

Research Update:

# Finland-Based S-Bank PLC Upgraded To 'A-' On Additional Loss-Absorbing Capacity; Outlook Stable

December 9, 2025

## Overview

- On Dec. 11, 2025, S-Bank PLC will issue senior nonpreferred notes of €150 million, which bolsters the bank's additional loss-absorbing capacity (ALAC).
- We think the transaction demonstrates S-Bank's sound market access, which we expect will enable the bank to durably maintain an ALAC buffer above our adjusted threshold for a one-notch rating uplift.
- We therefore raised our long-term issuer credit rating on S-Bank to 'A-' from 'BBB+' and affirmed our 'A-2' short-term issuer credit rating. At the same time, we assigned our 'BBB' long-term issue rating to the proposed senior nonpreferred notes.
- The stable outlook reflects our view that S-Bank will maintain an ALAC buffer above 4% of our risk-weighted assets (RWAs) and a risk-adjusted capital (RAC) ratio above 15% over the next two years.

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## Rating Action

On Dec. 9, 2025, S&P Global Ratings raised its long-term issuer credit rating on S-Bank to 'A-' from 'BBB+' and affirmed its 'A-2' short-term issuer credit rating on the bank. The outlook is stable.

At the same time, we raised our long- and short-term resolution counterparty ratings (RCRs) on S-Bank to 'A/A-1' from 'A-/A-2', and assigned our 'BBB' long-term issue rating to the bank's proposed senior nonpreferred notes.

## Rationale

**The buildup of ALAC led us to upgrade S-Bank.** We now rate the bank one notch higher than our assessment of its 'bbb+' stand-alone credit profile (SACP), on the back of its expanded ALAC buffer. This reflects S-Bank's accumulation of a larger cushion of bail-inable subordinated

instruments. In a resolution scenario, this buffer would be available to absorb losses and recapitalize the bank, reducing the likelihood of authorities imposing losses on senior unsecured obligations.

**The successful issuance of senior nonpreferred instruments demonstrates S-Bank's sound market access.** On Dec. 11, 2025, the bank will issue senior nonpreferred notes of €150 million under its €3 billion program, established March 24, 2025, to issue senior preferred notes, senior nonpreferred notes, covered bonds, and additional Tier 1 capital notes. The transaction will bring the bank's ALAC buffer to 6% of our projected S&P Global Ratings' RWAs at year-end 2025. This is above our 4% threshold, which is 100 basis points higher than the standard threshold, reflecting, as for other midsize Finnish banks, the concentration of the bank's ALAC in a small number of instruments, which exposes S-Bank to higher refinancing risks. Indeed, we expect the bank will sustainably maintain the buffer above our threshold, currently projected at 5%-6% through 2028.

**We expect S-Bank will maintain a comfortable margin against its minimum requirement for own funds and eligible liabilities (MREL).** As of Sept. 30, 2025, the bank's MREL buffer stood at 39.5% of total risk exposure, against a minimum requirement of 21.94%. S-Bank, and other Finnish midsize banks, are not subject to subordination requirements for their MREL instruments and the bank can meet its MREL with other liabilities, including senior preferred debt. As of Sept. 30, 2025, S-Bank covered its MREL requirement with €550 million in senior preferred notes outstanding.

**The acquisition of Handelsbanken's retail business strengthened S-Bank's market position and should support its earnings capacity.** In December 2024, the bank finalized the acquisition of Handelsbanken's Finnish retail business, adding €2.5 billion of retail loans and €900 million of deposits. While this advanced its domestic market position (now fourth-largest by household loans and deposits), the takeover of 23 branches and about 230 employees resulted in a 15% year-on-year cost increase as of end-September 2025. We think the transaction adds to S-Bank's strategy of expanding its customer base to 1 million (it is currently 839,000), strengthening the product offering and advisory capabilities, and improving scalability and cross-selling opportunities.

## Outlook

The stable outlook reflects our expectations that S-Bank will sustain a profitable franchise while maintaining an RAC ratio above 15% over the next 12-24 months despite rising operating expense and moderately deteriorating asset quality. The outlook also incorporates our expectation that the bank will remain resilient even in an adverse scenario where the broader S-Group faces difficulty.

### Downside scenario

We could lower our long-term rating on S-Bank if its loan growth is more aggressive or it departs from its underwriting standards, alongside increased credit losses. This could translate into an RAC ratio below our 15% threshold for the rating. We could also lower the rating if S-Bank's ALAC buffer falls below the 4 % threshold.

While less likely, we could lower our long-term rating on the bank if the parent's creditworthiness weakens and S-Bank proves either less resilient or more vulnerable to potential negative intervention than we expect.

## Upside scenario

While unlikely in next couple of years, we could raise our long-term rating if the bank materially strengthens its competitive position further, for instance, by realizing growth targets, and we think this improves comparability with higher-rated peers.

## Rating Component Scores

### Rating Component Scores

Issuer Credit Rating	A-/Stable/A-2
SACP	bbb+
Anchor	a-
Business position	Constrained (-2)
Capital and earnings	Very Strong (2)
Risk position	Moderate (-1)
Funding and liquidity	Adequate and Adequate (0)
Comparable ratings analysis	0
Support	1
ALAC support	1
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0
SACP--Stand-alone credit profile. ALAC--Additional loss-absorbing capacity. GRE--Government-related entity.	

## 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: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021

## Ratings List

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### Ratings List

#### Upgraded

	To	From
<b>S-Bank PLC</b>		
Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2
Resolution Counterparty Rating	A/--/A-1	A/--/A-2
Senior Unsecured	A-	BBB+

#### New Rating

#### **S-Bank PLC**

Senior Subordinated	BBB
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