%
Other operating income	17	14	19%
Personnel costs	-76	-66	15%
Depriciation and impairment loss	-3	-7	-
Other operating expenses	-182	-166	9%
OP bonuses to owner-customers	-20	-15	28%
Total income	663	490	35%
Total expenses	-260	-239	9%
Operating profit	321	220	46%

Insurance

Combined ratio, Non-life insurance

94.8%

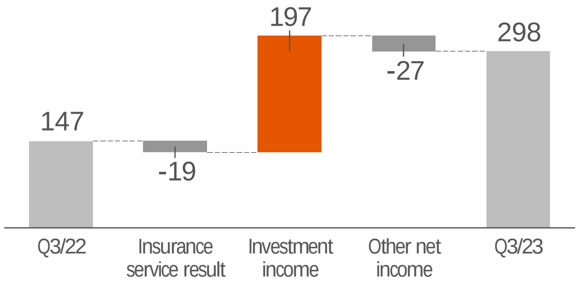
Net premium revenue, Non-life insurance

€1.2 bn

Unit-linked insurance assets

€11.9 bn

Operating profit, € million

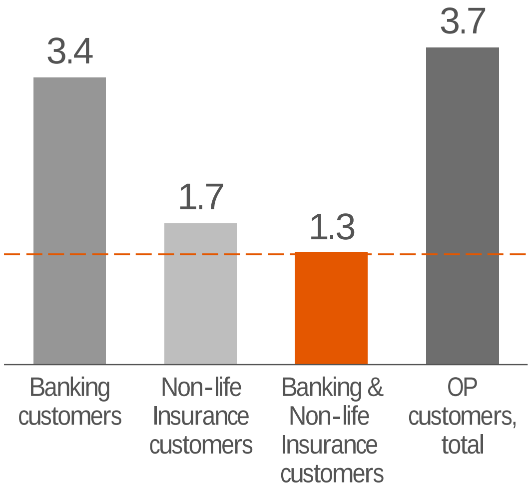


€ million

	Q3/23	Q3/22	Change %
Insurance service result	58	77	-24%
Net finance income	-102	2,219	-
Net investment income	342	-2,175	-
Investment income	241	44	447%
Net commissions and fees	37	37	-1%
Other net income	4	31	-87%
Personnel costs	-124	-107	16%
Depreciation and impairment loss	-37	-39	-
Other operating expenses	-220	-195	13%
Total expenses	**-381**	**-341**	**12%**
Transfers to insurance service result	348	305	14%
OP bonuses to owner-customers	-9	-7	24%
Operating profit	298	147	103%

Attractive loyalty benefits support cross-selling

Number of customers, million



1.3 mn
combined banking and non-life insurance customers

36%
of total OP customers

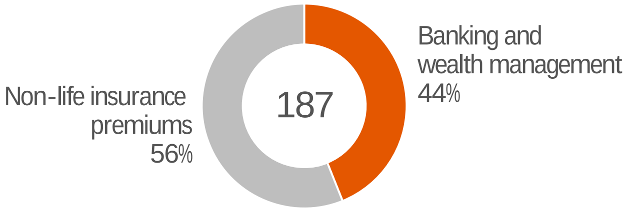
Owner-customer benefits

€204 mn
accrued OP bonuses in Q3/23

€112 mn
discounts on daily banking, non-life insurance policies and mutual funds in Q3/23

€144 mn
accrued returns on Profit Shares in 2022

OP bonus usage during Q3/23, € million



OP Financial Group in brief

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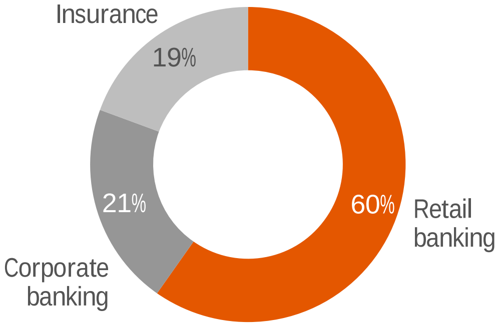
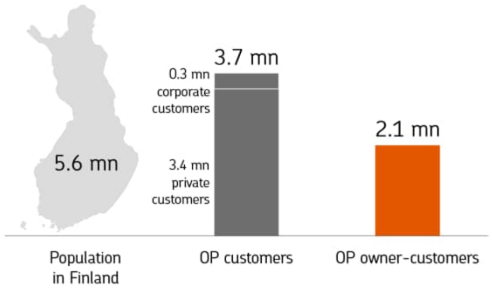


€1,570 mn
Operating profit Q3/23

19.1%
CET1 ratio

€155 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

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
- Pivo Wallet Oy

Corporate Banking

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

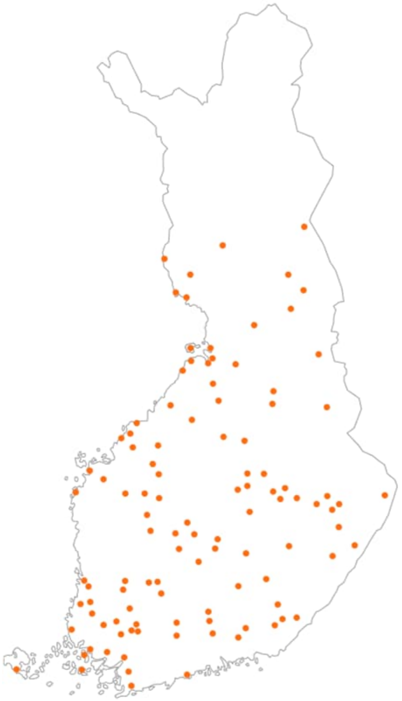
- OP Corporate Bank plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Asset Management Ltd
- OP Custody Ltd

Insurance

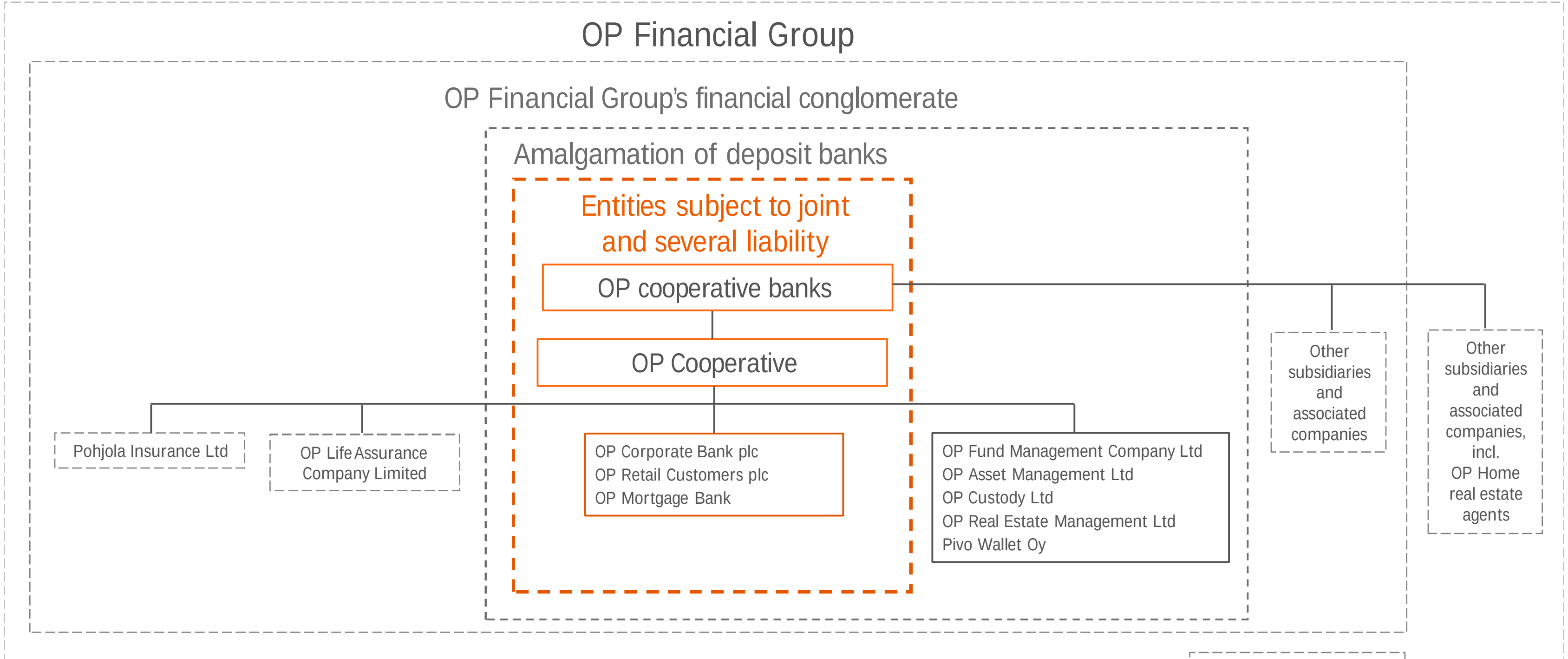
The Insurance segment comprises Pohjola Insurance and OP Life Assurance Company.

- 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 requirements

Capital adequacy for credit institutions

CET1 ratio 19.1%

Capital adequacy ratio 21.1%

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 252%

Solvency ratio, Life insurance 252%

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 145%

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.