

# DEBT INVESTOR PRESENTATION

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February 2024





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# S-BANK IN BRIEF

## SET TO BE 4th LARGEST 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 Handelsbanken's private customer, asset management and investment operations in H2 2024 (approved by the Finnish Competition and Consumer Authority on 17 July 2023\*).
- Fully owned by S Group, the #1 grocery store market leader in Finland with strong brand recognition. Over 80% of Finnish households are co-op members (2022).
- 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 a significant increase in the number of high-value customers who use a broad range of S-Bank's services.
- 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

- 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 market.
- BBB expected rating in the contemplated EUR Senior Preferred Issue.
- Regular Senior Preferred issuer going forward, mainly due to MREL reasons.

Note: The 2023 figures do not yet reflect effects from 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.



# THIS IS S-BANK

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

## A FULL-SERVICE 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** for retail customers, while also offering targeted services for 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 **S Group's loyalty programme** and is present daily in the payment transactions of the bank's **3.2 million customers**. The customer base is mainly serviced through digital services, complemented with customer service available by phone and at service points located in S Group's business locations with wide accessibility throughout Finland.

## THE 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 was approved by the Finnish CCA on 17 July 2023\*. The acquisition is due to be funded largely through covered bond issues and a subsequent share issue to the owners.

## 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 JAN-DEC 2023

Record high result – interest in our services was strong

- Total deposits increased to EUR **8.2** billion (7.9)
- Lending increased to EUR **6.9** billion (6.7)
- Assets under management increased to EUR **6.2** billion (5.9)
- Operating profit increased to EUR **147.4** million (44.7)
- The capital adequacy ratio increased to **18.8** per cent (16.3)
- Return on Equity increased to **20.1** per cent (6.9)
- Number of active customers **660 000** increased rapidly (592 000)

(EUR million)	2023	2022	Change
<b>Net interest income</b>	274.5	121.7	125.6%
<b>Net fee and commission income</b>	93.7	87.2	7.4%
<b>Total income</b>	371.3	221.8	67.4%
<b>Operating profit</b>	147.4	44.7	229.8%
<b>Cost-to-income ratio</b>	0.51	0.74	-0.23

\*The implementation of the transaction is subject to approval by the authorities regarding the other participants in the transaction.

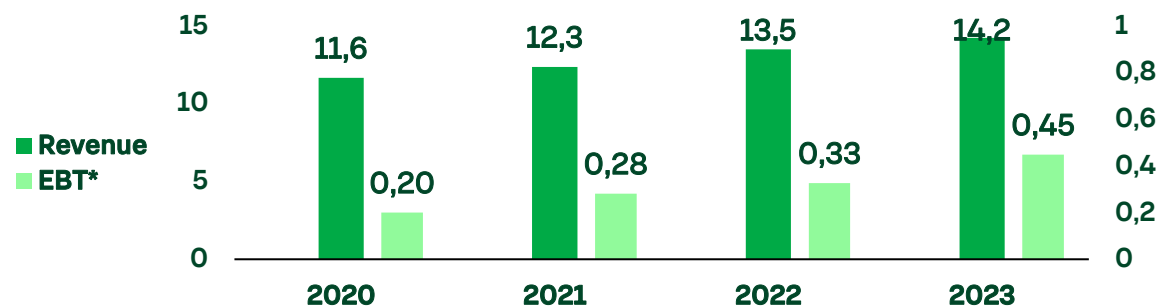


# S GROUP TODAY: THE #1 FINNISH GROCERY RETAILER AND A SIGNIFICANT PLAYER IN MANY OTHER AREAS

## BRIEF INTRODUCTION

- Network of companies in the retail and service sector, with almost **2 000 outlets** in Finland. S Group is a cooperative group of companies, and its sole owners are Finnish households.
- **Over 80% 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 41 400 employees in 2023. Its retail sales, excluding taxes, amounted to EUR 14.2 billion (+5.5%) and its non-consolidated result before appropriations and taxes (EBT\*) was EUR 447 million (+37.5%).
- The cooperatives serve customers with 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 the purchase amount) from all the spend throughout S Group go into 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)

\*\*Amount of co-op members in 2022. The 2023 figure has not been published yet.

## OVERVIEW OF BUSINESS AREAS & S-BANK POSITION 2023

### GROCERY STORES

~1,000 outlets  
Sales EUR 10,4 billion  
47% market share

### DEPARTMENT AND BEAUTY STORES

20 department stores  
41 beauty stores  
Sales EUR 270 million

### BANKING

~1,000 S Group outlets  
3.2 million customers

### SERVICE STATIONS

~450 service stations  
Sales EUR 2.2 billion

### RESTAURANTS & HOTELS

53 hotels  
466 restaurants  
Sales EUR 814 million



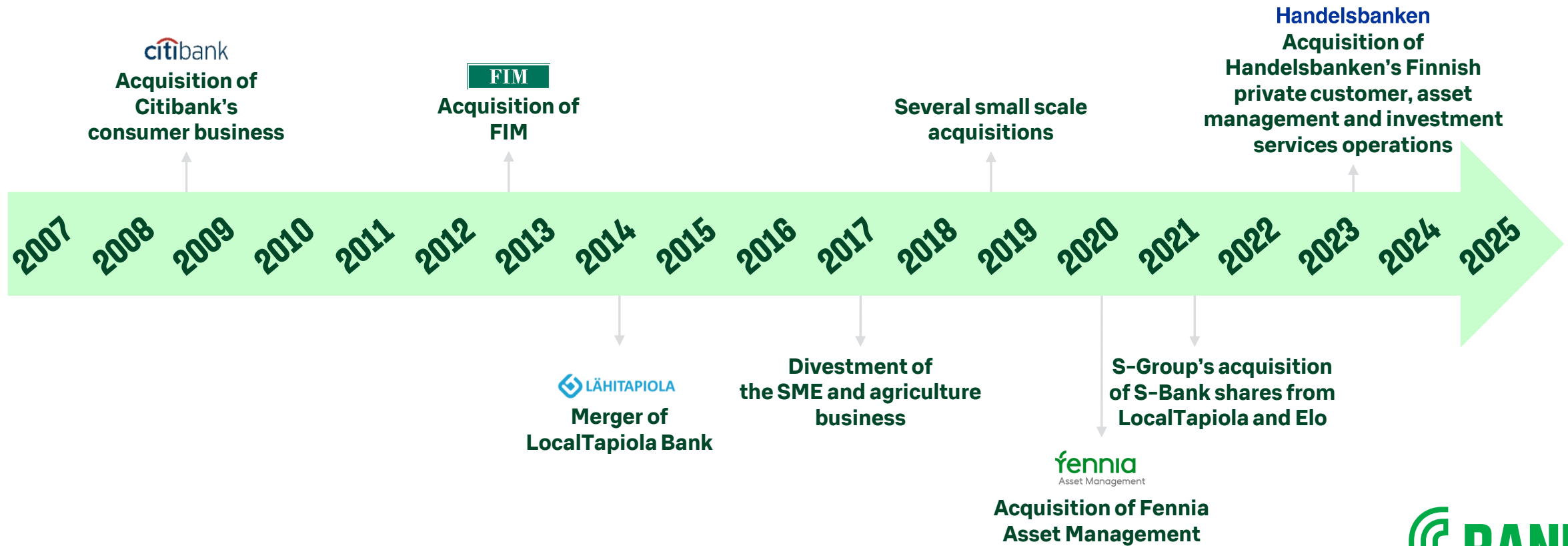
# HISTORY OF S-BANK

**ESTABLISHMENT OF S-BANK**

**GROWTH THROUGH ACQUISITIONS, INVESTMENT IN INTEGRATION**

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

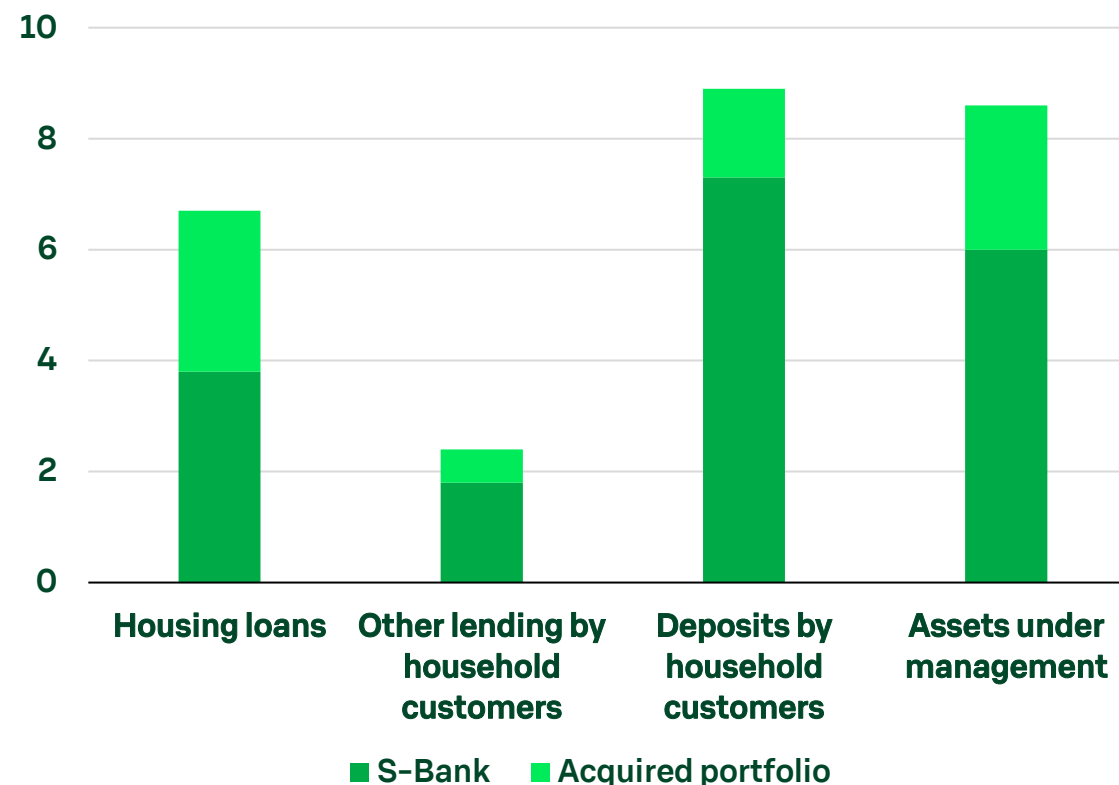
**MOVING UP TO A NEW SIZE CATEGORY**



# HANDELSBANKEN ACQUISITION: S-BANK WILL BECOME THE FOURTH LARGEST RETAIL BANK FOR HOUSEHOLD CUSTOMERS

- 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 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 through a subsequent **share issue** to the owners and **debt financing** from the market.
- The Finnish Competition and Consumer Authority gave approval of the transaction to S-Bank on 17 July 2023\*\*. The parties expect the transaction to be completed during the **second half of 2024**.

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



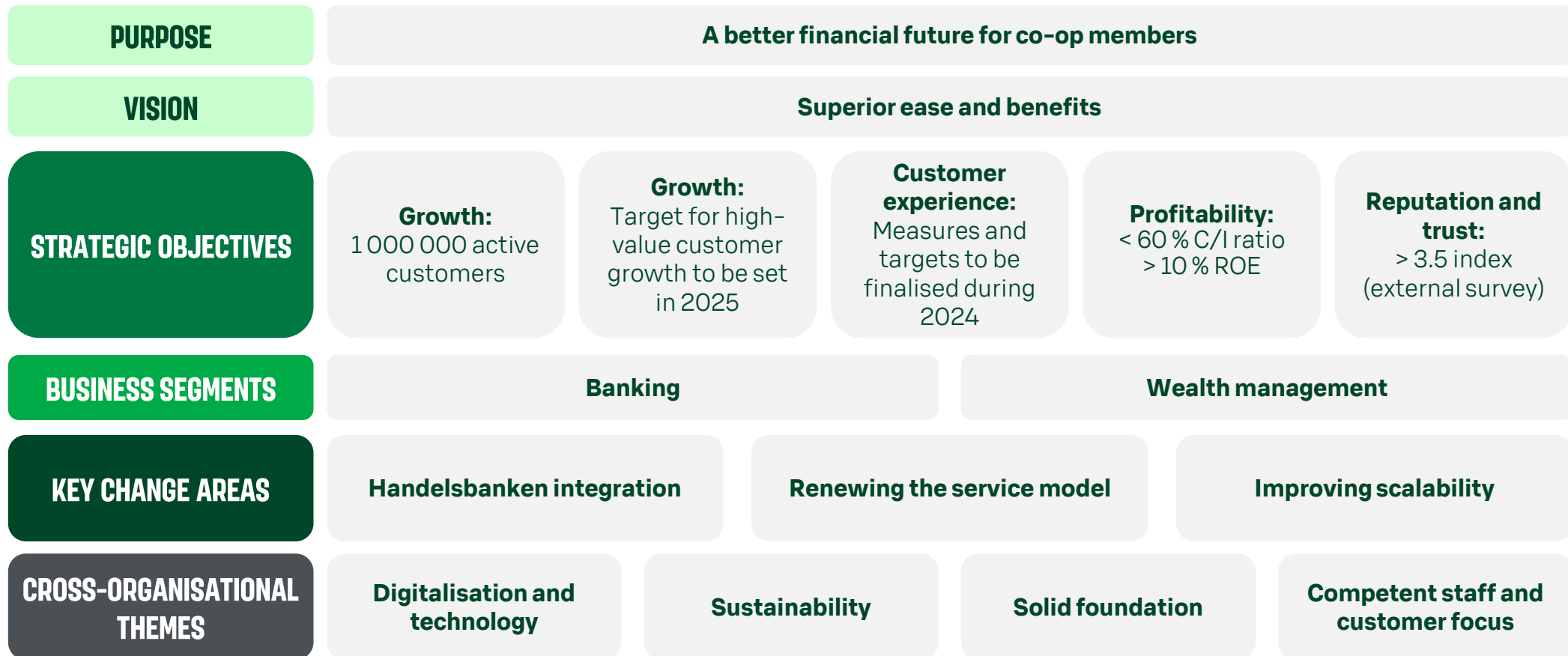
\* Pro forma combined figures based on 31 March 2023 situation

\*\*The implementation of the transaction is subject to approval by the authorities regarding the other participants in the transaction.



# S-BANK STRATEGY 2024-2027 AND OBJECTIVES

## THE STORY CONTINUES TOWARDS A MORE CUSTOMER-FOCUSED AND DIGITAL BANK



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

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

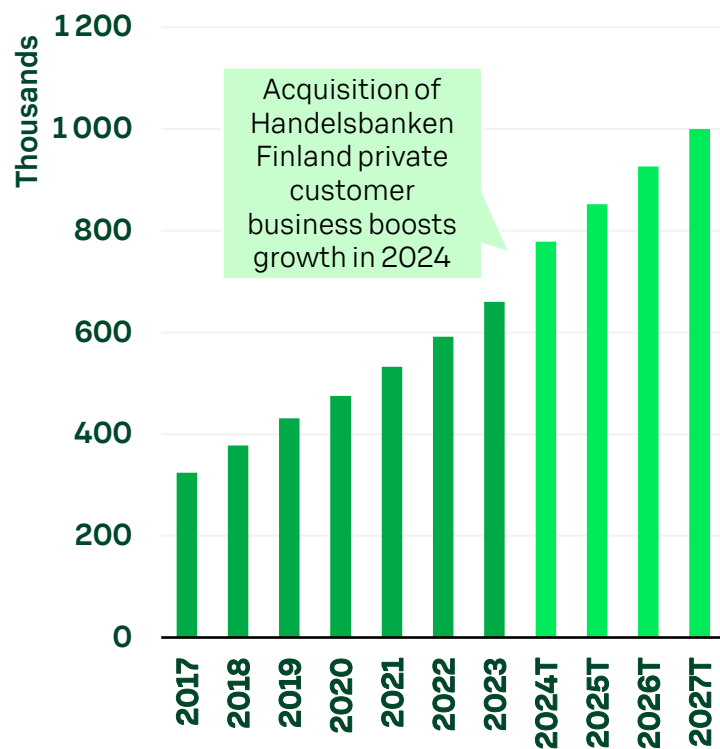
**Dividend policy:**  
Annual dividend of 5–15% of profit

\*The limit has been set at 1.5 percentage points above the total capital requirement (12.04% in September 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.

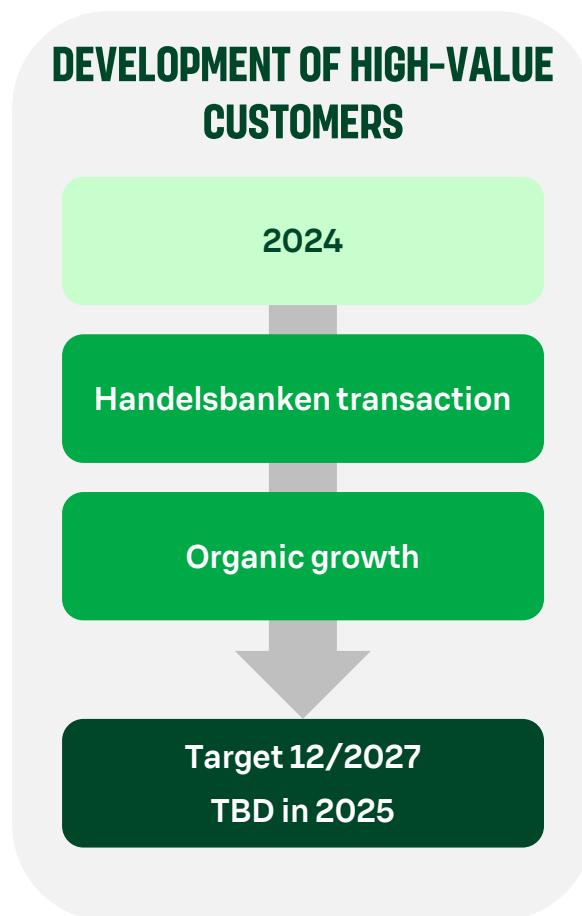


# OUR OBJECTIVE IS TO MAINTAIN S-BANK'S STRONG GROWTH PATH WHILE INCREASING FOCUS ON HIGH-VALUE CUSTOMERS

## DEVELOPMENT OF ACTIVE CUSTOMERS\*



## DEVELOPMENT OF HIGH-VALUE CUSTOMERS



- S-Bank has more than 3.2 million customers via the S Group loyalty programme.
- Our strategic objective is to reach 1 million active customers\* by the end of 2027.
- We are increasing our emphasis on attracting and retaining high-value customers.
- We will achieve this by increasing customer advisory services, 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.

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

# S&P: A SOUND CREDIT WITH VERY STRONG CAPITALIZATION 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 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

Source: Based on S&P's report dated 1 August 2023



# 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 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 S Group-related entities

## EARNINGS MODEL

- Interest income and fees from lending (mortgages, consumer loans, credit cards, corporates)
- Deposit margins are significant factors in net interest income
- 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 88% of total in 2023*

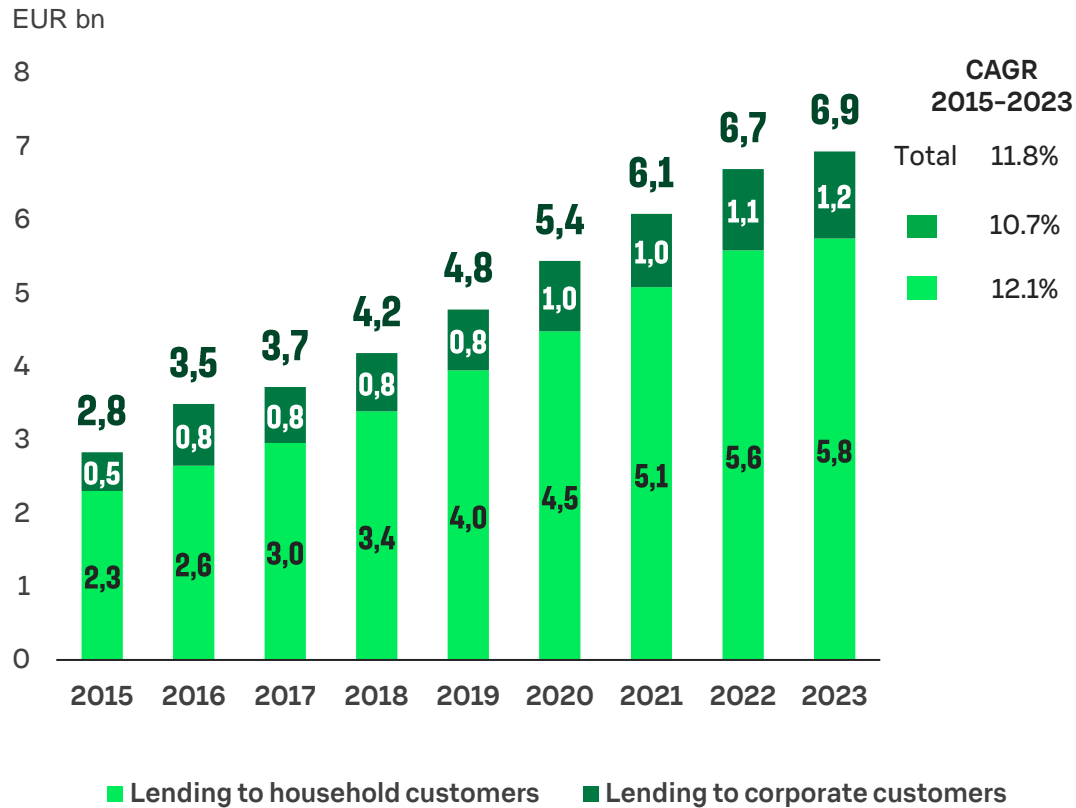
## DISTRIBUTION

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



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

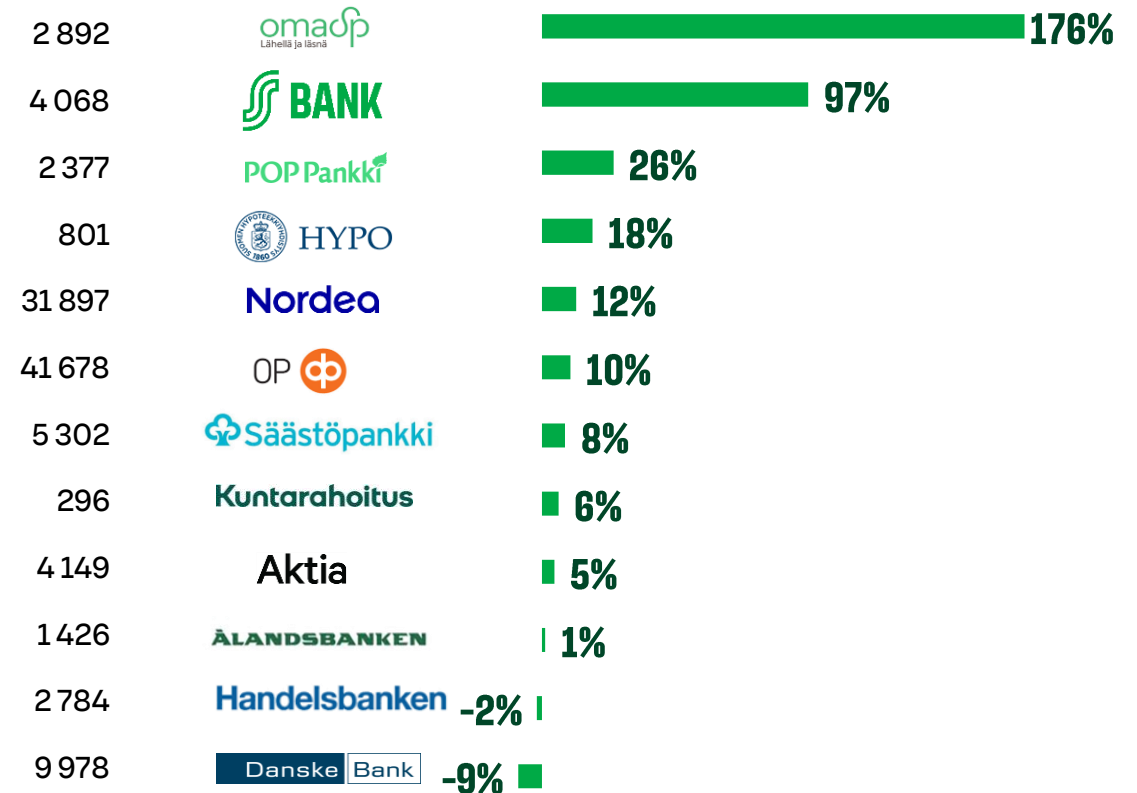
## LENDING DEVELOPMENT



## 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 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. Excellent performance in funds
- Discretionary asset management offered to Private Banking and Institutional clients
- Mobile digital investment service 'Säästäjä' including micro-savings
- ESG considered in all products. Majority of investment funds classified as either Article 8 or Article 9
- Structured products for Private Banking 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. 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

## 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

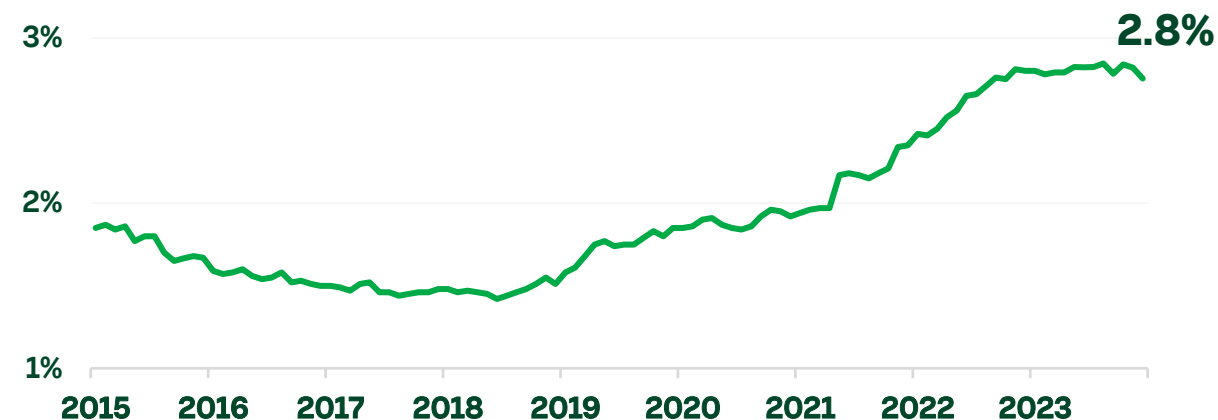
- Growth particularly in wealthier client segments
- Investments made in preparation for the transaction make S-Bank more competitive. Also, existing clientele benefits.



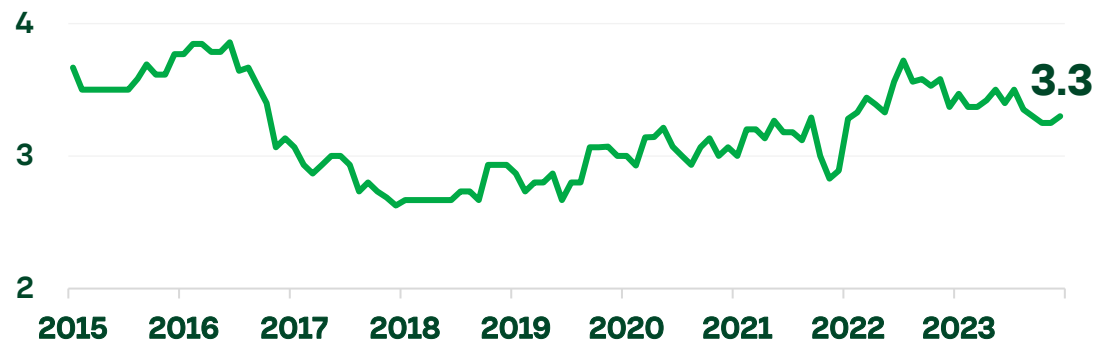
# WEALTH MANAGEMENT BUSINESS AREA SUMMARY Q4 2023

- 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.
- 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.

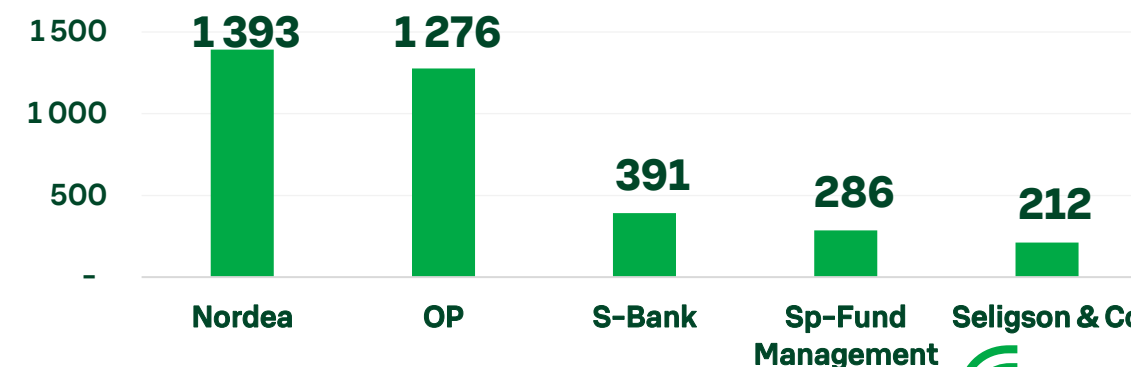
## MARKET SHARE OF S-BANK FUNDS



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



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



Sources: Investment Research Finland Mutual Fund Report, Morningstar





# KEY FINANCIALS

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# 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**

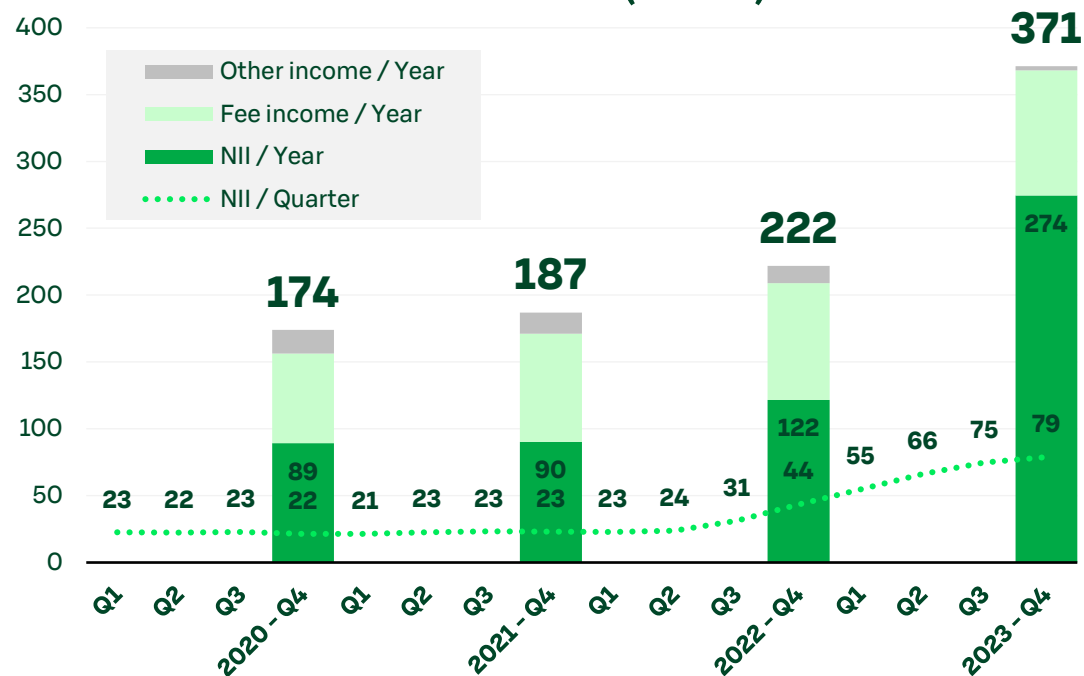
**STRONG GROWTH  
IN ROE & ROA**

**ROBUST  
CAPITAL BASE**

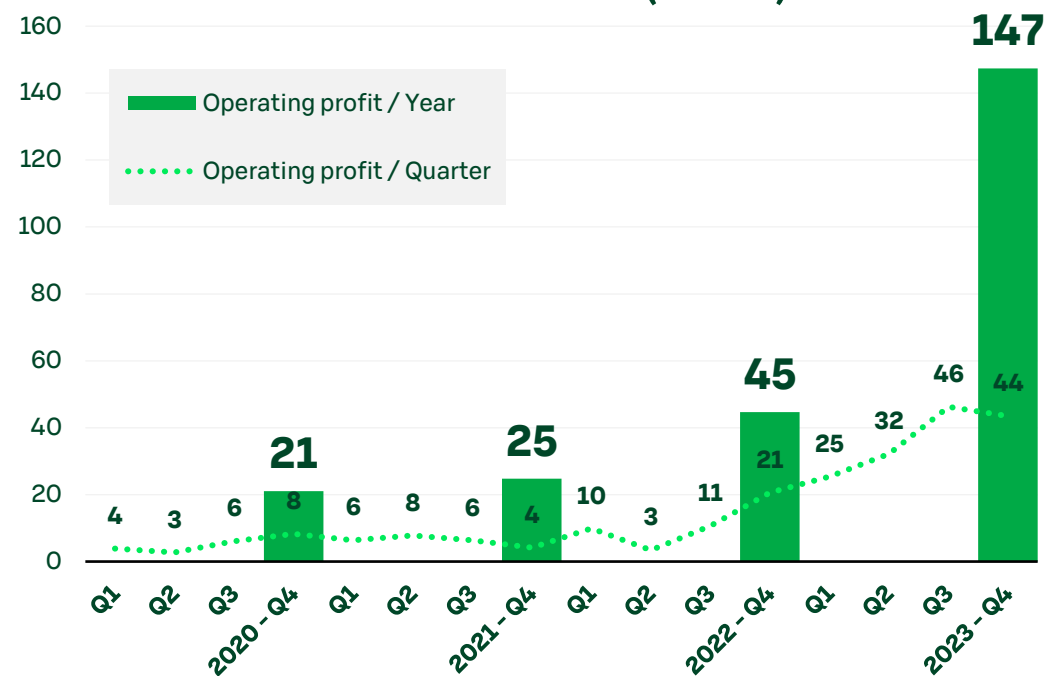


# STRONG IMPROVEMENTS

## TOTAL INCOME (EUR m)



## OPERATING PROFIT (EUR m)

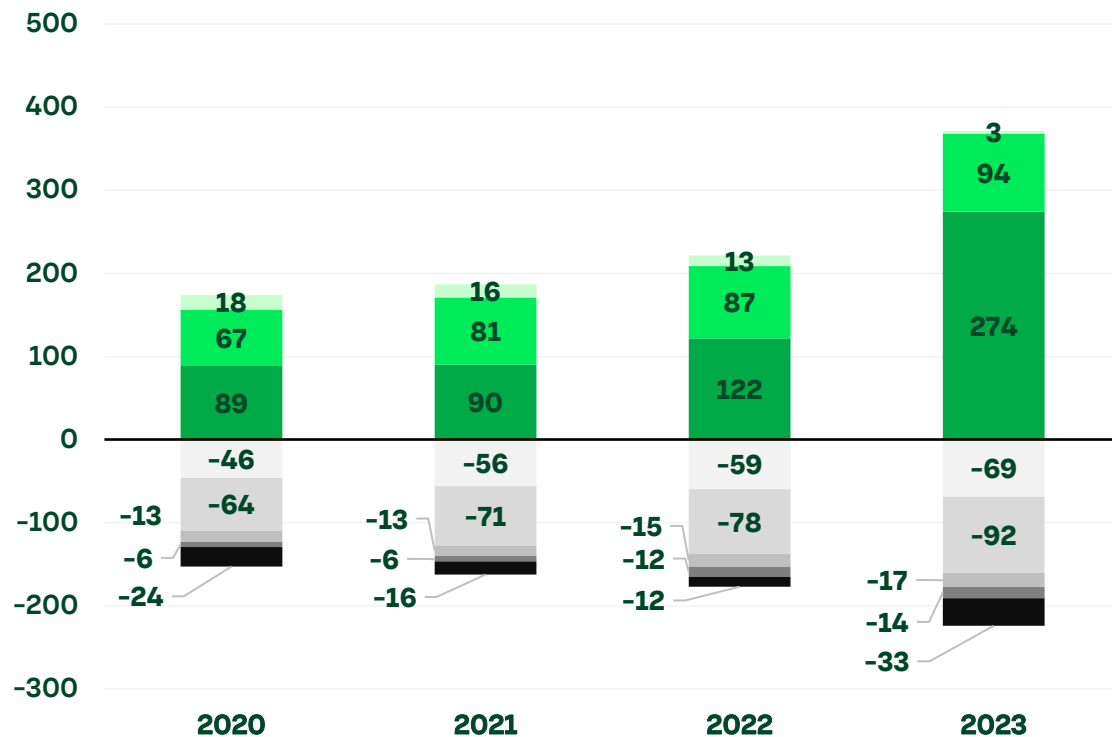


- S-Bank's total income has grown constantly over the years. Net interest income has increased in every quarter since the beginning of 2022.
- In 2023, total income increased by 67.4% and total costs increased by 15.6% on the previous year. Expected and final credit losses grew during 2023 and totalled EUR 33 million (12 million). EUR 14.8 million 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.



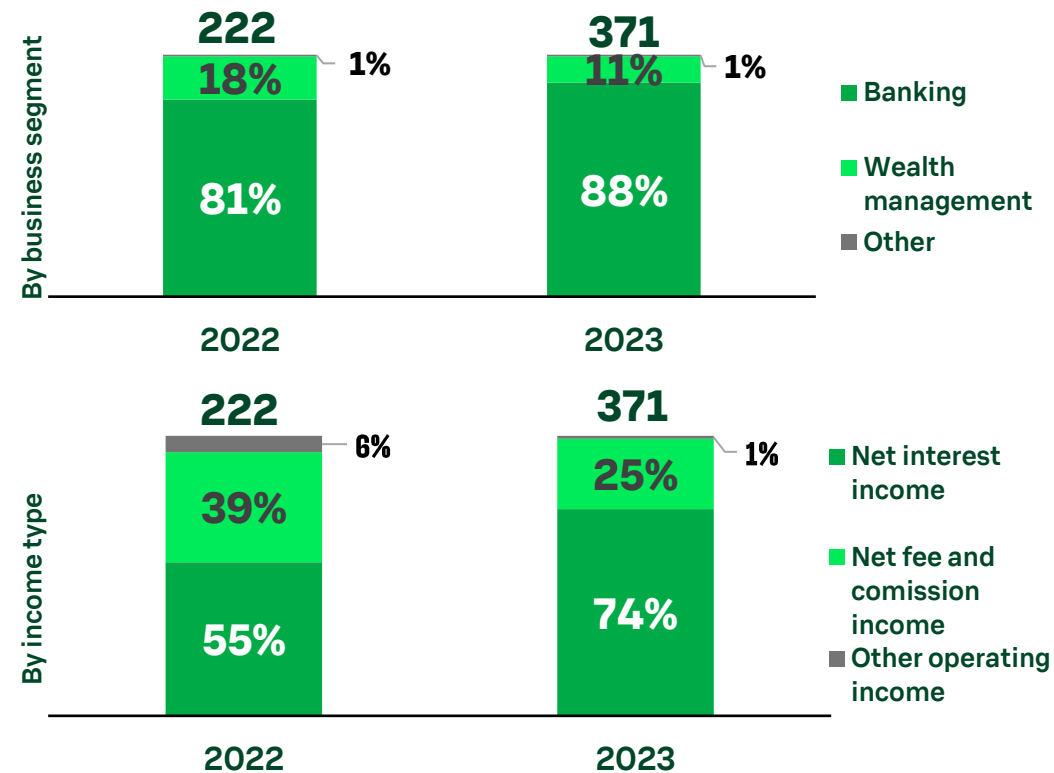
# INCOME & COST ANALYSIS

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



- 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)



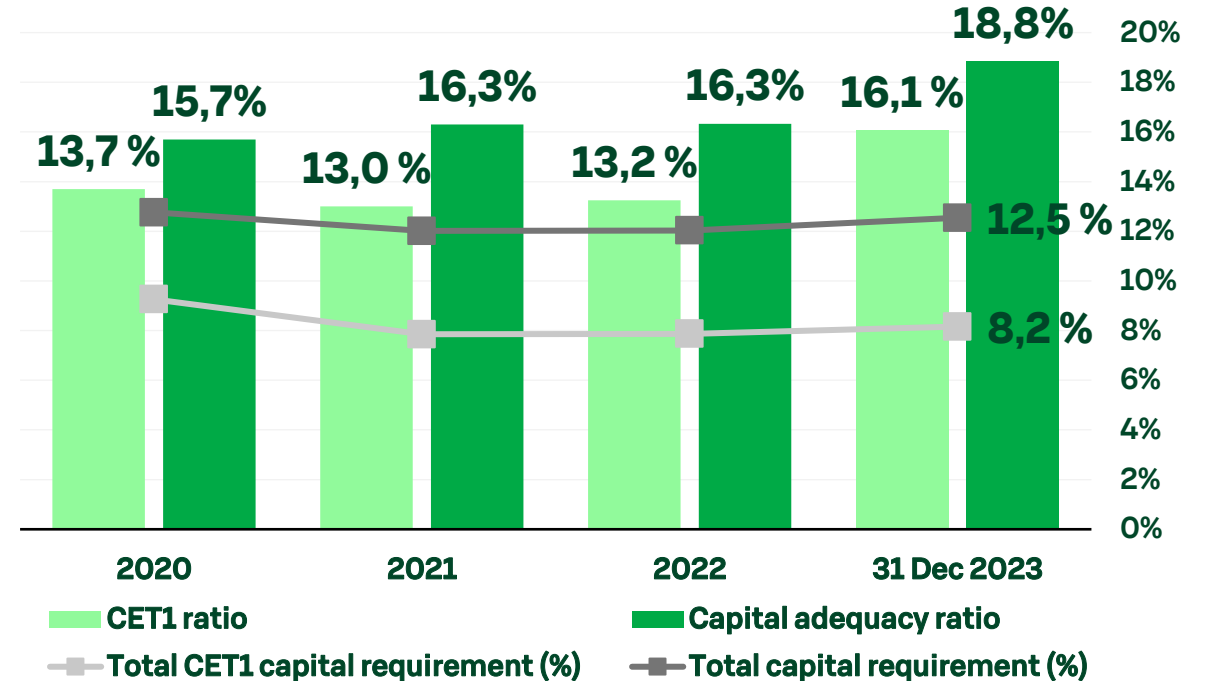
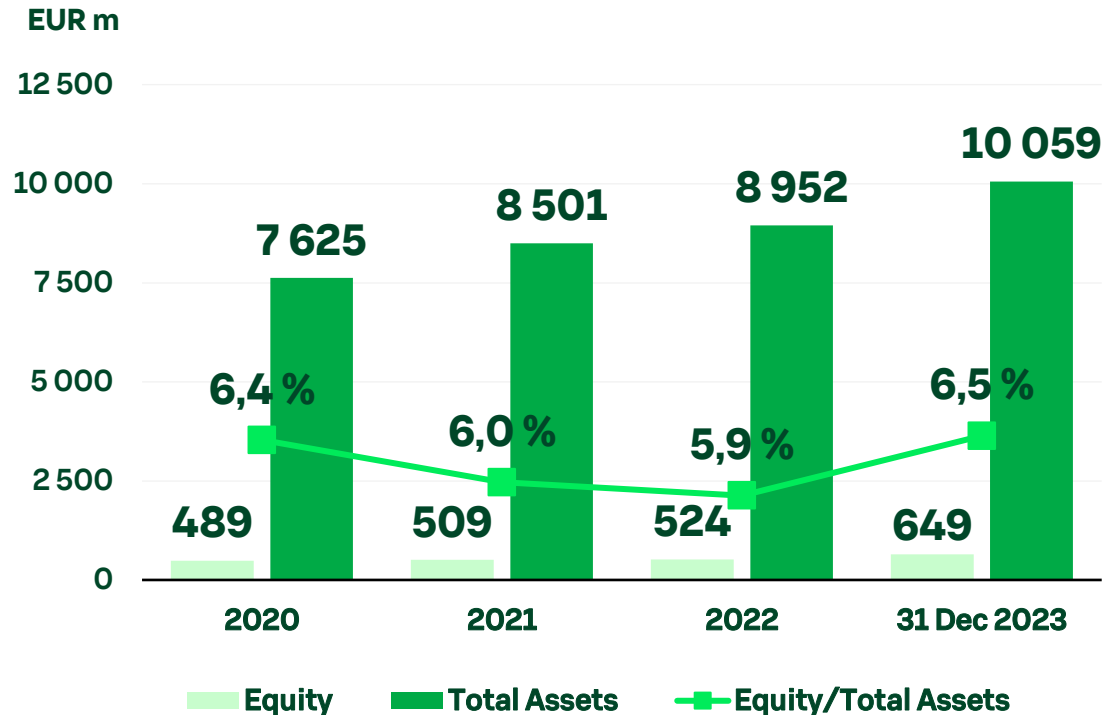
	2020	2021	2022	2023
Cost - Income ratio, %	74%	78%	74%	51%
Total income / Total assets, %	2.3%	2.2%	2.5%	3,9%

\* Represents previous 12M total income to total assets





# SOLID CAPITAL POSITION DESPITE GROWTH

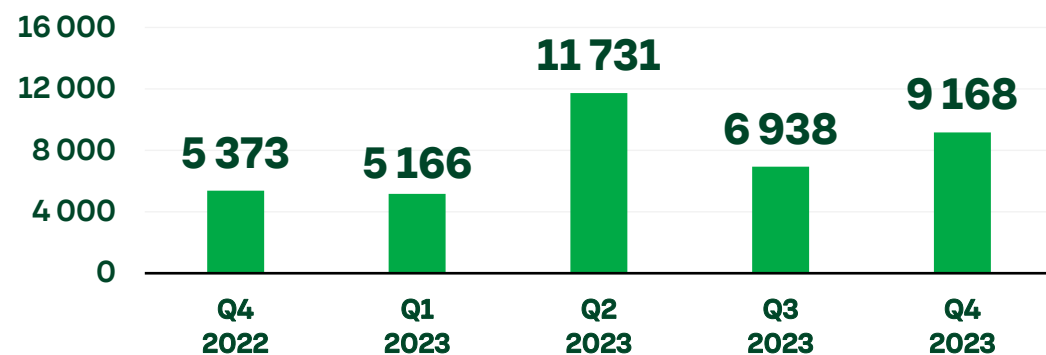


- S-Bank has seen strong development in its asset base since 2020. While growing strongly, the equity ratio has been maintained at a robust level, ranging from 5.9% to 6.5% between 2020 and 2023. At the end of the review period, the equity ratio stood at 6.5% and the CET1 ratio at 16.1%.
- The key capital 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

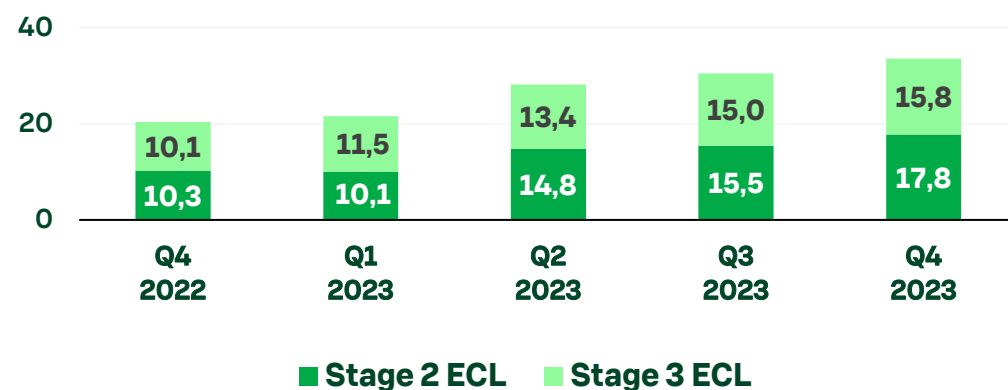
## EXPECTED AND FINAL CREDIT LOSSES (EUR '000)



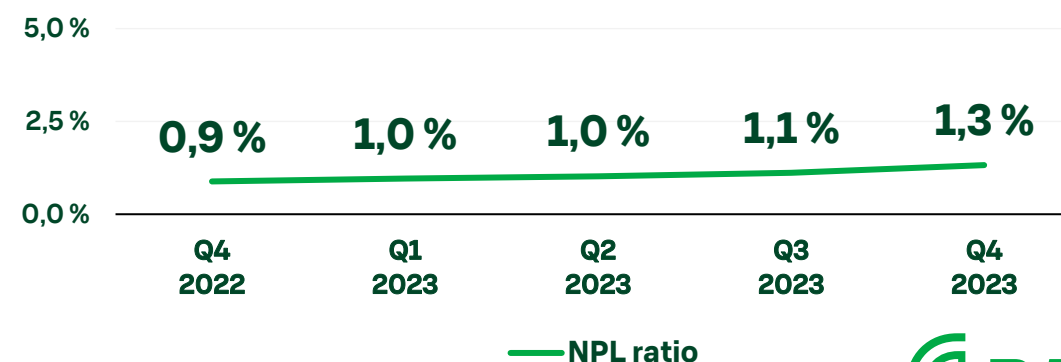
## COMMENTARY

- 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%)

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



## NPL RATIO (%)



# FUNDING AND LIQUIDITY

THIS IS S-BANK

BUSINESS DESCRIPTION

KEY FINANCIALS

FUNDING AND LIQUIDITY

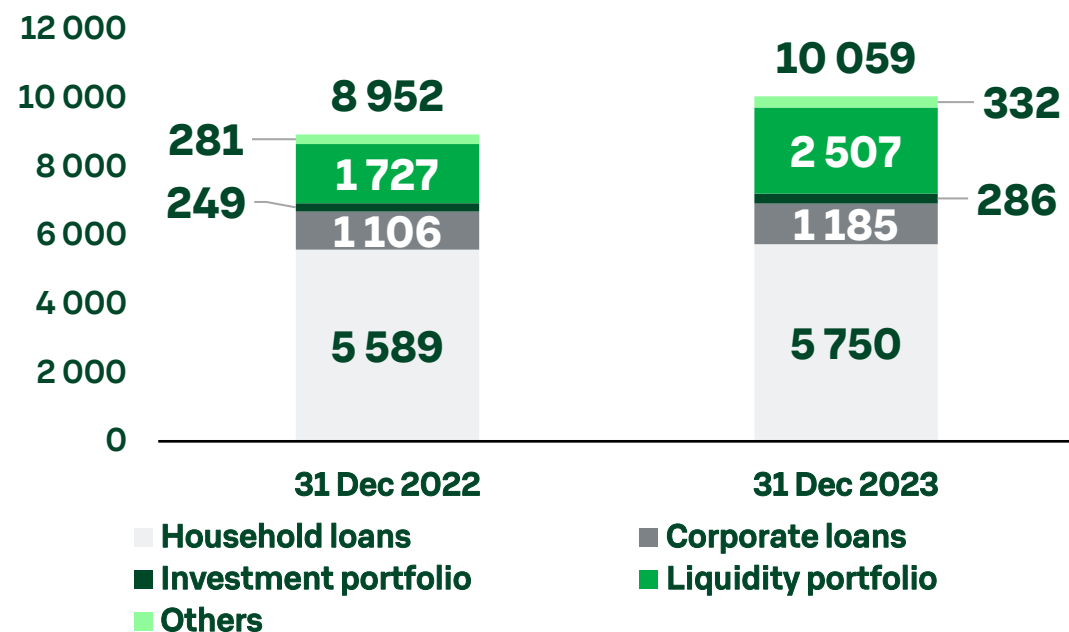
PLANNED TRANSACTION

APPENDIX

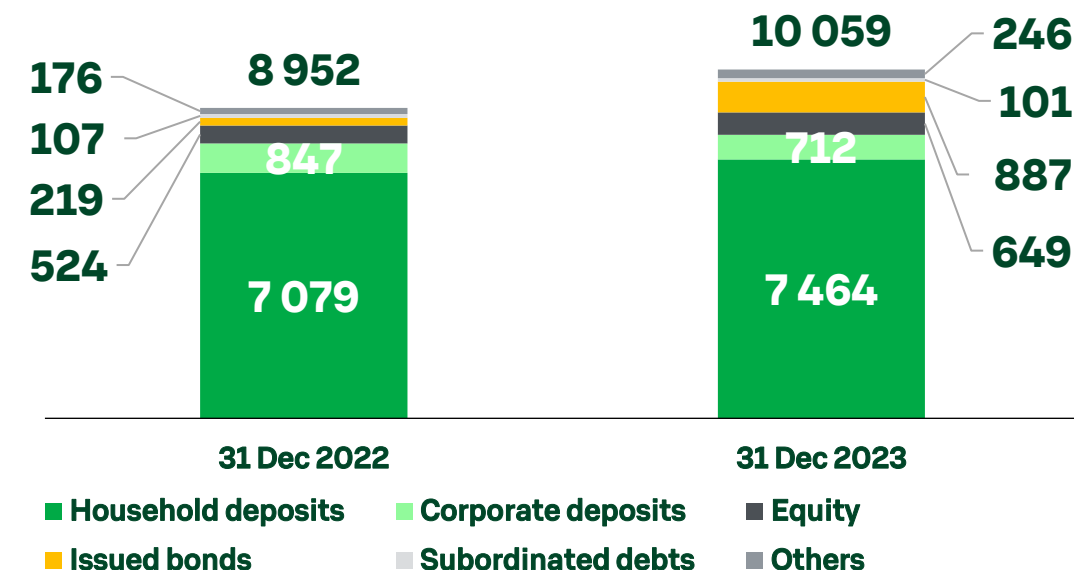
# BALANCE SHEET & FUNDING

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

### ASSETS (EUR m)



### LIABILITIES AND EQUITY (EUR m)



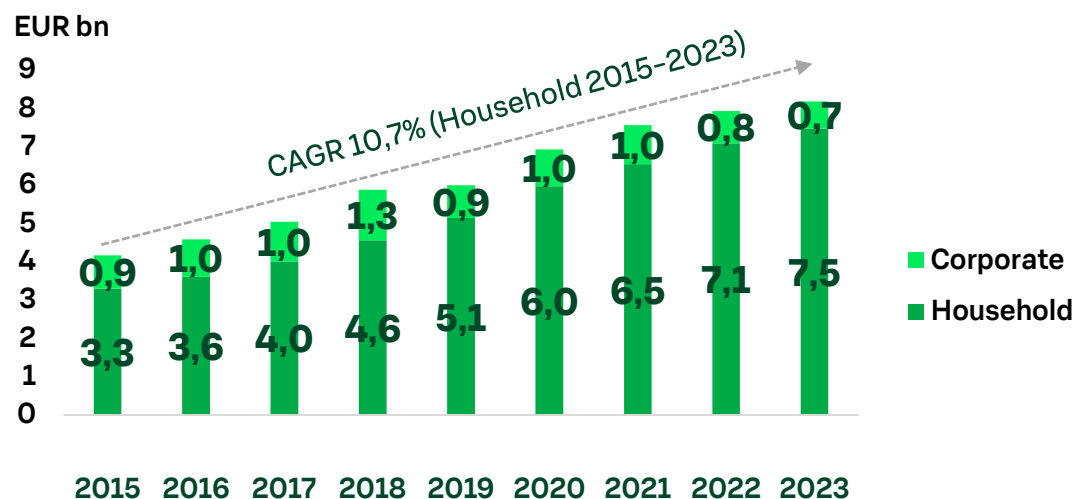
- Household and corporate deposits comprised 81% (89%) of total liabilities and equity at the end of 2023. At the same time, lending to households comprised 57% (62%) of the total assets.
- Lending and deposits grew compared to the previous year-end. Lending increased in both household and corporate customers. Deposit growth concentrated in household customers, and corporate customer deposits decreased.
- In 2023, S-Bank's funding structure diversified with the issuance of its first covered bond with a nominal value of EUR 500 million. S-Bank also issued a senior preferred MREL eligible bond with a nominal value of EUR 150 million.



# STRONG AND STABLE DEPOSIT BASE

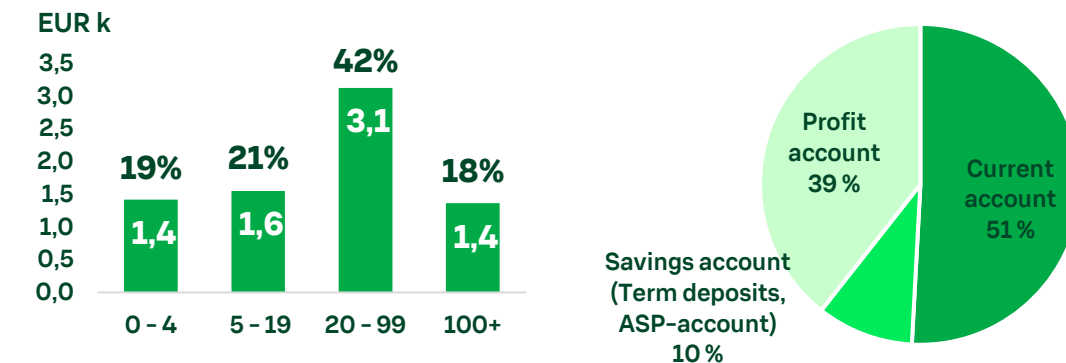
## HOUSEHOLD DEPOSITS AS A PRIMARY SOURCE OF FUNDING

### DEPOSITS GROWING STEADILY

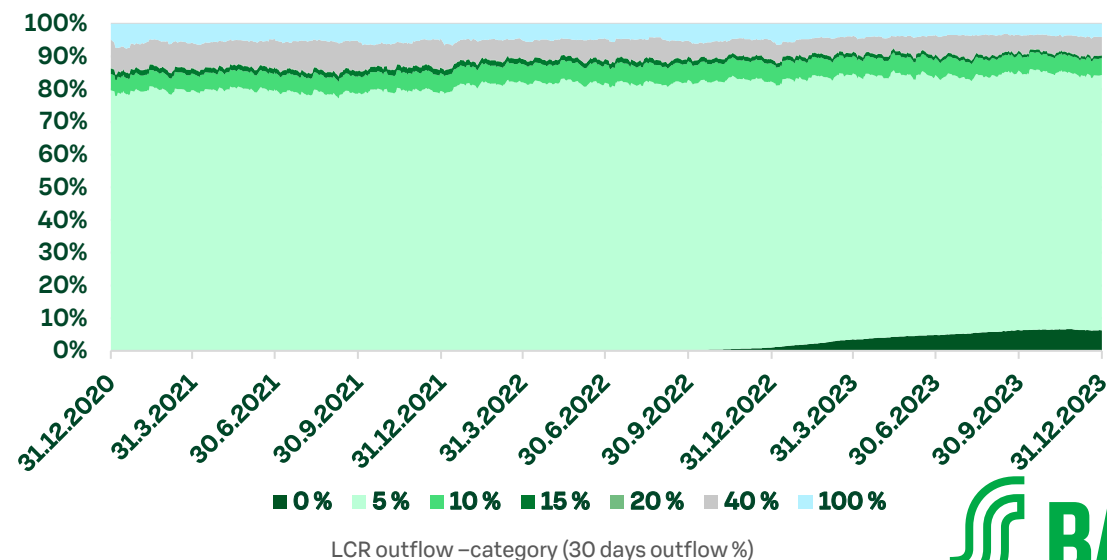


- S-Bank's deposit base relies on a diversified household customer base – the largest share of customer deposits in the Nordic retail banking landscape
- Competitive deposit rates and large customer base will support growth
- Savings accounts share of the portfolio has gained momentum in the new interest rate environment. In Q4/2023 590 mEUR 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 6 964 mEUR 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

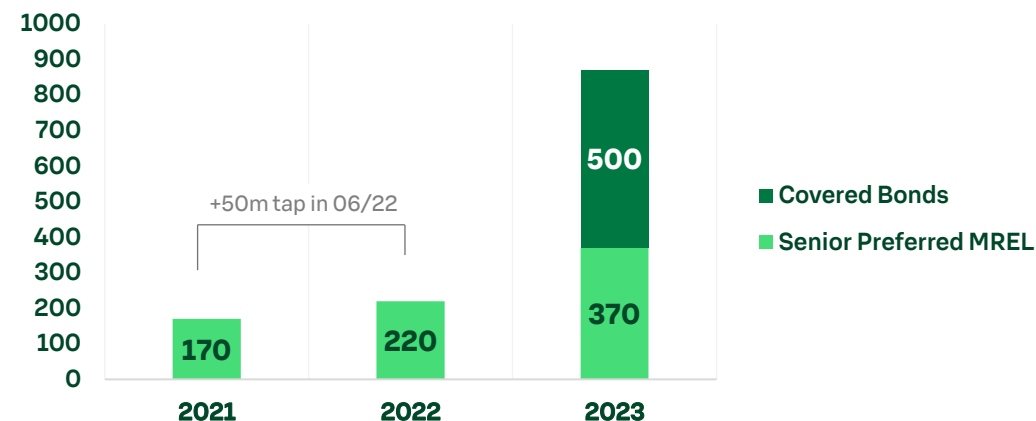
## S-BANK IS COMMITTED TO MAINTAINING PRESENCE AND REGULARITY IN EUR FUNDING MARKETS

- 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 reinstated Finnish Systemic Risk Buffer in 2024, which is likely also to impact 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.

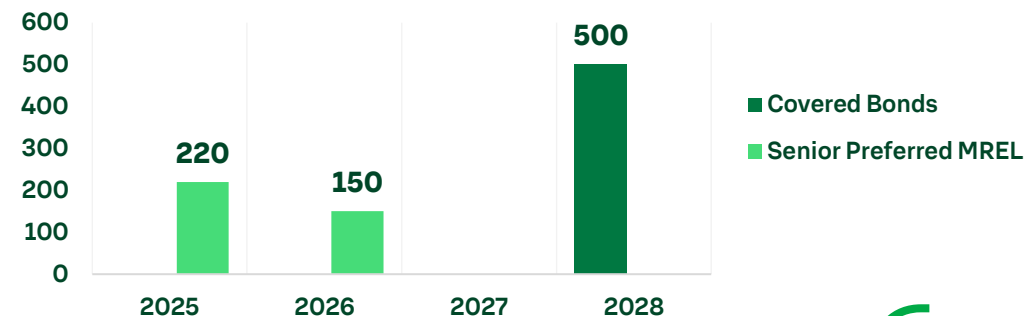
### BOND ISSUES

- **EUR 220m Senior Preferred MREL** issued in October 2021 due in April 2025
- Inaugural **EUR 500m Covered Bond** with a 5-year maturity issued in September 2023
- **EUR 150m Senior Preferred MREL** issued in November 2023 due in November 2026

### CAPITAL MARKETS FUNDING, EUR m

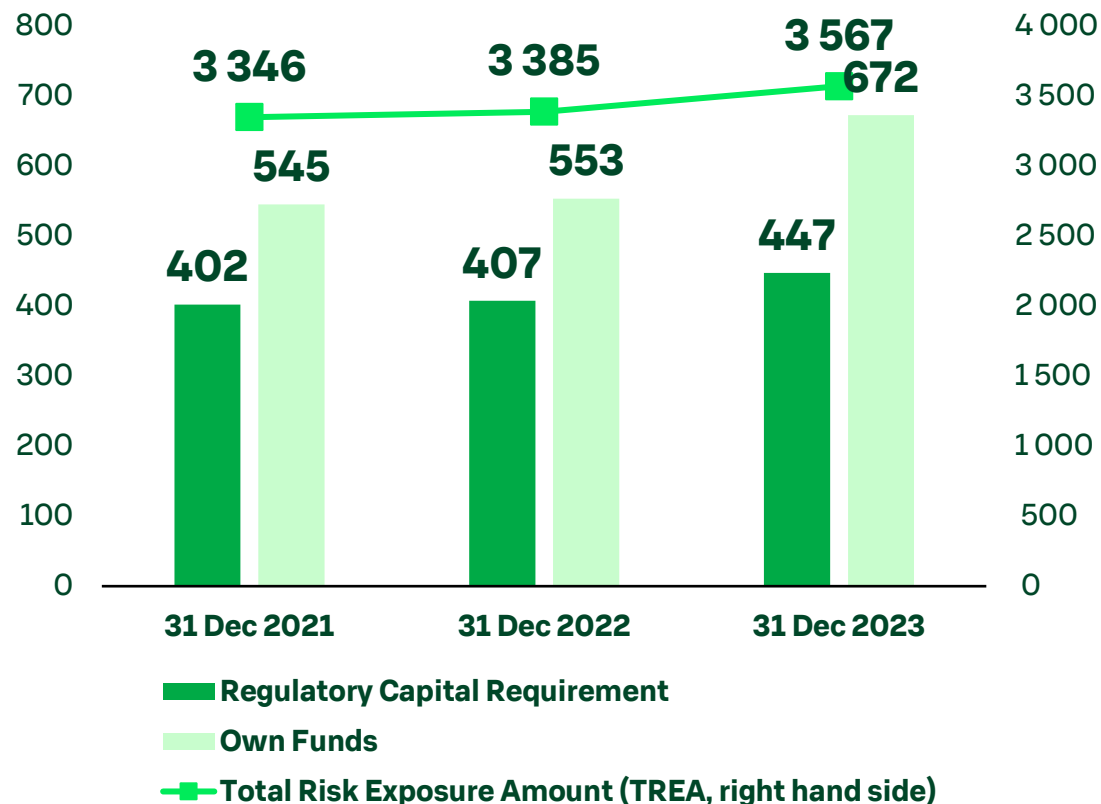


### MATURITY STRUCTURE, EUR m



# OWN FUNDS, CAPITAL REQUIREMENTS & MREL

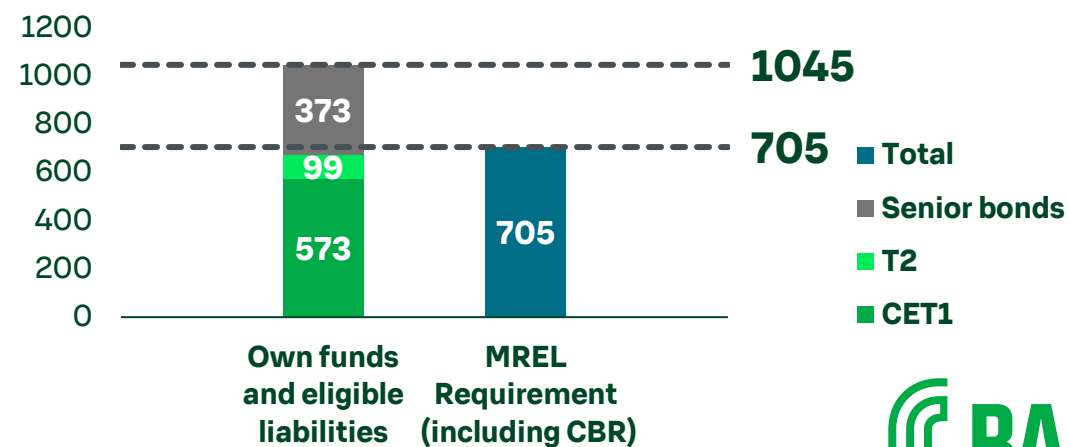
## OWN FUNDS AND CAPITAL REQUIREMENTS (EUR million)



## 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 million)



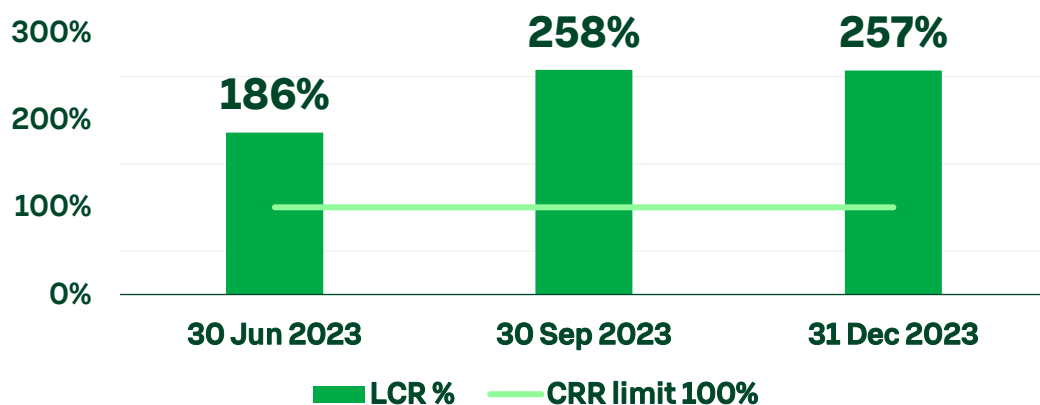


# LIQUIDITY

## ROBUST LIQUIDITY POSITION AND EASY ACCESS TO ADDITIONAL FUNDING

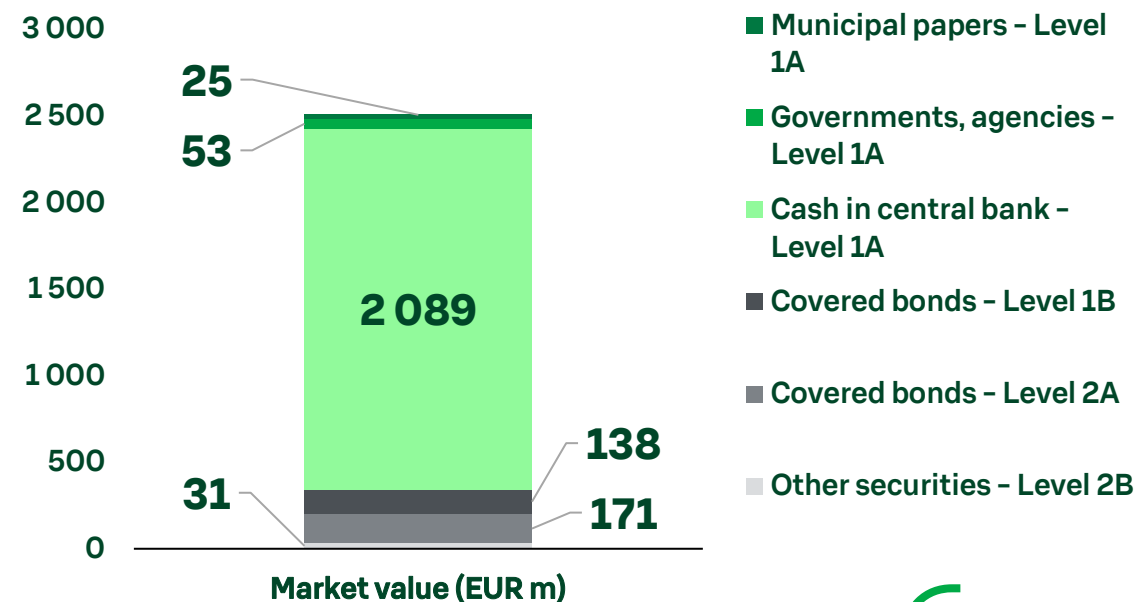
### LIQUIDITY OVERVIEW

- 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



# PLANNED TRANSACTION

THIS IS S-BANK

BUSINESS DESCRIPTION

KEY FINANCIALS

FUNDING AND LIQUIDITY

PLANNED TRANSACTION

APPENDIX

# INDICATIVE TERMS OF THE PLANNED TRANSACTION

<b>ISSUER</b>	S-Bank Plc
<b>STATUS OF NOTES</b>	Senior Preferred MREL eligible, unsecured and unsubordinated
<b>ISSUER RATING</b>	BBB by S&P (positive)
<b>ISSUE RATING (EXPECTED)</b>	BBB by S&P
<b>AMOUNT</b>	EUR sub-benchmark
<b>TENOR</b>	4NC3; 4 years to maturity, with option to redeem 1 year prior to maturity (Issuer Call Option)
<b>EARLY REDEMPTION</b>	The Notes may be redeemed at par (plus accrued and unpaid interest) in case of a Regulatory Event, Capital Event, Tax event or MREL Disqualification Event, as further described in the Prospectus
<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
<b>LAW</b>	Finnish Law
<b>CLEARING / LISTING</b>	Euroclear Finland (Infinity) / 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>BOOKRUNNER</b>	Danske Bank, LBBW and SEB



# LIABILITY MANAGEMENT OVERVIEW / TENDER OFFER

<b>TRANSACTION STRUCTURE</b>	Tender Offer
<b>ISSUER / OFFEROR</b>	S-Bank Plc
<b>TARGET NOTES</b>	EUR 220,000,000 Senior Preferred MREL eligible notes due 2025 (ISIN: FI4000512058)
<b>PURCHASE PRICE</b>	100.00%
<b>AMOUNT SUBJECT TO THE TENDER OFFER</b>	Any and all
<b>RATIONALE</b>	With a residual maturity under one year on 4 April 2024 the Notes will not count towards the Issuer's minimum requirement for own funds and eligible liabilities (MREL). In conjunction with today's announced New Notes the issuer proactively manages its MREL requirements
<b>NEW ISSUE CONDITION</b>	The purchase of any Notes by the Issuer pursuant to the Offer is subject to the successful completion of the issue of the New Notes
<b>NEW ISSUE PRIORITY</b>	The Issuer will, in connection with the allocation of the New Notes, consider among other factors whether investors have validly tendered or indicated their firm intention to tender their Notes ("soft priority")
<b>EXPECTED TIMELINE OF EVENTS</b>	Commencement of the Tender Offer: 22 February 2024 New Issue Pricing: [28] February 2024 Expiration Deadline: 28 February 2024 at 15:00 CET / 16:00 Finnish time Announcement of the Outcome of the Tender Offer: as soon as reasonably practicable after the expiry of the Offer Period Tender & New Issue Settlement: [6] March 2024
<b>APPOINTED PARTIES</b>	Dealer Manager: Danske Bank Tender Agent: Danske Bank (Contact Phone: +358 10 513 8865 / Email: liabilitymanagement@danskebank.dk)



# APPENDIX

THIS IS S-BANK

BUSINESS DESCRIPTION

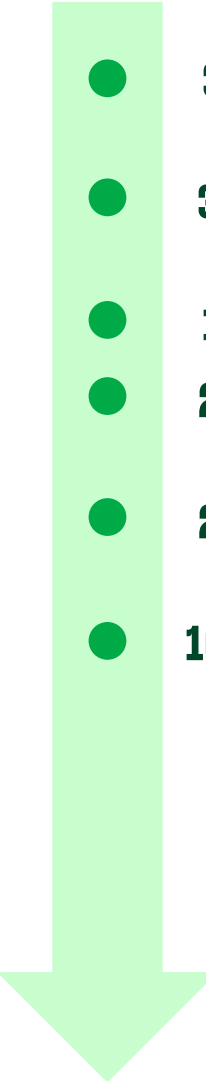
KEY FINANCIALS

FUNDING AND LIQUIDITY

PLANNED TRANSACTION

APPENDIX

# HANDELSBANKEN TRANSACTION IS PROGRESSING AS PLANNED

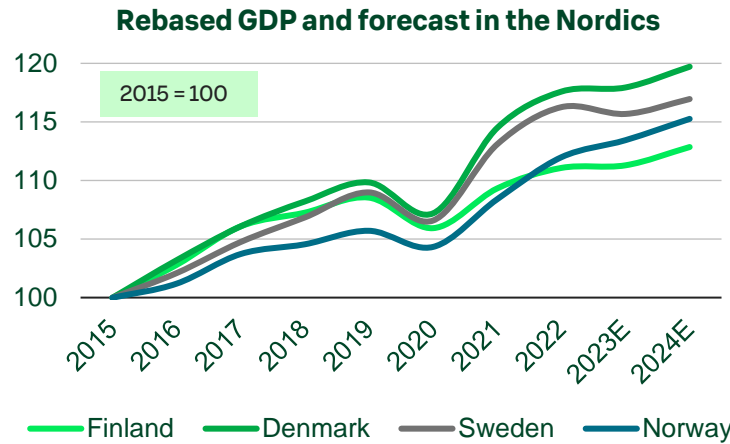
- 
- **31.5.2023** Announcement of the transaction. S-Bank agreed on bridge financing arrangements, which originally had a total value of approximately EUR 2.0 billion.
  - **30.6.2023** Standard & Poor's credit rating agency keeps S-Bank's credit rating unchanged and raises its outlook to positive
  - **18.7.2023** The Finnish Competition and Consumer Authority has approved S-Bank's acquisition\*
  - **28.8.2023** Standard & Poor's credit rating agency assigns preliminary AAA rating to S-Bank's covered bond programme and its first issuance
  - **20.9.2023** S-Bank issues its first covered bond, valued at EUR 500 million, as part of its bond programme
  - **16.11.2023** S-Bank issues a bond, valued at EUR 150 million, as part of its bond programme
- Both banks serve their customers as before
- Customer communication and customer care
- Migration preparations and testing
- 2H 2024** Expected time of migration and closing of the transaction

\*The implementation of the transaction is subject to approval by the authorities regarding the other participants in the transaction.

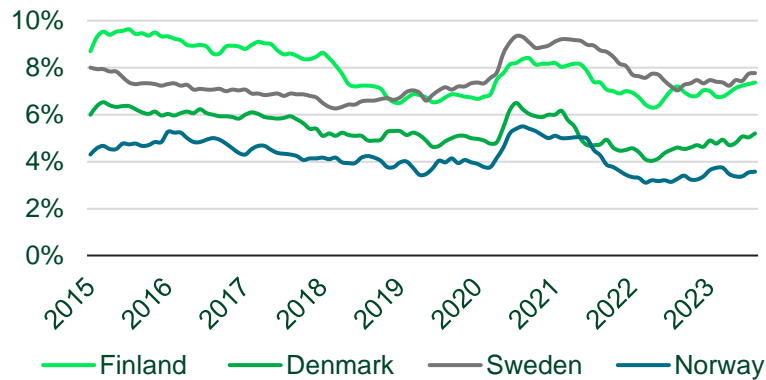


# KEY HIGHLIGHTS OF THE FINNISH ECONOMY

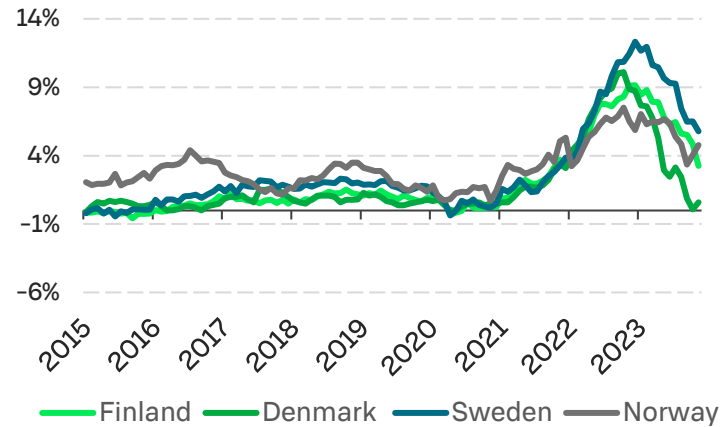
## MODERATE GDP GROWTH EXPECTED



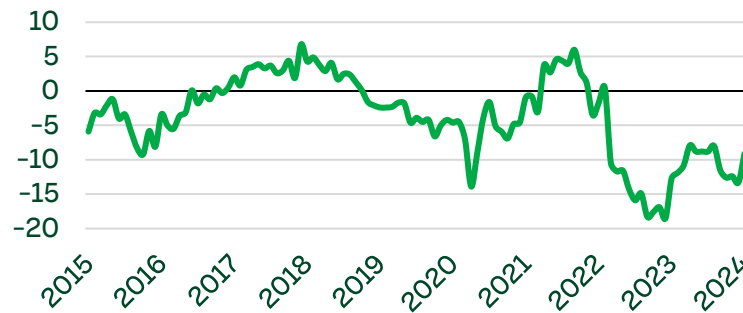
## UNEMPLOYMENT RATE<sup>1</sup> IN THE NORDICS, 2015-Q4 2023



## INFLATION FALLING AFTER A STRONG PEAK



## CONSUMER CONFIDENCE BELOW LONG-TERM AVERAGE



## KEY HIGHLIGHTS

Inflation <b>3.6%</b> HICP, December 2023	Unemployment rate <sup>2</sup> <b>7.5%</b> December 2023
Real GDP growth <b>1.6%</b> 2022 y/y	House price index <b>-4.9%</b> December 2023 y/y
Consumer confidence <b>-9,1</b> CCI, January 2024	Population growth <b>0.9%</b> 2021-2030 estimate

## COMMENTARY

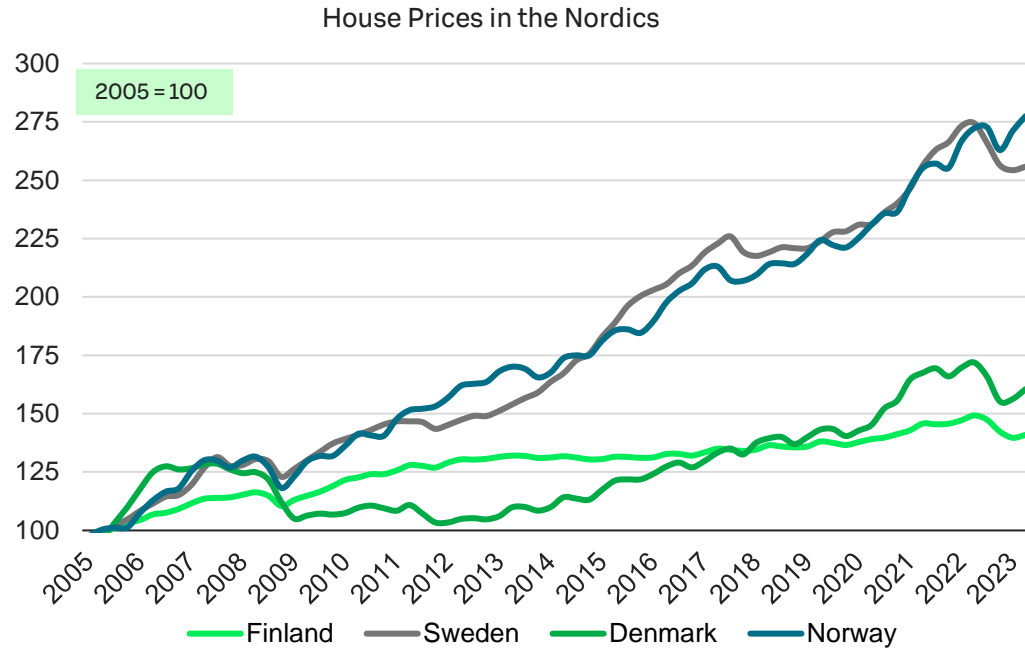
The Finnish economy slipped into recession last fall because of the energy crisis brought on by Russia's war in Ukraine. The economy's weak performance has continued in 2023, as the effects of high inflation and the rise in interest rates has been felt by Finnish households. However, the recession is likely to be short-lived and the employment rate has remained high throughout the downturn. Energy prices have fallen sharply; the upward pressure on consumer prices will gradually subside and inflation has already started to slow and is expected to set close to a 2% target rate during 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, Bloomberg  
Notes: 1) Based on Labour Force Surveys; seasonally adjusted; 3-month moving average 2) Based on Statistics Finland data

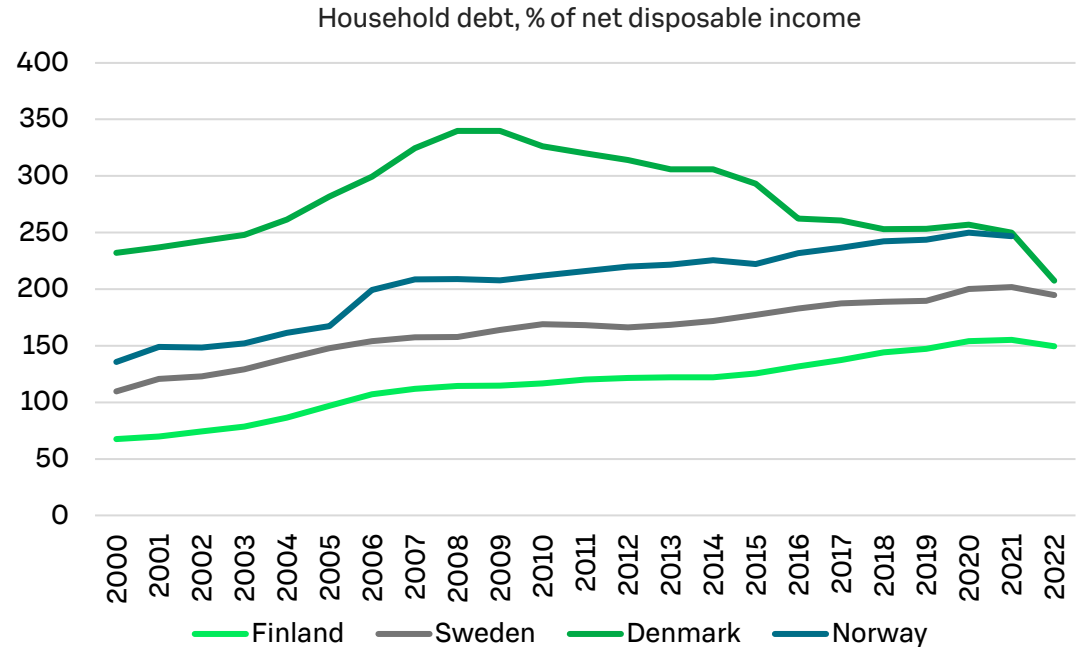


# NORDIC HOUSING MARKET

## MODEST HOUSING PRICE DEVELOPMENT IN FINLAND



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

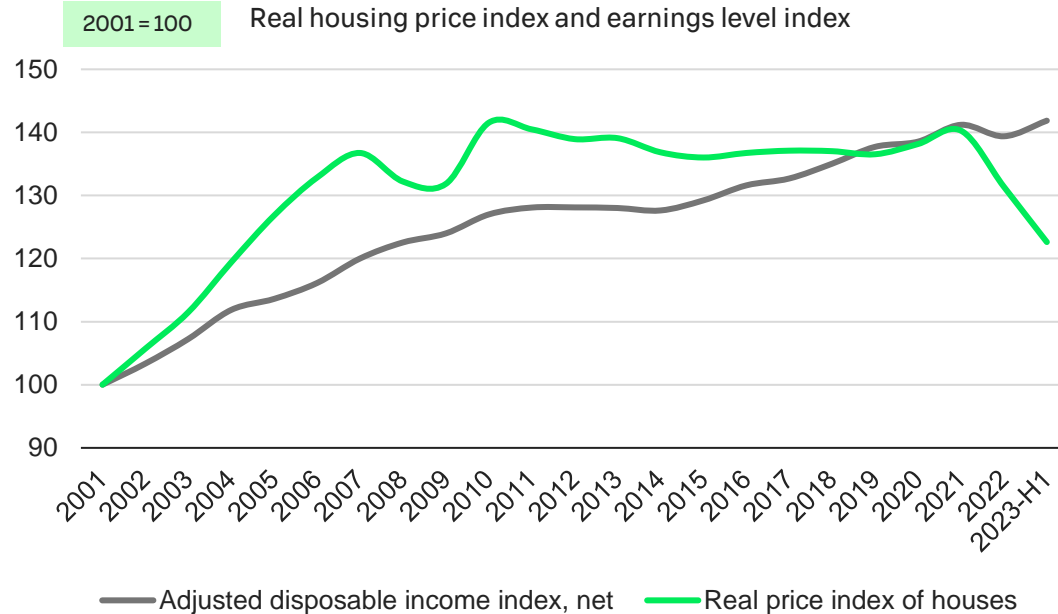


- Growth in housing prices in Finland has been modest over the past 15 years, with the index showing an increase of c. 40% between 2005 and 2023, whereas in Sweden and Norway, housing prices have nearly tripled during the same period. In Denmark, the development has been closer to that of Finland over 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.

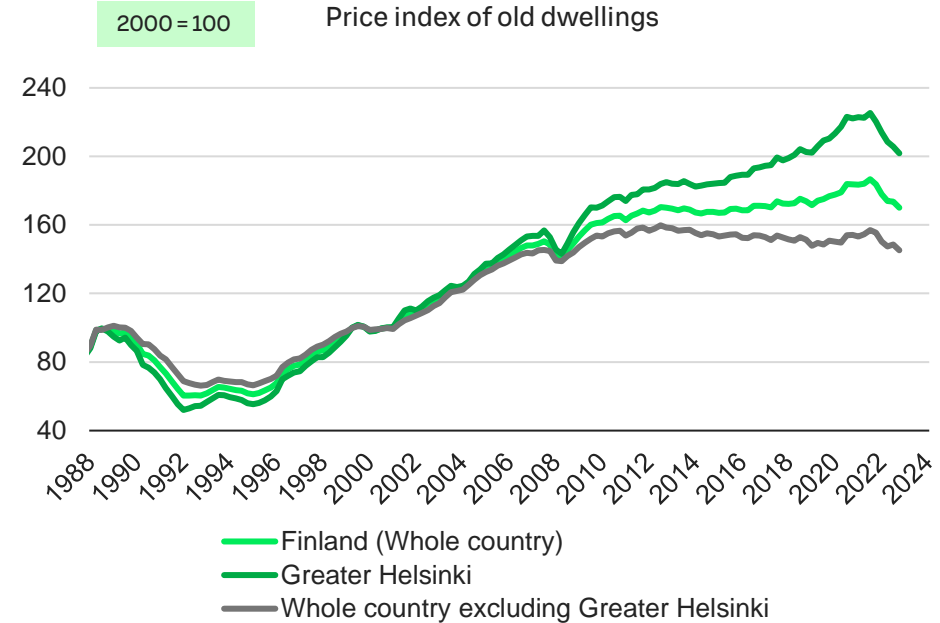
<sup>1</sup> 2022 data not available for Norway  
Source: OECD, Eurostat

# FINNISH HOUSING MARKET – PRICE CORRECTION UNDERWAY

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



## PRICES DECLINING AS INTEREST RATES RISE



- 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.

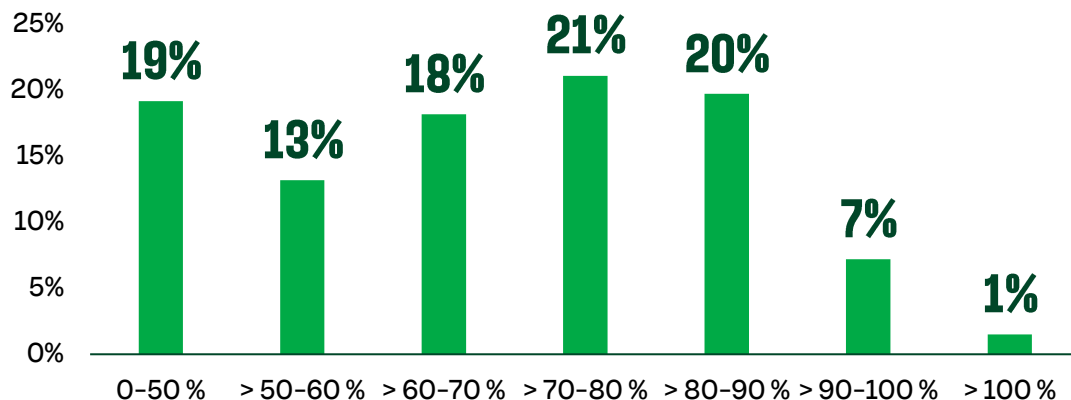
# CREDIT RISK CONCENTRATION

## HOUSEHOLD MORTGAGE EXPOSURE WELL DIVERSIFIED, FOCUSING ON GROWING AREAS

### COMMENTARY

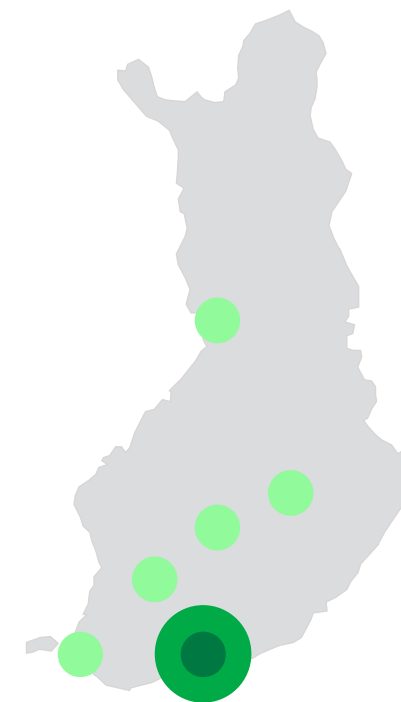
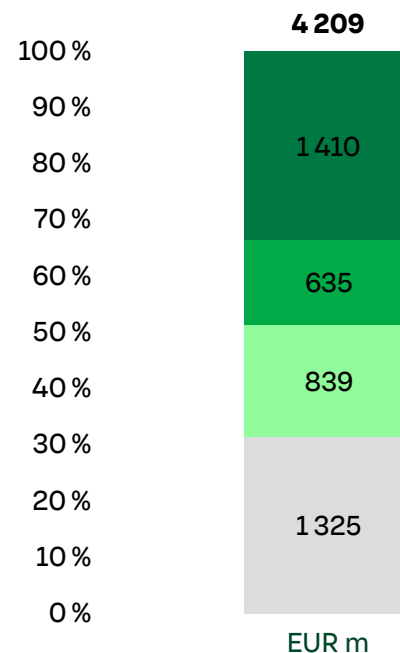
- S-Bank employs an internal area score to enhance risk-based pricing in mortgage products. Two thirds of the portfolio is situated in the Helsinki metropolitan area and other major cities in Finland (see map).
- S-Bank cooperates with an external service provider that grants guarantees on mortgage loans for private individuals. Additional guarantees enhance the availability of mortgage lending to household customers and mitigate the credit risk of the portfolio.
- One of the fastest-growing mortgage portfolios among Finnish banks means the portfolio is relatively young – this is reflected as relatively high exposure to the 70-90% LTV buckets.
- Collateral values are updated monthly and adjusted downward if required

### LTV BREAKDOWN OF THE LOAN STOCK, 31 DEC 2023<sup>1</sup>



### DISTRIBUTION OF RETAIL MORTGAGE EXPOSURES, 31 DEC 2023

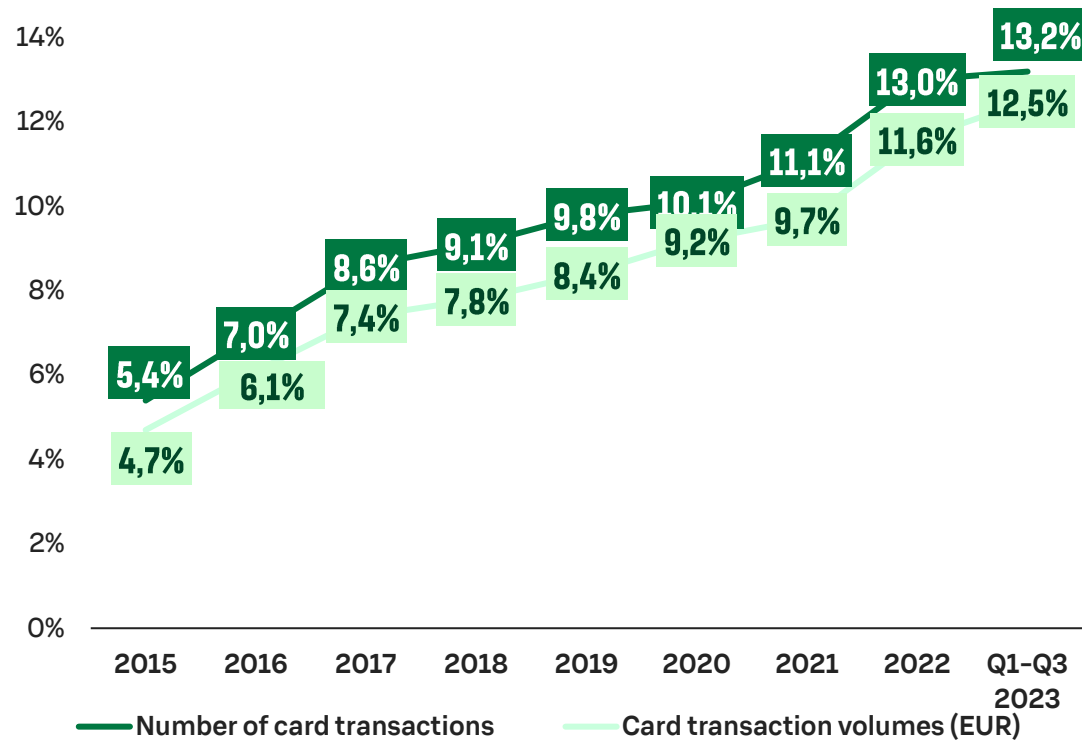
- Helsinki Metropolitan area 33,5
- Other Greater Helsinki 15,1 %
- Other Major Cities 19,9 %
- Other areas (urban & rural) 31,5 %



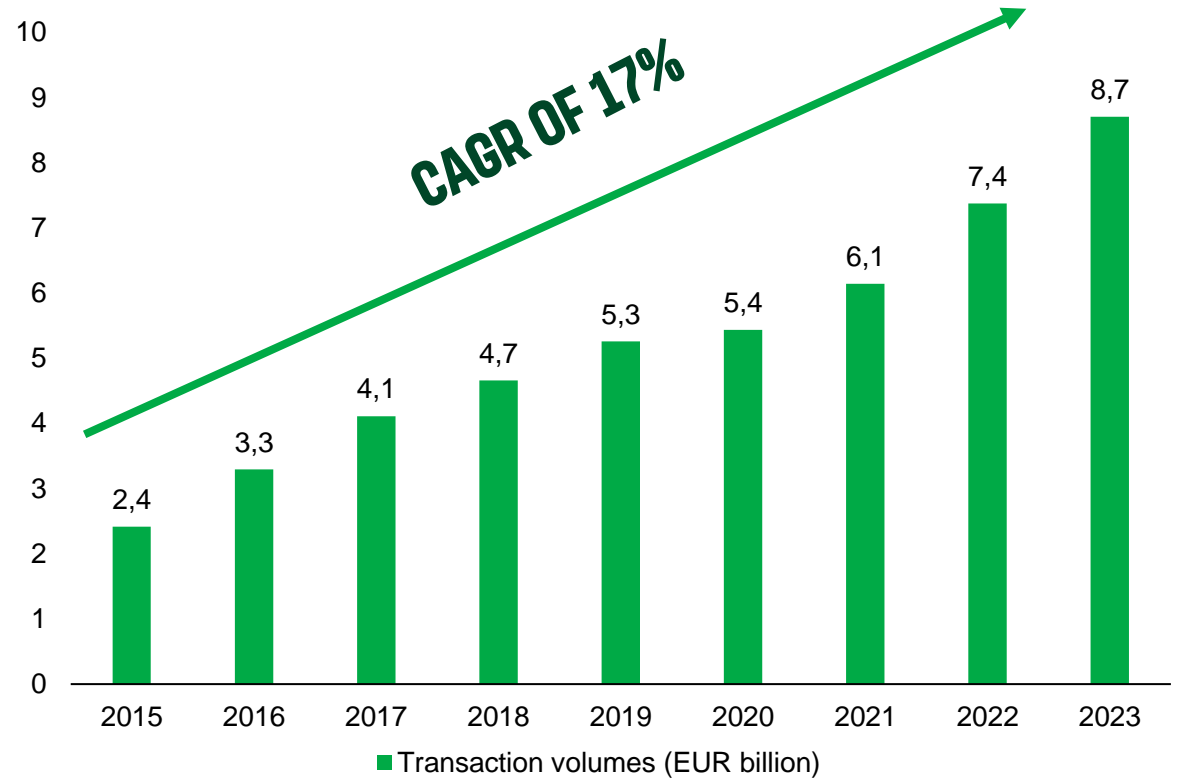
<sup>1</sup>S-Bank's LTV calculation uses the original purchase price of real estate collateral, and thus positive changes in the value of the collateral are not considered.

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

## MARKET SHARE DEVELOPMENT IN PAYMENT CARD TRANSACTIONS



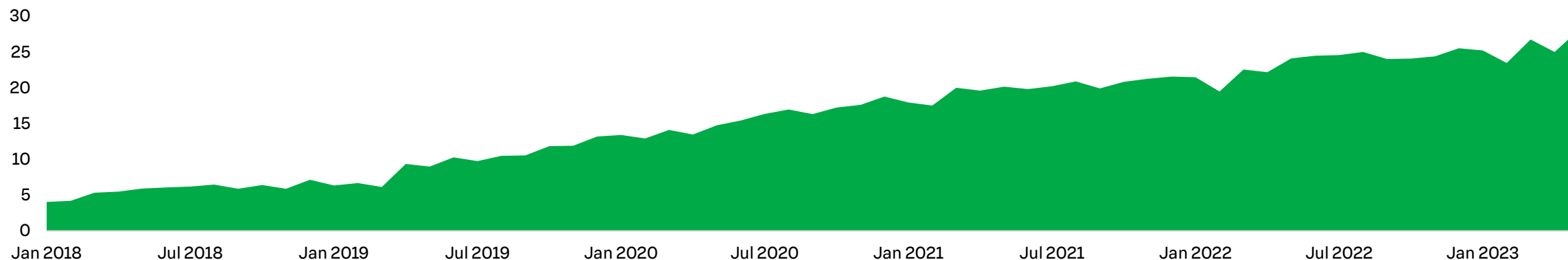
## TRANSACTION VOLUMES (EUR BILLION)



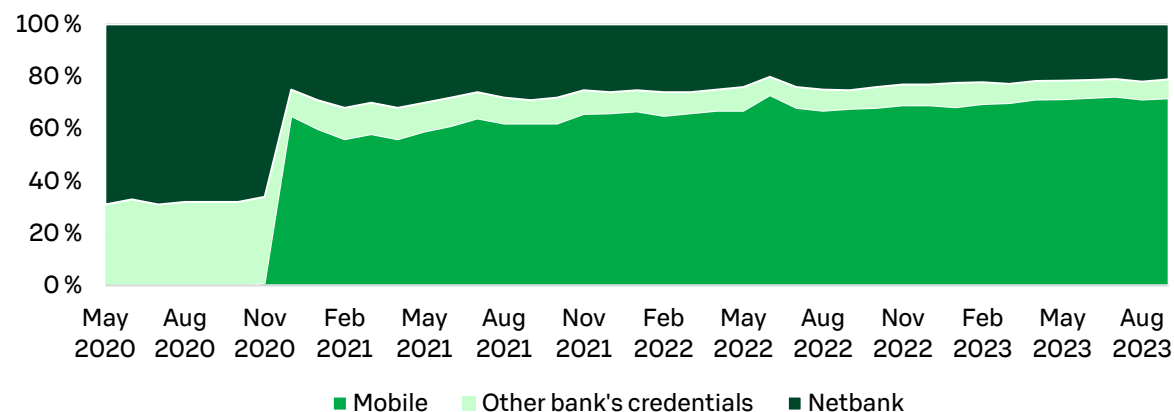
# DIGITAL TRANSFORMATION OF THE BANK

## ENABLING FURTHER GROWTH THROUGH DIGITALISATION – 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>



# 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 lives.
- 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.



# 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

- Front runner in responsible and impact investment
  - Climate strategy incorporated in investment policies since 2020 (updated during 2023)
  - Joined Net Zero Asset Managers initiative in 2023
  - Biodiversity strategy (2023)
  - Fund-specific sustainability reports published since 2020
  - Paris-aligned benchmarks adopted for selected equity funds since 2021
- 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

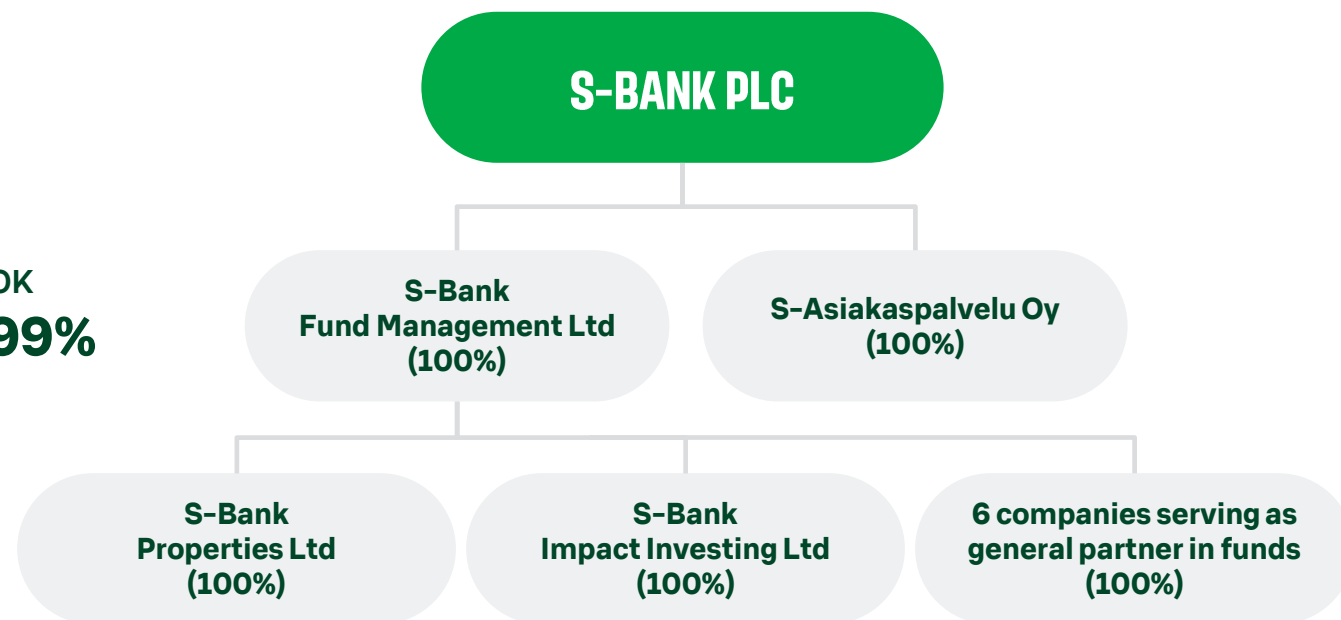
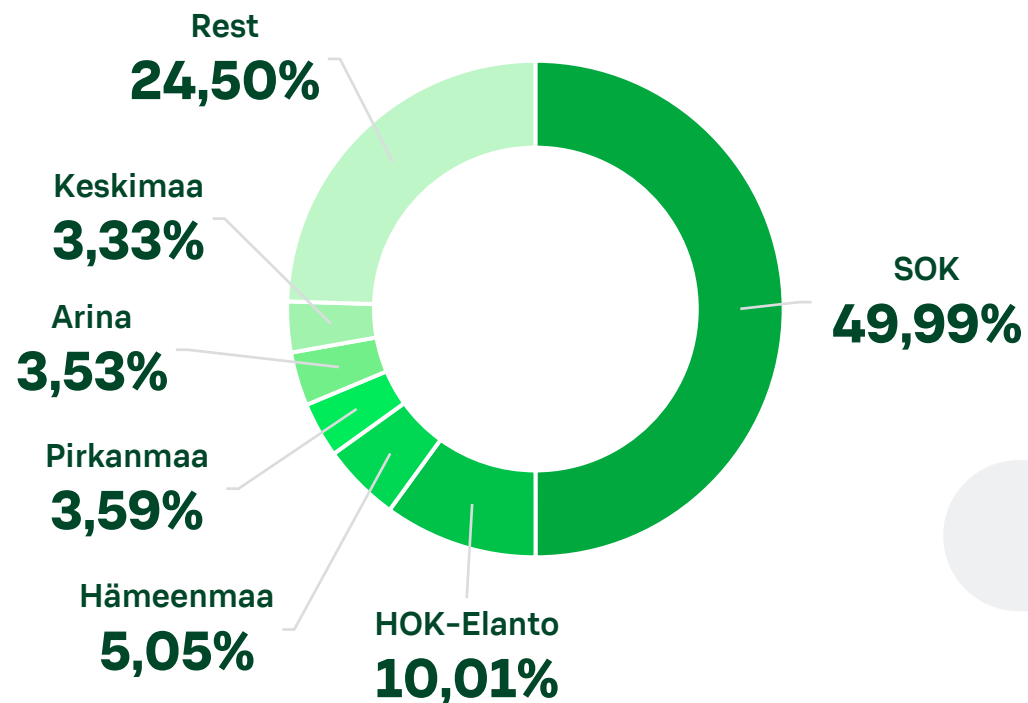
- Scope 1+2 (2022)
- Scope 3 (2023-2024)

### Financed emissions

- Scope 3 (PCAF)

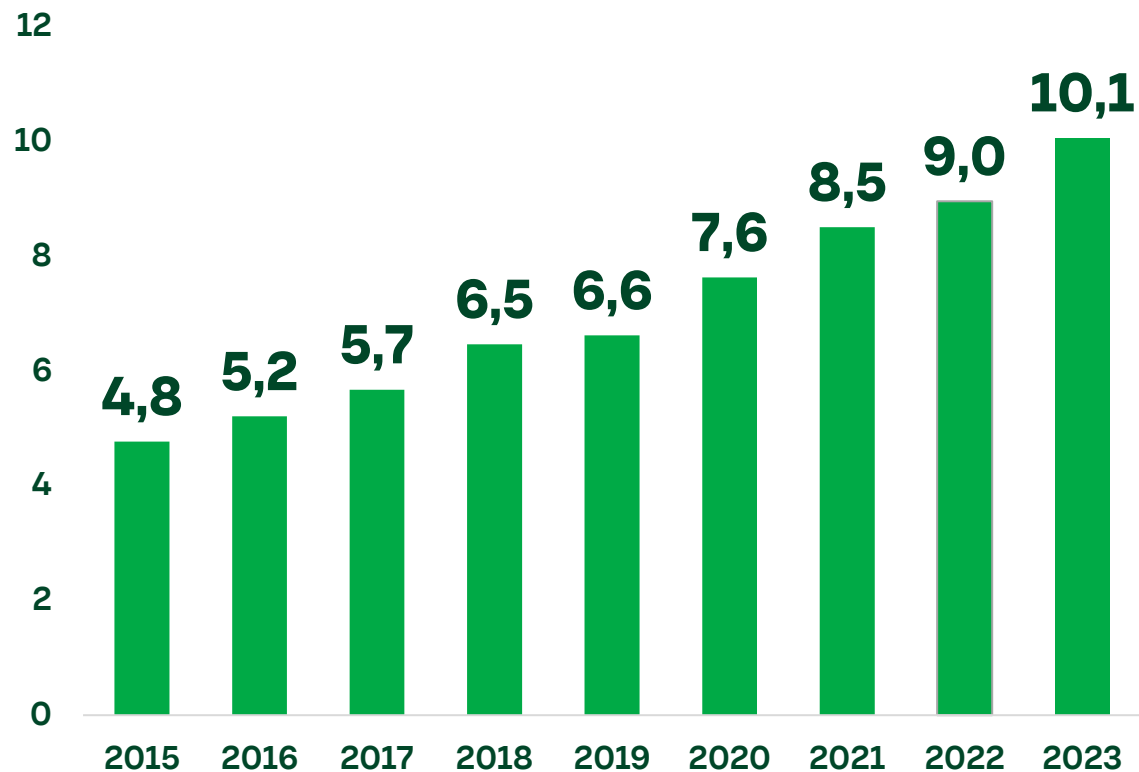
# COMPANY OWNERSHIP AND STRUCTURE

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

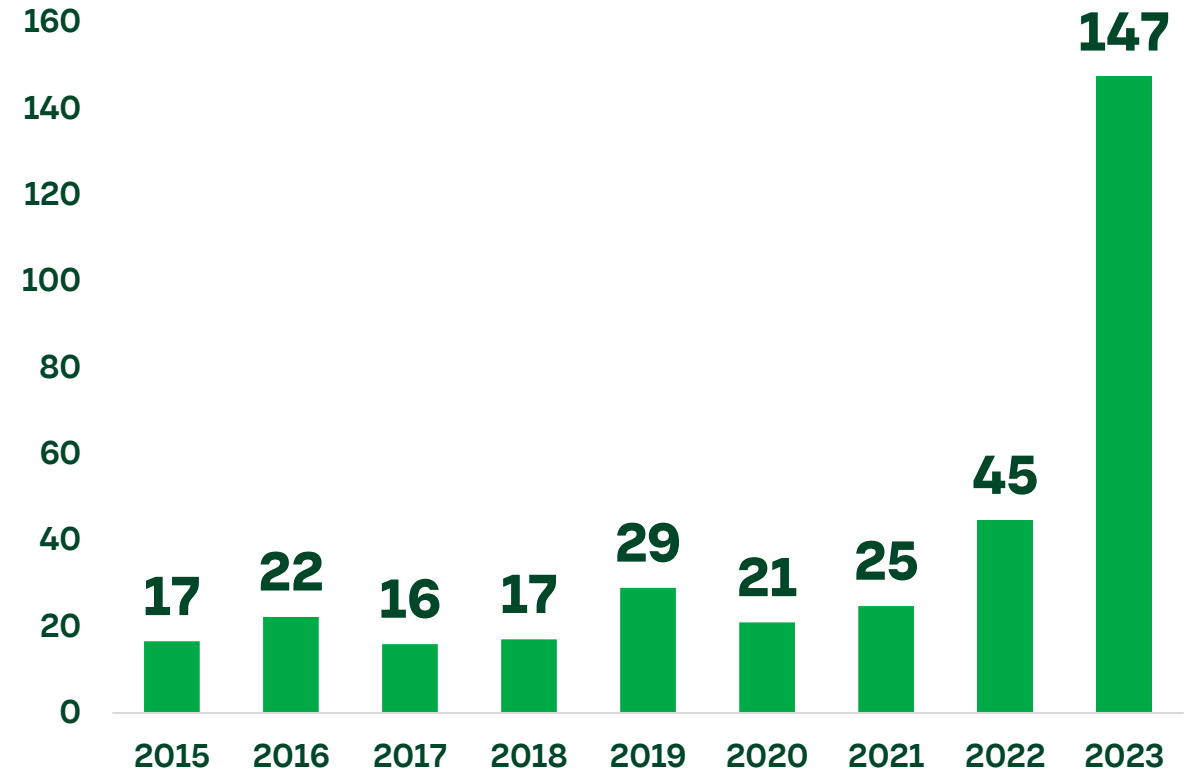


# BALANCE SHEET AND OPERATING INCOME

## BALANCE SHEET (EUR billion)



## OPERATING PROFIT (EUR million)



# 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**

