

RatingsDirect®

S-Bank PLC

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S-Bank PLC

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

SACP: bbb



Support: 0



Additional factors: 0

Anchor	a-	
Business position	Constrained	-2
Capital and earnings	Very strong	+2
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment	-1	

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB/Stable/A-2

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths

Strong brand name facilitated by S Group, supporting growth potential.

Very strong capitalization.

Sound deposit franchise in Finland.

Key risks

Weaker earnings and cost efficiency than domestic peers.

Material investment needs in a medium-term perspective.

Lower cross-selling capacity from secondary bank status.

Parent S Group has strengthened its ownership in S-Bank, enabling increased cross-selling opportunities to group customers. In October 2021, the S Group cooperatives and SOK Corp. (jointly forming the Finnish retail group S Group) completed the acquisition of the S-Bank shares previously held by minority owners LocalTapiola and Elo Mutual Pension Insurance Co., bringing S-Bank to its full ownership. As such, we expect the transaction will bring the bank even closer to its owner S Group, allowing for greater product penetration of S Group's customer base. The increased cross-selling opportunities of loan and savings products are, in our view, key for the bank to improve its operating profitability and efficiency to the level of domestic retail bank peers and should improve the bank's market position. We do not expect any material strategic revision following the change in management, now headed by interim CEO Hanna Porkka.

We expect S-Bank's robust capitalization to remain a key rating strength through 2023. S-Bank's very strong capitalization, underpinned by a projected risk-adjusted capital (RAC) ratio in the range of 15.0%-16.0%--compared

with 15.5% as of year-end 2021—will, in our view, provide a robust buffer against potential asset quality risks associated with high lending growth, and will continue to support the bank's growth ambitions.

Despite the continuous loan growth and more muted economic environment, we expect S-Bank's asset quality to remain sound. We anticipate that S-Bank will exhibit sound asset quality metrics, with projected nonperforming loans (NPLs) at 0.75%-0.8% (Stage 3 loans; 0.76% in first-half 2022) and provisions of about 25 basis points (bps) in 2022-2024, in line with 2021 levels and 10 bps in first-half 2022. Although provisions are somewhat higher than peers', this is because of a higher share of consumer loans and the rapidly growing loan book. We project above-market loan growth of 8%-10% in 2022-2023 as S-Bank expands the mortgage business. That said, the current economic environment could dampen growth ambitions.

We expect S-Bank to continue benefitting from a granular deposit base facilitated by the strong brand name. The bank has seen a steady 7%-9% increase of household deposits in 2021 and through the first half of 2022, and believe that granular and stable deposits will remain the primary source of funding for S-Bank. That said, wholesale funding is expected to increase as a share of the funding base as the bank launched a covered bond program in 2021 and needs to meet a 20.34% minimum requirement for own funds and eligible liabilities (MREL) by 2024.

Outlook

The stable outlook reflects our expectation that S-Bank will continue to follow its growth strategy while maintaining a sound financial profile over the next 12-24 months, despite the continuous high investment needs and potential repercussions on the wider S Group from the COVID-19 pandemic and the Russia-Ukraine conflict. We expect that S-Bank will maintain its RAC ratio above 15% over the next two years. The outlook also incorporates somewhat weakening asset quality as the bank's fairly young mortgage loan book matures. At the same time, we expect that S-Bank's growth strategy will eventually increase profitability and its operating efficiency.

Downside scenario

We could lower our long-term rating on S-Bank if stress on the parent's creditworthiness increases or the S Group brand weakens, which we expect would also harm the bank.

We could take a negative rating action on S-Bank if its loan growth is more aggressive or departs from its underwriting standards, alongside increased credit losses, which could translate into a RAC ratio below the 15% threshold. Furthermore, we could incorporate the negative comparable rating analysis (CRA) adjustment notch into S-Bank's business position, without an impact on the stand-alone credit profile (SACP), should the bank continue underperforming in terms of profitability and cost efficiency compared with peers.

Upside scenario

We consider a positive rating action to be remote at this stage. We view S-Bank as an insulated member of S Group, which allows us to rate the bank above the group's credit quality. Therefore, we cap the rating at 'BBB'. That said, we could remove the negative CRA adjustment notch and revise up the SACP if the bank were able to improve its business stability, so that its profitability and cost-efficiency metrics were more in line with those of peers with similar SACPs.

Key Metrics

S-Bank PLC--Key Ratios And Forecasts

(%)	--Fiscal year ended Dec. 31 --				
	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	3.4	7.6	5.7-6.9	7.1-8.7	7.1-8.6
Growth in customer loans	13.9	11.8	9.5-11.0	7.7-9.5	8.1-9.9
Growth in total assets	15.3	11.5	8.5-10.4	5.8-7.1	6.2-7.6
Net interest income/average earning assets (NIM)	1.4	1.3	1.2-1.4	1.3-1.4	1.3-1.4
Cost-to-income ratio	74.2	78.1	72.8-76.6	69.7-73.3	66.3-69.7
Return on average common equity	3.3	3.9	4.5-4.9	5.1-5.6	6.6-7.3
Return on assets	0.2	0.2	0.2-0.3	0.3-0.3	0.4-0.4
New loan loss provisions/average customer loans	0.5	0.3	0.25-0.35	0.25-0.35	0.25-0.35

S-Bank PLC--Key Ratios And Forecasts (cont.)

(%)	--Fiscal year ended Dec. 31 --				
	2020a	2021a	2022f	2023f	2024f
Gross nonperforming assets/customer loans	0.5	0.6	0.65-0.75	0.7-0.8	0.7-0.8
Net charge-offs/average customer loans	0.4	0.3	0.3-0.3	0.3-0.3	0.3-0.3
Risk-adjusted capital ratio	16.4	15.5	15.1-15.8	15.1-15.9	15.5-16.3

Note: All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' For Banks Operating Solely In Finland

Under our bank criteria, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine the anchor, the starting point for our bank rating. The anchor for S-Bank is 'a-', in line with that for commercial banks based in Finland. Our assessment of the economic and industry risk trends for Finland's BICRA are both stable.

We view Finland as an innovative, wealthy, and small open economy that has mature political and institutional structures. In our view, the Finnish economy has fared better than expected during the pandemic. After a contained GDP contraction of 2.3% during the first wave of the pandemic in 2020, followed by a strong rebound of 3.5% in 2021, we now project more muted growth of 1.3% in 2022 and 1.0% in 2023. This is because the knock-on effects of the Russia-Ukraine conflict could impair overall demand from Finnish trading partners. We expect domestic demand will be affected through lower private consumption because of declining real disposable incomes on rising prices. More muted consumer and business confidence could weaken the banking sector's growth prospects.

We do not see material economic imbalances in the Finnish economy as inflation-adjusted nationwide house prices show modest growth or a slight decrease, although regional differences persist. However, increasing private sector debt--in particular at the household level--could lead to weaker consumption and eventually higher credit losses for banks.

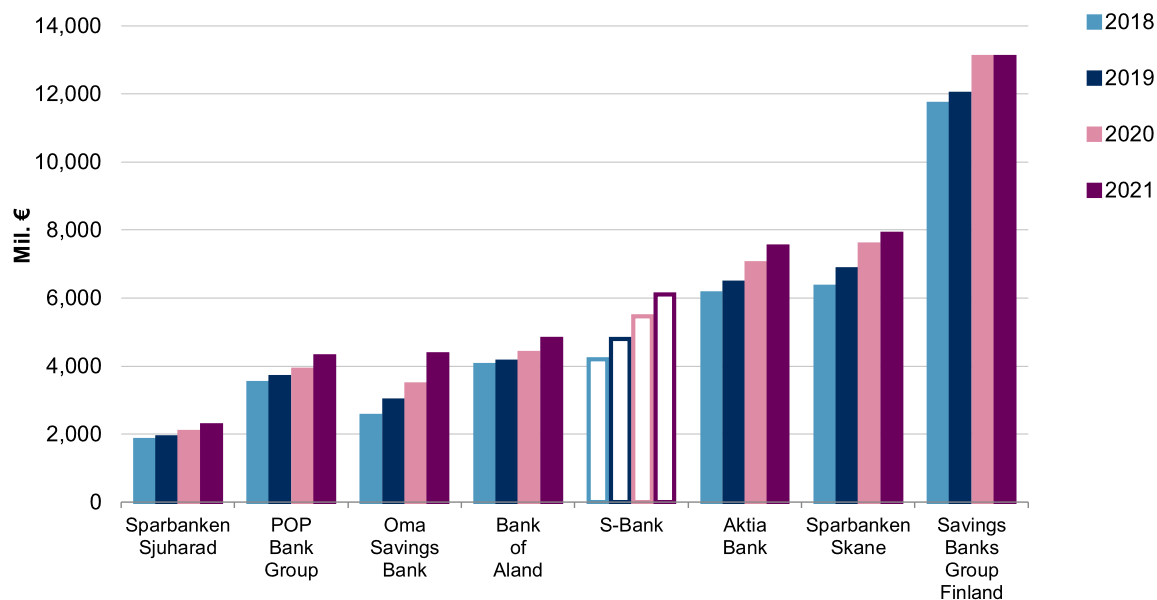
In our view, regulatory standards and bank supervision in Finland are in line with those of European peers. The banking sector is dominated by two major banking groups, OP Financial Group and Nordea, and characterized by intense competition and low lending margins. That said, we believe that overall profitability and capitalization will remain resilient. We also expect banks to maintain their restrained risk appetite. In our view, the risk of technology disruption remains moderate, given the banks' digital customer offerings and ongoing investment in innovation.

Finnish banks will remain dependent on external funding, which makes them vulnerable to changes in confidence sensitivity. That said, they continue to demonstrate good access to capital markets. In addition, the Nordic banking system remains highly interconnected, which results in potential spillover risks from external events.

Chart 1

S-Bank Is A Rapidly Growing Retail Bank In Finland

Total gross customer loan of selected nordic peer banks



Source: Company reports, S&P Global Ratings.

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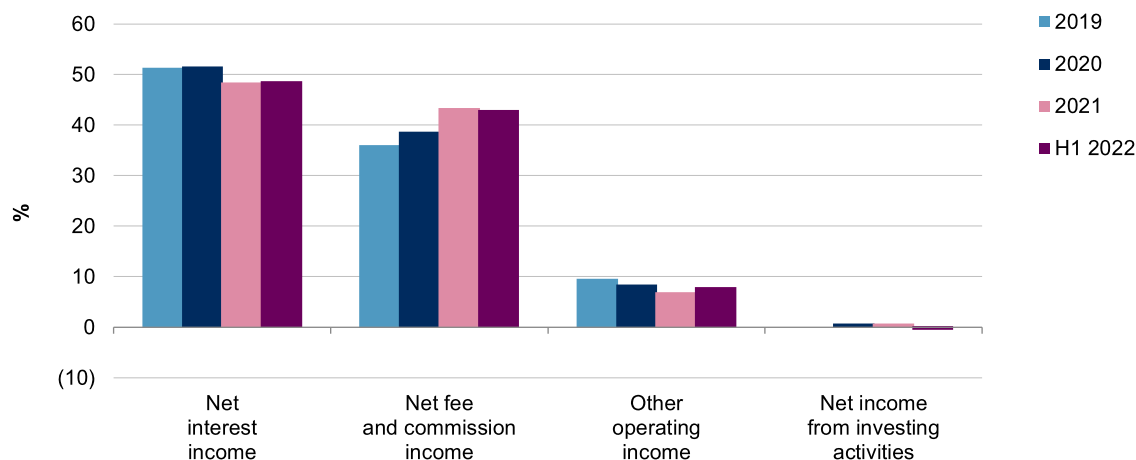
Business Position: Digital Retail Bank Belonging To Retail S Group, With Untapped Potential

With total assets of approximately €8.4 billion as of June 30, 2022, and about 560,000 active customers, S-Bank holds about 3% market share on mortgages, and is the eighth-largest credit institution in Finland. The bank was founded in 2007 and has expanded through organic growth and acquisitions, the most recent being Fennia Mutual Insurance Co., an asset management and real estate investment services company acquired in July 2020.

In keeping with the S Group brand, S-Bank focuses primarily on providing retail services, where unsecured consumer and mortgage loans contribute just under half of revenue. Other complimentary services include card payment services and asset management products. We expect the wealth management franchise to provide growth opportunities because of the increasing demand for savings and investment services from retail customers. However, the gradual rise in interest rates and the volatility in the financial markets could dampen the short-term growth prospects related to wealth and asset management businesses in the Finnish market. On the whole, the war in Ukraine and the related international sanctions have limited impact on S-Bank's strategy of focusing on Finnish household customers, in our view.

Chart 2

S-Bank Continues To Diversify Its Revenue By Investing In Its Wealth Management Business



H1--First half. Source: S&P Global Ratings.

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S-Bank has no traditional branch network but makes use of the existing retail stores of S Group to service both mortgage and consumer loan customers. S Group is the market leading retail group, with stores based in Finland's economically stronger regions. Digital interactions have increased consistently, and almost all daily contacts now take place through digital channels. That said, the bank has been lagging in terms of offerings, and more broadly lacks scale compared with peers, in our view. As a result, S-Bank is likely to have a greater sensitivity to regional developments when compared with larger banks with more established national franchise.

As the bank looks to improve its efficiency, cross-selling capabilities toward the approximately 3.1 million potential S-Group customers, including increased use of customer data analytics, we anticipate growing digital sales. In light of the recent malfunction in the online bank customer identification system exposing the bank to reputational risks, S-Bank, as a predominantly digital bank, needs to ensure appropriate investments in IT security. We assume that profitability will improve only at a modest pace given further investment needs, and therefore expect the bank's cost-to-income ratio will only gradually progress toward its target of 60% in the medium term, compared with 78.1% in 2021.

Chart 3**S-Banks Lags Its Peers In Terms Of Profitability And Cost Efficiency**

Averages between 2019 and 2021



Source: S&P Global Ratings.

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Capital And Earnings: Very Strong Projected Capitalization, Despite Above-Market Lending Growth

We project the bank's RAC ratio will remain about 15.0%-16.0% within the next two years, compared with 16.2% as of half-year 2022 and 15.5% in December 2021.

We expect S-Bank's annual net earnings to remain relatively stable at approximately €25 million-€30 million over 2022-2023, thanks to an expanding retail banking and asset and wealth management business. We incorporate a loan growth of 8%-10% in our projection, and believe that the increase in interest rates will give an additional boost to net interest income. Although the asset management business remains the key growth driver in the medium term, we expect the current market volatility and uncertainty to drag on revenue in 2022. Overall, we expect risk-weighted asset growth to be about 5%-6% per year, given retail lending growth. Still, we expect S-Bank's profitability--as reflected by return on average assets--to remain modest in the forecast period, and stand at about 20 bps-30 bps, compared with peer banks' 55 bps-70 bps. We do not incorporate any dividend distributions in our forecast through 2023.

S-Bank has a comfortable margin in its regulatory capital requirements with a common equity tier 1 ratio of 12.9% against the regulatory requirement of 7.85% at mid-year 2022.

Risk Position: Fast-Expanding Retail Consumer And Mortgage Portfolio, With Sound Asset Quality

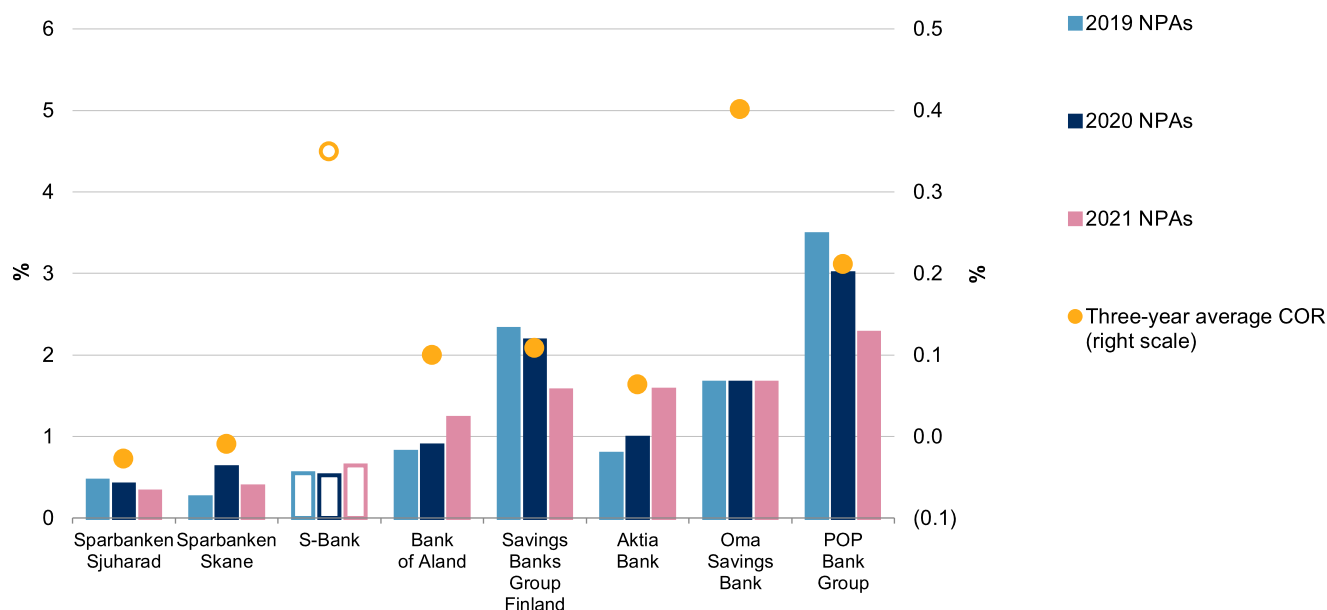
We view S-Bank's retail loan portfolio as carrying slightly more risk than that of domestic peers. The bank has a relatively young mortgage portfolio, which makes the average loan-to-value (LTV) ratio somewhat higher than the market average. Furthermore, S-Bank has a higher share of consumer loans relative to peers, which can add volatility to its loan portfolio.

S-Bank's lending to mortgage customers represents about 40% of the portfolio as of year-end 2021, followed by its corporate exposures at 12% (mainly housing companies), and unsecured and secured consumer loans at 9% and 11%, respectively. The bank's mortgage exposures are primarily located in Finland's growth centers, where we expect market liquidity to support collateral valuations, but this increases the risk of real estate price volatility to a few regions. In particular, the bank's collateralized portfolio has an elevated average LTV ratio of about 70%, which is higher than the estimated market average of 60% and a reflection of its fairly young loan portfolio. In line with the market, S-Bank's mortgage lending is almost entirely on floating rates (97% of mortgage loan stock). While rising interest rates will support the bank's net interest income, we will closely follow asset quality trends as the high inflation, energy costs, and interest rates will weaken households' disposable income and debt servicing capacity.

S-Bank's consumer loan portfolio is covered by comparably high margins and it has so far produced relatively sound asset-quality metrics related to these exposures, with an NPL ratio of 0.76% at mid-year 2022. Still, thanks to the higher share of consumer loans, compared with peers, we believe that S-Bank's provisioning will be slightly higher at about 25 bps in 2022-2023. The bank does not have a trading book and holds limited currency risk in its investment portfolio.

Chart 4

S-Bank's Asset Quality Remained Sound Throughout The COVID-19 Pandemic NPAs and three-year average COR



NPAs measured as adjusted nonperforming assets/customer loans + other real estate owned. COR--Cost of risk. NPA--Nonperforming assets. Source: S&P Global Ratings.

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Funding And Liquidity: Sound Retail Deposit Franchise And Comfortable Liquidity Position

In our view, S-Bank's funding profile compares well with domestic peers', reflecting the bank's granular deposit franchise. Household deposits contributed about 89% of the deposits as of mid-year 2022, while the remainder came from corporate customers. The corporate deposits add some single-name concentration and volatility in the deposit base, but these deposits mainly relate to S Group and LocalTapiola-owned entities. While important for customer engagement, the contribution of the S Group cashback bonuses (placed as deposits at S-Bank) on S-Bank's funding profile remains moderate. The bank produced a stable funding ratio of approximately 123% as of mid-year 2022, indicating a balanced funding profile, in our view.

S-Bank has a low share of wholesale funding, but we expect this to increase toward 10% of the funding base as the bank expands to covered bond issuance and starts issuing MREL-eligible debt. As of mid-2022, the bank has €109 million Tier 2 bonds outstanding. Due to its MREL requirement estimated at €270 million, we expect further wholesale issuance before 2024.

S-Bank's liquidity buffers are sizable with about €1.9 billion (about 21% of total assets) consisting mainly of cash at the central bank and very-high-quality level 1 assets as of June 30, 2022. Net broad liquid asset to short-term customer deposits equaled 21% on that date, which is similar to that of many rated small and midsize banks in Finland. We consider this is a better indicator than our traditional broad liquid assets to short-term wholesale funding, since the bank does not make meaningful use of wholesale funding. Despite the increasing use of wholesale funding over the next two years, we expect S-Bank to maintain an adequate liquidity position, allowing it to operate for more than six months without dependence on central bank operations under stressful conditions.

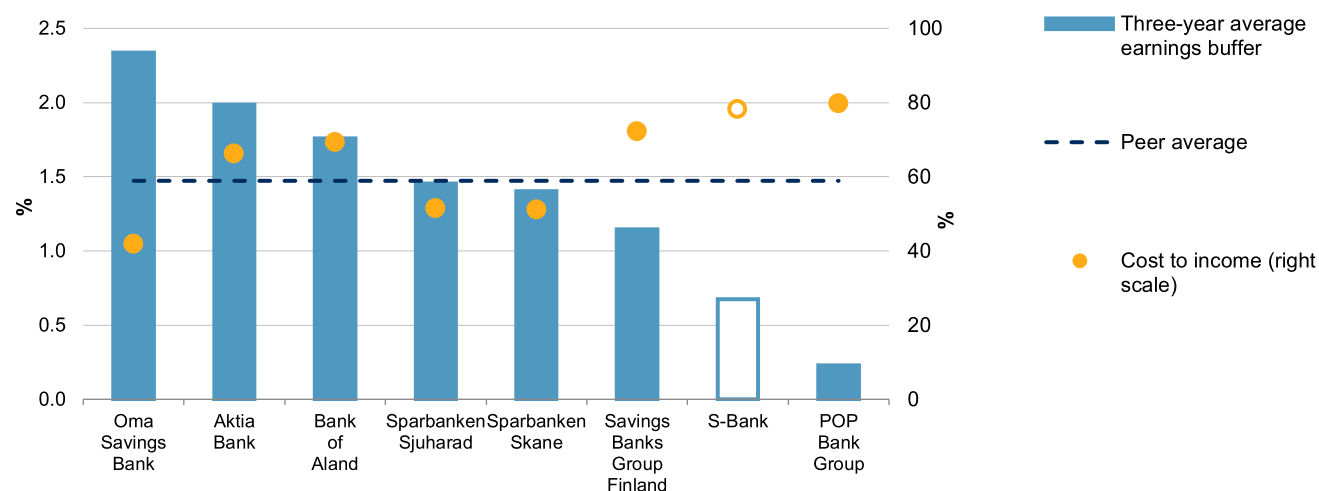
Comparable Rating Analysis Adjustment

We apply a negative CRA adjustment to S-Bank because we consider the bank's creditworthiness to be constrained by its still modest profitability and weak cost efficiency compared with peers. In particular, the bank's cost efficiency at 83% and return on average equity at 4.65% on June 30, 2022, continue to underperform that of domestic and Nordic peers. Additionally, we believe the bank will likely continue to demonstrate a weaker earnings profile than most of its peers in the medium term, as indicated by the three-year average earnings buffer. We project the earnings buffer will increase to 0.7% in 2022 from 0.5% in 2021 (an earnings buffer of 1.0% indicates an adequate capacity to cover normalized losses).

Chart 5

Modest Profitability And Operating Efficiency Constrains S-Bank's Earnings Profile

Earnings buffer and cost to income



Source: S&P Global Ratings.

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Group Support: S-Bank's Insulated Status To S Group Enables A Higher Rating Than The Overall Group Credit Profile

Our assessment of S-Bank as an insulated member of S Group allows us to generally rate S-Bank above the group credit profile. We see S-Bank as an independent and severable entity within the group, with no funding dependency, and separated accounting and reporting procedures. Because S-Bank is a fully regulated financial institution, we would expect regulatory authorities in Finland to ringfence at least part of the bank in the event of potential credit stress at the group level, to preserve customer confidence in the Finnish financial markets and banking industry. In addition, in our view, the group has a strong and compelling economic incentive to preserve the bank's credit strength. All the aforementioned factors support our view that S-Bank's creditworthiness is not impaired by that of the overall group.

We consider S-Bank to have moderate systemic importance in Finland owing to its 4% market share in customer deposits. As a systemically important bank, S-Bank is subject to MREL of 20.34% of total risk exposure amount (and 8.41% in leverage ratio terms) to be fully met on Jan. 1, 2024. That said, we do not believe that S-Bank would be subject to a well-defined bail-in process under which the Finnish resolution authority would permit nonviable systemically important banks to continue as going concerns following a bail-in of eligible liabilities. As a result, we do not factor in any ratings uplift from the SACP for additional loss-absorbing capacity but consider that bail-in-able buffers and the FSA's intention to use the resolution tool would provide an additional layer of protection if the bank were to run into distress due to spillover effects from S Group.

Environmental, Social, And Governance

ESG Credit Indicators



ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We consider ESG for S-Bank as broadly in line with those of industry and domestic peers.

We believe S-Bank is appropriately addressing environmental and social aspects in its operations. In particular, the wealth management division's climate strategy and funds focus on combatting climate change, while committing to initiatives such as the Tobacco-Free Finance Pledge. The team also acts as an active owner by partaking in annual general meetings for the portfolio companies, and continually develops impact investing products to deliver new solutions to the market that promote the achievement of social goals. In autumn 2021, a fund was launched to focus on social projects in Finland.

Social factors remain neutral for our rating on S-Bank. We acknowledge S-Bank is an important part of the overall value program of S Group, facilitating money paybacks to S-Group's customers, corresponding to about 78% of the total population in Finland.

Governance is neutral for S-Bank. We see that the bank has independent board members, with an effective influence on decision-making. We see the maintenance of a sound corporate governance as critical for S-Bank, and it is a priority for the management team and board of directors. The bank has a stable senior management team and business strategy and exhibits disciplined execution and operational control.

Key Statistics

Table 1

S-Bank PLC--Key Figures					
	--Fiscal year ending Dec. 31--				
(Mil. €)	2022*	2021	2020	2019	2018
Adjusted assets	8,740.9	8,427.5	7,554.4	6,563.9	6,416.1
Customer loans (gross)	6,440.3	6,105.2	5,462.2	4,796.0	4,199.1
Adjusted common equity	446.3	435.5	418.1	424.0	407.4
Operating revenues	96.7	187.0	173.9	168.1	153.7
Noninterest expenses	80.1	146.1	128.9	125.1	133.0
Core earnings	10.6	19.8	15.9	24.4	7.2

*As of June 30, 2022.

Table 2

S-Bank PLC--Business Position					
	--Fiscal year ending Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Loan market share in country of domicile	N/A	2.3	2.1	1.9	1.8
Deposit market share in country of domicile	N/A	3.8	3.7	3.6	3.7
Total revenues from business line (currency in millions)	96.7	187.0	173.9	168.1	153.7
Commercial & retail banking/total revenues from business line	78.8	76.2	85.6	82.0	81.7
Asset management/total revenues from business line	20.7	21.3	16.6	14.4	12.9
Other revenues/total revenues from business line	0.5	2.5	(2.3)	3.6	5.4

*As of June 30, 2022. N/A--Not applicable.

Table 3

S-Bank PLC--Capital And Earnings					
	--Fiscal year ending Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Tier 1 capital ratio	12.9	13.0	13.7	14.6	14.9
S&P Global Ratings' RAC ratio before diversification	16.2	15.5	16.4	17.5	17.9
S&P Global Ratings' RAC ratio after diversification	11.9	11.5	11.6	13.4	12.8
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	48.5	48.3	51.4	51.2	48.1
Fee income/operating revenues	42.9	43.2	38.5	35.8	39.7
Market-sensitive income/operating revenues	0.9	1.7	1.8	3.5	2.5
Cost to income ratio	82.8	78.1	74.2	74.4	86.6

Table 3

S-Bank PLC--Capital And Earnings (cont.)					
--Fiscal year ending Dec. 31--					
(%)	2022*	2021	2020	2019	2018
Preprovision operating income/average assets	0.4	0.5	0.6	0.7	0.3
Core earnings/average managed assets	0.2	0.2	0.2	0.4	0.1

*As of June 30, 2022.

Table 4

S-Bank PLC--Risk-Adjusted Capital Framework Data					
	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	1,307,904,277.3	343,017.4	--	9,699,188.0	0.7
Of which regional governments and local authorities	259,118,376.7	343,017.4	0.1	9,328,261.6	3.6
Institutions and CCPs	685,647,648.4	136,183,079.9	19.9	96,854,887.3	14.1
Corporate	634,716,264.3	549,301,926.7	86.5	354,696,481.9	55.9
Retail	5,739,541,980.2	2,239,630,798.7	39.0	1,824,221,121.3	31.8
Of which mortgage	3,969,381,328.0	1,362,726,188.8	34.3	921,080,421.4	23.2
Other assets†	109,751,699.6	65,155,684.6	59.4	105,216,713.0	95.9
Total credit risk	8,477,561,869.8	2,990,614,507.3	35.3	2,390,688,391.5	28.2
Market risk					
Equity in the banking book	31,654,101.6	28,036,021.8	88.6	98,294,153.7	310.5
Total market risk	--	28,036,021.8	--	98,294,153.7	--
Operational risk					
Total operational risk	--	327,382,712.3	--	325,537,619.3	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	3,346,033,241.4	--	2,814,520,164.5	100.0
Total diversification/concentration adjustments	--	--	--	974,305,306.0	34.6
RWA after diversification	--	3,346,033,241.4	--	3,788,825,470.5	134.6
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio					
Capital ratio before adjustments	434,779,473.0	13.0	435,514,000.0	15.5	
Capital ratio after adjustments‡	434,779,473.0	13.0	435,514,000.0	11.5	

Table 4**S-Bank PLC--Risk-Adjusted Capital Framework Data (cont.)**

*Exposure at default. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons).
RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. Sources: Company data as of Dec. 31, 2021, S&P Global Ratings.

Table 5**S-Bank PLC--Risk Position**

(%)	--Fiscal year ending Dec. 31--				
	2022*	2021	2020	2019	2018
Growth in customer loans	11.0	11.8	13.9	14.2	12.6
Total diversification adjustment/S&P Global Ratings' RWA before diversification	36.1	34.6	41.0	30.6	39.3
Total managed assets/adjusted common equity (x)	19.8	19.5	18.2	15.6	15.9
New loan loss provisions/average customer loans	0.1	0.3	0.5	0.3	0.2
Net charge-offs/average customer loans	0.1	0.3	0.4	0.3	0.2
Gross nonperforming assets/customer loans + other real estate owned	0.8	0.6	0.5	0.5	0.5
Loan loss reserves/gross nonperforming assets	37.4	48.9	62.3	57.9	75.9

*As of June 30, 2022.

Table 6**S-Bank PLC--Funding And Liquidity**

(%)	--Fiscal year ending Dec. 31--				
	2022*	2021	2020	2019	2018
Core deposits/funding base	95.8	96.3	99.0	98.6	98.5
Customer loans (net)/customer deposits	81.4	80.0	78.0	79.7	71.1
Long-term funding ratio	99.9	99.9	99.9	99.2	99.2
Stable funding ratio	122.5	122.1	121.8	114.6	122.3
Short-term wholesale funding/funding base	0.1	0.1	0.1	0.8	0.8
Regulatory net stable funding ratio	155.0	151.0	151.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	330.5	368.4	327.7	18.8	25.2
Broad liquid assets/total assets	19.0	19.0	18.9	14.2	19.3
Broad liquid assets/customer deposits	21.2	21.3	20.6	15.7	21.2
Net broad liquid assets/short-term customer deposits	21.3	21.2	20.6	14.9	20.5
Regulatory liquidity coverage ratio (LCR) (x)	172.0	150.0	147.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	1.5	1.5	6.4	57.9	55.3
Narrow liquid assets/3-month wholesale funding (x)	N.M.	147,122.3	479,987.0	N.M.	4,130.6

*As of June 30, 2022. N/A--Not applicable. N.M.--Not meaningful.

S-Bank PLC--Rating Component Scores

Issuer Credit Rating	BBB/Stable/A-2
SACP	bbb
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Constrained

S-Bank PLC--Rating Component Scores (cont.)

Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	-1
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Nordic Banks: Robust Capital Provides Cushion Against Tougher Times, Sept. 7, 2022
- Banking Industry Country Risk Assessment Update: August 2022, Aug. 30, 2022
- Banking Industry Country Risk Assessment: Finland, June 1, 2022
- The Russia-Ukraine Conflict: European Banks Can Manage The Economic Spillovers, For Now, April 21, 2022
- Nordic Banks' Solid Financials Mitigate Increased Geopolitical Uncertainties, April 12, 2022
- SLIDES: Nordic Banks Shift Their Focus To Profitable Growth, March 16, 2022
- Ratings On Nine Finnish Financial Institutions Affirmed Under Revised Criteria; Outlooks Unchanged, Feb. 4, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022

Ratings Detail (As Of September 22, 2022)***S-Bank PLC**

Issuer Credit Rating	BBB/Stable/A-2
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Senior Unsecured	BBB
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Issuer Credit Ratings History

22-Jan-2021	BBB/Stable/A-2
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31-Jul-2020	BBB/Negative/A-2
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Sovereign Rating

Finland	AA+/Stable/A-1+
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*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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