S&P Global
Ratings

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S-Bank PLC

Primary Credit Analyst:
Niklas Dahlstrom, Stockholm +46 84405358; niklas.dahlstrom@spglobal.com

Secondary Contact:
Salla von Steinaecker, Frankfurt + 49 693 399 9164; salla.vonsteinaecker@spglobal.com

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S-Bank PLC

Ratings Score Snapshot

Global Scale Ratings
Issuer Credit Rating
BBB+/Stable/A-2
Resolution Counterparty Rating
A-/--/A-2

SACP: bbb+ → **Support: 0** → **Additional factors: 0**

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

Support: 0	
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0
Issuer credit rating
BBB+/Stable/A-2
Resolution counterparty rating
A-/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	**Key risks**
Strong brand name facilitated by S-Group, supporting growth potential.	Scope to further improve operating efficiency relative to Nordic peers.
Very strong capitalization supported by improved earnings capacity in the higher interest rate environment.	Investment need and execution risks related to the acquisition of Handelsbanken Finland's retail portfolio.
Sound deposit franchise in Finland.	Sensitivity to the domestic real estate market.

S-Bank's acquisition of Handelsbanken Finland's retail business will increase scale and earnings generation and further strengthen S-Bank's wealth management offering. We expect the transaction to finalize in fourth-quarter 2024--including €3.6 billion of loans and €2.6 billion of assets under management (as of March 31, 2023). While the acquisition of the 23 branches with about 230 employees will contribute to a significant cost increase of about 20% in 2024, we think the transaction will strengthen S-Bank's retail franchise through scale, cross-selling opportunities, and a broadened fund offering if integrated successfully. As such, we expect positive earnings contribution from 2025. At the same time, ensuring a smooth transition and appropriate service level for the new customers could prove challenging, given cultural differences and S-Bank's digital service model.

Improved earnings generation and the committed capital injection from its cooperative member owners will support capitalization, despite significant growth in risk-weighted assets (RWA). We project S-Bank's risk-adjusted capital (RAC) ratio will be 20.5%-21.5% over 2024-2026, compared with 18.6% as of year-end 2023. The capital position is supported the committed injection of €200 million from S-Group owners and capital buildup through sustained earnings improvement, more than offsetting significant growth in RWA. We forecast net profits of €95 million-€115 million over 2024-2026, compared with €118 million in 2023, resulting in return on average equity of 11%-13% (20%) and cost to income slightly below 60% (51%).

We expect S-Bank's asset quality will remain resilient despite still challenging credit conditions. We project organic loan growth of about 2% in 2024 in the still muted operating environment, before rebounding to 3%-5% in 2025-2026. At the same time, we anticipate that delayed effects from higher interest rates and inflation will exert moderate downside pressure on asset quality and keep provisioning needs elevated over the next two years. We project nonperforming loans at 1.5%-1.7% of gross loans in 2024-2026, compared with 1.5% as of June 30, 2024. We expect S-Bank's higher share of uncollateralized lending will continue drive higher-than-peers' provisioning needs and project cost of risk at 45 basis points (bps)-55bps in 2024 before normalizing toward its historic trend of 30bps-35bps in 2025-2026, compared with 47bps as of June 30, 2024.

S-Bank will continue to benefit from granular retail deposits while gradually diversifying into covered bonds to support its growth ambitions. Core customer deposits accounted for 83% of the funding base as of June 30, 2024, with the majority coming from Finnish households. In anticipation of the upcoming acquisition, the bank has over the recent 12 months complemented its funding profile with the issuance of €1 billion of covered bonds to bridge the financing gap. While accumulated excess liquidity--as reflected by a ratio of net broad liquid assets to short-term customer deposits above 40% as of June 30, 2024--will reduce with the transaction, we expect S-Bank will continue operating with sound funding and liquidity metrics through 2026. Furthermore, the bank will continue to maintain a stock of senior unsecured debt in order to meet its 21.91% minimum requirement for own funds and eligible liabilities (MREL).

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 successfully integrate the retail portfolio from Handelsbanken, and remain resilient even in an adverse scenario where the broader S-Group faces difficulty.

Downside scenario

We could take a negative rating action if execution problems related to the Handelsbanken transaction emerged or customer retention following the acquisition proves materially weaker than expected. A negative rating action could also follow if S-Bank's loan growth is more aggressive or it departs from its underwriting standards, alongside increased credit losses. This could translate into a RAC ratio below our 15% threshold for the current rating.

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

Upside scenario

We could take a positive rating action if the bank were to build an buffer of additional loss-absorbing capital (ALAC) sustainably and comfortably above our adjusted threshold of 4%.

Key Metrics

S-Bank PLC--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	18.6	67.4	3.9-4.7	5.5-6.7	(0.3)-(0.4)
Growth in customer loans	10	3.8	1.8-2.2	36.0-44.0	3.6-4.4
Growth in total assets	5.3	12.4	13.5-16.5	16.5-20.2	2.0-2.5
Net interest income/average earning assets (NIM)	1.7	3.6	3.5-3.9	3.1-3.5	2.7-2.9
Cost to income ratio	74.3	51.2	57.4-60.4	57.9-60.9	57.6-60.5
Return on average common equity	6.9	20.1	11.8-13.1	11.0-12.2	9.9-11.0
Return on assets	0.4	1.3	0.8-1.0	0.8-1.0	0.7-0.9
New loan loss provisions/average customer loans	0.2	0.5	0.5-0.6	0.3-0.3	0.3-0.3
Gross nonperforming assets/customer loans	0.9	1.3	1.5-1.7	1.3-1.5	1.3-1.4
Net charge-offs/average customer loans	0.2	0.3	0.3-0.3	0.2-0.2	0.1-0.1
Risk-adjusted capital ratio	16.7	18.6	20.0-21.0	20.5-21.5	20.5-21.5

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

Anchor: 'a-' For Banks Operating Only 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 commercial banks based in Finland, such as S-Bank, is 'a-'. We classify Finland's banking sector in group '2' under our BICRA, alongside Sweden, Norway, Belgium, and Switzerland. The economic and industry risk trends for Finland's BICRA are stable.

We view Finland as an innovative, wealthy, small, and open economy that has mature political and institutional structures. Finland's economic slump is lasting longer than we anticipated, but we expect the economy will start to recover in the second half of 2024. Currently, private consumption remains subdued, despite real disposable income growth. Private sector investment, mainly in the construction sector, is weakened by higher interest rates and building costs. 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, but nominal house prices fell by 6.5% across Finland in 2023, with an expected rebound in 2025 and thereafter. That said, a weaker labor market, combined with weaker consumer and business confidence, could eventually lead to higher credit losses for banks.

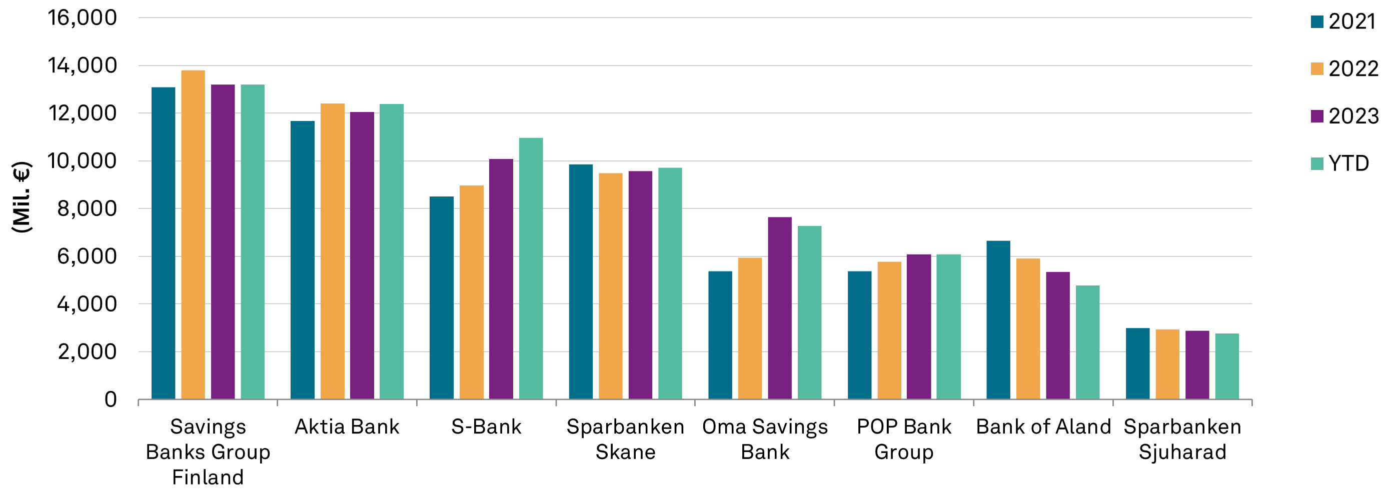
In our view, regulatory standards and bank supervision in Finland are in line with those of European peers. The banking sector is dominated by two major banking groups, OP Financial Group and Nordea, and characterized by intense competition. After the record earnings in 2023, we anticipate continued resilience in the sector's overall profitability and capitalization, as banks maintain their restrained risk appetites. In our view, the risk of technology disruption remains moderate, given that Finnish banks are at the forefront of digitalization and are still investing in innovation and digital capabilities.

Finnish banks will remain dependent on external funding, which makes them vulnerable to changes in confidence sensitivity and higher interest rates. That said, their access to capital markets remains good. The highly interconnected nature of the Nordic banking system makes it more vulnerable to potential spillover risks from external events.

Chart 1

S-Bank is a steadily growing retail bank in Finland

Total assets of selected Nordic peer banks



YTD--Year-to-date. Source: S&P Global Ratings.

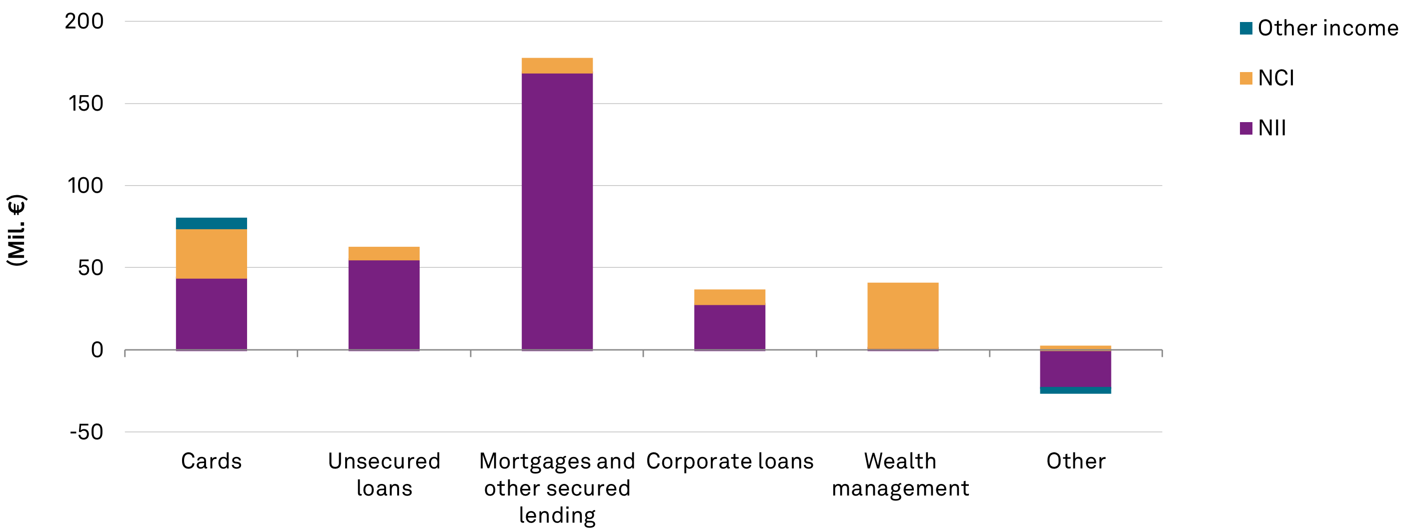
Business Position: Expanding Digital Retail Bank Belonging To Retail S-Group

With total assets of approximately €11 billion as of June 30, 2024, and about 700,000 active customers, S-Bank holds an about 4% market share in mortgages, and is the fourth-largest credit institution in Finland by deposits. The bank was founded in 2007 and has expanded through organic growth and acquisitions, the most recent completed transaction being Fennia Mutual Insurance Co., an asset management and real estate investment services company acquired in July 2020.

Being fully owned by S-Group, Finland's market leading retail group, 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. Given its ownership, we see untapped organic growth potential from the 3.2 million S-Group customers that currently don't have an active relationship with S-Bank.

Chart 2

Retail lending and payments is complemented by wealth management and corporate lending
Revenue as of end-2023



NCI--Noncontrolling interest. NII--Net interest income. Source: S&P Global Ratings.

We consider the upcoming takeover of Handelsbanken's Finnish private customer business, expected to close in fourth-quarter 2024, will strengthen S-Bank's franchise by providing scale and cross-selling opportunities, if integrated successfully. We also see growth potential from the acquisition through a broadened customer base and strengthened funds offering through the cooperation agreement with Handelsbanken Fonder.

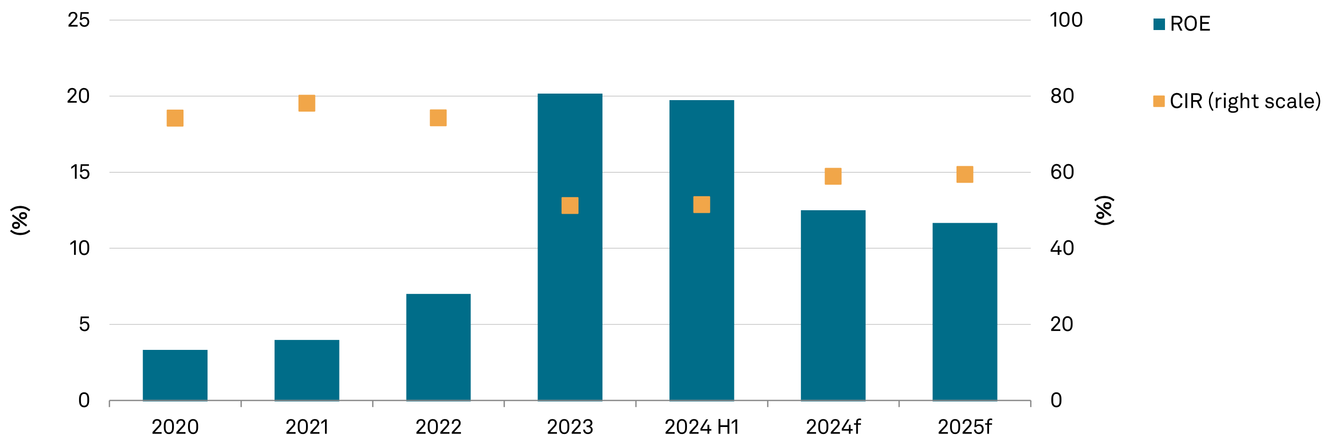
While we see execution risk as relatively limited, we consider customer attrition and differences in terms of culture and operational set-up as presenting challenges. S-Bank has no traditional branch network but makes use of the existing retail stores of S-Group to service both mortgage and consumer loan customers. As part of the transaction, S-Bank will acquire 23 branches from Handelsbanken, which will complement the existing distribution channels, if maintained.

S-Bank's business mix, floating-rate loan structure, and funding access through its retail deposit franchise have resulted in a tremendous earnings uplift in the higher interest rate environment since the second half of 2022, with 2023 pretax profits more than tripling year on year. Although we anticipate the net interest margin will start declining over the second half of 2024, we project S-Bank's earnings generation capacity will remain sound and consider the bank well placed to meets its medium-term financial targets; return on equity above 10%, cost to income below 60%, and a total capital ratio above 15%.

Chart 3

Profitability set to remain structurally higher also when interest rates decline

S-Bank's return on equity and cost-to-income 2020-2025f



ROE--Return on equity. CIR--Cost-to-income ratio. H1--First-half. f--Forecast. Source: S&P Global Ratings.

Capital And Earnings: Ample Capitalization Aided By Earnings Retention And Shareholder Support

We forecast the bank's RAC ratio will be 20.5%-21.5% through 2026, compared with 18.6% at end-2023. Our projections incorporate the committed capital injection of €200 million from its cooperative owners to back the upcoming acquisition, which we anticipate will more than offset subsequent growth in RWA from the transfer. As such, we do not expect the acquisition to compromise S-Bank's robust capitalization.

We forecast net profits of €95 million-€115 million over 2024-2026, compared with €118 million in 2023, resulting in return on average equity of 11%-13% (20%) and cost to income slightly below 60% (51%). Organic loan growth of around 2% in 2024 and 3%-5% in 2025-2026, in addition to transferred loans from Handelsbanken, will support revenue generation and partly offset a declining net interest margin and elevated operating expenses, including cost of risk.

We project the cost base will increase by about 20% in 2024 and another 6%-8% in 2025, in large part driven by acquisition-related expenses, including transferred staff and branches from Handelsbanken, but also continued investments in digitalization and automation. We expect S-Group will continue support the bank's growth ambitions. Therefore, we project profit retention will remain high with dividend distribution of around 15% of net earnings through 2026.

S-Bank exceeds its regulatory capital requirements with a comfortable margin. As of June 30, 2024, the bank's common equity tier 1 (CET 1) ratio stood at 13.7% (based on standardized approach) against a regulatory requirement of 9.2%, including the systemic risk buffer requirement of 1% that took effect April 1, 2024.

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

Our assessment of S-Bank's risk position balances its sound underwriting and asset quality with its higher share of consumer loans and a relatively young mortgage portfolio, as reflected by an average loan-to-value ratio of 68%--somewhat higher than the domestic market average of around 60%.

S-Bank's lending to mortgage customers represents about 70% of the portfolio as of year-end 2023, followed by its corporate exposures at 17% (mainly housing companies), and consumer loans at 13%, 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 in a few regions. We expect residential housing prices have now likely bottomed out and will rebound in 2025 following a moderate price correction in 2023-2024. Moreover, we understand that the mortgage portfolio acquired from Handelsbanken represents a well-collateralized, high-credit-quality loan book.

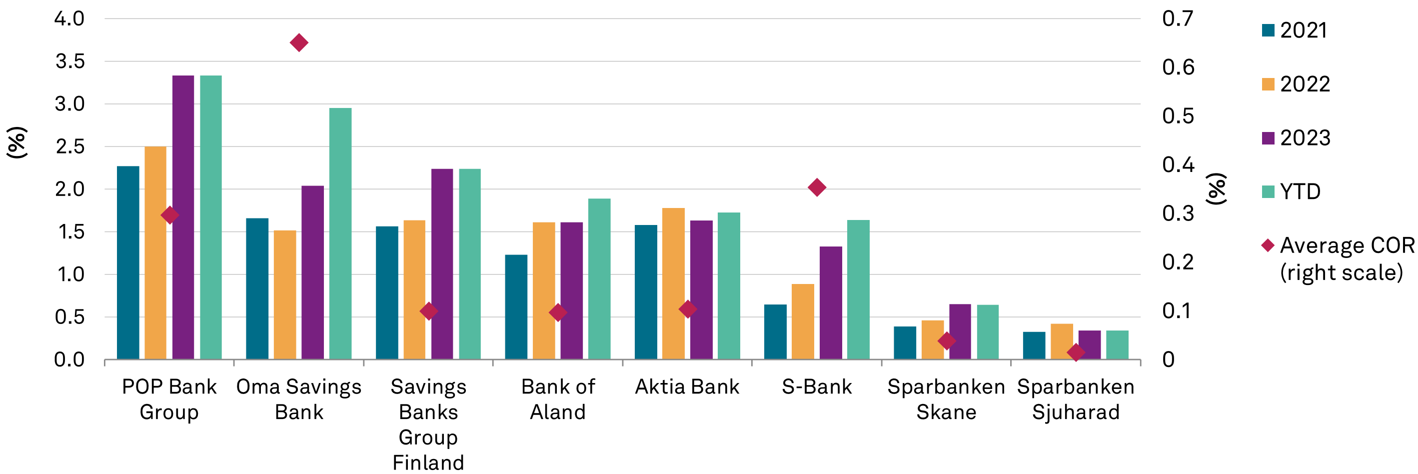
Despite having a sizable consumer loan portfolio S-Bank's asset quality metrics have remained resilient and compare favorably against those of domestic peers. As of June 30, 2024, the ratio of nonperforming loans stood at 1.5%. Still, this is higher than its 2020-2022 average of 0.7% and we expect delayed effects from higher interest rates and tight financial conditions for borrowers to push the ratio slightly higher to around 1.5%-1.7% over 2024-2025. Due to its higher share of non-collateralized consumer loans, S-Bank has higher average margins but also higher provisioning levels compared with nonperforming assets. We expect cost of risk will remain elevated at 45bps-55bps in 2024 (compared with 47bps in 2023) before reverting to historical levels of 30bps-35bps in 2025-2026.

We consider interest rate risk in the banking book is adequately managed. The short-term structure of both loans and deposits results in limited structural repricing risk, which is partly hedged by interest rate derivatives. The bank does not have a trading book and holds limited currency risk in its investment portfolio, which is fully marked to market.

Chart 4

S-Bank has sound asset quality but higher-than-peer provisioning needs

Nonperforming assets and cost of risk compared with that of selected Nordic peers



YTD--Year-to-date. COR--Cost of risk. Source: S&P Global Ratings.

Funding And Liquidity: Core Retail Deposits Complemented By Newly Established Covered Bond Franchise To Support Expansion

In our view, S-Bank's funding profile compares well with domestic peers', reflecting the bank's granular deposit franchise. As of June 30, 2024, core customer deposits accounted for 83% of the funding base, of which around 90% stems from households. The remainder represents corporate deposits that add some single-name concentration and volatility in the deposit base. 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. Overall, about 86% of customer deposits are covered by the Finnish deposit protection scheme.

To support the upcoming acquisition, S-Bank has over the recent year started to complement its funding profile with covered bonds and has issued €1 billion in two tranches to date. In our view, this provides the bank with a stable and cost-efficient funding source to also support future growth plans. We expect the bank will continue to demonstrate a balanced funding profile, but once the transaction is finalized we expect the stable funding ratio to revert to historic levels around 115%-120%, compared with 129% as of Dec. 31, 2023.

S-Bank's liquidity buffers are sizable with about €3.4 billion (about 29% of total assets) as of June 30, 2023, consisting mainly of cash at the central bank and very-high-quality level 1 assets. On the same date, net broad liquid assets (liquidity portfolio adjusted with haircuts and maturing wholesale debt) covered about 40% of the short-term customer deposits. We consider this is a better indicator than our traditional broad liquid assets to short-term wholesale funding, given the bank's still limited use of wholesale funding. Although we expect liquidity levels to normalize as the transaction completes, we forecast S-Bank will maintain a sound liquidity position over the next two years, allowing it to operate for more than six months without dependence on central bank operations under stressful conditions.

Support: We rate S-Bank above the group credit profile of S-Group

This reflects our view of S-Bank as an independent and severable entity within the group, with no funding dependency, and separated accounting and reporting procedures. We see the group as having a strong and compelling economic incentive to preserve the bank's credit strength. The authorities' apparent intent to resolve the bank if it failed (as opposed to liquidating it) further confirms the bank's position as a critical service provider in Finland, and also reinforces its financial and operational independence. Nevertheless, we remain mindful that, to a degree, the group could have a negative influence on the bank, as a confidence-sensitive business where there is a wider crossover of franchise and customers with the group.

We consider S-Bank to have moderate systemic importance in Finland owing to its 4.3% market share in customer deposits. The Finnish financial services authority has imposed on S-Bank a MREL requirement of 21.91% on total exposure amounts and 7.75% on the leverage ratio-based calculation. In our view, the MREL implies a full recapitalization of the banking business, and, given S-Bank's provision of critical functions such as retail deposits, we would expect the authorities to plan for an open-bank, bail-in-led resolution if S-Bank were to fail or likely to fail.

We do not apply rating uplift for ALAC to S-Bank. This is because of the bank's limited issuance of ALAC-eligible subordinated debt instruments. To date, the bank holds an amount of amortizing tier 2 instruments currently equivalent to about 3% of S&P Global Ratings' RWAs, below our adjusted threshold of 4% for one notch of ALAC uplift. The adjusted threshold is consistent with our treatment of other banks with relatively few ALAC-eligible debt issues or short weighted-average maturities.

Resolution Counterparty Ratings (RCRs)

We assigned long- and short-term 'BBB+/A-2' RCRs to S-Bank in January 2023. An RCR is a forward-looking opinion of the relative default risk of certain liabilities, in particular those legally exempt from bail-in (such as insured deposits or secured liabilities), that may be better protected from default in an effective resolution scenario than other senior liabilities.

Environmental, Social, And Governance

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

Given S-Bank's limited corporate lending, we consider transition risks as relatively contained and mainly connected to real estate collateral in its lending operations.

We believe S-Bank is appropriately addressing environmental and social aspects in its operations. The bank is committed to the United Nation Global Compact and, together with S-Group aiming for carbon negativity in its own operations by 2025. ESG is progressively being implemented in credit underwriting guidelines since 2021 and guides treasury's investment decisions. The bank's fund offering comprises Sustainable Finance Disclosure Regulation article 8 and 9 funds and the bank has actively reduced the carbon footprint in its own funds since 2018.

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 84% of Finnish households. The wealth management team 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.

We consider governance to be in line with best practices and a neutral factor for S-Bank. We see that the bank has independent board members (three out of seven board members), with relevant experience and effective influence on decision-making. Despite S-Bank's high growth pace over recent years, we consider the bank has a moderately conservative business strategy and exhibits disciplined execution and operational control. We consider executive management to be stable although there has been some rotation of executive roles over recent years. Upon the upcoming acquisition, Mike Peltola will join S-Bank's senior management team from Handelsbanken to head the wealth management division.

Key Statistics

Table 1

S-Bank PLC--Key figures

		--Year-ended Dec. 31--			
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	10,897.8	9,993.4	8,881.9	8,427.5	7,554.4
Customer loans (gross)	7,041.0	6,969.5	6,716.6	6,105.2	5,462.2
Adjusted common equity	650.2	582.3	469.6	435.5	418.1
Operating revenues	206.3	371.3	221.8	187.0	173.9
Noninterest expenses	106.2	190.2	164.7	146.1	128.9
Core earnings	66.9	118.7	36.2	19.8	15.9

*As of June 2024.

Table 2

S-Bank PLC--Business position

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	--	2.5	2.4	2.3	2.1
Deposit market share in country of domicile	--	4.3	3.9	3.8	3.7
Total revenues from business line (currency in millions)	206.3	371.3	221.8	187.0	173.9
Commercial & retail banking/total revenues from business line	92.7	88.5	81.4	76.2	85.6
Asset management/total revenues from business line	9.7	10.9	18.2	21.3	16.6

Table 2

S-Bank PLC--Business position (cont.)					
	--Year-ended Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Other revenues/total revenues from business line	-2.4	0.6	0.4	2.5	-2.3
Return on average common equity	19.7	20.1	6.9	3.9	3.3

*As of June 2024.

Table 3

S-Bank PLC--Capital and earnings					
	--Year-ended Dec. 31--				
(%)	2024*	2023	2022	2021	2020
Tier 1 capital ratio	17.8	16.1	13.2	13.0	13.7
S&P Global Ratings' RAC ratio before diversification	--	18.6	16.6	15.5	16.4
S&P Global Ratings' RAC ratio after diversification	--	13.6	12.0	11.5	11.6
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	76.4	73.9	54.9	48.3	51.4
Fee income/operating revenues	21.7	25.2	39.3	43.2	38.5
Market-sensitive income/operating revenues	(0.1)	(1.3)	1.1	1.7	1.8
Cost to income ratio	51.5	51.2	74.3	78.1	74.2
Preprovision operating income/average assets	1.9	1.9	0.7	0.5	0.6
Core earnings/average managed assets	1.3	1.2	0.4	0.2	0.2

*As of June 2024.

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 and central banks	2,274,495,135.0	68,766.5	0.0	2,839,988.5	0.1
Of which regional governments and local authorities	50,890,293.1	68,766.5	0.1	1,832,050.6	3.6
Institutions and CCPs	572,445,134.2	108,433,520.3	18.9	79,796,695.6	13.9
Corporate	326,658,272.0	258,274,757.6	79.1	161,218,054.6	49.4
Retail	6,694,144,865.7	2,539,480,870.3	37.9	2,084,650,468.8	31.1
Of which mortgage	4,650,433,369.5	1,579,901,764.6	34.0	1,079,385,518.1	23.2
Securitization (§)	0.0	0.0	0.0	0.0	0.0
Other assets(†)	115,334,963.0	139,594,109.8	121.0	111,339,299.3	96.5
Of which deferred tax assets	4,486,047.7	--	--	16,822,678.8	3.8
Of which amount of over (-) or under (+) capitalization of insurance subsidiaries	0.0	--	--	0.0	0.0
Total credit risk	9,983,078,369.9	3,045,852,024.4	30.5	2,439,844,506.8	24.4
Credit valuation adjustment					
Total credit valuation adjustment	--	0.0	--	0.0	--

Table 4

S-Bank PLC--Risk-adjusted capital framework data (cont.)

Market risk					
Equity in the banking book	18,894,989.2	25,944,405.9	137.3	102,743,747.2	543.8
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	25,944,405.9	--	102,743,747.2	--
Operational risk					
Total operational risk	--	488,314,438.5	--	608,796,679.1	--
Diversification adjustments					
RWA before diversification	--	3,560,110,868.7	--	3,151,384,933.1	100.0
Total diversification/concentration adjustments	--	--	--	1,161,103,693.2	36.8
RWA after diversification	--	3,560,110,868.7	--	4,312,488,626.3	136.8

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	572,899,907.2	16.1	582,332,000.0	18.5
Capital ratio after adjustments (‡)	572,899,907.2	16.1	582,332,000.0	13.5

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets inlcudes deferred tax assets (DTAs) not deducted from ACE. ‡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. CCPS--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5

S-Bank PLC--Risk position

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	1.0	3.8	10.0	11.8	13.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	--	37.0	39.3	34.6	41.0
Total managed assets/adjusted common equity (x)	16.9	17.3	19.1	19.5	18.2
New loan loss provisions/average customer loans	0.5	0.5	0.2	0.3	0.5
Net charge-offs/average customer loans	0.4	0.3	0.2	0.3	0.4
Gross nonperforming assets/customer loans + other real estate owned	1.6	1.3	0.9	0.6	0.5
Loan loss reserves/gross nonperforming assets	33.8	37.4	35.9	48.9	62.3

*As of June 2024.

Table 6

S-Bank PLC--Funding and liquidity

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	83.0	88.9	95.8	96.3	99.0
Customer loans (net)/customer deposits	83.6	84.2	83.9	80.0	78.0
Long-term funding ratio	98.5	99.7	99.7	99.9	99.9
Stable funding ratio	137.6	128.7	119.3	122.1	121.8

Table 6

S-Bank PLC--Funding and liquidity (cont.)

		--Year-ended Dec. 31--			
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Short-term wholesale funding/funding base	1.6	0.4	0.3	0.1	0.1
Regulatory net stable funding ratio	178.7	164.4	151.4	151.0	151.0
Broad liquid assets/short-term wholesale funding (x)	19.3	68.1	52.6	368.4	327.7
Broad liquid assets/total assets	29.2	23.3	17.0	19.0	18.9
Broad liquid assets/customer deposits	38.3	28.4	19.1	21.3	20.6
Net broad liquid assets/short-term customer deposits	40.4	28.0	18.8	21.2	20.6
Regulatory liquidity coverage ratio (LCR) (%)	393.2	256.6	164.4	150.0	147.0
Short-term wholesale funding/total wholesale funding	9.7	3.3	8.2	1.5	6.4
Narrow liquid assets/3-month wholesale funding (x)	99.8	68.4	65.8	147,122.3	479,987.0

*As of June 2024.

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
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
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

- Risk-Adjusted Capital Framework Methodology, April 30, 2024
- Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Financial Institutions Rating Methodology, Dec. 9, 2021
- Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

- Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: July 2024, July 31, 2024
- Finland-based S-Bank Upgraded To 'BBB+' From 'BBB' On Improved Profitability; Outlook Stable, June 28, 2024
- Finland, April 29, 2024
- Top Nordic Banks Cut Costs As Revenue Growth Flattens, Feb. 19, 2024
- Nordic Banks In 2024: Ploughing On Through Tough Terrain, Feb. 7, 2024
- Banking Industry Country Risk Assessment: Finland, Nov. 28, 2023
- S-Bank PLC, Aug. 1, 2023
- S-Bank PLC Outlook Revised To Positive On Improved Earnings Capacity And Strengthening Franchise; Affirmed At 'BBB/A-2', June 29, 2023

Ratings Detail (As Of August 23, 2024)*	
S-Bank PLC	
Issuer Credit Rating	BBB+/Stable/A-2
Resolution Counterparty Rating	A-/--/A-2
Senior Secured	AAA/Stable
Senior Unsecured	BBB+
Issuer Credit Ratings History	
28-Jun-2024	BBB+/Stable/A-2
29-Jun-2023	BBB/Positive/A-2
22-Jan-2021	BBB/Stable/A-2
31-Jul-2020	BBB/Negative/A-2
Sovereign Rating	
Finland	AA+/Stable/A-1+

*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.