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OP Financial Group (OP FG) is the leading provider of financial services in Finland and consists of various subsidiaries and currently 137 independent member institutions (OP Cooperative Banks), which also act as owners of the central institution (Central Cooperative), which includes the subsidiaries OP Corporate Bank (OP CB) and OP Mortgage Bank (OP MB). Within the OP FG, there is joint and several liability. The liability members include OP CB, Helsinki Area Cooperative Bank, OP MB, and the MCBs. The three business areas of OP FG can be divided into the segments "Retail Banking" (banking for private and SME customers), "Corporate Banking" (banking for corporate and institutional customers) and "Insurance" (insurance customers). The loan portfolio totaled EUR 93.6 billion at year-end 2020, with home loans (43%) and corporate loans (24%) accounting for the largest shares. The categories Other Household Loans and Housing Company Loans account for 15% and 11%, respectively. OP CB is responsible for international business and central liquidity provision for the Group. In addition to its top institution function, OP CB acts as a universal bank. Unsecured funding is managed through OP CB and secured funding through OP MB. Market-based funding came to account for 25% of the balance sheet in FY/2020. OP FG is nationally systemically important, reporting a CET1 ratio of 18.9% as of FY/2020, as well as a leverage ratio of 7.8%. The LCR was 196% (FY/2019: 141%) and the NSFR was 123% (FY/2019: 112%).

Ratings

OP Corporate Bank

	Rating	Outlook
Fitch	-	-
Moody's	Aa3	Stable
S&P	AA-	Stable

Homepage

www.op.fi

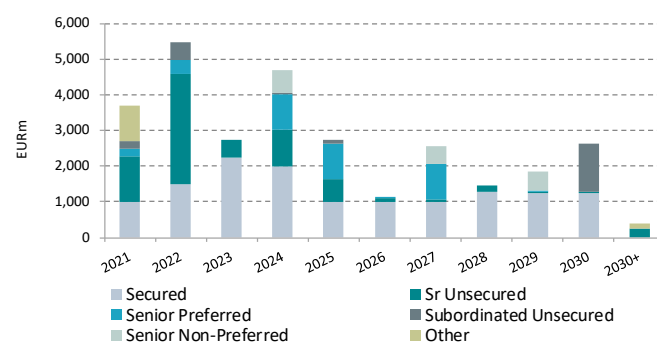
Balance Sheet

(EURm)	2018Y	2019Y	2020Y
Net Loans to Customers	87,026	91,463	93,644
Total Securities	25,413	27,399	27,991
Total Deposits	66,112	68,289	73,422
Tier 1 Common Capital	10,677	10,819	11,293
Total Assets	140,294	147,024	160,207
Total Risk-weighted Assets	47,233	54,959	59,720

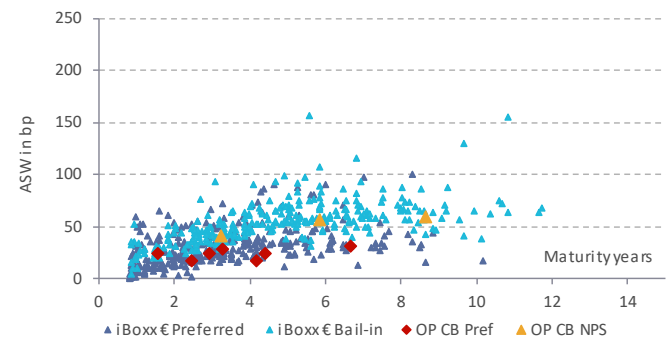
Income Statement

(EURm)	2018Y	2019Y	2020Y
Net Interest Income	1,186	1,241	1,284
Net Fee & Commission Income	887	936	931
Net Trading Income	168	863	420
Operating Expense	2,086	2,115	2,078
Credit Commitments Impairment	45	87	226
Pre-tax Profit	959	838	785

Redemption Profile



Senior Unsecured Bonds



Company Ratios

	2018Y	2019Y	2020Y	2018Y	2019Y	2020Y	
Net Interest Margin	0.96	0.96	0.92	Liquidity Coverage Ratio	148.63	153.77	186.39
ROAE	6.61	5.49	5.09	IFRS Tier 1 Leverage Ratio	7.86	7.60	7.26
Cost-to-Income	72.63	66.45	69.24	NPL/ Loans at Amortised Cost	1.59	1.62	2.68
Core Tier 1 Ratio	22.60	19.69	18.91	Reserves/NPLs	0.60	0.60	0.70

As of: 17.03.2021; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Credit quality and market penetration in Finland
- Capitalisation and cooperative association

Risks / Weaknesses

- Geographic focus on Finland
- Cost structure

Covered Bonds

Author: Henning Walten, CIIA

EUR 13.7bn in outstanding covered bonds

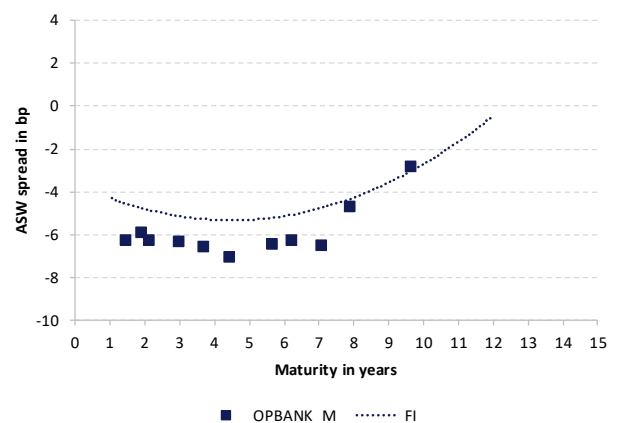
As of 31 December 2020, OP Mortgage Bank had outstanding covered bonds with a volume of EUR 13.67bn. These bonds were matched by a cover pool of EUR 15.72bn, resulting in an overcollateralisation ratio of 15.1%. In the current composition of the iBoxx EUR Covered, the bank is represented by a total of eleven mortgage covered bonds with a total volume of EUR 11.75bn, making it the largest Finnish representative in the index.

Programme data

31 December 2020	Mortgage
Covered bonds outstanding	EUR 13.67bn
Cover pool volume	EUR 15.72bn
Current OC (actual / legal)	15.1% / 2.0%
Type	99.99% Residential
Main country	100.0% Finland
Main region	35.6% Uusimaa
Number of loans	295,337
Currency (Cover Pool / CBs)	100.0% / 100.0%
Share of 10 largest exposures	0.1%
Fixed interest (Cover Pool / CBs)	1.6% / 94.1%
WAL (Cover Pool / CBs)	6.3y / 4.7y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / AAA

Source: Issuer, rating agencies, Bloomberg, NORD/LB Markets Strategy & Floor Research

Spread overview (BMK) – Finland



Granular cover pool of Finnish assets

The cover pool used to collateralise the mortgage covered bonds is clearly residential in character. Only EUR 1.2m is accounted for by substitute cover assets (share 0.01%). The primary cover assets consist entirely of residential assets. These are 295,337 individual loans, of which the largest ten exposures account for only 0.1% of the total loan volume. The average loan in the cover pool is EUR 53,200, which gives the cover pool a high degree of granularity. Three quarters of the loans do not exceed EUR 100,000. 95.4% of the financed properties are classified as owner-occupied housing. Around half of the loans have been in place for more than 60 months. Looking at the geographical distribution, it can be noted that only Finnish loans are included in the cover pool. Regionally, they are concentrated in the regions of Uusimaa with the capital of Finland (35.6%), Pirkanmaa in which Tampere is located (10.6%) and Varsinais-Suomi in which Turku is located (10.2%). All bonds and cover assets are denominated in EUR. While the share of floating rate loans is 98.4%, only 5.9% of the outstanding volume has a floating coupon, which is partly due to the high share of outstanding EUR benchmarks with a fixed coupon.

Rating and regulatory treatment

The EUR benchmarks of the OP Mortgage Bank each have the top ratings of the rating agencies Moody's (Aaa) and S&P (AAA). In our view, this makes benchmark bonds suitable as Level 1 assets within the scope of LCR management. In addition, covered bonds benefit from a preferred risk weight of 10% according to CRR due to their rating. Moreover, covered bonds can be purchased by the Eurosystem under both CBPP3 and PEPP and can be provided as collateral in repo transactions.

Appendix

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