

## The Mortgage Society of Finland Covered Bond Program Assigned 'AAA' Rating; Outlook Stable

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### OVERVIEW

- We have assigned 'AAA' ratings to the mortgage covered bond program and first issuance of Finland-based The Mortgage Society of Finland.
- Our ratings reflect our review of the program under our covered bonds criteria and the fact that available credit enhancement exceeds the required credit enhancement for a 'AAA' rating.
- The stable outlook reflects that there is one unused notch of rating uplift.

MADRID (S&P Global Ratings) May 10, 2016--S&P Global Ratings today assigned its 'AAA' credit ratings to the mortgage covered bond program and related issuances of The Mortgage Society of Finland (Suomen Hypoteekkiyhdistys, or Hypo).

Our covered bond ratings process follows the methodology and assumptions outlined in "Covered Bonds Criteria," published on Dec. 9, 2014 and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015.

From our analysis of Hypo's covered bond program and the Finnish legislative covered bond framework, we have concluded that the assets in the cover pool are isolated from the risk of the issuer's insolvency. This asset isolation allows us to potentially assign a higher rating to the covered bond program than our long-term issuer credit rating (ICR) on Hypo.

In accordance with our covered bonds criteria, we have determined the issuer's reference rating level (RRL), and attributed notches of uplift from this level through our determination of jurisdictional support and collateral-based support. Based on the long-term ICR on Hypo and our assessment of jurisdictional support, we assess the RRL at 'a-' and the jurisdiction-supported rating level (JRL) at 'aa-'. The program could benefit from up to four notches of collateral-based uplift.

As of April 22, 2016, the assets backing the program comprise Finnish residential mortgages and loans to housing companies totaling €368 million. The available credit enhancement exceeds the target enhancement needed for the maximum collateral-based uplift, and we deduct no notches for liquidity issues or lack of overcollateralization commitment. The potential collateral-based uplift is four notches and, given the JRL of 'aa-', only three notches are required to reach the maximum rating. Therefore, there is one unused notch of uplift and the program can reach a 'AAA' rating from a cash flow perspective.

There are no rating constraints relating to counterparty, legal, country, or administrative and operational risks. We assess country risk based on our criteria "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015. In light of our 'AA+' sovereign rating on Finland, and the country's membership in the eurozone, country risk would not constrain our 'AAA' ratings on the covered bonds.

The stable outlook on the covered bonds reflects the fact that a one-notch downgrade of the bank would not, on its own, automatically result in a downgrade of the covered bond program.

#### RELATED CRITERIA AND RESEARCH

##### Related Criteria

- Counterparty Risk Analysis In Covered Bonds, Dec. 21, 2015
- Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Methodology And Assumptions For Analyzing Mortgage Collateral In Finnish And Norwegian Covered Bonds, Dec. 10, 2014
- Covered Bonds Criteria, Dec. 9, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Ratings Definitions, June 3, 2009

Related Research

- The Mortgage Society of Finland Covered Bond Program Assigned Preliminary 'AAA' Rating; Outlook Stable, March 31, 2016
- Banking Industry Country Risk Assessment: Finland, Jan. 25, 2016
- Global Covered Bond Characteristics And Rating Summary Q4 2015, Dec. 29, 2015
- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, Dec. 22, 2015
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Dec. 22, 2015
- The Mortgage Society of Finland, Sept. 17, 2015

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