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OP Corporate Bank PLC

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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

Overview

Key strengths	Key risks
Successful bancassurance strategy and solid domestic retail and corporate franchise.	Geographical concentration in Finland.
Robust capitalization, underpinned by sound retained earnings and profit share issuances.	Weaker asset-quality metrics than those of peers, driven by construction and real estate sectors.
Deeply rooted cooperative banking model, with OP Corporate Bank PLC and the member banks having joint liability.	Lower cost efficiency than that of peers.

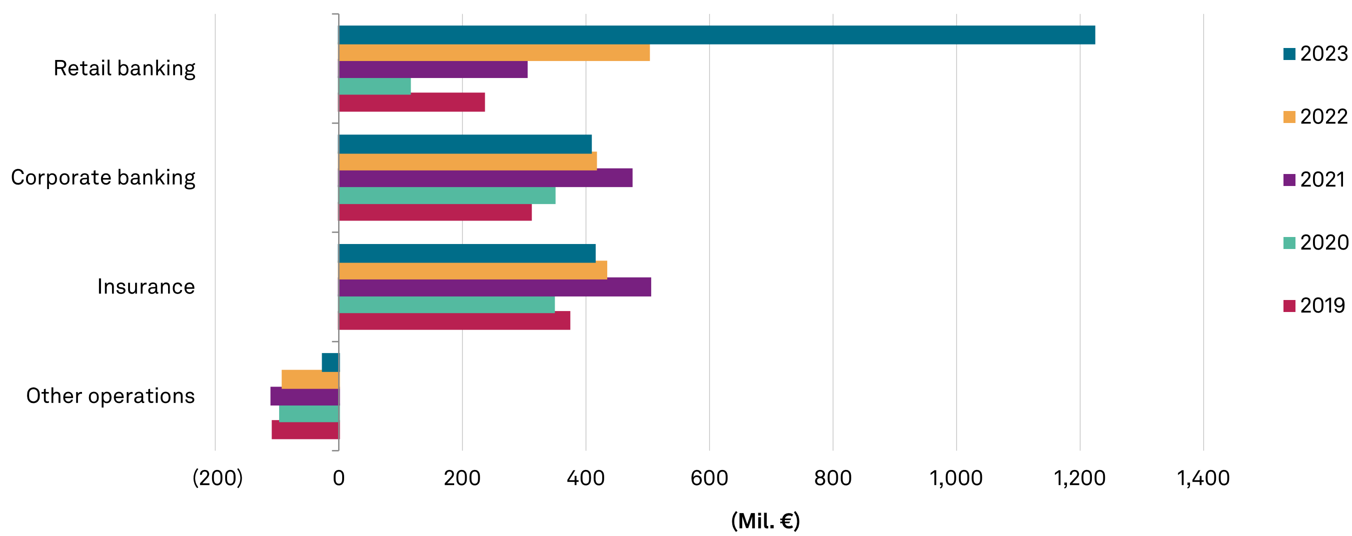
OP Corporate Bank's parent, OP Financial Group, has a dominant position in the Finnish bancassurance market that provides revenue stability. OP Financial Group, as the leading financial institution in Finland, has a strong retail and corporate banking franchise, with 2.1 million owner-customers and a market share of 35%-40% in loans and deposits. This is supported by the group's life and non-life insurance operations, which enjoy strong market shares of 20% and 33%, respectively. The group's asset management business, which manages €103 billion of customer assets and has a 20% share of the domestic mutual funds market, complements the offering.

We expect that the group's strategy of providing value to member customers and ramping up digitalization will further support cross-selling in the competitive operating environment. This will support sustained earnings, in line with the group's revised target for return on equity (ROE) of above 9% (excluding OP bonuses to member customers) by 2027, alongside robust capitalization that is at least 400 basis points (bps) above the common equity Tier 1 (CET1) ratio requirement.

OP Financial Group reaped a record profit in 2023. The group reported an ROE of 12% (excluding OP bonuses) and an increase in operating profit of over 83% to around €2 billion. Rising interest rates boosted the group's 2023 earnings because much of the loan book pays a floating rate; therefore, customer-related income was up 143% on the previous year. The retail banking business made the largest contribution to income. It had an operating profit of €1.2 billion based on stronger net interest income (up 89% versus 2022). That said, net fee and commission income fell by 11% due to the drop in market activity and the waiving of certain fees for member customers. The corporate banking franchise posted an operating profit of €408 million, underpinned by sound growth in both net interest income (29%) and noninterest income (32%).

Chart 1

OP Financial Group--Profit before tax is well diversified



Sources: Company data and S&P Global Ratings.

OP Financial Group adopted International Financial Reporting Standard (IFRS) 17 insurance contracts and stopped applying the overlay approach as of Jan. 1, 2023. This new method of recognition changed the intrayear timing of the insurance business' service results and entails the immediate recognition of expected losses on the income statement. Operating profit in the insurance business increased to €414 million in 2023 from €293 million in 2022, thanks to higher investment income.

The weak construction and real estate market is likely to depress OP Financial Group's asset-quality metrics over the next 12-18 months. Real estate and construction have been struggling because of Finland's weak economy, higher interest rates, and building costs. As a result, OP Financial Group impairment losses increased to €267 million or 27 bps, including overlay provisions on these sectors in 2023. We project that the group's nonperforming loans (NPLs; including forborne exposures) will be about 3.0%-3.5% over 2024-2025, above the average for its large Nordic peers. Given sluggish growth in GDP, high financing costs, and mounting numbers of corporate bankruptcies, we forecast that the cost of risk will be 25 bps-35 bps over 2024-2025. We view this as manageable, given OP Financial Group's strengthened earnings capacity and robust loss-absorbing capacity.

Robust capitalization provides OP Financial Group with a strong protective buffer against unexpected losses. We project that the group's risk-adjusted capital (RAC) ratio has materially strengthened and will be about 19.0%-20.0% over the next 12-24 months (17.1% at year-end 2022). Our forecast is based on strong earnings generation and a conservative capital policy across the cooperative network. As a cooperative, the group almost fully retains its earnings to support business growth and to build further capital. The interest on profit shares for 2023, payable in 2024, totaled €148 million (9% of net profits). Furthermore, we estimate that OP Financial Group's additional-loss absorbing capacity (ALAC) buffer, which consists of subordinated debt and senior nonpreferred instruments, will be close to 8% of S&P Global Ratings' calculated risk-weighted assets (RWAs) at year-end 2023.

Outlook

The stable outlook on OP Corporate Bank indicates that we do not expect the creditworthiness of the wider OP Financial Group to change over the next two years. The support mechanisms within the group, which are underpinned by the joint liability of OP Corporate Bank and the member banks, will also remain a positive factor.

As a leading financial institution in Finland, OP Financial Group's performance will be closely tied to the evolution of the Finnish economy and banking sector. Moreover, by building on the further integration of OP Corporate Bank within the group, the leaner group structure, and the digital transformation, we expect OP Financial Group to improve its efficiency, which, in turn, will boost its 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.

Downside scenario

We could lower the ratings on OP Corporate Bank if OP Financial Group fails to achieve its 2027 strategic targets, or if its operating performance materially lags that of highly rated peers. Specifically, this could occur if the group's cost efficiency fails to improve, despite the streamlining of the group structure and increased investment in digitalization. We could also lower the rating on OP Corporate Bank if we do not consider the group able to sustain the 'a+' group stand-alone credit profile (SACP) and project that its RAC ratio will decline to below 15%.

Upside scenario

We view an upgrade within our two-year outlook horizon as unlikely--OP Corporate Bank is already one of the highest-rated of our rated commercial banks, globally. Moreover, we do not 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 --				
(%)	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**
Growth in operating revenue	20.3	(5.3)	39.4	(4.0)-(5.0)	(3.0)-(3.5)
Growth in customer loans	3.6	1.6	(0.5)	(1.0)-0.0	1.5-2.0
Growth in total assets	8.7	0.8	(8.6)	(1.0)-0.0	0.0-1.0
Net interest income/average earning assets (NIM)	1.3	1.4	2.5	2.3-2.5	2.1-2.3
Cost to income ratio	61.2	63.9	51.4	52.0-56.0	54.0-58.0
Return on average common equity	6.7	7.2	10.8	8.0-9.0	7.0-8.0
Return on assets	0.6	0.7	1.0	0.8-1.0	0.7-0.9
New loan loss provisions/average customer loans	0.2	0.1	0.3	0.3-0.4	0.2-0.3
Gross nonperforming assets/customer loans	2.8	2.8	3.5	3.0-3.5	2.8-3.3

OP Financial Group--Key ratios and forecasts (cont.)					
	--Fiscal year ended Dec. 31 --				
(%)	**2021a**	**2022a**	**2023a**	**2024f**	**2025f**
Net charge-offs/average customer loans	0.1	0.1	0.1	0.1-0.1	0.1-0.1
Risk-adjusted capital ratio	15.8	17.1	~19.0	18.5-19.5	19.0-20.0

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast.

Anchor: 'a-' For Commercial 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 OP Corporate 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.

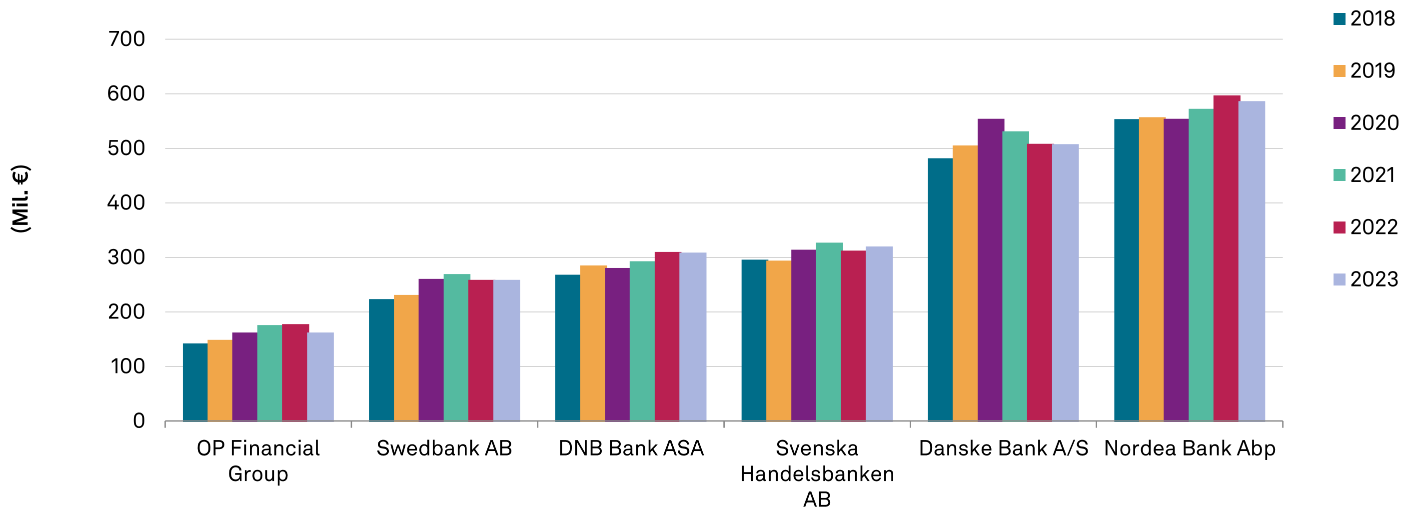
We view Finland as an innovative, wealthy, small, and open economy that has mature political and institutional structures. Finland's economic slump is lasting longer than we anticipated, but we expect the economy will start to recover in the second half of 2024. Currently, private consumption remains 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 house prices corrected by 5%-7% lower 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 2

OP Financial Group--National champion in Finland but smaller than Nordic peers
Total assets



Source: Company filings.

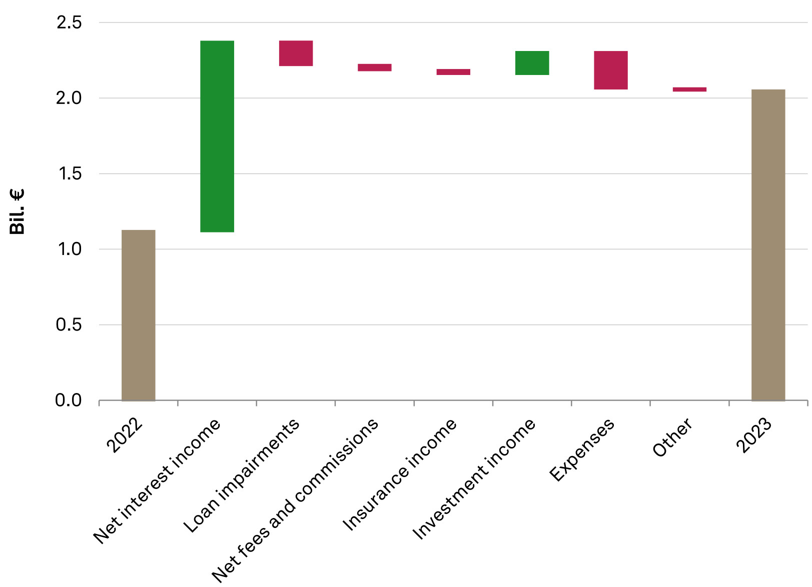
Business Position: Leading Domestic Franchise In Banking And Insurance

OP Financial Group--which had total assets of €160 billion as of Dec. 31, 2023--has a leading retail and corporate banking franchise in Finland, complemented by insurance and asset management operations. In our view, the group has a stable operating platform underpinned by consistently strong and diversified recurring revenue. Its pre-provision income on average adjusted assets was about 1% over the past 10 years. We expect the group will work on achieving its financial goals: ROE of 9% by 2027, combined with a CET1 ratio at least 4 percentage points above the regulatory requirement.

We expect the current strategy, focused on digitalization and increasingly deployment of artificial intelligence (AI), to allow the group to address changes in customer behavior and streamline its operating structure. Over time, OP Financial Group aims to transform into a fully digitalized group. It follows a collaborative fintech strategy, as demonstrated by its recent decision to build a new digital services platform based on Microsoft Azure. OP Financial Group views its hiring of over 300 people as a long-term investment in AI and cloud services. More than 99% of private customers' payments and services come through digital channels and more than 70% of clients are active digital users. OP Financial Group's mobile app is its main service channel and has more than 1.6 million active users. Furthermore, OP Financial Group and Nordea Bank are establishing a joint venture to create payment solutions for both consumers and companies in Finland.

Chart 3

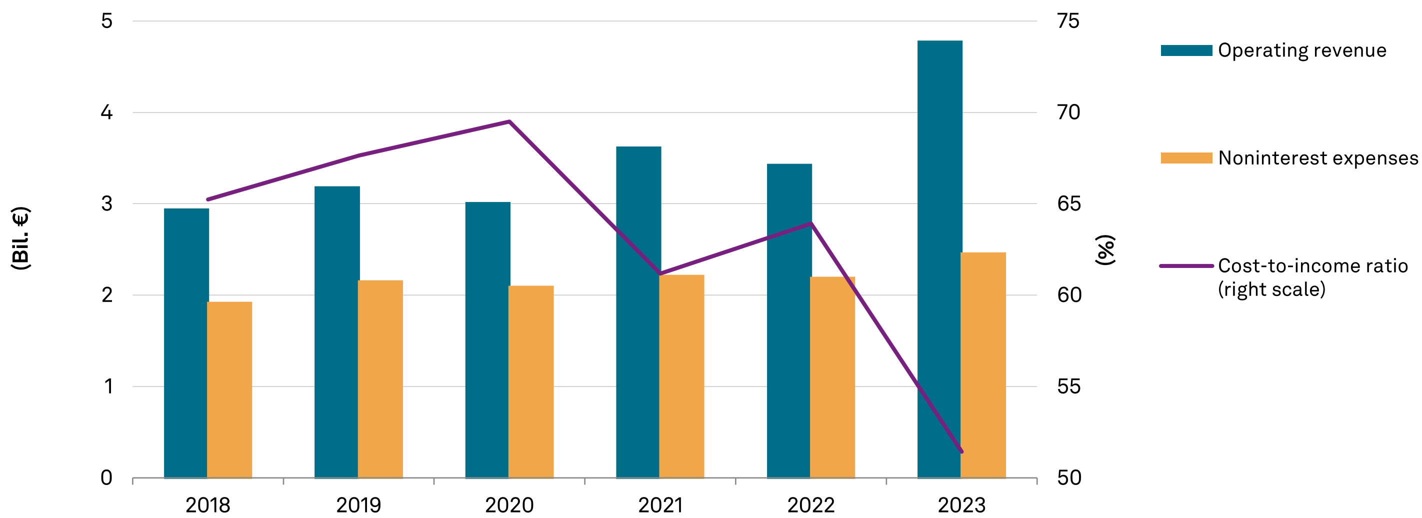
OP Financial Group demonstrated strong performance in 2023 backed by increase in interest rates



*Data as of end-2023. Source: S&P Global Ratings.

Chart 4

Consequently, OP Financial's structural efficiency has materially improved



Source: S&P Global Ratings.

With income growth materially outweighing that on the operating expenses (up over 12% in 2023) OP Financial Group's cost efficiency improved to 51% at year-end 2023, from 64% at year-end 2022. We anticipate that the group will focus on improving its operating efficiency--it continues to streamline its structure by using mergers to further reduce the number of cooperative banks. There were 102 member banks at year-end 2023, down from 108 at year-end 2022. That said, we understand that about 80% of the banking business comes from the 10 largest member banks.

Capital And Earnings: Robust Capitalization Supported By Strong Earnings And Cooperative Status

Our capital and earnings assessment is primarily based on our forecast for the bank's capitalization, as measured by our projected RAC ratio before diversification adjustments. We now expect OP Financial Group's RAC ratio to be comfortably within the 19%-20% range over the next 24 months; our estimate for December 2023 is 19% and it was 17.1% in 2022.

We forecast that OP Financial Group will generate solid pre-tax earnings at €1.6 billion-€1.8 billion in 2024-2025 (€2.0 billion in 2023) and that the cooperative network's conservative capital policy will support a build up of capital. Although interest rates remain elevated, the positive effect on net interest income is likely to gradually abate and demand for credit in Finland remains low due to persistent economic uncertainty. We expect this to be partially countered by the higher income contribution from insurance and asset management business. Our capital and earnings assessment is also supported by our view that the group has a strong three-year average earnings buffer. We estimate the bank's capacity to cover its normalized losses above 2.0% for 2024-2025.

Total adjusted capital (TAC; our measure of capital) benefits from €3.3 billion in member profit shares issued to retail owner-customers since 2014 through the member cooperative banks. These provided a return of 4.5% in 2023 (5.5% target return in 2024) and although we do not project further issuance, they are still an important capital tool.

The group reported a CET1 ratio of 19.2% as of Dec. 31, 2023 (under the standardized approach), which implies a buffer of 690 bps above the regulatory minimum requirement. This represents an increase from the 17.4% reported in December 2022, achieved by robust earnings generation and profit sharing, which forms the core of the group's equity capital. The group's target is for its CET1 ratio to exceed the capital requirement by at least 4 percentage points by 2027.

Solvency II capital requirement ratios for the non-life and life insurance operations were 205% and 222%, respectively, as of Dec. 31, 2023 (post dividend and without transitional measures). This is well above the regulatory solvency requirement of 100%. We understand the solvency ratio is carefully monitored and that the group plans to maintain it at about 170%. Given that we do not expect the group to overcapitalize its insurance subsidiaries, we anticipate that these subsidiaries will pay dividends to the group. 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 balances OP Financial Group's predominately retail profile against the geographic concentration of the business in Finland and its high exposure in the real estate sector.

In response to rising interest rates, year-on-year demand for new home loans dropped considerably in 2023, and there was also a steep rise in premature repayments of home loans. As a result, OP Financial Group's loan portfolio shrank by 1% to €98.9 billion in 2023. Demand for both retail and corporate loans is expected to remain low during 2024. The loan book is split between retail mortgages (42%), consumer loans (11%), housing company loans (11%), and corporate loans (35%). Overall, granular retail loans dominate the group's gross loan book.

We consider that the group follows prudent underwriting standards and applies conservative haircuts to collateral assets. Although most mortgage lending is on a floating-rate basis, the group uses a 6% interest rate and a 25-year maturity date to stress test borrowers' repayment capacity. About one-third of borrowers have interest rate hedges. The average loan-to-collateral (LTC) remains adequate at 63.8% and is slightly higher in new loans. That said, house prices have declined over the past 12 months, increasing the share of loans that have an LTC ratio above 80%. Overall, the retail loan book shows a high level of collateralization, with an open position of about 5%.

OP Financial Group's corporate loan book, including low-risk housing companies, comprises about 46% of the total loan portfolio. It is predominantly held at OP Corporate Bank, although one-third is held at member banks. Increased financing costs and weak demand have hit performance in the property and construction sectors (6% of corporate loans) and this has had an effect on OP Financial Group's loan portfolio. Real estate exposures make up €11 billion, or 9% of the portfolio, of which about half the exposure is to commercial real estate, 25% to residential real estate, and 20% to real estate funds. About 4.6% were classified as nonperforming on Dec. 31, 2023.

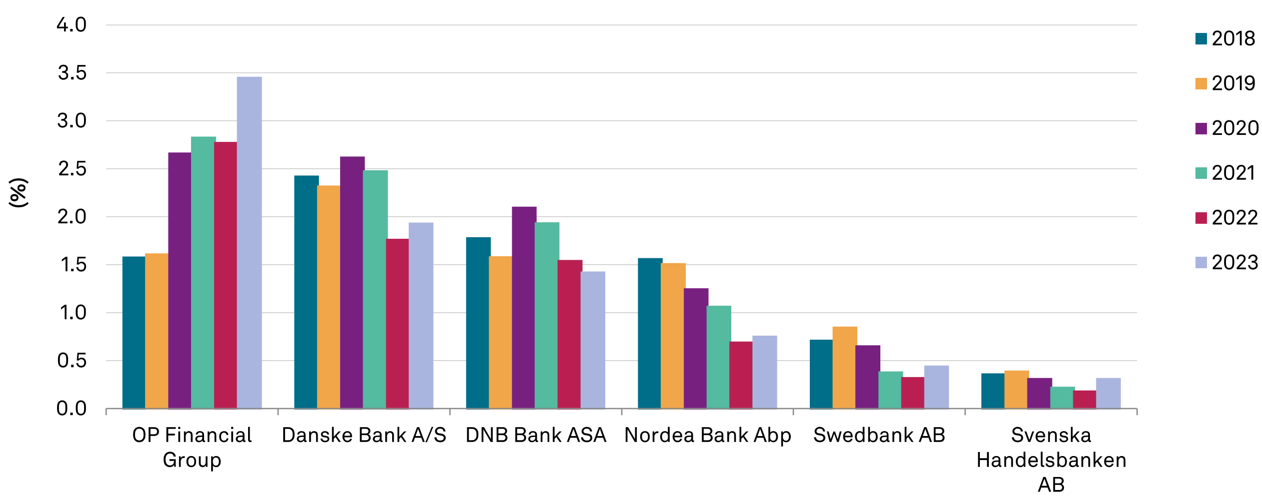
As a result of higher borrowing costs and still-elevated inflation, we expect asset quality to moderately weaken over the next two years. Gross NPLs (defined as Stage 3 loans including nonperforming forborne loans) are projected to reach 3.0%-3.5% over this period, which is higher than other Nordic peers. Most of the deterioration in asset quality since 2019 comes from the retail book, which includes small business clients. The NPL ratio was 3.3% in the retail loan book and 2.2% in the corporate loan book as of Dec. 31, 2023. That said, this is mitigated by OP Financial Group's high collateralization, coupled with the resilient domestic labor market and a strong social security system in Finland. These factors should help contain a sharper increase in cost of risk.

In line with the rise in nonperforming exposures, estimated loan provisions rose as the economy deteriorated. Loan losses, as a percentage of the loan book, peaked at 27 bps in 2023, up from a low pre-pandemic five-year average of 8 bps. The group booked additional provisions (beyond the model-based losses) to cover potential asset-quality weakening in real estate and construction sector--this brought the total management overlay to €109 million as of year-end 2023 (€66 million in 2022). The final credit losses were €77 million in 2023. We project that the cost of risk will be 25 bps-35 bps over 2024-2025, but we do not exclude a spike beyond the base case if unemployment increases in Finland.

Chart 5

OP Financial Group--Asset quality metrics lag peers

Nonperforming assets*

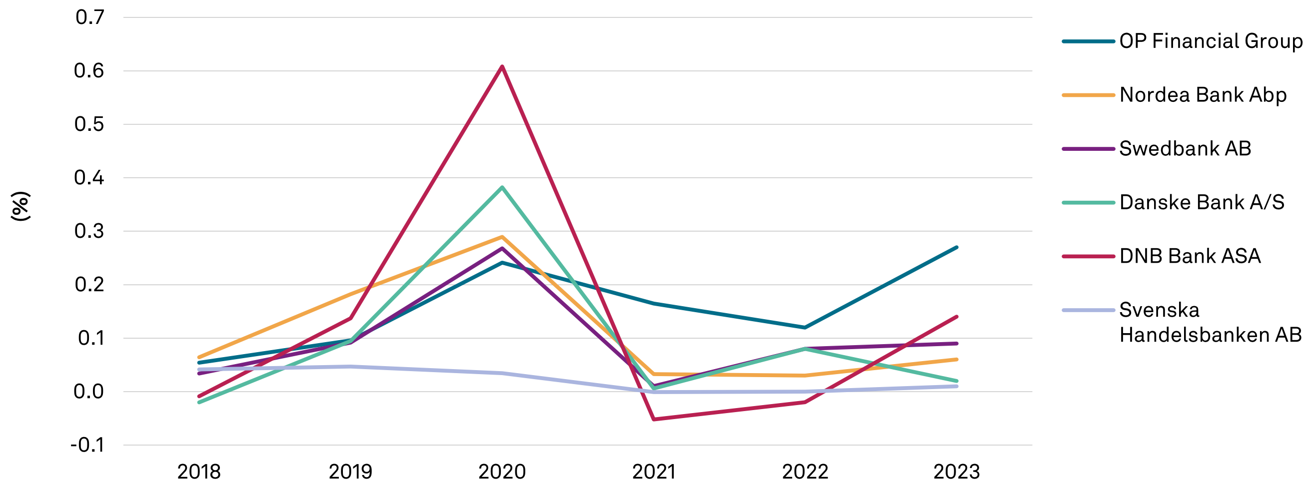


*Adjusted nonperforming assets/customer loans + other real estate owned. Source: S&P Global Ratings.

Chart 6

OP Financial Group--Increase in loan loss provisions driven by construction and real estate sectors

New loan loss provisions/average customer loans



Source: S&P Global Ratings.

We consider that OP Financial Group manages the interest rate risk in a prudent manner. A one-percentage point interest rate decrease would have lowered net interest income by approximately €155 million across retail and corporate banking in 2023. Furthermore, 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 of funding and liquidity 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--66% of the total funding base, as of Dec. 31, 2023. Although this is still below that of international peers, the deposit base's structure is well-balanced between corporate, institutional, and retail clients and does not show single-name concentration risk. Retail clients represent more than two-thirds of total deposits. About 59% of the deposit base (€44 billion) is covered by the Finnish Deposit Guarantee Fund.

To cover the funding gap (loans minus deposits), the group has optimized its long-term funding position by issuing covered bonds (26% of wholesale funding) and senior instruments (both preferred and nonpreferred). The group's diversified funding profile (by source and maturity) and its good access to international capital markets is underpinned by its stable funding ratio of 113%, as of year-end 2023. We expect the ratio to remain comfortably above 100% for the next two years. The group also fully repaid its European Central Bank (ECB) targeted longer-term refinancing operations (TLTRO) loans in 2023.

By our measures, the group's one-year liquidity ratio (broad liquid assets to short-term wholesale funding) has strengthened considerably, to 3.3x as of Dec. 31, 2023 (1.9x at year-end 2022). This is due to the group's strong liquidity position of about €32 billion, which includes €20 billion of cash at central bank. The group conducts 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 21% as of Dec. 31, 2022, is moderate and there is room for further covered bond issuance.

The group comfortably fulfils the regulatory requirements on liquidity. It had a strong liquidity coverage ratio of 199% as of December 2023, well above both the internal target and the minimum regulatory 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 for the banking sector to be uncertain.

We view the Finnish resolution regime as effective under our ALAC criteria. One of the factors supporting our view is that we consider it offers a well-defined bail-in process by which authorities would permit nonviable systemically important banks to continue critical functions, as going concerns, following a bail-in of eligible liabilities. Since March 15, 2023, OP Financial Group has been subject to a minimum requirement for own funds and eligible liabilities of 26.3% of RWAs (a subordination requirement of 18.7%) and 7.4% of the leverage ratio exposure (a subordination requirement of 7.4%).

We apply one notch of uplift to the group SACP, and therefore to the long-term rating on OP Corporate Bank, because we believe that the group will sustain an ALAC ratio of well above 3% of S&P Global Ratings' RWAs over the next two years. We estimate that the ALAC buffer, which includes €1.5 billion of Tier 2 instruments and €3.8 billion of senior nonpreferred debt, were close to 8% of S&P Global Ratings' calculated RWAs at year-end 2023. For a bank with a group SACP of 'a+', the ALAC uplift is limited to one notch.

Additional Rating Factors: None

No additional factors affect this rating.

Core Subsidiary: Pohjola Insurance

Pohjola Insurance is one of the leading non-life insurance companies in Finland and has 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 its 'a+' unsupported group credit profile.

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 incorporates that the group will maintain its sound business franchise, strong earnings capacity, and adequate capital and risk profile.

For more information, see "Pohjola Insurance Ltd.," published on Nov. 8, 2023.

Environmental, Social, And Governance

ESG credit factors for OP Financial Group are broadly in line with the 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 102 independent member banks paying their taxes locally in their operating regions. OP Financial Group is owned by over 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 relate to financial crime and abuses, and involve preventing mis-selling to the retail clientele and eliminating anticompetitive practices. The group is committed to providing access to financial services in sparsely populated or economically disadvantaged areas through its vast branch network. This solidifies its business position.

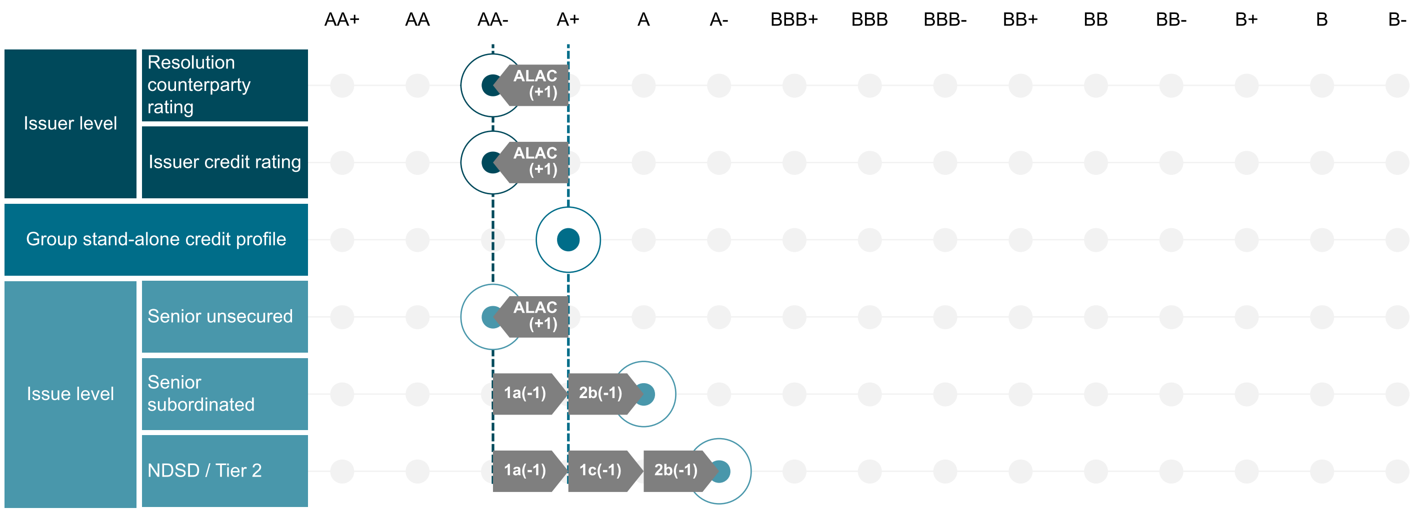
OP Financial Group's governance supports our strong assessment of its business position, but we do not view it as a positive distinguishing factor, compared with local peers. We consider that the group has a clear and consistent strategy and a strong social and local community role. Most of the group's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

OP Financial Group's environmental framework is advanced, and the bank aims to achieve carbon neutrality in its direct operations by 2025 and in its corporate loan portfolios and managed funds by 2050. In August 2023, the group set sector-specific emission reduction targets for three sectors: energy production, agriculture, and home loans. These three account for more than 90% of emissions in the group credit portfolio. The group started offering green loans and sustainability-linked loans to corporates and expanded the offering to small-to-midsize enterprises in 2023. At the end of 2023, total outstanding debt through these offerings stood at €6.6 billion. Within its own green bond and covered bond frameworks, OP Financial Group had outstanding green bonds of €2.75 billion at year-end 2023.

Hybrids Instruments

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

OP Corporate Bank PLC: Notching



Key to notching

---- Issuer credit rating
----- Group stand-alone credit profile
RC Resolution counterparty liabilities (senior secured debt)
ALAC Additional loss-absorbing capacity buffer
1a Contractual subordination
1c Mandatory contingent capital clause or equivalent
2b Other nonpayment or default risk not captured already

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.
NDSD--Non-deferrable subordinated debt.

Key Statistics

Table 1

OP Financial Group--Key figures

	--Year ended Dec. 31--					
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Adjusted assets	139,104	155,460	151,828	139,907	127,216	121,066
Customer loans (gross)	98,718	99,248	97,662	94,307	92,018	87,606
Adjusted common equity	13,959	11,362	10,527	9,809	9,573	9,184
Operating revenues	4,775	3,426	3,616	3,007	3,181	2,937
Noninterest expenses	2,456	2,190	2,212	2,090	2,152	1,916
Core earnings	1,642	907	999	565.06	753.95	761.21

Table 2

OP Financial Group--Business position

	--Year ended Dec. 31--					
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Loan market share in country of domicile	34.3	34.6	34.7	34.6	35.5	35.5
Deposit market share in country of domicile	39.2	38.4	38.0	37.6	39.2	38.4
Total revenues from business line (currency in millions)	4,775	3,569	3,616	3,103	3,181	2,979
Commercial banking/total revenues from business line (%)	18.5	21.7	24.5	22.8	20.6	N/A
Retail banking/total revenues from business line (%)	62.3	55.9	49.0	53.3	52.1	N/A
Commercial & retail banking/total revenues from business line	80.8	77.7	73.5	76.1	72.7	64.1
Insurance activities/total revenues from business line	23.6	21.7	31.4	24.3	30.5	18.2
Asset management/total revenues from business line	N/A	N/A	N/A	N/A	N/A	15.1
Other revenues/total revenues from business line	(4.5)	0.6	(4.9)	(0.4)	(3.1)	2.5
Return on average common equity	10.8	7.2	6.7	5.1	5.5	6.9

N/A--Not applicable.

Table 3

OP Financial Group--Capital and earnings

	--Year ended Dec. 31--					
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	19.2	17.4	18.2	18.9	19.5	20.6
S&P Global Ratings' RAC ratio before diversification*	N/A	17.1	15.8	14.6	15.0	15.3
S&P Global Ratings' RAC ratio after diversification*	N/A	15.7	14.4	13.7	13.7	14.1
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	60.1	47.2	39.0	42.7	39.0	40.0
Fee income/operating revenues	19.0	29.3	28.6	31.0	29.4	30.2
Market-sensitive income/operating revenues	36.7	(23.4)	6.7	14.9	29.0	7.9
Cost to income ratio	51.4	63.9	61.2	69.5	67.7	65.2
Preprovision operating income/average assets	1.4	0.7	0.8	0.6	0.7	0.7
Core earnings/average managed assets	1.0	0.5	0.6	0.4	0.5	0.5

N/A--Not applicable.

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 & central banks	42,757,092,966.1	26,895,853.0	0.1	256,372,647.1	0.6
Of which regional governments and local authorities	3,831,012,316.3	0.0	0.0	138,719,980.8	3.6
Institutions and CCPs	7,957,465,660.7	1,167,284,487.8	14.7	1,428,135,269.0	17.9
Corporate	49,936,847,299.7	35,169,498,795.1	70.4	33,130,674,682.0	66.3
Retail	60,133,278,544.4	11,758,510,873.3	19.6	17,559,685,626.9	29.2

Table 4

OP Financial Group--Risk-adjusted capital framework data (cont.)

Of which mortgage	48,073,665,814.1	7,191,163,119.8	15.0	11,016,931,185.5	22.9
Securitization§	557,427,374.5	111,485,474.9	20.0	111,485,474.9	20.0
Other assets†	4,089,135,593.9	2,900,062,564.5	70.9	3,051,822,675.9	74.6
Total credit risk	165,431,247,439.2	51,133,738,048.5	30.9	55,538,176,375.7	33.6
Credit valuation adjustment					
Total credit valuation adjustment	--	178,801,721.0	--	0.0	--
Market Risk					
Equity in the banking book	497,636,316.5	383,638,593.1	77.1	4,697,476,808.9	944.0
Trading book market risk	--	1,070,492,417.0	--	1,605,738,625.5	--
Total market risk	--	1,454,131,010.1	--	6,303,215,434.4	--
Operational risk					
Total operational risk	--	4,155,996,591.9	--	4,673,756,162.7	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	63,600,295,584.9	--	66,515,147,972.8	100.0
Total Diversification/ Concentration Adjustments	--	--	--	5,828,154,489.9	8.8
RWA after diversification	--	63,600,295,584.9	--	72,343,302,462.7	108.8
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio before adjustments		12,568,887,417.7	19.8	11,361,523,381.0	17.1
Capital ratio after adjustments‡		12,568,887,417.7	17.4	11,361,523,381.0	15.7

*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 'ec. 31 2022, S&P Global Ratings.

Table 5

OP Financial Group--Risk position

	--Year ended Dec. 31--					
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	(0.5)	1.6	3.6	2.5	5.0	5.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification*	N/A	8.8	9.1	6.7	9.6	8.9
Total managed assets/adjusted common equity (x)	12.3	15.4	16.5	16.3	15.4	15.3
New loan loss provisions/average customer loans	0.3	0.1	0.2	0.2	0.1	0.1
Net charge-offs/average customer loans	0.1	0.1	0.1	0.1	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	3.5	2.8	2.8	2.7	1.6	1.6
Loan loss reserves/gross nonperforming assets	25.9	25.5	25.9	26.4	37.5	38.0

N/A--Not applicable.

Table 6

OP Financial Group--Funding and liquidity						
	--Year ended Dec. 31--					
(Mil. €)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	65.6	60.4	59.1	61.6	63.1	62.6
Customer loans (net)/customer deposits	131.4	126.4	124.8	129.1	139.2	142.0
Long-term funding ratio	92.5	82.6	89.2	91.5	87.1	87.5
Stable funding ratio	113.2	113.6	125.3	116.9	99.6	99.2
Short-term wholesale funding/funding base	8.5	19.2	11.9	9.3	14.2	13.8
Regulatory net stable funding ratio	130.0	128.0	130.0	123.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	3.3	2.0	2.9	3.1	1.5	1.7
Broad liquid assets/total assets	19.6	27.9	26.5	21.0	15.0	15.9
Broad liquid assets/customer deposits	42.3	62.7	59.4	46.3	33.5	36.4
Net broad liquid assets/short-term customer deposits	28.1	29.6	39.1	31.0	10.7	13.6
Regulatory liquidity coverage ratio (LCR) (x)	199.0	217.0	212.0	197.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	24.8	48.6	29.1	24.3	38.6	36.8
Narrow liquid assets/Three-month wholesale funding (x)	7.3	2.7	7.7	6.7	2.7	2.7

N/A--Not applicable.

OP Corporate Bank PLC--Rating component scores	
Issuer Credit Rating	**AA-/Stable/A-1+**
SACP	a+
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Strong
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	+1
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

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

Related Research

- Finland, April 29, 2024
- Banking Industry Country Risk Assessment Update: April 2024, April 26, 2024
- EMEA Financial Institutions Monitor 1Q2024: Banks Adapt To The Increased Economic Turbulence, Feb 19, 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
- Top European Bank Rating Trends In 2024: The Future Is Now, Jan. 24, 2024
- Banking Industry Country Risk Assessment: Finland, Nov 28, 2023
- Update: OP Corporate Bank PLC, Aug. 11, 2023

Ratings Detail (As Of May 10, 2024)*		
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+

Ratings Detail (As Of May 10, 2024)*(cont.)	
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.