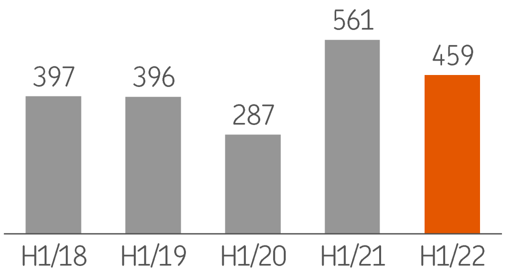
# OP Financial Group's Half-year Financial Report 1 January–30 June 2022

Background material

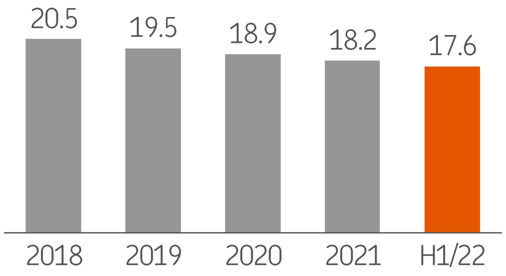
# Summary of the first half of 2022

- OP Financial Group's earnings before tax were EUR 459 million in January–June.
- Net interest income and net insurance income increased markedly. Net commissions and fees remained at the level reported a year ago. Investment income decreased due to the challenging investment environment.
- Growth in expenses remained moderate and development investments progressed as planned.
- Earnings recorded by Retail Banking and Insurance were at a good level but earnings by Corporate Banking were clearly weaker than a year ago.

Earnings before tax, € million

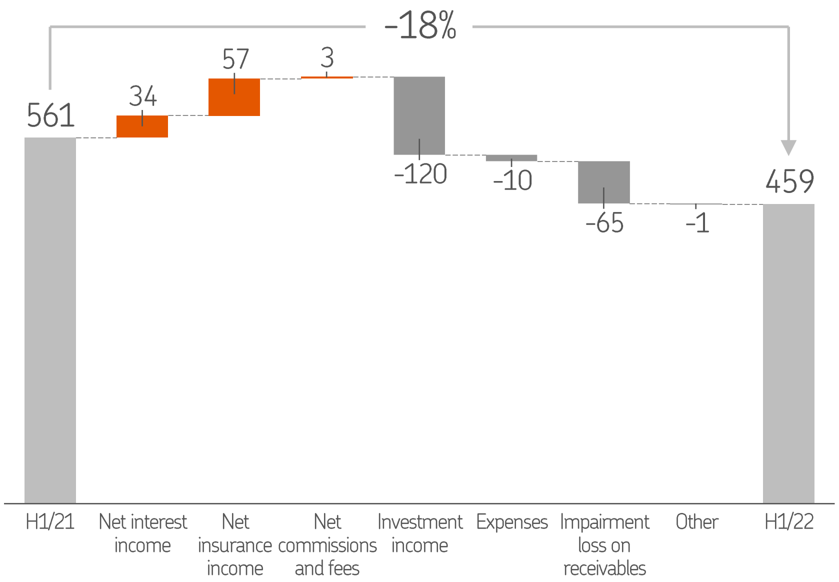



CET1 ratio, %



# Financial performance

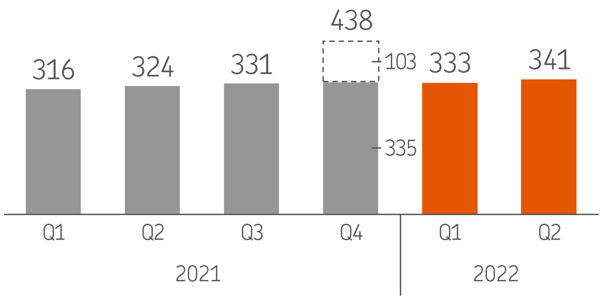
EBT year on year change, € million




| € million | H1/22 | H1/21 | Change |
|---|---|---|---|
| Net interest income | 675 | 641 | 5% |
| Net insurance income | 383 | 326 | 17% |
| Net commissions and fees | 515 | 512 | 0% |
| Net investment income | -113 | 255 | -144% |
| Other operating income | 46 | 43 | 7% |
| **Total income** | **1,505** | **1,777** | **-15%** |
| Personnel costs | 451 | 460 | -2% |
| Depriciation and impairment loss | 110 | 128 | -14% |
| Other operating expenses | 440 | 403 | 9% |
| **Total expenses** | **1,001** | **991** | **1%** |
| Impairment loss on receivables | -100 | -35 | - |
| Overlay approach | 157 | -91 | - |
| OP bonuses to owner-customers | -102 | -98 | 4% |
| Earnings before tax | 459 | 561 | -18% |

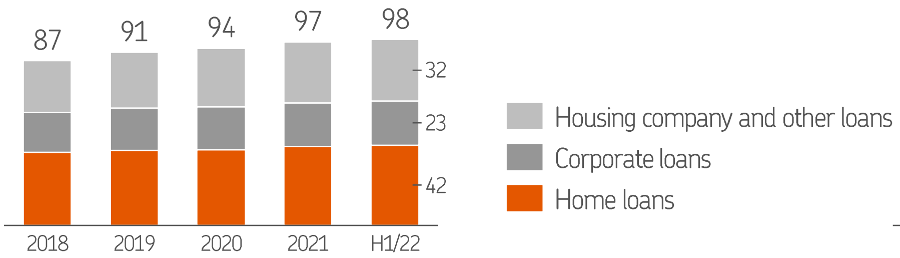
# Net interest income

Net interest income by quarter, € million

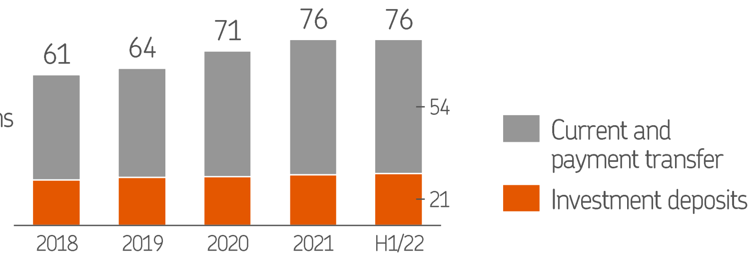



At the end of the reporting period, 32% of personal customers' home loans were covered by interest rate protection.

Loan portfolio, € billion

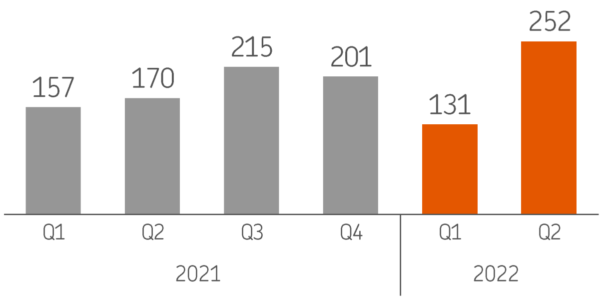



Deposits, € billion

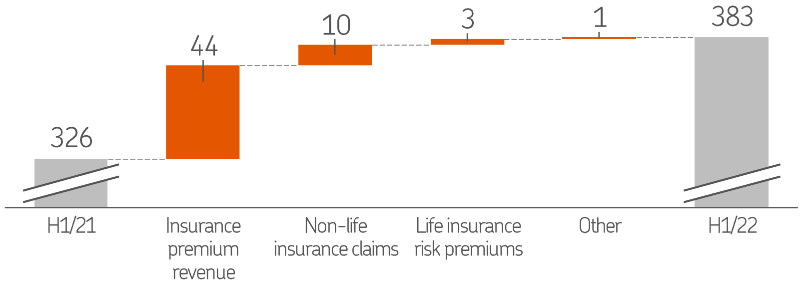


# Net insurance income

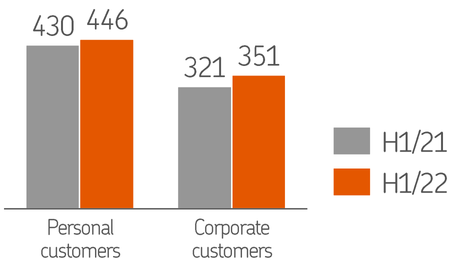
Net insurance income by quarter, € million




Change in net insurance income, € million

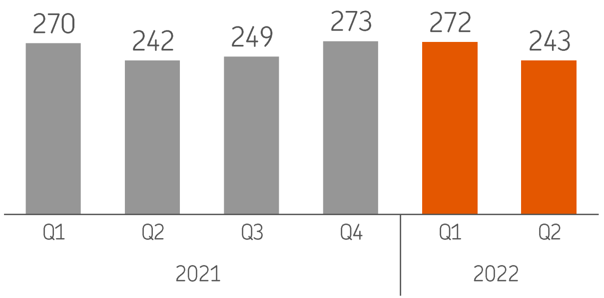



Non-life insurance premium revenue, € million

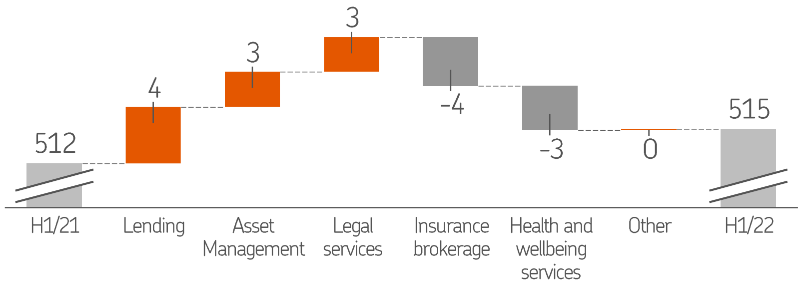


# Net commissions and fees

## Net commissions and fees by quarter, € million




## Change in net commissions and fees, € million



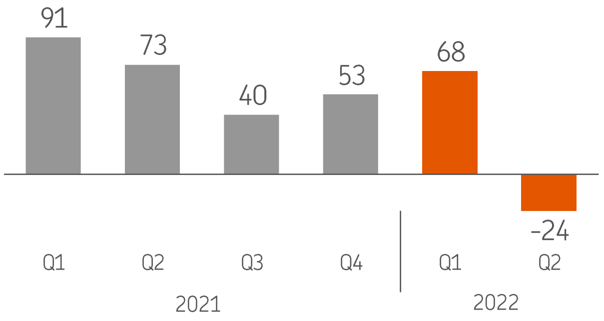

## Assets under management, € billion


OP Financial Group

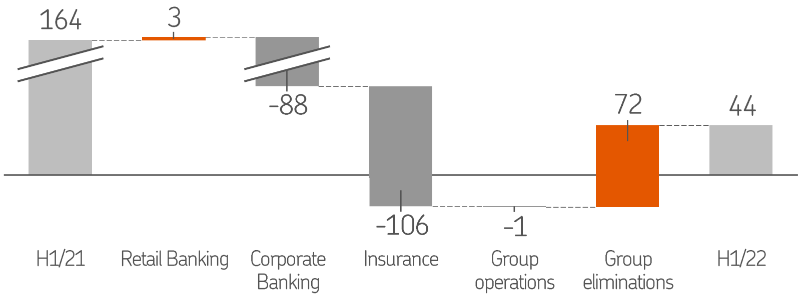
# Investment income

incl. overlay approach

Investment income by quarter, € million



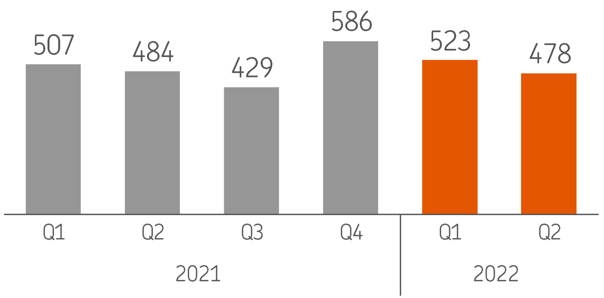

Change in investment income by business segment, € million



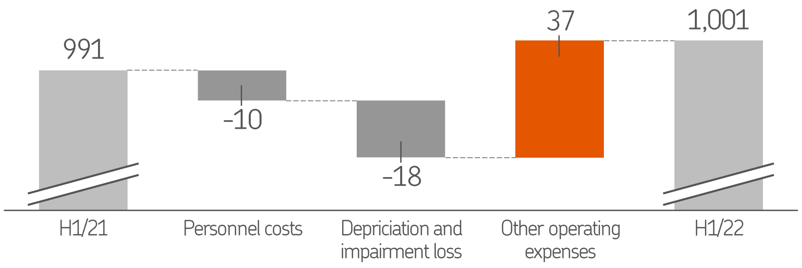

An overlay approach is applied to certain equity instruments of insurance companies. Changes in the fair value of investments within the scope of the overlay approach are presented under the fair value reserve under shareholders' equity.

# Expenses

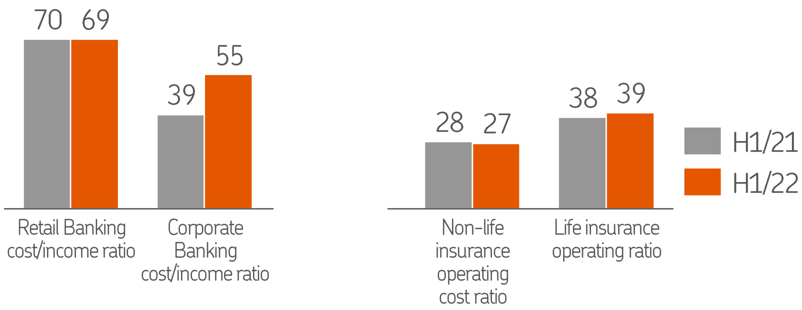
## Expenses by quarter, € million




## Change in expenses, € million

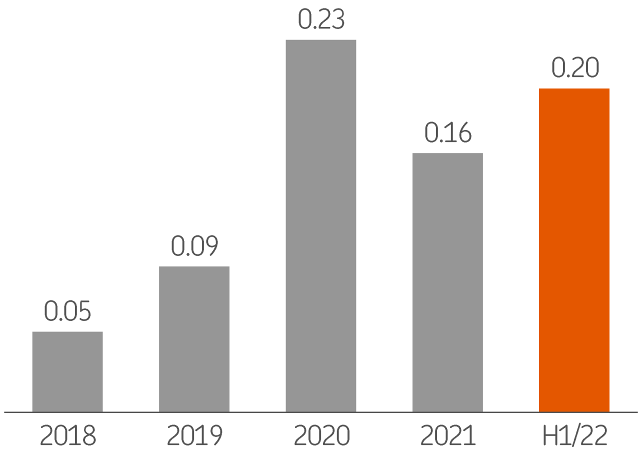



## Cost/income ratio by business, %

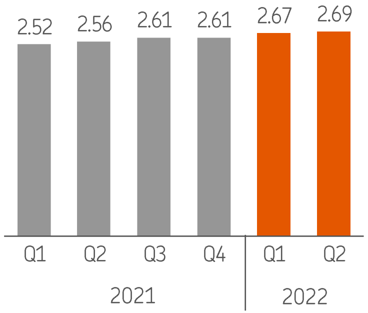


# Impairment loss on receivables

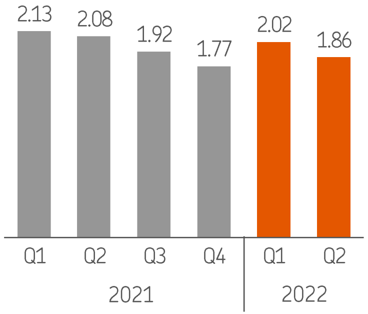
Impairment loss to loan and guarantee portfolio, %




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

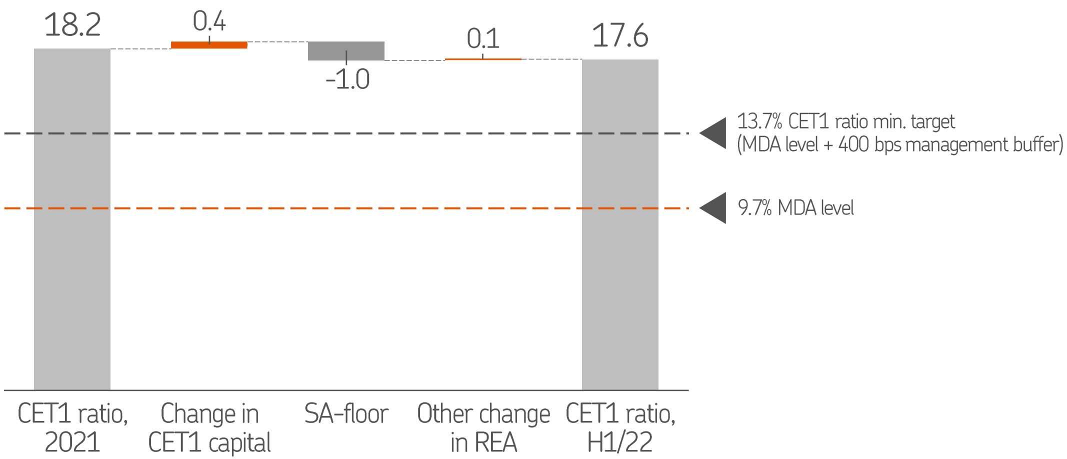



Corporate Banking:
Ratio of non-performing exposures to exposures, %



# Strong capital position

CET1 ratio development, %




**€12.2 bn**
CET1 capital (€12.0 bn)

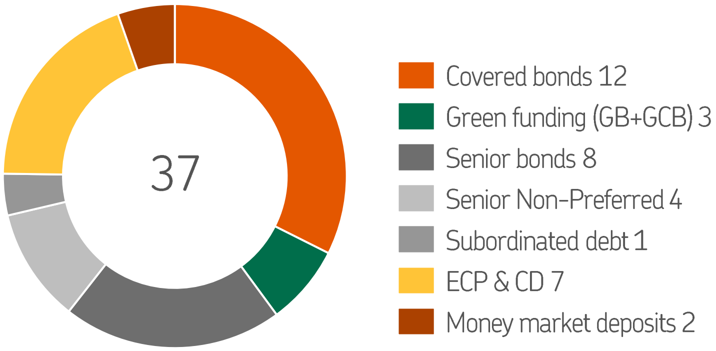
**€3.2 bn**
Profit Shares in CET1 capital (€3.1 bn)

**€69.3 bn**
REA (€65.7 bn)

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 point.

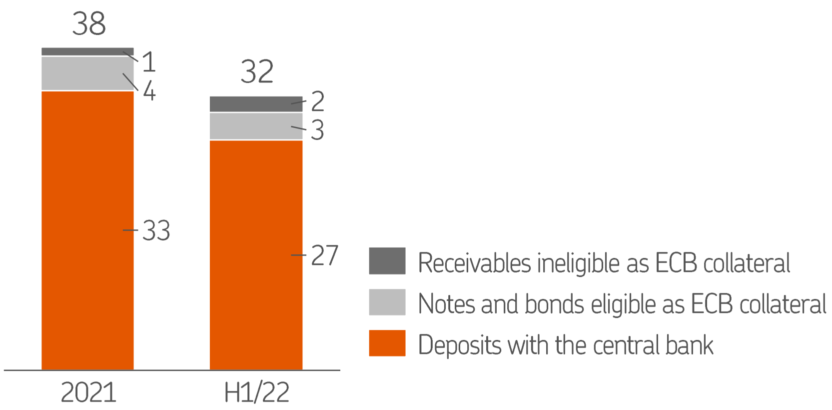
# Stable funding and liquidity position

## Long and short-term funding, € billion




- In April, OP Mortgage Bank issued a Green Covered Bond of €1 bn
- In June, OP Corporate Bank issued a Senior Preferred of £350 mn
- OP Financial Group's buffer for the MREL was EUR 7.3 billion and for the subordination requirement EUR 2.4 billion. The MREL was based on the RWA and the subordination requirement on the LRE.

## Liquidity buffer breakdown, € billion

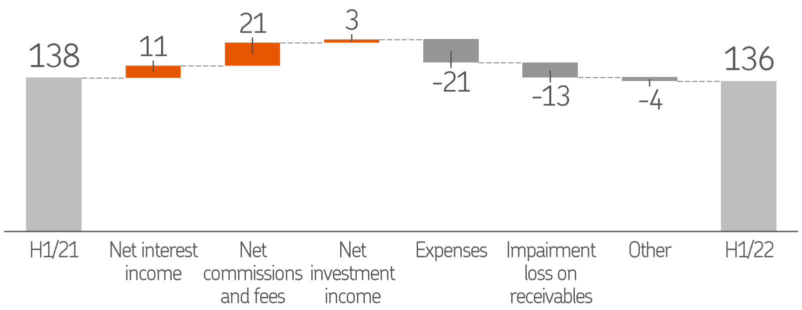



- LCR (Liquidity Coverage Ratio) 189%
- NSFR (Net Stable Funding Ratio) 131%

# Retail Banking

| Loan portfolio | Deposits | Brokered homes and real property transactions, qty. |
|---|---|---|
| €71.1 bn | €63.8 bn | 5,763 |

Earnings before tax, € million

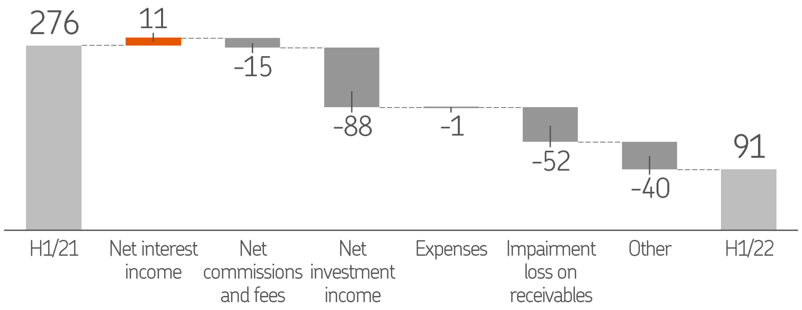



| € million | H1/22 | H1/21 | Change |
|---|---|---|---|
| Net interest income | 485 | 474 | 2% |
| Net commissions and fees | 397 | 376 | 6% |
| Net investment income | 5 | 2 | 174% |
| Other operating income | 18 | 19 | -8% |
| **Total income** | **905** | **871** | **4%** |
| Personnel costs | 230 | 225 | 2% |
| Depriciation and impairment loss | 24 | 26 | -9% |
| Other operating expenses | 374 | 356 | 5% |
| **Total expenses** | **628** | **607** | **3%** |
| Impairment loss on receivables | -60 | -47 | - |
| OP bonuses to owner-customers | -81 | -79 | - |
| **Earnings before tax** | **136** | **138** | **-2%** |

# Corporate Banking

| Loan portfolio | Deposits | Assets under management |
|---|---|---|
| €27.0 bn | €13.9 bn | €72.7 bn |

Earnings before tax, € million




| € million | H1/22 | H1/21 | Change |
|---|---|---|---|
| Net interest income | 214 | 203 | 6% |
| Net commissions and fees | 83 | 98 | -15% |
| Net investment income | 7 | 95 | -93% |
| Other operating income | 11 | 50 | -78% |
| **Total income** | **315** | **446** | **-29%** |
| Personnel costs | 46 | 48 | -3% |
| Depriciation and impairment loss | 5 | 7 | -31% |
| Other operating expenses | 122 | 118 | 4% |
| **Total expenses** | **173** | **173** | **0%** |
| Impairment loss on receivables | -40 | 12 | - |
| OP bonuses to owner-customers | -10 | -9 | - |
| Earnings before tax | 91 | 276 | -67% |

# Insurance

Operating combined ratio, Non-life insurance

91.8%

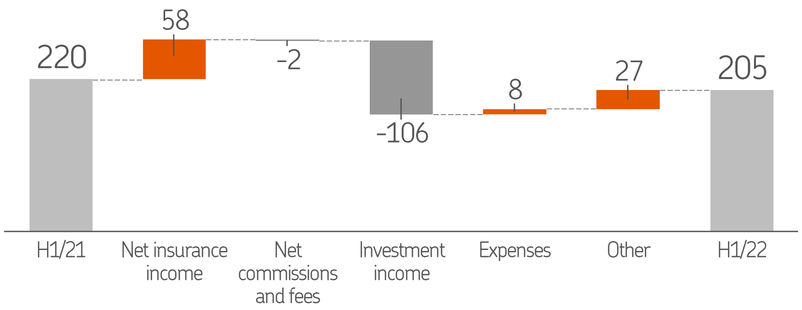
Insurance premium revenue

€797 mn

Unit-linked insurance assets

€11.5 bn

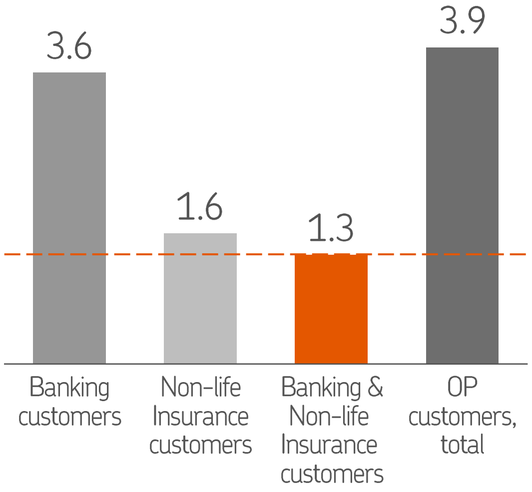
Earnings before tax, € million




| € million | H1/22 | H1/21 | Change |
|---|---|---|---|
| Net insurance income | 393 | 335 | 17% |
| Net commissions and fees | 38 | 40 | -5% |
| Net investment income | -170 | 184 | -192% |
| Other net income | 29 | 1 | - |
| **Total income** | **290** | **561** | **-48%** |
| Personnel costs | 75 | 81 | -8% |
| Depriciation and impairment loss | 26 | 29 | -9% |
| Other operating expenses | 131 | 130 | 1% |
| **Total expenses** | **232** | **240** | **-3%** |
| Overlay approach | 157 | -91 | - |
| OP bonuses to owner-customers | -11 | -10 | - |
| Earnings before tax | 205 | 220 | -7% |

# Owner-customers benefit from using OP's services broadly

## Number of customers, million




**1.3 mn**
combined banking and non-life insurance customers

**34%**
of total number of OP customers

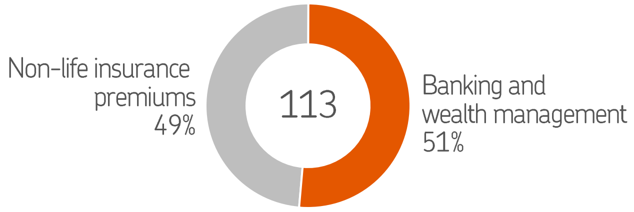
## Owner-customer benefits

**€107 mn**
accrued OP bonuses in H1/22

**€55 mn**
discounts on daily banking, non-life insurance policies and mutual funds in H1/22

**€96 mn**
accrued returns on Profit Shares in 2021

## OP bonus usage during H1/22, € million



# OP Financial Group in brief

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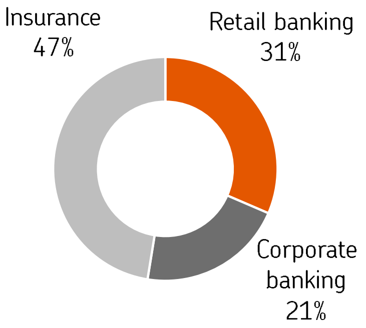



€459 mn

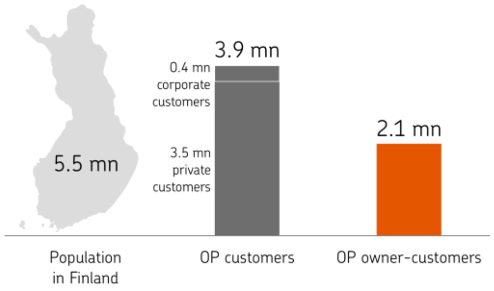
Group EBT in H1/22

17.6%

CET1 ratio

€168 bn

Total assets




## Leading market shares

| Loans | Deposits | Non-life Insurance | Life Insurance |
|---|---|---|---|
| 35% | 38% | 32% | 21% |

## 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<br>S&P AA- | Moody's Aaa<br>S&P AAA |
|---|---|
| OP Corporate Bank plc | OP Mortgage Bank's covered bonds |

Source: Bank of Finland (Loans and Deposits 12/2021), Finance Finland (Non-life & Life Insurance 12/2021)

# OP Financial Group’s business structure

2.1 million owner-customers

117 OP cooperative banks

Central Cooperative

## Retail Banking

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

- OP Mortgage Bank
- OP Retail Customers Plc
- Helsinki Area Cooperative Bank

## Corporate Banking

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

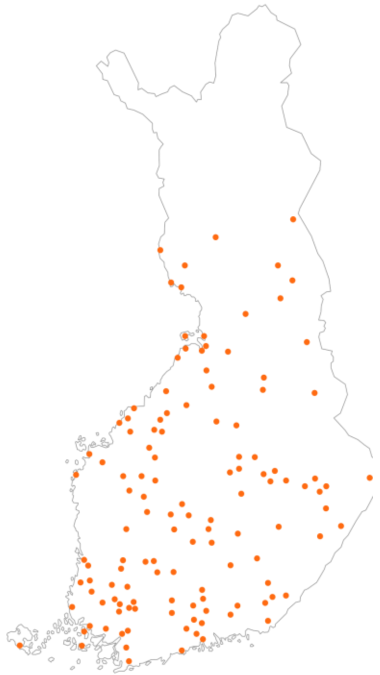
- OP Corporate Bank plc
- OP Fund Management Company Ltd
- OP Asset Management Ltd
- OP Real Estate Asset Management Ltd

## Insurance

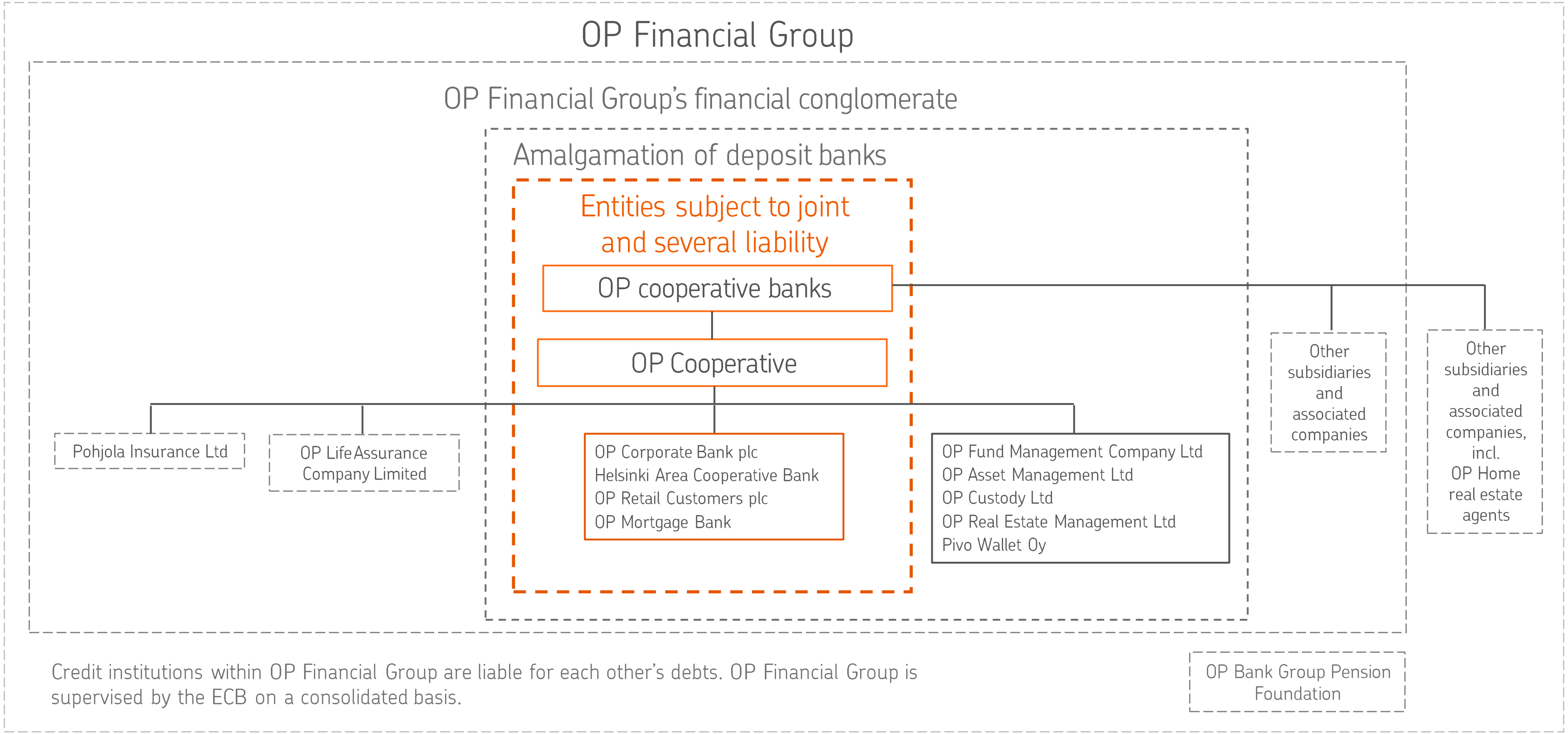
The Insurance segment comprises Pohjola Insurance and OP Life Assurance Company.

- Pohjola Insurance Ltd
- OP Life Assurance Company Ltd

Major subsidiaries



# OP Financial Group's amalgamation structure




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, Helsinki Area Cooperative Bank , 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**

OP Financial Group's Nomination Committee

**Supervisory Council and its units**

Supervisory Council Nomination Committee

**Board of Directors and its committees**

Risk Committee

Audit Committee

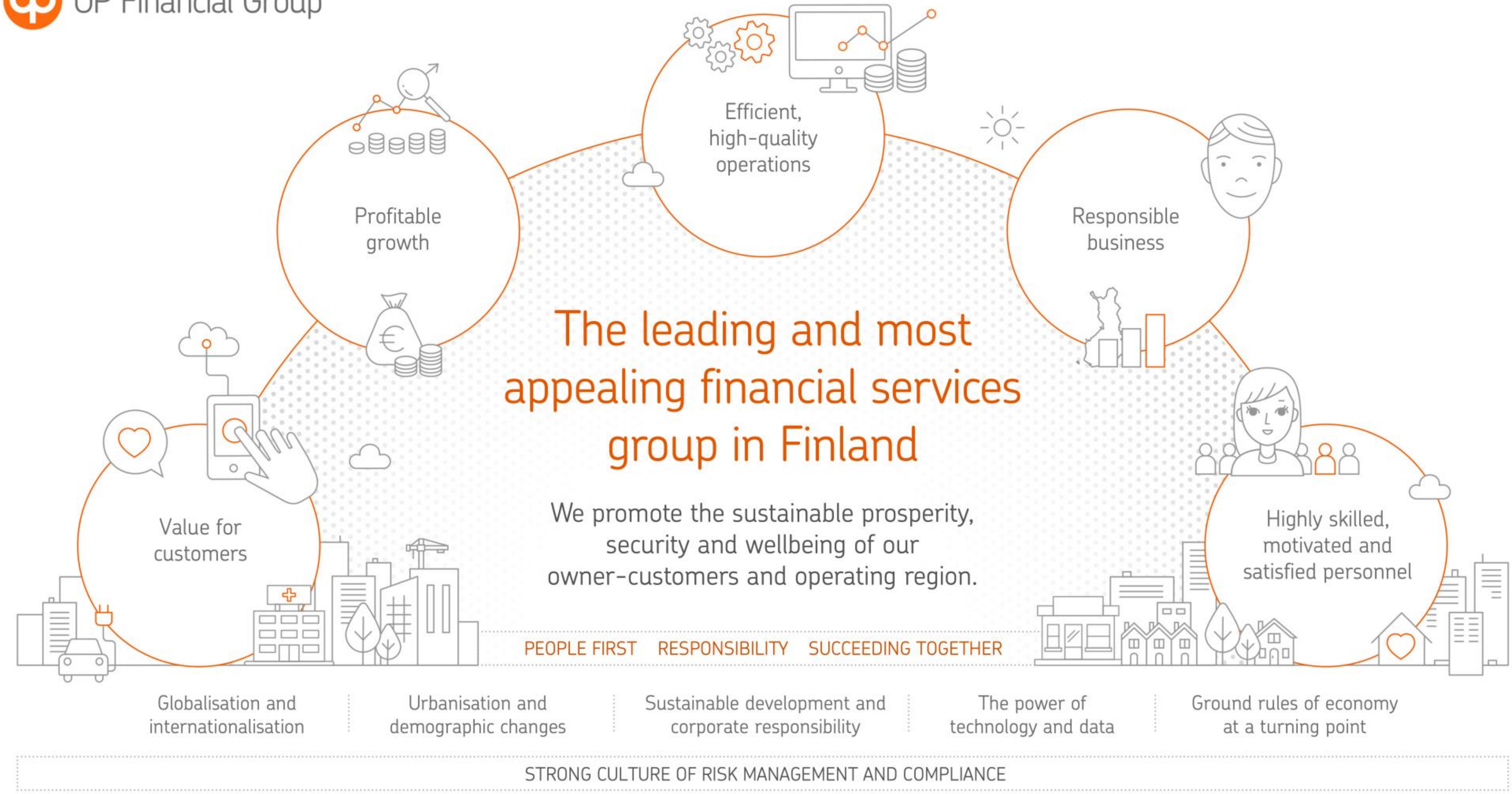
Nomination and Remuneration Committee

**Group Chief Executive Officer**

Executive Management Team

**Central cooperative subsidiaries**

OP Financial Group



# Capital requirements

## Capital adequacy for credit institutions

CET1 ratio 17.6%
Capital adequacy ratio 19.7%

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 215%
Solvency ratio, Life insurance 268%*

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 137%

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.
OP Financial Group