

# The Mortgage Society of Finland Covered Bond Ratings Affirmed At 'AAA'; Outlook Stable

September 4, 2019

## Overview

- Following the publication of our revised counterparty risk criteria, we placed our ratings on The Mortgage Society of Finland's mortgage covered bond program under criteria observation.
- Our analysis concludes that the maximum supported rating is still 'AAA'.
- We have therefore affirmed our 'AAA' ratings on the covered bond program and related issuances and removed the under criteria observation identifier. The outlook remains stable.

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MADRID (S&P Global Ratings) Sept. 4, 2019--S&P Global Ratings today affirmed its 'AAA' credit ratings on The Mortgage Society of Finland's mortgage covered bonds. The outlook is stable.

On March 8, 2019, we published our criteria for analyzing counterparty risk in structured finance transactions and placed under criteria observation (UCO) the ratings on programs that could be affected (see "Ratings Placed Under Criteria Observation Due To Revised Counterparty Risk Criteria," published on March 8, 2019 and "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019).

BNP Paribas, Nordea Bank Abp, Swedbank, and Danske Bank are the interest rate swap counterparties in the program. To derive the maximum potential rating on the covered bonds considering our counterparty criteria, we consider various factors, including whether the counterparties are related to the issuer, the seniority of termination payments, the replacement commitment, and the collateral posting framework.

The swap counterparties in this program are unrelated to the issuer and entitled to termination payments that rank pari passu with payments on the covered bonds. According to the swap documentation, Nordea, Swedbank, and Danske Bank have committed to replacing themselves, at their own cost and within 60 days, if their resolution counterparty rating (RCR) falls below 'A-'. If a counterparty fails to meet this commitment, an additional termination event would allow the issuer to terminate the derivative agreement. Furthermore, if we lower our rating on a swap counterparty below 'A-', the counterparties have each committed to post collateral sufficient to cover the issuer's exposure to that counterparty, plus certain volatility risk in the swap value. We categorize the current collateral-posting framework for the counterparties in the derivative contracts as strong.

Although BNP Paribas' commitments are similar, the rating triggers have been set at a RCR of 'A+' and the collateral-posting framework in the derivative contract is categorized as moderate.

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The collateral framework assessments, combined with the current rating reference level on the issuer ('a-') and the different replacement triggers, support a maximum potential rating of 'AAA' under our counterparty risk assessment. As a result, the ratings on the bonds are no longer under criteria observation and we are affirming the ratings at 'AAA'.

The stable outlook on the covered bond ratings indicates that the program benefits from one unused notch of collateral-based uplift under our covered bonds criteria. Therefore, the ratings on the covered bonds would be unaffected if we were to lower our long-term issuer credit rating on The Mortgage Society of Finland by one notch, all else being equal.

### Related Criteria

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Criteria | Structured Finance | General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | Covered Bonds: Covered Bond Ratings Framework: Methodology And Assumptions, June 30, 2015
- Criteria | Structured Finance | Covered Bonds: Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Criteria | Structured Finance | Covered Bonds: Covered Bonds Criteria, Dec. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

### Related Research

- Global Covered Bond Characteristics And Rating Summary Q2 2019, June 27, 2019
- Global Covered Bond Insights Q2 2019, June 27, 2019
- Ratings Placed Under Criteria Observation Due To Revised Counterparty Risk Criteria, March 8, 2019
- Assessments For Jurisdictional Support According To Our Covered Bonds Criteria, Oct. 16, 2018
- Assessments For Target Asset Spreads According To Our Covered Bonds Criteria, Oct. 16, 2018
- Glossary Of Covered Bond Terms, April 27, 2018

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