

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.

PRIMARY CREDIT ANALYST

Marta Escutia
Madrid
+ 34 91 788 7225
marta.escutia
@spglobal.com

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.

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

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

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.