CAPITAL AND RISK MANAGEMENT

REPORT 2024

S BANK

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1 INTRODUCTION

Part Eight of the Capital Requirements Regulation (EU) No 575/2013 sets out the requirements on disclosure of information (Pillar 3) concerning institutions' risks, risk management and capital adequacy. EBA has introduced implementing technical standards (ITS) specifying uniform disclosure formats for comprehensive and comparable information.

S-Bank Group (hereinafter "S-Bank") complies with these disclosure requirements and publishes this Capital and Risk management report with the uniform Pillar 3 disclosure tables in excel format (S-Bank Capital Adequacy Tables) on S-Bank's website in conjunction with the financial statements once a year. Relevant information and required tables on risks are disclosed semi-annually. S-Bank Capital Adequacy Tables can be found in excel format on S-Bank's website. This report contains qualitative information on S-Bank's risk management and capital adequacy and summarises the year 2024.

Disclosure index demonstrating where the information required by CRR Articles 435 to 451 and Information not disclosed due to non-materiality, proprietary or confidential nature or not applicable to S-Bank Group can be found from S-Bank Capital Adequacy Tables on S-Bank's website.

2 RISK DECLARATION AND STATEMENT

Together with this report, risk management, capital adequacy and other risk related information are also described and disclosed as a part of the Board of Directors' Report and the financial statements. In its interim reports, S-Bank discloses risk management and capital adequacy information that is to be published more frequently than once a year in line with regulatory stipulations. Other information required by the Pillar 3 requirements, such as corporate governance statement and report on remuneration systems are available on S-Bank's website.

By approving this report and the S-Bank Capital Adequacy Tables and based on the continuous reporting it receives, the Board of Directors considers that this report provides external stakeholders a comprehensive view of S-Bank's risk management and risk profile associated with its' business strategy ((EU) No 575/2013, Article 435 (1f)).

Based on the same grounds, the Board of Directors declares that the risk management systems put in place are adequate with regards to S-Bank´s risk profile and strategy (Article 435(1e)). Also, the Board of Directors considers that the information disclosed in this report has been prepared in accordance with the agreed internal control processes.

This report or the S-Bank Capital Adequacy Tables have not been externally audited. However, figures presented in this report are based on Annual Report 2024, which has been audited. The figures presented in S-Bank Capital Adequacy Tables are based on regulatory reporting to the banking supervisors. The report and regulatory reporting are subject to the internal review and control processes as defined in S-Bank's disclosure policy. Material in this report applies to S-Bank's consolidated figures as of 31 December 2024 if not otherwise stated.

3 SUMMARY OF THE YEAR 2024

The acquisition of Handelsbanken's Finnish private customer, asset management, and investment services operations was a major milestone for S-Bank in 2024. This transaction, completed on 1 December 2024, added around 100 000 private customers to S-Bank, making it the fourth largest private customer bank in Finland. The transaction also involved the transfer of more than 200 Handelsbanken employees. The value of transferred loans was approximately EUR 2.5 billion, and deposits were EUR 0.9 billion.

In 2024, S-Bank experienced significant growth, improving its financial and risk position. The operating profit rose by 12.1 per cent to EUR 165.2 million (147.4) driven by increase in net interest income and the successful execution of the Handelsbanken transaction. The total amount of the balance sheet at the end of 2024 was EUR 13.2 billion, compared to EUR 10.1 billion at the end of 2023.

The risk position strengthened during the year due to proactive and effective risk management. S-Bank's risk management strategies in 2024 were effective in maintaining a strong financial position, managing credit and liquidity risks, and ensuring strong capital position.

3.1 S-BANK'S RISK POSITION IN 2024

Improved capital position

S-Bank's capital position strengthened during 2024. The total capital ratio of S-Bank was 21.4 per cent (18.8), which significantly exceeded the regulatory requirement of 13.52 per cent. In addition to the regulatory requirement, the Pillar 2 Guidance (P2G) imposed by the Finnish Financial Supervisory Authority (FIN-FSA), came into effect on 31 March 2024 in the amount of 0.75 per cent of the total risk exposure amount. The internal target level, set by the Board, is 150 bps above the regulatory requirement and P2G.

The development of own funds was positively affected by the completed share issue of EUR 200 million, directed at the owners of S-Bank, and strong profit performance driven by increase in net interest income. The total risk exposure amount (TREA) increased by EUR 1 041.5 million, mainly due to growth in risk-weighted assets related to credit risk, with operational risk increasing EUR 227.7 million compared to the end of the previous year. The growth in the credit risk was mostly due to the Handelsbanken transaction. S-Bank is adequately capitalised to ensure continuity of its operations even under stressed conditions.

Credit portfolio growth following the acquisition

The loan portfolio grew from EUR 6.9 billion to EUR 9.5 billion, with a 36.5 per cent increase. This growth was mainly due to the Handelsbanken transaction. Due to the transaction, the share of loans secured by real estate increased in the loan portfolio. Of the total loan portfolio 83.1 per cent (79.2) were loans secured by real estate, primarily to household customers and housing companies in Finland.

The total amount of ECL provision increased by EUR 15.0 million to EUR 52.3 million (37.3) during the financial year. The growth of the loan portfolio following the acquisition and model changes contributed to the growth in ECL provision. The ECL provision relative to credit risk exposures was 0.42 (0.39).

The total ECL provision related to the acquired loan portfolio was EUR 11.4 million, including related provisions based on management judgement. During the financial year, S-Bank updated the credit risk models measuring the probability of default of household customers and the criteria for a significant increase in credit risk in the ECL calculation. At the same time, provisions previously made based on management judgement were reversed. The net impact of model changes and changes in provision based on management judgement on the ECL provision was EUR 2.2 million.

The uncertainty of the economic environment and increase in general price level contributed to the growth of forbearance measures and non-performing loans. The carrying amount of performing forborne exposures in relation to loans and advances was at the level of 2.3 per cent (2.5). The corresponding ratio of non-performing forborne exposures was 0.6 per cent (0.6). The NPL ratio, which describes non-performing exposures in relation to loans and advances, rose to 1.7 per cent (1.3).

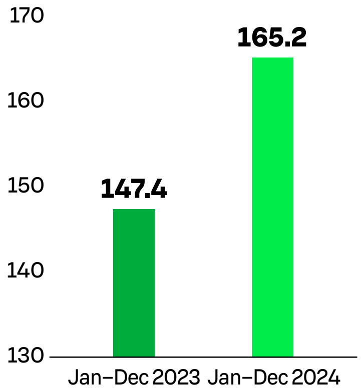
Strong liquidity and increased bond market activity

During the year, the bank proactively prepared for the financing of the Handelsbanken transaction and strengthened its liquidity buffers through issuances of debt securities. S-Bank's liquidity and funding position remained strong during the year, LCR ratio being 285.4 per cent (256.6) and NSFR ratio 155.9 per cent (164.3) at the end of the year.

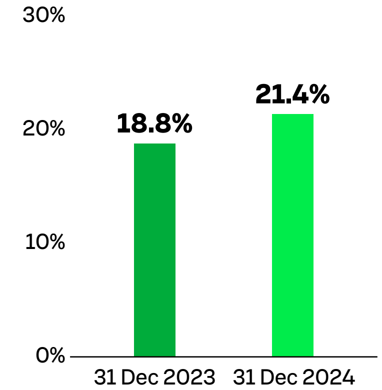
In 2024, S-Bank issued a Senior Preferred bond valued at EUR 300 million, a covered bond valued at EUR 500 million and an increase of EUR 100 million to the original amount of its bond (tap issue). S-Bank made also a tender offer and bought back in aggregate nominal amount EUR 86.1 million of Senior Preferred bonds. In addition, S-Bank strengthened its own funds with a directed share issue of EUR 200 million and raised EUR 590 million in bilateral funding.

In June 2024, international credit rating agency Standard & Poor's raised S-Bank's credit rating to BBB+ and affirmed its short-term credit rating at A2. S&P assigned a stable outlook to S-Bank.

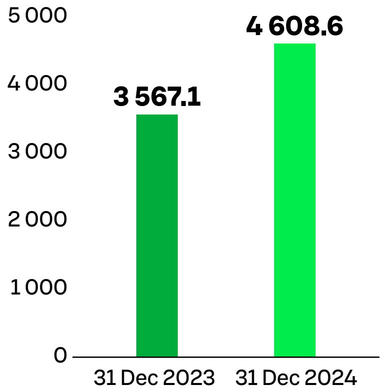
Operating profit (EUR million)



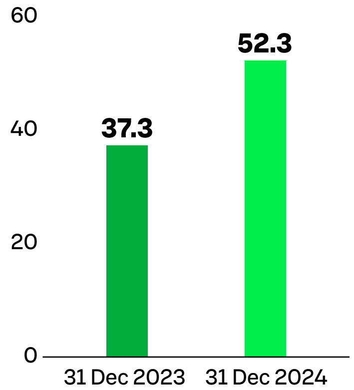
Total capital ratio (%)



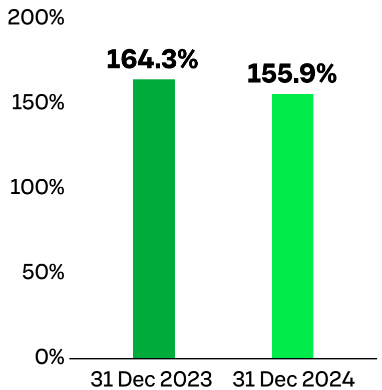
Total REA (EUR million)



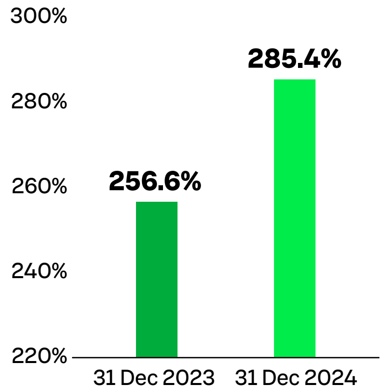
ECL (EUR million)



NSFR (%)



LCR (%)



3.2 KEY CHANGES IN REGULATION AND REQUIREMENTS

Basel IV implementation (2025-)

The EU has approved a reform of banking rules that will finalise the implementation of Basel III banking regulatory standards in Europe. The Basel IV package includes revisions especially related to capital requirements calculation of credit risk, operational risk, and credit valuation adjustment (CVA) risk and will enter into force on 1 January 2025.

The changes of EU Capital Requirements Regulation (CRR3) will have a positive impact on capital position of the bank and the risk weighted assets. The positive impacts especially affect the risk weights of the loans secured by mortgages on immovable property and long transitional arrangements for unconditional cancellable commitments.

Digital Operational Resilience Act (DORA)

DORA will enter into force on 17 January 2025. With the introduction of DORA, financial institutions must now follow guidelines to protect against ICT-related incidents. These guidelines cover various measures such as protection, detection, containment, recovery, and repair. DORA specifically addresses ICT risks by setting clear rules for managing these risks, reporting incidents, testing operational resilience, and overseeing ICT third-party risks. S-Bank has proactively prepared for the implementation of DORA throughout 2024.

Minimum requirement for own funds and eligible liabilities (MREL)

Following the Financial Stability Authority's decision in April 2024, the MREL requirement was set at 21.91% (17.23%) of the total risk exposure amount and 7.75% (5.91%) of the leverage ratio exposure. S-Bank covered the MREL requirement with instruments qualifying for own funds and Senior Preferred MREL Eligible bonds issued under the bond programme during the year 2024.

Requirement for systemic risk buffer

Based on the Finnish Financial Supervisory Authority's (FIN-FSA) macroprudential decision, a systemic risk buffer requirement covered by CET1, entered into force on 1 April 2024 in the amount of 1.0 per cent. The systemic risk buffer increased the minimum capital requirement for S-Bank, and it also had an effect for the MREL-requirement based on total risk exposure amount through the CBR (Combined Buffer Requirement) component.

Pillar 2 guidance

An additional capital recommendation (Pillar 2 Guidance, "P2G") imposed by FIN-FSA on S-Bank was 0.75 per cent of the total risk exposure amount. The P2G entered into force on 31 March 2024.

Standards on IRRBB

In May 2024, the new regulatory technical standards on IRRBB supervisory outlier tests, including the new definition of large decline in the SOT on NII, entered into force. These changes build on the standards and guidelines on interest rate risks in the banking book (IRRBB) and credit spread risk in the banking book (CSRBB) arising from non-trading book activities, introduced by EBA in 2022.

Implementation of positive credit register in the credit processes

A new public register, positive credit register, was set up to ensure the availability of reliable credit information particularly for assessment of creditworthiness. In the first phase, information on consumer credits and other comparable credits is included in the register. The information from positive credit register was implemented in the credit processes of S-Bank starting from 1 April 2024.

4 DESCRIPTION OF THE S-BANK GROUP

4.1 CORPORATE STRUCTURE AND CONSOLIDATION

S-Bank provides banking and wealth management services to its customers. S-Bank's strategy focuses on profitable growth by providing superior ease and benefits, as well as a little more wealth to S Group's co-op members. The strategic goal is to reach one million active customers by 2027. The S-Bank Group comprises S-Bank Plc and its subsidiaries, owned by SOK Corporation and regional cooperatives.

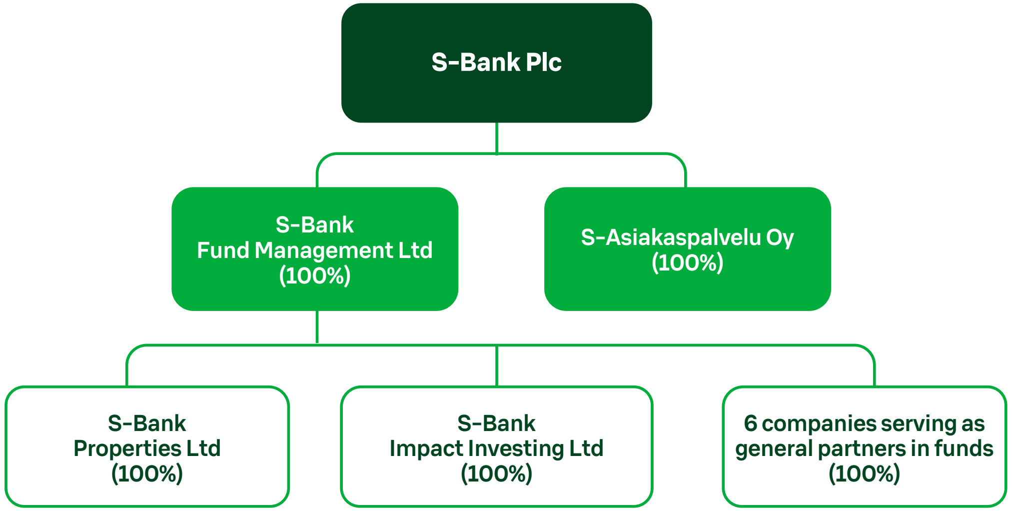
S-Bank Plc is the parent company of the S-Bank Group. S-Bank is a deposit bank that engages in credit institution operations pursuant to the Finnish Act on Credit Institutions (610/2014). The bank engages in the operations and related activities referred to in Chapter 5, section 1, of the above-mentioned Act. The Bank engages also in mortgage banking activities pursuant to Finnish Act on Mortgage Credit Banks and Covered Bonds (11.3.2022/151). In addition, the Bank is offering investment services pursuant to Chapter 1, section 15, of the Act on Investment Services (747/2012). As the parent company, S-Bank performs such tasks of the Group companies that must be carried out in a centralised manner, such as the Group's administration, guidance and supervision.

S-Bank Fund Management Ltd is a wholly owned subsidiary of S-Bank Plc, which acts as a fund management company and authorised alternative investment fund manager for S-Pankki funds. S-Bank Fund Management Ltd is responsible for the portfolio management of alternative funds which invest in real estate, private equity and other alternative investments. Portfolio management of equity, interest and asset management funds is outsourced to S-Bank Plc.

S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank Plc. It provides customer service and data processing-related and other services relevant to a credit institution's core operations, in its capacity as a service company as provided for by the Act on Credit Institutions (610/2014).

S-Bank Properties Ltd specialises in property management and offers its services to investors, property owners and tenants. In addition to property portfolio management, property management services and property development, the company focuses on the implementation and management of joint venture projects. S-Bank Fund Management Ltd owns 100 per cent of S-Bank Properties Ltd's share capital.

Corporate structure of S-Bank Group



S-Bank Impact Investing Ltd is a wholly owned subsidiary of S-Bank Fund Management Ltd. The company is responsible for the planning and coordination of the operations of projects financed by impact investing funds.

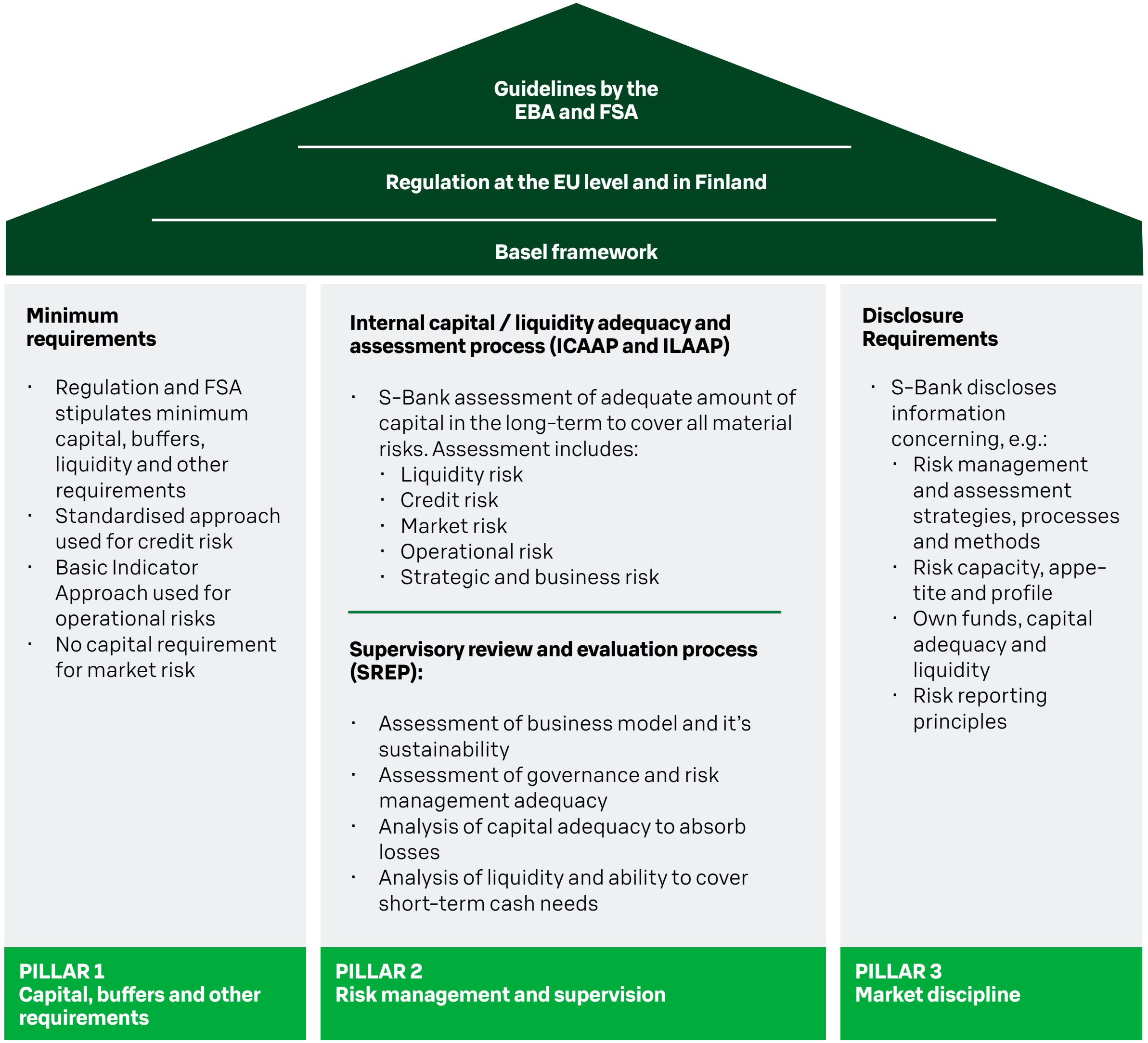
FIM Real Estate Ltd, FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund III GP Oy, FIM Private Debt Fund I GP Oy, FIM SIB Oy, S-Pankki Vaikuttavuus I GP Oy serve as general partners in funds managed by S-Bank Fund Management Ltd. These companies have no other business activities and are fully owned by S-Bank Fund Management Ltd.

5 GOVERNANCE OF RISK

The regulatory framework for banks comprises of three Pillars: (1) minimum requirements addressing risk, (2) risk management and supervisory review and (3) market discipline. The framework is implemented through EU-level by directives, regulations, standards, guidelines, and national legislation. The framework is likewise specified by regulations and guidelines issued by various authorities, e.g., the European Banking Authority (EBA) and local Financial Supervisory Authority. S-Bank is under supervision of Finnish Financial Supervisory Authority (FIN-FSA).

Within the Pillar 3 report and related quantitative tables, S-Bank discloses information concerning risk management assessment methods and processes, description of Risk Appetite Framework and required quantitative information on risks, own funds and key figures. Information on governance arrangements, such as Corporate governance statement, Remuneration policy and related Pillar 3 templates are available on S-Bank's website.

Basel international regulatory framework



5.1 INSTITUTION RISK MANAGEMENT APPROACH (EU OVA)

Disclosure on institutions risk management approach on general level is described in this chapter. The following chapters within this report describe more specifically risk management for each type of risk.

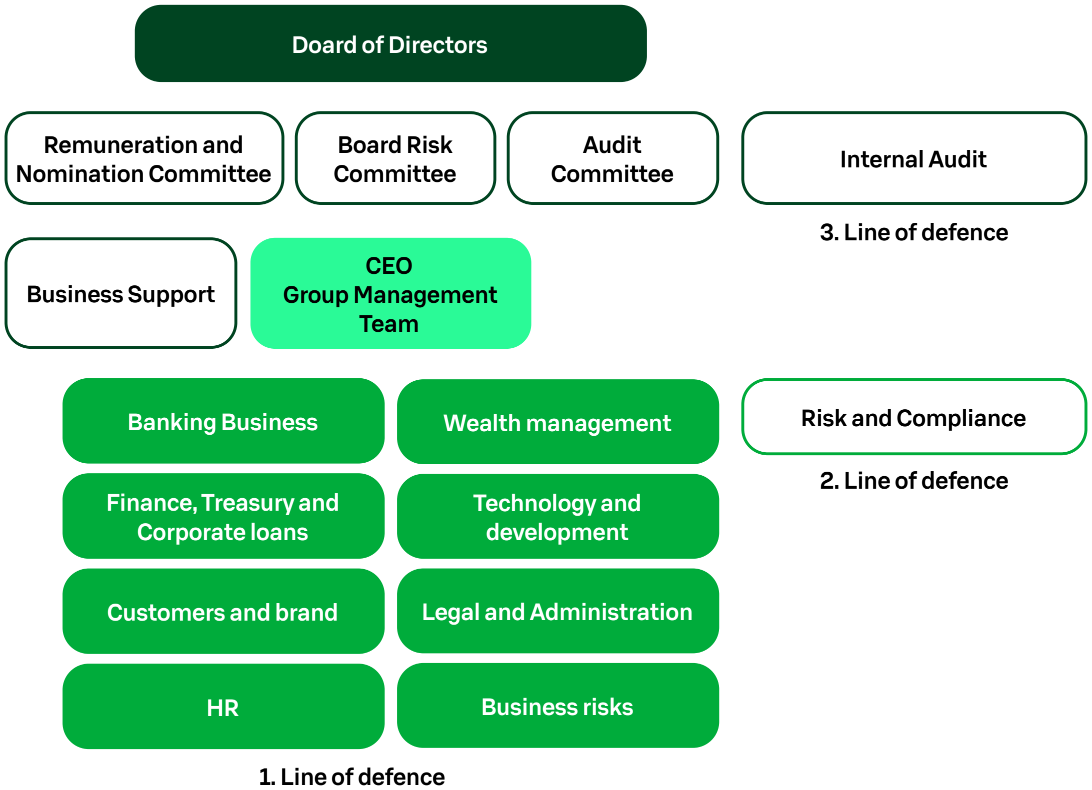
(a) Disclosure of concise risk statement approved by the management body

The risk declaration and statement approved by the management body is disclosed in chapter 2.

(b) Information on the risk governance structure for each type of risk

S-Bank's risk management is built on three lines of defence. The first line of defence consists of units responsible for the Group-level business operations and supporting functions, and which conduct business operations in accordance with S-Bank's strategy and business plan. The first line of defence manages risk-taking, identifies risks and oversees daily risk management, supported and coordinated by the Business Risks Unit.

S-Bank Group's administrative structure



The second line of defence, Risk and Compliance, consists of the Group-level functions that are independent of business operations. The second line of defence is responsible for maintaining the risk management framework, acting as an independent control function, and monitoring the implementation of risk management and adequacy internal control.

Internal Audit is the third line of defence and is independent of the functions being audited. The purpose of the function is to audit and evaluate the effectiveness of the risk management and internal control measures carried out by the Group. Consequently, Internal Audit also reviews the activities of the Risk and Compliance functions.

Board of Directors

The parent company's Board of Directors bears overall responsibility for risk management in the S-Bank Group, ensuring that the Group's operations are organised appropriately and reliable. The Board is responsible for the strategic management of the entire bank group, setting strategic goals and risk strategy, approving principles for risk management and monitoring their implementation.

The Board ensures that bank continuously has adequate amount of capital to cover all material risks arising from its business operations and changes in the operating environment and that the risk-bearing capacity is sufficient. The Board monitors the development of capital, its allocation and risk limits, and decides on the recapitalising and financing arrangements and their implementation.

Furthermore, the Board of Directors monitors the scope, effectiveness and soundness of risk management and ensures the adequacy of the independent internal control functions. The Board of Directors oversees that the Internal Audit function regularly assesses the effectiveness and quality of risk management, the internal control framework, in addition to the integrity and expediency of the independent internal control functions.

The Board of Directors is assisted by the Board Risk Committee, Audit Committee, as well as by the Remuneration and Nomination Committee. The Board Risk Committee assists the Board of Directors in matters concerning S-Bank's risk strategy and risk-taking. The Committee also oversees and assesses issues related to the ICLAAP process. Also, the Committee works in co-operation with other Board Committees ensuring that S-Bank's remuneration principles are consistent with sound and efficient risk management and that they do not entail excessive risk-taking.

CEO and Group Management Team

S-Bank's CEO, assisted by the Group Management Team, is responsible for managing the operations and governance of the Group, implementing risk management practices, promoting good risk culture and organising internal control in accordance with the principles set by the Board. CEO, with assistance of the Group Management Team, is responsible for assuring, that risk capacity and risk appetite are considered in the S-Banks strategy process, operational planning, and risk management. In addition, CEO is responsible for achieving the set goals and for monitoring and managing the risks that may threaten these goals.

CEO has established committees to prepare and make decisions by executive managers. Most essential committees for risk management purposes are Management Risk Committee, Asset and Liability Committee and Credit Committee.

Risk management committees

The task of the Management Risk Committee is to ensure, that Group Management Team, The Board, and its committees has sufficient and relevant overall picture of the Group's risk position. The Management Risk Committee ensures that the Group's operations comply with internal guidelines and external regulations. The Management Risk Committee prepares and recommends for approval by the Board the key risk management strategies, policies, and risk appetite limits. The CEO acts as a chairman in Management Risk Committee. Under the Committee, there are preparatory bodies focusing on specific risk categories.

Asset and Liability Committee's task is to ensure capital adequacy, liquidity and to forecast, monitor and manage capital adequacy and balance sheet. Asset and Liability Committee is a first line of defence committee.

The task of the Credit Committee is to make customer-specific credit decisions. Under the Credit Committee, there are separate credit committees for corporate and individual customers, which make credit decisions within their authority and monitor the development of credit risks. Credit Committee is a first line of defence committee.

The Group's units

Within the first line of defence, S-Bank has the Group's units responsible for the Group-level business operations and support functions complemented by the Business Risks Unit, which provides coordination and additional support in risk management. The Business Risks Unit was established during 2024. In addition, the Group has Risk and Compliance unit as part of the second line of defence and the Internal Audit unit in the third line of defence. The Group's units are presented in the diagram S-Bank Group's administrative structure.

The directors of S-Bank's business and support functions take primary responsibility for the risks in their respective areas and for ensuring that their units operate in accordance with S-Bank's guidelines, policies and set limits. Hence, they are responsible for identifying and assessing the risks associated with their operations, and for managing and monitoring them and for carrying out internal controls. The directors of the Group's units are responsible for ensuring that the unit's operations and risk management are clearly and sufficiently described.

Independent control functions

Independent control functions consist of Risk Control, Compliance and Operational Risk Control, as well as Internal Audit.

Risk Control is tasked with comprehensively monitoring and assessing S-Bank's risk-taking level and the implementation of risk management for credit, market, liquidity and capital risks. The Risk Control monitors the execution of the overall risk strategy and the total risk exposure, ensuring that the risks taken by S-Bank are proportionate to its risk capacity and risk appetite. The Risk Control maintains and develops methods for measuring, assessing, and reporting risks, and supports the business functions in identifying and managing risks.

Compliance is tasked to monitor compliance with regulations, internal guidelines, and ethical principles. Compliance maintains and develops principles and procedures to ensure compliance to regulations. Compliance performs its control function according to the risk-based annual plan approved by the Board and regularly reports its findings and recommendations to the Board and executive management.

Operational Risk Control's task is to comprehensively monitor and assess the coverage, adequacy, and effectiveness of operational risk management. Operational Risk Control maintains and develops the operational risk framework and the principles of procedures for managing operational risks.

The **Internal Audit** function's task is to assess the adequacy, efficiency, effectiveness of internal control and risk management within the Group. These are done in accordance with the audit plan approved by the Board. When conducting audits according to plan, the Internal Audit bases the auditing criteria on external regulations, internal guidelines, and the set objectives. Internal Audit also evaluates Risk Control, Operational Risk Control, and the Compliance function.

(c) Declaration approved by the management body on the adequacy of the risk management arrangements.

The declaration by the management body of the risk management arrangements is disclosed in chapter 2.

(d) Disclosure on the scope and nature of risk disclosure and/ or measurement systems.

S-Bank continuously monitors risks as part of work duties. It is the responsibility of each employee to follow the execution of risk management within their area of responsibility and to report any deviations and deficiencies in risk management in accordance with agreed procedures.

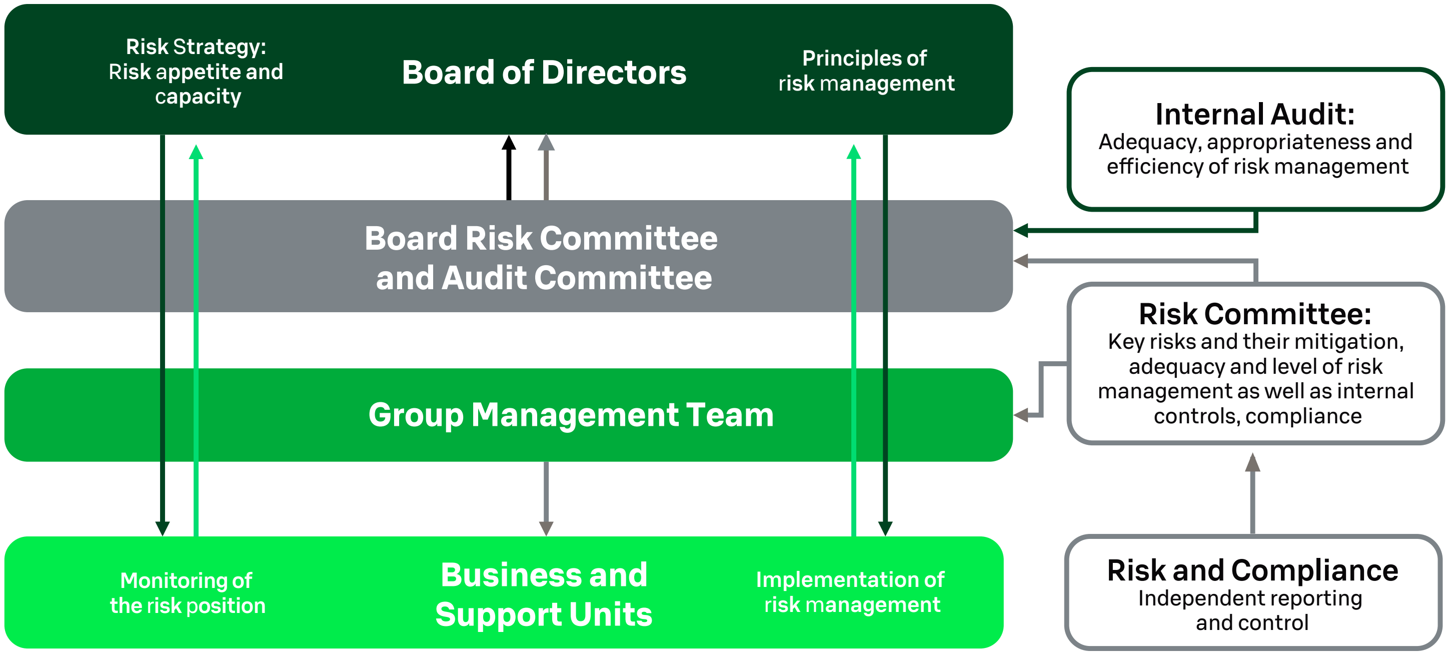
Risks are measured, monitored, controlled, and reported to ensure that S-Bank's Board and executive management have adequate and essential information on risks and their management. The risk position, risk management principles and their changes are reported to the Board regularly so that they can assess the amount of risk taking and the measures taken to control the risk level.

S-Bank's internal reporting process includes regular analyses of the achievement of the goals set by the Board, in addition to financial and risk reporting. Regular reporting is supplemented as needed with separate deep dive analyses and other reports. Risk-taking in relation to the risk appetite and risk capacity is monitored regularly and assessed, for example, when updating the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and recovery plan, and when updating strategy or when deciding on significant business projects or investments for S-Bank.

The independent control function, Risk and Compliance, is responsible for producing reports on the key risks and the level of risk management for S-Bank's executive management and the Board of Directors. In addition to regular reports, the aforementioned bodies are provided with a separate report and analysis if any major changes or deviations occur that may influence S-Bank's risk position or capital adequacy.

The Internal Audit function evaluates the processes concerning risks and capital management in accordance with its auditing plan.

The overall risk reporting in S-Bank

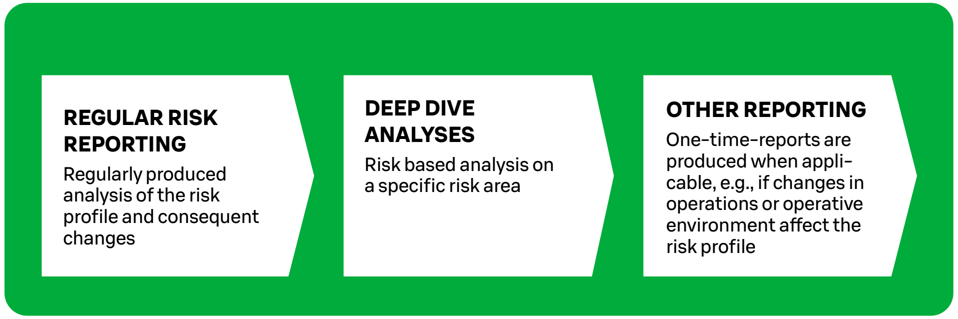


Internal Audit regularly reports on audit results, key audit observations, any operational improvement recommendations and compliance with the audit plan to the Audit Committee and the Board, as well as to other relevant bodies in the organisation.

(e) Disclosure of information on the main features of risk disclosure and measurement systems.

Within the Pillar 3 report and related quantitative tables, S-Bank discloses information concerning risk management assessment methods and processes, description

Independent risk reporting



of Risk Appetite Framework and required quantitative information on risks, own funds and key figures. Information on governance arrangements such as corporate governance statement, Remuneration policy and related Pillar 3 templates are available on S-Bank's website.

(f) Strategies and processes to manage risks for each separate category of risk.

and

(g) Information on the strategies and processes to manage, hedge and mitigate risks, as well as on the monitoring of the effectiveness of hedges and mitigants.

S-Bank's Board of Directors has set a risk strategy that applies to all Group companies and their business and support functions. The risk strategy defines the Group's risk capacity and risk appetite, identifies the relevant risks for S-Bank and sets a target state for the Bank's risk culture. The risk strategy is supplemented by risk type-specific principles and strategies. Additionally, the business and support functions maintain more detailed guidelines and descriptions to implement risk management in their own operations.

Comprehensive risk management is a continuous process integrated into S-Bank's strategy, decision making, processes, internal control framework, development, and reporting. Risk management refers to the procedures used to identify, assess, measure, and monitor risks related to operations. It also encompasses the maintenance and development of risk management methods, so that the occurrence of risks or the consequences resulting from them are kept at an acceptable level.

Risk management supports compliance with S-Bank´s values and strategy, and sound banking, lending, and securities market practices.

To support the achievement of the set goals, risk management is carried out throughout the organisation by following measures:

- Risks related to S-Bank's operations are identified, measured, monitored, assessed, and reported.
- Risk management methods are defined, and they are effective, meaningful, and adequate considering risk appetite.
- Risk management is integrated as part of management system, decision making and procedures.

The Board of Directors defines the quantitative and qualitative limits of the S-Bank Group's risk capacity and risk appetite as part of the risk strategy. The quantitative and qualitative limits are assessed regularly and whenever required by changes in the business or the operating environment.

The risk appetite indicators are monitored and controlled as part of regular reporting.

Risk capacity determines the maximum levels for risk-taking, business growth and the Group's negative profitability, that can be carried in the short and long term, while considering available own funds and regulatory requirements and limitations.

Risk appetite reflects the types and levels of approved risks that S-Bank is willing to take in its business operations while pursuing its targets. Risk appetite set's the desired risk profile for the bank. The starting point for the Bank's risk appetite is to achieve a stable and sufficient return on the Group's equity in the short and long term in accordance with strategy.

The subsequent chapters in this report provide an in-depth analysis of risk management for each distinct category of risk, as well as capital management.

Summary of S-Bank's risk appetite framework 31 Dec 2024

Capital risk	· Capital ratios · Economic capital · Leverage ratio · Profitability
Credit risk	· Expected and final credit losses · Indicators for asset quality · Concentration risk · Distribution of credit portfolio by segment and product
Market risk	· Interest rate risk in economic value and net interest income · Spread risk · Other market risks
Liquidity risk	· Indicators for short- and medium-term liquidity · Adequacy of stable funding · Asset encumbrance · Structure and concentration of funding
Compliance risk	· Financial crime indicators · Conduct risk indicators · Regulatory compliance indicators
Operational risk	· Realised operational risks · Business continuity indicators · Indicators of service availability

6 CAPITAL MANAGEMENT

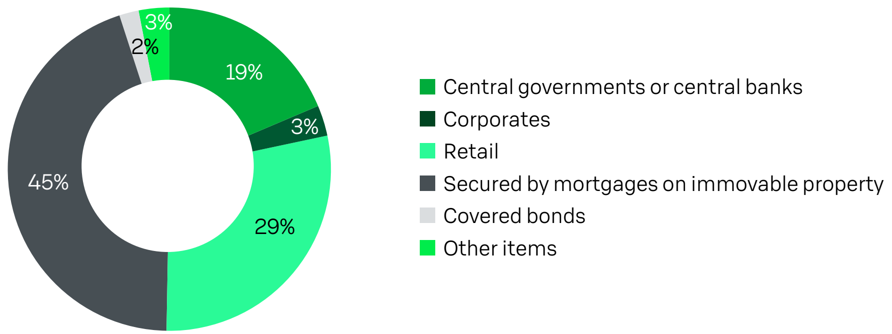
6.1 HIGHLIGHTS 2024 AND OVERVIEW

S-Bank is adequately capitalised and its liquidity position is strong to ensure continuity of its operations even under stressed conditions and is prepared for changes of EU Capital Requirements Regulation (CRR3). S-Bank strengthened its own funds with a share issue of EUR 200 million in the last quarter of 2024 and ensured that the bank's capital position and capital ratios remained strong even after the Handelsbanken transaction was completed.

- S-Bank's capital position strengthened and was well above the regulatory requirements.
- Total capital ratio stood at 21.4 per cent (18.8) and CET1 ratio at 19.4 per cent (16.1) on 31 December 2024
- Own funds were positively affected by profit performance due to net interest income and completed share issue of EUR 200 million, directed at owners of S-Bank.
- Total REA increased by EUR 1 041.5 million to EUR 4 608.6 million, mainly due to growth in the risk exposure amount for credit risk, with operational risk increasing EUR 227.7 million compared to the end of the previous year. The growth of TREA was largely due to the Handelsbanken transaction.
- S-Bank's total capital requirement was 13.52 per cent (12.54).
- Following the Finnish Financial Supervisory Authority's (FIN-FSA) macroprudential decision, a systemic risk buffer requirement covered by CET1, entered into force on 1 April 2024 in the amount of 1.0 per cent.
- The Pillar 2 Guidance (P2G) imposed by FIN-FSA on S-Bank, amounting to 0.75 per cent of the total risk exposure amount, took effect on 31 March 2024.
- The leverage ratio strengthened to 6.7 per cent (5.6), exceeding the binding requirement of 3 per cent.

Distribution of credit risk exposures by exposure classes

S-Bank's loan portfolio grew during the financial year, especially due to the Handelsbanken transaction. The growth resulting from the transaction was primarily related to exposures secured by mortgages on immovable property. In addition, retail exposures increased in the last quarter of the year. The growth of exposures to central banks was mainly affected by bond issues, Handelsbanken transaction related share issue and debt financing agreements. Majority of S-Bank's credit exposures were exposures secured by mortgages on immovable property and unsecured retail exposures. The following figure shows the distribution of credit risk exposures before credit conversion factors and credit risk mitigation effects, taking into account both on-balance-sheet exposures (EUR 13.1 billion) and off-balance-sheet exposures (EUR 2.3 billion).



6.2 ICAAP INFORMATION (EU OVC)

Capital adequacy and liquidity management are fundamental parts of the risk management process. The objective of sound capital and liquidity management is to ensure that S-Bank continuously has the appropriate capital and liquidity position required to achieve its strategic business goals. Furthermore, the aim is to ensure that S-Bank continuously has sufficient capital and liquidity buffers to guard against any unexpected events. Capital and liquidity management is based on a proactive approach that takes into account S-Bank's strategy, business plan and overall risk strategy.

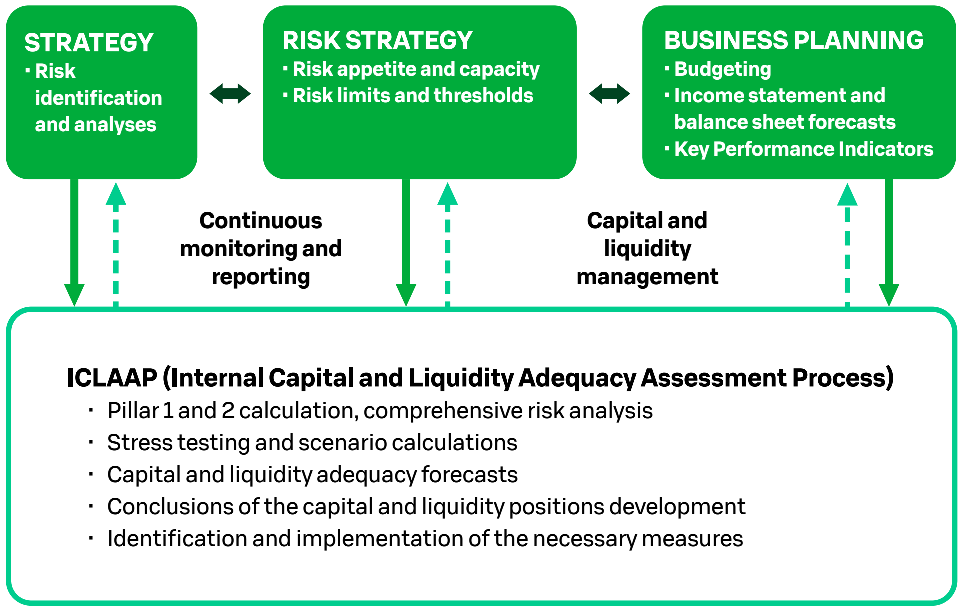
Information on S-Bank's capital position can be found on S-Bank Capital Adequacy Tables on S-Bank's website.

Capital and liquidity management framework and tools are also part of the regularly elaborated Recovery Plan, that aims to ensure the continuity of S-Bank's core businesses, to avoid adverse macroeconomic effects and to protect public funds. The Recovery Plan sets several quantitative and qualitative indicators, that are used for monitoring S-Bank's capital, liquidity, funding, and profitability along with asset quality. The thresholds of recovery indicators are ultimately used to decide whether to employ or refrain from taking the set recovery options in use. The recovery planning is aligned with plausible scenarios used for ICAAP and ILAAP stress tests.

The results of the regularly performed ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are combined into a comprehensive ICLAAP report which S-Bank compiles at least annually and as often as necessary. The process begins with strategic analysis and comprehensive identification of risks associated with S-Bank's business. S-Bank utilises a variety of stress scenarios to estimate how potentially unfavourable developments could affect capital adequacy, profitability, and liquidity at the Group level as well as at an individual subsidiary level over a certain time frame. Factors taken into consideration include various development patterns in the business, macroeconomic and competitive environment. The process also includes forecasts of capital requirements, available capital as well as the impact of changes in regulation. Moreover, the scenarios include potential changes in S-Bank's business volumes and in the behaviour of its customers.

ICAAP provides a comprehensive overview of S-Bank's capital and risk positions in various stress scenarios. Based on the results of the stress scenarios, needed recovery options are identified and described, to ensure adequate level of own funds and capital adequacy position. Liquidity stress tests are conducted as a part of the ILAAP, which provides a comprehensive overview of the S-Bank's liquidity risk position in various stressed business and macroeconomic scenarios.

Capital and liquidity management framework



The purpose of liquidity stress testing is to ensure the adequacy of S-Bank's liquid assets to cover unexpected liquidity outflows and to ensure that the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) maintain within the set risk appetite. S-Bank is prepared to withstand unexpectedly large cash outflows and recover its liquidity buffer under stressed conditions. The results of stress tests are used for managing liquidity, capital, profitability, and asset and liability management as well as in setting the levels of risk appetite.

(a) Approach to assessing the adequacy of the internal capital

Internal models as well as Pillar 1 calculation methods are used to determine the required amount of economic capital. For each of the major risks, the economic capital requirement is quantified as follows:

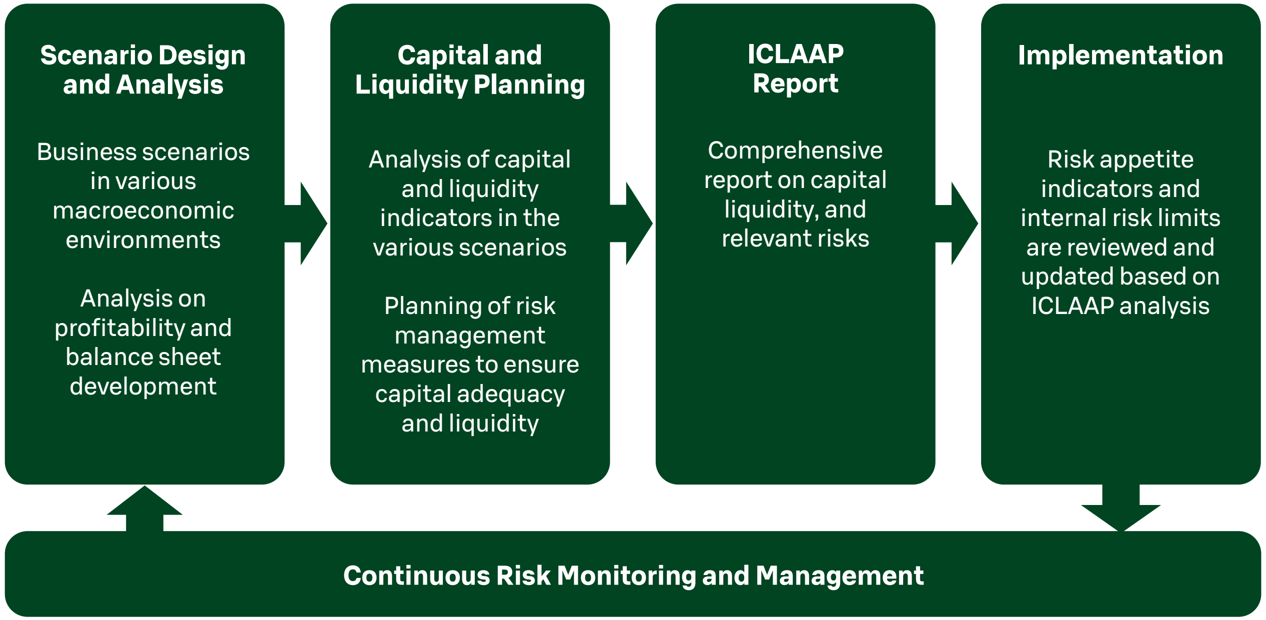
- the risk measurements already covered by Pillar 1 are reviewed and, where necessary, completed by economic capital adjustments.
- the risks not included in the Pillar 1 are subject to a specific calculation of economic capital needs, based on internal approaches.

During 2024 all the major risks identified during the risk identification process were taken into account for assessing the economic capital requirement. S-Bank notably measures market risks, interest rate risk in the banking book, business and strategic risk, concentration risk, credit risk, and operational risk with its internal models. S-Bank ensures that its own funds always cover the economic capital requirement, considering also the normative perspective of regulatory requirements.

(b)Upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process

Not applicable to S-Bank.

ICLAAP process



6.3 OWN FUNDS

S-Bank's CET1 ratio stood at 19.4 per cent (16.1) and total capital adequacy ratio at 21.4 per cent (18.8) at the end of the year. Total own funds grew from EUR 672.0 million to EUR 988.3 million. The growth of the CET1 capital was affected by the completed share issue of EUR 200 million, directed at owners of S-Bank. In addition, the profit-driven increase in CET1 capital as well as the recovery in the fair value reserve strengthened own funds. The amount of foreseeable dividend for 2024 has been deducted from retained earnings, in line with S-Bank's dividend policy and Commission Delegated Regulation (EU) No 241/2014.

S-Bank's Tier 2 capital consists of four debentures. The debentures with a residual maturity of less than five years are being gradually reduced from Tier 2 capital, as required by Capital Requirements Regulation. The main features of regulatory own funds instruments and eligible liabilities instruments are disclosed in table EU CCA within S-Bank Capital Adequacy Tables.

6.4 CAPITAL REQUIREMENTS

S-Bank's capital adequacy is on a solid basis and well above the minimum requirements. The capital requirement of 13.52 per cent comprises the minimum requirement of 8 per cent, the capital conservation buffer of 2.5 per cent, the Pillar 2 (SREP) additional capital requirement (P2R) of 2.0 per cent set by the FIN-FSA, the institution-specific capital conservation buffers by country for foreign exposures (CCyB) of 0.02 per cent and the systemic risk buffer of 1.0 per cent. Total capital requirement increased during the year from 12.54 per cent to 13.52 per cent. The growth was due to the FIN-FSA's macroprudential decision to set a systemic risk buffer requirement of 1.0 per cent, to be covered by CET1 capital. In addition, the countercyclical capital buffer (CCyB) decreased slightly.

S-Bank's total capital requirement on 31 December 2024 (Pillar 1)

Capital	Minimum capital requirement		Capital conservation buffer		Countercyclical capital buffer		Systemic risk buffer		Pillar 2 (SREP) additional capital requirement		Total capital requirement	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4.5%	207.4	2.5%	115.2	0.02%	0.9	1.0%	46.1	1.13%	51.8	9.14%	421.5
AT1	1.5%	69.1							0.38%	17.3	1.88%	86.4
T2	2.0%	92.2							0.50%	23.0	2.50%	115.2
Total	**8.0%**	**368.7**	**2.5%**	**115.2**	**0.02%**	**0.9**	**1.0%**	**46.1**	**2.00%**	**92.2**	**13.52%**	**623.1**

7 CREDIT RISK

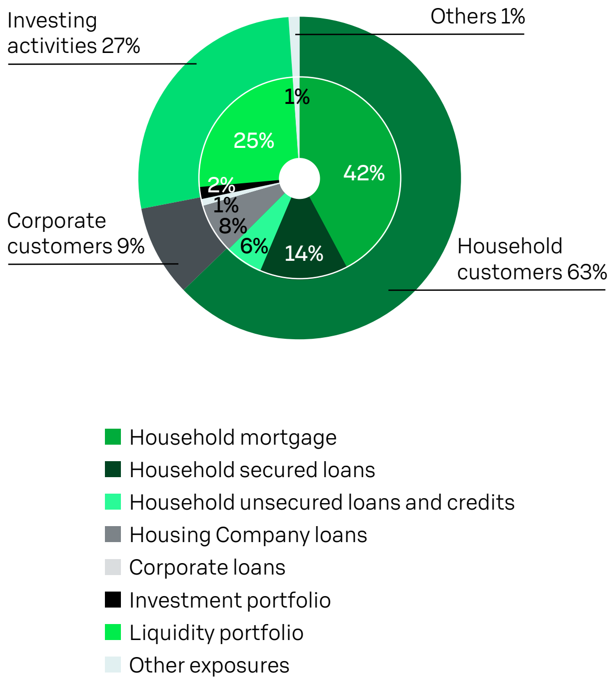
7.1 HIGHLIGHTS 2024 AND OVERVIEW

S-Bank focuses on household lending including housing loans and other secured loans, credit cards and consumption loans. S-Bank's corporate portfolio focuses on secured loans for housing companies. S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by prudent risk management

- Credit risk constitutes 84.0 per cent (EUR 3 869.2 million) of S-Bank's total REA. During the financial year, the total lending increased by 36.5 per cent to EUR 9.5 billion. Lending to household customers increased by 43.4 per cent and lending to corporate customers increased by 2.9 per cent.
  - Lending to household customers grew mainly due to the Handelsbanken transaction.
- Expected Credit Losses provision increased to EUR 52.3 million (37.3) and coverage ratio relative to total credit exposure increased to 0.42 per cent (0.37).
  - The ECL provision increased by EUR 15.0 million during the financial year, which was affected by growth of the loan portfolio following the transaction and model changes. The total ECL provision related to the acquired loan portfolio was EUR 11.4 million, including related provisions based on management judgement.
  - During the financial year, S-Bank updated the credit risk models measuring the probability of default of household customers and the criteria for a significant increase in credit risk in the ECL calculation. Net impact on ECL provision was EUR 2.2 million.
- Total net effect on profit from expected and final credit losses was EUR 42.7 million (33.0) during the financial year, representing a level of 0.4 per cent (0.5) relative to the loan portfolio.
- The uncertainty of the economic environment and increase in general price level contributed to the growth of forbearance measures and non-performing loans.
  - The amount of non-performing loans in the balance sheet increased by EUR 71.8 million to EUR 164.3 million (92.6). The NPL ratio increased to 1.7 per cent (1.3).
  - The carrying amount of performing forborne exposures in relation to loans and advances decreased to the level of 2.3 per cent (2.5). The corresponding ratio of non-performing forborne exposures was 0.6 per cent (0.6).

Distribution of on-balance-sheet assets

Assets EUR 13.2 billion



7.2 MANAGEMENT OF CREDIT RISK (EU CRA)

(a) In the concise risk statement in accordance with point (f) of Article 435(1) CRR, how the business model translates into the components of the institution's credit risk profile.

The risk declaration and statement approved by the management body is disclosed in chapter 2. S-Bank's credit risk profile is also described within chapter Highlights 2024 and overview together with S-Bank Capital Adequacy tables.

(b) When discussing their strategies and processes to manage credit risk and the policies for hedging and mitigating that risk in accordance with points (a) and (d) of Article 435(1) CRR, the criteria and approach used for defining the credit risk management policy and for setting credit risk limits.

The Board of Directors approves principles and strategies for credit risk management, which are in line with good banking and lending practices and regulation. Credit risk strategy defines the target segments for lending, growth targets and allocation limits that are based on S-Bank's risk strategy and action plan which are derived from the strategy of S-Bank.

The principles for credit risk management describes the principles of credit portfolio management, credit origination process, collateral management for household and corporate customers and monitoring and control of credit risk. Credit risks arising from the investing activities are described and limited in the annual investment plan. Credit risk is managed by the business and support units within the principles and limits approved by the Board of Directors.

The origination of credit is based on a process that includes customer identification, credit analysis, an assessment of the use of funds along with collateral. As a rule, credit is only granted to customers with sustainable ability to repay the loan, regardless of potential collateral value. Credit proposals and decisions are prepared, executed, and documented appropriately. The credit decision process is centralised, and partly automatised based on risk scoring models and other credit granting criteria. Credit decision process is managed according to credit risk strategy, which sets limits for credit portfolio allocation, risk concentrations and asset quality indicators.

Risk concentrations may arise from a concentration of S-Bank's exposure in certain customers, industries, geographical areas or against certain types of collateral. Concentration risks are managed through the set limits and are monitored regularly as part of the management risk reporting. Moreover, concentration risks are assessed through stress testing in the context of the capital plan (ICAAP) and they are taken into account in the calculation of the economic capital requirement (Pillar 2).

Individual large credit institution entities and corporate customer entities are the principal source of customer-related concentration risk. Customer-related concentration risks are managed by assessing the connections between corporate customers, setting limits on the exposures of customer entities, and monitoring the changes in these exposures, including the concentrations in loans granted to related parties. This risk is taken into account as part of S-Bank's assessment of its economic capital (Pillar 2).

Majority of S-Bank's exposures are not classified by industry, as they consist mainly of household customers credits, which reduces industry concentration risk. Corporate lending is targeted mainly at financing of housing companies, in which the credit risk is divided among the shareholders of the housing company. No significant changes have taken place in the distribution of exposure by industry compared to previous year.

From a geographical perspective, the majority of S-Bank's exposures are in Finland, followed by the rest of the Nordic countries. The geographical concentration risk is not considered relevant. Exposures outside Finland are primarily Treasury investments. The credit risk strategy also guides diversification of credit portfolio across different product types.

(c) When informing on the structure and organisation of the risk management function in accordance with point (b) of Article 435(1) CRR, the structure and organisation of the credit risk management and control function.

Credit Committee and Risk Committee are responsible for setting up credit granting targets, processes, methods, and credit risk limits in accordance with the risk appetite set by the Board. Credit Committee makes credit decisions, and it is a first line of defence committee.

Credit risk management unit is responsible for management of credit risk together with business units, including regular monitoring of the balance sheet, credit portfolios, and performance of product and customer segments. Assessed reports include e.g. information on achieving the set objectives and actual risk levels, follow-up on different credit risk categories, the performance of credit risk models, development of non-performing loans and expected credit losses, risk concentrations and collateral values in addition to the consistency of the credit management process.

(d) When informing on the authority, status and other arrangements for the risk management function in accordance with point (b) of Article 435(1) CRR, the relationships between credit risk management, risk control, compliance and internal audit functions.

Risk Control, Compliance, and Operational Risk Control, that form the Group-level control functions, monitor, and ensure that the business and support units operate in accordance with the principles and limits set in the risk policies, principles, and strategies. Risk and Compliance reports regularly on S-Bank's credit risk profile and the sufficiency of risk management procedures. The relationships between Credit risk management, Risk and Compliance, and the Internal audit are described in chapter 5 Governance of risk.

7.3 CREDIT RISK QUALITY OF EXPOSURES (EU CRB)

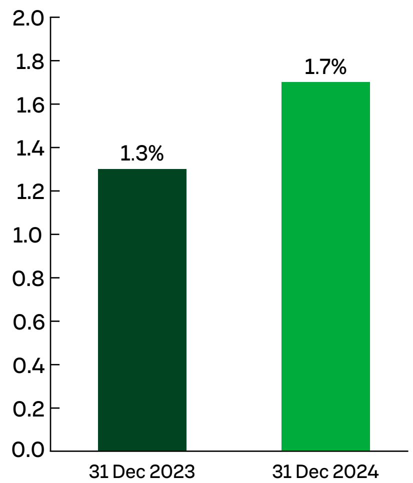
This chapter presents the essential concepts related to the credit quality of exposures, provisions, and credit risk adjustments.

(a) The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the differences, if any, between the definitions of past due and default for accounting and regulatory purposes as specified by the EBA Guidelines on the application of the definition of default in accordance with Article 178 CRR.

S-Bank applies harmonized definition for the concepts of defaulted exposures, non-performing exposures and IFRS 9 -credit impaired exposures. Defaulted exposures are comprised of exposures with material payment past due more than 90 consecutive days, non-performing forbearance, or other indication of unlikely repayment. Defaulted exposure has a probation period of at least 3 months after removal of all default criteria. The probation period is extended until the condition of full 3-month period without 30-day delinquency is fulfilled.

The amount of non-performing loans (NPL) in the balance sheet increased by EUR 71.8 million to EUR 164.3 million (92.6) during the financial year, of which corporate customers amounted to EUR 9.0 million (0.0). The NPL ratio, which describes non-performing exposures in relation to loans and advances, rose to 1.7 per cent (1.3).

NPL ratio



(b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired, and the reasons for this.

Past due exposures are comprised of exposures with payments past due without considering materiality thresholds. The material payment is defined through both absolute and relative thresholds. Absolute threshold for material payment, coming from the regulation, is minimum 100 euros for retail exposures or 500 euros for corporate exposures and relative threshold is minimum 1 per cent of the gross carrying amount.

(c) Description of methods used for determining general and specific credit risk adjustments.

General credit risk adjustments are provisions for credit risk losses, for a group of exposures for which the institution has no evidence that a loss has occurred. If exposures are to be included in general credit risk adjustments, the amounts must be freely and fully available to cover loan losses. S-Bank did not have information on such losses in 2024, so the amount for general credit risk adjustments is zero. Hence, all credit risk adjustments are specific.

Internal risk models are used for the measurement of credit risk in terms of Expected Credit Losses (ECL) as per IFRS 9 standard requirements. S-Bank uses the probability of default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) models for measuring credit risks. The CCF parameter is used to determine the amount of future liability, i.e. Exposure at Default (EAD). Detailed descriptions concerning the measurement of credit risks, expected credit losses and development of the impairment model are disclosed in S-Bank's financial statements (Group's note 1 and Group's note 2).

The total amount of the ECL provision was EUR 52.3 million (37.3) at the end of the financial year. The total amount of the ECL provision included provisions based on management judgement totalling EUR 3.8 million (3.8). The coverage ratio of the entire loan portfolio was 0.42 per cent (0.37) and remained within the risk appetite set by S-Bank's Board of Directors.

The ECL provision increased by EUR 15.0 million during the financial year, which was affected by growth of the loan portfolio following the acquisition and model changes. The total ECL provision related to the acquired loan portfolio was EUR 11.4 million, including related provisions based on management judgement. Of the acquired loan portfolio, EUR 23.1 million were recognised as purchased credit impaired with related ECL provision of EUR 3.2 million.

During the financial year, S-Bank updated the credit risk models measuring the probability of default of household customers and the criteria for a significant increase in credit risk in the ECL calculation. The changes in ECL calculation had also an impact on the distribution of exposures across credit risk categories and the amount of exposures classified in stage 2. At the same time, provisions previously made based on management judgement were reversed. The net impact of model changes and changes in provision based on management judgement on the ECL provision was EUR 2.2 million.

Risk exposure. summary

	Stage 1		Stage 2		Stage 3		Purchased credit impaired				
31 Dec 2024 (EUR million)	**Exposures and commitments subject to credit risk**	**ECL provision**	**Exposures and commitments subject to credit risk**	**ECL provision**	**Exposures and commitments subject to credit risk**	**ECL provision**	**Exposures and commitments subject to credit risk**	**ECL provision**	**Exposures and commitments total**	**ECL provision total**	**Coverage ratio%**
Lending to household customers *	7 630.6	-6.1	526.9	-21.1	132.1	-18.1	23.1	-3.2	8 312.7	-48.5	-0.58%
Lending to corporate customers *	1 182.7	-0.5	27.9	-1.0	8.9	-1.0	0.0	0.0	1 219.5	-2.5	-0.21%
Investing activities **	628.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	628.1	-0.1	-0.02%
Off-balance sheet commitments ***	2 259.0	-0.2	70.0	-0.9	1.4	-0.1	0.0	0.0	2 330.5	-1.2	-0.05%
Total	**11 700.4**	**-6.9**	**624.8**	**-23.1**	**142.4**	**-19.1**	**23.1**	**-3.2**	**12 490.7**	**-52.3**	**-0.42%**

The ECL provision for lending to household customers increased by EUR 17.2 million, mainly due to acquired loan portfolio, model changes and an increase in the amount of defaulted liabilities.

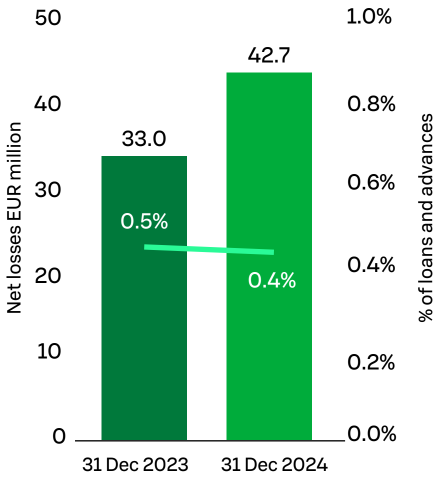
The total ECL provision for corporate customers and investing activities decreased by EUR 1.5 million.

A receivable or a part of it is recognized as a credit loss when it is unlikely that its amount will be recovered. On the basis of S-Bank's specifications and depending on the product, credit loss is recorded as follows: Credit losses on unsecured credit are typically recorded 4 to 7 months after the receivable has matured. Credit losses on secured receivables are recorded at the earliest when the collateral has been realised and allocated to the receivable. In this case, the remaining receivable may not be recorded as a credit loss if a payment schedule has been created for it.

After the recognition of a credit loss, the credit in question will no longer be included in the calculation of expected credit loss and thus will no longer be impaired. Even if a receivable is accepted and recorded as a credit loss, collection will nevertheless continue in the form of post-collection. Collection of the receivable will continue until there are sufficient grounds for discontinuing it. If payment is made on a receivable recognised as credit loss, it is recognized as a recovered credit loss in the income statement. The impairments for the reporting period are presented in the notes to the financial statements.

Expected and final credit losses of EUR 51.9 (40.0) million were recognized in the consolidated income statement during the financial year. Reversals, or recovered credit losses, amounted to EUR 9.2 million (7.0). Consequently, the total net effect on profit of expected and final credit losses was EUR 42.7 million (33.0). The ratio of net credit losses to the size of the on-balance-sheet credit portfolio was 0.4 per cent (0.5).

Net effect on profit of expected and final credit losses



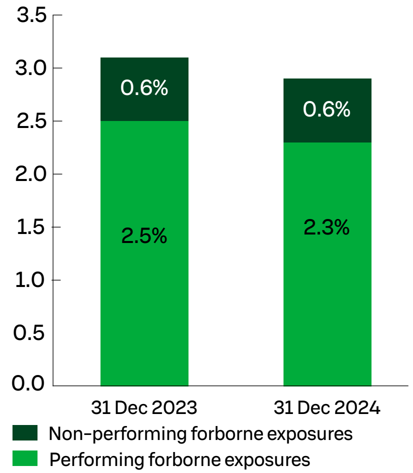
(d) The institution's own definition of a restructured exposure used for the implementation of point (d) of Article 178(3) CRR specified by the EBA Guidelines on default in accordance with Article 178 CRR when different from the definition of forborne exposure defined in Annex V to Commission Implementing Regulation (EU) 680/2014.

Forborne exposures refer to the restructured credit agreements (e.g., repayment holidays), which are intended to help customers cope with temporary payment difficulties. When restructuring credit agreements, material regulatory requirements must be met, including the assessment of the customer's financial situation and a risk-based assessment of the application. Forbearance measures always aim to return the exposure to a situation of sustainable repayment. Forbearance is classified as performing when default criteria are not met. In this case, the contract is classified under stage 2 in impairment measurement for a cure period of at least two years.

Performing forborne credit becomes non-performing if any of default criteria is triggered. In addition to standard default criteria, a second forbearance or payments more than 30 days delinquent within the probation period trigger non-performing status. A non-performing forborne credit is subject to a minimum of a 12-month cure period and is classified under stage 3 in impairment measurement (defaulted exposure). After cure period of non-performing forbearance, the contract is transferred to a cure period performing forborne for at least two years.

The uncertainty of the economic environment and increase in general price level has contributed to the growth of forbearance measures and non-performing loans. Gross forborne exposures in the balance sheet totalled EUR 275.9 million (215.5) at the end of the financial year. The carrying amount of performing forborne exposures in relation to loans and advances decreased to the level of 2.3 per cent (2.5). The corresponding ratio of non-performing forborne exposures was 0.6 per cent (0.6).

Forborne exposures



7.4 CREDIT RISK MITIGATION (EU CRC)

(a) A description of the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting.

S-Bank has ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) netting agreements with its derivative counterparties. S-Bank recognizes credit risk mitigation effect of derivatives netting in its capital adequacy calculation.

Description of policies related to guarantees and other credit risk mitigants for counterparty credit risk is disclosed under EU CCRA Qualitative disclosure related to CCR.

(b) The core features of policies and processes for eligible collateral evaluation and management.

Risk Committee decides the eligible collateral categories and their valuation principles. S-Bank uses collateral and other credit risk mitigation arrangements in credit risk management. Credit risk mitigation arrangements, in addition to collaterals, include mainly customary types of guarantees, such as government guarantees, institutional guarantees and personal guarantee commitments. The methods specified in the credit granting guidelines and credit risk management principles are used to ensure that the collateral and guarantees are acceptable, binding, comprehensive and realisable. Depending on its type, collateral is measured at market value or fair value. A haircut is applied to the value of collateral in credit processes, and the amount of this haircut depends on various criteria.

Immovable property collateral values are monitored and revalued regularly during the lifecycle of the credit. Collateral revaluation process combines advanced statistical modelling and expertise of independent valuers. Collateral valuations are monitored frequently and significant declines in collateral value are updated accordingly. Certain pre-defined groups of collaterals are regularly revalued by an independent appraiser. The revaluation process is explicitly documented, and collateral monitoring process provides transparency of the collateral base.

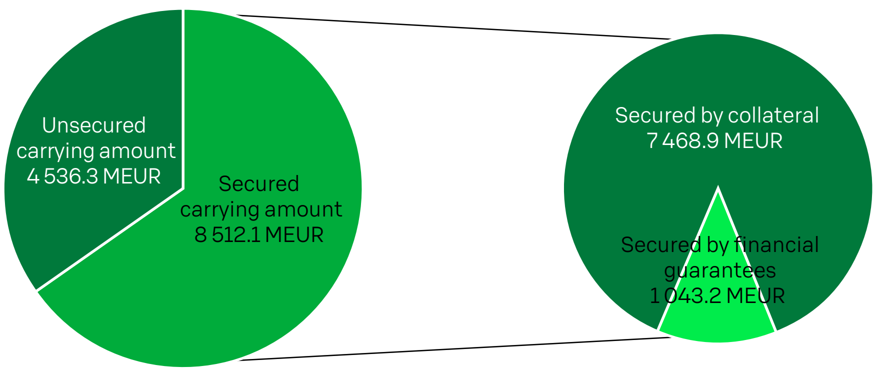
S-Bank does not take possession of collateral pledged to it. If the payment difficulties related to a non-performing receivable are not resolved, S-Bank cooperates with the customer to sell the security to cover the remaining debt.

(c) A description of the main types of collateral taken by the institution to mitigate credit risk.

S-Bank accepts immovable property collateral and guarantees as primary credit

Distribution of credit risk mitigation measures

31 Dec 2024, EUR million



risk mitigation measures. Exposures secured by immovable property form the largest part of credit portfolio. In the calculation of capital requirements, credit risk mitigation techniques include mainly collateral secured by immovable property and unfunded guarantee arrangements (such as government guarantees for student loans, residential and housing companies' mortgage as well as financial mortgage guarantees by an external service provider).

(d) For guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purposes of reducing capital requirements, excluding those used as part of synthetic securitisation structures.

Main types of guarantors are sovereign guarantors, such as Finnish government, and external insurance companies with high quality credit ratings. By using guarantees, the customer risk is transferred from the counterparty to the guarantor in the capital adequacy calculation. In addition, S-Bank uses other collateral and guarantees to reduce credit risk, but these are not considered in the capital adequacy calculation. S-Bank does not use credit derivatives as credit protection.

(e) Information about market or credit risk concentrations within the credit mitigation taken.

Real estate collateral is S-Bank's most significant type of collateral from the perspective of concentration risks. As a significant part of the real estate collateral portfolio comprises housing, the price trends of housing affect S-Bank's risk position. Regional concentration risk within Finland is mitigated by diversification of the credit portfolio across large number of individual loans and collaterals due to broad customer base. The regional distribution of credit portfolio is guided by the credit risk strategy, in which mortgage credit granting is directed to the largest cities and their commuting areas. The credit risk strategy also guides portfolio allocation between different credit products. Collateral values also monitored and revalued during mortgage lifetime and collateral information is maintained to identify and manage possible collateral risk concentrations. Possible changes in immovable property collateral values are also considered as a part of stress scenarios.

Distribution of Loan-to-Value (LTV) ratio describes remaining amount of household mortgage loans as a percentage relative to the value of the real estate collateral at the time of loan origination. Mortgage insurance for housing loans is included in the calculation. The loan-to-value ratio is regularly monitored based on the original and current value of the collateral.

Loan-to-value distribution at the point of origination of household customers

LTV Band	Proportion of exposures	
	31 Dec 2024	31 Dec 2023
0 - 50%	22%	18%
50 - 60%	15%	13%
60 - 70%	20%	18%
70 - 80%	26%	32%
80 - 90%	13%	16%
90 - 100%	2%	2%
> 100%	1%	1%
Total	**100%**	**100%**

7.5 USE OF THE STANDARDISED APPROACH (EU CRD)

(a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) nominated by the institution, and the reasons for any changes over the disclosure period.

For calculating risk-weighted exposure amounts for certain exposure classes, S-Bank uses ratings disclosed by External Credit Assessment Institutions (ECAI's) such as Standard & Poor's, Moody's Investors Service and Fitch Ratings. There were no changes in the ECAI used during the year.

(b) The exposure classes for which each ECAI or ECA is used.

The ECAIs are used to determine applicable risk weights for exposure classes: central governments or central banks, regional governments or local authorities, multilateral development banks, international organisations, institutions, corporates, covered bonds and collective investments undertakings.

(c) A description of the process used to transfer the issuer and issue credit ratings onto comparable assets items not included in the trading book.

For the calculation of risk-weighted exposure amounts, the credit quality step derived from the external credit rating is used. In cases where a counterparty or exposure has two external credit ratings, the lower rating is applied. If there are three external credit ratings, the median rating is used. When available, the security-specific credit rating of the issue programme is employed; otherwise, the issuer's general credit rating is used.

(d) The association of the external rating of each nominated ECAI or ECA with the risk weights that correspond with the credit quality steps as set out in Chapter 2 of Title II of Part Three CRR (except where the institution complies with the standard association published by the EBA).

The nominated ECAI's are mapped to the corresponding credit quality step, as defined, and published by the EBA for determining the applicable risk weight for the issuer or for the issue.

8 COUNTERPARTY CREDIT RISK

8.1 QUALITATIVE DISCLOSURE RELATED TO CCR (EU CCRA)

Counterparty credit risk (CCR) arises from derivatives for S-Bank. Derivatives are used to hedge the interest rate risk in the banking book. S-Bank uses derivatives solely for hedging purposes (more information in chapter Management of market risk). Derivative contracts are also prone to the risk of a credit valuation adjustment (CVA), which refers to an adjustment of the fair value (or price) of derivative instruments to account for counterparty credit risk. The CVA framework includes counterparty credit spreads as well as on the market risk factors that drive the derivative's values and, therefore, exposure.

The Pillar 3 qualitative tables for counterparty credit risk are disclosed in S-Bank Capital Adequacy Tables on S-Bank's website.

(a) Description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties.
The same methodologies, that are used in the Pillar 1 regulatory capital requirement, are used for assigning internal capital to CCR and credit valuation adjustment (CVA). The internal capital is assigned for CCR using the original exposure method and for CVA using the standard approach. S-Bank has netting agreements with all its derivative counterparties and takes into account the netting effects in the counterparty credit risk calculations.

Counterparty credit risk is controlled by applying counterparty specific credit limits. These limits are approved by the Credit Risk Committee within the risk appetite set by the Board. CCR, CVA and any other exposures towards the counterparty are included within the internal credit limits. The central counterparty is not subject to CVA risk calculation in the regulatory framework nor in the internal credit limits.

(b) Description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves.
S-Bank uses ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements with its derivative counterparties. These agreements reduce counterparty risk and are used to mitigate the regulatory counterparty credit risk. The agreements specify the general terms and conditions to derivatives and collaterals between the counterparties. S-Bank uses clearing broker to access central counterparty.

The ISDA/CSA agreement creates a single legal obligation, in which all positive and negative market values under an agreement can be netted at the counterparty level. Counterparty exposures and adequacy of required collateral are monitored and measured on a daily basis.

(c) Description of policies with respect to Wrong-Way risk as defined in Article 291 of the CRR.
Wrong-way risk is defined as the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. S-Bank has not identified any wrong-way risk associated with its derivative exposures, as they consist solely of interest rate derivatives.

(d) Any other risk management objectives and relevant policies related to CCR.
S-Bank has not set any additional objectives or policies relating to CCR.

(e) The amount of collateral the institution would have to provide if its credit rating was downgraded.
Downgrade of S-Bank's credit rating would not have had any impact on the amount of collateral the institution has provided on 31 December 2024.

Derivative contracts and remaining maturity breakdown

The nominal value of derivative portfolio increased by EUR 1 920 million (increase of EUR 295 million). The rise was due to hedging of issued bonds and S-Bank's interest income risk. The fair values exclude accrued interests and variation margin effect.

Nominal and fair values of derivatives

Interest rate derivatives (EUR million)	31 Dec 2024 Nominal value	31 Dec 2024 Positive fair values	31 Dec 2024 Negative fair values	31 Dec 2023 Nominal value	31 Dec 2023 Positive fair values	31 Dec 2023 Negative fair values
Interest rate swaps						
Designated for hedge accounting						
Debt securities	307.2	7.5	-0.7	397.2	13.3	-0.8
Liabilities to customers	1 140.0	9.6	-1.1	–	–	–
Issued bonds	1 400.0	31.8	–	500.0	17.7	–
Total	**2 847.2**	**49.0**	**-1.7**	**897.2**	**30.9**	**-0.8**
For non-hedging purposes	10.0	0.0	–	40.0	0.4	–
Derivatives, total	**2 857.2**	**49.0**	**-1.7**	**937.2**	**31.3**	**-0.8**

Maturity breakdown of derivatives

Interest rate derivatives (EUR million)	31 Dec 2024 Less than 1 year	31 Dec 2024 1-5 years	31 Dec 2024 Over 5 years	31 Dec 2024 Total	31 Dec 2023 Less than 1 year	31 Dec 2023 1-5 years	31 Dec 2023 Over 5 years	31 Dec 2023 Total
Interest rate swaps								
Designated for hedge accounting								
Debt securities	70.0	237.2	–	307.2	90.0	307.2	–	397.2
Liabilities to customers	–	1 140.0	–	1 140.0	–	–	–	–
Issued bonds	–	900.0	500.0	1 400.0	–	500.0	–	500.0
Total	**70.0**	**2 277.2**	**500.0**	**2 847.2**	**90.0**	**807.2**	**–**	**897.2**
For non-hedging purposes	10.0	–	–	10.0	30.0	10.0	–	40.0
Derivatives, total	**80.0**	**2 277.2**	**500.0**	**2 857.2**	**120.0**	**817.2**	**–**	**937.2**

9 MARKET RISK

9.1 HIGHLIGHTS 2024 AND OVERVIEW

Market risk is the risk of losses arising from changes in market values of financial assets and liabilities resulting from changes in security prices, market interest rates or exchange rates.

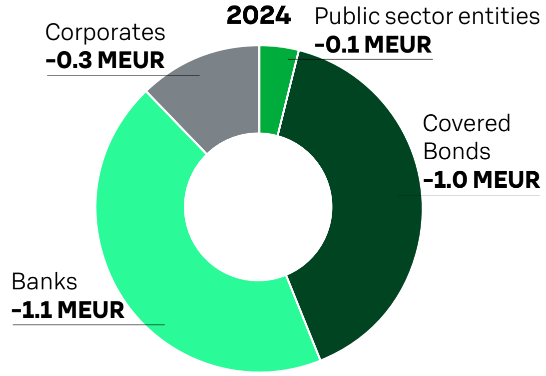
S-Bank's market risks mainly consist of interest rate risk in the banking book (IRRBB) and spread risk of debt securities. S-Bank is not significantly exposed to other direct market risks, such as equity, currency or real estate risks. The market risk profile is controlled with conservative risk appetite and interest rate derivatives.

- S-Bank's trading book in accordance with the Capital Requirements Regulation is non-significant. As S-Bank's market risks arise from the banking book, these are – in accordance with the Pillar 1 requirements and methods – included in the regulatory capital requirements for credit risk. In addition, market risk is measured with internal market risk models as part of the Pillar 2 economic capital and ICAAP process.
- The economic value of equity (EVE) risk increased during the year which was mainly due to the increase of interest rate derivatives. The net interest income (NII) risk also increased which was especially due to the modelling change related to deposit rates. The increase in NII risk was also influenced by the decline of market interest rates which reduces the interest rate sensitivity of deposits. S-Bank has started to hedge the interest income risk during the year.
  - Economic value (EV) risk for instruments measured at fair value (+100 bps) was EUR -4.9 million (increase of EUR 0.3 million).
  - Economic value of equity (EVE) risk for the full banking book (+100 bps) was EUR -2.5 million (increase of EUR 30.8 million).
  - Net interest income (NII) risk (-100 bps) was EUR -29.1 million (increase of EUR 21.4 million).
- In May 2024, the new regulatory technical standards on IRRBB supervisory outlier tests, including the new definition of large decline in the SOT on NII, entered into force.
- Spread risk decreased slightly due to the decrease in the amount of Treasury portfolio's debt securities.
  - Spread risk was EUR -2.6 million (decrease of EUR 1.0 million).

Sensitivity analysis for the interest rate risk

Interest rate risk, EUR million	**31 Dec 2024**		
Interest rate shock	EVE risk, instruments measured at fair value	EVE risk, full banking book	NII risk
+100 bps	-4.9	-2.5	10.2
-100 bps	5.0	5.4	-29.1

Bond spread risk



9.2 MANAGEMENT OF MARKET RISK (EU MRA)

(a) A description of the institution's strategies and processes to manage market risk, including:
- An explanation of management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the institution's market risks
- A description of their policies for hedging and mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges

and

(b) A description of the structure and organisation of the market risk management function, including a description of the market risk governance structure established to implement the strategies and processes of the institution discussed in row (a) above, and that describes the relationships and the communication mechanisms between the different parties involved in market risk management

In general, market risk refers to the impact of changes in securities prices, market interest rates, exchange rates or the market value fluctuation of balance sheet items on the bank's profit and balance sheet. The market risk of S-Bank's banking business mainly consists of the structural interest rate risk of lending and borrowing and the interest rate risk of investments and funding, as well as the spread risk of debt securities. Additionally, S-Bank's banking business includes direct equity, foreign exchange and real estate risks to a minor extent. Market risks are assessed from the perspective of the economic value and interest income risk of the banking book and the spread risk. Market risks are measured by means of sensitivity figures, allocation, stress tests and scenario analyses.

Market risks are measured using internal risk models as part of the Pillar 2 economic capital. The amount of items allocated to the small trading book, in accordance with the Capital Requirements Regulation, has been very low due to internally set limits, and therefore S-Bank is not subject to the Pillar 1 capital requirement for market risk. Interest rate, spread, equity, foreign exchange, and real estate risks, as well as the diversification benefits, are taken into account in the internal capital and liquidity adequacy assessment process (ICLAAP).

The aim of S-Bank's market risk management is to manage unexpected changes in the bank's profits and capital adequacy as a result of fluctuations in market prices and to optimise the return on equity within the scope of the risk appetite. Market risk management is based on a conservative risk appetite and the risk limits derived from it. The Board of Directors has set the Principles for Market Risk Management and risk limits for each market risk type, which are monitored and reported actively to the management of S-Bank. Monitoring and prediction of the external business environment are particularly emphasised in market risk management. Market risk concentrations are managed by means of limits that are set at the Group and business unit levels and are determined as market risk-sensitivities or maximum amounts in monetary terms. The Treasury unit is tasked with the day-to-day management of the Group's market risks within the scope of its authorisations. Treasury's strategic goals are set in S-Bank's risk strategy and risk appetite, then integrated into Treasury's annual Investment Plan. S-Bank uses derivatives to hedge the interest rate risk in the banking book. All hedging derivative instruments at the end of the year 2024 were interest rate swaps, and hedge accounting was applied for the eligible positions. Information on S-Banks's interest rate risks of non-trading book activities can be found on S-Banks Capital Adequacy Tables on S-Bank's website.

(c) Scope and nature of risk reporting and measurement systems.

S-Bank's Treasury unit monitors the market risk on a daily basis and the Asset and Liability Management Committee is responsible for the operational measurement, monitoring and reporting of market risks in accordance with the procedures agreed within the organisation. Risk Control, as part of the second line of defence, also monitors market risk exposures on a daily basis. In addition, the Risk Control function supervises the management of S-Bank's market risks and the effectiveness and use of the applied market risk models. The most important entities related to market risks, the effectiveness of risk management and the impact of risks on capital adequacy are reported to S-Bank's management, the Risk Committee, the Board Risk Committee, and the Board of Directors. Market risk position and the impact of market risk on economic capital are reported within organisation in accordance with chapter 5.

10 LIQUIDITY RISK

10.1 HIGHLIGHTS 2024 AND OVERVIEW

Liquidity risk is defined as the risk that the bank is unable to meet its payment obligations in due time or that it will be forced to fund its liquidity obligations at an unfavourable cost. Liquidity risk arises from the difference between the maturities of cash in- and outflows. Generally, the role of banks in maturity transformation in which short-term deposits are used for long-term lending, exposes banks to liquidity risk.

S-Bank is exposed to liquidity risk in customer lending, deposits, investment activities and funding. S-Bank's liquidity position is strong, and the liquidity risk appetite is conservative, supported by active risk management and monitoring measures. The Treasury unit's main objective in investing activities is to ensure that the liquidity position is continuously above the minimum regulatory requirements and the internal Risk Appetite.

- The Liquidity Coverage Ratio (LCR), which measures the adequacy of liquid assets under stressed conditions within the next 30 days, increased at a robust level of 285.4 per cent (256.6).
  - At the year-end the liquidity buffer value after applicable haircuts was EUR 3 147.7 million (2 455.9) and net outflows were EUR 1103.0 million (957.1).
- At the year-end Treasury's portfolio was EUR 3 457.3 million (2 792.4). The increase in the total portfolio size was concentrated in the liquidity portfolio and was mainly driven by the raised funding.
- The Net Stable Funding Ratio (NSFR), which is defined as the available stable funding relative to the required stable funding, remained at a strong level of 155.9 per cent (164.3).
- S-Bank's funding is primarily based on its household customer deposit base, and thus the main sources of funding are the deposit and savings accounts of its household customers. Total deposits continued to grow and were EUR 9 381.4 million (8 175.9) at the end of the year. Due to the Handelsbanken transaction, the total deposits increased by EUR 875.9 million.
- In March 2024, S-Bank issued a Senior Preferred bond, valued at EUR 300 million, and in April 2024 a covered bond, valued at EUR 500 million, as part of its bond programme. In connection with the March issue, S-Bank made tender offer and bought back in aggregate nominal amount EUR 86.1 million of Senior Preferred bonds maturing 4 April 2025. At the end of September 2024, S-Bank issued an increase of EUR 100 million to the original amount of its bond (tap issue). The increase concerned the Senior Preferred MREL Eligible Notes 1/2024 issued on 8 March 2024 and maturing on 8 March 2028. At the end of November 2024, S-Bank strengthened its own funds with a directed share issue of EUR 200 million and raised EUR 590 million of bilateral funding.
- In June 2024, S&P raised its long-term issuer credit rating on S-Bank to BBB+. At the same time, S&P affirmed A-2 short-term rating on the bank. S&P also raised S-Bank's long-term resolution counterparty rating to A- and affirmed A-2 short-term resolution counterparty rating on the bank. The outlook is stable.
- S&P has assigned an AAA credit rating to S-Bank's covered bond programme with stable outlook. S-Bank is committed to maintain a minimum overcollateralization level in the program commensurate with the AAA rating.

10.2 LIQUIDITY RISK MANAGEMENT (EU LIQA)

(a) Strategies and processes in the management of the liquidity risk, including policies on diversification in the sources and tenor of planned funding

The liquidity and funding risk management in S-Bank is based on S-Bank's Risk Strategy, Liquidity Risk Management Principles, Funding Plan and Liquidity Contingency Plan approved by the Board of Directors. The Risk Strategy defines and sets key limits for the risk appetite and capacity. Liquidity Risk Management Principles further define the roles and responsibilities, management, mitigation, monitoring and reporting of liquidity risk. Funding Plan describes the funding needs and defines guidelines for long term funding. Liquidity Contingency Plan establishes a structure for preserving an adequate liquidity position in a stressed market environment. The plan defines the policies and operating models used to ensure the adequacy of the liquidity buffers in exceptional conditions.

S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. S-Bank has a bond programme, under which the bank can issue senior preferred MREL eligible notes, covered bonds and additional tier 1 capital notes. Under the bond programme, S-Bank has issued covered bonds for nominal value of EUR 1 000 million and senior preferred MREL eligible bonds for nominal value of EUR 684 million. Bank has bilateral funding for the nominal amount EUR 590 million. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits.

(b) Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)

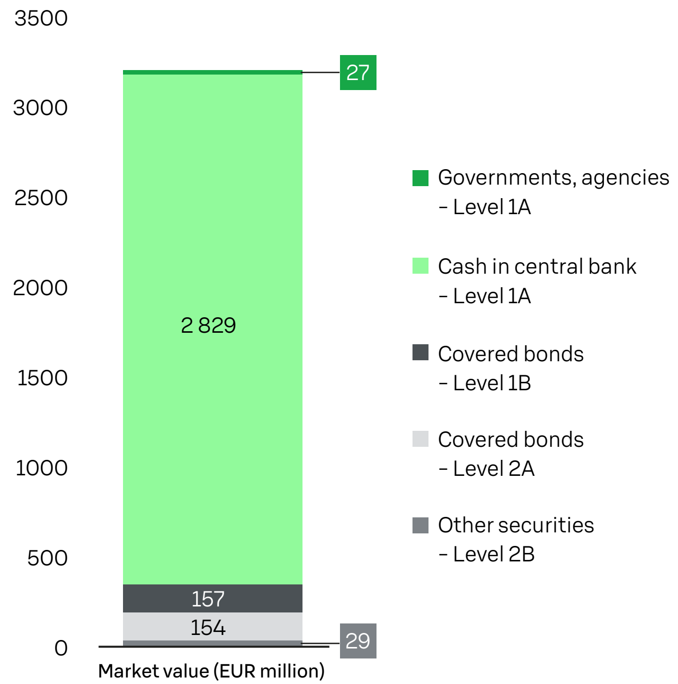
and

(c) A description of the degree of centralisation of liquidity management and interaction between the group's units

S-Bank Group's liquidity and funding risk management has been delegated to the Treasury unit, which is responsible for the operational execution of the risk appetite pursuant to S-Bank's liquidity risk strategy, taking into consideration S-Bank's business model, risk limit structure, and funding and investment plans. The Risk Control function assesses the management of S-Bank's

Composition of the liquidity buffer

EUR million	Level 1 A	Level 1B	Level 2 A	Level 2 B	Total
Amount held (% of total market value)	2 856 (89.4%)	157 (4.9%)	154 (4.8%)	29 (0.9%)	3 196



liquidity risks as well as the effectiveness and use of the liquidity risk models. The roles and responsibilities in risk management have been described in chapter 5.

(d) Scope and nature of liquidity risk reporting and measurement systems

S-Bank reports and measures its liquidity and funding using the LCR and NSFR ratios, MREL requirement and asset encumbrance ratio defined by the authorities and internal indicators. Internal liquidity indicators include short-term liquidity buffer and survival horizon. S-Bank has also set an internal limit for the amount of covered bonds out of the total funding and out of the balance sheet total. The indicators, their calculation parameters and the limits applied in internal modelling are approved by the Asset and Liability Management Committee and comply with the risk appetite defined in the overall risk strategy. The limit framework is used to ensure that the liquidity position always meets internal target levels and the minimum regulatory requirements. Intraday liquidity position is managed using cash flow forecasts and liquidity risk is reported on a daily basis for the LCR, short-term liquidity buffer and survival horizon. Monthly liquidity reporting includes the NSFR, MREL requirement and asset encumbrance ratio. The key aspects of the liquidity risk are reported by the Treasury and Risk Control to S-Bank's management, the Risk Committee, the Board Risk Committee and the Board of Directors.

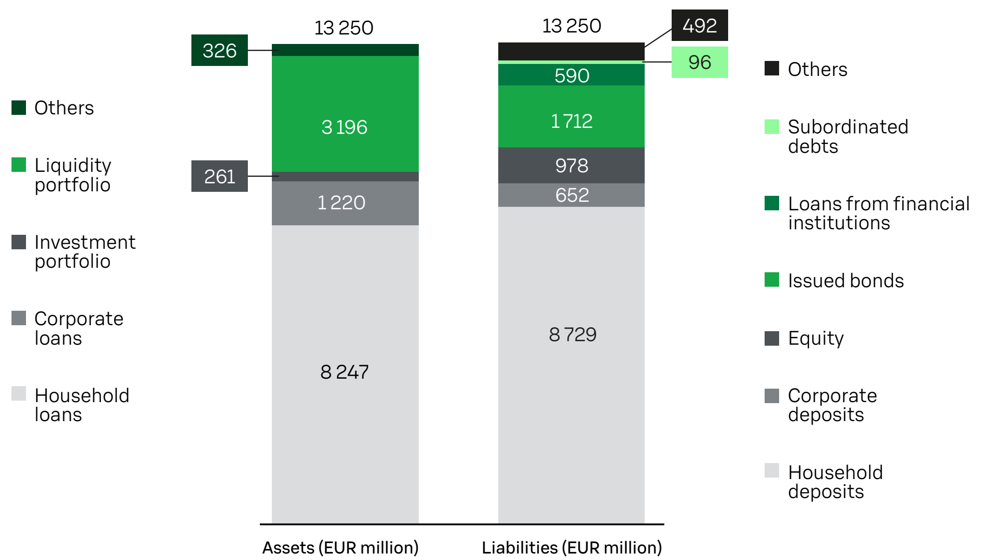
(e) Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants

Minimum requirement for liquidity management includes meeting the regulatory liquidity coverage requirement (LCR), net stable funding requirement (NSFR), the MREL requirement and the central bank's minimum reserve obligation requirements considering the internal risk limit structure. In addition, liquidity management includes collateral management, i.e. ensuring that S-Bank has an adequate number of eligible liquid securities at its disposal to cover the collateral required by various business operations.

(f) An outline of the bank`s contingency funding plans

The internal capital and liquidity adequacy assessment process (ICLAAP) provides a comprehensive overview of S-Bank's liquidity risk position in various stressed business scenarios. Further, the Liquidity Contingency Plan determines the measures needed for preserving an adequate liquidity position in normal and stressed

Balance sheet and funding structure



market environments. Liquidity risks are mitigated maintaining sufficient liquidity buffer for unexpected events, and S-Bank has pre-positioned central bank eligible debt securities for central bank facilities and monetary policy operations, that can be used as additional liquidity sources. In addition, S-Bank has a certificates of deposits program for short term funding needs and EUR 3.0 billion bond programme, under which the bank can issue senior preferred MREL eligible notes, covered bonds and additional tier 1 capital notes to the wholesale market.

(g) An explanation of how stress testing is used

S-Bank's internal liquidity modelling is an integral part of the annual internal capital and liquidity adequacy assessment process (ICLAAP). In this process, different stresses and scenario analyses are used to prepare forecasts of changes in S-Bank's liquidity position in various scenarios affecting the balance sheet and the external operating environment, and of the impact of these changes on the liquidity indicators. The internal capital and liquidity adequacy assessment process (ICLAAP) is described in more detail in chapter 6.

(h) A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy.

For a declaration approved by the management body on the adequacy of liquidity risk management arrangements, please refer to chapter 2.

(i) A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy.

For a concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy, please refer to chapter 2.

11 OPERATIONAL RISK

11.1 HIGHLIGHTS 2024 AND OVERVIEW

Operational risk refers to the possibility of losses arising from unclear or inadequate processes, deficient systems, staff or external factors. Operational risks are classified as internal and external fraud, staff-related problems and problems in occupational safety, damage to physical assets and external events, damage from IT system disruptions and outages and process-related problems.

S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud in addition to possible deficiencies with external service providers. The primary objective of S-Bank's operational risk management framework is to secure continuous operations and to manage reputational risk in both the short and long term. Losses attributable to operational risks realized in 2024 were low in comparison to the regulatory capital requirement reserved for them.

- Operational risk accounts for 15.5 per cent of S-Bank's total REA. The basic indicator approach is used for calculating the capital requirement for operational risk.
- The risk exposure amount for operational risk was EUR 716.1 million (488.3) and the increase was mainly driven by the strong performance of net interest income and the Handelsbanken transaction.
- In 2024 total operational risk losses were EUR 1.83 million (1.43). In order to facilitate comparability, following figures represent basic operational risks.
  - 88.7 per cent (56.2) of the total net operational risk losses are due to individual events with a loss value less than EUR 20 thousand.
  - 83.8 per cent (46.8) of total operational risk losses are caused by external fraud. S-Bank continues to work against fraud on various preventative initiatives.
- The level of incidents has increased slightly in 2024. Operational Risk Control function has continued to grow in numbers, allowing more comprehensive monitoring program going forward.
- During 2024 S-Bank has continued to see increasing scamming and phishing activity towards its customers. S-Bank has seen some increase both losses to the bank and to the customers. S-Bank continues to strengthen processes and controls in this area.
- Digital Operational Resilience Act brings significant improvements for banks by strengthening the requirements for ICT Risk management, Incident reporting, Testing, ICT Third-party risk management and information sharing. S-Bank has proactively prepared for the implementation of DORA throughout 2024.

11.2 MANAGEMENT OF OPERATIONAL RISK (EU ORA)

(a) Disclosure of the risk management objectives and policies

The primary objective of S-Bank's operational risk management is to secure business continuity, to manage reputational risk in both the short and long term and to ensure digital operational resilience. Operational risk management ensures that S-Bank's values and strategy are implemented in the business and support units. Operational risk management covers all material risks related to business operations. The consequences of realised operational risks may result in financial losses or may lead to the deterioration of S-Bank's reputation.

Risk management process is implemented in all S-Bank Group's organisational levels by identifying, measuring, monitoring, assessing and reporting S-Bank's material risks. In addition, the risk management process ensures that internal control measures are functional, appropriate, cost-effective and adequate. Risk management is also integrated into S-Bank's corporate governance, decision making and procedures.

The Operational Risk Control function is independent from S-Bank's business operations and supervises and assesses the scope, and adequacy and effectiveness of S-Bank's operational risk management in a comprehensive manner. The Operational Risk Control function supports the implementation of risk management within the organisation and ensures that all risks are identified and assessed. Moreover, the function develops risk management guidelines and tools together with the business operations and support functions.

S-Bank's business and support units identify the operational risks related to their own operations. The identified risks are assessed, and the probabilities and consequences of their occurrence are determined. Risk assessments specify the methods used in managing operational risk; i.e., controls for the limitation of potential losses by reducing the probability of their realisation, or the amount of the loss caused by damage. In addition, the risk assessments are updated whenever the processes or the operating environment change, at least once a year.

New products, services and counterparties are approved in accordance with an approval process before their implementation. The approval process aims to ensure that products and services have been planned with due diligence, that all changes to internal control and risk management required have been implemented, and that the documentation is appropriate and adequate. The process ensures that an appropriate target market and sales procedures have been defined. The same approval process is also used when existing products are modified.

S-Bank mitigates potential operational risks by maintaining an insurance cover for damages of property or losses that may be caused by criminal activities or misuse, for example. Substantial disturbances in S-Bank's operations are taken into consideration in business continuity planning.

S-Bank monitors and supervises operations on a continuous basis at various organisational levels. Every employee is responsible for observing the implementation of operational risk management within their sphere of responsibility and reporting on deviations and incidents related to operational risks.

S-Bank has an operating model and reporting system for the management of materialised operational incidents. An incident report is filled in those situations and events that restrict normal everyday operations or breach regulatory requirements or S-Bank's guidelines. Incidents also include any circumstances attributable to contracting parties or subcontractors which have a deteriorating impact on S-Bank's operations. The report details the reasons that led to the event, assessments of their impact and potential costs. When necessary, the incident report includes information about measures that have been taken or planned to prevent similar events in the future.

The Operational Risk Control function reports regularly to S-Bank's Board of Directors, the Board Risk Committee, the Management Risk Committee, the CEO and the Group's Management Team and the authorities on the most significant operational risks that have occurred in various business and support units.

(b) Disclosure of the approaches for the assessment of minimum own funds requirements

S-Bank uses the basic indicator approach (BIA) for calculating its own funds requirements related to operational risk. The Handelsbanken transaction has been taken into account for calculating relevant indicators from previous years and further the own funds requirements related to operational risk for year-end 2024.

12 COMPLIANCE RISKS

12.1 HIGHLIGHTS 2024 AND OVERVIEW

Compliance risk refers to a risk that arises from non-compliance of regulatory requirements, internal guidelines or ethical principles. Compliance risks include conduct risks, risks related to non-compliance of regulatory requirements, specific juridical risks and risks in relation to anti-money laundering, terrorist financing and sanctions. Compliance risks are non-financial risks and often overlap with operational risks.

The primary objective of S-Bank's compliance risk management framework is to manage reputational risk and to secure compliance with regulatory requirements in both the short and long term.

- S-Bank's agreement to acquire Handelsbanken's Finnish private customer, asset management and investment services and the integration project related to it was the largest single change in the Bank's operational environment during the year. S-Bank's Compliance function has continued to grow in numbers, allowing more comprehensive monitoring program and advisory support for business units going forward.
- The implementation of Corporate Sustainability Reporting Directive (CSRD) was completed during 2024 and the work towards implementation of corporate sustainability and ESG regulation continues during 2025.
- Due to the current situation in Ukraine and its implications to the sanction's regime, S-Bank continues to have an increased focus on sanctions screening. However, due to S-Bank's customer base, the implications have been limited.

12.2 MANAGEMENT OF COMPLIANCE RISKS

S-Bank's risk strategy states that the bank's activities and operations must comply with the regulatory requirements in force. The management of S-Bank Group's compliance risks is set out in Compliance Policy, which is a policy drafted and maintained by the Compliance function and regularly approved by S-Bank's Board of Directors. Although management of compliance risks is a responsibility of every staff member, ultimately S-Bank's CEO together with the Board of Directors are responsible for ensuring that the bank's business is compliant with regulatory requirements.

S-Bank has various processes in place for the management of compliance risks. These include e.g. processes to approve new products and ensure adherence to regulatory requirements as well as the requirements set out in S-Bank's policies, procedures and ethical standards, continuous AML and sanctions monitoring processes and ongoing compliance training.

S-Bank's policies and procedures form the risk management framework. The policies that cover management of compliance risks include policies related to e.g. anti-money laundering and counter-terrorist financing, sanctions, anti-bribery and -corruption, conflicts of interest, customer complaints practices, whistleblowing, data protection, ethical principles, fit & proper requirements, and insider trading guidelines. The Compliance function is responsible for maintaining the policies and providing training on them on a regular basis.

Management of compliance risks is an ongoing process based on risk-assessments. All S-Bank's business and support units are required to regularly identify their compliance risks and controls in accordance with the Group-wide risk assessment methodology. Any requirements to improve the existing controls are also identified as part of the risk assessment process.

Furthermore, the execution of Compliance function's risk-based annual monitoring plan approved by the Board of Directors, is crucial in ensuring management of compliance risks. Whenever compliance risks are identified as a part of the ongoing monitoring work, Compliance team has the authority to provide recommendations to business and support units to ensure and improve compliance with regulatory requirements. Compliance recommendations are documented and followed up regularly to ensure they're implemented as planned.

12.3 COMPLIANCE RISK MONITORING AND REPORTING

Business and support units are required to report any compliance risks that occur through the Group-wide operational incident reporting tool. S-Bank also has a whistle blowing channel and procedure which allows anonymous internal reporting of any potential misconduct, unethical or illegal behaviour.

S-Bank's Compliance function has an important role in continuously assessing compliance with regulatory requirements and internal guidelines. The Compliance function reports regularly to the Board of Directors, the Board's Risk Committee, the Management Risk Committee, the CEO, the Group's Management Team and the authorities on the results of its monitoring and oversight tasks.

S BANK