

# DEBT INVESTOR PRESENTATION

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April 2024



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# S-BANK IN BRIEF

## SET TO BE 4th LARGEST RETAIL BANK IN FINLAND

- Established in 2006 with a focus on retail customers, offering a broad range of banking and wealth management services, mainly via digital channels, and targeted services to housing companies.
- Set to be the fourth largest bank in the Finnish retail market upon completion of the acquisition of Finnish private customer, asset management and investment services operations of Svenska Handelsbanken AB in H2 2024.
- Fully owned by S Group, the #1 grocery store market leader in Finland with strong brand recognition. 84% of Finnish households are co-op members (2023).
- 3.2 million customers: S-Bank uniquely combines banking and S Group's services for co-op members.
- 2023 was a record year – driven by net interest income – confirming S-Bank's sustainable growth journey.

## STRATEGY 2024 – 2027

- Continuing the successful growth path while becoming a more customer-focused and digital bank.
- Aiming to reach one million active customers by the end of 2027 and achieve a significant increase in the number of high-value customers who use a broad range of S-Bank's services via three key change areas:
  - Successful integration of the Handelsbanken acquisition
  - Renewing the bank's service model to better respond to customers' needs
  - Improving the scalability of operations, with a targeted cost-income ratio below 60%, and ROE above 10%

## DEBT CAPITAL MARKET PRESENCE

- AAA covered bond rating by S&P. Expected rating in the contemplated EUR Covered Bond Issue.
- BBB issuer rating from S&P, with a positive outlook.
- S&P view of Svenska Handelsbanken acquisition: complements S-Bank's banking and wealth management business and provides a structural boost to profitability.
- Acquisition will be financed mainly via debt financing in the EUR capital markets, ensuring presence as a regular benchmark Covered Bonds issuer.

Note: The 2023 figures do not yet reflect the effects of the Svenska Handelsbanken acquisition.

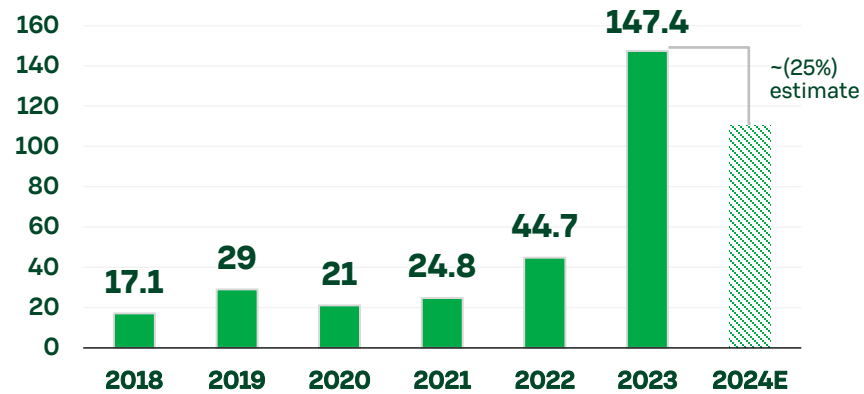
\*The implementation of the transaction is subject to approval by the authorities regarding the other participants in the transaction, i.e. Oma Savings Bank Plc (OmaSp) and Fennia Life Insurance Company Ltd.



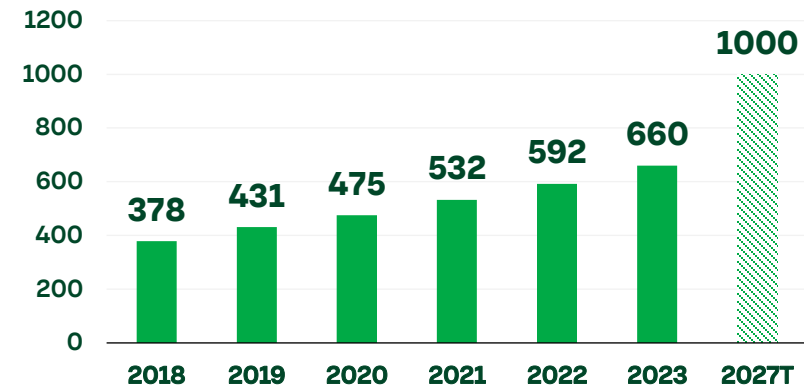
# S-BANK IN NUMBERS

## PAST PERFORMANCE, OUTLOOK AND STRATEGIC TARGETS

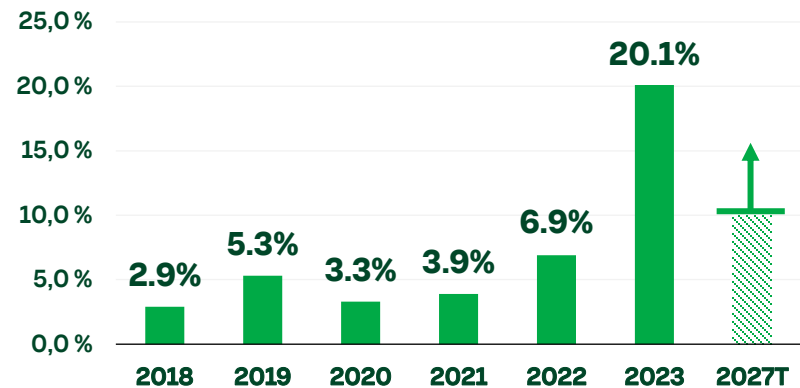
### OPERATING PROFIT (€ MILLION)



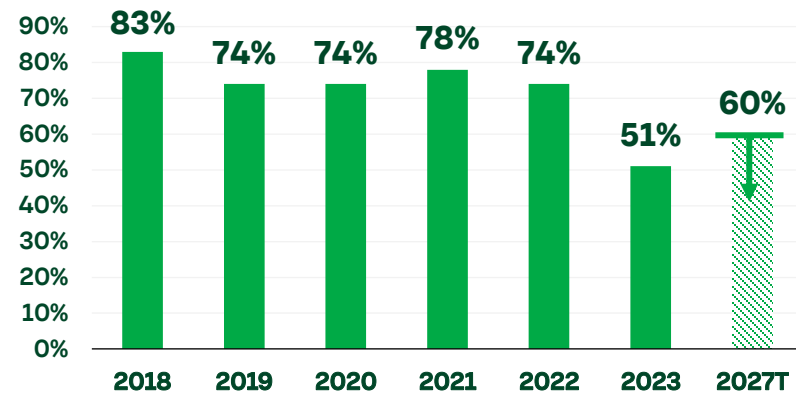
### DEVELOPMENT OF ACTIVE CUSTOMERS



### RETURN ON EQUITY



### COST-TO-INCOME RATIO



# THIS IS S-BANK

THIS IS  
S-BANK

BUSINESS  
DESCRIPTION

KEY  
FINANCIALS

FUNDING AND  
LIQUIDITY

COVER  
POOL

OPERATING  
ENVIRONMENT

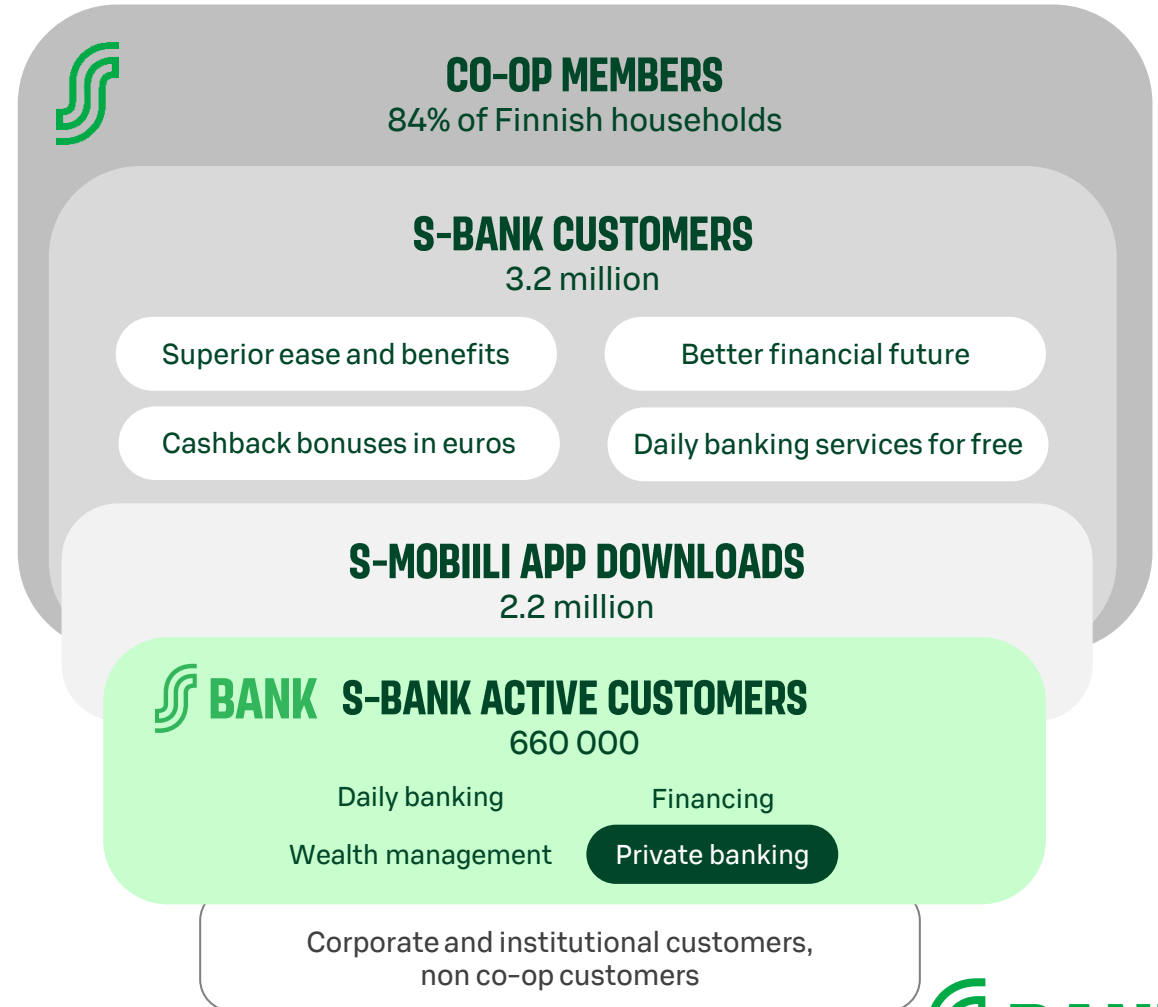
PLANNED  
TRANSACTION

APPENDIX

# S-BANK – A FINNISH BANK WITH STABLE OWNERSHIP

## A FULL-SERVICE BANK FOR S GROUP CO-OP MEMBERS

- Fully owned by S Group, the retail market leader in Finland with strong brand recognition
- Our purpose: A better financial future for co-op members
  - A full-service bank with excellent cross-selling opportunities
  - Unique and seamless integration of banking with Finland’s leading retail services and S Group’s loyalty programme
  - All S Group co-op members (i.e. 84% of Finnish households) become S-Bank customers
  - Free-of-charge daily banking services for co-op members
  - A 1–5% cashback bonus in € from purchases made in S Group. An extra 0.5% for all S-Etukortti Visa transactions.
- Our vision: Superior ease and benefits
  - Highly digital service model through S-mobiili application and web bank
  - Centralised contact centre, deposits and withdrawals in S Group’s business locations with wide accessibility throughout Finland



# S GROUP – FINLAND’S #1 GROCERY RETAILER AND A TOP PLAYER IN MANY OTHER DOMAINS

- A network of companies in the retail and service sector with ~2 000 outlets in Finland
- S Group is a cooperative group of companies, and its sole owners are Finnish households.
- 84% of Finnish households are co-op members (2023).
- The purpose of S Group is to provide co-op members with competitive services and benefits in a profitable manner.
- S-Bank is a strategic investment and an enabler for digital customer relations

Key figures (€ millions)	2023	2022	2021	2020
Retail sales (excl. tax)	14 208	13 465	12 329	11 625
Bonus paid	449	414	379	358
Payment method-related benefit	13.7	12.3	10.7	9.6
Employees	41 413	40 875	39 861	38 585

## #1 IN GROCERY STORES

~1 000 outlets  
Sales EUR 10.4 billion\*\*  
48% market share\*\*\*

## #1 IN DEPARTMENT AND BEAUTY STORES

20 department stores  
39 beauty stores  
Sales EUR 270 million

## SERVICE STATIONS

~450 service stations  
Sales EUR 2.2 billion

## #1 IN RESTAURANTS & #2 IN HOTELS

56 hotels  
436 restaurants  
Sales EUR 814 million

## S-BANK

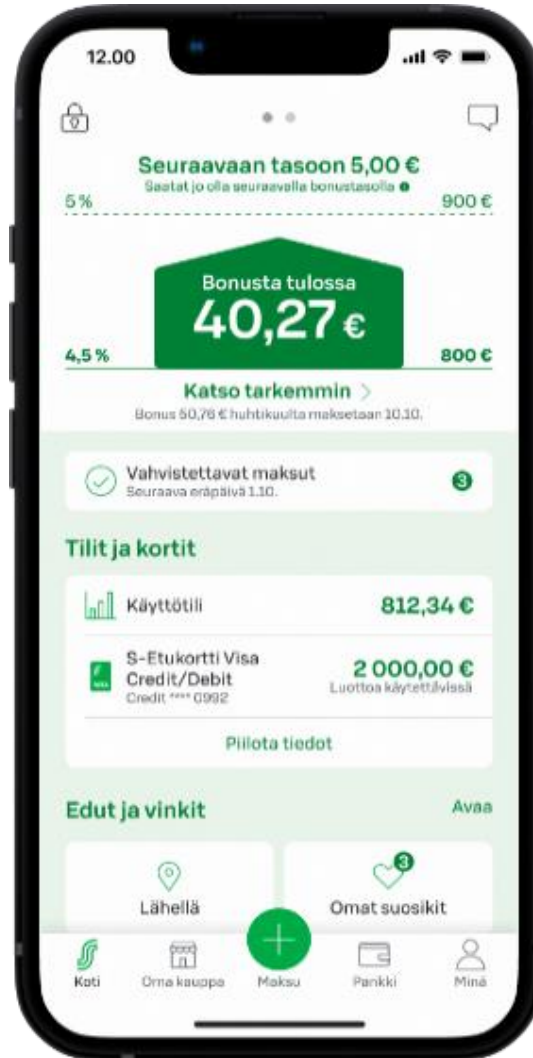
~1 000 S Group outlets  
3.2 million customers

2023 figures  
\*\* revenues in supermarket trade  
\*\*\* market share in grocery trade



# S-MOBIILI – A UNIQUE MOBILE APPLICATION THAT COMBINES S-GROUP AND S-BANK SERVICES

- S-mobiili encourages customer loyalty both in everyday shopping and in banking
- S-mobiili app downloads: 2.2 million
- Weekly active S-mobiili users: ~1.2 million
- Strategically, S-mobiili's role will be emphasised as the primary channel for customer interactions and management and for guiding the customer to the correct service channels
- Drives cross-selling for S-Bank
- Developed in cooperation with S Group and S-Bank



## IN-APP SERVICES FOR CO-OP MEMBERS\*

- Follow bonus count
- Track purchasing behaviour
- Find and use personalised benefits and current promotions
- Check digital receipts
- Update customer information
- Electronic identification

## IN-APP BANKING SERVICES\*

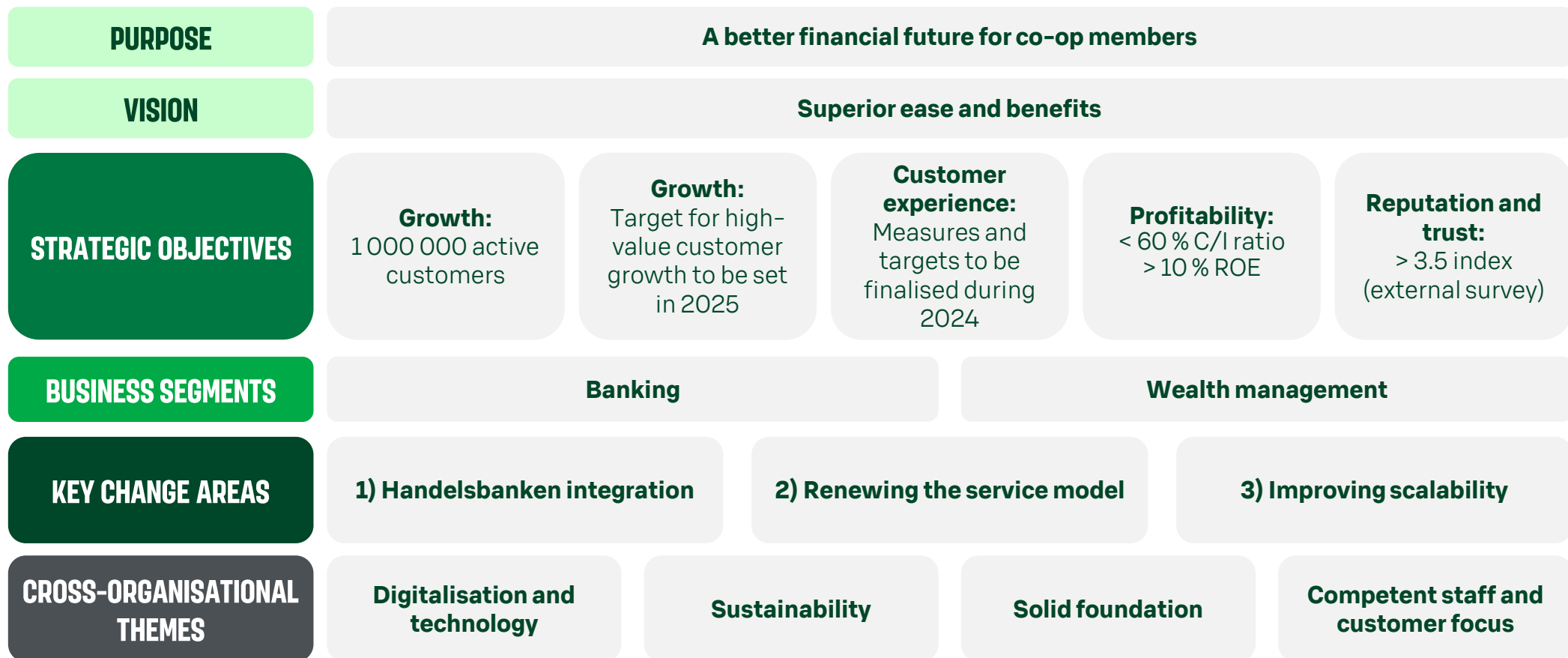
- Daily banking: accounts, cards, payments
- Investing: view and make investments, buy funds and browse S-Bank's fund offerings
- Apply for an S-loan or a credit card
- View information and transactions on loans
- Säästäjä, a micro-investment service, which provides digital investment advice

\*List not exhaustive.



# S-BANK STRATEGY 2024-2027 AND OBJECTIVES

## THE STORY CONTINUES, FOCUSING ON PROFITABLE GROWTH



**OTHER OBJECTIVES SET BY THE BOARD OF DIRECTORS**

**Solvency:**  
Total capital ratio of at least 15.0%\*

**Dividend policy:**  
Annual dividend of 5–15% of profit

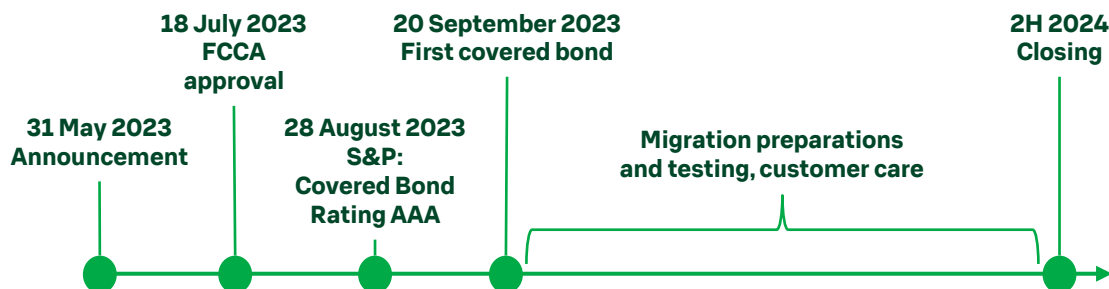
\*The limit has been set at 1.5 percentage points above the total capital requirement and known future changes in capital requirements (1.0% systemic risk buffer and 0.5% of Pillar 2 requirement). S-Bank prepares for the future changes in capital requirements proactively in its risk appetite framework.



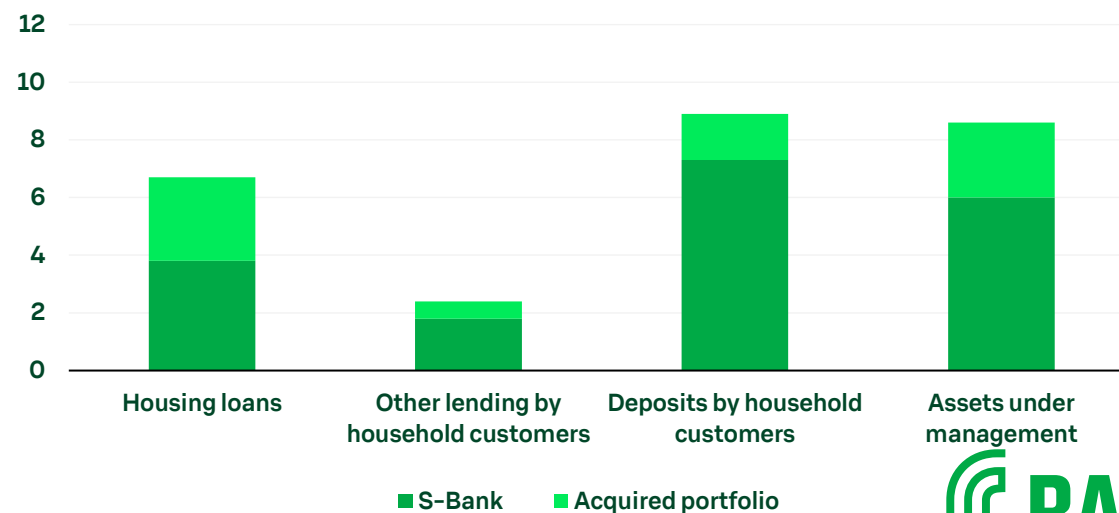
# HANDELSBANKEN TRANSACTION PROCEEDING AS PLANNED BECOMING 4TH LARGEST BANK FOR HOUSEHOLD CUSTOMERS

- S-Bank is acquiring\* the Finnish private customer, asset management and investment services operations of Svenska Handelsbanken AB\*\*; closure expected on 2H24.
- Strengthens S-bank's earning power and capital adequacy in the longer term.
- Approximately 230 Handelsbanken employees and nearly all lease agreements of the bank's Finnish branches will be transferred to S-Bank. S-Bank will begin to offer funds managed by Handelsbanken Fonder AB.
- The value of loans to be transferred was approximately EUR 3.6 billion and of deposits approximately EUR 1.6 billion\*.
- 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. No premium paid.
- Funded largely via debt financing in the EUR market and a subsequent share issue to the owners

## TIMELINE OF THE ACQUISITION



## BUSINESS VOLUMES AFTER ACQUISITION (EUR bn)\*



\* announced on 31 May 2023

\*\* approved by the Finnish Competition and Consumer Authority on 17 July 2023



# SUSTAINABILITY IN S-BANK

## THE MOST RESPONSIBLE BANKING BRAND IN FINLAND

- The Most Responsible Banking Brand for 12 consecutive years, again in 2024, according to the Sustainable Brand Index survey
- Committed to UN Global Compact and, together with S Group, aiming for carbon negativity by 2025 (scope 1 + 2)
- All sustainability reporting to be compliant with CSRD as of 2025
- TCFD as the future framework for the governance and reporting of climate impacts

### BANKING

- Low exposure to ESG risks as the business is focused on Finnish retail customers and Finnish real estate as collateral
  - Corporate lending directed mainly to Finnish housing companies and the construction and renovation of housing
  - No further credit exposure to carbon intensive sectors
- 
- The implementation of ESG factor in credit underwriting guidelines began in 2021 and is ongoing
  - Code of Conduct renewed in 2022
  - Treasury's investment decisions and portfolio reports are guided by ESG policy

### WEALTH MANAGEMENT

- In the top-tier of asset managers with respect to responsible and impact investment
  - Fund offering of SFDR article 8 and 9 funds
  - Subject to UNPRI reporting (since 2009)
  - Since 2018 the carbon footprint of our funds has decreased by 40 %
- 
- Paris-aligned benchmark adopted for selected funds since 2021
  - Climate strategy incorporated in investment policies since 2022
  - Signatory to Net Zero Asset Managers (NZAM) since 2023 – commitment to net zero by 2050
  - Biodiversity strategy published in 2024

# BUSINESS DESCRIPTION

THIS IS  
S-BANK

BUSINESS  
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KEY  
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APPENDIX

# BANKING BUSINESS: SERVING S GROUP CO-OP MEMBERS IN ALL THEIR BANKING NEEDS OFFERS UNIQUE POTENTIAL

## PRODUCTS AND SERVICES

Daily banking:

- Accounts
- Cards
- Payments
- Digital services

Mortgage loans and other collateralised 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 corporate customers

## DISTRIBUTION

Emphasis on digital channels: the vast majority of the customers are served and advised via the web, mobile app, phone and remote meetings.

Extensive physical network mostly operated by S Group retailers:

- Services for onboarding into both the loyalty programme and bank services, advisory points for simple needs and errands needing physical customer visit
- Cash withdrawals and deposits at checkouts in over 1 000 S Group branches

## HANDELSBANKEN-TRANSACTION

Branches from Handelsbanken acquisition bring opportunities to diversify and compliments the current physical network service model.

## EARNINGS MODEL

Fee types:

- Interest income and fees from lending (mortgages, consumer loans, credit cards, corporates)
- Deposit margins are significant factors in net interest income
- Fees from transfers, cash withdrawals

Key drivers:

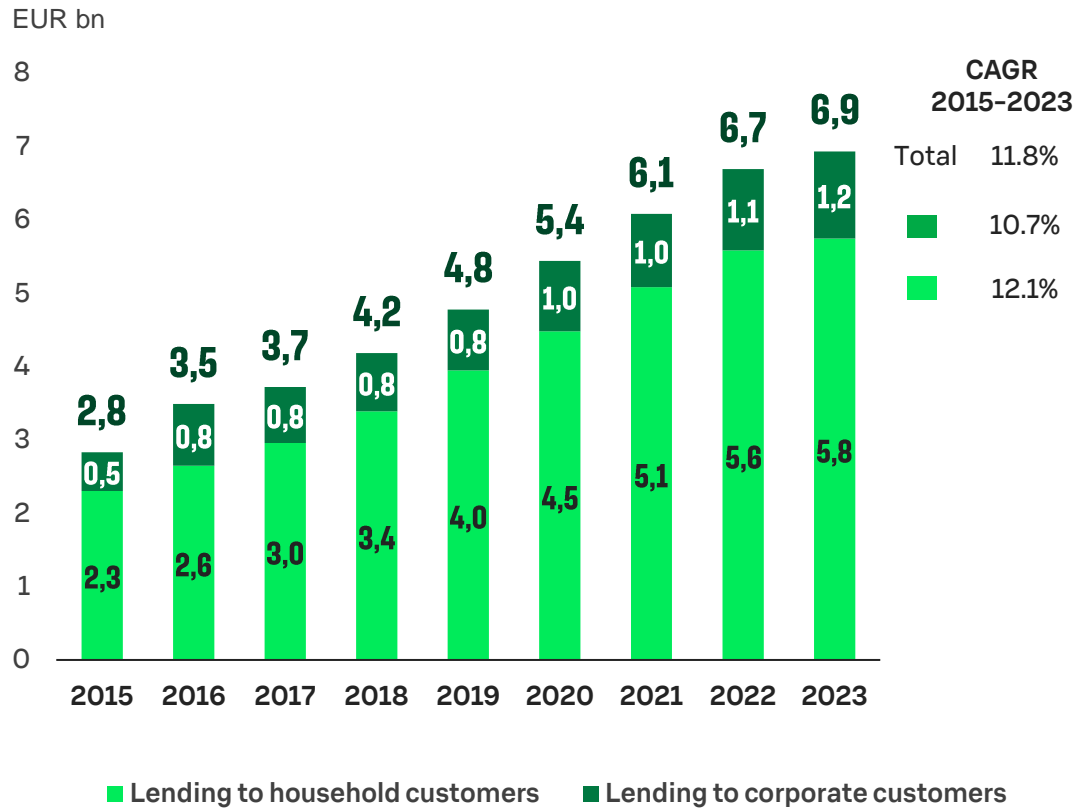
- Excess liquidity is invested in the capital markets at a low risk
- Daily banking services are free for the co-op members
- S Group bonuses and card use (interchange fees, credit payment method-related benefits are paid to S-Bank accounts
- Segment share of total income at 88% of total in 2023



# STRONG GROWTH IN ALL AREAS OF LENDING ACTIVITIES

## MARKET SHARE INCREASING RAPIDLY

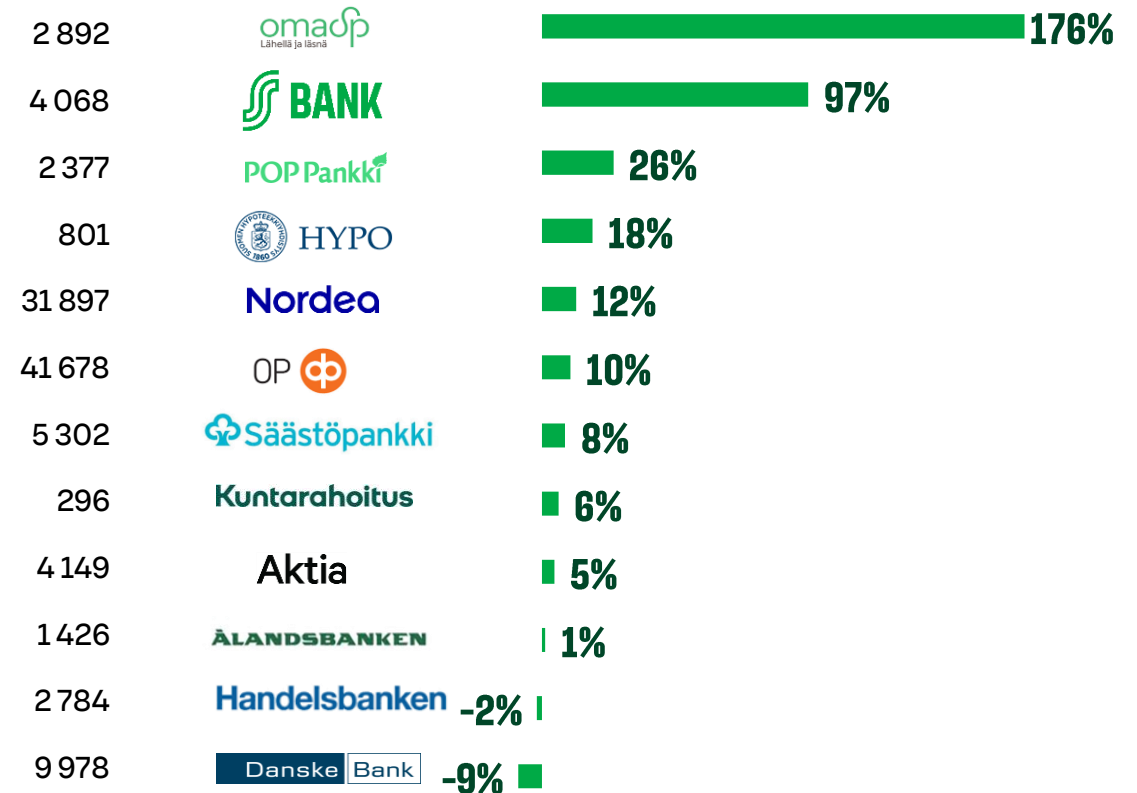
### LENDING DEVELOPMENT



### FINNISH HOUSEHOLD MORTGAGES – LOAN CAPITAL CHANGE\*

Balance sheet Jun2023, EUR bn

Change Dec 2017–Jun 2023



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



# WEALTH MANAGEMENT: GROWTH POTENTIAL IN LARGE CUSTOMER BASE AND WIDE PRODUCT RANGE

## PRODUCTS AND SERVICES

Wealth Management serves Retail, Private Banking and Institutional clients  
Wide range of equity, debt and alternative investment funds. Excellent performance in funds

Discretionary asset management offered to Private Banking and Institutional clients

Micro-investment service 'Säästäjä', available in S-mobiili app

ESG considered in all products. Majority of investment funds classified as either Article 8 or Article 9

Structured products for Private Banking clients

## DISTRIBUTION

Digital distribution channels and possibility for remote meetings for Retail clients

Traditional advisor-based model in Private Banking. Presence in four large cities

Institutional investors served through coverage and portfolio management teams based in Helsinki

## HANDELSBANKEN-TRANSACTION

Growth particularly in wealthier client segments

Investments made in preparation for the transaction make S-Bank more competitive. Also, existing clientele benefits.

S-Bank will distribute funds managed by Handelsbanken Fonder AB.

## EARNINGS MODEL

Fee types:

- More than 90% of income from ongoing management fees.
- Additional fees from performance, redemption and subscription fees

Key drivers:

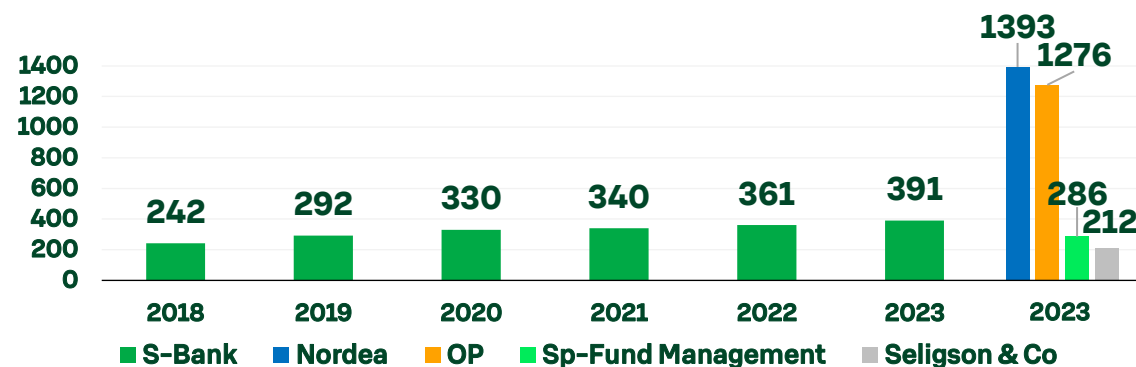
- Cross-selling opportunities through vast retail client base. A lot of potential to increase the share of 'active customers' that use wealth management services (currently 17%)
- Business profile diversified through different client and product segments



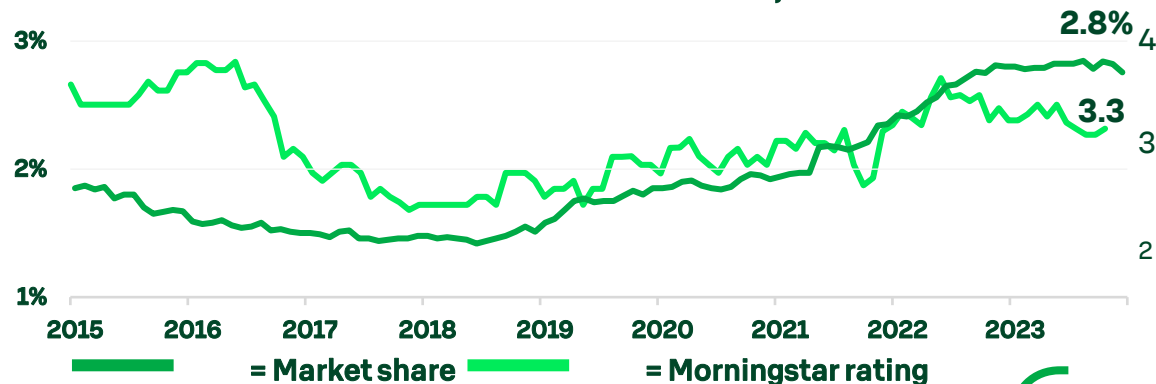
# WEALTH MANAGEMENT BUSINESS AREA SUMMARY

- 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.
- Total AuM Q4 2023 EUR 6.2 bn – EUR 4.3 bn in Fund Capital and EUR 1.9 bn in Wealth Management Capital. In addition, EUR 0.4 bn AUM from direct real estate managed by S-Bank Properties Ltd.
- Net subscriptions to S-Bank funds EUR 131 million during 2023. A more challenging year in terms of sales compared to previous two years.

NUMBER OF FUND UNIT HOLDERS IN THOUSANDS, 30 DEC 2023



MARKET SHARE OF S-BANK FUNDS AND MORNINGSTAR 3-YEAR RATING AVERAGE FOR S-BANK FUNDS, 30 DEC 2023





# KEY FINANCIALS

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TRANSACTION

APPENDIX

# FINANCIAL SUMMARY 2023

(EUR m)	2020	2021	2022	2023
<b>Total income</b>	174	187	222	371
<b>Operating profit</b>	21	25	45	147
<b>Deposits</b>	6 925	7 555	7 926	8 176
<b>Lending</b>	5 444	6 086	6 695	6 935
<b>Lending to deposits, %</b>	78.6%	80.6%	84.4%	84.8%
<b>Non-performing loans</b>	0.6%	0.6%	0,9%	1.3%
<b>Assets under management</b>	5 256	6 170	5 852	6 245
<b>Debt securities</b>	1 229	1 149	697	699
<b>Cost-to-income, %</b>	74.0%	78.0%	74.5%	51.1%
<b>ROE, %</b>	3.3%	3.9%	6.9%	20.1%
<b>ROA, %</b>	0.2%	0.2%	0.4%	1.2%
<b>Equity ratio, %</b>	6.4%	6.0%	5.9%	6.5%
<b>Capital adequacy ratio, %</b>	15.7%	16.3%	16.3%	18.8%
<b>CET-1 ratio, %</b>	13.7%	13.0%	13.2%	16.1%

**STRONG GROWTH IN  
OPERATING PROFIT**

**SUBSTANTIAL  
IMPROVEMENT IN C/I**

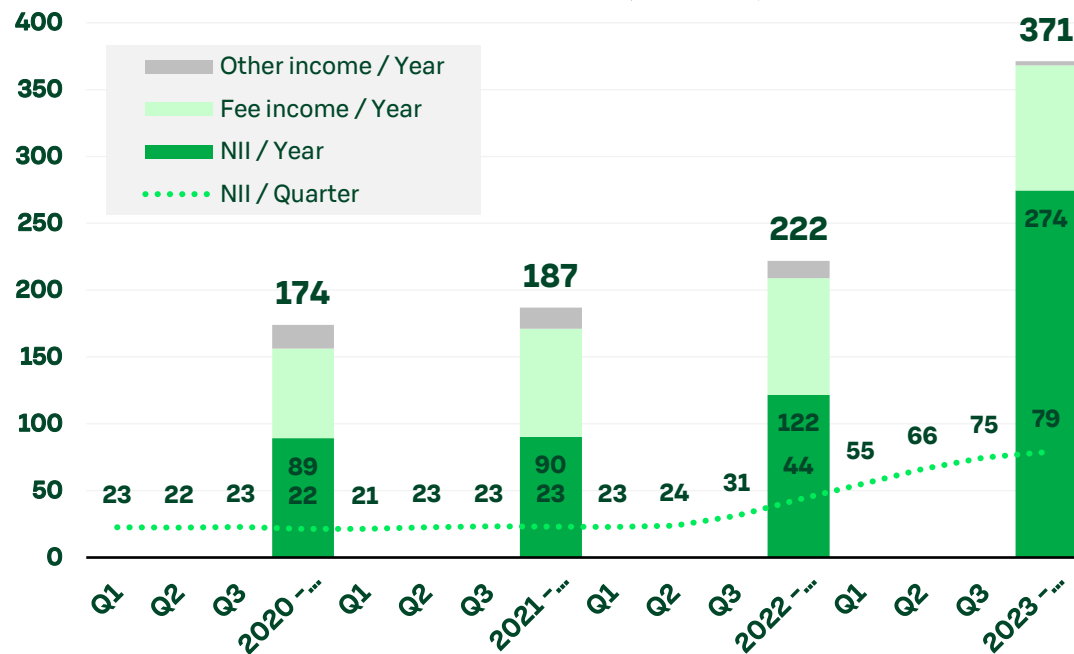
**STRONG GROWTH  
IN ROE & ROA**

**ROBUST  
CAPITAL BASE**

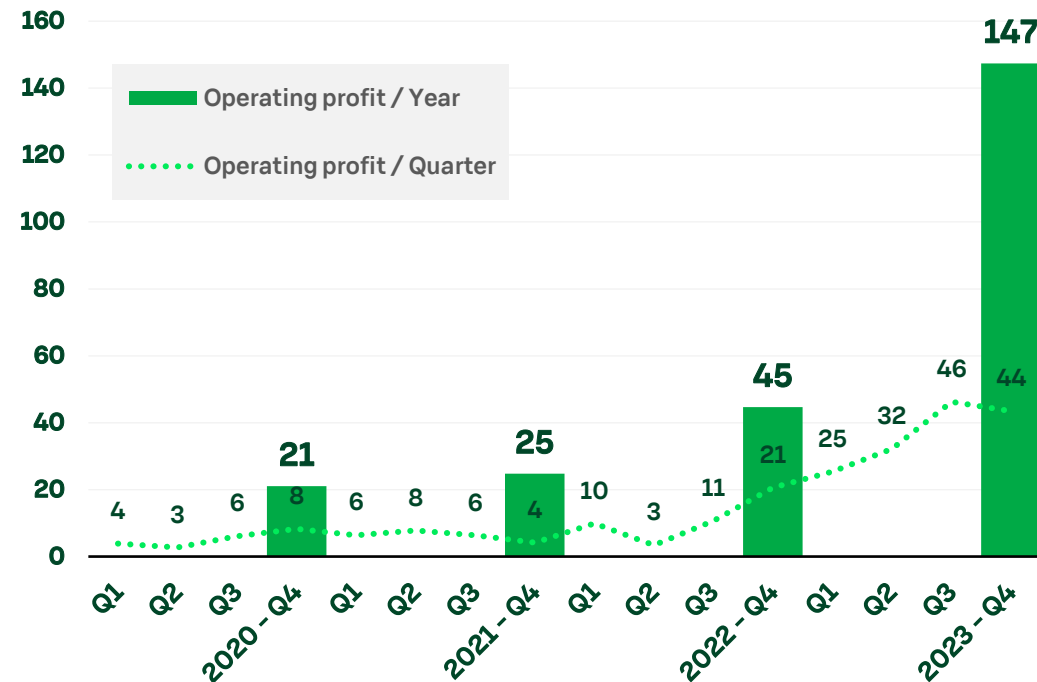


# STRONG IMPROVEMENTS

## TOTAL INCOME (EUR m)



## OPERATING PROFIT (EUR m)

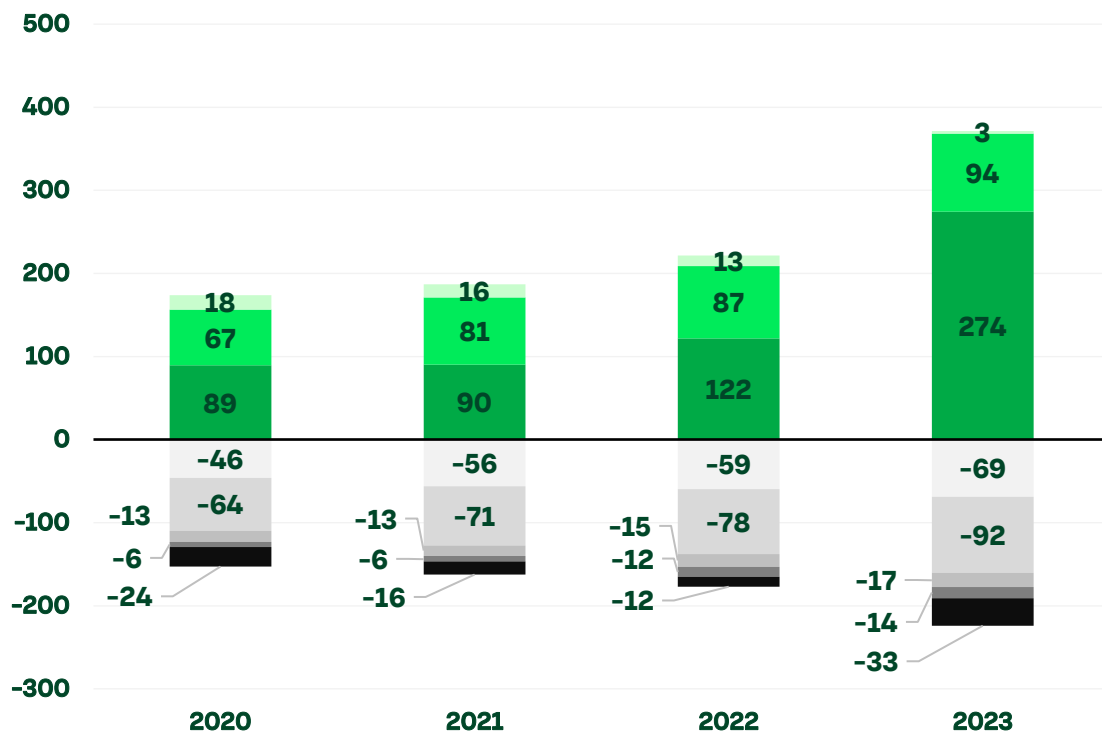


- S-Bank's total income has grown constantly over the years. Net interest income has increased in every quarter since the beginning of 2022.
- In 2023, total income increased by 67.4% and total costs increased by 15.6% on the previous year. Expected and final credit losses grew during 2023 and totalled EUR 33 million (12 million). EUR 14.8 millions of ECL provisions were made during the review period, which is the main reason for the increase.
- In 2023, operating profit increased by 230% to EUR 147.4 million from EUR 44.7 million in 2022. The improvement was especially driven by a strong 126% increase in the net interest income that was supported by sustained long-term growth.



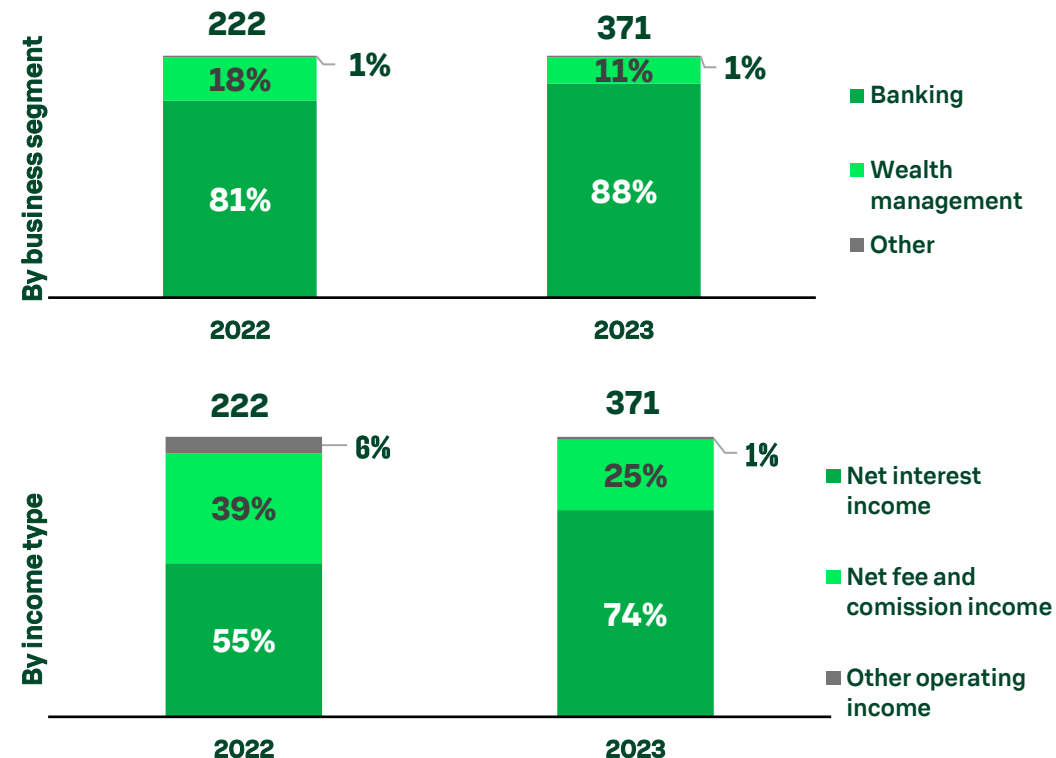
# INCOME & COST ANALYSIS

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



- Net interest income
- Fee income
- Other income
- Personnel costs
- Other administrative costs
- Depreciation
- Other costs
- Impairment losses

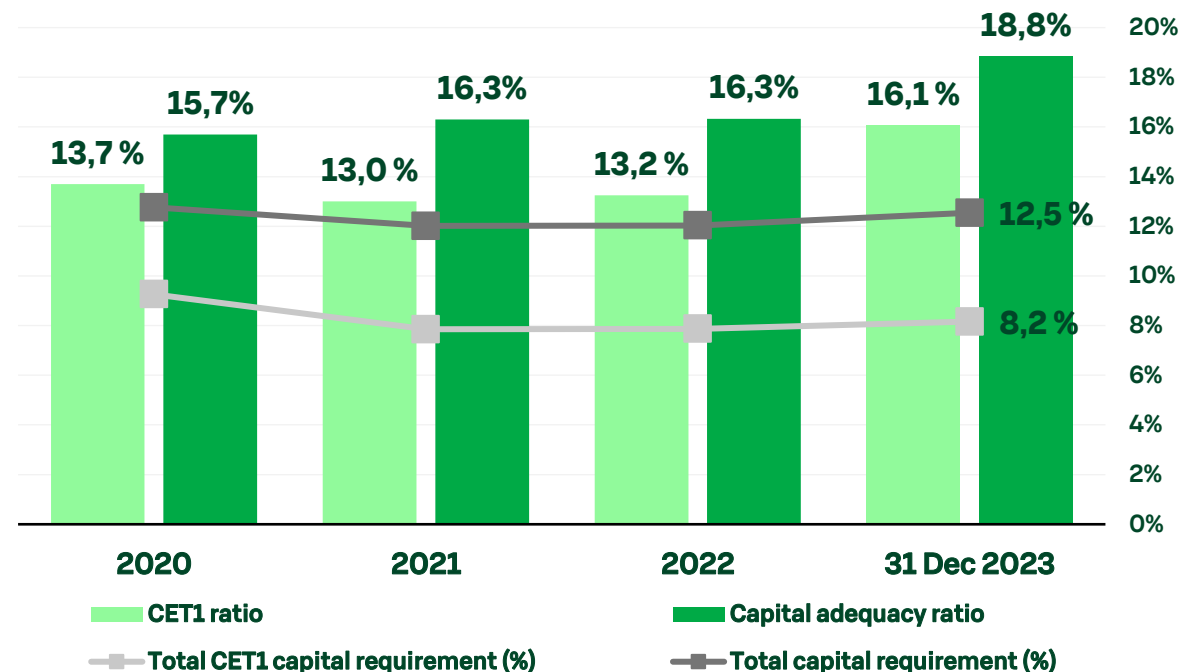
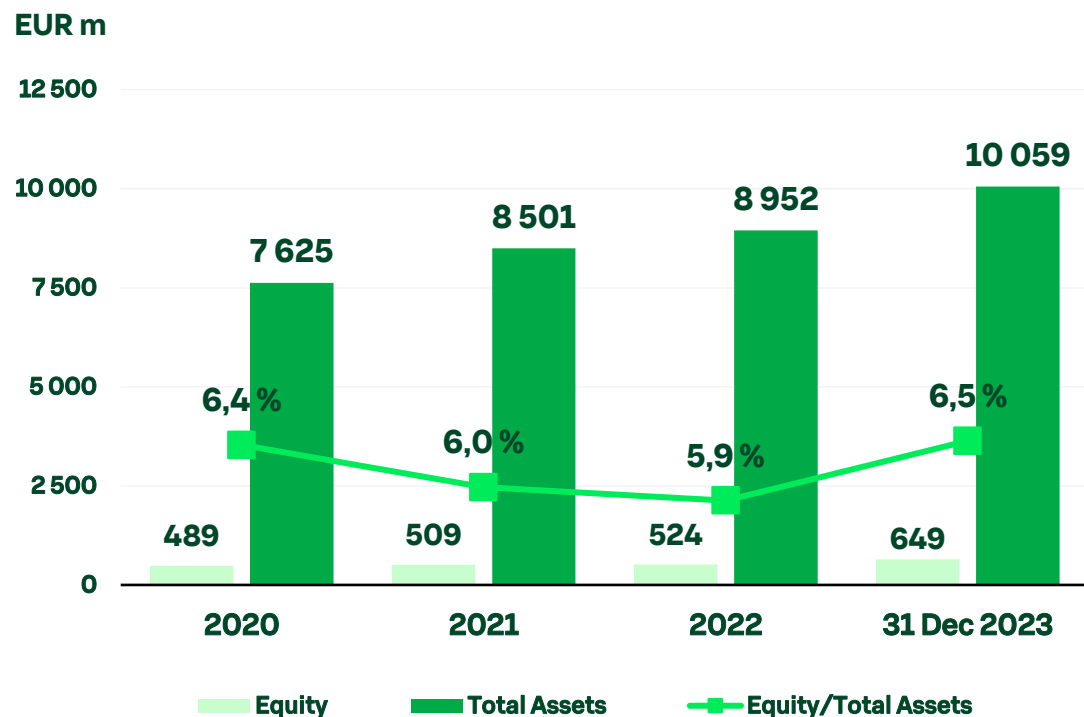
## INCOME SPLITS BY SEGMENT AND TYPE (EUR m)



	2020	2021	2022	2023
Cost - Income ratio, %	74%	78%	74%	51%
Total income / Total assets, %	2.3%	2.2%	2.5%	3.9%



# SOLID CAPITAL POSITION DESPITE GROWTH

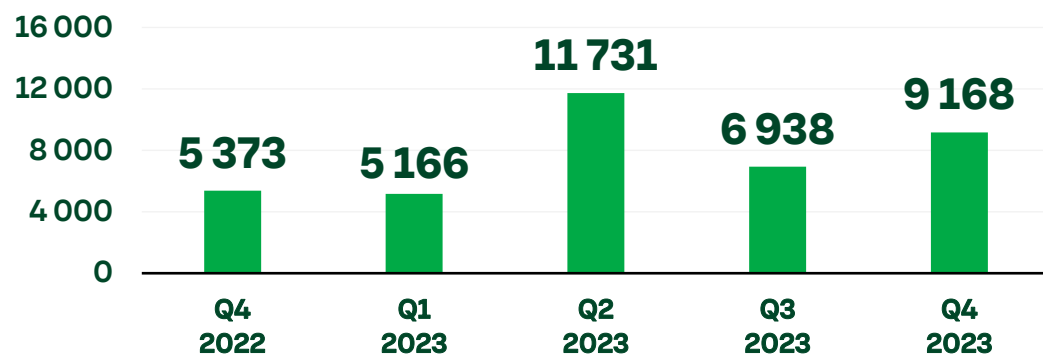


- S-Bank has seen strong development in its asset base since 2020. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 5.9% to 6.5% between 2020 and 2023. At the end of the year 2023, the equity ratio stood at 6.5% and the CET1 ratio at 16.1%.
- The key capital ratios have been maintained well above the regulatory requirements. S-Bank's discretionary additional capital requirement (Pillar 2) increased at the end of 2023 to 2.00% from the previous requirement of 1.50%. Also, a systemic risk buffer of 1.0% will be imposed for all credit institutions in Finland. The requirement will enter into force on 1 April 2024.

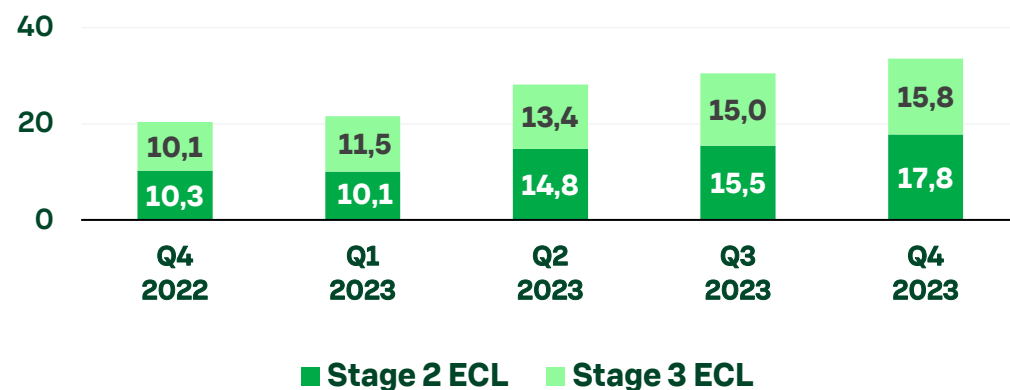


# CREDIT LOSSES– CONSERVATIVE APPROACH WITH MANAGEMENT JUDGEMENT BUFFERS AND LGD FLOORS

## EXPECTED AND FINAL CREDIT LOSSES (EUR '000)



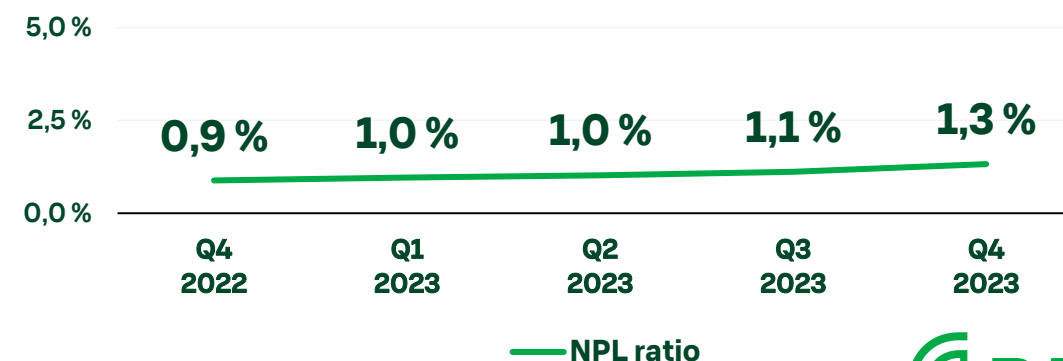
## STAGE 2 AND 3, ECL PROVISION (EUR m)



## COMMENTARY

- Expected and final credit losses in 2023 were EUR 33.0 million, driven by an increase of EUR 14.8 million in ECL provision.
- ECL provision in the balance sheet was EUR 37.3 million in total, which included EUR 3.8 million provisions based on management judgement.
- At the end of 2023, LGD risk parameter floors were implemented in the ECL calculation. The impact of parameter floors was EUR 5.3 million. Previous macroeconomic provisions based on management judgement were reversed by a similar amount.
- In addition, the modelling of forward-looking information was updated during Q2, which increased ECL provisions by EUR 2.6 million.
- NPL ratio increased to 1.3 % (0.9)

## NPL RATIO (%)



# FUNDING AND LIQUIDITY

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LIQUIDITY

COVER  
POOL

OPERATING  
ENVIRONMENT

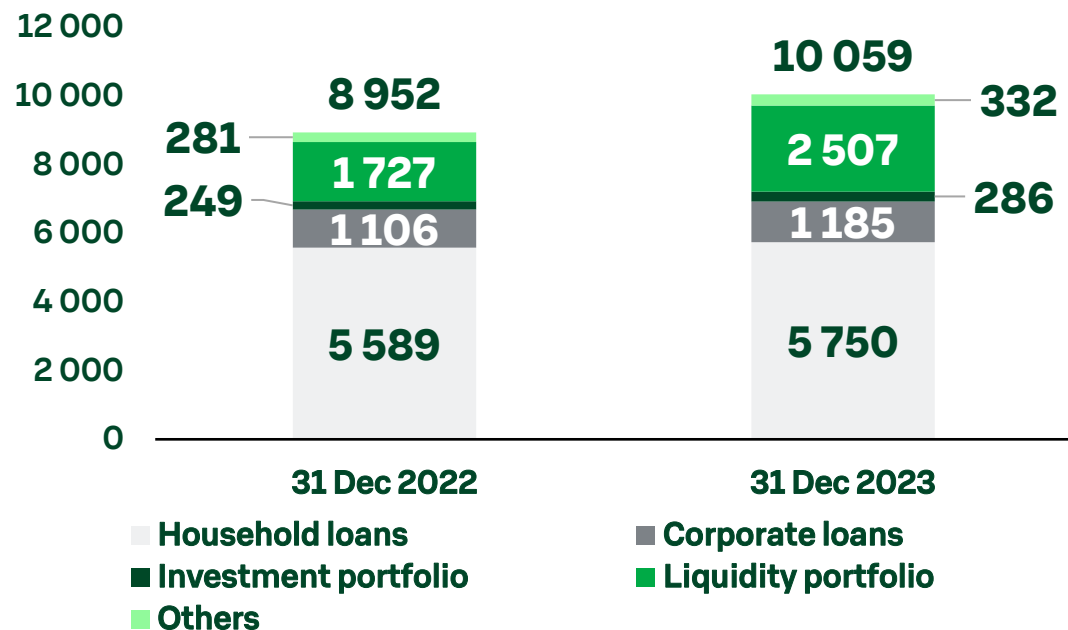
PLANNED  
TRANSACTION

APPENDIX

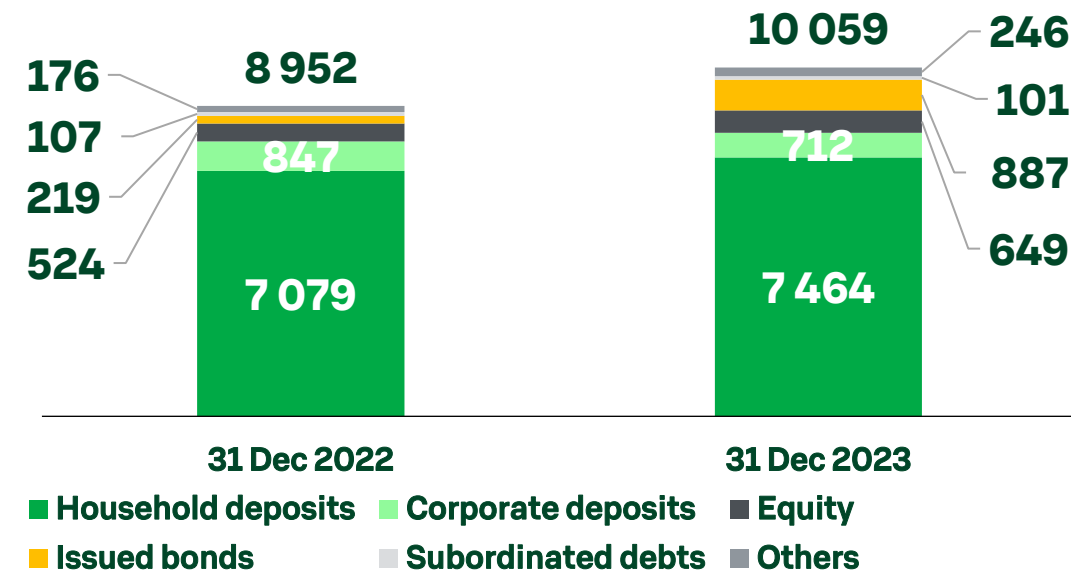
# BALANCE SHEET & FUNDING

**STRONG FUNDING BASE CONSISTING OF DEPOSITS – HOUSEHOLD LOANS MAKE UP MOST OF THE ASSETS**

## ASSETS (EUR m)



## LIABILITIES AND EQUITY (EUR m)



- Household and corporate deposits comprised 81% (89%) of total liabilities and equity at the end of 2023. At the same time, lending to households comprised 57% (62%) of the total assets.
- Lending and deposits grew compared to the previous year-end. Lending increased in both household and corporate customers. Deposit growth concentrated in household customers, and corporate customer deposits decreased.

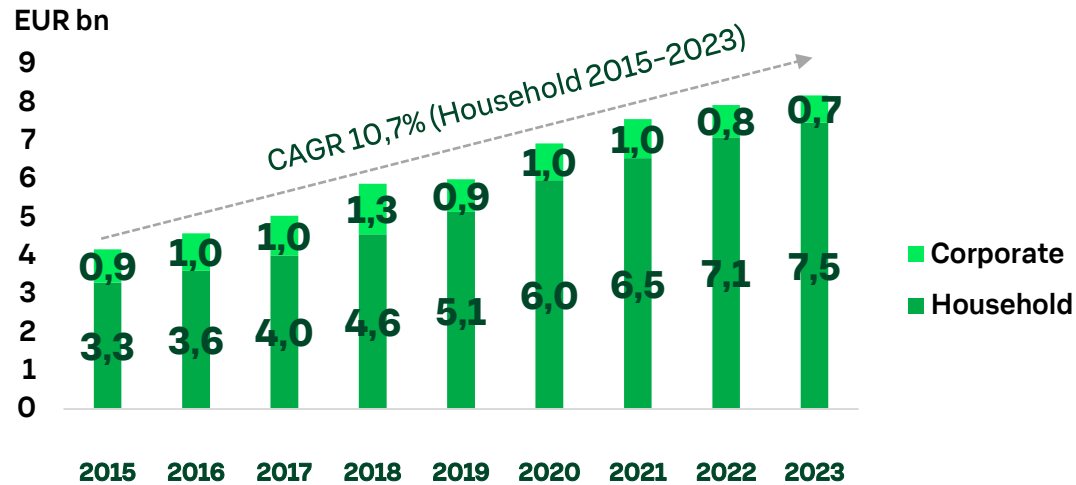




# STRONG AND STABLE DEPOSIT BASE

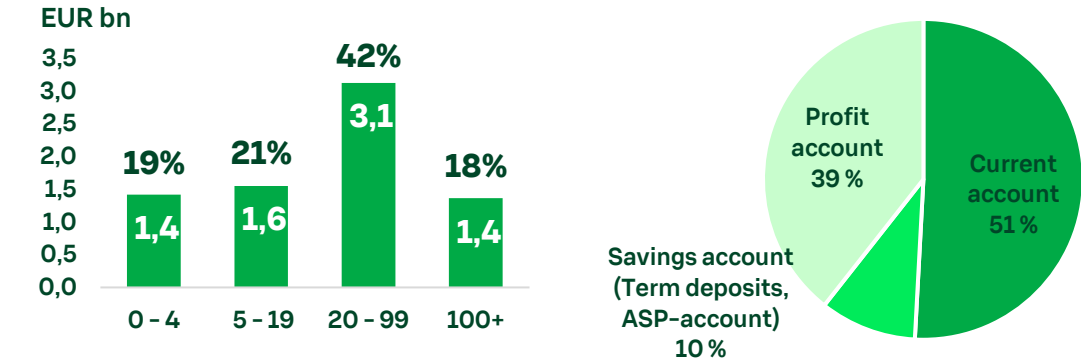
## HOUSEHOLD DEPOSITS AS A PRIMARY SOURCE OF FUNDING

### DEPOSITS GROWING STEADILY

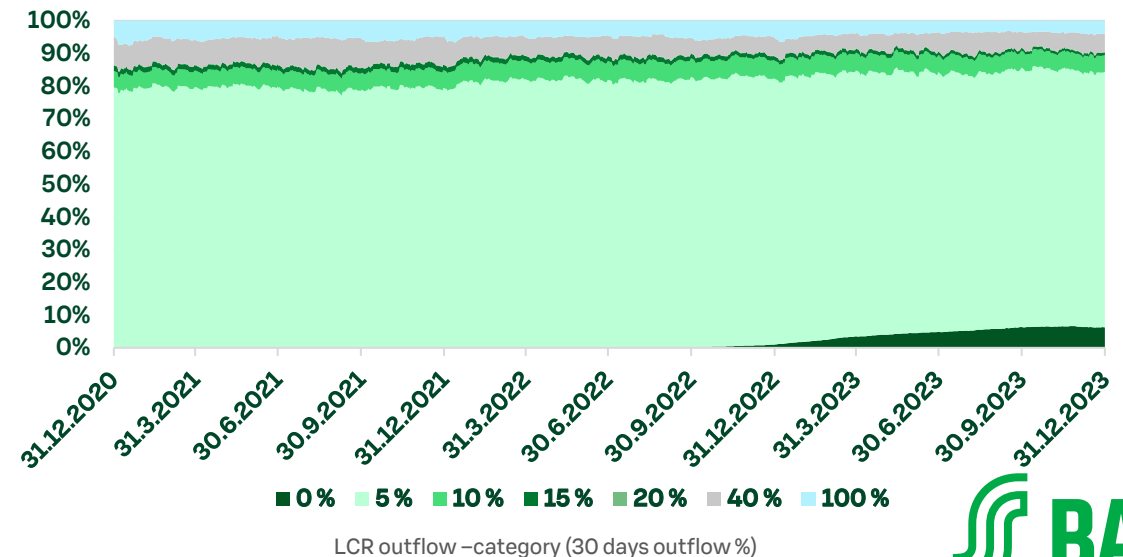


- S-Bank's deposit base relies on a diversified household customer base – the largest share of customer deposits in the Nordic retail banking landscape
- Competitive deposit rates and large customer base will support growth
- Savings accounts share of the portfolio has gained momentum in the new interest rate environment. In Q4/2023 EUR 590m allocated to household term deposits
- More volatile behaviour in Corporate deposits, but share remains limited
- Total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 6 964m at the end of Q4 2023

### HOUSEHOLD DEPOSITS BY VOLUME AND PRODUCT (2023)



### DEPOSIT BASE BY LCR OUTFLOW CATEGORY



# LONG-TERM FUNDING PROFILE BEING DIVERSIFIED

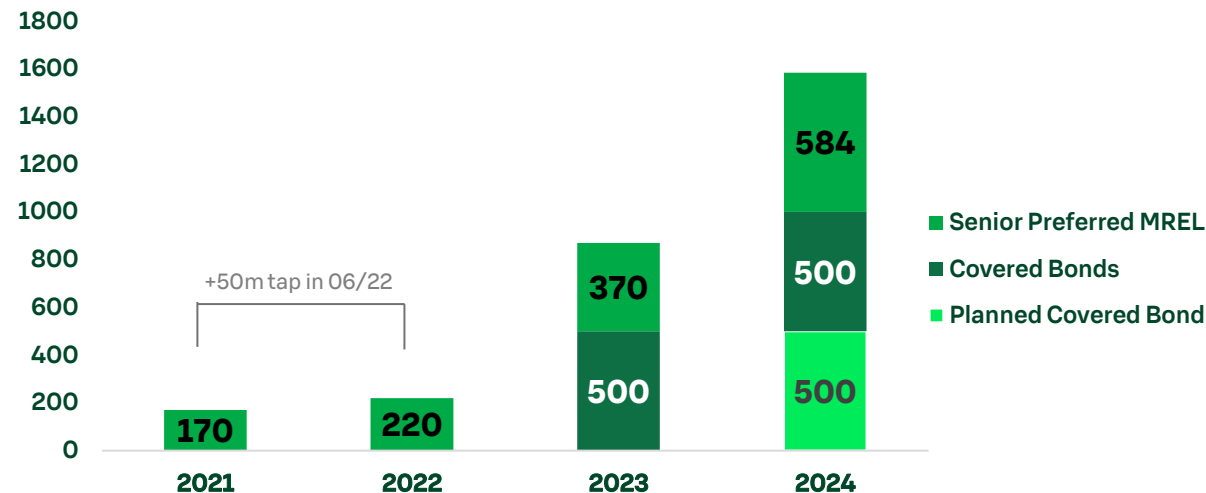
## S-BANK IS COMMITTED TO MAINTAINING PRESENCE AND REGULARITY IN EUR FUNDING MARKETS

- Acquisition of Handelsbanken’s Finnish private customer, asset management and investment services operations is steering the funding plan. Closing date of the acquisition expected to be in H2 2024
- S-Bank aims to cover the funding gap by issuing covered bonds in the EUR market. Secure access to capital markets is of high importance to the bank – S-Bank aims to be a regular benchmark Covered Bond issuer in the future.
- Going forward, the capital requirements will increase due to the re-instated Finnish Systemic Risk Buffer in 2024, which also impacts the future MREL requirements. Senior preferred EUR transactions are used to cover MREL requirements.
- S-Bank does not have a specific subordination requirement as per the latest decision by FIN-FSA.
- S-Bank tendered EUR 86.1m of EUR 220m Senior Preferred MREL bond due in April 2025.

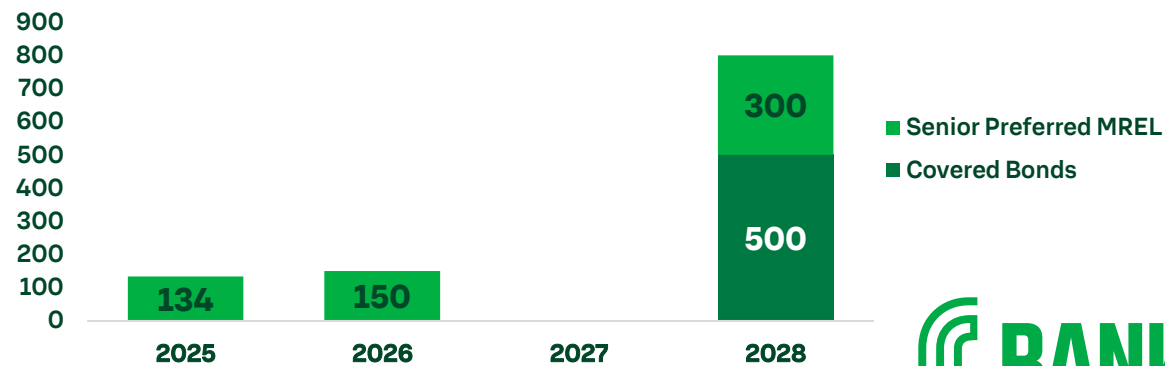
### BOND ISSUES

- **EUR 220m Senior Preferred MREL** issued in October 2021 and tapped June 2022 due in April 2025
- Inaugural **EUR 500m Covered Bond** with a 5-year maturity issued in September 2023 due in September 2028
- **EUR 150m Senior Preferred MREL** issued in November 2023 due in November 2026
- **EUR 300m Senior Preferred MREL** issued in February 2024 due in February 2028

CAPITAL MARKETS FUNDING, EUR m (cumulative)



MATURITY STRUCTURE, EUR m

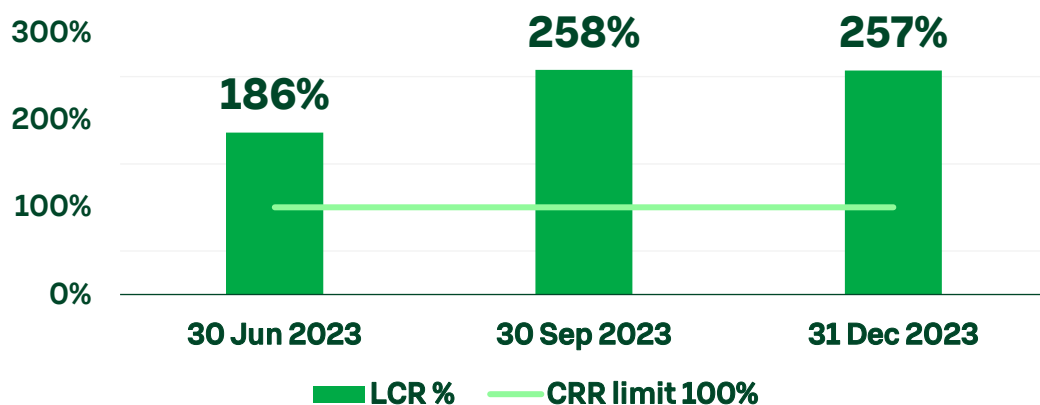


# LIQUIDITY

## ROBUST LIQUIDITY POSITION AND EASY ACCESS TO ADDITIONAL FUNDING

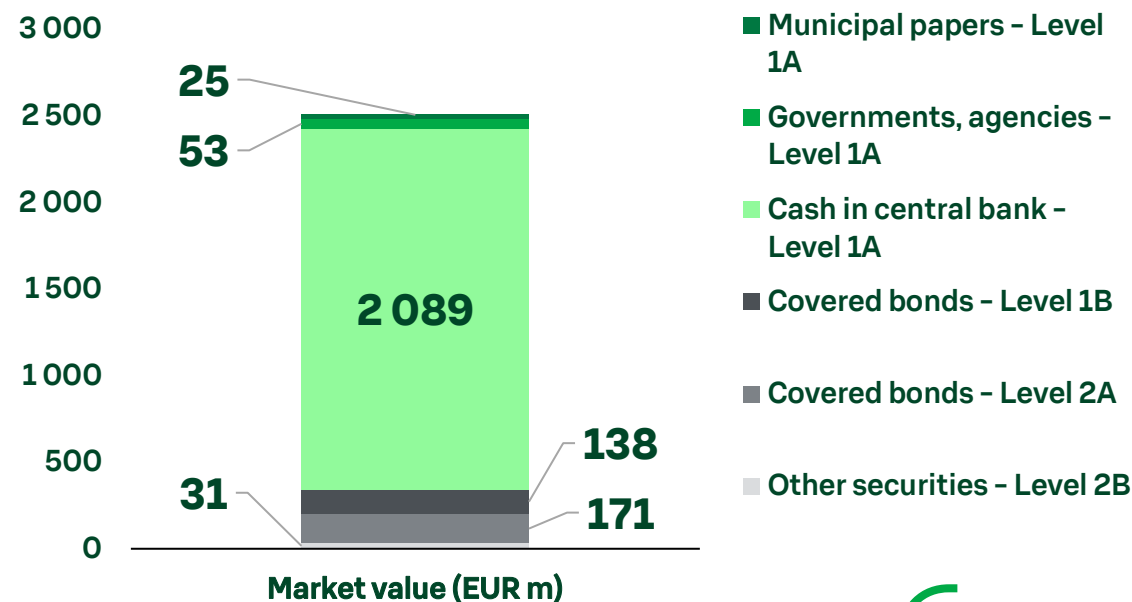
### LIQUIDITY OVERVIEW

- S-Bank's liquidity portfolio totalled EUR 2 507 million at the end of 2023 (EUR 1 727 million at the end of 2022).
- Level 1 assets comprise 93% of the portfolio, with the largest allocations in cash in central bank.
- Furthermore, S-Bank has pre-positioned collateral to the Bank of Finland to secure access of funding and liquidity and has a CD-programme for short-term funding needs.
- NSFR ratio was 164% at the end of 2023 (151% at the end of 2022) - wide headroom over the regulatory requirement of 100%.
- LCR was 257% at the end of 2023 (164 % at the end of 2022) which is also well above the 100% regulatory limit. The LCR liquidity buffer increased with the bond issuances.



### LIQUIDITY PORTFOLIO, 31 DEC 2023

EUR m	Level 1A	Level 1B	Level 2A	Level 2B	Total
<b>Amount held (% of total market value)</b>	2 167 (86.4%)	138 (5.5%)	171 (6.8%)	31 (1.2%)	2 507



# COVER POOL

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FUNDING AND  
LIQUIDITY

COVER  
POOL

OPERATING  
ENVIRONMENT

PLANNED  
TRANSACTION

APPENDIX

# S-BANK AS A COVERED BOND ISSUER

## S-BANK IS WELL PREPARED FOR THE NEXT COVERED BOND ISSUANCE AND WILL CONTINUE AS AN ACTIVE ISSUER IN THE FUTURE

- 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 preparing for the its second Covered Bond issuance. Previous issuances include the inaugural Covered Bond on September 2023, Senior Preferred MREL Eligible Notes in November 2023 and February 2024.
  - 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 is a regular issuer of benchmark-sized Covered Bonds. Secure access to Capital Markets is of high importance to the bank.
  - Covered Bond 100% secured by high-quality Finnish residential mortgages
  - S-Bank does not have any Commercial Real Estate exposure in the loan portfolio.
- 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 license 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.

# ELIGIBILITY CRITERIA FOR COVER POOL

## COVER POOL CONSISTS OF HIGH-QUALITY FINNISH RESIDENTIAL ASSETS

<b>ORIGINATION</b>	Loans originated by S-Bank
<b>ASSET CATEGORIES</b>	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>
<b>CUSTOMER CREDIT QUALITY</b>	No arrears (< 60 days past due) No negative payment remarks Payment capacity stress tested (25Y maturity with 6% interest rate as guided by FIN-FSA)
<b>COLLATERAL</b>	Maximum LTV limit 80% Finnish residential collaterals located in major cities and their surroundings Conservative valuation practices <ul style="list-style-type: none"><li>• Collateral values evaluated monthly and only adjusted downwards</li><li>• For high-risk loans*, statistical method is replaced by manual desktop estimation by authorized property valuator</li></ul> Commitment to keep OC all times at the level commensurate with S&P rating 'AAA' No Commercial Real Estate (CRE) exposure in the pool
<b>TYPE OF PROPERTIES</b>	Primary and secondary residences Limited liability housing companies
<b>TYPE OF PRODUCTS</b>	Principal repayment mortgages Remaining maturity 30–10 000 days Remaining principal EUR 3 000–3 000 000

\* >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 ON 31 DECEMBER 2023

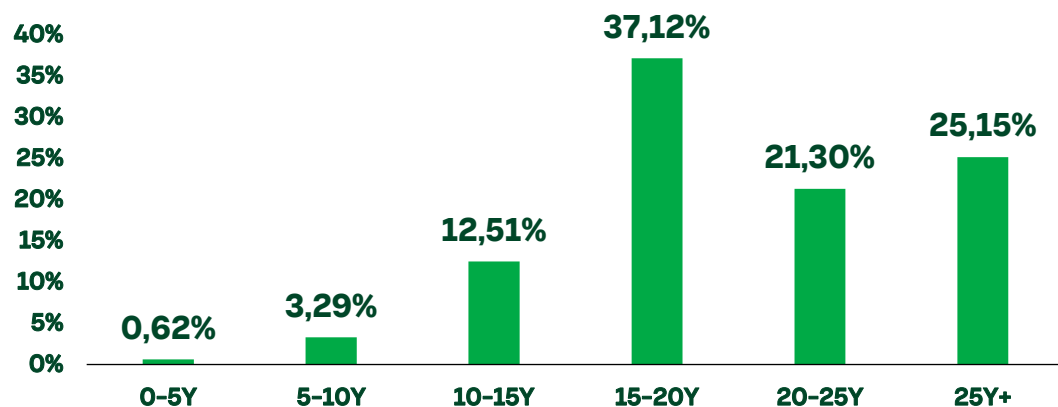
<b>SIZE OF THE POOL</b>	EUR 3 113.46 million (nominal)
<b>COLLATERAL TYPE</b>	100% Finnish residential mortgages
<b>NUMBER OF LOANS</b>	37 268
<b>AVERAGE LOAN SIZE</b>	EUR 86 376
<b>WALTV*</b>	68.18%
<b>WEIGHTED AVERAGE LOAN SEASONING</b>	49.92 months
<b>NONPERFORMING LOANS</b>	0%
<b>LOANS IN ARREARS</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)

\*Weighted Average Loan-to-Value based on current loan and collateral values

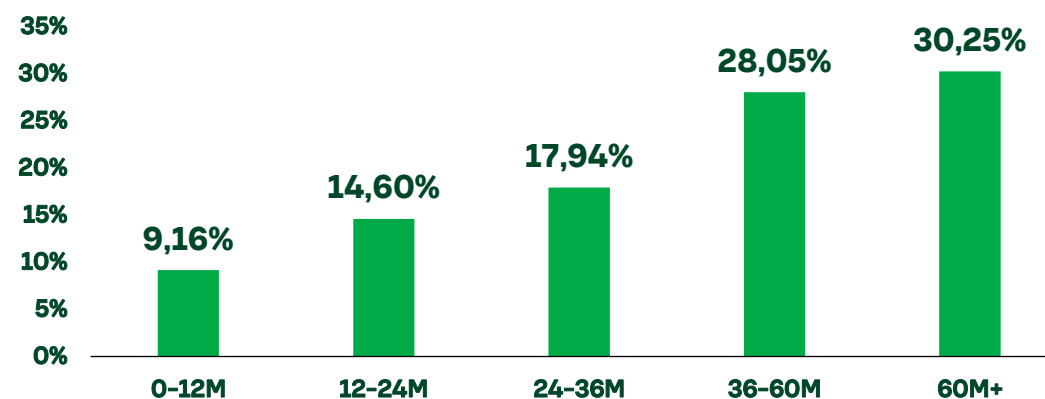


# DETAILS OF THE COVER POOL 31 DEC 2023

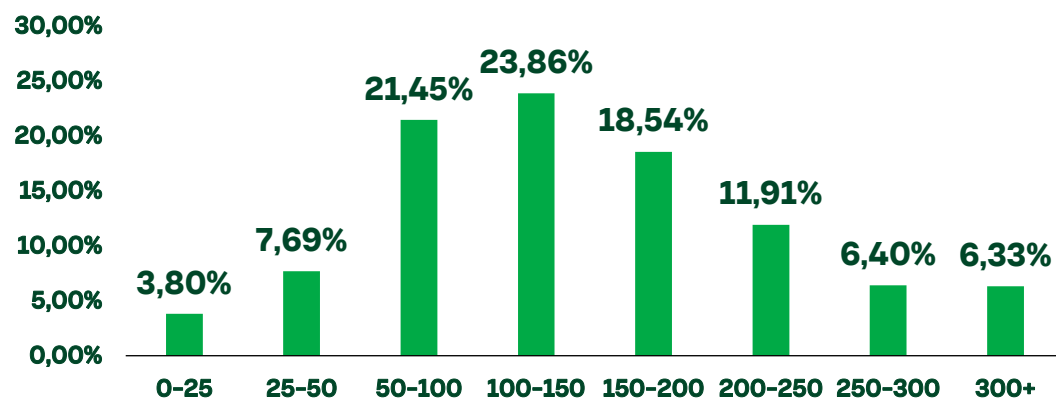
## LOAN MATURITY DISTRIBUTION



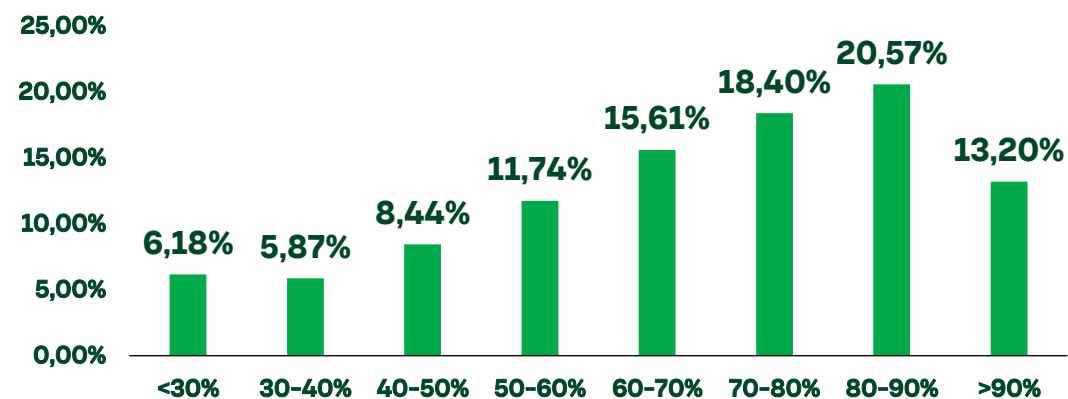
## LOAN SEASONING



## LOAN SIZE BUCKETS (EUR THOUSAND)



## LTV DISTRIBUTION



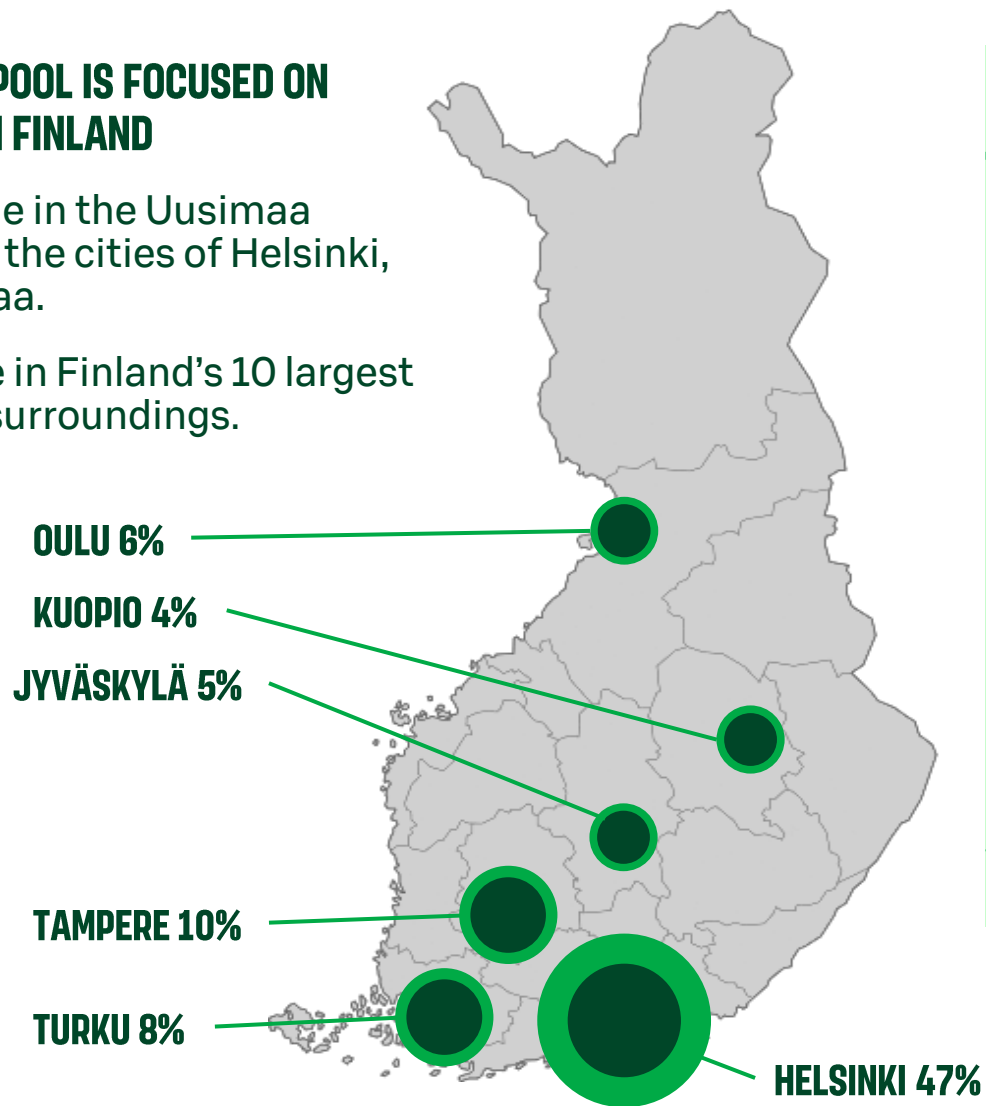


# GEOGRAPHIC BREAKDOWN OF THE COVER POOL, 31 DEC 2023

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

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

Strong presence in Finland's 10 largest cities and their surroundings.



Region	Major city	Volume EUR million	Share of the pool
<b>Uusimaa</b>	Helsinki	1459	46.86%
<b>Pirkanmaa</b>	Tampere	324	10.41%
<b>Southwest Finland</b>	Turku	250	8.04%
<b>North Ostrobothnia</b>	Oulu	191	6.13%
<b>Central Finland</b>	Jyväskylä	152	4.89%
<b>North Savo</b>	Kuopio	135	4.33%
<b>Päijät-Häme</b>	Lahti	86	2.76%
<b>Lapland</b>	Rovaniemi	83	2.66%
<b>Kanta-Häme</b>	Hämeenlinna	78	2.49%
<b>Other</b>		355	11.43%
<b>Sum</b>		<b>3 113</b>	<b>100%</b>

# OPERATING ENVIRONMENT

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COVER  
POOL

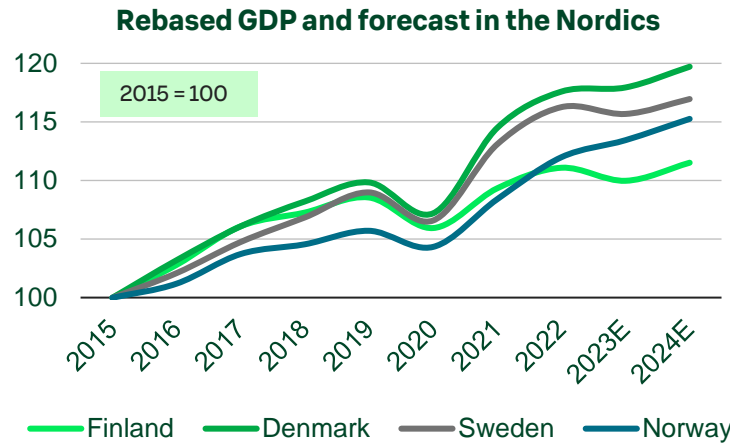
OPERATING  
ENVIRONMENT

PLANNED  
TRANSACTION

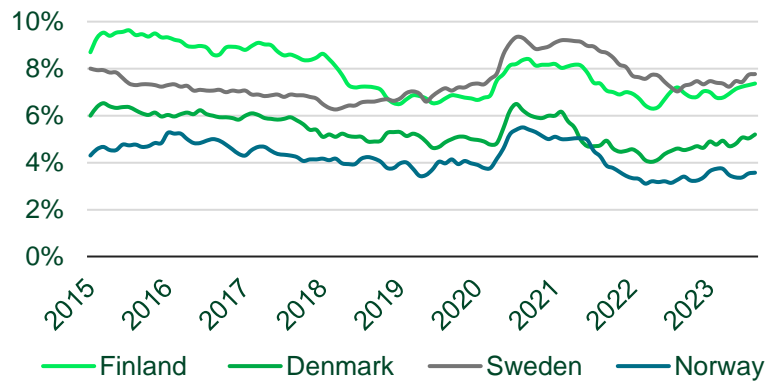
APPENDIX

# KEY HIGHLIGHTS OF THE FINNISH ECONOMY

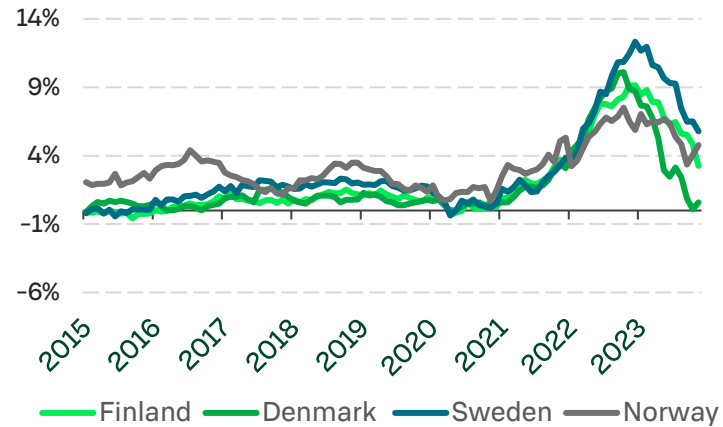
## MODERATE GDP GROWTH EXPECTED



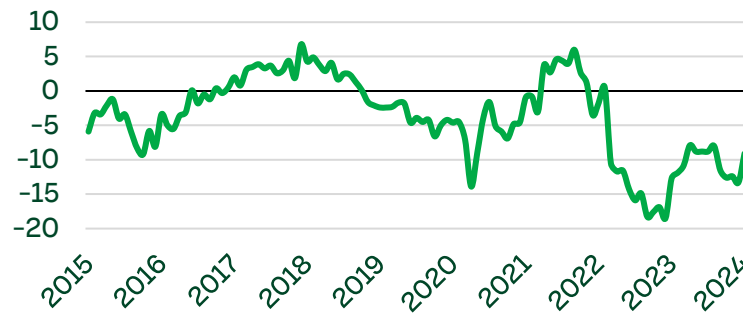
## UNEMPLOYMENT RATE<sup>1</sup> IN THE NORDICS, 2015-Q4 2023



## INFLATION FALLING AFTER A STRONG PEAK



## CONSUMER CONFIDENCE BELOW LONG-TERM AVERAGE



## KEY HIGHLIGHTS

Inflation <b>3.0%</b> February 2024 yoy	Unemployment rate <sup>2</sup> <b>7.2%</b> 2023
Real GDP growth <b>-1.0%</b> 2023	House price index <b>-5.4%</b> February 2024 yoy
Consumer confidence <b>-9.5</b> February 2024	Population growth <b>0.9%</b> 2021-2030 estimate

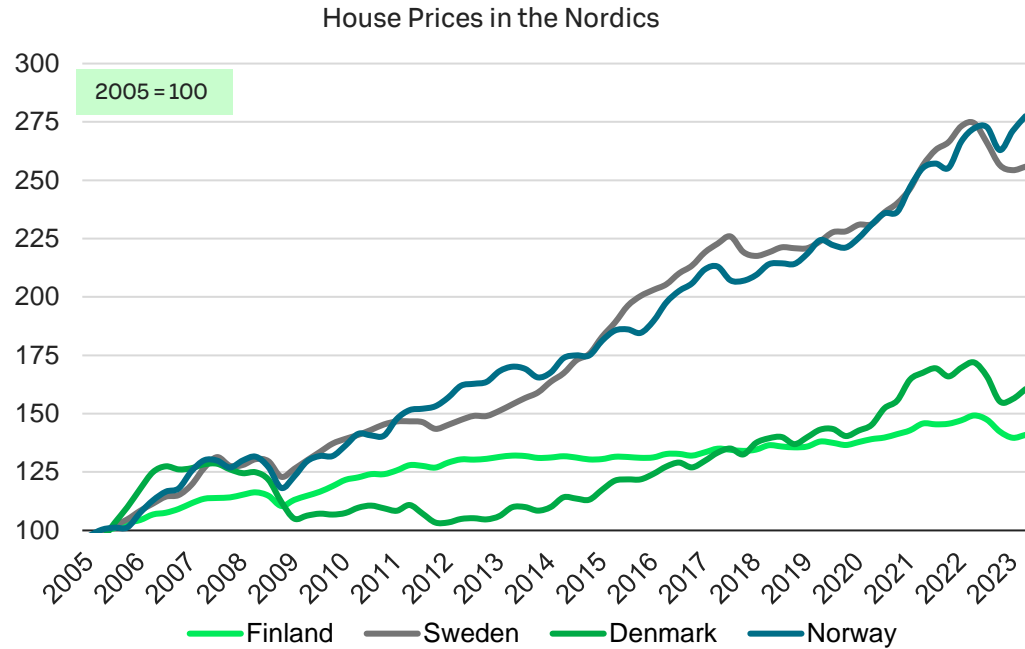
## COMMENTARY

The Finnish economy is still in recession. Gross domestic product (GDP) has been contracting almost continuously since the middle of 2022. Finland's export markets are growing slowly, and a higher price and interest rate level are weighing on private consumption and investments. Residential construction is particularly struggling. Employment has remained relatively strong given the economic situation, and inflation has also slowed down rapidly. According to the March 2024 interim forecast by the Bank of Finland, the gross domestic product (GDP) is expected to contract by 0.5% this year, slightly more than forecasted in December 2023. However, the economy is gradually beginning to recover from the recession, with GDP projected to grow by 1.7% in 2025, although the growth rate slows slightly in 2026.

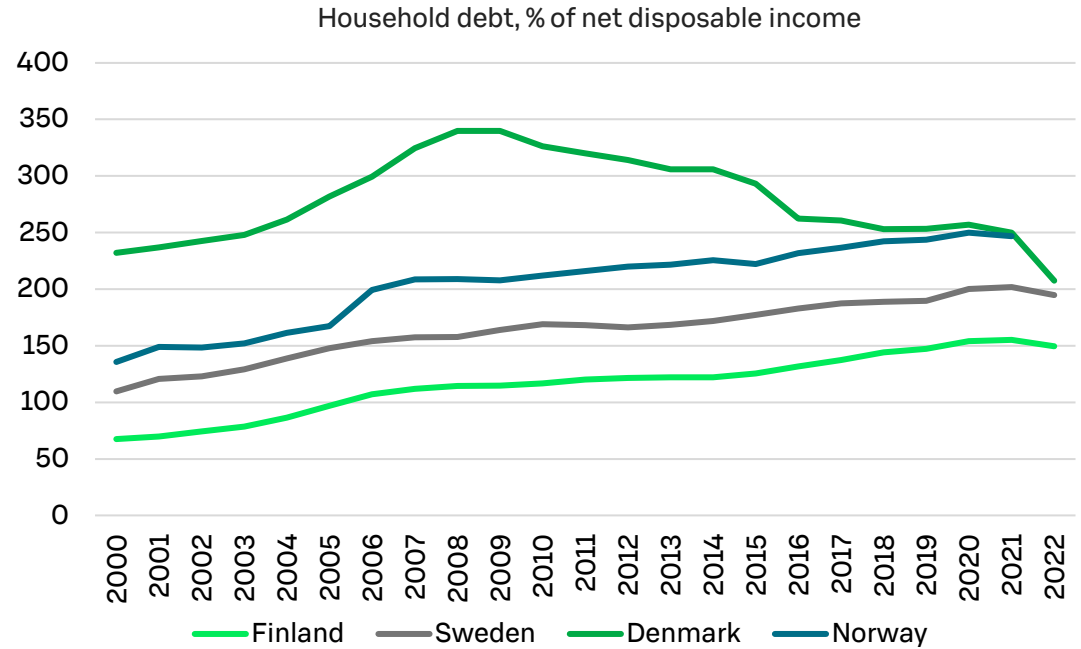
Sources: Eurostat, Statistics Finland, Bank of Finland, OECD, Bloomberg  
Notes: 1) Based on Labour Force Surveys; seasonally adjusted; 3-month moving average 2) Based on Statistics Finland data

# NORDIC HOUSING MARKET

## MODEST HOUSING PRICE DEVELOPMENT IN FINLAND



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



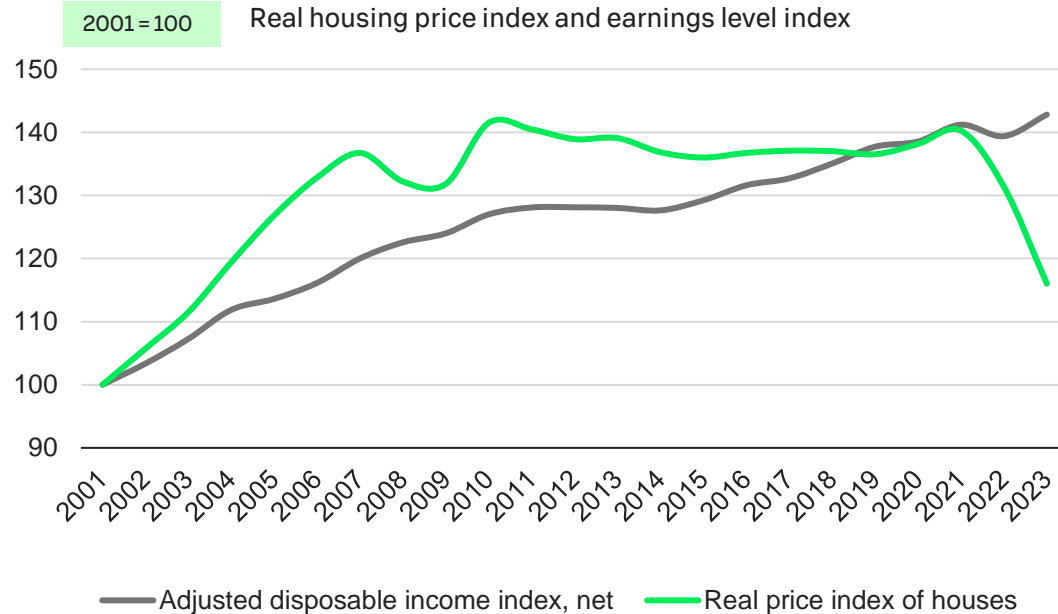
- Growth in housing prices in Finland has been modest over the past 15 years, with the index showing an increase of c. 40% between 2005 and 2023, whereas in Sweden and Norway, housing prices have nearly tripled during the same period. In Denmark, the development has been closer to that of Finland over the entire time frame.
- Finnish households are the least leveraged in the Nordics. In 2022, indebtedness of Finnish households stood at around 150% of net disposable income, significantly lower compared to the other Nordic countries.

Source: OECD, Eurostat

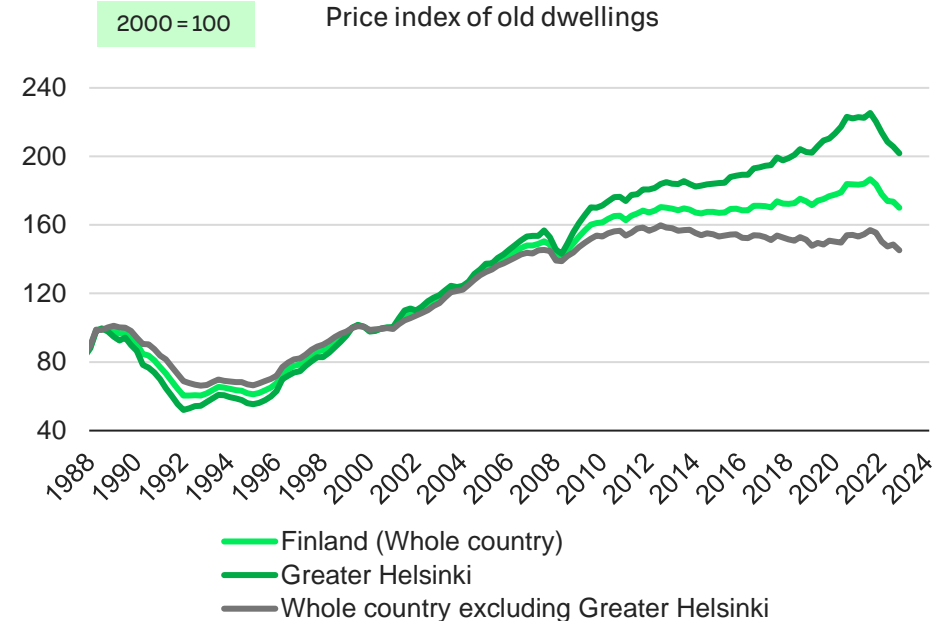
1) 2022 data not available for Norway<sup>1</sup>

# FINNISH HOUSING MARKET – PRICE CORRECTION UNDERWAY

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



## PRICES DECLINING AS INTEREST RATES RISE<sup>2</sup>



- 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 stable, and over a 20-year period, housing prices and the earnings level have increased in parallel with one another. In 2022 and in 2023, housing prices have been under strong pressure due to higher interest rates amidst high inflation.
- The Helsinki area's housing market has diverged from the rest of the country with significantly faster price appreciation – the main drivers are favourable demographics and the continuing trend in urbanisation. The national price average has maintained a stable level during last 10-year period, as price development in rural areas has been more restrained or even declining in areas that suffer most from out-migration.

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 Q4. Source: Statistics Finland.

# PLANNED TRANSACTION

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FINANCIALS

FUNDING AND  
LIQUIDITY

COVER  
POOL

OPERATING  
ENVIRONMENT

PLANNED  
TRANSACTION

APPENDIX

# 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
<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>	6 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 16 February 2024 and as further supplemented
<b>LAW</b>	Finnish Law
<b>CLEARING</b>	Euroclear Finland
<b>LISTING</b>	Nasdaq Helsinki
<b>DENOMINATIONS</b>	100,000€ + 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>BOOKRUNNERS</b>	Danske Bank, DZ BANK, Erste Group, Nordea and Swedbank



# APPENDIX

THIS IS  
S-BANK

BUSINESS  
DESCRIPTION

KEY  
FINANCIALS

FUNDING AND  
LIQUIDITY

COVER  
POOL

OPERATING  
ENVIRONMENT

PLANNED  
TRANSACTION

APPENDIX



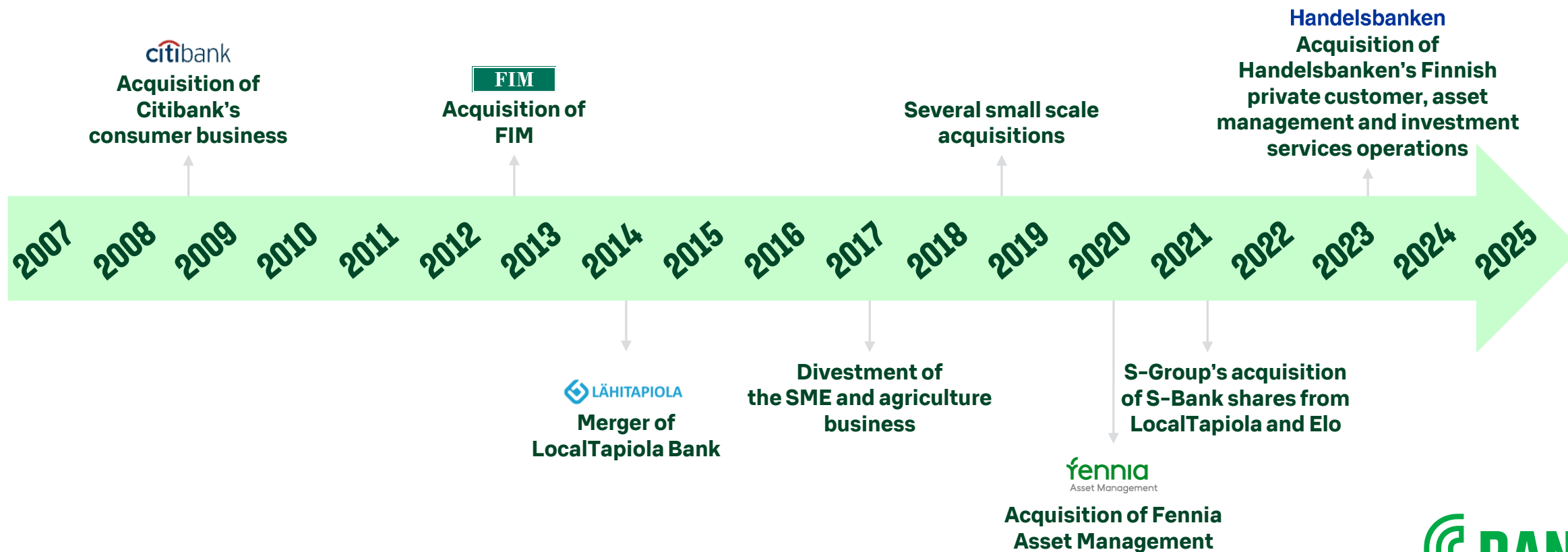
# HISTORY OF S-BANK

**ESTABLISHMENT OF S-BANK**

**GROWTH THROUGH ACQUISITIONS, INVESTMENT IN INTEGRATION**

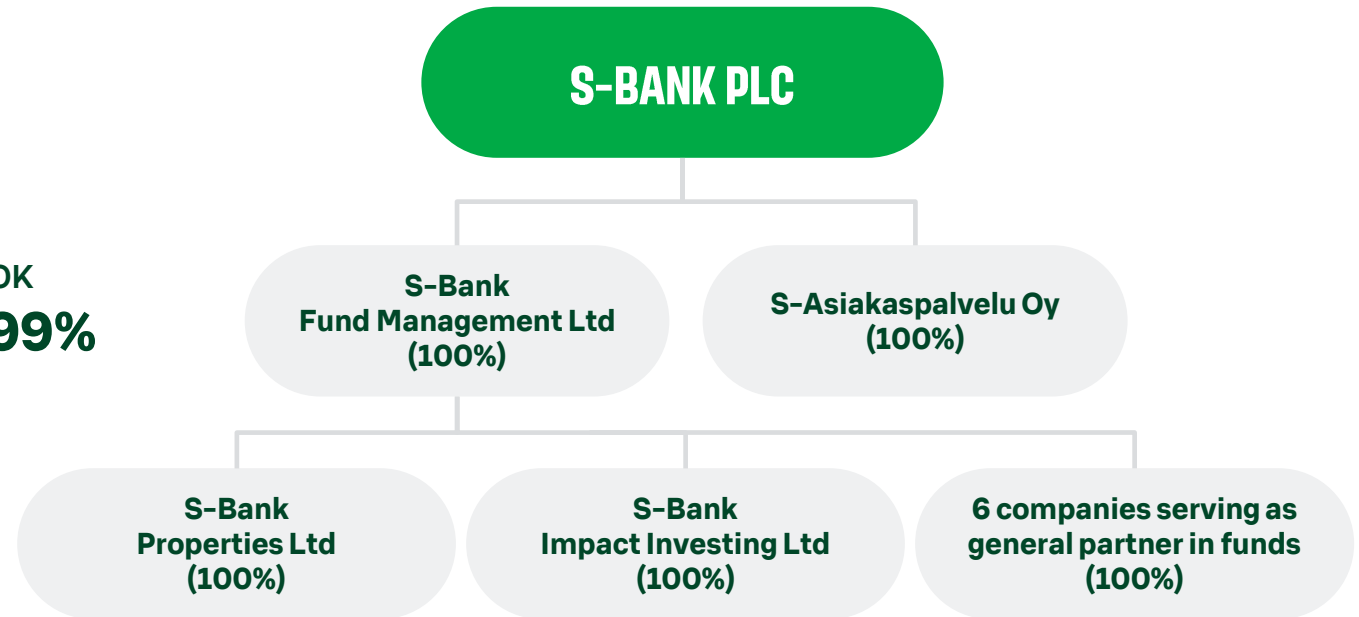
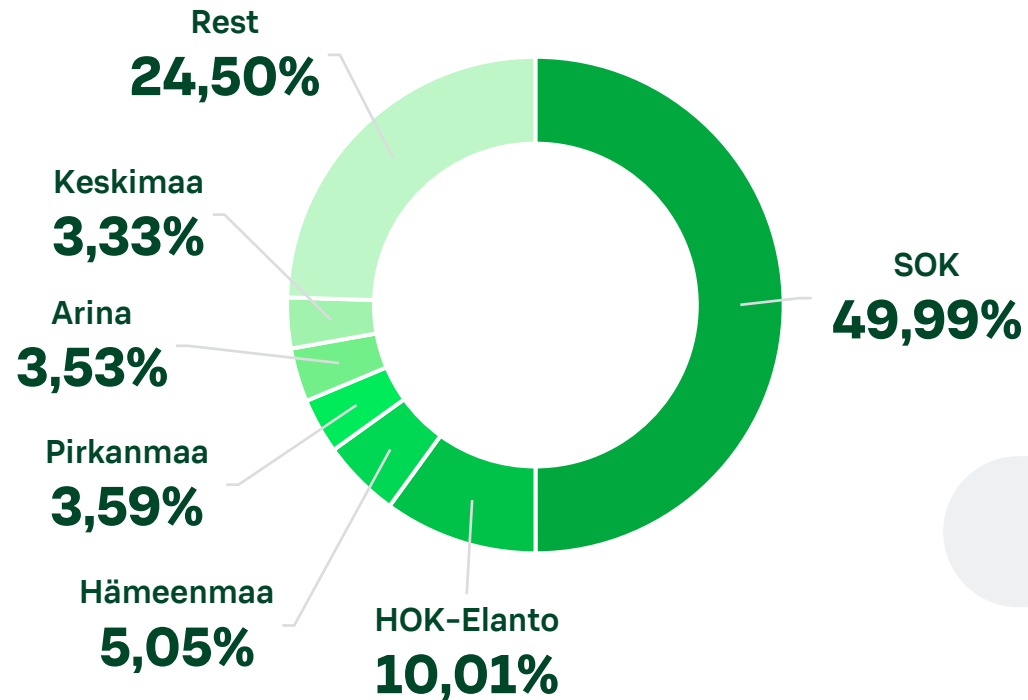
**EXPANSION AND FOCUS ON CORE BUSINESS AND EFFICIENCY IMPROVEMENT**

**MOVING UP TO A NEW SIZE CATEGORY**

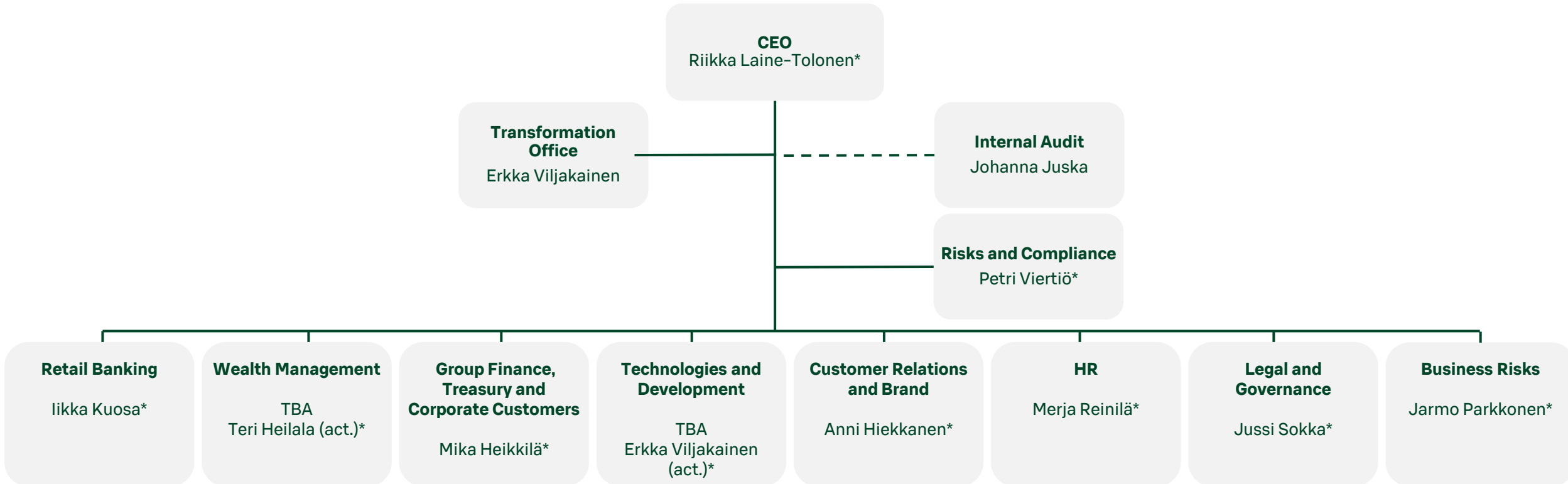


# COMPANY OWNERSHIP AND STRUCTURE

**S-BANK IS OWNED BY SOK (A CENTRAL COOPERATIVE) AND 19 REGIONAL COOPERATIVES**



# S-BANK ORGANISATION FROM 1 APRIL 2024



\*) Member of S-Bank's Group Management Team

# MANAGEMENT GROUP OF S-BANK FROM 1 APRIL 2024



**RIIKKA LAINE-TOLONEN**

CEO



**MIKA HEIKKILÄ**

CFO and EVP

Group Finance, Treasury  
and Corporate  
Customers



**ANNI HIEKKANEN**

EVP

Customer Relations  
and Brand



**IIKKA KUOSA**

EVP

Retail Banking



**JARMO PARKKONEN**

BRO

Business Risks



**MIKE PELTOLA\***

EVP

Wealth Management



**MERJA REINILÄ**

EVP

HR



**JUSSI SOKKA**

EVP

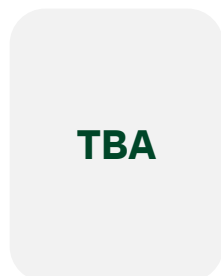
Legal and Governance



**PETRI VIERTIÖ**

CRO

Risks and Compliance



**TBA**

**TBA\*\***

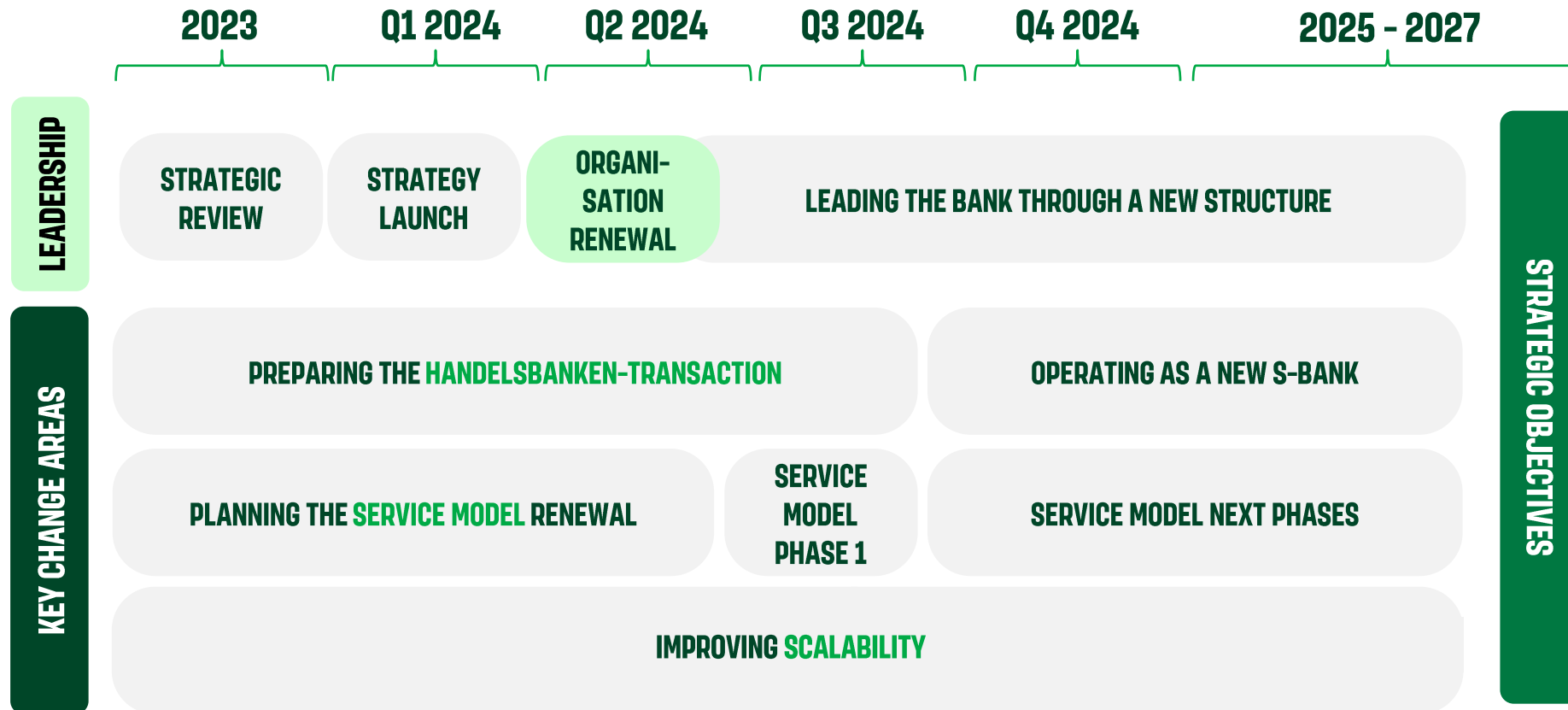
CTO

Technologies  
and Development

\* Will start at S-Bank after the Handelsbanken integration is completed. Until then, the role will be substituted by Teri Heilala.

\*\* To be announced later. The role is substituted by Erkka Viljakainen (SVP, Transformation Office) for the time being.

# BUILDING A NEW S-BANK THROUGH KEY CHANGE AREAS



# S&P: SOUND CREDIT WITH VERY STRONG CAPITALISATION AND POSITIVE OUTLOOK

## RATING AND CRITERIA

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

## 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 the bank's retail franchise and market position.

## KEY STRENGTHS AND RISKS

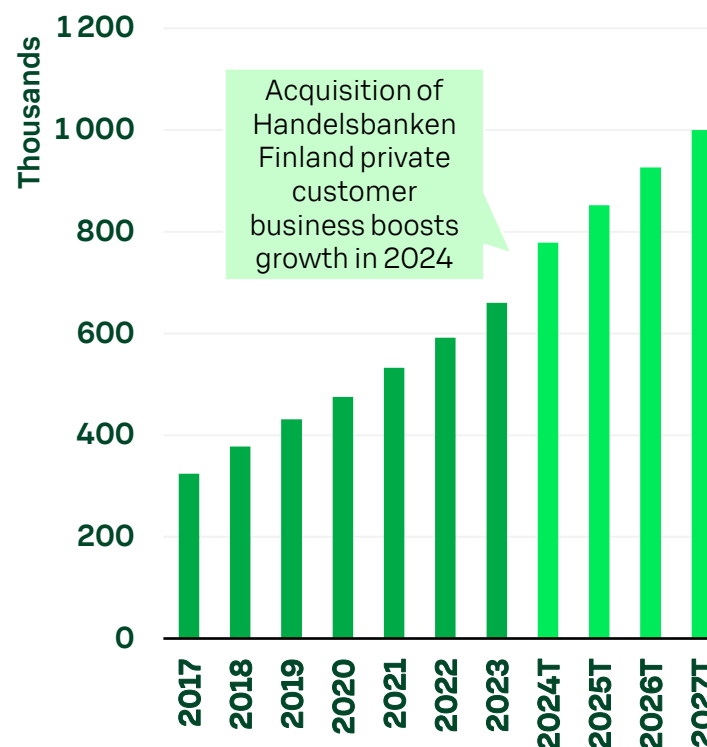
STRENGTHS	✓ Strong brand name facilitated by S Group, supporting growth potential
	✓ Very strong capitalisation supported by improved earnings capacity in the higher interest rate environment
	✓ Sound deposit franchise in Finland
RISKS	✗ Weaker profitability and operating efficiency compared with peers, 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

# TOWARDS A NEW SERVICE MODEL

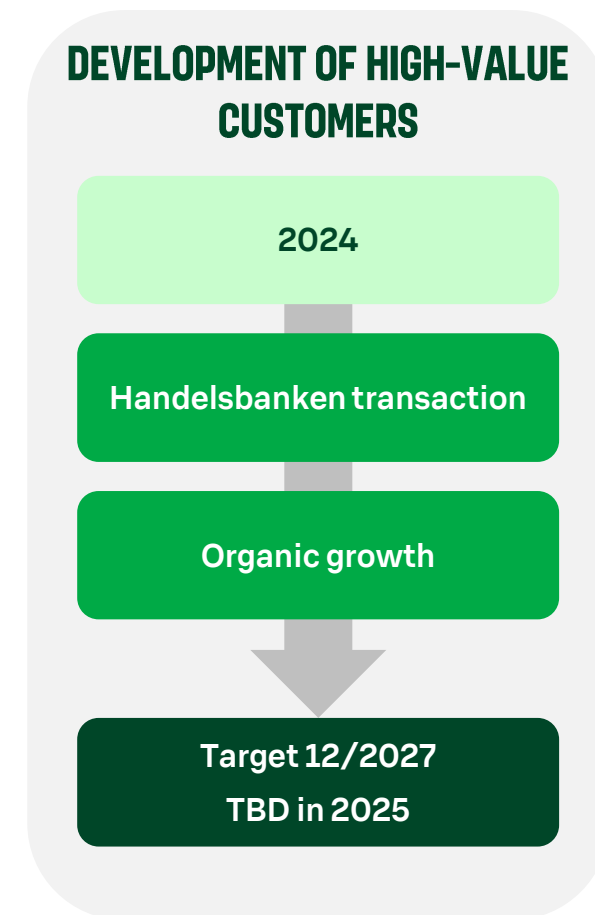
## INCREASING FOCUS ON HIGH-VALUE CUSTOMERS

- A new S-Bank formed by combining the unique strengths of S-Bank's current digital service model, wide service network and Handelsbanken's branch offices
- Handelsbanken's service managers continue serving their customers
- Increased emphasis on attracting and retaining high-value customers.
- Achieved by increasing customer advisory services, by renewing our service model to provide an appropriate service level to each customer, and by creating new benefits linked to the customer's business volumes.
- A specific target for high-value customers will be set after the Handelsbanken transaction has been closed.

### DEVELOPMENT OF ACTIVE CUSTOMERS\*



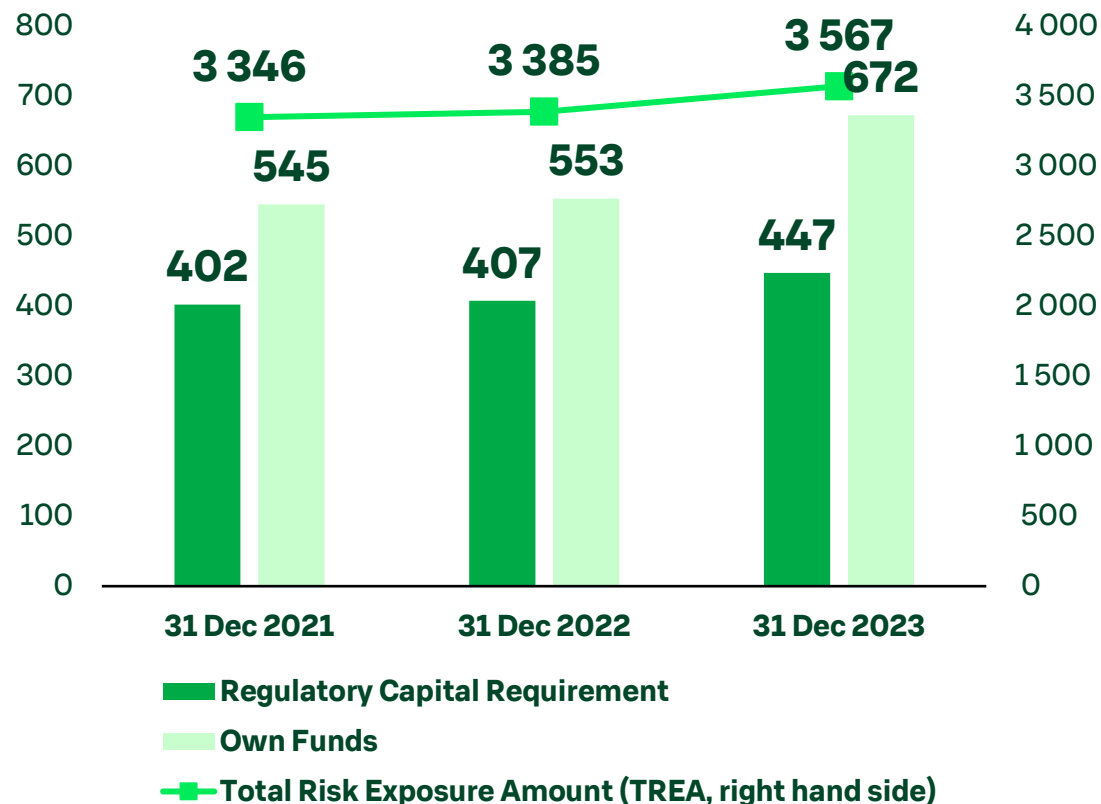
### DEVELOPMENT OF HIGH-VALUE CUSTOMERS



\* Internal segment defined by the frequency of daily banking service use

# OWN FUNDS, CAPITAL REQUIREMENTS & MREL

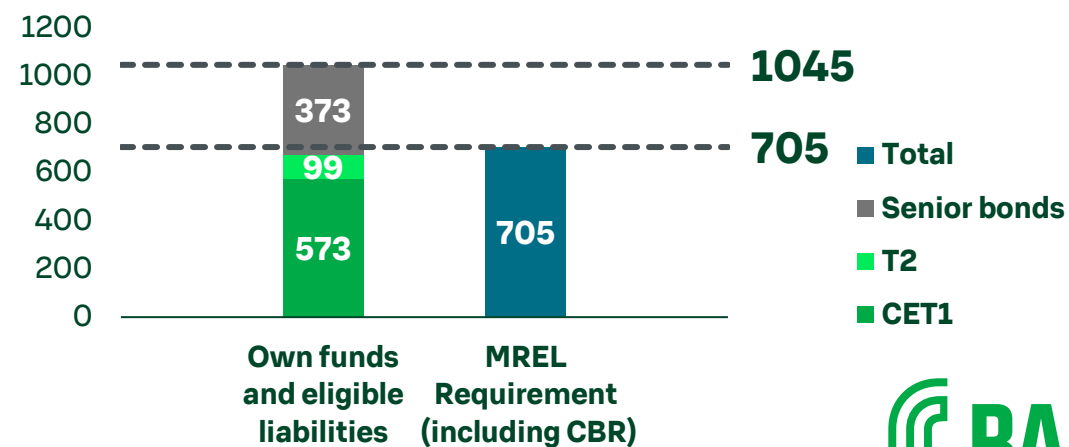
## OWN FUNDS AND CAPITAL REQUIREMENTS (EUR m)



## COMMENTARY

- Own funds were positively affected, especially by profit performance due to increased net interest income.
- The total risk exposure amount (TREA) was increased, mainly due to operational risk, as the total gross income increased.
- Regarding MREL requirements, S-Bank's own funds and eligible liabilities on 31 December 2023 were well above regulatory requirements and internal limits.  $MREL_{TREA}$  was 29.3% and  $MREL_{LRE}$  10.2%.
- Based on the latest decision by the Financial Stability Authority on 31 May 2023, the upcoming full  $MREL_{TREA}$  is 20.64% and the  $MREL_{LRE}$  is 7.71%. These target levels came into force on 1 January 2024.

## MREL REQUIREMENT (EUR m)





# INCOME STATEMENT

EUR thousands	2020	2021	2022	2023
Interest income	99 156	102 925	139 295	388 381
Interest expenses	-9 823	-12 583	-17 608	-113 898
Net interest income	89 333	90 341	121 687	274 483
Fee and commission income	108 270	123 674	101 179	107 563
Fee and commission expenses	-41 251	-42 863	-13 985	-13 881
Net fee and commission income	67 019	80 811	87 195	93 682
Net income from investment operations	3 179	3 107	2 436	-4 676
Other operating income	14 323	12 724	10 479	7 773
<b>TOTAL INCOME</b>	<b>173 853</b>	<b>186 983</b>	<b>221 796</b>	<b>371 262</b>
Personnel expenses	-44 887	-56 146	-59 406	-68 701
Other administrative expenses	-64 765	-71 005	-78 452	-91 693
Depreciation and impairment	-13 422	-12 985	-15 301	-16 835
Other operating expenses	-6 097	-6 345	-11 987	-13 624
<b>TOTAL COSTS</b>	<b>-129 172</b>	<b>-146 481</b>	<b>-165 145</b>	<b>-190 854</b>
Impairment of receivables	-23 633	-15 721	-11 960	-33 002
Share of the profits of associated companies	-0 001	0 002	0 001	0 001
<b>OPERATING PROFIT (LOSS)</b>	<b>21 047</b>	<b>24 784</b>	<b>44 693</b>	<b>147 406</b>
Income taxes	-5 378	-5 233	-8 884	-29 422
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>15 670</b>	<b>19 551</b>	<b>35 809</b>	<b>117 985</b>



# BALANCE SHEET

ASSETS EUR thousands	2020	2021	2022	2023
Cash and cash equivalents	775 734	1 091 962	1 368 195	2 207 041
Debt securities eligible for refinancing with central banks	721 541	684 859	556 923	571 735
Receivables from credit institutions	33 863	25 064	9 215	9 420
Receivables from customers	5 444 362	6 086 022	6 695 255	6 934 971
Debt securities	507 288	464 228	139 785	127 293
Derivative contracts	0	582	24 261	31 349
Shares and interests	28 126	31 575	20 665	18 881
Holdings in associated companies	2	4	5	7
Intangible assets	70 995	73 341	70 331	65 600
Tangible assets	10 720	7 458	5 268	7 381
Tax assets	1 597	2 051	7 398	5 801
Prepayments and accrued income	25 060	28 322	45 979	62 837
Other assets	6 064	5 414	8 967	16 731
<b>TOTAL ASSETS</b>	<b>7 625 351</b>	<b>8 500 883</b>	<b>8 952 247</b>	<b>10 059 046</b>

LIABILITIES AND EQUITY EUR thousands	2020	2021	2022	2023
Liabilities to credit institutions	0	108	23 156	34 231
Liabilities to customers	6 976 500	7 611 265	7 983 559	8 239 664
Issued bonds		169 699	219 27	886 895
Subordinated debts	59 500	112 667	107	101 333
Derivative contracts	16 157	8 383	7	829
Provisions	397	649	303	200
Tax liabilities	6 345	7 183	8 984	19 024
Accrued expenses	30 547	32 299	30 25	53 374
Other liabilities	47 260	49 325	55 477	74 224
<b>Total liabilities</b>	<b>7 136 707</b>	<b>7 991 577</b>	<b>8 428 006</b>	<b>9 409 774</b>
Share capital	82 880	82 88	82 88	82 88
Reserves	283 366	284 277	263 148	275 148
Retained earnings	122 397	142 148	178 213	291 244
Non-controlling interests	0	0	0	0
<b>Total equity</b>	<b>488 644</b>	<b>509 306</b>	<b>524 241</b>	<b>649 272</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7 625 351</b>	<b>8 500 883</b>	<b>8 952 247</b>	<b>10 059 046</b>



**THANK YOU**

