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Pohjola Bank PLC

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Pohjola Bank PLC

SACP	a+

Anchor	a-	
Business Position	Strong	+1
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

+

Support	+1
GRE Support	0
Group Support	0
Sovereign Support	+1

+

Additional Factors	0

Issuer Credit Rating
AA-/Negative/A-1+

Major Rating Factors

Strengths:	Weaknesses:
• Successful bancassurance strategy and solid domestic franchise. • Conservative capital policy, underpinned by sound earnings. • Cooperative banking model with joint and several guarantee by all member banks.	• Geographic concentration in Finland. • Weaker cost efficiency than peers', although improving. • Potential decline in government support.

Outlook: Negative

The negative outlook on Finland-based Pohjola Bank PLC reflects Standard & Poor's Ratings Services' view that extraordinary government support to the bank could be less predictable under the new EU legislative framework. We could lower the ratings by one notch by year-end 2015 if we believe there is a greater likelihood that senior unsecured creditors may incur losses if the bank fails once the EU Bank Recovery and Resolution Directive, including bail-in tools, are enacted in Finland.

Furthermore, the negative outlook incorporates the uncertainty around the recapitalization process and the bank's ability to achieve and maintain a risk-adjusted capital (RAC) ratio (Standard & Poor's measure of banks' capital) of more than 10% in the next 18-24 months. The negative outlook also takes into account Pohjola's funding and liquidity position, where we believe improvement is needed from current levels, which still compare unfavorably with peers.

In addition, in our view, Finland's weak economic recovery could hamper the banking sector's performance over the next two years, which could lead us to lower our anchor for Finnish banks, including Pohjola Bank.

We could revise the outlook to stable if we consider that potential extraordinary government support for Pohjola Bank's senior creditors is unchanged in practice, despite the introduction of bail-in powers and international efforts to increase banks' resolvability; or if we believe that other rating factors, such as a stronger stand-alone credit profile (SACP) or measures that would provide substantial additional flexibility to absorb losses while the bank remains a going concern.

Rationale

The ratings on Pohjola Bank reflect the franchise and creditworthiness of the wider OP Financial Group, comprising some 186 member cooperative banks (as of June 30, 2015). Pohjola Bank acts as the cooperative's central bank and treasury department, and large corporate entities within the group bank with it. The OP Financial Group also includes leading non-life and life insurance businesses.

All of the group's member cooperative banks, as well as Pohjola Bank itself, have operated since 1997 as a single entity for regulatory purposes under a joint and several guarantee scheme, established under Finnish law. Given Pohjola Bank's systemic importance, we view the bank as integral to the group.

The central cooperative in OP Financial Group purchased--on the basis of the tender offer launched in February 2014--98.4% of all outstanding shares in Pohjola Bank. The transaction was completed through compulsory redemption proceedings under the Finnish Limited Liability Companies act. A delisting of Pohjola Bank PLC took place on Sept. 30, 2014, and on Oct. 7, 2014, OP Cooperative was entered as the only shareholder in Pohjola Bank's shareholder register.

Further changes in group structure include the plan to transfer non-life insurance and wealth management segments from Pohjola group to direct ownership of the central cooperative. We note also that six cooperative banks from POP Group have join OP Financial Group as independent cooperative banks. However, due to the limited size of the banks, we do not consider this to have any meaningful impact on the group's financials.

We believe the group will maintain its leading position within the Finnish market, where its business lines have market shares of 20%-35%. For this reason and because of the cooperative nature of the group, we assess its business position as "strong." We also assess Pohjola Bank's capital and earnings as "strong" based on our belief that the OP Financial Group will be recapitalized by gradually increasing profits and issuing member profit shares, enabling it to achieve a RAC ratio of 10.5% by year-end 2015. Because of its strong loan-loss track record, which compares favorably with those of its peers, we consider the bank's risk position to be "adequate." This is partly offset by some concentration risk through exposure to the Finnish real estate sector. We assess the bank's funding as "average" and its liquidity as "adequate." The group's funding mix is sound and dominated by deposits, and we expect ongoing government support for the wider banking sector to ensure access to funding and liquidity.

Anchor: Reflects Finland's cyclical but resilient economy and low debt

We use our Banking Industry Country Risk Assessment economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating, under our bank criteria. Our anchor for a commercial bank operating only in Finland is 'a-', based on an economic risk score of '2' and an industry risk score of '3'.

We view Finland as a competitive and resilient economy, with high education levels. But it also depends on exports in cyclical industries. Moreover, a lack of reforms to increase competiveness could hamper the economy. The subdued growth and structural issues in the Finnish economy might lead to a deteriorating operating environment for the banking sector. Comparably low corporate and moderate household debt levels and a very strong payment culture contribute to debt in the economy.

Diverse Nordic banking groups largely control Finland's concentrated banking industry, which, in our view, is underpinned by robust profitability metrics and stability. Deposits dominate funding, but the sector is a net external debtor, reflecting significant loan growth over the past decade and the country's lack of a deep domestic debt market.

Table 1

OP Financial Group Key Figures					
		--Year ended Dec. 31--			
(Mil. €)	**2015***	**2014**	**2013**	**2012**	**2011**
Adjusted assets	98,258	94,060	86,266	85,784	80,907
Customer loans (gross)	73,801	71,166	68,704	65,574	60,700
Adjusted common equity	6,718	5,422	5,943	5,363	5,429
Operating revenues	1,533	2,783	2,502	2,353	2,145
Noninterest expenses	868	1,780	1,712	1,652	1,527
Core earnings	472	607	673	483	429

*Data as of June 30.

Business position: Leading domestic franchise in banking and insurance

We believe OP Financial Group will maintain its leading position in the Finnish market, where its business lines in corporate and retail banking have market shares of 20%-35%. This is further supported by the group's life and non-life insurance operations enjoying strong market shares of 25% and 30%, respectively. For this reason, we assess Pohjola Bank's business position as "strong."

OP Financial Group--with total assets of €116.1 billion as of June 30, 2015--has a strong retail franchise with a countrywide branch network and about 3.8 million private customers and 437,000 corporate customers. In our view, the group's expected consistently strong and recurring revenue and return on equity of about 7%, supported by its retail focus and coherent long-term strategy, will provide a stable operating platform. OP Financial Group's revenues consist of interest income (35% of total income), fee and commission income (25% of total income), and net insurance income (about 25-30% of income)--a split that we expect will remain relatively unchanged in the coming years.

OP Financial Group completed the tender offer to buy back all outstanding shares in the listed Pohjola Bank PLC in September 2014. The shares of Pohjola Bank were removed from the Helsinki Stock Exchange in September and OP Cooperative became the sole shareholder of the bank in October 2014. Although the transaction temporarily reduced the capital base, the strategic rationale behind the transaction is sound and underpins the cooperative model, in our view. Specifically, we think that it will internalize all of the group's profits, simplify the organizational model, and increase incentives for continuing the successful cross-selling strategy between banking and insurance.

We regard the cooperative model, whereby all 186 member cooperative banks and Pohjola Bank operate under a joint and several liability guarantee, defined by the Finnish Act on the Amalgamation of Deposit Banks, as a very stable ownership structure. We think it will enable the bank to continue to focus less on short-term returns and management to adhere to its strategy, providing the owners with stable returns. We consider that the ownership structure underpins the strengths and stability of the business model.

These positive attributes are partly offset in our view by the OP Financial Group's concentrated geographic profile and inherently volatile insurance revenues. Although we note that the group has actively been reducing risks by lowering its exposure to equity investments, we do not expect its geographic concentration to change anytime soon. Positively, the group's revenue diversity through its banking and insurance operations has been helpful, and we think the group still has significant room to further exploit cross-selling opportunities. The group's efforts in this respect have been very successful and are reflected by a continuous increase in joint clients to about 1.6 million in 2015 from about 700,000 in 2005.

Table 2

OP Financial Group Business Position					
		--Year ended Dec. 31--			
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Total revenues from business line (mil. €)	1,533	2,783	2,502	2,353	2,145
Commercial & retail banking/total revenues from business line	64.84	69.24	67.75	71.91	78.88
Insurance activities/total revenues from business line	19.37	21.38	21.30	19.46	20.93
Asset management/total revenues from business line	11.94	9.20	10.87	10.07	N/A
Other revenues/total revenues from business line	3.85	0.18	0.08	(1.44)	0.19
Return on equity	12.16	8.08	9.09	7.07	6.49

*Data as of June 30. N/A--Not applicable.

Capital and earnings: Strong prospective capitalization following share buyback transaction

In our view, OP Financial Group's stable earnings generation and conservative capital policy in the cooperative network will not change. We therefore think that, following the share buy-back transaction, which only temporarily depleted the capital base, OP Financial Group has rapidly delivered on the recapitalization plan to achieve its stated new common equity tier 1 target of 18%. This target was already achieved at 18.1% in the first half of 2015 (ahead of the initial plan of 2016) and underpins our current "strong" assessment of the bank's capital and earnings.

The issuance of member profit shares to its retail clients in the amount of €2.1 billion by the end of June 2015 (new target of €2.3 billion set in March 2015, including the conversion of €600 million of old cooperative capital issued) and increasing earnings support the prospective RAC ratio. Both the non-life and life insurance operations have capital targets of 120% the Solvency Capital Requirement (SCR) under Solvency II, with any excess capital to continue being upstreamed to the ultimate parent, OP Financial Group. Consequently, we expect the group's RAC ratio to return to roughly 10.5%, its level at year-end 2013, by year-end 2015 and to increase further to about 11.0%-11.5% by 2016.

The group started in March 2014 to issue profit shares to its retail owner-members, through the member cooperative banks, as an integral part of recapitalizing the group. We consider the profit shares to be part of our total adjusted capital, as we do for other European cooperative banking groups. The shares are included by the regulator as common equity Tier 1 capital and accounted for as equity under International Financial Reporting Standards (IFRS).

We expect a steady increase in the group's profit before tax in coming years and incorporate pretax earnings of more than €1 billion in our projections for 2015-2016 (€627 million in first-half 2015). Profits will likely rise on already implemented higher lending margins and, combined with healthy volume growth, will lead to steady increase in net interest income. Continued positive development in the insurance businesses, coupled with likely contained costs in the absence of contributions to the deposit guarantee fund or bank tax in 2015 (impact of €70 million) and impairments remaining at their current low levels (13-14 basis points [bps]), will also underpin profit growth. Following the share buyback, we understand all retained earnings will be kept in the OP Financial Group, apart from the distributions for profit shares that we estimate at about €50 million-€75 million annually.

Interest and fee income dominate the group's earnings, but traditionally it has derived about 20% of earnings from insurance-linked income. We expect the group's net interest income will be relatively stable or grow slightly in 2015, supported by increased margins in both the corporate and household sector as well continued loan growth in the vicinity of 3%. We foresee significant positive leverage if interest rates were to rise.

We think fees and commissions will continue to grow steadily, based on recurring business mainly driven by lending, payments, and revenues from the asset management and wealth business.

Pretax earnings from non-life insurance and wealth management (including life insurance) improved considerably to €272 million as of June 30, 2015 (against €235 million in first-half 2014) and contributed around 43% to OP Financial Group's pretax profits. The improvement of the profitability of its insurance activities was mainly due to strong annual 24% growth of unit-linked business and a continued favorable claims development for its non-life operations with a combined ratio of 87.8% in first-half 2015. Investment risk has declined significantly over the past two years, and we expect the group will continue to reduce investment risk and report more stable earnings from its insurance operations.

We expect our earnings buffer metric, which measures the capacity of a bank to cover its normalized losses, will be in the range of 120-130 bps and support the group's build-up of capital. However, even if we observe an improvement in

OP Financial group's cost efficiency, it still lags behind its Nordic peers, with a reported cost-to-income ratio of 57% in 2014 (50% in first-half 2015). Still, cost savings programs will likely reduce the gap and increase earnings potential. We expect that further consolidation among the cooperative's regional banks (which declined in number to 186 as of June 2015 from 227 in 2008) will help to increase efficiency.

Table 3

OP Financial Group Capital And Earnings

		--Year ended Dec. 31--			
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Tier 1 capital ratio	18.40	15.50	17.30	14.10	14.00
S&P RAC ratio before diversification	N.M.	8.78	10.55	9.71	11.65
S&P RAC ratio after diversification	N.M.	9.24	11.14	10.07	12.22
Adjusted common equity/total adjusted capital	97.49	96.58	90.75	89.61	89.69
Net interest income/operating revenues	33.33	37.26	36.09	41.82	47.37
Fee income/operating revenues	24.40	26.12	24.98	24.82	26.76
Market-sensitive income/operating revenues	8.41	5.82	7.19	5.65	3.73
Noninterest expenses/operating revenues	56.62	63.96	68.43	70.21	71.19
Preprovision operating income/average assets	1.17	0.95	0.79	0.73	0.70
Core earnings/average managed assets	0.83	0.57	0.67	0.50	0.49

*Data as of June 30. RAC--Risk-adjusted capital. N.M.--Not meaningful.

Table 4

OP Financial Group AB (publ) Risk-Adjusted Capital Framework Data

(€)	**Exposure***	**Basel II RWA**	**Average Basel II RW (%)**	**Standard & Poor's RWA**	**Average Standard & Poor's RW (%)**
Credit risk					
Government and central banks	8,372,762,410	29,933,954	0	275,976,905	3
Institutions	6,583,946,662	1,275,419,799	19	1,271,301,361	19
Corporate	31,880,835,608	21,172,607,699	66	20,868,010,910	65
Retail	48,236,708,811	5,233,945,010	11	14,228,961,597	29
Of which mortgage	38,374,939,801	2,093,994,623	5	8,928,014,420	23
Securitization§	176,648,017	435,606,263	247	472,086,415	267
Other assets	1,368,864,411	1,589,605,974	116	1,354,234,957	99
Total credit risk	96,619,765,919	29,737,118,700	31	38,470,572,144	40
Market risk					
Equity in the banking book†	348,915,351	1,104,444,167	317	2,735,810,213	784
Trading book market risk	--	1,377,035,135	--	2,065,552,702	--
Total market risk	--	2,481,479,302	--	4,801,362,916	--
Insurance risk					
Total insurance risk	--	--	--	15,875,000,000	--
Operational risk					
Total operational risk	--	3,826,066,899	--	4,762,806,298	--

Table 4

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

(€)		Basel II RWA		Standard & Poor's RWA	% of Standard & Poor's RWA
Diversification adjustments					
RWA before diversification	--	36,450,040,652	--	63,909,741,358	100
Total Diversification/Concentration Adjustments	--	--	--	(3,167,220,381)	(5)
RWA after diversification	--	36,450,040,652	--	60,742,520,977	95

(€)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	Standard & Poor's RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	6,544,296,022	18.0	5,614,000,000	8.8
Capital ratio after adjustments‡	6,544,296,022	15.5	5,614,000,000	9.2

*Exposure at default. §Securitization exposure includes the securitzation tranches deducted from capital in the regulatory framework. †Exposure and Standard & Poor's 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, 2014, Standard & Poor's.

Risk position: Low risk retail profile concentrated in Finland

We view Pohjola Bank's risk position as "adequate," reflecting our opinion that the group's RAC ratio adequately captures its different risks, including risk related to the group's insurance business.

The group's loan book, dominated by retail loans (62% of total loans), grew by 3.6% in 2014. Its strong loan-loss record is offset by some concentration risk arising from exposure to Finland's commercial real estate sector (31% of the corporate book). However, this exposure is mostly related to income-producing real estate (two-thirds residential rental housing), and we therefore consider it to be of moderate risk and in line with our RAC framework risk weights.

Asset quality remains sound, with nonperforming loans amounting to 0.9% of the loan portfolio as of year-end 2014 (0.76% on June 30, 2015). Loan losses have averaged 17 bps of the loan book over the past five years (13 bps in 2014), peaking at 34 bps in 2009. These levels compare favorably within the bank's Nordic peer group and with our expectations of normalized losses. In our base-case scenario, we expect the group will broadly maintain its impairments in 2015 at 2014 levels (first-half data for 2015 at 9 bps indicate even slightly lower impairments).

Despite the Finnish economy's muted growth, we anticipate no significant credit losses in Pohjola Bank's mortgage portfolio over the near term, provided interest rates do not increase sharply. However, a dampening in consumption could hurt the corporate sector and small and midsize enterprises, in particular. We observe no major impact on credit quality from the geopolitical tensions between Russia and Ukraine, given Pohjola Bank's very limited direct Russian exposure.

Investment risk in the insurance subsidiaries has declined because the group has decreased equity investments and steered life insurance business toward less capital intensive, unit-linked products instead of guaranteed solutions (99% of the new business as of end-2014 was unit-linked). Under our RAC framework, we convert equity invested and subordinated debt held by the in the life and non-life subsidiaries into risk-weighted assets with a 1.250% risk weighting. We believe this to be commensurate with the risk level in the insurance businesses. (See "Credit FAQ: Treatment Of Banks' Insurance Subsidiaries In The Risk-Adjusted Capital Framework," published May 23, 2014, on RatingsDirect).

Table 5

OP Financial Group Risk Position					
		--Year ended Dec. 31--			
(%)	**2015***	**2014**	**2013**	**2012**	**2011**
Growth in customer loans	7.41	3.58	4.77	8.03	6.16
Total managed assets/adjusted common equity (x)	17.29	20.37	16.99	18.60	17.00
New loan loss provisions/average customer loans	0.10	0.13	0.13	0.16	0.17
Net charge-offs/average customer loans	0.08	0.08	0.07	0.08	0.13
Gross nonperforming assets/customer loans + other real estate owned	0.76	0.94	1.40	1.38	1.34
Loan loss reserves/gross nonperforming assets	88.59	72.41	46.82	45.74	45.22

*Data as of June 30.

Funding and liquidity: Balanced funding profile dominated by customer deposits

We consider Pohjola Bank's funding "average" and its liquidity "adequate," because we expect the bank to improve its wholesale funding profile and liquidity position, adding more long-term funding and shifting the mix of the liquidity portfolio. The group has one of the highest ratios of deposit funding among the large Nordic banks--66% at end of June 2015--but some structural reliance on wholesale funding makes it vulnerable to dislocations in funding markets.

We expect OP Financial Group's stable funding ratio--97% at end of June 2015--to continue to increase following the group's efforts to prolong the duration of its wholesale exposure while reducing short-term funding. However, OP Financial Group's funding structure still demonstrates some weakness given our expectations that banks should fund their long-term assets with appropriate forms of stable long-term funding, plus a margin for unanticipated loss of customer deposits. We expect that the group will continue to strengthen its long-term funding position issuing both covered bonds and senior unsecured instruments. Relative to its Nordic peers, OP Financial Group's asset encumbrance level at less than 10% is among the lowest and there is ample room for further covered bond issuance. Most investors in the group's debt are based abroad given the small domestic debt market in Finland, and we consider this a weakness. Still, the bank's funding profile is in line with our systemwide assessment in Finland.

By our measures, OP Financial Group's one-year liquidity ratio (broad liquid assets to short-term wholesale funding) had strengthened to 1.09x as of June 30, 2014 (0.93x at year-end-2014), but still shows some volatility. Although the current ratio is commensurate with adequate liquidity coverage in our view, we think the liquidity portfolio will gradually become eligible for full inclusion in the liquidity coverage ratio. This will be beneficial for our ratio along with reductions in maturing debt and marked increases in new long-term funding. Taken together, the group's measures should result in a nearly balanced liquidity profile as of year-end 2015, by our estimates.

Table 6

OP Financial Group Funding And Liquidity					
		--Year ended Dec. 31--			
(%)	2015*	2014	2013	2012	2011
Core deposits/funding base	65.58	63.73	67.00	66.82	64.51
Customer loans (net)/customer deposits	135.64	144.92	144.15	144.77	146.07
Long-term funding ratio	85.74	85.00	84.67	86.29	81.42
Stable funding ratio	96.78	90.96	88.36	89.29	84.76
Short-term wholesale funding/funding base	15.51	16.19	16.84	15.02	20.32
Broad liquid assets/short-term wholesale funding (x)	1.09	0.93	0.76	1.06	0.85
Net broad liquid assets/short-term customer deposits	2.06	(1.63)	(5.80)	1.36	(4.54)
Short-term wholesale funding/total wholesale funding	44.80	44.33	49.75	44.03	55.74
Narrow liquid assets/3-month wholesale funding (x)	1.99	1.72	1.33	1.48	1.32

*Data as of June 30.

Support: One notch of government support

Owing to its 35% market share of customer loans and 37% share of customer deposits, OP Financial Group has "high" systemic importance in Finland, in our view. We classify Finland as "supportive" to its banking system, and accordingly include in the ratings on the bank one notch of uplift from its stand-alone credit profile.

By the end of 2015, at the latest, the potential extraordinary government support available to Pohjola Bank's senior unsecured bondholders will likely diminish. We could remove the notch for extraordinary state support from our rating on Pohjola Bank shortly before the January 2016 introduction of the EU Bank Recovery and Resolution Directive bail-in powers for senior unsecured liabilities. These rules would indicate to us that EU governments would be much less able to support senior unsecured bank creditors, even though it may take several more years to eliminate concerns about financial stability and the resolvability of systemically important banks.

Additional rating factors: None

No additional factors affect this rating.

Core subsidiary: Pohjola Non-Life Insurance Ltd.

We equalize the rating on "core" subsidiary Pohjola Non-Life Insurance Co. Ltd, with the ratings on Pohjola Bank, according to our group methodology, reflecting our view of the insurance unit's strong integration and integral role in the group's retail strategy.

Related Criteria And Research

Related Criteria

- Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- National and Regional Scale Ratings, Sept. 22, 2014
- Group Rating Methodology, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011

- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Methodology For Mapping Short- And Long-Term Issuer Credit Ratings For Banks, May 4, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Capital Continues To Drive Improvements in Nordic Banks' Credit Profiles, July 27, 2015
- Banking Industry Country Risk Assessment Update: July 2015, July 20, 2015
- Finland Ratings Affirmed At 'AA+/A-1+' On Still-Strong External And Government Balance Sheets; Outlook Stable, March 27, 2015
- Nordic Banks Face Credit Pressures From Bail-In Regulations And Economic Risks, March 9, 2015
- Banking Industry Country Risk Assessment: Finland, Jan. 29, 2015
- Capital Strengthening Is At The Forefront of Nordic Banks' Improved Credit Profiles, Dec. 18, 2014
- Ratings On Three Finnish Banks Affirmed On Subdued Economic Recovery; Outlooks Remain Negative, Oct. 22, 2014

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	**a-**	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of August 24, 2015)

Pohjola Bank PLC	
Counterparty Credit Rating	AA-/Negative/A-1+
Senior Unsecured *Greater China Regional Scale*	cnAAA
Senior Unsecured	AA-
Short-Term Debt	A-1+
Subordinated	A-
Counterparty Credit Ratings History	
30-May-2014	AA-/Negative/A-1+
06-Feb-2014	AA-/Watch Neg/A-1+
20-Nov-2012	AA-/Negative/A-1+
Sovereign Rating	
Finland (Republic of)	AA+/Stable/A-1+

Ratings Detail (As Of August 24, 2015) (cont.)	
Related Entities	
OP Mortgage Bank	
Senior Secured	AAA
Senior Secured	AAA/Stable
Pohjola Non-Life Insurance Co. Ltd.	
Financial Strength Rating	
Local Currency	AA-/Negative/--
Issuer Credit Rating	
Local Currency	AA-/Negative/--

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's 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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