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New Issue: POP Mortgage Bank PLC Covered Bond Program

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Ratings Detail

Reference Rating Level	N/A	+	Jurisdiction-Supported Rating Level	N/A	+	Maximum Achievable Covered Bond Rating	aaa	=	Covered Bond Rating	
Resolution Regime Uplift	+2		Assigned Jurisdictional Support Uplift	+3		Collateral Support Uplift	+4		AAA/Stable	
Systemic Importance	Very Strong		Jurisdictional Support Assessment	Very Strong		OC Adjustment	0		Rating Constraints	aaa
Resolution Counterparty Rating	N/A		Legal Framework	Very Strong		Liquidity Adjustment	0		Counterparty Risk	aaa
Issuer Credit Rating	N/A		Systemic Importance	Very Strong		Potential Collateral Based Uplift	+4		Country Risk	aaa
			Sovereign Credit Capacity	Very Strong						

N/A--Not applicable. OC--Overcollateralization.

Major Rating Factors

Strengths

- The cover pool is granular, comprising seasoned Finnish residential loans with relatively low cover pool current loan-to-value (LTV) ratios.
- The structure features soft-bullet extendible maturities, which mitigates liquidity risk.
- The structure benefits from a public commitment by the issuer to maintain overcollateralization consistent with a 'AAA' rating.

Weaknesses

- Concentration of mortgages in the West of Finland, which we have considered in our determination of default frequency.
- Cover pool payments received before an issuer insolvency could be commingled with the issuers' insolvent estate as these are not registered in the cover pool.

Outlook: Stable

S&P Global Ratings' stable outlook on the 'AAA' ratings on POP Mortgage Bank PLC's (POPMB) mortgage covered

bond program and the inaugural issuance reflects the stable outlook on our assessment of the issuer's creditworthiness.

Rationale

We have assigned our 'AAA' credit ratings to POPMB's covered bond program and its inaugural public issuance (see "POP Mortgage Bank Finnish Covered Bond Program And First Issuance Assigned 'AAA' Rating; Outlook Stable," published on Sept. 23, 2022).

Our covered bond ratings process follows the methodology and assumptions outlined in our "Covered Bonds Criteria," published on Dec. 9, 2014, and "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015.

From our analysis of POPMB's covered bond program and the Finnish covered bond legislation, we consider that the assets are effectively isolated for the benefit of the covered bondholders if the issuer becomes insolvent. The protection of the cover pool assets and the continued management of the cover pool allows us to elevate the rating on the covered bonds above our assessment of POPMB's creditworthiness.

POPMB is a part of the POP Banking Group, a statutory amalgamation of Finnish cooperative banks. We conducted a review of POPMB's mortgage operations, which we view as prudent. We believe satisfactory procedures are in place to support the ratings on the covered bond and the program.

POPMB is domiciled in Finland, which is subject to the EU's Bank Recovery and Resolution Directive (BRRD). We consider that mortgage covered bonds have a very strong systemic importance in Finland. These factors increase the likelihood that POPMB would continue servicing its covered bonds without accessing the cover pool or receiving jurisdictional support, even following a bail-in of its senior unsecured obligations. We have therefore assigned two-notches of uplift above our assessment of POPMB's creditworthiness to determine the covered bonds' reference rating level (RRL).

We considered the likelihood for the provision of jurisdictional support. Based on a very strong jurisdictional support assessment for mortgage programs in Finland, we assigned three notches of uplift from the RRL to determine the jurisdiction-supported rating level (JRL).

Our credit and cash flow analysis is based on the asset information and the projected asset and liability cash flow profiles as of Sept. 13, 2022. The €312.8 million cover pool balance comprises Finnish residential mortgage loans. Based on our cash flow analysis, the available credit enhancement in the program exceeds the target credit enhancement, which means that the covered bonds are eligible for up to four notches of collateral-based uplift. We do not reduce the total collateral-based uplift by any notches owing to the program's committed overcollateralization and because we consider that the liabilities' soft-bullet structure mitigates liquidity risk.

There are currently no rating constraints to the 'AAA' ratings relating to legal, counterparty, or sovereign risks.

We have based our analysis on criteria articles referenced in the "Related Criteria" section.

Program Description

Table 1

Program Overview*	
Jurisdiction	Finland
Year of first issuance	2022
Covered bond type	Legislation-enabled
Outstanding covered bonds (mil. €)	250
Redemption profile	Soft-bullet
Underlying assets	Finnish residential mortgage loans
Jurisdictional support uplift	3
Unused notches for jurisdictional support	0
Target credit enhancement (%)	12.03
Credit enhancement for current rating (%)§	10.16
Available credit enhancement (%)	25.13
Collateral support uplift	3
Unused notches for collateral support	1
Total unused notches	0†

*Based on cash flows as of September 2022. §Level of credit enhancement corresponding to 'AAA' credit risk plus 75% of refinancing costs.

†There are no unused notches of collateral-based uplift in this program given that if we were to lower our assessment of POPMB's creditworthiness, we would also lower our ratings on the covered bonds as per our counterparty risk criteria, all else being equal (see "Counterparty risk").

The covered bonds are governed by the Finnish Act on Mortgage Banks and Covered Bonds (Laki kiinnitysluottopankeista ja katetuista joukkolainoista, 151/2022) "Covered Bond Act"; [CBA]).

The covered bonds are issued under POPMB's €1 billion program, for the issuance of covered bonds, established in June 2022, as supplemented from time to time.

The €250 million inaugural fixed-rate covered bond has a three-year maturity, with a one-year maturity extension. During the extension period, the bond will pay one-month EURIBOR plus a margin. To hedge the risk arising from the interest received on the mortgage assets and the interest payable on the covered bond, the issuer entered into an interest rate swap with Nordea Bank Abp.

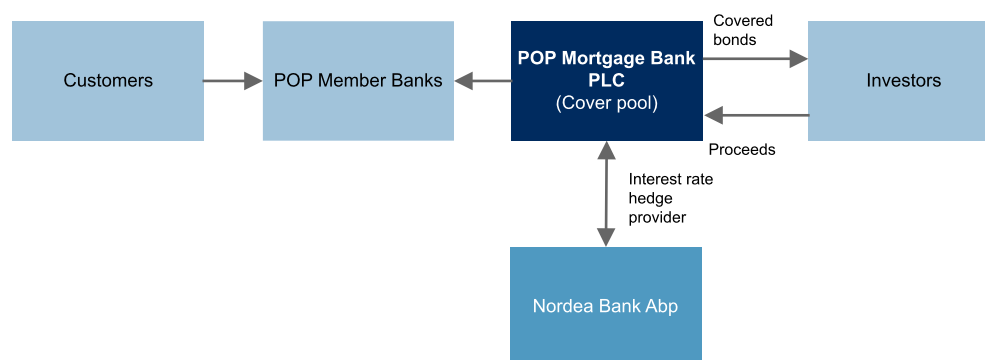
The covered bond issued under this program is the issuer's direct unconditional and unsubordinated debt obligation and will rank pari passu among any other future issuances under the program. The covered bond is secured by a pool of residential mortgage loans, and bondholders and derivative counterparties have a priority claim toward the loans registered in the cover pool.

POPMB is a part of the POP Banking Group, a statutory amalgamation of the Finnish cooperative banks. The group is a financial consortium under the Act on Amalgamations of Deposit Banks. POP Bank Group holds a small regional retail and small and midsize enterprises (SME) bank franchise in Finland. The group established POPMB to diversify the group's funding profile by issuing covered bonds to support growth in mortgage lending of the member banks. Its funding plans are an integral part of the cooperative group's funding strategy.

The Finnish covered bond law allows deposit banks and credit societies to participate indirectly in the issue of covered bonds by means of intermediary loans granted by a mortgage credit bank. These intermediary loans are backed by mortgage loans that are registered in the issuer's cover pool and serve as collateral for the benefit of covered bond noteholders. The covered bond issued under this program is entirely collateralized by mortgage loans that serve as guarantee for intermediary loans.

The mortgage borrowers make their payments to their respective bank accounts in the group's member banks. The payments made by mortgage borrowers are only registered as part of the cover pool after the insolvency of the issuer. While this mechanism protects mortgage payments post issuer default, funds standing or paid in the collection accounts pre issuer insolvency would be exposed to commingling risk. This is because these collections are not segregated in the cover pool.

POP Mortgage Bank Covered Bond Program Structure



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The covered bonds benefit from a public commitment made by POPMB to maintain a level of overcollateralization sufficient to support the rating on the covered bond.

Table 2

Program Participants			
Role	Name	Rating	Rating dependency
Issuer	POP Mortgage Bank PLC	NR	Yes
Interest rate hedge provider	Nordea Bank Abp	AA-/Stable/A-1+	Yes

NR--Not rated.

Rating Analysis

Legal and regulatory risks

We base our legal analysis on our "Asset Isolation and Special-Purpose Entity Methodology," published on March 29, 2017.

POP Mortgage Bank's covered bonds are governed by the CBA that implemented the Covered Bond Directive into

national legislation. The CBA entered into force on July 8, 2022. The CBA repealed the Finnish Act on Mortgage Credit Bank Activities (688/2010; MCBA).

In our opinion, the CBA satisfies the relevant legal aspects of our covered bond criteria. We have concluded that the cover pool assets are effectively isolated for the benefit of covered bondholders. The protection of the assets and the continued management of the cover pool allows us to rate the covered bond program above our assessment of POPMB's creditworthiness.

Under the CBA, the issuer's bankruptcy would not automatically trigger the covered bonds' early redemption or the suspension of payments to bondholders. Accordingly, we rate the covered bond based on its legal final maturity.

The CBA requires issuers to have a license from the Finnish Financial Supervisory Authority (FIN-FSA) to issue covered bonds. Further, they must maintain a register for the covered bonds and the collateral forming the cover pool. The FIN-FSA monitors the management of the register, including the recording of assets, and the issuer must regularly report the information in the register to the Fin-FSA.

The cover pool can comprise residential mortgage loans, commercial mortgage loans, public-sector loans, and substitute assets to facilitate liquidity management.

Derivatives are allowed for risk hedging purposes and must be registered in the cover register. Derivatives must also remain in force despite the issuer's bankruptcy, liquidation, or resolution.

The CBA allows deposit banks and credit societies to participate indirectly in the issue of covered bonds via intermediary loans granted by a mortgage credit bank. POPMB's cover pool comprises residential mortgages that guarantee these intermediary loans. We consider the security of the collateral backing intermediary loans to be comparable to direct transferred mortgage loans. We therefore perform our analysis relying directly on the inflows from the mortgage loans that guarantee these intermediary loans.

Under the CBA, issuers must have 2% overcollateralization on a net present value (NPV) basis. This requirement increases to 5% on an NPV basis if certain requirements of article 129 of the Capital Requirements Regulation are not fulfilled.

The CBA introduces a 180-day liquidity requirement whereby the cover pool must include sufficient substitute assets to meet the maximum net outflow connected to the covered bonds during the upcoming 180-day period. We understand that in calculating the net outflow related to the covered bonds, issuers may consider the extension of the maturity of the covered bonds.

Furthermore, the CBA allows covered bonds with a 12-month maturity extension, subject to approval by the FIN-FSA and certain conditions being met, including:

- The issuer being unable to obtain long-term financing from ordinary sources;
- The issuer being unable to meet the liquidity requirement under the CBA upon payment of the covered bonds; and
- Such extension not affecting the order of the maturity based on the original maturity dates of covered bonds secured by the same cover pool.

If the issuer becomes insolvent, the FIN-FSA would appoint a supervisor to supervise management of the cover pool. While a bankruptcy administrator (appointed by a court) manages both the issuer's insolvency estate and the cover pool, the supervisor's role is to protect the interests of covered bondholders with powers to direct the issuer's general administrator.

Upon issuer insolvency, covered bondholders and derivative counterparties (including termination fees) have a preferential claim to the assets in the cover pool, which would be isolated from the issuer's other assets.

Under the CBA, bondholders and derivative counterparties have a priority of payment right to 100% of the properties' value, although only 80% of the market value of residential properties and 60% of the market value of commercial estate properties can be included in the determination of overcollateralization.

The CBA excludes setoff against cover pool assets and claw-back risk.

Operational and administrative risks

In our opinion, there is no operational risk from the cover pool's management and loan origination that would constrain the rating on the covered bonds to the same level as our assessment of POPMB's creditworthiness.

We believe that a replacement cover pool manager would be available to manage the cover pool if the issuer were to become insolvent. We consider Finland to be an established covered bond market and we believe that the mortgage assets in POPMB's cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers or servicers.

POP Banking Group combines various independent member cooperative banks, plus POP Bank Center Coop (POPC) and Bonum Bank PLC, to operate as a single entity for regulatory purposes under a joint-liability scheme. POPC handles the group's steering and supervision in accordance with the Act on Amalgamations of Deposit Banks. It issues binding instructions on risk and capital adequacy management, corporate governance and internal control and sets business risk limits for the member banks.

POP Bank Group focuses on low-risk lending to private customers, lending to SMEs, and small agricultural and forestry clients in Finland. With a total loan portfolio as of 2021 of €4.2 billion, the group holds a small regional retail and SME franchise of about 2% nationwide in lending to households and total deposits. As of 2021 it serves 427,900 customers, mainly focused on less urbanized low-growth areas, so that loans in the retail portfolio are moderately sized. The new strategy is to focus on the growth cities.

The POP Banking Group established POPMB to diversify the group's funding profile through covered bond issuances to support growth in its mortgage loan book. Its funding plans are an integral part of the cooperative group's funding strategy.

The typical loan granted to borrowers by POP Group's member banks is a EURIBOR-linked floating rate mortgage, with an LTV ratio below 70% and a repayment period of less than 25 years. POP member banks originate the mortgage loans directly using online applications and branch channels. The mortgages are granted in accordance with the group's lending instructions, which are set by the POPC risk control department.

The FIN-FSA continues to focus strongly on ensuring strict underwriting criteria for household lending. It applies an 85% cap on loan-to-collateral ratios on new mortgage loans and a 95% cap for first-time buyers. Borrower's ability to pay the loan and handle the regular living costs is stress tested with a 6% interest rate.

Overall, we believe there are sufficiently prudent underwriting and servicing procedures in place to support our rating on the covered bond. The low level of delinquencies observed in the mortgage book also supports our view.

Our analysis of operational and administrative risks follows the guidelines in our criteria (see "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 30, 2015).

Resolution regime analysis

POPMB is domiciled in Finland, which is subject to the EU's BRRD. We assess the systemic importance for Finnish mortgage programs as very strong. Under our covered bonds criteria, this means the RRL will be the greater of (i) our assessment of POPMB's creditworthiness, plus two notches; and (ii) the resolution counterparty rating (RCR) on the issuing bank, where applicable. Because we do not assign an RCR to POPMB, the RRL is two notches above our assessment of its creditworthiness.

This uplift recognizes that resolution regimes like the BRRD increase the probability that an issuer could service its covered bonds even following a default on its senior unsecured obligations because the law exempts covered bonds from bail-in risk if there is a bank resolution. We consider this as an internal form of support because the bail-in of certain creditors of the issuer does not require direct government support.

Jurisdictional support analysis

In our jurisdictional support analysis, we assess 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.

Our assessment of the expected jurisdictional support for Finnish mortgage programs is very strong. In addition, our sovereign rating on Finland (AA+/Stable/A-1+) does not constrain the JRL. Under our covered bonds criteria, the covered bonds therefore receive three notches of jurisdictional uplift over the RRL.

Collateral support analysis

The cover pool comprises Finnish residential mortgage loans. We base our credit and cash flow analysis on loan-by-loan data and projected asset and liabilities' cash flow as of Sept. 13, 2022.

The €312.8 million cover pool is granular and highly seasoned with a weighted-average seasoning of about 8.7 years. Most of mortgages are lent on owner-occupied properties located primarily in West Finland (about 74%).

The pool comprises loans granted to borrowers with multiple loan parts and, on some occasions, backed by different properties. Finnish property prices have generally risen since 1996 but have stabilized in recent years. House prices and income levels have tended to move in tandem, suggesting that the housing market is not overvalued. After considering our indexation and adjustments for house price index developments, the cover pool's adjusted weighted-average current LTV ratio is 48.7%.

The cover pool contains about 83% equal installment mortgage loans. However, the maturity on most of these loans can extend (from origination) if the interest rate is high enough to make up for the entire installment. We believe this

maturity extension mitigates an immediate payment shock on the borrowers.

The share of loans in the cover pool that are in arrears is 0.90%.

The below tables provide an overview on the cover pool's composition.

Table 3

Cover Pool Composition		
As of Sept. 13, 2022		
Asset type	Cover pool balance (mil. €)	Percentage of cover pool (%)
Finnish residential mortgage loans	312.84	100
Substitute assets	0	0
Other asset type	0	0
Total	312.84	100

Table 4

Key Credit Metrics	
As of Sept. 13, 2022	
Average loan size (€)	50,197
Weighted-average effective LTV ratio (%)*	56.01
Weighted-average cover pool current LTV ratio (%)§	48.74
Weighted-average loan seasoning (months)†	104.01
Balance of loans in arrears (%)	0.9
Buy-to-let loans (%)	7.08
Self-employed borrowers (%)	18.47
Equal installment mortgages (%)	82.89
Credit analysis results:	
WAFF (%)	9.21
WALS (%)	15.59
'AAA' credit risk (%)	4.54

*The effective LTV is the result of the application of our global RMBS criteria, which weight 100% of current indexed whole loan LTV for the WAFF calculation. §Weighted-average current indexed LTV based on cover pool balance. †Seasoning refers to the elapsed loan term. LTV--Loan to value. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Table 5

Current LTV Ratios		
As of Sept. 13, 2022		
(%)	Effective whole-loan LTV ratio (%)*	Cover pool current LTV ratio (%)§
0-40	26.23	29.93
40-50	12.02	14.50
50-60	14.17	16.78
60-70	16.24	34.01
70-80	14.88	4.78
80-90	9.28	0
90-100	5.27	0
Above 100	1.9	0

Table 5

Current LTV Ratios (cont.)		
As of Sept. 13, 2022		
(%)	Effective whole-loan LTV ratio (%)*	Cover pool current LTV ratio (%)§
Weighted-average LTV ratios	56.01	48.74

*100% of current indexed whole-loan LTV ratio. §Current LTV ratio based on cover pool balance. LTV--Loan-to-value.

Table 6

Loan Seasoning Distribution*	
As of Sept. 13, 2022	
	Percentage of current pool balance (%)
Less than 24 months	8.44
24-48	10.58
48-60	5.81
60-72	4.90
72-84	5.54
84-96	5.85
96-108	5.81
108-120	7.23
More than 120	44.95
Weighted-average loan seasoning (months)	104.01

*Seasoning refers to the elapsed loan term.

Table 7

Geographic Distribution Of Loan Assets	
As of Sept. 13, 2022	
	Percentage of current pool balance (%)
Southern Finland	10.72
Eastern Finland	1.31
Western Finland	73.91
Oulu	11.88
Lapland	2.18
Aland	0.00
Total	100

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 the Finland under our global RMBS criteria (see "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," published on Jan. 25, 2019).

We then calculate the aggregate risk to assess the cover pool's overall credit quality. In order to quantify the potential losses associated with the entire pool, we weight each loan's foreclosure frequency and loss severity by its percentage of the total pool balance. The product of this weighted-average foreclosure frequency (WAFF) and weighted-average

loss severity (WALS) estimates the required loss protection, assuming all other factors remain unchanged. As of Sept. 13, 2022, we estimate a WAFF of 9.21% and a WALS of 15.59%. We based these metrics on the 'AAA' credit stresses that we applied.

Under our global RMBS criteria, we apply multiples to the base foreclosure frequency based on the effective LTV ratio. We have determined a weighted-average effective LTV ratio for the cover pool of 56%, as of September 15, 2022. This figure is based solely on current whole-loan LTV ratios. Given the current whole-loan LTV ratio distribution of the assets, most loans benefit from a reduction to their base foreclosure frequency. A further factor influencing the WAFF is the relatively high loan seasoning. About 74.3% of loans are more than five years seasoned and therefore benefit from a reduction to their base foreclosure frequency. On the other hand, exposure of residential loans in the West of Finland (73.91%) exceeds our regional concentration limit of 35% and attract a 20% increase to their base foreclosure frequency on the excess above the limit.

The main drivers behind the WALS for residential properties are current LTV ratios after house price indexation and market value decline assumptions. The higher these variables are, the higher our WALS, all else being equal. We have determined a relatively low weighted-average current LTV ratio for the cover pool of 48.74%. Our analysis currently considers the Finnish residential properties slightly undervalued.

The results of our credit analysis represent inputs to our cash flow analysis. Our analysis of the covered bonds' payment structure shows that cash flows from the cover pool assets would be sufficient, at the 'AAA' rating, to make timely payment of interest and ultimate principal to the covered bond on its legal final maturity. We have performed our cash flow analysis as of September 2022.

We have modeled the inaugural covered bond with a notional balance of €250 million, and a three-year term to maturity with a one-year maturity extension and post swap cash flows. We note the liability profile, comprising only the single bond being issued, makes the transaction's target credit enhancement sensitive to future changes in the asset-liability mismatch introduced by any new issuance.

We stress the cover pool's cash flows, incorporating various default patterns, default timings, and interest rate paths. We also stress cash flows under different prepayment rates, and delinquency assumptions, which we run at different points over the life of the covered bonds.

The structure is exposed to structural asset-liability mismatch risk because the covered bonds' repayment profile is not aligned with that of the assets. Our model simulates a stressed sale of assets whenever a liquidity gap occurs in our analysis. The discount applied for Finnish residential mortgage assets is 425 basis points, on top of the stressed interest rate at the time of the shortfall. This discount is a function of the nature of the assets.

We also model the possibility that the spread on the mortgages compresses over time, due to defaults, prepayments, and product switches. To account for this, we reduce margins, assuming that a percentage of the higher-yielding loans exit the portfolio. We also stressed basis risk.

In addition, we modelled commingling risk by sizing one month's worth of collection loss in our cash flow model because payments from the cover pool are not segregated in the cover pool before the insolvency of the issuer.

By applying our credit and cash flow stresses, we calculate a target credit enhancement of 12.03%, below the available credit enhancement of 25.13%, allowing for a potential four notches of collateral-based uplift above the JRL.

From this potential uplift, we make no deductions because POPMB's soft-bullet covered bond features a 12-month maturity extension, which satisfies the liquidity coverage requirement under our criteria. Furthermore, POPMB commits to maintaining an overcollateralization level commensurate with a 'AAA' rating. Therefore, the maximum collateral uplift is four notches, allowing the covered bond to attain a 'AAA' rating.

The overcollateralization commensurate with a 'AAA' rating is 10.16%, determined by 'AAA' credit risk plus 75% refinancing costs.

Table 8

Collateral Uplift Metrics	
	As of Sept. 13, 2022
Asset WAM (years)	6.49
Liability WAM (years)	3 (extendible to 4)
Available credit enhancement	25.13
Required credit enhancement for coverage of 'AAA' credit risk (%)	4.54
Required credit enhancement for first notch of collateral uplift (%)	6.41
Required credit enhancement for second notch of collateral uplift (%)	8.29
Required credit enhancement for third notch collateral uplift (%)	10.16
Target credit enhancement for maximum uplift (%)	12.03
Potential collateral-based uplift (notches)	4
Adjustment for liquidity (Y/N)	N
Adjustment for committed overcollateralization (Y/N)	N
Achievable collateral support uplift (notches)	4

WAM--Weighted-average maturity.

Counterparty risk

We analyze counterparty risk under our criteria (see "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019).

Bank account provider

Borrowers will make mortgage payments to the bank account of the member bank that originated the loans. These payments are only registered as part of the cover pool after the insolvency of the issuer. While this mechanism protects mortgage payments post issuer default, funds standing or paid in the collection accounts pre issuer insolvency would be exposed to commingling risk. This is because these collections are not segregated in the retained cover pool. We took this risk into account in our analysis by assuming that one month of collections is lost.

Swaps

The structure benefits from a liability hedge with Nordea to hedge the interest rate risk arising from the variable interest paid by the assets and the fixed interest payable on the covered bonds.

To derive the maximum potential rating on the covered bonds under our counterparty criteria, we consider various factors, including whether the counterparty is related to the issuer, the seniority of termination payments, the replacement commitment, and the collateral posting framework. Nordea is 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 has committed to replace itself if the RCR falls below 'A-'. If Nordea 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 Nordea below 'A-', it has committed to post collateral sufficient to cover the issuer's exposure to it, plus certain volatility risks in the swap value. We categorize the current collateral-posting framework in the derivative contracts as strong.

The collateral framework assessments, combined with the current RRL on POPMB and the counterparty replacement trigger ('A-'), support a maximum potential rating of 'AAA' under our counterparty risk assessment. However, if we were to lower our assessment of POPMB's creditworthiness, we would also lower our ratings on the covered bonds, all else being equal. As a result, the program does not currently benefit from unused notches of collateral-based uplift.

Sovereign risk

We analyze sovereign risk according to our "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019. Under our structured finance sovereign risk criteria, covered bonds backed by residential mortgages issued in a jurisdiction that is within a monetary union that include structural coverage of refinancing needs over a 12-month period (provided by the 12-month extendible maturity profile of the soft-bullet bonds in this instance) exhibit low sensitivity to country risk. As a result, we can rate the covered bond up to five notches above the sovereign rating. Given our 'AA+' long-term rating on Finland, sovereign risk does not constrain our rating on the covered bonds.

Environmental, Social, And Governance

ESG Credit Indicators



ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of POPMB's mortgage covered bonds. 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. POPMB commits to maintain a level of overcollateralization in the program to maintain the rating on the covered bonds. Further, the bonds' soft-bullet repayment structure mitigates liquidity risk.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- 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 | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- 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: Covered Bonds Criteria, Dec. 9, 2014

Related Research

- POP Mortgage Bank Finnish Covered Bond Program And First Issuance Assigned 'AAA' Rating; Outlook Stable, Sept. 23, 2022
- POP Mortgage Bank Finnish Covered Bond Program And First Issuance Assigned Preliminary 'AAA' Rating; Outlook Stable, June 1, 2022
- Global Covered Bond Insights Q3 2022, Sept. 8, 2022
- ESG Credit Indicator Report Card: Covered Bonds, April 7, 2022
- Asset Price Risks: Inflated Property Values Mean Higher Loss Assumptions In European RMBS And Covered Bonds, March 21, 2022
- S&P Global Ratings Definitions, Nov. 10, 2021
- Norwegian And Finnish Covered Bond Market Insights 2022, Jan. 31, 2022
- Bonum Bank PLC, Aug. 3, 2021
- Glossary Of Covered Bond Terms, April 27, 2018

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