



(/en_US/web/guest/home) OP Corporate Bank PLC's First Senior Nonpreferred Notes Assigned 'A' Rating

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MADRID (S&P Global Ratings) June 18, 2019--S&P Global Ratings said today that it has assigned its 'A' issue rating to the senior nonpreferred notes that Finland-based OP Corporate Bank PLC (AA-/Stable/A-1+) may issue under its €20 billion euro medium-term note (EMTN) debt issuance program, according to the current terms and conditions.

The rating is one notch below the bank's 'a+' stand-alone credit profile. This follows our standard notching for investment-grade (higher than 'BB+') entities issuing an instrument contractually or statutorily subordinated to preferred senior unsecured debt.

In our view, holders of senior nonpreferred notes face a higher default risk than holders of senior preferred notes and other senior liabilities, since the former would be bailed in before more senior debt in the event of a resolution.

The rating on the notes reflects our view that:

They will convert into equity or be written off only in a resolution scenario and not before the bank reaches the point of non-viability.

The resolution authority will have the power to convert or write down the proposed notes only after subordinated liabilities and shareholders' equity have absorbed losses in full.

Unlike regulatory capital instruments, the proposed notes would be excluded from burden-sharing under EU state-aid rules, in our view.

The write-down or conversion of the notes in resolution would not be an event of default and would not cause the default of the bank or more senior instruments.

We consider this new instrument to represent additional loss-absorbing capacity (ALAC).

OP Corporate's long-term ratings benefit of one notch of uplift because we consider that the group is likely to increase its ALAC materially over the next four years. This is despite OP being already compliant with current MREL (minimum requirements for own funds and eligible liabilities) set by the local regulator at 27.3% as of December 2017, which currently computes also senior unsecured debt.

We estimate that the ALAC buffer will grow above our threshold of 5.0% of S&P Global Ratings' risk-weighted assets by end-2021, from an estimated 2.5% as of Dec. 2018. This reflects our expectation of continued capital build-up in line with our risk-adjusted capital ratio forecasts of about 17% by 2020 and a gradual replacement of maturing debt instruments with ALAC-eligible instruments, of about €1.5 billion-€2.0 billion by 2021.

Related Criteria

Criteria - Financial Institutions - General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings (/en_US/web/guest/article/-/view/sourceld/10466639), April 19, 2018
Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology (/en_US/web/guest/article/-/view/sourceld/10170016), July 20, 2017
General Criteria: Methodology For Linking Long-Term And Short-Term Ratings (/en_US/web/guest/article/-/view/sourceld/10011703), April 7, 2017
Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity (/en_US/web/guest/article/-/view/sourceld/9138480), April 27, 2015
Criteria | Financial Institutions | Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/8790886), Jan. 29, 2015
General Criteria: Group Rating Methodology (/en_US/web/guest/article/-/view/sourceld/8336067), Nov. 19, 2013
Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/8112403), July 17, 2013
Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/6782163), Nov. 9, 2011
Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions (/en_US/web/guest/article/-/view/sourceld/6921376), Nov. 9, 2011
General Criteria: Use Of CreditWatch And Outlooks (/en_US/web/guest/article/-/view/sourceld/5612636), Sept. 14, 2009
Criteria | Financial Institutions | Banks: Commercial Paper I: Banks (/en_US/web/guest/article/-/view/sourceld/2539162), March 23, 2004

Related Research

Nordic Banks' Strong Capital Will Cushion Them From The Challenges Ahead (/en_US/web/guest/article/-/view/sourceld/10918443), March 28, 2019
OP Corporate Bank PLC (/en_US/web/guest/article/-/view/sourceld/827844), Dec. 11, 2018
Finnish OP Corporate Bank Ratings Affirmed At 'AA-/A-1+'; Outlook Stable (/en_US/web/guest/article/-/view/sourceld/10639076), July 27, 2018
Banking Industry Country Risk Assessment: Finland (/en_US/web/guest/article/-/view/sourceld/10414380), Feb. 2, 2018
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Primary Credit Analyst: Antonio Rizzo, Madrid (34) 91-788-7205;
Antonio.Rizzo@spglobal.com (mailto:Antonio.Rizzo@spglobal.com)
Secondary Contact: Salla von Steinaecker, Frankfurt (49) 69-33-999-164;
salla.vonsteinaecker@spglobal.com (mailto:salla.vonsteinaecker@spglobal.com)

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