

RatingsDirect®

Ratings On Finland-Based Bank of Aland's Category SWE Covered Bonds Raised To 'AAA' On New Criteria; Outlook Stable

Primary Credit Analyst:

Ioan Isopel, Frankfurt (49) 69-33-999-306; ioan.isopel@standardandpoors.com

Secondary Contact:

Casper R Andersen, London (44) 20-7176-6757; casper.andersen@standardandpoors.com

OVERVIEW

- We have reviewed our ratings on Finland-based Bank of Aland's Category SWE covered bonds under our revised covered bonds criteria, which we published on Dec. 9, 2014.
- Following our review, we have raised to 'AAA' from 'AA' our ratings on the covered bonds.
- The stable outlook on our rating on the program reflects the current one unused notch of available uplift.

Frankfurt (Standard & Poor's) April 22, 2015--Standard & Poor's Ratings Services today raised to 'AAA' from 'AA' its ratings on Bank of Aland PLC's Category SWE covered bonds, following our revised criteria for rating covered bonds. The outlook on our rating on the program is stable.

Our upgrades follow the application of our revised covered bonds criteria, which we published on Dec. 9, 2014 (see "Covered Bonds Criteria" and "Updated Cash Flow Assumptions For Modeling Certain Covered Bonds").

Upon publishing our revised criteria, we had placed our ratings on the covered bond programs that could be affected by a published change in criteria "under criteria observation" (see "Covered Bond Program And Spanish Multicedulas Ratings Placed Under Criteria Observation," published Jan. 12, 2015). Following our review, we have removed our "under criteria observation"

identifier from the ratings on these programs.

Under our covered bonds criteria, we organize the analytical process for rating covered bonds into four key stages:

- Performing an initial analysis of issuer-specific factors--legal and regulatory risks and operational and administrative risks--which mainly assess whether a rating on the covered bond may be higher than the rating on the issuer.
- Assessing the starting point for the rating analysis, based on the applicable resolution regimes, to determine the reference rating level (RRL).
- Determining the maximum achievable covered bond rating from an analysis of jurisdictional and cover pool-specific factors.
- Combining the results of the above and incorporating any additional factors, such as counterparty risk and country risk, to assign the final covered bond rating.

After assessing the RRL, to determine a maximum achievable covered bond rating we analyze jurisdictional and collateral support. Our assessment of the expected jurisdictional support for mortgage covered bond programs in Finland is "very strong" (see Assessments For Jurisdictional Support According To Our Covered Bond Criteria," published on Dec. 22, 2014). Under our covered bonds criteria, the uplift from the RRL can be up to three notches when the jurisdictional support is assessed as "very strong." Under our analysis of jurisdictional support, we determine a jurisdiction-supported rating level (JRL). This is our assessment of the creditworthiness of a covered bond program, once we have considered the level of jurisdictional support, but before giving credit to the amount of collateral.

Following the assessment of the RRL and JRL, we analyze the credit quality of the cover pool and the availability of liquidity support and committed overcollateralization to determine the maximum collateral uplift.

When applicable, we cap our ratings on mortgage covered bond programs under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria; see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on Sept. 19, 2014). However, given our current ratings on Sweden (AAA/Stable/A-1+), our ratings on the program and the related issuances are not constrained by the RAS criteria.

The ratings on the program and related issuances are also not constrained by legal, operational, or counterparty risks.

We are raising to 'AAA' from 'AA' our ratings on Finland-based Bank of Aland's Category SWE covered bonds. Our 'AAA' ratings reflect our RRL of 'a-' and JRL of 'aa-' for the program, as well as the three notches of uplift for collateral support, leaving one unused notch of uplift. The issuer has publicly stated a commitment to cover overcollateralization at the 'AAA' level, or four notches of collateral-based uplift and six months of liquidity.

The stable outlook on our rating on the program reflects the one unused notch of available uplift, which would provide a buffer for the rating on the covered bonds if we were to lower the issuer's JRL.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Covered Bonds Criteria, Dec. 9, 2014
- Updated Cash Flow Assumptions For Modeling Certain Covered Bonds, Dec. 9, 2014
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, Sept. 19, 2014
- 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
- Principles Of Credit Ratings, Feb. 16, 2011
- Understanding Standard & Poor's Rating Definitions, June 3, 2009
- Criteria For Rating Swedish Covered Bonds, June 20, 2006

Related Research

- Assessments For Jurisdictional Support According To Our Covered Bond Criteria, Dec. 22, 2014
- Assessments For Target Asset Spreads According To Our Covered Bond Criteria, Dec. 22, 2014
- Global Covered Bond Characteristics And Rating Summary Q4 2014, Dec. 19, 2014
- Swedish Covered Bond Issuers' Extended Funding Profiles Help To Reduce Asset-Liability Mismatch Risk, Oct. 21, 2014

Additional Contact:

Covered Bonds Surveillance; CoveredBondSurveillance@standardandpoors.com

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.