

Research Update:

Oma Savings Bank PLC Outlook Revised To Negative On Further Asset Quality Weakening; 'BBB/A-2' Ratings Affirmed

September 10, 2025

Overview

- We think that Finland-based Oma Savings Bank PLC (OmaSp) has substantially remediated the risk management and governance weaknesses that led us to downgrade the bank in 2024.
- Even so, the clean-up process, coupled with a tricky macroeconomic backdrop in Finland, have led to continued asset quality deterioration and financial performance below our previous expectations.
- Therefore, we revised our outlook on OmaSp to negative from stable and affirmed our 'BBB/A-2' long- and short-term issuer credit ratings.
- The negative outlook reflects that we may lower the rating if OmaSp's financial profile remains strained by weaker asset quality, or if ongoing measures to strengthen governance and risk management proved insufficient.

Rating Action

On Sept. 10, 2025, S&P Global Ratings revised its outlook on OmaSp to negative from stable and affirmed its 'BBB/A-2' long- and short-term issuer credit ratings.

Rationale

The negative outlook reflects increased downside risk from deteriorating asset quality. As of June 30, 2025, the bank's nonperforming assets (NPAs) stood at 8.5% of gross loans, far beyond our previous base case and materially higher than the average for domestic peers. This deterioration comes on top of the identified risk management issues that surfaced in 2024 which led us to downgrade the bank (see "[Oma Savings Bank PLC Ratings Downgraded To 'BBB/A-2' On Deteriorated Asset Quality; Outlook Revised To Stable](#)," Nov. 14, 2024).

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While the winddown portfolio of real estate loans connected to these issues have decreased to €200 million (3.0% of total loans and down from an initial €240 million), the quality of the remaining portfolio materially deteriorated in first-half 2025. Excluding the winddown portfolio, the NPA ratio measured 5.5% as of June 30, 2025, compared to 2.9% as of year-end 2024. Domestic nonperforming loans for the Finnish banking sector stood at 2.2% as of the first quarter of 2025 according to the Finnish Financial Supervisory Authority (FIN-FSA).

Although this, in part, reflects the work the bank has done to improve its risk management--resulting in updated credit risk models and material negative risk migrations in its loan book--it also underscores the magnitude of the bank's historic risk management shortcomings and tricky economic backdrop in Finland. Therefore, we consider that the risk of a scenario with prolonged asset quality issues weighing on OmaSp's financial profile has increased.

The bank has made progress on strengthening its risk management and governance. OmaSp has reportedly completed several actions--including strengthened resources within risk management and centralization of control functions--and formally closed the remediation plan that was announced in June 2024. There have also been several changes to the composition of OmaSp's board of directors and the measures taken to enhance the board's supervisory capacity. The new CEO, Karri Alameri, was appointed in late 2024 and assumed his position on March 31, 2025.

Elevated credit costs and a narrowing net interest margin has weighed on earning. After declining by 46% year on year in 2024, pre-tax profits for first-half 2025 were €22 million, with return on equity (ROE) of 5.9%--significantly below the bank's 2019-2023 average of 14.9%. A lower interest rate environment, coupled with higher operating expenses and new loan loss provisions (101 basis points [bps], annualized) burdened the result and had led the bank to issue a profit warning in mid-June 2025. Adding to the strain on earnings, corporate loan volumes had declined by close to 12% since end-2024.

We expect slow but gradual improvement in asset quality. Together with easing credit conditions for Finnish borrowers and slightly more supportive macroeconomic prospects, our base case sees a gradual stabilization in asset quality and risk costs over second-half 2025 and onward. Nonetheless, we expect the process to be slow and forecast the bank's NPA ratio will remain elevated (above 5%) over the next two years, with cost of risk at €50 million (80 bps) in 2025 and €20 million-€30 million annually (30 bps-50 bps) over 2026-2027.

We forecast sound but structurally lower earnings over the next two years. Although uncertainties remain, we expect OmaSp's pre-tax income will be €50 million-€60 million in 2025 and €60 million-€70 million annually in 2026-2027 with ROE of 7%-9%. This is structurally lower than OmaSp's historic levels--reflecting its recently expanded cost base and lower forecast contribution from net interest income. We expect management will focus on lifting the earnings capacity toward the bank's historic performance. We have not yet observed broader franchise damage from recent events. OmaSp enjoys high customer loyalty, which, alongside its partnership with Savings Banks Group for its ancillary product offering, should continue to support higher-than-peer cost efficiency. As of first-half 2025, OmaSp's cost-to-income ratio stood at 51%, compared to an average of 62% for its domestic midsize peer banks.

High profit retention will continue to underpin risk-adjusted capitalization. Supported by declining loan volumes and positive effects from the Basel IV implementation, OmaSp's regulatory risk-weighted assets reduced by 15% over first-half 2025. As a result, the common

equity tier 1 ratio stood at 17.6%, compared to 14.4% as of end-2024, comfortably above the regulatory requirement of 9.3%. We forecast our risk-adjusted capital (RAC) ratio to be 16.0%-17.0% over 2025-2027, compared to 15.5% as of Dec. 31, 2024. In line with previous years, we assume OmaSp will retain 70%-80% of net income, sufficient to compensate for higher capital charges for elevated past due exposures and still grow capital organically.

Historic shortcomings have been confirmed by recent regulatory review findings. Effective from June 30, 2025, the FIN-FSA increased its discretionary additional tier 1 capital requirement on OmaSp by 75 bps to 2.25% as part of the supervisory review process. The authority also imposed a requirement for the bank to maintain a minimum liquidity survival horizon of at least three months. Additionally, on April 4, 2025, OmaSp received the final inspection report on the bank's prevention of money laundering and terrorist financing. The report identified several shortcomings in the bank's anti-money laundering processes. In preparation for a potential sanction, OmaSp made a provision of €3 million in the first quarter of 2025.

Outlook

The negative outlook reflects downside risk from deteriorating asset quality and elevated credit losses, which, if sustained, could lead us to lower our ratings on OmaSp within the next six to 12 months.

Downside scenario

We could downgrade OmaSp if its financial profile remained burdened by recent asset quality issues, or if ongoing measures to strengthen governance and risk management proved insufficient. This could materialize if credit costs continued to weigh on earnings, or if the RAC ratio sustainably declined below 15%.

Upside scenario

We could revise the outlook to stable if OmaSp showed an improving asset quality trend, evidence that recent risk management enhancements proved effective, and solid earnings capacity supported its risk-adjusted capitalization.

Rating Component Scores

	To	From
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2
SACP	bbb	bbb
Anchor	a-	a-
Business position	Constrained (-2)	Constrained (-2)
Capital and earnings	Very strong (+2)	Very strong (+2)
Risk position	Constrained (-2)	Constrained (-2)
Funding and liquidity	Adequate and adequate (0)	Adequate and adequate (0)
Support	0	0
ALAC support	0	0
GRE support	0	0
Group support	0	0

	To	From
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2
Sovereign support	0	0
Additional factors	0	0

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

Related Criteria

- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [Criteria | Financial Institutions | General: Financial Institutions Rating Methodology](#), Dec. 9, 2021
- [Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions](#), Dec. 9, 2021
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 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 Update: August 2025](#), Aug. 27, 2025
- [Oma Savings Bank PLC](#), May 5, 2025
- [The Top Trends Shaping European Bank Ratings In 2025: Solid Positions, Growing Ambitions](#), Jan. 27, 2025
- [Oma Savings Bank PLC Ratings Downgraded To 'BBB/A-2' On Deteriorated Asset Quality; Outlook Revised To Stable](#), Nov. 14, 2024
- [Banking Industry Country Risk Assessment: Finland](#), Nov. 7, 2024

Ratings List

Ratings list

Ratings Affirmed; Outlook Action

	To	From
Oma Savings Bank PLC		
Issuer Credit Rating	BBB/Negative/A-2	BBB/Stable/A-2

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