S&P Global
Ratings

RatingsDirect®

OP Corporate Bank PLC

Primary Credit Analyst:
Salla von Steinaecker, Frankfurt + 49 693 399 9164; salla.vonsteinaecker@spglobal.com

Secondary Contacts:
Niklas Dahlstrom, Stockholm +46 84405358; niklas.dahlstrom@spglobal.com
Sebastian Dany, Frankfurt + 49 693 399 9238; sebastian.dany@spglobal.com

Table Of Contents

Table Of Contents (cont.)

OP Corporate Bank PLC

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
AA-/Stable/A-1+
Resolution Counterparty Rating
AA-/--/A-1+

SACP: a+ → **Support: +1** → **Additional factors: 0**

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

ALAC support	+1
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
AA-/Stable/A-1+
Resolution counterparty rating
AA-/A-1+

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

Credit Highlights

Key strengths	Key risks
Successful bancassurance strategy and solid domestic retail and corporate franchise.	Geographic concentration in Finland.
Robust capitalization underpinned by sound retained earnings and profit share issuance.	Lower cost efficiency than peers, weighing on profitability.
Deeply rooted cooperative banking model with joint liability between OP Corporate Bank and member credit institutions.	Weaker asset quality metrics than peers.

S&P Global Ratings anticipates that OP Financial Group, parent of OP Corporate Bank PLC, will maintain its dominant position within the Finnish market. OP Financial Group is the leading financial institution in Finland, holding a strong retail and corporate banking franchise with over 2 million owner-customers and a market share of 35%-40%. This is further supported by the group's life and nonlife insurance operations, with strong market shares of 22% and 33%, respectively. The group's asset management--€88 billion of customer assets--complements its offering. OP Financial Group's revenue diversity through its banking and insurance business is a strength and the group has been making efforts to exploit cross-selling opportunities; as a result, the number of joint clients has increased to 1.3 million in December 2021 from about 700,000 in 2005. We expect the current strategy, focused on digitalization, will further support successful cross-selling in the rapidly evolving operating environment.

OP Financial Group generated strong earnings in 2021, with return on equity (ROE) increasing to 7.8% (excluding OP bonuses). The group's three business lines--Retail Banking, Corporate Banking, and Insurance--reported strong earnings in 2021 on the back of the sound customer activity and economic recovery in Finland. Earnings before tax increased to €1,127 million, €342 million more than the previous year. The weaker economic outlook triggered by the Russia-Ukraine conflict will, in our view, weigh on OP Financial Group's growth prospects and we anticipate lower operating income and bottom-line profitability for 2022-2023. We expect the group to focus on operating efficiency improvements as it continues to streamline its structure by further reducing the number of co-operative banks through mergers, from 121 banks at year-end 2021 to less than 100 by 2024 by our estimate. That said, we understand that about 80% of its banking business is already generated by the 10 largest member banks.

We expect its asset quality to gradually improve following a shift due to regulatory definitions and pandemic effects. OP Financial Group's asset quality metrics deteriorated slightly as a result of the pandemic, exacerbated by changes in the default definition. The gross nonperforming loans (NPLs; including forborne exposures) ratio equaled 2.8% as of Dec. 31, 2021--above that of the bank's large Nordic peers--compared to 1.6% in 2019. We project the NPL ratio to gradually improve as exposures are re-classified as performing. At the same time, loan losses increased only moderately to 24 basis points (bps) in 2020 and we expect them to decrease to 10-12 bps over 2022-2023 after the 16 bps booked in 2021. OP Financial Group's exposure to Russia, Belarus, and Ukraine is not significant and consists mainly of trade finance exposures, but we could see rating migration of large corporate customers exposed to the reduced operations in the conflict area or supply chain problems.

Robust capitalization backed by further profit share issuance and retained earnings provides OP Financial Group with a strong safety buffer. We consider that OP Financial Group's risk-adjusted capitalization (RAC) provides a very strong buffer to absorb unexpected losses. We project that the RAC ratio will remain above 15.0% for the next 24 months, compared with 15.1% in June 2021 and our estimate of 15.5% as of year-end 2021, based on our expectation of additional profit share issuance, stable earnings generation, and the conservative capital policy in the cooperative network. We also expect OP Financial Group to further build up its bail-in-able buffers through issue subordinated and senior nonpreferred debt through 2024, increasing its additional loss absorbing capacity (ALAC) from 7.6% in 2021.

Outlook

The stable outlook on OP Corporate Bank reflects our view that the creditworthiness of the wider OP Financial Group is unlikely to change over the next two years, and the support mechanisms within the group--underpinned by the joint liability between OP Cooperative and the group's member credit institutions--will remain a supportive factor. Moreover, building on further integration in the group, a leaner structure, and digitalization, we expect OP Financial Group to gradually improve its efficiency, which will in turn boost profitability.

The outlook also indicates that we expect our RAC ratio for the bank to stay above 15% in the next two years, on the back of stable retained earnings and the issuance of additional profit shares.

Furthermore, the bank should continue to build its bail-in-able buffers. Because we already consider this a rating strength, we allocate one notch of uplift for ALAC.

Downside scenario

We could take a negative rating action if OP Financial Group's operating performance materially lags that of highly rated peers. Specifically, this could occur if its cost efficiency fails to improve despite the streamlining of the group structure and increased digital investments. Moreover, we could also lower the rating if we project the RAC ratio will decline below 15% and--at the same time--we no longer consider OP able to sustain the 'a+' group SACP.

Upside scenario

An upgrade during the two-year outlook horizon is unlikely at present, given that our rating on the bank is now among the highest of those on rated commercial banks globally. Moreover, we do not currently see OP Financial Group as a positive outlier compared with these banks.

Key Metrics

OP Financial Group--Key Ratios And Forecasts					
	--Fiscal year ended Dec. 31--				
(%)	**2019a**	**2020a**	**2021a**	**2022f**	**2023f**
Growth in operating revenue	8.3	-5.5	20.3	(6)-(8)	3.0-3.5
Growth in customer loans	5.0	2.5	3.6	2.7-3.3	2.7-3.3
Growth in total assets	4.7	9.0	8.7	1.6-2.0	1.1-1.4
Net interest income/average earning assets (NIM)	1.2	1.2	1.3	1.1-1.2	1.1-1.2
Cost to income ratio	67.7	69.5	61.2	65-67	64-66
Return on average common equity	5.5	5.1	6.7	5.2-5.7	5.1-5.6
Return on assets	0.5	0.5	0.6	0.5-0.6	0.5-0.6
New loan loss provisions/average customer loans	0.1	0.2	0.2	0.1-0.1	0.1-0.1
Gross nonperforming assets/customer loans	1.6	2.7	2.8	2.4-2.8	2.2-2.6
Net charge-offs/average customer loans	0.1	0.1	0.1	0.1-0.1	0.1-0.1

OP Financial Group--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	**2019a**	**2020a**	**2021a**	**2022f**	**2023f**
Risk-adjusted capital ratio	15.0	14.6	15.4*	15.3-15.8	15.5-16.0

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

Anchor: Reflects Finland's Cyclical-But-Resilient Economy And Low Debt

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 OP Corporate Bank is 'a-', in line with that used for commercial banks based in Finland. We classify Finland's banking sector in group '2' under our BICRA, alongside Austria, Switzerland, Canada, Sweden, Norway, and Belgium. Our assessment of the economic and industry risk trends for Finland's BICRA are 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 pandemic in 2020 followed by strong rebound of 3.5% in 2021, we now project more muted growth of 1.8%-2.0% in 2022-2023 because of the Russia-Ukraine conflict and second round effects on the Finnish economy. We expect private consumption to remain the backbone of economic growth while exports will be affected by the loss of trade with Russia.

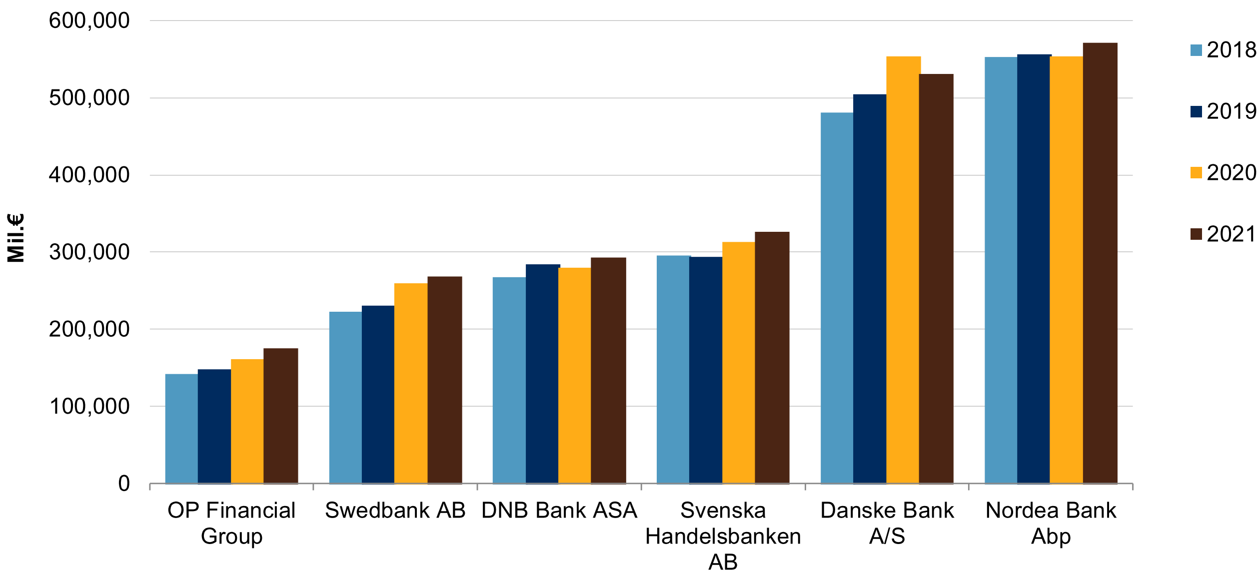
We do not see material economic imbalances in the Finnish economy as inflation-adjusted nationwide house prices show modest growth or a slight decrease, although regional differences persist. However, increasing private sector debt--in particular at the household level--could lead to weaker consumption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

OP Financial Group--National Champion In Finland But Smaller Than Nordic Peers
Total assets



Source: Company filings.

Business Position: Leading Domestic Franchise In Banking And Insurance

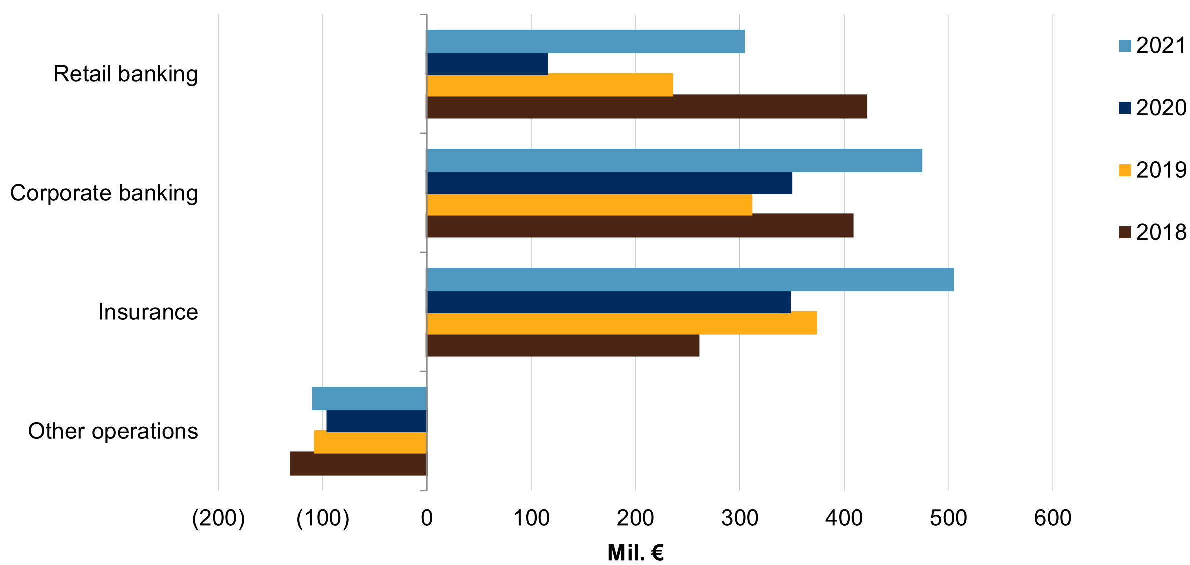
We expect OP Financial Group to consolidate its leading position in the Finnish market, where its business lines in corporate and retail banking have market shares of 35%-40%. This is further supported by the group's life and non-life insurance operations, which enjoy strong market shares of 22% and 33%, respectively. The group's asset management--€88 billion of customer assets--complements the offering.

OP Financial Group--which had total assets of €174.1 billion as of Dec. 31, 2021--has a strong retail and corporate banking franchise. It has a countrywide branch network, with about 3.5 million private and 300,000 corporate customers. In our view, the group has a stable operating platform based on consistently strong and recurring revenue; a pre-provision income on average adjusted assets at about 1% over the past 10 years; and its retail focus and coherent long-term strategy.

We expect the current strategy, focused on digitalization, will support successful cross-selling between banking and insurance and allow the group to gradually streamline its group structure and branch network. OP Financial Group aims to transform into a fully digitalized group and follows a collaborative fintech strategy. More than 99% of private customers' payments and services come through digital channels and more than 70% of clients are active digital users, with OP Financial Group's mobile app being the main service channel. Moreover, the group is focusing on artificial intelligence to improve its banking offer and customer interaction; it is also pioneering digital home selling in Finland and blockchain solutions. Although IT development investments has reduced since the peak in 2017, the group continues to invest in renewal and upgrade of its core systems, including main banking products, wealth management, and insurance.

Chart 2

OP Financial Group--Earnings Are Well Diversified By Business Segments
Profit before tax



Source: Company data and S&P Global Ratings.

Moreover, the group's revenue diversity through its banking and insurance operations is a strength in the relatively consolidated Finnish banking sector. Net of nonrecurring items, OP Financial Group's revenue broadly consists of interest income. This represents about half of its total income, with fee and commission income accounting for about one-third and net insurance income 15%-20%--a split that we expect to continue in coming years. We think the group still has significant room to further exploit cross-selling opportunities over the medium term. The group's efforts in this respect have been positive, with a continuous increase in joint clients to 1.3 million in 2021 from about 700,000 in 2005.

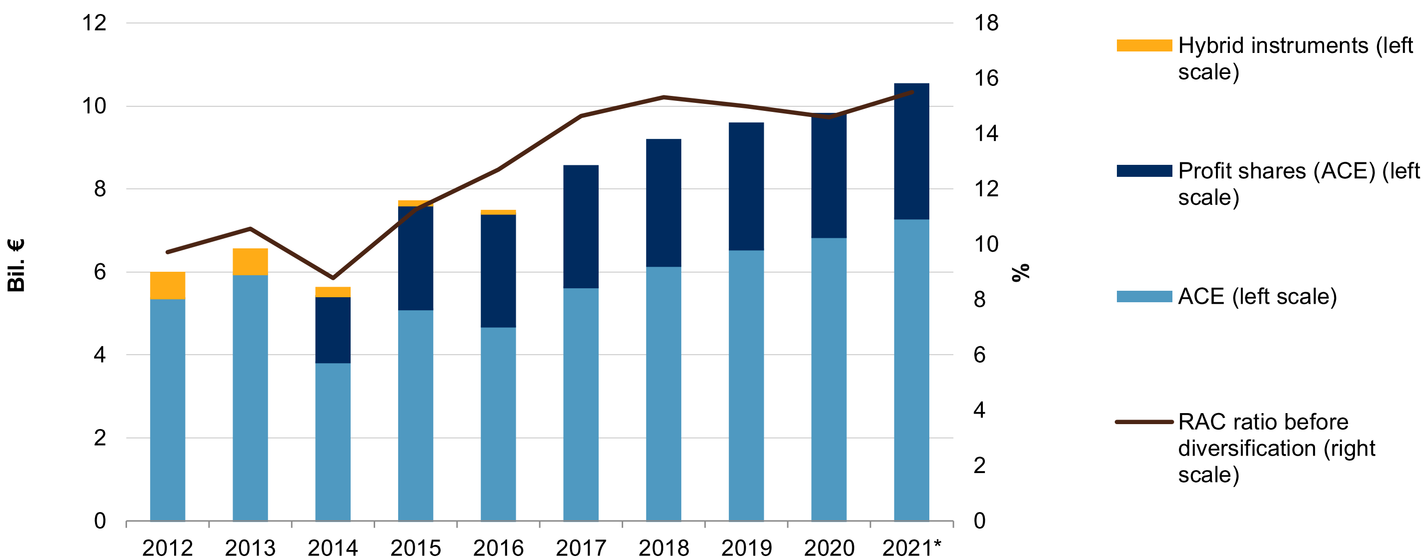
We believe that the stable cooperative ownership structure underpins the strength and stability of the business model. OP Cooperative, all 121 member cooperative banks, and the other member credit institutions operate with joint liability, defined by the Finnish Act on the Amalgamation of Deposit Banks. We expect management will continue streamlining the group's structure through mergers of member cooperative banks and by reducing the branch network to better focus on its strategy, providing the owners with better efficiency and ultimately stable returns.

Capital And Earnings: Robust Prospective Capitalization Supported By Solid Retained Profits And Issuance Of Profit Share

Our capital and earnings assessment primarily indicates that we forecast that the bank's capitalization, as measured by our projected RAC ratio before diversification adjustments, will be comfortably over 15% over the next 24 months, compared with our estimate of 15.5% in December 2021. The capital build-up will be supported by additional profit share issuance, stable earnings generation, and a conservative capital policy in the cooperative network. Our measure of capital (total adjusted capital [TAC]) benefits from €3.2 billion in member profit shares issued to retail owner-customers since 2014 through the member cooperative banks (return target of 4.45% in 2022), which is an integral part of recapitalizing the group.

Chart 3

OP Financial Group--Capitalization Metrics Show Its Growing Equity Base
TAC components and RAC ratio development



*Estimate as of Dec. 31, 2021. TAC--Total adjusted capital. RAC--Risk-adjusted capital. ACE--Adjusted common equity.
Source: S&P Global Ratings.

We expect our earnings buffer metric for OP Financial Group, which measures the bank's capacity to cover its normalized losses, will remain slightly lower than Nordic peers, at 0.9%-1.0%. This will lead to a lower buildup of capital. However, even if we anticipate OP Financial Group's cost efficiency to improve, it still somewhat lags that of its large Nordic peers; it reported a cost-to-income ratio of about 61.2% as of Dec. 31, 2021--a reflection of its cooperative group structure and nationwide branch network (cost-to-income ratio in Personal Banking 68.8% and Corporate Banking 35.9%). We note that owner-customers do not receive dividends but benefit from bonuses reflected in overall new performance.

The group reported a common equity Tier 1 (CET1) ratio of 18.2% as of Dec. 31, 2021, a decline from 18.9% in December 2020 due to its proactive recognition of changes related to the internal model method. The planned implementation of risk-weighted asset (RWA) floors based on the standardized approach in second-quarter 2022 is expected to lower the regulatory capital ratio by 3 percentage points. The bank aims to offset the regulatory capital hit with organic capital generation, issuance of member profit shares, and Tier 2 debt instruments in 2022-2023. Despite the decreasing trajectory, OP Financial Group's CET1 ratio comfortably meets the regulatory requirement of 9.7% and remains well above management's target of 13.7% (400 bps above the maximum distributable amount).

The non-life and life insurance operations had Solvency II capital requirement ratios of 174% and 173%, respectively, as of Dec. 31, 2021 (without transitional measures), well above the regulatory solvency requirement of 100%. We understand that the group wants to maintain solvency levels at around 170%. Overall, we do not expect the group will overcapitalize its insurance subsidiaries and therefore we expect dividend payouts to the group from the subsidiaries.

Under our RAC framework, we deduct from the numerator the equity invested and risk-weighted subordinated debt held by OP Financial Group members in the life and non-life subsidiaries.

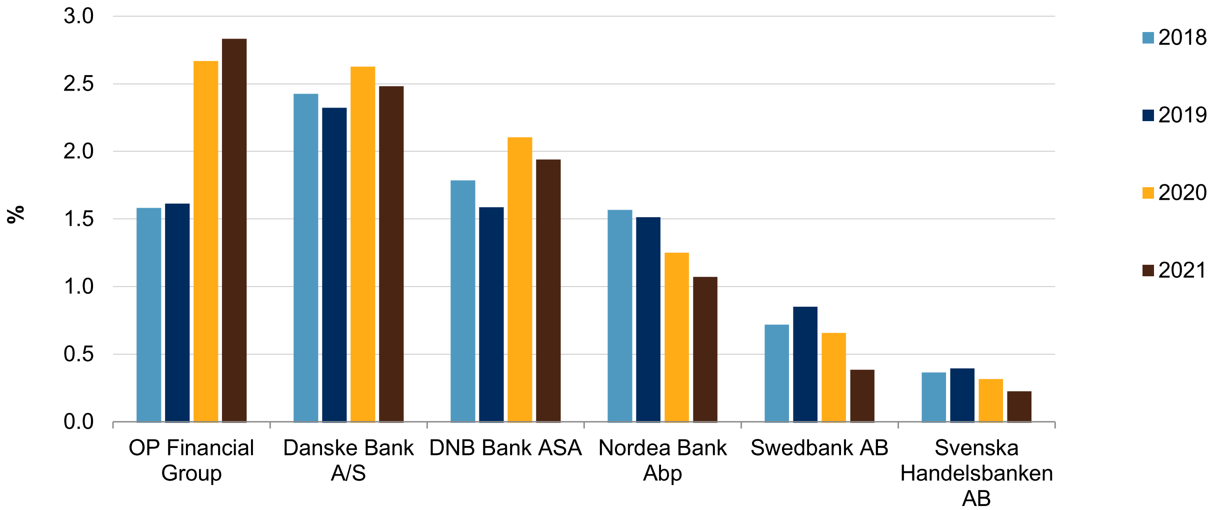
Risk Position: A Predominantly Retail Profile Concentrated In Finland

Our risk position assessment is affected by the geographic concentration of OP Financial Group's business in Finland and the sector concentration in the commercial real estate sector. This is partially compensated by its generally prudent underwriting standards. Nevertheless, we consider the combined capital and earnings and risk position assessment to be a rating strength for the group.

The asset quality metrics weakened as a result of the pandemic and changes in the regulatory "new definition of default," based on the European Banking Authority's guidelines, with gross NPLs increasing to 2.8% as of Dec. 31, 2021 from 1.6% as of year-end 2019. We expect the NPL ratio to gradually improve as forborne exposures are re-classified as performing, while remaining above the levels of large Nordic peers. Loan losses as a percentage of the loan book peaked at 24 bps in 2020 and moderated to 16 bps in 2021, up from a low pre-pandemic five-year average of 8 bps. We expect the group's loan loss provisions to return to around 10-12 bps during 2022-2023.

Chart 4

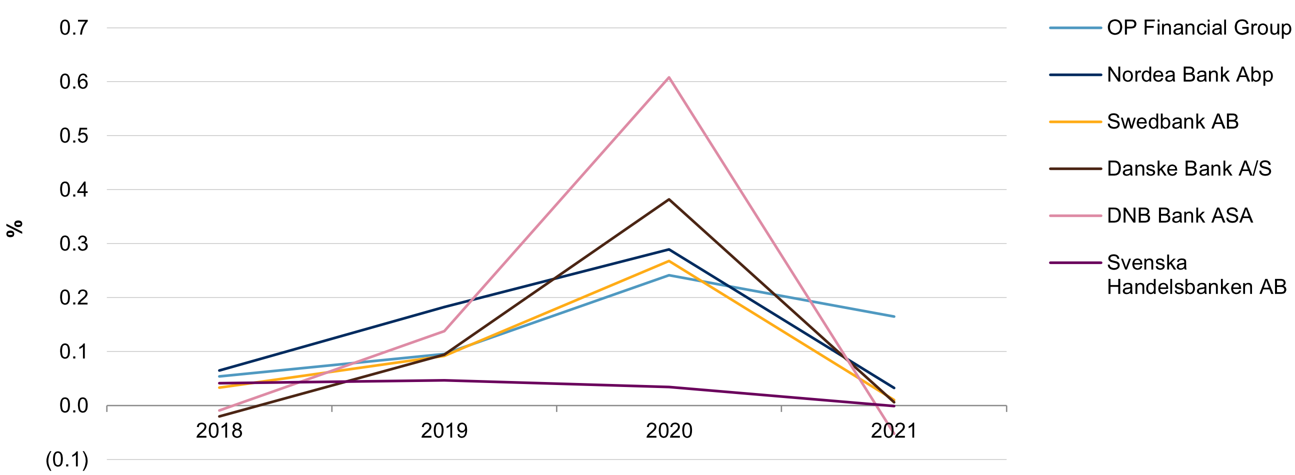
OP Financial Group--Asset Quality Metrics Lag Peers
Nonperforming assets* (%)



*Adjusted nonperforming assets/customer loans + other real estate owned. Source: S&P Global Ratings.

Chart 5

OP Financial Group--Credit Losses Less Impacted By Pandemic Than Peers
New loan loss provisions/average customer loans



Source: S&P Global Ratings.

Overall, granular retail loans (58% of total loans as of Dec. 31, 2021) dominate the group's gross loan book. Growth has mainly come from retail mortgage loans, which constitute more than two-thirds of the retail portfolio. OP Financial Group has maintained cautious lending policies; for example, new mortgages are stressed for a 6% interest rate and 25-year maturity. Nevertheless, retail loans explain most of the asset quality deterioration since 2019--the nonperforming retail loans ratio doubled to 2.6% as of December 2021. This increase stemmed first from a regulatory change in the recognition of defaulted loans and later from the pandemic.

OP Financial Group's corporate loan book, including housing associations, comprises about one-quarter of the total loan portfolio and is predominantly housed at OP Corporate Bank (one-third is booked in member banks). The group's strong loan-loss record is offset by some concentration risk arising from exposure to Finland's commercial real estate sector (about 10% of corporate exposures as of December 2021). This excludes the exposure to housing associations (about 18% of corporate exposures), which mostly relates to lower risk income-producing real estate. We therefore consider this exposure moderate. Single-name concentrations are gradually decreasing and are generally well-rated corporate customer groups. We note that OP Financial Group's exposure to Russia, Belarus, and Ukraine is not significant.

Market risk in the insurance subsidiaries has declined because the group steered life insurance business toward less-capital intensive, unit-linked products instead of guaranteed solutions.

Funding And Liquidity: A Balanced Funding Profile Dominated By Customer Deposits

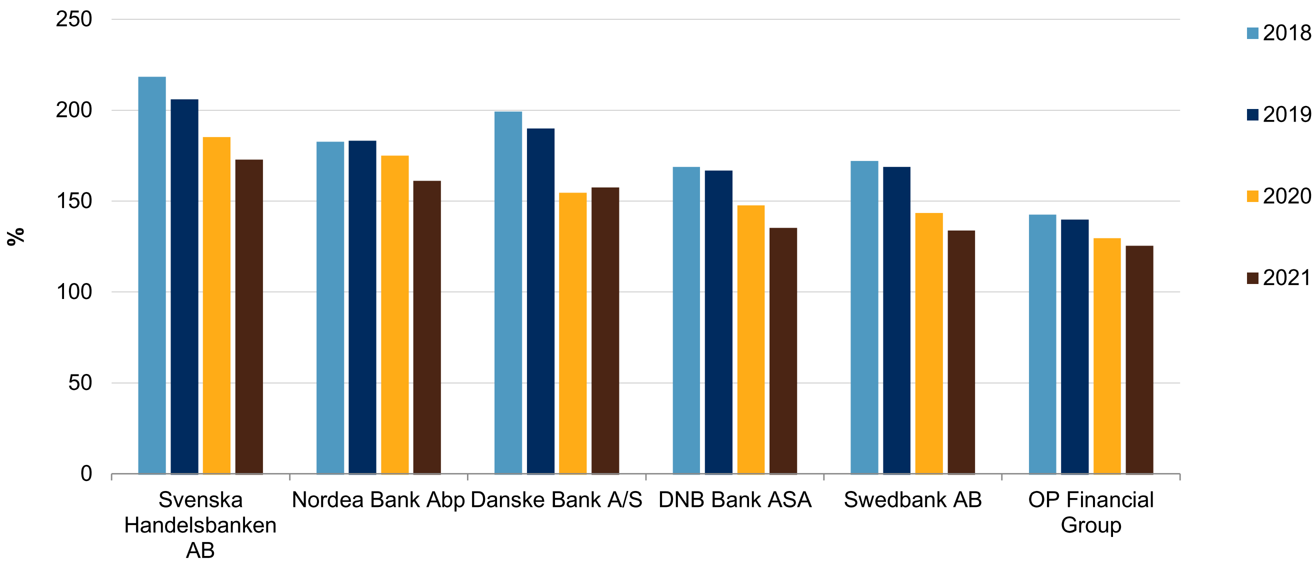
We base our view on the group's dominant franchise and proximity to customers through the local member banks, which should continue to provide the cooperative with stable and granular customer deposits. Furthermore, we factor into our assessment the group's wholesale funding profile and its sound liquidity position.

The group has one of the highest ratios of deposit funding among large Nordic banks--59% of the total funding base, as of Dec. 31, 2021. Although this is still below that of international peers, the deposit base's structure is well balanced between corporate, institutional, and retail clients (the latter represents more than two-thirds of total deposits) and does not show single-name concentration risk. About 55% of the deposits are covered by the Finnish Deposit Guarantee Fund.

Chart 6

OP Financial Group--Lower Funding Gap Than Peers Owing To Sound Deposit Franchise

Customer loans (net)/customer deposits (%)



Source: S&P Global Ratings.

To cover the funding gap (loans minus deposits) the group has optimized its long-term funding position by issuing covered bonds (23% of wholesale funding) and senior instruments (both preferred and nonpreferred). The group's diversified funding profile (by source and maturity) is underpinned by its stable funding ratio of 124% as of year-end 2021 and we expect the ratio will remain at about 100% in the next two years.

The group is also taking opportunistic advantage of the ECB's targeted long-term refinancing operations (TLTRO), which increased to €16 billion in 2021 from €8 billion as of year-end 2020. The TLTRO III funding boosted the group's net interest income by €103 million in 2021.

By our measures, the group's one-year liquidity ratio (broad liquid assets to short-term wholesale funding) has strengthened considerably, to 2.95x as of Dec. 31, 2021 (1.5x at year-end 2019). This is due to the strong liquidity position of about €38 billion, which includes higher central bank financing (TLTRO) and €3.6 billion of adjusted liquid securities eligible as collateral. We understand the bank established stringent liquidity and stress tests; the liquidity buffer is sufficient to cover short-term funding needs for known and predictable payment flows and in a liquidity stress scenario.

Relative to its Nordic peers, OP Financial Group's asset encumbrance level, at about 17% as of Dec. 31, 2021, is moderate and there is room for further covered bond issuance.

We understand that the group comfortably fulfils the regulatory requirements on liquidity, with a strong liquidity coverage ratio of 212% as of December 2021 (well above the minimum requirement of 100%). Although the member cooperative banks have no stand-alone liquidity coverage ratio requirements, the central cooperative closely monitors member banks' liquidity.

Support: One Notch Of Uplift For ALAC Support

As a leading lender in Finland, we see OP Financial Group as having a high systemic importance in the country but consider the Finnish government's support toward the banking sector to be uncertain.

We view the Finnish resolution regime as effective under our ALAC criteria because, among other factors, we believe it contains a well-defined bail-in process under which authorities would permit nonviable systemically important banks to continue critical functions as going concerns following a bail-in of eligible liabilities. The minimum requirement for own funds and eligible liabilities is 25.8% of RWA (subordination requirement 24%) and 10.12% of the leverage ratio exposures effective as of Jan. 1, 2022.

We add one notch of uplift within the group credit profile (GCP), and therefore to the long-term rating on OP Corporate, because we believe that the group will sustain an ALAC above 3% of S&P Global Ratings RWAs over the next two years. We estimate that the ALAC buffer equaled 7.6% of S&P Global Ratings-calculated RWAs at year-end 2021.

At year-end 2021, we include in our ALAC assessment €1.4 billion of Tier 2 instruments and €3.9 billion of senior nonpreferred debt issued by OP Financial Group and OP Corporate (apart from those we expect to be called within the next 12 months) because we believe they have capacity to absorb losses without triggering a default on the bank's senior obligations. We expect the group to issue further bail-in-able debt through 2024, as regulatory requirements will lead the group to moderately increase its existing buffer of loss-absorbing capacity. This said, we would not include an additional notch of ALAC support considering the current group SACP.

Additional Rating Factors: None

No additional factors affect this rating.

Environmental, Social, And Governance

ESG credit factors for OP Financial Group are broadly in line with industry and Finnish peers. Social factors are gaining importance, considering that the cooperative is the largest lender in the country and the largest taxpayer, with the 132 independent member banks paying their taxes locally in their operating region. OP Financial Group is owned by 2 million owner-customers, mainly individuals. Aside from their business role, the cooperative banks play a significant social role in Finland, particularly in times of stress.

Like the rest of the financial sector, OP Financial Group's most notable risks are related to financial crime and abuses, preventing mis-selling to the retail clientele and eliminating anti-competitive practices. The group is committed to providing financial access in low-populated or economically disadvantaged areas through its vast branch network, which solidifies its business position.

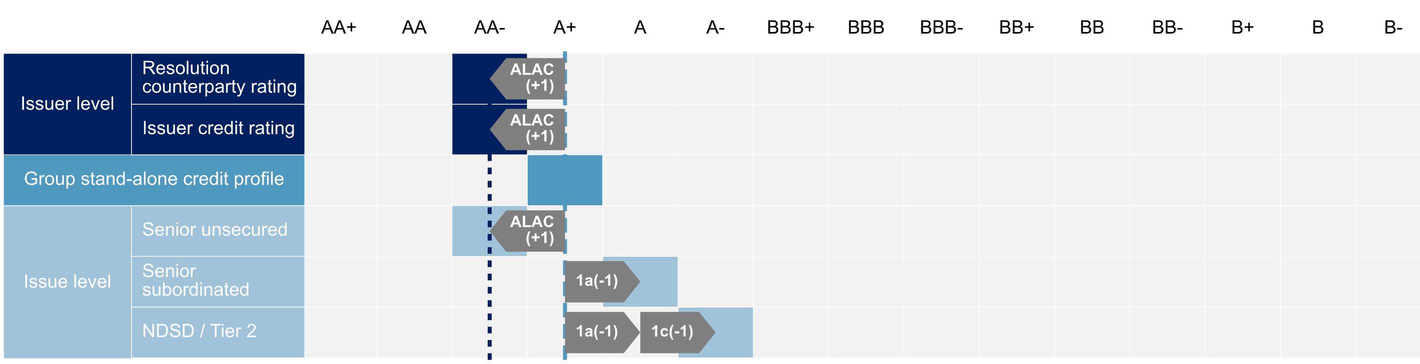
The group's governance supports the strong assessment of its business position, but we do not consider it a positive distinctive factor compared with that of local peers. We consider its strategy clear and consistent and that it has a strong social and local community role. Most of the group's board comprises independent directors.

OP Financial Group's environmental framework is advanced and it aims to be carbon-neutral in its direct operations by 2025 and have carbon-neutral corporate loan portfolios and managed funds by 2050. In addition, the group published its own Green Bond and Covered Bond Frameworks in 2018 and 2020, respectively, and issued its first senior unsecured green bond in 2019. Its green bond transactions amounted to €1,000 million and the green covered bond to €1,750 million as of March 31, 2022.

Hybrids Instruments

We rate OP Corporate Bank's hybrid debt instrument according to their respective features.

OP Corporate Bank : Notching



Key to notching

- - - Group stand-alone credit profile

- - - - Issuer credit rating

RC Resolution counterpartyliabilities (senior secured debt)

ALAC Additional loss-absorbing capacity buffer

1a Contractual subordination

1c Mandatory contingent capital clause or equivalent

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 2 of our “Hybrid Capital: Methodology And Assumptions” criteria, published on March 2, 2022.
AT1--Additional Tier 1. NDSD--Non-deferrable subordinated debt.

Resolution Counterparty Ratings (RCRs)

The 'AA-/A-1+' resolution counterparty ratings (RCR) reflect our RCR jurisdiction assessment on Finland, and our review of its relevance for OP Corporate Bank. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institution.

Core Subsidiary: Pohjola Insurance

Pohjola Insurance is one of the leading non-life insurance companies in Finland, with a solid market share above 30%. We regard the insurance subsidiary as a core entity of OP because it is integral to the overall group's strategy and an important earnings contributor. However, we do not believe that it will benefit from the bank's ALAC in resolution. We anticipate that the Finnish resolution framework will exclude insurance activities from a bail-in process. For this reason, we equalize our long-term ratings on the subsidiary with our 'a+' assessment of unsupported GCP.

The stable outlook on Pohjola Insurance is aligned with that of its parent and reflects our view that the subsidiary will remain integral to the enlarged group's strategy. It also takes into account that group will maintain its sound business franchise, strong earnings capacity, and an adequate capital and risk profile.

For more information, see "Pohjola Insurance Ltd," published on Nov. 30, 2021.

Key Statistics

Table 1

OP Financial Group--Key Figures					
	--Year-ended Dec. 31--				
(Mil. €)	**2021**	**2020**	**2019**	**2018**	**2017**
Adjusted assets	151,828.0	139,907.0	127,216.0	121,066.0	117,161.0
Customer loans (gross)	97,662.0	94,307.0	92,018.0	87,606.0	82,731.0
Adjusted common equity	10,527.2	9,809.3	9,573.2	9,183.6	8,546.8
Operating revenues	3,616.0	3,007.0	3,181.0	2,937.0	3,090.0
Noninterest expenses	2,212.0	2,090.0	2,152.0	1,916.0	1,990.0
Core earnings	998.6	565.1	753.9	761.2	834.2

Table 2

OP Financial Group--Business Position					
	--Year-ended Dec. 31--				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Loan market share in country of domicile	34.7	34.6	35.5	35.5	35.5
Deposit market share in country of domicile	38.0	37.6	39.2	38.4	37.0
Total revenues from business line (currency in millions)	3,616.0	3,103.0	3,181.0	2,979.0	3,115.0
Commercial banking/total revenues from business line	24.5	22.8	20.6	N/A	N/A

Table 2

OP Financial Group--Business Position (cont.)

	--Year-ended Dec. 31--				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Retail banking/total revenues from business line	49.0	53.3	52.1	N/A	N/A
Commercial and retail banking/total revenues from business line	73.5	76.1	72.7	64.1	60.0
Insurance activities/total revenues from business line	31.4	24.3	30.5	18.2	19.7
Asset management/total revenues from business line	N/A	N/A	N/A	15.1	16.3
Other revenues/total revenues from business line	(4.9)	(0.4)	(3.1)	2.5	4.0
Return on average common equity	6.7	5.1	5.5	6.9	8.0

N/A--Not applicable.

Table 3

OP Financial Group--Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	18.2	18.9	19.5	20.6	20.3
S&P Global Ratings' RAC ratio before diversification*	15.1	14.6	15.0	15.3	14.6
S&P Global Ratings' RAC ratio after diversification*	14.0	13.7	13.7	14.1	13.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	39.0	42.7	39.0	40.0	35.4
Fee income/operating revenues	28.6	31.0	29.4	30.2	30.0
Market-sensitive income/operating revenues	6.7	14.9	29.0	7.9	21.0
Cost to income ratio	61.2	69.5	67.7	65.2	64.4
Preprovision operating income/average assets	0.8	0.6	0.7	0.7	0.8
Core earnings/average managed assets	0.6	0.4	0.5	0.5	0.6

*As of June 30, 2021.

Table 4

OP Financial Group--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	40,956,170,473	40,847,176	0	303,694,984	1
Of which regional governments and local authorities	4,151,122,943	0	0	150,384,740	4
Institutions and CCPs	8,528,548,603	1,256,774,412	15	1,348,162,893	16
Corporate	46,629,748,698	32,160,122,555	69	32,409,060,848	70
Retail	59,778,792,437	13,440,002,443	22	17,657,721,432	30
Of which mortgage	48,107,576,129	7,923,077,673	16	10,975,379,597	23
Securitization§	505,372,842	101,074,569	20	101,074,568	20
Other assets†	3,874,420,939	3,010,836,251	78	3,240,716,911	84
Total credit risk	160,273,053,993	50,009,657,405	31	55,060,431,636	34

Table 4

OP Financial Group--Risk-Adjusted Capital Framework Data (cont.)

Credit valuation adjustment					
Total credit valuation adjustment	--	428,875,627	--	0	--
Market risk					
Equity in the banking book	496,995,695	377,548,290	76	4,691,373,371	944
Trading book market risk	--	1,232,088,050	--	1,848,132,074	--
Total market risk	--	1,609,636,340	--	6,539,505,446	--
Operational risk					
Total operational risk	--	3,785,976,586	--	4,683,774,875	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	62,834,831,562	--	66,283,711,956	100
Total Diversification/ Concentration Adjustments	--	--	--	5,253,814,750	8
RWA after diversification	--	62,834,831,562	--	71,537,526,706	108

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	11,523,274,256	18.3	9,998,816,100	15.1
Capital ratio after adjustments‡	11,523,274,256	18.3	9,998,816,100	14.0

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †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 June 30, 2021, S&P Global Ratings.

Table 5

OP Financial Group--Risk Position

	--Year-ended Dec. 31--				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	3.6	2.5	5.0	5.9	4.6
Total diversification adjustment/S&P Global Ratings' RWA before diversification*	7.9	6.7	9.6	8.9	9.0
Total managed assets/adjusted common equity (x)	16.5	16.3	15.4	15.3	16.1
New loan loss provisions/average customer loans	0.2	0.2	0.1	0.1	0.1
Net charge-offs/average customer loans	0.1	0.1	0.1	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	2.8	2.7	1.6	1.6	1.8
Loan loss reserves/gross nonperforming assets	25.9	26.4	37.5	38.0	33.5

*As of June 30, 2021. RWA--Risk-weighted assets.

Table 6

OP Financial Group--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2021**	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	59.1	61.6	63.1	62.6	63.5
Customer loans (net)/customer deposits	124.8	129.1	139.2	142.0	141.8
Long-term funding ratio	89.2	91.5	87.1	87.5	88.8
Stable funding ratio	125.3	116.9	99.6	99.2	98.1
Short-term wholesale funding/funding base	11.9	9.3	14.2	13.8	12.3
Regulatory net stable funding ratio	130.0	123.0	N/A	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	2.9	3.1	1.5	1.7	2.1
Broad liquid assets/total assets	26.5	21.0	15.0	15.9	16.9
Broad liquid assets/customer deposits	59.4	46.3	33.5	36.4	39.9
Net broad liquid assets/short-term customer deposits	39.1	31.0	10.7	13.6	18.3
Regulatory liquidity coverage ratio (LCR) (x)	212.0	197.0	N/A	N/A	N/A
Short-term wholesale funding/total wholesale funding	29.1	24.3	38.6	36.8	33.8
Narrow liquid assets/3-month wholesale funding (x)	7.7	6.7	2.7	2.7	3.6

N/A--Not applicable.

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, 2021General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, 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

- Banking Industry Country Risk Assessment Update: April 2022 , April 26, 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

- The Top Trends Shaping European Bank Ratings In 2022, Jan. 31, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022

Ratings Detail (As Of May 20, 2022)*		
OP Corporate Bank PLC		
Issuer Credit Rating		AA-/Stable/A-1+
Resolution Counterparty Rating		AA-/--/A-1+
Commercial Paper		
Local Currency		A-1+
Senior Subordinated		A
Senior Unsecured		AA-
Short-Term Debt		A-1+
Subordinated		A-
Issuer Credit Ratings History		
22-Jan-2021	*Foreign Currency*	AA-/Stable/A-1+
19-May-2020		AA-/Negative/A-1+
17-Nov-2016		AA-/Stable/A-1+
22-Jan-2021	*Local Currency*	AA-/Stable/A-1+
19-May-2020		AA-/Negative/A-1+
17-Nov-2016		AA-/Stable/A-1+
Sovereign Rating		
Finland		AA+/Stable/A-1+
Related Entities		
OP Mortgage Bank		
Senior Secured		AAA/Stable
Pohjola Insurance Ltd		
Financial Strength Rating		
Local Currency		A+/Stable/--
Issuer Credit Rating		
Local Currency		A+/Stable/--

*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.