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# The Mortgage Society of Finland

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## Table Of Contents

# The Mortgage Society of Finland

| SACP | bbb | + | Support | 0 | + | Additional Factors | 0 |
|---|---|---|---|---|---|---|---|

| Anchor | a- | |
|---|---|---|
| Business Position | Weak | -2 |
| Capital and Earnings | Very Strong | +2 |
| Risk Position | Moderate | -1 |
| Funding | Below Average | -1 |
| Liquidity | Adequate | |

| ALAC Support | 0 |
|---|---|
| GRE Support | 0 |
| Group Support | 0 |
| Sovereign Support | 0 |

| Issuer Credit Rating |
|---|
| BBB/Stable/A-2 |

## Major Rating Factors

| Strengths: | Weaknesses: |
|---|---|
| • Very strong risk-adjusted capital (RAC).<br>• Strong asset quality and exceptional loan-loss track record in recent decades.<br>• Very conservative lending and underwriting standards. | • Monoline business model as a pure residential mortgage financer.<br>• Concentration and cyclical risk due to focus on residential mortgage lending.<br>• Predominantly wholesale funding profile. |

## Outlook

The outlook on The Mortgage Society of Finland (Hypo) is stable and reflects our view that sound construction activity in Finland, on the back of a benign economic environment, will help Hypo to pursue its loan growth without diluting its asset quality. It also reflects our view that material changes to the bank's capital management are unlikely over our outlook horizon.

### Downside scenario

We could lower the ratings on Hypo in the next 18-24 months if:

- It unexpectedly changes its current conservative lending policies;
- It fails to maintain its very strong capital (for example, via more aggressive business growth without corresponding earnings improvements); or
- It manages its liquidity buffers more aggressively, leading to a substantial weakening of liquidity ratios. We view this scenario as unlikely, however.

### Upside scenario

In our view, a positive rating action is unlikely at this stage. However, an upgrade could be triggered if the company's funding profile improves, demonstrated by a more diversified funding mix and funding metrics in line with domestic peers'.

## Rationale

Our ratings on Hypo reflect our anchor of 'a-' for Finnish banks, and our view of its concentrated niche business operations, which are focused on residential mortgage lending to households and housing companies in the Helsinki Metropolitan Area and other growth cities. The rating is supported by the very strong capital and earnings position, based mainly on our expectation of a RAC ratio of 16.0%-16.5% in the next 12-24 months. We consider regional and product concentration risks in the retail mortgage loan book to be partly offset by Hypo's very conservative underwriting standards, strong asset quality, and exceptional loan-loss track record. In our view, Hypo's funding profile is weaker than that of domestic peers due to its dependence on wholesale funding, while we view liquidity as adequate owing to the company's comfortable liquidity position.

We do not factor any extraordinary government support into our 'BBB' long-term issuer credit rating because we regard Hypo as having low systematic importance in Finland. Furthermore, the Finnish government's support toward the banking sector has been uncertain since the implementation of the EU Bank Recovery and Resolution Directive on Jan. 1, 2016. We do not believe that the response to a non-viability of Hypo would be a bail-in resolution.

### Anchor: 'a-' for banks operating solely in Finland

To determine a bank's anchor, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores. The anchor is the starting point in assigning an issuer credit rating under our criteria for banks. For a commercial bank like Hypo that operates only in Finland, we determine an anchor of 'a-'. The anchor is based on an economic risk score of '2' and an industry risk score of '3'. We view the economic risk trend and the industry risk trend in the Finnish banking industry as stable. We classify the banking sector of Finland in group '2' under our BICRA analysis. Other countries in group '2' are Sweden, Norway, Belgium, and Germany.

We view Finland as an innovative, wealthy, and open economy, with mature political and institutional structures. The near-term economic picture has brightened following a prolonged recession over 2012-2015. After sound growth in 2017 and 2018 supported by healthy domestic demand and a strongly improving external environment that benefited Finnish exports, we forecast growth will slow somewhat as domestic factors and structural constraints weigh on the economy. House prices have stabilized nationwide and market activity, especially in growth regions, is picking up. Although we forecast moderate credit demand from households in 2019-2021, we observe a gradual increase in household debt. However, we expect Finnish banks' asset quality to remain strong over the next two years, based on the sound financial position of the household and corporate sectors, the banking sector's moderately conservative underwriting standards, and the low interest rate environment.

We do not consider the banking sector's competitive landscape to be distorted, despite concentration due to the presence of large pan-Nordic banks and the domestic cooperative banking group OP Financial Group. We also regard the sector's overall profitability and capitalization as resilient and expect banks will maintain their restrained risk appetite. That said, the sector remains highly interconnected with the Nordic banking systems, which results in potential spillover risks on the Finnish economy from external events. We see that Finnish banks depend more on international market funding than many other banking systems in Europe, which is a key industry risk. That said, we believe banks continue to enjoy good access to the euro-denominated unsecured and secured debt markets.

**Table 1**

| The Mortgage Society of Finland Key Figures | | | | | |
|---|---|---|---|---|---|
| | --Year-ended Dec. 31-- | | | | |
| **(Mil. €)** | **2019*** | **2018** | **2017** | **2016** | **2015** |
| Adjusted assets | 3,211.6 | 3,111.0 | 2,789.7 | 2,302.4 | 1,957.5 |
| Customer loans (gross) | 2,663.2 | 2,589.3 | 2,212.9 | 1,807.1 | 1,420.7 |
| Adjusted common equity | 122.4 | 118.7 | 113.1 | 106.6 | 101.8 |
| Operating revenues | 10.3 | 18.2 | 17.7 | 17.7 | 16.7 |
| Noninterest expenses | 6.4 | 11.0 | 11.1 | 10.1 | 9.2 |
| Core earnings | 3.1 | 5.9 | 5.5 | 6.1 | 6.2 |

*Data as of June 30.
N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

### Business position: Monoline profile as residential mortgage financer in Finland

We consider Hypo to be a monoline player with concentrated niche market position focused purely on residential mortgage lending to households and housing companies. It is a small bank that holds a marginal market share in the Finnish lending market, which leads us to assess its business position as weak.

Hypo, with total assets of €3.2 billion and a loan portfolio of €2.7 billion as of June 30, 2019, is a licensed bank and a mutual company operating under Finland's Act on Mortgage Societies and governed by its members. The bank has a marginal 2018 market share of roughly 0.8% in Finnish home mortgages and 1.1% in the total lending market. Hypo grants long-term loans to Finnish households and housing companies solely against a mortgage or other safeguarding collateral. The bank is active only in Helsinki, southern Finland, and specified growth centers in the rest of the country. It operates solely from its headquarters in Helsinki and had 51 employees in June 2019.

We view Hypo's narrow product focus on residential mortgage lending as the main weakness of its business model, which may expose the bank to potential volatility in the real estate market in Finland. Notwithstanding the concentrations in Hypo's business profile and its elevated growth targets, we consider that management has a conservative approach to risk and a very low risk appetite. The bank's conservative culture is also underpinned by its mutual legal structure, which subordinates short-term financial profitability targets. We do not anticipate any changes to Hypo's strategy, which is clearly defined by the Act of Mortgage Societies.

We expect Hypo's revenue split will remain unchanged in the foreseeable future. Hypo's revenue consists of:

- Net interest income from first-lien mortgages related to Finnish residential mortgages and loans to housing companies (67% of total operating revenue in first-half 2019);
- Income from investments in housing and land property owned by Hypo (14%);
- Fee and commission income from lending, deposits, and residential property trustee services (17%); and

- Net income from securities, financial assets, and other income (2%).

The bank's cost-to-income ratio of 60.6% in 2018 (and 62.7% in June 2019) remains somewhat higher than the domestic average. Planned information technology investments to improve core banking systems will increase operating costs over the next two years, while lower funding costs will support earnings.

**Table 2**

**The Mortgage Society of Finland Business Position**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2019*** | **2018** | **2017** | **2016** | **2015** |
| Loan market share in country of domicile | N/A | 1.1 | 1.0 | N/A | N/A |
| Deposit market share in country of domicile | N/A | 1.1 | 1.0 | N/A | N/A |
| Total revenues from business line (mil. €) | 10.3 | 18.2 | 17.8 | 19.4 | 17.3 |
| Commercial & retail banking/total revenue from business line | 100.0 | 99.3 | 97.8 | 98.5 | 97.3 |
| Other revenues/total revenues from business line | N/A | 0.7 | 2.2 | 1.5 | 2.7 |
| Return on average common equity | 5.1 | 5.0 | 4.9 | 5.8 | 6.3 |

*Data as of June 30.
N/A--Not applicable.

### Capital and earnings: Very strong capitalization, supported by profit retention as a mutual company

We assess Hypo's capital and earnings as very strong, mainly based on our expectation that our projected RAC ratio for the bank will be 16.0%-16.5% throughout 2020, compared with 15.9% on Dec. 31, 2018.

We expect Hypo's loan growth to slow down compared with past years but this will likely translate into an increase in our calculation of risk-weighted assets (RWAs) exceeding the bank's potential capital buildup, absent any additional capital measures. We anticipate that loan growth will be balanced between retail and housing company loans, confirming Hypo's low risk appetite.

We expect that Hypo's interest income from loans will strengthen in 2019-2020, spurred primarily by improved margins from lower funding costs and increased lending volumes. This should result in Hypo's earnings buffer improving, which indicates a greater capacity for earnings to cover normalized losses. We estimate a three-year average at a modest 0.5% by 2020, which remains below Nordic peer banks--an earnings buffer of about 1.0% indicates adequate earnings capacity. As a mutual company, Hypo does not pay dividends. Consequently, the retained profits are solely used for capital buildup. We expect the return on equity will gradually increase to about 6% by 2020, but remain modest in comparison with peer banks.

Hypo exceeds current regulatory capital requirements with a common equity tier 1 (CET1) ratio of 12.4% on June 30, 2019. This is close to the bank's internal target, but we expect the ratio to increase because of the decision by the Finnish Financial Supervision Authority to increase Hypo's CET1 buffer requirement by one percentage point to 11.5% by July 1, 2019, amid structural risks in the domestic banking system and by an additional 1.25 percentage points (Pillar 2 requirement) by Dec. 31, 2019. Although Hypo's capital base consists solely of core capital, we consider its quality of capital to be weaker than rated peers because of the small absolute size of its capital base and its limited financial flexibility to raise additional core capital in the market. We consider this as a weakness that we capture in our combined view of Hypo's capital and risk position.

Net interest income and net fee and commission income constitute a major part of the bank's revenue, while the stable income from property holdings constitutes the remainder. Income from property holdings is unusual compared with peers'. However, we think Hypo holds high-quality assets and does not display an opportunistic approach to achieving quick market value gains.

**Table 3**

**The Mortgage Society of Finland Capital And Earnings**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2019*** | **2018** | **2017** | **2016** | **2015** |
| Tier 1 capital ratio | 12.4 | 12.1 | 12.7 | 13.6 | 13.8 |
| S&P Global Ratings' RAC ratio before diversification | N/A | 15.9 | 17.1 | 18.1 | N/A |
| S&P Global Ratings' RAC ratio after diversification | N/A | 9.0 | 9.7 | 9.9 | N/A |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net interest income/operating revenue | 66.8 | 67.7 | 50.8 | 30.3 | 27.4 |
| Fee income/operating revenue | 17.1 | 20.8 | 19.9 | 25.0 | 20.5 |
| Market-sensitive income/operating revenue | 1.8 | (4.5) | 12.1 | 17.2 | 11.4 |
| Noninterest expenses/operating revenue | 62.7 | 60.6 | 62.5 | 57.1 | 54.9 |
| Preprovision operating income/average assets | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 |
| Core earnings/average managed assets | 0.2 | 0.2 | 0.2 | 0.3 | 0.4 |

*Data as of June 30.
N/A--Not applicable.

**Table 4**

**The Mortgage Society of Finland Risk-Adjusted Capital Framework Data**

| | **Exposure*** | **Basel III RWA** | **Average Basel III RW(%)** | **S&P Global RWA** | **Average S&P Global RW (%)** |
|---|---|---|---|---|---|
| **Credit risk** | | | | | |
| Government & central banks | 384,116,422 | 1,170,952 | -- | 5,418,472 | 1 |
| Of which regional governments and local authorities | 100,496,497 | -- | -- | 3,617,874 | 4 |
| Institutions and CCPs | 64,470,557 | 15,700,129 | 24 | 9,820,726 | 15 |
| Corporate | 72,937,960 | 32,584,814 | 45 | 20,145,182 | 28 |
| Retail | 2,632,789,776 | 766,424,215 | 29 | 609,519,844 | 23 |
| Of which mortgage | 2,572,499,516 | 755,204,195 | 29 | 596,562,638 | 23 |
| Securitization§ | -- | -- | -- | -- | -- |
| Other assets† | 69,343,897 | 69,311,880 | 100 | 68,552,606 | 99 |
| Total credit risk | 3,223,658,612 | 885,191,990 | 27 | 713,456,830 | 22 |
| **Credit valuation adjustment** | | | | | |
| Total credit valuation adjustment | -- | 7,460,650 | -- | -- | -- |
| **Market Risk** | | | | | |
| Equity in the banking book | 132,375 | 132,375 | 100 | 1,323,748 | 1,000 |
| Trading book market risk | -- | -- | -- | -- | -- |
| Total market risk | -- | 132,375 | -- | 1,323,748 | -- |

**Table 4**

**The Mortgage Society of Finland Risk-Adjusted Capital Framework Data (cont.)**

| | | | | | |
|---|---|---|---|---|---|
| **Operational risk** | | | | | |
| Total operational risk | -- | 32,506,775 | -- | 29,745,095 | -- |
| | **Exposure** | **Basel III RWA** | **Average Basel II RW (%)** | **S&P Global RWA** | **% of S&P Global RWA** |
| **Diversification adjustments** | | | | | |
| RWA before diversification | -- | 925,291,790 | -- | 744,525,673 | 100 |
| Total Diversification/ Concentration Adjustments | -- | -- | -- | 573,764,892 | 77 |
| RWA after diversification | -- | 925,291,790 | -- | 1,318,290,565 | 177 |
| | | **Tier 1 capital** | **Tier 1 ratio (%)** | **Total adjusted capital** | **S&P Global RAC ratio (%)** |
| **Capital ratio** | | | | | |
| Capital ratio before adjustments | | 112,342,347 | 12.1 | 118,701,210 | 15.9 |
| Capital ratio after adjustments‡ | | 112,342,347 | 12.1 | 118,701,210 | 9.0 |

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of 'Dec. 31 2018', S&P Global Ratings.

## Risk position: Exceptional asset quality and loan-loss track record, but concentration on retail mortgage lending in Finland

In our view, Hypo's risk position is moderate. We view positively the bank's focus on very low risk lending--consisting of mortgage loans to domestic retail customers and housing companies--and the high granularity in its loan portfolio book. However, we still believe that the regionally focused mortgage loan book exposes the bank to concentration risk and makes it vulnerable to real estate price developments in some areas of Finland.

This concentration risk is partly mitigated by Hypo's conservative underwriting standards. The bank's loan book of €2.7 billion on June 30, 2019, demonstrates strong asset quality underpinned by high collateralization. The average loan-to-value ratio (LTV) stood at 35.7% on June 30, 2019, which we assess to be very low and more conservative than many specialized mortgage lenders in the Nordics. Furthermore, 99% of loans are amortizing and 1% are bullet loans.

We do not expect the bank will abandon its conservative lending policies and high collateralization for targeted loan growth. We therefore anticipate that Hypo will continue demonstrating an exceptional loan-loss track record. We anticipate that total nonperforming loans will remain at the current low of €1.9 million, or 0.07% of the loan portfolio as of June 30, 2019--well below the average of peer banks. Total credit losses are almost nonexistent, and losses in the past have resulted solely from household customers. We understand that since the Finnish Banking Crisis in the 1990s, Hypo has not experienced credit losses from housing companies, housing companies with properties under construction, or housing investors, which demonstrates the bank's risk approach. The bank's loan-loss track record in recent decades is outstanding compared with peers', in our view. We note that Hypo does not invest in commercial real estate or land, which supports our view of its risk profile.

**Table 5**

**The Mortgage Society of Finland Risk Position**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2019*** | **2018** | **2017** | **2016** | **2015** |
| Growth in customer loans | 5.7 | 17.0 | 22.5 | 27.2 | 18.0 |
| Total diversification adjustment/S&P Global Ratings' RWA before diversification | N/A | 77.1 | 76.5 | 82.9 | N/A |
| Total managed assets/adjusted common equity (x) | 26.3 | 26.2 | 24.7 | 21.6 | 19.3 |
| New loan loss provisions/average customer loans | 0.00 | 0.00 | (0.00) | 0.02 | (0.00) |
| Gross nonperforming assets/customer loans + other real estate owned | 0.07 | 0.07 | 0.14 | 0.11 | 0.16 |
| Loan loss reserves/gross nonperforming assets | 18.8 | 20.1 | 9.7 | 31.4 | 15.6 |

*Data as of June 30.
RWA--Risk-weighted assets. N/A--Not applicable.

### Funding and liquidity: Matched funding profile but elevated dependence on wholesale funding

We consider Hypo's funding to be below average, because of its predominantly wholesale funding profile.

Funding comes mainly from wholesale markets, with covered bonds representing 45% of total funds on June 30, 2019. This is above the ratio of its Finnish peer banks but compares well with banks in Norway and Sweden, which have a similar funding assessment. Core customer deposits constitute about 53% of the funding base and are mainly from housing companies and institutional clients, which we consider in general to be less stable than retail deposits in times of stress. In our view, Hypo's funding profile is therefore more confidence sensitive and prone to volatility during adverse market and economic conditions. The elevated loan-to-deposit ratio of 166% on June 30, 2019, is weaker than most Finnish banks' and underpins our assessment.

We view as positive the increasing share of covered bonds, which leads to a more balanced funding profile given the long-term lending business on the asset side. The share of covered bonds to total funding increased to about 40% as of June 30, 2019. We expect the bank to issue further covered bonds in order to reduce its funding costs and improve its net interest margin in the next two years. Through the issuance of covered bonds, Hypo continues to improve upon its funding maturity, resulting in a well-matched funding profile. We expect this to have a positive effect on the stable funding ratio, which was 112% on June 30, 2019. Asset encumbrance has increased somewhat during the past two years because of covered bond issuances, but we believe Hypo will have the appetite and capacity for further issuances.

We consider Hypo's liquidity as adequate. On June 30, 2019, Hypo had a liquidity position of about €443 million (13.8% of total assets), consisting mainly of cash (34%) at the Finnish Central Bank and European Central Bank-eligible debt securities with a credit rating of at least 'AA-'. We believe that under stressful conditions involving the closure of capital markets, Hypo could survive for more than six months without dependence on central bank operations. Moreover, Hypo's broad liquid assets to short-term wholesale funding multiple was 2.5x at year-end 2018 but increased to 7.25x by June 30, 2019, due to a decline in short-term wholesale funding. Hypo's adequate liquidity profile is also demonstrated by its liquidity coverage ratio (LCR) of 149.7% as of June 30, 2019, satisfying the regulatory minimum of 100%. We understand that Hypo is targeting a LCR well above the regulatory minimum.

Having said that, we note that Hypo's monoline business model, small size, and relatively high share of wholesale funding may require stronger liquidity buffers in a stress event than larger more diversified peers. We could therefore negatively assess Hypo's liquidity profile if the bank manages its liquidity buffers more aggressively, leading to a substantial weakening of its liquidity ratios.

**Table 6**

**The Mortgage Society of Finland Funding And Liquidity**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2019*** | **2018** | **2017** | **2016** | **2015** |
| Core deposits/funding base | 53.0 | 58.2 | 58.2 | 55.5 | 56.8 |
| Customer loans (net)/customer deposits | 165.8 | 150.7 | 143.6 | 150.2 | 136.7 |
| Long-term funding ratio | 98.1 | 94.4 | 87.7 | 87.7 | 83.4 |
| Stable funding ratio | 112.0 | 108.0 | 104.1 | 103.6 | 103.0 |
| Short-term wholesale funding/funding base | 2.0 | 5.8 | 12.8 | 12.9 | 17.5 |
| Broad liquid assets/short-term wholesale funding (x) | 7.3 | 2.5 | 1.4 | 1.4 | 1.3 |
| Net broad liquid assets/short-term customer deposits | 23.3 | 15.2 | 9.1 | 9.3 | 8.3 |
| Short-term wholesale funding/total wholesale funding | 4.2 | 13.9 | 30.7 | 28.9 | 40.4 |
| Narrow liquid assets/3-month wholesale funding (x) | 23.8 | 5.3 | 12.0 | 6.7 | 4.5 |

*Data as of June 30.

### Support: No uplift for external support and no resolution counterparty ratings

In our view, Finland has had a fully fledged resolution regime in place since January 2016. Since Hypo has low systemic importance, we believe it is unlikely to be subject to a well-defined bail-in process. Therefore, we do not consider the additional loss-absorbing criteria to be applicable, nor do we think that Hypo is eligible for our resolution counterparty rating (RCR). RCRs recognize the default risk of certain bank liabilities that rank senior to other liabilities in a resolution. In our view, the response to a non-viability of Hypo will not be a bail-in resolution.

## Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria - Financial Institutions - General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Related Research

- Banking Industry Country Risk Assessment Update: July 2019, July 30, 2019
- Nordic Banks' Strong Capital Will Cushion Them From The Challenges Ahead, March 28, 2019
- Nordic Banks Sport Strong Capital--And It's Not Likely To Soften, Oct. 17, 2018
- Nordic Bank Ratings Continue To Stand Tall, Aug. 16, 2018
- Banking Industry Country Risk Assessment: Finland, Feb. 2, 2018

**Anchor Matrix**

| Industry Risk | Economic Risk | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 | **2** | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| 1 | a | a | a- | bbb+ | bbb+ | bbb | - | - | - | - |
| 2 | a | a- | a- | bbb+ | bbb | bbb | bbb- | - | - | - |
| **3** | a- | **a-** | bbb+ | bbb+ | bbb | bbb- | bbb- | bb+ | - | - |
| 4 | bbb+ | bbb+ | bbb+ | bbb | bbb | bbb- | bb+ | bb | bb | - |
| 5 | bbb+ | bbb | bbb | bbb | bbb- | bbb- | bb+ | bb | bb- | b+ |
| 6 | bbb | bbb | bbb- | bbb- | bbb- | bb+ | bb | bb | bb- | b+ |
| 7 | - | bbb- | bbb- | bb+ | bb+ | bb | bb | bb- | b+ | b+ |
| 8 | - | - | bb+ | bb | bb | bb | bb- | bb- | b+ | b |
| 9 | - | - | - | bb | bb- | bb- | b+ | b+ | b+ | b |
| 10 | - | - | - | - | b+ | b+ | b+ | b | b | b- |

**Ratings Detail (As Of August 26, 2019)***

| | |
|---|---|
| **The Mortgage Society of Finland** | |
| Issuer Credit Rating | BBB/Stable/A-2 |
| Senior Secured | AAA/Stable |
| **Issuer Credit Ratings History** | |
| 26-Apr-2017 | BBB/Stable/A-2 |
| 17-Nov-2016 | BBB/Stable/A-3 |
| 31-Aug-2015 | BBB/Negative/A-3 |
| **Sovereign Rating** | |
| Finland | AA+/Stable/A-1+ |

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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