Transaction Update:

Sp Mortgage Bank PLC CBA Mortgage Covered Bond Program

December 10, 2025

Reference rating level	a+
Resolution regime uplift	+2
Systemic importance	Very Strong
Resolution counterparty rating	A
ICR Or parent bank rating or guarantor rating	A-

Jurisdiction-supported rating level	aa+
Assigned jurisdictional support uplift	+3
Jurisdictional support assessment	Very Strong

Maximum achievable CB rating	aaa
Assigned collateral support uplift	+1
Over-collateralization adjustment	0
Liquidity adjustment	0
Potential collateral-based uplift	+4

Covered bond rating	
AAA/Stable	
Rating constraints	aaa
Sovereign risk	aaa
Counterparty risk	aaa

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.

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Credit Highlights

Overview

Key strengths	Key risks
The Central Bank of Savings Banks Finland PLC´s (Sp Central Bank) high issuer credit rating (ICR) and a very strong systemic importance of Finnish mortgage covered bonds allow for 'AAA' ratings to be assigned with one notch of collateral support uplift and a required overcollateralization of 'AAA' credit risk.	About 51% of the cover pool are constant annuity loans, potentially delaying repayment under high interest rates, leading to a higher foreclosure frequency assumption.
The issuer's overcollateralization commitment, the soft-bullet maturity structure and an available overcollateralization above the target credit enhancement (TCE; the level of enhancement commensurate with the maximum collateral-based uplift.) allow for four potential notches of collateral uplift.	The cover pool´s share of loans with subordinated claims (17%) elevating loan-to-value (LTV) ratios, leading to a higher foreclosure frequency assumption.
Three unused notches of collateral uplift protecting the covered bonds' 'AAA' rating in the event of Sp Central Bank´s ICR downgrade.	Concentration of mortgages in the West of Finland exceeding our regional concentration limit, leading to a higher foreclosure frequency assumption.
A granular and seasoned portfolio of Finnish prime residential mortgages.	
Interest rate swaps are in place to hedge the risk arising from the variable interest rate paying assets and the fixed rate paying covered bonds.	

Under our updated covered bonds criteria, the covered bonds achieve a 'AAA' rating with one notch of collateral support uplift above the jurisdiction-supported rating level (JRL) and a required overcollateralization commensurate with 'AAA' credit risk, which based on cover pool information as of Sept. 30, 2025, is 6.4% (see "Methodology For Rating Covered Bonds," July 25, 2025). This compares to a required overcollateralization of 12.9% equal to 'AAA' credit risk plus 25% of refinancing costs previously. The cover pool comprises Finnish residential mortgage loans, originated by the saving banks in the Savings Banks Group Finland. As of Sept. 30, 2025, outstanding covered bonds were €1.75 billion (up from €1.25 billion) and the cover pool's balance was €2.83 billion (up from €1.81 billion previously). Overall, the cover pool's composition and credit quality has remained stable.

'AAA' credit risk and TCE are lower under our updated criteria. The reduction of both metrics is driven by the removal of spread compression and basis risk given their limited materiality to the required credit enhancement level for the 'AAA' rating. Additionally, the TCE which determines the overcollateralization commensurate with the maximum collateral-based uplift of four notches above the JRL, is 10% (18.5% previously). The TCE reduced primarily due to our lower asset spread assumptions when modelling refinancing risk under our updated criteria. Accordingly, in our cash flow modelling, we applied a target asset spread of 200 basis points (bps) for the first three years and a base case asset spread of 50 bps thereafter (425 bps until the covered bond's maturity previously).

We have updated our counterparty risk assessment. Accordingly, we apply a forward-looking assessment of the issuer's maintenance of credit support and therefore removed the commingling risk stress in our cash flow analysis. Additionally, the application of our counterparty risk criteria does no longer constrain the number of unused notches in the program.

The covered bonds benefit from three unused notches of collateral support uplift. The starting point of our analysis is the long-term ICR on the Central Bank of Savings Banks Finland PLC (Sp Central Bank; A-/Stable/A-2). The unused notches protect the covered bonds 'AAA' rating in the event of a downgrade of Sp Central Bank by up to three notches, all else being equal.

The banking sector shows resilience to economic risk. Finland's economic recovery from a two-year recession has been fragile. After the economy expanded 0.4% in 2024, real GDP growth stagnated in first-half 2025. Nevertheless, we expect economic recovery to gather pace in 2026. The Finnish banking sector remains resilient amid the muted economic conditions, and the gradual economic recovery should support the sector's growth prospects. In our view, the correction in house prices after the rapid increase in interest rates and muted consumer confidence is virtually over. By mid-2025, prices began to rise again, supported by falling interest rates, easing inflation, and improving household incomes. Although credit losses will likely exceed the cyclical lows of 2024-2025, they will remain manageable and small, compared with other European banks. This is because of Finnish banks' prudent underwriting standards, their focus on collateralized lending, the private sector's sound financial buffers, and Finland's strong social security system (see "Banking Industry Country Risk Assessment: Finland," Nov. 7, 2024 and "Finland," Oct. 27, 2025).

Banking industry risk is stable. We expect the banking sector to demonstrate sound operating efficiency and profitability, even if the latter declines modestly due to lower interest rates. In our view, the banking sector has sound buffers to absorb credit losses, even beyond our base-case scenario, given its solid operating profitability and capitalization. Issues from weak economic growth and distress in specific sectors have led to some asset quality weakening and higher credit impairments, but are unlikely to disrupt the banks' resilience.

Outlook

The stable outlook on the 'AAA' ratings on Sp Mortgage Bank PLC 's (SPMB) covered bond program and related issuances reflects our view that we would not automatically lower the ratings if we were to lower our long-term ICR on Sp Central Bank by up to three notches, all else being equal.

Program Description

Table 1

Program overview*

Jurisdiction	Finland
Legal framework	Finnish Covered Bond Act
Redemption profile	Soft-bullet
Underlying assets	Residential mortgages
Outstanding covered bonds (mil. €)	1,750
Available credit enhancement (current balance, %)	61.92
Credit enhancement commensurate with rating (%)	6.42
Legal Overcollateralization (%)	2.00**
Number of unused notches	3

*Based on data as of Sept. 30 2025. **5% Net present value if requirements of article 129 (3)(a) subparagraph 3 of the Capital Requirements Regulation are not fulfilled.

SPMB is a part of the Savings Banks Group Finland with joint and several liability between the amalgamation members. The Group comprises Savings Banks' Union Coop, Sp Central Bank, 14 independent savings banks, SPMB, and product companies (not covered by joint and several liability). SPMB was established in March 2016 to provide competitive funding to the savings banks in the form of covered bonds, which represent the main source of wholesale funding for the group. The mortgage covered bonds are issued under SPMB's €4 billion program for the issuance of covered bonds.

The CBA covered bond program, which is subject to this review, was established in late-2022 to issue covered bonds under Finland's Covered Bond Act, (CBA, 151/2022 (see "Sp Mortgage Bank Finnish CBA Covered Bond Program And First Issuance Assigned 'AAA' Rating; Outlook Stable," Nov. 1, 2022). SPMB also manages another cover pool containing 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.

The covered bonds issued under the CBA Covered Bond Program rank pari passu among themselves, but 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. Similarly, covered bondholders and derivative counterparties related to the MCBA Covered Bond Program have a priority claim only on the assets registered in the MCBA Covered Bond Program.

The covered bonds constitute SPMB's direct unconditional and unsubordinated debt obligations and are secured by a cover pool of Finnish residential mortgage loans. The covered bonds benefit from a 12-month maturity extension, and SPMB 's commitment to maintain overcollateralization sufficient to support 'AAA' ratings.

The Finnish covered bond law enables SPMB to grant intermediary loans to member banks of the Savings Banks Group Finland. In return for the intermediary loans, the group members must pledge eligible cover pool assets from their balance sheets to the cover pool as security for the covered bonds. SPMB must record these collateral assets in the cover register together with the intermediary loans. SPMB's cover pool comprises residential mortgages pledged by its group members to the cover pool as security for the covered bonds.

The cover pool includes interest rate swaps with Nordea Bank Abp, to hedge the interest rate risk arising from the floating-rate paying mortgage loans and the fixed-rate covered bonds.

Our quarterly surveillance reports for this cover pool can be found here .

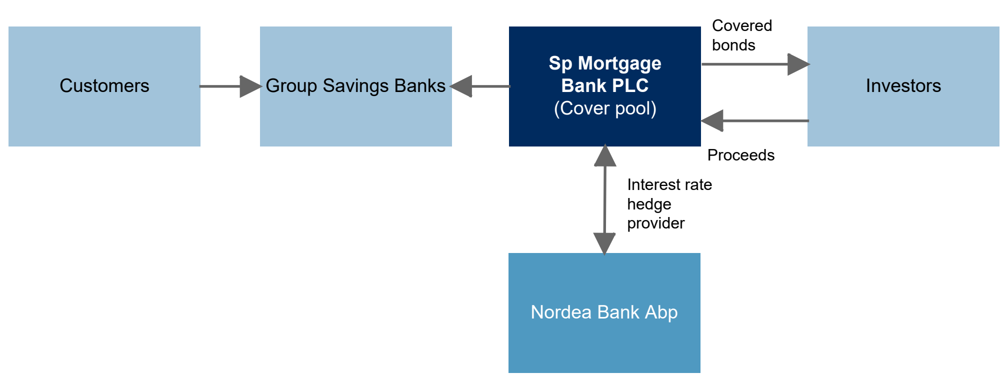
Table 2

Program participants

Role	Name	Rating	Rating dependency
Issuer	Sp Mortgage Bank PLC	NR*	Yes
Originator	Savings Banks Group Finland	NR	No
Interest rate hedge provider	Nordea Bank Abp	AA-/Stable/A-1+	Yes

*We apply the notches of uplift to the long-term rating on Central Bank of Savings Banks Finland PLC to derive the ratings on the covered bonds. NR--Not rated.

Program Structure



Rating Analysis

Legal and regulatory risks

We base our legal analysis on our "Asset Isolation And Special-Purpose Entity Methodology," May 29, 2025.

SPMB'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. The CBA repealed the Finnish Act on Mortgage Credit Bank Activities (688/2010; MCBA).

In our opinion, the CBA satisfies the relevant legal aspects we assess under our covered bonds criteria, specifically the cover pool assets' isolation from the risk of an issuer's bankruptcy or insolvency, so that covered bond payments continue on their scheduled dates. This allows us to rate the covered bond program above the ICR on Sp Central Bank.

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. They must also, according to their terms, remain in force despite the issuer's bankruptcy, liquidation, or resolution. Derivative counterparties benefit from the same statutory priority right as covered bondholders.

The CBA allows a specialized mortgage credit bank to grant intermediary loans to a credit institution belonging to the same consolidated group or amalgamation of deposit banks as the mortgage credit bank. Intermediate loans must be covered with eligible cover assets and be recorded in the cover register. Once registered, they serve as collateral for the covered bonds for the benefit of the covered bondholders. We perform our analysis based on the underlying loans that are pledged as collateral for the covered bonds and form the cover pool.

Upon issuer insolvency, covered bondholders and derivative counterparties 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.

For more details on our legal framework analysis 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 increases the likelihood that the issuer will continue servicing its covered bonds even following a default on its senior unsecured obligations.

SPMB 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 assess the reference rating level (RRL) as the greater of (i) two notches above the long-term ICR; and (ii) the resolution counterparty rating (RCR) on the issuing bank. Where the issuer is not rated but belongs to a group with a rated parent, we may use the ICR on the parent as a starting point of the analysis. Given the 'A-' long-term ICR and the 'A' RCR on Sp Central Bank, the RRL is 'a+'.

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 JRL of 'aa+'.

Operational and administrative risks

Our analysis of operational and administrative risks follows the guidelines in our covered bonds criteria.

SPMB does not originate loans, but depends on the savings banks' branch network, which comprises 14 savings banks. Only savings banks that are part of the amalgamation can distribute mortgage loans on behalf of SPMB. The savings banks' credit decisions and management of customer relationships follow the guidelines issued by SPMB. The savings banks are also bound to repurchase any loans that do not comply with SPMB´s lending guidelines.

SPMB started to use the intermediate loan model since November 2022 whereby the mortgage loans stay in the savings banks' balance sheets and an intermediate loan is granted by SPMB to the corresponding savings bank. We understand that starting 2026 new loans in the cover pool will only consist of intermediary loans.

We believe that a replacement servicer would be appointed if the issuer were to become insolvent. In our view, Finland is an established covered bond market, and the mortgage assets in SPMB's cover pool do not have product features that would materially limit the range of available replacement cover pool managers or servicers. We have modeled a servicing fee we deem sufficient to attract a replacement servicer.

We consider the issuer's underwriting and servicing standards to be sufficient to support our ratings on the covered bonds. We therefore did not apply any analytical adjustments to account for operational and administrative risks.

Collateral support analysis

Mortgage market overview: The mortgage market in Finland is recovering after the sharp correction of 2022–2024. Borrowers remain resilient, interest rates are easing, and banks are well-capitalized. Over the next two years, mortgage demand will strengthen modestly, though risks from household debt and real estate exposures mean the recovery will be cautious rather than rapid. We think urbanization will continue over the medium to long term, leading to stronger upside potential for house prices in Helsinki and other growth cities.

Despite the recent sharp rise in interest rates, households' debt servicing capacity remains sound. Finnish mortgages are generally linked to floating rates, and mortgages that are fixed for less than one year account for more than 95% of new mortgages. As a result, debt servicing costs have increased since mid-2022, with interest expenses exceeding 3.0% of disposable income in mid-2024, up from 1.8% in 2022. That said, about one-third of mortgage loans hold interest rate hedges--either a cap or a collar--which somewhat mitigated the negative effects of rising rates. On another positive note, the highest interest expenses tend to fall on average for high-income households, which supports our view of sound debt servicing capacity (see "Banking Industry Country Risk Assessment: Finland," Nov. 7, 2024).

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).

For our credit and cash flow analysis we used loan-by-loan data and asset and liability cash flow projections as of Sept. 30, 2025. With outstanding covered bonds of €1.75 billion and a cover pool current balance of €2.83 billion, the available overcollateralization is 61.9% (based on current loan balances). The cover pool of euro-denominated Finnish residential mortgage loans remains granular and well-seasoned.

At a 'AAA' stress level, we estimate a weighted-average foreclosure frequency (WAFF) of 15.4% (down from 17. 6% previously) and a weighted-average loss severity (WALS), based on current loan balances of 22.6% (down from 23.1% 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 3.4% from 4.1% previously. The reduction in the WAFF is mainly driven by lower effective LTV ratios and a lower share of constant annuity loans which attract a higher foreclosure frequency to reflect a potential payment shock. Furthermore, we apply multiples to the base foreclosure frequency (13% in this case) based on the effective LTV ratios. We determined a weighted-average cover pool effective LTV ratio of 69% (down from 71.8% previously). This is based on current whole-loan LTV ratios. The lower WALS reflects a lower repossession market value decline assumption driven by our updated house price undervaluation assessment in Finland. Our analysis currently considers Finnish residential properties as 10% undervalued (2% undervalued previously). This positive effect on the WALS was partially offset by a higher share of loans subject to a jumbo valuation adjustment.

While both the WAFF and the WALS are based on updated valuations, the loss severity does not incorporate exposure to subordinated claims which account for about 17% of cover pool balance. Therefore, the current LTV ratio (63%) used for our loss calculation is lower than the effective LTV ratio that we base our default probability on (69%).

By applying our credit and cash flow stresses, we calculate a TCE of 10.1% and 'AAA' credit risk of 6.4%. Under our updated criteria, we removed the spread compression previously applied to the interest rate on the mortgage loans considering that the underlying portfolio is granular comprising of residential mortgages. Additionally, we have removed the basis risk stress which together with the removal of spread compression has limited materiality to the required enhancement level for the 'AAA' rating. These factors, as well as the improved mortgage assets' credit metrics, and a higher excess spread have lowered the 'AAA' credit risk and the TCE. Additionally, the TCE has reduced mainly due to our updated asset spread assumptions when modelling refinancing risk under our updated covered bonds criteria, while the decrease in the program’s asset liability maturity mismatch also had a positive impact on the TCE.

With an available credit enhancement exceeding the TCE, the maximum potential collateral-based uplift above the JRL is four notches. No deductions apply to the maximum potential collateral-based uplift owing to SPMB's overcollateralization commitment and because we consider the liabilities' soft-bullet structure mitigates short-term liquidity risk. The achieved collateral support uplift is therefore four notches above the JRL, of which one notch is used to attain a 'AAA' rating. The required credit enhancement for the 'AAA' rating is 6.4% equivalent to 'AAA' credit risk. As a result, there are three unused notches of collateral-based uplift.

Table 3

Cover pool composition

	As of Sept. 30, 2025		As of Sept. 30, 2024	
Asset type	Cover pool (current balance, mil. €)	Percentage of cover pool	Cover pool balance (current balance, mil. €)	Percentage of cover pool
Residential assets	2,833.56	100.00	1,808.76	100.00

Cover pool composition

	As of Sept. 30, 2025		As of Sept. 30, 2024	
Asset type	Cover pool (current balance, mil. €)	Percentage of cover pool	Cover pool balance (current balance, mil. €)	Percentage of cover pool
Substitute assets	0.00	0.00	0.00	0.00
Total	2,833.56	100.00	1,808.76	100.00

Table 4

Key credit metrics

	As of Sept. 30, 2025	As of Sept. 30, 2024
Average loan size (€)	93,988.00	86,329.00
Weighted-average effective LTV ratio (%)*	68.97	71.77
Weighted-average cover pool current LTV ratio (%)§	63.03	62.10
Weighted-average loan seasoning (years)†	5.44	5.43
Balance of loans in arrears (%)	0.00	0.00
Buy-to-let loans (%)	8.06	8.36
Self-employed borrowers (%)	19.18	15.90
Constant annuity loans (%)	50.63	57.33
Credit analysis results:		
WAFF (%)	15.37	17.56
WALS (%)	22.55	23.12
'AAA' credit risk (%)	6.42	11.04

*Effective LTV based on 100% of current indexed whole loan LTV. §Weighted-average current indexed LTV based on current 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 loan-to-value distributions

	As of Sept. 30, 2025		As of Sept. 30, 2024	
(%)	Effective whole loan LTV (%)*	Cover pool current LTV (%)§	Effective whole loan LTV (%)*	Cover pool current LTV (%)§
0-40	12.66	15.53	13.98	18.76
40-50	10.08	11.17	9.03	10.85
50-60	13.73	15.03	12.23	13.98
60-70	18.52	19.21	15.60	16.52
70-80	16.45	15.90	15.84	14.72
80-90	12.40	11.71	13.25	12.66
90-100	9.78	10.16	11.41	11.87
Above 100	6.37	1.28	8.65	0.64
Weighted-average loan-to-value (%)	68.97	63.03	71.77	62.10

*100% of current indexed whole loan LTV. §Current LTV based on current balance excluding subordinated claims. LTV--Loan-to-value.

Table 6

Seasoning*

	As of Sept. 30, 2025	As of Sept. 30, 2024
	Percentage of current pool balance	Percentage of current pool balance
>0 and <=2years	22.25	18.25
>2 and <=4 years	19.73	27.05
>4 and <=5 years	12.31	10.78
>5 and <=6 years	8.52	8.68
>6 and <=7 years	7.46	6.48
>7 and <=8 years	6.57	5.15
>8 and <=9 years	5.3	5.05
>9 and <=10 years	4.2	4.56
>10 years	13.66	14
Weighted-average loan seasoning (years)	5.44	5.43

*Seasoning refers to the elapsed loan term.

Table 7

Geographical distribution

	As of Sept 30, 2025	As of Sept 30, 2024
	Percentage of current pool balance	Percentage of current pool balance
Southern Finland (including Helsinki)	32.21	43.39
Eastern Finland	11.72	7.69
Western Finland	42.26	40.41
Oulu	10.13	6.19
Lapland	3.61	2.29
Aland	0.07	0.03
Total	100	100

Table 8

Collateral uplift metrics

	As of Sept. 30, 2025	As of Sept. 30, 2024
Asset WAM (years)	9.34	10.25
Liability WAM (years)	5.04	5.65
Target asset spread (bps)	200.00	425.00
Base case asset spread (bps)	50.00	N/A
Available credit enhancement (current balance, %)	61.92	44.70
'AAA' credit risk (%)	6.42	11.04
Required credit enhancement for first notch of collateral uplift (%)	6.42	12.90
Required credit enhancement for second notch of collateral uplift (%)	6.42	14.75

Collateral uplift metrics

	As of Sept. 30, 2025	As of Sept. 30, 2024
Required credit enhancement for third notch collateral uplift (%)	8.24	16.61
Target credit enhancement for maximum uplift (%)	10.05	18.46
Potential collateral-based uplift (notches)	4	4
Adjustment for liquidity (Y/N)	N	N
Adjustment for committed overcollateralization (Y/N)	N	N
Achievable collateral support uplift (notches)	4	4

WAM--Weighted-average maturity.

N/A--Not applicable

Table 9

SP Mortgage Bank CBA Covered Bond Program vs. other Finnish covered bond programs

Program name	SP Mortgage Bank CBA	SP Mortgage Bank MCBA	POP Mortgage Bank	OP Mortgage Bank	S-Bank
Overview					
Jurisdiction	Finland	Finland	Finland	Finland	Finland
Covered bond type	LCB	LCB	LCB	LCB	LCB
Outstanding assets (bil. EUR)	2,833.60	1,318.91	679.70	8,245.25	3,125.02
Outstanding covered bonds (bil. EUR)	1,750.00	1,000.00	500.00	7,550.00	1,000.00
Cover pool composition	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%
Rating details					
Issuer credit rating*	A-	A-	BBB	AA-	BBB+
Reference rating level	a+	a+	a-	aa+	a
Jurisdictional-supported rating level	aa+	aa+	aa-	aaa	aa
Covered bonds rating	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable	AAA/Stable
Total unused notches	3	3	1	6	2
Credit analysis					
Mortgage WAFF (%)	15.37	8.85	18.37	12.57	17.43
Mortgage WALS (%)	22.55	14.78	28.70	11.71	23.59
Overcollateralization (OC)					
Available OC (%)	61.92	27.44	35.94	10.74	217.91
Asset default risk (%)	6.42	2.50	7.15	2.50	6.99
Target credit enhancement (%)	10.05	8.65	12.49	4.58	13.48
OC consistent with current rating (%)	6.42	2.50	9.82	2.00	6.99
Cash-flow analysis as of	30/09/2025	31/3/2025	30/09/2025	31/3/2025	30/06/2025

*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.WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity. OC--Overcollateralization. LCB--Legislation-enabled covered bonds.

Counterparty risk

We analyze counterparty risk under our updated covered bonds criteria. The ratings on the program and related issuances are not constrained by counterparty risk.

Bank account provider

Borrowers 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 issuer's insolvency. While this mechanism protects mortgage payments post issuer default, funds standing or paid in the collection accounts pre-issuer insolvency could be exposed to commingling risk to the extend such funds are not reinvested into cover pool assets or used for covered bond payments. This is because these collections are not segregated in the cover pool.

As part of our analysis of operational and administrative risks, we apply a forward-looking assessment of the issuer's maintenance of credit support. Covered bonds are a vital source of long-term funding for the Savings Banks Group accounting for 53% of its total wholesale funding in June 2025. Since rating inception, SPMB has maintained overcollateralization levels for its covered bonds above the level required for the 'AAA' rating. Furthermore, SPMB maintains an overcollateralization commitment for its covered bonds to retain their 'AAA' rating, and we expect SPMB to continue to maintain credit support for its covered bonds. Therefore, we currently do not stress commingling risk in our cash flow analysis (previously stressed as two weeks of lost cash collections).

Swaps

SPMB has executed liability swaps with Nordea to hedge the interest rate risk arising from the variable interest paying assets and the fixed interest rate paying covered bonds. Under the swap terms, Nordea pays a fixed rate to SPMB on the coupon date, while SPMB receives a floating rate of six months Euribor monthly to match the interest base of the mortgage loans.

We consider these hedges in our cash flow analysis and model the covered bonds as floating rate-paying, corresponding to the floating rate payments due by SPMB to Nordea under the swaps using the cover pool cash flow projections provided to us by SPMB.

To derive the maximum potential rating on the covered bonds, under our updated criteria, we consider whether the counterparties are related to the issuer, the seniority of termination payments, and the presence of an effective replacement framework. Nordea is an unrelated counterparty, and we consider its RCR ('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 under our "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," Jan. 30, 2019. Under these criteria, covered bonds backed by residential mortgages--issued in a jurisdiction 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 bonds up to five notches above the sovereign rating. Given our 'AA+' long-term rating on Finland, sovereign risk does not constrain our covered bond ratings.

Environmental, Social, And Governance

Environmental, social, and governance considerations have no material influence on our credit rating analysis of SPMB'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. SPMB commits to maintain an overcollateralization level in the program to sustain the rating on the covered bonds. Further, the bonds' soft-bullet repayment structure mitigates liquidity risk.

Related Criteria

- Methodology For Rating Covered Bonds, July 25, 2025
- Counterparty Risk Methodology, July 25, 2025
- Asset Isolation And Special-Purpose Entity Methodology, May 29, 2025
- Assessing Pools Of Residential Loans--Europe Supplement, April 4, 2024
- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan 25, 2019
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Covered Bonds Outlook 2026, Dec. 2, 2025
- Request For Comment: Methodology For Rating Structured Finance Securities Above The Sovereign, Nov. 19, 2025
- Finland, Oct. 27, 2025
- Global Covered Bond Insights Q4 2025: Updated Methodology Affects Overcollateralization Requirements, Sept. 11, 2025
- How Our Updated Methodology For Rating Covered Bonds Affects Overcollateralization Requirements, Sept. 4, 2025
- Covered Bonds Primer, Sept. 2, 2025
- Central Bank of Savings Banks Finland PLC, Dec 6, 2024
- S&P Global Ratings Definitions, Dec. 2, 2024
- Banking Industry Country Risk Assessment: Finland, Nov. 7, 2024
- A Closer Look At Finland's Covered Bond Framework, Sept. 27, 2023
- Glossary Of Covered Bond Terms, April 27, 2018