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Finland-Based Bank of Aland Category FIN Mortgage Covered Bonds, €2 Billion Program Affirmed At 'AA'; Outlook Negative

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OVERVIEW

- We have reviewed the performance of Finland-based Bank of Aland's Category FIN Mortgage Covered Bonds issued under its €2 billion covered bond program.
- We are affirming our 'AA' ratings on the program and all Category FIN covered bond issuances under this program.
- The negative outlook on the program mirrors that on the issuer.

FRANKFURT (Standard & Poor's) June 30, 2014-- Standard & Poor's Ratings Services today affirmed its 'AA' long-term credit ratings on Finland-based Bank of Aland PLC's Category FIN Mortgage Covered Bonds "Kiinteistövakuudellinen joukkovelkakirjalaina") issued under its €2 billion covered bond program. The outlook is negative.

The affirmation follows our review of the program's assets and cash flows as of March 31, 2014. We assess the asset-liability mismatch risk of the covered bonds issued as "low" and categorize the program in Category 2 in accordance with our criteria for rating covered bonds (see "Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds," published on Dec. 16, 2009, on RatingsDirect). This allows the rating on the program to be up to six notches higher than the long-term rating on Bank of Aland (BBB/ Negative/A-3). The available overcollateralization is commensurate with the highest achievable rating, 'AA'.

The negative outlook mirrors that on Bank of Aland. If we were to downgrade the issuer, we would downgrade the covered bonds, all else remaining equal.

POTENTIAL EFFECTS OF PROPOSED CRITERIA CHANGES

Our ratings are based on our applicable criteria, including those set out in the criteria articles, "Covered Bond Ratings Framework: Methodology And Assumptions," published on June 26, 2012, on RatingsDirect, and "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011. However, please note that these criteria are under review (see "Advance Notice Of Proposed Criteria Change For Covered Bonds," published on April 29, 2014, and "Request For Comment On Proposed Methodology Change For Rating Structured Finance Above The Sovereign," published Oct. 14, 2013).

As a result of this review, our future criteria applicable to rating covered bonds may differ from our current criteria. These criteria changes may affect the ratings on the outstanding covered bonds. Until we adopt new criteria, we will continue to rate and surveil these covered bonds using our existing criteria (see Related Criteria And Research).

RELATED CRITERIA AND RESEARCH

Related criteria

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Covered bond Ratings Framework: Methodology And Assumptions, June 26, 2012
- Covered Bonds Counterparty And Supporting Obligations Methodology And Assumptions, May 31 2012
- Assessing Asset-Liability Mismatch Risk In Covered Bonds: Revised Methodology And Assumptions For Target Asset Spreads, April 24, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Revised Methodology And Assumptions For Assessing Asset-Liability Mismatch Risk In Covered Bonds, Dec. 16, 2009
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6 2009
- Cash Flow Criteria For European RMBS Transactions, Nov. 20 2003

Related research

- Advance Notice Of Proposed Criteria Change For Covered Bonds, April 29, 2014
- Outlook On Finland Revised To Negative On Subpar Growth Prospects; 'AAA/A-1+' Ratings Affirmed, April 11, 2014
- Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance, Oct. 14, 2013
- Credit FAQ: What Factors Do We Consider When Analyzing Commingling And Account Bank Risk In Covered Bonds?, Nov. 26, 2012

- Covered Bond Monitor: Technical Note, Feb. 14, 2006

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