

Transaction Update:

The Mortgage Society Of Finland CBA Covered Bond Program

October 29, 2026

Reference rating level	a-	Jurisdiction-supported rating level	aa-	Maximum achievable CB rating	aaa	Covered bond rating	
Resolution regime uplift	+2	Assigned jurisdictional support uplift	+3	Assigned collateral support uplift	+3	AAA/Stable	
Systemic importance	Very Strong	Jurisdictional support assessment	Very Strong	Over-collateralization adjustment	0	Rating constraints	aaa
Resolution counterparty rating	N/A			Liquidity adjustment	0	Sovereign risk	aaa
Issuer credit rating	BBB			Potential collateral-based uplift	+4	Counterparty risk	aaa

Number of unused notches: 1

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Credit Highlights

Overview

Key strengths	Key risks
The cover pool comprises well-seasoned Finnish mortgage loans with lower current loan-to-value (LTV) ratios than other specialized mortgage lenders in the Nordics.	Interest rate mismatches arise predominantly from floating-rate cover pool assets and fixed-rate covered bonds (60% of the program), which lack an interest-rate hedge within the cover pool.
The program benefits from one unused notch of collateral-based uplift that would protect the covered bond ratings if we were to lower the long-term issuer credit rating (ICR) on the issuer.	About 92% of the pool comprises loans to housing companies, which we view as a higher risk to the program's creditworthiness than residential mortgages.
The bonds' soft-bullet repayment profile mitigates liquidity risk.	
The issuer is committed to maintaining an overcollateralization level consistent with the 'AAA' ratings.	

The Mortgage Society of Finland's (Suomen Hypoteekkiyhdistys; Hypo) covered bond program holds sufficient collateral to support the 'AAA' ratings on the covered bonds. The program

achieves five notches above Hypo's ICR, on the back of the protection afforded to covered bonds under the applicable bank resolution framework and the potential for wider jurisdictional support--such as direct state intervention, indirectly from a government's use of private-sector mechanisms or from supranational entities--if the issuer were unable to meet its obligations. Furthermore, the protection granted to covered bondholders from the cover pool supports four additional notches of uplift, where only three are needed to achieve 'AAA' ratings. As a result, the program benefits from one unused notch of uplift should the ICR on Hypo be downgraded.

The credit enhancement commensurate with the 'AAA' rating has increased. As of June 2026, the amount of cover pool assets has considerably increased, following Hypo's fourth and fifth covered bond issuances under the program in September 2025 and February 2026, respectively. The credit quality of new mortgage assets in the portfolio is slightly riskier, comprising loans with comparably higher LTV ratios and lower seasoning. Furthermore, the asset-liability interest and maturity mismatches increased, leading to a slight deterioration in the program's cash flow results. The 'AAA' credit risk increased to 4.4% (from 3.7% in our previous analysis), and the target credit enhancement (TCE) increased to 10% (from 9.4%). We define TCE as the overcollateralization commensurate with the maximum collateral-based uplift.

Our counterparty risk assessment does not constrain the ratings on the covered bonds.

Considering the issuer's reference rating level (RRL) is 'a-', we rely on the issuer's ability to manage the counterparty risk associated with its bank account providers. Furthermore, derivative counterparties are appropriately rated and effective replacement frameworks are in place, supporting the rating on the covered bonds.

The banking sector shows resilience to economic risk. The Finnish economy has stagnated in the past few years due to weak underlying growth, exacerbated by external events (such as the indirect effects of the Russian-Ukraine and Middle East wars and energy crises). The outlook remains fragile, and we forecast GDP growth of 0.75% in 2026, with moderate average growth of 1.5% over 2027-2029, supported by a pickup in private sector investments and consumption. Despite the muted economic environment combined with high unemployment and elevated level of bankruptcies, we expect the banking sector's asset quality to remain intact, with domestic nonperforming loans at 2.0%-2.2% and credit losses contained at 15 basis points (bps)-20 bps, thanks to Finnish banks' prudent underwriting standards focused on collateralized lending, the private sector's sound financial buffers, and Finland's strong social security system.

Banking industry risk is stable. Finnish banks generated record profitability in 2022-2024 on the back of the high-interest-rate environment and solid contribution from fee-based business. While we expect the earnings to somewhat moderate, the diversification of business models with growing asset management and capital-light business, sound operating efficiency, and moderate credit losses will keep the projected return on equity at 11%-12% through 2028 at the sector level (12.2% in 2025). This will enable continuous investments in technology, including automation and AI--underpinning the sector's position at the forefront of digitalization (see ["Rating On Eight Finnish Banks Affirmed Amid Weak Economy; Bonum Bank Outlook Revised,"](#) June 10, 2026, and ["Banking Industry Country Risk Assessment: Finland,"](#) Dec. 16, 2025).

Outlook

The stable outlook on the 'AAA' ratings on Hypo's Covered Bond Act (CBA) mortgage covered bond program and related issuances reflects that we would not automatically lower the ratings if we were to lower our long-term ICR on Hypo by one notch, all else being equal.

Program Description

Table 1

Program overview*

Jurisdiction	Finland
Legal framework	Finnish Covered Bond Act
Redemption profile	Soft-bullet
Underlying assets	Finnish residential mortgage loans and loans to housing companies
Outstanding covered bonds (mil. €)	1,500
Available credit enhancement (current balance, %)	17.8
Credit enhancement commensurate with rating (%)	7.2
Legal overcollateralization (%)	2
Number of unused notches	1

*Based on cash flow data as of June 30, 2026.

Founded in 1860, Hypo is the oldest private credit institution in Finland. It is a licensed bank and a mutual company operating under Finland's Act on Mortgage Societies and is governed by its members. With total assets of €3.8 billion and a loan portfolio of €2.8 billion as of June 2026, Hypo is a small player in Finland's banking sector (market share of about 1% of total lending in Finland). Its focus is purely on low-risk residential mortgage lending to Finnish households and housing companies. Hypo is active in urban areas in Finland--Helsinki, Southern Finland, and other growth centers.

This is Hypo's second covered bond program. It was set up in late 2022 to issue covered bonds under Finland's CBA, effective July 8, 2022. The mortgage covered bonds are issued under Hypo's €2.5 billion program for the issuance of senior preferred notes, subordinated debentures, and covered bonds.

Hypo's first cover pool was established in November 2016 and contains covered bonds issued before the implementation of the EU Covered Bond Directive on July 8, 2022, under the Finnish Act on Mortgage Credit Bank Activities (688/2010) (the "MCBA Covered Bond Program"), which we analyze separately.

Covered bonds are Hypo's main financing source, together with deposits, each making up almost half of its total funding. Hypo issued its fifth €300 million fixed interest rate paying covered bond under the CBA Covered Bond Program in February 2026. The covered bonds constitute direct unconditional and unsubordinated debt obligations of Hypo and are secured by a cover pool of eligible assets including residential mortgage loans and loans to housing companies registered in the cover pool.

The covered bonds issued under the CBA Covered Bond Program rank pari passu among themselves and do not relate to the MCBA Covered Bond Program. Covered bondholders and derivative counterparties related to the CBA Covered Bond Program have a priority claim only on the assets registered in the CBA Covered Bond Program.

To hedge the interest rate mismatch arising from the floating-rate assets and the fixed-rate covered bonds, Hypo entered into different interest rate hedge swaps with Natixis SA, Nordea Bank Abp, Swedbank AB, and Danske Bank A/S. However, Hypo decided not to swap its third,

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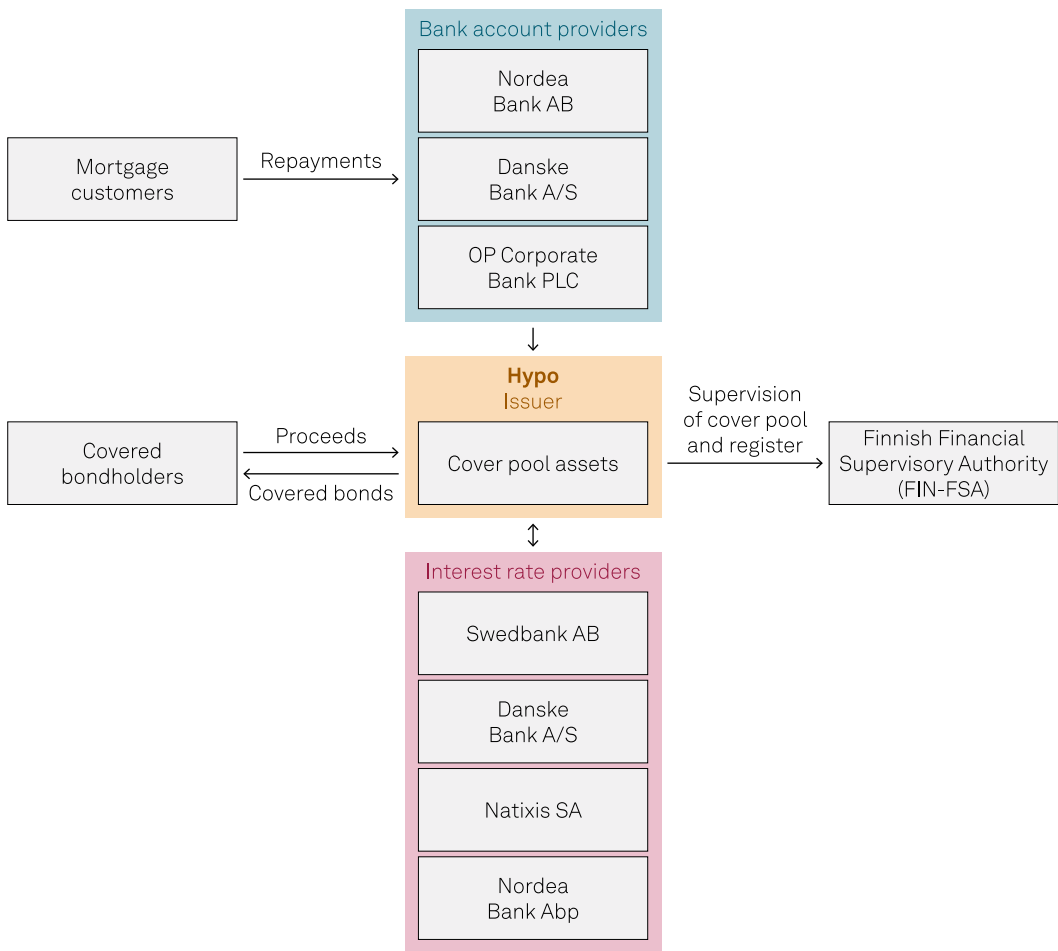
fourth, and fifth covered bond issuances under the program, which are therefore subject to interest rate risk.

The mortgage borrowers pay their loan installments into external bank accounts in Hypo's name or in the name of its wholly owned subsidiary. Hypo is committed to replacing these accounts within 90 calendar days should their long-term ICRs drop below 'BBB'.

The covered bonds are subject to a 12-month maturity extension and benefit from Hypo's commitment to maintaining overcollateralization sufficient to support 'AAA' ratings on the covered bonds.

Our quarterly surveillance reports for this cover pool can be found [here](#).

Program structure



Source: S&P Global Ratings.
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Table 2

Program participants

Role	Name	Rating	Rating dependency
Issuer	The Mortgage Society of Finland	BBB/Stable/A-2	Yes
Originator	The Mortgage Society of Finland	BBB/Stable/A-2	No

Program participants

Role	Name	Rating	Rating dependency
Bank account provider	Nordea Bank Abp	AA-/Stable/A-1+	No
Bank account provider	Danske Bank A/S	A+/Positive/A-1	No
Bank account provider	OP Corporate Bank PLC	AA-/Stable/A-1+	No
Interest rate hedge provider	Nordea Bank Abp	AA-/Stable/A-1+	Yes
Interest rate hedge provider	Danske Bank A/S	A+/Positive/A-1	Yes
Interest rate hedge provider	Swedbank AB	AA-/Stable/A-1+	Yes
Interest rate hedge provider	Natixis SA	A+/Stable/A-1	Yes

Rating Analysis

Legal and regulatory risks

Hypo's covered bonds are governed by the CBA, which entered into force on July 8, 2022, and implemented the EU Covered Bonds Directive into national legislation.

In our opinion, the CBA sufficiently addresses the relevant legal aspects of our updated covered bonds criteria and our legal criteria (see "[Asset Isolation And Special-Purpose Entity Methodology](#)," May 29, 2025). This enables us to rate the covered bonds above the long-term ICR on the issuer. The issuer must maintain a minimum 2% overcollateralization level on a net present value (NPV) basis, or 5% on an NPV basis if the conditions of the EU Capital Requirement Regulation are not met (see "[A Closer Look At Finland's Covered Bond Framework](#)," Sept. 27, 2023).

Resolution regime analysis

Our analysis considers whether the applicable resolution regime in Finland enhances the likelihood that the issuer will continue servicing its covered bonds, even following a default on its senior unsecured obligations.

Hypo is domiciled in Finland, which is subject to the EU's Bank Recovery and Resolution Directive. We assess the systemic importance for Finnish mortgage programs as very strong. Under our covered bonds criteria, we determine the RRL as the higher of (i) two notches above the long-term ICR; and (ii) the resolution counterparty rating (RCR) on the issuing bank, where applicable. As we do not assign an RCR to Hypo, the RRL is 'a-', two notches above the ICR.

Jurisdictional support analysis

Our jurisdictional support analysis assesses the likelihood that a covered bond program facing stress would receive support from a government-sponsored initiative instead of from the liquidation of collateral assets in the open market. For banks in countries that are member of a monetary union, we also consider support from supranational entities such as the European Central Bank in the eurozone. Our assessment of the expected jurisdictional support for Finnish mortgage covered bonds is very strong, resulting in a jurisdictional support uplift from the RRL of three notches leading to a jurisdiction-supported rating level (JRL) of 'aa-'.

Operational and administrative risks

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Our analysis of these risks assesses whether key transaction parties would be capable of managing a covered bond program while any bonds remain outstanding. We reviewed Hypo's origination, underwriting, collection, default management, and cover pool management and administration. No operational or administrative risks were identified affecting our assessment of the program.

We believe that a replacement cover pool manager would be available to manage the cover pool if the issuer were to become insolvent. In our view, Finland is an established covered bond market, and the mortgage loans in Hypo's cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers.

Hypo focuses on low-risk mortgage lending to households (about 26% of the total portfolio at bank level as of June 2026) and housing companies (72% of total portfolio), secured by residential property collateral. Mortgage loans are euro-denominated and mainly have a floating rate. As of March 2026, the average LTV ratio of Hypo's mortgage book stood at 31.4%, which is well below that of most specialized mortgage lenders in the Nordics. Furthermore, mortgage loans are almost entirely amortizing.

Hypo is active mostly in Helsinki, Southern Finland, and specified growth centers in the rest of the country. Its sole physical branch is in Helsinki, with services complemented through online and telephone banking.

Hypo's underwriting policy comprises three main pillars:

- General terms (approved by the supervisory board), which lay down the core principles applicable to all lending activities such as requirements for collateral and overall collateral evaluation, and customer creditworthiness and cash flow sufficiency;
- Principles of credit risk management (approved by the board of directors), which include specific lending rules and principles such as acceptable collateral, collateral evaluation and haircuts, customer selection, minimum criteria for cash flow evaluation, LTV limits, the credit granting process, and reporting and auditing requirements; and
- Employee authorization (approved by Hypo's management group).

Hypo assesses the creditworthiness of potential retail customers through an internal grading system, which includes an affordability testing based on a stressed interest rate of 6% and a maximum maturity of 25 years, borrower solvency analysis, prior customer payment behavior analysis, and public credit default register checks. The borrower's solvency is assessed on monthly net income and housing costs, as well as mandatory costs of living, based on the household size. When calculating the collateral value, Hypo applies a 30%-50% haircut depending on the collateral type.

We understand that Hypo has not experienced credit losses from housing companies, housing companies with properties under construction, or housing investors since the Finnish banking crisis in the 1990s. This demonstrates the bank's prudent risk approach. Its NPL ratio stood at 0.32% in June 2026, well below that of its peers.

The Finnish government, through legislation proposed by the ministry of finance and effective from June 2026, implemented a broad reform of housing-finance regulation aimed at increasing flexibility in mortgage lending, supporting housing demand, facilitating home ownership, and stimulating construction activity. The legislative changes increased the maximum maturity of new residential mortgages from 30 to 40 years, empowered the Finnish Financial Supervisory Authority to raise the maximum LTV limit for housing loans to 95%, and introduced greater flexibility around housing-company financing parameters such as debt caps, repayment holidays,

and loan tenors. While these reforms may be slightly negative for the credit quality of new mortgage cohorts, we are not expecting them to have a material impact on the credit quality of the mortgage loans included in the cover pool, also considering Hypo's prudent underwriting standards.

Overall, we assess Hypo's lending and underwriting standards as conservative. Its exclusive focus on residential mortgage lending and loans to housing companies in growth centers in Finland, with low LTV ratios, translates into higher asset quality metrics compared with domestic peers.

Collateral support analysis

Mortgage market overview

House prices in Finland substantially declined since their mid-2022 peak, as market activity came to a standstill following rapidly rising interest rates and inflation. Over 2024, national residential house prices fell a further 4.8% in real terms, as households maintained a prudent investment stance. Following strong construction activity in residential real estate over 2020-2023, oversupply persists in certain urban areas, particularly Greater Helsinki, which also weighs on price developments. As a result, transaction volumes have been relatively low for three years.

During 2025 and 2026, consumer confidence has remained weak and sensitive to external factors. While real wage increases have improved households' financial positions, this has been allocated to higher savings rather than investment spending. The savings rate increased to over 12% of households' disposable income in 2025. While these growing buffers will support borrowers' repayment capacity, it will dampen recovery expectations.

Finnish households' consumption and investment decisions remain sensitive to general factors, such as Finland's economic situation, inflation expectations, and the unemployment situation, while expectations on households' own finances has somewhat improved. We consider the level of private-sector debt manageable at 127% of GDP and well below the levels of peer Nordic countries (see ["Finland Outlook Revised To Negative From Stable On Fiscal And Economic Risks: 'AA+/A-1+' Ratings Affirmed"](#), April 24, 2026, and ["Banking Industry Country Risk Assessment: Finland,"](#) Dec. 16, 2025).

We assess a typical residential mortgage cover pool's credit quality by estimating the credit risk associated with each loan in the pool. We base this loan-level analysis on the specific adjustments defined for Finland under our global RMBS criteria (see ["Global Methodology And Assumptions: Assessing Pools Of Residential Loans,"](#) Jan. 25, 2019). Our analysis of the housing company loans is based under our commercial real estate criteria (see ["Methodology And Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds,"](#) March 31, 2015).

We based our credit and cash flow analysis on loan-level data and assets and liabilities cash flow projections as of June 2026. Following Hypo's covered bond issuances since our previous analysis, totaling €600 million, the cover pool's notional amount increased significantly, reaching €1,770 million in mid-2026 (compared to €1,160 million one year before).

At a 'AAA' stress level, we estimate the proportion of cover pool assets that will default (weighted-average foreclosure frequency; WAFF) at 17.1% (up from 16.5% previously) and the proportion of losses on these defaults (weighted-average loss severity; WALs) at 14% (from 8.2% previously). The combination of the WAFF and WALs as the measure of the cover pool's overall credit quality (credit coverage: WAFF x WALs) has decreased to 2.4% from 1.3% previously. Both

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credit metrics increased primarily due to the mortgage loans' concentration in relatively higher LTV ratio buckets and the lower seasoning of the portfolio.

The below tables summarize the cover pool's composition.

Table 3

Cover pool composition

Asset type	As of June 30, 2026		As of June 30, 2025	
	Value current balance (mil. €)	% of cover pool	Value current balance (mil. €)	% of cover pool
Residential mortgage loans (housing loans)	146.4	8	115.9	10
Housing company loans	1,624.0	92	1,043.2	90
Substitute assets	0	0	0	0
Total	1,770.4	100	1,159.1	100

Table 4

Key credit metrics

	As of June 30, 2026		As of June 30, 2025	
	Residential mortgages (housing loans)	Commercial mortgages (housing company loans)	Residential mortgages (housing loans)	Commercial mortgages (housing company loans)
Weighted-average effective LTV ratio (%)*	62.7	N/A	54.7	N/A
Weighted-average cover pool current LTV ratio (%)§	60.8	22.5	53.0	18.5
Weighted-average loan seasoning (months)†	62.6	74.1	84.1	90.0
Buy-to-let loans (%)	5.6	N/A	3.2	N/A
Self-employed borrowers (%)	10.1	N/A	8.7	N/A
Equal installment mortgages (%)	8.1	N/A	7.5	N/A
Credit analysis results:				
WAFF (%)	12.3	17.5	7.0	17.5
WALS (%)	21.1	13.3	14.9	7.4
Combined credit analysis results:				
	As of June 30, 2026	As of June 30, 2025		
WAFF (%)	17.1	16.5		
WALS (%)	14.0	8.2		
AAA credit risk (%)	4.4	3.7		

*The effective LTV corresponds to 100% of current indexed whole loan LTVs for the WAFF calculation. §Weighted-average current indexed LTV based on current balance. †Seasoning refers to the elapsed loan term. §Floored by the largest obligor default test result applicable under our CRE criteria. LTV--Loan to value. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity. N/A--Not applicable.

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Table 5

Loan-to-value ratios

Residential mortgages (housing loans, %)	As of June 30, 2026		As of June 30, 2025	
	Effective whole loan LTV (%)*	Cover pool current LTV (based on current balance, %)	Effective whole loan LTV (%)*	Cover pool current LTV (based on current balance, %)
0-70	59.6	62.3	74.0	78.1
70-80	13.5	14.4	14.5	13.0
80-90	11.5	10.8	8.0	5.6
90-100	6.9	8.7	1.6	2.1
Above 100	8.5	3.8	1.9	1.2
Weighted-average LTV ratio	62.7	60.8	54.7	53.0
Commercial mortgages (housing company loans, %)				
0-40	N/A	85.2	N/A	94.2
40-50	N/A	6.5	N/A	4.3
50-60	N/A	7.0	N/A	0.5
60-70	N/A	1.1	N/A	1.0
Above 70	N/A	0.2	N/A	0.0
Weighted-average LTV ratio	N/A	22.5	N/A	18.5

*100% of current indexed whole-loan LTV ratio. LTV--Loan-to-value. N/A--Not applicable.

Table 6

Loan seasoning distribution*

	As of June 30, 2026		As of June 30, 2025	
	Residential mortgage loans' seasoning (% of current residential loan balance)	Commercial mortgage loans' seasoning (% of current commercial loan balance)	Residential mortgage loans' seasoning (% of current residential loan balance)	Commercial mortgage loans' seasoning (% of current commercial loan balance)
0-5	55.1	44.0	26.6	22.2
6-May	8.5	6.7	18.6	6.6
7-Jun	5.6	4.3	22.9	8.5
8-Jul	4.7	5.7	8.1	19.4
9-Aug	4.8	11.8	4.6	13.7
10-Sep	5.4	9.0	4.5	13.6
More than 10	13.6	18.6	12.0	16.0
Weighted-average loan seasoning (months)	62.6	74.1	84.1	90.0

*Seasoning refers to the elapsed loan term.

Table 7

Geographic distribution of loan assets

	As of June 30, 2026		As of June 30, 2025	
	% of residential loan balance current balance	% of commercial loan balance (housing company loans)	% of residential loan balance current balance	% of commercial loan balance (housing company loans)
Southern Finland	85.0	71.7	92.0	73.2
Eastern Finland	1.2	1.1	0.1	0.1
Western Finland	12.2	23.8	7.6	23.4
Oulu	1.2	2.8	0.3	3.3
Lapland	0.5	0.6	0	0
Aland	0	0	0	0
Total	100	100	100	100

By applying our credit and cash flow stresses, we calculate a TCE of 10% (up from 9.4 % previously) and a 'AAA' credit risk of 4.4% (up from 3.7% previously). The increase in 'AAA' credit risk is mainly due to the increase in credit coverage and the higher interest rate mismatch between cover pool assets and the covered bonds. The latter is primarily driven by Hypo's fifth fixed-rate covered bond issuance, which was not hedged for interest rate risk within the cover pool. Apart from these factors, the higher TCE is also impacted by the increase in the asset-liability mismatch of the program.

With available credit enhancement of 17.8% exceeding the TCE, the maximum potential collateral-based uplift above the JRL is four notches. No deductions apply to these four notches owing to Hypo's overcollateralization commitment and because we consider the covered bonds' soft-bullet maturity mitigates short-term liquidity risk. Therefore, the achieved collateral support uplift is four notches above the JRL. With a JRL of 'aa-', three notches are used to achieve 'AAA' ratings with an overcollateralization requirement of 7.2%, equivalent to 'AAA' credit risk plus 50% refinancing costs. As a result, there is one unused notch of collateral-based uplift.

Table 8

Collateral uplift metrics

	As of June 30, 2026	As of Sept. 30, 2025
Asset WAM (years)	8.4	8.3
Liability WAM (years)	4.0	4.5
Available credit enhancement	17.8	17.9
AAA credit risk (%)	4.4	3.7
Required credit enhancement for first notch of collateral uplift (%)	4.4	3.7
Required credit enhancement for second notch of collateral uplift (%)	4.4	3.7
Required credit enhancement for third notch of collateral uplift (%)	7.2	6.6
Target credit enhancement for maximum uplift (%)	10.0	9.4
Credit enhancement commensurate with the rating (%)	7.2	6.6
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	N	N
Adjustment for committed overcollateralization (Y/N)	N	N

Collateral uplift metrics

	As of June 30, 2026	As of Sept. 30, 2025
Collateral support uplift (notches)	4	4
WAM--Weighted-average maturity		

Table 9

Hypo CBA CB program versus other Finnish covered bond programs

Program name	The Mortgage Society of Finland CBA	The Mortgage Society of Finland	POP Mortgage Bank	SP Mortgage Bank CBA	SP Mortgage Bank MCBA	OP Mortgage Bank	S-Bank
Overview							
Jurisdiction	Finland	Finland	Finland	Finland	Finland	Finland	Finland
Covered bond type	LCB	LCB	LCB	LCB	LCB	LCB	LCB
Outstanding assets (mil. EUR)	1767	342	668	2834	784	8229	3125
Outstanding covered bonds (mil. EUR)	1,500	300	500	1,750	500	7,550	1,000
Cover pool composition	Residential: 8%; Housing companies: 92%	Residential: 25.54%; Housing companies: 74.46%	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%
Rating details							
Issuer credit rating*	BBB	BBB	BBB	A-	A-	AA-	A-
Reference rating level	a-	a-	a-	a+	a+	aa+	a+
Jurisdictional-supported rating level	aa-	aa-	aa-	aa+	aa+	aaa	aa+
Covered bonds rating	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Total unused notches	1	1	1	3	3	6	3
Credit analysis							
Mortgage WAFF (%)	17.1	14.9	15.6	15.4	9.0	11.4	17.4
Mortgage WALs (%)	14.0	11.2	24.7	22.6	15.5	12.7	23.6
Overcollateralization (OC)							
Available OC (%)	17.8	14.0	33.7	61.9	56.8	9.0	212.5
Asset default risk (%)	4.4	1.8	5.3	6.4	2.5	2.5	6.9
Target credit enhancement (%)	10.0	2.5	8.9	10.1	5.3	4.0	13.6
OC consistent with current rating (%)	7.2	2.5	7.1	6.4	2.5	2.0	6.9
Cash-flow analysis as of	June 2026	March 2026	June 2026	September 2025	June 2026	December 2025	October 2025

*As a starting point of the analysis, we may use the issuer credit rating on the relevant parent or guarantor when the issuer is not rated but belongs to a group with a rated parent or payments under the covered bonds are guaranteed by another rated entity. LCB--Legislation-enabled covered bonds. WAFF--Weighted-average foreclosure frequency. WALs--Weighted-average loss severity. OC--Overcollateralization.

Counterparty risk

We analyze counterparty risk under our updated covered bonds criteria. It does not constrain the ratings on the program and related issuances.

Bank account provider

Borrowers make mortgage payments into external bank accounts, which are either in Hypo's name or in the name of its wholly owned subsidiary. Given Hypo's RRL of 'a-', we rely on the bank's ability to manage counterparty risk associated with its bank account providers. Furthermore, Hypo is committed to replace the account bank providers within 90 calendar days if they are downgraded below 'BBB'.

We apply a forward-looking assessment of the issuer's maintenance of credit support. Since rating inception, Hypo has consistently maintained overcollateralization levels above those required for the 'AAA' rating, alongside an overcollateralization commitment commensurate with this rating. Furthermore, covered bonds are a vital source of wholesale funding for the bank. We therefore expect Hypo will continue maintaining credit support for its covered bonds, and therefore currently do not stress commingling risk in our cash flow analysis.

Swaps

Hypo has entered into liability swap agreements with Swedbank AB, Danske Bank A/S, Natixis SA, and Nordea Bank Abp on two out of the five currently outstanding covered bonds issued under the program. These swaps hedge the interest rate risk arising from the variable interest rate paying assets and the fixed rate interest paying covered bonds. We consider these hedges in our cash flow analysis and model these two covered bonds as floating rate-paying, corresponding to the floating rate of interest payable by Hypo to these counterparties under the swaps.

To derive the maximum potential rating on the covered bonds, we consider whether the counterparties are related to the issuer, the seniority of termination payments, and the presence of an effective replacement framework. All four counterparties are unrelated to Hypo, and we use their corresponding RCRs (Nordea: 'AA-', Danske 'AA-', Swedbank 'AA-', and Natixis 'AA-') as the applicable counterparty rating when assessing counterparty risk. We also consider that the documented replacement framework meets the conditions of effectiveness as outlined in our covered bonds criteria.

Sovereign risk

We analyze sovereign risk using our structured finance ratings above the sovereign criteria (see "[Methodology For Rating Structured Finance Securities Above The Sovereign](#)," April 10, 2026).

Under these criteria, we derive the maximum notches that covered bonds can be rated above the sovereign as a function of the cover pool assets' sensitivity to sovereign default risk and the structure exposure to refinancing risk. Hypo's covered bond program is backed by residential mortgages and loans to housing companies, which we consider have low sensitivity to sovereign default risk. Furthermore, the covered bonds are issued in Finland, which is part of the European monetary union, and include structural coverage of refinancing needs over a 12-month period. As a result, we can rate the covered bonds up to six notches above the sovereign rating. Given our 'AA+' long-term rating on Finland, sovereign risk does not constrain our ratings on the covered bonds.

Environmental, Social, And Governance

Environmental, social, and governance considerations have no material influence on our credit rating analysis of Hypo's mortgage covered bonds. The issuer currently does not offer specific mortgage products focused on environment or social factors, which could affect the credit results. The Finnish government guarantees part of the loan on certain residential mortgages but

as we do not consider the guarantee timely, it does not affect the credit analysis. Hypo commits to maintain an overcollateralization level for the program to maintain the ratings on the covered bonds. Furthermore, the bonds' soft-bullet repayment structure mitigates liquidity risk. Both governance initiatives support the current ratings, and the credit enhancement required for to maintain them.

Related Criteria

- [Methodology For Rating Structured Finance Securities Above The Sovereign](#), April 10, 2026
- [Methodology For Rating Covered Bonds](#), July 25, 2025
- [Counterparty Risk Methodology](#), July 25, 2025
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