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CREDIT OPINION
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New Issue

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Alandsbanken Abp CBA Covered Bond Program

New Issue Report – Finnish covered bonds

Ratings

Exhibit 1

Cover Pool (€)	Ordinary Cover Pool Assets	Covered Bonds (€)	Rating
1,219,480,843	Residential Mortgage Loans	950,000,000	Aaa

All data in the report is as of March 20' 2024 unless otherwise stated. Data used in this report is based on CBA Covered Bond Program data as of March 20, 2024 topped up with assets and liabilities to be released from the coming closure of the MCBA Covered Bond Program on April 22, 2024. From April 22, 2024, the issuer has only one program CBA Covered Bond Program.
Source: Moody's Ratings

Summary

The covered bonds issued by Alandsbanken Abp (Alandsbanken or the issuer, A2(cr)) under its mortgage sector 'Alandsbanken Abp CBA Covered Bond Programme' are full recourse to the issuer and are secured by a cover pool of assets consisting almost entirely of residential mortgage loans (99.5%) in Finland along with other supplementary assets (0.5%).

Credit strengths include the full recourse of the covered bonds to the issuer, A2(cr) counterparty risk (CR) assessment, and support provided by the Finnish covered bond legislation, which provides for the issuer's regulation and supervision.

Credit challenges include the high level of dependency on the issuer. As with most covered bonds in Europe, the issuer can materially change the nature of the programme. The cover pool also has geographical concentration risk.

Our credit analysis takes into account the cover pool's credit quality, which is reflected in the collateral score of 4.0%, and the current over-collateralisation (OC) of 28.4% (on a nominal value basis) as of 20 March 2024.

Credit strengths

» ***Recourse to the issuer*:** The covered bonds are full recourse to Alandsbanken. (See "Covered bond description - Structure description")

» ***Support provided by the Finnish legal framework*:** The covered bonds are governed by the Finnish Covered Bond Act 151/2022 (*Laki kiinnitysluottopankeista ja katetuista joukkolainoista*), which provides for the issuer's regulation and supervision, and sets certain minimum requirements for the covered bonds and the cover pool. (See "Covered bond description - Structure description")

- ***High credit quality of the cover pool*****:** The covered bonds are supported by a cover pool of high-quality of assets. The assets are almost entirely residential mortgage loans backed by properties in Finland. The collateral quality is reflected in the collateral score, which is currently 4.0%. (See "Cover pool analysis")
- ***Currency risks***: Currently there is no currency risk in the programme as both the assets and the liabilities are denominated in the same currency (euros). (See "Covered bond analysis")
- ***Provisions for a cover pool supervisor:*** At issuer insolvency, the Finnish financial services authority (FIN-FSA) would appoint a cover pool supervisor and will continue to supervise the issuer. The cover pool supervisor has a strong and clearly defined role relative to the bankruptcy administrator and a clear mandate to act in the interests of covered bondholders.
- ***No set-off, claw-back or moratorium risk:*** The covered bond law prohibits set-off against cover pool assets that benefit from the priority rights. This does not prevent netting under derivatives contracts. Claw-back against cover pool assets is prohibited and there is no moratorium risk.

Credit challenges

- ***High level of dependency on the issuer:*** As with most covered bonds, before the insolvency of the issuer, the issuer can materially change the nature of the programme. For example, the issuer can add new assets to the cover pool, issue new covered bonds with varying promises and enter into new hedging arrangements. Also similar to most covered bonds in Europe, this programme has few restrictions on the future composition of the cover pool. These changes could affect the credit quality of the cover pool as well as the overall refinancing and market risks. Further, if the quality of the collateral deteriorates below a certain threshold, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. (See "Covered bond analysis")
- ***Cover pool concentration***: The cover pool has geographical concentration, with all of the loans backed by properties in Finland and particular concentration in Uusimaa (43.1%) and Aland Islands (22.6%). (See "Cover pool analysis")
- ***Market risks***: Following what we call a CB anchor event, covered bondholders, to achieve timely principal payment, might need to rely on proceeds raised through the sale of, or (subject to prior consent from FIN-FSA) borrowing against, the cover pool assets . A CB anchor event occurs when the issuer, or another entity within the issuer group that supports the issuer, ceases to service the payments on the covered bonds. The market value of the cover pool assets may be subject to high volatility after a CB anchor event. In addition, covered bondholders might have exposure to interest rate and currency risks. (See "Covered bond analysis")
- ***Interest rate risk*****:** In line with other Finnish covered bond programmes, interest rate risk exists as 57.9% of the covered bonds are fixed rate, while only 6.2% of the assets are fixed rate. The risk is reflected this in our expected loss assessment (See "Covered bond analysis")
- ***Time subordination:*** After a CB anchor event, later-maturing covered bonds are subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. This subordination could lead to the erosion of OC before any payments are made to later-paying covered bonds. (See "Covered bond analysis")

Key characteristics

Exhibit 2
Covered bond characteristics

Moody's Programme Number:	514
Issuer:	Alandsbanken Abp
Covered Bond Type:	Residential mortgage covered bond
Issued under Covered Bonds Law:	Yes
Applicable Covered Bonds Law:	Finnish Act on Mortgage Banks and Covered Bonds 151/2022
Entity used in Moody's TPI analysis:	Alandsbanken Abp
CR Assessment:	A2(cr)
CB Anchor:	A1
Senior unsecured/deposit rating:	A3
Total Covered Bonds Outstanding:	€950,000,000
Main Currency of Covered Bonds:	EUR (100.0%)
Extended Refinance Period:	Yes
Principal Payment Type:	Soft bullet (12 months extension)
Interest Rate Type:	Fixed rate covered bonds (57.9%), Floating rate covered bonds (42.1%)
Committed Over-Collateralisation:	2.0%
Current Over-Collateralisation:	28.4% (on a nominal basis)
Intra-group Swap Provider:	n/a
Monitoring of Cover Pool:	n/a - supervision of Finnish Financial Supervisory Authority
Trustees:	n/a
Timely Payment Indicator:	Probable-High
TPI Leeway:	2 notches

Sources: Moody's Ratings and issuer data

Exhibit 3
Cover pool characteristics

Size of Cover Pool:	€1,219,480,843
Main Collateral Type in Cover Pool:	Residential assets (99.5%), other supplementary assets (0.5%)
Main Asset Location of Ordinary Cover Assets:	Finland
Main Currency:	EUR (100.0%)
Loans Count:	12,494
Number of Borrowers:	11,668
WA Unindexed LTV:	54.3%
WA Indexed LTV:	56.8%
WA Seasoning (in months):	68
WA Remaining Term (in months):	158
Interest Rate Type:	Floating rate assets (93.8%), fixed rate assets (6.2%)
Collateral Score:	4.0%
Cover Pool Losses:	12.9%
Further Cover Pool Details:	See Appendix 1
Data Cut-off Date:	20 March 2024

Sources: Moody's Ratings and issuer data

Covered bond description

The covered bonds issued under the mortgage covered bond programme of Alandsbanken are full recourse to the issuer. Upon a CB anchor event, covered bondholders would have access to a cover pool of residential mortgage loan receivables.

Structure description

The bonds

All outstanding covered bonds have a soft bullet repayment at maturity, with an extension period of 12 months for the repayment of the bonds.

Issuer recourse

The covered bonds are full recourse to the issuer. Therefore, the issuer is obliged to repay principal and pay interest on the covered bonds.

Recourse to cover pool and over-collateralisation

If the issuer becomes insolvent, the covered bondholders would have priority claims over a pool of assets (cover pool). (See "Cover pool description" for the cover pool characteristics and "Cover pool analysis" for our analysis of the pool)

As of March 2024, the level of OC was 28.4% on a nominal value basis.

The current covered bond rating relies on OC within the minimum legal requirements of the Finnish covered bond law. The law requires that the total amount of cover pool assets must continuously exceed the payment liabilities under the covered bonds by at least 2% (in each case taking account of any derivatives in the cover pool) and calculated based on the lower value between net present value and nominal value basis. Based on data as of 20 March 2024, 6.5% of OC on a nominal basis is sufficient to maintain the current covered bond rating. This shows that our analysis relies on OC that is not in committed form.

Although the issuer has the ability to increase the OC in the cover pool if collateral quality deteriorates below a certain threshold, the issuer does not have any obligation to do so. The failure to increase OC following a deterioration of the collateral could lead to a negative rating action.

Legal framework

The covered bonds are governed by the Finnish Covered Bond Act Act 151/2022 (Laki kiinnitysluottopankeista ja katetuista joukkolainoista). There are a number of strengths in this legislation, including the regulation of the issuer by the Finnish Financial Supervisory Authority (FFSA), as well as certain minimum requirements for the covered bonds and the cover pool. (See Covered Bonds: Finland - Legal Framework for Covered Bonds)

Covered bond analysis

Our credit analysis of the covered bonds primarily focuses on the issuer's credit quality, refinancing risk, interest rate risk and currency risk, as well as the probability that payments on the covered bonds would be made in a timely fashion following a CB anchor event, which we measure using the Timely Payment Indicator. (See "Timely Payment Indicator")

Primary analysis

Issuer analysis - Credit quality of the issuer

The issuer's CR Assessment is A2(cr). (For a description of the issuer's rating drivers, see Credit Opinion, published March 2024)

The reference point for the issuer's credit strength in our analysis is the CB anchor, which for covered bond programmes under the covered bond law in Finland is the CR Assessment plus one notch.

Issuer analysis - Dependency on the issuer's credit quality

The credit quality of the covered bonds depends primarily on the credit quality of the issuer. If the issuer's credit strength were to deteriorate, there would be a greater risk that a CB anchor event would occur, leading to refinancing risk for the covered bonds. Consequently, the credit quality of the covered bonds would deteriorate unless other credit risks were to decrease.

In the event that the CB anchor deteriorates, the issuer would have the ability, but not the obligation, to increase the OC in the cover pool. Failure to increase the level of OC under these circumstances could lead to a negative rating action.

Reasons for the high level of dependency of the covered bonds with the issuer also include exposure to decisions made by the issuer in its discretion as manager of the covered bond programme. For example, before a CB anchor event, the issuer may add new assets to the cover pool and remove assets from the cover pool, issue further bonds and enter new hedging arrangements. Such actions could reduce the value of the cover pool.

As with most covered bonds in Europe, there are few contractual restrictions on the future composition of the cover pool, which creates substitution risk. Nevertheless, cover pool quality over time will be protected by, among other things, the requirements of the Finnish legal framework, which specifies what types of assets are eligible. (See "Finnish Covered Bond Legal Frameworks")

Refinancing risk

Following a CB anchor event, the "natural" amortisation of the cover pool assets alone cannot be relied on to repay the principal. We assume that funds must be raised against the cover pool at a discount if covered bondholders are to receive timely principal payment. Where the portion of the cover pool that is potentially exposed to refinancing risk is not contractually limited, our expected loss analysis typically assumes that this amount is in excess of 50% of the cover pool.

After a CB anchor event, the market value of these assets may be subject to volatility. Examples of the stressed refinancing margins we use for different types of prime-quality assets are published in our Rating Methodology. (See "Moody's Approach to Rating Covered Bonds")

The refinancing-positive factors outweigh the negative ones. The refinancing-positive aspects of this covered bond programme include:

» Following issuer default, a cover pool supervisor is appointed to supervise the interests of covered bondholders. The cover pool supervisor has wide powers to direct the issuer's insolvency administrator and, in particular, will supervise cover pool cash flows and payments to covered bondholders.

» The issuer's insolvency administrator has wide powers to act in the interests of the covered bondholders under the direction of the cover pool supervisor. These include powers to enter into liquidity loans (with liquidity providers' claims subordinated to covered bondholders and derivative counterparties), and sell cover pool assets, (with the permission of cover pool administrator appointed by the FIN-FSA).

» The issuer is required to ensure that it has sufficient funds made of Supplementary collateral (as defined in the Finnish covered bond Act) to cover the total amount of net outflow due to covered bondholders during a rolling 180 days period.

» The programme benefits from contractual provisions allowing for an extension period of 12 months for the repayment of the bonds. All covered bonds issued under this programme have a soft bullet repayment at maturity.

The refinancing-negative aspects of this covered bond programme include:

» Under the covered bond law, a breach of the cover tests following issuer default, including the requirement for OC of at least 2% (in each case taking account the lower value of nominal and NPV basis), may allow the issuer's administrator to accelerate the covered bonds. This suggests that the 2% legal minimum OC may not be there to act as a buffer against losses and thereby avoid or delay acceleration after an issuer default. However, the decision to accelerate would require the approval of the cover pool supervisor, who has a clear mandate to act in the interests of covered bondholders. Accordingly, we would not expect acceleration for technical, minor or temporary breaches.

Interest rate and currency risk

As with the majority of European covered bonds, there is potential for interest rate and currency risks, which could arise from the different payment promises and durations made on the cover pool and the covered bonds.

Exhibit 4

Overview of assets and liabilities

	WAL Assets (Years)	WAL Liabilities (Years)	Assets (%)	Liabilities (%)
Fixed rate	4.7	2.7	6.2%	57.9%
Variable rate	9.3	0.6	93.8%	42.1%

WAL = weighted average life
n/a = not applicable
Sources: Moody's Ratings and issuer data

In the event of issuer insolvency, we currently do not assume that the special cover pool administrator will always be able to efficiently manage any natural hedge between the cover pool and the covered bonds. Therefore, following a CB anchor event, our model would separately assess the impact of increasing and decreasing interest rates on the expected loss of the covered bonds, taking the path of interest rates that leads to the worst result. The interest rate and currency stresses used over different time horizons are published in our Rating Methodology.

Aspects of this covered bond programme that are market-risk positive include:

» At present there is no currency mismatch in the programme, as all the assets and liabilities are denominated in euros.

» Interest-rate risk is also mitigated by the 180 days net outflows coverage obligation with supplementary assets and the requirement for OC of at least 2.0% defined on the lower of NPV and nominal basis.

Aspects of this covered bond programme that are market-risk negative include:

» There is significant difference in the interest rate profile of assets and liabilities. Majority of cover pool assets are floating rate (93.8%), while majority of the covered bonds are fixed rate (57.9%).

Timely Payment Indicator

Our Timely Payment Indicator (TPI) assesses the likelihood that timely payments would be made to covered bondholders following a CB anchor event, and thus determines the maximum rating a covered bond programme can achieve with its current structure while allowing for the addition of a reasonable level of OC. We have assigned a TPI of Probable-High to these covered bonds.

Based on the current TPI of Probable-High, the TPI leeway for this programme is two notches. This two-notch leeway implies that we might downgrade the covered bonds' rating because of a TPI cap if we were to lower the CB anchor by more than two notches, all other variables being equal.

The TPI-positive aspects of this covered bond programme include:

» All covered bonds benefit from an extension period for the repayment of the bonds of up to 12 months.

» Following issuer default, a cover pool supervisor is appointed to supervise the interests of covered bondholders. The cover pool supervisor has wide powers to direct the issuer's insolvency administrator and, in particular, will supervise cover pool cash flows and payments to covered bondholders.

» The issuer needs to ascertain that it has sufficient funds made of Supplementary collateral (as defined in the Finnish covered bonds Act) to cover the total amount of net outflow due to covered bondholders during a rolling 180 days period.

» The issuer's insolvency administrator has wide powers to act in the interests of the covered bondholders under the direction of the cover pool supervisor. These include powers to enter into liquidity loans (with liquidity providers' claims subordinated to covered bondholders and derivative counterparties), and sell cover pool assets, (with the permission of cover pool administrator appointed by the FIN-FSA).

The TPI-negative aspects of this covered bond programme include:

» Acceleration risk. The legal framework specifies several cover pool tests. Under the legal framework, asset cover requirements shall be met. If any of the tests are breached, the bankruptcy administrator must upon demand or consent of the supervisor accelerate the covered bonds, exposing the cover pool to refinancing risk. However, as mentioned before, we expect the authorities and the cover pool supervisor to take a pragmatic approach if these provisions are ever tested and avoid acceleration for technical, minor or temporary breaches.

» The programme does not benefit from any designated source of liquidity if cash flow collections are interrupted.

Additional analysis

Liquidity

The covered bond programme does not benefit from any designated source of liquidity if cash flow collections are interrupted following a CB anchor event. However, before an issuer default, the legal framework requires the issuer maintain enough Supplementary assets to cover 180 days outflow due to covered bonds holders and to maintain OC of at least 2.0% calculated on the lower of NPV and nominal basis. After an issuer default, the issuer's administrator would have the ability to sell a portion of the cover pool to make timely payments on the covered bonds.

Time subordination

After a CB anchor event, later-maturing covered bonds would be subject to time subordination. Principal cash collections may be used on a first-come, first-served basis, paying earlier-maturing covered bonds before later-maturing covered bonds. Such payments could result in the erosion of OC before any payments are made to later-paying covered bonds.

Cover pool description

Pool description as of 20 March 2024

The cover pool may comprise (1) residential mortgage loans, including shares in housing companies; (2) commercial mortgage loans up to 10% of the cover pool; (3) public-sector loans to the Finnish state or a municipality or equivalent entity (or loans guaranteed by such entities); and (4) qualifying substitute assets. As of 20 March 2024, the cover pool consisted exclusively of residential mortgage loans backed by properties in Finland.

No mortgage loan may be included in the cover pool if its outstanding balance exceeds the current value of the related property. For the purpose of the cover tests, the following loan-to-value thresholds (LTVs) are applied to mortgage loans: (1) residential mortgage loans: 80% of the current value of the related property; and (2) commercial mortgage loans: 60% of the current value of the related property.

Loan parts that are or become ineligible as property values deteriorate may remain in the cover pool (provided overall LTV is below 100%) but will not be taken into account for the cover tests and covered bondholders will not have preferential security interest over the portion of the loan in excess of the LTV thresholds.

As of 20 March 2024, the cover pool consisted almost entirely of residential mortgage loans (99.5%) backed by properties located in Finland along with other supplementary assets (0.5%). The majority of the cover pool assets are loans backed by properties located in Uusimaa (43.1%) and Aland Islands (22.6%) region of Finland.

On a nominal value basis, the cover pool assets total €1.22 billion, which back €950.0 million in covered bonds, resulting in an OC level of 28.4% on a nominal value basis. The weighted average indexed LTV is 56.8%. (For Alandsbanken's underwriting criteria, see “Appendix: Income underwriting and valuation”)

Following Exhibits show more details about the cover pool characteristics.

Residential mortgage loans

Exhibit 5

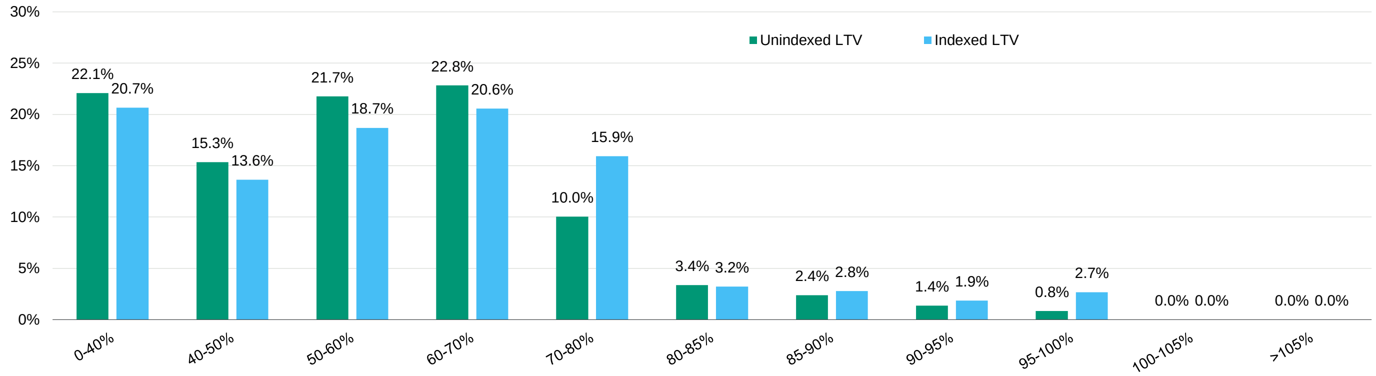
Cover pool summary

Overview		Specific Loan and Borrower characteristics	
Asset type:	Residential	Loans with an external guarantee in addition to a mortgage:	n/a
Asset balance:	1,213,878,843	Interest only Loans	17.3%
Average loan balance:	97,157	Loans for second homes / Vacation:	5.6%
Number of loans:	12,494	Buy to let loans / Non owner occupied properties:	13.1%
Number of borrowers:	11,668	Limited income verified:	n/d
Number of properties:	8,398	Adverse credit characteristics (*)	n/d
WA remaining term (in months):	158		
WA seasoning (in months):	68	**Performance**	
		Loans in arrears (≥ 2months - < 6months):	0.0%
Details on LTV		Loans in arrears (≥ 6months - < 12months):	0.0%
WA unindexed LTV	54.3%	Loans in arrears (≥ 12months):	0.0%
WA Indexed LTV:	56.8%	Loans in a foreclosure procedure:	0.0%
Valuation type:	Market Value		
LTV threshold:	80.0%	**Multi-Family Properties**	
Junior ranks:	n/d	Loans to tenants of tenant-owned Housing Cooperatives:	n/a
Loans with Prior Ranks:	4.1%	Other type of Multi-Family loans (**)	n/a

n/a: not available.
(*) May be based on property value at the time of origination or further advance or borrower refinancing.
(**) Typically borrowers with a previous personal bankruptcy or borrowers with a record of court claims against them at the time of origination.
(***) This “other” type refers to loans directly to Housing Cooperatives and to Landlords of Multi-Family properties (not included in Buy to Let).
Sources: Moody's Ratings and issuer data

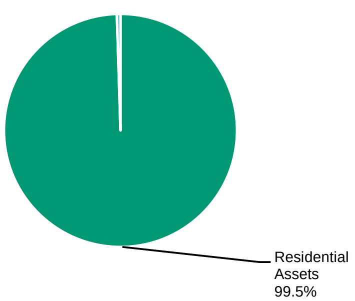
Cover pool characteristics

Exhibit 6
Balance per LTV band



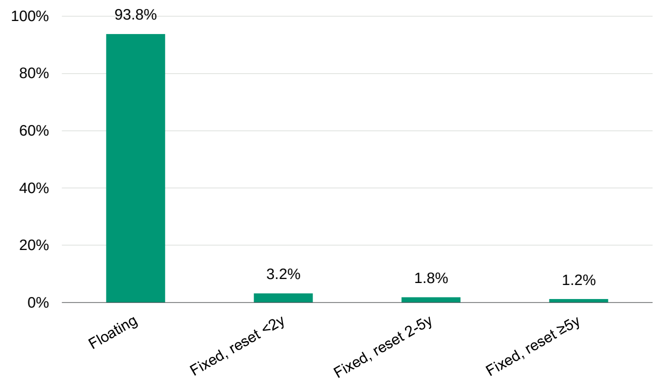
Sources: Moody's Ratings and issuer data

Exhibit 7
Percentage of residential assets



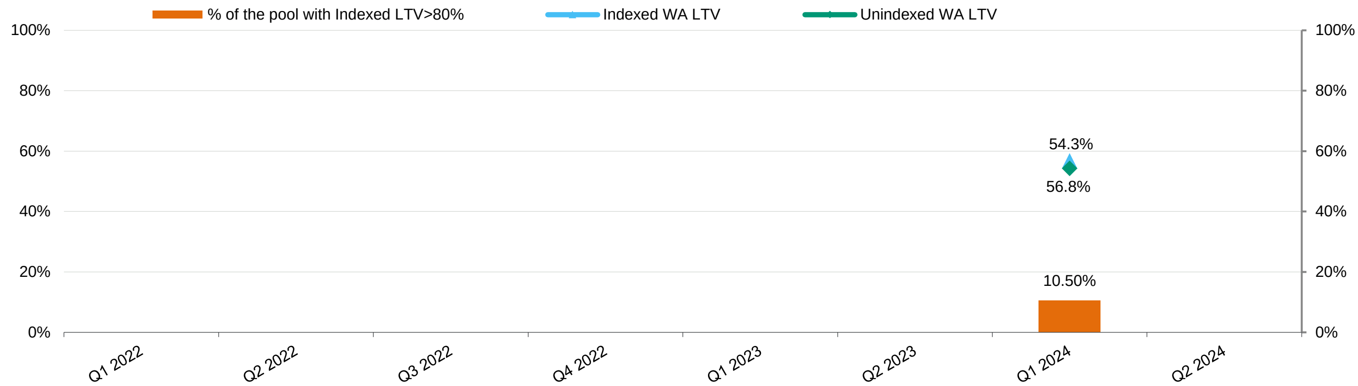
Sources: Moody's Ratings and issuer data

Exhibit 8
Interest rate type



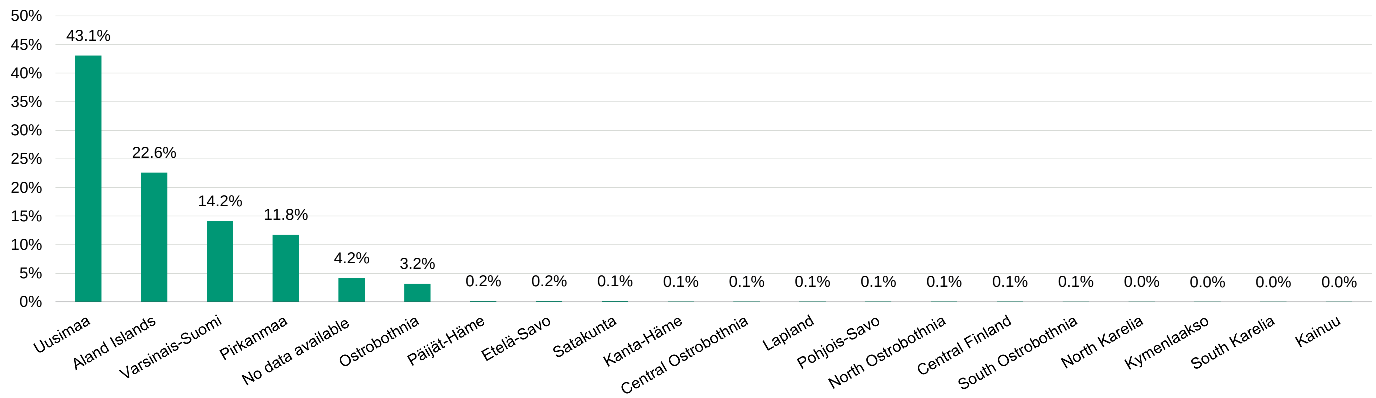
Sources: Moody's Ratings and issuer data

Exhibit 9
LTV



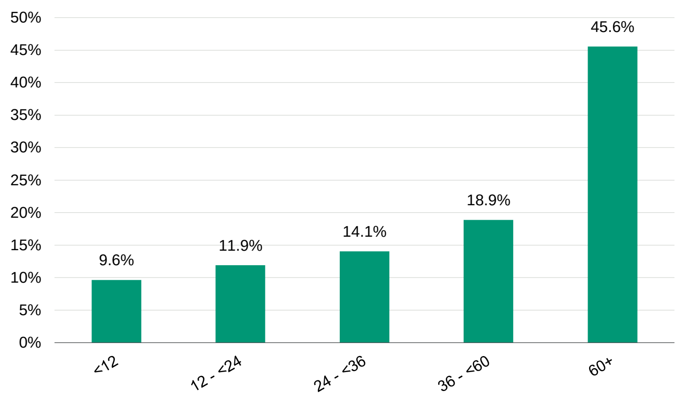
Sources: Moody's Ratings and issuer data

Exhibit 10
Main country regional distribution



Sources: Moody's Ratings and issuer data

Exhibit 11
Seasoning (in months)



Sources: Moody's Ratings and issuer data

Cover pool analysis

Our credit analysis of the pool takes into account specific characteristics of the pool, as well as legal risks.

Primary cover pool analysis

We calculate the collateral score for the residential mortgages using a scoring model that estimates loss in severe recession scenario. Our analysis takes into account, among other factors, the LTV ratios of the mortgage loans, the seasoning and the geographical distribution.

For this programme, the collateral score of the current pool is 4.0%, slightly better than the average collateral score of 4.4% in other Finnish mortgage covered bonds. (For details, see "Moody's Global Covered Bonds Sector Update, Q1 2024")

From a credit perspective we view the following pool characteristics as credit positive:

» For the residential mortgage loans, the borrower's income has been checked and affordability tested on the basis of a 7% stressed interest rate and a 25-year annuity repayment of principal for Finnish Mainland and 20-year annuity repayment for Aland Islands.

» The mortgage loans are secured on residential properties in Finland.

» Weighed average LTV of 56.8% on an indexed property value basis.

» The loans have a comparatively high average seasoning of 68 months.

From a credit perspective we view the following pool characteristics as credit negative:

» 93.8% of the residential loans are with floating interest rate arrangements. Hence, the borrower is exposed to rising interest rates.

» The size of the Finnish mortgage market compared with that of other European jurisdictions is small, which might increase the volatility of house prices.

» There is geographical concentration in the Uusimaa region (43.1%) and Aland Islands (22.6%) region of Finland.

Comparables

Exhibit 12

Comparables - Alandsbanken Abp CBA Covered Bond Program and other selected Finnish deals

PROGRAMME NAME	Alandsbanken Abp CBA Covered Bond Program	Aktia Bank PLC - Mortgage Covered Bonds 2	OP Mortgage Bank - Mortgage Covered Bonds 4	Nordea Mortgage Bank Plc - Mortgage Covered Bonds Programme 2	Danske Mortgage Bank Plc - Mortgage Covered Bonds (Danske Bank Plc - Mortgage Covered Bonds)
Overview					
Programme is under the law	Finland	Finland	Finland	Finland	Finland
Main country in which collateral is based	Finland	Finland	Finland	Finland	Finland
Country in which issuer is based	Finland	Finland	Finland	Finland	Finland
Total outstanding liabilities	950,000,000	500,000,000	4,250,000,000	4,000,000,000	4,250,000,000
Total assets in the Cover Pool	1,219,480,843	633,498,444	4,681,593,608	5,758,043,905	5,502,716,262
Issuer name	Alandsbanken Abp	Aktia Bank Plc	OP Mortgage Bank	Nordea Mortgage Bank	Danske Mortgage Bank plc
Issuer CR assessment	A2(cr)	A1(cr)	Unpublished	n/a	Unpublished
Group or parent name	Alandsbanken Abp	0	OP Financial Group	Nordea Bank Abp	Danske Bank A/S
Group or parent CR assessment	A2(cr)	A1(cr)	Aa2(cr)	Aa2(cr)	A1(cr)
Main collateral type	Residential	Residential	Residential	Residential	Residential
Collateral types	Residential 99.5%, Other/Supplementary assets 0.5%	Residential 100%	Residential 100%	Residential 100%	Residential 100%
Ratings					
Covered bonds rating	Aaa	Aaa	Aaa	Aaa	Aaa
Entity used in Moody's EL & TPI analysis	Alandsbanken Abp	Aktia Bank PLC	OP Corporate Bank plc	Nordea Bank Abp	Danske Mortgage Bank Plc
CB anchor	A1	Aa3	Aa1	Aa1	CRA + 1
CR Assessment	A2(cr)	A1(cr)	Aa2(cr)	Aa2(cr)	Unpublished
SUR / LT Deposit	A3	n/a	Aa3	Aa3	n/a
Unsecured claim used for Moody's EL analysis	Yes	Yes	Yes	No	Yes
Value of Cover Pool					
Collateral Score	4.0%	4.0%	4.0%	4.0%	4.0%
Collateral Score excl. systemic risk	2.6%	2.7%	2.1%	3.0%	2.2%
Collateral Risk (Collateral Score post-haircut)	2.7%	2.7%	2.7%	2.7%	2.7%
Market Risk	10.2%	6.2%	13.2%	6.0%	5.9%
Over-Collateralisation Levels					
Committed OC*	2.0%	5.0%	2.0%	2.0%	0.0%
Current OC	28.4%	26.7%	10.2%	44.0%	29.5%
OC consistent with current rating	6.5%	0.5%	0.0%	0.0%	2.5%
Surplus OC	21.9%	26.2%	10.2%	44.0%	27.0%
Timely Payment Indicator & TPI Leeway					
TPI	Probable-High	Probable-High	Probable-High	Probable-High	Probable-High
TPI Leeway	2	3	5	5	2
Reporting date	20 March 2024	31 December 2023	31 December 2023	30 September 2023	31 December 2023

Sources: Moody's Ratings and issuer data

ESG considerations

We assess Environmental, Social and Governance (ESG) credit risks in our analysis based on general principles described in detail in the ESG cross-sector rating methodology available on moodys.com.

Environmental considerations

Overall exposure to meaningful environmental credit risks is low in this programme.

» In respect of physical risks to the cover pool, the geographical diversification of the pool, the largest concentrations being respectively 43.1% in the Uusimaa region and 22.6% in Aland Islands.

» In respect of regulatory risk, we expect that over time properties that do not meet climate-aligned standards for energy efficiency or carbon emissions will face regulatory sanctions and value impairment. However, we expect much of this risk to be gradually absorbed into the periodic updating of property valuations and income underwriting or ongoing capex. This will impact key credit metrics such as LTVs.

In the event of shocks in connection with regulation or physical hazards, the impact on property/building collateral will be partly mitigated by borrowers' liability to repay mortgage loans regardless of property value.

Social considerations

Overall exposure to social factors is moderate for this programme. Covered bond holders benefit from the issuer's liability to make payments on the covered bonds, meaning the bondholders will not be directly exposed to social factors affecting the cover pool unless the issuer defaults. Misconduct, poor handling of data security and customer privacy breaches by lenders are the most significant social risks that may in due course affect the credit quality of the cover pool, although lenders' financial and operational flexibility and track record of adjusting to social issues may mitigate this.

Social factors that potentially affect the cover pool have varied implications. Social risks can arise from changing demographic trends such as aging, urbanization, an increase in telecommuting and flight from cities, population declines or ways of living trends in general that impact the supply or demand for housing in particular areas, which can reduce home values. Societal and demographic trends will be relevant but typically develop over an extended timeframe that smooths out materiality for expected loss.

Social issues may also be driven also by a political agenda related to housing and consumer protection, particularly in down cycles, creating pressure on recovery values. Borrower-friendly legislation as a reaction to consumer activism can affect both the underwriting and the servicing of mortgage loans in the cover pool. Social policy-driven decisions in Finland, such as lowering underwriting standards at government-sponsored enterprises to increase homeownership, would reduce the credit quality of the cover pool.

Governance considerations

Overall exposure to meaningful governance credit risks is low and similar to other covered bond programmes under Finnish law.

The principal sources of governance for this programme are Finnish covered bond law; and the operational and substantive provisions of the programme documents. In this programme, there are control mechanisms in place that are designed to protect covered bondholders from mistakes, misallocation of cash flows and misappropriation of assets, and that promote compliance with the covered bond legal framework and operational and reporting requirements.

In particular, we note that (i) the issuer is a regulated credit institution with experience and expertise in carrying out residential lending and servicing activities; (ii) the issuer maintains the cover pool on its balance sheet, incentivising it to maximise cover pool value and aligning its interest with that of covered bond investors; (ii) the cover pool supervisor is independent roles mandated and governed by the covered bond law and it owes duties to bondholders; and the covered bond law; and (iii) contains detailed reporting requirements and sanctions for issuer noncompliance.

Methodology and monitoring

The primary methodology we use in rating the issuer's covered bonds is "Moody's Approach to Rating Covered Bonds", published in March 2024. Other methodologies and factors that may have been considered in the rating process can also be found on http://www.moodys.com. In addition, we publish a weekly summary of structured finance credit, ratings and methodologies, available to all registered users of our website, at www.moodys.com/SFQuickCheck.

We expect the issuer to deliver certain performance data to us on an ongoing basis. In the event that this data is not made available to us, our ability to monitor the ratings may be impaired. This lack of data availability could negatively impact the ratings or, in some cases, our ability to continue to rate the covered bonds.

Appendix: Income underwriting and valuation

Exhibit 13

Income underwriting and valuation - Residential assets

A. Residential Income Underwriting	
1 Is income always checked?	Yes
2 Does this check ever rely on income stated by borrower ("limited income verification")?	No
3 Percentage of loans in Cover Pool that have limited income verification	0%
4 If limited income verification loans are in the Cover Pool, describe what requirements lender has in place for these loans.	No limited income verification loans in the pool.
5 Does income in all cases constrain the amount lent (for example through some form of Income Sufficiency Test ("IST")?	Yes
6 If not, what percentage of cases are exceptions.	No exceptions.
For the purpose of any IST:	
7 Is it confirmed that income after tax is sufficient to cover both interest and principal?	Yes
8 If so over what period is it assumed principal will be paid (typically on an annuity basis)? Any exceptions?	The guideline is 20 years re-payment time on Åland Islands, 25 years on the Finnish Mainland. In some exceptions 30 years is allowed but is the absolute maximum.
9 Does the age of the borrower constrain the period over which principal can be amortised?	Not in absolute terms but is part of the underwriting process assessing that the customer can re-pay the mortgage.
10 Are any stresses made to interest rates when carrying out the IST? If so when and for what type of products?	Yes, for all products a stress interest rate is applied. At the moment the stress interest rate is 7 %.
11 Are all other debts of the borrower taken into account at the point the loan is made?	Yes
12 How are living expenses of the borrower calculated? And what is the stated maximum percentage of income (or income multiple if relevant) that will be relied on to cover debt payments. (specify if income is pre or post tax)	We use a statistical index of calculated living costs, that increases with the number of family members, as a minimum. If the customers expenses are higher, the calculation is based on the customers information. For mortgages a maximum of 60 % of the customers income can be relied on to cover debt payments. The income is post tax.
Other comments	n/a
B. Residential Valuation	
1 Are valuations based on market or lending values?	Market value
2 Are all or the majority of valuations carried out by external valuers (with no direct ownership link to any company in the Sponsor Bank group)?	No
3 How are valuations carried out where an external valuer not used?	On Åland Islands the Bank of Åland owns 32 % of the real estate agent Mäklarhuset. Bank of Åland also, in some instances, allows internal valuations.
4 What qualifications are external valuers required to have?	External valuers are required to be authorised evaluators, or a certified real estate agent, which by law requires minimum of 2 years university degree in the subject and an exam to become a real estate agent.
5 What qualifications are internal valuers required to have?	All internal valuers have to pass a course in property evaluation. They are also limited to valuating property within their local business area with a capped maximum market value. Internal valuations are always perfomed by 2 valuers together, never by 1 alone.
6 Do all external valuations include an internal inspection of a property?	It is highly recommended but not in all cases.
7 What exceptions?	The business areas have very limited geographical areas within which they work, to ensure they know their area well, and are allowed to approve mortgages. In some instances for example in areas with a well working property market with good statistical information, a valuation of a flat in a building with many flats might be based on the prospectus, purchase letter and statistical information regarding sales in the area.
8 Do all internal valuations include an internal inspection of a property?	It is highly recommended but not in all cases.
9 What exceptions?	The business areas have very limited geographical areas within which they work, to ensure they know their area well, and are allowed to approve mortgages. In some instances for example in areas with a well working property market with good statistical information, a valuation of a flat in a building with many flats might be based on the prospectus, purchase letter and statistical information regarding sales in the area.
Other comments	n/a

Source: Issuer

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