



# OP Financial Group's Interim Report for 1 January–31 March 2021

Background material

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- OP Financial Group's Interim Report
- Retail Banking
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A young girl with long brown hair and a grey hoodie is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a black top with a white patterned collar. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing what appears to be a window with light coming through.

# OP Financial Group's Interim Report

# Earnings before tax EUR 265 million – income increased and impairment loss on receivables decreased

	Q1/2021	Q1/2020	Change, %	Q1–Q4/2020
Earnings before tax, € million	265	129	105.6	785
Retail Banking	66	8	771.1	115
Corporate Banking	115	14	745.2	349
Insurance	117	59	98.0	348
Other Operations	-22	57	-138.2	3
New OP bonuses accrued to owner-customers	-51	-65	-20.9	-255
Return on equity (ROE), %	6.5	3.1	3.4 *	5.0
Return on equity excluding OP bonuses, %	7.6	4.7	3.0 *	6.6
Return on assets (ROA), %	0.52	0.26	0.26 *	0.42
Return on assets excluding OP bonuses, %	0.61	0.39	0.22 *	0.55
	31 March 2021	31 March 2020	Change, %	31 December 2020
CET1 ratio, %	18.1	17.7	0.5 *	18.9
Loan portfolio, € bn	93.8	93.0	0.9	93.6
Deposits, € bn	71.3	64.8	10.0	70.9
Ratio of non-performing receivables to exposures, %**	2.4	2.0	0.4 *	2.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.09	0.44	-0.35 *	0.23
Owner customers (1,000)	2,032	2,007	1.3	2,025

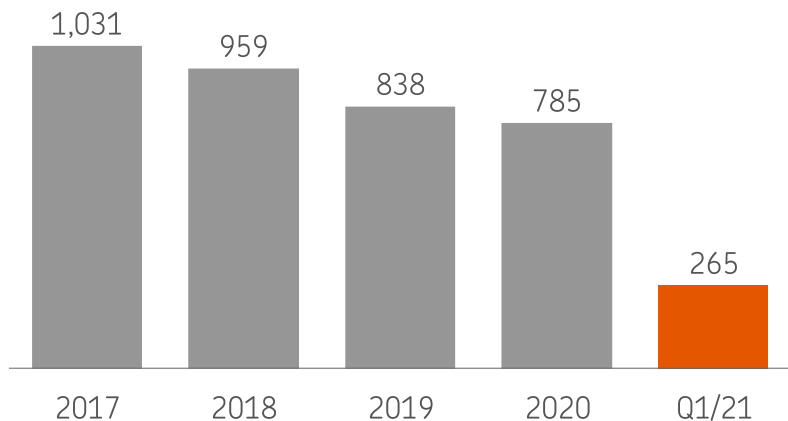
\* Change in ratio

\*\* The name and content of the ratio was changed in Q1/2021. Comparatives have been adjusted accordingly.

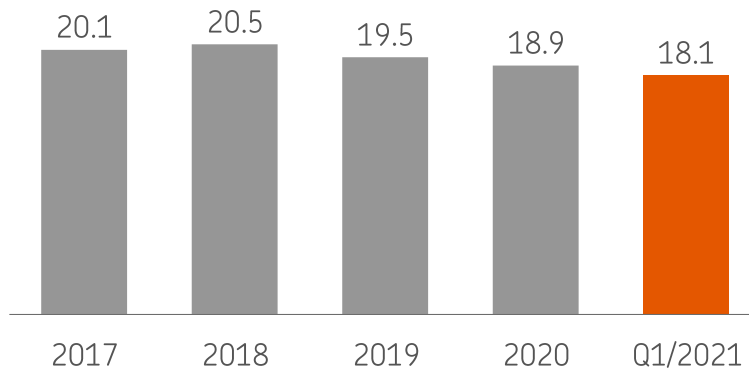
- In customer business, net insurance income increased by 19% to EUR 157 million (131) and net commissions and fees by 10% to EUR 270 million (244). Net interest income decreased by 1% to EUR 316 million (319).
- Investment income rose by EUR 80 million to EUR 91 million (11) year on year.
- Total income increased by 35% to EUR 896 million (662).
- Total expenses decreased by 2% to EUR 507 million (518).
- Impairment loss on receivables was EUR 22 million (105), or 0.09% (0.44) of the loan and guarantee portfolio. A year ago, impairment loss on receivables was increased by the effects of the Covid-19 pandemic on the loan portfolio quality and by the adoption of the new definition of default based on a regulatory change.
- OP Financial Group's loan portfolio grew by 1% to EUR 94 billion (93) and deposits by 10% to EUR 71 billion (65) year on year.
- The CET1 ratio was 18.1% (18.9). The lower ratio was affected by the ECB's decision which increased the risk-weights of corporate exposures.

# OP Financial Group's earnings and capital adequacy

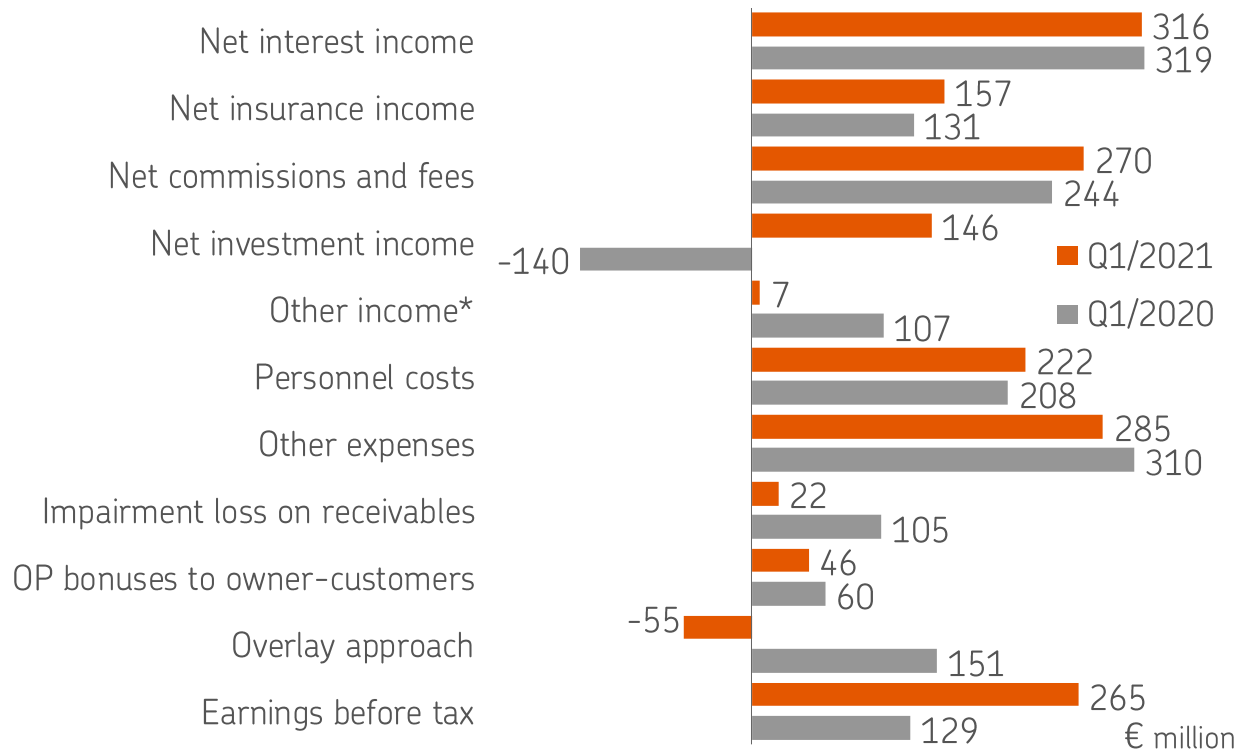
Earnings before tax, € million



Common Equity Tier 1 ratio (CET1),%

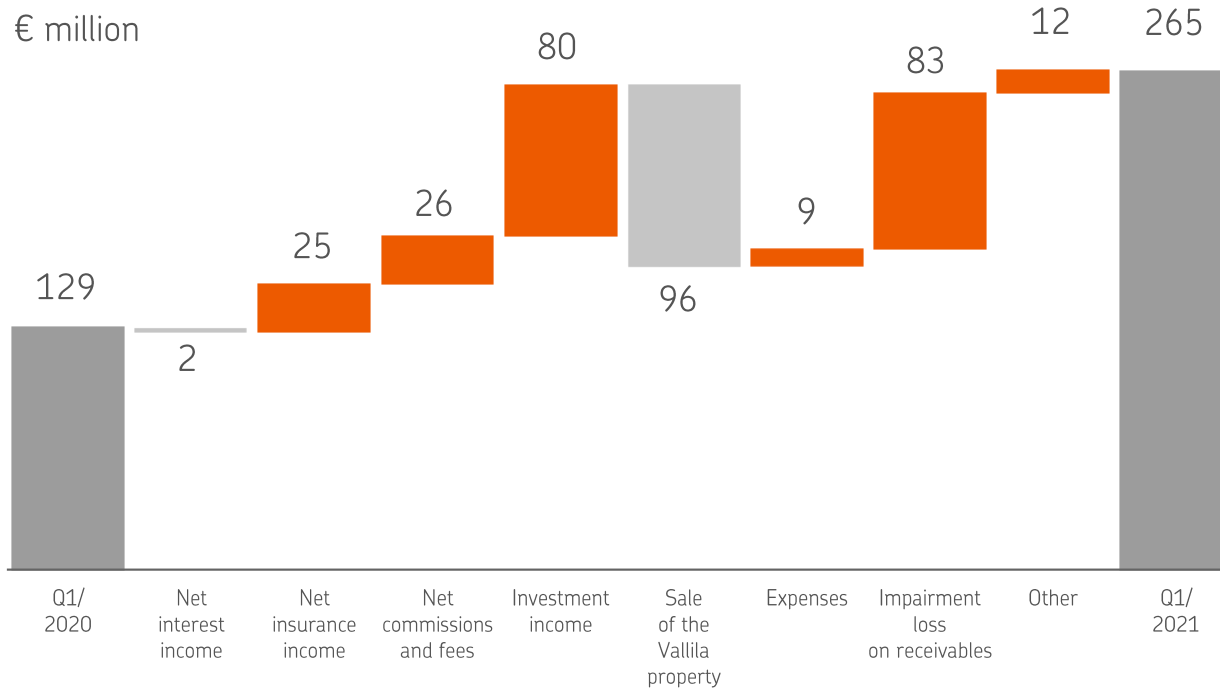


# OP Financial Group's main income statement items

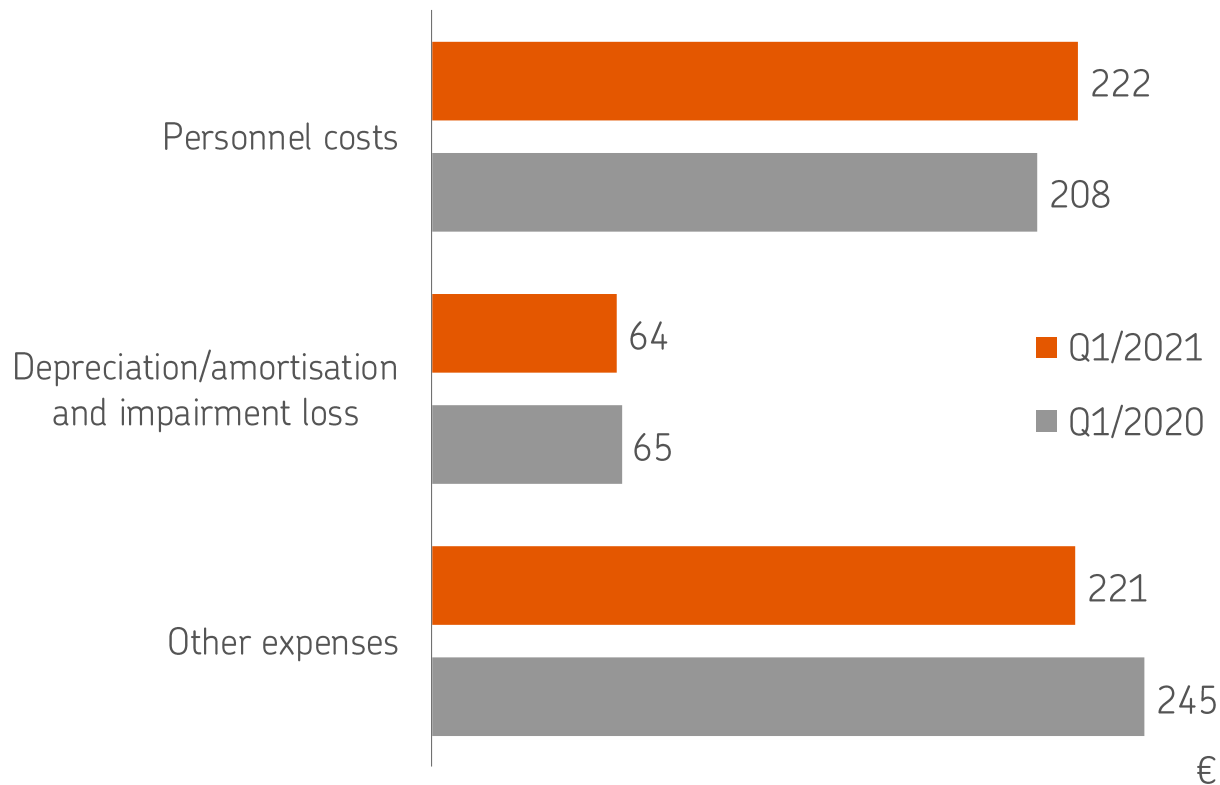


\*Includes a capital gain on the sale of the Vallila property (2020)

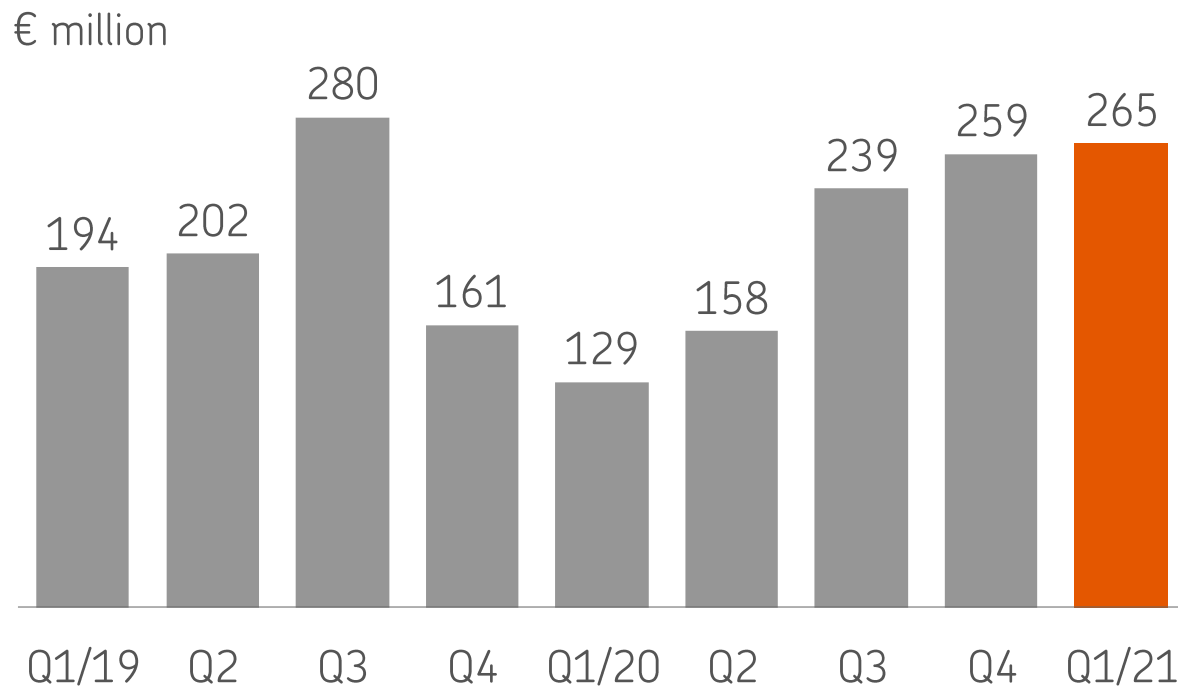
# OP Financial Group's financial performance



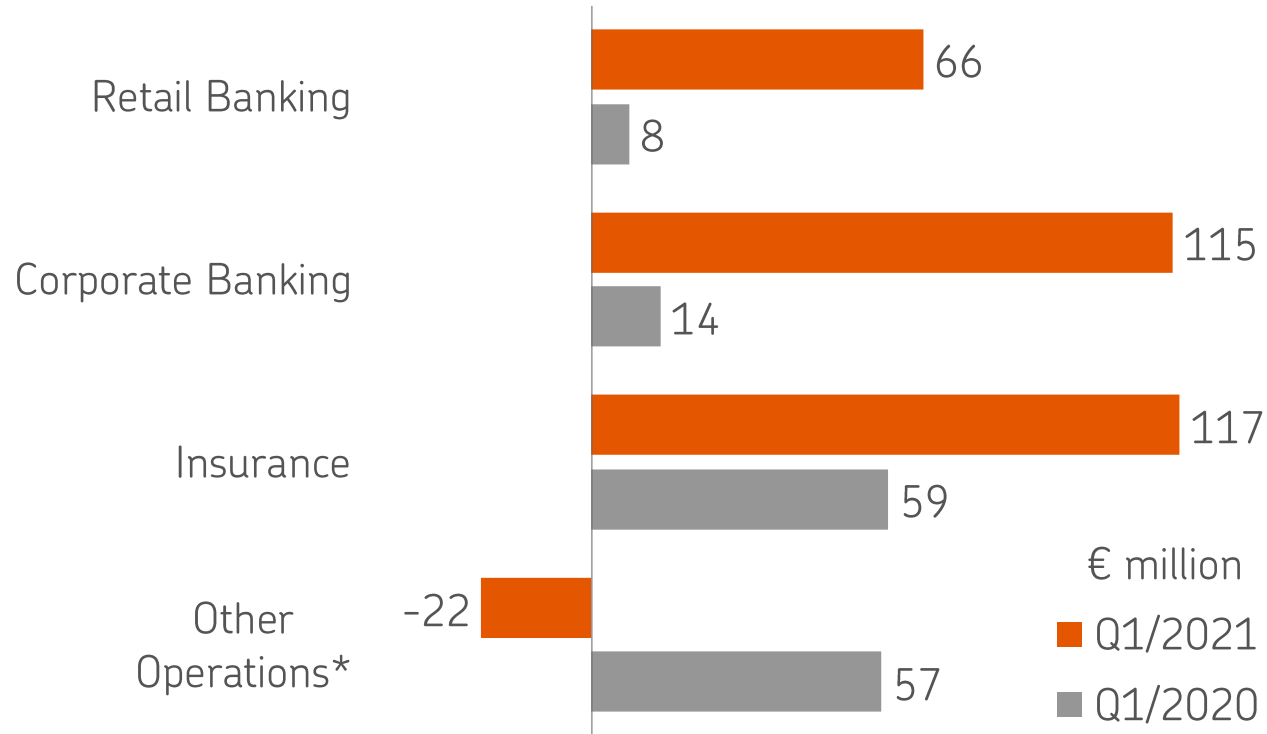
# OP Financial Group's cost performance



# OP Financial Group's EBT by quarter



# OP Financial Group's EBT by business segment



\*Including a capital gain on the sale of the Vallila property (2020)

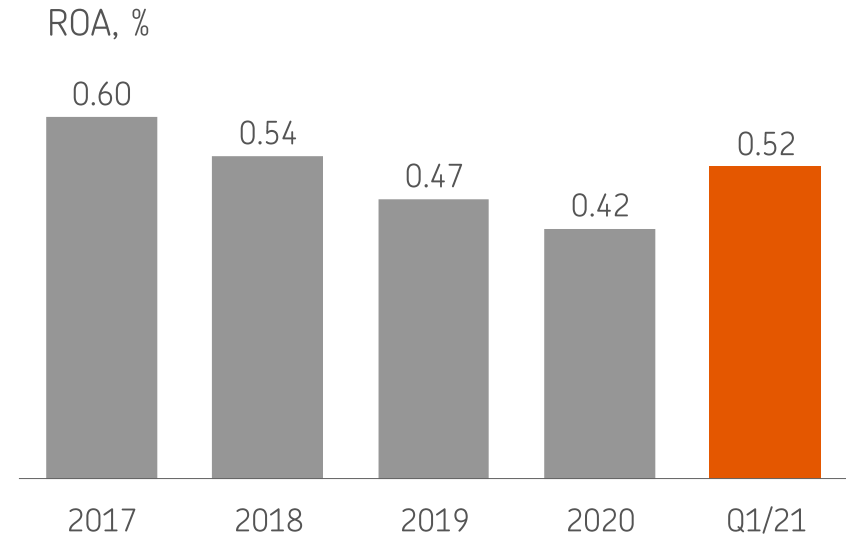
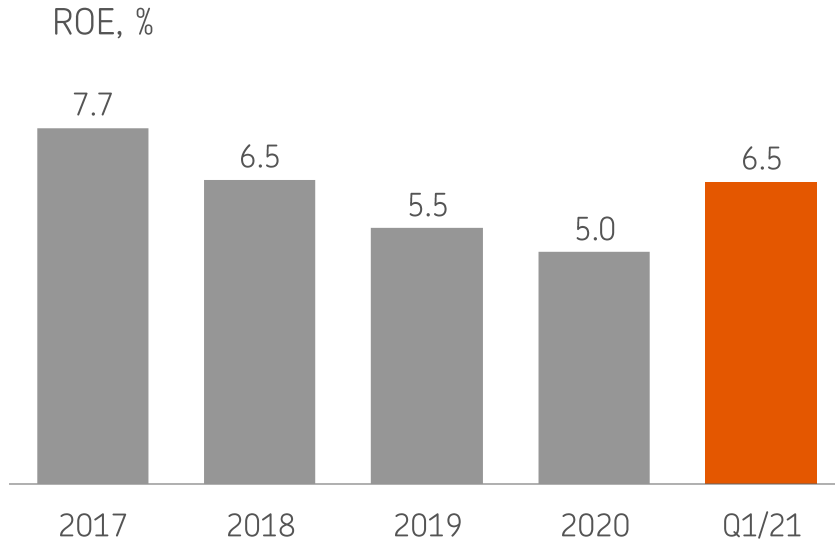
# OP Financial Group's income statement

January 1 to March 31	2021	2020	Change, € million	%
Net interest income	316	319	-2	-0.7
Net insurance income	157	131	25	19.1
Net commissions and fees	270	244	26	10.5
Net investment income	146	-140	286	-204.5
Other operating income	7	107	-100	-93.7
<b>Total income</b>	<b>896</b>	<b>662</b>	<b>234</b>	<b>35.3</b>
Personnel costs	222	208	14	6.7
Depreciation/amortisation and impairment loss	64	65	-1	-2.3
Other operating expenses	221	245	-24	-9.7
<b>Total expenses</b>	<b>507</b>	<b>518</b>	<b>-11</b>	<b>-2.2</b>
Impairment loss on receivables	-22	-105	83	-
OP bonuses	-46	-60	14	-
Overlay approach	-55	151	-205	-136.2
<b>Earnings before tax</b>	<b>265</b>	<b>129</b>	<b>136</b>	<b>105.6</b>

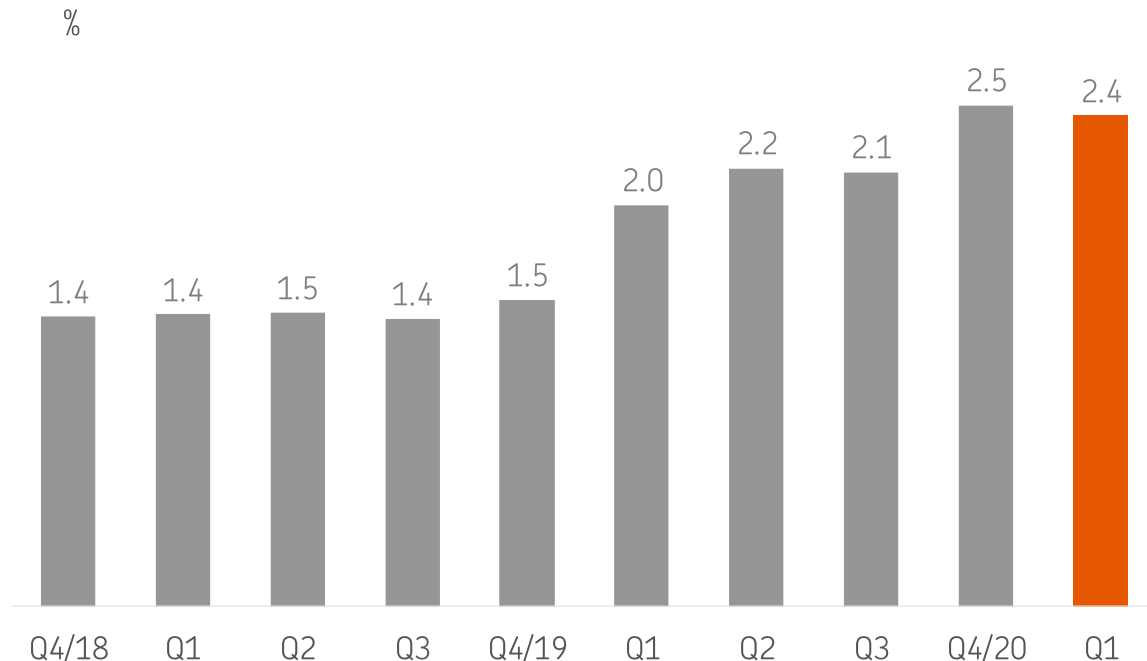
# OP Financial Group's quarterly performance

€ million	Q1/2020	Q2	Q3	Q4	Q1/2021
Net interest income	319	327	315	324	316
Net insurance income	131	164	181	95	157
Net commissions and fees	244	211	224	252	270
Net investment income	-140	112	59	153	146
Other operating income	107	5	8	11	7
<b>Total income</b>	<b>662</b>	<b>819</b>	<b>787</b>	<b>835</b>	<b>896</b>
Personnel costs	208	207	179	120	222
Depreciation/amortisation and impairment loss	65	64	67	77	64
Other operating expenses	245	204	174	228	221
<b>Total expenses</b>	<b>518</b>	<b>475</b>	<b>421</b>	<b>425</b>	<b>507</b>
Impairment loss on receivables	-105	-60	-17	-42	-22
OP bonuses to owner-customers	-60	-64	-65	-61	-46
Overlay approach	151	-62	-44	-48	-55
<b>Earnings before tax</b>	<b>129</b>	<b>158</b>	<b>239</b>	<b>259</b>	<b>265</b>

# OP Financial Group's return on equity

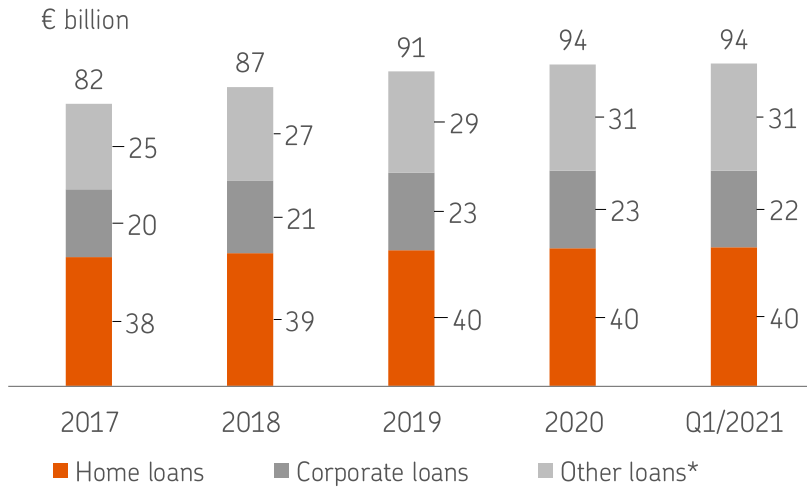


# Ratio of non-performing receivables to exposures\*

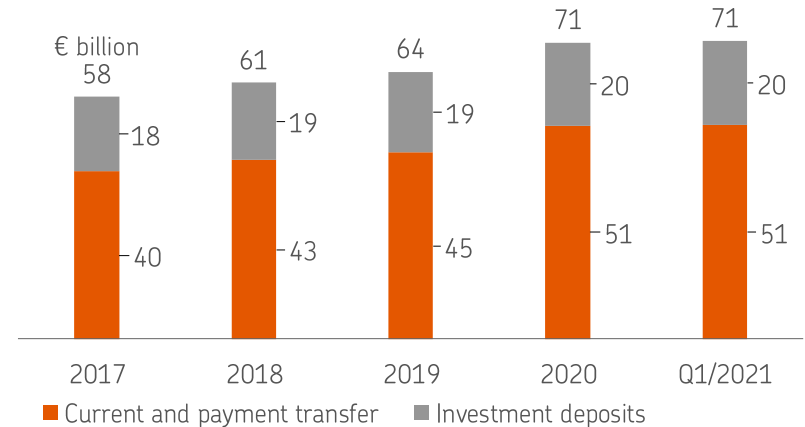


\*Key ratios were changed from net to gross as of the beginning of 2021, i.e. non-performing receivables no longer include loss allowance. At the same time, a more comprehensive concept of doubtful receivables was adopted which includes all off-balance-sheet non-performing receivables. In the key ratios, the new denominator includes the loan and guarantee portfolio, deferred interest income and unused standby credit facilities.

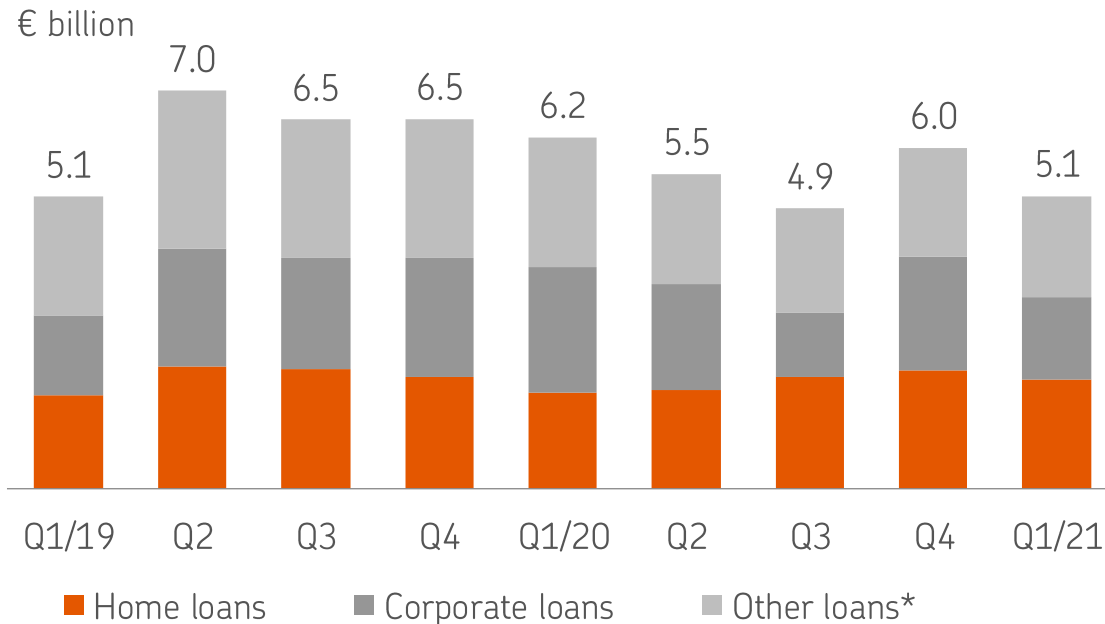
# OP Financial Group's loan portfolio grew by 0.9% and the deposit portfolio by 10.0% year on year



\* incl. housing companies and public-sector entities



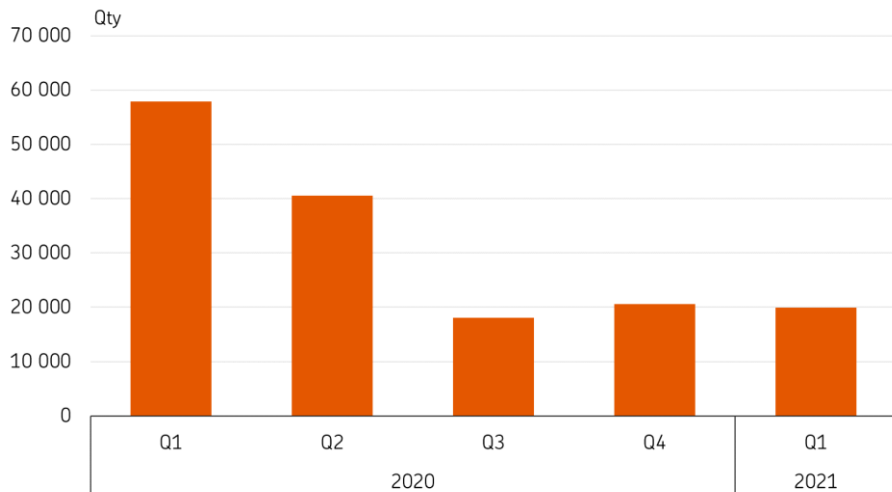
# OP Financial Group's new loans drawn down



\*incl. housing companies and public-sector entities

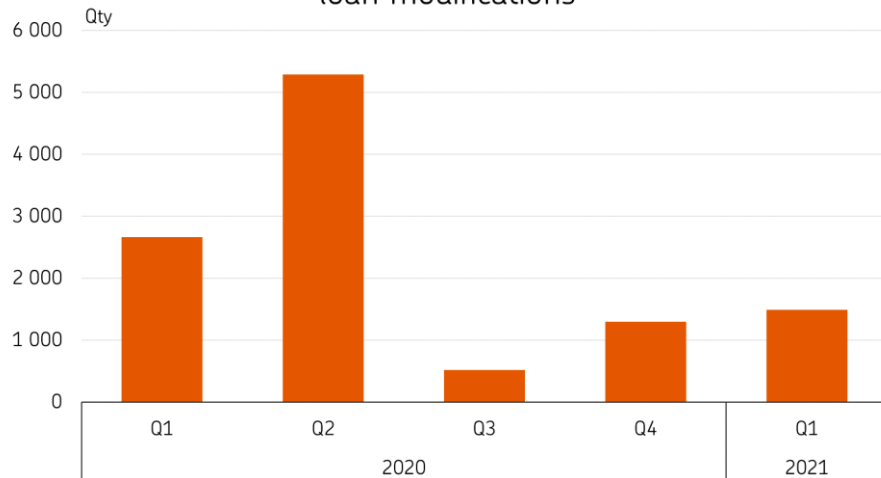
# Actual repayment holidays and loan modifications

## Personal customers' repayment holidays



The graph shows the actual number of personal customers' repayment holidays for the reporting period and by quarter in 2020. The quarter is determined by the customer's application date

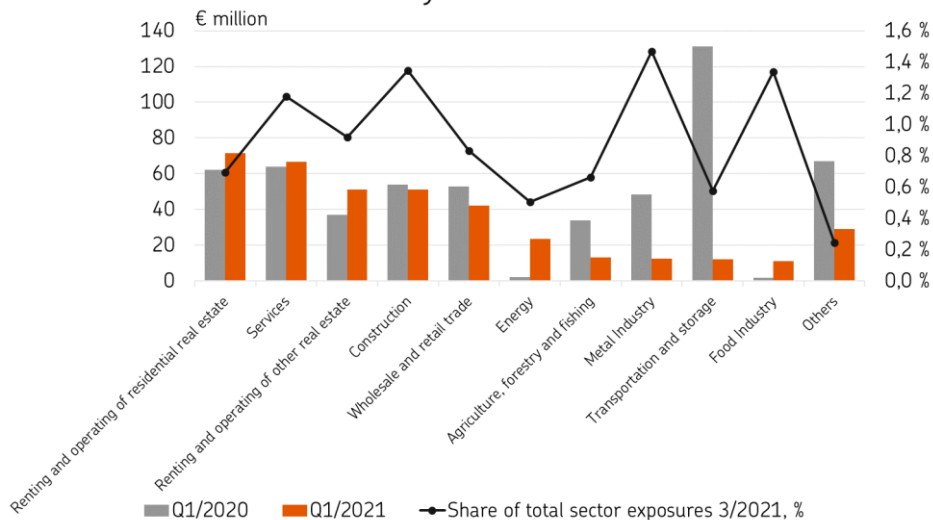
## Corporate customers' repayment holidays and loan modifications



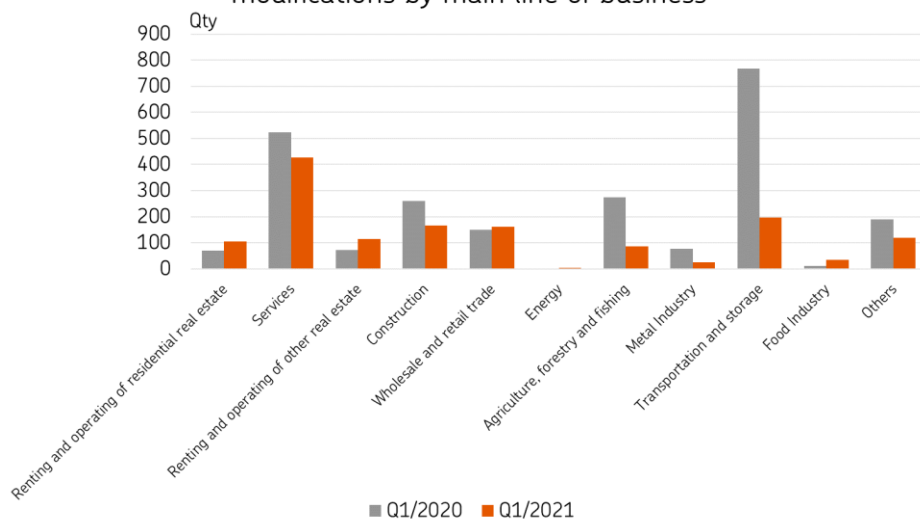
The graph shows the actual number of corporate customers' loan modifications and repayment holidays for the reporting period and by quarter in 2020. The quarter is determined by the date of execution of the change.

# Corporate customers' repayment holidays and loan modifications by sector

Corporate customers' repayment holidays and loan modifications by main line of business



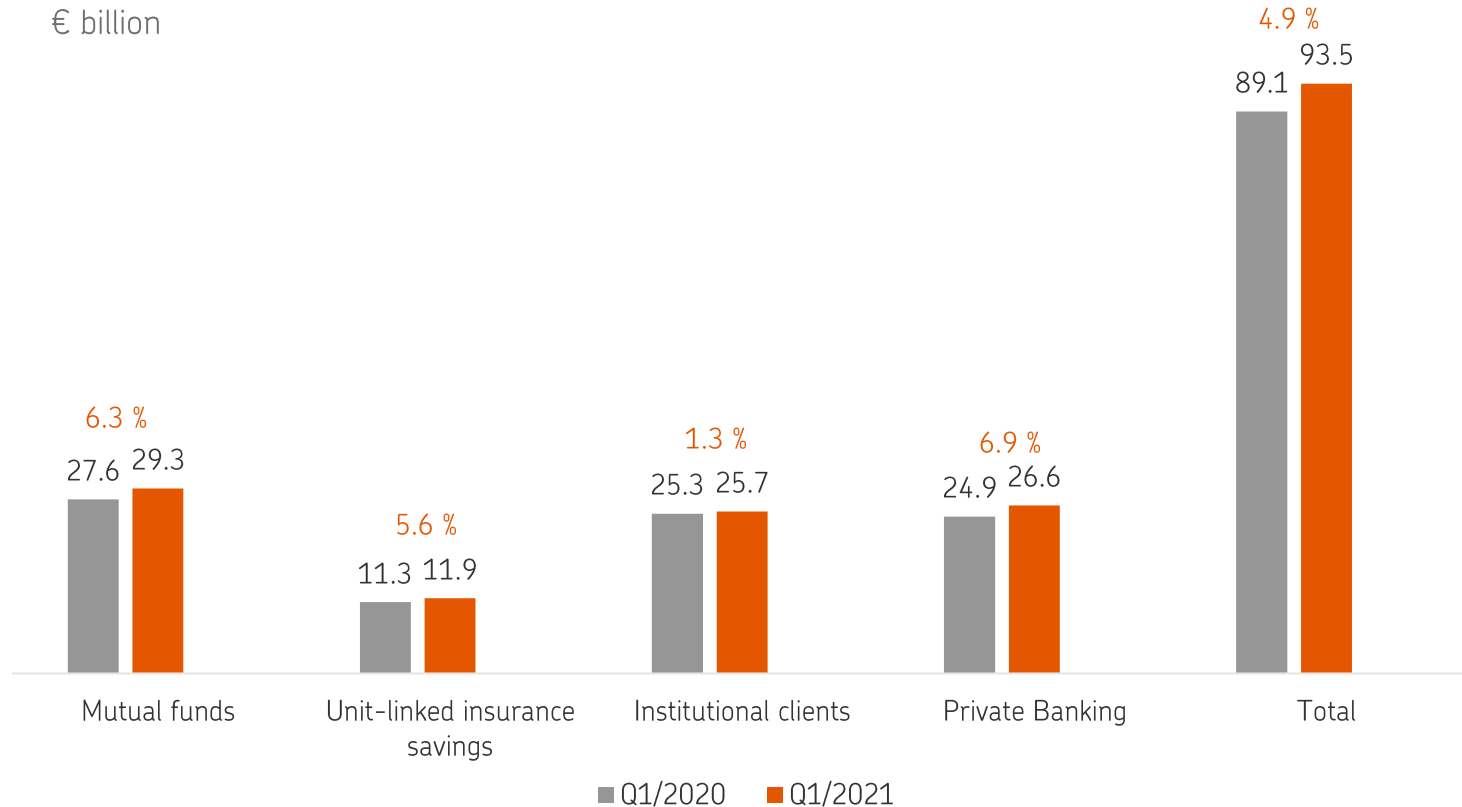
Corporate customers' repayment holidays and loan modifications by main line of business



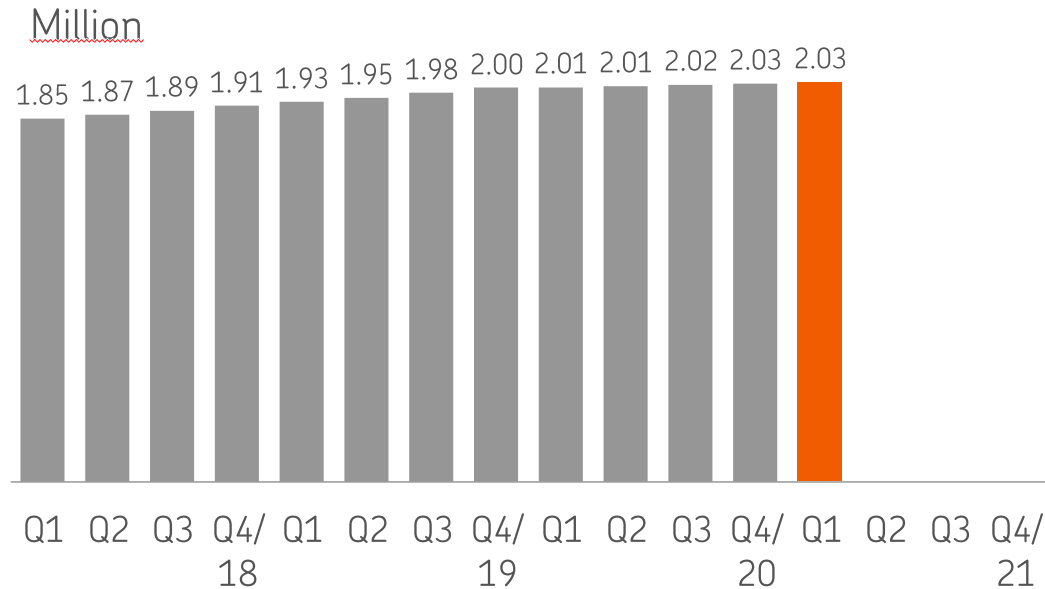
The graph shows repayment holidays and loan modifications implemented on corporate exposures by sector for the reporting period and the reporting period a year ago. The graph also shows the percentage of each sector's exposures for which a repayment holiday or loan modification was agreed during the reporting period.

# OP Financial Group's assets under management

€ billion



# More than 2 million owner-customers



# Retail Banking

A young girl with long brown hair, wearing a grey hoodie, is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a black top with a white patterned collar. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing what appears to be a window with light coming through.

# Retail Banking

OP Financial Group's Retail Banking is the Group's largest business segment by volume, providing private and SME customers with an extensive and comprehensive range of products and services.

- Services and products for private customers include daily banking, loans, savings and investments, and housing-related services. OP is Finland's leading provider of home loans.
- OP provides private and SME customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.

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

## Key figures for Q1/2021

Earnings before tax

€66 million

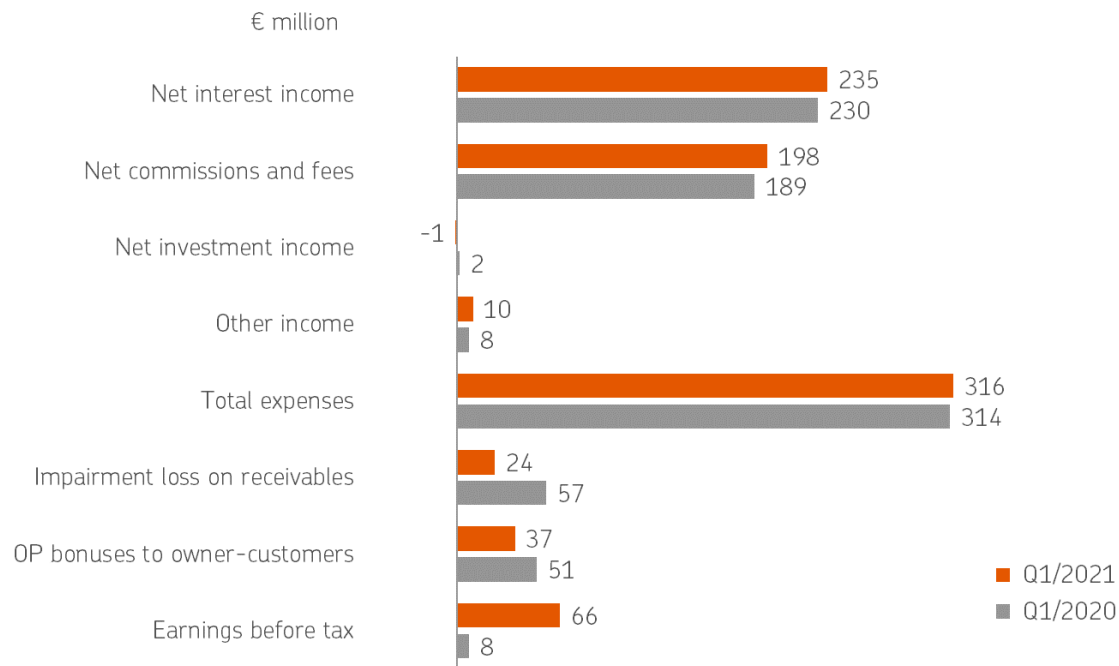
Loan portfolio

€69.5 billion

Deposit portfolio

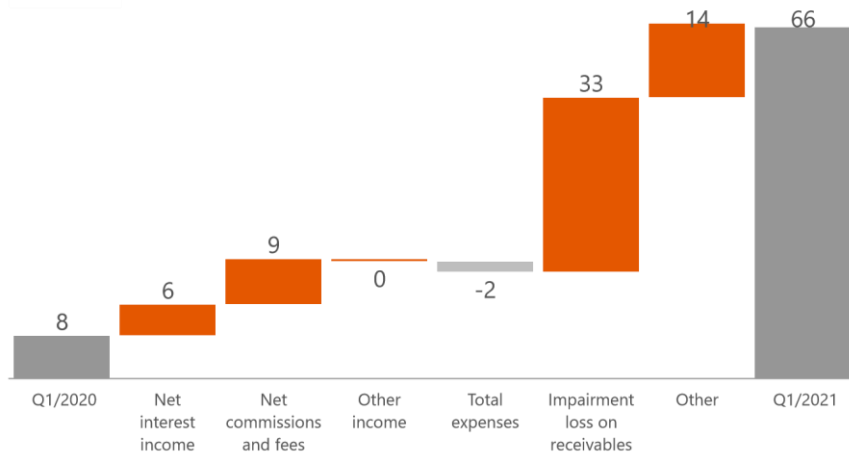
€60 billion

# Retail Banking earnings before tax, EUR 66 million, improved year on year

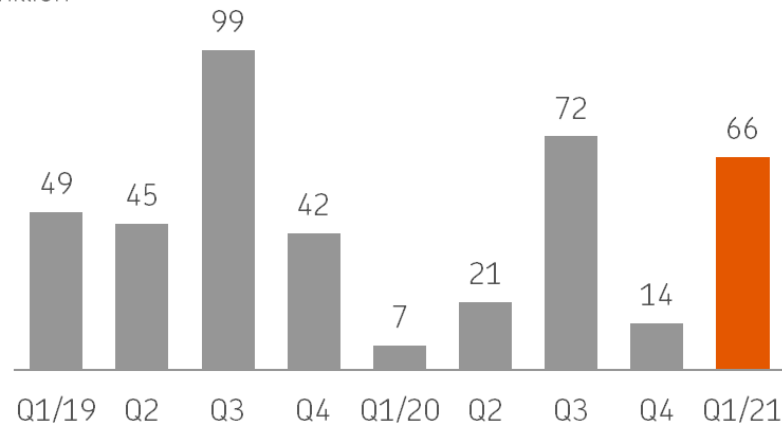


# Retail banking EBT was clearly higher than a year ago

€ million

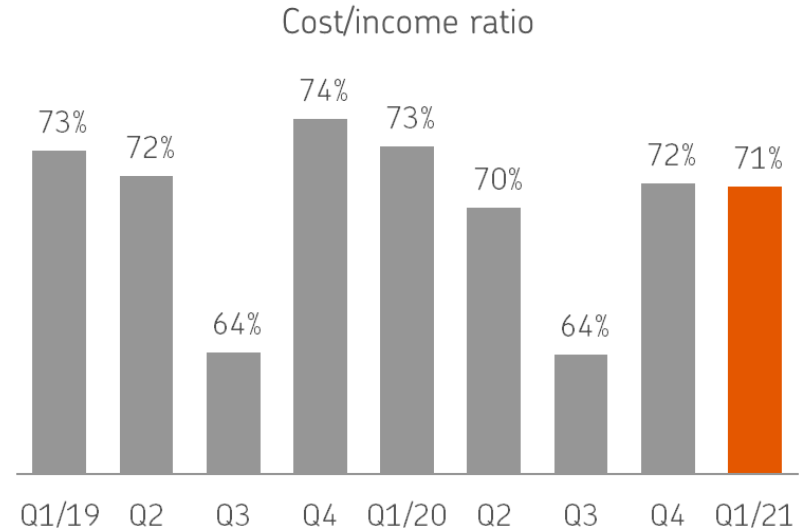
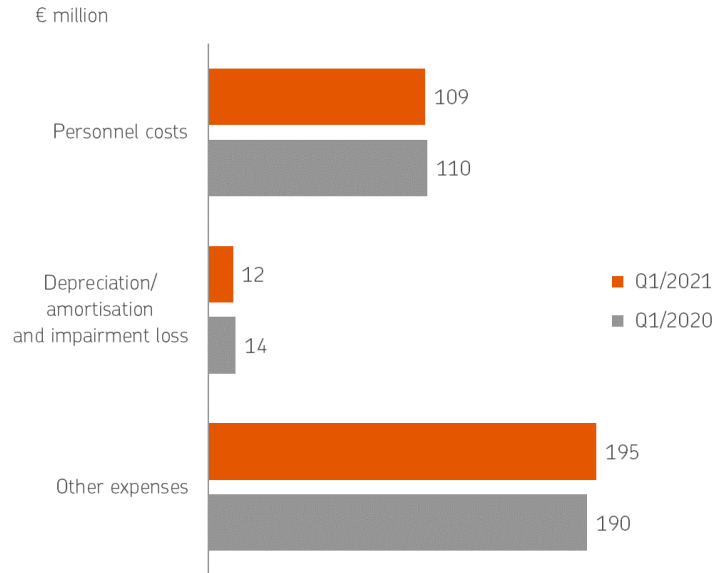


€ million



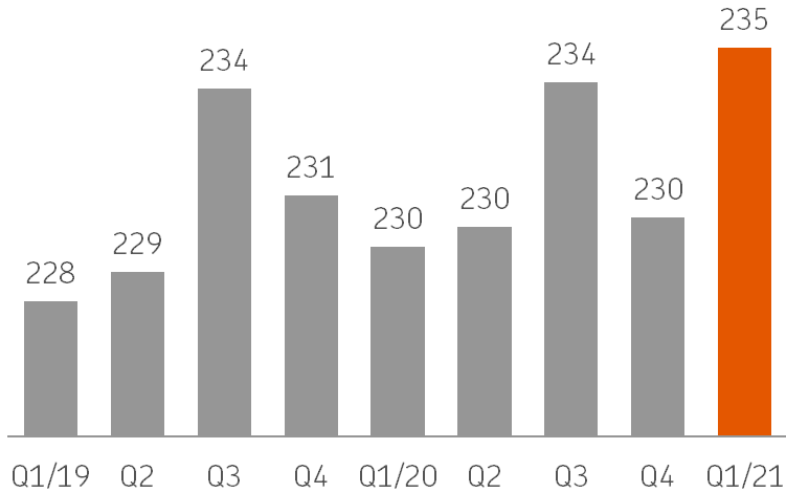
Total income rose by 3.2% and total expenses by 0.6%.

# Other operating expenses increased and personnel costs decreased year on year

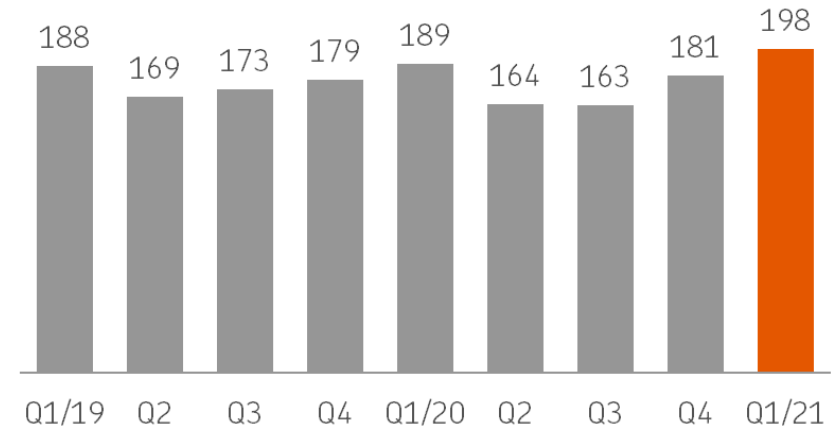


# Net interest income and net commissions and fees increased year on year

Net interest income, € million

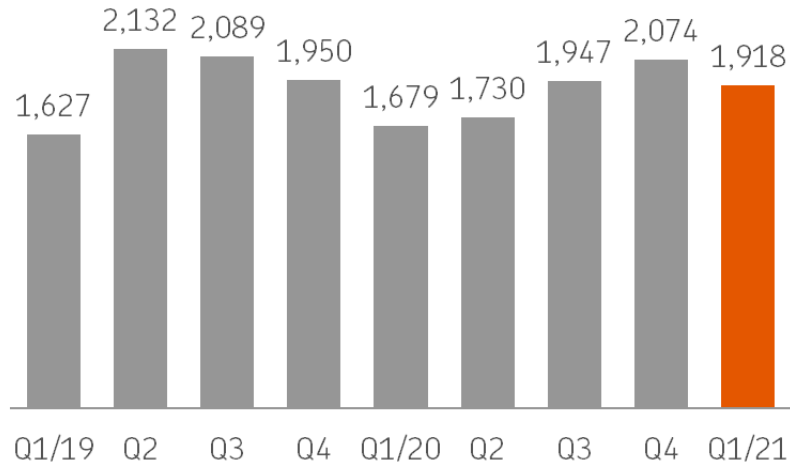


Net commissions and fees, € million

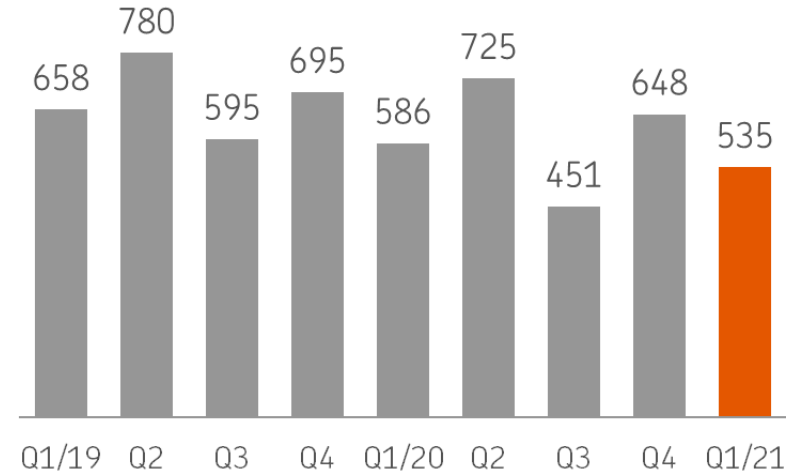


# Home loan drawdowns increased and corporate loan drawdowns by SMEs decreased year on year

Home loans drawn down, € million

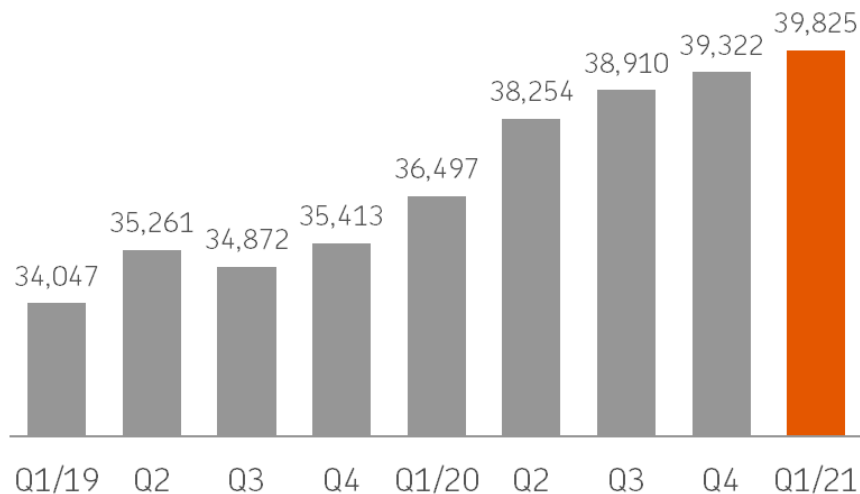


SME corporate loans drawn down, € million

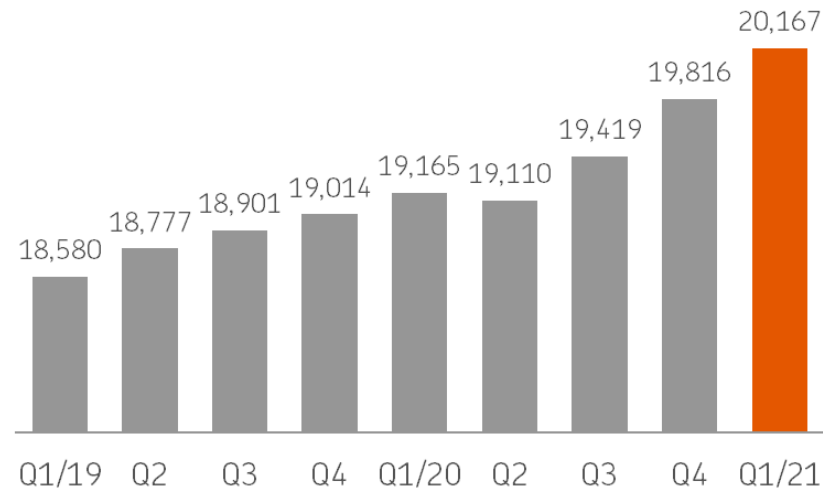


# Deposit portfolio grew both in current and payment transfer accounts

Current and payment transfer, € million

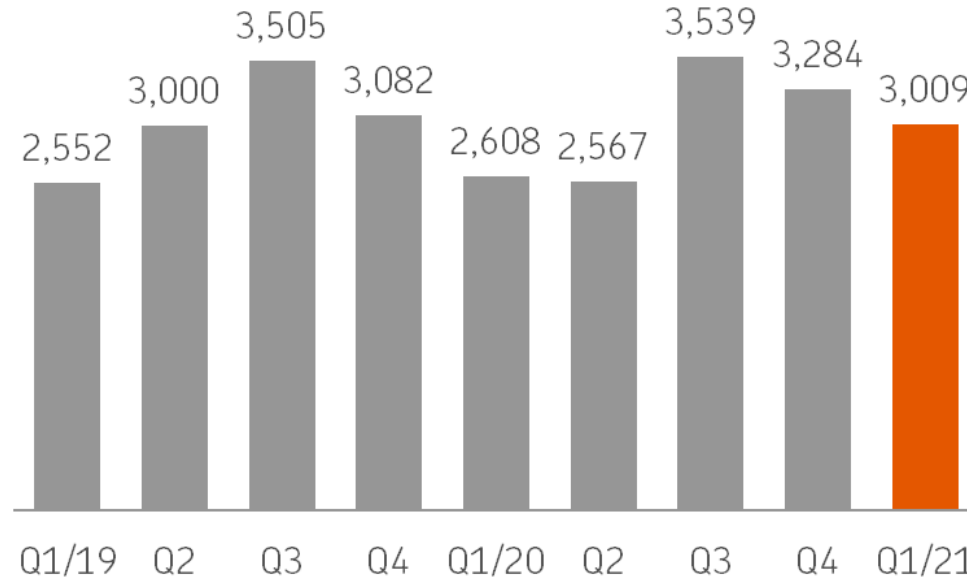


Investment deposits, € million



# Volume of brokered homes and real property transactions was higher than a year ago

No. of brokered homes and real property transactions



A young girl with long brown hair, wearing a grey hoodie, is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a black top with a white patterned collar. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing what appears to be a window with light coming through.

# Corporate Banking

# Corporate Banking

OP is Finland's leading provider of corporate loans.

OP Financial Group's Corporate Banking segment comprises banking for corporate and institutional customers as well as asset management business, including OP Corporate Bank plc's banking, OP Asset Management Ltd, OP Fund Management Company Ltd and OP Real Estate Asset Management Ltd.

- OP provides banking services to companies and organisations and associations. We provide our customers with a wide range of services for financing, payment transactions and cash management, investment, risk management and the development of business. We always tailor our solutions to the needs of our corporate customers.
- OP also seeks to meet its Private and corporate customers' savings and investment needs in a customer-focused and comprehensive way and to provide the best digital asset management services.

## Key figures for Q1/2021

Earnings before tax

€115 million

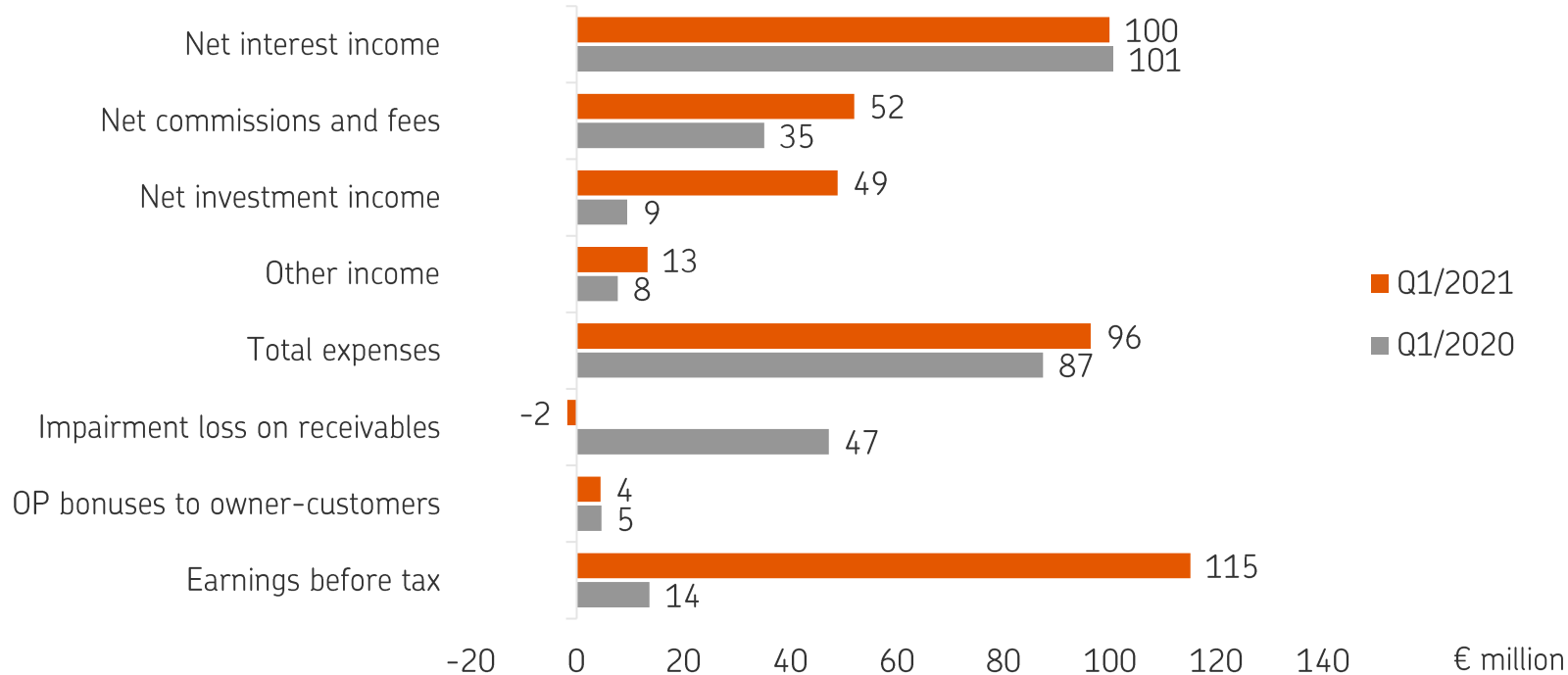
Loan portfolio

€24.1 billion

Assets under  
management

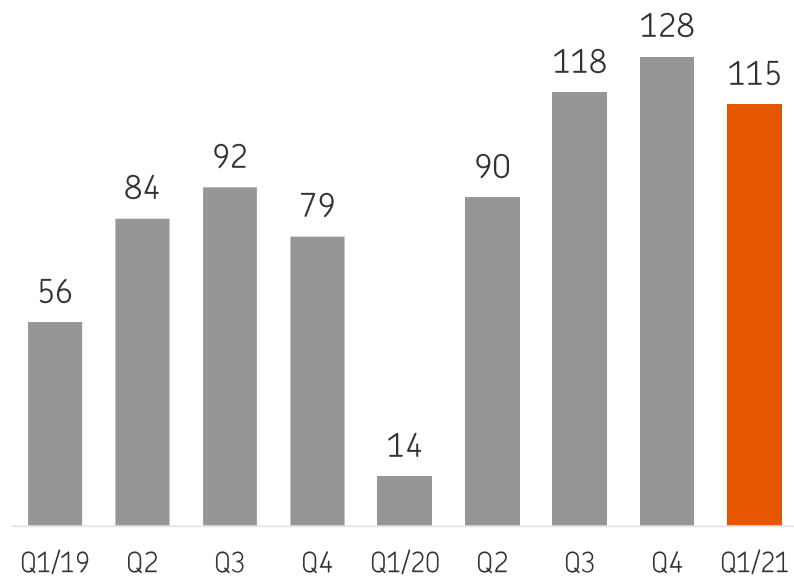
€67.2 billion

# Corporate Banking earnings before tax EUR 115 million

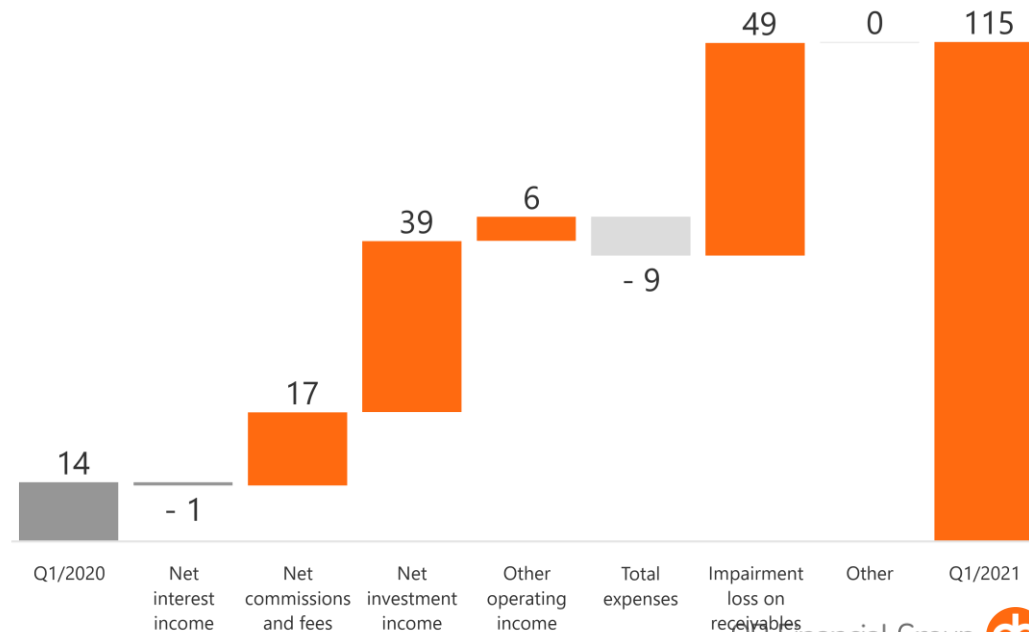


# Earnings up by EUR 101 million, income up by 40% year on year

€ million

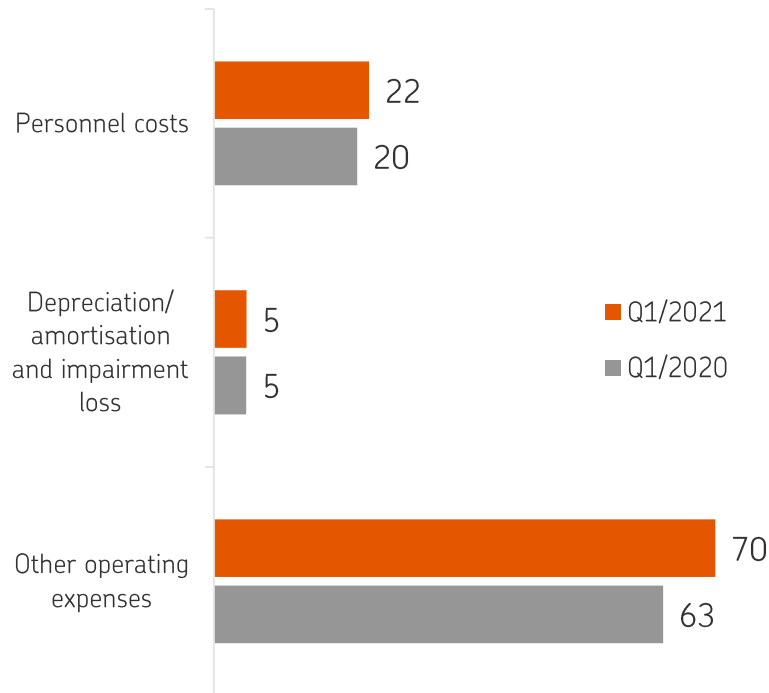


€ million

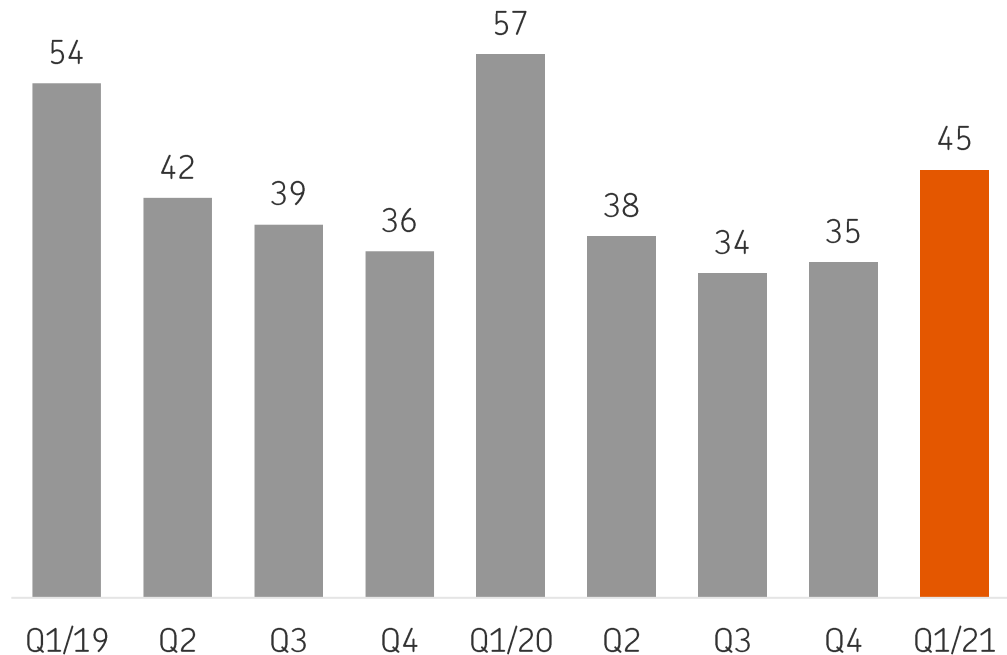


# EU stability contribution increased Q1 expenses

€ million

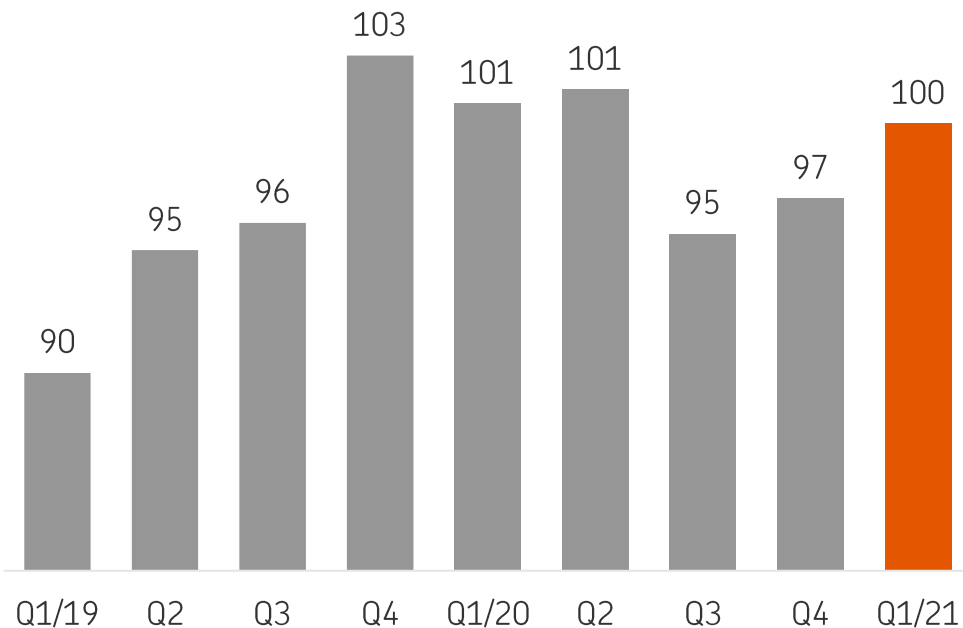


Cost/ income ratio, %

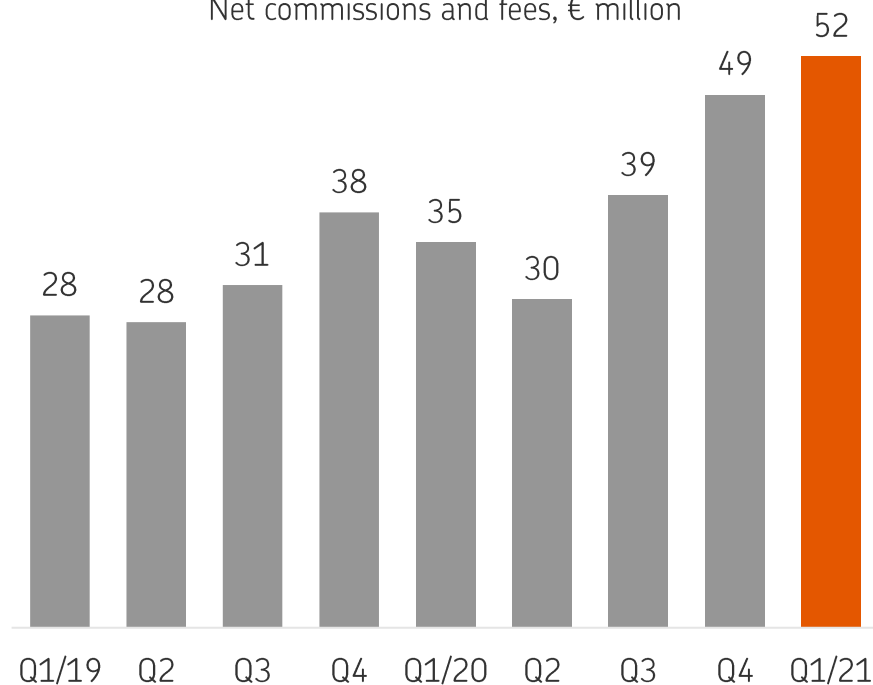


# Net commissions and fees increased by 48% year on year

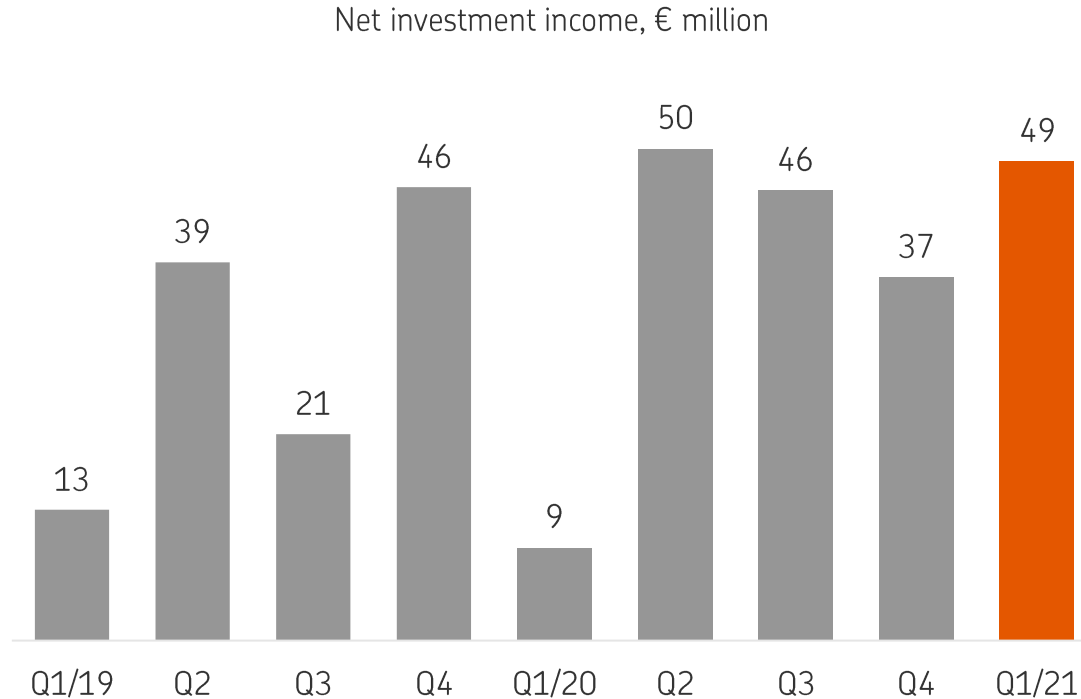
Net interest income, € million



Net commissions and fees, € million



# Net investment income increased by EUR 39 million year on year



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# Insurance



# Insurance

OP provides an extensive range of non-life and life insurance services to private, corporate and institutional customers. The insurance business segment comprises Pohjola Insurance, OP Life Assurance Company and Pohjola Hospital.

- The key insurance lines for private customers include home, motor vehicle and other property policies and personal insurance, such as accident and health policies, as well as comprehensive services for saving through insurance.
- We provide our corporate customers with diversified risk management services, which enable them to better ensure trouble-free and secure business operations in the case of problems. For employee remuneration and companies' investment needs, we offer a diverse range of supplementary pension and investment solutions.
- With our claims service partners, we can ensure high-quality customer experience, and claims services that are cost-efficient, of consistent quality and closely available to our customers

## Key figures for Q1/2021

Earnings before tax

€117 million

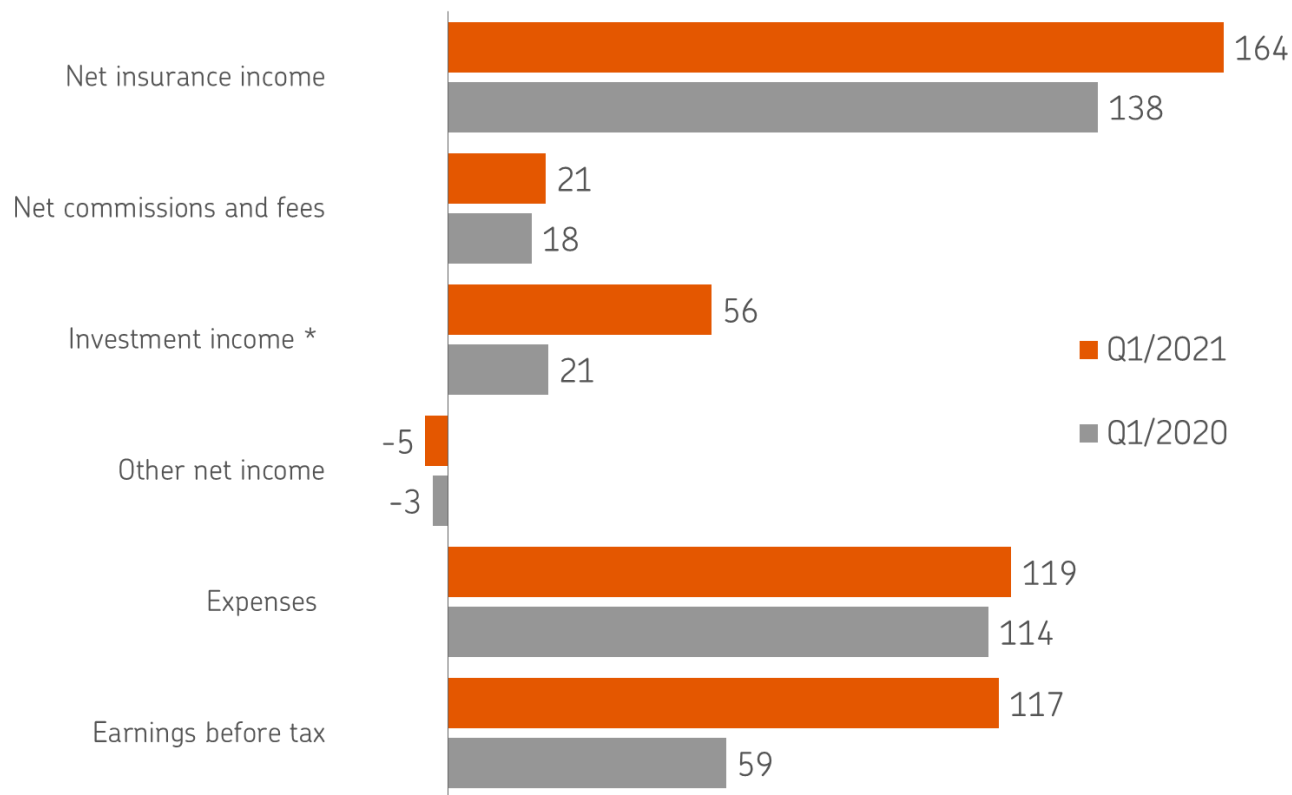
Insurance premium revenue

€372 million

Unit-linked insurance assets

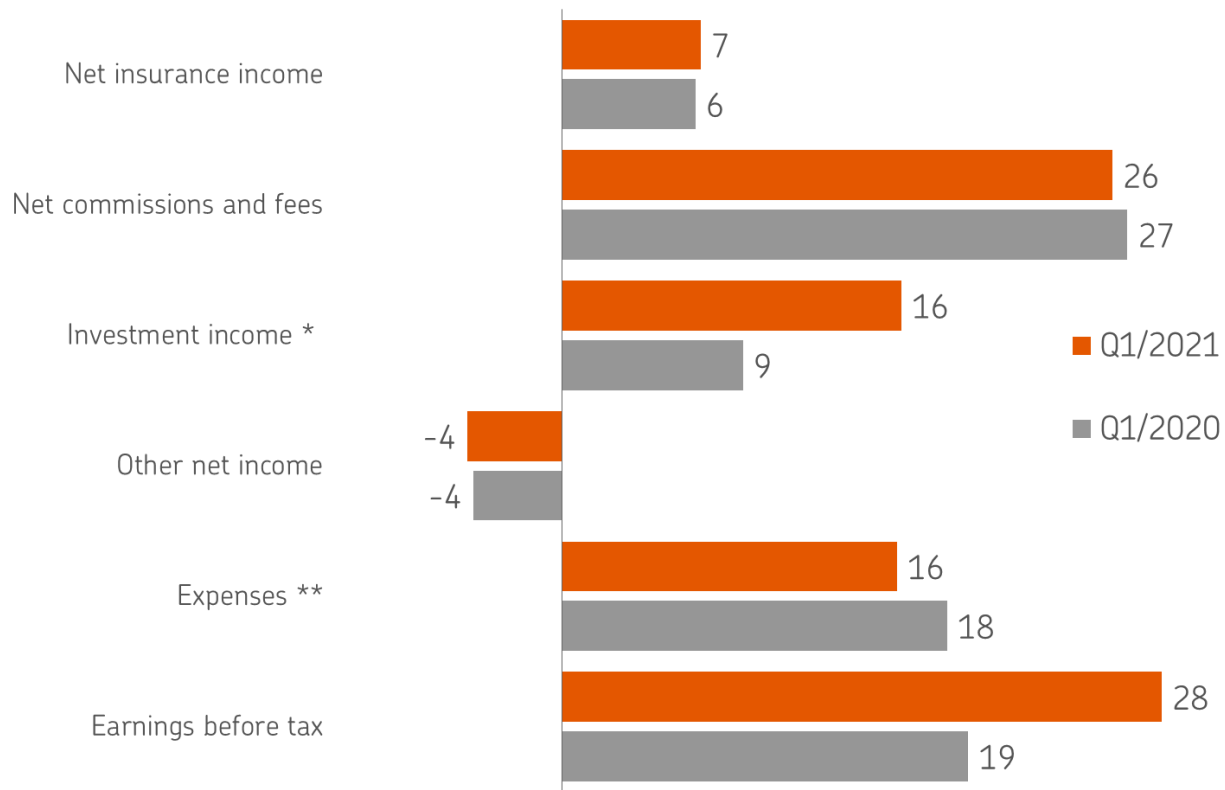
€12.0 billion

# Insurance EBT, € million



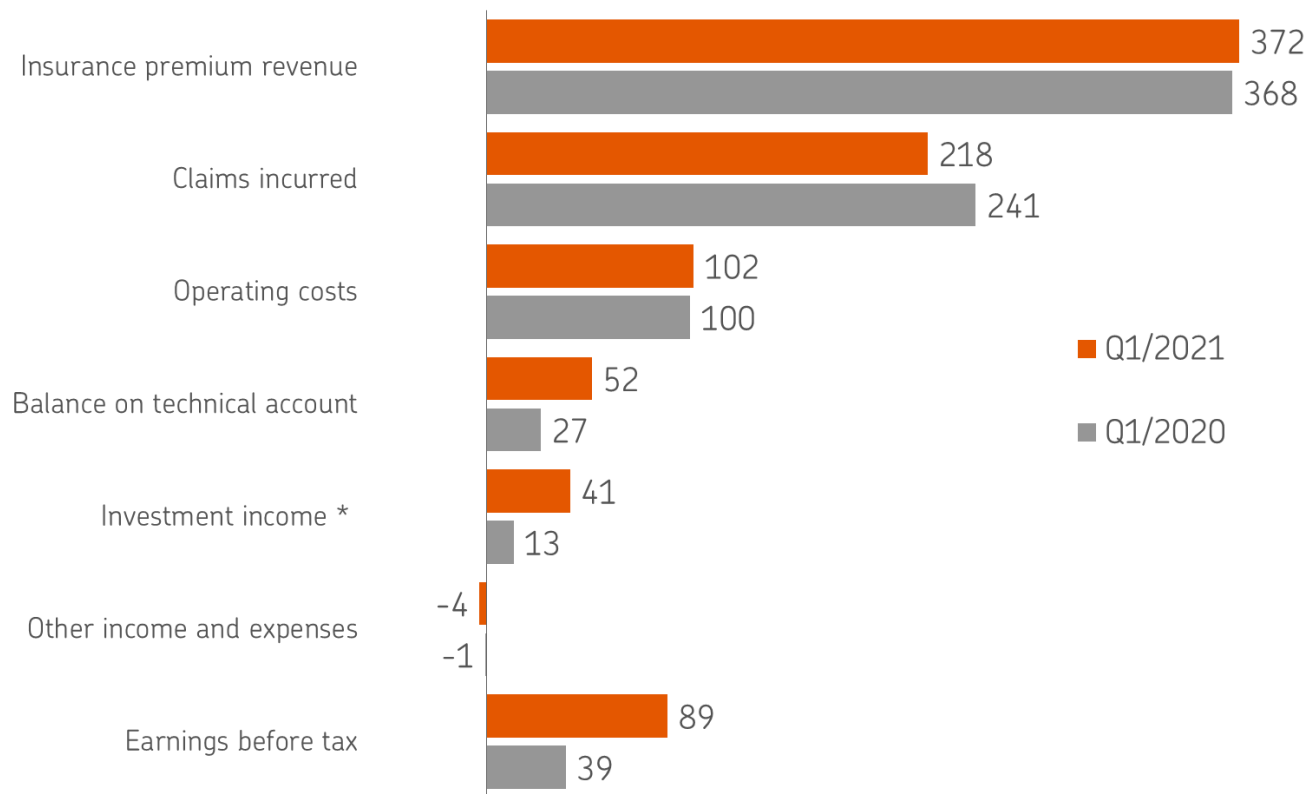
\* Includes net investment income and overlay approach

# Life insurance EBT, € million



\* Includes net investment income and overlay approach

# Non-life insurance EBT, € million

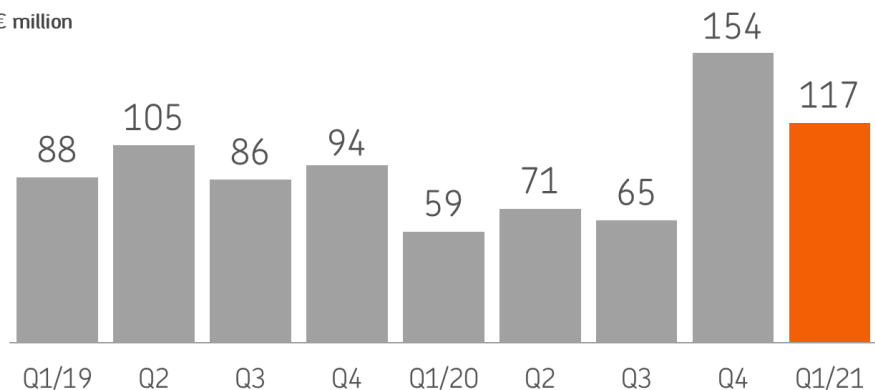


\* Includes net investment income and overlay approach

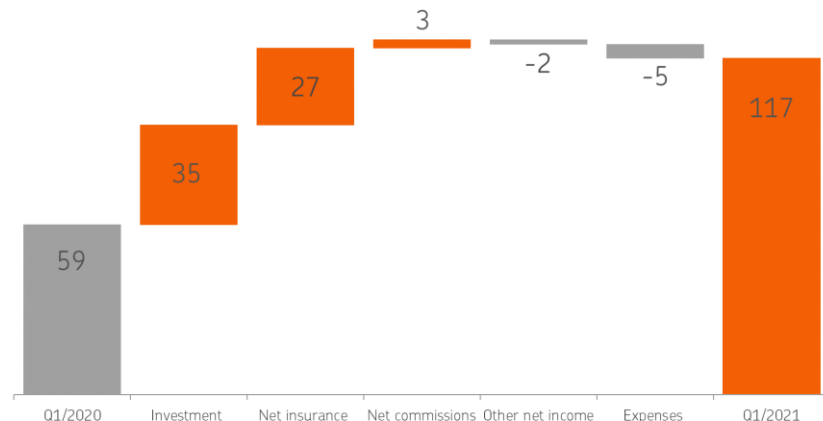
# EBT up by EUR 58 million year on year

Earnings before tax  
€ million by quarter

€ million



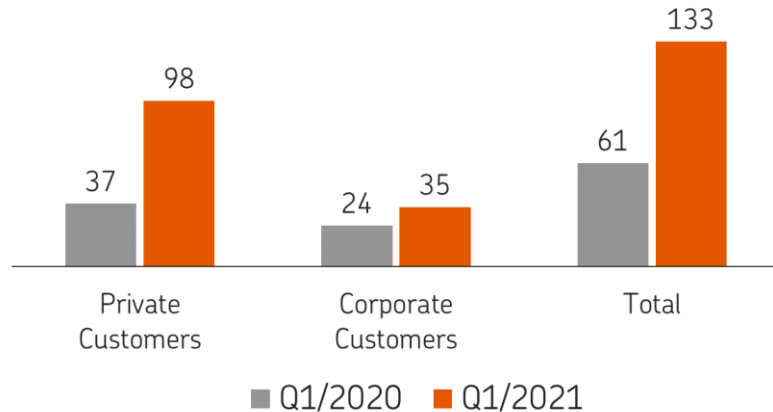
Earnings before tax, € million  
Q1/2021 change vs. Q1/2020



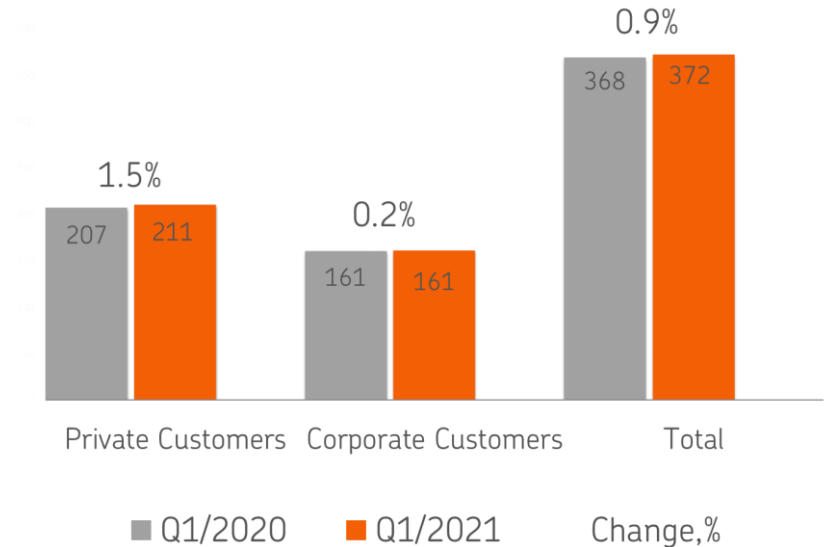
\* Includes net investment income and overlay approach

# Net sales and insurance premium revenue

Life Insurance, Net assets inflow of unit-linked insurance contracts, € million

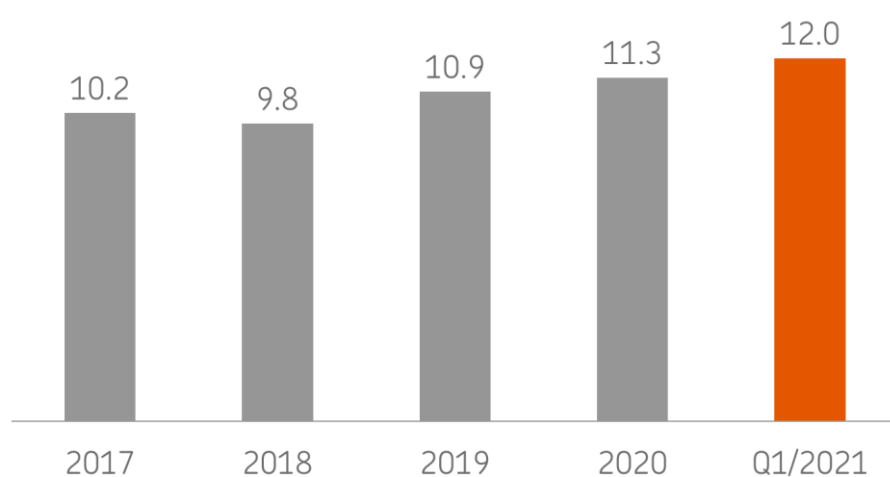


Non-life Insurance premiums written, € million

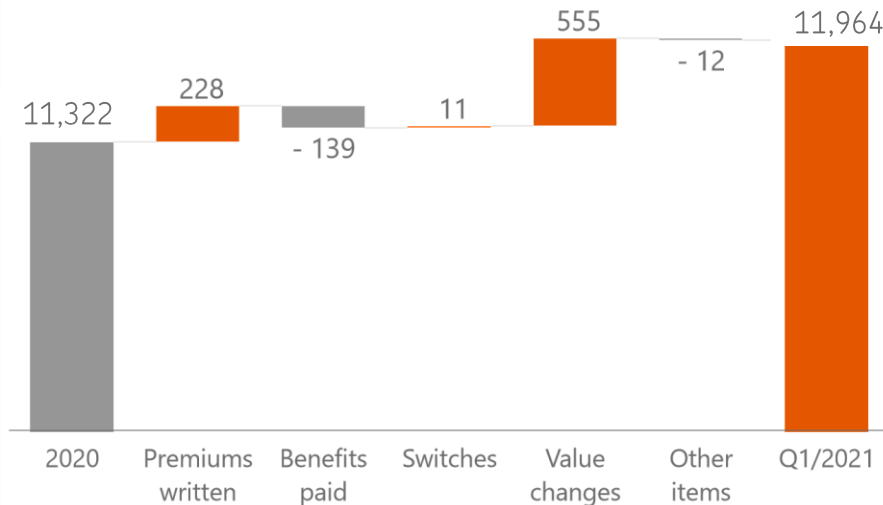


# Unit-linked insurance assets increased by 5.7%

Unit-linked insurance assets, € billion

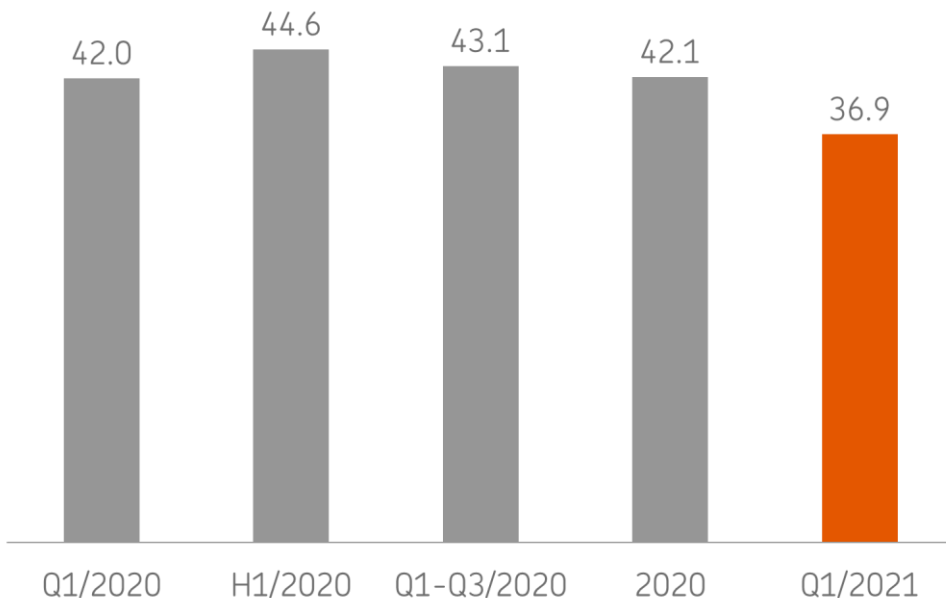


Change in unit-linked insurance assets, € million

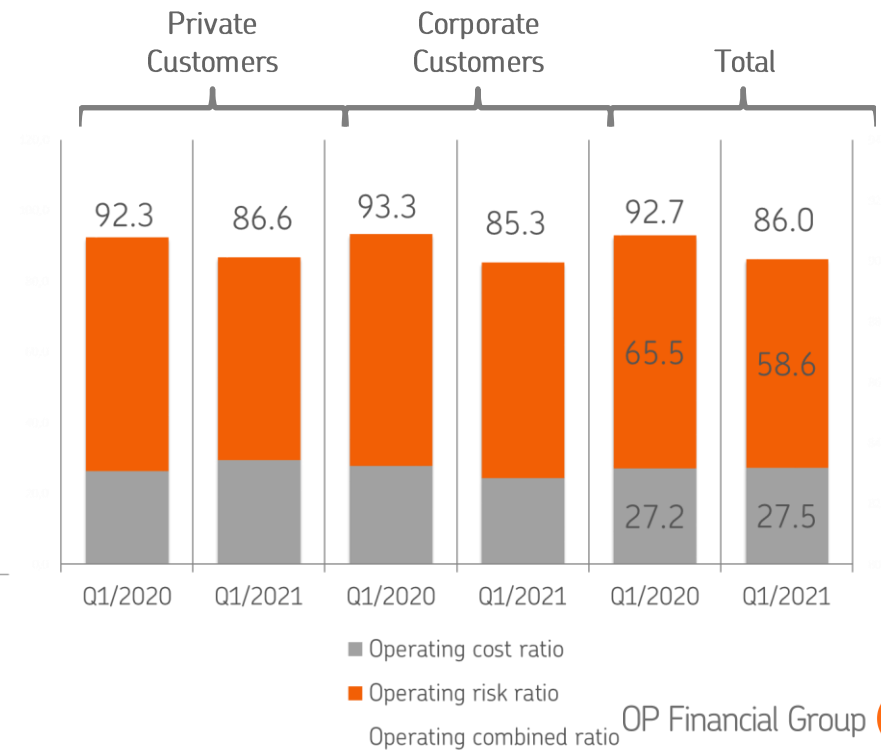


# Insurance profitability

Life Insurance, operating ratio %

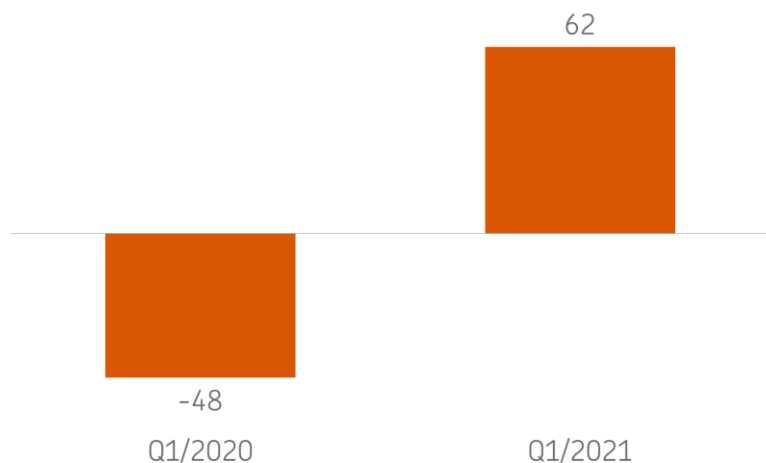


Non-life Insurance, operating combined ratio %

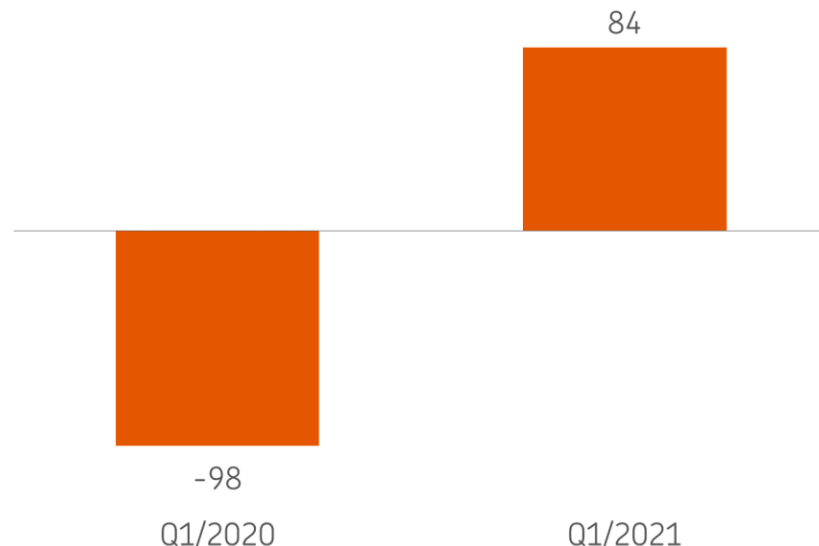


# Net return on insurance investments at fair value, € million

Life Insurance \*



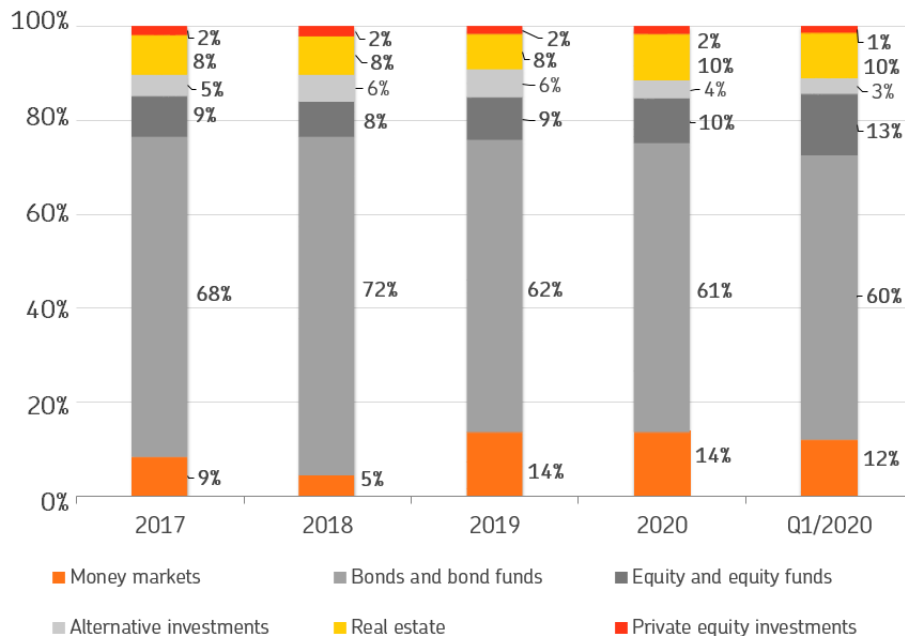
Non-life Insurance \*



\*Net return on investments at fair value is calculated by deducting the value change in market-consistent insurance liability from income from total investment assets. These Life Insurance investments exclude the so-called separated balance sheets that were transferred from Suomi Mutual.

# Non-life insurance investment portfolio allocation

Investment portfolio (€4.2 bn) by asset class as at 31<sup>st</sup> March 2021

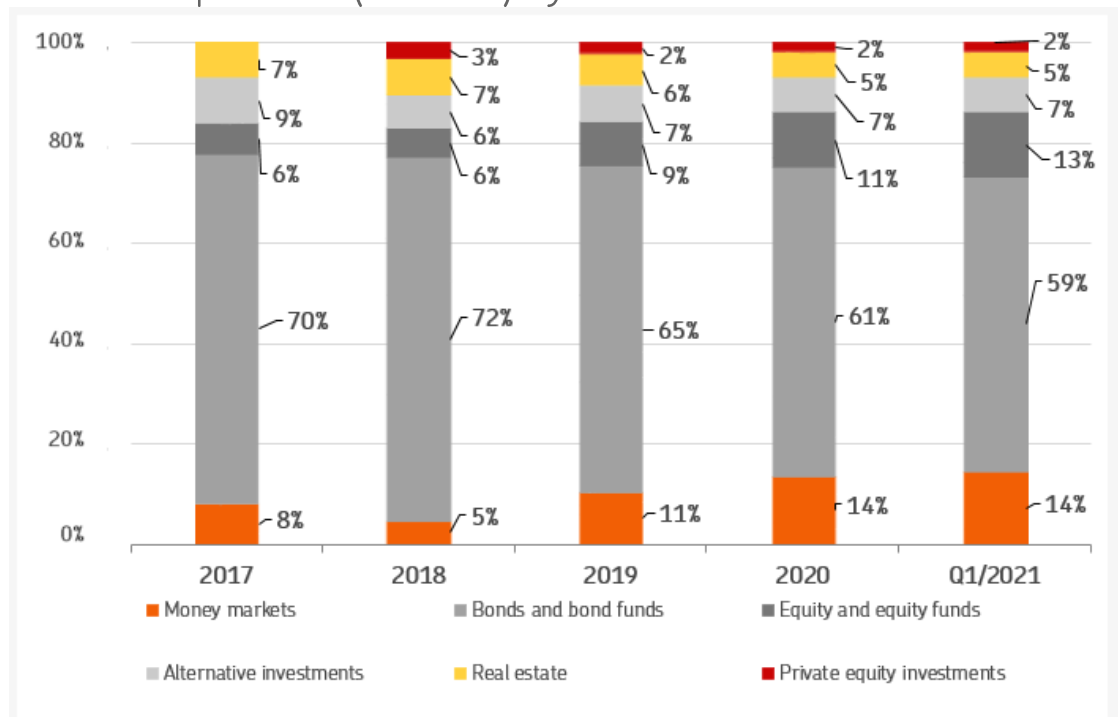


The duration of the fixed-income portfolio was 3.5 (3.5) years.

The running yield for direct bond investments averaged 0.8% (1.4) at end-March 2021.

# Life insurance investment portfolio allocation

Investment portfolio (€3.6 bn) by asset class as at 31<sup>st</sup> March 2021



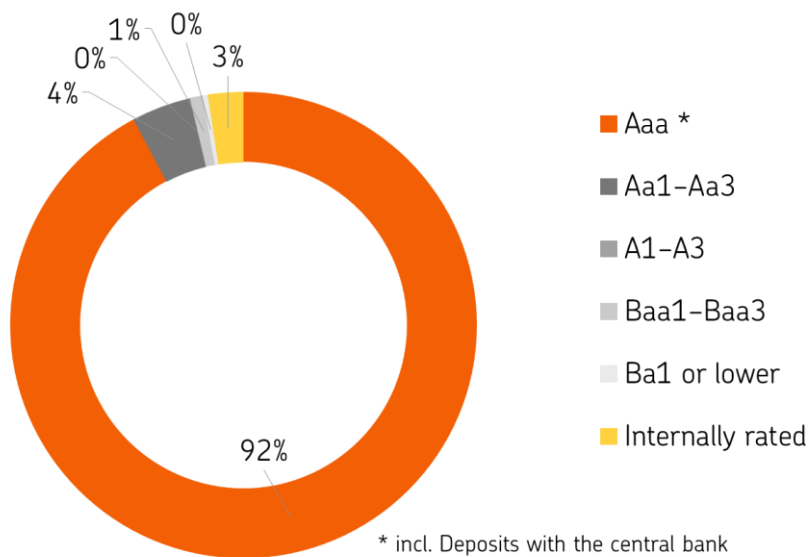
The duration of the fixed-income portfolio was 3.3 (2.8) years.  
The running yield for direct bond investments averaged 0.9 (1.1) at end-March 2021.

A young girl with long brown hair, wearing a grey hoodie, is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a black top with a white patterned collar. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing a window with light coming through.

# Liquidity and funding

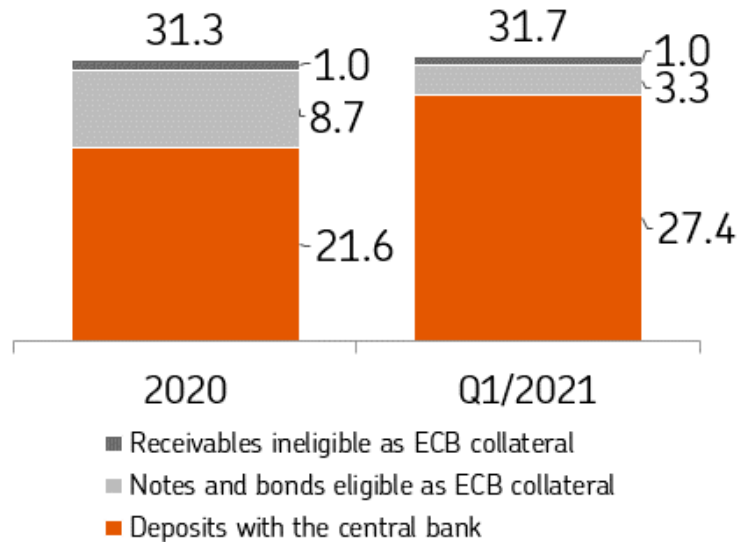
# Liquidity buffer includes highly-rated assets

Liquidity buffer by credit rating as at 31 March 2021



# Liquidity buffer €31.7 bn at end-March 2021

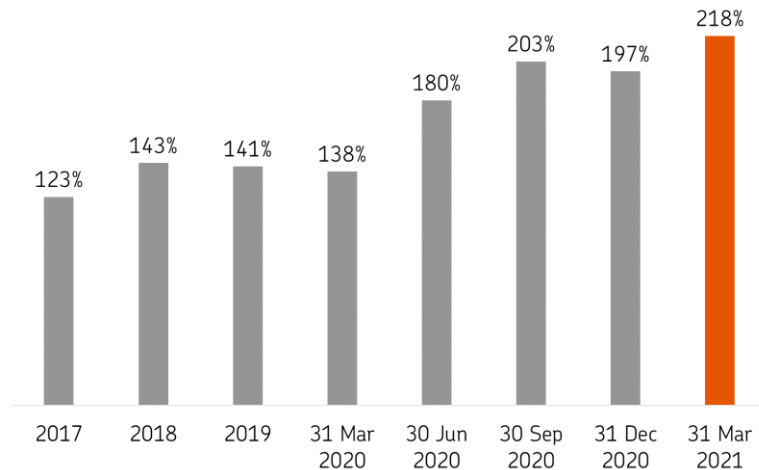
Liquidity buffer breakdown, € bn



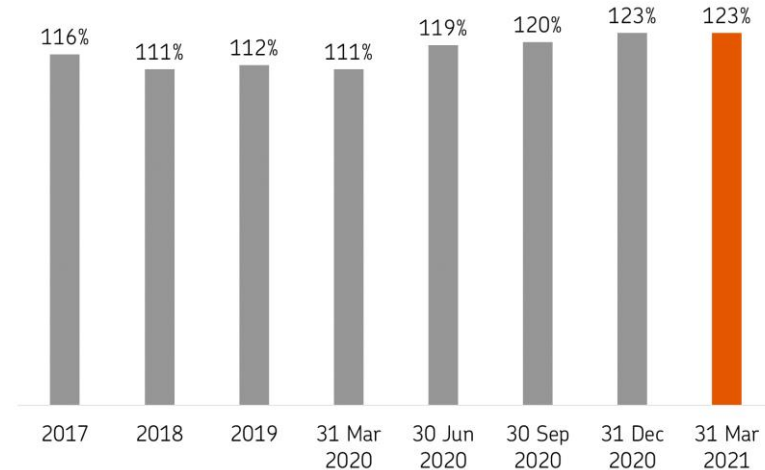
The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

# OP's liquidity and funding position remained good

Liquidity Coverage Ratio (LCR)

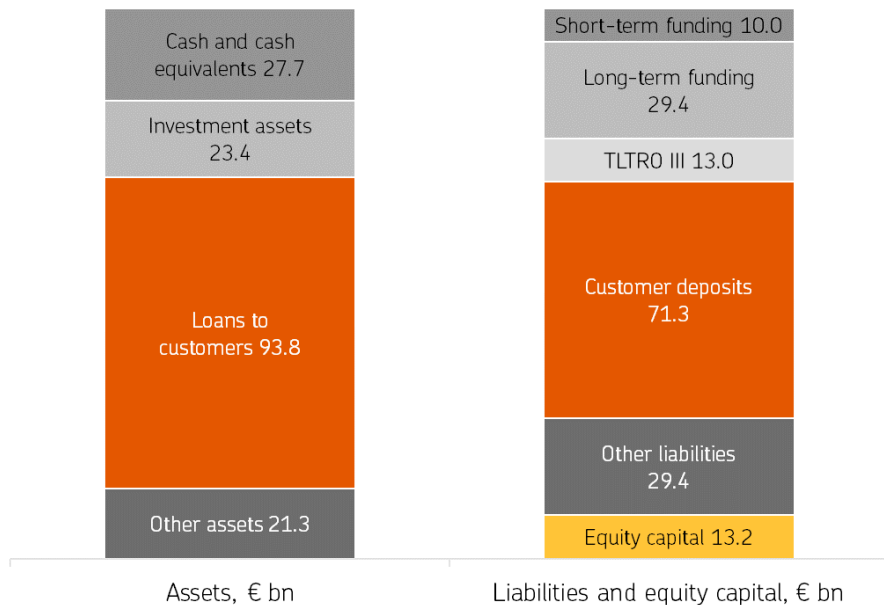


Net Stable Funding Ratio (NSFR)

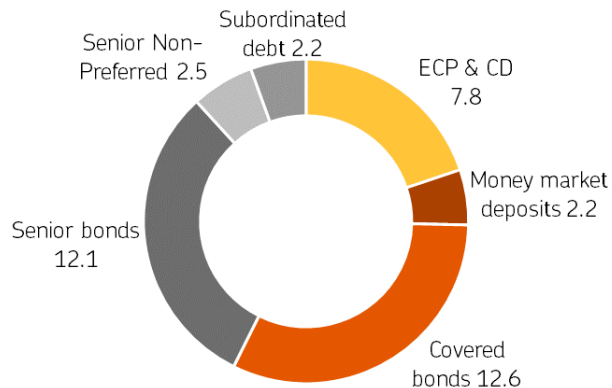


# Balance sheet totalled €166 bn at end-Mar 2021

Loans 56%, deposits 43% and market-based funding 24% of the balance sheet



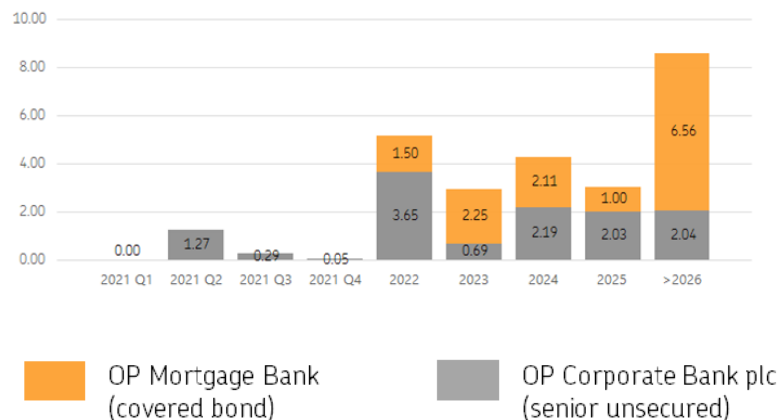
Long-term and short-term funding, € bn



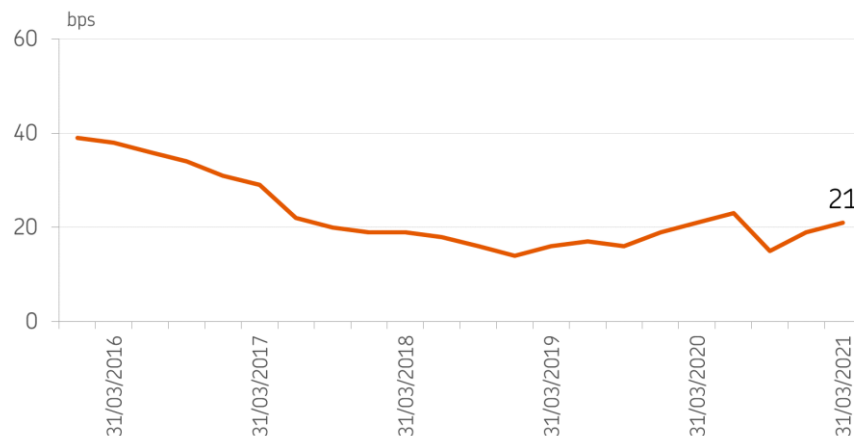
Deposits within the scope of deposit guarantee €41.7 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

# Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 31 Mar 2020 (€ bn)



Average margin of senior & SNP wholesale funding, TLTRO funding and covered bonds



# Issued long-term bonds €3.1 bn in Q1/2021

## OP Corporate Bank plc's benchmark bonds

Year	Month	Amount	Maturity	Cost
2021	March	€500 mn (SNP) €300 mn (SNP)	5 yrs 10 yrs	m/s +65 bps m/s +75 bps
2020	November	€1 bn	7 yrs	m/s +48 bps
2020	June-July	€1 bn	4 yrs	m/s +50 bps
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)	m/s +200 bps
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)	m/s +230 bps
2020	May	€1 bn	5.25 yrs	m/s +85 bps
2020	January	€500 mn (SNP)	7 yrs	m/s +65 bps

## OP Mortgage Bank's covered bonds

Year	Month	Amount	Maturity	Cost
2021	March	€750 mn	10 yrs	m/s -1 bps
2020	November	€1.25 bn	10 yrs	m/s + 2 bps
2020	April	€300 mn (retained)	8 yrs	Eb3 +45 bps
2020	April	€500mn (retained)	2 yrs	Eb3 +30 bps
2020	January	€1 bn	8.25 yrs	m/s +3 bps

In March 2021, OP participated in ECB's TLTRO III financing operation by €5 bn.

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# Capital adequacy and capital base

# Three capital requirements

Consolidated capital adequacy = capital adequacy of the amalgamation of cooperative banks

- 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

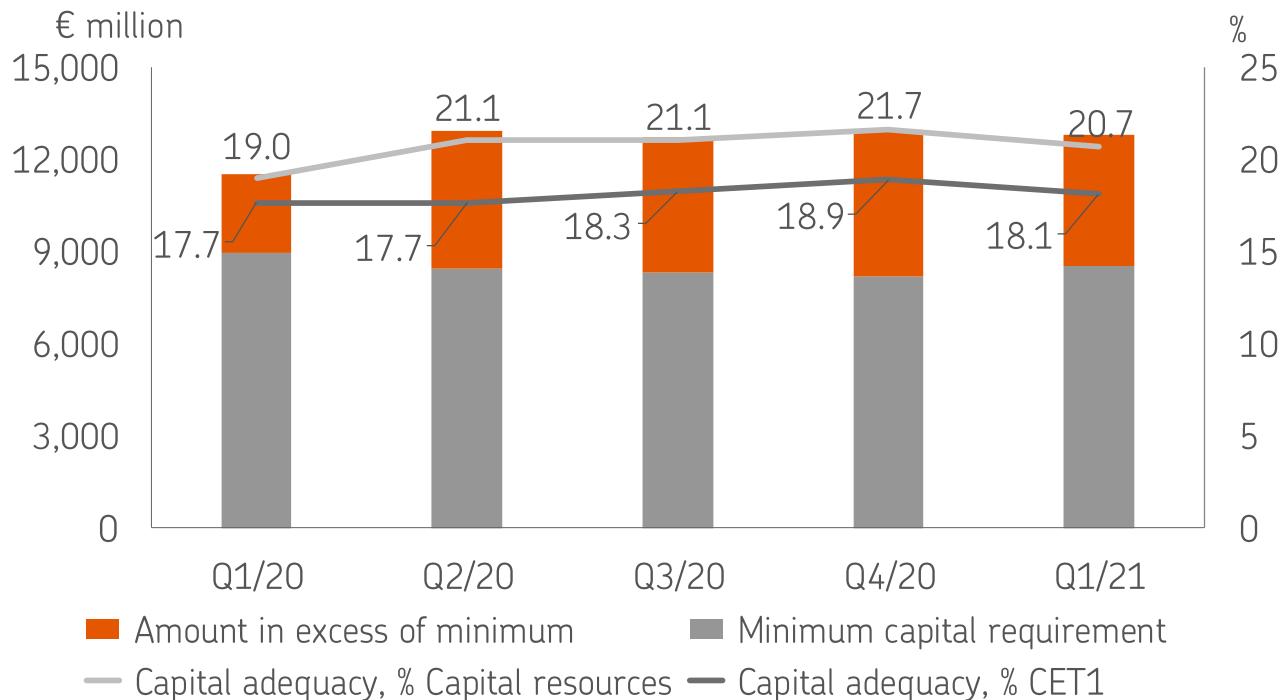
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's 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) = OP Financial Group's capital adequacy

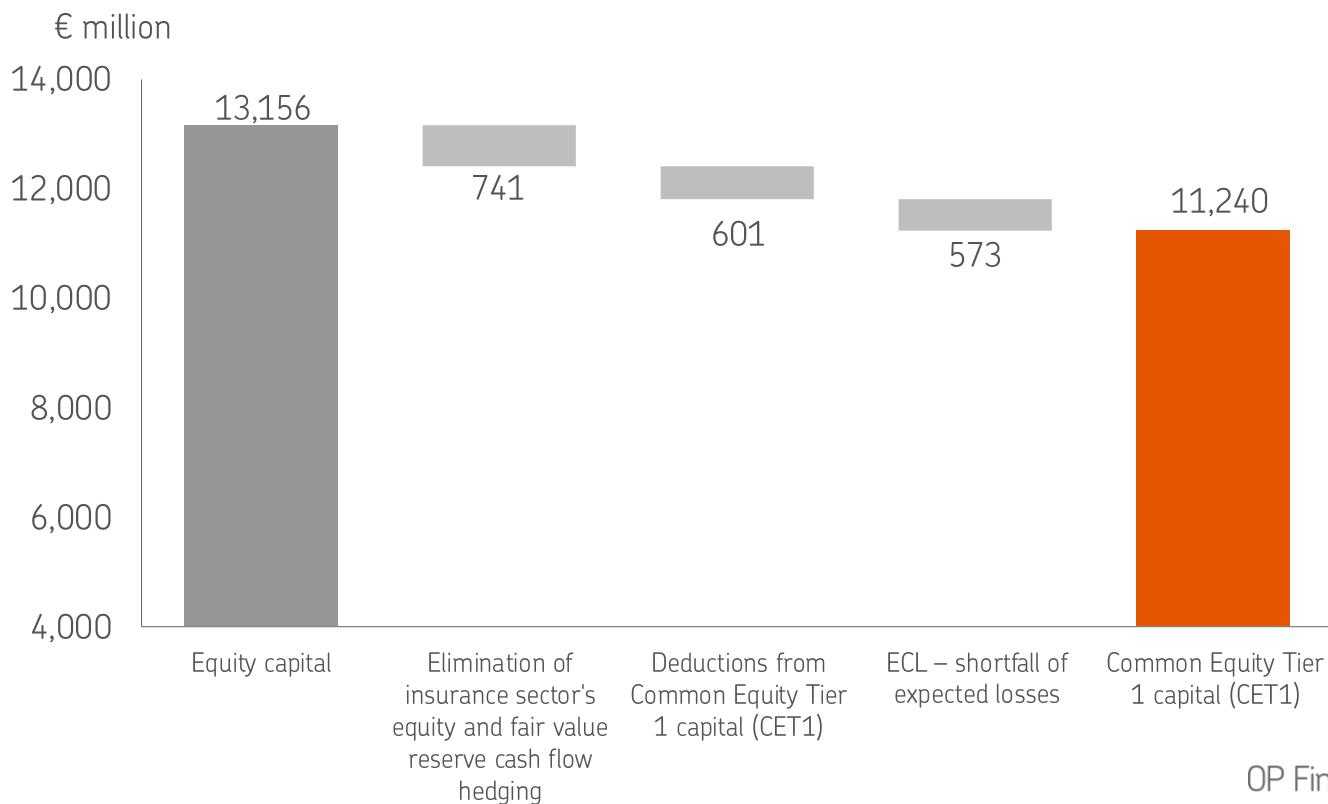
- OP Financial Group is a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. Such conglomerates are governed by specific provisions of the capital adequacy requirement.
- Capital adequacy under the Act is calculated using the consolidation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

# Amalgamation of cooperative banks

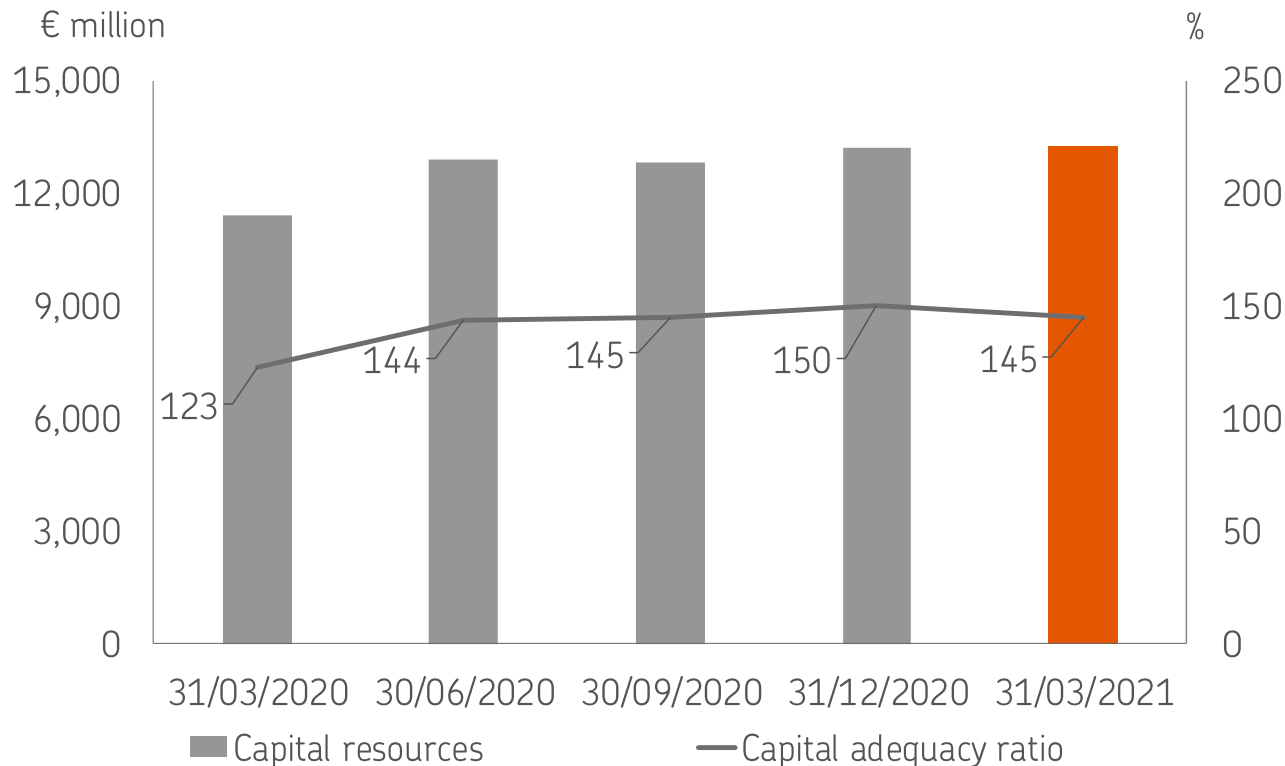
## Capital base and capital adequacy



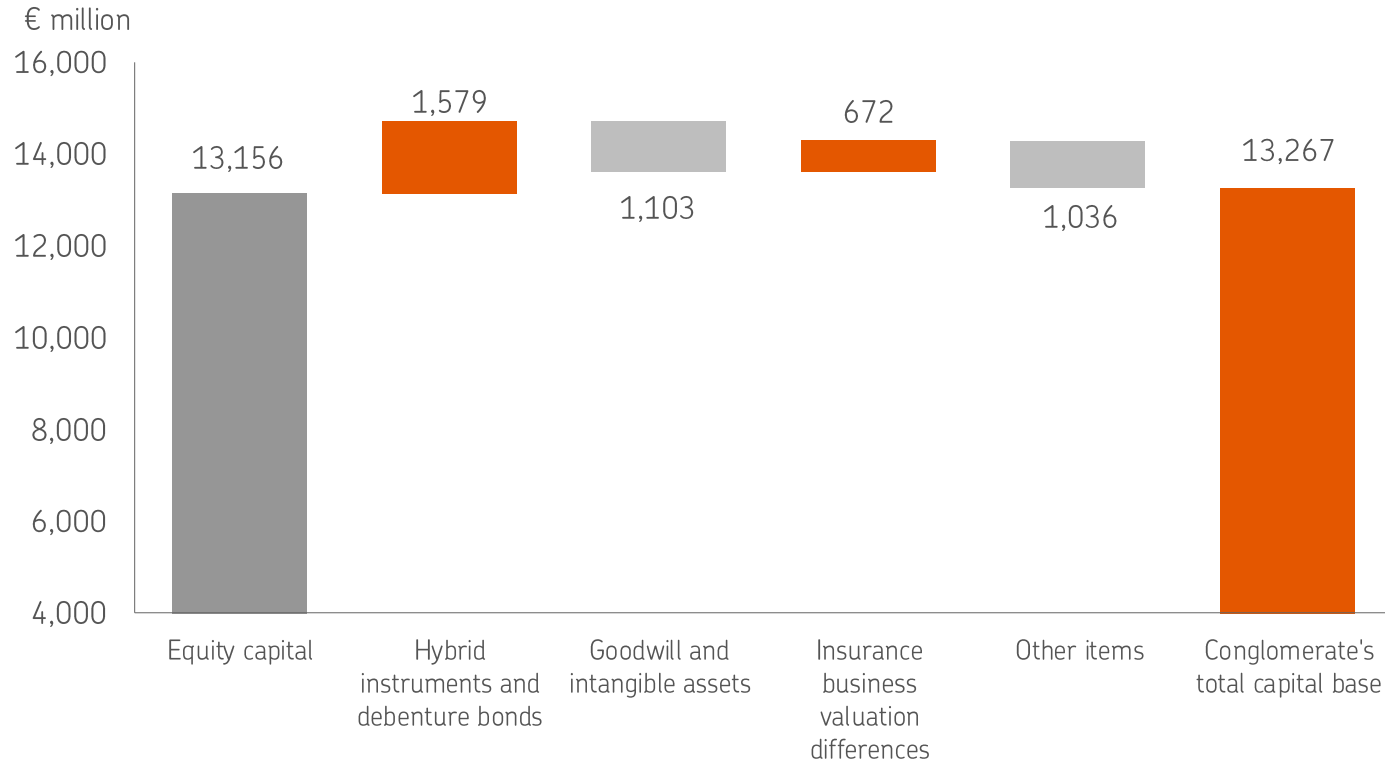
# Common Equity Tier 1 (CET1) 31 March 2021



# OP Financial Group's capital adequacy ratio under the Act on the Supervision of Financial and Insurance Conglomerates (FiCo)



# FiCo capital 31 March 2021



A young girl with long brown hair and a grey hoodie is pointing at a smartphone held by an elderly woman with white hair. They are both looking intently at the screen. The woman is wearing a black top with a white patterned collar. They are sitting at a table with a patterned tablecloth. The background is softly blurred, showing a window with light coming through.

# OP Financial Group in a nutshell

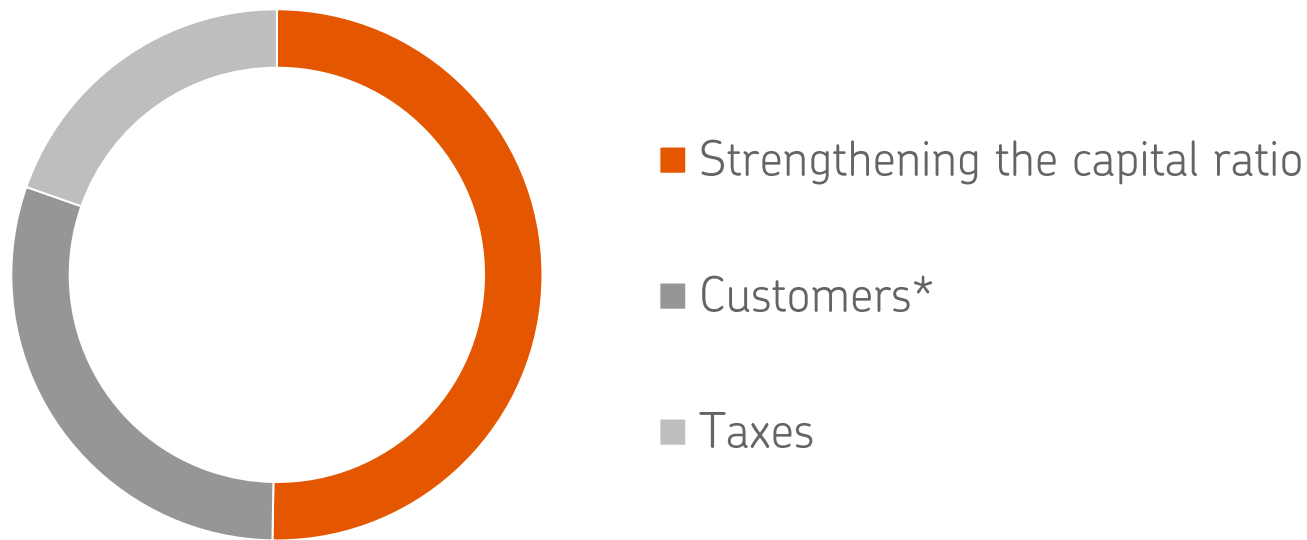
A close-up photograph of a smiling family. A woman on the left is laughing with her mouth open, showing her teeth. A man on the right is smiling and waving his hand. A baby is in the center, looking up at the camera. The background is slightly blurred, showing some colorful patterns.

OP is a financial services group owned by its customers

OP Financial Group's mission

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

# OP Financial Group allocates a substantial amount of its earnings to the benefit of its customers and operating region



Estimate of the allocation of period earnings, which is confirmed after the end of the reporting period

\*) Customers = customer bonuses, discounts and interest on Profit Shares of owner-customers

# OP Financial Group's strategy



# OP Financial Group's strategic long-term targets

	31 March 2021	31 Dec 2020	Target 2025
Return on equity (ROE) excluding OP bonuses, %	7.6	6.6	8.0
CET1 ratio, %	18.1	18.9	At least CET1 ratio requirement + 4 pps
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	20	23	30
Credit rating	AA-/Aa3	AA-/Aa3	At least at the level of AA-/Aa3

# OP Financial Group's structure

2 million owner-customers

133 OP cooperative banks

Central cooperative

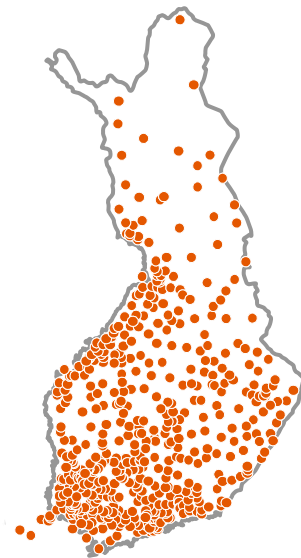
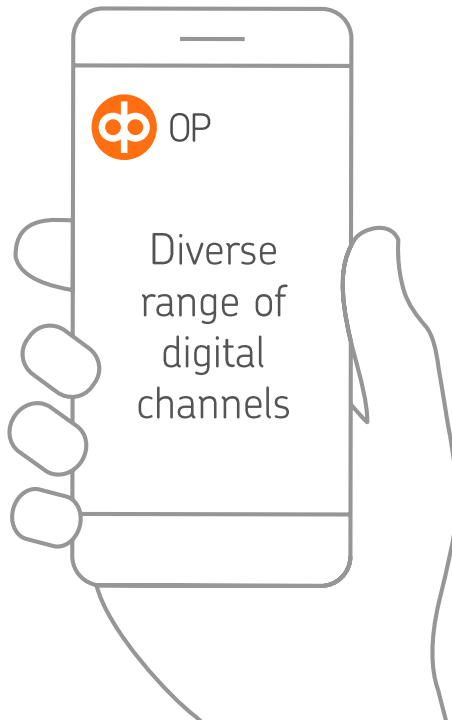
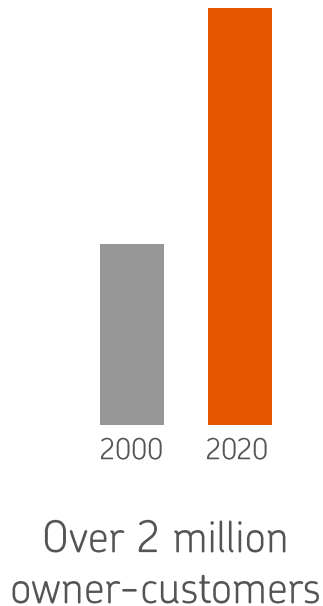
Retail Banking

Corporate Banking

Insurance

Over 12,000 OP employees

# Finland's most extensive and diverse service network



133 OP cooperative banks

# OP Financial Group's service channels

	Q1/2021	31 March 2020	12-month change
Online and mobile services, logins, million			
Op.fi	14.5		-32%
OP-mobile logins	112.0		18%
OP Business mobile	4.5		26%
Pivo mobile application, visits, million	9.8		-12%
eServices Agreements, million (private customers)		2.0	2%
Branches and telephone services			
Bank branches		337	-3%
Customer contacts in telephone service, million	1.1		-13%
Social media			
Followers on Facebook (OP Financial Group, Pohjola Insurance, OP Koti and OP cooperative banks)		445,647	18%
Followers on Twitter		63,671	30%
Followers on LinkedIn		47,562	8%
Followers on Instagram		21,448	36%
Followers on Youtube		6,600	41%

# Joint Liability, Deposit Guarantee and Investors' Compensation

- 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 Card Company 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.
- Deposit banks belonging to OP Financial Group, i.e. its member cooperative banks, OP Corporate Bank plc and Helsinki Area Cooperative Bank, are regarded as a single bank with respect to deposit guarantee. Under legislation governing the Investors' Compensation Fund, OP Financial Group is also considered a single entity in respect of investors' compensation.

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Together we'll make it  
through hard times.