



CREDIT INVESTOR PRESENTATION

September 2021

TODAY'S PRESENTERS



Jari Annala

Chairman of the Board since 2007

jari.annala@sok.fi
+358 10 768 2040



Pekka Ylihurula

CEO since 2007

pekka.ylihurula@s-
pankki.fi
+358 10 768 2100



Eero Saloranta

Director, Corporate Banking and Treasury since 2014

eero.saloranta@s-
pankki.fi
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- Jari Annala has acted as SOK Business Units' EVP since 2019. Previous positions include:
 - SOK Corporation – CFO, 2011–2018
 - SOK Corporation – SVP, Finance and Administration, 2007–2010

- Pekka Ylihurula has acted as S-Bank's CEO since 2007. Previous positions include:
 - Sampo Bank Plc – EVP, 2004–2006
 - Sampo Bank Plc – SVP, 2002–2004

- Eero Saloranta has acted as S-Bank's Director, Corporate Banking and Treasury since 2014. Previous positions include:
 - LocalTapiola Bank Plc – Head of Capital Markets, Deputy to the CEO, 2011 – 2014
 - LocalTapiola Bank Plc – Head of Brokerage, 2010 - 2011

INVESTMENT HIGHLIGHTS

Uniquely positioned and robust Finnish bank that capitalises on its vast customer base

S Group facilitates growth & strong brand

Strong capital position & liquidity

Growing mortgage portfolio & strong housing market

Growing foothold in wealth management

BBB rated by S&P

- S-Bank enjoys material benefits from belonging to S Group, #1 player in Finnish grocery business with a 46% market share. By providing S Group member customers with cashback bonuses to S-Bank's accounts combined with an S-Bank Visa card, the bank has access to some 2.4 million S Group "Bonus card" holders (3.1 million customers in total, including non-card holders)
- Significant potential to activate customers into primary banking relationships – it is easier to sell to existing clients rather than find new ones from competitors
- S-Bank enjoys from much larger market share in payment cards than implied by size of its balance sheet – market share in # of card payments was 10.0% in 2020
- S-Bank has very strong projected capitalization despite its above-market lending growth. The bank's CET-1 ratio stood at 13.5% and equity ratio at 6.3% at the end of June 2021
- S-Bank's funding profile compares well with its domestic peers' and reflects its granular deposit franchise. The Bank has seen a steady increase of household deposits (currently, 84% of total liabilities) and has loan to deposit ratio of 78%
- Strong Liquidity Coverage Ratio of 150 % and liquidity portfolio in excess of EUR 1.6 bn at the end of June 2021
- S-Bank has one of the fastest growing mortgage portfolios in Finland wherein the housing market is stable and well-positioned among the Nordic countries
- S-Bank's focus is to expand its mortgage portfolio as this serves as an important anchor product to S-Bank becoming a primary bank for its customers
- Last year, despite the economy-wide effects from Covid-19, Finnish housing market fundamentals remained solid – Greater Helsinki dwelling prices grew by 4.6%, whereas prices were steady on average elsewhere in Finland
- The recent acquisitions enable versatile offering for the retail, private banking and institutional customers. Increasing demand for savings and investment services coming especially from retail customers, which is very likely to provide growth and stronger foothold in the coming years for S-Bank's wealth management
- One of the leading real estate asset managers in Finland via Fennia acquisition. Real estate asset management offers economies of scale and stable business
- Total AuM at EUR 11.8 bn (EUR 8.0 bn in Fund Capital and EUR 3.8 bn in Wealth Management Capital). Net subscriptions in the S-Bank and FIM mutual funds amounted to EUR 179.4 million during the first half of 2021.
- S&P views that S-Bank's very strong capitalization to be its key strength – the agency projects capital levels to keep strong despite above-market growth
- S&P also views the bank has a sound retail deposit franchise and comfortable liquidity position – funding profile compares well with domestic peers'
- The rating agency also notes S-Bank operates as a regulated financial institution and is an independent and severable entity within the group, with no funding dependency, with separated accounting and reporting procedures.





**Introduction to
S-Bank**

**Business
description**

Key financials

**Operating
environment**

**Planned
transaction**

S-BANK IN BRIEF

A bank for S Group customers focusing on profitable growth

A bank for S Group customers

S-Bank is part of S Group, the retail market leader in Finland, and focuses on offering banking and wealth management services to retail customers, while also offering targeted services to corporations. The wealth management arm also offers private banking services for high-net-worth individuals as well as services for institutional investors.

S-Bank is integrated seamlessly with the S Group's loyalty programme and is present daily in the payment transactions of the bank's 3.1 million customers. S-Bank serves its customers at customer service points situated in the S Group's business locations and also through its telephone service, online bank, S-mobiili and various social media channels.

Focus on profitable growth

In ten years, S-Bank's balance sheet has almost tripled to EUR 8.0 billion. Current focus is on profitability and emphasis is put concentrating on the key business, i.e. retail customers' daily banking needs, lending and wealth management.

EUR millions	2018	2019	2020	H1 2021
Total income	153	168	174	91
Operating profit	17	29	21	14
Total assets	6,462	6,614	7,625	7,986
Employees (#)	685	592	652	695

3.1
million
customers



BBB
S&P Global

Banking

Daily banking

Payment services

Financing

Financing of housing construction and housing companies

Wealth Management

Equity, debt and alternative investment funds and products

Real estate asset management

Discretionary asset management

Mobile digital investment service "Säästäjä"



KEY INFORMATION ON S-BANK IN H1 2021




EUR 8.0
billion
balance sheet


EUR 14.2
million
operating profit



3.1
million
customers



309,000
unit holders in S-Bank and
FIM-funds



2.1
million
online banking IDs



Cash withdrawals
and deposits at checkouts,
at around
1,000
S Group outlets



2.4
million
international payment cards



Around
80
customer service points
at S Group outlets



S-BANK IS A KEY PART OF S GROUP

S-Bank to be fully owned by S Group – full service bank to its customer-owners

Description of underlying owners



SOK

- SOK is a central cooperative that provides expert and support services – such as supply chain management, product range, procurement and marketing services – for the cooperatives of S Group
- SOK is also responsible for the strategic steering of S Group and the development of the business chains.
- Together, the SOK and the regional cooperatives comprise S Group

Regional cooperatives

- 19 regional cooperatives are included in S Group
- The network of cooperatives extends throughout Finland, and the regional aspect is highlighted in the operations of the cooperatives
- The co-op members own the cooperatives, which in turn own SOK Corporation

- On 30 June 2021, S-Bank announced that SOK Group and S Group's regional cooperatives are purchasing all of LocalTapiola Group's and Elo Mutual Pension Insurance Company's shares in S-Bank subject to the authorities' approval (which will increase S Group's ownership from 75% to 100% of S-Bank).
- In connection with the Share Purchase and subject to the approval of the authorities, S-Bank and LocalTapiola Group will also end their current cooperation on funds. It is expected that in the second half of 2021, the management of 28 LocalTapiola funds amounting to approximately EUR 4 billion in assets under management will be transferred from FIM Asset Management Ltd which is part of the S-Bank, to Seligson & Co Fund Management Company Plc which is owned by LocalTapiola Group. There will be no changes in the operations of S-Bank's own funds.
- S-Bank is also renewing its brand and will start to operate in Wealth Management Business solely under the S-Bank brand during the second half of 2021. Previously private banking services as well as services for institutional investors were offered under the FIM brand.
- The authorities' approvals have not yet been received on the date of the supplement filing.

S GROUP TODAY

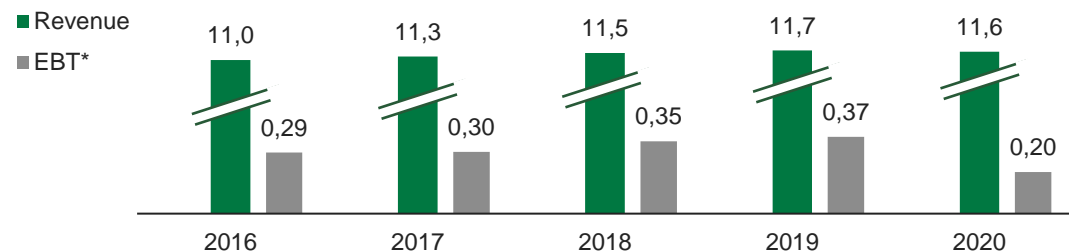
S Group is the #1 Finnish grocery retailer and a significant player in many other areas

Brief introduction

- Network of companies in the retail and service sector with over 1,800 outlets in Finland. S Group is a cooperative group of companies, and owners are Finnish households.
- 78% of Finnish households are S Group co-op members, and the Group's market share of the grocery trade is approximately 46%.
- The Group had around 38,500 employees in 2020. Its retail sales, excluding taxes, amounted to EUR 11.6 billion (-1%) and its non-consolidated result before appropriations and taxes (EBT) was EUR 199 (-46%) million.
- The cooperatives serve customers with the familiar brands and a regional touch all around Finland.
- The purpose of S Group's operations is to provide co-op members with competitive services and benefits in a profitable manner.
- S-Bank integrates with the S Group's loyalty programme that has some 2.5 million members – the accrued bonuses (up to 5% of purchase amount) from all the spend through S-Group will benefit the customer's account at S-Bank



Key figures, EURbn



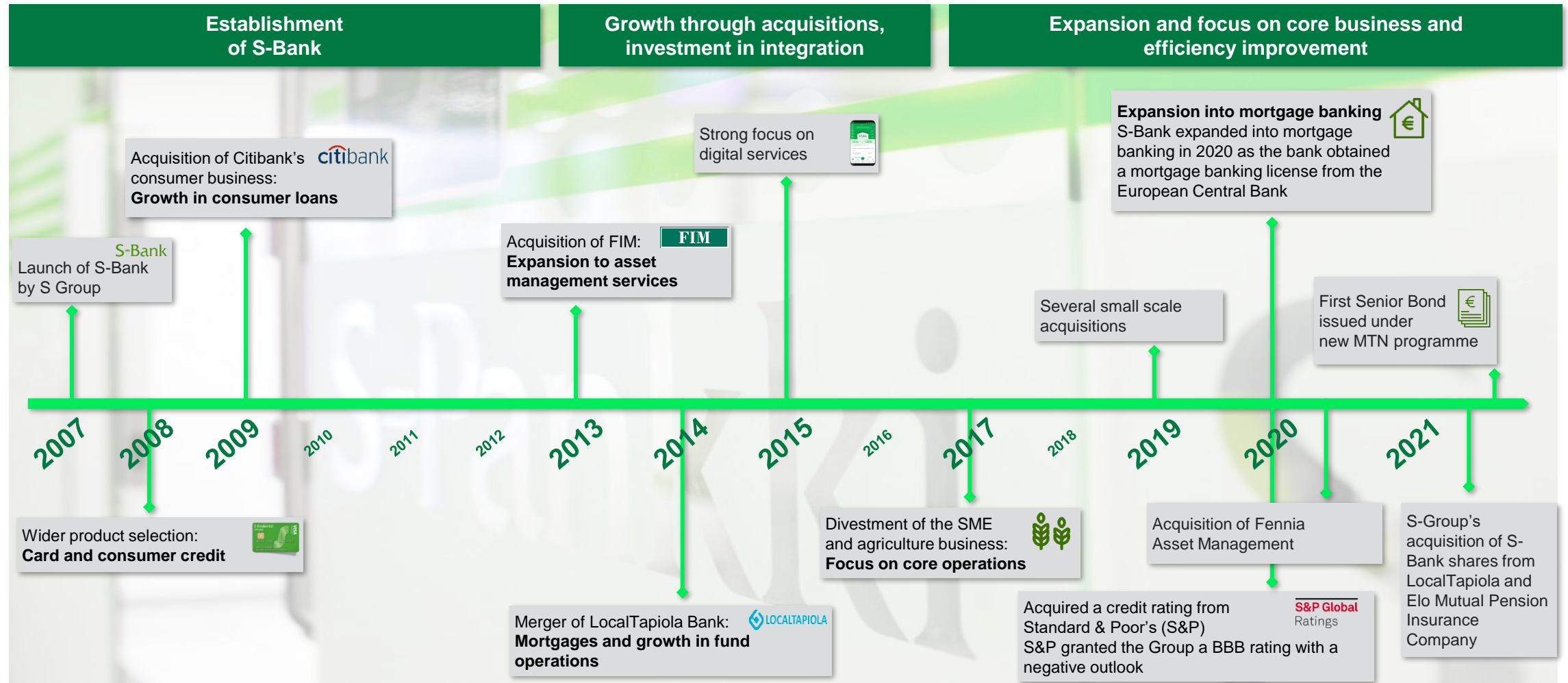
*In Finnish: 'konsolidoimaton tulos ennen tilinpäätössiirtoja ja veroja'
Source: Company reports (combined, not consolidated)
**in H1 2021 (Other business areas' figures from 2020)

Overview of business areas & S-Bank position

<p>Number one grocery store</p> <p>~1,000 outlets Sales EUR 8.9 billion 46% market share</p>	<p>Number one in department stores and beauty</p> <p>20 Sokos department stores Sales EUR 236 million 37 Emotion beauty stores</p>	<p>Finland's most responsible bank</p> <p>~1,000 outlets 3.1 million customers Deposits EUR 7.3 billion**</p>
<p>Number one service station</p> <p>~430 service stations Sales EUR 1.5 billion</p>	<p>Number one in restaurants, number two in hotels</p> <p>57 hotels Sales EUR 439 million ~500 restaurants</p>	<p>A challenger in hardware trade</p> <p>~11 stores Sales EUR 126 million</p>



HISTORY OF S-BANK



RATING

S&P views S-Bank as a strong credit with BBB profile

Rating and criteria

Anchor (Finnish banks)	a-
Business position	Weak (-2)
Capital and earnings	Very Strong (+2)
Risk position	Moderate (-1)
Funding	Average (0)
Liquidity	Adequate (0)
=	
Stand-alone credit profile	BBB+
+	
Additional factors	-1
=	
Issuer credit rating	BBB (Stable)

S&P view in a nutshell

- In S&P's view, S-Bank Ltd. has a small but expanding retail banking franchise linked to S Group; very strong capital and earnings; sound asset quality; a comprehensive deposit-based funding profile; and adequate liquidity.
- S&P applies a negative adjustment to the issuer credit rating to reflect its lower efficiency and profitability than that of domestic peers.
- Although S&P considers S-Bank partially insulated from Finnish retailer S Group, which allows to rate the bank above the group's creditworthiness, S&P still view its overall franchise as strongly connected to the group.
- S&P are assigning their 'BBB/A-2' long- and short-term issuer credit ratings to S-Bank.
- In January 2021, S&P raised S-Bank's rating outlook from negative to stable. S&P justified the improved banking sector outlook rating by referencing Finland's superior macro-economic environment in relation to the rest of Europe and its successful handling of the coronavirus pandemic.
- S&P expects that S Group's acquisition of S-Bank shares will allow for greater product penetration of S Group customer base, and hence, the increased cross-selling opportunities are key for the group to improve its operating profitability to the level of domestic peers and should improve the bank's market position.

Strengths and weaknesses

Strengths	✓ Strong brand name facilitated by S Group, suggesting growth potential
	✓ Very strong capitalization.
	✓ Sound deposit franchise in Finland.
Weaknesses	✗ Weaker earnings and cost efficiency than domestic peers.
	✗ Material investment needs in a medium-term perspective.
	✗ Lower cross-selling capacity from secondary bank status.



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BANKING BUSINESS UNIT DESCRIPTION

Serving S Group co-op members in all their banking needs offers unique potential

Products and services

- Daily banking: accounts, cards, payments and digital services
- Mortgage loans and other collateralized lending – mortgages especially important to gain ‘primary bank’ customers
- Credit cards and consumer loans
- Corporate banking: financing and other (limited) services to S Group related entities, housing construction and housing companies

Earnings model

- Interest income and fees from lending (mortgages, consumer loans, credit cards, corporates)
- Fees from card use (interchange fees, credit transfers, cash withdrawals)
- Excess liquidity is invested in the capital markets at a low risk
- Daily banking services are free for the 3 million co-op members
- Bonuses accrue from S Group spend to customer S-Bank accounts with attached payment cards

Segment share of total income at 82% of total in 2020

Distribution

- Customers are served remotely via the web, mobile app and phone
- No traditional branches
- Extensive physical network mostly operated by S Group retailers

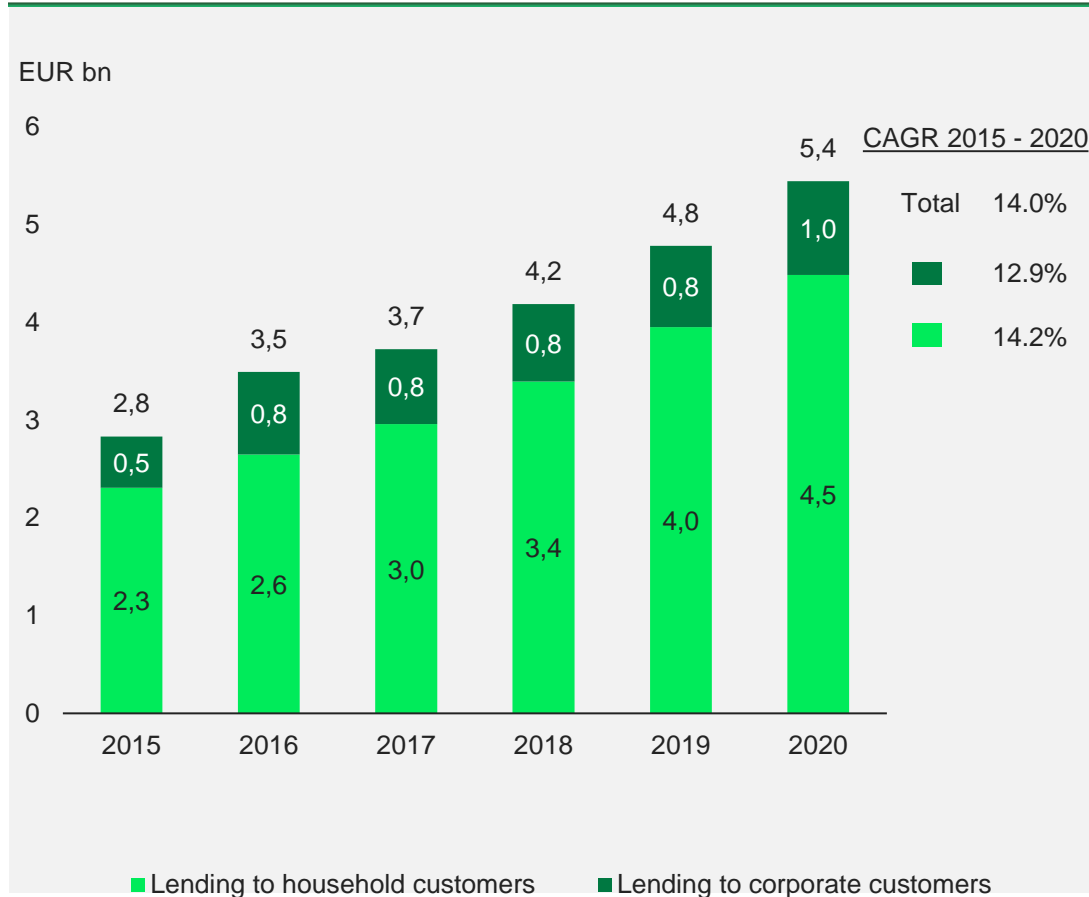
~80 service points in retail stores
9 dedicated locations with a mortgage loan banker in 9 cities
Onboarding in ~600 retail stores
Cash services in ~1,000 retail stores and service stations



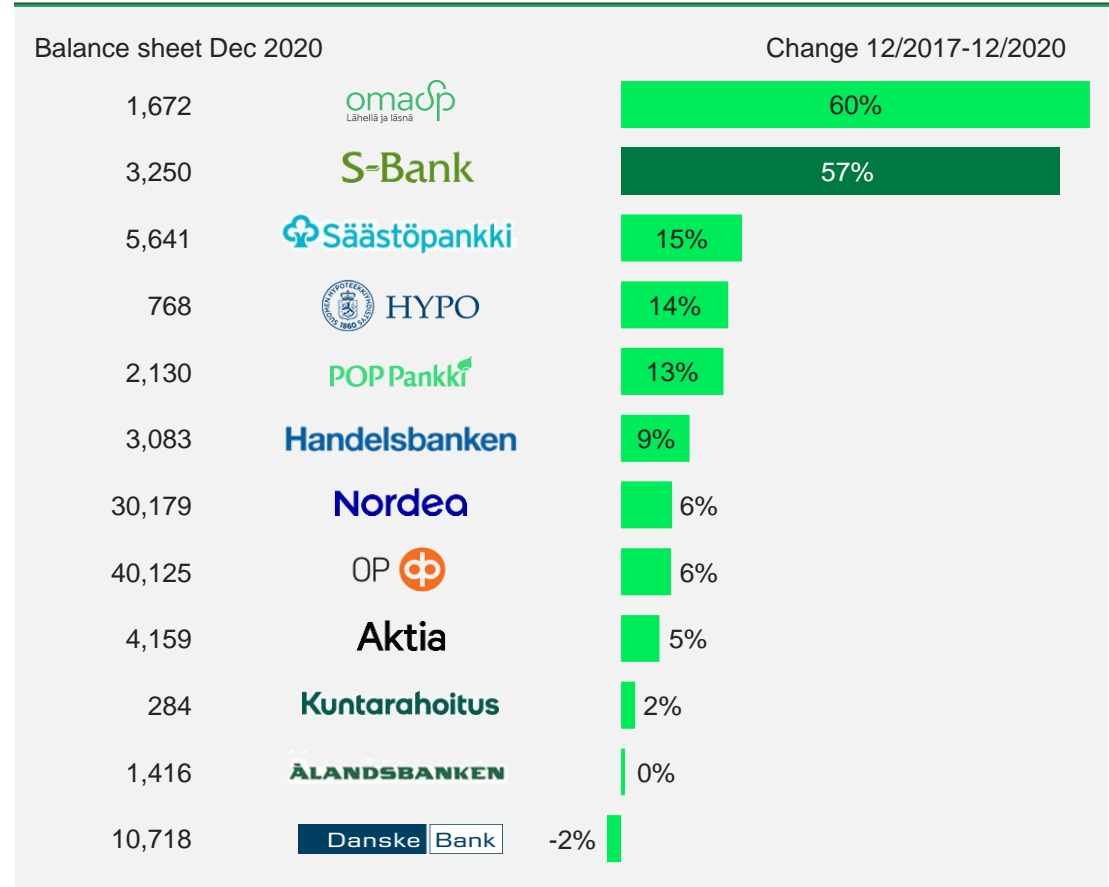
LENDING & MARKET SHARE

Strong growth in all areas of lending activities – market share increasing rapidly

Lending development



Finnish household mortgages - loan capital change¹



1) Data from Bank of Finland (BoF) – BoF's household mortgage capital recognition differs somewhat from S-Bank's own classification (to facilitate comparable across various banks)

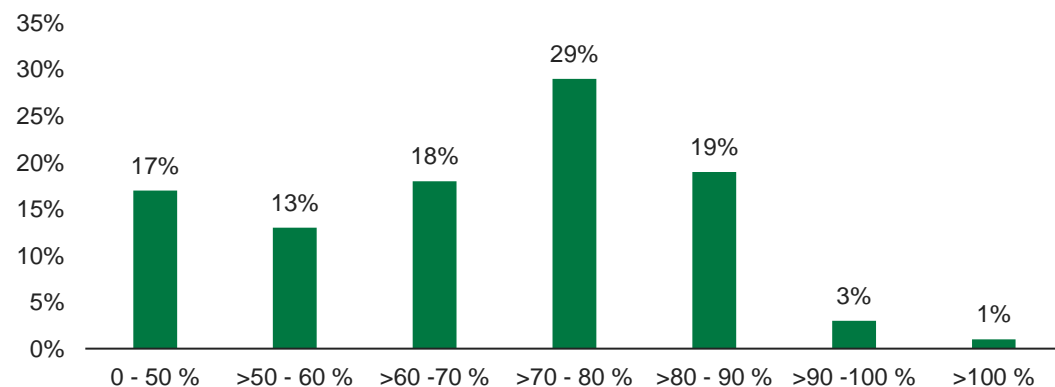
CREDIT RISK CONCENTRATION

Household mortgage exposure well diversified focusing on growing areas

Commentary

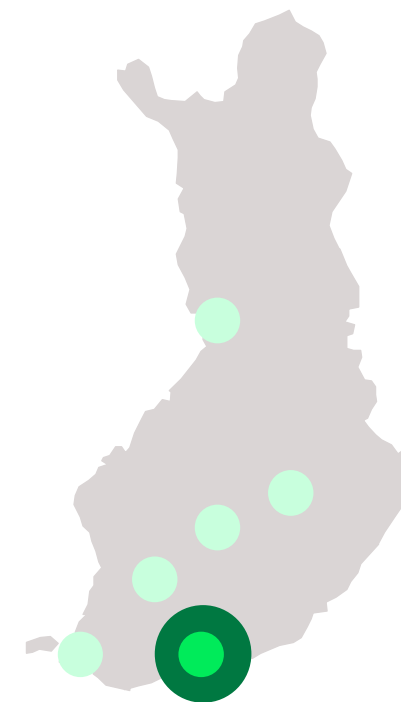
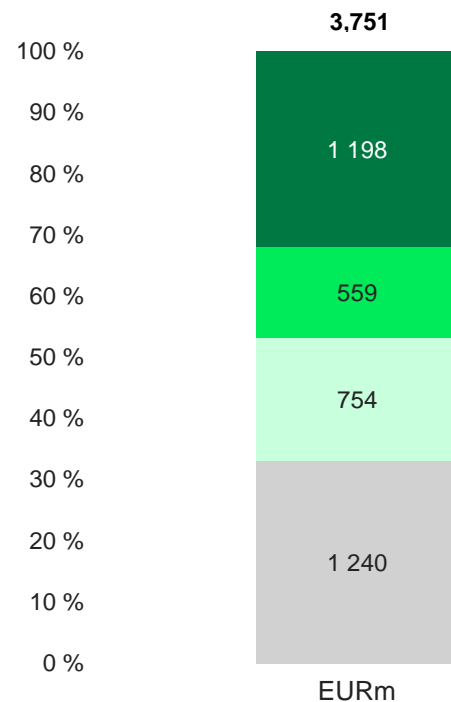
- S-Bank employs an internal area score to enhance risk-based pricing in mortgage products.
 - Three quarters of the portfolio is situated in Helsinki metropolitan region and other similar vibrant residential areas (based on internal area score)
 - Two thirds of the portfolio is situated in Helsinki metropolitan region and Major Cities (presented on the map)
- S-Bank cooperates with an external service provider which grants guarantees on mortgage loans for private individuals. The size of mortgage loan granted by S-Bank can be increased through the mortgage guarantee - this is especially evident in the 70-80% LTV bucket.
- One of the fastest growing mortgage portfolio among Finnish banks means the portfolio is also quite young - this shows as relatively high exposure to the 70-90% LTV buckets.

LTV breakdown of the loan stock, 2020¹



Distribution of retail mortgage exposures, 2020

- Helsinki Metropolitan area - 32%
- Other Greater Helsinki - 15%
- Other Major Cities - 20%
- Other areas (urban & rural) - 33%



¹) S-Bank's LTV calculation uses the original purchase price of real estate collateral, and thus positive changes in the value of the collateral are not taken into account.

WEALTH MANAGEMENT BUSINESS UNIT DESCRIPTION

Growth potential in retail and scale advantages in real estate asset management

Products and services

- S-Bank provides services to retail & private banking clients and institutional investors. S-Bank has announced that it is launching its rebranding and will start to operate in Wealth Management Business solely under the S-Bank brand in H2/2021. Previously private banking and services for institutional investors were serviced under the FIM brand.¹
- Mobile digital investment service 'Säästäjä' including micro-savings.
- Comprehensive range of equity, debt and alternative investment funds and products – one of the leading real estate asset managers in Finland via Fennia acquisition.
- Discretionary asset management offered to non-retail clients.
- Emphasis on ESG in all investment funds, including passive funds.

Earnings model

Fee types:

- Management fees (main source of income) and subscription / redemption fees.
- Fee income from structured products.
- Fees from fund administration with strategic partner.

Key drivers:

- Cross-selling opportunities through the vast retail client base.
- Real estate asset management in high demand.

Segment share of total income at 16% of total in 2020.

Distribution

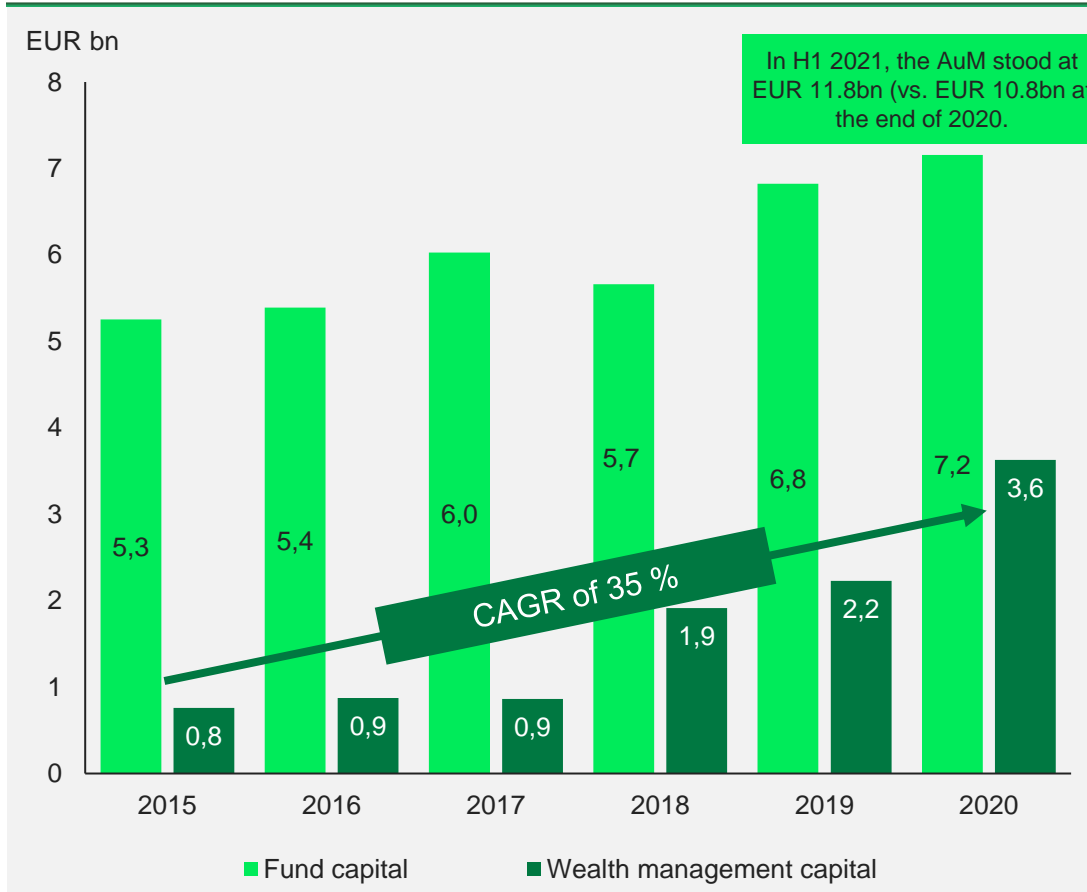
- Emphasis on digital channels for retail clients.
- Private Banking operates with a traditional advisor-based model with presence in the four large cities.
- Institutional investors are serviced by a specialist team based in Helsinki.

1) In connection with the Share Purchase and subject to the approval of the authorities, S-Bank and LocalTapiola Group will also end their current cooperation on funds. It is expected that in the second half of 2021, the management of 28 LocalTapiola funds amounting to approximately EUR 4 billion in assets under management will be transferred from FIM Asset Management Ltd which is part of the S-Bank, to Seligson & Co Fund Management Company Plc which is owned by LocalTapiola Group. There will be no changes in the operations of S-Bank's own funds.

AUM DEVELOPMENT & MARKET SHARE

Focusing on asset management has led to increasing market share

Development of Assets Under Management



AuM market share back on a growth trend¹



Source: Investment Research Finland: Mutual Fund Report, S-Bank

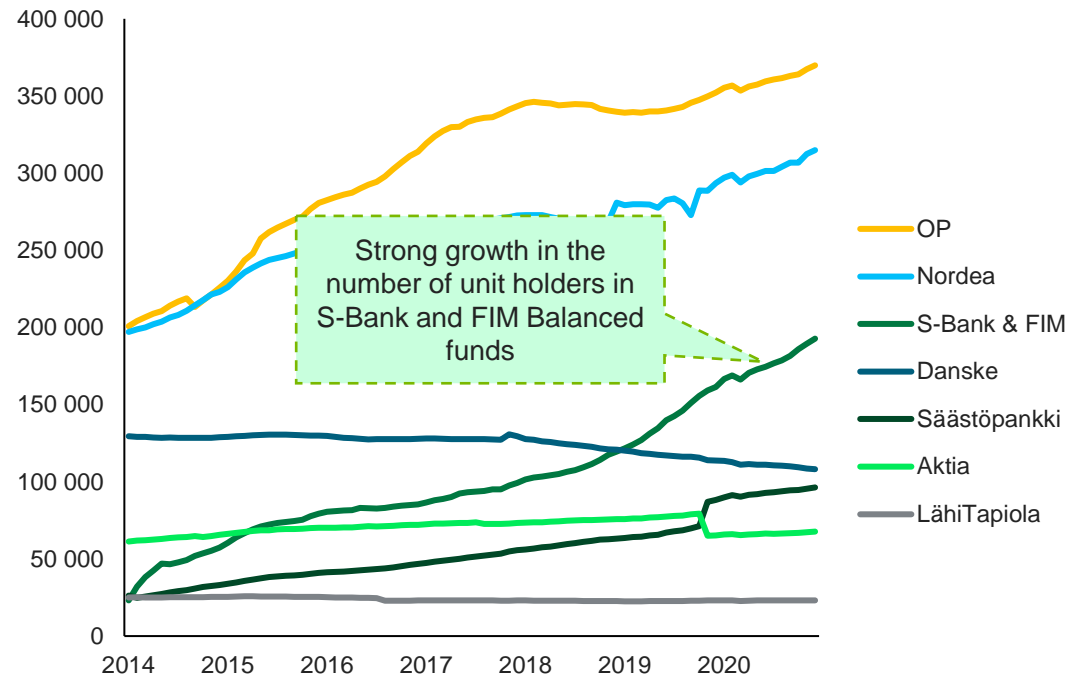
1) Market share includes assets that are directly managed by S-Bank & FIM (excludes the funds that are under FIM's administration)



WEALTH MANAGEMENT & BALANCED FUND UNIT HOLDERS

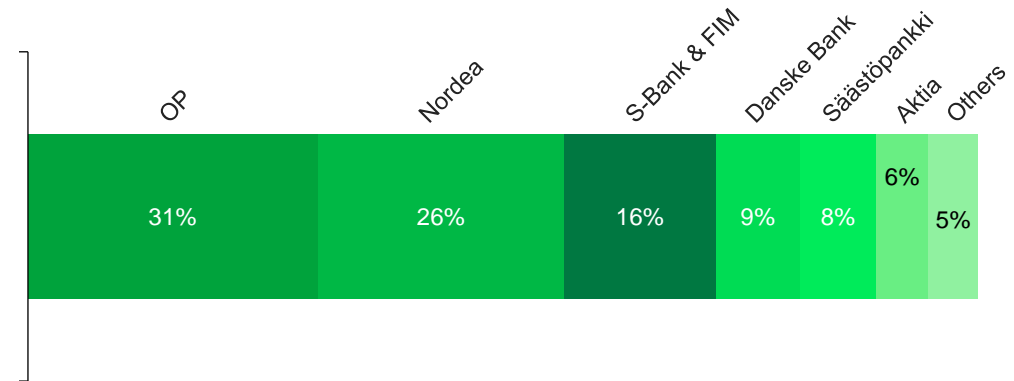
Number of balanced fund unit holders is growing rapidly, surpassing other market players by far

Development of # of unit holders in balanced funds

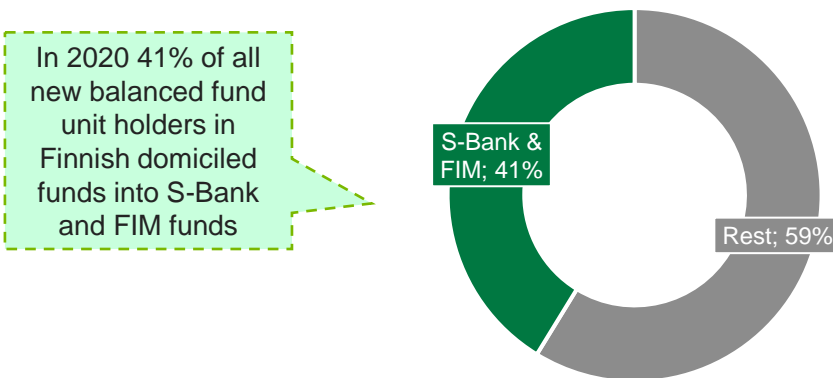


- S-Bank is successfully building a strong foundation in the retail segment as demonstrated by the rapidly growing amount of balanced fund investors – the size of investment per unit holder is projected to grow over time

Share of the total # of unit holders in balanced funds



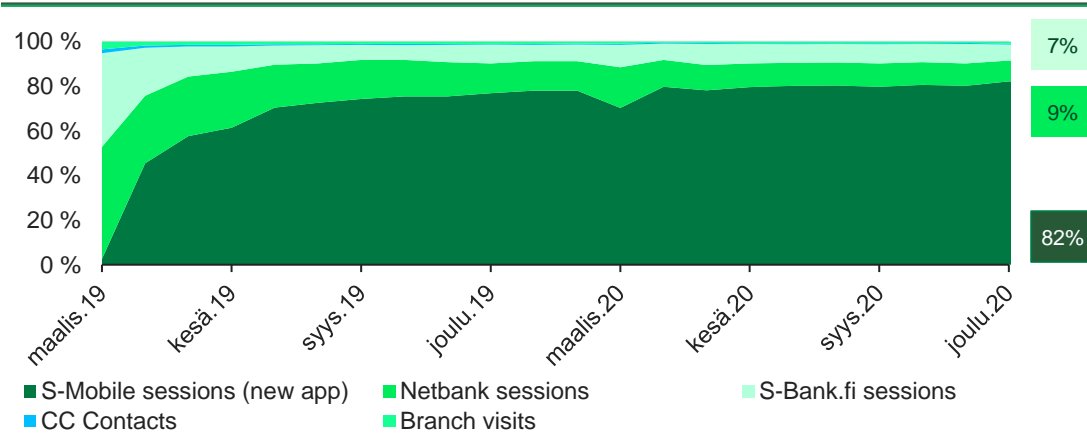
Share of the change in the total # of unit holders



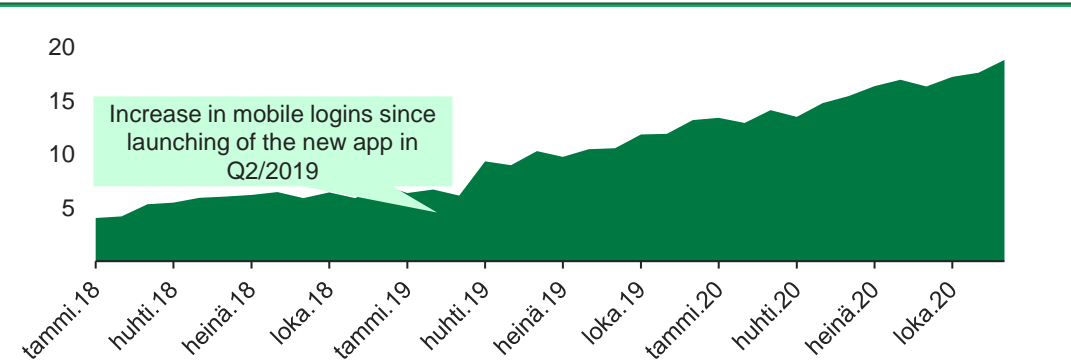
DIGITAL TRANSFORMATION OF THE BANK

Enabling further growth through digitalization – mobile is the way forward

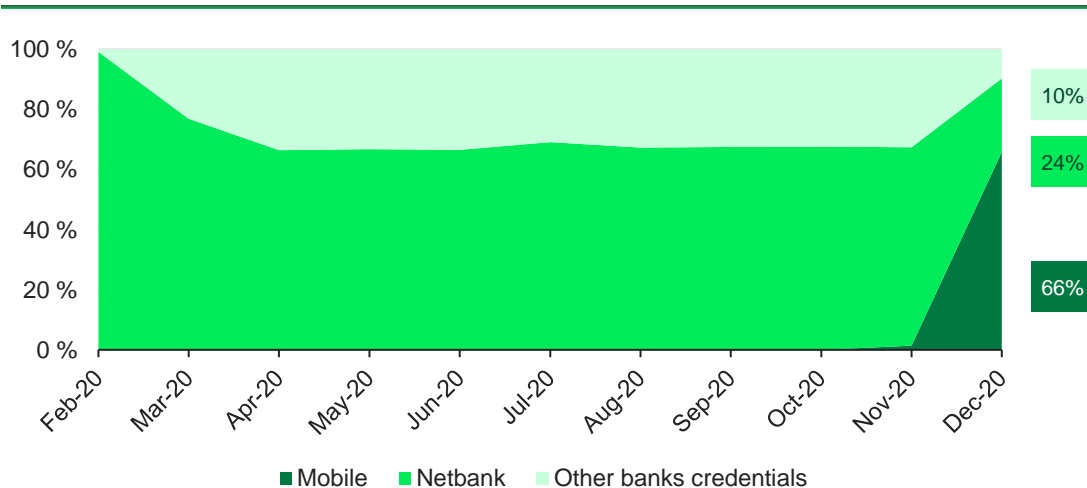
99% of contacts in digital channels





Mobile app logins, millions



Loan applications per digital channel – mobile rising



Digital platforms key strategic building blocks

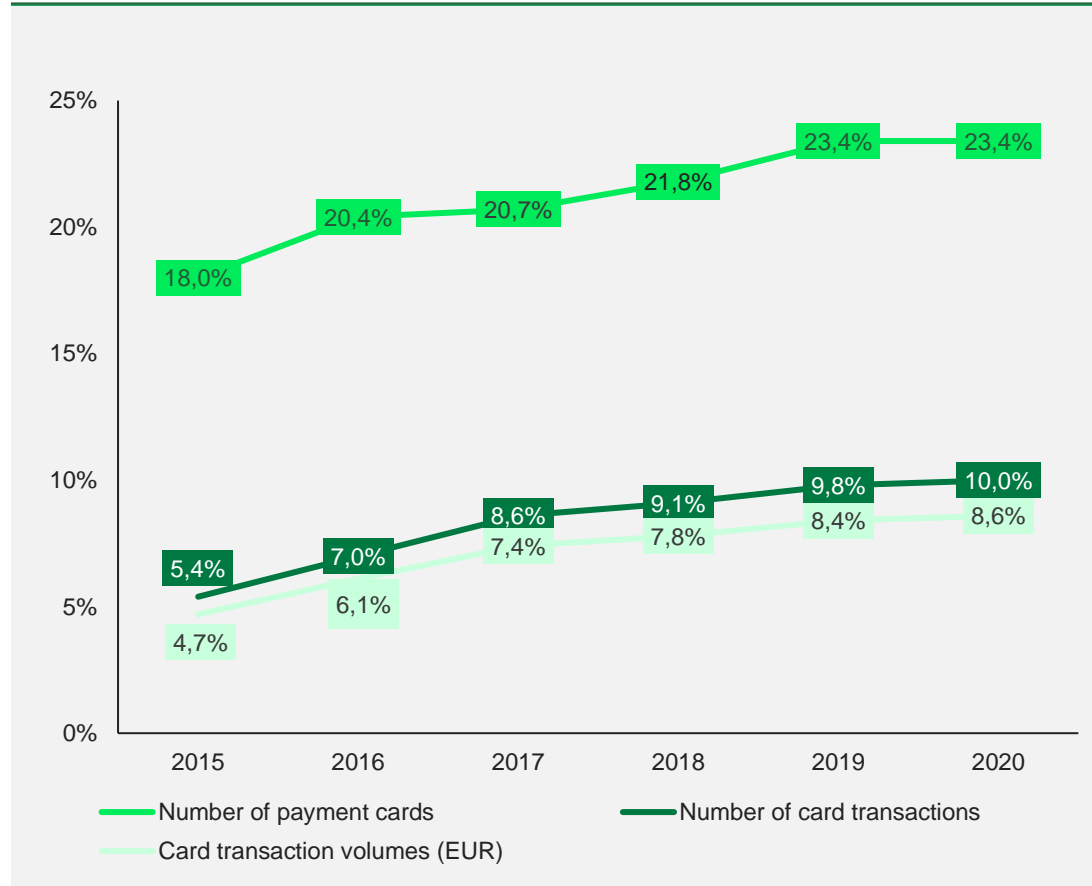
S-mobiili app	MobilePay app	Other
<ul style="list-style-type: none"> Bonus & cashback My Purchases Benefits and coupons Receipts Insurance Banking 	<ul style="list-style-type: none"> Mobile payments Bonus and cashback Money transfers 	<ul style="list-style-type: none"> DIAS: a digital trading platform for the Finnish residential real estate market Giosg: a chat on s-pankki.fi (and online banking 2020) Experiments with online comparison platforms



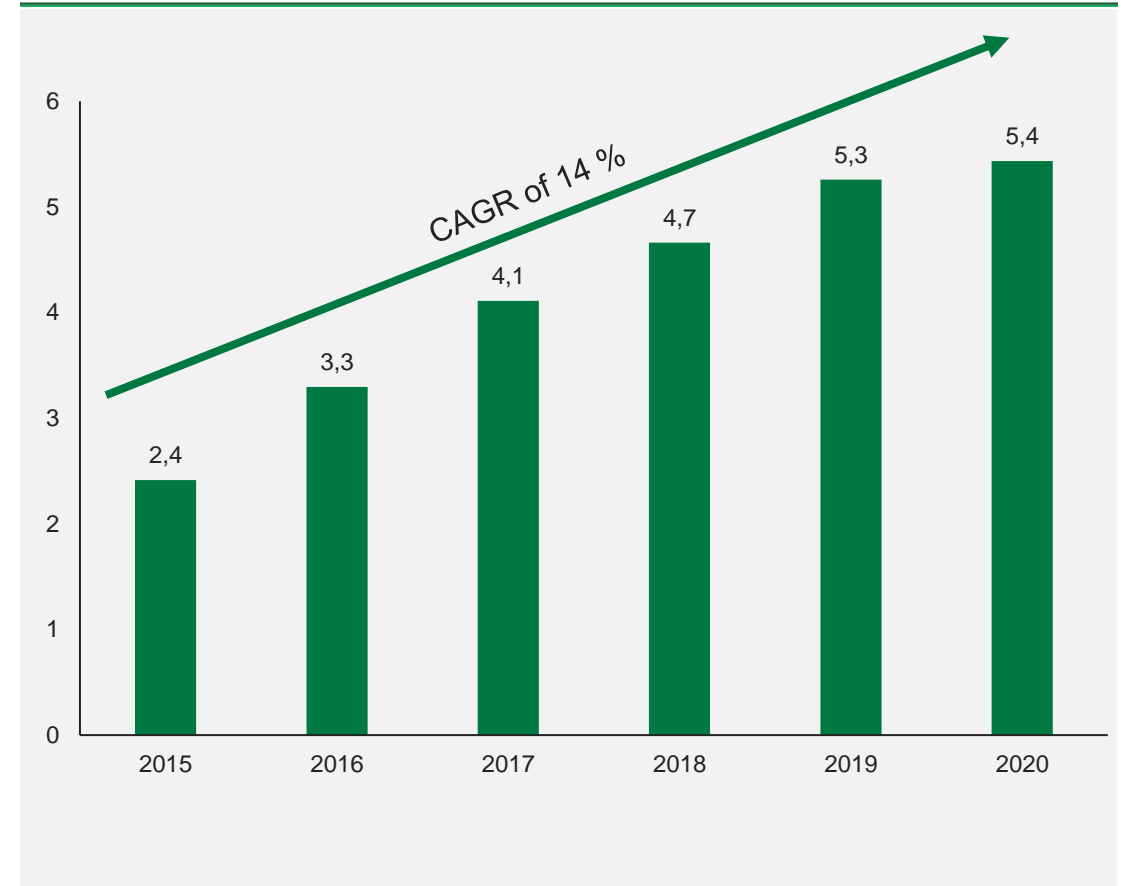
STRONG GROWTH IN CARD BUSINESS

Business model enables large market share in payment cards

Market share development in payment cards



Transaction volumes (EUR billion)



BUSINESS STRATEGY

S-Bank is well positioned to sustain above-market growth

Current position

Clearly differentiated customer benefits in a homogenous industry:

- Free (selected) daily banking services
- Access to S Group rewards
- Easy-to-use mobile app shared with S Group retailers
- Local presence across Finland
- Leading brand in fairness and sustainability

Other factors enabling growth & stability:

- Efficient data-driven sales and marketing
- Large customer base with frequent access to S Group retail customers
- Very competitive offering in wealth management, especially in ESG and real estate investing
- Focused business model and product portfolio

Path forward

Focus is on strengthening and leveraging S-Bank's existing competitive advantages:


- Adapting the unique distribution and service model to changes in customer behavior
- Increasing sustainability and ESG related activities
- Ensuring favorable price position in retail offering
- Improving process and system scalability

S-Bank is well equipped to succeed in a fast-changing business environment:

- Robust competitive advantages, relevant to customers in a wide range of conditions
- Use of practical tools such as scenario-based planning and agile development
- Well positioned to take advantage of any positive developments and strategic opportunities

FINANCIAL GOALS, DIVIDEND POLICY AND GUIDANCE

Long-term financial goals & dividend policy

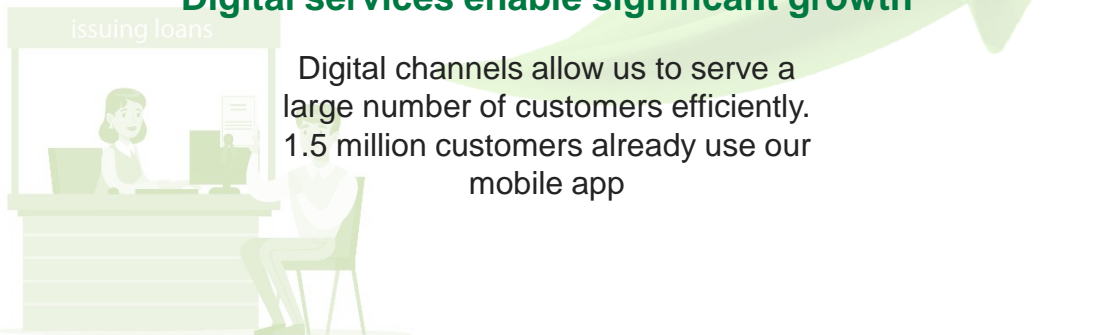
	Growth	Over 10% p.a. income growth in prevailing market conditions
	Efficiency	Cost-income ratio below 60%
	Profitability	Return on equity (ROE) above 8%
	Solvency	Total capital ratio of at least 14.3%*
	Dividend policy and guidance	No set policy, key is to ensure capital adequacy & growth
	Customers	1 million active clients target as a long term active customer growth target

Strong growth potential in the existing customer base

Our growth is based on activating existing customers



Digital services enable significant growth



*The limit has been set at 1.5 percentage points above the total capital requirement (12.76% in December 2020)

An aerial photograph of a city, likely Stockholm, showing a mix of historic and modern buildings. A semi-transparent green bar is overlaid across the middle of the image, containing five white boxes with text. The box for 'Key financials' is highlighted with a darker green background and a white underline.

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KEY FIGURES

	2015 (FAS)	2016 (FAS)	2017 (FAS)	2018 (IFRS)	2019 (IFRS)	2020 (IFRS)	H1 2021
Total income	154	161	154	153	168	174	91
Operating profit	17	22	16	17	29	21	14
Deposits	4,112	4,547	5,006	5,833	5,948	6,925	7,282
Lending	2,831	3,492	3,725	4,187	4,781	5,444	5,697
Non-performing loans	0.7%	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%
Assets under management	6,012	6,153	6,892	7,577	9,041	10,785	11,792
Debt securities	1,594	1,482	1,325	1,668	1,081	1,229	1,220
Cost-to-income, %	88.0%	82.0%	83.0%	83.0%	74.0%	74.0%	73.0%
ROE, %	3.2%	4.4%	3.1%	2.9%	5.2%	3.3%	4.6%
ROA, %	0.3%	0.3%	0.2%	0.2%	0.4%	0.2%	0.3%
Equity ratio, %	8.2%	7.7%	7.3%	7.0%	7.1%	6.4%	6.3%
Capital adequacy ratio, %	15.4%	14.8%	16.7%	16.8%	16.3%	15.7%	15.2%
CET-1 ratio, %	14.4%	13.2%	14.7%	14.9%	14.6%	13.7%	13.5%

Steady income base, room to grow

Strong deposit funding base

AuM developing rapidly

Cost-to-income to continue to improve

Robust capital base

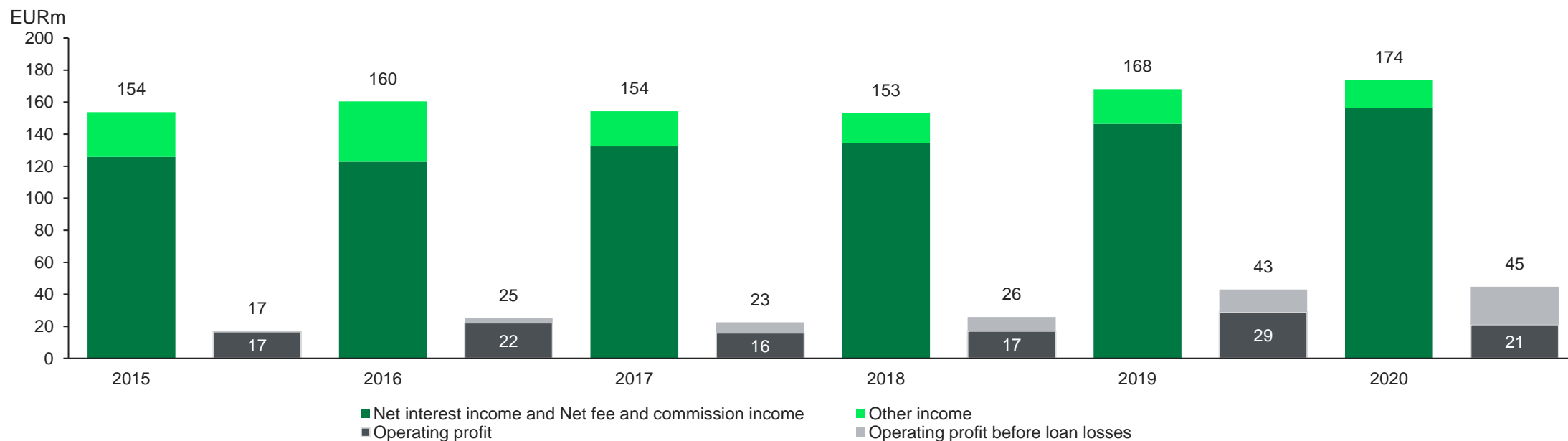
Note: S-Bank adopted the International Financial Reporting Standards (IFRS) on 1 January 2019 restating also its 2018 figures – 2017 and prior years describe FAS figures which affects comparability.



DEVELOPMENT OF KEY INCOME MEASURES

Stable figures since 2015 as S-Bank has strived (and succeeded) in capturing market share

Total income and operating profit



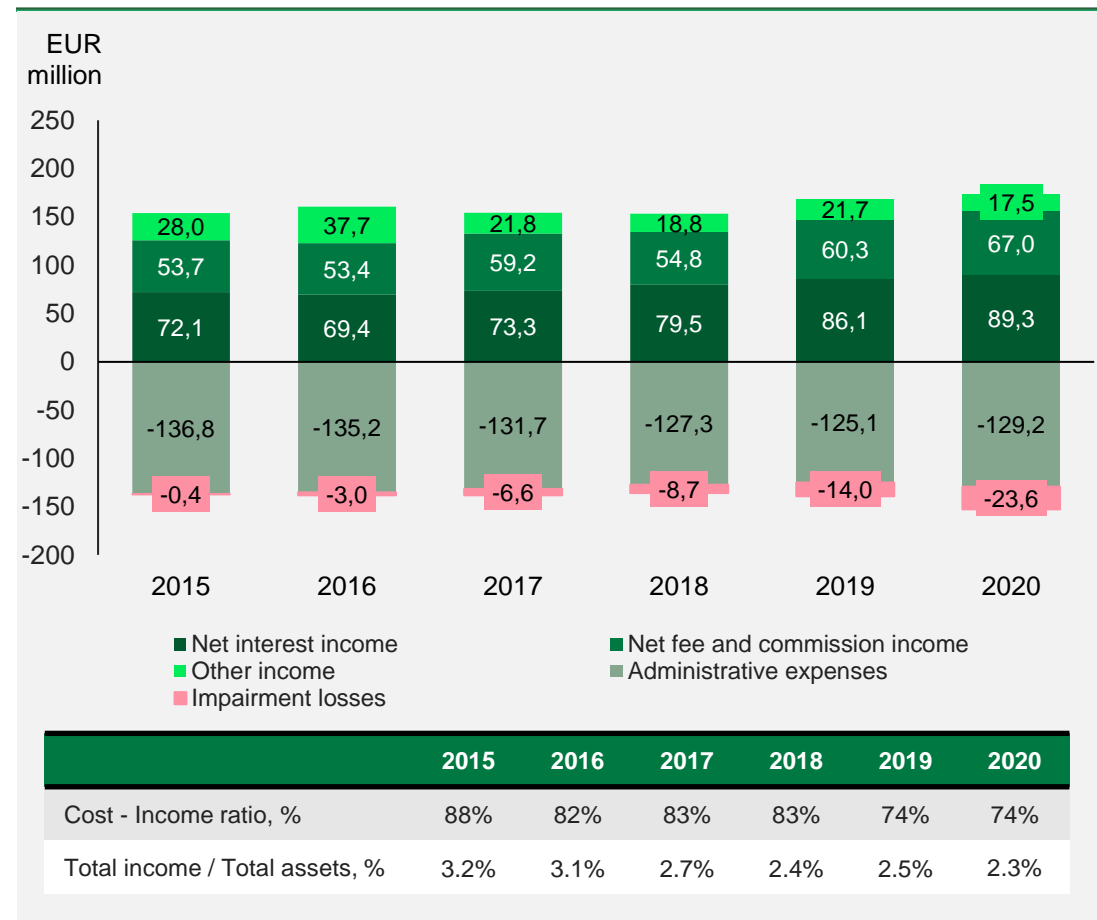
- S-Bank income metrics have been quite stable throughout the years with total income increasing from EUR 154m in 2015 to EUR 174m in 2020. At the same time, the operating profit before loan losses has increased from EUR 17m to EUR 45m
- The Banking segment contributed 82% of total income in 2020 – the Wealth Management segment’s share of income has been growing in recent years
- In H1 2021, S-Bank’s operating income more than doubled to EUR 14.2m from EUR 6.6m in H1 2020

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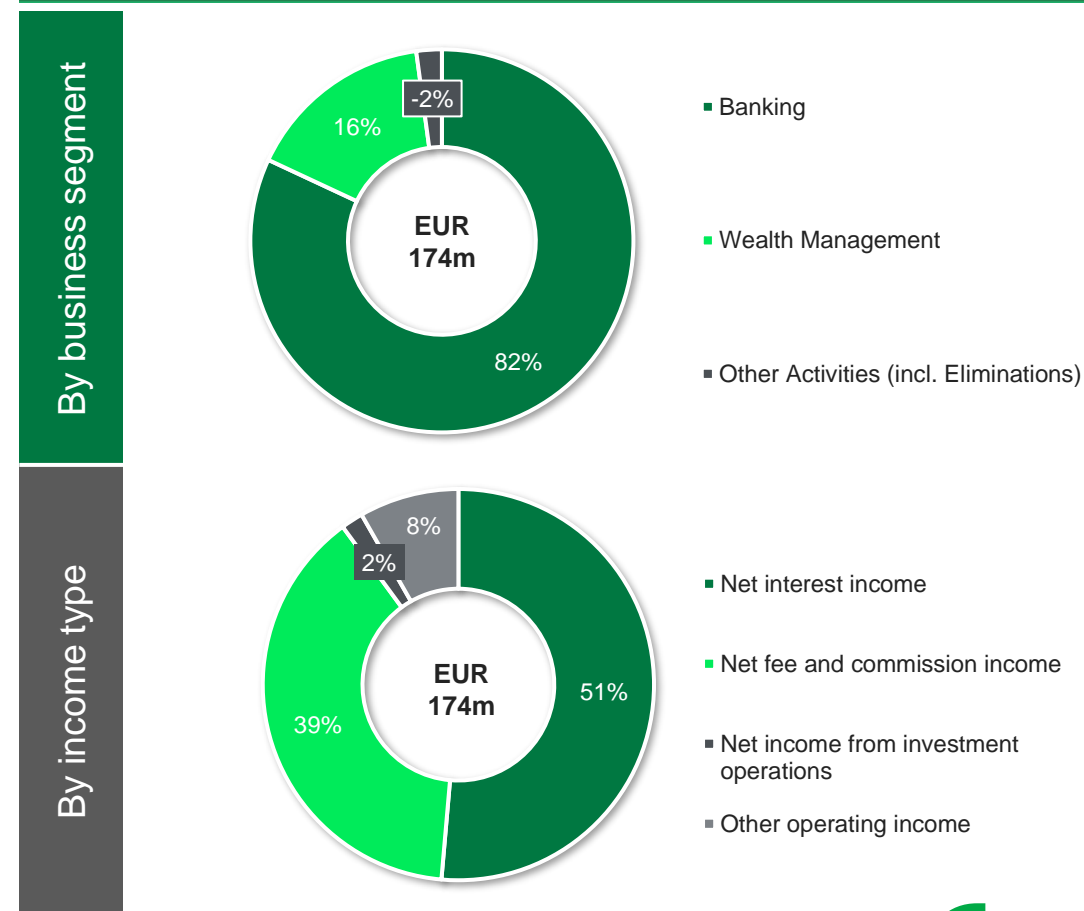
INCOME & COST ANALYSIS

Growth continued despite the coronavirus – impairment losses were affected

Development of key income & cost items



Income splits by segment and type

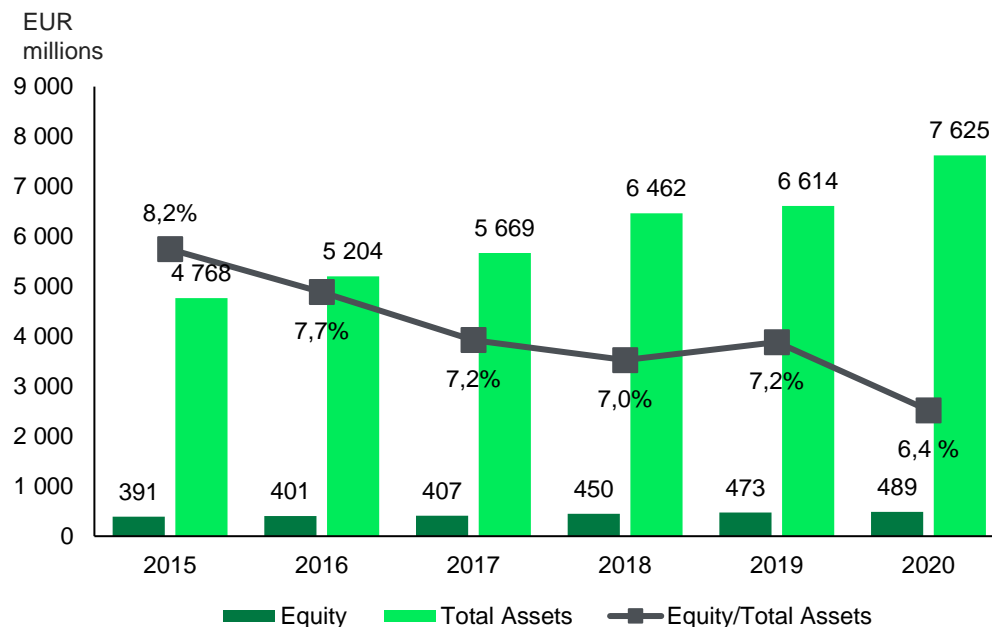


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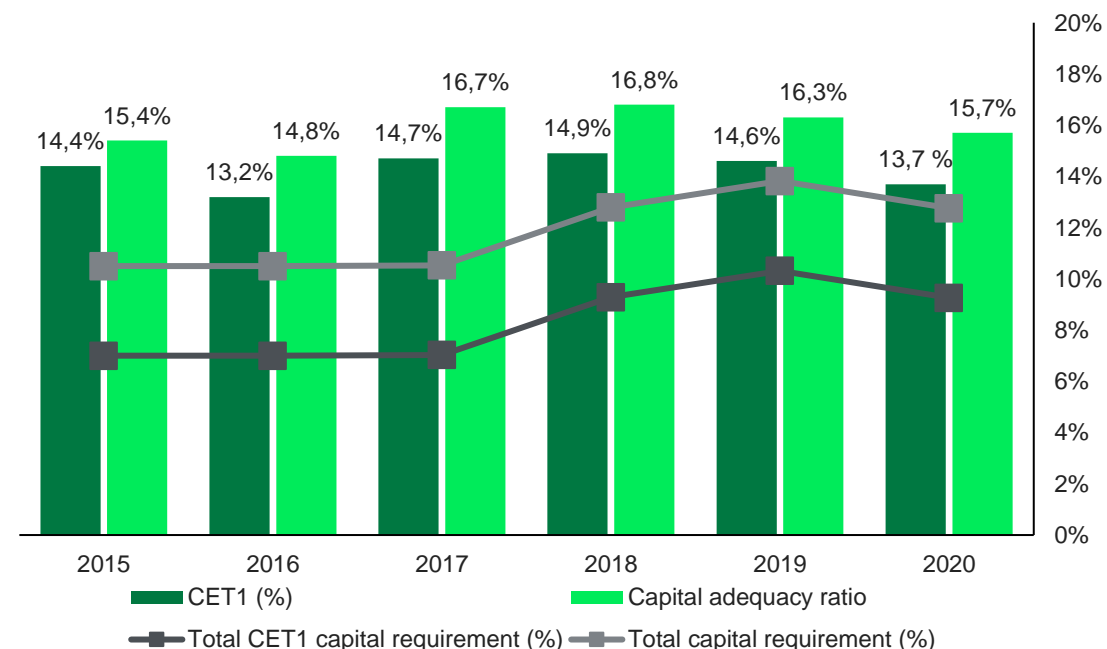
CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

Equity / total assets



Key capital ratios (CET1* + capital adequacy ratio)



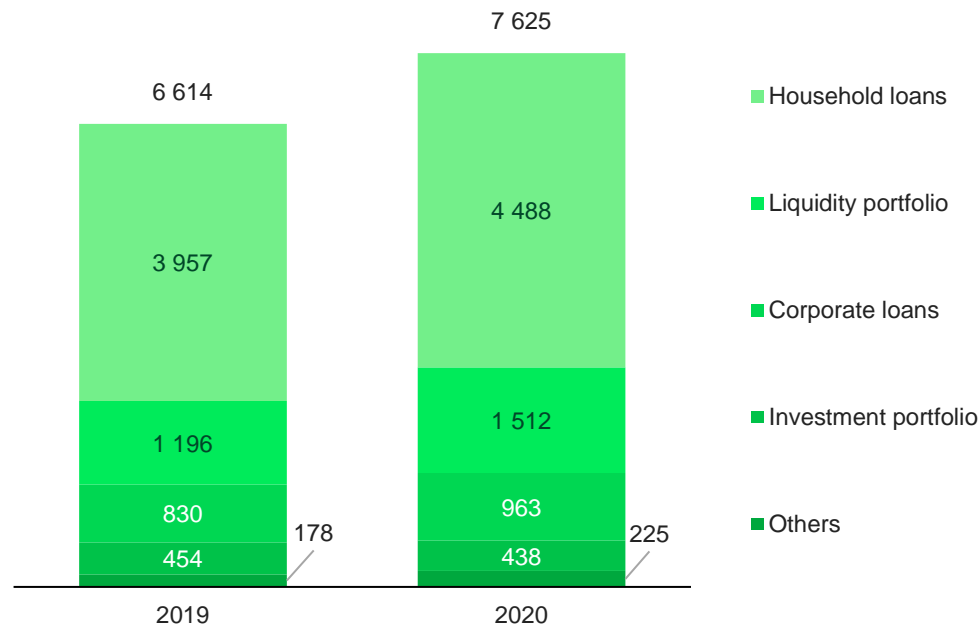
- S-Bank has seen strong development in its asset base since 2015. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 6.4% to 8.2% between 2015 and 2020. In H1, the equity ratio stood at 6.30% and CET1-ratio at 13.5%
- The key capital ratios have been maintained well above the regulatory requirements

Note: S-Bank adopted the International Financial Reporting Standards (IFRS) on 1 January 2019 restating also its 2018 figures – 2017 and prior years describe FAS figures which affects comparability.
 *The acquisition of Fennia Asset Management Ltd. had negative affect on S-Bank's Common Equity Tier 1 (CET 1) in total of EUR 19.9 million.

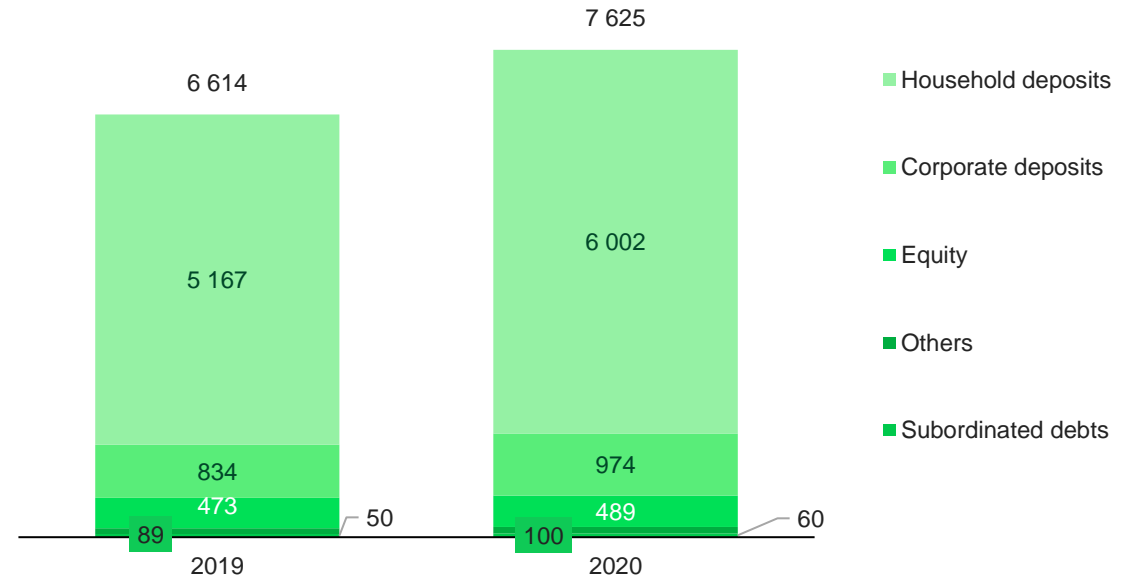
BALANCE SHEET & FUNDING

Strong funding base made of deposits – household loans make up most of the assets

Assets



Liabilities

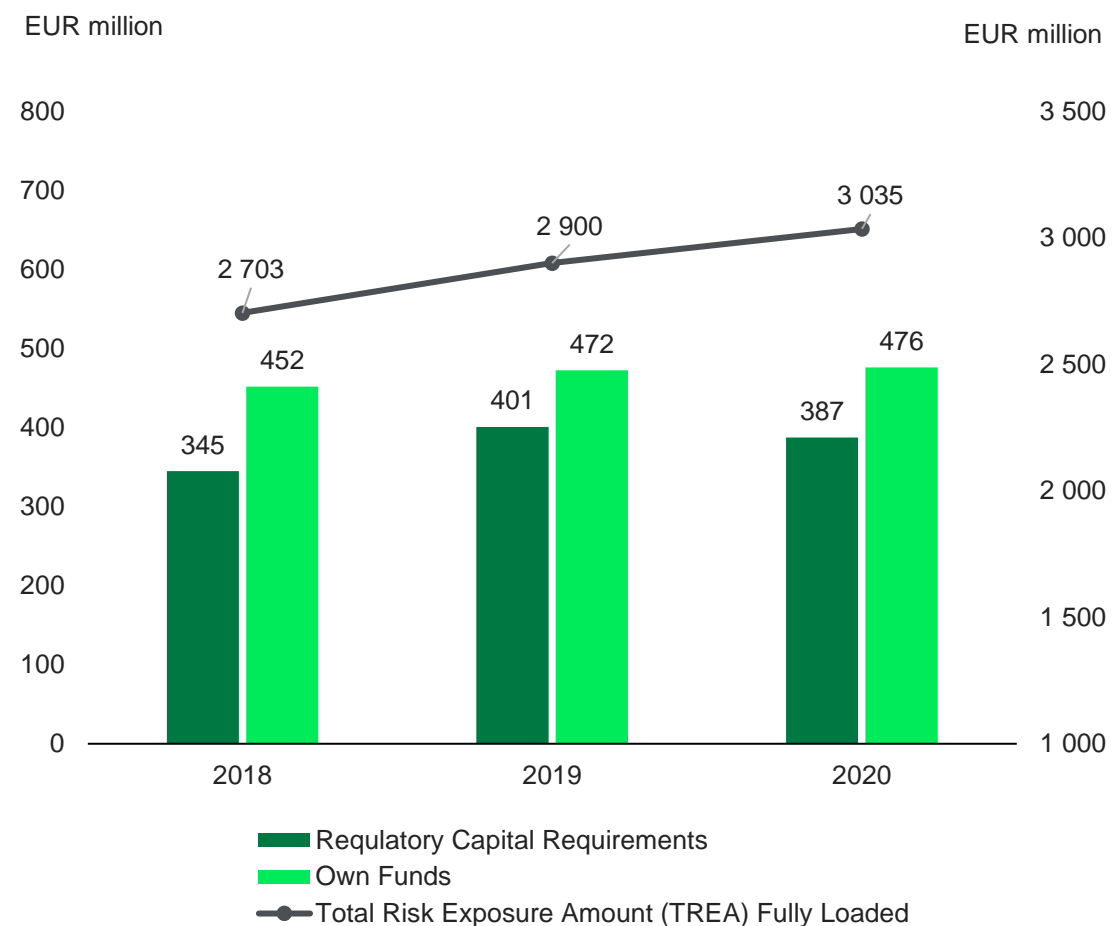


- Household and corporate deposits comprised 91% of total liabilities at the end of 2020 – at the same time, lending to households comprised 59% of the total assets.
- Deposits and lending growth continued to be strong in H1 2021. The growth concentrated mainly to household customers.

OWN FUNDS, CAPITAL REQUIREMENTS & MREL

MREL requirements leading up to the contemplated senior preferred transaction

Own Funds and Capital Requirements



Commentary

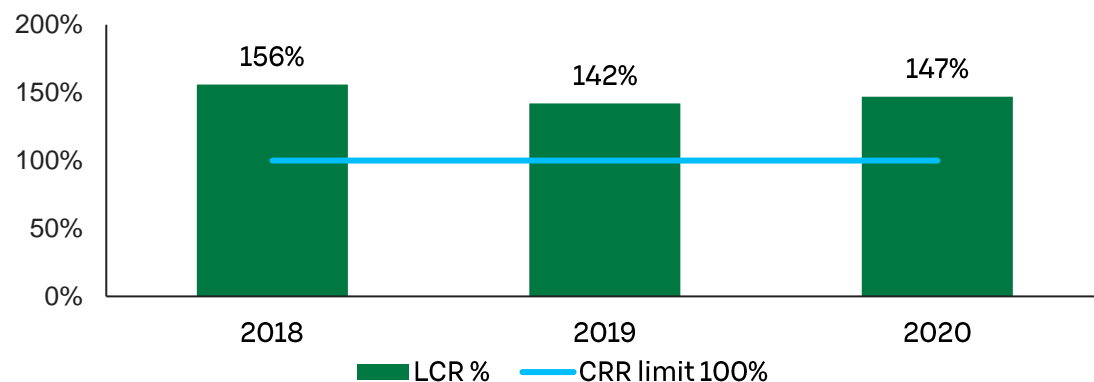
- S-Bank's objective is to ensure a sufficient funding base and structure to meet S-Bank's growth targets
- MREL requirement based on total risk exposure amount in full is 20.04 per cent and the requirement based on the total amount of exposures used in the calculation of the leverage ratio is 5.91 per cent.
- The requirement based on total risk exposure amount must be met gradually so that the 17.23 per cent requirement will enter into force on 1 January 2022 and the full requirement on 1 January 2024.
- Due to the MREL requirements, S-Bank is now contemplating issuance of senior preferred MREL eligible notes under its new MTN programme
- In addition to the bond, S-Bank is contemplating to satisfy a smaller part of its MREL requirement via a debenture in the minimum amount of approximately EUR 57.5 million during H2 2021

LIQUIDITY

Robust liquidity position and easy access to additional funding

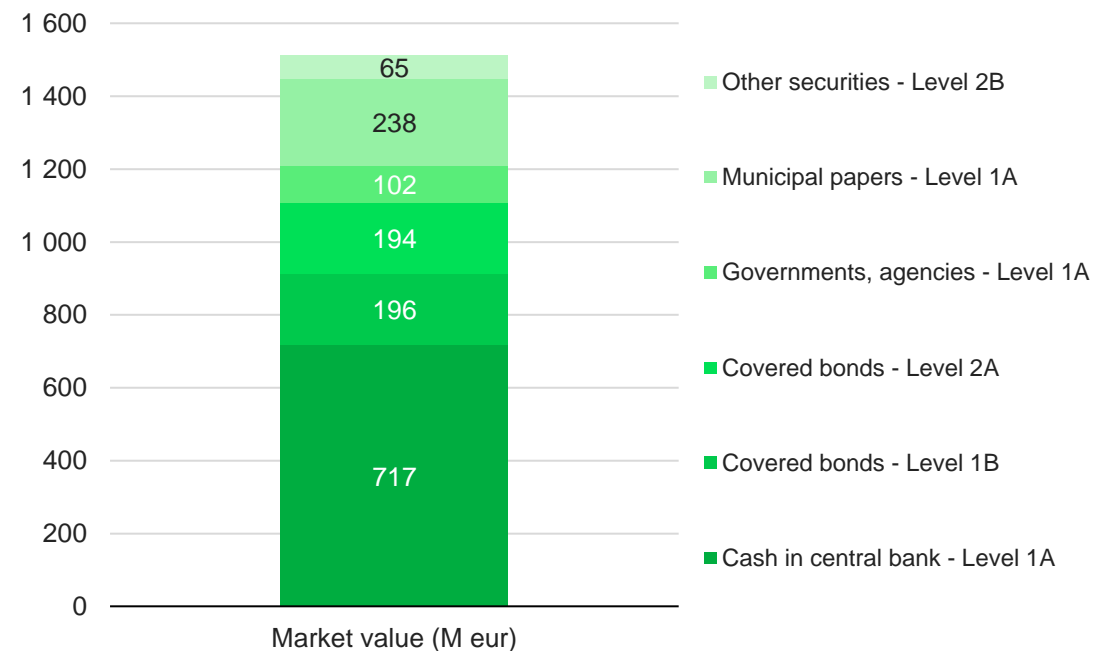
Liquidity overview

- S-Bank's liquidity portfolio totaled EUR 1,512m at the end of 2020 (EUR 1,622m in H1 2021)
- Level 1 assets comprise 86% of the portfolio with largest allocations in cash in central bank, government bonds and level 1 covered bonds
- Furthermore, S-Bank has pre-positioned collateral to Bank of Finland to secure access of funding and liquidity and has a CD-program for short term funding needs
- NSFR ratio at 151% (152% in H1 2021) - wide headroom to the coming regulatory requirement of 100%
- LCR at 147% (150% in H1 2021) which is also well above the 100% regulatory limit



Liquidity portfolio, 2020

EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1,057 (74%)	196 (13%)	194 (11%)	65 (2%)	1,512





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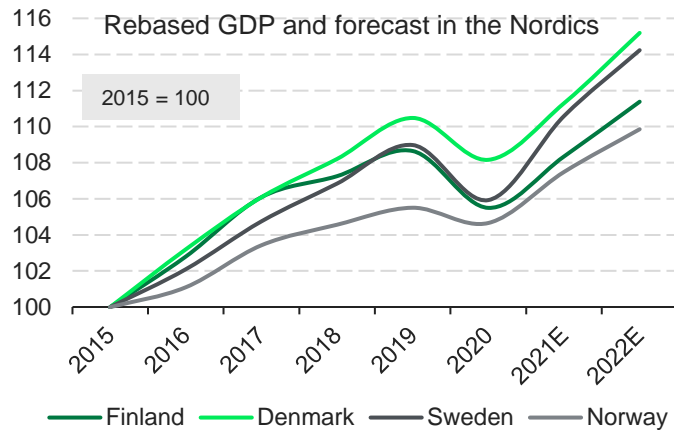
**Operating
environment**

**Planned
transaction**

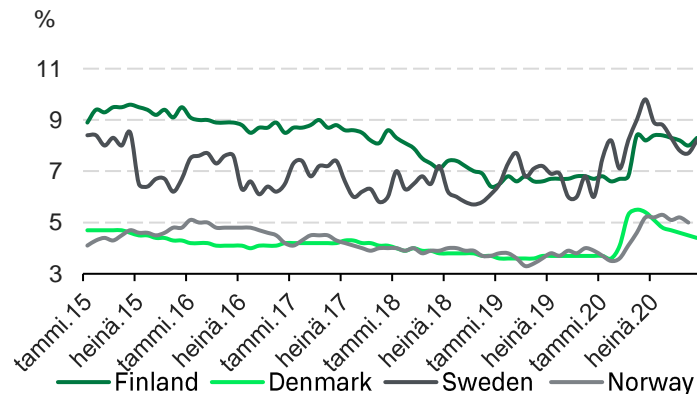
KEY HIGHLIGHTS OF THE FINNISH ECONOMY

Macroeconomic indicators have dropped less than feared and consumer confidence is above average levels

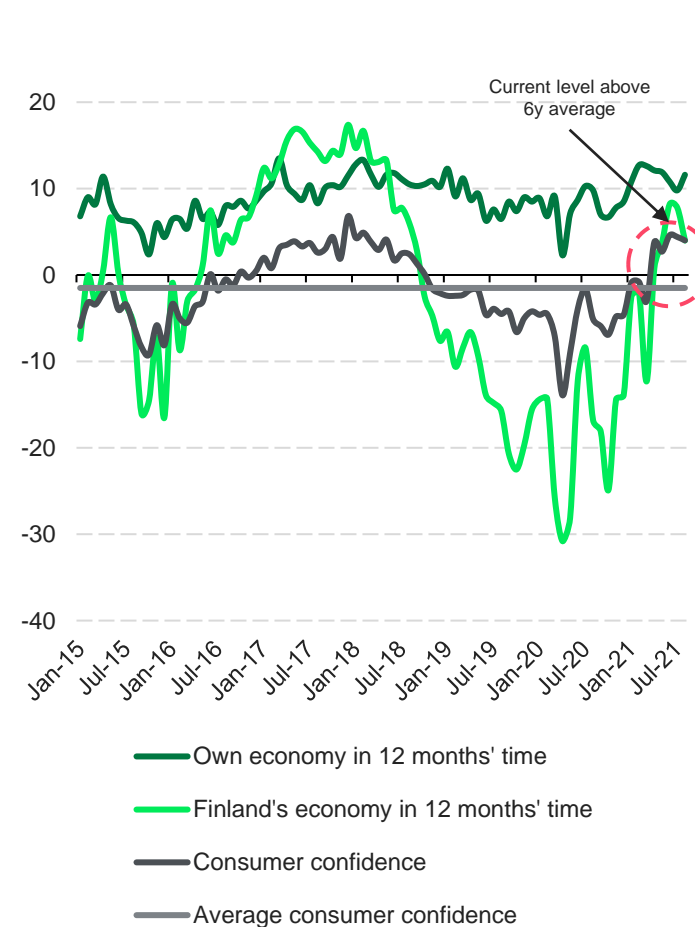
Finnish GDP slumped less than feared in 2020



Unemployment rate in the Nordics, 2015-Q2/2021



Confidence indices back at high levels



Key highlights

Inflation	Unemployment rate
1.9% (7/2021)	8.0% (7/2021)
GDP	Prices of dwellings
7.5% (Q2/2021 y/y)	3.1% (Q2/2021 y/y)
Consumer confidence	Industrial production
Balance figure 4.0 (6y average -1.5) (08/2021)	4.1% (6/2021 y/y) (working day adj.)

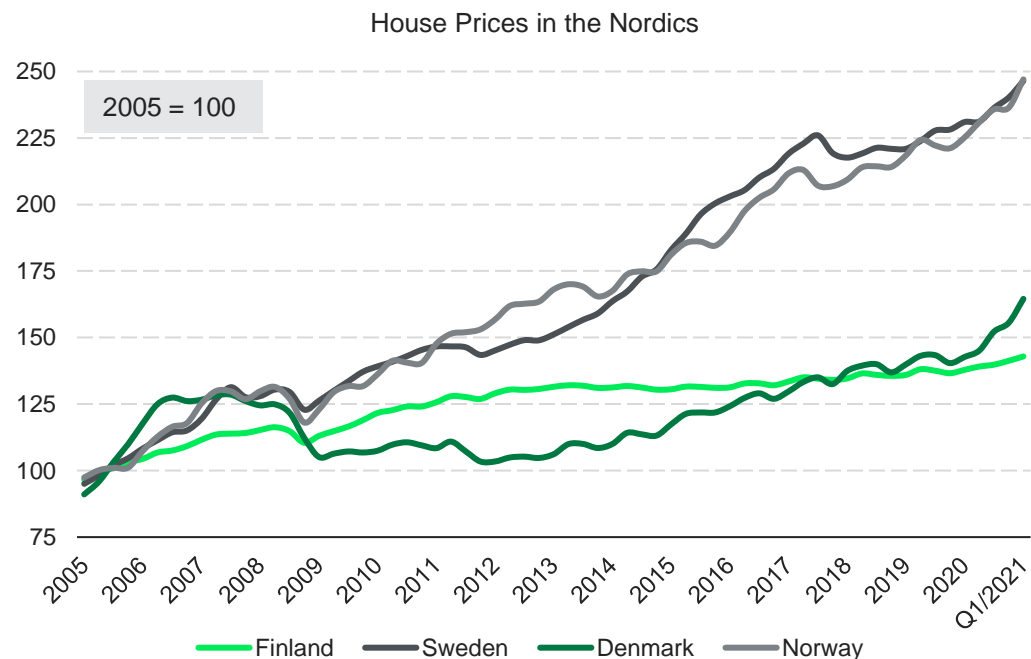
Commentary

- The overall picture in Finnish economy looks brighter than expected. Macroeconomic indicators have dropped less than feared and consumer confidence has jumped up and is now back at high levels. The recovery of the Finnish economy is expected to continue in the autumn. However, an important prerequisite for further development is that vacancies are filled in order to prevent labour shortage from hindering economic growth.

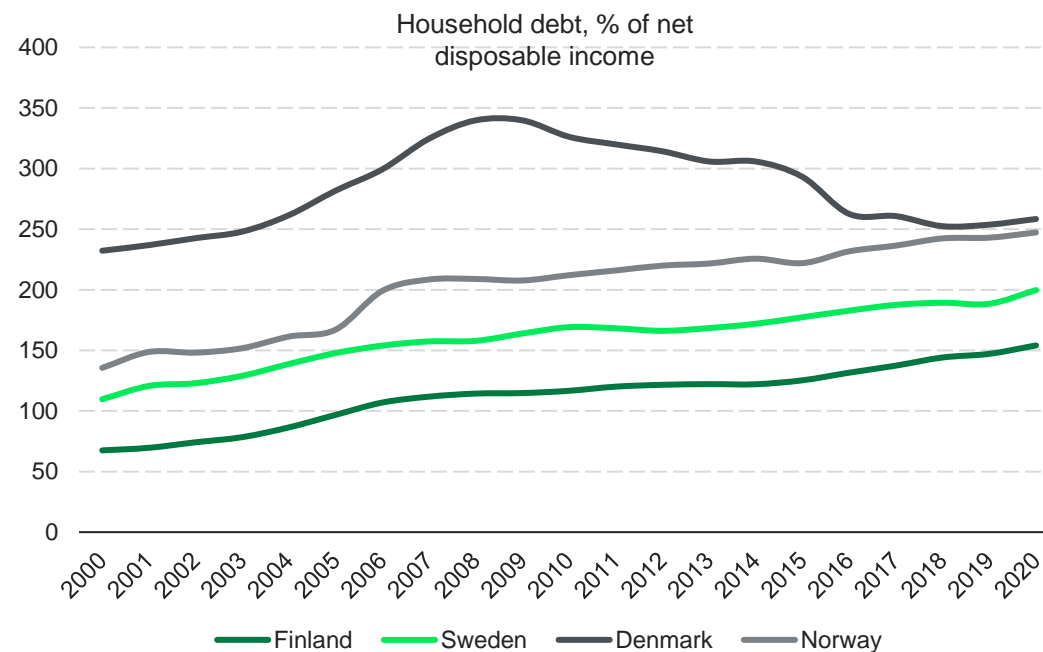
NORDIC HOUSING MARKET

Modest development in housing prices and low household debt in Finland

Modest housing price development in Finland



Household debt lowest in the Nordics

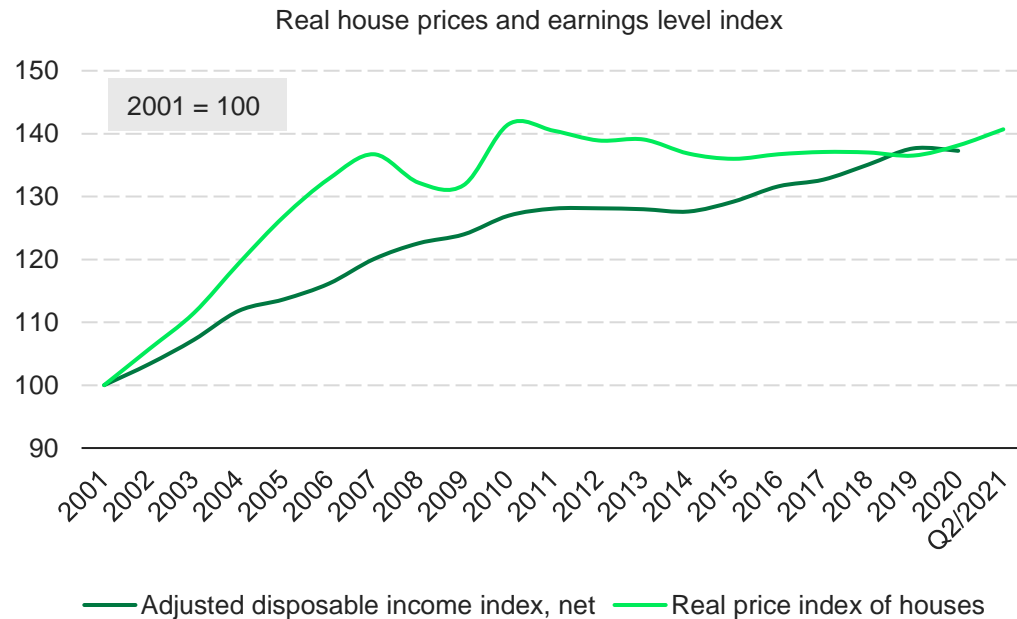


- The growth in house prices in Finland has been modest in the past 15 years with the index showing an increase of c. 40% between 2005 and 2020, whereas in Sweden and Norway house prices have more than doubled in the same time period. In Denmark the development has been more similar to Finland
- Finnish households are also the least indebted ones when compared to their Nordic counterparts. However, the growth in indebtedness between 2000 and 2020 has been fastest among Finnish households which are now more than 2x more indebted than in 2000. In 2020, household indebtedness of Finnish households stood at around 150% of net disposable income, still significantly lower than other Nordic countries.

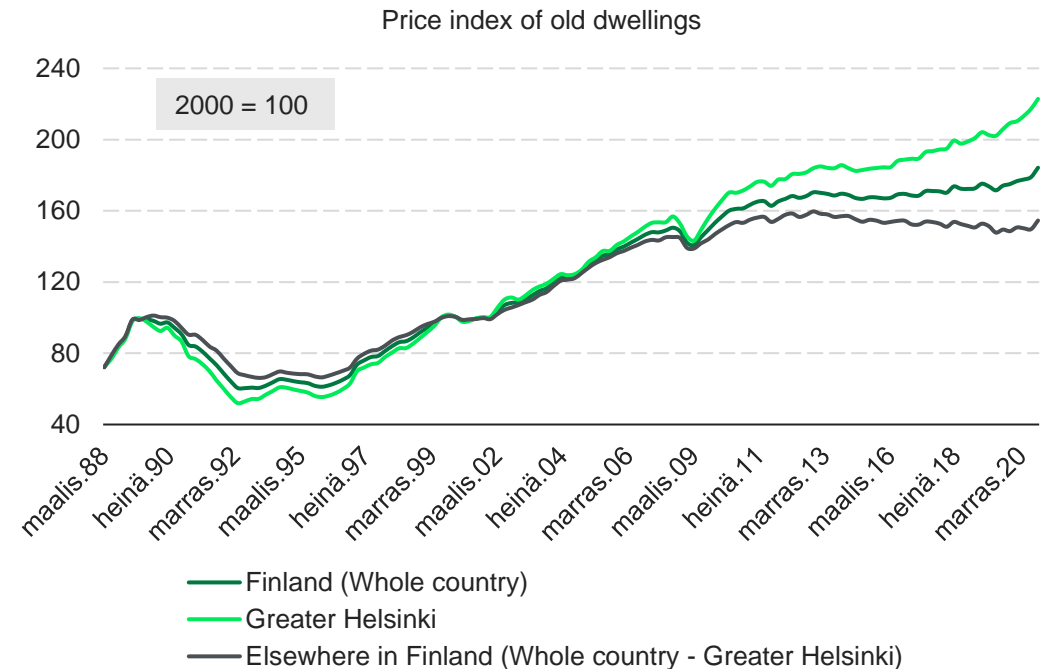
STABLE FINNISH HOUSING MARKET

Disposable income well in line with housing prices growth

Growth in earnings outpacing the growth in house prices¹



Helsinki area prices surging, elsewhere more stable²



- Growth in house prices was rapid in the first decade of the 2000s and earnings growth was left behind at the time. The correction in house prices came when the housing bubble in the US burst and the global financial crisis arrived in Finland with full power in 2008. In 2010s, house prices stayed fairly stable and the development in prices was quite flat between 2010 and 2020. Over a 20 year period, the housing prices and earnings level have seen similar development.
- Helsinki area's housing market has diverged from the rest of the country with much faster price appreciation - the main driver is the favourable demographics and continuing urbanisation. Rest of Finland has seen on average much tempered price increases - even declines in some (mainly more rural) areas.

Source: Statistics Finland

1) Price indices of old dwellings in housing companies, 2001Q1-2021Q2 & Household adjusted disposable income, quarterly, 2001Q1-2020Q4

2) Price indices of old dwellings in housing companies, 1988Q1-2021Q2



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INDICATIVE TERMS AND CONDITIONS

Issuer:	S-Bank Plc
Status:	Senior Preferred MREL Eligible Fixed Rate Notes // Floating Rate Notes
Issuer rating:	BBB by S&P (stable)
Issue rating (expected):	BBB by S&P
Amount:	EUR 150m expected
Tenor:	Short to intermediate tenor
Issue price:	[]%
Interest:	[]% per annum payable annually, ACT/ACT, following unadjusted // 3mE+ []% payable quarterly, ACT/360, modified following, adjusted
Redemption price:	100%
Documentation:	Issuer's MTN Programme, Finnish law
Clearing:	Euroclear Finland Infinity
Listing:	Listing application will be made (Nasdaq Helsinki)
Denominations:	100,000€ + 100,000€
ISIN:	FI4000512058
MiFID II:	MiFID II Eligible counterparties and professional clients only / No PRIIPs KID has been prepared as not available to retail in the EEA
Bookrunner:	Danske Bank

- S-Bank is contemplating on issuance of Senior Preferred MREL Eligible Notes under its new MTN Programme in order to fulfil its MREL requirements

- This would mark an inaugural senior bond issue by S-Bank, which has so far issued subordinated notes that have been mainly targeted towards its owners

Appendix

FIN-FSA IMPOSED PENALTY ON S-BANK

13 September 2021

FIN-FSA

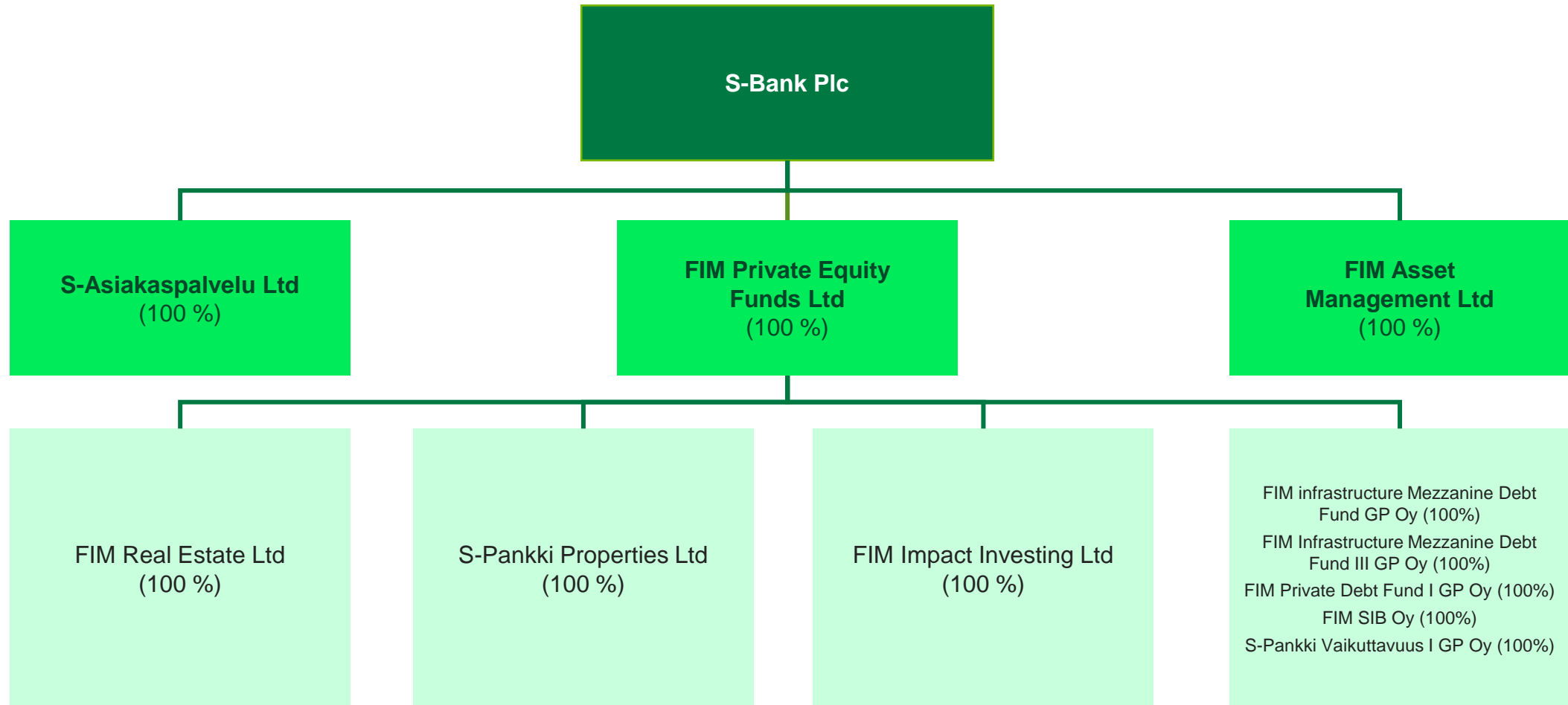
- The Financial Supervisory Authority (FIN-FSA) has imposed on S-Bank Plc a penalty payment of EUR 1,650,000.
- The Bank has between July 2016 and November 2018 failed to comply with the obligations related to the monitoring arrangements of customer trading activities as required by the EU's Market Abuse Regulation.
- Further information in: <https://www.finanssivalvonta.fi/en/publications-and-press-releases/Press-release/2021/fin-fsa-imposes-a-penalty-payment-of-eur-1650000-on-s-bank-plc-for-omissions-in-the-detection-of-suspicious-transactions/>

S-BANK

- According to the FIN-FSA, there were shortcomings in S-Bank's processes for identifying and reporting suspicious orders in share brokerage between 2016 and 2018.
- The identification and reporting of suspicious orders is an important part of financial market integrity, so we take the authority's findings seriously.
- The referred brokerage business was under a closing up procedure prior to initiation of the FIN-FSA's related inquiry September 2018, has since been closed up, and S-Bank does not conduct brokerage business services to its customers.
- S-Bank considers that there are no other governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during the previous 12 months which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

COMPANY STRUCTURE

As at 30 June 2021



THE MOST RESPONSIBLE BANK IN FINLAND

- Strong co-operative values are at heart of S-Bank, which means that responsibility is inherently at the core of our operations.
- We also offer our customers the chance to make responsible choices (e.g. with responsible and impact investing products).
- In 2021, for the ninth consecutive year, Finns chose S-Bank as the most responsible bank in the Sustainable Brand Index survey, the largest survey on sustainable development in the Nordic countries.



Sustainability themes



For the benefit of the customer

- We aim to be a fair partner for our customers.
- The key factors include open and easily understandable communications, clear pricing and easy-to-use services.
- We offer a bank account, card and banking IDs for electronic services free-of-charge to all the co-op members and their families.



For the well-being of personnel

- The well-being and competence of our personnel and good management are important areas for S-Bank.
- We make it easy for our employees to combine work with their private life.
- We offer our employees versatile work tasks and the opportunity to influence their own job descriptions.



For the benefit of society

- We are committed to observing laws and regulation and our own code of ethics.
- We are pioneers in responsible and impact investment.
- The responsible investment strategies include observing international norms, ESG integration, impact investing, excluding and influencing.

COVID-19 & S-BANK

- In the first half of 2021, the global pandemic continued to affect Finnish society and S-Bank in many ways. Confidence among households concerning their financial situations and outlooks grew. Employment declined slightly, but housing prices remained stable throughout the country. Retail and consumer staples trades grew distinctly on the corresponding period last year.
- At the beginning of the crisis, we focused on ensuring the safety of our customers and personnel, and on securing critical services. A significant proportion of our personnel continued to work remotely in H1/2021, while the bank focused on ensuring that its operations would continue, even in the event of a further decline in the overall situation.
- We recommended that our customers use S-mobiili and the online bank. The use of S-mobiili, in particular, grew considerable throughout 2020 and the application was developed during the year to meet customer expectations. The number of users of S-mobiili exceeded 1.5 million in H1/2021.
- S-Bank offered its customers the opportunity to apply for a free-of charge repayment holiday, which resulted in a record number of repayment holidays and other changes to payment schedules during 2020. The number of repayment holidays in relation to the loan portfolio resulted to 8.8 per cent at the end of H1/2021 (from 15.1 per cent at the end of 2020) and returned close to the pre-pandemic level.
- Changes in household consumption behavior, combined with a climate of general uncertainty that led to increased willingness to save, had an effect on the growth of the deposit portfolio in 2020. Total deposits continued to grow in H1/2021. On the Wealth Management side, customer cautiousness was reflected in net subscriptions in 2020. However, net subscriptions to the S-Bank and FIM funds totalled EUR 179.4 million (-41.0) in H1/2021. The increase in net subscriptions was higher than the market average.
- Many restrictions related to the coronavirus pandemic were reintroduced in the autumn but did not have a significant effect on profit performance in the second half of the year. For the whole year, the pandemic increased credit losses compared with the previous year. Considering the circumstances, S-Bank has managed well in 2020 and 2021.
- S-Bank's capital adequacy, liquidity and financing position have remained stable despite the pandemic.

INCOME STATEMENT

EUR thousands	2018	2019	2020	H1 2021
Interest income	86,669	94,397	99,156	50,153
Interest expenses	-7,162	-8,255	-9,823	-6,092
Net interest income	79,508	86,142	89,333	44,062
Fee and commission income	97,551	104,351	108,270	60,520
Fee and commission expenses	-42,782	-44,079	-41,251	-22,924
Net fee and commission income	54,770	60,272	67,019	37,596
Net income from investment operations	3,981	5,914	3,179	2,363
Other operating income	14,813	15,811	14,323	6,533
TOTAL INCOME	153,071	168,139	173,853	90,554
Personnel expenses	-47,325	-45,652	-44,887	-23,604
Other administrative expenses	-64,671	-61,897	-64,765	-34,246
Depreciation and impairment	-11,111	-12,811	-13,422	-6,047
Other operating expenses	-4,128	-4,780	-6,097	-2,547
TOTAL COSTS	-127,235	-125,140	-129,172	-66,444
Impairment of receivables	-8,691	-13,995	-23,633	-9,876
Share of the profits of associated companies	-0,016	-0,001	-0,001	0
OPERATING PROFIT (LOSS)	17,130	29,000	21,047	14,234
Income taxes	-4,639	-5,223	-5,378	-2,702
PROFIT (LOSS) FOR THE PERIOD	12,492	23,778	15,670	11,533

BALANCE SHEET

ASSETS, EUR thousands	2018	2019	2020	H1 2021
Cash and cash equivalents	468,436	603,893	775,734	894,892
Debt securities eligible for refinancing with central banks	1,002,523	787,214	721,541	670,570
Receivables from credit institutions	27,974	33,721	33,863	29,714
Receivables from customers	4,186,865	4,780,583	5,444,362	5,697,005
Debt securities	665,438	293,809	507,288	549,396
Derivative contracts	649	400	0	46
Shares and interests	25,209	27,620	28,126	29,725
Holdings in associated companies	9	8	2	2
Intangible assets	44,537	50,128	70,995	73,162
Tangible assets	6,682	4,696	10,720	9,501
Tax assets	3,016	2,348	1,597	2,075
Prepayments and accrued income	23,657	25,138	25,060	24,671
Other assets	7,102	4,429	6,064	5,358
TOTAL ASSETS	6,462,096	6,613,987	7,625,351	7,986,117

LIABILITIES AND EQUITY, EUR thousands	2018	2019	2020	H1 2021
Liabilities to credit institutions	302	0	0	0
Liabilities to customers	5,883,806	6,000,826	6,976,500	7,320,165
Subordinated debts	50,000	50,000	59,500	55,167
Derivative contracts	13,103	17,062	16,157	12,117
Provisions	264	302	397	397
Tax liabilities	7,784	5,733	6,345	6,960
Accrued expenses	17,461	30,320	30,547	38,832
Other liabilities	39,475	36,304	47,260	49,723
Total liabilities	6,012,194	6,141,149	7,136,707	7,483,361
Share capital	82,880	82,880	82,880	82,880
Reserves	280,828	283,037	283,366	285,513
Retained earnings	85,954	106,921	122,397	134,362
Non-controlling interests	240	0	0	0
Total equity	449,902	472,838	488,644	502,756
TOTAL LIABILITIES AND EQUITY	6,462,096	6,613,987	7,625,351	7,986,117

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