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Central Bank of Savings Banks Finland PLC

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Central Bank of Savings Banks Finland PLC

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A-/Stable/A-2
Resolution Counterparty Rating
A/--/A-1

SACP: a-

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

Support: 0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Additional factors: 0

Issuer credit rating
A-/Stable/A-2
Resolution counterparty rating
A/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
Very robust risk-adjusted capitalization supported by the mutuals' focus on long-term stability.	Somewhat weaker asset quality compared with peers.
Sound core earnings underpinned by prudent mortgage lending and improved net interest margins.	Lack of further improvement in group cohesiveness could weaken the franchise.
Deeply rooted regional retail franchise of member savings banks.	Relatively small presence in Finland's growth centers, and limited earnings diversification.

Central Bank of Savings Banks Finland (Sp Central Bank) is the central credit institution of Savings Banks Group Finland, and the ratings therefore reflect the wider group's franchise and creditworthiness. We base our ratings on our view of the members' mutual business model and consolidated financial position, which reflects the joint and several liability of amalgamation members. The group comprises Savings Banks' Union Coop (central institution), Sp Central Bank, 14 independent savings banks, Sp Mortgage Bank, and product companies (not covered by joint and several liability). The group has a market share of 5.2% in mortgage lending and 3.5% in customer deposits in Finland as of June 2024.

We view the current group setup as intact, rendering further member exits unlikely. Following the unexpected departures of two member banks in the past five years, the Savings Banks Group members codified new rules to protect its franchise. The first-refusal right agreement provides group members with effective negotiation powers to counteract potential third-party takeover bids or a sale of business outside the group. This is in addition to the joint and several liability scheme the amalgamation already has. Therefore, we think that the amalgamation now has a clear rule book and framework to safeguard the franchise. The updated group strategy finalized in June 2024 should ensure the franchise stability despite the recently announced departure of CEO Karri Alameri.

We expect the group's earnings capacity to remain robust in 2025-2026. Savings Banks Group benefits from the high interest rates environment. The loan book is predominantly linked to variable rates (85% of the total loan book) and the repricing of loans at higher rates combined with contained pass-through to deposits boosted net interest income to €138.5 million in the first half of 2024 compared with €118.6 million in the first half of 2023. Although interest rates are forecast to decline, the volume growth will partly counter the lower net interest margins and support profitability in banking operations. We forecast operating expenses to increase on the back of IT-investments, general cost inflation, and normalization of the cost of risk. However, we expect the group's earnings capacity will remain strong through 2026. We anticipate that the group's return on average common equity will peak at 10% in 2024 and moderate to 7.5%-9.0% through 2026, a comfortable level given the high capital base and mutual nature.

We consider the group's robust capitalization, backed by its stable operating income, as a key rating strength that partially offsets its concentrated activities. Savings Banks Group's risk-adjusted capital (RAC) ratio was 23.5% as of year-end 2023, and we expect it to strengthen to 24%-26% through 2026 underpinned by the significant improvement in earnings amid higher interest rates and prudent capital policy as a mutual group. This provides the group with a robust buffer against unexpected losses and concentration risks in the loan portfolio. We will closely monitor the group's asset quality and cost of risk (nonperforming loan [NPL] ratio of 2.5% and cost of risk of 22 basis points as of the first half of 2024) as the muted economic outlook, and still high interest rates continue to weigh on Finnish households' and businesses' debt-servicing capacity.

Outlook

The stable outlook on Sp Central Bank reflects our expectation that the wider Savings Banks Group will defend its regional retail and small and midsize enterprise (SME) franchise in Finland and that the member banks remain strongly committed to the principles of amalgamation and the cohesive group strategy. Furthermore, the strategic investments in IT and digitalization over the next three years will allow the group to further strengthen its customer offering and operating efficiency.

The outlook also indicates that Savings Banks Group will maintain a sound financial position, materially improved earnings capacity, and superior risk-adjusted capitalization in the next two years.

Downside scenario

We could take a negative rating action on Sp Central Bank if, contrary to our expectations, the group fails to strengthen the cohesiveness of the local savings banks within its common framework, which would limit its efficiency and management's steering ability. A negative rating action could also follow a deterioration of the group's underwriting standards or asset quality.

Upside scenario

We could take a positive rating action on Sp Central Bank if Savings Banks Group built up a material additional loss-absorbing capacity (ALAC) buffer that we considered sufficient to protect senior bondholders.

Key Metrics

Savings Banks Group Finland--Key ratios and forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2022a**	**2023a**	**2024f**	**2025f**	**2026f**
Growth in operating revenue	-6.4	24.2	11.5-14.1	0.7-0.8	(1.9)-(2.4)
Growth in customer loans	-6.0	5.7	4.5-5.5	3.6-4.4	3.6-4.4
Growth in total assets	5.4	-4.2	5.0-6.1	2.9-3.6	2.6-3.2
Net interest income/average earning assets (NIM)	1.6	2.6	2.4-2.6	2.3-2.5	2.1-2.3
Cost-to-income ratio	72.3	61.1	57.0-59.6	59.4-62.1	63.7-66.7
Return on average common equity	6.6	9.4	9.9-11.5	8.9-10.3	7.5-8.8
Return on assets	0.6	0.9	0.9-1.1	0.9-1.0	0.7-0.8
New loan loss provisions/average customer loans	0.2	0.1	0.1-0.2	0.1-0.2	0.1-0.2
Gross nonperforming assets/customer loans	1.6	2.2	2.4-2.7	2.3-2.5	2.2-2.4
Net charge-offs/average customer loans	0.0	0.1	0.1-0.1	0.1-0.1	0.1-0.1
Risk-adjusted capital ratio	21.3	23.5	24.0-25.0	24.5-25.5	24.5-25.5

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

Anchor: 'a-' For Commercial Bank Operating In Finland

Under our bank criteria, we use our Banking Industry Country Risk Assessment (BICRA)'s economic risk and industry risk scores to determine the anchor, the starting point for our bank rating. The anchor for Sp Central Bank is 'a-', in line with that for commercial banks based in Finland. 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.

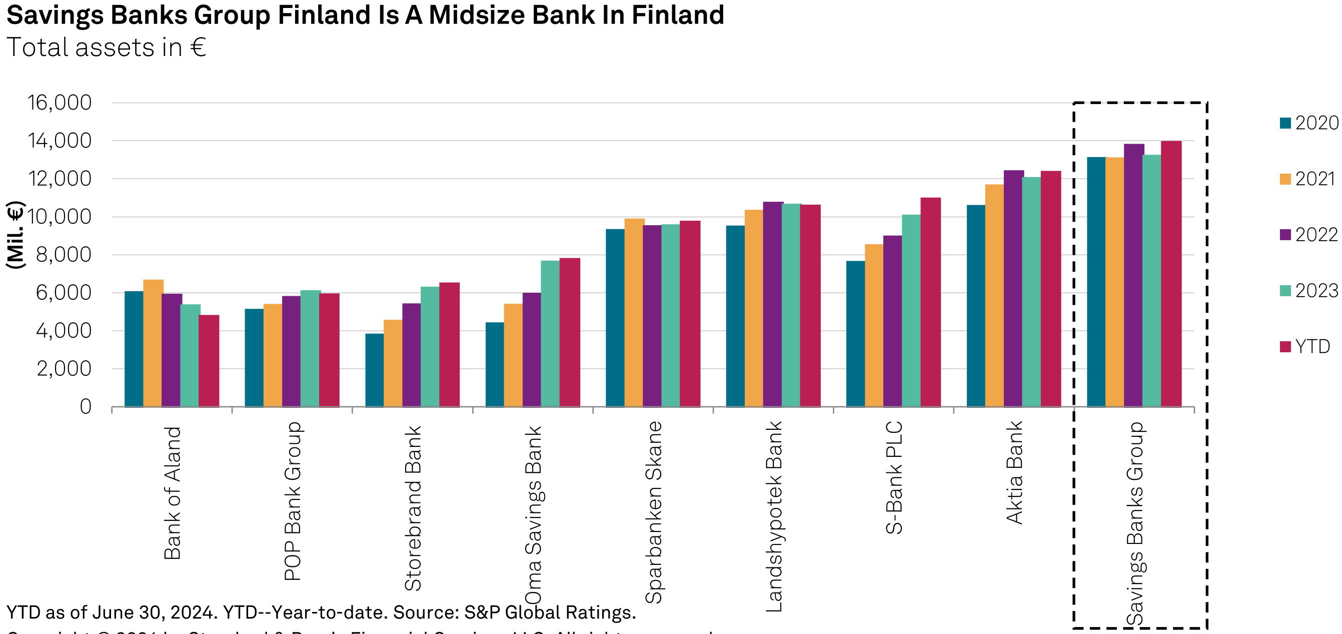
We view Finland as an innovative, wealthy, small, and open economy that has mature political and institutional structures. We expect the Finnish economy will contract in 2024, before expanding by 1.3%-1.4% over 2025-2026. High inflation and increased financing costs have stifled domestic demand and private investments, resulting in a decrease in households' real disposable income and purchasing power. However, we expect a gradual acceleration in real GDP growth as consumption and investments increase due to lower inflation, a reduction in financing costs, and strong wage growth. We expect credit losses will remain manageable at about 20 basis points (bps) -25 bps over 2024-2025.

Housing prices declined by about 6% in 2023 and we except them to remain subdued in 2024 due to the increased mortgage financing costs and softer consumer confidence. We anticipate that property prices will recover in nominal house price growth in 2025. That said, we expect skills mismatches in the labor market will persist and unemployment will remain above 7% despite reforms targeting the labor market. This, combined with weaker consumer and business confidence could eventually lead to higher credit losses for banks.

We view regulatory standards and bank supervision in Finland as being 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 and low lending margins. That said, we think that overall profitability and capitalization will remain resilient. We also expect banks to maintain their restrained risk appetites. In our view, the risk of technology disruption remains moderate given that the banks are at the forefront of digitalization and continue to invest 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, the banks 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



YTD as of June 30, 2024. YTD--Year-to-date. Source: S&P Global Ratings.

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Business Position: A Solid Regional Franchise Partially Compensates For Limited Revenue Diversification

Our assessment balances Savings Banks Group's widespread and strong regional retail franchise across Finland with a business model concentrated mainly on residential mortgage lending and SME financing. While the group is among the oldest banking entities in Finland, it has only operated as a cohesive mutual since the end of 2014 and could benefit from further improved integration and synergies between members, in our view.

Savings Banks Group is the fourth-largest retail bank in Finland, with total assets of €13.8 billion as of June 30, 2024, a sound retail franchise of 66% of its lending with a countrywide branch network, and approximately 400,000 customers. This provides stability to its operations and revenue generation. The group also serves SMEs and provides its clients with asset-management (assets under management of €5 billion and a market share of 3% as of June 30, 2024) and life insurance products.

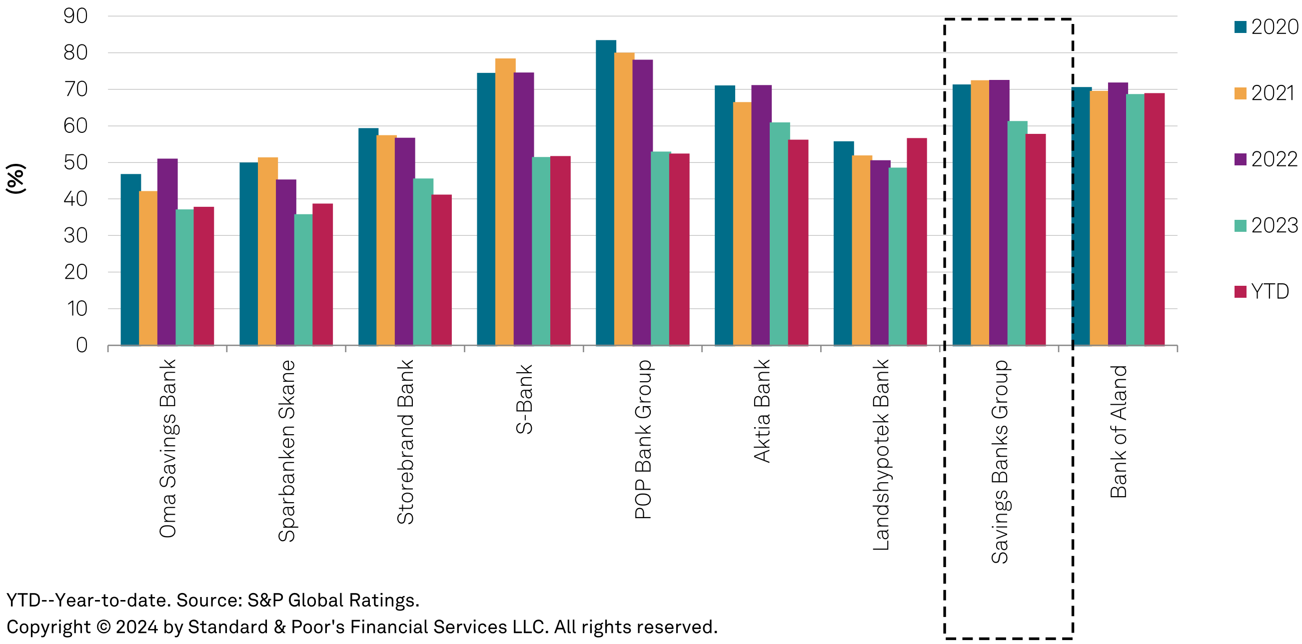
Although Savings Banks Group holds a sound regional franchise, we consider that its presence in highly competitive domestic growth centers is weaker than that of larger domestic peers and pan-Nordic peers. We understand that the group targets expansion into these regions. For instance, the group has demonstrated its ability to reposition in the southwestern region, with two member savings banks rapidly expanding their operations into the region surrounding Turku. These factors may increasingly expose the bank to margin pressure and potential volatility in the real estate market in Finland.

In our view, the group's increasingly centralized strategy and product offering is only gradually increasing customer numbers, and its successes in cross-selling to customers, efficiency improvements, and revenue diversification have been moderate. Specifically, the revenue contribution from the Asset Management Services branch to total banking revenue was 12.4% in the first half of 2024. Given the small size and market shares of the fund and insurance savings business, as well as their slow growth, these operations bring limited diversification benefits for now.

Chart 2

Savings Banks Group's cost-to-income ratio benefits from improved revenues

Cost-to-income ratio



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

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On the back of improved earnings, Savings Banks Group has allocated €100 million to IT investments under its "Digital Vision 2027". The group continually updates its operating model, product offering, and customer experience (daily customer interactions are almost entirely carried out digitally). Among other measures, it will renew the lending system, build a new customer relationship management system, and harmonize related processes.

The group's operating efficiency has historically been lagging that of domestic peers. Backed by the income growth, the cost-to-income ratio improved to 57.5% as of mid-2024 compared to 61.1% as of year-end 2023. We expect the material investment plans will dominate the cost budget over the forecast horizon, keeping the cost-to-income ratio within the 60%-65% range and that efficiency gains will materialize over the medium term. Moreover, we do not exclude further intra-group mergers between the savings banks as the group seeks additional efficiency gains.

Capital And Earnings: High Capitalization, Underpinned By Relatively Sound Earnings And Its Mutual Profile

Savings Banks Group's capitalization remains the key ratings strength. We expect that our RAC ratio for the group will strengthen to about 24%-26% in the next two years, given sound earnings, and high earnings retention as a mutual group, thereby exceeding the peer average.

We anticipate net interest income to gradually decline, while operating revenue should remain at an elevated level throughout 2025-2026. Despite the expected decline in policy rates, we forecast Savings Banks Group to benefit from sound interest rate income in the range of €260 million-€280 million, as volume growth will counter the declining net interest margins in 2024-2026. Starting from 2025, we anticipate a recovery in the Finnish economy and housing market and we expect the group's loan book will increase by about 4%-5% in the next two years.

We forecast that payment commissions, lending fees, and fund fees in the growing asset management business will drive net fee and commission income growth of 5%-10% in 2024-2026.

Although operating expenses will be inflated by IT-investments, general cost inflation, and normalization of the cost of risk (15 bps-25 bps), we expect the group's earnings capacity will remain robust through 2026.

We forecast return on average common equity to peak in 2024 at about 10.3% but stay in the range of 7.5%-9.0% in 2025-2026, a comfortable level given the group's high capital base and mutual nature. This is a material improvement against the average return on equity of about 6.7% over the past five years. Furthermore, we expect the group to demonstrate sound earnings capacity with a three-year average earnings buffer--a measure of the capacity of earnings to absorb normalized losses through the credit cycle--of 2.6% in the next two years.

We view Savings Banks Group's capital as high quality, consisting solely of paid-in capital and a sustained level of retained earnings. Our view of Savings Bank Group's robust capitalization is underpinned by its regulatory capital ratios. Its common equity Tier 1 (CET1) capital ratio was 20.4% and its total capital ratio was 20.5% as of June 30, 2024, providing a material buffer above the regulatory CET1 requirement of 8.89% and total capital requirement of 13.05%.

Risk Position: The Granular And Highly Collateralized Loan Book Partly Offsets Concentration Risks

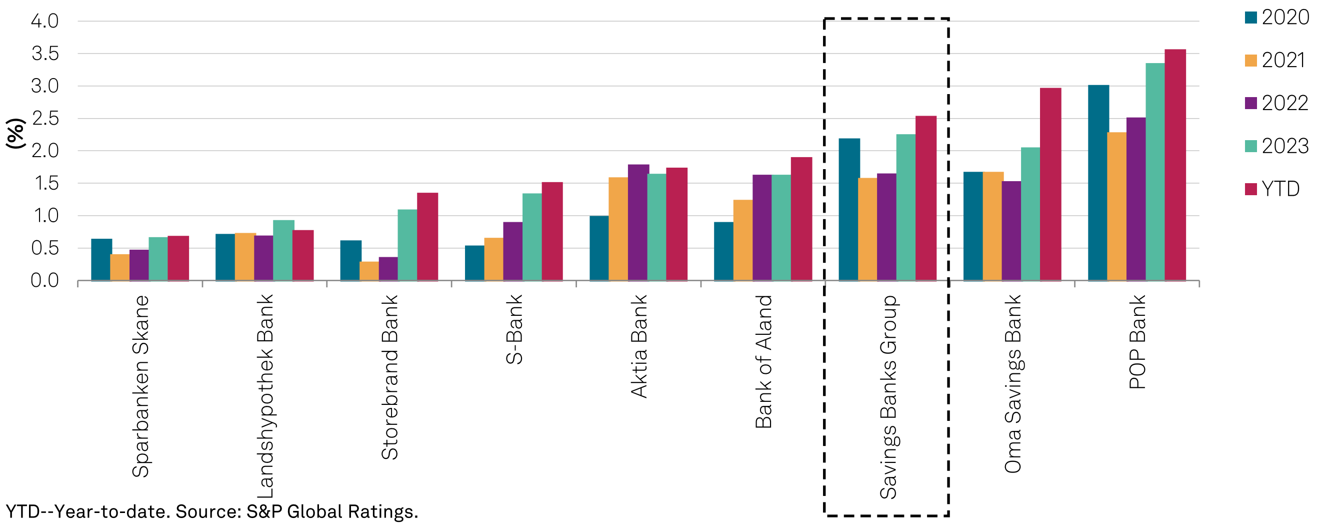
Our assessment factors in the group's asset quality being somewhat weaker than that of peers as well as the inherent concentration of its loan portfolio in residential mortgages and in nonurban areas, which could expose it to potential volatility in the domestic real estate market.

Savings Banks Group's lending to private customers represents about 66% of the portfolio, followed by SMEs (18%), housing association (9%), and agricultural and other customers (8%). We view the group's lending book as less diversified compared with large peers and as vulnerable to property price developments in Finland. This is because of its retail mortgage loan book being spread across the country including nonurban areas, and its lending to SMEs--a large component of which is to housing corporations, real estate, and construction. This is mitigated by the overall loan book's high granularity with limited single-name concentrations. The 20 largest borrowers represented only a marginal share of the loan book and 15% of total adjusted capital in 2023.

Chart 3

Savings Banks Group's asset quality has weakened compared with Nordic peers

Adjusted nonperforming assets/customer loans and other real estate owned



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

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The NPL ratio increased to 2.5% as of June 30, 2024 (year-end 2023: 2.25%) and is higher than the peer average. Still, we consider the current credit losses--22 bps in the first half of 2024--as well as our expectation for 15 bps-25 bps through 2026 to be manageable and align with broader expected credit losses for domestic banks. We consider the high collateral coverage of NPLs as positive, exceeding 85% for retail loans and 75% for corporate loans as of June 30, 2024. Combined with the loan loss reserves this leads to an elevated NPL coverage overall.

Funding And Liquidity: Stable Deposit Franchise Complemented By Covered Bond Issuance

Our view of Savings Banks Group's adequate funding is based on its deeply rooted retail franchise and proximity to customers, which should provide a stable and granular inflow of deposits. Retail deposits represent about 60% of the funding base as of June 30, 2024, and more than half of the group's deposit base is covered by the deposit guarantee scheme in Finland. Customer loans to deposits was 140.9% as of June 2024, which compares favorably with Nordic peers but still results in a structural funding gap to be filled by wholesale funding sources.

We expect the group to increase Sp Mortgage Bank's covered bond issuance to fund its mortgage book. In June 2024, outstanding covered bonds of €2.6 billion represented about 25% of the funding base and were the main source of wholesale funding. The covered bonds benefit from a soft-bullet repayment structure that mitigates liquidity risk. The remaining needs are covered by senior unsecured issuance to meet the minimum requirement for own funds and liabilities.

We expect Savings Banks Group's stable funding ratio will remain comfortable at 100%-105% through 2026 compared with 107 % as of year-end 2023. As such, the group's funding mix should continue to represent a relatively balanced asset-liability structure.

Group liquidity is managed and controlled by Sp Central Bank, which is responsible for the liquidity reserve's adequacy and operational management. We included Savings Banks Group's liquidity factors in our estimate of the group's one-year liquidity ratio (broad liquid assets to short-term funding) at 2.0x as of June 30, 2024m boosted by a €500 million covered bond issuance in April 2024. On that date, the group's liquidity was about €2.2 billion, consisting mainly of cash and securities mostly eligible for repurchase (repo) agreement transactions at the Finnish Central Bank (after haircuts, 33% of customer deposits and 17% of total assets). The regulatory liquidity coverage ratio, calculated at the amalgamation level, was 295.0% in June 2024 (202.5% at year-end 2023), benefitting from the temporary increase in high-quality liquid assets. We therefore think that under stress--involving the closure of access to capital markets funding and significant deposit outflows--Savings Banks Group could survive for more than six months. Its dependence on the central bank through repo activity could become significant thereafter.

Support:No Notches Of Uplift To The Group Credit Profile

The Savings Banks Group is a second-tier banking group in Finland, with a customer deposits share of 3.4%. Therefore, we consider the group to have moderate systemic importance in Finland. Still, the prospect of extraordinary government support for Finnish banks is uncertain following the full implementation of the EU Bank Recovery and Resolution Directive, including bail-in powers.

We view the Finnish resolution regime as effective under our ALAC criteria. We understand that the resolution plan drawn up by the Financial Stability Authority assumes that the group will likely be subject to a well-defined bail-in process, which is a precondition for us to include ALAC support in our ratings on a bank. However, we expect the group will cover its increased minimum requirement of own funds and eligible liabilities of 20.84% of total risk exposures and 7.72% of total exposures, mainly by own funds. In the absence of a specific subordination requirement in Finland, it is unlikely to build a meaningful buffer of instruments that are ALAC-eligible under our criteria.

Resolution Counterparty Rating

Our 'A/A-1' resolution counterparty ratings (RCRs) reflect our jurisdiction assessment for Finland, our analysis of its liability profile, and our expectation of the regulator's resolution plan. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default with an effective bail-in resolution process for the issuing financial institution. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective, and where the issuer is likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Environmental, Social, And Governance

We see environmental, social, and governance factors for Savings Banks Group as broadly in line with those of industry and domestic peers.

Governance factors have been weighing on our credit rating analysis of Sp Central Bank. We note that Savings Banks Group has taken steps to improve unity between group members. While we continue to consider the mutual setup a supportive factor for the regional franchise, we think that the group still lags somewhat its initial commitment to integrate to allow effective management steering. Improving cohesion between group members could support the group in achieving operating efficiency in line with the peer average; stricter, and unified risk control and underwriting; and swift implementation of operational initiatives.

We consider Savings Banks Group's exposure to environmental and social risks in line with those of peers in the banking industry. The group's mutualistic nature and proximity to local communities result in several initiatives to support Finnish society. Since inception, the member banks have allocated a proportion of profits to enhance the welfare of local communities. We positively note that the group is gradually introducing metrics to embed climate and environmental considerations into its underwriting and investment policies.

Key Statistics

Table 1

Savings Banks Group Finland--Key figures

	--Fiscal year end Dec. 31--				
(Mil. €)	**2024***	**2023**	**2022**	**2021**	**2020**
Adjusted assets	12,924	12,256	12,745	11,883	12,036
Customer loans (gross)	9,871	9,589	9,068	9,645	9,326
Adjusted common equity	1,152	1,089	1,170	1,113	1,066
Operating revenues	220	381	306	327	307
Noninterest expenses	126	232	221	236	218
Core earnings	66	108	58	73	54

*Data as of June 30.

Table 2

Savings Banks Group Finland--Business position

	--Fiscal year end Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Loan market share in country of domicile	3.5	3.4	3.7	3.5	3.6
Deposit market share in country of domicile	3.4	3.3	3.6	3.6	3.8
Total revenues from business line (currency in millions)	219.8	380.7	340.3	327.4	306.7
Commercial & retail banking/total revenues from business line	86.6	82.9	80.6	81.8	84.0
Asset management/total revenues from business line	12.4	14.3	16.1	17.9	15.9
Other revenues/total revenues from business line	1.0	2.8	3.3	0.4	0.1
Return on average common equity	11.3	9.4	6.6	6.2	4.6

*Data as of June 30.

Table 3

Savings Banks Group Finland--Capital and earnings

	--Fiscal year end Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Tier 1 capital ratio	20.4	19.5	18.7	19.5	19.0
S&P Global Ratings' RAC ratio before diversification	N/A	23.5	21.3	21.2	21.0
S&P Global Ratings' RAC ratio after diversification	N/A	19.0	16.8	16.9	4.4
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	63.0	69.3	55.4	50.7	52.5
Fee income/operating revenues	25.4	33.2	33.7	35.1	32.5
Market-sensitive income/operating revenues	1.6	(5.8)	(1.7)	5.2	7.0
Cost-to-income ratio	57.5	61.1	72.3	72.2	71.1
Preprovision operating income/average assets	1.4	1.1	0.6	0.7	0.7
Core earnings/average managed assets	1.0	0.8	0.4	0.6	0.4

*Data as of June 30. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

Savings Banks Group Finland--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	2,429,954,539	1,736,453	0	35,859,840	1
Of which regional governments and local authorities	43,307,216	1,002,100	2	1,559,060	4
Institutions and CCPs	242,022,591	49,856,274	21	41,774,147	17
Corporate	1,470,624,257	1,133,675,588	77	882,864,511	60
Retail	8,475,868,561	3,021,608,162	36	2,253,787,483	27
Of which mortgage	7,080,324,754	2,267,350,956	32	1,641,927,310	23
Securitization§	0	0	0	0	0
Other assets†	308,420,934	309,523,197	100	305,116,424	99
Total credit risk	12,926,890,881	4,516,399,674	35	3,519,402,404	27
Credit valuation adjustment					
Total credit valuation adjustment	'--	37,249,875	'--	0	'--
Market Risk					
Equity in the banking book	71,224,080	126,208,345	177	562,230,061	789
Trading book market risk	'--	0	'--	0	'--
Total market risk	'--	126,208,345	'--	562,230,061	'--
Operational risk					
Total operational risk	'--	622,034,449	'--	554,629,082	'--

Table 4

Savings Banks Group Finland--Risk-adjusted capital framework data (cont.)

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	'--	5,301,892,343	'--	4,636,261,546	100
Total diversification/ Concentration adjustments	'--	'--	'--	1,104,058,314	24
RWA after diversification	'--	5,301,892,343	'--	5,740,319,860	124

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	1,031,404,000	19.5	1,088,764,000	23.5
Capital ratio after adjustments‡	1,031,404,000	19.5	1,088,764,000	19.0

*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. CCPS--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2023, S&P Global Ratings.

Table 5

Savings Banks Group Finland--Risk position

	--Fiscal year ended Dec. 31--				
(%)	**2024***	**2023**	**2022**	**2021**	**2020**
Growth in customer loans	5.9	5.7	(6.0)	3.4	4.3
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	23.8	26.8	25.9	375.6
Total managed assets/adjusted common equity (x)	12.1	12.1	11.8	11.7	12.3
New loan loss provisions/average customer loans	0.2	0.1	0.2	0.0	0.2
Net charge-offs/average customer loans	0.1	0.1	0.0	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	2.5	2.2	1.6	1.6	2.2
Loan loss reserves/gross nonperforming assets	23.2	22.9	29.4	27.8	20.8

*Data as of June 30. RWA--Risk-weighted assets. N/A--Not applicable.

Table 6

Savings Banks Group Finland--Funding and liquidity

	--Fiscal year end Dec. 31--				
(%)	**2024**	**2023**	**2022**	**2021**	**2020**
Core deposits/funding base	62.2	66.0	68.4	72.2	71.8
Customer loans (net)/customer deposits	140.9	135.9	129.0	125.0	119.3
Long-term funding ratio	90.8	93.8	95.10	90.5	89.3
Stable funding ratio	107.4	107.4	97.27	104.3	105.0
Short-term wholesale funding/funding base	10.2	6.8	5.45	10.5	11.8
Regulatory net stable funding ratio	129.7	126.8	126.0	127.0	N/A
Broad liquid assets/short-term wholesale funding (x)	2.0	2.6	3.0	1.5	1.4

Table 6

Savings Banks Group Finland--Funding and liquidity (cont.)					
	--Fiscal year end Dec. 31--				
(%)	**2024**	**2023**	**2022**	**2021**	**2020**
Broad liquid assets/total assets	16.6	14.1	12.1	12.7	14.0
Broad liquid assets/customer deposits	33.2	26.5	23.9	21.7	23.6
Net broad liquid assets/short-term customer deposits	17.2	16.5	16.2	7.2	7.1
Regulatory liquidity coverage ratio (LCR) (%)	295.0	226.0	144.0	161.0	196.0
Short-term wholesale funding/total wholesale funding	26.92	20.01	17.25	37.9	42.0
Narrow liquid assets/three-month wholesale funding (x)	N/A	6.17	7.53	6.1	4.0

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

Savings Banks Group Finland--Rating component scores	
Issuer Credit Rating	**A-/Stable/A-2**
SACP	a-
Anchor	a-
Economic risk	2
Industry risk	3
Business position	Moderate
Capital and earnings	Very strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	0
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, April 30, 2024
- 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
- 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: Finland, Nov. 7, 2024
- Banking Industry Country Risk Assessment Update: November 2024, Nov. 22, 2024
- Finnish Banks Show Resilience As Economic Risks Recede; BICRA Group '2' Maintained, Sept. 10, 2024
- Transaction Update: Sp Mortgage Bank PLC (Mortgage Covered Bond Program) €4 Billion Covered Bond Program, Aug. 15, 2024
- Norwegian And Finnish Covered Bond Market Insights 2024, March 11, 2024
- SLIDES: Nordic Banks In 2024 Ploughing On Through Tough Terrain, Feb. 7, 2024
- Central Bank of Savings Banks Finland Outlook Revised To Stable On Reduced Member-Exit Risk; 'A-/A-2' Ratings Affirmed, Oct. 20, 2023

Ratings Detail (As Of December 6, 2024)*	
Central Bank of Savings Banks Finland PLC	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Senior Unsecured	A-
Issuer Credit Ratings History	
20-Oct-2023	A-/Stable/A-2
19-May-2020	A-/Negative/A-2
28-Apr-2017	A-/Stable/A-2
Sovereign Rating	
Finland	AA+/Stable/A-1+
Related Entities	
Sp Mortgage Bank PLC	
Senior Secured	AAA/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.

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