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# The Mortgage Society of Finland

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# The Mortgage Society of Finland

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

\+

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

\+

| Additional Factors | 0 |
|---|---|

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

## Major Rating Factors

| Strengths: | Weaknesses: |
|---|---|
| • Very strong risk-adjusted capitalization.<br>• Strong asset quality and exceptional loan loss track record in the past 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: Stable**

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 support Hypo to reach its growth ambitions 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:

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

### Upside scenario

A positive rating action is, in our view, remote at this stage. It could be triggered by an improved funding profile 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 weak business position, based on 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 on our expectation that the risk-adjusted capital (RAC) ratio will be in the range of 16.0%-16.5% in the next 12-24 months. We assess the risk position to be moderate, due to regional and product concentration risks in the retail mortgage loan book being partly offset by Hypo's very conservative underwriting standards and strong asset quality. The ratings also reflect Hypo's below average funding profile due to its dependence on wholesale funding, while we view liquidity as adequate owning to a 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 and the Finnish government's supportiveness toward the banking sector as being uncertain since the implementation of the EU Bank Recovery and Resolution Directive on Jan. 1, 2016.

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

To determine a bank's anchor, we use our Banking Industry Country Risk Assessment's (BICRA's) economic risk score and industry risk score. 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. Countries in group '2' are, among others, Sweden, Norway, Switzerland, and Germany.

We view Finland as an innovative, wealthy, and open economy, with mature political and institutional structures. After a prolonged recession in 2012-2015, growth has picked up substantially. We forecast GDP growth will reach 2.7% in 2018, supported by strong domestic and external demand. However, we project growth will slow to around 1.5% by 2020. We expect structural factors like low real wage growth and still elevated unemployment to weigh on the economy. At the same time, we observe improving consumer confidence and household demand for unsecure lending. This, combined with strong growth in housing corporation loans, has led to a further increase in household debt to a record 128.3% of disposable income, though lower than that of Nordic peers. Still, we believe Finnish banks' asset quality will remain strong in the next two years, based on the sound financial positions of the household and corporate sectors, banks' conservative underwriting standards (combined with stricter regulatory requirements), and the very low interest rate environment. However, a departure from prudent lending standards, combined with increases in interest rates, could strain households' debt-servicing capacity in the medium term. As such, we view the economic risk trend in Finland as stable, with increased investments and net exports supporting robust economic growth, stable house prices, and a government committed to addressing structural reform needs.

We see industry risk in Finland as moderate and the competitive landscape as stable, while we expect risk appetite to remain moderate. The planned redomiciliation of Nordea to Finland in late 2018 will not in our view change the competitive situation in the Finnish banking sector because the bank's actual operations in other Nordic markets will remain unchanged. However, the move will increase the size of Finland's banking sector to about 400% of GDP and could make it more vulnerable to external factors. We expect the banking sector to maintain stable and sound profitability as well as strong capitalization. The main weakness for Finnish banks remains their structural funding gap and high dependence on international market funding, which makes them vulnerable to confidence sensitivity. That said, the banks continue to demonstrate good access to both secured and unsecured capital markets.

**Table 1**

**The Mortgage Society of Finland Key Figures**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(Mil. €)** | **2018*** | **2017** | **2016** | **2015** | **2014** |
| Adjusted assets | 2,953.7 | 2,789.7 | 2,302.4 | 1,957.5 | 1,499.0 |
| Customer loans (gross) | 2,388.3 | 2,212.9 | 1,807.1 | 1,420.7 | 1,204.4 |
| Adjusted common equity | 115.4 | 113.1 | 106.6 | 101.8 | 96.3 |
| Operating revenues | 9.0 | 17.7 | 17.7 | 16.7 | 17.3 |
| Noninterest expenses | 6.0 | 11.1 | 10.1 | 9.2 | 9.7 |
| Core earnings | 2.5 | 5.5 | 6.1 | 6.2 | 6.2 |

*Data as of June 30.

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

We consider Hypo's business position to be weak, reflecting the bank's small size, marginal market share in Finland, and its concentrated niche market position focused purely on residential mortgage lending to households and housing companies.

Hypo, with total assets of €3.0 billion and a loan portfolio of €2.4 billion as of June 2018, 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 market share of roughly 0.6% in home mortgages in Finland. 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 in specified growth centers in the rest of the country and operates solely from its headquarters in Helsinki.

We view Hypo's narrow product focus on residential mortgage lending as the main weakness to 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 risks and a very low risk appetite. The bank's conservative culture is also underpinned by Hypo's 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.

Hypo's revenues consist of:

- Net interest income from first-lien mortgages related to Finnish residential mortgages and loans to housing companies (51% of total operating revenues in 2017);
- Income from investments in housing and land property owned by Hypo (20%);
- Fee and commission income from lending, deposits, residential property trustee services (17%); and
- Net income from securities, financial assets, and other income (12%).

We expect this split will remain unchanged in the foreseeable future. The bank had 51 employees as of June 2018. At the same time, the cost-to-income ratio of 66.4% (compared with 64.9% on June 31, 2017) remains somewhat higher than the domestic average, but we expect improved cost-efficiency until 2020 derived mainly from lower funding costs.

**Table 2**

**The Mortgage Society of Finland Business Position**

| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2018*** | **2017** | **2016** | **2015** | **2014** |
| Total revenues from business line (currency in millions) | N/A | 17.8 | 19.4 | 17.3 | 18.3 |
| Commercial & retail banking/total revenues from business line | N.M. | 97.8 | 98.5 | 97.3 | 94.7 |
| Other revenues/total revenues from business line | N.M. | 2.2 | 1.5 | 2.7 | 5.3 |
| Return on average common equity (%) | 4.3 | 4.9 | 5.8 | 6.3 | 6.7 |

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

### 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% over the next 24 months, compared with 16.2% on June 30, 2018.

The RAC ratio is likely to be determined mainly by the bank's targeted loan growth of about 10%-15% over the next two years. The loan growth will translate into an increase in our calculation of risk-weighted assets 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.

We expect that Hypo's interest income from loan business will strengthen in 2018-2019, driven primarily by improved margins benefiting from lower funding costs, and through increased lending volumes. This should result in an improvement of the earnings buffer. We estimate a three-year average of 0.6% by 2019 (an earnings buffer of about 1.0% indicates adequate earnings capacity). As a mutual company, Hypo does not pay out dividends. Consequently, the retained profits are solely used for capital build-up. We expect the return on equity will gradually increase to around 7% by 2020 (4.9% in 2017).

Hypo exceeds current and expected future regulatory capital requirements with a common equity tier 1 (CET1) ratio of 12.3% on June 30, 2018. This is close to Hypo's internal target, but we expect an increase of the ratio also because of the decision by the Finnish Financial Supervision Authority to increase Hypo's CET1 buffer requirement by one percentage point by July 1, 2019, amid structural risks in the domestic banking system. We consider Hypo's quality of capital to be weaker than rated peers because of the small absolute size of its capital base and the bank's 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.

The net interest income and net fee and commission income constitute a major part of revenues, while the stable income from property holdings constitutes the remainder. The income from property holdings is unusual compared with peers'. However, we think Hypo is holding high-quality assets and does not display an opportunistic approach to achieving quick market value gains. The first-time implementation of International Financial Reporting Standard No. 9 (IFRS9) has a negligible impact upon Hypo's capital, given its already very conservative loss model standards.

**Table 3**

| The Mortgage Society of Finland Capital And Earnings | | | | | |
|---|---|---|---|---|---|
| | | --Year-ended Dec. 31-- | | | |
| **(%)** | **2018*** | **2017** | **2016** | **2015** | **2014** |
| Tier 1 capital ratio | 12.3 | 12.7 | 13.6 | 13.8 | 15.1 |
| S&P RAC ratio before diversification | 16.2 | 17.1 | 18.1 | 18.6 | 19.7 |
| S&P RAC ratio after diversification | 9.3 | 9.7 | 9.9 | 11.5 | 11.5 |
| Adjusted common equity/total adjusted capital | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Net interest income/operating revenues | 64.0 | 50.8 | 30.3 | 27.4 | 37.2 |
| Fee income/operating revenues | 21.5 | 19.9 | 25.0 | 20.5 | 20.9 |
| Market-sensitive income/operating revenues | (0.1) | 12.1 | 17.2 | 11.4 | 16.1 |
| Noninterest expenses/operating revenues | 66.4 | 62.5 | 57.1 | 54.9 | 56.4 |
| Preprovision operating income/average assets | 0.2 | 0.3 | 0.4 | 0.4 | 0.6 |
| Core earnings/average managed assets | 0.2 | 0.2 | 0.3 | 0.4 | 0.5 |

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**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 and central banks | 431,170,952 | 1,294,224 | 0 | 5,523,487 | 1 |
| Of which regional governments and local authorities | 89,726,331 | 0 | 0 | 3,230,148 | 4 |
| Institutions and CCPs | 68,835,098 | 15,548,586 | 23 | 10,482,198 | 15 |
| Corporate | 77,713,466 | 35,987,921 | 46 | 22,889,972 | 29 |
| Retail | 2,494,473,857 | 727,577,783 | 29 | 581,440,551 | 23 |
| Of which mortgage | 2,434,364,915 | 714,838,812 | 29 | 564,529,224 | 23 |
| Securitization§ | 0 | 0 | 0 | 0 | 0 |
| Other assets† | 65,796,242 | 65,672,462 | 100 | 64,957,748 | 99 |
| Total credit risk | 3,137,989,615 | 846,080,976 | 27 | 685,293,956 | 22 |
| **Credit valuation adjustment** | | | | | |
| Total credit valuation adjustment | -- | 7,840,709 | -- | 0 | -- |
| **Market risk** | | | | | |
| Equity in the banking book | 132,375 | 132,375 | 100 | 1,323,748 | 1,000 |
| Trading book market risk | -- | 0 | -- | 0 | -- |
| Total market risk | -- | 132,375 | -- | 1,323,748 | -- |
| **Operational risk** | | | | | |
| Total operational risk | -- | 29,782,453 | -- | 24,802,639 | -- |
| | | **Basel III RWA** | | **S&P Global RWA** | **% of S&P Global RWA** |
| **Diversification adjustments** | | | | | |
| RWA before diversification | | 883,836,513 | | 711,420,343 | 100 |
| Total Diversification/Concentration Adjustments | | -- | | 525,532,861 | 74 |
| RWA after diversification | | 883,836,513 | | 1,236,953,204 | 174 |
| | | **Tier 1 capital** | **Tier 1 ratio (%)** | **Total adjusted capital** | **S&P Global RAC ratio (%)** |
| **Capital ratio** | | | | | |
| Capital ratio before adjustments | | 108,479,554 | 12.3 | 115,432,000 | 16.2 |
| Capital ratio after adjustments‡ | | 108,479,554 | 12.3 | 115,432,000 | 9.3 |

*Exposure at default. §Securitisation exposure includes the securitisation tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡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 June. 30, 2018, S&P Global.

## 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 high granularity in its loan portfolio book. However, we still consider that the regionally focused mortgage loan book exposes the bank to concentration risk and makes it vulnerable to real estate price developments in some regions of Finland.

The concentration risk is partly mitigated by Hypo's conservative underwriting standards. Hypo's loan book of €2.4 billion demonstrates strong asset quality underpinned by high collateralization, with a weighted average loan-to-value ratio (LTV) of 36.4% on June 30, 2018 (38.3% in June 2017), which we assess to be very low and more conservative than that of many specialized mortgage lenders in Europe.

We do not expect the bank will compromise its cornerstone 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 0.12% of the loan portfolio as of June 30, 2018--well below the average of peer banks (see chart 1). 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 the past decades is outstanding in peer comparison, in our view. 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**

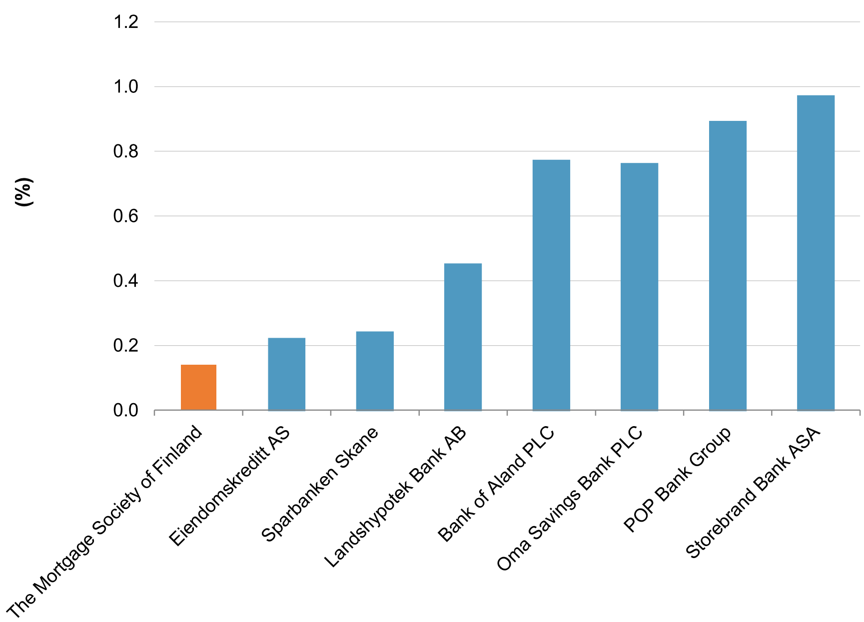
| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2018*** | **2017** | **2016** | **2015** | **2014** |
| Growth in customer loans | 15.9 | 22.5 | 27.2 | 18.0 | 23.1 |
| Total diversification adjustment / S&P RWA before diversification | 73.9 | 76.5 | 82.9 | N/A | 70.9 |
| Total managed assets/adjusted common equity (x) | 25.6 | 24.7 | 21.6 | 19.3 | 15.6 |
| New loan loss provisions/average customer loans | 0.0 | (0.0) | 0.0 | (0.0) | 0.0 |
| Gross nonperforming assets/customer loans + other real estate owned | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| Loan loss reserves/gross nonperforming assets | N/A | 9.7 | 31.4 | 15.6 | 12.6 |

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Chart 1**

**The Mortgage Society of Finland Asset Quality vs. Peers (Data as of Dec. 31, 2017)**




Source: S&P Global Ratings.


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

We consider Hypo's funding to be below average--incorporating its predominantly wholesale funding profile--and regard its liquidity position as adequate.

Funding comes mainly from wholesale markets, with covered bonds and senior unsecured instruments representing 42% of total funds as of June 30, 2018. This is above the ratio of its Finnish peer banks while it compares well with banks in Norway and Sweden, which have a similar funding assessment (see chart 2). Core customer deposits constitute about 58% 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 147% at the end of second-quarter 2018 is weaker than most banks in Finland 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. With the issue of a €250 million mortgage covered bond in April 2018, the share of covered bonds to total funding increased to 31% as of June 30, 2018. We expect the bank to issue further covered bonds, in order to reduce their funding costs and improve 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 impact on Hypo's stable funding ratio, which was 111% on June 30, 2018. Asset encumbrance has increased somewhat during the last two years because of covered bond issuances. Having said that, roughly €920 million of unencumbered loans give some room for further covered bond issuances.

We consider that Hypo's liquidity remains adequate. On June 30, 2018, Hypo had a liquidity position of about €493 million (€506 million at year-end 2017), consisting mainly of cash (54%) 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. Moreover, Hypo's broad liquid assets to short-term wholesale funding multiple was 2.9x at the end of the second-quarter 2018, an average metric in comparison with rated banks on a global scale. Hypo's adequate liquidity profile is also demonstrated by its liquidity coverage ratio (LCR) of 169% as of June 30, 2018, 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 at larger more diversified peers. We could therefore negatively assess Hypo's liquidity profile if the bank manages its liquidity buffers more aggressively than currently, leading to a substantial weakening of its liquidity ratios.

**Table 6**

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

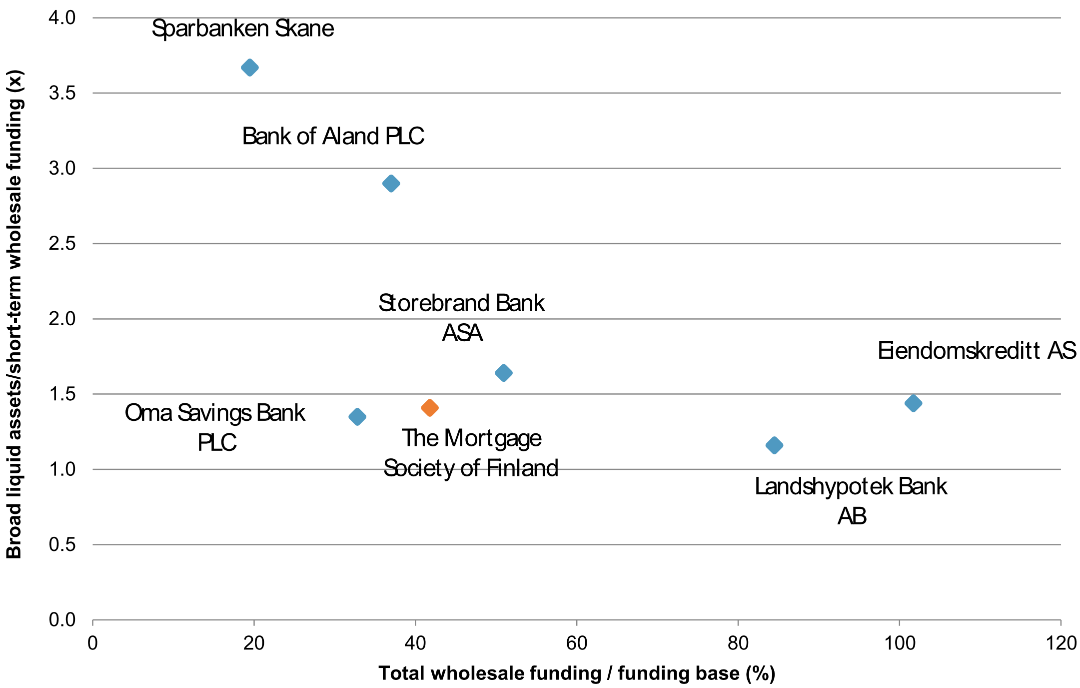
| | | --Year-ended Dec. 31-- | | | |
|---|---|---|---|---|---|
| **(%)** | **2018*** | **2017** | **2016** | **2015** | **2014** |
| Core deposits/funding base | 57.9 | 58.2 | 55.5 | 56.8 | 34.0 |
| Customer loans (net)/customer deposits | 146.8 | 143.6 | 150.2 | 136.7 | 257.2 |
| Long term funding ratio | 94.2 | 87.7 | 87.7 | 83.4 | 82.0 |
| Stable funding ratio | 110.6 | 104.1 | 103.6 | 103.0 | 93.3 |
| Short-term wholesale funding/funding base | 6.0 | 12.8 | 12.9 | 17.5 | 19.3 |
| Broad liquid assets/short-term wholesale funding (x) | 2.9 | 1.4 | 1.4 | 1.3 | 0.8 |
| Net broad liquid assets/short-term customer deposits | 19.3 | 9.1 | 9.3 | 8.3 | (10.1) |
| Short-term wholesale funding/total wholesale funding | 14.3 | 30.7 | 28.9 | 40.4 | 29.2 |
| Narrow liquid assets/3-month wholesale funding (x) | 11.4 | 12.0 | 6.7 | 4.5 | 1.5 |

*Data as of June 30.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

**Chart 2**

**The Mortgage Society of Finland Funding And Liquidity Metrics Versus Peers (Data As Of Dec. 31, 2017)**




Source: S&P Global Ratings.



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

We consider Finland has had a fully-fledged resolution regime in place since January 2016. Since Hypo has low systemic importance, in our view it would unlikely be subject to a well-defined bail-in process. As such, we do not consider the additional loss-absorbing criteria to be applicable to it, 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

- 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
- General Criteria: Group Rating Methodology, Nov. 19, 2013

- 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

- Nordic Bank Ratings Continue To Stand Tall, Aug. 16, 2018
- The Mortgage Society of Finland 'BBB/A-2' Ratings Affirmed On Unchanged Asset Quality And Capitalization; Outlook Stable, July 25, 2018
- Banking Industry Country Risk Assessment: Finland, Feb. 2, 2018
- Nordic Banks' Capitalization Should Remain Stable Despite Revised Basel III Standards, Jan. 24, 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 September 13, 2018) | |
|---|---|
| **The Mortgage Society of Finland** | |
| Issuer Credit Rating | BBB/Stable/A-2 |
| Senior Secured | AAA/Stable |
| Senior Unsecured | BBB |
| **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 |

| Ratings Detail (As Of September 13, 2018) (cont.) | |
|---|---|
| **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.