

A photograph of a family of five walking away from the camera through a lush green garden. The family consists of a young girl in a striped shirt, a woman in a light-colored blazer, a young boy in a checkered shirt, a woman in a brown top, and an older man in a blue plaid shirt. The scene is filled with green foliage and trees, creating a serene and natural atmosphere.

# CREDIT INVESTOR PRESENTATION

04 September 2023



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# TODAY'S PRESENTERS



**RIIKKA LAINE-TOLONEN**

**CHIEF EXECUTIVE OFFICER**



**MIKA HEIKKILÄ**

**CHIEF FINANCIAL OFFICER**



**EERO SALORANTA**

**DIRECTOR, CORPORATE  
BANKING AND TREASURY**

Riikka Laine-Tolonen has acted as S-Bank's CEO since 2023. Previous positions include:

- Danske Bank: Head of Personal Customers Finland, 2020–2022
- Danske Bank: Head of Retail Bank Finland, 2019–2020
- Nordea: Multiple leadership positions, 2006–2018

Mika Heikkilä has acted as S-Bank's CFO since 2017. Previous positions include:

- S-Bank – Multiple leadership positions, 2007–2017

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

# S-BANK AT A GLANCE

## A LARGE MORTGAGE LENDER IN A STABLE MACRO ENVIRONMENT

- The acquisition of Svenska Handelsbanken's Finnish private customer, asset management and investment services operations will make S-Bank the fourth largest mortgage lender in the Finnish market.
- Operating in a AA+ rated country with strong fiscal balances, low unemployment and lowest household debt in the Nordics.

## SOLID GROWTH IN THE MORTGAGE PORTFOLIO

- S-Bank has one of the fastest-growing mortgage portfolios in Finland, where the housing market is relatively stable and well-positioned among the Nordics.
- S-Bank has high focus on expanding the mortgage portfolio.

## ROBUST CAPITAL BASE AND LIQUIDITY

- The bank's CET-1 ratio stood at 14.4% in H1 2023.
- Strong LCR of 186% and liquidity portfolio in excess of EUR 1.8 billion in H1 2023.

## STRONG RATINGS BY S&P

- Expected rating of AAA on the contemplated EUR covered bond issuance.
- Issuer rating of BBB with a positive outlook.
- S&P sees S-bank's planned acquisition of Handelsbanken's Finnish retail portfolio as complementing S-Bank's banking and wealth management business and providing a structural boost to profitability.

## SUPPORTIVE OWNERSHIP STRUCTURE

- The S Group facilitates growth, strong brand and convenient access to the retail group's 2.5 million loyalty programme customers.
- Excellent cross selling opportunities, which are strengthened further by the acquisition of Handelsbanken's Finnish retail portfolio.



# INTRODUCTION TO S-BANK

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# S-BANK IN BRIEF: A BANK FOR S GROUP CUSTOMERS FOCUSING ON PROFITABLE GROWTH

## A BANK FOR S GROUP CUSTOMERS

S-Bank (BBB by S&P, positive outlook) 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 3.2 million customers. Customer base is mainly serviced with digital services, complemented with customer service available by phone and service points located in the S Group's business locations with wide accessibility throughout Finland.

## PROFITABLE GROWTH JOURNEY CONTINUES

S-Bank announced on 31 May 2023 that it will acquire the Finnish private customer, asset management and investment services operations of Svenska Handelsbanken AB, the acquisition of is due to be largely funded with covered bond issuance.

## ESG

S-Bank completed its Scope 1 & 2 emission calculations in 2022 with Scope 3 expected to follow in 2023 or 2024. Overall, climate risk in S-Bank's credit book is low as it focuses on retail customers.

## PRODUCT OFFERING

### 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"

## HIGHLIGHTS FROM H1 2023

*"Strong performance at the beginning of the year – the next chapter is about to start"*

- Lending increased to EUR **6.9** billion (6.4)\*
- Deposits increased to EUR **8.2** billion (7.8)
- Assets under management increased to EUR **6.1** billion (5.7)\*\*
- Operating profit increased to EUR **57.6** million (13.3)
- The capital adequacy ratio increased to **17.3%** (16.2)

(EUR million)	H1 2023	H1 2022	Change
Net interest income	120.9	49.6	157.9%
Net fee and commission income	45.0	41.5	8.5%
Total income	170.5	96.7	76.3%
Operating profit	57.6	13.3	331.8%
Cost-to-income ratio	0.61	0.83	-0.22

\* In the above, figures for the corresponding period of 2022 are used in the result comparisons.

\*\* Comparison amount has been adjusted with the value of Q4 2022 terminated portfolio management agreement.



# S-BANK IS A KEY PART OF S GROUP

## S-BANK IS FULLY OWNED BY S GROUP – FULL SERVICE BANK FOR CO-OP MEMBERS



**SOK**

**REGIONAL  
COOPERATIVES**

- 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
- 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

**2.5 million**

co-op members

**78%**

of all Finnish households are co-op members

**47%**

grocery stores' market share

**40 875**

employees

**1 984**

places of business

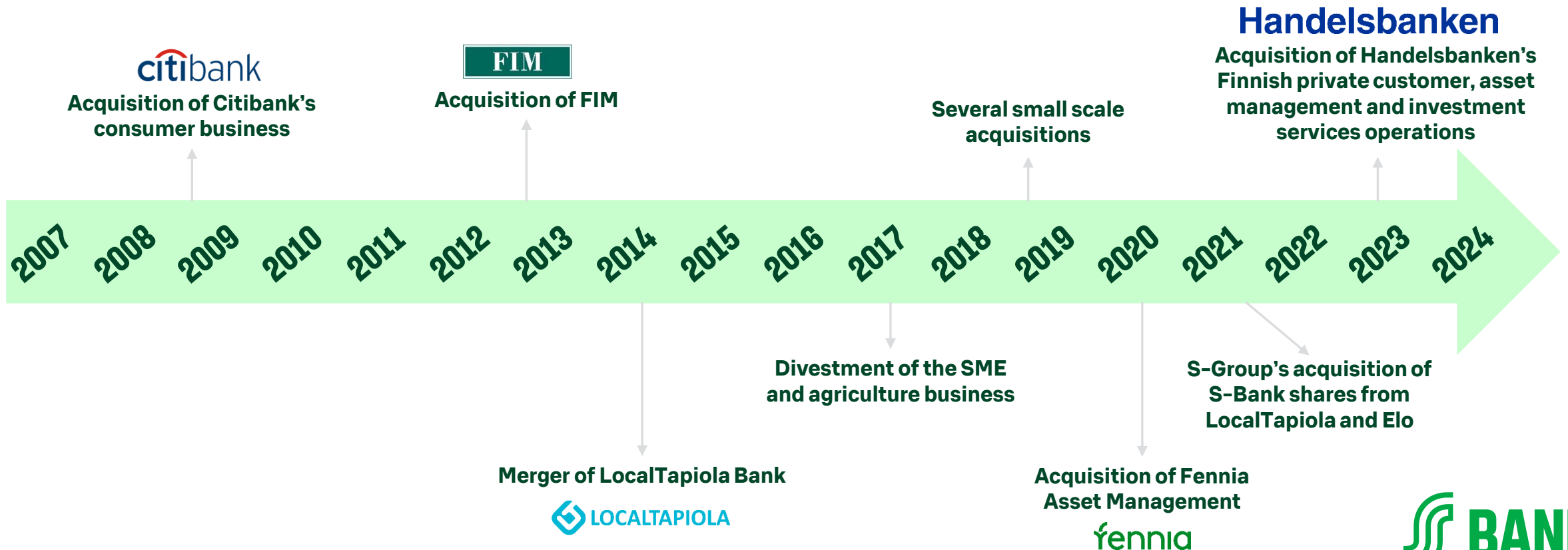


# HISTORY OF S-BANK

ESTABLISHMENT  
OF S-BANK

GROWTH THROUGH ACQUISITIONS,  
INVESTMENT IN INTEGRATION

EXPANSION AND FOCUS ON CORE BUSINESS AND  
EFFICIENCY IMPROVEMENT

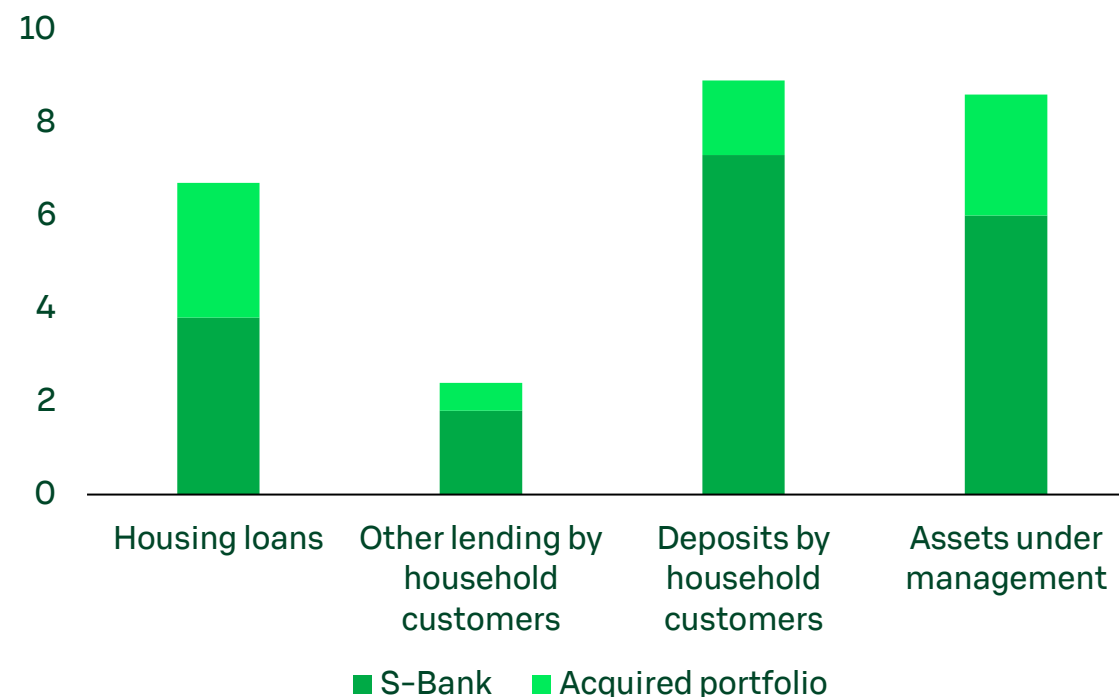




# HANDELSBANKEN ACQUISITION: S-BANK WILL BECOME THE FOURTH LARGEST BANK IN THE FINNISH RETAIL MARKET

- S-Bank will acquire Handelsbanken's Finnish private customer, asset management and investment services operations. The value of loans to be transferred was approximately EUR 3.6 billion and that of deposits approximately EUR 1.6 billion. The companies will also start to cooperate, and S-Bank will begin to offer funds managed by Handelsbanken Fonder AB.
- Upon completion of the transaction, approximately 230 Handelsbanken employees and nearly all lease agreements of the bank's Finnish branches will be transferred to S-Bank.
- S-Bank will move up to a **new size category**, which will also strengthen the bank's **earning power** and capital adequacy in the longer term.
- S-Bank **will not pay a premium** on the transaction. S-Bank will pay Handelsbanken a cash amount that is EUR 20–25 million less than the net value of the balance sheet items to be transferred at closing.
- The transaction will be financed with a subsequent **share issue** to the owners and **debt financing** from the market.
- The transaction will not affect S-Bank's guidance on its outlook for 2023. The Finnish Competition and Consumer Authority gave an approval of the transaction for S-Bank on 17 July 2023. The parties expect the transaction to be completed during the **second half of 2024**.

## S-BANK MOVES UP TO A NEW SIZE CATEGORY (EUR bn)



Pro forma combined figures based on 31 March 2023 situation



# BUSINESS DESCRIPTION

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# BANKING BUSINESS: 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 services for housing construction and housing companies and other (limited) services for S Group related entities

## 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 in customer S-Bank accounts with attached payment cards
- *Segment share of total income at 81% of total in 2022 (87% H1 2023)*

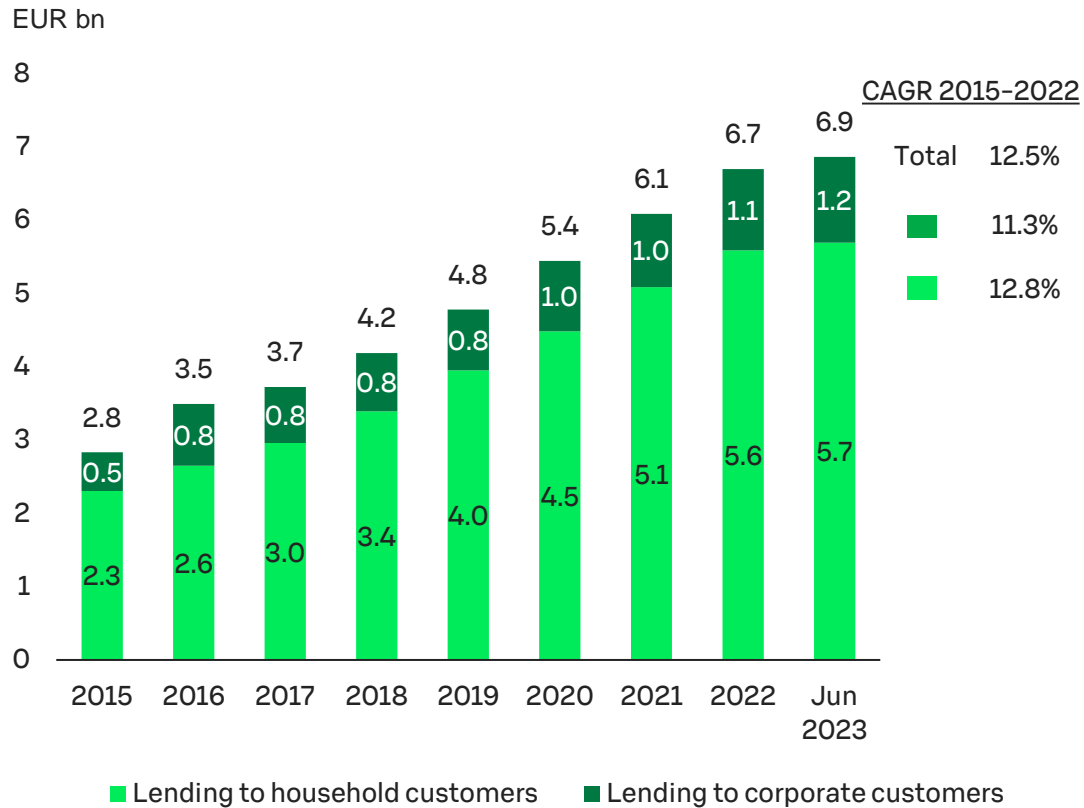
## DISTRIBUTION

- Emphasis on digital channels: a vast majority of the customers are served and advised via the web, mobile app, phone and remote meetings.
- No traditional branches
- Extensive physical network mostly operated by S Group retailers:
  - Services for onboarding both the loyalty programme and bank services, advisory for simple needs and errands needing physical customer visit
- Cash withdrawals and deposits at checkouts in over 1 000 S Group branches



# LENDING: STRONG GROWTH IN ALL AREAS OF LENDING ACTIVITIES – MARKET SHARE INCREASING RAPIDLY

## LENDING DEVELOPMENT

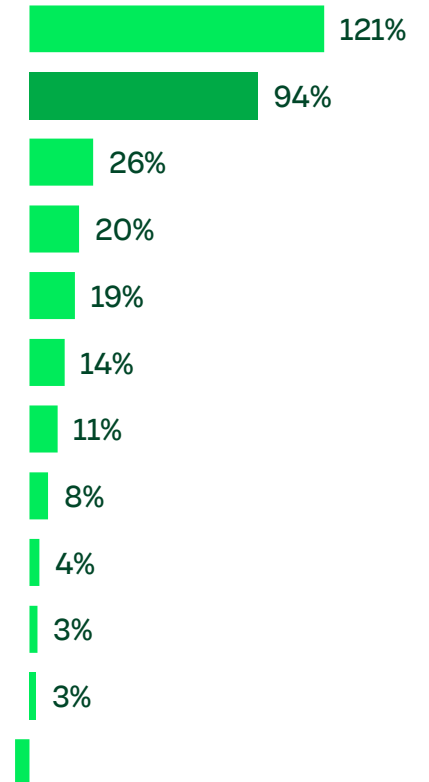


## FINNISH HOUSEHOLD MORTGAGES - LOAN CAPITAL CHANGE<sup>1</sup>

Balance sheet Dec 2022, EUR bn



Change Dec 2017-Dec 2022

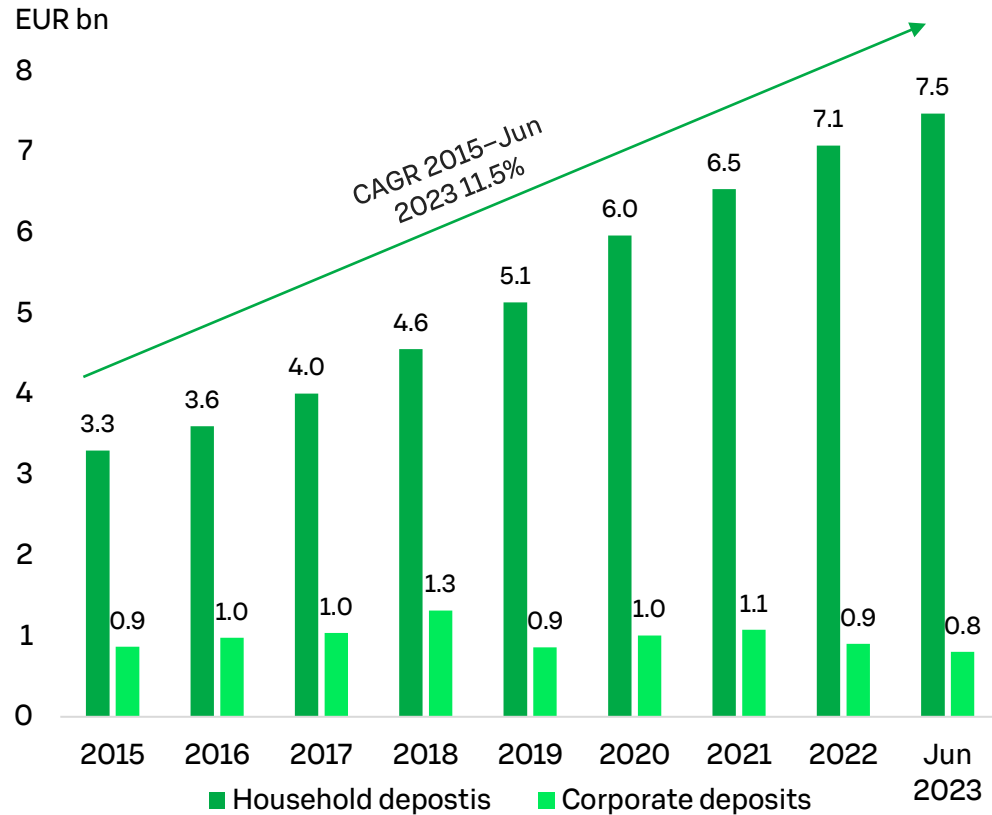


1) Data from Bank of Finland (BoF) – BoF's household mortgage capital recognition differs somewhat from S-Bank's own classification (to facilitate comparability across various banks)

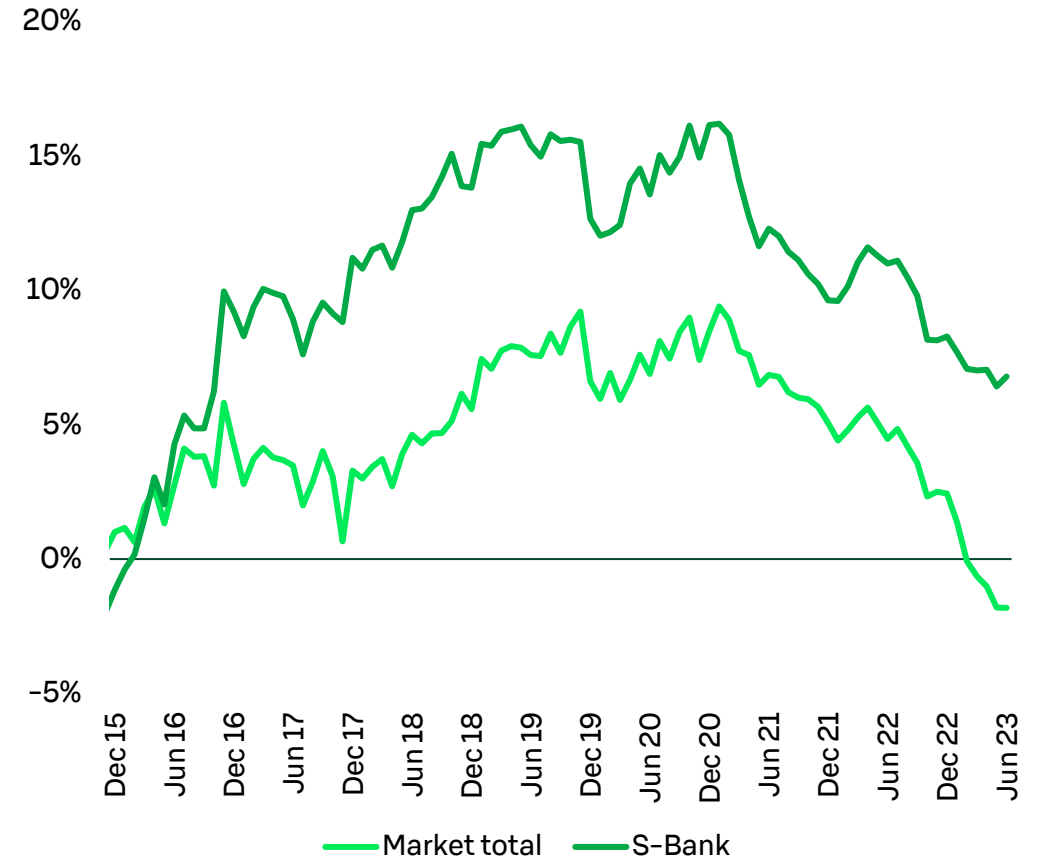


# DEPOSITS: STRONG GROWTH IN HOUSEHOLD DEPOSITS

## S-BANK HOUSEHOLD AND CORPORATE DEPOSITS



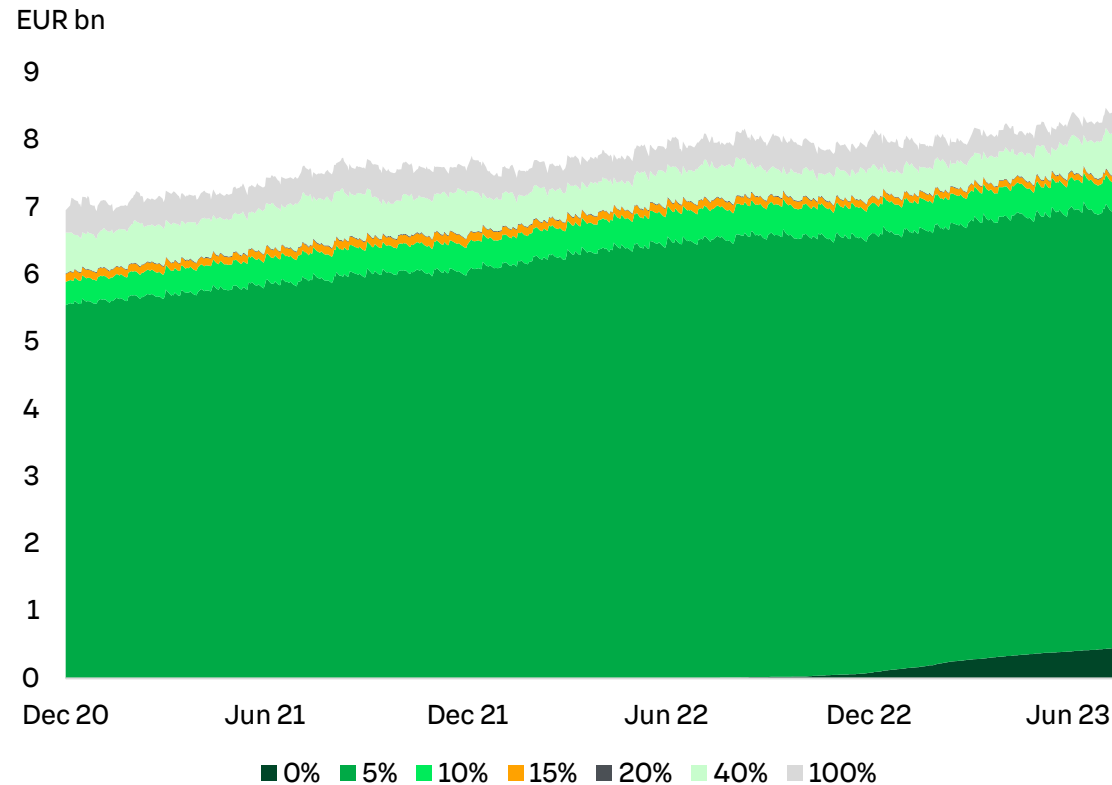
## FINNISH HOUSEHOLD DEPOSIT GROWTH<sup>1</sup> (12-MONTH)



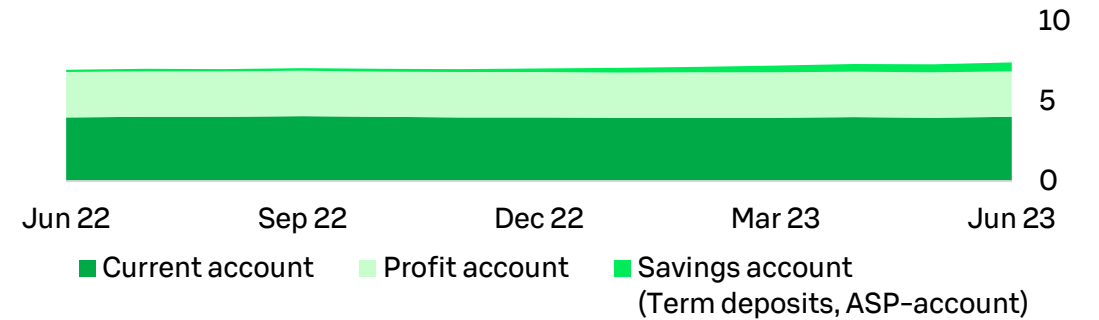
1) Data from Bank of Finland (BoF)

# STABLE HOUSEHOLD DEPOSITS FORM S-BANK'S STRONG FUNDING BASE

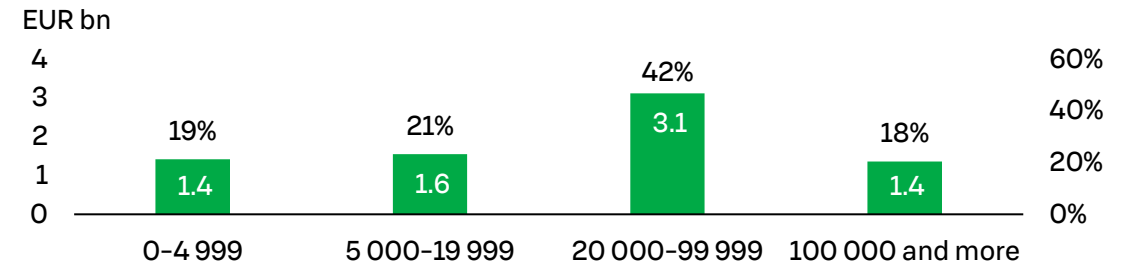
80% OF TOTAL HOUSEHOLD AND CORPORATE DEPOSITS ARE STABLE RETAIL DEPOSITS (5% LCR-OUTFLOW)



HOUSEHOLD DEPOSIT GROWTH LED BY TERM DEPOSITS RECENTLY (EUR BILLION)



HOUSEHOLD DEPOSIT ACCOUNTS BY EUR VOLUME (H1 2023)



# WEALTH MANAGEMENT: GROWTH POTENTIAL STEMMING FROM LARGE CUSTOMER BASE AND WIDE RANGE OF PRODUCTS

## PRODUCTS AND SERVICES

- Wealth Management serves Retail, Private Banking and Institutional clients
- Wide range of equity, debt and alternative investment funds. Award-winning performance in funds.
- Discretionary asset management offered to Private Banking and Institutional clients
- Mobile digital investment service 'Säästäjä' including micro-savings
- Emphasis on ESG in all investment funds, including passive funds
- Structured products for Private Banking and Institutional clients

## EARNINGS MODEL

- Fee types:
  - More than 90% of income from ongoing management fees
  - Additional fees from performance, redemption and subscription fees
- Key drivers:
  - Cross-selling opportunities through vast retail client base
  - Business profile diversified through different client and product segments

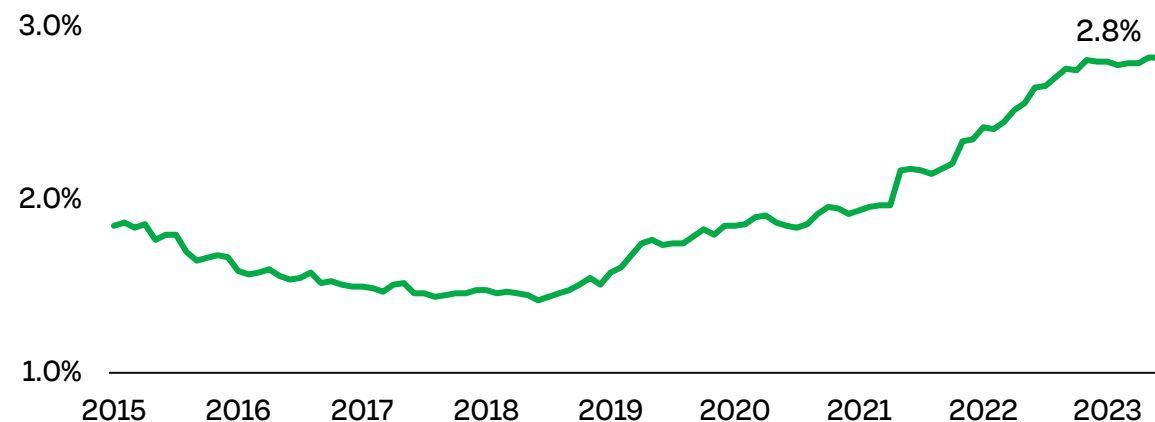
## DISTRIBUTION

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

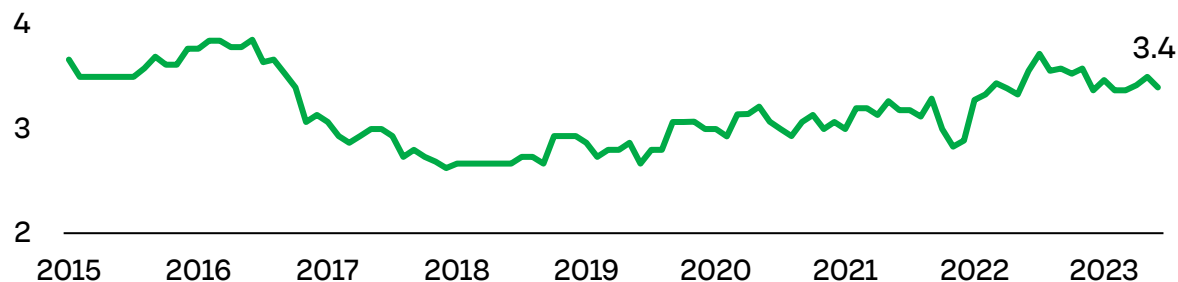
# WEALTH MANAGEMENT BUSINESS AREA SUMMARY H1 2023

- Total AuM at **EUR 6.1 bn** – EUR 4.2 bn in Fund Capital and EUR 1.9 bn in Wealth Management Capital
- In H1 2023, the net subscriptions to S-Bank funds performed stronger than the fund management companies on average. Positive development in market share continuing for the fifth year in a row.
- S-Bank has a strong standing in terms of number of unit holders, creating significant cross-selling opportunities as well as strong base for future growth. Handelsbanken portfolio acquisition supports growth potential even further.
- In April 2023, S-Bank Fenno Equity and S-Bank High Yield Europe ESG Yield funds were judged best in class in the Nordic (Refinitiv Lipper Fund Awards Nordic 2023)

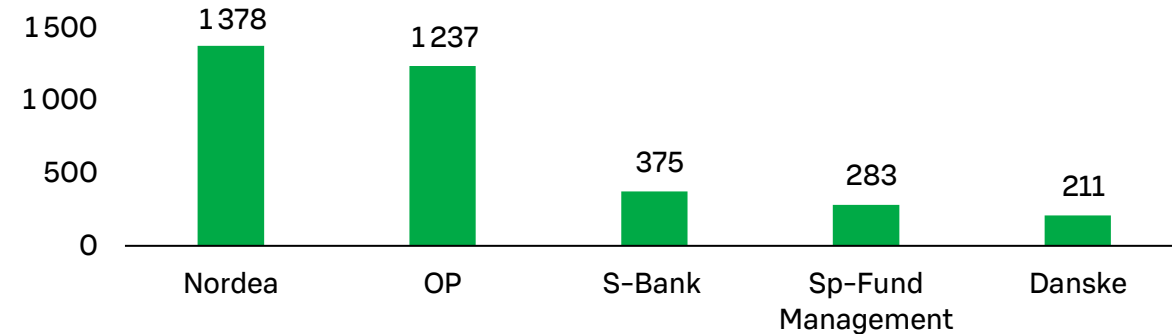
## MARKET SHARE OF S-BANK FUNDS



## MORNINGSTAR 3-YEAR RATING AVERAGE FOR S-BANK FUNDS (JUNE 2023)



## LARGEST FINNISH FUND MANAGERS (NUMBER OF FUND UNIT HOLDERS IN THOUSANDS, 30 JUNE 2023)









Sources: Investment Research Finland Mutual Fund Report, Morningstar





# 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 15.0%*
	Dividend policy and guidance	Annual dividend of 5–15% of profit
	Customers	1 million active clients target as a long-term active customer growth target

## STRONG GROWTH POTENTIAL IN THE EXISTING CUSTOMER BASE AND THROUGH EXECUTING THE HANDELSBANKEN ACQUISITION

### Growth potential based on existing customers

We focus on expanding sales among our 3.2 million customers and increasing cross-sales between business units.

Our current growth rate is significantly above market growth in most business areas

Digital channels allow us to serve a large number of customers efficiently. Around 2.1 million customers have already installed our mobile app.

\* The limit has been set at 1.5 percentage points above the total capital requirement (12.04% in June 2023) and known future changes in capital requirements (1.0% systemic risk buffer and 0.5% of Pillar 2 requirement). S-Bank prepares for the future changes in capital requirements proactively in its risk appetite framework.

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# KEY FIGURES

(EUR million)	2020	2021	2022	H1 2023
Total income	174	187	222	171
Operating profit	21	25	45	58
Deposits	6 925	7 555	7 926	8 222
Lending	5 444	6 086	6 695	6 862
Non-performing loans	0.6%	0.6%	0.9%	1.0%
Assets under management	5 256	6 170	5 852	6 139
Debt securities	1 229	1 149	697	743
Cost-to-income, %	74.0%	78.0%	74.5%	60.8%
ROE, %	3.3%	3.9%	6.9%	13.3%
ROA, %	0.2%	0.2%	0.4%	0.8%
Equity ratio, %	6.4%	6.0%	5.9%	6.1%
Capital adequacy ratio, %	15.7%	16.3%	16.3%	17.3%
CET-1 ratio, %	13.7%	13.0%	13.2%	14.4%

**STRONG GROWTH IN  
OPERATING PROFIT**

**LOAN TO DEPOSIT  
RATIO 83%**

**IMPROVING COST-TO-  
INCOME RATIO**

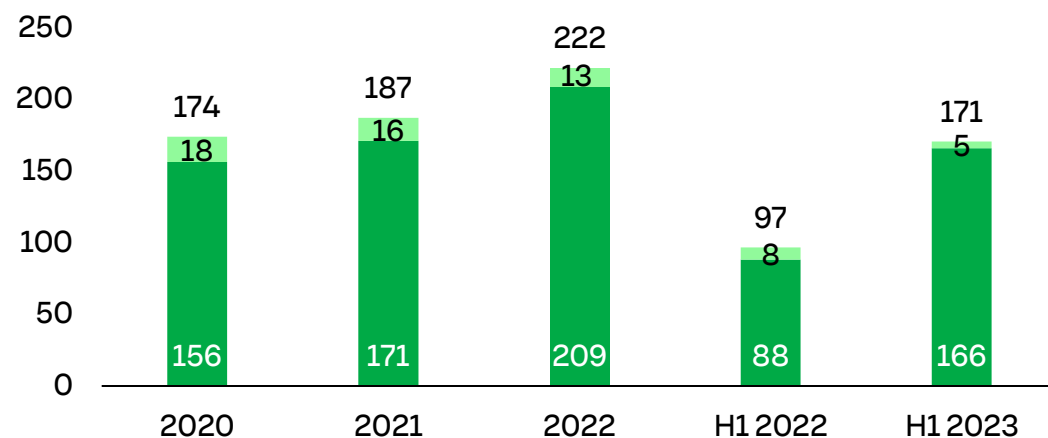
**SUSTAINED  
IMPROVEMENT IN ROE**

**ROBUST  
CAPITAL BASE**



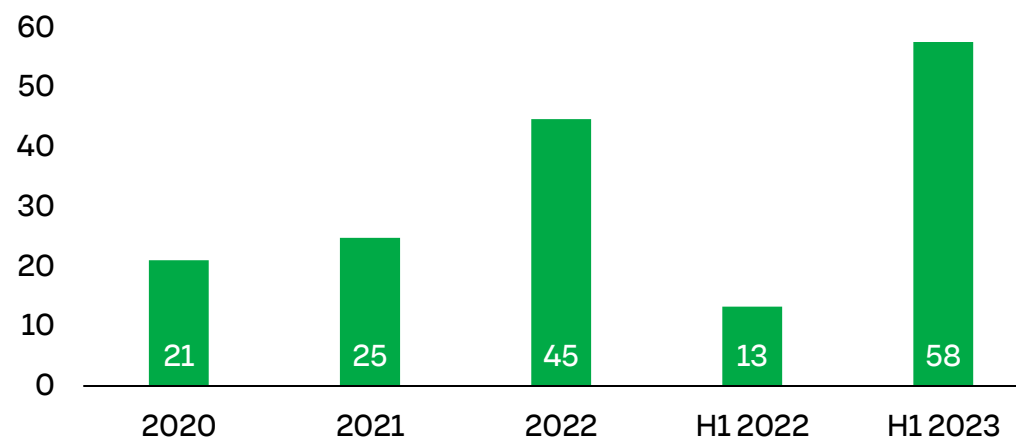
# DEVELOPMENT OF KEY INCOME MEASURES

## TOTAL INCOME (EUR million)



■ Other income ■ Net interest income and Net fee and commission income

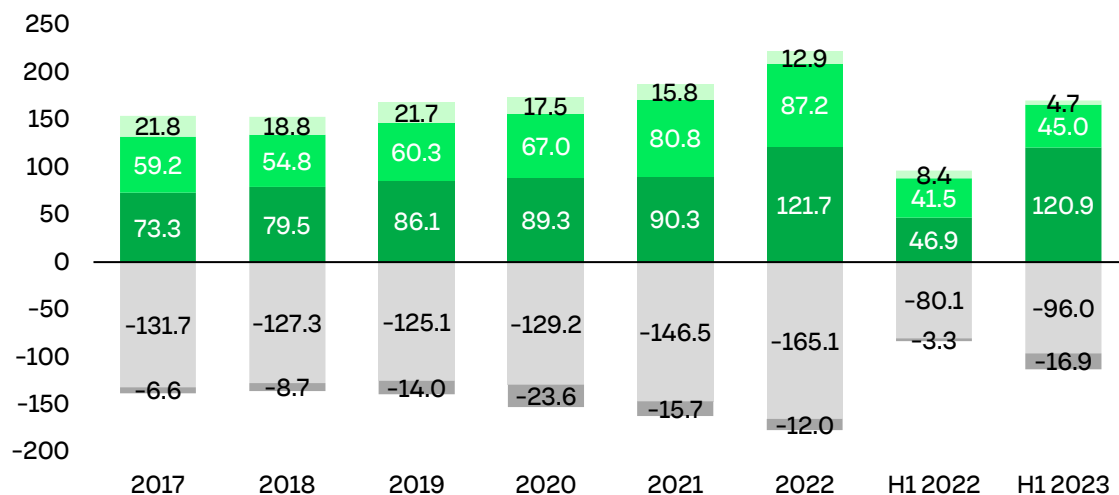
## OPERATING PROFIT (EUR million)



- S-Bank's total income has grown constantly over the years. In last 12-month period total income was EUR 296 million due to a higher interest rate levels and favorable deposit rates. NII contributed 71% (49) of total income in H1 2023.
- The Banking segment contributed 87% (79) of total income in H1 2023.
- In H1 2023, operating profit increased to EUR 57.6 million from EUR 13.3 million in H1 2022. The improvement in performance was driven by a strong 157.9% increase in net interest income.

# INCOME & COST ANALYSIS

## DEVELOPMENT OF KEY INCOME & COST ITEMS (EUR MILLION)



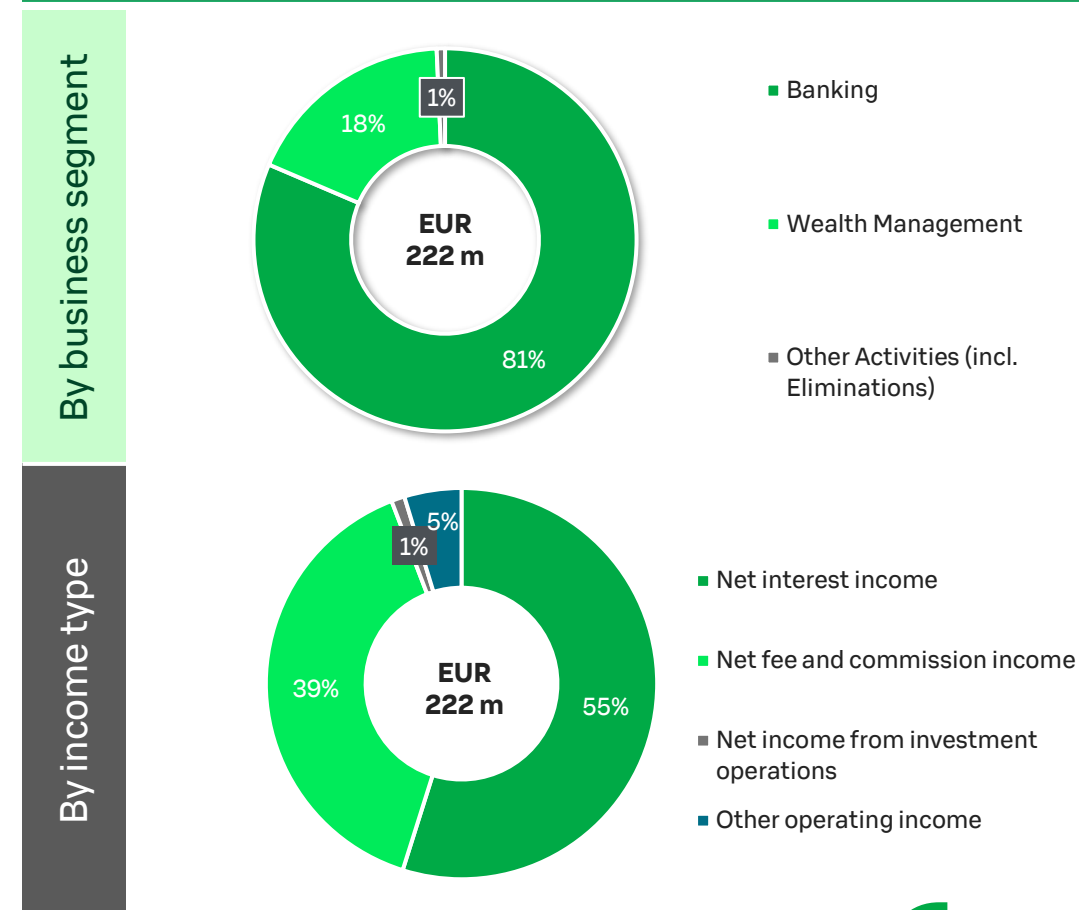
■ Net interest income  
■ Net fee and commission income  
■ Other income  
■ Administrative expenses  
■ Impairment losses

	2017	2018	2019	2020	2021	2022	H1 2022	H1 2023
Cost - Income ratio, %	83%	83%	74%	74%	78%	74%	83%	61%
Total income / Total assets, %	2.7%	2.4%	2.5%	2.3%	2.2%	2.6%	2.3%*	3.3%*

\* Represents previous 12M total income to total assets

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

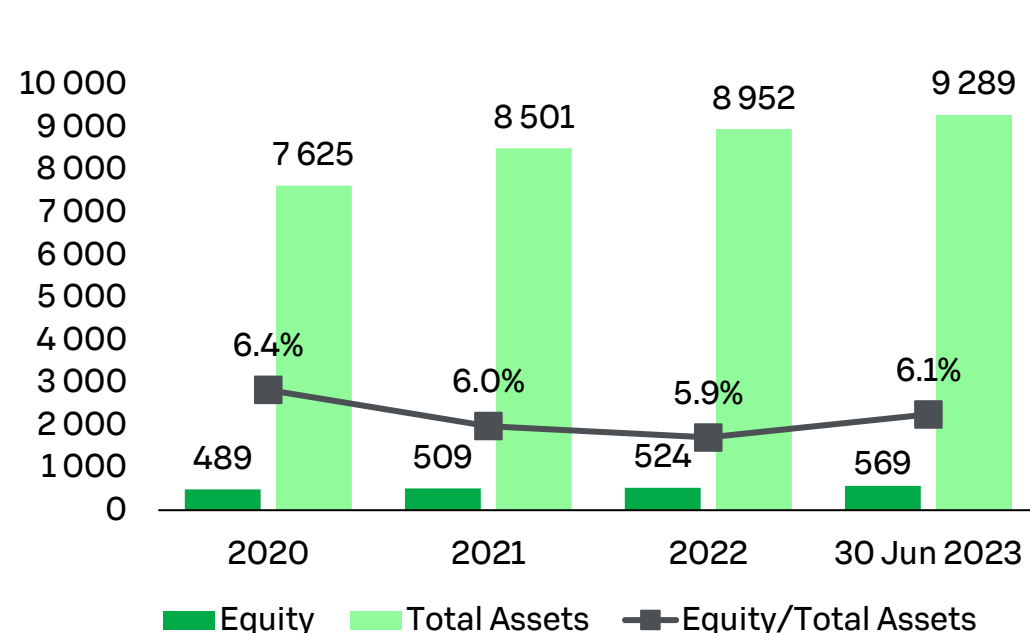
## INCOME SPLITS BY SEGMENT AND TYPE (FY 2022)



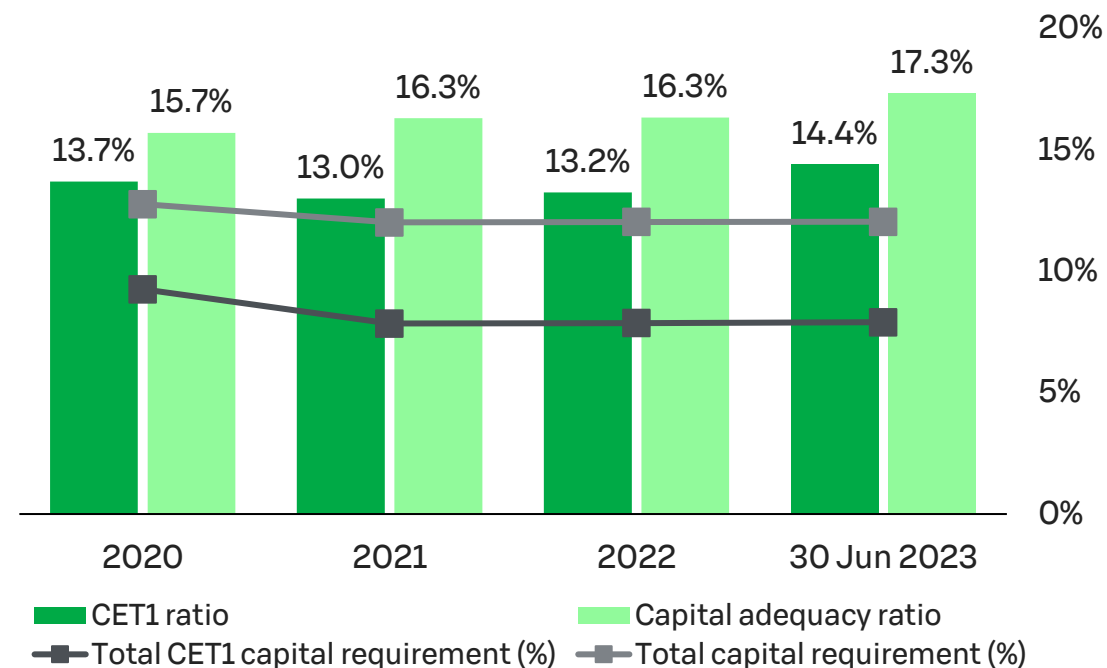
# CAPITAL POSITION

Strong capital position well above the regulatory levels despite high growth

## EQUITY / TOTAL ASSETS (EUR million)



## KEY CAPITAL RATIOS (CET1 + CAPITAL ADEQUACY RATIO)

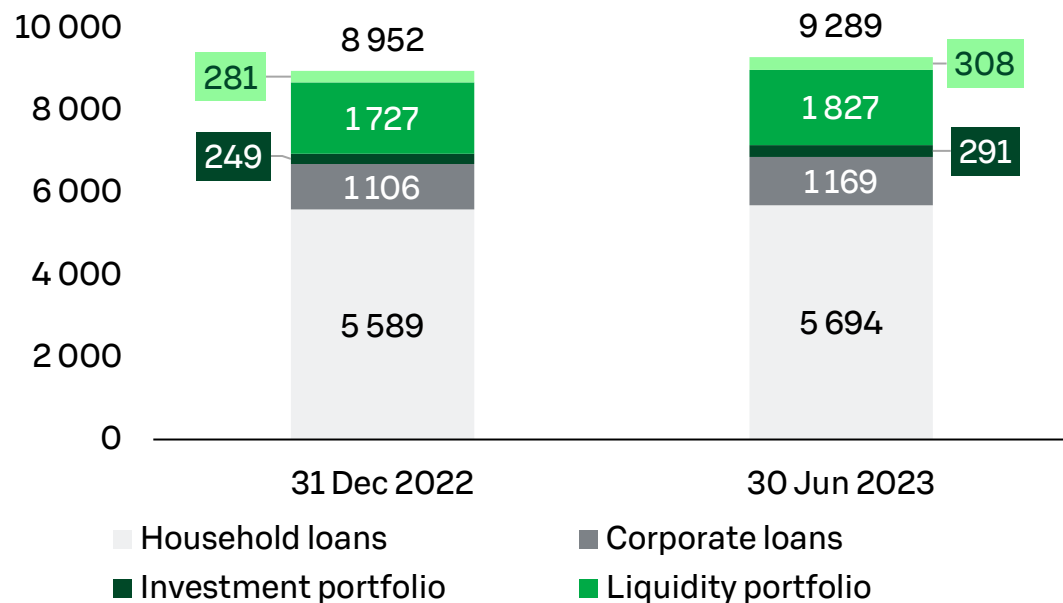


- S-Bank has seen strong development in its asset base since 2020. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 5.9% to 6.4% between 2020 and 2023. At the end of the review period, the equity ratio stood at 6.1% and the CET1 ratio at 14.4%.
- The key capital ratios have been maintained well above the regulatory requirements.

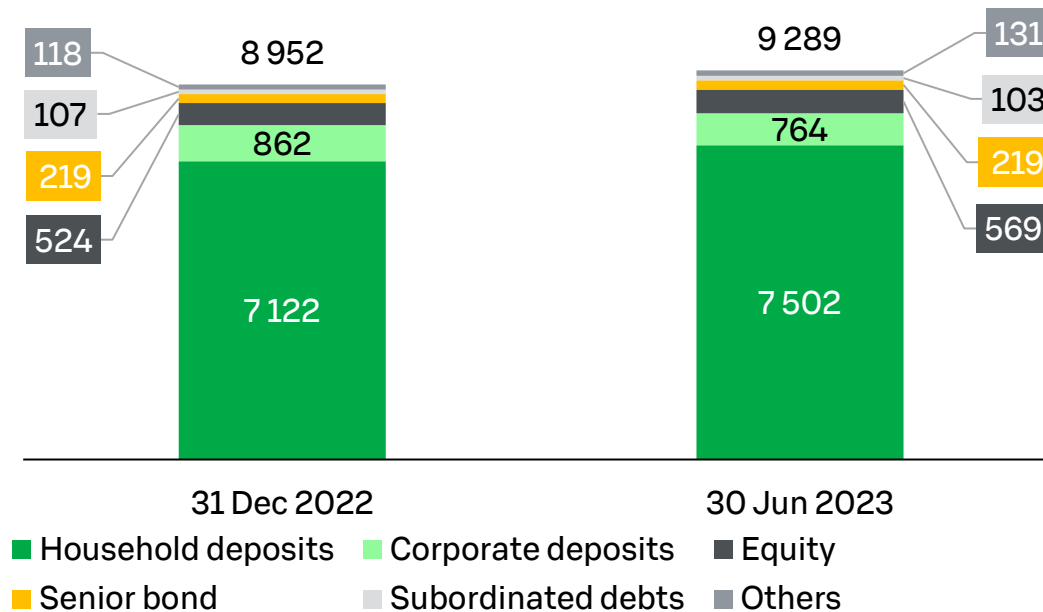
# BALANCE SHEET & FUNDING

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

## ASSETS (EUR million)



## LIABILITIES AND EQUITY (EUR million)



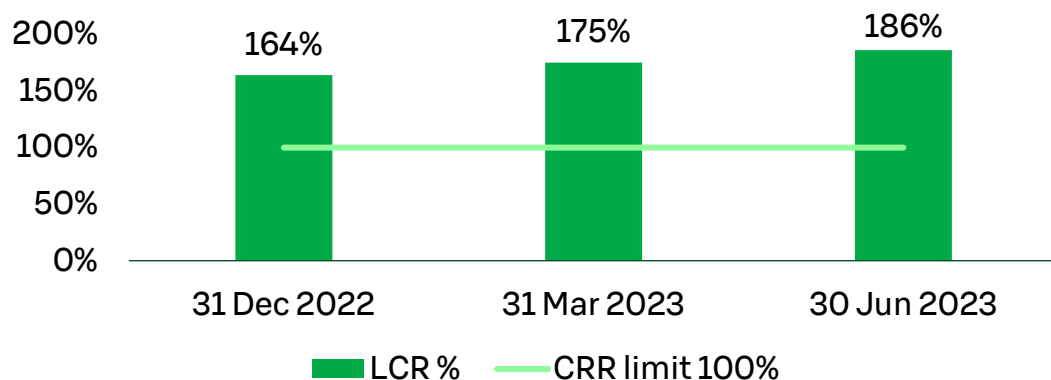
- Household and corporate deposits comprised 89% (89%) of total liabilities and own funds at the end of H1 2023. At the same time, lending to households comprised 61% (62%) of the total assets.
- Lending and deposit growth continued in the first half of the year. Lending increased in both household and corporate customers. Deposit growth was concentrated in household customers term deposits, and corporate customer deposits decreased.

# LIQUIDITY

## Robust liquidity position and easy access to additional funding

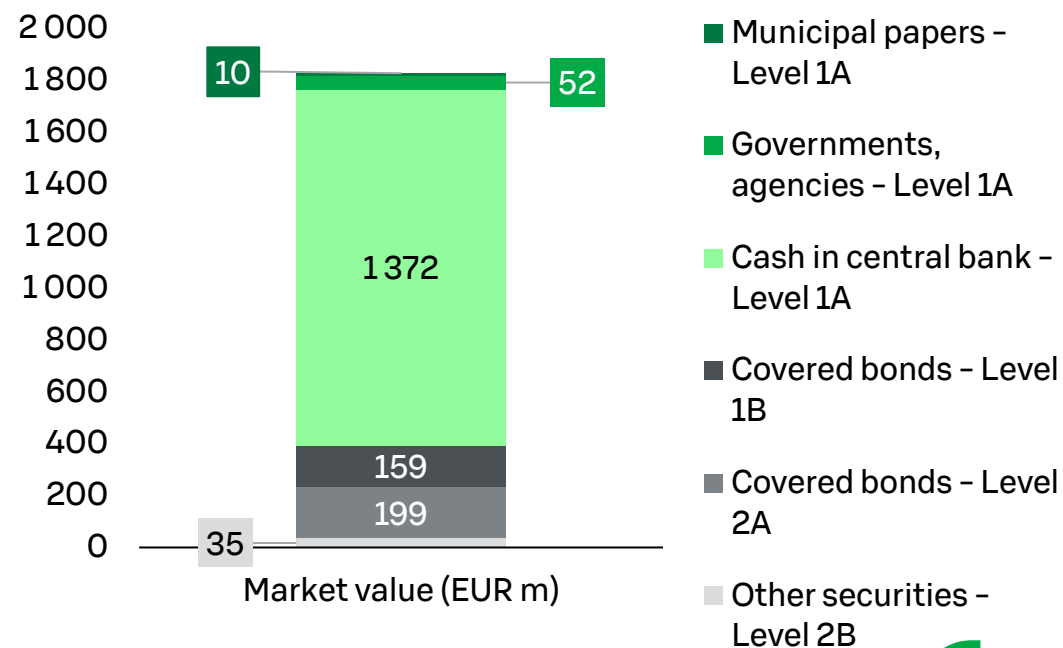
### LIQUIDITY OVERVIEW

- S-Bank's liquidity portfolio totalled EUR 1 827 million at the end of H1 2023 (EUR 1 727 million at the end of 2022)
- Level 1 assets comprise 87% of the portfolio with the largest allocations in cash in the central bank
- Furthermore, S-Bank has pre-positioned collateral in the Bank of Finland to secure access of funding and liquidity and has a CD-programme for short-term funding needs
- NSFR ratio was 155% at the end of H1 2023 (151% at the end of 2022) - wide headroom over the regulatory requirement of 100%
- LCR was 186% at the end of H1 2023 (164% at the end of 2022), which is also well above the 100% regulatory limit



### LIQUIDITY PORTFOLIO, 30 JUN 2023

EUR million	Level 1A	Level 1B	Level 2A	Level 2B	Total
Amount held (% of total market value)	1 434 (78.5%)	159 (8.7%)	199 (10.9%)	35 (1.9%)	1 827





# COVER POOL

INTRODUCTION  
TO S-BANK

BUSINESS  
DESCRIPTION

KEY  
FINANCIALS

COVER  
POOL

OPERATING  
ENVIRONMENT

# S-BANK AS A COVERED BOND ISSUER

Bank is well prepared for an inaugural issuance and will continue as an active issuer in the future

The new Finnish Covered Bond legislation (Act on Mortgage Banks and Covered Bonds 151/2022) entered into force on 8 July 2022.

The Finnish FSA granted S-Bank a licence on 30 June 2022, to act as a mortgage credit bank which allows issuance of covered bonds.

S&P has assigned **AAA** ratings to the covered bonds of S-Bank.

- S-Bank has established a **EUR 3 000 million** Programme for the Issuance of Senior Preferred MREL Eligible Notes, Covered Bonds and Additional Tier 1 Capital Notes
- S-Bank is prepared for an inaugural Covered Bond issuance. Previous issuances include Senior Preferred MREL Eligible Notes in October 2021 and June 2022.
- Member of European Covered Bond Council (ECBC) since July 2023
- All Covered Bonds issued by S-Bank will meet the European Covered Bond Label (Premium) requirements
- S-Bank has the strategic goal of becoming a regular issuer of benchmark-sized Covered Bonds. Secure access to Capital Markets is of high importance to the bank.
- The closing date for the Handelsbanken acquisition expected to be in H2 2024. The funding gap will be covered through a mix of short and long-term instruments.
- Covered Bond 100% secured by high-quality Finnish residential mortgages

# ELIGIBILITY CRITERIA FOR COVER POOL

Cover Pool consists of high-quality Finnish residential assets

<b>Origination</b>	<ul style="list-style-type: none"><li>Loans originated by S-Bank</li></ul>
<b>Asset Categories</b>	<ul style="list-style-type: none"><li>Finnish residential assets<ul style="list-style-type: none"><li>100% retail mortgages</li><li>No housing company residential mortgages in the pool</li></ul></li></ul>
<b>Customer Credit Quality</b>	<ul style="list-style-type: none"><li>No arrears (&lt; 60 days past due)</li><li>No negative payment remarks</li><li>Payment capacity stress tested (25Y maturity with 6% interest rate as guided by FIN-FSA)</li></ul>
<b>Collateral</b>	<ul style="list-style-type: none"><li>Maximum LTV limit 80%</li><li>Finnish residential collaterals located in major cities and their surroundings</li><li>Conservative valuation practices<ul style="list-style-type: none"><li>Collateral values evaluated monthly and only adjusted downwards</li><li>For high-risk loans<sup>2</sup>, statistical method is replaced by manual desktop estimation by authorized property valuator</li></ul></li><li>Commitment to keep OC all times at the level commensurate with S&amp;P rating 'AAA'</li></ul>
<b>Type of Properties</b>	<ul style="list-style-type: none"><li>Primary and secondary residences</li><li>Limited liability housing companies</li></ul>
<b>Type of Products</b>	<ul style="list-style-type: none"><li>Principal repayment mortgages</li><li>Remaining maturity 30–10 000 days</li><li>Remaining principal EUR 3 000–3 000 000</li></ul>

<sup>2</sup> >300k non-performing loan, loan amount >3 mEUR, other indicator of increased credit risk or loan belonging to a random validation sample

# S-BANK COVER POOL: CHARACTERISTICS

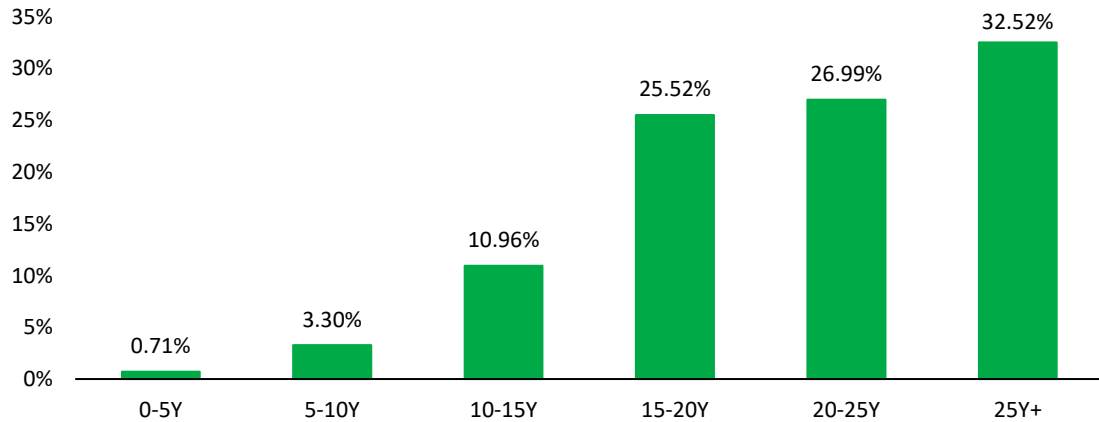
## Key characteristics of the cover pool at 30 June 2023

<b>Size of the pool</b>	EUR 3 095.32 million (nominal)
<b>Collateral type</b>	100% Finnish residential mortgages
<b>Number of loans</b>	37 175
<b>Average loan size</b>	EUR 86 376
<b>WALTV<sup>1</sup></b>	68.64%
<b>Weighted average loan seasoning</b>	46.80 months
<b>Nonperforming loans</b>	0%
<b>Loans in arrears</b>	0%
<b>Interest rate base</b>	96.9% floating / 3.1% fixed
<b>Over-collateralisation</b>	> 500%
<b>Applicable law</b>	Finnish Act on Mortgage Credit Banks and Covered Bonds (151/2022)

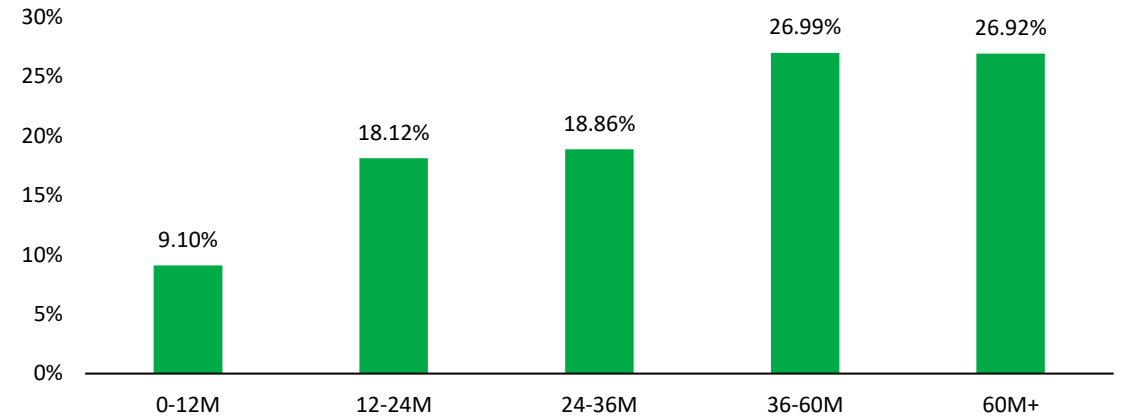
<sup>1</sup> Weighted Average Loan-to-Value based on current loan and collateral values

# DETAILS OF THE COVER POOL

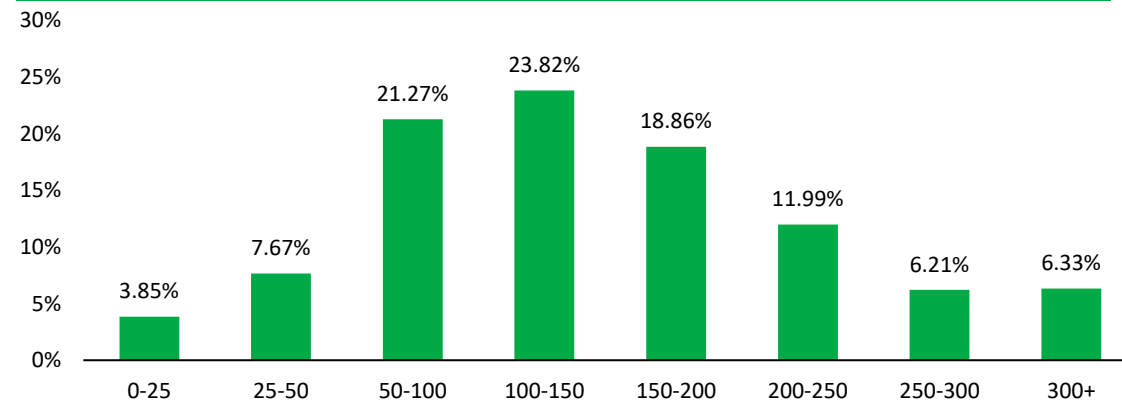
## LOAN MATURITY DISTRIBUTION



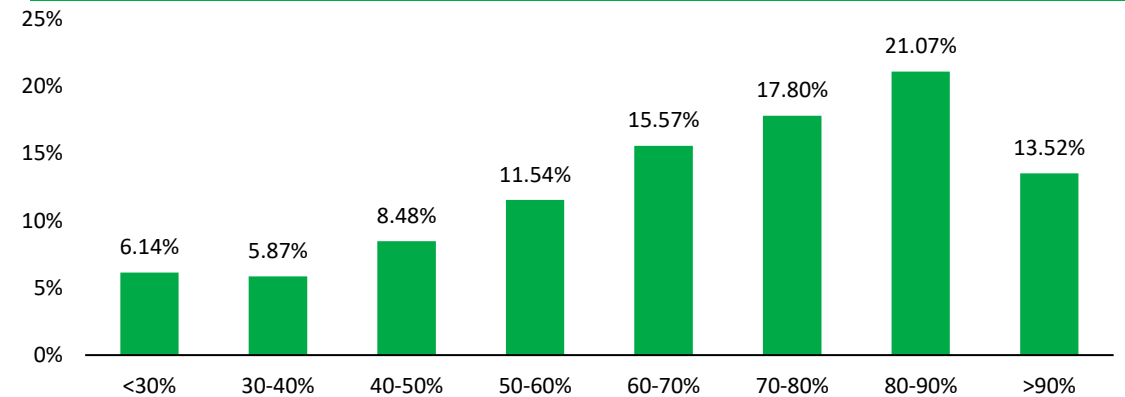
## LOAN SEASONING



## LOAN SIZE BUCKETS (EUR THOUSAND)



## LTV DISTRIBUTION

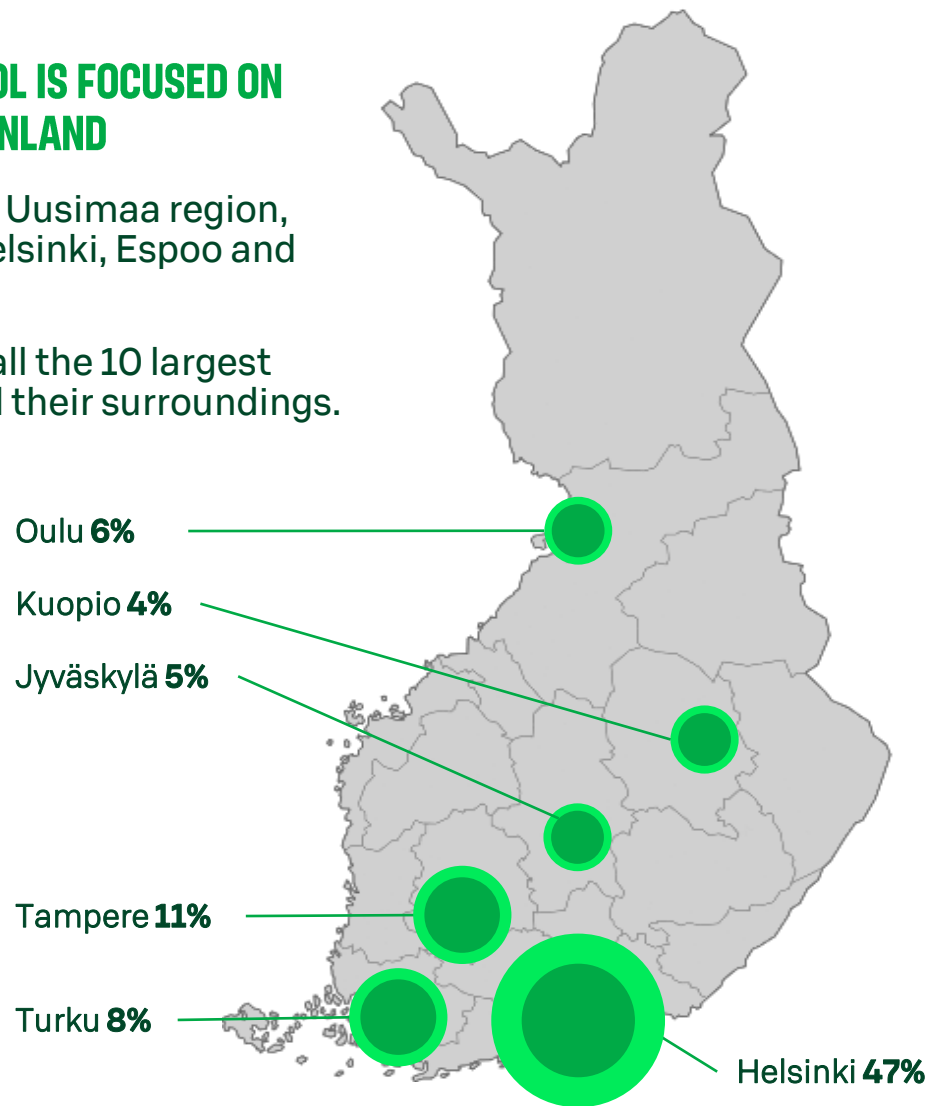


# GEOGRAPHIC BREAKDOWN OF THE COVER POOL

## S-BANK'S COVER POOL IS FOCUSED ON GROWTH AREAS IN FINLAND

Highest coverage in Uusimaa region, covering cities of Helsinki, Espoo and Vantaa.

Strong presence in all the 10 largest cities of Finland and their surroundings.



Region	Major city	Volume EUR million	Share of the pool
Uusimaa	Helsinki	1 465	47.33%
Pirkanmaa	Tampere	325	10.50%
Southwest Finland	Turku	246	7.95%
North Ostrobothnia	Oulu	188	6.07%
Central Finland	Jyväskylä	147	4.74%
North Savo	Kuopio	133	4.31%
Päijät-Häme	Lahti	85	2.75%
Lapland	Rovaniemi	80	2.58%
Kanta-Häme	Hämeenlinna	75	2.43%
Other		351	11.34%
<b>Sum</b>		<b>3 095</b>	<b>100%</b>

# INDICATIVE TERMS OF THE PLANNED TRANSACTION

<b>Issuer:</b>	S-Bank Plc
<b>Issue type:</b>	European Covered Bond (Premium), backed by 100% prime Finnish residential mortgages, ECB repo & LCR 1b eligible, UCITS/CRR compliant
<b>Issuer rating:</b>	BBB by S&P (positive)
<b>Expected Issue Rating:</b>	AAA by S&P
<b>Amount:</b>	EUR 500 000 000
<b>Tenor:</b>	5 year (soft bullet)
<b>Coupon:</b>	Fixed rate, annual
<b>Redemption price:</b>	100%
<b>Documentation:</b>	The Issuer's Programme for the Issuance of Senior Preferred MREL eligible Notes, Covered Bonds and Additional Tier 1 Capital Notes dated 21 December 2022 and as supplemented
<b>Law:</b>	Finnish Law
<b>Clearing:</b>	Euroclear Finland
<b>Listing:</b>	Nasdaq Helsinki
<b>Denominations:</b>	EUR 100 000 + EUR 100 000
<b>MiFID II:</b>	MiFID II Eligible counterparties and professional clients only (all Distribution Channels) / No PRIIPs key information document (KID) has been prepared as not available to retail in the EEA or United Kingdom.
<b>Global Coordinator:</b>	Danske Bank
<b>Bookrunner:</b>	Danske Bank, Erste Group, LBBW and Nordea



# OPERATING ENVIRONMENT

INTRODUCTION  
TO S-BANK

BUSINESS  
DESCRIPTION

KEY  
FINANCIALS

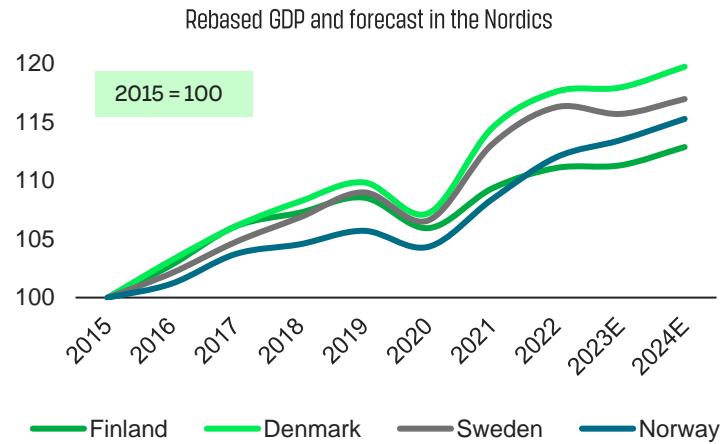
COVER  
POOL

OPERATING  
ENVIRONMENT

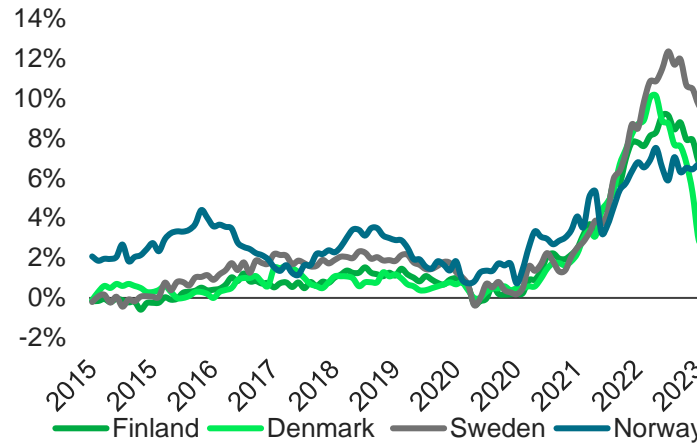


# KEY HIGHLIGHTS OF THE FINNISH ECONOMY

## MODERATE GDP GROWTH EXPECTED



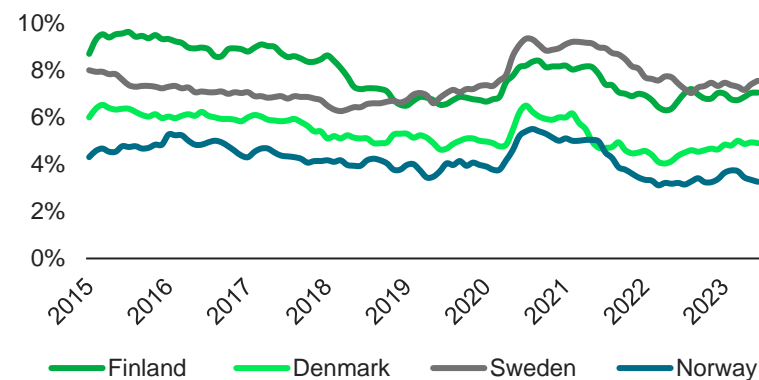
## INFLATION HAS PEAKED BUT IS STILL QUITE 'STICKY'



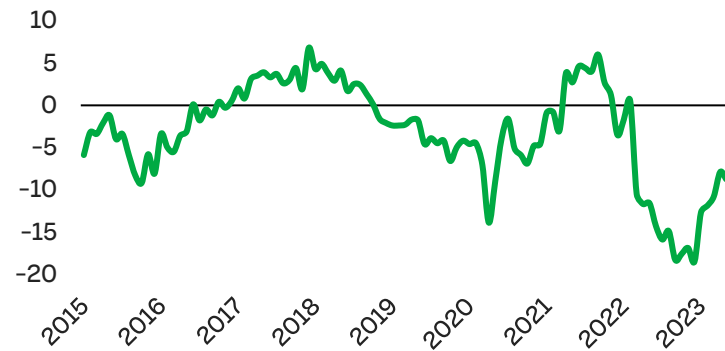
## Key highlights

Inflation <b>6.3%</b> HICP, June 2023	Unemployment rate <sup>2</sup> <b>7.1%</b> June 2023
Real GDP growth <b>1.6%</b> 2022 y/y	Housing price index <b>-7.0%</b> Q2/2023 y/y
Consumer confidence <b>-8.8</b> CCI, July 2023	Population growth <b>0.9%</b> 2021-2030 estimate

## UNEMPLOYMENT RATE<sup>1</sup> IN THE NORDICS, 2015-Q2 2023



## CONSUMER CONFIDENCE RECOVERING AFTER A DECLINE



## Commentary

The Finnish economy slipped into recession last autumn as a result of the energy crisis brought on by Russia's war in Ukraine. The economy's weak performance will continue in 2023, as it takes time for the effects of high inflation and the rise in interest rates to be felt in full. However, the recession is likely to be short-lived and the employment rate will remain high throughout the downturn. Energy prices have fallen sharply in recent months; the upward pressure on consumer prices will gradually subside and inflation will slow down substantially by 2024. However, there is still high uncertainty about the path the global economy will take and the impact of this on Finland.

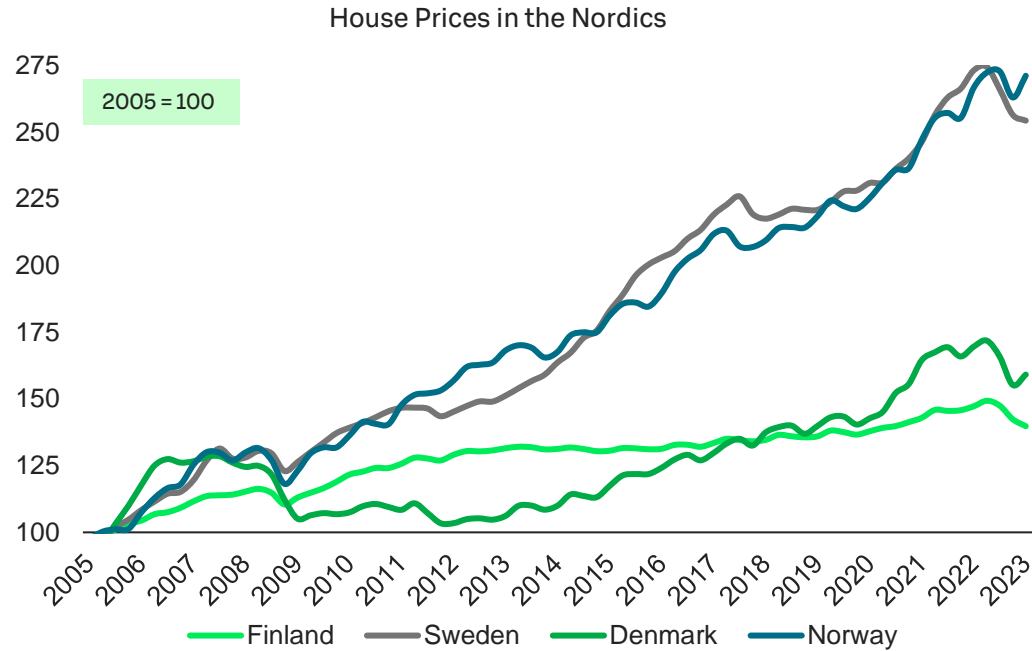
Sources: Eurostat, Statistics Finland, Bank of Finland, OECD

Notes: 1) Based on Labour Force Surveys; seasonally adjusted; 3-month moving average 2) Based on Labour Force Surveys; seasonally adjusted

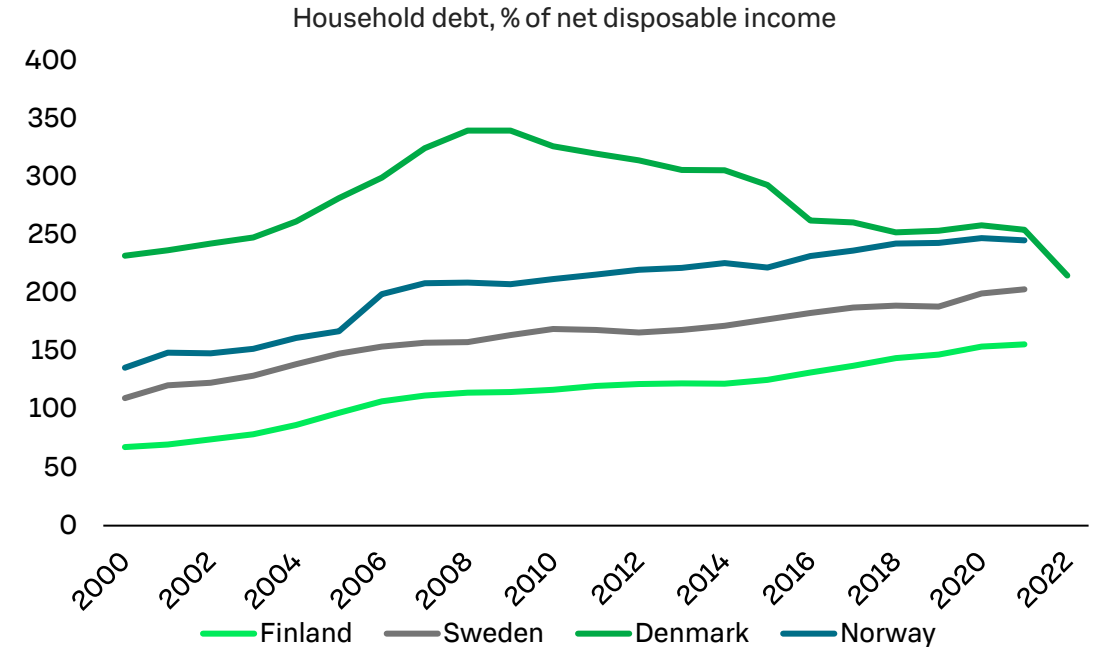


# NORDIC HOUSING MARKET

## MODEST HOUSING PRICE DEVELOPMENT IN FINLAND



## FINNISH HOUSEHOLD DEBT LOWEST IN THE NORDICS<sup>1</sup>

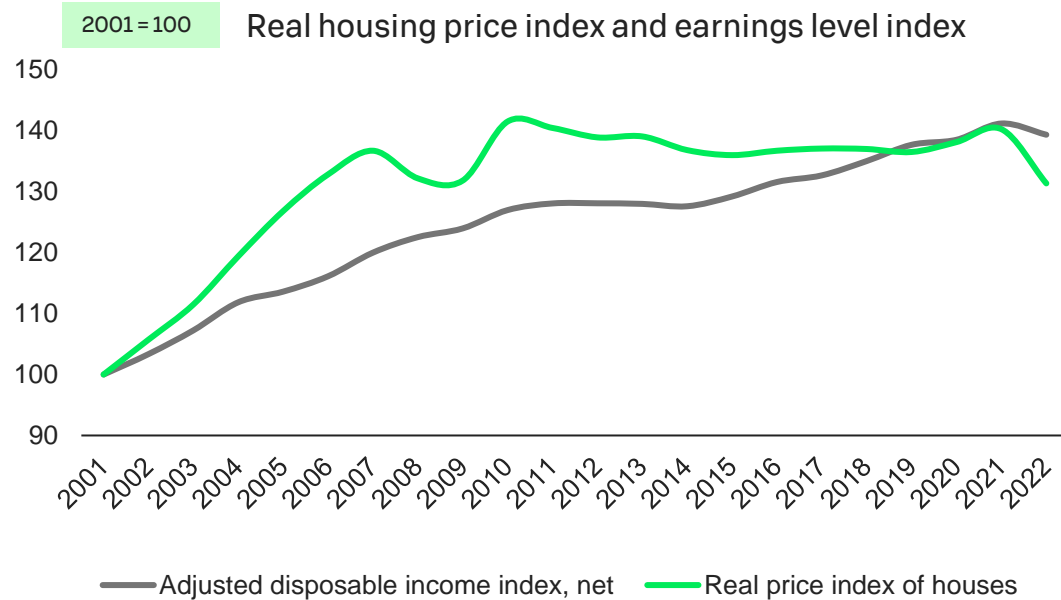


- Growth in housing prices in Finland has been modest over the past 15 years with the index showing an increase of c. 50% between 2005 and 2022, whereas in Sweden and Norway, housing prices have almost tripled during the same time period. In Denmark, the development has been closer to that of Finland over the entire time frame.
- Finnish households are the least leveraged in the Nordics. In 2021, indebtedness of Finnish households stood at around 150% of net disposable income, significantly lower than Denmark and Norway's c. 250%.

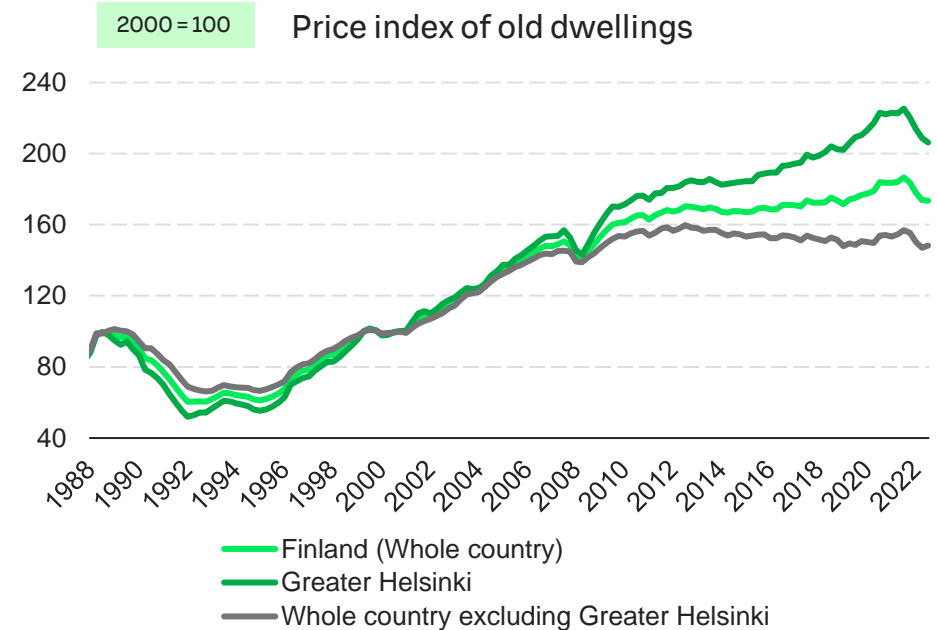
<sup>1</sup>2022 data available only for Denmark  
Source: OECD, Eurostat

# FINNISH HOUSING MARKET – PRICE CORRECTION UNDERWAY

## GROWTH IN EARNINGS OUTPACING THE GROWTH IN HOUSE PRICES<sup>1</sup>



## PRICES DROPPING, LIKELY DUE TO RISING INTEREST RATES



- Growth in real housing prices was rapid in the first decade of the 2000s and earnings growth was left behind at the time. The correction came when the housing bubble in the US burst, and the global financial crisis arrived in Finland with full force in 2008. In the 2010s, housing prices remained fairly stable, and over a 20-year period, housing prices and the earnings level have increased in parallel with one another. In 2022, and in H1 2023, housing prices have been under pressure due to higher interest rates amidst high inflation.
- The Helsinki area's housing market has diverged from the rest of the country with much faster price appreciation - the main drivers are favourable demographics and the continuing urbanization trend. Excluding Greater Helsinki, Finland has seen on average more tempered price increases - even declines in some (mainly rural) areas.

1) Price indices of old dwellings in housing companies & Household adjusted disposable income; annual averages of quarterly data. Source: Statistics Finland.

2) Price indices of old dwellings in housing companies, 1988 Q1-2023 Q2. Source: Statistics Finland.

# APPENDIX

# KEY INFORMATION ON S-BANK IN H1 2023

**9.3**

**billion**

balance sheet

**3.2**

**million**

customers

**375 000**

unitholders in S-Bank's funds

**57.6**

**million**

operating profit

**2.4**

**million**

online banking IDs

cash withdrawals and deposits  
at checkouts in over

**1 000**

S Group branches

**870**

employees

**2.8**

**million**

international  
payment cards

**60**

full-service  
branches

**31**

intermittently  
open  
branches

**4**

touring  
mobile  
branches

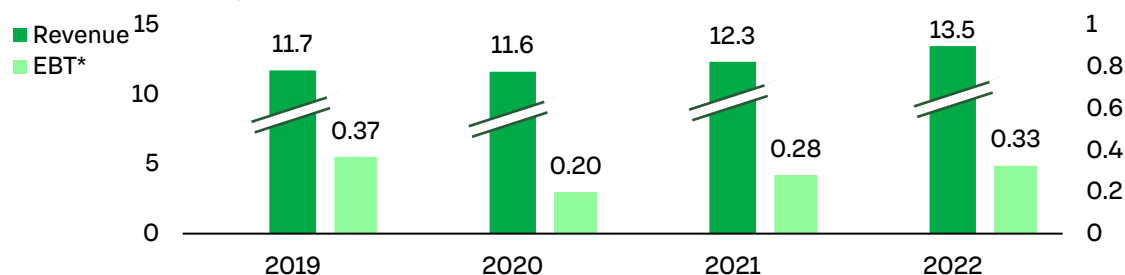


# S GROUP TODAY: THE #1 FINNISH GROCERY RETAILER AND A SIGNIFICANT PLAYER IN MANY OTHER AREAS

## BRIEF INTRODUCTION

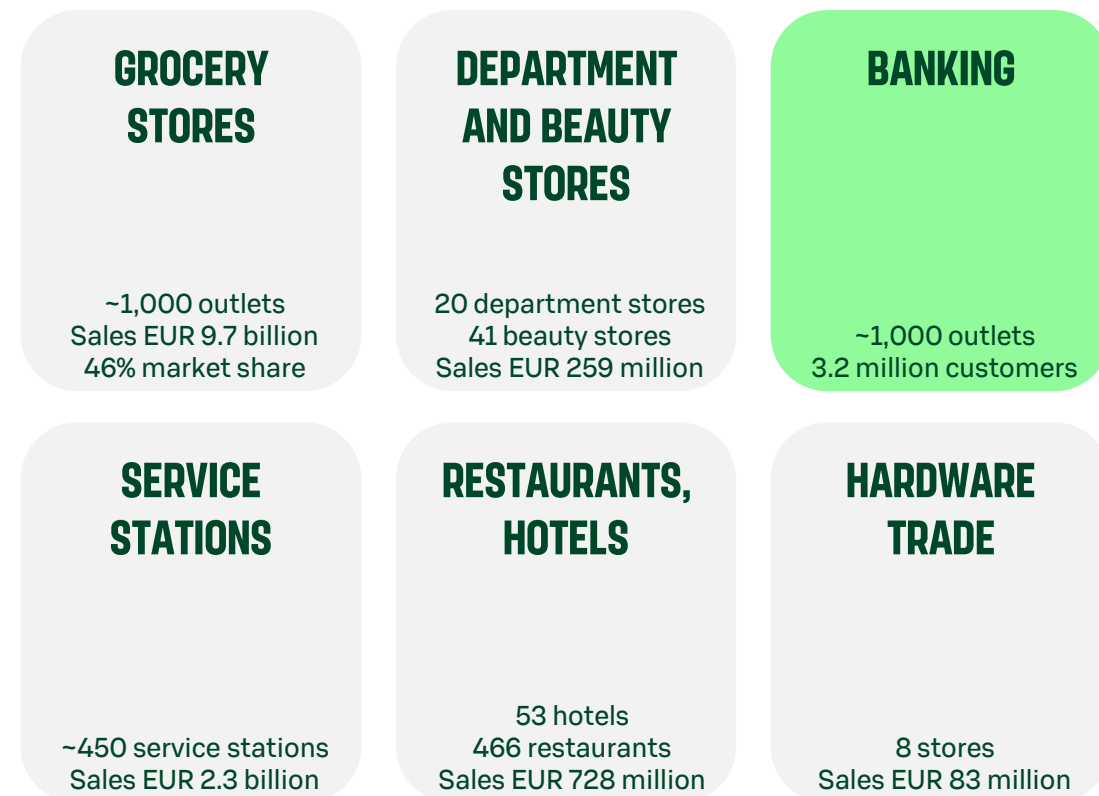
- Network of companies in the retail and service sector, with almost 1 900 outlets in Finland. S Group is a cooperative group of companies, and its sole owners are Finnish households.
- 78% of Finnish households are S Group co-op members, and the Group's market share of the grocery trade is approximately 47%. The Group had around 40 900 employees in 2022. Its retail sales, excluding taxes, amounted to EUR 13.5 billion (+9%) and its non-consolidated result before appropriations and taxes (EBT\*) was EUR 325 million (+16%).
- 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, EUR BN



\* In Finnish: 'konsolidoimaton tulos ennen tilinpäätössiirtoja ja veroja', Source: Company reports (combined, not consolidated)

## OVERVIEW OF BUSINESS AREAS & S-BANK POSITION (2022)



# S&P: A STRONG CREDIT WITH A BBB PROFILE AND POSITIVE OUTLOOK

## RATING AND CRITERIA

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

\* Involves Comparable Rating Analysis (CRA) adjustment  
Source: Based on S&P's report dated 1 August 2023

## S&P VIEW IN A NUTSHELL

- In S&P's view, S-Bank has: an 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 rates S-Bank above the group credit profile of S Group. This reflects its view of S-Bank as an independent and severable entity within the Group, with no funding dependency, and separated accounting and reporting procedures.
- In June 2023, S&P affirmed S-Bank's 'BBB/A-2' issuer credit rating for the Bank and raised the outlook from stable to positive.
- S&P highlighted that S-Bank is well positioned to benefit from a cyclical rise in interest rates and is expecting S-Bank to close the gap with peers in terms of earnings capacity and operating efficiency.
- S&P expects the planned acquisition of Handelsbanken's portfolio in the second half of 2024 to have the potential to deepen S-Bank's cross-selling between banking and wealth management, further strengthening bank's retail franchise and market position.

## KEY STRENGTHS AND RISKS

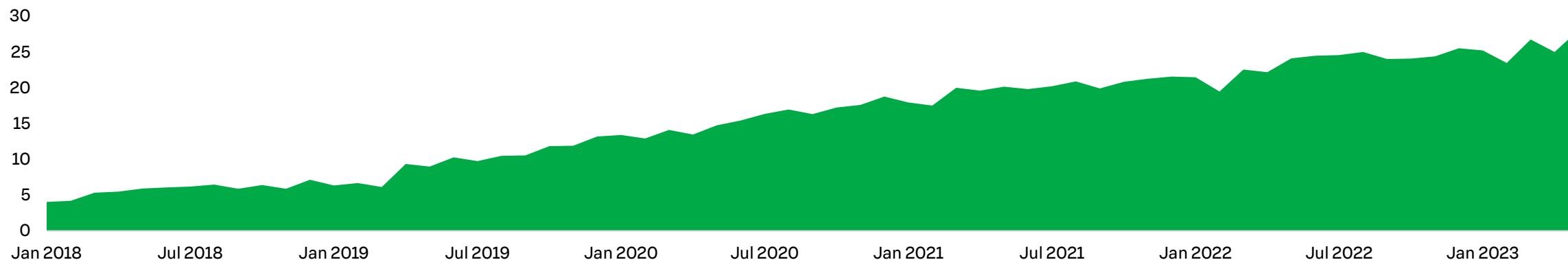
Strengths	✓ Strong brand name facilitated by S Group, supporting growth potential
	✓ Very strong capitalization supported by improved earnings capacity in the higher interest rate environment
	✓ Sound deposit franchise in Finland
Risks	✗ Weaker profitability and operating efficiency compared with peers, but gradually improving
	✗ Material investment needs in a medium-term perspective, weighting on operating efficiency
	✗ Execution risks related to acquisition of Handelsbanken Finland's retail portfolio



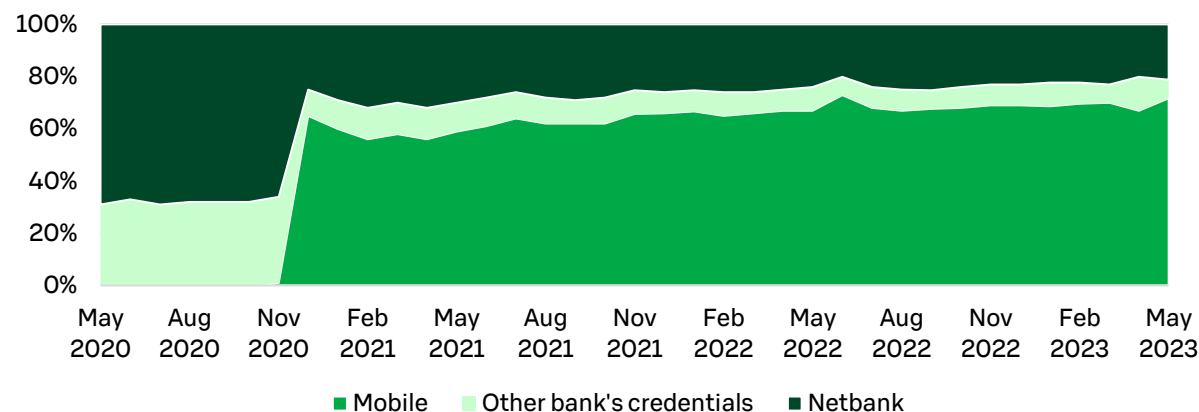
# DIGITAL TRANSFORMATION OF THE BANK

Enabling further growth through digitalization – mobile is the way forward

## MOBILE APP LOGINS (MILLIONS PER MONTH)



## EXAMPLE: IMPLEMENTATION OF LOAN APPLICATIONS IN MOBILE



## MOBILE AND DIGITAL PLATFORMS KEY STRATEGIC BUILDING BLOCKS

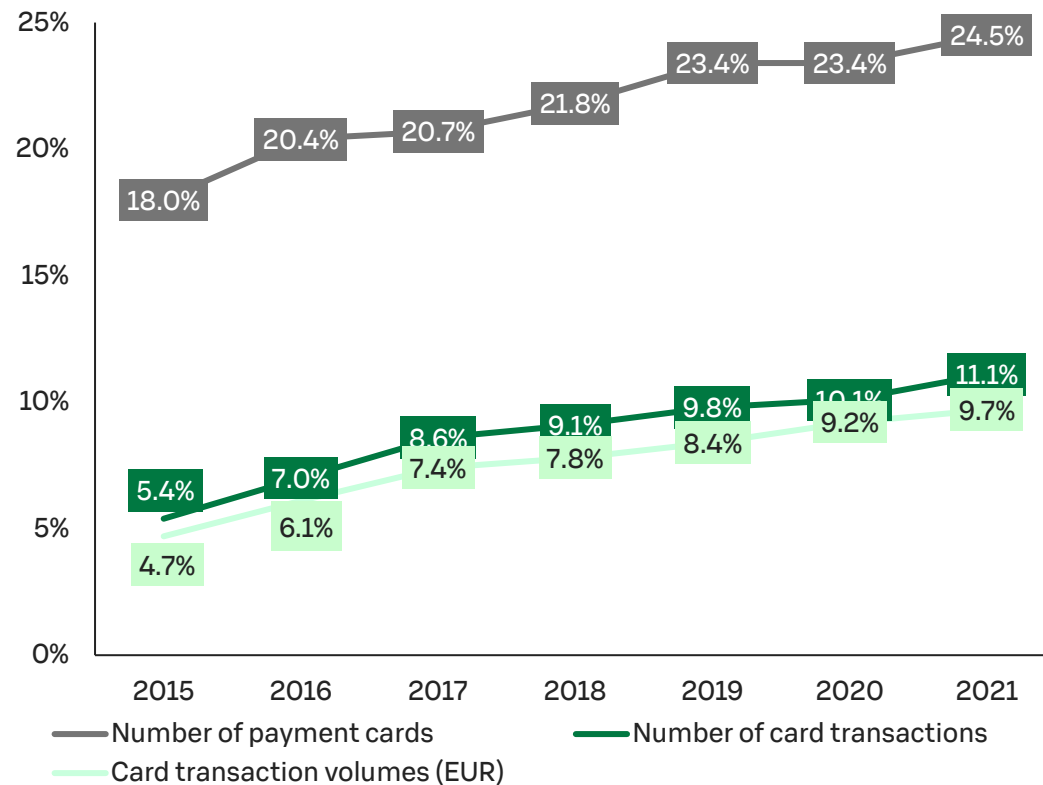
S-MOBIILI APP	MOBILE PAYMENTS	OTHER
<ul style="list-style-type: none"> <li>S-group bonus &amp; cashback</li> <li>My Purchases</li> <li>Benefits and coupons</li> <li>Receipts</li> <li>Banking</li> </ul>	<ul style="list-style-type: none"> <li>Payments with Nordic Mobile Pay app and Google Pay</li> <li>S-group bonus and cashback</li> <li>Money transfers</li> </ul>	<ul style="list-style-type: none"> <li>DIAS: a digital real estate trading platform</li> <li>Giosg: a chat on website and online bank</li> <li>Experiments with online comparison platforms</li> </ul>



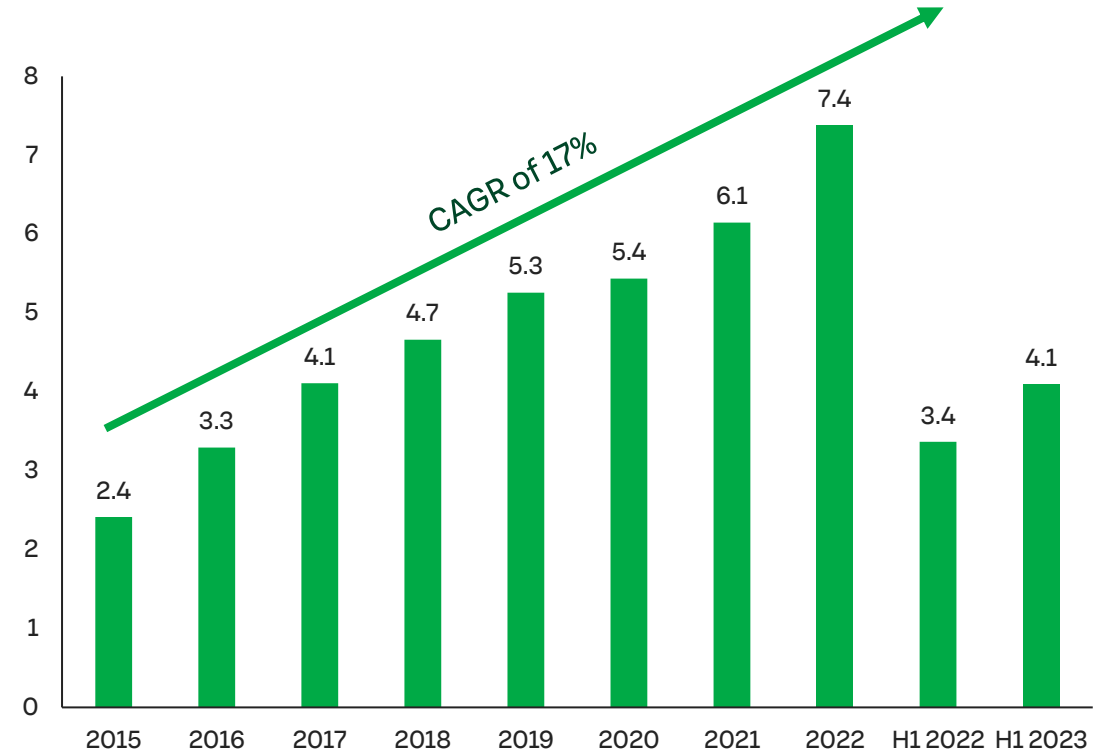


# CARD BUSINESS: BUSINESS MODEL ENABLES LARGE MARKET SHARE IN PAYMENT CARDS

## 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 behaviour
- Increasing sustainability and ESG related activities
- Ensuring favourable price position in retail offering
- Improving process and system scalability
- Executing the Handelsbanken transaction

### 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 increase market share in a downturn and take advantage of any positive market development

# THE MOST RESPONSIBLE BANKING BRAND 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 2023, for the eleventh consecutive year, Finns chose S-Bank as the most responsible banking brand 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 companies.



# ESG IN S-BANK'S LINES OF BUSINESS

## BANKING

- Limited risks and negative impacts
  - Focus on Finnish retail customers
  - Corporate customers consist mainly of Finnish housing companies and relate to construction and renovation
  - Corporate lending not exposed to other carbon-intensive sectors
  - Climate risk in S-Bank's credit book is low
- The implementation of ESG factors in credit underwriting guidelines began during 2021 and is an ongoing process
- Treasury's investment decisions and portfolio reports are guided by separate ESG policy
- Code of Conduct renewed 2022

## WEALTH MANAGEMENT

- Forerunner in responsible and impact investment
  - Climate strategy incorporated in investment policies since 2020 (**to be updated during 2023**)
  - **Biodiversity strategy (2023)**
  - Fund-specific sustainability reports published since 2020
  - Paris-aligned benchmarks adopted for selected equity funds since 2021
  - Fossil-free equity fund one of the fastest growing funds in Finland in 2021
    - New product launch later in 2023
- ESG incorporated comprehensively in all investment processes
  - Screening of international norms
  - Negative screening / positive selection
  - Thematic allocation
  - Impact investing
  - Active ownership and engagement
  - ESG integration



# CURRENT ROADMAPS FOR IMPROVING SUSTAINABILITY

## TCFD (2023-2024)

### Risk management for *climate risks*

- Operational implementation (2023)
- Strategic implications
- Governance implications
- Reporting

### Risk management for *environmental risks (TNFD)*

- Next phase

## CSRD (2025)

### Materiality assessment (2023)

- Customer survey
- Employee survey
- Strategic planning
- Reporting scope for ESRS

### ESRS gap analysis and implementation plan (2023)

Joint initiative with S Group

### Taxonomy reporting (on-going)

## CSDDD (2027 →)

### Implementation of UNGP (*human rights risks*)

### High-level risk assessment

- Own workforce (2022)
- Supply chain (2023-2024)

### Screening of ESG risks at supplier level (piloting)

### Implementation of Supplier Code of Conduct (piloting)

## CLIMATE ACTION

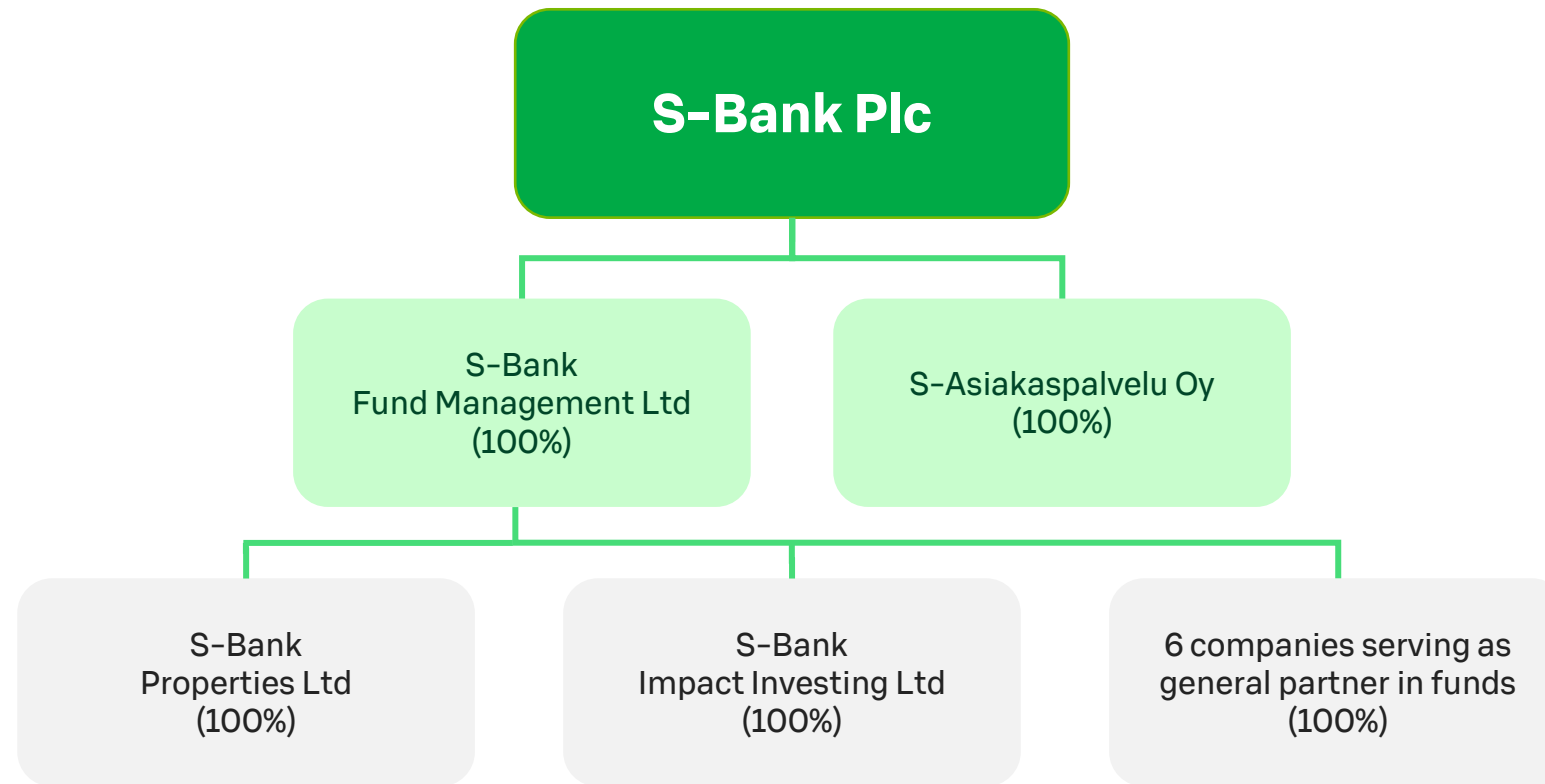
### Own emissions

- Scope 1+2 (2022)
- Scope 3 (2023-2024)

### Financed emissions

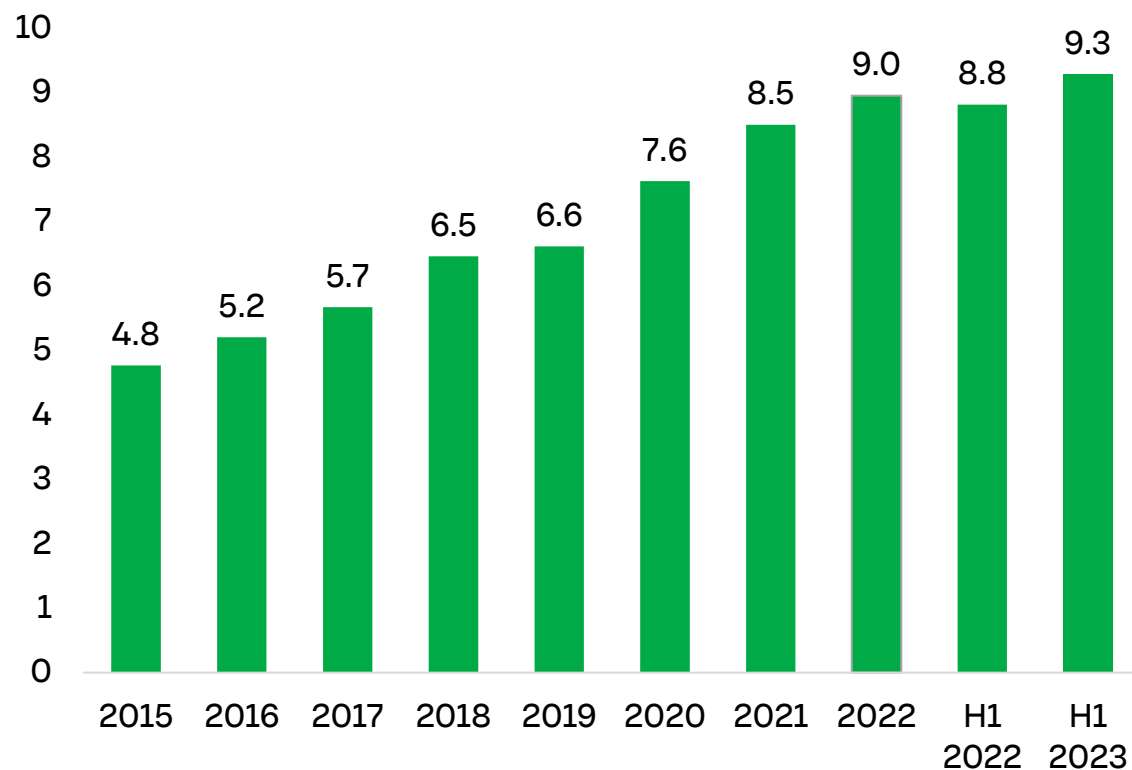
- Scope 3 (PCAF)

# COMPANY STRUCTURE



# BALANCE SHEET AND OPERATING INCOME

## BALANCE SHEET (EUR billion)



## OPERATING PROFIT (EUR million)

