MOODY'S RATINGS

CREDIT OPINION
17 February 2025

Pre-Sale

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AS Coop Pank - Mortgage Covered Bonds

Pre-Sale – Estonian covered bonds

Ratings

Exhibit 1

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
315,449,493	Residential Mortgage Loans	[250,000,000] expected	(P)Aa2

All data in the report is as of January 31, 2025 unless otherwise stated
Source: Moody's Ratings

Summary

The covered bonds to be issued by AS Coop Pank (Coop Pank or the issuer) under its mortgage Covered Bonds programme will be full recourse to the issuer and will be secured by a cover pool of assets consisting entirely of residential mortgage loans (96.6%) in Estonia along with other supplementary assets (3.4%).

Credit strengths include the full recourse of the covered bonds to the issuer and the support provided by the Estonian legal framework for covered bonds, which provides for the issuer's regulation and supervision.

Credit challenges include the high level of dependency on the issuer. As with most covered bonds in Europe, there are few restrictions on the future composition of the cover pool.

Our credit analysis takes into account the cover pool's credit quality, which is reflected in the collateral score of 6.0%, and an initial issuance amount of €250 million that will result in an over-collateralisation (OC) of 26.2% (on a nominal basis) as of 31 January 2025.

Credit strengths

» ***Recourse to the issuer***: The covered bonds will be full recourse to the issuer AS Coop Pank (Baa1(cr)). (See "Covered bond description")

Closing date
17 February 2025

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» ***Support provided by the Estonian legal framework***: The covered bonds are governed by the Estonian covered bond legislation, which provides for the issuer's regulation and supervision and sets certain minimum requirements for the covered bonds and the cover pool. (See “Covered bond description”)

» ***High credit quality of the cover pool***: The covered bonds will be supported by a cover pool of high-quality assets. The preliminary cover pool consists of residential mortgage loans backed by properties in Estonia. The collateral quality is reflected in the collateral score, which is currently 6.0%. (See “Cover pool analysis”)

» ***Refinancing risk*****:** Following what we call a 'covered bond (CB) anchor event', refinancing risk would be mitigated by (i) a 12-month maturity extension period should certain events occur in respect of the issuer, and (ii) the issuer's obligation to hold a reserve of liquid assets equal to 2% of the cover pool (or, if greater, the potential liquidity gap over the next 180 days taking into account any maturity extension period) (see “Covered bond analysis - Additional analysis”, “Liquidity”). A CB anchor event occurs when the issuer, or a related entity that supports the issuer, ceases to service the payments on the covered bonds. (See “Covered bond analysis”)

» ***Currency risk***: Currency risk is well matched in this programme because all the cover pool assets and the outstanding covered bonds are expected to be denominated in euros. (See “Covered bond analysis”)

Credit challenges

» ***High level of dependency on the issuer:*** As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. Also, similar to most of the covered bonds in Europe, this programme has few restrictions on the future composition of the cover pool. These changes could affect the credit quality of the cover pool as well as the overall refinancing and market risks. Further, if the quality of the collateral deteriorates below a certain threshold, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. (See “Covered bond analysis”)

» ***Market risks***: Following a CB anchor event, covered bondholders may need to rely on proceeds that are raised via the sale of, or borrowed against, cover pool assets to make timely payments of the principal on the bonds. The market value of these assets may be subject to high volatility after a CB anchor event. in addition, covered bondholders may be exposed to interest rate risks. (See “Covered bond analysis”)

» ***Floating interest rates expose borrowers to rising debt service burden***: In line with Baltic market standards, loans in the cover pool feature floating interest rates. These interest rates expose the borrowers to the risk of increasing debt service payments in case of increasing interest rates, possibly leading to higher pool arrears. Furthermore, increasing interest rates may exert downward pressure on house prices, increasing the loan-to-value (LTV) ratios in the cover pool. (See “Cover pool analysis”)

» ***Interest rate risk***: While all of the residential loans in the cover pool carry a floating rate of interest and most of them are linked to Euribor, as is usual in Estonia, the outstanding covered bonds are expected to carry a fixed rate of interest. We do not expect that the issuer will hedge this interest rate risk by including an interest rate swap in the cover pool. (See “Covered bond analysis”)

» ***Time subordination****:* After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. This subordination could lead to the erosion of OC before any payments are made to later-paying covered bonds. (See “Covered bond analysis”)

Key characteristics

Exhibit 2
Covered bond characteristics

Moody's Programme Number:	533
Issuer:	AS Coop Pank
Covered Bond Type:	Residential mortgage covered bonds
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Estonian legal framework for covered bonds
Entity used in Moody's TPI analysis:	AS Coop Pank
CR Assessment:	Baa1(cr)
CB Anchor:	CR assessment +1 notch
Senior unsecured/deposit rating:	N/A; Baa2
Total Covered Bonds Outstanding:	€250.000.000 (expected)
Main Currency of Covered Bonds:	EUR (100%)
Extended Refinance Period:	Yes
Principal Payment Type:	Soft bullet (12-months extension maturiy) (expected)
Interest Rate Type:	Fixed rate covered bonds (100.0%) (expected)
Committed Over-Collateralisation:	5% on a nominal basis
Current Over-Collateralisation:	26.2% (on a nominal basis) (expected)
Intra-group Swap Provider:	No
Monitoring of Cover Pool:	KPMG Baltics OÜ
Trustees:	n/a
Timely Payment Indicator:	Improbable
TPI Leeway:	0 notches

Sources: Moody's Ratings and issuer data

Exhibit 3
Cover pool characteristics

Size of Cover Pool:	€315,449,493
Main Collateral Type in Cover Pool:	Residential 96.6%, Other/Supplementary assets 3.4%
Main Asset Location of Ordinary Cover Assets:	Estonia
Main Currency:	EUR (100.0%)
Loans Count:	4,677
Number of Borrowers:	4,660
WA Unindexed LTV:	65.4%
WA Indexed LTV:	60.2%
WA Seasoning (in months):	37
WA Remaining Term (in months):	281
Interest Rate Type:	Floating rate assets(100.0%)
Collateral Score:	6.0%
Cover Pool Losses:	21.7%
Further Cover Pool Details:	See Appendix 1
Pool Cut-off Date:	31 Januar 2025

Sources: Moody's Ratings and issuer data

Exhibit 4
Transaction counterparties

Counterparty Type	Transaction Counterparty
Sponsor	-
Servicer	AS Coop Pank
Back-up Servicer	-
Back-up Servicer Facilitator	-
Cash Manager	-
Back-up Cash Manager	-
Account Bank	-
Standby Account Bank	-
Account Bank Guarantor	-

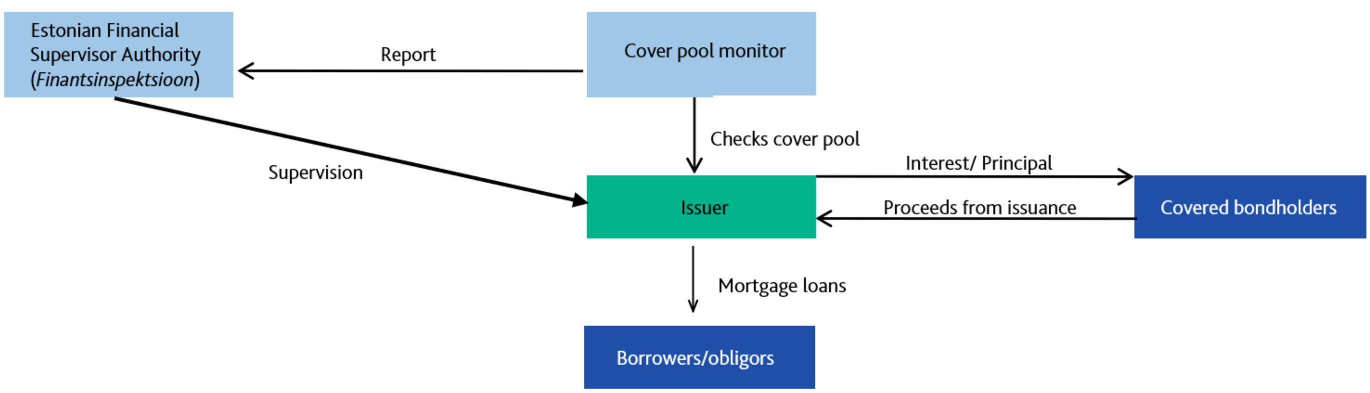
Sources: Moody's Ratings and issuer data

Covered bond description

The covered bonds to be issued under the mortgage covered bond programme of Coop Pank will be full recourse to the issuer. Upon a CB anchor event, covered bondholders would have access to a cover pool of residential mortgage loans.

Structural diagram

Exhibit 5



Source: Moody's Ratings

Structure description

The bonds

The covered bonds are expected to have a soft bullet repayment, benefiting from a 12-month maturity extension period. Should certain events occur in respect of the issuer and the issuer fails to redeem the covered bonds in full on the scheduled maturity date, the covered bonds will automatically be extended up to one year to the extended maturity date without constituting an event of default or giving holders of the covered bonds any right to accelerate payments on the covered bonds.

Issuer recourse

The covered bonds will be full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interest on the covered bonds.

Recourse to cover pool and over-collateralisation

If the issuer becomes insolvent, the covered bondholders would have priority claims over a pool of assets (cover pool). (See "Cover pool description" for the cover pool characteristics and "Cover pool analysis" for our analysis of the pool)

Based on the preliminary cover pool of €315,449,493 as of 31 January 2025 and an assumed initial issuance amoun of €250.000.000, the level of OC in the programme would be 26.2% (on a nominal basis). Under our COBOL model, the minimum nominal OC consistent with the Aa2 rating is 5.0%, of which Coop provides, as per the legal framework, 5.0% on a nominal “committed” basis. These numbers show that we are not relying on “uncommitted” OC in our expected loss analysis.

Although the issuer has the ability to increase the OC in the cover pool if collateral quality deteriorates below a certain threshold, the issuer does not have any obligation to do so. The failure to increase OC following a deterioration of the collateral could lead to a negative rating action.

Legal framework

The covered bonds are governed by the Estonian covered bond legislation, which provides for regulatory oversight and supervision requirements that are in line with other EU jurisdictions. The Estonian FSA has been granted extensive supervisory rights over issuers and cover pool administrators to enforce the covered bond law, including, inter alia, the power to order the replacement of cover pool monitors and reappraisal of properties securing cover pools.

Estonia's covered bond law contains a number of strong features that safeguard investors. These include:

» Provisions to preserve cover pool quality. For mortgage covered bonds (Hüpoteekpandikiri), the law restricts cover pools to residential mortgage loans and substitute assets. Furthermore, for Hüpoteekpandikiri, the law sets the LTV limit for the purposes of the asset cover test to 70% of the value of the property securing the loans registered in the cover pool. The law also requires issuers to perform quarterly stress tests and to top up the cover pool by the maximum deficiency determined during the stress tests.

» Liquidity buffer requirements to reduce the refinancing risk of covered bonds. The law requires the issuer to maintain a liquidity buffer that covers the gap between expected cash inflows and outflows over the next 180 days on a rolling basis. This liquidity buffer forms part of the cover pool and is floored at a minimum of 2% of the nominal value of the cover pool. However for soft bullet covered bonds the 180 days may be calculated from 180 days prior to the extended maturity date.

» Wide-ranging powers of the cover pool administrator to reduce the risk of an asset fire-sale. This includes (1) transferring the covered bond programme (assets and liabilities in their entirety) to another bank with the approval of the Estonian Financial Supervisory Authority (FSA); (2) transferring and encumbering assets and performing any “necessary operations”, which may facilitate the raising of liquidity to bridge liquidity gaps that result from upcoming covered bond maturities after issuer default; and (3) entering into hedging agreements, which may help manage interest rate and foreign-currency exposures.

Estonia's covered bond law contains provisions that are weaker than in some other EU countries. These weaknesses include:

» The law permits loan amounts above the 70% LTV threshold to be included in the cover pool, meaning OC may consist of high-LTV loan parts. This will likely be the case with pools that include high LTV loans, because the law has no limits on including the entire loan in the cover pool from day one.

» Potential lack of effectiveness of maturity extension when combined with liquidity buffer requirement: the 180 day liquidity buffer requirement may be calculated as ending on an extended maturity date. If the extended maturity date is a typical soft bullet that falls 12 months after the initial maturity date, then (i) no liquidity buffer greater than the 2% minimum would likely be accumulated prior to a CB anchor event; and (ii) the relevant cover pool assets would need to be liquid at least 180 days prior to the final maturity of the covered bond. In this scenario, both the liquidity buffer and the maturity extension may be less effective to reduce refinancing risk.

Covered bond analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds would be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator (TPI) (See “Timely Payment Indicator”).

Primary analysis

Issuer analysis - Credit quality of the issuer

The issuer's CR Assessment is Baa1(cr). (For a description of the issuer's rating drivers, see Credit Opinion, published December 2024).

The reference point for the issuer's credit strength in our analysis is the CB anchor, which for covered bond programmes under the covered bond law in Estonia is the CR Assessment plus one notch.

Issuer analysis - Dependency on the issuer's credit quality

The credit quality of the covered bonds will depend primarily on the credit quality of the issuer. If the issuer's credit strength were to deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds. Consequently, the credit quality of the covered bonds would deteriorate unless other credit risks were to decrease.

In the event that the CB anchor deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to a negative rating action.

Reasons for the high level of dependency of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool and remove assets from the cover pool, issue further bonds and enter new hedging arrangements. Such actions could reduce the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, which creates substitution risk. Nevertheless, cover pool quality over time will be protected by, among other things, the requirements of the Estonian covered bond framework, which specifies what types of assets are eligible. (See “Covered bond description - Structure description - Legal framework”)

Refinancing risk

Following a CB anchor event, the “natural” amortisation of the cover pool assets alone cannot be relied on to repay the principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology. (See “Moody's Approach to Rating Covered Bonds”)

The refinancing-positive factors outweigh the negative ones. The refinancing-positive aspects of this covered bond programme include:

» The cover pool may only contain prime residential mortgage loans as its primary asset. This should mean it is perceived as having assets of strong credit quality that can attract a willing purchaser.

» Provisions to allow for a bond maturity extension by 12 months, which should allow time to maximise the sales value of the cover pool following a CB anchor event, and increase chances of timely principal payments on the covered bonds.

» The liquidity reserve or buffer could provide more time for arranging and negotiating the terms of refinancing the covered bonds. (However, see “Legal framework” above regarding potential drawbacks where the liquidity buffer is combined with a 12 month extension)

» The cover pool administrator will have wide powers to manage cover pool assets to meet the covered bond liabilities “in the best possible way”. (See “Covered bond description - Structure description - Legal framework”)

The refinancing-negative aspects of this covered bond programme include:

» The relatively small size of the Baltic economy and the low systemic importance of covered bonds as a funding tool, which could make it difficult to transfer a relatively large mortgage portfolio in a time-sensitive sale. Furthermore, the law does not allow a partial sale of cover pool assets. After the issuer's insolvency the cover pool may only be transferred in its entirety to another credit institution.

» In line with other European covered bond programmes, upon a CB anchor event we expect the cover pool assets will have a significantly higher weighted average (WA) life than the outstanding covered bonds.

Interest rate and currency risk

As with most European covered bonds, there is potential for interest rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 6
Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	[.]	[.]	0.0%	[.]
Variable rate	13.5	[.]	100.0%	[.]

WAL = Weighted average life.
Sources: Moody's Ratings and issuer data

In the event of issuer insolvency, we currently do not assume that the cover pool administrator would always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model would separately assess the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest rate and currency stresses used over different time horizons are published in our Rating Methodology.

Aspects of this covered bond programme that are market-risk positive include:

» There is no currency risk. Currently all the assets and liabilities are expected to be denominated in euro.

Aspects of this covered bond programme that are market-risk negative include:

» The outstanding covered bonds will carry a fixed rate of interest, whereas all of the cover pool assets carry a floating rate. This introduces material interest rate risk.

» There exists the possibility of a material change in the nature of the programme by the issuer before a CB anchor event. For example, the issuer may issue more fixed-rate covered bonds, or covered bonds denominated in currencies other than the euro, with no obligation to arrange any hedging. This would introduce material interest rate or currency mismatches.

Timely Payment Indicator

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments would be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable level of OC. We have assigned a TPI of Improbable to these covered bonds.

Based on the current TPI of Improbable, the TPI leeway for this programme is 0 notch. This 0-notch leeway implies that we might downgrade the covered bonds' rating because of a TPI cap if we were to lower the CB anchor by more than 1 notches, all other variables being equal.

The TPI-positive aspects of this covered bond programme include:

» The refinancing-positive factors discussed in the “Refinancing risk” section

» The strength of the Estonian covered bond framework. (See “Covered bond description - Structure description - Legal framework”)

The TPI-negative aspects of this covered bond programme include:

» The relatively small size of the Baltic economy and the low systemic importance of covered bonds as a funding tool, which could make it difficult to transfer a relatively large mortgage portfolio to another credit institution in a time-sensitive sale. Furthermore, the law does not allow a partial sale of cover pool assets. After the issuer's insolvency the cover pool may only be transferred in its entirety to another credit institution.

Additional analysis

Scenarios following a CB anchor event

Neither the covered bonds nor the Estonian covered bond legislation will provide for any acceleration event or event of default following a CB anchor event.

Upon the issuer's bankruptcy, a court shall appoint a cover pool administrator on the basis of a proposal of the Estonian FSA. The covered bond programme would be separated from the rest of the assets and liabilities of the issuer, and a cover pool administrator would run the cover pool separately from the issuer's bankruptcy proceedings.

The cover pool administrator shall determine whether the proceeds to be received from the cover pool are sufficient to meet the issuer's liabilities arising from covered bonds, derivative instruments in the cover register and expenses of management of the covered bond portfolio:

» If a covered bond portfolio appears to be insolvent, the cover pool administrator shall immediately notify the Estonian FSA. A court shall appoint a bankruptcy trustee of the covered bond programme on the proposal of the Estonian FSA and the covered bond programme shall become a separate bankruptcy estate of the issuer. Covered bondholders and counterparties to derivatives would be the only creditors in these bankruptcy proceedings.

» Otherwise, the cover pool administrator would manage the covered bond portfolio, ensuring that the liabilities arising from covered bonds and from the derivative instruments in the cover register are met in the best possible way. To this end, the cover pool administrator shall have the right to transfer and encumber the cover pool, enter into derivative instruments on the account of the cover pool and perform other necessary operations.

The Estonian FSA may decide on the separation of the portfolio before the issuer's default if the issuer is likely to become insolvent in the near future or if the issuer is likely to materially violate the requirements of the Estonian covered bond framework or other any legislation.

Liquidity

Liquidity risk is partially mitigated by:

» The 12-month maturity extension period on the covered bonds.

» The requirement to hold a liquidity buffer equal to 2% of the cover pool or, if greater, the maximum cumulative daily net liquidity outflow of liabilities over cash received from assets for the next 180 days. The liquidity buffer must be comprised of deposits and high quality liquid assets. (However see "Legal framework", above, regarding potential drawbacks of combining the liquidity buffer with a maturity extension.)

» The legal requirement to maintain a minimum OC level of 5% on a nominal basis.

» The wide powers of the cover pool administrator, which may facilitate the raising of liquidity to bridge liquidity gaps that result from upcoming covered bond maturities after issuer default.

Time subordination

After a CB anchor event, later-maturing covered bonds would be subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. Such payments could result in the erosion of OC before any payments are made to later-paying covered bonds.

Cover pool description

Pool description as of 31 January 2025

As of 31 January 2025, the preliminary cover pool consisted entirely of Estonian residential mortgage loans backed entirely by residential assets (96.6%) in Estonia along with other supplementary assets (3.4%).

On a nominal-value basis, the cover pool assets total €315.4 million. The level of OC expected in the programme is 26.2% on a nominal basis, based on an expected issuance of €250 million. For Coop Panks's underwriting criteria, see “Appendix: Income underwriting and valuation”.

Loans in the cover pool were originated by Coop Pank in Estonia. The WA unindexed and indexed LTV ratios of the mortgage loans are 65.4% and 60.0% respectively.

Exhibits below show more details about the cover pool characteristics.

Residential mortgage loans

Exhibit 7

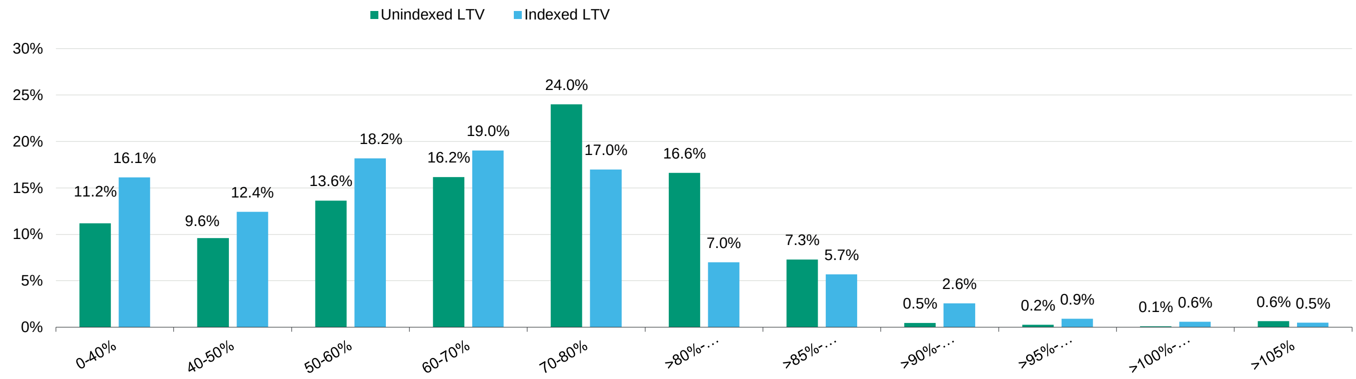
Cover pool summary

Overview		Specific Loan and Borrower characteristics	
Asset type:	Residential	Loans with an external guarantee in addition to a mortgage:	0.0%
Asset balance:	304,655,149	Interest only Loans	0.0%
Average loan balance:	65,139	Loans for second homes / Vacation:	n/a
Number of loans:	4,677	Buy to let loans / Non owner occupied properties:	n/a
Number of borrowers:	4,660	Limited income verified:	0.0%
Number of properties:	5,471	Adverse credit characteristics (**)	0.0%
WA remaining term (in months):	281		
WA seasoning (in months):	37	**Performance**	
		Loans in arrears (≥ 2months - < 6months):	0.0%
Details on LTV		Loans in arrears (≥ 6months - < 12months):	0.0%
WA unindexed LTV (*)	65.4%	Loans in arrears (≥ 12months):	0.0%
WA Indexed LTV:	60.2%	Loans in a foreclosure procedure:	0.0%
Valuation type:	Market Value		
LTV threshold:	70%	**Multi-Family Properties**	
Junior ranks:	n/a	Loans to tenants of tenant-owned Housing Cooperatives:	n/a
Loans with Prior Ranks:	0.0%	Other type of Multi-Family loans (***)	n/a

n/a: not available.
(*) May be based on property value at the time of origination or further advance or borrower refinancing.
(**) Typically borrowers with a previous personal bankruptcy or borrowers with a record of court claims against them at the time of origination.
(***) This “other” type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let).
Sources: Moody's Ratings and issuer data

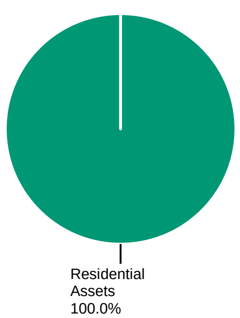
Cover pool characteristics

Exhibit 8
Balance per LTV band



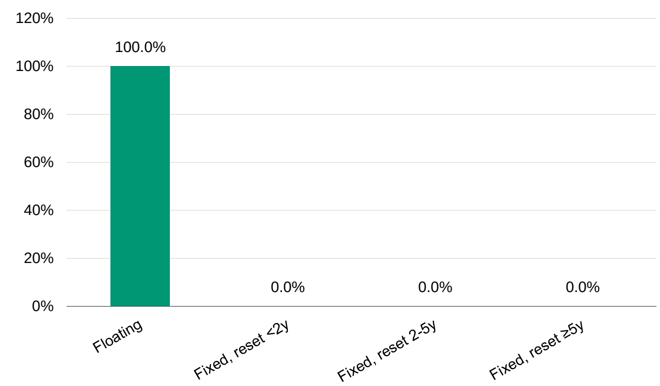
Sources: Moody's Ratings and issuer data

Exhibit 9
Percentage of residential assets



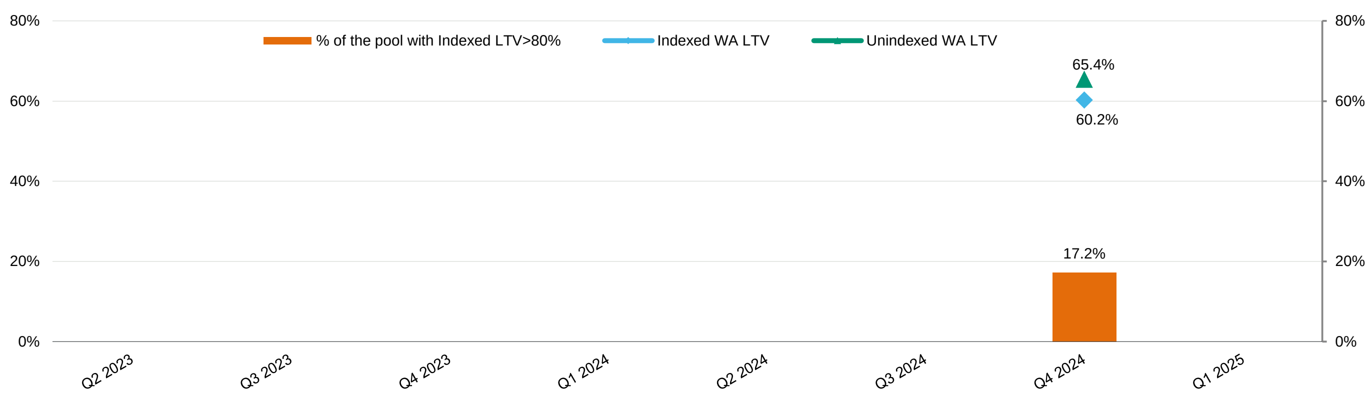
Sources: Moody's Ratings and issuer data

Exhibit 10
Interest rate type



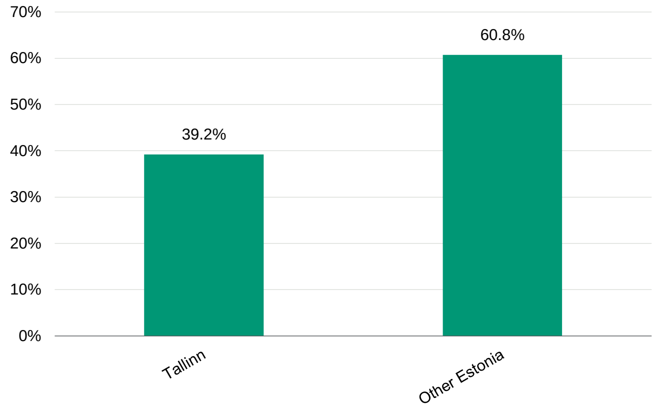
Sources: Moody's Ratings and issuer data

Exhibit 11
LTV



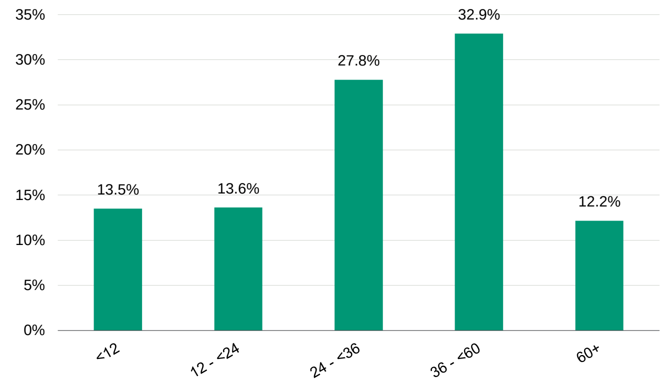
Sources: Moody's Ratings and issuer data

Exhibit 12
Main country regional distribution



Sources: Moody's Ratings and issuer data

Exhibit 13
Seasoning (in months)



Sources: Moody's Ratings and issuer data

Cover pool monitor

KPMG Baltics OÜ will act as cover pool monitor for this programme. Pursuant to the Estonian covered bond legislation, the issuer shall appoint an independent cover pool monitor. The duties of the cover pool monitor include the verification of the existence of a sufficient cover pool, and the verification of the compliance with requirements of (1) the stress tests; (2) the cover pool; (3) the cover register; (4) the valuation of immovable properties encumbered with a mortgage securing credit and included in the cover pool; (5) the issuer's risk management and reporting; and (6) the terms and conditions of the covered bonds.

The monitor is required to notify the FSA immediately of any circumstances that may result in a violation of the laws or in a situation in which the issuer is unable to meet its obligations arising from the liabilities of its covered bond programme.

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool, as well as legal risks.

Primary cover pool analysis

We calculate the collateral score for the cover pool using a scoring model to assess the credit risk for the residential assets in the cover pool. Our analysis takes into account, among other factors, the LTV ratios of the mortgage loans, the seasoning and the geographical distribution.

For this programme, the collateral score of the current pool is 6.0% (for details regarding other programme, please see "Moody's Global Covered Bonds Sector Update, Q4 2024").

From a credit perspective we view the following pool characteristics as credit positive:

» At the time of inclusion in the cover pool, all must be performing.

» All the loans are granted to individuals and are secured by a first economic lien on residential properties in Estonia

» All mortgage loans are amortizing on a regular basis

» All the residential mortgage loans are denominated in euros (local currency). Therefore, borrowers are not exposed to currency risk

Comparables

Exhibit 14

Comparables - AS Coop Pank - Mortgage Covered Bonds and other select Estonian deals

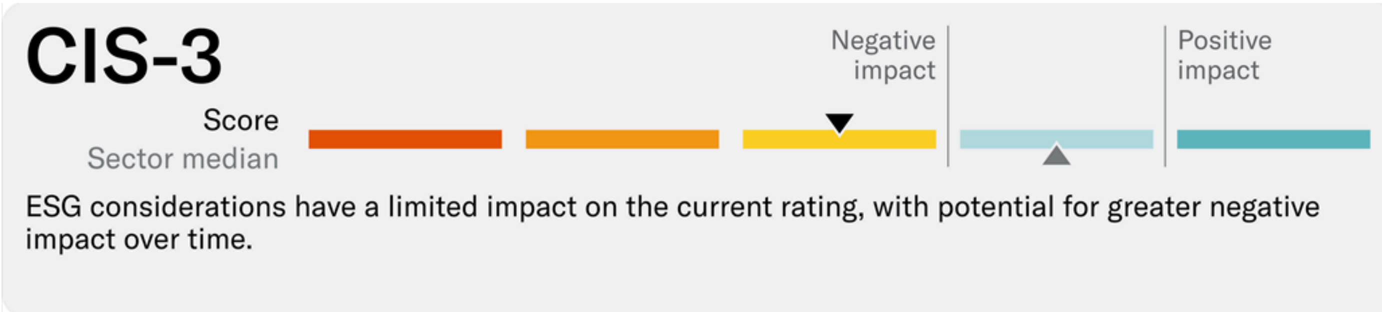
PROGRAMME NAME	AS Coop Pank - Mortgage Covered Bonds	Luminor Bank AS - Mortgage Covered Bonds	AS LHV Pank - Mortgage Covered Bonds
Overview			
Programme is under the law	Estonia	Estonia	Estonia
Main country in which collateral is based	Estonia	Lithuania	Estonia
Country in which issuer is based	Estonia	Estonia	Estonia
Total outstanding liabilities	[250,000,000] expected	1,750,000,000	500,000,000
Total assets in the Cover Pool	315,449,493	3,131,999,624	677,430,193
Issuer name	AS Coop Pank	Luminor Bank AS	LHV Pank AS
Issuer CR assessment	Baa1(cr)	A1(cr)	A3(cr)
Group or parent name	n/a	n/a	n/a
Group or parent CR assessment	n/a	n/a	n/a
Main collateral type	Residential	Residential	Residential
Collateral types	Residential 97%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 3%	Residential 97%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 3%	Residential 97%, Commercial 0%, Public Sector 0%, Other/Supplementary assets 3%
Ratings			
Covered bonds rating	(P)Aa2	Aaa	Aa1
Entity used in Moody's EL & TPI analysis	AS Coop Pank	Luminor Bank AS	AS LHV Pank
CB anchor	A3	Aa3	A2
CR Assessment	Baa1(cr)	A1(cr)	A3(cr)
SUR / LT Deposit	Baa2	A2	n/a
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes
Value of Cover Pool			
Collateral Score	6.0%	5.8%	6.4%
Collateral Score excl. systemic risk	n/a	n/a	n/a
Collateral Risk (Collateral Score post-haircut)	4.0%	3.9%	4.3%
Market Risk	17.7%	12.0%	14.6%
Over-Collateralisation Levels			
Committed OC*	5.0%	5.0%	5.0%
Current OC	26.2%	79.0%	35.5%
OC consistent with current rating	5.0%	6.5%	6.0%
Surplus OC	21.2%	72.5%	29.5%
Timely Payment Indicator & TPI Leeway			
TPI	Improbable	Improbable	Improbable
TPI Leeway	0.0%	1	0
Reporting date	31 January 2025	30 September 2024	30 September 2024
Swap Arrangements			
Interest rate swap(s) in the Cover Pool	No	Yes	No

*We consider this level of OC as committed according to our methodology even though the level of OC provided via the asset cover test might be higher because the issuer could reduce the level of OC down to this level without an impact on our covered bond rating.
Sources: Moody's Ratings and issuer data

ESG considerations

AS Coop Pank Mortgage covered bond's ESG credit impact score is CIS-3

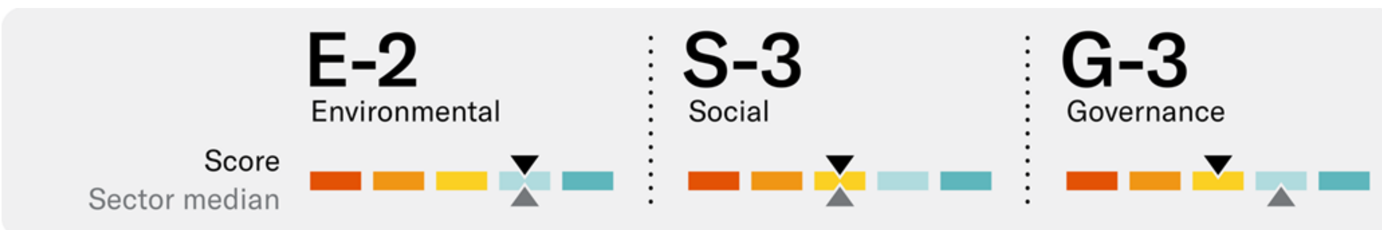
Exhibit 15



Source: Moody's Ratings

The ESG CIS of CIS-3 reflects the impact on the covered bond rating from certain governance factors associated with the issuer and reflected in the issuer's G-IPS of 4. If, in the absence of such considerations, the bank rating were to be higher, the covered bond rating could potentially be higher.

Exhibit 16



Source: Moody's Ratings

Environmental considerations

The Environmental IPS of E-2 reflects low exposure to environmental risks across all categories. Although the bank supporting the transaction may have exposure to carbon-intensive counterparties and hydrocarbon-reliant sectors, the residential mortgage assets' exposure to carbon transition will be gradual, with portfolios evolving over time.

Social considerations

The Social IPS of S-3 reflects the transaction's exposure to demographic and societal trends. Social concerns in Europe related to housing and consumer protection give rise to the risk that borrower-friendly measures such as eviction bans, foreclosure limitations, and payment moratoriums could impair mortgage loan repayments.

Governance considerations

The Governance IPS of G-3 reflects the Governance IPS of the bank supporting the transaction as well as the governance support inherent in the jurisdiction's covered bond framework and the transaction's contractual framework, as applicable. The covered bond legal framework provides for supervision by regulatory authorities, management of the cover pool if the issuer is insolvent, reporting requirements, and restrictions on asset selection.

Methodology and monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in October 2024. Other methodologies and factors that may have been considered in the rating process can also be found on http://www.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This lack of data availability could negatively impact the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix: Income underwriting and valuation

Exhibit 17

A. Residential Income Underwriting	
1 Is income always checked?	Yes
2 Does this check ever rely on income stated by borrower ("limited income verification") ?	No, we always use account statement (must be signed digitally by the bank). If there any doubt or icome varies monthly and there are different sources of income, incl income from entrepreneurship, then we ask to present proof from the Estonian Tax and Customs Board
3 Percentage of loans in Cover Pool that have limited income verification	0%
4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	N/A
5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST")?	Yes, because there is regulation, that all monthly financial liabilities cannot exceed 50% of net income (after taxes). There is allowance to make exeptions on 15% of new loans amount, but the credit policy of Coop Pank does not allow to exeed that DSTI limit.
6 If not, what percentage of cases are exceptions.	N/A
For the purpose of any IST:	
7 Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes, regulatory DSTI 50% provides, that even if given grace period, the monthly payment for DSTI calculation must be on an annuity bases.
8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	The maximum maturity is 30 years on an annuity bases
9 Does the age of the borrower constrain the period over which principal can be amortised?	Yes, loan has to be paid by the age of 75 (incl) at least on annuity bases
10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Yes, for consumer mortgage loans there is regulation, that the stress DSTI must be calculated with the interest of 6%.
11 Are all other debts of the borrower taken into account at the point the loan is made?	Yes
12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tax)	We do not calculate separately living expences. We use DSTI, which differes to income level. Netoincome less than 2999 euro DSTI is 40%, over that amount DSTI is 50%. It means that 60% for living and 40% for all other debts incl the requested loan. The same time loan amount cannot exeed 85*netoincome.
Other comments	

B. Residential Valuation	
1 Are valuations based on market or lending values?	Market value
2 Are all or the majority of valuations carried out by external valuers (with no direct ownership link to any company in the Sponsor Bank group)?	Yes, all the valuations are carried out by external valuers.
3 How are valuations carried out where an external valuer not used?	N/A
4 What qualifications are external valuers required to have?	They must be licensed evaluators, qualified according to property type
5 What qualifications are internal valuers required to have?	Internal valuer is an employee of the credit risk management department who is not involved in the decision-making and issuing process of the credit to be issued, with adequate knowledge, experience and skills to evaluate the collateral (real estate appraiser or analyst of the relevant sector)
6 Do all external valuations include an internal inspection of a property?	Yes, internal inspection of property is always required.
7 What exceptions?	N/A
8 Do all internal valuations include an internal inspection of a property?	If an internal valuation is required, then yes, a property inspection is required. The internal valuator does not perform first assessments.
9 What exceptions?	N/A
Other comments	

Source: Issuer

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