

Bank of Aland PLC CBA Covered Bond Program Ratings Affirmed Following Amendments; Outlook Stable

April 22, 2024

Overview

- On March 22, 2024, Bank of Aland PLC announced an amendment to the terms and conditions of its single retained covered bond originally issued under the Finnish Act on Mortgage Credit Bank Operations (688/2010; MCBA), and its transfer to the program used to issue covered bonds under Finland's Covered Bond Act (CBA, 151/2022). The effective implementation date is today.
- We affirmed our 'AAA' ratings on Bank of Aland's CBA covered bond program and its outstanding three covered bonds. The outlook is stable.
- We discontinued our 'AAA' rating on the MCBA covered bond program.

MADRID (S&P Global Ratings) April 22, 2024--S&P Global Ratings today affirmed its 'AAA' credit ratings on Bank of Aland PLC's CBA covered bond program and related issuances. The outlook on the ratings is stable. We discontinued our 'AAA' rating on Bank of Aland's MCBA covered bond program.

Effective today, Bank of Aland amended the terms of its single outstanding retained covered bond originally issued under the MCBA covered bond program. The amendments aligned the maturity extension conditions of the retained covered bond with the provisions already in place for the existing CBA covered bonds. These changes follow provisions in the CBA 151/2022, which allow an issuer to commence applying the CBA 151/2022 to covered bonds issued under the MCBA, subject to, amongst other procedures, the approval of the corresponding covered bondholder, which in this case is Bank of Aland. We have analyzed the proposed changes and do not consider them to be distressed, according to our ratings definitions.

The retained covered bond now forms part of Bank of Aland's CBA covered bond program. Bank of Aland has also topped up its CBA cover pool using assets released from the closure of the MCBA covered bond program and from its balance sheet.

In accordance with our covered bonds criteria, we have determined the issuer's reference rating level (RRL), and attributed notches of uplift from this level through our determination of jurisdictional- and collateral-based support. Based on the long-term issuer credit rating (ICR) on Bank of Aland (BBB+/Negative/A-2) and our assessment of jurisdictional support, we assess the RRL at 'a' and the jurisdiction-supported rating level (JRL) at 'aa'.

PRIMARY CREDIT ANALYST

Natalie Swiderek
Madrid
+ 34 91 788 7223
natalie.swiderek
@spglobal.com

SECONDARY CONTACT

Phuong Nguyen
Paris
+33 1 44 20 66 59
phuong.nguyen
@spglobal.com

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Our credit analysis is based on the anticipated larger CBA cover pool's loan level data and asset and liability cash flow projections (inclusive of the transferred covered bond) provided by Bank of Aland as of March 20, 2024. The CBA cover pool comprises €1.213 billion of Finnish residential mortgage loans, €5.6 million of substitute assets, and €950 million of covered bonds. Based on our analysis, the available credit enhancement exceeds the target credit enhancement commensurate with the maximum collateral-based uplift of four notches above the JRL.

We do not reduce the maximum collateral-based uplift due to Bank of Aland's commitment to maintaining overcollateralization at a level sufficient to achieve a collateral-based uplift of four notches or a 'AAA' rating, and because we consider that the covered bonds' soft-bullet maturity mitigates short-term liquidity risk. The collateral support uplift is therefore four notches above the JRL of 'aa', of which two are used to attain a 'AAA' rating, leaving two unused notches of collateral support.

There are no constraints to the ratings relating to counterparty, sovereign, legal, or administrative and operational risks.

The stable outlook on the ratings reflects the two unused notches of collateral-based uplift that would protect the ratings on the covered bonds if we were to lower Bank of Aland's long-term ICR by up to two notches, all else being equal.

Following the transfer of the covered bond to the CBA covered bond program from the MCBA covered bond program, we discontinued our 'AAA' rating on the MCBA covered bond program.

Ratings affirmed

	Rating
Bank of Aland PLC CBA Covered Bond Program	AAA/Stable
Covered bonds' ISINs	
FI4000549548	AAA/Stable
FI4000566351	AAA/Stable
FI4000490677	AAA/Stable

Related Criteria

- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement, April 4, 2024
- 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

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- 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
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Global Covered Bond Insights Q2 2024: Strong Start To The Year For Issuance, March 27, 2024
- Norwegian And Finnish Covered Bond Market Insights 2024, March 11, 2024
- Bank of Aland PLC, March 11, 2024
- A Closer Look At Finland's Covered Bond Framework, Sept. 27, 2023 S&P Global Ratings Definitions, June 9, 2023
- Glossary of Covered Bond Terms, April 27, 2018

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