

Sp Mortgage Bank Finnish CBA Covered Bond Program And First Issuance Assigned Preliminary 'AAA' Rating; Outlook Stable

October 19, 2022

Overview

- We assigned our preliminary 'AAA' ratings to Sp Mortgage Bank's covered bond program and soft-bullet issuance.
- Our preliminary ratings reflect our review of the program under our covered bonds criteria and the fact that available credit enhancement exceeds the required credit enhancement for a 'AAA' rating.
- The stable outlook reflects the two unused notches of uplift in our stable outlook in the rating on the program.

FRANKFURT (S&P Global Ratings) Oct. 19, 2022--S&P Global Ratings assigned its preliminary 'AAA' credit ratings to Sp Mortgage Bank PLC's (SPMB) CBA covered bond program and its inaugural public issuance.

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 SPMB'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 rating on Central Bank of Savings Banks Finland PLC (parent).

SPMB belongs to the Savings Banks Amalgamation. We conducted a review of SPMB's mortgage operations, which we view as prudent. We believe satisfactory procedures are in place to support our preliminary ratings on the covered bond and the program.

SPMB 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 SPMB 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-notch of uplift above our rating on Central Bank of Savings Banks Finland PLC (parent) to determine the covered bonds'

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reference rating level (RRL). We assess the RRL on SPMB's mortgage covered bonds at 'a+'.

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) at 'aa+'.

We have reviewed the asset information provided as of Aug. 31, 2022. The €1,003 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 preliminary 'AAA' ratings relating to legal, counterparty, or sovereign risks.

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

The preliminary ratings are based on the latest information available to us as of the date of this publication. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Final ratings are contingent on our review of the final program documentation. Alternatively, upon receiving the issued bond's terms and conditions, the final ratings will not differ from the preliminary ratings if there are no material changes to the collateral composition, and the available credit enhancement continues to be at least equal to the overcollateralization commensurate with the rating, all else being equal.

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
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Presale: Sp Mortgage Bank PLC CBA Mortgage Covered Bond Program, Oct. 19, 2022
- Global Covered Bond Insights Q3 2022, Sept. 8, 2022
- Central Bank of Savings Banks Finland PLC, Aug. 3, 2022
- Finland 'AA+/Stable/A-1+' Ratings Affirmed; Outlook Stable, July 1, 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
- Global Covered Bond Insights Q1 2022, March 17, 2022
- Norwegian And Finnish Covered Bond Market Insights 2022, Jan. 31, 2022
- S&P Global Ratings Definitions, Nov. 10, 2021
- Glossary Of Covered Bond Terms, April 27, 2018

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