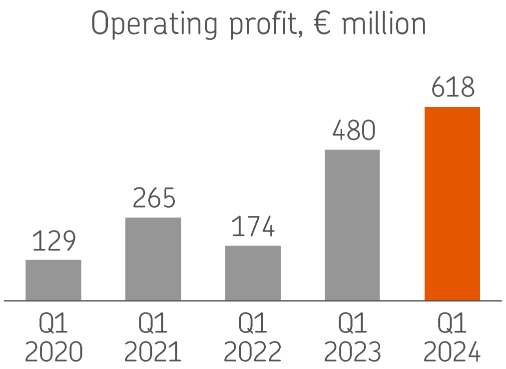
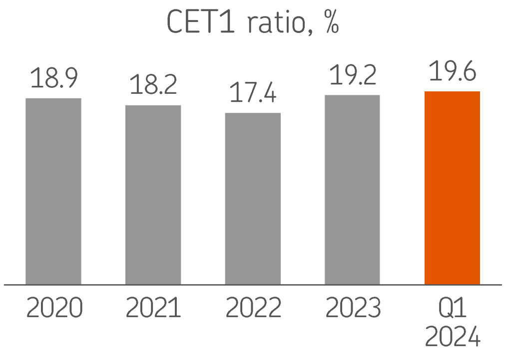
OP Financial Group's Interim Report for 1 January–31 March 2024

Background material

Q1/2024 earnings in brief

- Despite the challenging business environment, OP Financial Group's operating profit fared extremely well. January–March operating profit grew by 29% year on year, to EUR 618 million.
- Strong capital adequacy and excellent liquidity provide security in an uncertain and often unpredictable business environment. OP Financial Group's CET1 ratio strengthened again, to 19.6%, which exceeds the minimum regulatory requirement by 7.3 percentage points. OP Financial Group is one of the most financially solid large banks in Europe. Furthermore, our liquidity remained excellent.
- All three business segments performed well. Growth was particularly strong in the Retail Banking segment, with operating profit rising by 44% to EUR 368 million, following favourable developments in net interest income. Corporate Banking's profit improved considerably, by 40%, to EUR 140 million. Earnings in the insurance segment were EUR 118 million. This was 31% higher year on year, largely because of the excellent result in investment income.
- Our customers were interested in systematically investing in funds, with 51% more new investment agreements being made than in the same period last year. The number of OP mutual fund unitholders rose to more than 1.31 million. We aim to coach our customers to help them make better financial choices, and Wealth Management is one of our growth focus areas.

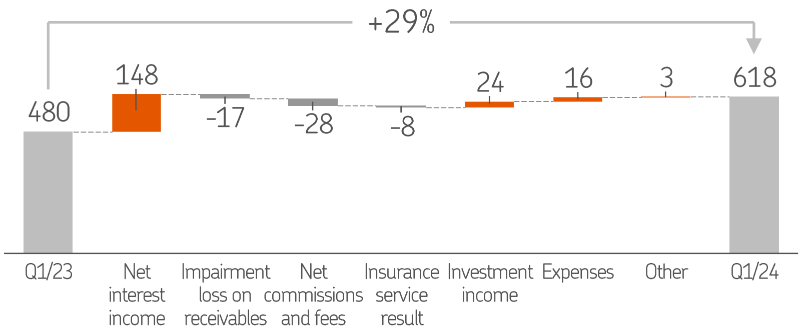




Financial performance

Loan portfolio	Deposits	Assets under management
€98bn	€74bn	€107bn

Operating profit, € million



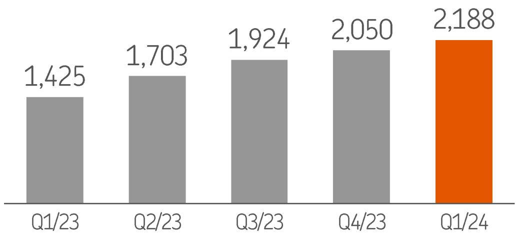
€ million

	Q1/24	Q1/23	Change %
Net interest income	763	615	24%
Impairment loss on receivables	-39	-23	72%
Net commissions and fees	217	244	-11%
Insurance premium revenue	523	485	8%
Insurance service expenses	-512	-485	6%
Net income from reinsurance contracts	-21	-3	-
Insurance service result	-10	-2	-
Investment income	151	128	19%
Other operating income	9	6	38%
Personnel costs	-256	-222	15%
Depriciation and impairment loss	-33	-47	-29%
Other operating expenses	-248	-284	-13%
Transfers to insurance service result	129	120	8%
OP bonuses to owner-customers	-65	-55	17%
Total income	1,259	1,111	13%
Total expenses	-537	-553	-3%
Cost/income ratio, %	42.6	49.8	-7%*
Operating profit	618	480	29%

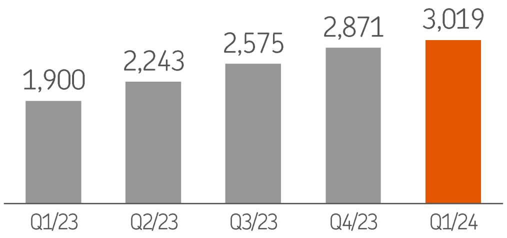
*Change in ratio

Rolling 12 months of selected P&L items

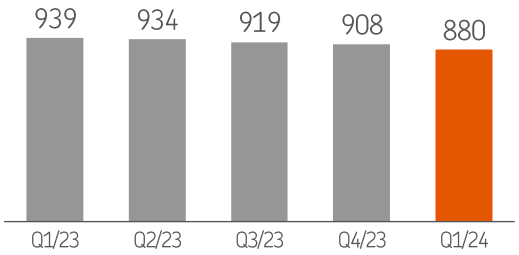
Operating profit, € million



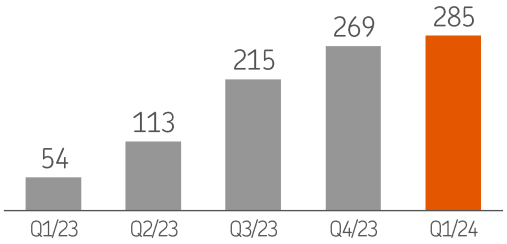
Net interest income, € million



Net commissions and fees, € million

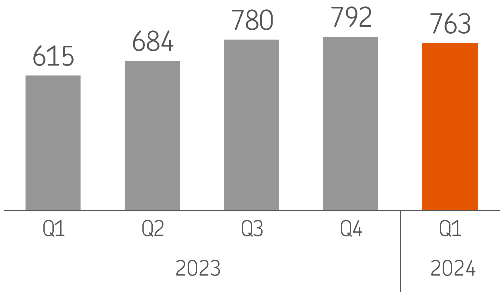


Impairment loss on receivables, € million



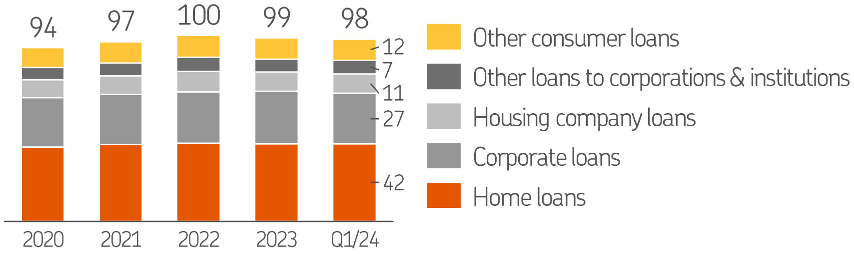
Net interest income

Net interest income by quarter, € million

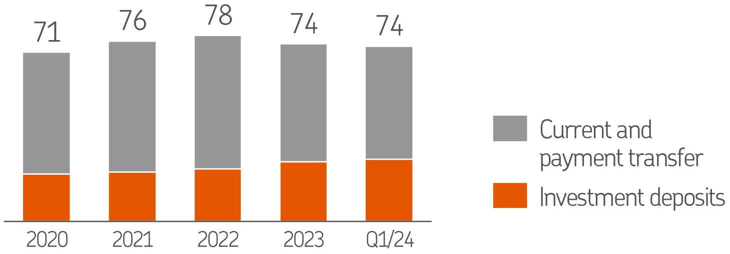


34% of personal customers' home loans were covered by interest rate cap on 31 March 2024.

Loan portfolio, € billion

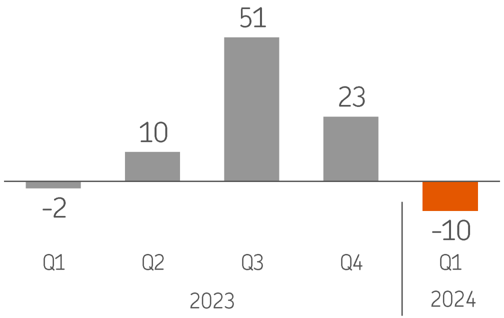


Deposits, € billion

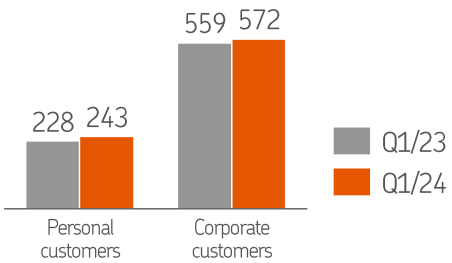


Insurance service result

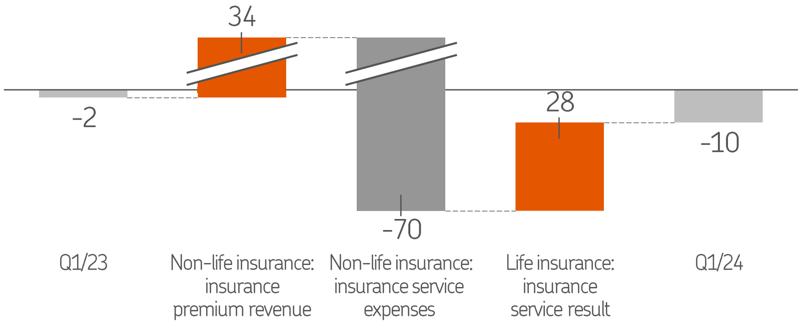
Insurance service result by quarter, € million



Non-life insurance: premiums written, € million

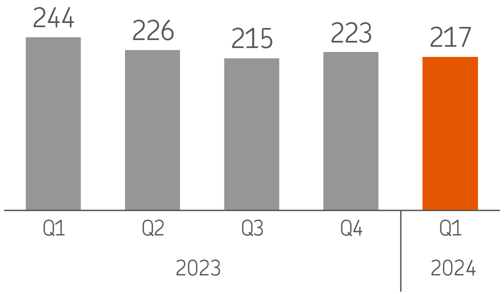


Change in insurance service result, € million

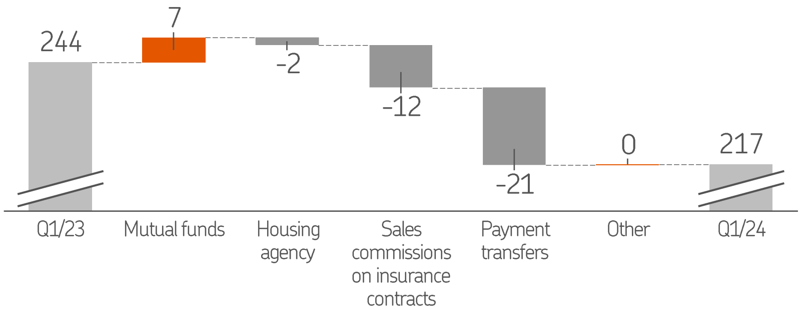


Net commissions and fees

Net commissions and fees by quarter, € million



Change in net commissions and fees, € million

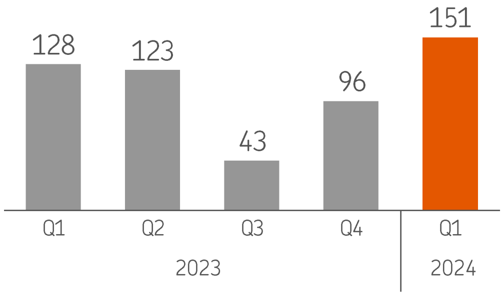


Assets under management, € billion

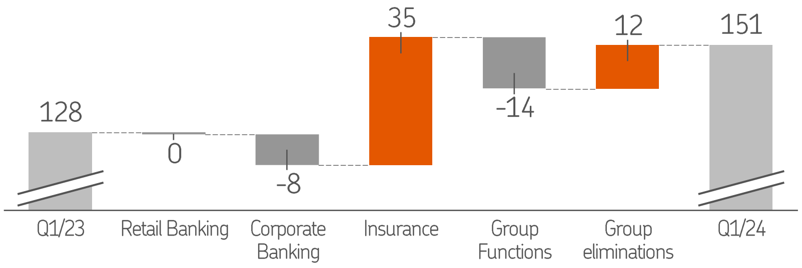
Owner-customers get daily banking services without monthly charges until the end of 2024. The value of this benefit will be an estimated EUR 88 million for 2024.

Investment income

Investment income by quarter, € million

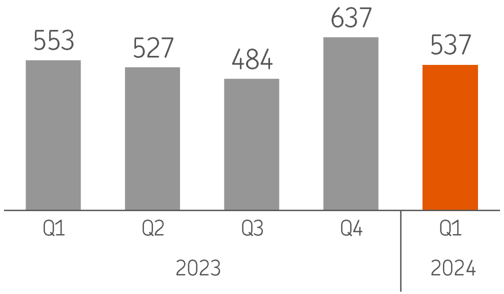


Change in investment income by business segment, € million

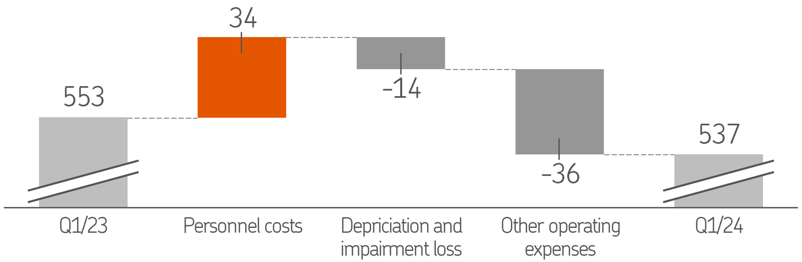


Expenses

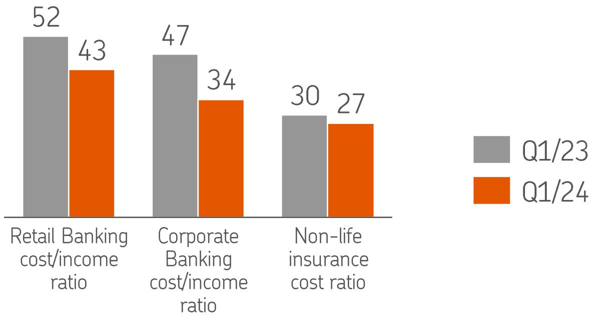
Expenses by quarter, € million



Change in expenses, € million

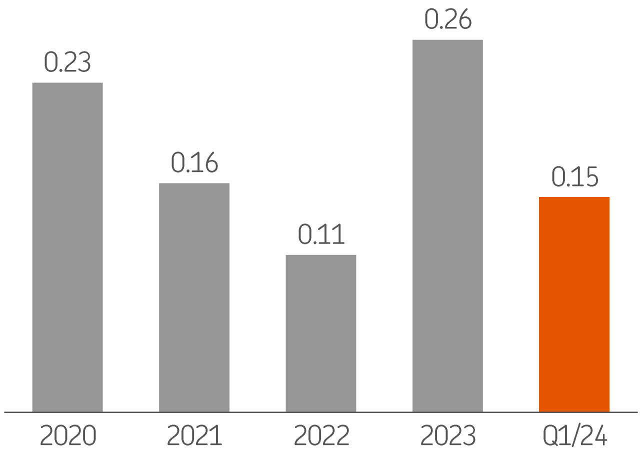


Cost/income ratio by business, %

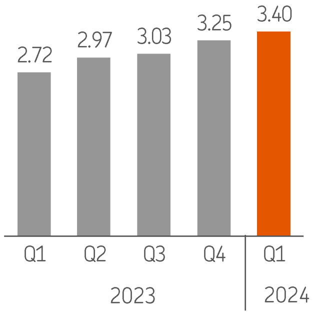


Impairment loss on receivables

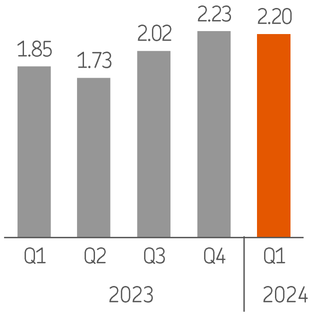
Impairment loss to loan and guarantee portfolio, %



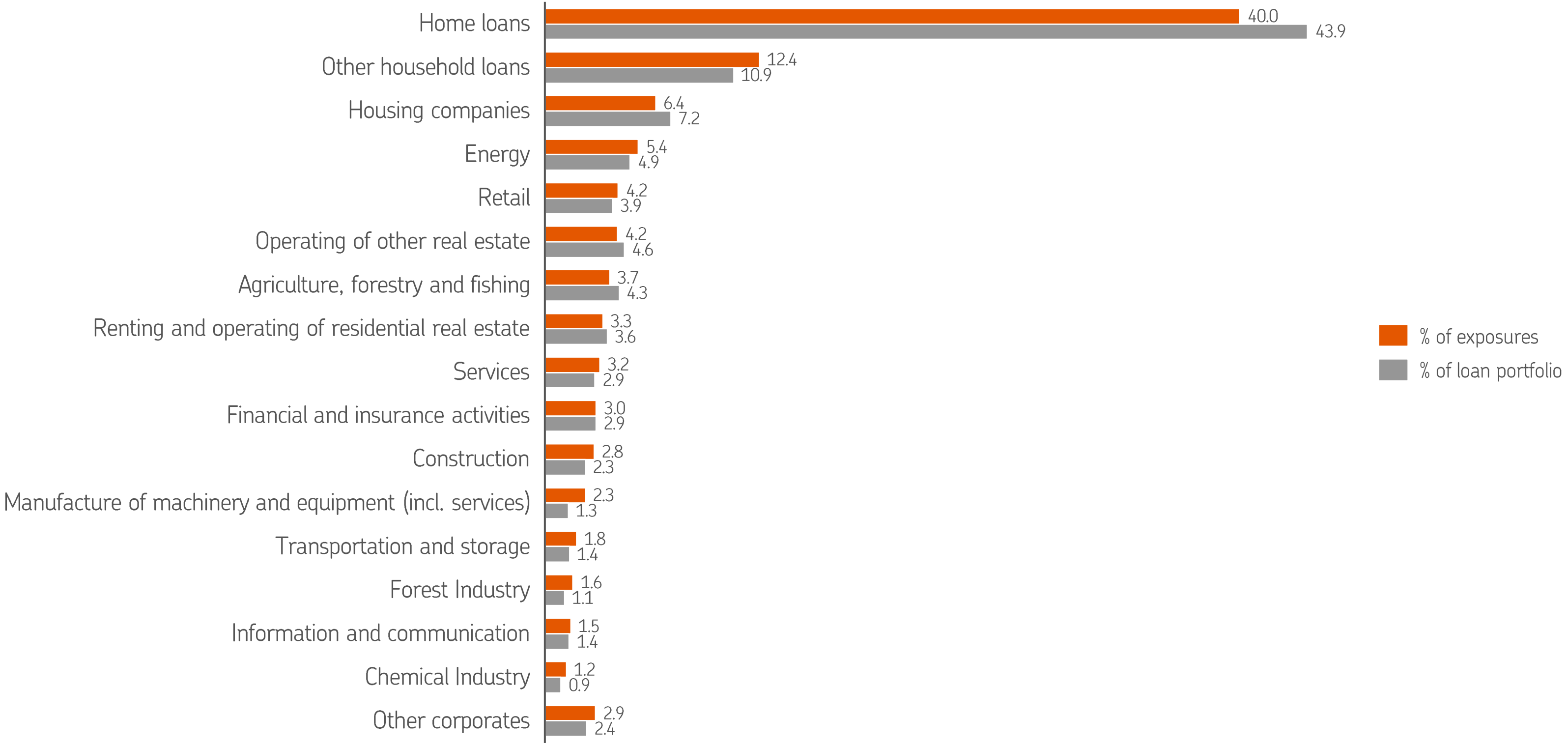
Retail Banking:
Ratio of non-performing exposures to exposures, %



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

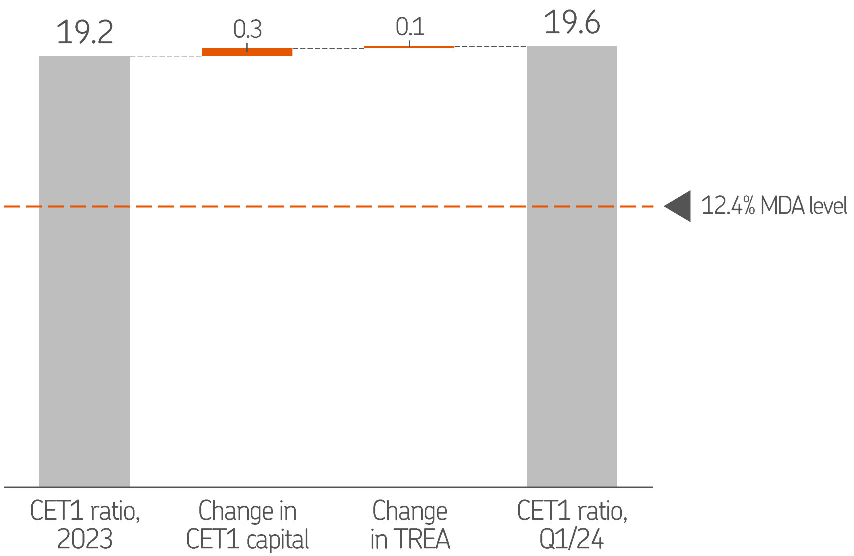


Breakdown of exposures and loan portfolio



Strong capital position

CET1 ratio development, %



€14.4bn
CET1 capital (€14.1bn)

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

€73.1bn
TREA (€73.5 bn)

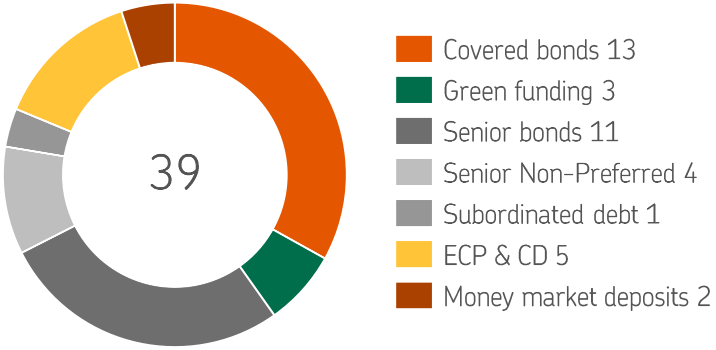
16.4%
CET1 strategic target: MDA level + 400 bps management buffer

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

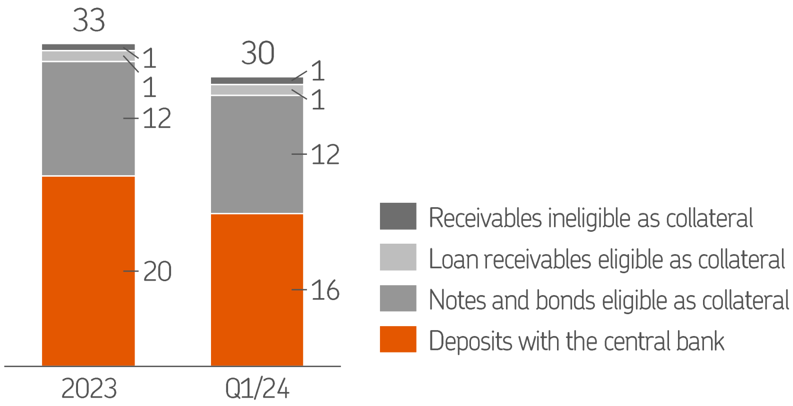
*Source: Standard & Poor’s. Top 200 Banks: Capital Ratios Continue To Normalize After Pandemic Peaks, 9/2023.

Stable funding and liquidity position

Long and short-term funding, € billion



Liquidity buffer breakdown, € billion



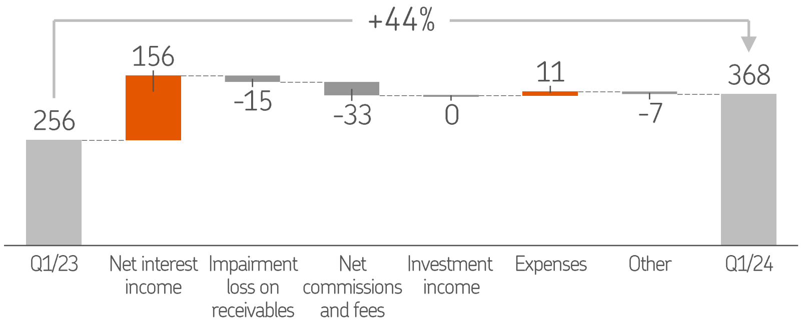
- OP Mortgage Bank issued a covered bond of €1 billion in January.
- OP Corporate Bank issued a green senior preferred bond of €500 million in March.

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

Retail Banking

Loan portfolio	Deposits	Brokered homes and real property transactions, qty
€71bn	€62bn	1,708

Operating profit, € million



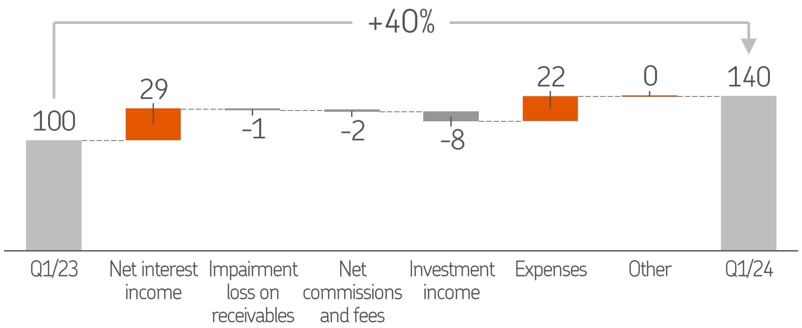
€ million

	Q1/24	Q1/23	Change %
Net interest income	611	455	34%
Impairment loss on receivables	-27	-12	126%
Net commissions and fees	161	194	-17%
Investment income	-1	0	-
Other operating income	13	12	6%
Personnel costs	-132	-118	12%
Depriciation and impairment loss	-8	-11	-24%
Other operating expenses	-196	-218	-10%
OP bonuses to owner-customers	-54	-46	16%
Total income	785	661	19%
Total expenses	-336	-346	-3%
Operating profit	368	256	44%

Corporate Banking

Loan portfolio	Deposits	Assets under management
€28bn	€12bn	€78bn

Operating profit, € million



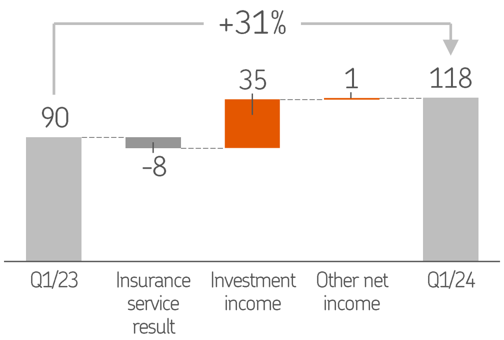
€ million

	Q1/24	Q1/23	Change %
Net interest income	166	138	21%
Impairment loss on receivables	-12	-11	10%
Net commissions and fees	57	58	-3%
Investment income	10	19	-44%
Other operating income	9	8	20%
Personnel costs	-26	-24	9%
Depriciation and impairment loss	0	-1	-74%
Other operating expenses	-57	-80	-29%
OP bonuses to owner-customers	-8	-6	24%
Total income	242	222	9%
Total expenses	-83	-105	-21%
Operating profit	140	100	40%

Insurance

Combined ratio, Non-life insurance	Net premium revenue, Non-life insurance	Unit-linked insurance assets
108.9%	€423m	€13bn

Operating profit, € million



€ million

	Q1/24	Q1/23	Change %
Insurance premium revenue	523	485	8%
Insurance service expenses	-512	-485	6%
Net income from reinsurance contracts	-21	-3	-
Insurance service result	-10	-2	-
Investment income	129	94	37%
Net commissions and fees	14	10	32%
Other net income	0	0	-
Personnel costs	-45	-42	7%
Depriciation and impairment loss	-10	-13	-25%
Other operating expenses	-86	-74	17%
Total expenses	-141	-129	9%
Transfers to insurance service result	129	120	8%
OP bonuses to owner-customers	-4	-3	26%
Operating profit	118	90	31%

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

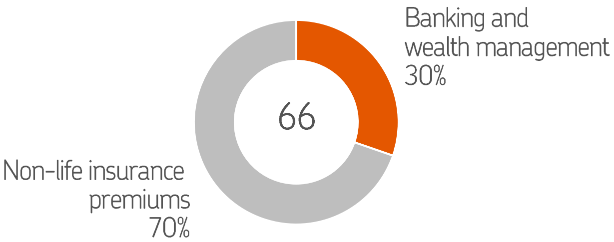
Owner-customer benefits

€75m
accrued OP bonuses in Q1/24

€61m
discounts on daily banking, non-life insurance policies and mutual funds in Q1/24

€44m
accrued estimated returns on Profit Shares in Q1/24

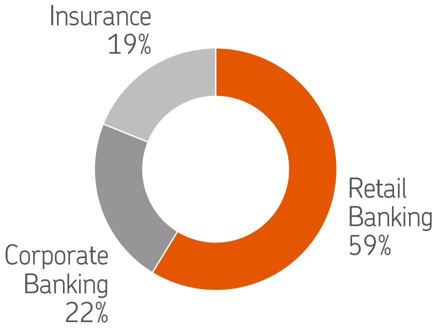
OP bonus usage during Q1/24, € million



> OP Financial Group will pay 40% extra on OP bonuses earned in 2024 and will not charge its owner-customers monthly fees for daily services throughout the year.
>
> Together, these benefits will add up to around 400 million euros in value for owner-customers in 2024.

OP Financial Group in brief

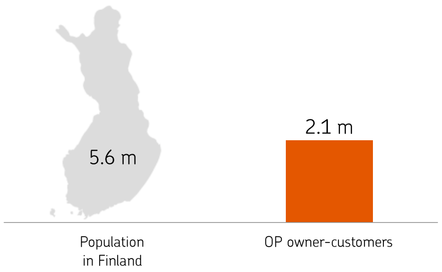
OP Financial Group in brief



€618m
Operating profit
in Q1/2024

19.6%
CET1 ratio

€157bn
Total assets



Leading market position in Finland

Loans	Deposits	Non-life Insurance	Life Insurance
34%	39%	33%	19%

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

Joint liability

The 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-

OP Corporate Bank plc

Moody's Aaa
S&P* AAA

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.

Major subsidiaries

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

Corporate Banking

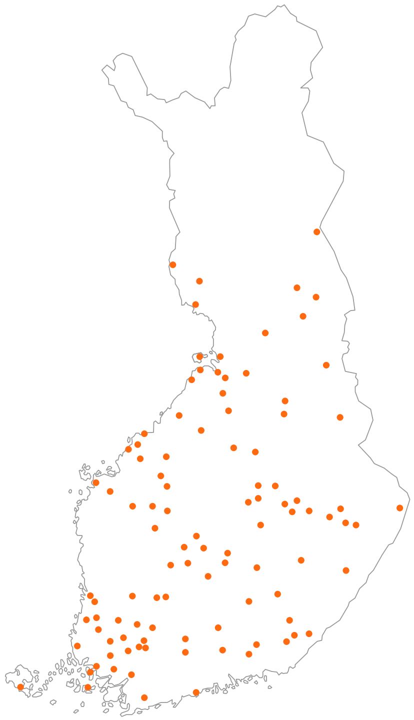
The Corporate Banking segment consists of banking and asset management services for corporate and institutional customers.

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

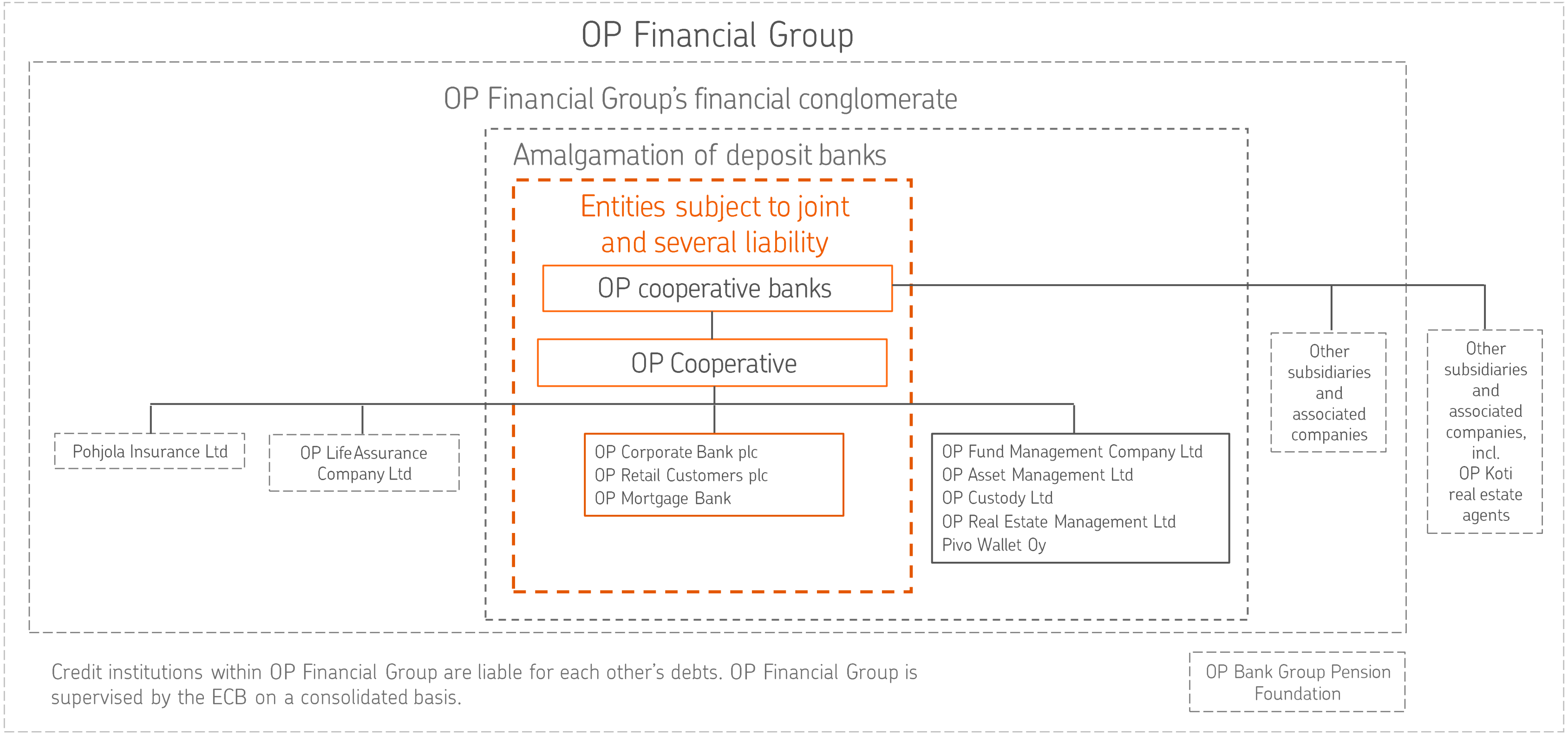
Insurance

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

- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd



OP Financial Group’s amalgamation structure



Joint and several 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 and several 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	

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 19.6%
Capital adequacy ratio 21.6%

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 183%
Solvency ratio, Life insurance 209%

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)

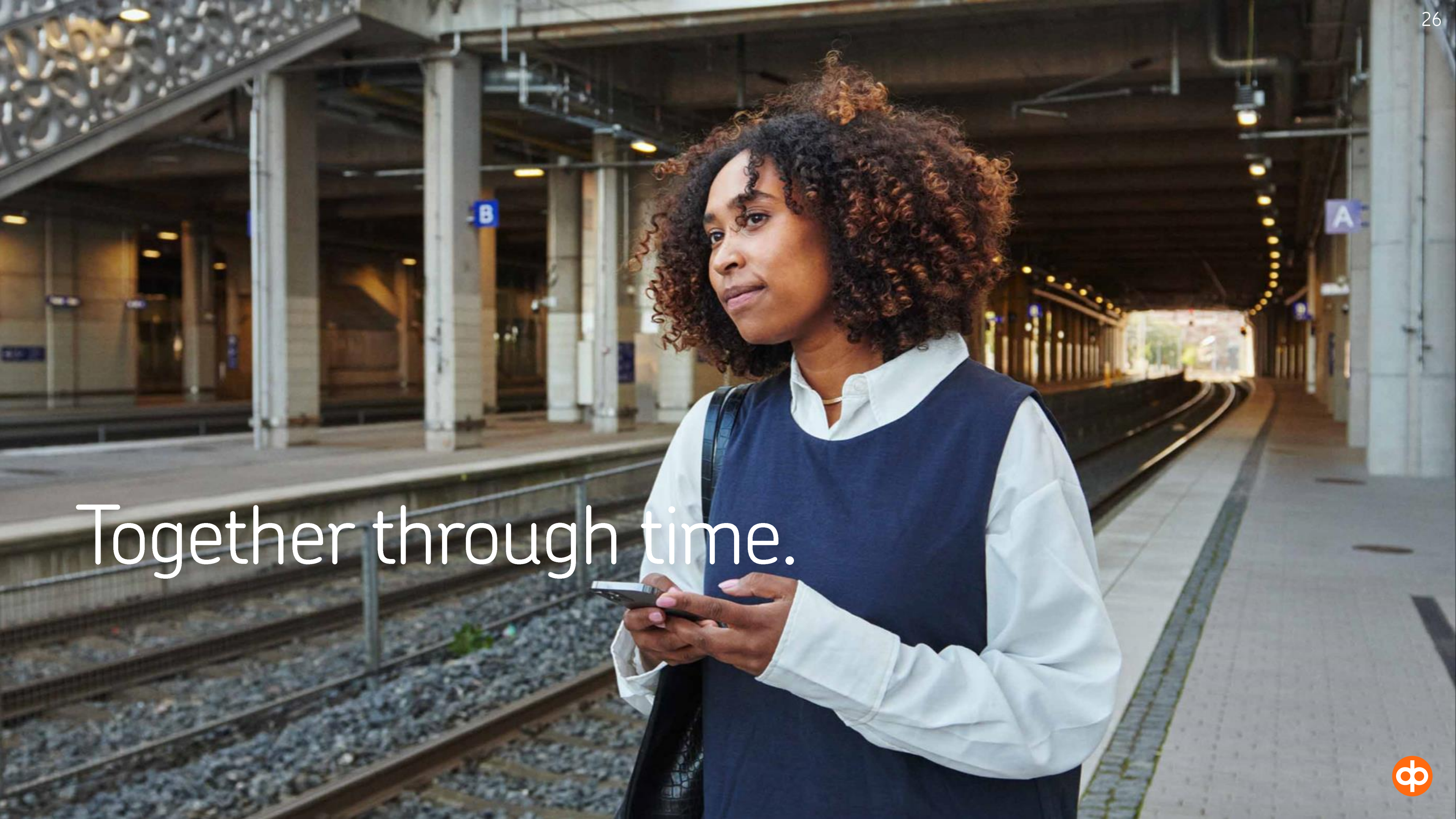
Conglomerate's capital adequacy ratio 145%

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.