

OP Financial Group

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The OP Financial Group (OP FG) is the leading provider of financial services in Finland and consists of various subsidiaries and 108 independent member institutions (FY/2022). These, in turn, are owned by OP Cooperative, under which a variety of subsidiaries such as OP Corporate Bank plc or OP Mortgage Bank are subsumed. The group reports across the segments Retail Banking (FY/2022: 48.3% of operating income), Insurance (18.7%), Corporate Banking (18.8%) and Group Functions (14.1%). The group has a leading market position in Finland in both lending (FY/2022: 34% market share) and deposits (39%). In the insurance sector, market penetration stands at 32% (non-life insurance) and 21% (life insurance). The group aims to support the transformation process towards a climate-friendly economy with its 2050 sustainability targets. These include CO2 neutrality of the corporate loan portfolio as well as fund investments. Furthermore, the group is one of the country's active green bond issuers and also has outstanding covered bond benchmarks in green format. In addition to sustainability goals, the group has long-term financial targets and aims to achieve, for example, an ROE of more than 8.0% by 2025 (FY/2022: 7.2%) and a CET1 ratio (FY/2022: 17.4%) at least four percentage points above the regulatory requirement (FY/2022: 11.9%). With 217% (FY/2022) the LCR also exceeded the regulatory minimum. Covered bonds, issued via the subsidiary OP Mortgage Bank, account for the bulk of capital market funding at around one-third.

Ratings*

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

*LT Issuer rating
OP Corporate Bank

Homepage

www.op.fi

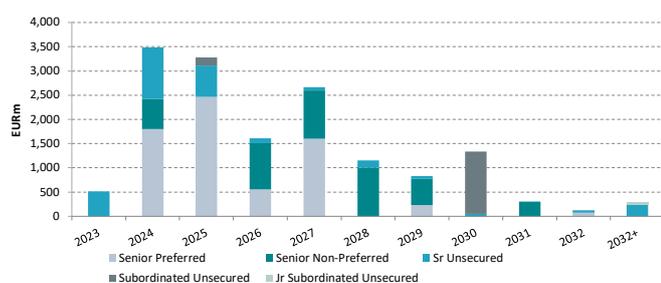
Balance Sheet

(EURm)	2020Y	2021Y	2022Y
Net Loans to Customers	93,644	96,947	98,546
Total Securities	27,991	25,525	24,161
Total Deposits	73,422	77,898	81,468
Tier 1 Common Capital	11,293	11,965	12,569
Total Assets	160,207	174,110	175,516
Total Risk-weighted Assets	59,720	65,731	72,327

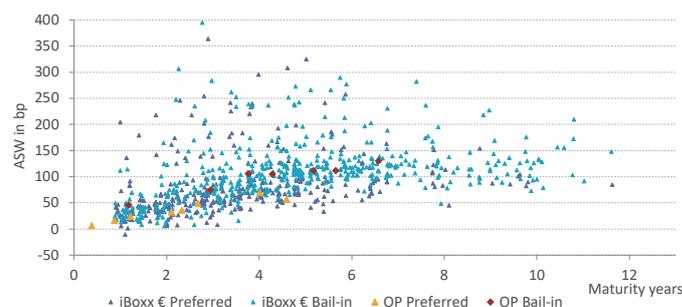
Income Statement

(EURm)	2020Y	2021Y	2022Y
Net Interest Income	1,284	1,409	1,618
Net Fee & Commission Inc.	931	1,034	1,005
Net Trading Income	420	112	-917
Operating Expense	2,078	2,189	2,182
Credit Commit. Impairment	226	158	115
Pre-tax Profit	785	1,127	1,265

Redemption Profile



Senior Unsecured Bonds (EUR BMK)



Company Ratios

	2020Y	2021Y	2022Y	2020Y	2021Y	2022Y	
Net Interest Margin	0.92	0.93	1.06	Liquidity Coverage Ratio	186.39	229.69	216.20
ROAE	5.09	6.70	7.30	IFRS Tier 1 Leverage Ratio	7.26	7.01	7.40
Cost-to-Income	69.24	60.62	63.63	NPL/ Loans at Amortised Cost	2.92	2.85	2.78
Core Tier 1 Ratio	18.91	18.20	17.38	Reserves/Loans at Amort. Cost	0.70	0.73	0.71

As of: 13.04.2023; Source: Bloomberg, S&P Global Market Intelligence, NORD/LB Markets Strategy & Floor Research

Strengths / Opportunities

- Market penetration in Finland
- Capitalisation
- Association of cooperatives

Risks / Weaknesses

- Dependency on capital market funding
- Geographical concentration
- Cost efficiency

Covered Bonds

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As of 08 July 2022 covered bond issues stem from new "Premium" program

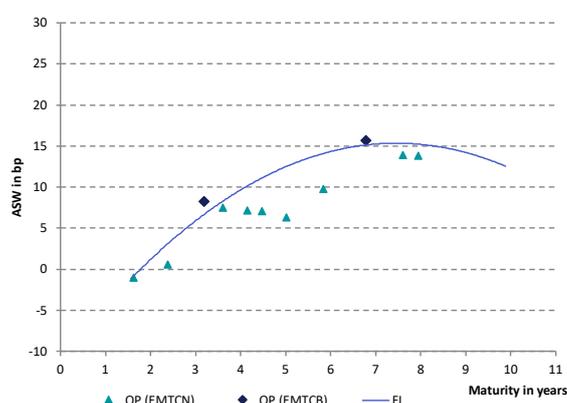
OP Mortgage Bank is represented in the current composition of the iBoxx EUR Covered index with a total of eleven covered bonds with a total volume of EUR 11.5bn. OP Mortgage Bank's two most recent issues were placed in November 2022 (EUR 1.25bn) and January 2023 (EUR 1.0bn) and are thus part of the new Euro Medium Term Covered Bond (Premium) Program (EMTCB). In addition to the EMTCB program, which is relevant for covered bonds under the new legislation in force since 08 July 2022, OP Mortgage Bank maintains another EUR benchmark program (EMTCN) for those bonds placed before 08 July 2022. As of the reporting date 31 December 2022, the volume of the cover pool of the EMTCN program amounted to EUR 16.185bn. The new program came with cover assets totaling EUR 1.379bn at that time. For both pools, the overcollateralization ratios were well above the statutory minimum requirements of 2% in each case. In the following, we will focus on the characteristics of the new EMTCB cover pool.

Programme data

31 December 2022	Mortgage (EMTCB)	Mortgage (EMTCN)
Covered bonds outstanding	EUR 1,250m	EUR 13,915m
Cover pool volume	EUR 1,379m	EUR 16,185m
Current OC (nominal / legal)	10.3% / 2.0%	16.3% / 2.0%
Type	100% Residential	100% Residential
Country	100% FI	100% FI
Number of loans	54,818	252,119
10 largest exposures	2.03%	0.08%
ØLTV (unindexed / indexed)	29.6% / 29.0%	53.7% / 52.2%
Fixed interest (Cover Pool / CBs)	0.0% / 100.0%	2.5% / 90.7%
WAL (Cover Pool / CBs)	4.6y / 3.5y	8.9y / 3.7y
CB Rating (Fitch / Moody's / S&P)	- / Aaa / -	- / Aaa / AAA

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

Spread overview (BMK; maturity >1y) – Finland



Granular cover pool with exclusively Finnish assets

The cover pool used to collateralize the bonds issued under Finland's new covered bond legislation to collateralize the mortgage covered bonds has a residential character. As of the reporting date 31 December 2022, the proportion of primary cover assets was 100%. This cover was again composed entirely of residential assets, all of which are geographically attributable to Finland. This involved 54,818 individual loans, of which the largest ten exposures accounted for 2.0% of the total loan volume. The average loan value in the cover pool is EUR 25,200, reflecting the granularity of the cover pool. 88% of the loans do not exceed EUR 100,000. 97% of the financed properties are also classified as owner-occupied housing. The average LTV in the indexed case is 29.0% (unindexed: 29.6%) and thus well below the statutory limit of 80.0%.

Rating and regulatory treatment

The EUR benchmarks in the EMTCB program bear Moody's top rating (Aaa). In our view, the benchmark bonds are suitable as Level 1 assets within the LCR management and benefit from a preferred risk weight according to CRR of 10%. In addition, they are applicable as collateral in the context of the ECB Collateral Framework and can carry the label "European Covered Bond (Premium)".

Appendix

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