



OP Financial Group's Half-year Financial Report 1 January–30 June 2021

Background material

Contents

- OP Financial Group's Half-year Financial Report
- Retail Banking
- Corporate Banking
- Insurance
- Liquidity and funding
- Capital adequacy and capital base
- OP Financial Group in a nutshell

A person with long blonde hair, wearing a black tank top, blue jeans, and a black baseball cap, is sitting in a tent on a beach. A large black dog is sitting next to them, looking out at the ocean. The tent is open, and the person is holding a black object, possibly a camera or a phone, in their hand. The background shows a beautiful sunset over the ocean with waves crashing on the shore. The sky is a mix of orange, pink, and purple.

OP Financial Group's Half-year Financial Report

Earnings before tax EUR 561 million – strong increase in total income, a decrease in impairment loss on receivables

	H1/2021	H1/2020	Change, %	Q1-Q4/2020
Earnings before tax, € million	561	287	95.7	785
Retail Banking	138	28	389.5	115
Corporate Banking	276	103	167.2	349
Insurance	220	130	69.8	348
Other Operations	-51	43	-220.3	3
New OP bonuses accrued to owner-customers	-103	-129	-	-255
Return on equity (ROE), %	6.9	3.6	3.3 *	5.0
Return on equity excluding OP bonuses, %	8.1	5.2	2.9 *	6.6
Return on assets (ROA), %	0.55	0.29	0.26 *	0.42
Return on assets excluding OP bonuses, %	0.65	0.42	0.22 *	0.55
	30 June 2021	30 June 2020	Change, %	31 December 2020
CET1 ratio, %	18.3	17.7	0.7 *	18.9
Loan portfolio, € bn	94.7	93.7	1.1	93.6
Deposits, € bn	73.6	69.2	6.4	70.9
Ratio of non-performing exposures to exposures, %**	2.4	2.2	0.2 *	2.5
Ratio of impairment loss on receivables to loan and guarantee portfolio, %	0.07	0.34	-0.27 *	0.23
Owner customers (1,000)	2,039	2,013	1.3	2,025

- Earnings before tax improved by 96% to EUR 561 million (287).
- Income from customer business increased by 6% to EUR 1,479 million (1,396). Net insurance income increased by 11% to EUR 326 million (295) and net commissions and fees by 12% to EUR 512 million (455). Net interest income decreased by 1% to EUR 641 million (646).
- Investment income rose by EUR 104 million, to EUR 164 million (61) year on year).
- Total income increased by 20% to EUR 1,777 million (1,481).
- Total expenses remained at the previous year's level at EUR 991 million (993).
- Impairment loss on receivables was EUR 35 million (166), or 0.07% (0.34) of the loan and guarantee portfolio. A year ago, impairment loss on receivables was increased by the effects of the Covid-19 pandemic on 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 95 billion (94) and deposits by 6% to EUR 74 billion (69) year on year.
- The CET1 ratio was 18.3% (18.9). The lower ratio was affected by the ECB's decision which increased the risk-weighted assets of corporate exposures.

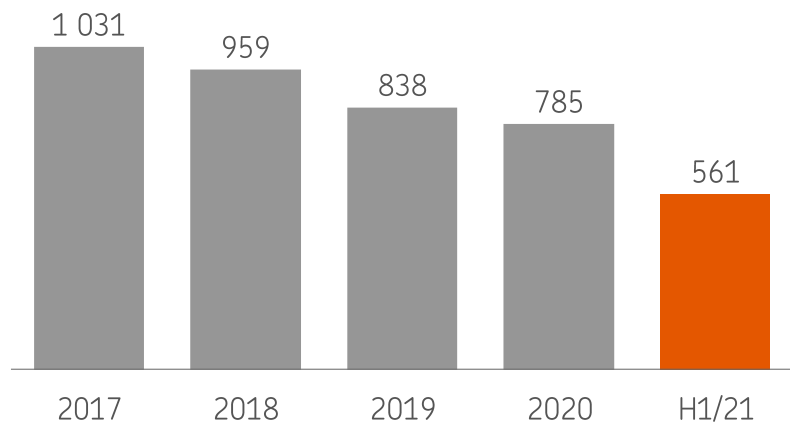
Comparatives deriving from the income statement are based on figures reported for the corresponding periods in 2020. Unless otherwise specified, balance-sheet and other cross-sectional figures on 31 December 2020 are used as comparatives.

* Change in ratio

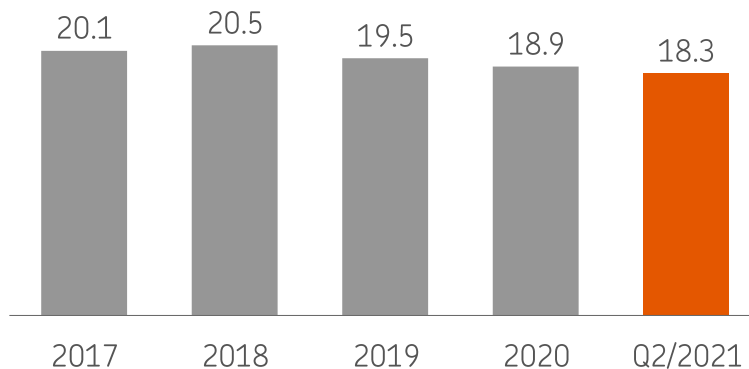
** The name and content of the ratio was changed in Q1/2021. Comparatives have been adjusted accordingly.

OP Financial Group's earnings and capital adequacy

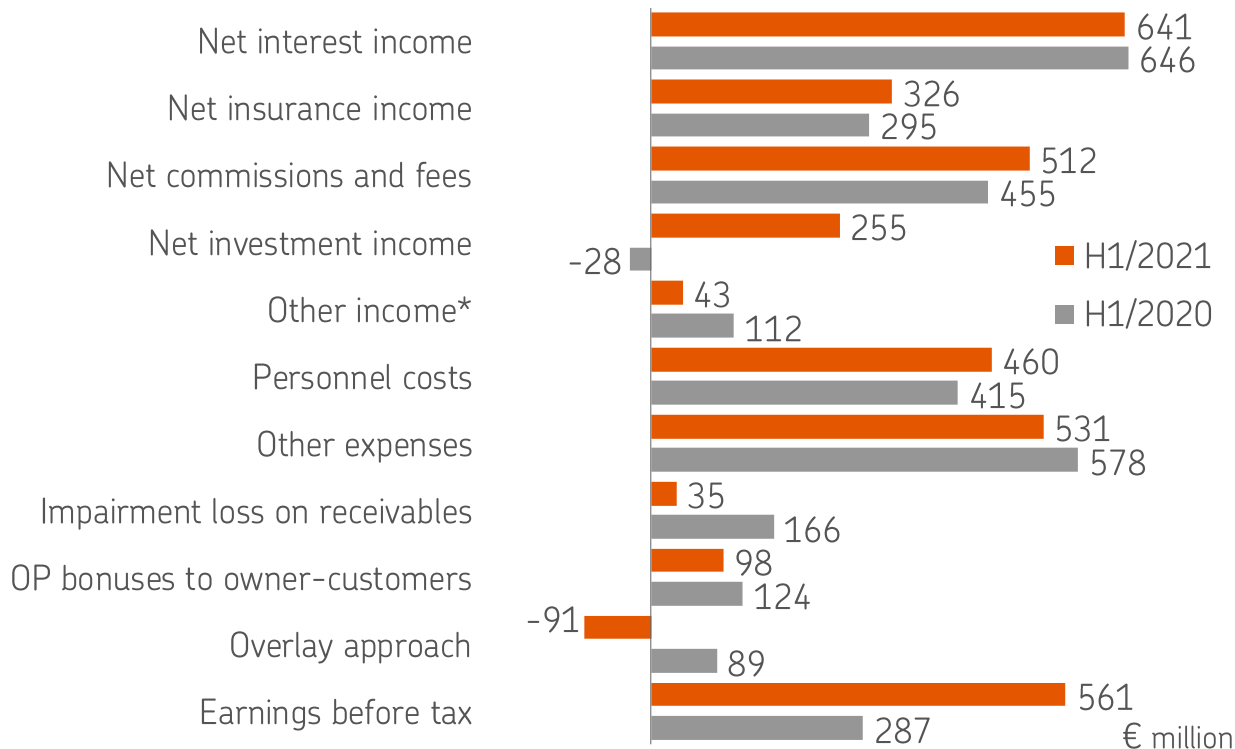
Earnings before tax, € million



Common Equity Tier 1 ratio (CET1),%

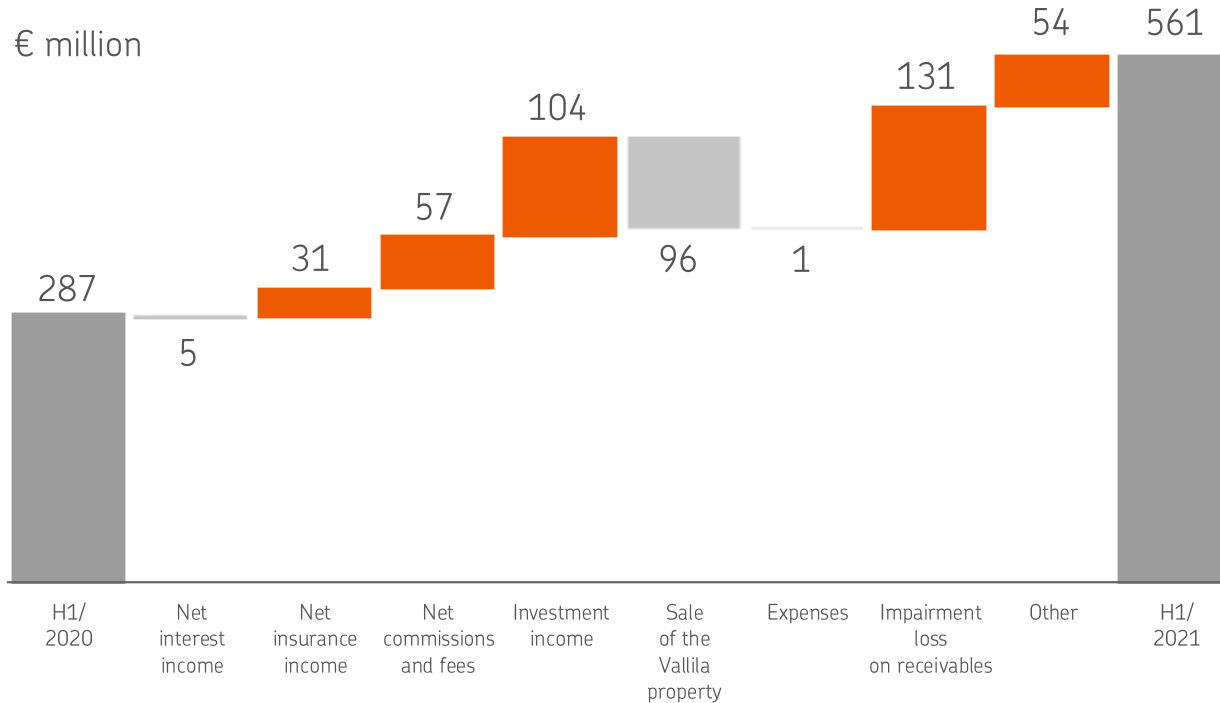


OP Financial Group's main income statement items

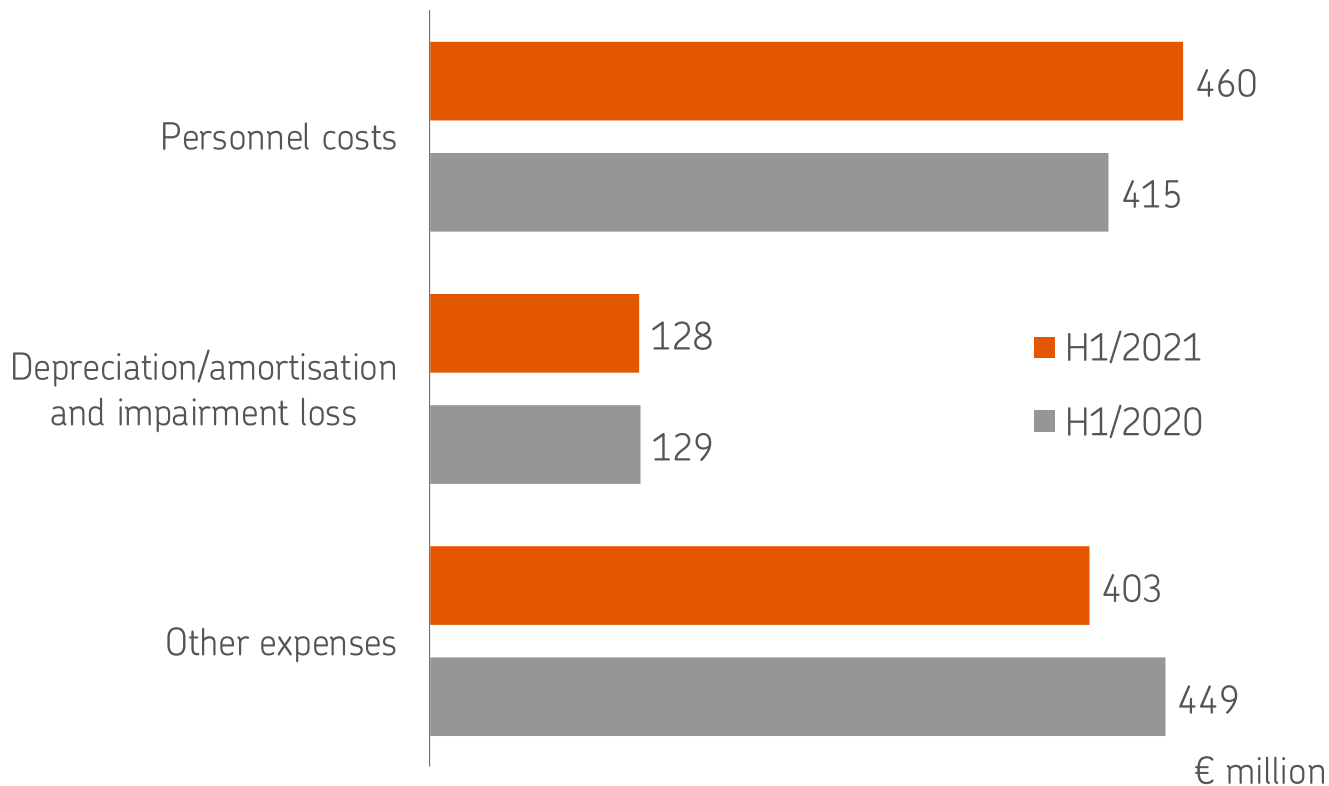


*Includes a capital gain on the sale of the Vallila property (2020)

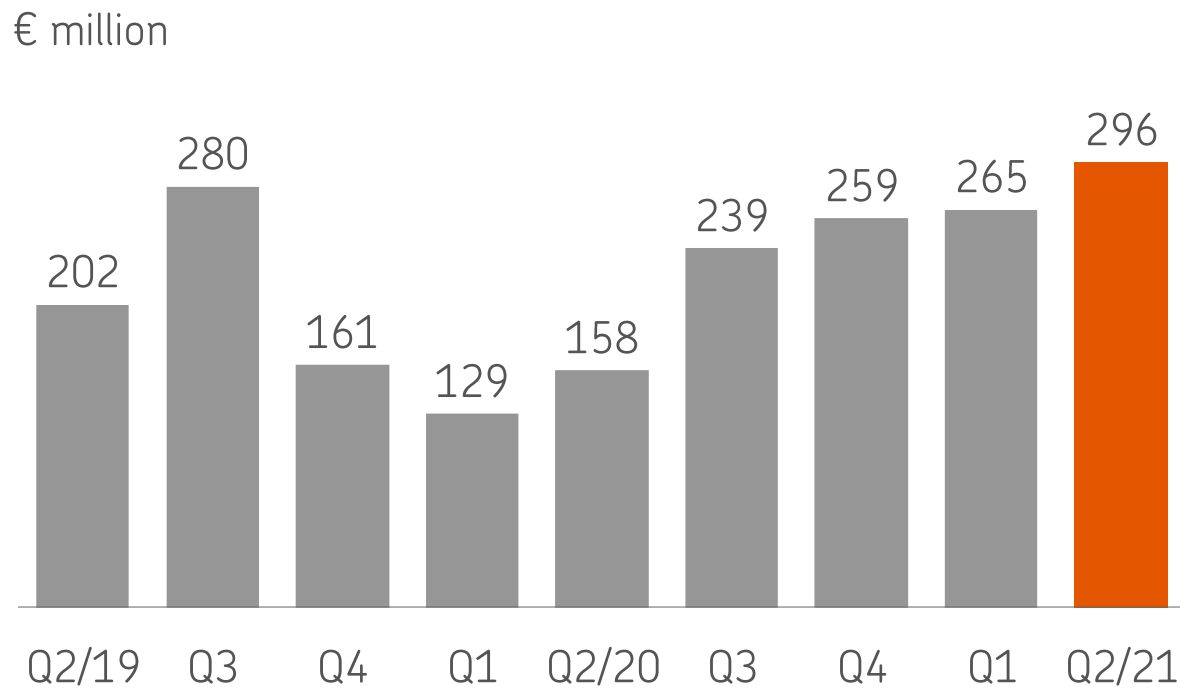
OP Financial Group's financial performance



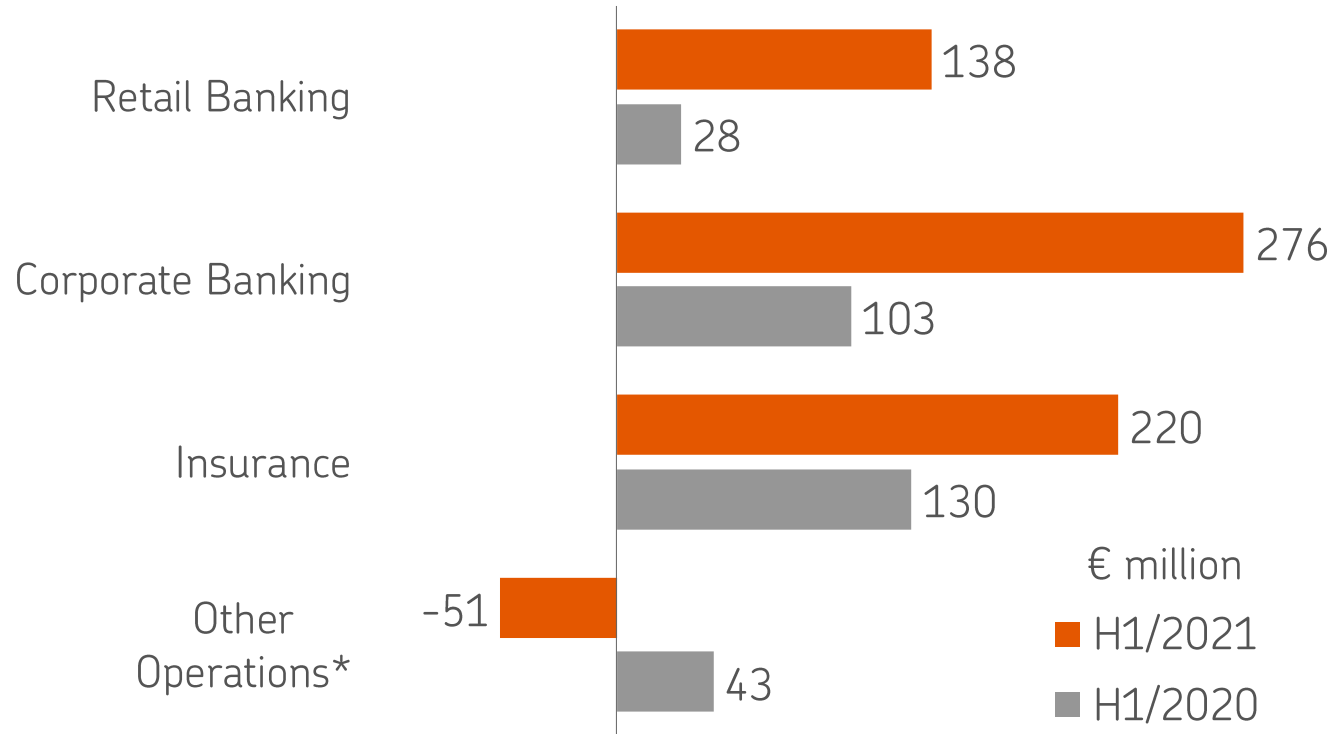
OP Financial Group's cost performance



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)

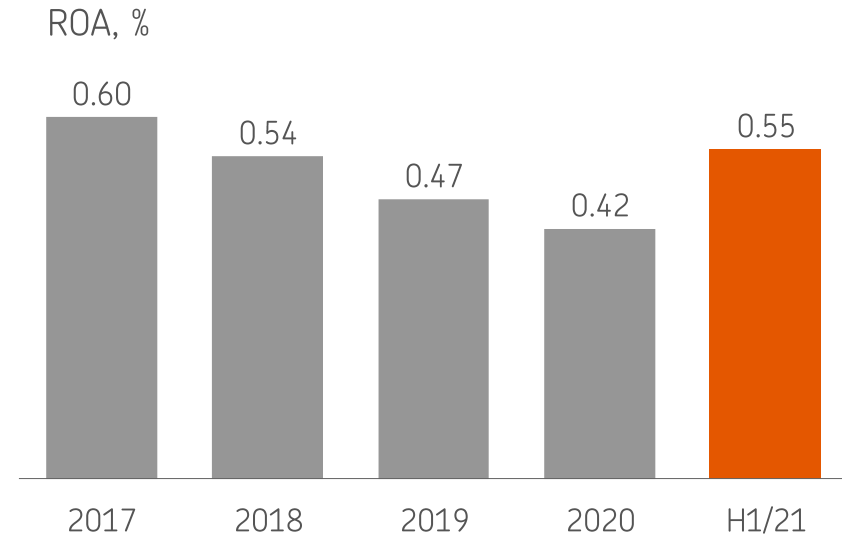
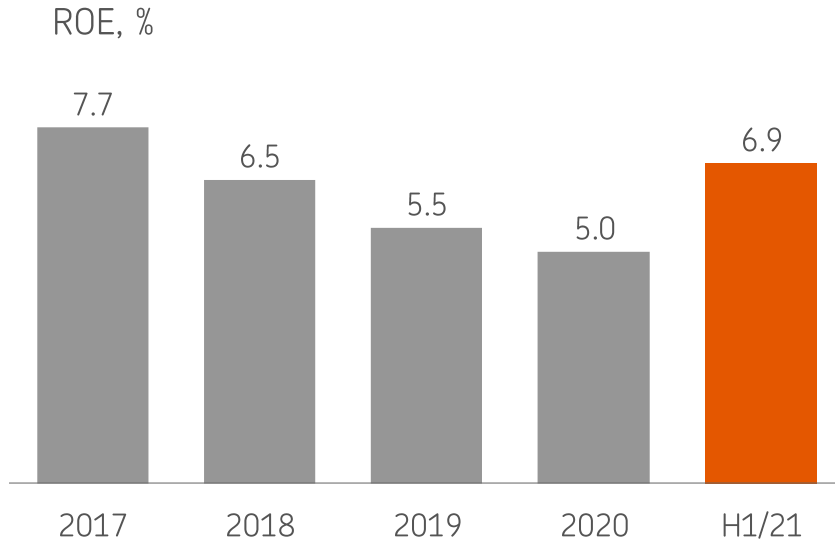
OP Financial Group's income statement

January 1 to June 30	2021	2020	Change, € million	%	Q2/21	Q2/20	Change, %
Net interest income	641	646	-5	-0.7	324	327	-0.7
Net insurance income	326	295	31	10.5	170	164	3.6
Net commissions and fees	512	455	57	12.4	242	211	14.6
Net investment income	255	-28	283	-	109	112	-2.4
Other operating income	43	112	-70	-62.1	36	5	578.0
Total income	1,777	1,481	296	20.0	881	819	7.6
Personnel costs	460	415	45	10.9	238	207	15.2
Depreciation/amortisation and impairment loss	128	129	-0	-0.4	65	64	1.6
Other operating expenses	403	449	-47	-10.4	181	204	-11.2
Total expenses	991	993	-2	-0.2	484	475	2.0
Impairment loss on receivables	-35	-166	131	-	-13	-60	-
OP bonuses	-98	-124	26	-	-52	-64	-
Overlay approach	-91	89	-179	-202.2	-36	-62	-
Earnings before tax	561	287	274	95.7	296	158	87.6

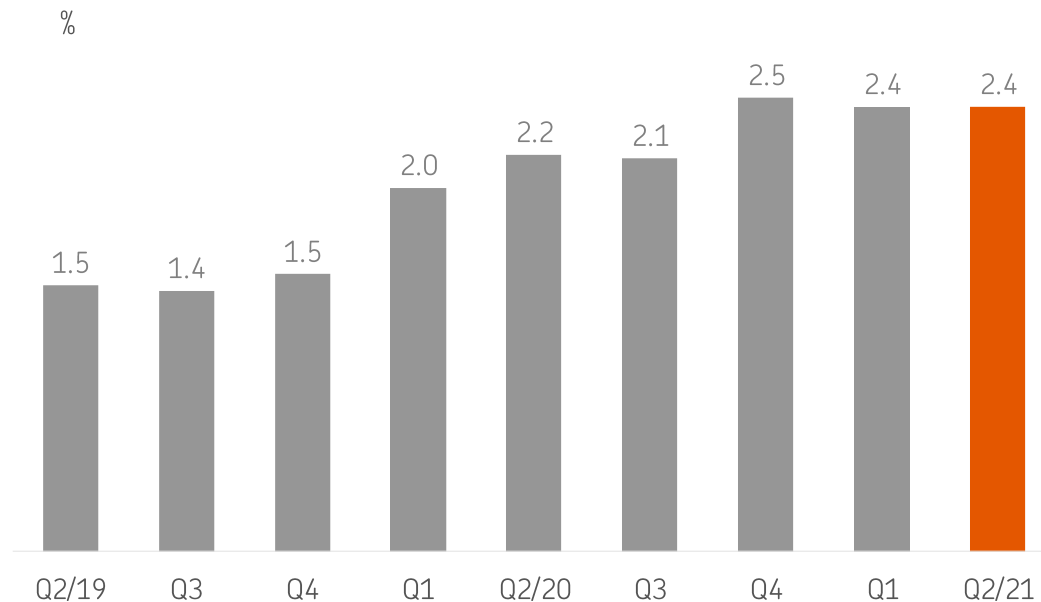
OP Financial Group's quarterly performance

€ million	Q1/2020	Q2	Q3	Q4	Q1	Q2/2021
Net interest income	319	327	315	324	316	324
Net insurance income	131	164	181	95	157	170
Net commissions and fees	244	211	224	252	270	242
Net investment income	-140	112	59	153	146	109
Other operating income	107	5	8	11	7	36
Total income	662	819	787	835	896	881
Personnel costs	208	207	179	120	222	238
Depreciation/amortisation and impairment loss	65	64	67	77	64	65
Other operating expenses	245	204	174	228	221	181
Total expenses	518	475	421	425	507	484
Impairment loss on receivables	-105	-60	-17	-42	-22	-13
OP bonuses to owner-customers	-60	-64	-65	-61	-46	-52
Overlay approach	151	-62	-44	-48	-55	-36
Earnings before tax	129	158	239	259	265	296

OP Financial Group's return on equity

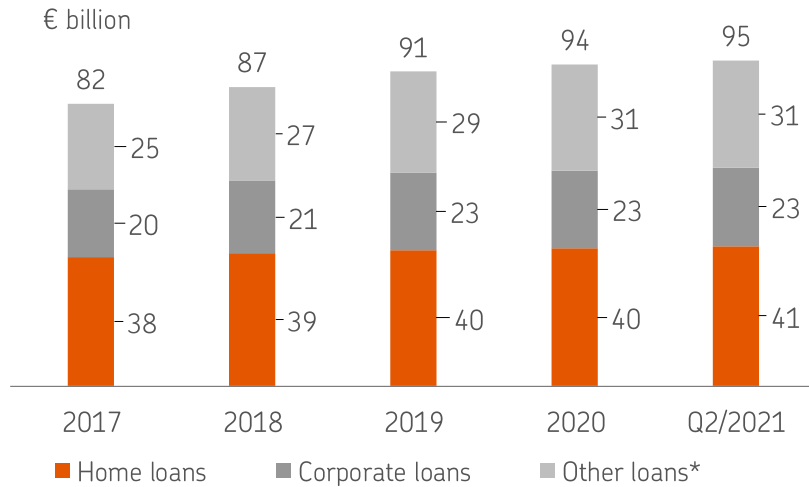


Ratio of non-performing exposures to loan and guarantee portfolio*

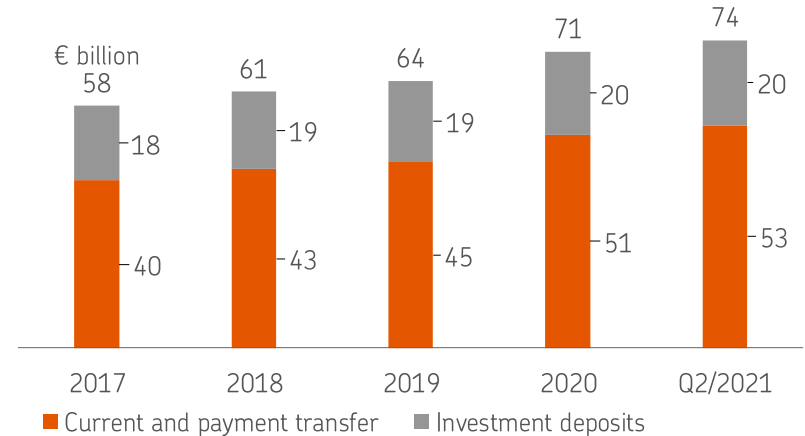


*Key ratios were changed from net to gross as of the beginning of 2021, i.e. non-performing exposures no longer include loss allowance. At the same time, a more comprehensive concept of doubtful receivables was adopted which includes all off-balance-sheet non-performing exposures. In the key ratios,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

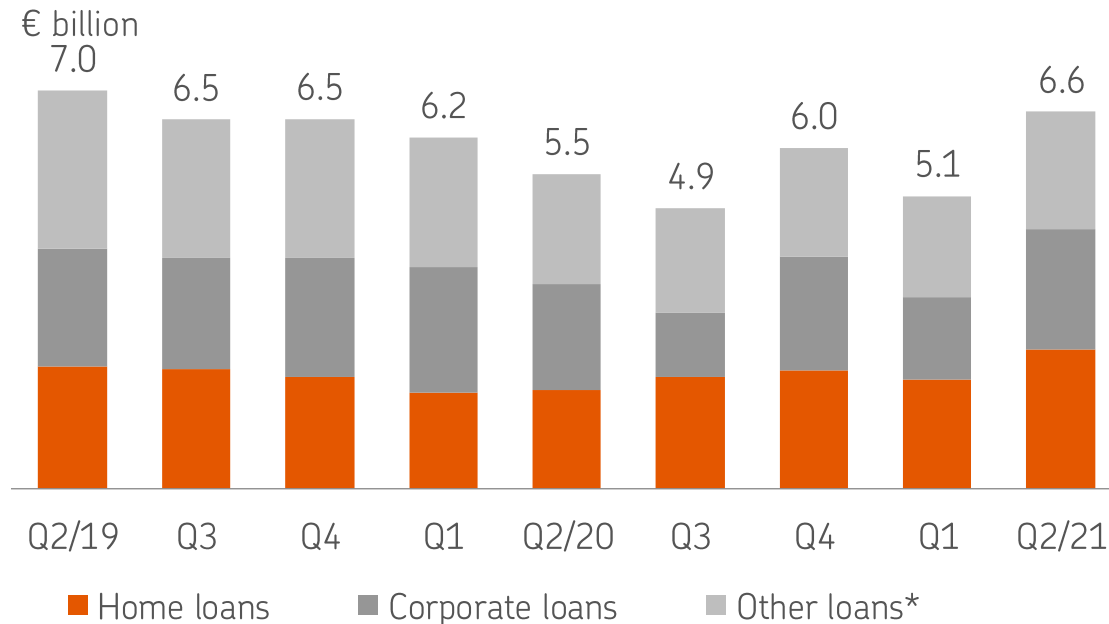
OP Financial Group's loan portfolio grew by 1.1% and the deposit portfolio by 6.4% year on year



* incl. housing companies and public-sector entities



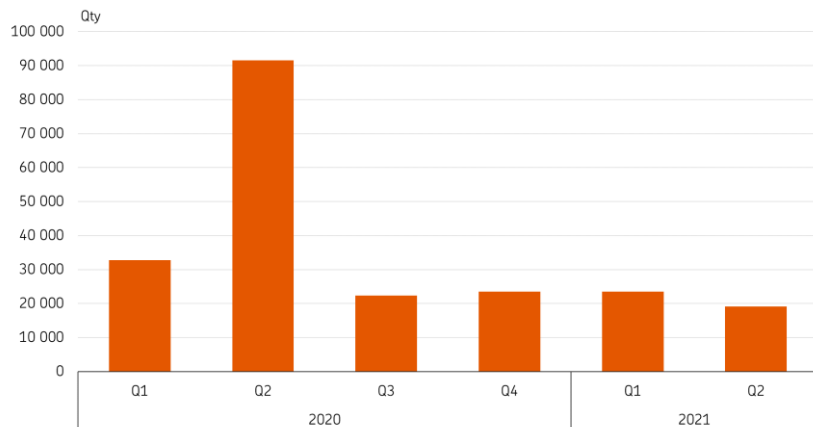
OP Financial Group's new loans drawn down



*incl. housing companies and public-sector entities

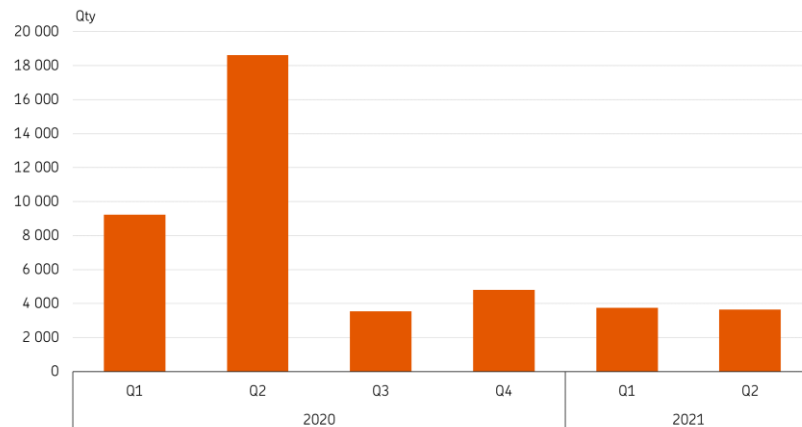
Actual repayment holidays and loan modifications

Personal customers' repayment holidays



The graph shows the actual number of personal customers' repayment holidays for the reporting period and for 2020. The quarter is determined by the date of execution of the repayment holiday. Earlier, the quarter was reported based on the customer's application date. Comparative information has been adjusted accordingly.

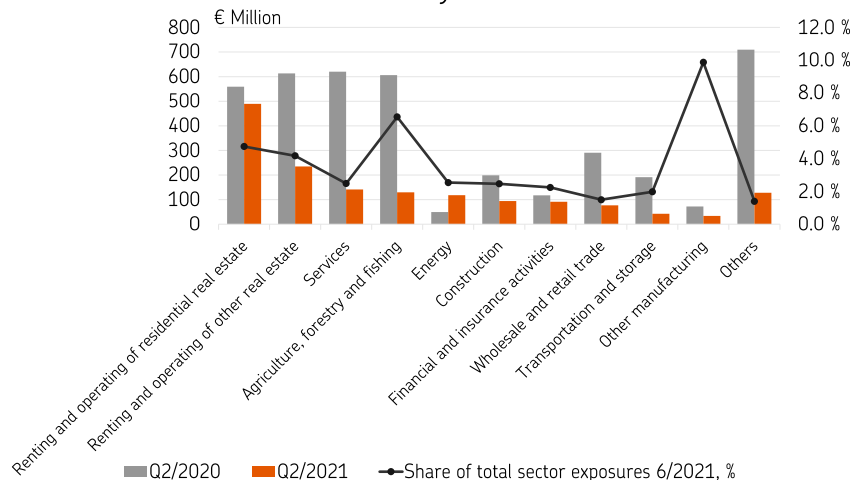
Corporate customers' repayment holidays and loan modifications



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.

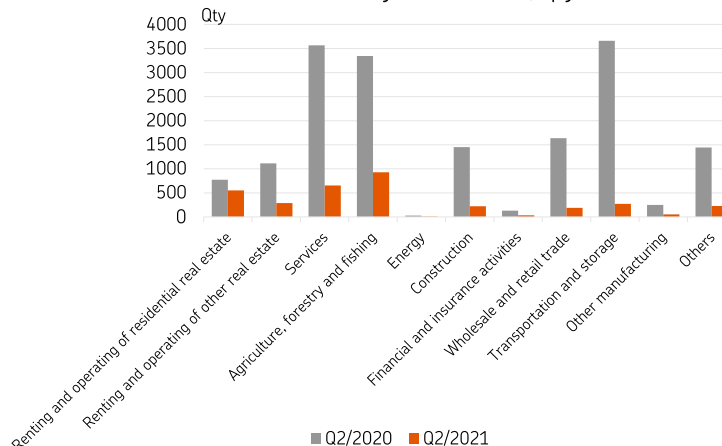
Corporate customers' repayment holidays and loan modifications by sector

Corporate customers' repayment holidays and loan modifications by main sector



The graph shows by sector the corporate exposures affected by repayment holidays and loan modifications implemented during the second quarter of 2020 and 2021. graph also shows by sector the percentage of exposures for which a repayment holiday or loan modification was agreed during the reporting period.

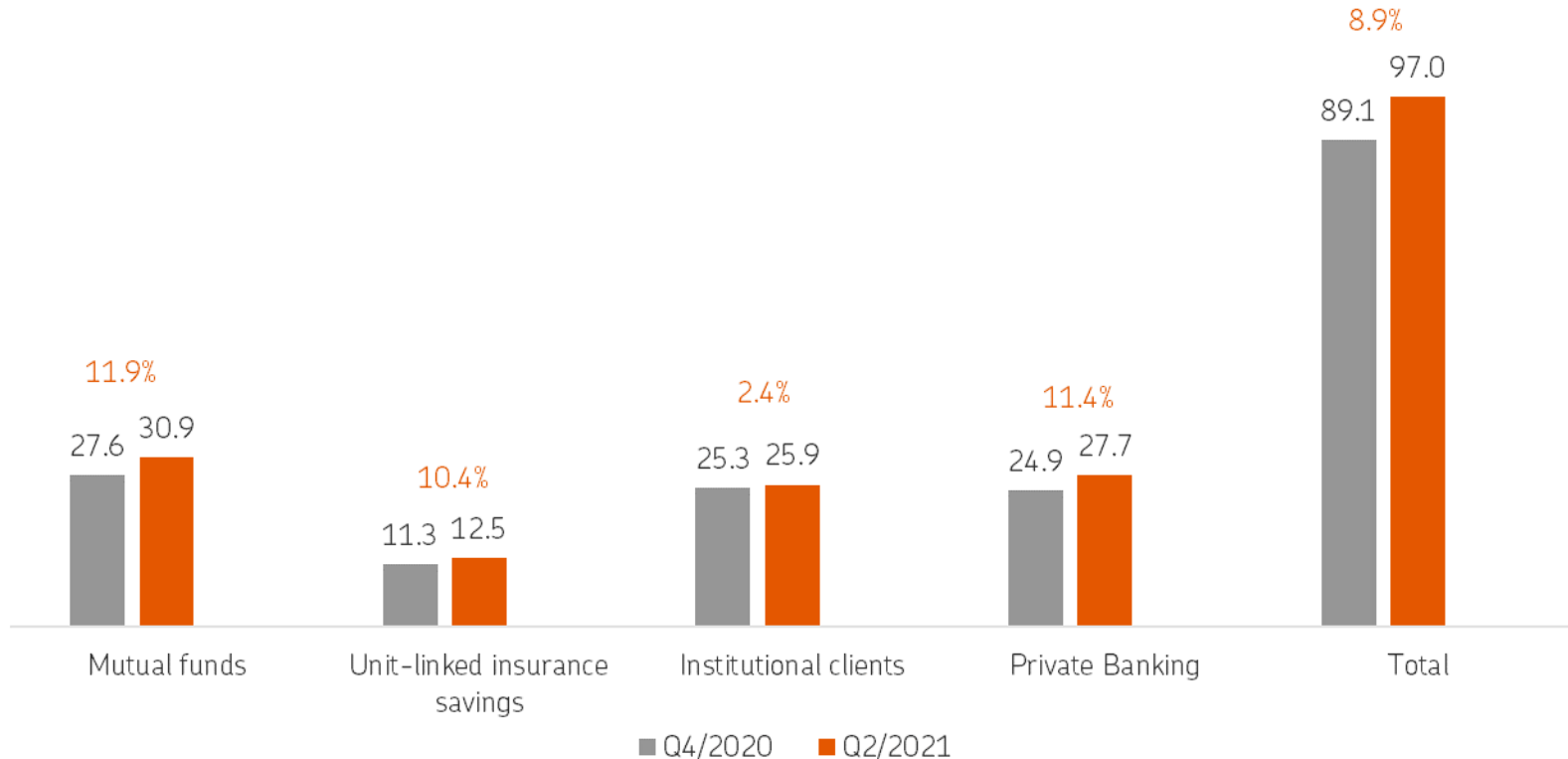
Corporate customers' repayment holidays and loan modifications by main sector, qty



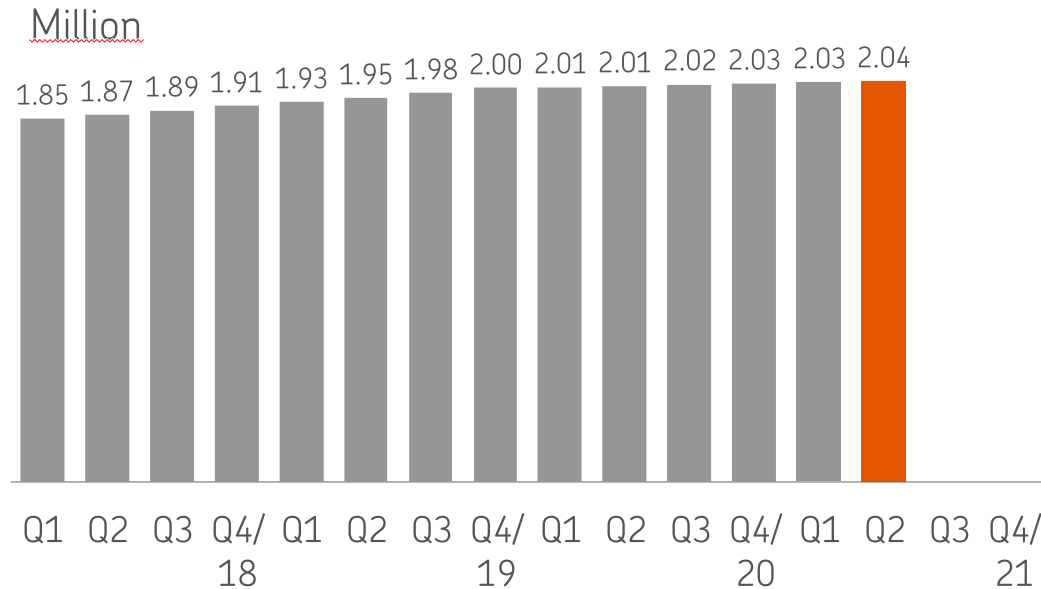
The graph shows by sector the repayment holidays and loan modifications implemented on corporate exposures during the second quarter of 2021 and 2020.

OP Financial Group's assets under management

€ billion



More than 2 million owner-customers



Retail Banking

A person with long blonde hair, wearing a black tank top, blue jeans, and a black baseball cap, is sitting inside a tent. A large black dog is sitting next to them, looking out at the ocean. The tent's opening provides a view of a beach and the ocean under a vibrant sunset sky with orange, pink, and purple hues. The person's legs and feet in sneakers are visible in the foreground.

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.

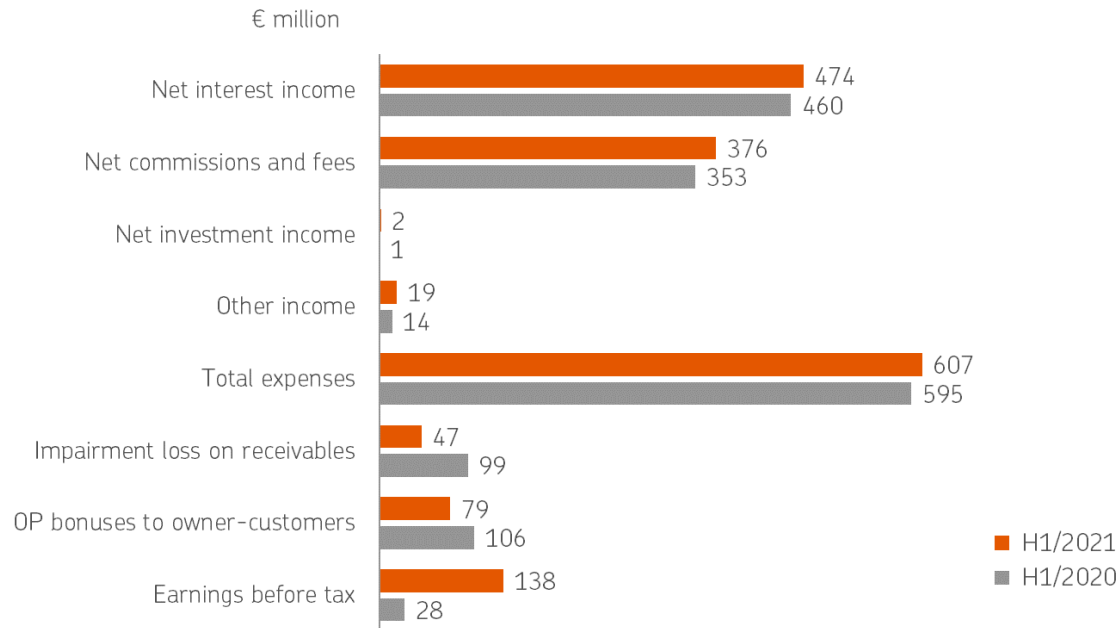
Key figures for H1/2021

Earnings before tax
€138 million

Loan portfolio
€70.1 billion

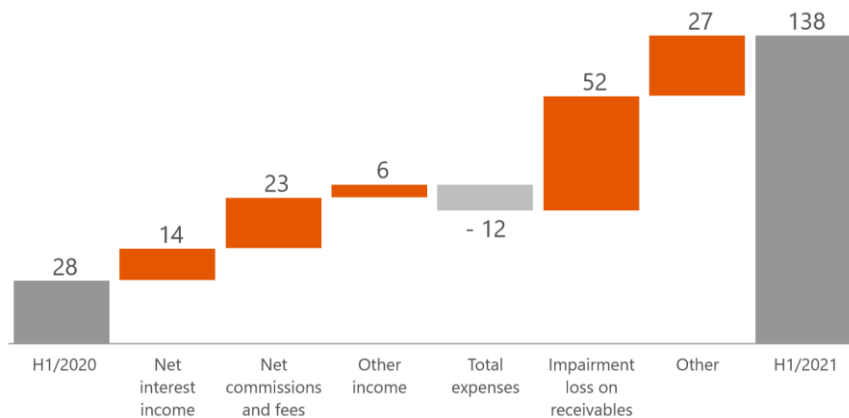
Deposit portfolio
€61.4 billion

Retail Banking earnings before tax, EUR 138 million, improved year on year

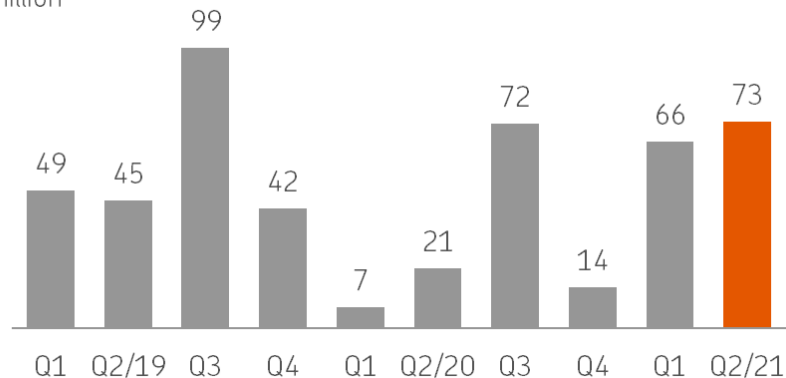


Retail Banking earnings before tax increased significantly year on year

€ million

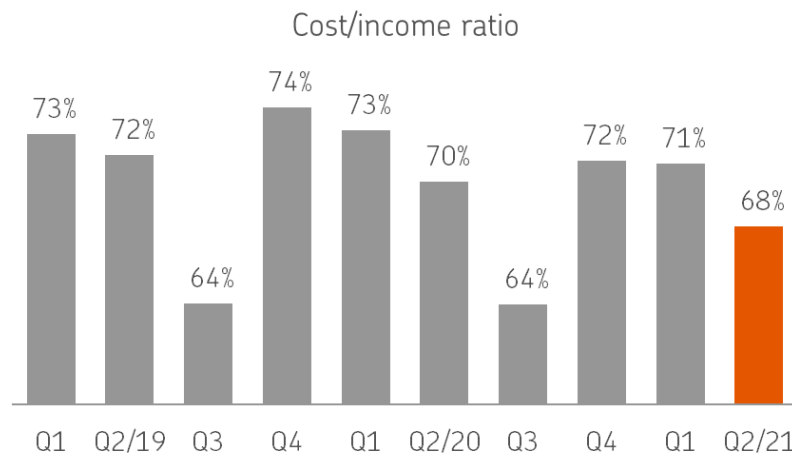
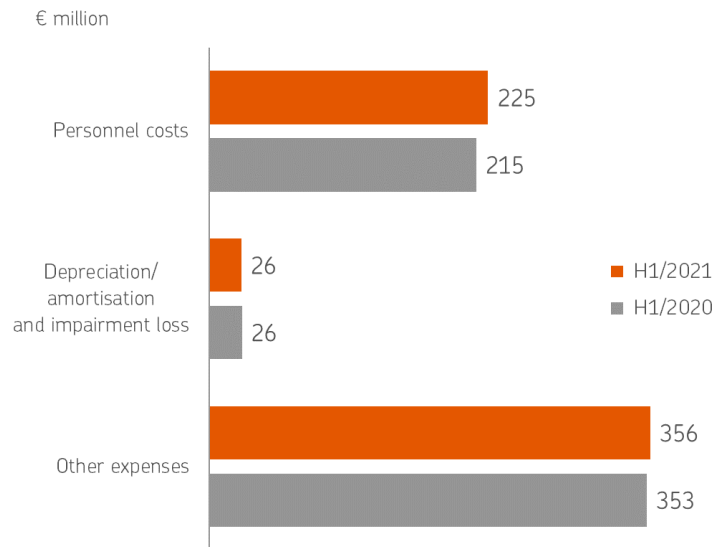


€ million



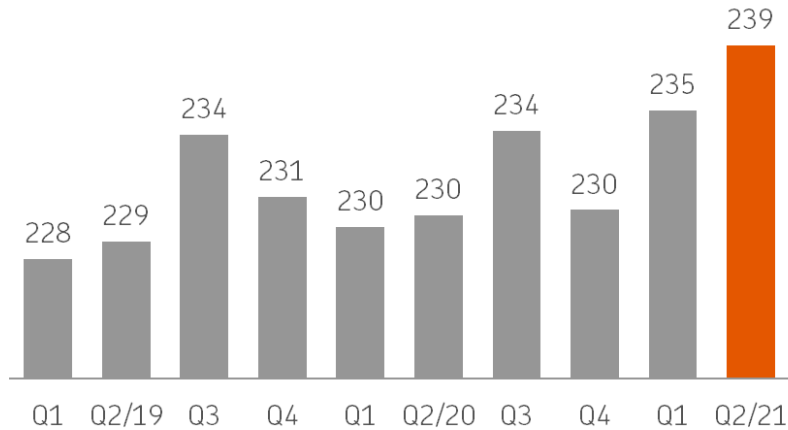
Total income rose by 5.2% and total expenses by 2.0%.

Personnel costs, EU stability contribution and risk management costs increased year on year

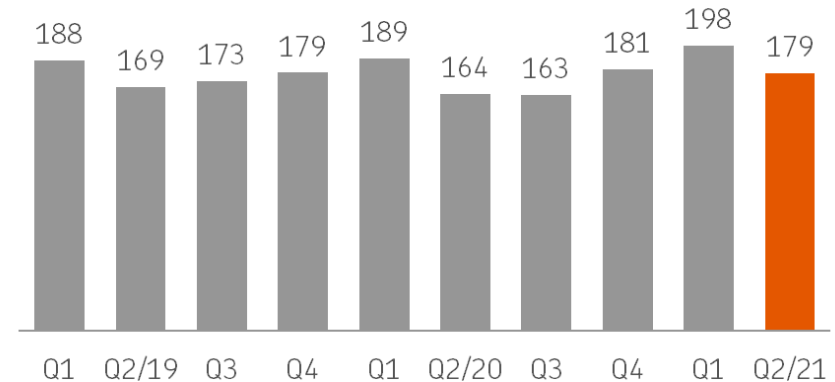


Net interest income and net commissions and fees increased year on year

Net interest income, € million

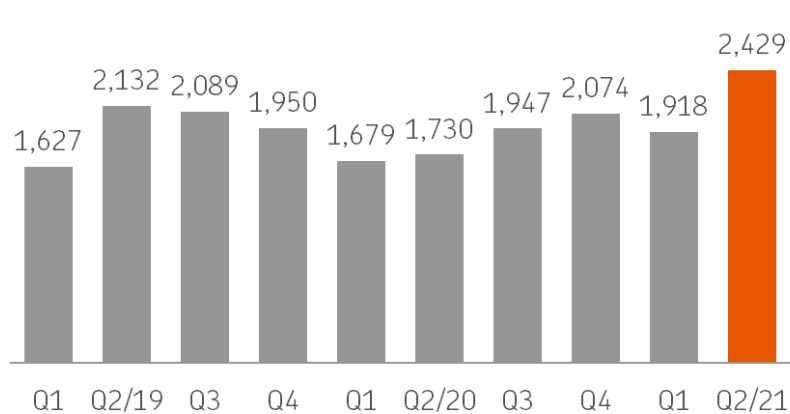


Net commissions and fees, € million

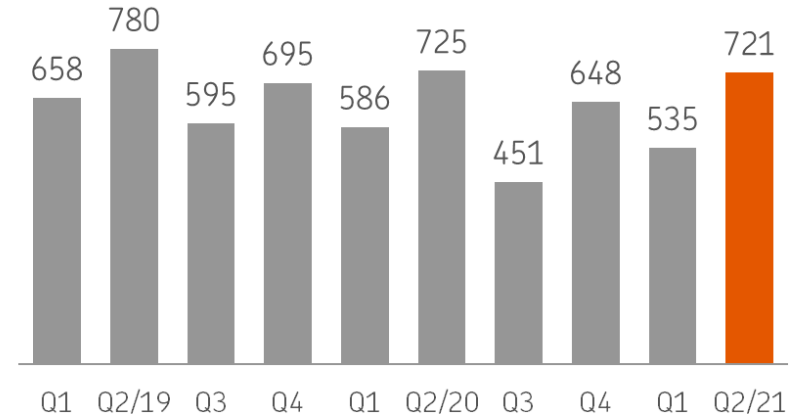


Home loan drawdowns increased and corporate loan drawdowns by SMEs decreased year on year

Home loans drawn down, € million

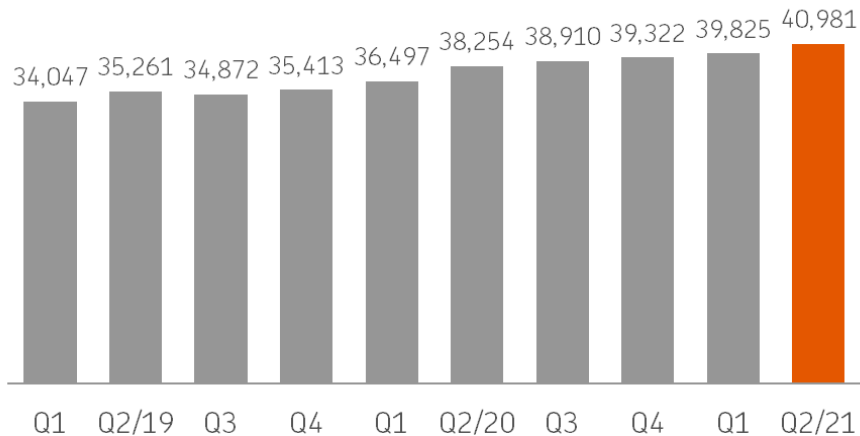


SME corporate loans drawn down, € million

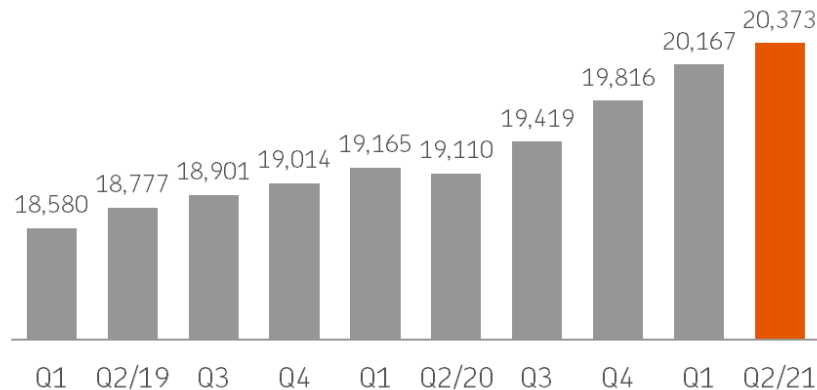


Deposit portfolio grew in both current and payment transfer accounts

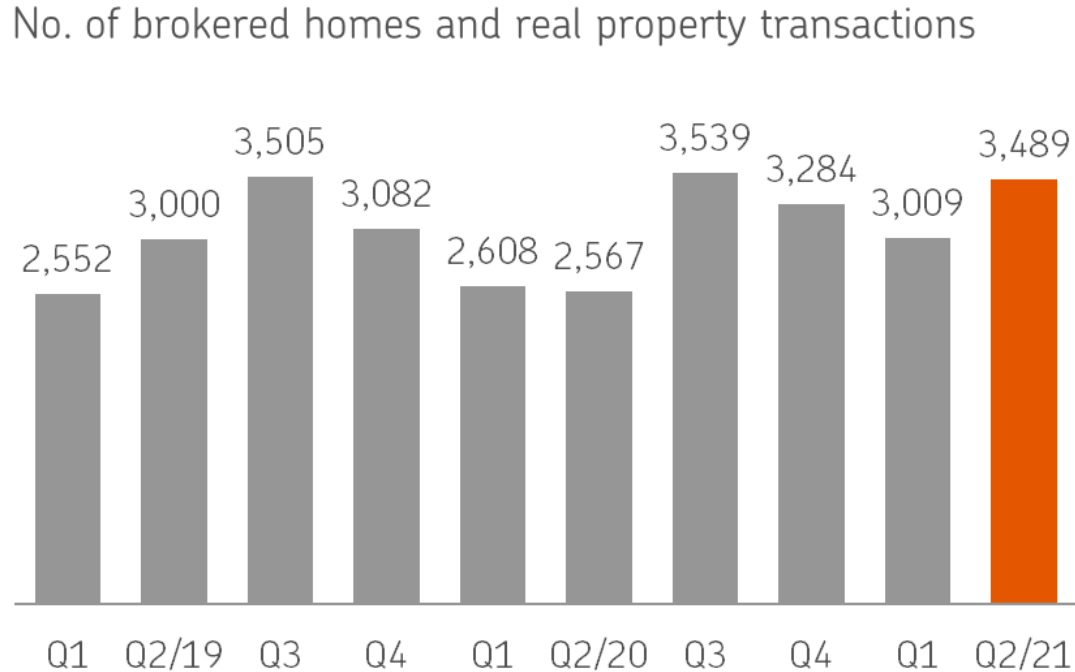
Current and payment transfer, € million



Investment deposits, € million



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



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 Property 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 H1/2021

Earnings before tax

€276 million

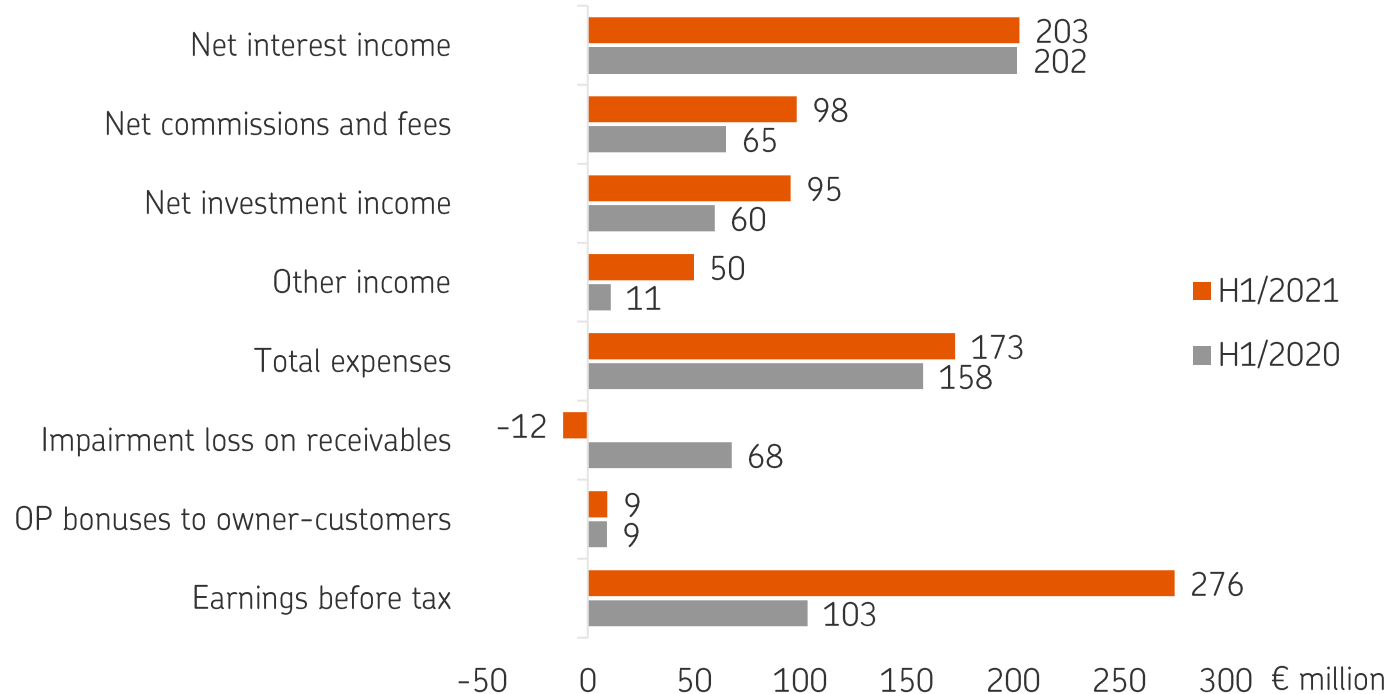
Loan portfolio

€24.4 billion

Assets under
management

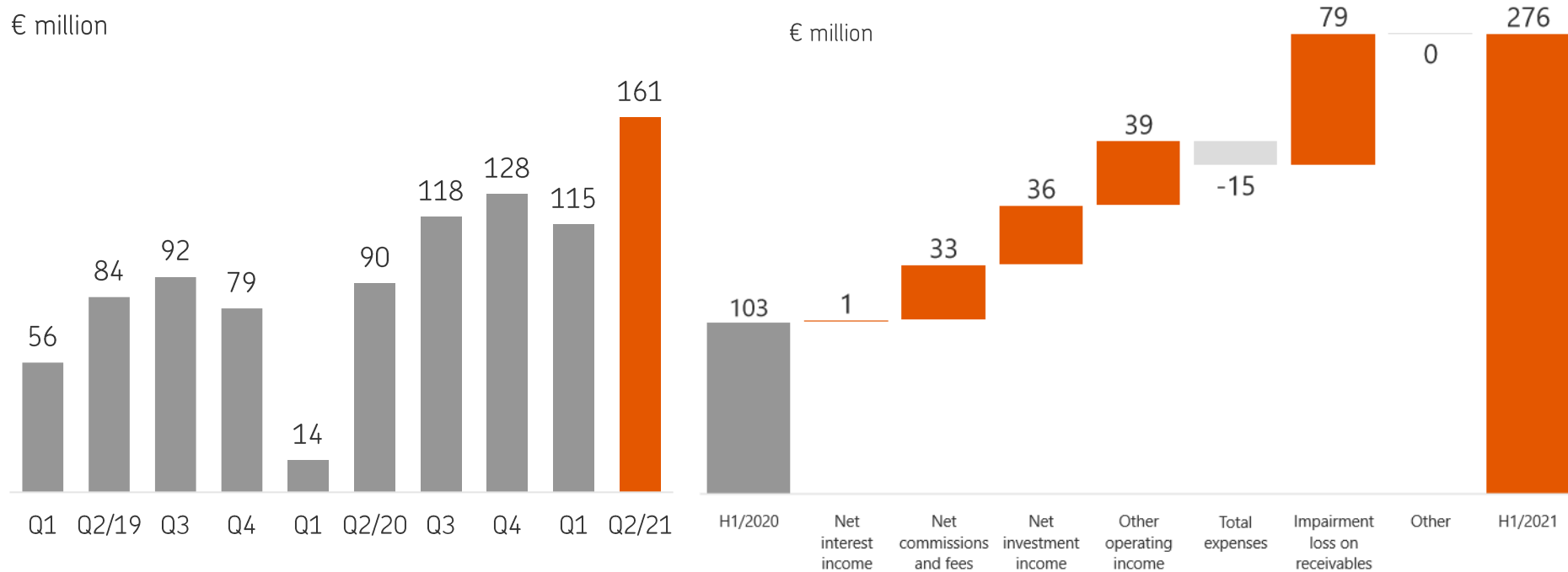
€68.9 billion

Corporate Banking earnings before tax EUR 276 million



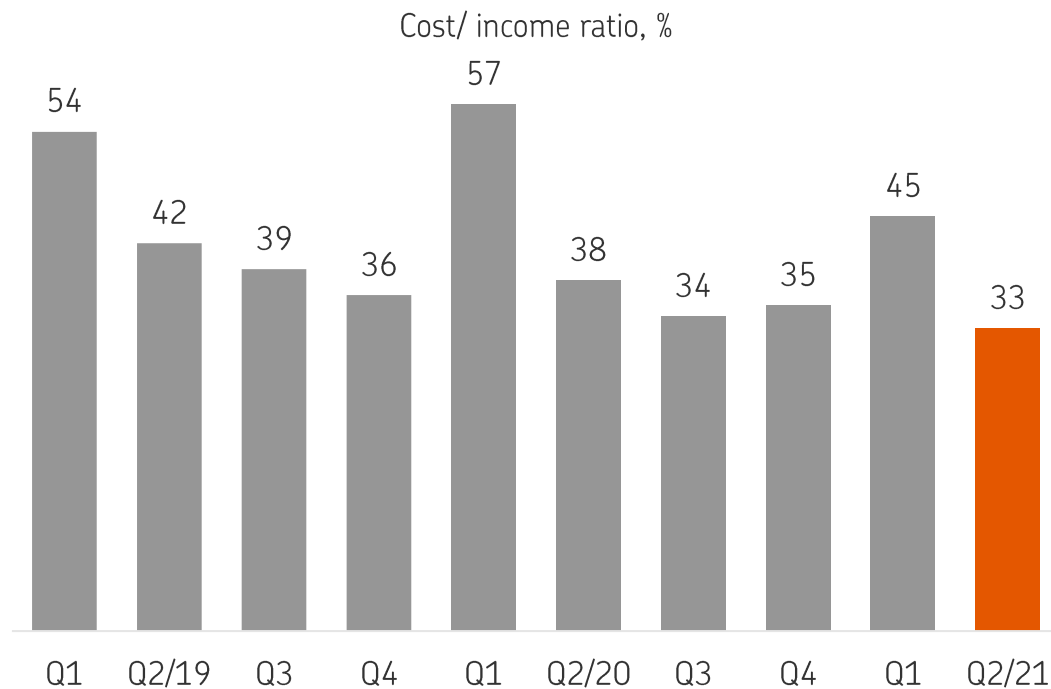
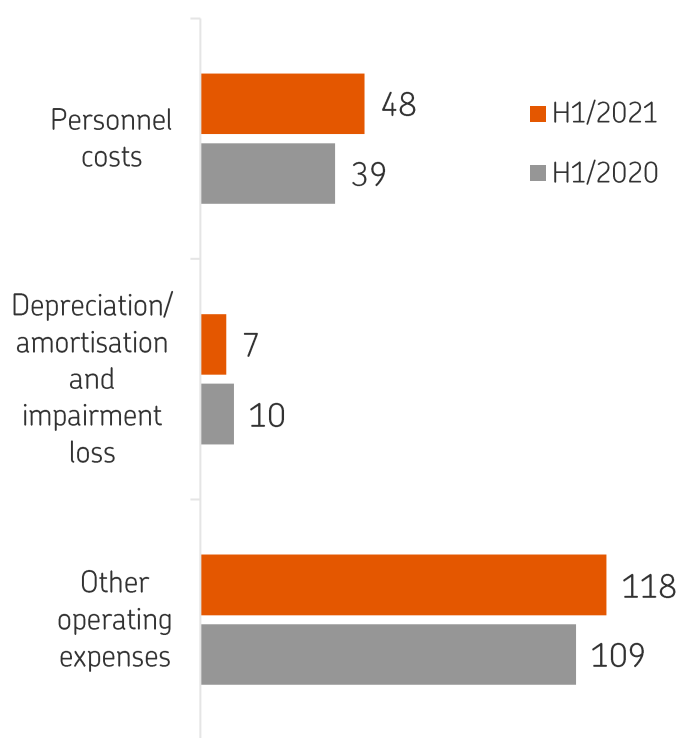
H1 earnings increased by EUR 173 million, total income increased on a wide front

€ million



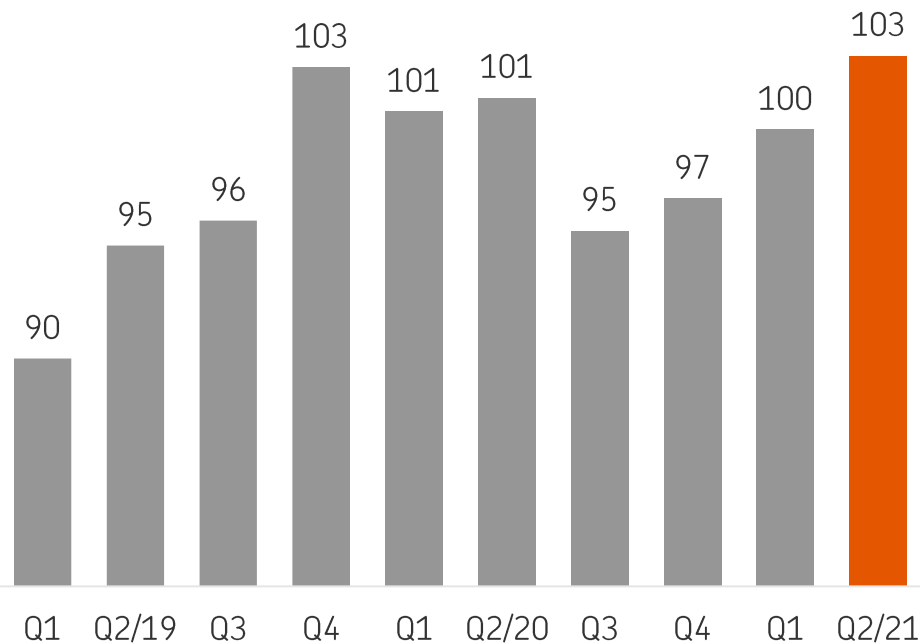
Cost/income ratio for January–June was 38.7%

€ million

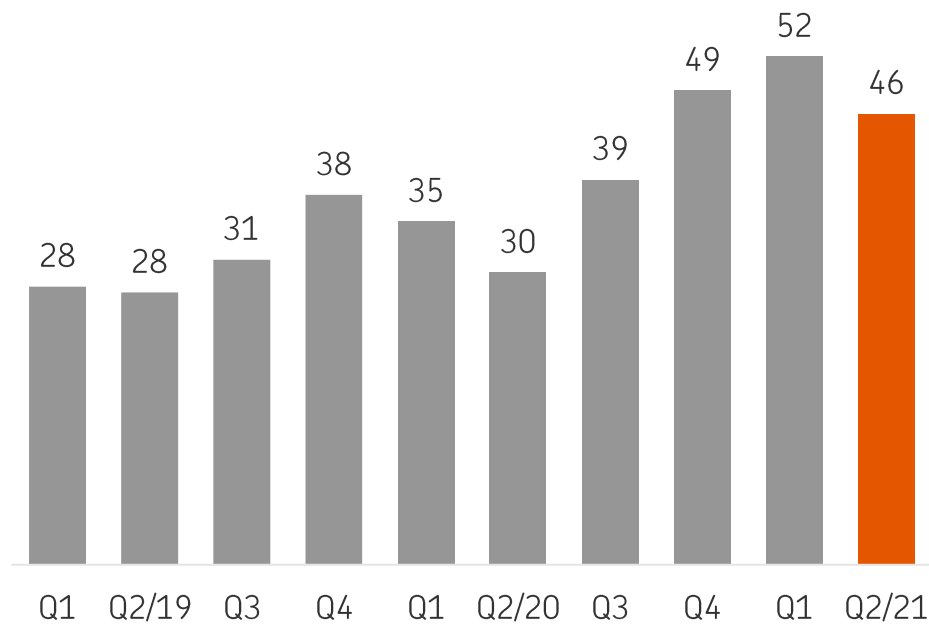


Net commissions and fees increased by 51% year on year

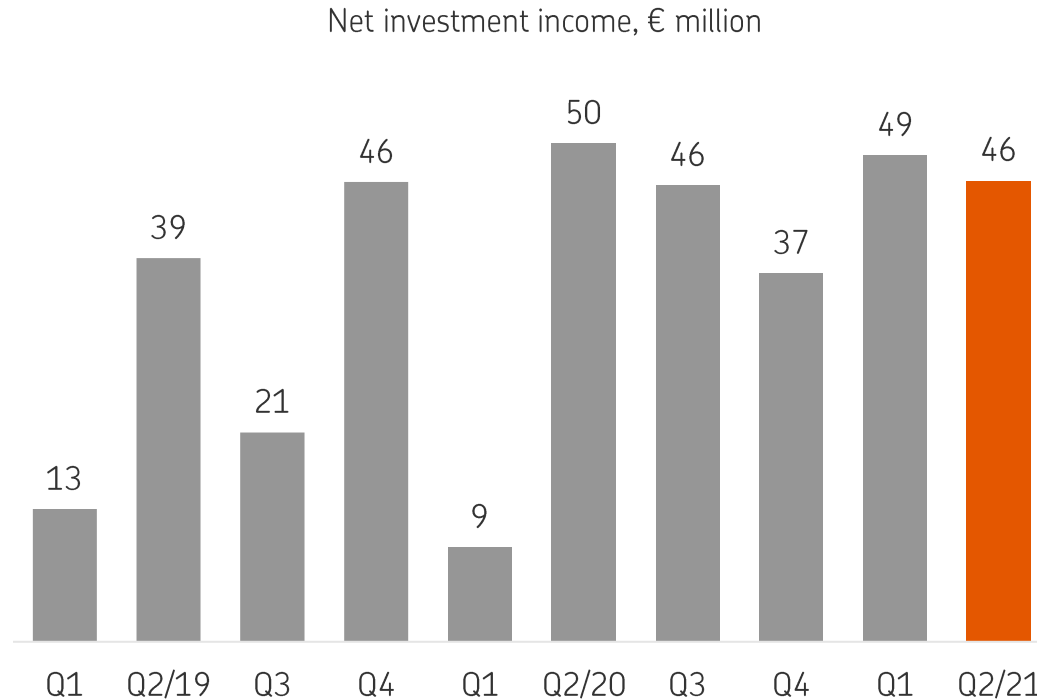
Net interest income, € million



Net commissions and fees, € million



Net investment income increased by 60% year on year



Insurance

Insurance

OP Financial Group 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. Pohjola Insurance will sell Pohjola Hospital and focus on its core business.

- 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.

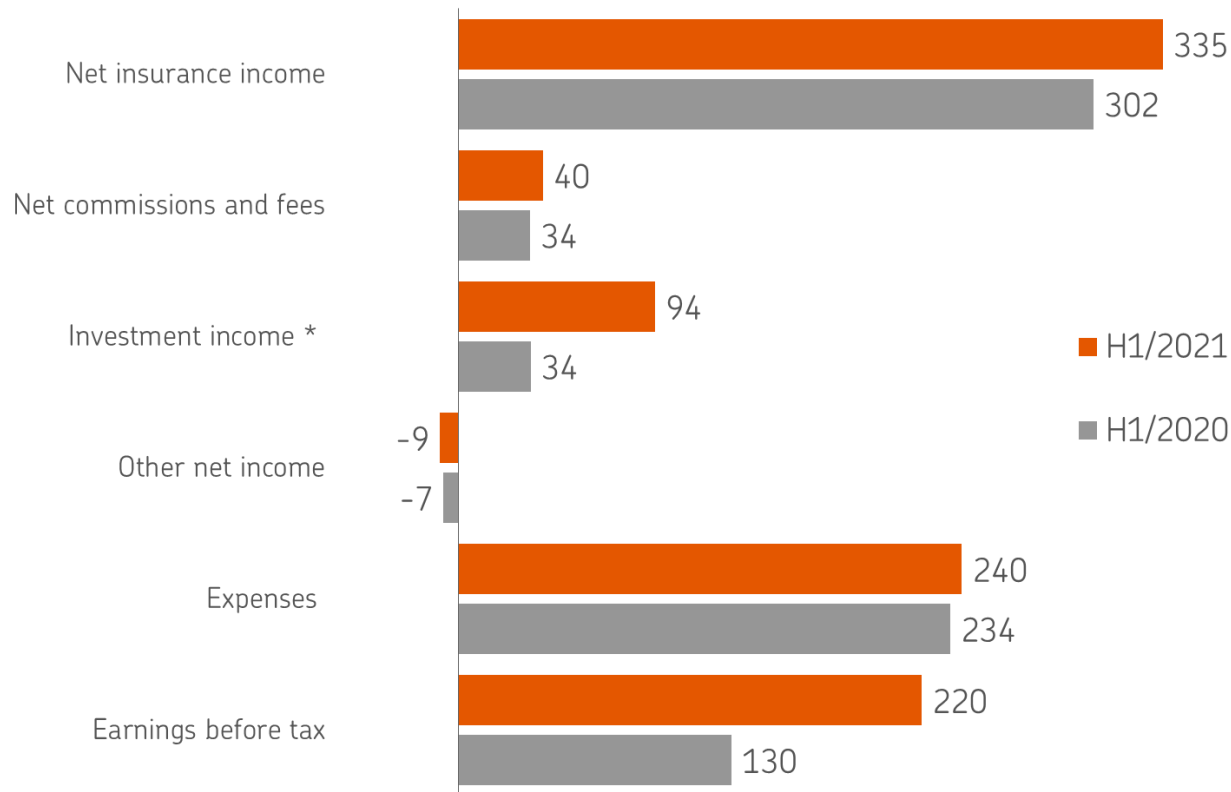
Key figures for H1/2021

Earnings before tax
€220 million

Insurance premium
revenue
€752 million

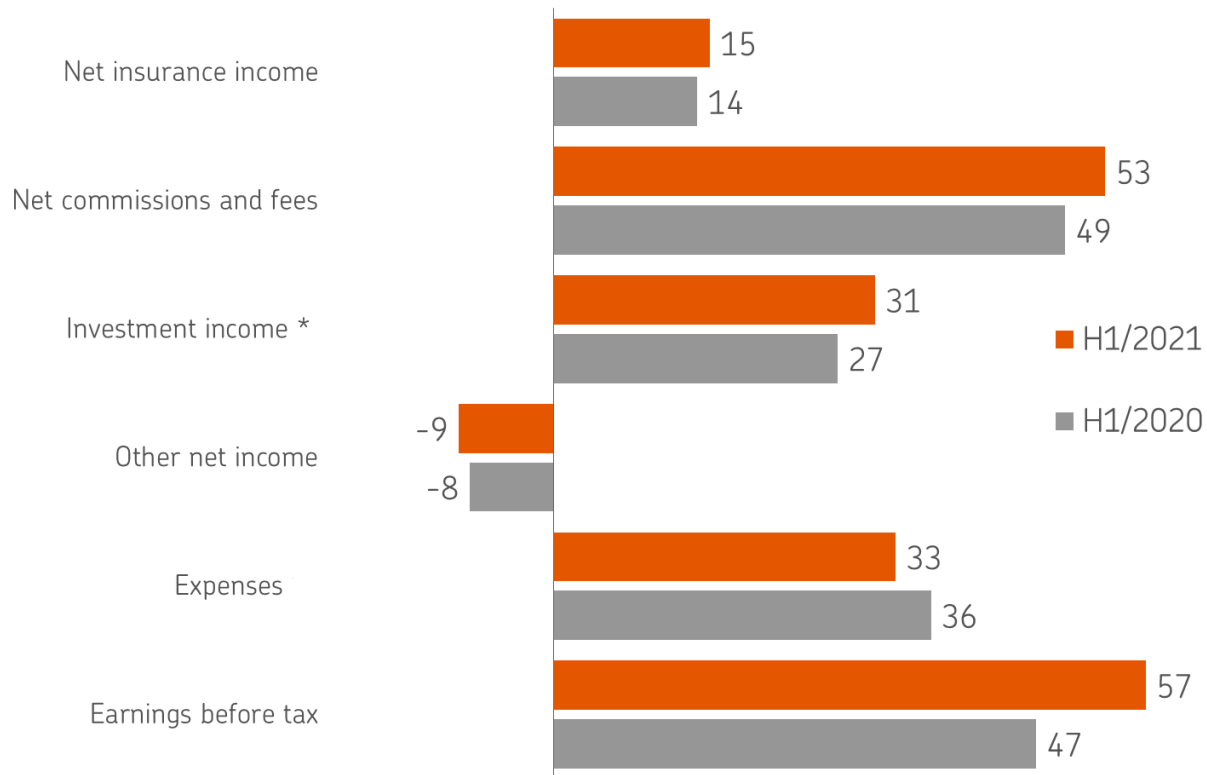
Unit-linked insurance
assets
€12.5 billion

Insurance EBT, € million



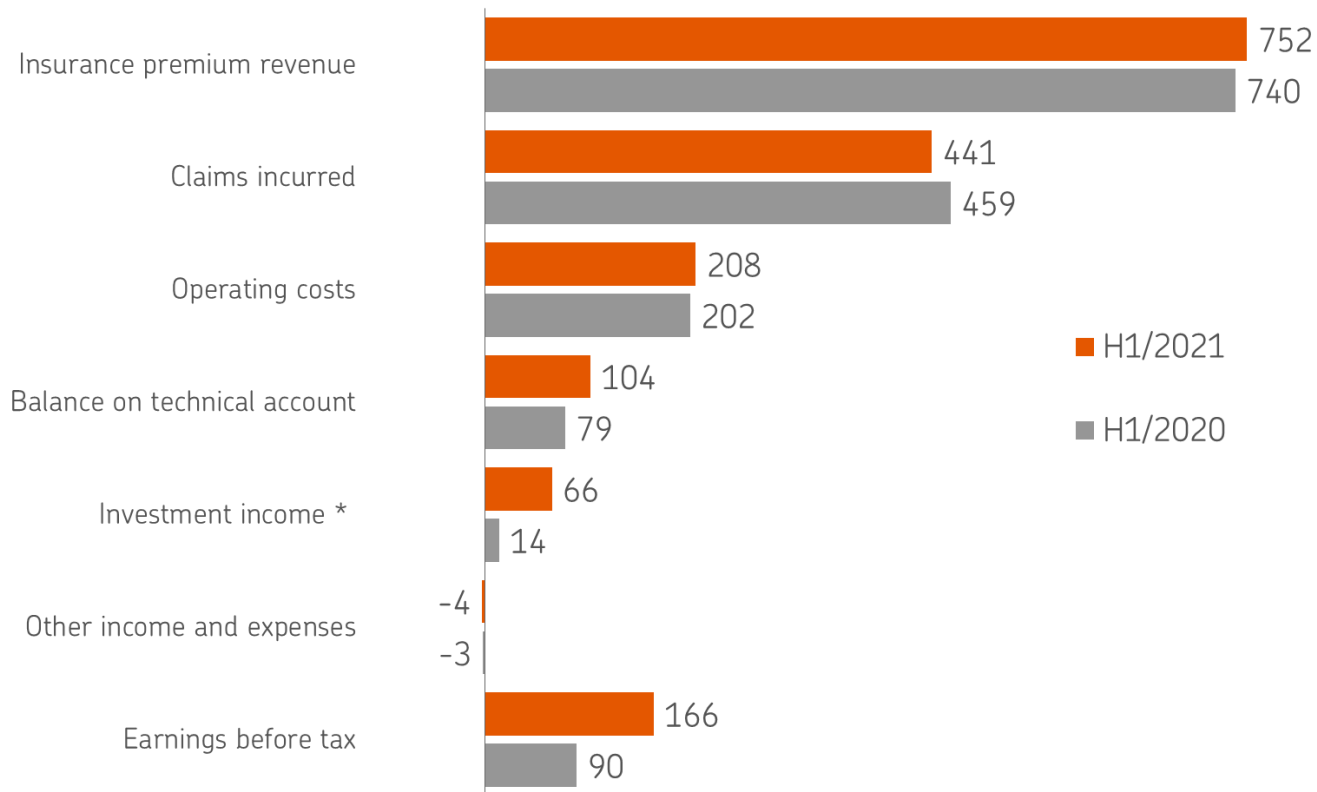
* Includes net investment income and overlay approach

Life Insurance EBT, € million



* Includes net investment income and overlay approach

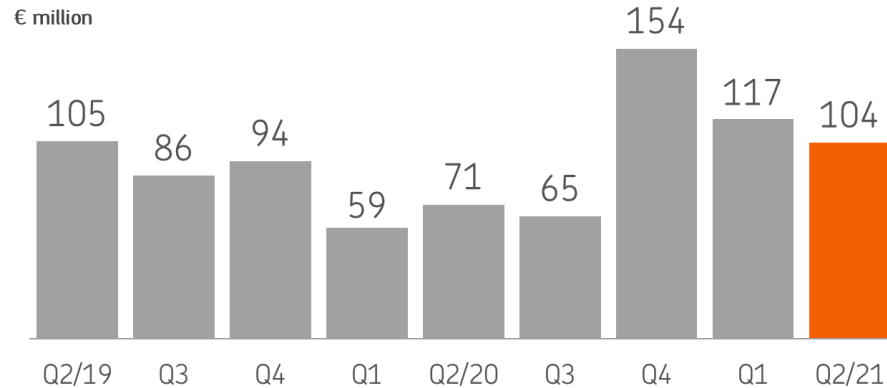
Non-Life Insurance EBT, € million



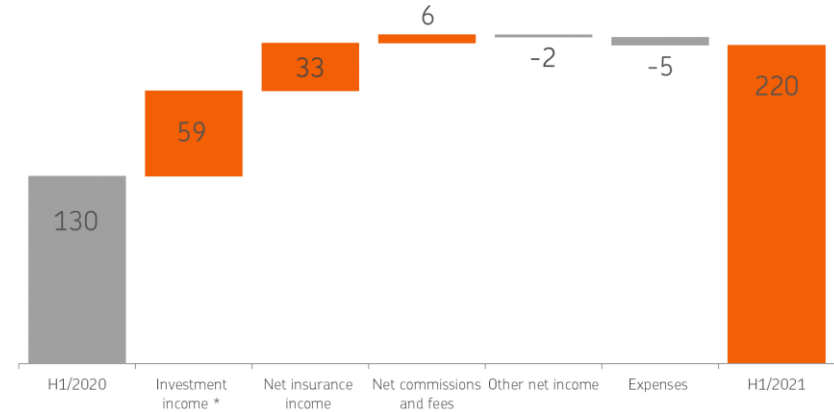
* Includes net investment income and overlay approach

EBT up by EUR 91 million year on year

Earnings before tax
€ million by quarter



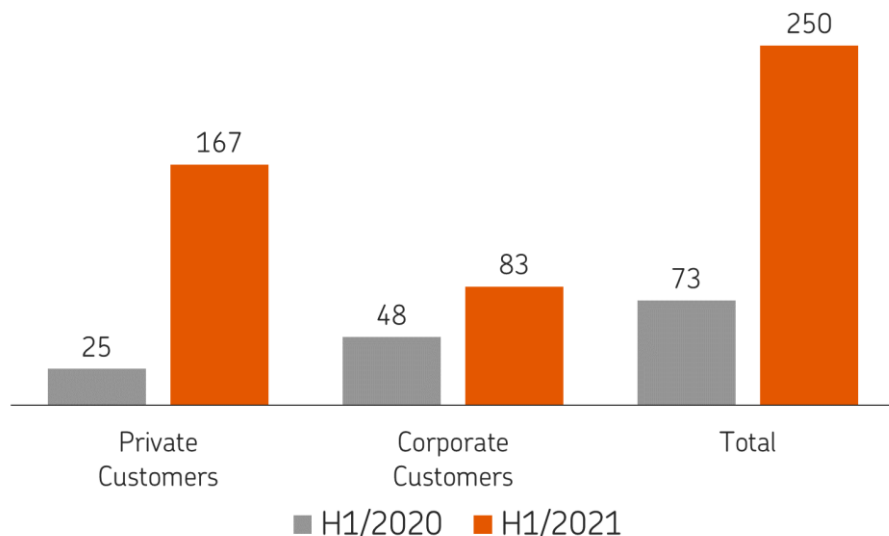
Earnings before tax, € million
H1/2021 change vs. H1/2020



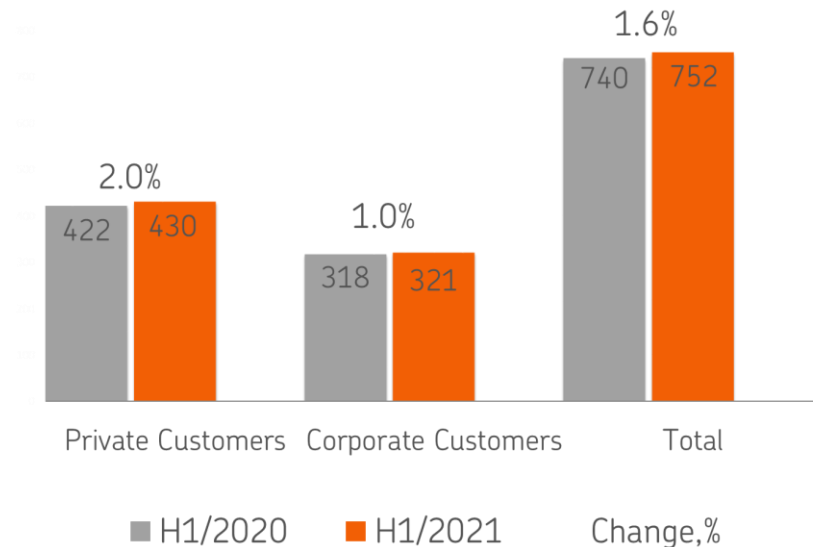
* Includes net investment income and overlay approach

Net sales and insurance premium revenue

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

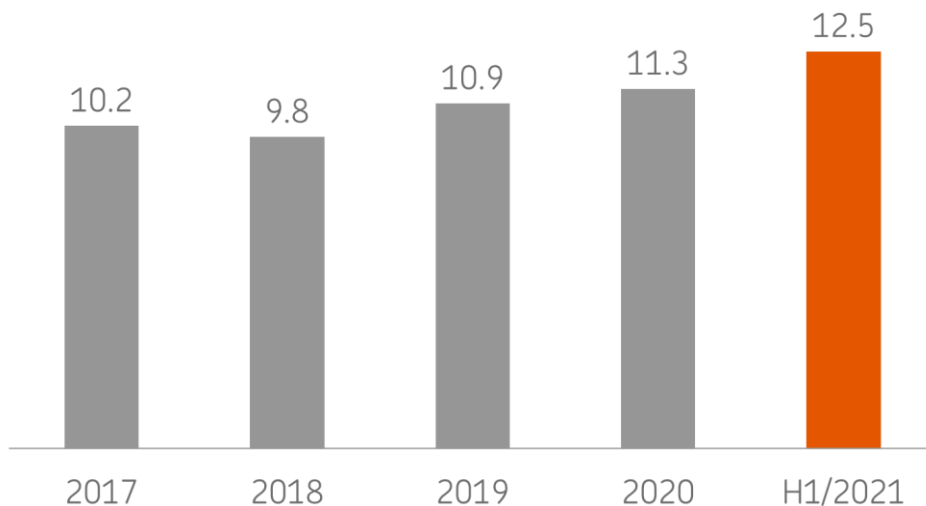


Non-life Insurance premiums written, € million

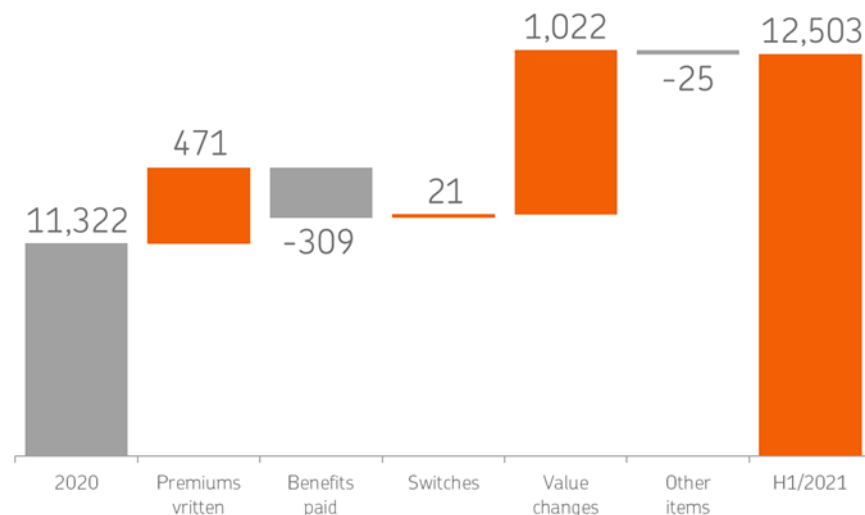


Unit-linked insurance assets increased by 10.4% due to positive value changes in January–June

Unit-linked insurance assets, € billion

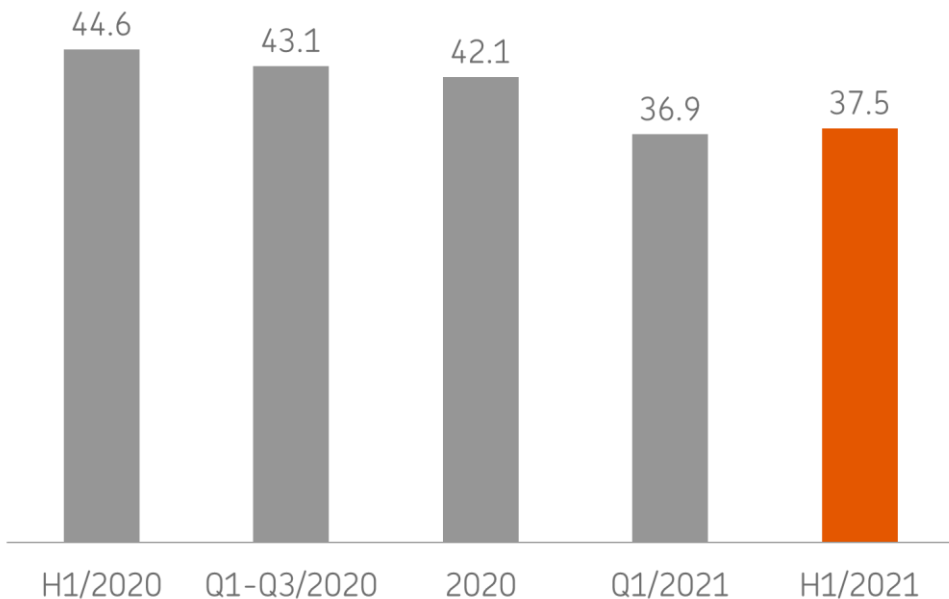


Change in unit-linked insurance assets, € million

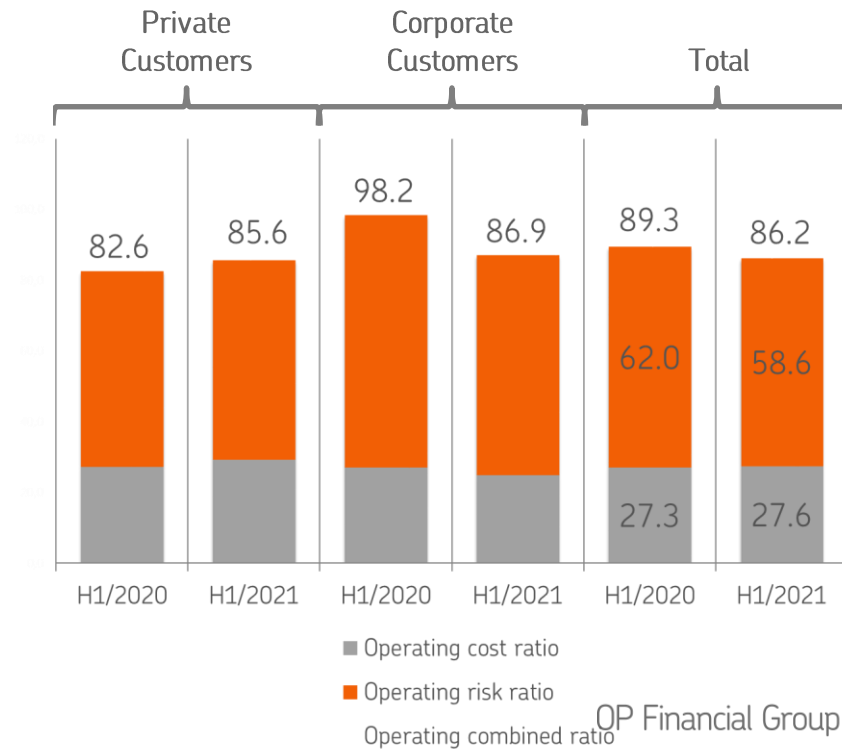


Insurance profitability

Life Insurance, operating ratio %

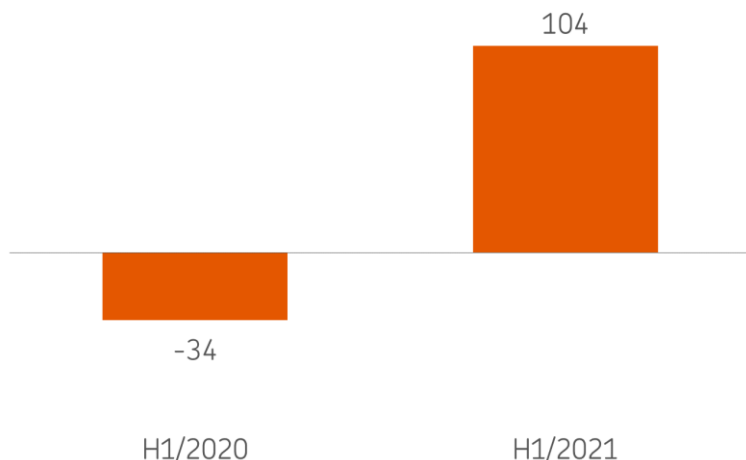


Non-life Insurance, operating combined ratio %

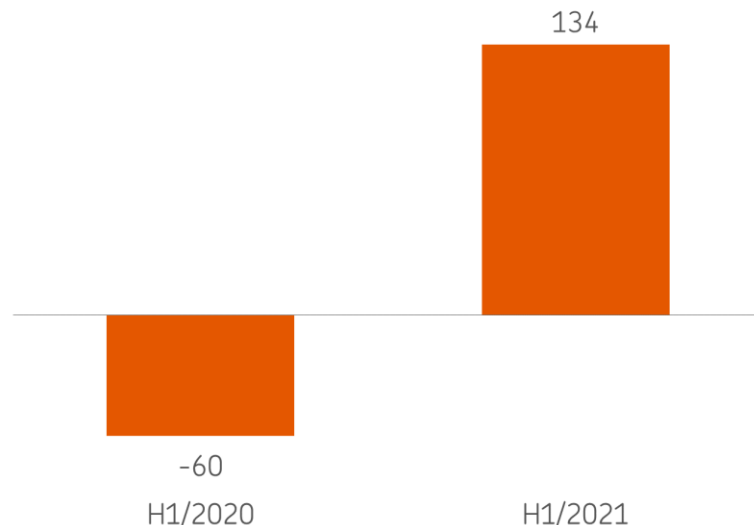


Net return on insurance investments at fair value, € million

Life Insurance *



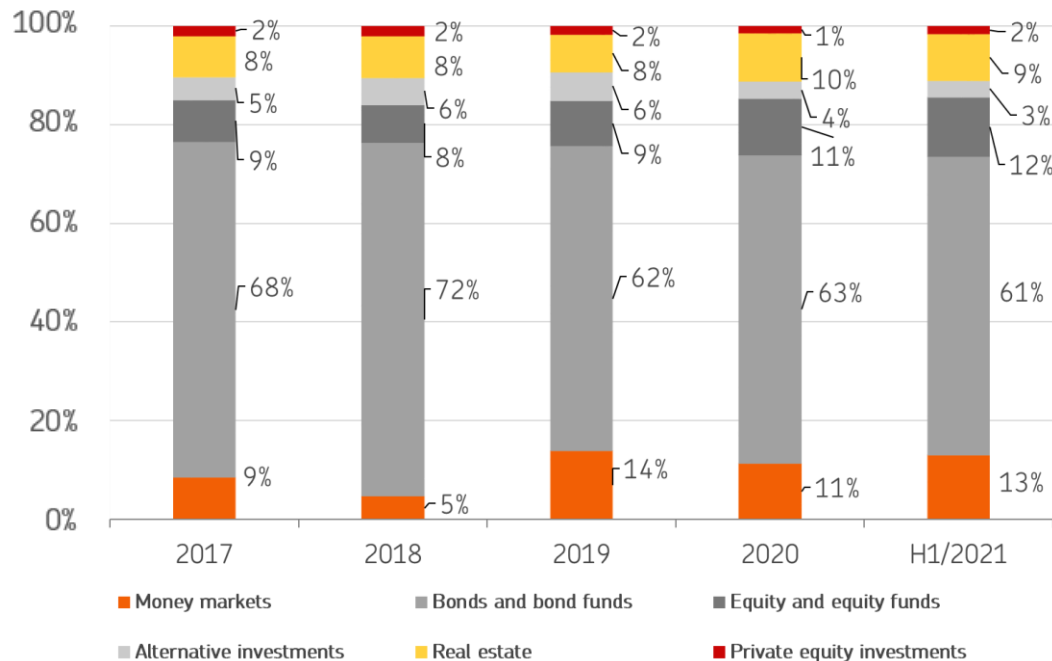
Non-life Insurance *



*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 30th June 2021

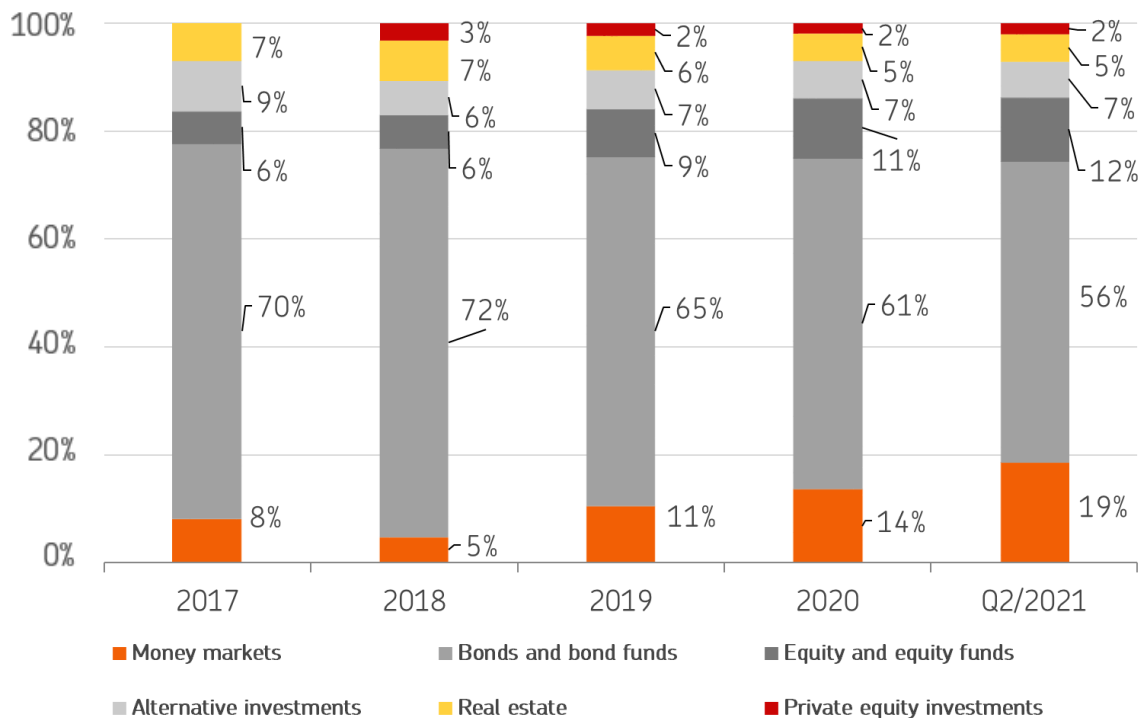


The duration of the fixed-income portfolio was 3.2 (3.5) years.

The running yield for direct bond investments averaged 0.8% (1.3) at end-June 2021. OP Financial Group 

Life Insurance investment portfolio allocation

Investment portfolio (€3.7 bn) by asset class as at 30th June 2021



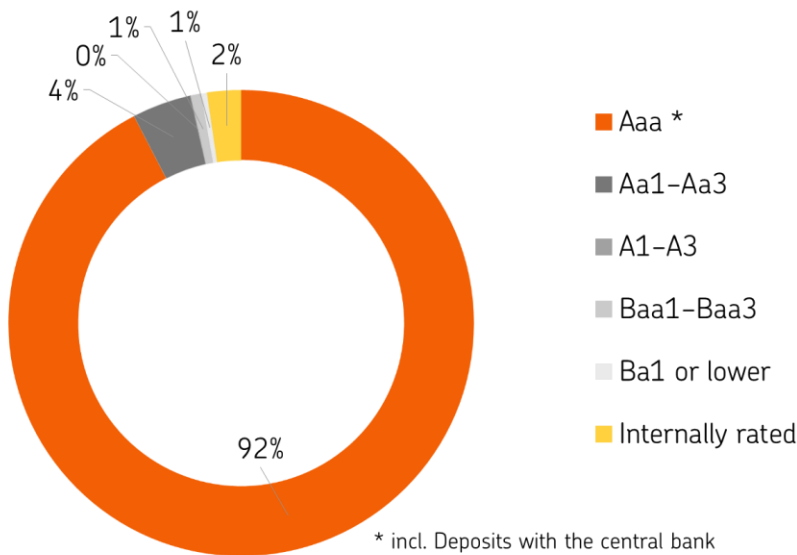
The duration of the fixed-income portfolio was 3.0 (3.1) years.

The running yield for direct bond investments averaged 0.9 (1.3) at end-June 2021.

Liquidity and funding

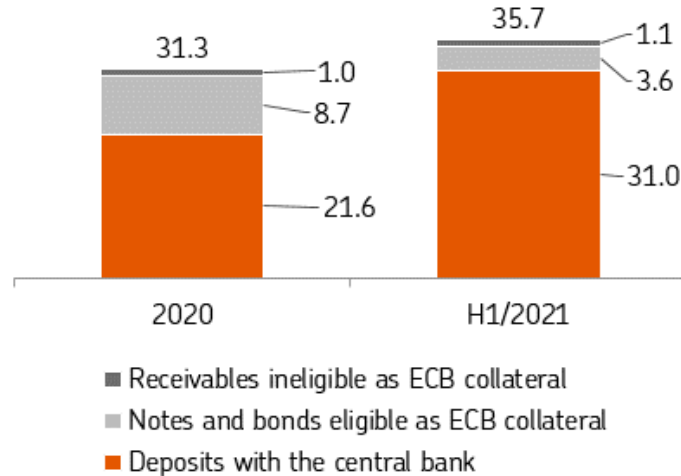
Liquidity buffer includes highly-rated assets

Liquidity buffer by credit rating as at 30 June 2021



Liquidity buffer €35.7 bn at end-Jun 2021

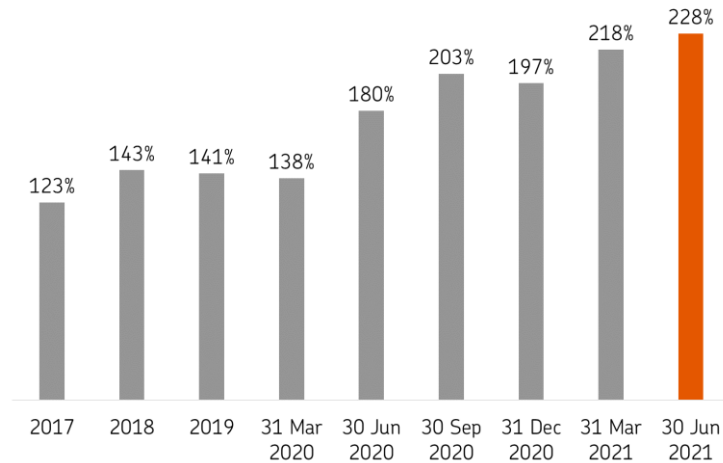
Liquidity buffer breakdown, € bn



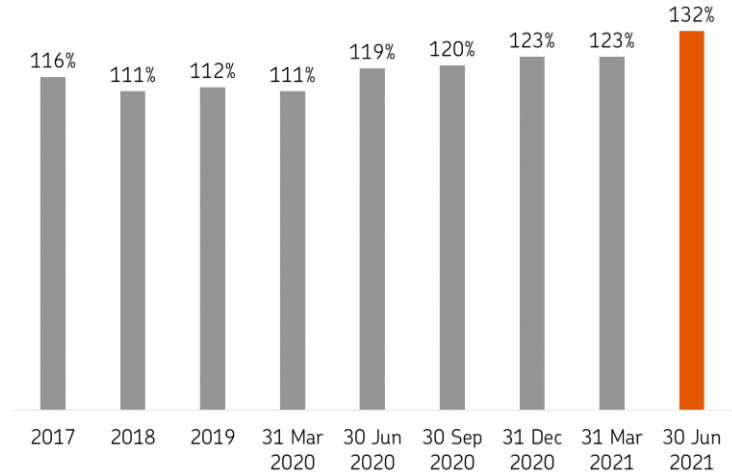
The liquidity buffer is sufficient to cover the need for short-term funding for known and predictable payment flows and in a liquidity stress scenario.

OP Financial Group's liquidity and funding position remained good

Liquidity Coverage Ratio (LCR)

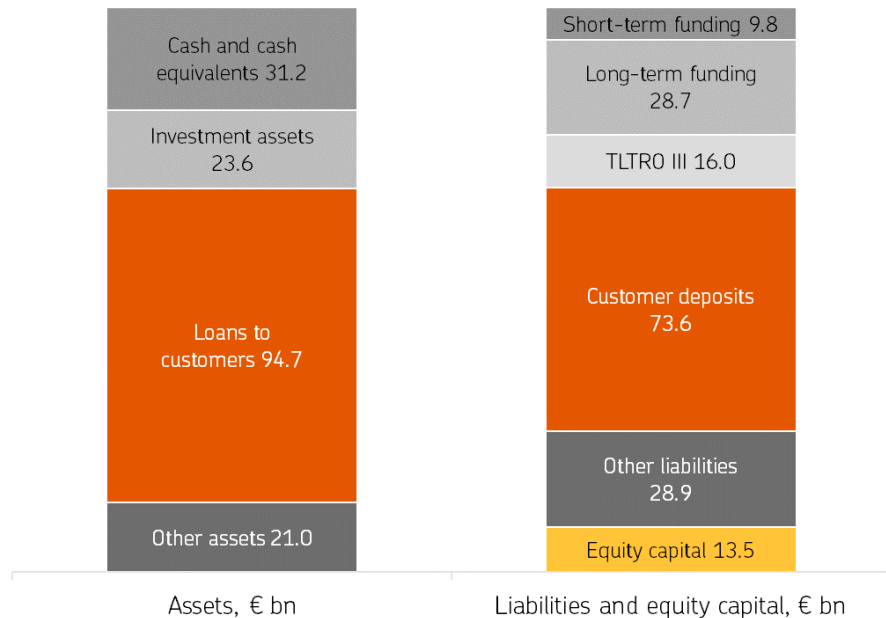


Net Stable Funding Ratio (NSFR)

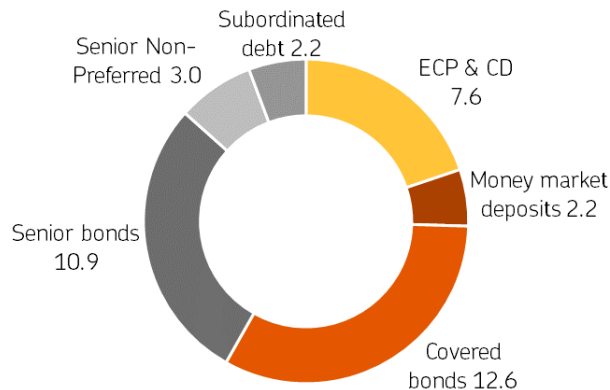


Balance sheet totaled €170 bn at end-Jun 2021

Loans 56%, deposits 43% and market-based funding 23% of the balance sheet



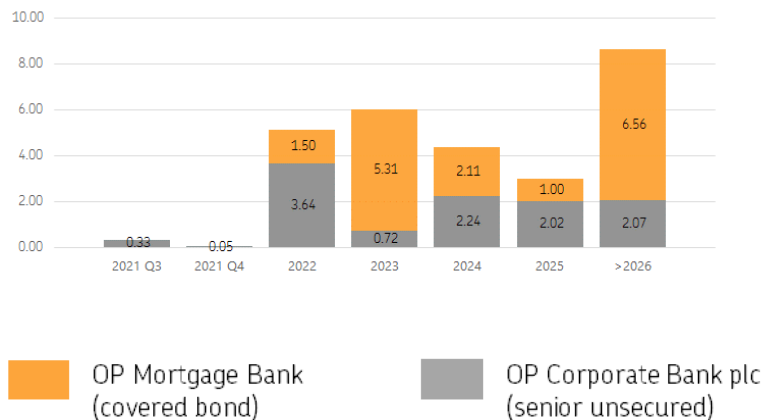
Long-term and short-term funding, € bn



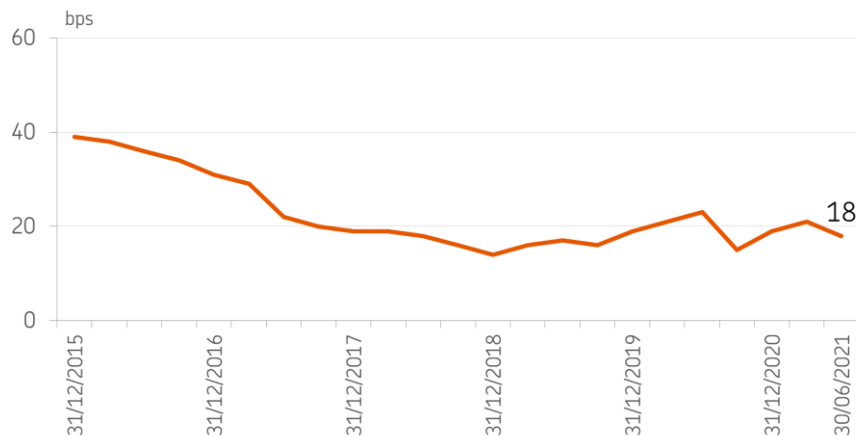
Deposits within the scope of deposit guarantee €42.6 bn. The Deposit Guarantee Fund compensates a maximum of €100,000 for each OP Financial Group customer.

Maturity breakdown and average margin of long-term wholesale funding

Issued senior unsecured and covered bonds by maturity, 30 Jun 2020 (€ bn)



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



Issued long-term bonds €2.7 bn in H1/2021

OP Corporate Bank plc's benchmark bonds

Year	Month	Amount	Maturity
2021	June	€500 mn (SNP)	7 yrs
2021	March	€500 mn (SNP) €300 mn (SNP)	5 yrs 10 yrs
2020	November	€1 bn	7 yrs
2020	June-July	€1 bn	4 yrs
2020	June	€1 bn (T2)	10 yrs (10 non-call 5)
2020	June	SEK3.25 bn (T2)	10 yrs (10 non-call 5)
2020	May	€1 bn	5.25 yrs
2020	January	€500 mn (SNP)	7 yrs

OP Mortgage Bank's covered bonds

Year	Month	Amount	Maturity
2021	March	€750 mn	10 yrs
2020	November	€1.25 bn	10 yrs
2020	January	€1 bn	8.25 yrs

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

In June 2021, OP participated in ECB's TLTRO III financing operation by €3 bn.

A person with long blonde hair, wearing a black tank top, blue jeans, and a black baseball cap, is sitting inside a tent. A large black dog is sitting next to them, looking out at the ocean. The tent's mesh walls provide a view of a beach and the ocean under a vibrant sunset sky with orange, pink, and purple hues. The person's legs and feet in sneakers are visible in the foreground.

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

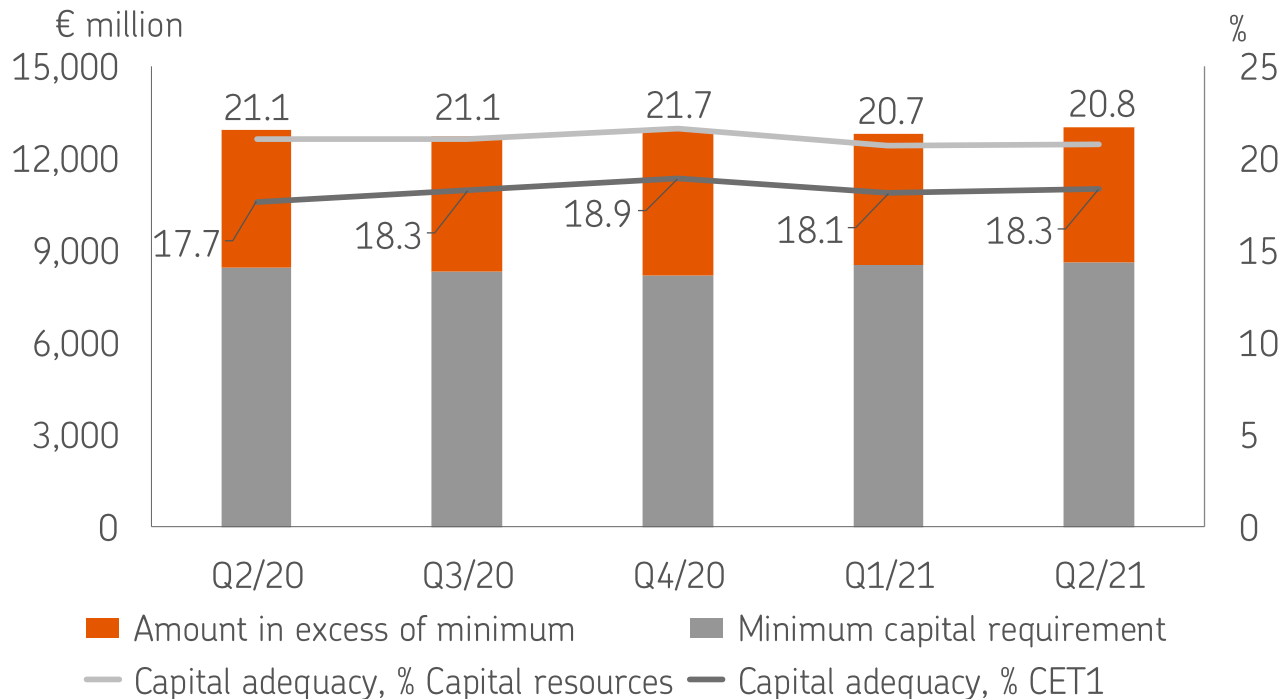
- The operations and solvency requirements for insurance companies are based on the Insurance Companies Act and EU regulation.
- The solvency capital requirement (SCR) is calculated for individual insurance companies and the insurance conglomerate. The companies are required to cover SCR using the Group's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

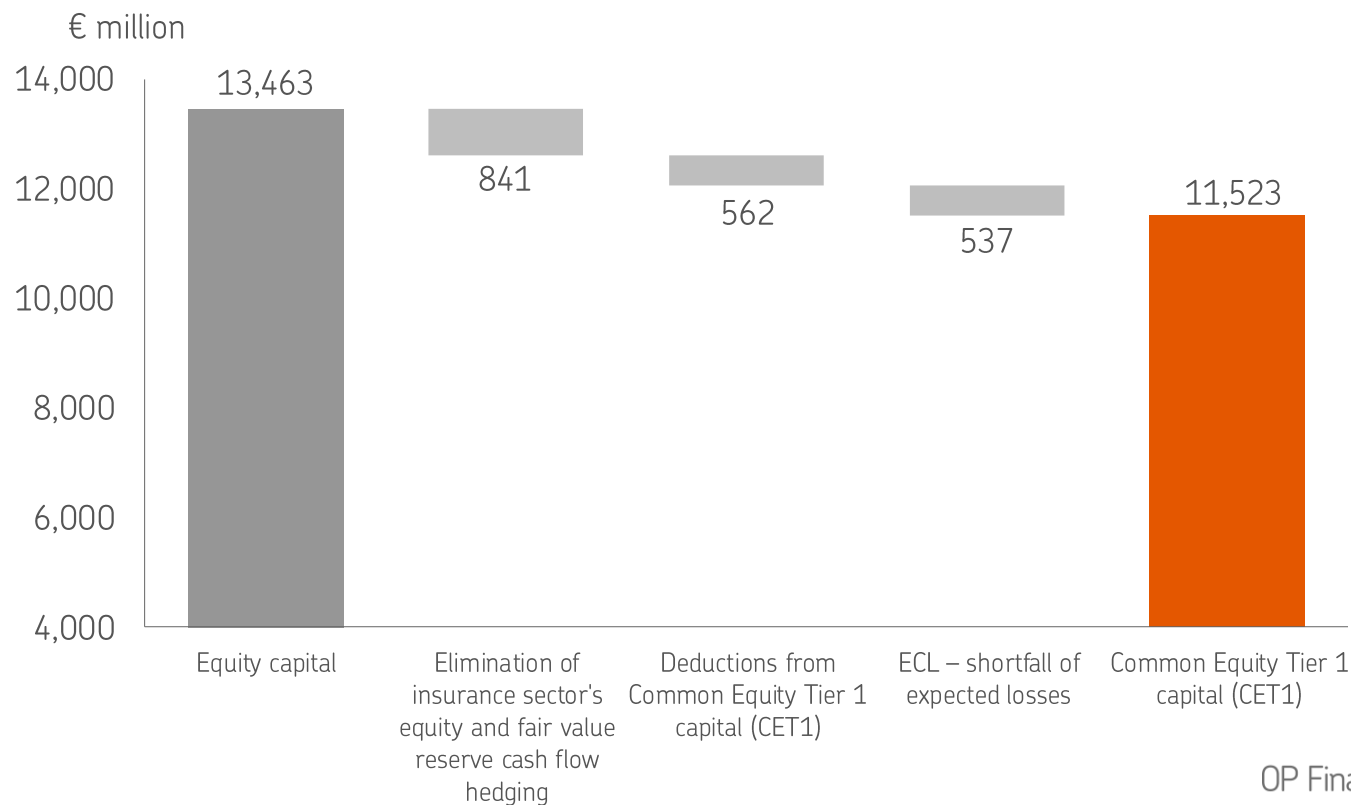
- OP Financial Group is a financial and insurance conglomerate referred to in the Act on the Supervision of Financial and Insurance Conglomerates. Such conglomerates are governed by specific provisions of the capital adequacy requirement.
- Capital adequacy under the Act is calculated using the consolidation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

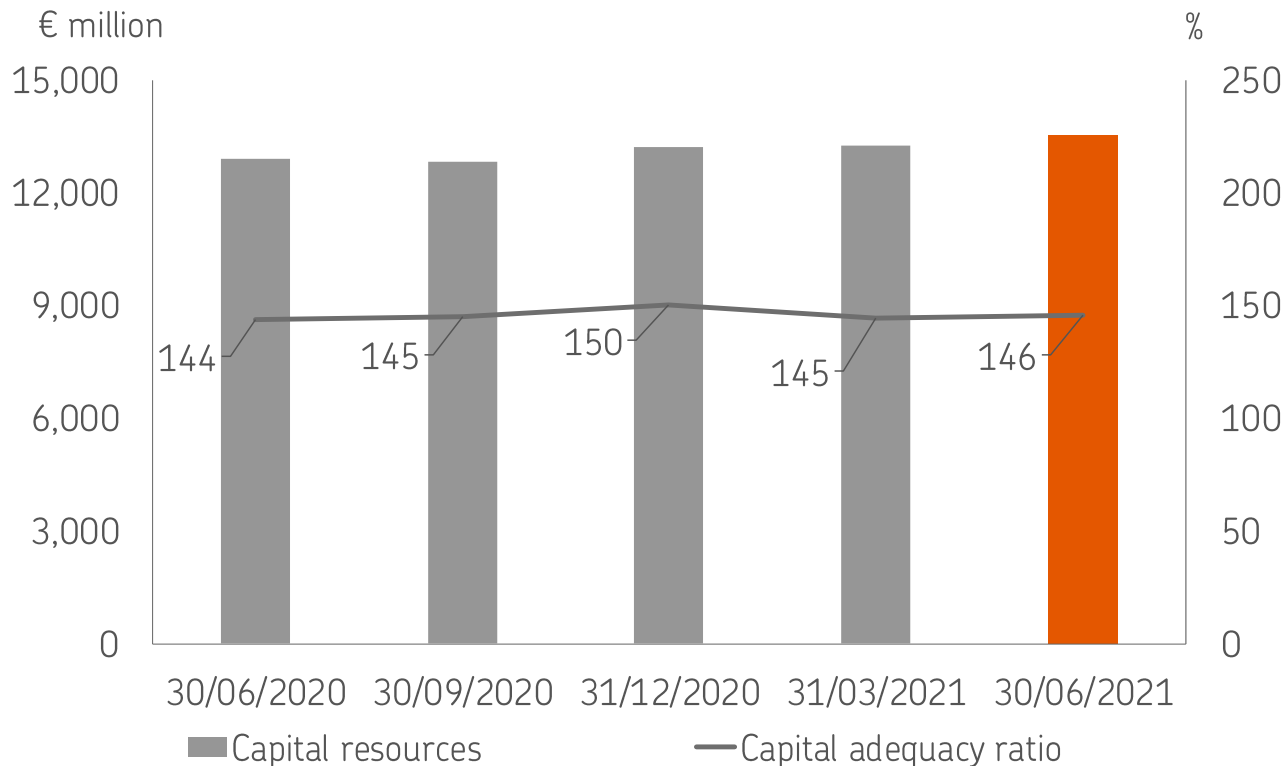
Capital base and capital adequacy



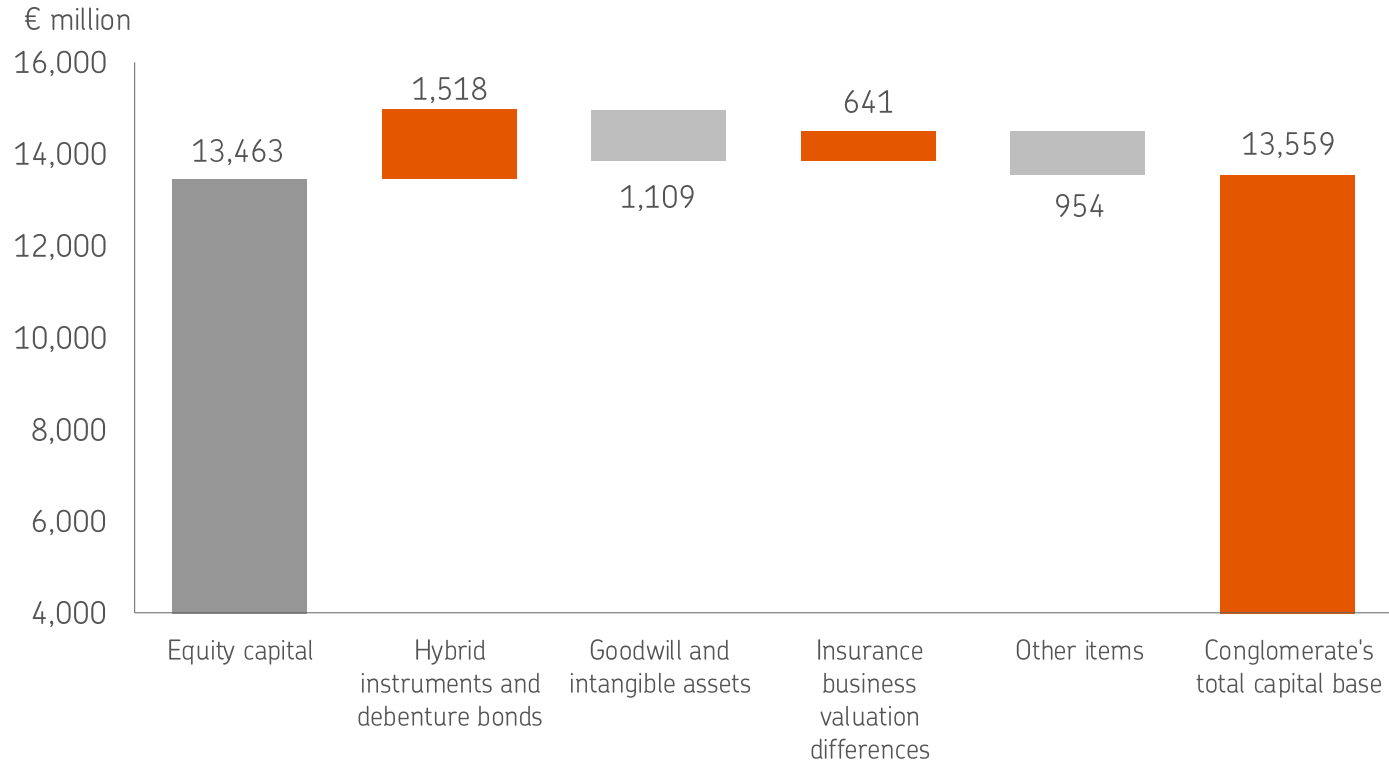
Common Equity Tier 1 (CET1) 30 June 2021



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



FiCo capital 30 June 2021



OP Financial Group in a nutshell

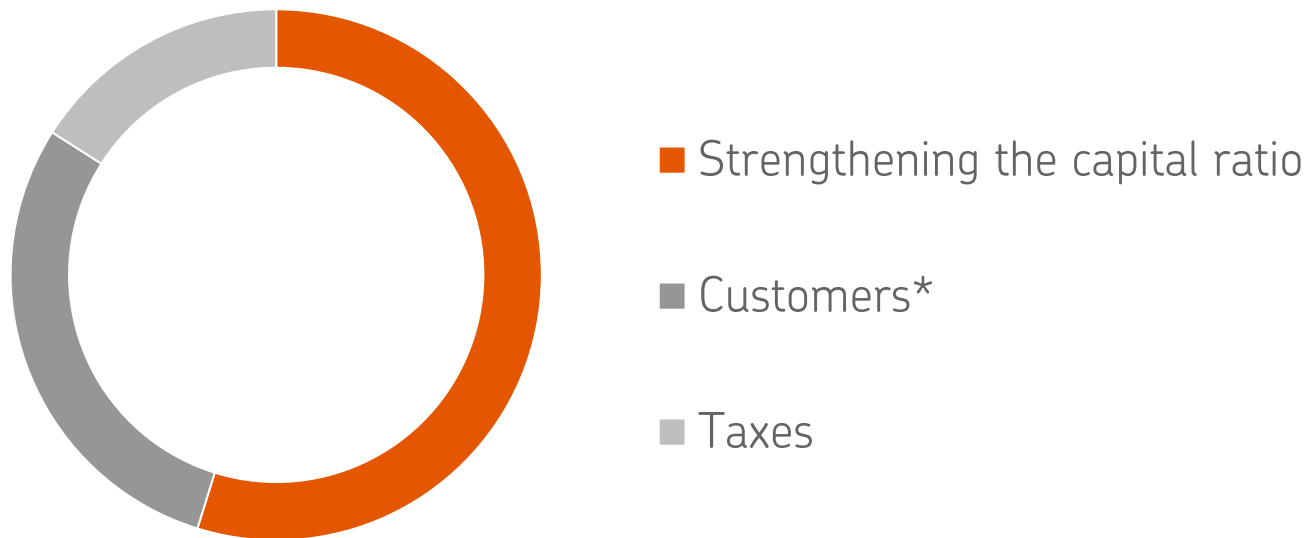
A close-up photograph of a smiling family. A woman on the left is laughing with her mouth open, showing her teeth. A man on the right is smiling and waving his hand. A baby is in the center, looking up at the camera. The background is slightly blurred, showing some colorful patterns.

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

	30 June 2021	31 Dec 2020	Target 2025
Return on equity (ROE) excluding OP bonuses, %	8.1	6.6	8.0
CET1 ratio, %	18.3	18.9	At least CET1 ratio requirement + 4 pps
Brand recommendations, NPS (Net Promoter Score, private and corporate customers)	21	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

132 OP cooperative banks

Central cooperative

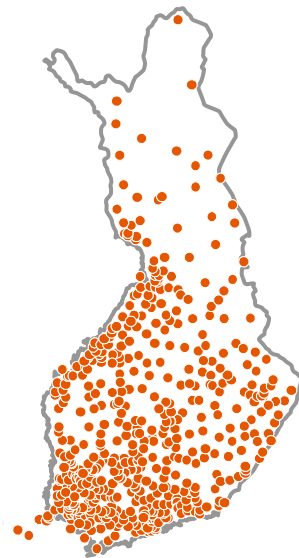
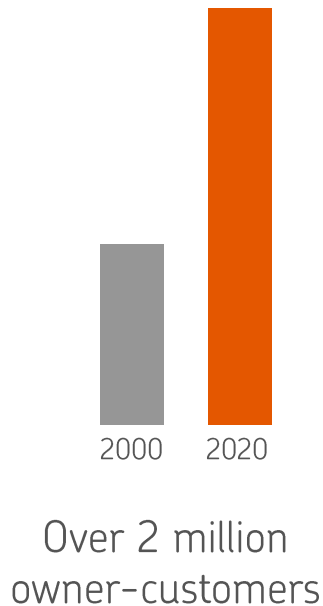
Retail Banking

Corporate Banking

Insurance

Over 12,000 OP employees

Finland's most extensive and diverse service network




132 OP cooperative banks

OP Financial Group's service channels

	H1/2021	30 June 2021	12-month change
Online and mobile services, logins, million			
Op.fi	28.3		-27%
OP-mobile logins	231.0		21%
OP Business mobile	9.5		33%
Pivo mobile application, visits, million	20.6		-4%
eServices Agreements, million (private customers)		2.0	2%
Branches and telephone services			
Bank branches		332	-5%
Customer contacts in telephone service, million	2.1		-12%
Social media			
Followers on Facebook (OP Financial Group, Pohjola Insurance, OP Koti and OP cooperative banks)		451,775	3%
Followers on Twitter		65,997	19%
Followers on LinkedIn		49,313	6%
Followers on Instagram		23,046	27%
Followers on Youtube		6,970	28%

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 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.
- 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.

A woman with blonde hair in a ponytail, wearing a black cap and a black tank top, sits on a sandy beach. A large, dark-colored dog sits next to her, looking out at the ocean. They are viewed from inside a tent, with the tent's mesh walls framing the scene. The sun is setting over the ocean, creating a vibrant orange and pink sky. The waves are breaking on the shore. The overall mood is peaceful and serene.

Together through
the ages.