Transaction Update:

POP Mortgage Bank PLC Covered Bond Program

October 27, 2026

Reference rating level	a-	Jurisdiction-supported rating level	aa-	Maximum achievable CB rating	aaa	**Covered bond rating**	
Resolution regime uplift	+2	Assigned jurisdictional support uplift	+3	Assigned collateral support uplift	+3	**AAA/Stable**	
Systemic importance	Very Strong	Jurisdictional support assessment	Very Strong	Over-collateralization adjustment	0	Rating constraints	aaa
Resolution counterparty rating	BBB+			Liquidity adjustment	0	Sovereign risk	aaa
Issuer credit rating	BBB			Potential collateral-based uplift	+4	Counterparty risk	aaa

Number of unused notches: 1

As a starting point of the analysis, we may use the issuer credit rating on the relevant parent or guarantor when the issueris 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 risk
The cover pool is granular and comprises seasoned prime Finnish residential mortgage loans secured predominantly by owner-occupied properties.	About 66% of the pool comprises loans backed by properties in West of Finland, exceeding our regional concentration limit; therefore, leading to a higher foreclosure frequency assumption.
The program benefits from one unused notch of collateral-based uplift that would protect the covered bond rating if we were to lower the long-term issuer credit rating (ICR) on Bonum Bank PLC by one notch.	
The bond's soft-bullet repayment profile mitigates liquidity risk. Furthermore, the issuer is committed to maintaining an overcollateralization level consistent with the 'AAA' ratings.	
Interest rate swaps hedge risks arising from variable interest rate paying assets and fixed rate paying covered bonds.	

POP Mortgage Bank's (POPMB) covered bond program holds sufficient collateral to support the 'AAA' ratings on the covered bonds. The program achieves five notches above the long-term

ICR on Bonum Bank PLC (parent) on the back of the protection afforded to covered bonds under the applicable bank resolution framework and the potential for wider jurisdictional support--such as direct state intervention, indirectly from a government's use of private-sector mechanisms or from supranational entities--if the issuer were unable to meet its obligations. Furthermore, the protection granted to covered bondholders from the cover pool supports four additional notches of uplift, where only three are needed to achieve 'AAA' ratings. As a result, the program benefits from one unused notch of uplift should the ICR on Bonum Bank be downgraded.

The credit enhancement commensurate with the 'AAA' rating has improved. As of June 2026, the amount of cover pool assets has considerably decreased, following the redemption of one out of the three covered bonds outstanding in the program in our previous analysis. The credit quality of the mortgages in the portfolio, comprising residential mortgage loans to retail clients, improved mainly due to the cover pool's concentration in lower loan-to-value (LTV) ratios and increased seasoning. Furthermore, the excess spread in the program increased, and the asset-liability maturity mismatch (ALMM) decreased, together benefiting the program's cash flow results. The 'AAA' credit risk decreased to 5.3% (from 7.2%), and the target credit enhancement (TCE) decreased to 8.9% (from 12.5%). We define TCE as the overcollateralization commensurate with the maximum collateral-based uplift.

Our counterparty risk assessment does not constrain the rating on the covered bonds. Considering the issuer's reference rating level (RRL) is 'a-', we rely on the issuer's ability to manage the counterparty risk associated with its bank account providers. Furthermore, derivative counterparties are appropriately rated and effective replacement frameworks are in place, supporting the rating on the covered bonds.

The banking sector shows resilience to economic risk. The Finnish economy has stagnated in the past few years due to weak underlying growth, exacerbated by external events (such as the indirect effects of the Russian-Ukraine and Middle East wars, and energy crises). The outlook remains fragile, and we forecast GDP growth of 0.75% in 2026, with moderate average growth of 1.5% over 2027-2029, supported by a pickup in private sector investments and consumption. Despite the muted economic environment combined with high unemployment and elevated level of bankruptcies, we expect the banking sector's asset quality to remain intact, with domestic nonperforming loans at 2.0%-2.2% and credit losses contained at 15 basis points (bps)-20 bps, thanks to Finnish banks' prudent underwriting standards focused on collateralized lending, the private sector's sound financial buffers, and Finland's strong social security system (see "Rating On Eight Finnish Banks Affirmed Amid Weak Economy; Bonum Bank Outlook Revised," June 10, 2026, and "Banking Industry Country Risk Assessment: Finland," Dec. 16, 2025).

Banking industry risk is stable. Finnish banks generated record profitability in 2022-2024 on the back of the high-interest-rate environment and solid contribution from fee-based business. While we expect the earnings to somewhat moderate, the diversification of business models with growing asset management and capital-light business, sound operating efficiency, and moderate credit losses will keep the projected return on equity at 11%-12% through 2028 at the sector level (12.2% in 2025). This will enable continuous investments in technology, including automation and AI--underpinning the sector's position at the forefront of digitalization.

Outlook

The stable outlook on the 'AAA' ratings on POPMB's covered bond program and related issuances reflects that we would not automatically lower the ratings if we were to lower our long-term ICR on Bonum Bank by one notch, 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 mortgage loans
Outstanding covered bonds (mil. €)	500
Available credit enhancement (current balance; %)	33.7
Credit enhancement commensurate with rating (%)	7.1
Legal overcollateralization (%)	2§
Number of unused notches	1

*Based on data as of June 30, 2026. §5% Net present value if requirements of article 129 (3)(a) subparagraph 3 of the Capital Requirements Regulation are not fulfilled.

POPMB is part of the POP Banking Group, a statutory amalgamation of Finnish cooperative banks, which brings together 18 independent member cooperative banks--plus POP Bank Center Coop (central institution), Bonum Bank PLC (the central credit institution of the amalgamation), and POP Mortgage Bank--to operate as a single entity for regulatory purposes under a joint-liability scheme (operating under the Act on Amalgamations of Deposit Banks). POP Bank Group established POPMB in 2022 to diversify its funding profile and provide competitive long-term funding to the member banks. POPMB issues covered bonds under its €1.5 billion program for the issuance of covered bonds. Bonum Bank steers the issuance activities of POPMB based on the funding plan of the amalgamation.

The Finnish Act on Mortgage Banks and Covered Bonds (Laki kiinnitysluottopankeista ja katetuista joukkolainoista, 151/2022; "Covered Bond Act" [CBA]) provides the framework for the covered bond issuances. The covered bonds are direct, unconditional, and unsubordinated obligations of POPMB and rank pari passu among themselves and with related derivative contracts and management costs connected to the cover pool. Creditors of these receivables have dual recourse to receive payments (i) from the issuer while solvent, and (ii) from the cover pool assets in the issuer's insolvency. The covered bonds benefit from a 12-month maturity extension, and POPMB 's commitment to maintain overcollateralization sufficient to support 'AAA' ratings on the covered bonds.

The CBA enables POPMB to grant intermediary loans to member banks of the POP Bank Group. 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. POPMB must record these collateral assets in the cover pool register together with the intermediary loans. POPMB's cover pool comprises Finnish residential mortgage loans 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 (Nordea), Danske Bank A/S (Danske), and Skandinaviska Enskilda Banken AB (SEB), to hedge the risk arising from the interest received on the floating-rate paying mortgage loans and the fixed-interest paying covered bonds.

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

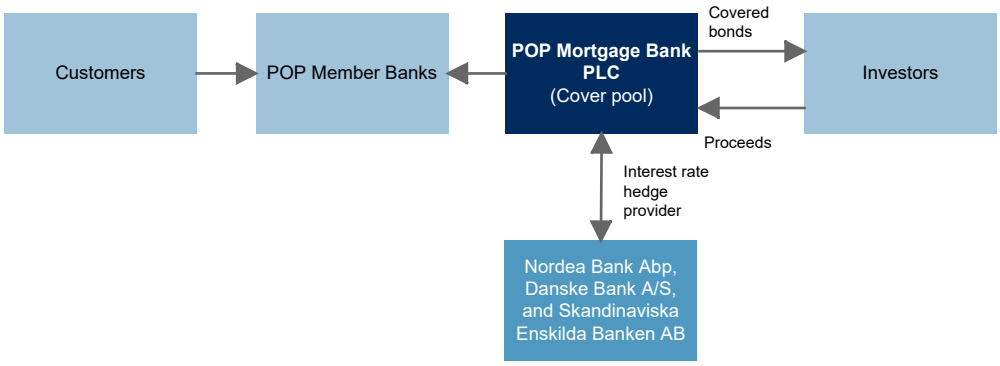
Table 2

Program participants

Role	Name	Rating	Rating dependency
Issuer	POP Mortgage Bank PLC	NR*	Yes
Originator	POP Mortgage Bank PLC§	NR*	No
Interest rate hedge provider	Nordea Bank Abp	AA-/Stable/A-1+	Yes
Interest rate hedge provider	Danske Bank A/S	A+/Positive/A-1	Yes
Interest rate hedge provider	Skandinaviska Enskilda Banken AB (publ)	AA-/Stable/A-1+	Yes

*We apply the notches of uplift to the long-term rating on Bonum Bank (BBB/Stable/A-2) to derive the ratings on the covered bonds. §Mortgage loan origination by member banks of the POP Bank Group. NR--Not rated.

POP Mortgage Bank covered bond program structure



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Rating Analysis

Legal and regulatory risks

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

POPMB'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.

In our opinion, the CBA satisfies the relevant legal aspects we assess under our covered bond 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 (see "Methodology For Rating Covered Bonds," July 25, 2025). This allows us to rate the covered bond program above the ICR on Bonum 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 bond holders. 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," published on 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.

POPMB 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 determine the RRL as the higher of (i) two notches above the long-term ICR; and (ii) the resolution counterparty rating (RCR) on the issuing bank, where applicable. 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 'BBB' long-term ICR and the 'BBB+' RCR on Bonum 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 these risks assesses whether key transaction parties would be capable of managing a covered bond program while any bonds remain outstanding. We reviewed POP Group's member banks origination, underwriting, collection, default management, and cover pool

management and administration. No operational or administrative risks were identified affecting our assessment of the program.

We believe that a replacement cover pool manager would be available to manage the cover pool if the issuer were to become insolvent. In our view, Finland is an established covered bond market, and the mortgage assets in POPMB's cover pool do not comprise product features that would materially limit the range of available replacement cover pool managers or servicers.

POP Banking Group combines 18 independent member cooperative banks--plus POP Bank Center Coop (POPC), Bonum Bank, and POPMB--to operate as a single entity for regulatory purposes under a joint-liability scheme. POPC handles the group's steering and supervision in accordance with the Act on Amalgamations of Deposit Banks. It issues binding instructions on risk and capital adequacy management, corporate governance and internal control and sets business risk limits for the member banks.

POP Banking Group established POPMB to diversify the group's funding profile through covered bond issuances to support growth in its mortgage loan book whereby issuance activities are steered by Bonum Bank based on the funding plan of the amalgamation.

With total assets of €6.1 billion as of June 30, 2026, the group is a small regional player in the Finnish banking sector with a market share of approximately 2.3% in housing loans and deposits. Lending is concentrated on retail and small businesses with customers distributed across Finland, mainly in smaller cities and less urbanized areas. Following the strong urbanization trend in Finland, and like domestic peers, POP Bank Group has over recent years shifted its focus toward cities and growth areas.

The typical loan granted to borrowers by POP Group's member banks is a Euro Interbank Offered Rate-linked floating-rate mortgage, with an LTV ratio of about 70% and a repayment period of less than 25 years. POP member banks originate the mortgage loans directly using online applications and branch channels. The mortgages are granted following the group's lending instructions, which are set by the POPC risk control department. As an internal rule, a maximum LTV of 80% is generally applied. Customers' income is verified through pay slips and/or taxation information. Affordability calculations are made for all customers, including stress testing at 6% interest and a maximum maturity of 25 years.

The Finnish government, through legislation proposed by the ministry of finance and effective from June 2026, implemented a broad reform of housing-finance regulation aimed at increasing flexibility in mortgage lending, supporting housing demand, facilitating home ownership, and stimulating construction activity. The legislative changes increased the maximum maturity of new residential mortgages from 30 to 40 years, empowered the Finnish Financial Supervisory Authority to raise the maximum loan-to-collateral limit for housing loans to 95%, and introduced greater flexibility around housing-company financing parameters such as debt caps, repayment holidays, and loan tenors. While these reforms may be slightly negative for the credit quality of new mortgage cohorts, we are not expecting them to have a material impact on the credit quality of the mortgage loans included in the cover pool, also considering POP Group's member banks prudent underwriting standards.

Overall, we believe sufficient prudent underwriting and servicing procedures are in place to support our ratings on the covered bonds.

Collateral support analysis

Mortgage market overview

House prices in Finland substantially declined since their mid-2022 peak, as market activity came to a standstill following rapidly rising interest rates and inflation. Over 2024, national residential house prices fell a further 4.8% in real terms, as households maintained a prudent investment stance. Following strong construction activity in residential real estate over 2020-2023, oversupply persists in certain urban areas, particularly Greater Helsinki, which also weighs on price developments. As a result, transaction volumes have been relatively low for three years.

During 2025 and 2026, consumer confidence has remained weak and sensitive to external factors. While real wage increases have improved households' financial positions, this has been allocated to higher savings rather than investment spending. The savings rate increased to over 12% of households' disposable income in 2025. While these growing buffers will support borrowers' repayment capacity, it will dampen recovery expectations.

Finnish households' consumption and investment decisions remain sensitive to general factors, such as Finland's economic situation, inflation expectations, and the unemployment situation, while expectations on households' own finances has somewhat improved. We consider the level of private-sector debt manageable at 127% of GDP and well below the levels of peer Nordic countries (see "Finland Outlook Revised To Negative From Stable On Fiscal And Economic Risks; 'AA+/A-1+' Ratings Affirmed," April 24, 2026, and "Banking Industry Country Risk Assessment: Finland," Dec. 16, 2025).

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, and "Assessing Pools Of Residential Loans--Europe Supplement," April 4, 2024).

We based our credit and cash flow analysis on loan-level data and assets and liabilities cash flow projections as of June 2026. Following POPMB's redemption of one of its covered bonds in September 2025, totaling €250 million, the cover pool's notional amount decreased significantly, reaching €668 million in mid-2026 (compared to €1,023 million one year before). As of June 2026, the cover pool contained about 57% of equal installment mortgage loans. However, we understand that the maturity on most of these loans can be extended (from the one at origination) if the interest rate is sufficient to cover the entire installment. We believe this maturity extension mitigates an immediate payment shock for borrowers.

At a 'AAA' stress level, we estimate the proportion of cover pool assets that will default (weighted-average foreclosure frequency; WAFF) at 15.6% (down from 18.4% previously) and the proportion of losses on these defaults (weighted-average loss severity; WALS) at 24.7% (down from 28.7% 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 3.9% from 5.3% previously. Both credit metrics improved primarily due to the mortgage loans' concentration in relatively lower LTV ratio buckets and the higher overall seasoning of the portfolio.

Table 3

Cover pool composition

	As of June 30, 2026		As of June 30, 2025	
Asset type	Cover pool balance (mil. €)	Cover pool (%)	Cover pool balance (mil. €)	Cover pool (%)
Finnish residential mortgage loans	668.4	100	1,023.2	100
Substitute assets	0.0	0	0.0	0
Total	668.4	100	1,023.2	100

Table 4

Key credit metrics

	As of June 30, 2026	As of June 30, 2025
Average loan size (€)	78,950	87,648
Weighted-average effective LTV ratio (%)*	66.1	71.1
Weighted-average cover pool current LTV ratio (current balance, %)	67.4	72.5
Weighted-average loan seasoning (years)§	7.1	5.5
Balance of loans in arrears (%)	0.5	0.4
Buy-to-let loans (%)	10.1	8.2
Self-employed borrowers (%)	17.0	14.6
Credit analysis results:		
WAFF (%)	15.6	18.4
WALS (%)	24.7	28.7
AAA credit risk (%)	5.3	7.2†

*Effective LTV based on 100% current indexed whole loan LTV for the WAFF calculation. §Seasoning refers to the elapsed loan term. †As of Sept. 30, 2025. LTV--Loan to value. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Table 5

Loan-to-value distributions

	As of June 30, 2026		As of June 30, 2025	
(%)	Effective whole-loan LTV ratio (%)*	Cover pool current LTV ratio (based on current balance; %)	Effective whole-loan LTV ratio (%)*	Cover pool current LTV ratio (based on current balance; %)
0-40	13.6	13.0	9.9	9.6
40-50	9.7	9.0	7.2	6.7
50-60	13.7	13.0	11.6	10.6
60-70	16.8	16.7	14.6	14.1
70-80	17.1	16.6	18.6	17.4
80-90	14.2	14.6	17.1	17.7
90-100	10.1	10.8	13.6	14.2
Above 100	4.8	6.4	7.6	9.7
Weighted-average LTV ratios	66.1	67.4	71.1	72.5

*100% of current indexed whole LTV ratio. LTV--Loan-to-value.

Table 6

Seasoning*

	As of June 30, 2026	As of June 30, 2025
	Current pool balance (%)	Current pool balance (%)
>0 and <=2years	11.0	20.7
>2 and <=4 years	16.8	25.1
>4 and <=5 years	11.9	13.0
>5 and <=6 years	11.8	7.2
>6 and <=7 years	7.8	6.1
>7 and <=8 years	7.2	5.3
>8 and <=9 years	6.0	4.7
>9 and <=10 years	5.5	3.8
>10 years	21.6	13.7
Weighted-average loan seasoning (years)	7.1	5.5

*Seasoning refers to the elapsed loan term.

Table 7

Geographical distribution

	As of June 30, 2026	As of June 30, 2025
	Current pool balance (%)	Current pool balance (%)
South Finland (including Helsinki)	12.8	12.4
West Finland	65.5	58.9
Oulu	13.7	16.1
East Finland	5.4	7.7
Lapland	2.6	5.0
Aaland	0.0	0.0
Total	100	100

By applying our credit and cash flow stresses, we calculated a TCE of 8.9% (down from 12.5% previously) and 'AAA' credit risk of 5.3% (down from 7.2% previously). The improvement in results primarily reflects the underlying cover pool enhanced credit quality, higher excess spread in the program and, specifically for TCE, a decrease in ALMM risk.

With available credit enhancement of 33.7% exceeding the TCE, the maximum potential collateral-based uplift above the JRL is four notches. No deductions apply to these four notches owing to POPMB's overcollateralization commitment and because we consider the covered bonds' soft-bullet maturity mitigates short-term liquidity risk. Therefore, the achievable collateral support uplift is four notches above the JRL. With a JRL of 'aa-' three notches are used to achieve 'AAA' ratings with an overcollateralization requirement of 7.1%, equivalent to 'AAA' credit risk plus 50% refinancing costs. As a result, there is one unused notch of collateral-based uplift.

Table 8

Collateral uplift metrics

	As of June 30, 2026	As of Sept. 30, 2025
Asset WAM (years)	8.7	9.4
Liability WAM (extended maturity date; years)	3.8	4.5
Target asset spread (bps)	200	200
Base case asset spread (bps)	50	50
Available credit enhancement (current balance)	33.7	35.9
Required credit enhancement for coverage of 'AAA' credit risk (%)	5.3	7.2
Required credit enhancement for first notch of collateral uplift (%)	5.3	7.2
Required credit enhancement for second notch of collateral uplift (%)	5.3	7.2
Required credit enhancement for third notch collateral uplift (%)	7.1	9.8
Target credit enhancement for maximum uplift (%)	8.9	12.5
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

POP Mortgage Bank Covered Bond Program versus other Finnish covered bond programs

Program name	POP Mortgage Bank	SP Mortgage Bank CBA	SP Mortgage Bank MCBA	OP Mortgage Bank	S-Bank
Overview					
Jurisdiction	Finland	Finland	Finland	Finland	Finland
Covered bond type	LCB	LCB	LCB	LCB	LCB
Outstanding assets (mil. EUR)	668	3161	784	8241	3187
Outstanding covered bonds (mil. EUR)	500	2250	500	7550	1000
Cover pool composition	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%	Residential: 100%
Rating details					
Issuer credit rating*	BBB	A-	A-	AA-	A-
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	1	3	3	6	3
Credit analysis					
Mortgage WAFF (%)	15.6	15.4	9.0	11.4	14.7
Mortgage WALS (%)	24.7	22.6	15.5	12.7	24.3
Overcollateralization (OC)					
Available OC (%)	33.7	61.9	56.8	9.0	218.7
Asset default risk (%)	5.3	6.4	2.5	2.5	6.3
Target credit enhancement (%)	8.9	10.1	5.3	4.0	10.7

POP Mortgage Bank Covered Bond Program versus other Finnish covered bond programs

Program name	POP Mortgage Bank	SP Mortgage Bank CBA	SP Mortgage Bank MCBA	OP Mortgage Bank	S-Bank
OC consistent with current rating (%)	7.1	6.4	2.5	2.0	6.3
Cash-flow analysis as of	30-Jun-26	30-Sep-25	30-Jun-26	31-Dec-25	31-Mar-26

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

Counterparty risk

We analyze counterparty risk under our updated covered bonds criteria. It does not constrain the ratings on the program and related issuances.

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 prior to issuer insolvency could be exposed to commingling risk. This is because these collections are not segregated in the cover pool.

We apply a forward-looking assessment of the issuer's maintenance of credit support. Since rating inception, POPMB has consistently maintained overcollateralization levels well above those required for the 'AAA' rating, alongside an overcollateralization commitment commensurate with this rating. Furthermore, covered bonds are a vital source of wholesale funding for the bank. We therefore expect POPMB will continue maintaining credit support for its covered bonds and therefore currently do not stress commingling risk in our cash flow analysis.

Swaps

POPMB has executed liability swaps with Nordea, Danske, and SEB to hedge the interest rate risk arising from the variable interest rate paying assets and the fixed interest paying covered bonds. We consider these hedges in our cash flow analysis and model the covered bonds as floating rate-paying, corresponding to the floating rate of interest payable by POPMB to the counterparties under the swaps using the cover pool cash flow projections provided to us by POPMB.

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. The three counterparties are unrelated to POPMB, and we use their corresponding RCR (Nordea: 'AA-', Danske 'AA-', and SEB '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 using our structured finance ratings above the sovereign criteria (see "Methodology For Rating Structured Finance Securities Above The Sovereign," April 10, 2026). Under these criteria, we derive the maximum notches that covered bonds can be rated above the sovereign as a function of the cover pool assets' sensitivity to sovereign default risk and the

structure's exposure to refinancing risk. POPMB's covered bond program is backed by residential mortgages, which exhibit low sensitivity to sovereign default risk. Furthermore, the covered bonds are issued in Finland, which is part of the European monetary union, and include structural coverage of refinancing needs over a 12-month period.

As a result, we can rate the covered bond up to six notches above the sovereign rating. Given our 'AA+' long-term rating on Finland, sovereign risk does not constrain our rating on the covered bond.

Environmental, Social, And Governance

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

Related Criteria

- Methodology For Rating Structured Finance Securities Above The Sovereign, April 10, 2026
- 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
- 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

- Finland, Oct. 26, 2026
- S&P Global Ratings Definitions, Oct. 12, 2026
- Global Covered Bond Insights Q4 2026, Sept. 16, 2026
- Rating On Eight Finnish Banks Affirmed Amid Weak Economy; Bonum Bank Outlook Revised, June 10, 2026
- Finland Outlook Revised To Negative From Stable On Fiscal And Economic Risks; 'AA+/A-1+' Ratings Affirmed, April 24, 2026
- Bonum Bank PLC, Dec. 30, 2025
- Banking Industry Country Risk Assessment: Finland, Dec. 16, 2025.

- Covered Bonds Primer, Sept. 2, 2025
- A Closer Look At Finland's Covered Bond Framework, Sept. 27, 2023
- Glossary Of Covered Bond Terms, April 27, 2018

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