CAPITAL AND RISK MANAGEMENT REPORT

2020

S-Bank

SUMMARY OF RISK MANAGEMENT IN 2020

The year 2020 was exceptional in several ways and was particularly characterised by the COVID-19 pandemic that will most likely have significant long-term impact on the society and the economy. When the pandemic started to spread in the spring, the first priority was to take care of the health and safety of S-Bank's personnel and clients. Majority of the employees started to work remotely already during the first weeks of the crisis and S-Bank was able to adapt its operations in the rapidly changing environment. The popularity of digital banking solutions increased at a fast pace and new features were implemented in the S-Mobile application to further support growth in the digital channels.

Despite the challenging environment, the core business remained on healthy growth track. The demand for the housing loans remained strong and the housing loan portfolio grew 17 % during the year. In addition, there was significant growth in the assets under management that was driven by acquisition of Fennia asset management operations. S-Bank's operating profit for the year 2020 amounted to EUR 21 million as compared to 29 million the previous year. The increase in net credit losses and credit charges during COVID-19 pandemic offset the growth of 3,7 % in net interest income and 11,2 % in net fee income, which led to the net decline of the operating profit.

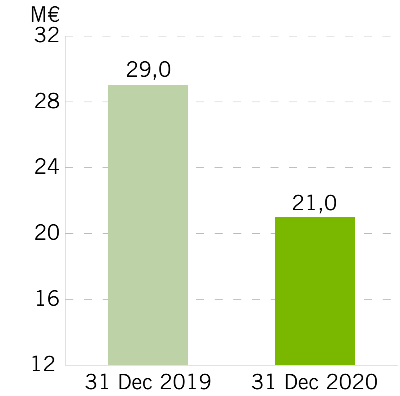
Net expected and final credit losses recognised during the year were EUR 23,6 million (14,0), of which EUR 21,2 million (11,4) were net realised losses and EUR 2,5 million (2,6) were net change in expected credit loss provisions. Expected credit loss (ECL) provisions amounted to EUR 19,6 million (17,1 million) at year end. The amount of ECL has grown steadily in proportion with the loan portfolio growth. Net expected and realised credit losses are within the risk appetite limits set in the credit risk strategy by the S-Bank Board of Directors.

S-Bank's capital position has remained stable throughout the year despite the COVID-19 pandemic. At the end of the period, the capital ratio of S-Bank was 15,7 %. S-Bank's capital position remained above the regulatory requirement of 12,76 % and the internal minimum target level of 14,3%. The development of own funds was affected not only by the operating profit but also by acquisition of Fennia asset management operations.

In line with the strategy, total REA grew by EUR 134,9 million, mainly due to the increase in household customers' lending portfolio. In terms of sales, housing loans performed especially well and exceeded the overall market by a significant margin.

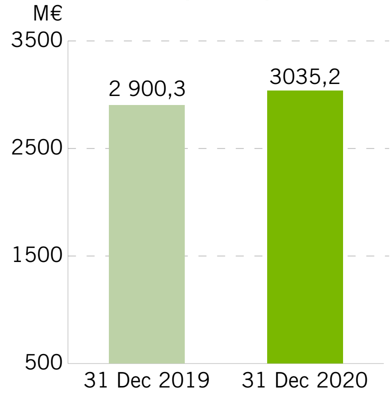
S-Bank's liquidity position was robust at the year-end.

Operating profit (EUR m)

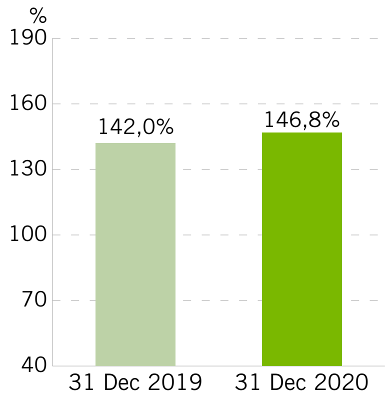


Total capital ratio (%)

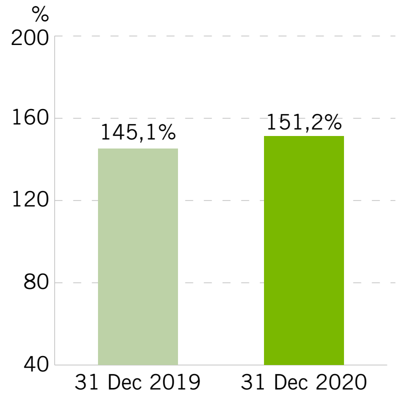
Total REA (EUR m)



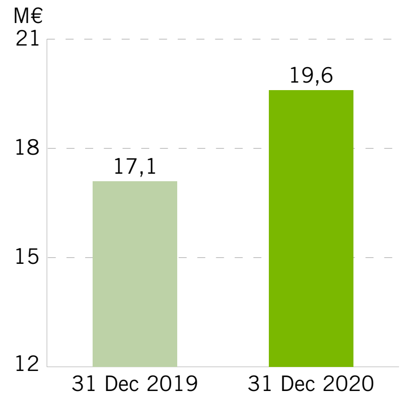
LCR (%)



NSFR ratio (%)



ECL (EUR m)



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1 SUMMARY OF THE RISK PROFILE

This report presents comprehensive information on risks, risk management and capital adequacy required by applicable regulation. This chapter provides a summary of the risk profile and risk management arrangements of S-Bank Group (hereinafter “S-Bank”).

S-Bank produces financial and asset management services to household and corporate customers. S-Bank’s strategy seeks strong growth in the coming years, focusing primarily on services to household customers and the asset management business. The risk management framework, which determines S-Bank’s risk capacity, risk appetite, risk objectives and organisation of risk management, are designed to support S-Bank’s business model and growth strategy. Risk management framework ensures that all risks are identified, analysed, monitored, managed and reported.

- **Risk capacity** sets the maximum level for risk-taking in the short and long term. Securing sufficient capital adequacy, liquidity and ensuring compliance with regulation are key factors of the risk capacity.

- **Risk appetite** reflects the approved amount and type of exposures that S-Bank is willing to take in its business operations over a certain period while pursuing its set objectives. It also defines e.g. the internal target levels for capital adequacy and liquidity. The risk limit structure sets numerical goals, acceptable risk limits, restrictions and decision-making levels to support the implementation of the risk management framework.

The S-Bank Group’s risk position at the end of the reporting period is explained below. The most significant risks that can potentially affect profitability, capital adequacy and liquidity are related to business volumes, lending and borrowing margins, general interest rates, economic performance, unfavourable development in credit losses and the cost-efficiency of business operations.

The COVID-19 pandemic that broke out in March affected the general economic situation, the banking sector as a whole and S-Bank and its customers. The authorities announced several measures during the financial period aimed at facilitating the ability of credit institutions to finance companies and households and to mitigate the negative economic impact of the pandemic. In the spring, S-Bank offered its customers the opportunity to apply for a free-of charge repayment holiday, which resulted in a record number of repayment holidays and other changes to payment schedules. Rapid changes in the macroeconomic environment caused uncertainty regarding the modelling of expected credit losses. The increase in expected credit losses in 2020 was due to the increase in the loan portfolio and changes in macro- and management factors. The amount of realised credit losses also increased compared with the previous year.

Due to economic uncertainty, the decline in valuation caused by the widening of spread risks reduced the fair value reserve during the first half of the year, but by the end of the year, valuations returned to the levels existing prior to the COVID-19 pandemic. S-Bank's capital adequacy, liquidity and financing position have remained on a steady footing despite the pandemic, and the measures taken to ensure S-Bank's operational continuity have been appropriate and adequate. Although uncertainty regarding the economic outlook remains high, positive news regarding COVID-19 vaccines suggests a cautious positive outlook for 2021.

The Group’s most significant risk types from the perspective of the Pillar 1 minimum regulatory capital requirements are credit risks and operational risks. In addition to calculating Pillar 1 capital requirements, S-Bank also calculates an internal risk-based Pillar 2 capital requirement in order to assess all the material risks related to its operations and to ensure a comprehensive overview of its risk profile.

Table 1 summarizes the key risk ratios at the consolidated Group level by the end of the reporting period.

Table 1: Key risk ratios (at consolidated Group level)

EUR million	31 Dec 2020	31 Dec 2019
Risk weighted assets (amounts)		
Total risk-weighted assets	3 035,2	2 900,3
Credit and counterparty risk, standardised approach	2 729,2	2 610,1
Market risk	0,0	0,0
Operational risk, basic indicator approach	306,0	290,1
Credit valuation adjustment, CVA	0,0	0,1
Own funds (amounts)		
Common Equity Tier 1 (CET1) capital	416,4	422,2
Tier 2 (T2) capital	59,5	50,0
Total capital	475,9	472,2
Pillar 1 total capital requirement (%)	12,76 %	13,82 %
Capital ratios (as a percentage of total risk exposure amount)		
Common Equity Tier 1 (CET1) ratio	13,7 %	14,6 %
Total capital ratio	15,7 %	16,3 %
Non-Performing Loans (NPL)		
NPL ratio%	0,6 %	0,6 %
Leverage ratio (CRR)		
Leverage ratio (%)	5,8 %	
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank exposures)	5,3 %	6,2 %
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	146,8 %	142,0 %
Net stable funding ratio (NSFR)		
NSFR ratio (%)	151,2 %	145,1 %

*The NPL ratio is the ratio between the gross carrying amount of non-performing loans and advances and the total gross carrying amount of loans and advances (excluding cash balances at central banks and other demand deposits)

Credit risk constitutes 90 % (2,7 EUR billion) of S-Bank's total risk exposure amount (REA). The most substantial items requiring capital include mortgages secured by on immovable property, retail and corporate exposures. The lending growth was strong especially in housing loans to household customers. Indicators of non-performing loans remained at a low level. S-Bank sustains a low credit risk profile in line with the conservative risk appetite, supported by active risk management and monitoring measures.

S-Bank does not have a trading book. As S-Bank's market risks arise from the banking book, these are – in accordance with the Pillar 1 requirement 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 and ICLAAP process (Internal Capital and Liquidity Adequacy Assessment Process). S-Bank moved into central counterparty clearing in 2020 for all derivatives transactions and for that reason credit valuation adjustment (CVA) was not generated at the end of the financial period.

Operational risk constitutes 10 % of S-Bank's total REA. Losses attributable to operational risks realised in 2020 were low in comparison to the regulatory capital requirement for operational risk. S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud and possible deficiencies in services provided by external service providers.

S-Bank's capital position has remained stable. It has been above the regulatory requirements and the internal minimum target level of 14,3 %. The internal minimum target level decreased by 1 % due to the Finnish Financial Supervisory Authority decision on 6 April 2020 to remove the set systemic risk buffer covered with CET1 capital. S-Bank's total capital adequacy ratio was 15,7 % as of 31 December 2020. Total REA increased by EUR 134,9 million to EUR 3,0 billion, mainly due to strategic growth in lending to household customers.

S-Bank is also adequately capitalised to ensure continuity of its operations even under stressed conditions. Total own funds increased by EUR 3,7 million during 2020. The development of Tier 1 capital was mainly affected by the operating profit but also by the growth in intangible assets. Tier 2 capital increased by EUR 9,5 million as S-Bank replaced the repayable debenture with a new Tier 2 debenture with a higher nominal value. The capital buffer in relation to the total regulatory Pillar 1 capital requirement (12,76 %) was EUR 88,7 million.

S-Bank's leverage ratio (LR) of 5,8 % is also strong and exceeded the minimum regulatory requirement and the internal minimum target level. The 3% leverage ratio requirement will become binding on June 28, 2021. S-Bank has made use of the Financial Supervisory Authority's decision to temporarily exclude certain central bank exposures from the total leverage ratio exposures as a result of the covid pandemic. Banks may benefit from this measure until 27 June 2021.

The liquidity position was stable and strong at the year-end. The Liquidity Coverage Ratio was at 147 % (142) and the Net Stable Funding Ratio was at 151 % (145). The minimum requirement of 100 % for the NSFR will apply from June 2021 onwards.

2 DISCLOSURE OF PILLAR 3 INFORMATION

Part Eight of the EU Capital Requirements Regulation (CRR, 575/2013) sets out the requirements on disclosure of information (Pillar 3) concerning institutions' risks, risk management and capital adequacy. S-Bank complies with these disclosure requirements and publishes this report on S-Bank's website in conjunction with the financial statements once a year. Section 14 presents the disclosure index demonstrating where the information required by CRR Articles 435-451 can be found.

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.

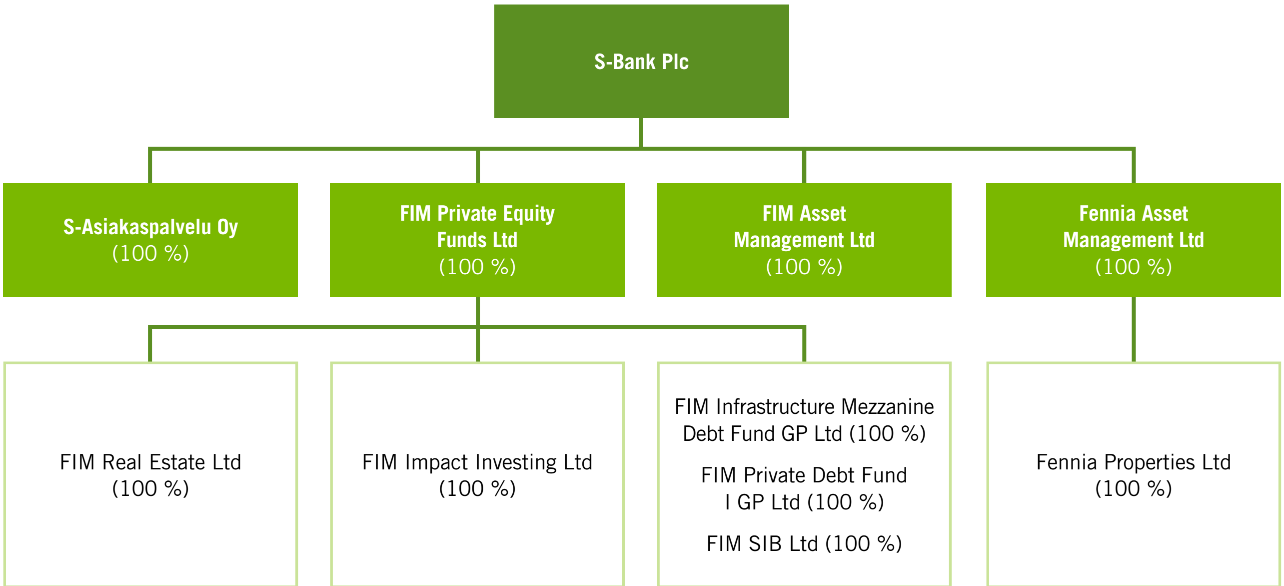
This report has not been externally audited. However, information disclosed in this report is subject to the internal review and internal control processes as defined in the S-Bank's disclosure policy. Material in this report applies to S-Bank's consolidated figures as of 31 December 2020 if not otherwise stated.

S-Bank adopted the International Financial Reporting Standards (IFRS) as of 1 January 2019 in its consolidated financial reporting. Figures in Capital and Risk Management Report (CAR) are presented in accordance with the IFRS standards from 2019 onwards.

3 DESCRIPTION OF S-BANK GROUP

The S-Bank Group includes the parent company S-Bank Plc and all its subsidiaries. Figure 1 depicts the legal structure of the S-Bank Group. The owners of S-Bank are SOK Group, the regional co-operatives belonging to S-Group, LocalTapiola General Mutual Insurance Company, LocalTapiola Life, the regional LocalTapiola insurance companies and Elo Mutual Pension Insurance Company.

Figure 1: Legal structure of S-Bank Group



S-Bank Plc is the parent company of S-Bank Group. S-Bank is a Finnish bank that wants to make it possible for everyone to have a little more wealth, regardless of how much money they have to start with. This is achieved by offering our three million customers convenient and useful solutions in daily banking, savings, investments and the financing of purchases. S-Bank concentrates on providing services to the Finnish household market and selected large companies, with an emphasis on geographical growth areas in Finland. The funds and asset management services offered by S-Bank Group are managed by FIM Asset Management Ltd.

S-Asiakaspalvelu Oy is a 100 % owned subsidiary of S-Bank Plc. S-Asiakaspalvelu provides data processing and other services related to a credit institution's core operations as a service company in accordance with the Finnish Act on Credit Institutions (610/2014).

FIM Private Equity Funds Ltd is an alternative fund manager, managing real estate and other private equity funds. S-Bank owns 100 % of FIM Private Equity Funds Ltd's share capital.

FIM Real Estate Ltd is the general partner in S-Bank Group's real estate funds. FIM Private Equity Funds Ltd owns 100 % of FIM Real Estate Ltd's share capital.

FIM Impact Investing Ltd is a 100 % owned subsidiary of FIM Private Equity Funds Ltd. The company provides impact investment services and acts as a management company as well as a general partner for two impact investment funds.

FIM Infrastructure Mezzanine Debt Fund GP Ltd, FIM Private Debt Fund I GP Ltd and FIM SIB Ltd are part of the S-Bank Group as well. These companies serve as general partners in funds managed by FIM Private Equity Funds Ltd. These companies do not have any other business operations and they are 100 % owned by FIM Private Equity Funds Ltd.

FIM Asset Management Ltd manages the FIM and LocalTapiola funds and provides services related to asset management to the entire S-Bank Group. S-Bank owns 100 % of FIM Asset Management Ltd's share capital.

Fennia Asset Management Ltd is an alternative fund manager, providing asset management services to corporations, entrepreneurs, institutions and private persons. In August 2020, two new companies joined S-Bank Group when S-Bank bought 100 % of Fennia Asset Management Ltd's share capital. Due to this acquisition, Fennia Asset Management Ltd's subsidiary Fennia Properties Ltd also joined S-Bank group.

Fennia Properties Ltd is a company specialized in providing property management services to investors, property owners and tenants. In addition to property related portfolio management and property management and development services, the company focuses on implementation and management of joint venture projects. Fennia Asset Management Ltd owns 100 % of Fennia Properties Ltd's share capital.

Table 2 provides information on the consolidation method applied to each entity within the accounting and the regulatory (CRR) scope of consolidation. There are no other significant differences in the consolidation principles that influence the preparation of the financial statements or the capital adequacy requirements.

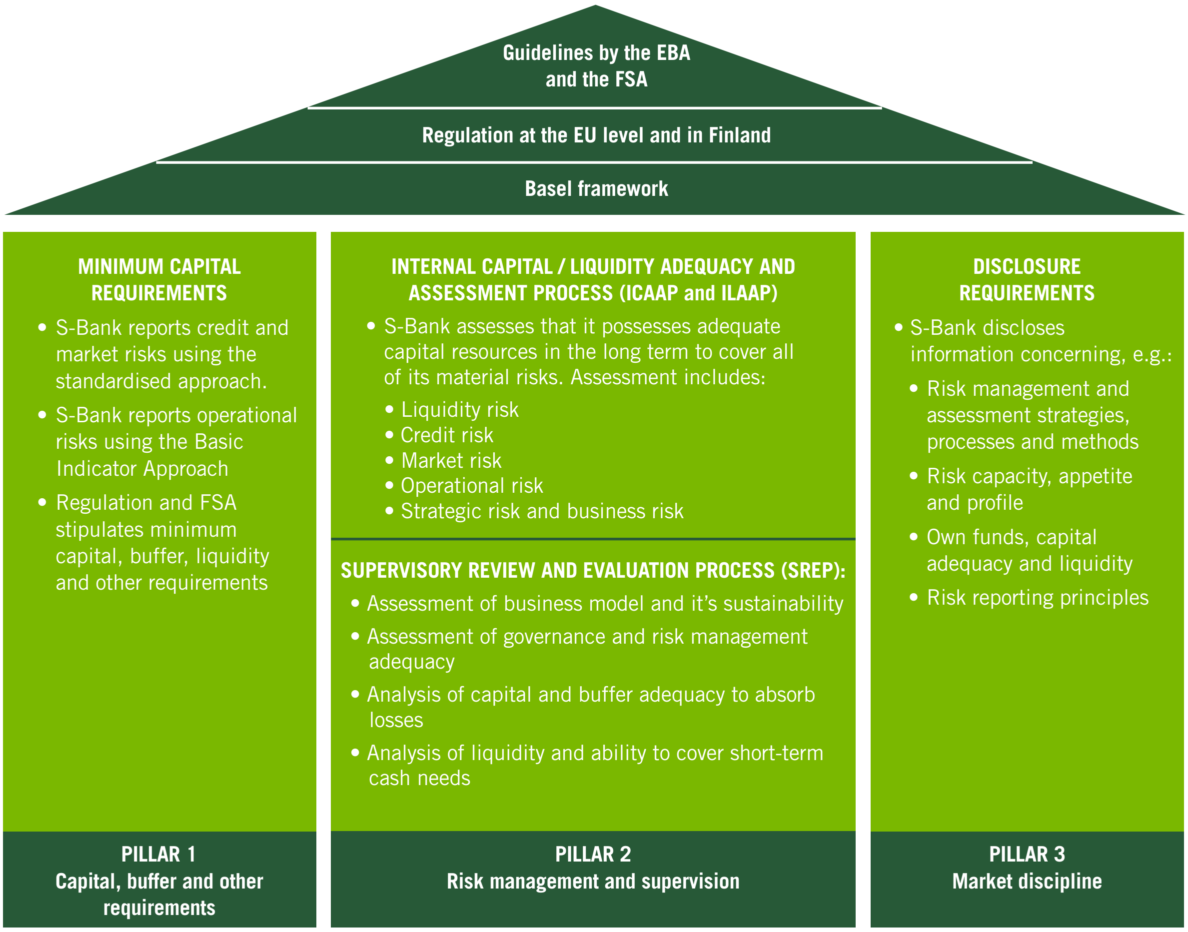
Table 2: Outline of the differences in the scopes of consolidation (EU LI3)

Owner	Company	Voting power of holding (%)	Industry	Method of accounting consolidation	Method of regulatory consolidation in accordance with CRR
S-Bank Plc	FIM Private Equity Funds Ltd	100 %	Asset management	purchase method	full consolidation
	FIM Asset Management Ltd	100 %	Asset management	purchase method	full consolidation
	S-Asiakaspalvelu Oy	100 %	Service entity	purchase method	full consolidation
	Fennia Asset Management Ltd	100 %	Asset management	purchase method	full consolidation
	S-Crosskey Ltd	40 %	IT-service entity	equity method	recognised under the equity method
FIM Private Equity Funds Ltd	FIM Impact Investments Ltd	100 %	Asset management	purchase method	full consolidation
	FIM Infrastructure Mezzanine Debt Fund GP Ltd	100 %	Asset management	purchase method	full consolidation
	FIM Private Debt Fund I GP Ltd	100 %	Asset management	purchase method	full consolidation
	FIM SIB Ltd	100 %	Asset management	purchase method	full consolidation
	FIM Real Estate Ltd	100 %	Real estate activities	purchase method	full consolidation
Fennia Asset Management Ltd	Fennia Properties Ltd	100 %	Real estate activities	purchase method	full consolidation

4 RISK MANAGEMENT AND REGULATION

The regulatory framework for banks comprises of three interlinked entities, or Pillars, condensed in Figure 2. The framework is implemented through EU-level 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).

Figure 2: Basel international regulatory framework



4.1 KEY CHANGES AND DEVELOPMENT DURING 2020

During 2020, the main tasks of risk management included monitoring and implementing the regulatory changes and overseeing compliance with the risk appetite limits set by the Board of Directors as well as other internal guidelines supporting S-Bank's risk management. Regular monitoring involved, for example, development of credit risk exposure, adequacy of liquidity and funding, performance of risk modelling and management methods, processes related to Know Your Customer (KYC) and Anti Money Laundering (AML), compliance with the regulatory requirements (e.g. Markets in Financial Instruments Directive II and Market Abuse Regulation), as well as new operating models, distribution channels, IT systems and products.

COMPLIANCE RISK

As a part of the key compliance risk development measures in 2020 the focus was in enhancing the compliance risk assessment process. Furthermore, renewed IT solutions for recording and reporting compliance recommendations was introduced.

Development of AML and KYC processes is an ongoing part of S-Bank's operational business and management of compliance risk. Various enhancements were made to these processes during 2020. Regulatory changes affecting S-Bank's capital requirements in relation to operational risk including compliance risk are discussed further in chapter 7.4.

OPERATIONAL RISK

During the year 2020, S-Bank further developed its information security by enhancing processes and methods concerning vendor management, information security architecture, end-device protection, code review and risk treatment. In addition, as part of the agile development model used in S-Bank an information security model was developed and implemented. S-Bank also invested in ensuring continuity of operations during COVID-19 pandemic. The Pandemic has not caused any major disturbance in S-Banks operations.

CREDIT RISK MANAGEMENT

In 2020, S-Bank further developed credit processes in order to enhance process efficiency, improve customer experience and to systematise credit risk control processes. New external data sources were implemented to supplement the credit decision process and pricing model was implemented in the S-Loan credit granting process based on the risk profile of the client. In addition, investments were made into the digital banking solutions and new services. Investment funds and credit application are now available in S-Mobile application. These changes will also support growth of the lending portfolio in the future.

PAYMENT HOLIDAYS DUE TO COVID-19 PANDEMIC

During the spring 2020 S-Bank offered its clients payment holidays up to 12 months free of charge, which increased significantly the popularity of payment holidays, and the usage of payment holiday option defined in the original loan agreement. Payment holidays are primarily granted to household customers and the S-Bank corporate credit book does not contain concentration of sectors or clients under payment holidays or other changes in payment schedule.

EXPECTED CREDIT LOSSES

The expected credit losses (ECL), as defined in IFRS 9 -standard, is based on the internal models and predicted change in credit risk. In addition, the forward-looking information and macroeconomic situation is included in the management factor. The impact of the COVID-19 pandemic on the macroeconomic situation have been significant and final consequences are still uncertain.
The effect of the pandemic was perceived as increase in layoffs, unemployment, and uncertainty in corporate outlooks. The abrupt change in the macroeconomic situation increased also the uncertainty in macroeconomic modeling and consequently the group management team decided in March 2020 to remove the specific macroeconomic factor from the ECL calculation and included the macroeconomic expectations in the management factor for the time being. The management factor that is affirmed on monthly basis includes the latest available information on macroeconomic impact of COVID-19 as well as uncertainty arising from model risk and assumptions.

CENTRAL COUNTERPARTY CLEARING

By the end of 2020, all derivatives in S-Bank's portfolio were cleared through the central counterparty. Due to the central counterparty clearing S-Bank was not exposed to Credit Valuation Adjustment (CVA).

MARKET RISK

Market risk is measured with internal market model as part of the Pillar 2 and ICAAP process. During the year, S-Bank developed the calculation processes, and specific parameters were updated to the models. Changes related mainly to spread risk model and earnings-based interest rate risk model. The changes had a moderate impact on the risk levels.

LIQUIDITY AND FUNDING

During the year 2020, S-Bank expanded its funding sources. In December, the FIN-FSA approved S-Bank's EUR 1.5 billion bond programme. Within the framework of the programme, S-Bank Plc may issue unsecured and secured bonds to the wholesale market. S-Bank acquired a credit rating from Standard & Poor's (S&P) and was granted a BBB rating for long-term funding and A-2 for short-term funding. In November the S-Bank was granted a mortgage banking licence.

4.2 KEY DEVELOPMENT DUE TO REGULATORY CHANGES

EBA GUIDELINES ON LEGISLATIVE AND NON-LEGISLATIVE LOAN REPAYMENTS MORATORIA

Due to the outbreak of COVID-19 pandemic, EBA published guidelines for legislative and non-legislative loan repayments moratoria. The purpose of the moratoria was that institutions would be able to grant payment holidays to customers without classifying the exposures as forborne in case the criteria for moratoria was met. The legislative or non-legislative moratoria has not been implemented in Finland, thus the reporting and disclosure requirements related to this guideline does not apply to S-Bank.

SYSTEMIC RISK BUFFER

The Finnish Financial Supervisory Authority (FIN-FSA) decided on 6 April 2020 to remove the set systemic risk buffer covered with CET1 capital for credit institutions. The requirement for S-Bank Plc was one per cent.

“QUICK FIX” AMENDMENTS TO THE EU'S CAPITAL REQUIREMENTS REGULATION (CRR)

During the last quarter of the year, the FIN-FSA announced that banks under its direct supervision may exclude certain central bank exposures from the leverage ratio as part of the CRR “quick fix” amendments. Banks may benefit from this measure until 27 June 2021. S-Bank has utilised this decision on its leverage ratio calculation. In addition, S-Bank made use of the earlier implementation regarding the revised SME supporting factor according to quick fix. The above-mentioned change has not material impacted to S-Bank’s capital requirement.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Financial Stability Authority is the Finnish resolution authority. It is responsible for resolution planning and decision-making in relation to the restructuring of local institutions that are facing financial difficulties. The Authority decided in June 2019 to set a minimum requirement for own funds and eligible liabilities (MREL) for S-Bank at the Group level. The Financial Stability Authority revised its decision on S-Bank’s MREL requirement on 21 April 2020. Under the revised decision, the requirement must be met on an incremental basis, resulting in requirement of 8.7 per in June 2021 and the full requirement of 9.9 per cent requirement in June 2022. MREL requirement should be met by own funds and MREL eligible liabilities. Necessary measures are being taken to fulfil the MREL requirement.

REPORTING ENQUIRIES BY AUTHORITIES

During the financial period, S-Bank has regularly participated in numerous data enquiries by authorities. Mainly these queries are stipulated by the FIN-FSA and the Finnish Financial Stability Authority. The purpose of this data accumulation is to map S-Bank's risk position and risk management capabilities as well as to gather information to prepare for upcoming regulatory initiatives. Due to the COVID-19 pandemic, the risk profile was reported to the FIN-FSA more frequently.

4.3 FORTHCOMING REGULATORY DEVELOPMENT

This section summarises essential regulatory development concerning S-Bank. S-Bank monitors these changes and strives to anticipate their impact on its operations and to develop its processes to comply with regulation.

THE REVISED RULES ON CAPITAL REQUIREMENTS (CRD V/CRR II)

The revised rules on capital requirements (CRD V/CRR II) was adopted in June 2019 and most of the new changes are to be applied from June 2021. The revisions are mostly focusing on the implementation of the new Standardised Approach for Counterparty Credit Risk (SA-CCR), the binding leverage ratio requirement of 3% of Tier 1 capital, the binding net stable funding ratio (NSFR) that requires institutions to finance their long-term activities with stable funding and the fundamental review of the trading book (FRTB), a new standard on the treatment of market risk exposures.

S-Bank is in process of analysing and implementing the forthcoming changes. S-Bank’s earlier analyses indicate that changes will not measurably affect S-Bank’s risk position and capital requirements.

UPDATED PILLAR 3 DISCLOSURE REQUIREMENTS RELATED TO CRR II

The European Banking Authority (EBA) published the Pillar 3 disclosure requirements according to CRR2 in June 2020. The application of the disclosure requirements and the Implementing Technical Standards (ITS) will start from June 2021. Outcomes of these modifications will affect the reporting processes related to Pillar 3 information.

BASEL III FRAMEWORK REFORMATION

In 2017 the Basel Committee’s introduced reforms to complement the initial phase of the Basel III. The revised standards are implemented from 1st of January 2022, with some reforms phased over five years. The EBA has published detailed policy recommendations for several areas of the Basel III framework. In March 2020 it was announced by the Basel Committee on Banking Supervision that Basel III implementation will be delayed by a further year, with a new implementation date of 1st January 2023 in response to COVID-19 pandemic.

S-Bank is in process of analysing the effects of the forthcoming changes. Initial analyses indicate that the reforms concerning standardised approach for credit risk will influence S-Bank's risk position and capital requirements. Lesser effects will follow from modification of operational risk framework.

LOAN ORIGINATION AND MONITORING

The Guidelines issued by the EBA specify the internal governance arrangements for granting and monitoring of credit facilities throughout their lifecycle. They introduce requirements for borrowers' creditworthiness assessment and bring together the EBA's prudential and consumer protection objectives. The guidelines aim to ensure that institutions have robust and prudent standards for credit risk taking, management and monitoring, and that newly originated loans are of high credit quality. The Guidelines also aim to ensure that the institutions' practices are aligned with consumer protection rules and AML requirements. The Guidelines are applied in accordance with proportionality principle. Guidelines will have an impact on S-Bank's credit granting policies and practices. The guidelines will apply to new loan origination from 30 June 2021 and transitional period regarding existing loan portfolio will continue until 30 June 2022.

DEFINITION OF DEFAULT

The EBA has published guidelines to harmonise the definition of default. The guidelines will apply from 1 January 2021. S-Bank developed the process of new definition of default during the year 2020 and will apply the reformed definition in the beginning of year 2021. The process based on the new guidelines recognises defaulted customers earlier and it sets stricter criteria for a return to non-defaulted status. S-Bank will expect growth in the expected credit losses (ECL) during the year 2021 caused by the change in the definition of default.

PREVENTION OF OVER-INDEBTEDNESS OF HOUSEHOLDS

The Ministry of Finance (FM) issued suggested measures to prevent the over-indebtedness of Finnish households. These actions include inter alia setting maximums for Debt-to-Income (DTI) ratio and mortgage repayment period as well as limitations to housing company loans. The Government's proposal on the matter is anticipated to be submitted to the Finnish parliament by the end of 2021.

THE REVISED RULES ON BANK RECOVERY AND RESOLUTION (BRRD2)

The BRRD2 concerns loss-absorbing and recapitalisation capacity of credit institutions and investment firms. It includes several regulative amendments entering into force gradually. The Finnish Financial Stability Authority is expected to set new MREL requirement based on the new MREL policy during the first half of 2021.

THE NEW PRUDENTIAL REGIME FOR INVESTMENT FIRMS (IFD & IFR)

The EU has adopted a new regulation on prudential requirements for EU investment firms that will apply from June 2021. The new Investment Firm Regulation (IFR) and Directive (IFD) will significantly change the regulatory and prudential environment of investment firms. S-Bank is in process of analysing and implementing the effects of the forthcoming changes regarding its subsidiaries.

5 RISK MANAGEMENT OBJECTIVES

S-Bank has a risk strategy approved by the parent company's Board of Directors. The strategy defines and sets key limits for the risk appetite and capacity. The document also describes S-Bank's risk management objectives and organisation. The risk strategy is supplemented with risk category-specific principles and procedures. S-Bank's business and support units maintain more specific instructions and descriptions to support the risk management of their own operations.

The primary objective of risk management is to support the level of profitability, and to maintain the capital adequacy and the liquidity above the minimum target levels defined by the Board of Directors. The objective is also to manage the reputational risk and to secure business continuity in both the short and long run. The risk management process is implemented in all the Group's organisational levels. This supports the achievement of business objectives by ensuring that material risks are identified, and that their impact is analysed and managed.

Risk management is a continuous process integrated into S-Bank's strategy, processes, decision-making, reporting and internal control framework. Risk management refers to the procedures used to identify, assess, measure and monitor risks related to the company's operations. It also encompasses the maintenance and development of risk mitigation methods that will keep potential risks at an acceptable level.

5.1 RISK CAPACITY AND RISK APPETITE

The Board of Directors annually define the quantitative and qualitative aspects of the risk capacity and risk appetite.

Risk capacity sets the maximum level for risk-taking in the short and long term. Securing sufficient capital adequacy, liquidity and ensuring compliance with regulation are key factors of the risk capacity.

Risk appetite reflects the approved amount and type of exposures that S-Bank is willing to take in its business operations over a certain period while pursuing its set objectives. It also defines, e.g., the internal minimum target levels for capital adequacy and liquidity. The basis of risk appetite is to achieve a stable and adequate return on the Group's equity in the short and long run. The purpose is also to secure business continuity, to confirm that the confidentiality, integrity and availability of relevant information is not compromised as well as to ensure that S-Bank's risk-taking is controlled and planned. Figure 3 provides an overview of S-Bank's risk appetite framework and its' metrics.

The risk capacity and appetite are reflected in the risk limit structure and implemented in S-Bank's operations. The Board of Directors sets internal qualitative and quantitative metrics to define the risk appetite by setting concise numerical goals, acceptable risk limits, restrictions and decision-making levels to support the implementation of the risk strategy. These limits and objectives reflect possible limitations stipulated by various regulatory authorities with applicable internal buffers. Decision making mandates are defined and delegated to an appropriate level to ensure fluent daily control of business operations. Objectives and limits are updated regularly and whenever needed if risks associated with business operations and the operating environment so require. Set objectives and limits are monitored and controlled as part of the regular monitoring and reporting procedures (section 6.2).

Figure 3: Summary of S-Banks' risk appetite framework during 2020

The key Risk Appetite indicators	
Capital and profitability	• Capital ratios • Leverage ratio • Profitability
Liquidity and funding	• Indicators for short and medium term liquidity • Net Stable Funding Ratio, NSFR • Funding structure and concentrations
Credit risk	• Expected and realized credit losses • Non-performing loans (NPL) • Concentration risk • Distribution of internal risk categories
Market risk	• Interest rate risk in economic value and net interest income • Spread risk • Other market risks
Non-financial risks	• Operational risk indicators • Compliance risk indicators

6 GOVERNANCE OF RISK MANAGEMENT

S-Bank's risk management is built on three lines of defence. The first line of defence is responsible for risk-taking, the identification of risks, day-to-day risk management, risk mitigation, and risk monitoring and reporting.

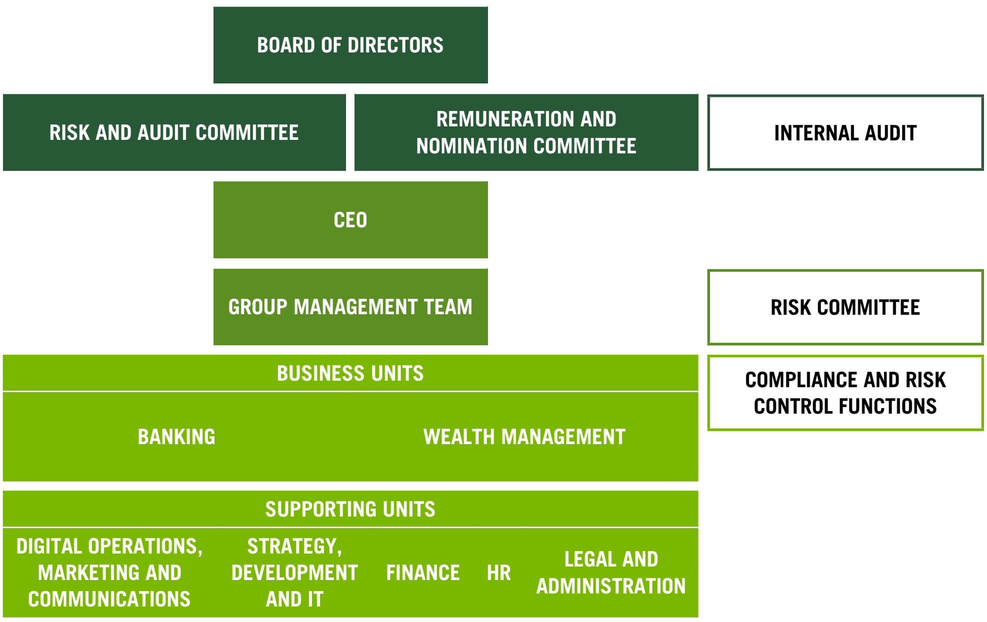
The second line of defence consists of the Group-level internal control functions: Risk Control and Compliance, which are independent of the business lines and units. The Risk Control function monitors and assesses the Group's risk-taking and the efficiency of risk management. The function also oversees the realisation of the risk strategy, total risk exposures in relation to the risk capacity and appetite, capital adequacy and liquidity. The Compliance function assesses and monitors the Group's compliance with relevant external regulations, internal policies and other pertinent management decisions.

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

6.1 ROLES AND RESPONSIBILITIES IN RISK MANAGEMENT

Figure 4 depicts S-Bank's administrative structure. The roles and responsibilities of relevant governing bodies in terms of risk management are described consequently.

Figure 4: S-Bank Group's administrative structure



BOARD OF DIRECTORS AND ITS COMMITTEES

Responsibility for the overall risk management in S-Bank Group is taken by the parent company's Board of Directors, ensuring that the Group's operations are appropriately organised in compliance with the applicable laws and regulations. The Board approves the risk strategy, ensures that the risk management framework is implemented consistently and that the Group has appropriately documented the principles supporting the accomplishment of set risk management process.

The Board of Directors also ensures that S-Bank continuously has adequate capital to cover all material risks arising from business operations, changes in the external business environment and that the Group's risk capacity is adequate. The Board of directors follows risk limits and the development and allocation of capital and makes decisions of financial arrangements and their execution accordingly. All substantial risks, reports concerning compliance with the set limits, main risk management policies and pertinent changes thereto are discussed by the Board of Directors on a regular basis.

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 Risk and Audit Committee, as well as by the Remuneration and Nomination Committee. The Risk and Audit 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 the Remuneration and Nomination Committee 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 Chief Executive Officer (CEO), assisted by the Group Management Team, is responsible for the practical execution of risk management and for organising internal control according to the principles set by the Board of Directors. The CEO and the Group Management Team ensure that Group's ongoing operations are compliant with applicable laws and regulations, Articles of Association and other relevant internal documents. The CEO and Group Management Team are responsible for the achievement of the set objectives and the monitoring and management of any risks threatening these objectives. In addition, the CEO and Group Management Team oversee that the responsibilities, authorisations, processes and reporting procedures related to risk management have been clearly defined and described, and that the risk management resources are adequate.

BUSINESS AND SUPPORTING UNITS

S-Bank's business and support units are primarily responsible for the risks in their respective areas and for ensuring that the operations of their units are carried out in accordance with S-Bank's guidelines and principles. These units are also responsible for running the operations within the set limits. Therefore, the business and support units are responsible for identifying and assessing the risks associated with their processes, as well as managing and monitoring these risks. The units also report risk related information in accordance with the agreed instructions. Each business and support unit is responsible for the clear and adequate description of the pertinent frameworks, operations, and risk management prerequisites.

The business units have separate management teams, comprising of pertinent business unit directors. The Executive Teams are responsible for the execution, implementation and monitoring of the quantitative and qualitative goals. Executive Teams can apply their own risk limits that are stricter than those adopted by the Board of Directors.

RISK COMMITTEE

The Risk Committee is comprised of independent internal function members. The main duty of the Risk Committee is to ensure that the Board of Directors and the Risk and Audit Committee are provided with adequate and appropriate information on S-Bank's risks, risk management and capital adequacy. The Risk Committee confirms essential decision proposals concerning the Group's capital adequacy and liquidity for the Board's approval. Similarly, it confirms the key strategies concerning internal control and risk management. The Committee also oversees that the proposals comply with regulation, the risk capacity and appetite.

INDEPENDENT INTERNAL CONTROL FUNCTIONS

S-Bank's Board of Directors has established independent internal control functions to ensure effective and comprehensive internal control and risk management. These functions consist of the Risk Control and Compliance functions and Internal Audit.

Risk Control function is responsible for the comprehensive monitoring and assessment of S-Bank's risk-taking level and the realisation of risk management. The Risk Control function develops and maintains risk management framework, monitors the execution of the risk strategy, the total risk exposure and ensures that the risks taken by the Group are appropriately proportioned and within set limits. In addition, the Risk Control function sustains and develops risk measurement, assessment and reporting methods, and supports business operations in the identification and management of risks. The function prepares regular reports concerning S-Bank's risk exposures and management levels to the management, the Risk Committee, the Risk and Audit Committee, the Board of Directors and the authorities.

Compliance function ensures that S-Bank has appropriate policies and procedures in place to secure compliance with regulatory requirements. Compliance continuously monitors and assesses adherence to regulatory requirements according to its' risk-based annual monitoring plan approved by S-Bank's Board of Directors. Furthermore, Compliance reports to the Board of Directors and senior management on a regular basis on its' monitoring and assessment results including any potential compliance risks.

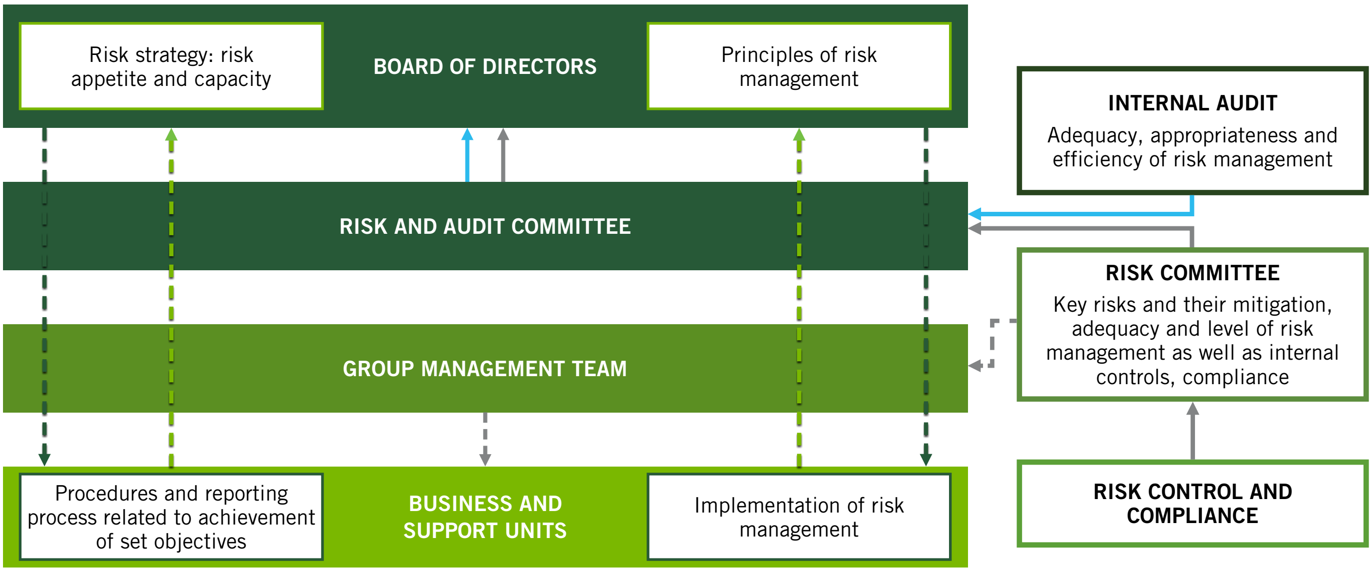
Internal Audit function performs independent evaluation and verification activities that concentrate on auditing the adequacy, functionality and effectiveness of the internal control and risk management frameworks and consequent measures. These features are estimated in a risk-oriented manner in accordance with the auditing plan approved by the Board of Directors annually. When conducting audits, Internal Audit uses auditing criteria that are based on external regulations, internal guidelines and the set objectives.

6.2 RISK MONITORING AND REPORTING

Risks are measured, monitored and reported in such a way that the Board of Directors and line management have adequate and relevant information on risks and their management procedures. S-Bank's internal risk reporting process includes, alongside financial reporting, regular analyses on the achievement of the set objectives. Risk-taking, in relation to the risk capacity and appetite is monitored regularly and assessed along with the strategic processes or when making important decisions concerning business projects or investments. These assessments are also conducted in conjunction with the Internal Capital and Liquidity Adequacy Assessment Process (ICLAAP) report, as well as the Recovery and Resolution Plan. Risk reporting and monitoring practices facilitates communication on achievement of set objectives and maintaining a sound risk culture across organisation.

Figure 5 portrays the overall risk reporting process.
S-Bank monitors risks on a continuous basis as part of its day-to-day routines. Each employee must be aware of their own responsibilities related to risk management, and they are responsible for with observing the implementation of risk management procedures within their area of responsibility. Employees are also instructed to report any observed deviations and deficiencies in risk management in accordance with the agreed procedures.

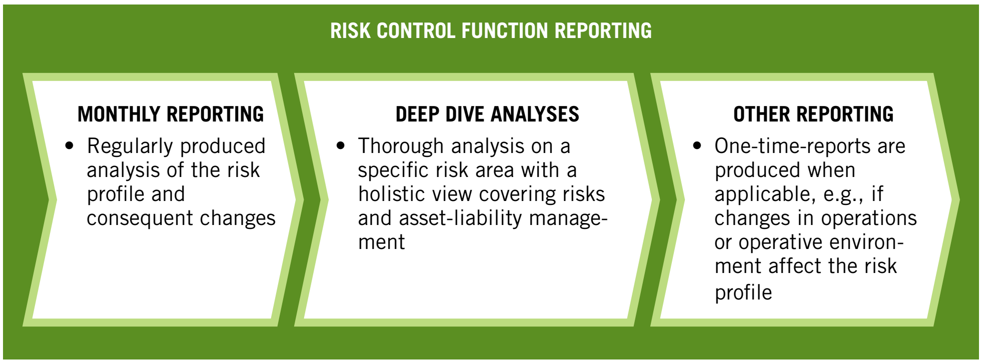
Figure 5: The overall risk reporting in S-Bank



As part of continuous risk reporting, the risk exposure of S-Bank and the Group companies are assessed based on set risk limits. Market and liquidity risks are monitored and reported on a daily basis. Credit risks, capital adequacy and operational risks are monitored continuously and reported on monthly and quarterly basis and whenever necessary.

Independent reports on key risks and the level of risk management are integral part of risk reporting. These reports are produced by the Risk Control function to S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors as illustrated in Figure 6. In addition to regular reports, the aforementioned bodies receive a separate report and analysis if any major changes or deviations occur that may influence S-Bank's risk position or capital adequacy.

Figure 6: Risk Control function reporting



Internal Audit evaluates the processes concerning risk and capital management in accordance with the annual auditing plan. Internal Audit regularly reports on the results of the audits, key audit observations, any improvement recommendations and the realisation of the audit plan to the Risk and Audit Committee and the Board of Directors, as well as all other essential bodies.

7 CAPITAL AND LIQUIDITY MANAGEMENT

7.1 HIGHLIGHTS 2020 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 forthcoming changes in the regulatory capital requirements

- S-Bank's capital position remained stable and well above the regulatory requirements.
- Total capital ratio decreased from 16,3 % (31 Dec 2019) to 15,7 % in 31 Dec 2020.
  - Total REA rose by EUR 134,9 million to EUR 3,0 billion, mainly due to strategic growth in lending to household customers.
  - The development of own funds was mainly affected by increase in operating profit and the acquisition of Fennia asset management operations.

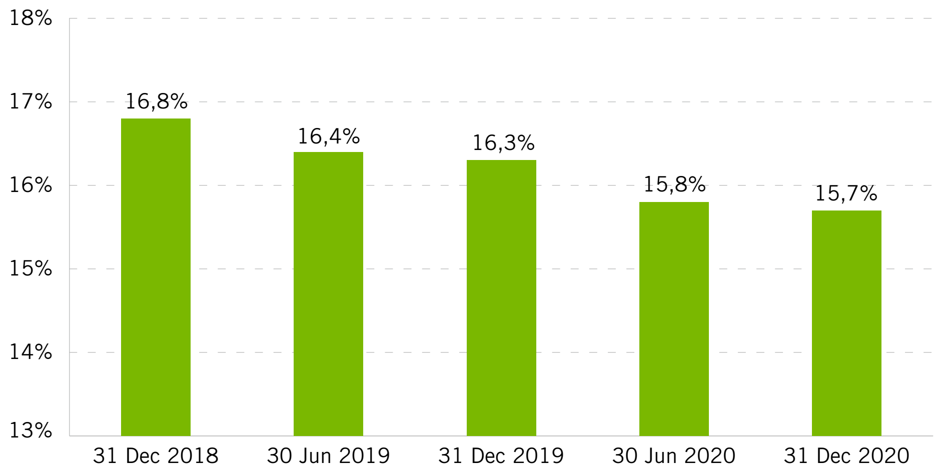
- S-Bank's total capital requirement at the end of the reporting period was 12,76 %, consisting of the minimum capital requirement (8 %), capital conservation buffer (2,5 %), Pillar 2 SREP requirement (2,25%) and countercyclical buffer (0,01 %).
  - Pillar 2 SREP requirement is based on interest rate risk in the banking book and the concentration of credit risk. The requirement must be met with CET1 capital and it is valid until further notice up to 30th of September 2021.
  - The FIN-FSA decided on 6 April 2020 to remove the set systemic risk buffer covered with CET1 capital for credit institutions in response to COVID-19 pandemic. The requirement for S-Bank was one per cent.

- Leverage ratio was also strong 5,8 % (6,2 %) and exceeded the forthcoming binding leverage ratio requirement of 3%.

- The Liquidity Coverage Ratio (LCR), which measures the adequacy of liquid assets under stressed conditions within the next 30 days, remained at a robust level at 147 % (142 %).

- The Net Stable Funding Ratio (NSFR), which is defined as the available stable funding relative to the required stable funding, was 151 % (145 %).

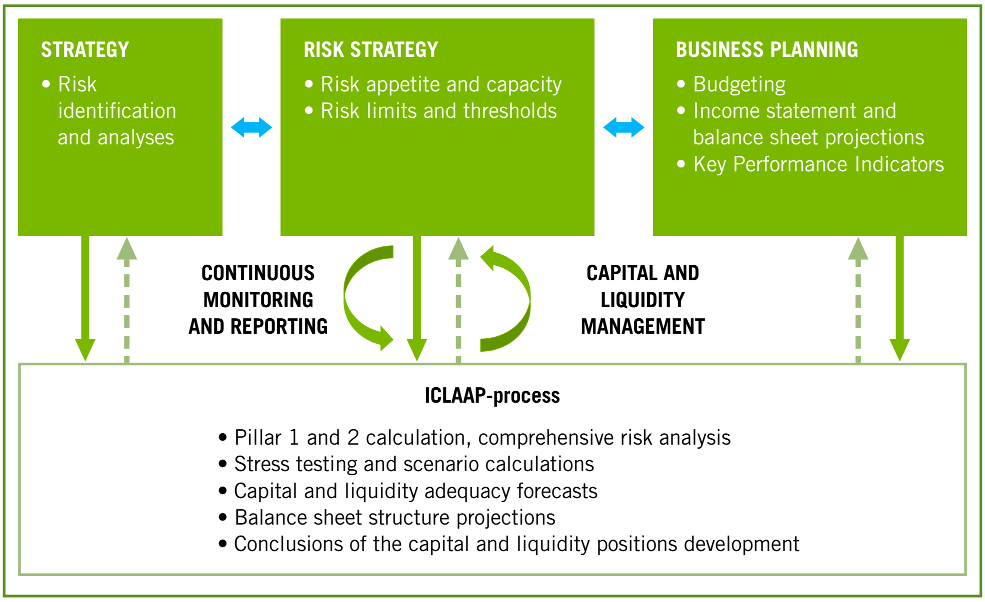
Figure 7: Development of total capital ratio



7.2 CAPITAL AND LIQUIDITY MANAGEMENT

Capital 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 has continuously an appropriate capital and liquidity position required to achieve its strategic business goals. Furthermore, the aim is to ensure that S-Bank has continuously sufficient capital and liquidity buffers for unexpected events. Capital and liquidity management is based on a proactive approach considering S-Bank's strategy, business plan, and risk strategy. Figure 8 depicts the capital and liquidity management framework.

Figure 8: Capital and liquidity management framework



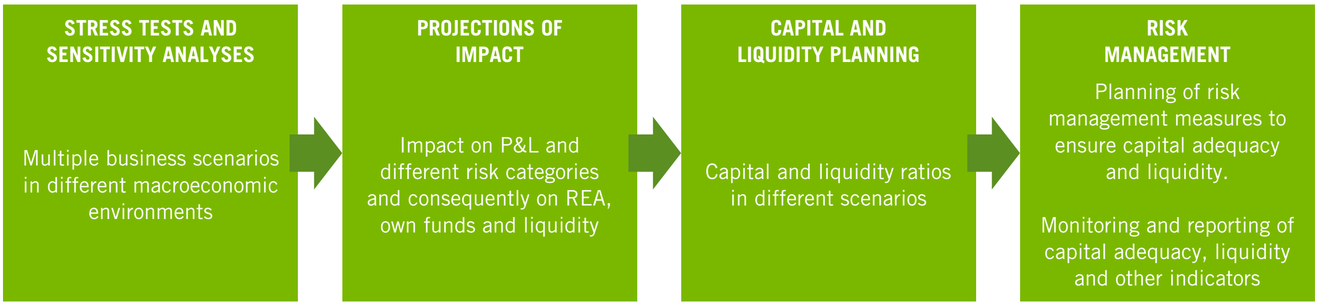
Capital and liquidity management framework and tools are also part of regularly elaborated Recovery Plan that aims to ensure the continuity of S-Bank's critical functions, to avoid adverse effects on financial system and protect public funds. The Recovery Plan sets several quantitative and qualitative indicators that are used to monitor the S-Bank's capital, liquidity and profitability adequacy along with asset quality. These indicators are ultimately used to decide whether to employ or refrain from taking the set recovery plan measures. The recovery planning is aligned with plausible scenarios used for ICAAP and ILAAP stress tests.

ICLAAP PROCESS

Regularly performed ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) processes are combined into a comprehensive ICLAAP report which S-Bank compiles at least annually. 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 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. Evaluation of S-Bank's performance under several stress scenarios covers the key risk factors and gives a more extensive understanding of S-Bank's risk profile and interaction of key risks under stressed conditions. The process also includes forecasts of capital requirements, available capital as well as the impact of new regulations. 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. The process also takes into account business continuity under stressed conditions by laying out a detailed plan for increasing capital adequacy and lowering S-Bank's risk profile. 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 stress scenarios. The main point of stress testing is to ensure the adequacy of S-Bank's liquid assets in order to cover unexpected liquidity outflows encompassed in the stress scenarios and concurrently to confirm that the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) fluctuate in the accepted limits. S-Bank is prepared to withstand unexpectedly large cash outflows and recover its liquidity buffer under stressed conditions. The results of stress tests outline policies for managing liquidity position, profitability and solvency under stressed conditions and enhance risk management activities. Results are also used to limit the key risk factors to fit S-Bank's risk tolerance. The ICLAAP process takes into account all relevant risk types for the bank. Figure 9 describes how the ICLAAP process progresses.

Figure 9: ICLAAP-process



Market risks in the banking book are generally included in Pillar 1 credit risk regulatory capital calculations, as S-Bank does not have a trading book. In the internal ICLAAP process, the capital requirement for market risk is evaluated under market risk framework and calculated according to S-Bank's internal market risk metrics and models.

7.3 OWN FUNDS

Table 3 presents a summary of S-Bank's own funds. The first two rows of the table illustrate the reconciliation of own funds to the balance sheet in the financial statements. S-Bank's total capital adequacy ratio was 15.7 per cent (16.3) at the end of the reporting period. Due to the acquisition of Fennia Asset Management Ltd and Fennia Properties Ltd, the amount of intangible assets to be deducted from the Common Equity Tier 1 capital has increased as compared to 2019. In addition, the development of operating profit affected to own funds during the year 2020. Unfavourable market situation and widening credit spreads across the global fixed-income markets had a negative impact on fair value reserve during the first half of the year due to COVID-19 pandemic, but by the end of the financial year the fair value reserve returned to the level preceding the pandemic.

Tier 2 capital consists of three debentures with a total nominal value of EUR 59,5 million (50,0) and a maturity of over five years. During the last quarter of the year, S-Bank repaid a debenture totalling EUR 16 million before the maturity date in accordance with the debenture's terms and conditions. In connection with the repayment, S-Bank replaced the repayable debenture with a new Tier 2 debenture, as referred to in Article 63 of the EU Capital Requirements Regulation, which has a nominal value of EUR 25,5 million. The terms and conditions for these Tier 2 instruments are disclosed in Annex 1: Terms and conditions of issued instruments.

Table 3: S-Bank's own funds summary and reconciliation to audited financial statement

Own funds, EUR million	31 Dec 2020	31 Dec 2019
S-Bank Group's equity	**488,6**	**473,4**
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**488,6**	**473,4**
Share capital	82,9	82,9
Reserve for invested unrestricted equity	283,8	283,8
Retained earnings (including interim profit)	122,4	107,5
Fair value reserve	-0,5	-0,8
Regulatory adjustments from Common Equity Tier 1 (CET1) capital	**-72,3**	**-51,2**
Intangible assets	-71,0	-50,1
Value adjustments due to the requirements for prudent valuation	-1,3	-1,1
Common Equity Tier 1 (CET1) capital	**416,4**	**422,2**
Additional Tier 1 (AT1) capital	**0,0**	**0,0**
Tier 1 (T1) capital	**416,4**	**422,2**
Subordinated debt	59,5	50,0
Tier 2 (T2) capital	**59,5**	**50,0**
Own funds, total	**475,9**	**472,2**

Table 4 constitutes the own funds disclosure template pursuant to Annex IV to Regulation No. 1423/2013.

Table 4: S-Bank's own funds (EU 1423/2013)

Own funds, EUR million		Amount on disclosure date		Regulation (EU) No 575/2013 Article Reference
		31 Dec 2020	31 Dec 2019	
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1.	Capital instruments and the related share premium accounts	82,9	82,9	26 (1), 27, 28, 29
2.	Retained earnings	106,7	83,4	26 (1) (c)
3.	Accumulated other comprehensive income (and other reserves)	283,4	283,0	26 (1)
5a.	Independently reviewed interim profits net of any foreseeable charge or dividend	15,7	24,1	26 (2)
6.	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**488,6**	**473,4**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7.	Additional value adjustments (negative amount)	-1,3	-1,1	34, 105
8.	Intangible assets (net of related tax liability) (negative amount)	-71,0	-50,1	36 (1) (b), 37
28.	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-72,3**	**-51,2**	
29.	**Common Equity Tier 1 (CET1) capital**	**416,4**	**422,2**	
44.	**Additional Tier 1 (AT1) capital**	**0,0**	**0,0**	
45.	**Tier 1 capital (T1 = CET1 + AT1)**	**416,4**	**422,2**	
Tier 2 (T2) capital: instruments and provisions				
46.	Capital instruments and the related share premium accounts	59,5	50,0	62, 63
58.	**Tier 2 (T2) capital**	**59,5**	**50,0**	
59.	**Total capital (TC = T1 + T2)**	**475,9**	**472,2**	
60.	**Total risk weighted assets**	**3 035,2**	**2 900,3**	
Capital ratios and buffers				
61.	Common Equity Tier 1 (as a percentage of total risk exposure amount)	13,7 %	14,6 %	92 (2) (a)
62.	Tier 1 (as a percentage of total risk exposure amount)	13,7 %	14,6 %	92 (2) (b)
63.	Total capital (as a percentage of total risk exposure amount)	15,7 %	16,3 %	92 (2) (c)
64.	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	7,01 %	8,07 %	CRD 128, 129, 130, 131, 133
65.	of which: capital conservation buffer requirement	2,5 %	2,5 %	
66.	of which: countercyclical buffer requirement	0,01 %	0,07 %	
67.	of which: systemic risk buffer requirements	0,0 %	1,0 %	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9,2 %	10,1 %	CRD 128

7.4 CAPITAL REQUIREMENTS

The Basel framework sets the minimum requirements for banks' own funds. The minimum requirement for the Common Equity Tier 1 (CET1) capital ratio is 4,5 % and the additional Tier 1 own fund requirement (AT1) is 1,5 %. Tier 1 capital (T1) consists of Common Equity Tier 1 and Additional Tier 1. The minimum requirement for Tier 2 is 2 %, meaning that the total minimum capital requirement is 8 %. In addition, a fixed capital buffer requirement of 2,5 % (non-discretionary, CET1) has been set for Finnish banks. The Finnish Financial Supervisory Authority decided on 6 April 2020 to remove the set systemic risk buffer covered with CET1 capital for credit institutions. The requirement for S-Bank Plc was one per cent. The potential O-SII buffer does not apply to S-Bank.

In January 2018, the FIN-FSA set a discretionary Pillar 2 additional capital requirement (SREP) for S-Bank. The requirement totals to 2,25 % and is based on interest rate risk in the banking book and the concentration of credit risk. The discretionary additional capital requirement became effective on 30 September 2018 and it is valid until further notice up to 30.9.2021. The requirement must be met with CET1 capital.Table 5 and Table 6 illustrates the calculation of the institution-specific countercyclical capital buffer in S-Bank. As of 31 December 2020, the buffer was 0,01 %.

Table 5: Geographical breakdown of credit exposures relevant for the calculation of countercyclical capital buffer and capital requirement (1555/2015)

	Geographical breakdown, EUR million	General credit exposures - Exposures value SA	Own funds requirements - Of which General credit exposures	Own funds requirements weights	Countercyclical capital buffer rate
		010	070	110	120
010	Finland	8 006,1	203,1	96,0 %	0,00 %
010	Norway	109,7	1,2	0,6 %	1,00 %
010	Sweden	65,0	3,7	1,8 %	0,00 %
010	Denmark	52,1	1,9	0,9 %	0,00 %
010	United Kingdom	0,9	0,0	0,0 %	0,00 %
010	Germany	0,2	0,0	0,0 %	0,00 %
010	Luxembourg	0,1	0,0	0,0 %	0,25 %
010	Other countries	133,8	1,8	0,8 %	0,00 %
020	**Total**	**8 368,0**	**211,7**	**100,0 %**	

Table 6: Amount of institution-specific countercyclical capital buffer

	31 Dec 2020, EUR million	Column
		010
010	Total risk exposure amount	3 035,2
020	Institution specific countercyclical buffer rate	0,01 %
030	Institution specific countercyclical buffer requirement (EUR million)	0,2

Table 7 presents S-Bank's capital requirements on 31 December 2020 as percentages and in euros.

Table 7: S-Bank's total capital requirement

Capital	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Pillar 2 (SREP) additional capital requirement		Total capital requirement	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4,5 %	136,6	2,5 %	75,9	0,01 %	0,2	2,25 %	68,3	9,26 %	280,9
AT1	1,5 %	45,5							1,50 %	45,5
T2	2,0 %	60,7							2,00 %	60,7
Total	**8,0 %**	**242,8**	**2,5 %**	**75,9**	**0,01 %**	**0,2**	**2,25 %**	**68,3**	**12,76 %**	**387,2**

7.5 CAPITAL POSITION AND CAPITAL ADEQUACY RATIOS

S-Bank's Pillar 1 total capital adequacy ratio at the end of the financial year was 15,7 % (16,3 %), which is above the internal minimum target level of 14,3 %.

Table 8 presents a summary of total risk exposure amount (REA). This term refers to total assets and off-balance-sheet items, weighted in accordance with capital adequacy regulation for credit risk and market risk. The operational risks are measured and added as risk exposure amount. The table also includes risk weighted asset (RWA) amounts for specific exposure classes. Off-balance-sheet items are reported within the appropriate exposure classes. The table also indicates the minimum capital requirement (8 %) for each exposure amount. Total REA increased by EUR 134,9 million to EUR 3,0 billion, mainly due to strategic growth in lending to household customers (loans secured by mortgages on immovable property).

Table 8: Overview of RWAs (EU OV1)

	31 Dec 2020, EUR million	31 Dec 2020 RWAs	31 Dec 2020 Minimum capital requirements	31 Dec 2019 RWAs	31 Dec 2019 Minimum capital requirements
1	**Credit risk (excluding CCR), standardised approach**	**2 725,7**	**218,1**	**2 604,1**	**208,3**
	Central governments or central banks	0,0	0,0	0,0	0,0
	Regional governments or local authorities	0,5	0,0	0,6	0,0
	Public sector entities	0,0	0,0	0,0	0,0
	Institutions	82,4	6,6	93,8	7,5
	Corporates	511,0	40,9	583,4	46,7
	Retail	721,7	57,7	722,8	57,8
	Secured by mortgages on immovable property	1 288,9	103,1	1 088,4	87,1
	Exposures in default	30,2	2,4	28,6	2,3
	Covered bonds	39,0	3,1	42,5	3,4
	Collective investments undertakings	27,5	2,2	27,2	2,2
	Equity exposures	0,8	0,1	0,5	0,0
	Other exposures	23,8	1,9	16,1	1,3
6	**CCR**	0,1	0,0	0,3	0,0
7	Of which mark to market	0,1	0,0	0,2	0,0
12	Of which CVA	0,0	0,0	0,1	0,0
19	**Market risk**	**0,0**	**0,0**	**0,0**	**0,0**
24	**Operational risk, basic indicator approach**	**306,0**	**24,5**	**290,1**	**23,2**
27	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**3,5**	**0,3**	**5,9**	**0,5**
29	**Total**	**3 035,2**	**242,8**	**2 900,3**	**232,0**

The following figure depicts the split of changes in risk exposure amounts and risk weighted assets during the financial period.

Figure 10: Split of changes in REA and RWAs

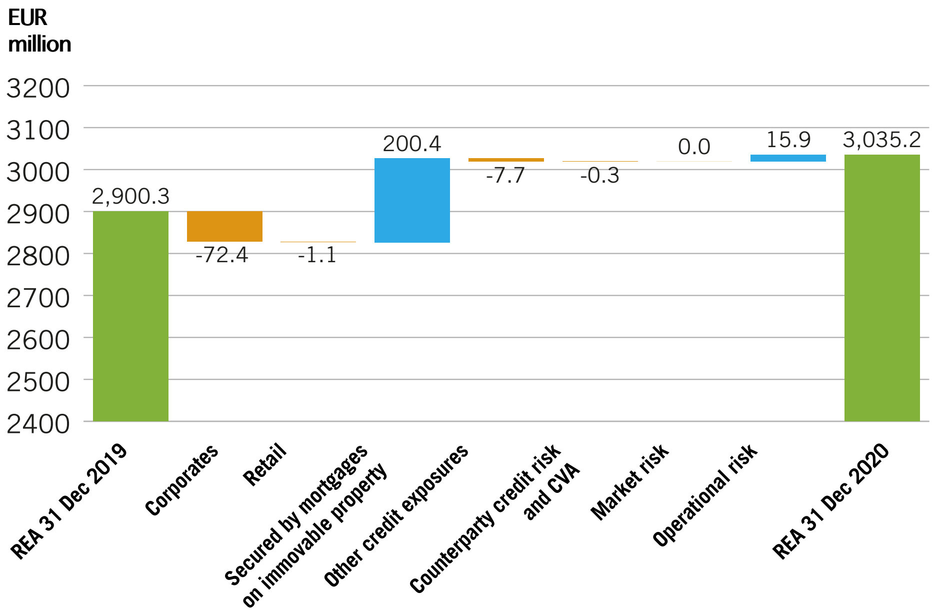
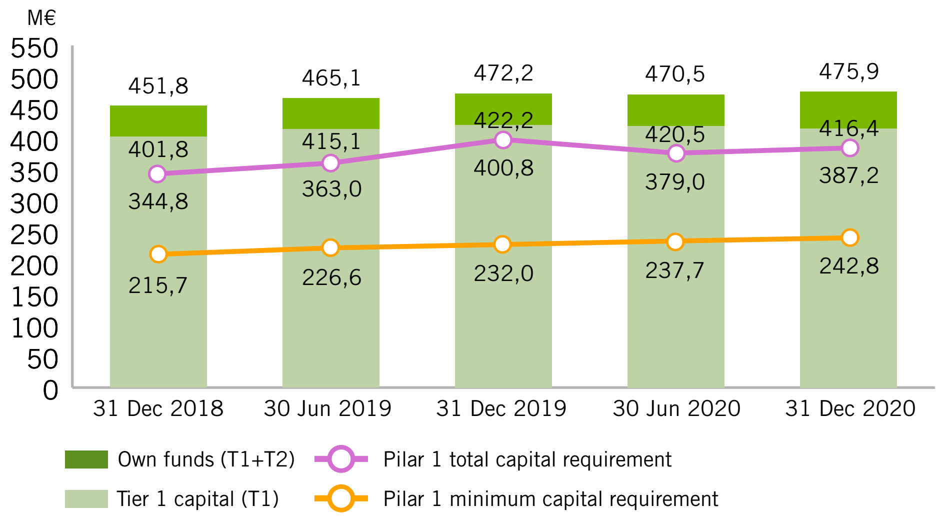


Figure 11 illustrates the euro denominated development in the Pillar 1 minimum capital requirements (8 %), the total capital requirements (12,76 % at 31 Dec 2020) and own funds. The additional Pillar 2 (SREP) capital requirement (2,25 %) raised the total capital requirement in the second half of 2018. The effects of the entry into force of the systemic risk buffer (1%) in the second half of 2019 are also visible and the removal of the buffer in the first half of 2020. At the end of the reporting period, the capital buffer in relation to the minimum capital requirement was EUR 233,1 million and EUR 88,7 million to the total capital requirement

Figure 11: Changes in own funds and capital adequacy position



7.6 LEVERAGE RATIO

Table 9 presents the information related to leverage ratio. S-Bank's leverage ratio of 5,8 % is strong, as compared to the minimum regulatory requirement, which is set at 3 % applied from June 2021.

Table 9: CRR Leverage ratio (EU) 2016/200, EUR million

	Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures	31 Dec 2020 Applicable Amount	31 Dec 2019 Applicable Amount
1	Total assets as per published financial statements	7 625,4	6 614,0
4	Adjustments for derivative financial instruments	2,8	3,3
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	255,5	240,1
7	Other adjustments	-712,6	-50,1
8	**Leverage ratio total exposure measure**	**7 171,0**	**6 807,3**

	Table LRCom: Leverage ratio common disclosure	31 Dec 2020	31 Dec 2019
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets, but including collateral)	7 554,4	6 563,4
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	7 554,4	6 563,4
	Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	0,0	0,0
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	2,8	3,7
11	Total derivatives exposures	2,8	3,7
	Other off-balance-sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 162,8	1 866,0
18	(Adjustments for conversion to credit equivalent amounts)	-1 907,3	-1 625,9
19	Other off-balance sheet exposures	255,5	240,1
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-641,7	
20	**Tier 1 capital**	**416,4**	**422,2**
21	**Leverage ratio total exposure measure**	**7 171,0**	**6 807,3**
	Leverage ratio		
22	**Leverage ratio**	**5,8 %**	
EU-22a	**Leverage ratio (excluding the impact of any applicable temporary exemption of central bank exposures)**	**5,3 %**	**6,2 %**

	Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)	31 Dec 2020	31 Dec 2019
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6 912,7	6 563,4
EU-2	Trading book exposures	0,0	0,0
EU-3	Banking book exposures, of which:	6 912,7	6 563,4
EU-4	Covered bonds	389,8	425,4
EU-5	Exposures treated as sovereigns	418,3	692,5
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	0,0	0,0
EU-7	Institutions	289,2	285,8
EU-8	Secured by mortgages of immovable properties	3 723,2	3 141,5
EU-9	Retail exposures	1 442,7	1 337,0
EU-10	Corporate	513,0	572,6
EU-11	Exposures in default	24,6	22,5
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	111,8	86,1

	Table LRQua: Disclosure on qualitative items
1	**Description of processes used to manage risk of excessive leverage** S-Bank monitors the risk of excessive leverage as part of its continuous reporting and manage the risk as part of the ICLAAP process. In addition to the regulatory minimum requirements, internal minimum target levels have been set for the Group’s leverage ratio and for the CET1 capital ratio as part of the risk strategy. Leverage ratio is also one of the indicators in the Group’s Recovery Plan.
2	**Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers** S-Bank’s leverage ratio was 5,8% at the end of the financial year. The leverage ratio was calculated in accordance with the Capital Requirements Regulation and the Commission Implementing Regulation (EU) 2016/200. The FIN-FSA announced that banks under its direct supervision may exclude certain central bank exposures from the leverage ratio. Banks may benefit from this measure until 27 June 2021. S-Bank has utilised this decision and the amount of excluded central bank exposures have been disclosed in row 19b. The change during the financial year is attributable to the increase of EUR 363,7 million in the total leverage ratio exposure measure. The change was mainly driven by the strategic growth in the overall banking book lending exposures. This growth is further explained in Section 8. Credit risk and counterparty risk. The Tier 1 capital decreased by EUR -5,8 million mainly due to the increase in intangible assets caused by the acquisition of Fennia asset management operations and development of operating profit.

8 CREDIT AND COUNTERPARTY RISKS

8.1 HIGHLIGHTS 2020 AND OVERVIEW

Credit risk refers to the probability of a counterparty failing to meet its payment obligations as agreed, in other words, causing a credit loss for S-Bank.

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

- Credit risk constitutes 90 % (EUR 2,7 billion) of S-Bank's total REA. The standardized approach is used for calculating Pillar 1 capital requirements for credit risk. The most substantial items requiring capital include mortgages, retail and corporate exposures.

- Exposures secured by immovable property are mostly housing loans issued to household customers and housing companies. This item forms the largest part of S-Bank's credit portfolio carrying amounts (EUR 3,8 billion and 39 %). Respectively, retail exposures comprise EUR 3,2 billion and 33% of the credit portfolio.

- Total Expected Credit Losses (ECL) amounts to EUR 19,6 million (17,1). The ECL growth is attributable to increase in household loan portfolio. The coverage ratio remained stable at 0,23 % of the total exposures in the ECL calculation.

- Indicators of non-performing loans remained at a low level. The NPL ratio was 0,6 % (0,6 %) and the total net effect on profit of expected and final credit losses was EUR 23.6 million (14,0). The percentage of net expected and final credit losses was at a low level of 0,4 % (0,3 %) relative to the loan portfolio.

- Popularity of payment holidays increased during the coronavirus pandemic. Loans under payment holiday or other change in the payment schedule more than doubled to 680 million euros (326) that represents 15 % share of the household lending. In the spring, payment holidays were offered by S-Bank free of charge, which increased their popularity significantly. Part of the payment holiday applications meet the criteria of forbearance and the gross amount of loans under forbearance agreement increased to 65,7 million euros (31,4) at the end of the financial year.

Figure 12 presents the distribution of carrying amount of on-balance-sheet assets at the end of 2020. The total amount of household customers' portfolio increased by EUR 531,5 million as compared to 2019. The growth was most apparent in household mortgages (17 %). Correspondingly, other household secured, and unsecured loans changed by 21 % and -3 %. The decrease of unsecured loan portfolio was mainly driven by repayments. Corporate customers portfolio rose by EUR 132,8 million. Treasury portfolio increased by EUR 300,3 million mainly as the customer deposits grew.

Figure 12: Distribution of on-balance-sheet assets

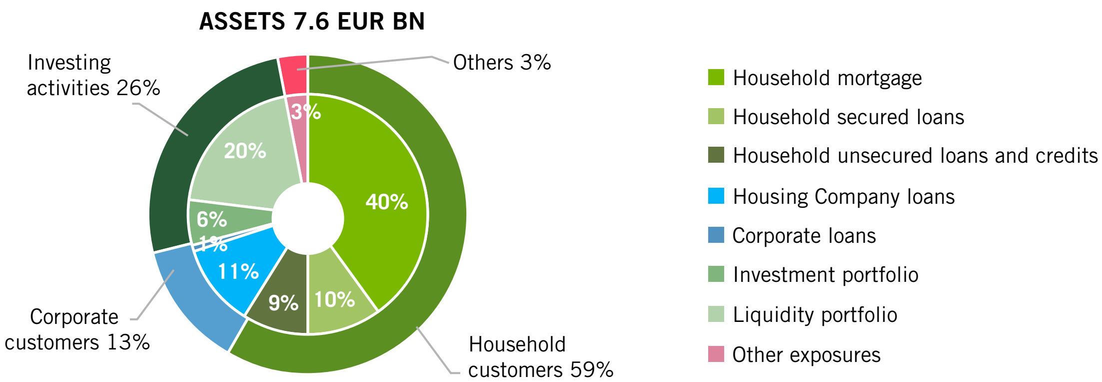
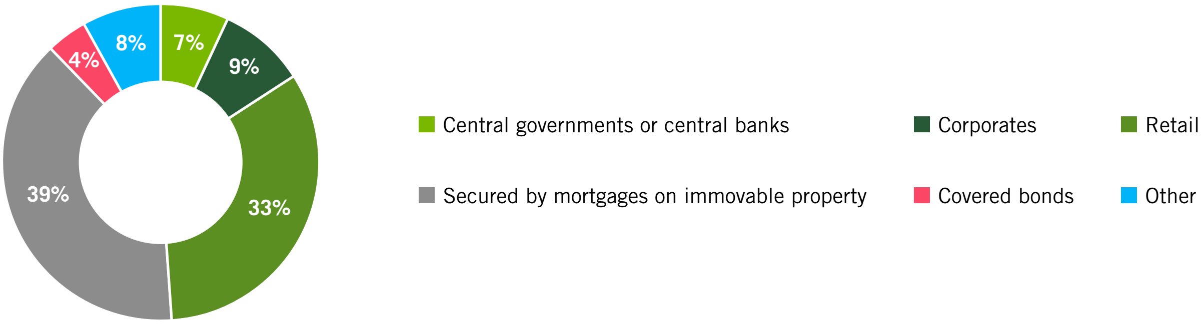


Figure 13 illustrates the distribution of net values of on-balance-sheet and off-balance-sheet credit risk exposures by exposure classes. The net value of exposures at the end of the period amounted to EUR 9 719,9 million. The total credit portfolio increased by approximately 15 % as compared to 2019. Exposures secured by immovable property increased as compared to 2019 and it forms the largest part of S-Bank's credit portfolio (39 %), comprising mostly housing loans issued to household customers and housing companies. Moreover, retail exposures (e.g. credit cards, consumption and student loans to the household customers) comprise 33% of the credit portfolio.

Figure 13: Distribution of credit risk by exposure classes



8.2 MANAGEMENT OF CREDIT RISK

The Board of Directors approves S-Bank's credit risk strategy and credit decision mandates which are in line with good banking and lending practices as well as external regulation. The credit risk strategy contains key lending goals and limitations that are aligned with S-Bank's strategy, business plan and risk strategy. Credit risks arising from the Treasury portfolio are described and limited in the Treasury's annual investment plan (approved by the Board of Directors) in line with S-Bank's risk strategy and risk appetite.

Credit risk management measures include the credit granting process, credit risk-mitigating factors such as collateral management and guarantees, pricing, credit risk monitoring, control and reporting.

Credit risk is managed continuously by the business and support units, throughout the lifecycle of credit within the framework of the set principles and limits. The methods are based on credit and customer monitoring. Necessary measures are taken to handle potential credit payment delays, overdrafts and misdemeanours. Debt collection is arranged, and credit losses are written-off in accordance with established procedures. In addition, continuous monitoring of the credit portfolio minimises the amount of non-performing loans.

8.2.1 CREDIT GRANTING PROCESS AND DECISION LEVELS

The granting of credit is based on a process that includes customer identification, a customer-specific analysis, a payment default check, risk classification and an assessment of the project to be funded along with the collateral (if any) required. Credit is only granted to those customers who have an adequate ability to repay the loan, regardless of potential collateral value. Customers applying for credit undergo an analysis in which the applicant's ability to meet their obligations is investigated. The information to be collected and analysed depends on the credit being applied for, its intended use and the customer group. Credit applications are evaluated comprehensively to determine customer's creditworthiness.

S-Bank's Board of Directors delegates the decision-making power concerning credit granting within the organisation. The decision-making level depends on the amount of requested credit, customer's total responsibilities, potential collateral and guarantees. Credit proposals, decisions and changes to credit are prepared, executed and documented appropriately. The credit decision process is centralised and some of the household customers' credit decisions are made automatically based on risk scoring models. Automation of the decision-making process enhances credit risk management, profitability, operational efficiency and consistency of decisions. Significant issues related to credit granting are reviewed with the customer in accordance with the operative guidelines.

The FIN-FSA has set a loan cap, loan-to-collateral (LTC) ratio, defining a maximum amount for a residential mortgage in proportion to the fair value of the collateral provided as security when credit is granted. In 2020, the average LTC-ratio for S-Bank's residential mortgage portfolio was 67,3 % (63,1 %).

8.2.2 CREDIT RISK MODELLING

Internal risk models are used for the measurement of credit risk and consequently in the credit granting process, credit risk decisions, limit setting, pricing decisions, credit management and control measures. Internal credit risk models are also used to calculate Pillar 2 capital requirements as well as Expected Credit Losses (ECL) under IFRS 9. The ECL calculation process applies to all credits and the Treasury's investment portfolio.

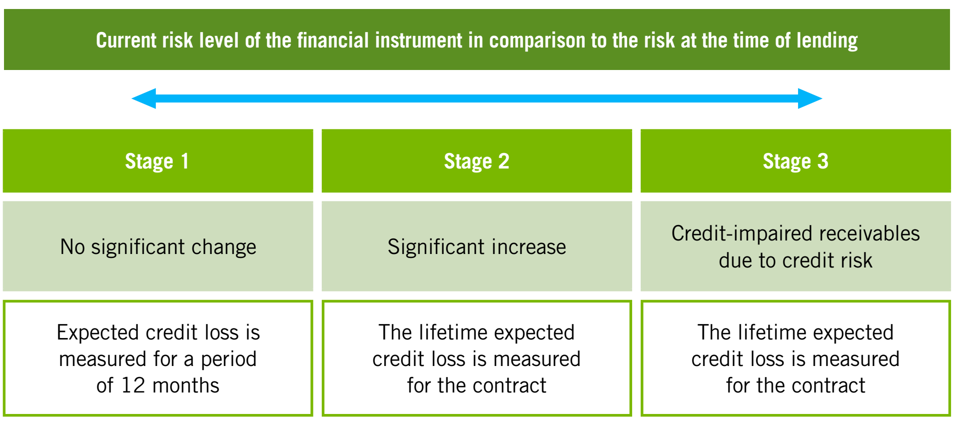
S-Bank uses the probability of default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) for measuring credit risks. The CCF parameter can be employed to determine the amount of liability i.e. Exposure at Default (EAD). Table 10 presents the credit risk models that S-Bank employs for each customer group.

Table 10: Credit risk models used in the ECL calculation and risk management purposes

Customer group	Credit risk model	Use	Internal/external model
Household customers	**PD model: probability of default within the next 12 months**	Determining the risk at initial recognition and currently, classifying financial instruments for measurement of value	S-Bank internal model, parameters derived from S-Bank's credit portfolio
	LGD model: S-Bank's realised credit losses after collection measures.	As a parameter in ECL calculation	S-Bank internal model, parameters derived from S-Bank's credit portfolio
	CCF/EAD model: exposure at default	As a parameter in ECL calculation	S-Bank internal model, parameters derived from S-Bank's credit portfolio
Corporate customers	**PD model: probability of default within the next 12 months**	Determining the risk at initial recognition and currently, classifying financial instruments for measurement of value	S-Bank's internal model for corporate customers and PD estimates derived from a market database for housing companies
	LGD model: S-Bank's realised credit losses after collection measures.	As a parameter in ECL calculation	Parameters derived from a market database
	CCF/EAD model: exposure at default	As a parameter in ECL calculation	Parameters derived from S-Bank's credit portfolio
Investing activities	**PD and LGD**	As a parameter in ECL calculation	Parameters derived from a market database

PD model is applied accordingly, and all exposures are grouped into three stages for the calculation of provisions. This classification is made at the time a contract is recognised and consequently it is estimated over the lifetime of a contract whether the risk level of a credit contract has increased. Figure 14 demonstrates the continuous classification process for estimation whether the risk level of a credit contract has increased relative to the initial recognition. The estimates provided by the risk model as well as the effects of maturity and other criteria on the grouping of financial instruments are constantly monitored.

Figure 14: Grouping of financial instruments into three stages for the impairment measurement



Based on the PD estimates, loans are assigned a credit category. The probability of default is the lowest in credit category 1 and the highest in credit category 7, as presented in Figure 15.

In order to assimilate forward-looking information and its impact on credit risk and the calculation of ECL, S-Bank has performed historical analyses and identified key economic variables affecting potential credit risks. The forecasted economic development is based on S-Bank's economic scenarios. Three scenarios are used – strong, basic and weak – and their probabilities are based on S-Bank's estimates. For the purposes of IFRS 9, the macroeconomic scenarios are prepared three times a year. When calculating the amount of ECL, the effects of the eco¬nomic outlook are considered using a macroeconomic adjustment. The COVID-19 pandemic had a significant impact on the economy and the final consequences are still unknown. The effect of the pandemic was perceived as increase in layoffs, unemployment, and uncertainty in corporate outlooks. The abrupt change in the macroeconomic situation led into challenges in macroeconomic modeling and consequently the group management team decided in March 2020 to remove the specific macroeconomic factor from the ECL calculation and included the macroeconomic expectations in the management factor for the time being. The management factor that is affirmed on monthly basis includes the latest available information on macroeconomic impact of COVID-19 as well as uncertainty arising from model risk and assumptions.

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 note 1: Accounting policies and Group note 2: Group risks and their management).

The functioning of the credit categories and the credit risk models is tracked and controlled regularly. The risk models are validated and, if necessary, calibrated annually to ensure that their predictions are consistent with actual observations of credit in default.

Table 11 summarises the amount of credit risk exposure without considering collateral or other credit enhancement arrangements. The coverage ratio illustrates the share of ECL provision in relation to the respective loan portfolio. Table 11 excludes certain low risk items, such as central bank cash reserves and money market instruments.

The ECLs at the end of the financial year amounted to EUR 19,6 million (17,1). Credit granted to household customers forms the largest exposure to credit risk in the form of ECL. The exposures of household customers include housing loans and consumer credit, of which the latter gener¬ate relatively larger credit risk, as they are unsecured credit products. The corporate customers loans are granted largely to finance housing companies' apartment buildings. As these exposures are mortgage secured, they pose a smaller risk which reduces their ECL provision. The exposures of corporate customers and investing activities are mostly held by large companies with a good credit rating.

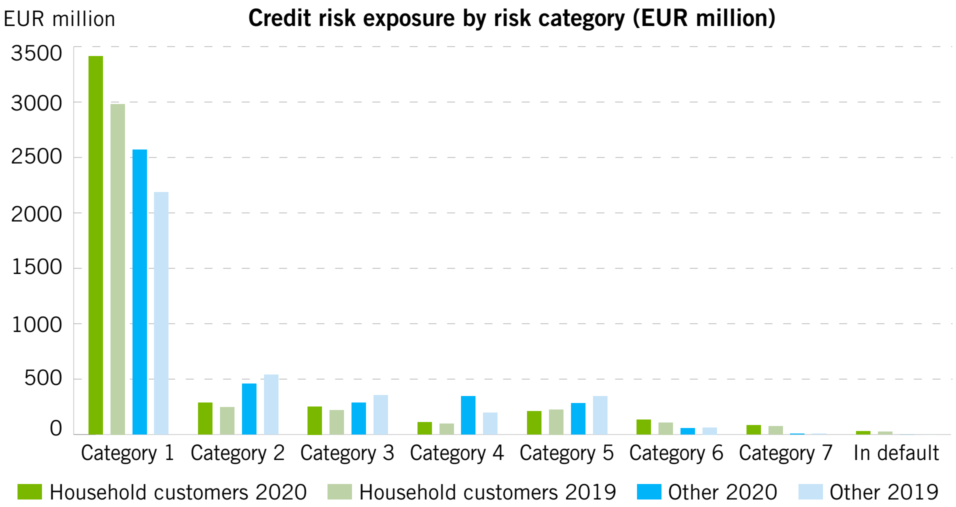
The amount of total ECL has grown steadily during the review period in rather equal proportion with the increase in credit risk exposure. During 2020 household customers ECL provision increased by EUR 2,9 million and corporate customers ECL provision decreased by EUR 0,4 million. ECL provisions for off-balance sheet commitments and investing activities portfolio remained rather stable. Coverage ratios have persisted relatively stable and within the risk appetite limits set in the credit risk strategy by the S-Bank Board of Directors.

Table 11: Portfolios, stages and ECL provisions, 31 Dec 2020

31 Dec 2020, EUR million	Stage 1		Stage 2		Stage 3		Total credit risk exposure	Total ECL provision	Coverage ratio %
	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision			
Household customers	3 896,4	-1,6	593,2	-11,6	28,6	-4,2	4 518,2	-17,4	-0,39 %
Corporate customers	953,3	-0,3	7,9	-0,1	0,0	0,0	961,2	-0,4	-0,04 %
Investing activities	910,0	-0,7	0,0	0,0	0,0	0,0	910,0	-0,7	-0,08 %
Off-balance sheet commitments	2 031,9	-0,2	99,8	-0,7	0,5	0,0	2 132,1	-1,0	-0,05 %
Total	**7 791,5**	**-2,8**	**700,9**	**-12,5**	**29,1**	**-4,3**	**8 521,6**	**-19,6**	**-0,23 %**

Figure 15 defines the distribution of household customers credit risk exposure by risk category. Corporate customers, investing activities and off-balance sheet commitments exposures are summarised under section "Other".

Figure 15: On-and-off-balance sheet credit risk exposure distribution by risk category



8.2.3 CONCENTRATION RISK

Concentration risk may arise from concentrated exposures in geographic, industrial, collateral or single name individual exposures. Concentration risks are managed within the defined limits and followed regularly. Concentration risks are assessed through stress testing in the context of capital planning (ICLAAP process) as apart of scenario analyses. In addition, concentration risk generates capital requirement as a part of Pillar 2 capital calculations.

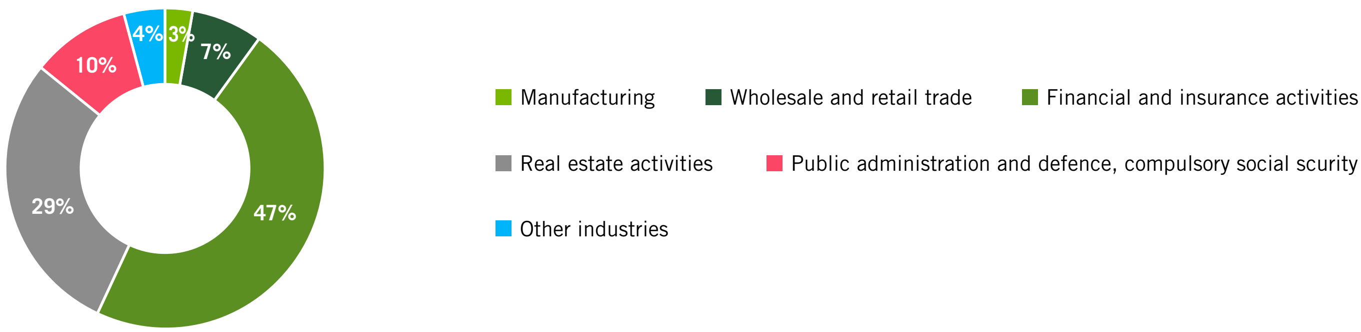
Geographically most of the exposures (94 %) are in Finland and 4 % are in the other Nordic countries. There were no substantial changes in the geographical distribution of exposure classes as compared to 2019. S-Bank's household and corporate loan portfolios are diversified geographically across Finland among various individual loans and loan products. Exposures outside Finland are primarily Treasury investments. The geographical distribution of credit is guided by the credit risk strategy targets in order to ensure that especially credit secured by mortgage is granted to regionally viable growth centres. Consequently, mortgage exposures are soundly diversified across Finland with a focus on the largest cities and the surrounding areas. Geographical concentration risk is considered to be minor.

Table 15 and Table 22 provide further information on the geographical distribution of S-Bank's exposures.

Around 65 % (EUR 6 306,3 million) of S-Bank's on- and off-balance-sheet exposures do not have an industry category, since they mainly consist of household customers' loans and credits. The proportion of exposures without an industry category (mostly household lending) has grown by 10 % during 2020. Otherwise, there has been no significant changes in the industry distribution of exposures from 2019.

Figure 16 presents the distribution of exposures with an industry category (EUR 3 413,6 million). Financial and insurance activities (47 %) are divided mainly between exposures to central governments or central banks, institutions and covered bonds and, therefore, do not form substantial concentration risk. The corporate lending business is targeted mainly to new housing companies (part of real estate activities, 29 %). These exposures do not form an essential industry concentration risk, since the credit risk is divided among the owners of the housing company. Table 16 and Table 23 provide further information on the distribution of exposures among different industries

Figure 16: Distribution of credit risk exposures by industry



Immovable property is S-Bank's largest individual category of collateral and may also produce indirect concentration risk, but the portfolio is spread to numerous individual loans and collaterals. The collateral values are also monitored and updated (the process is described in chapter 8.2.4) to identify and manage possible collateral concentration risks.

This single name risk is managed by assessing the interconnectedness of corporate clients, limiting these exposures and closely monitoring their development.

8.2.4 CREDIT RISK MITIGATION

S-Bank applies collateral and guarantees as credit risk mitigating measures. The Board of Directors decides on the eligible collateral categories and their valuation principles. To mitigate credit risk related to derivatives, S-Bank uses CSA netting agreements and central counterparty clearing (further information in chapter 8.2.6).

Exposures secured by immovable property forms the largest part of S-Bank's credit portfolio. S-Bank requires adequate collateral to reduce credit risk. The methods for assessing collateral value, it's coverage, acceptability, extension options, and liquidation are instructed thoroughly and employed in conjunction with credit granting.

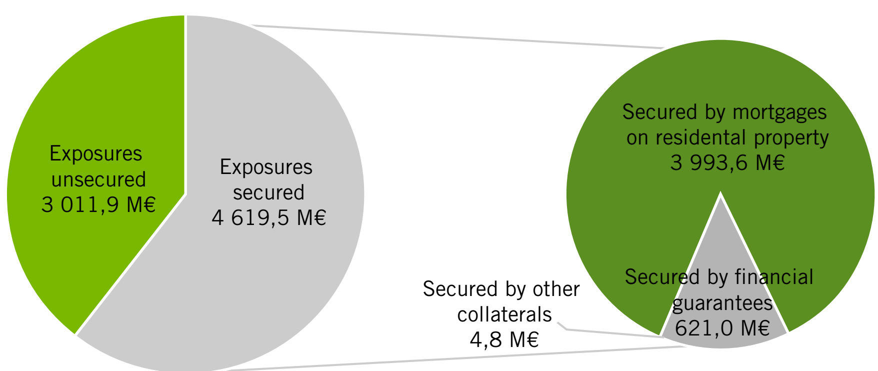
The value of the immovable property collateral is calculated based on the market or fair value of the asset and reduced by a haircut. The size of the haircut used, depends on several criteria. ECL-calculations take into account the effect of collateral and the uncertainties and costs associated with its realisation as a part of the LGD-modelling. As a significant part of the collateral portfolio is comprised of housing and real estate collateral, the increase in housing prices affects the risk profile of S-Bank. This risk is managed by directing the granting of the mortgage credit to larger cities and their neighbourhoods.

Immovable property collateral values are monitored and updated during the lifecycle of the credit. S-Bank uses statistical methods to monitor the value of the property and to identify the property in need of revaluation. The identified objects are assessed separately by an independent appraiser providing transparent documentation on the justification of the suggested revaluation and market value of the asset. This process is conducted regularly. Possible changes in immovable property collateral values are considered as a part of stress scenarios (chapter 7.2).

Credit risk management techniques used in the calculation of capital requirements include largely collateral secured by immovable property and unfunded guarantee arrangements (such as government guarantees for student, residential and housing companies' mortgage as well as financial mortgages guarantees by an external service provider). By using guarantees, the customer risk is transferred from the counterparty to the guarantor. In addition, S-Bank uses other collateral and guarantees to reduce credit risk, but these are not considered in the capital adequacy calculation.

Figure 17 presents the distribution of credit risk mitigation measures applicable in capital adequacy calculations at the end of 2020. 61 % of S-Banks total loans gross carrying amounts are secured. Of the secured exposures, 86 % are secured by mortgages on residential property and 13 % by financial guarantees. Finnish Government is the most significant individual guarantor. Guarantees include also insurances covering residential mortgages. There were no significant changes in the characteristics or valuation principles of collateral in S-Bank's credit portfolio. Further information concerning credit risk mitigation is provided in chapter 8.3.3.

Figure 17: Distribution of credit risk mitigation measures



The loan-to-value (LTV) ratio is used to express the amount of outstanding mortgage as a percentage of the value of the mortgage collateral. In the calculation of the LTV, the fair value of the real estate collateral is the original purchase price. The calculation includes insurance guarantees pertinent to the mortgages. Table 12 presents the LTV ratio distribution for household mortgage customers.

Table 12: Loan-to-value distribution of household customers

LTV Band 31 Dec 2020	Proportion of exposures
0 - 50 %	17 %
50 - 60 %	13 %
60 - 70 %	18 %
70 - 80 %	29 %
80 - 90 %	19 %
90 - 100 %	3 %
> 100 %	1 %
Total	**100 %**

LTV Band 31 Dec 2019	Proportion of exposures
0 - 50 %	17 %
50 - 60 %	13 %
60 - 70 %	19 %
70 - 80 %	32 %
80 - 90 %	15 %
90 - 100 %	3 %
> 100 %	1 %
Total	**100 %**

8.2.5 CREDIT RISK QUALITY OF EXPOSURES

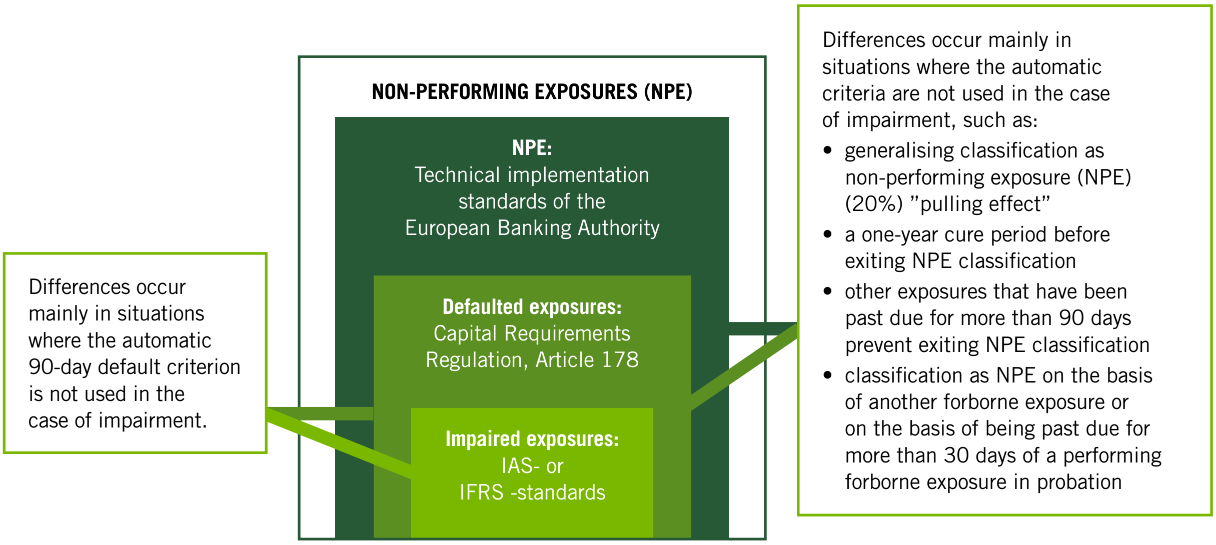
This chapter presents the essential concepts related to the credit quality of exposures, provisions and credit risk adjustments. Further numerical information concerning the credit quality of on- and off-balance-sheet exposures are provided in chapter 8.3.2.

Non-performing exposures (NPE) concept is comprised of exposures where the debtor is experiencing financial difficulties and therefore loan terms are modified (forbearance) and exposures with repayment delayed by more than 90 days (default) in addition to impaired and non-performing exposures. The main conditions for classifying an exposure as non-performing relate to past due and unlikely to pay statuses.

Figure 18 depicts the relations and differences in the definitions of these terms between the accounting and CRR framework. In S-Bank, this concept relates mainly to household loans, hence non-performing loans (NPL).

Payment delays, customer's' payment ability and other aspects affecting the quality of loans are monitored on a daily basis. Necessary measures are taken as soon as possible to ensure the repayment of the loan. S-Bank's arrears and collections team performs these responsibilities. S-Bank is also regularly developing the effectiveness of credit control and its collection processes that are designed based on risk-based monitoring methods. The evolvement of non-performing loans is reviewed continuously and reported to relevant parties by the banking business unit in addition to the Risk Control function.

Figure 18: Illustration of relationship between non-performing, defaulted and impaired exposures and differences in definition between the accounting and the capital requirement regulation framework



Indicators of non-performing loans increased during the review period but remained at a low level, nevertheless. The gross carrying amount of non-performing loans totalled EUR 32.4 million (28.4) at the end of the review period. Due to the increase in the loan portfolio, the NPL ratio of non-performing loans to loans and advances (excluding central bank cash and demand deposits) remained at a low level of 0.6% (0.6) despite the increase in non-performing receivables. All non-performing loans are household customers' exposures. Further information can be found in Table 20: Credit quality of performing and non-performing exposures by past due dates (CQ 3).

FORBORNE EXPOSURES

Forborne exposures are concessions given to a borrower's original payment schedule to assist them with short-term financial difficulties. The key objective of granting forbearance measures is to pave the way for non-performing borrowers to exit their non-performing status, or to prevent performing borrowers from reaching a non-performing status. Forbearance measures always aim to return the exposure to a situation of sustainable repayment.

If a receivable has not already being classified as non-performing and forbearance measures are granted to it, it is classified as performing forborne credit. In this case, the contract is classified under stage 2 in impairment measurement for a probation period of two years.

If the receivable is already non-performing and it is granted forbearance, it becomes non-performing forborne credit. Performing forborne credit becomes non-performing if any of the factors causing non-performance is triggered. Such factors include a second forbearance within the probation period or payments more than 30 days delinquent. A non-performing forborne credit is given a minimum of a 12-month cure period and classified in impairment testing under stage 3. If the factor or factors causing non-performance are removed, the contract is treated as performing forborne for a probation period of two years and classified under stage 2.

S-Bank has followed the general trend in the financial sector by granting repayment holidays in connection with the COVID-19 crisis. Some of the relief applications meet the criteria for forbearance, which is reflected in the growth of forborne exposures. Gross forborne exposures totalled EUR 65.7 million (31.4) at the end of the review period. At the end of 2020, 84 per cent (83) of total on-balance-sheet forborne exposures were performing. The carrying amount of gross performing forborne exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 1.0 per cent (0.5 per cent). The corresponding ratio of non-performing forborne exposures increased to 0.2 per cent (0.1 per cent). All forborne exposures are related to household customers. Further information can be found in Table 19: Credit quality of forborne exposures (CQ 1).

RECOGNITION OF LOSSES

S-Bank has internal product specific defini¬tions for cases with high probability of credit loss, and recognition of realised credit loss on the receivable. For S-Bank, the largest amount of credit losses is generated by unsecured credit, which is recognised as a credit loss at an early stage (within 4-7 months after the receivable is past due). Early recognition as a credit loss naturally maintains the amount of ECL at a relatively low level. Credit losses on secured receivables are recorded at the earliest when the collat¬eral has been realised and allocated to the receivable. In this case, the remain-ing receivable may not be recorded as a credit loss if a payment schedule has been created for it.

Collection agencies are still applying active measures to collect these debts. These measures will eventually reduce the gross amount of recognised credit losses. Hence, the amount of realised net credit losses is the appropriate indicator that reflects the amount of credit losses for the financial year.

Figure 21 describes the amount of realised net losses (after reversals of receivables written off) as of 31 December 2020. During the period under review, EUR 28,0 million (18,3) was recognised as expected and final credit losses on the income statement. Reversals were EUR 4,4 million (4,3) during 2020. The total net effect on profit of expected and final credit losses was EUR 23.6 million (EUR 14.0 million). The percentage of net credit losses relative to the size of the on-balance-sheet credit portfolio has increased during 2020 but remained still at low level. The accrued change of expected credit losses (ECL) during 2020 amounted to EUR 2,5 million (2,6).

SPECIFIC AND GENERAL 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 such losses in 2020, so the amount for general credit risk adjustments is zero. Hence, all credit risk adjustments are specific.

Figure 19: NPL ratio

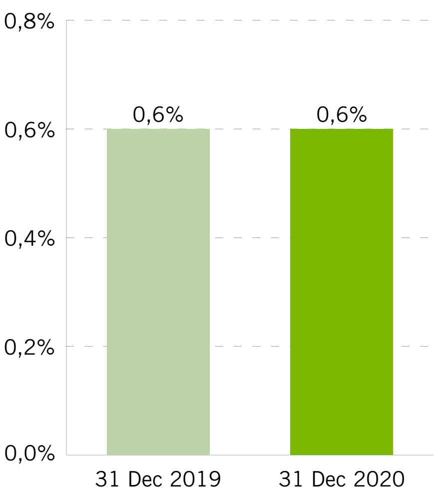


Figure 20: Forborne exposures

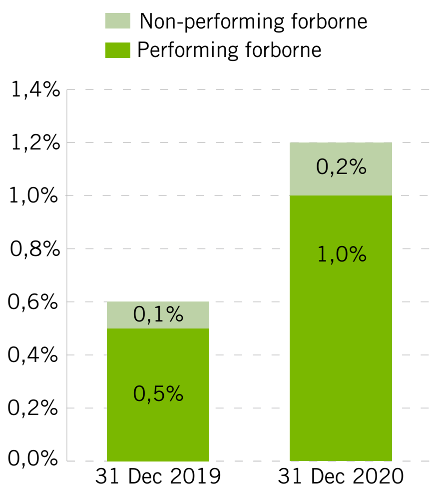
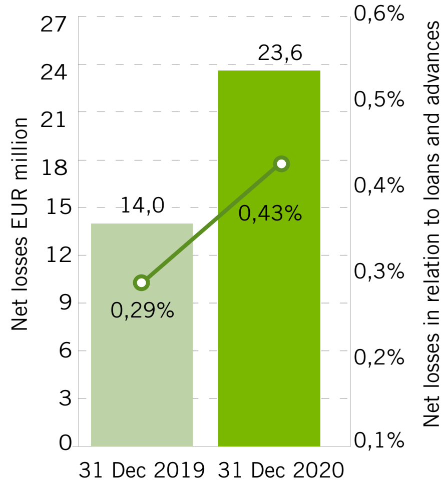


Figure 21: Net effect on profit of expected and final credit losses



8.2.6 COUNTERPARTY CREDIT RISKS

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 11.2). S-Bank uses the mark-to-market method in the calculation of CCR exposures, in which the positive market value and the potential future exposure of the contract constitute the risk exposure. At the end of 2020 The CCR exposure was EUR 2,8 million (3,7).

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. As of 31.12.2020 there was no credit valuation adjustment (CVA) charge for S-Bank, since all derivatives were cleared through a qualifying central counterparty.

S-Bank uses ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements with its derivative counterparties. These agreements are used for reducing counterparty risks. The agreements specify the general terms and conditions related to derivatives and the collateral application methods between the counterparties. S-Bank uses clearing broker to access central clearing counterparty. By the end of the year 2020 all S-Bank's derivatives were cleared through a qualifying central counterparty.

Table 13 presents the derivative contracts and their division for hedging and non-hedging purposes as distributed in hedge accounting. It also depicts the remaining maturity of the derivative contracts. The derivative portfolio decreased by 205 million, mainly due to interest rate options, that matured during the year. The fair value of the derivative portfolio remained on the same level as year before.

Table 13: Derivative contracts and remaining maturity breakdown

EUR million	31 Dec 2020			31 Dec 2019		
	Nominal value	Positive fair values	Negative fair values	Nominal value	Positive fair values	Negative fair values
Hedge accounting						
Interest rate derivatives						
Interest rate swaps	571,2	0,0	-16,1	631,2	0,0	-15,9
Hedge accounting total	**571,2**	**0,0**	**-16,1**	**631,2**	**0,0**	**-15,9**
Items outside hedge accounting						
Interest rate swaps						
Bought options	0,0	0,0	0,0	50,0	0,0	0,0
Sold options	0,0	0,0	0,0	125,0	0,0	-0,8
Interest rate swaps	140,0	0,0	0,0	110,0	0,0	0,0
Items outside hedge accounting total	**140,0**	**0,0**	**0,0**	**285,0**	**0,0**	**-0,8**
Derivatives total	**711,2**	**0,0**	**-16,2**	**916,2**	**0,0**	**-16,7**

Maturities of derivatives, EUR million	31 Dec 2020				31 Dec 2019			
	less than 1 year	1-5 years	More than 5 years	Total	less than 1 year	1-5 years	More than 5 years	Total
Hedge accounting								
Interest rate swaps	40,0	524,0	7,2	**571,2**	50,0	574,0	7,2	**631,2**
Hedge accounting total	40,0	524,0	7,2	**571,2**	50,0	574,0	7,2	**631,2**
Items outside hedge accounting								
Interest rate swaps	70,0	70,0	0,0	**140,0**	125,0	160,0	0,0	**285,0**
Derivatives total	**110,0**	**594,0**	**7,2**	**711,2**	**175,0**	**734,0**	**7,2**	**916,2**

The EBA disclosures on counterparty credit risk are found in chapter 8.3.4

8.2.7 CREDIT RISK MONITORING AND REPORTING

The banking business unit is responsible for credit risk management and the regular monitoring of the balance sheet, credit portfolios, product development and customer segment- specific development. Assessed reports include e.g. information on achieving the set objectives and actualised risk levels, follow-up on different credit risk grades, 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.

The Risk Control function monitors and ensures that the business and support units operate in accordance with the principles and limits set in the risk and credit risk strategies. The Risk Control function reports regularly on S-Bank's credit risk profile and the sufficiency of risk management procedures in accordance with chapter 6.2.

8.3 EBA DISCLOSURES OF CREDIT AND COUNTERPARTY RISK

The following subsections present the qualitative and quantitative disclosures prepared in line with the EBA's disclosure requirements (EBA/GL/2016/11 and EBA/GL/2018/10).

8.3.1 GENERAL INFORMATION ON CREDIT RISK

Table 14 illustrates the net values of on-balance-sheet and off-balance-sheet credit risk exposures. The total credit portfolio increased during 2020 by approximately 15 % as compared to 2019. The amount of household customers portfolio augmented (especially exposures secured by mortgages on immovable properties and retail exposures). Also, treasury portfolio increased as the customer deposits grew (e.g. central governments or central banks, regional governments or local authorities, institutions etc.).

Table 14: Total and average net amount of exposures (EU CRB-B)

		31 Dec 2020		31 Dec 2019	
		a	b	a	b
Exposure classes, EUR million		Net value of exposures at the end of the period	Average net exposures over the period	Net value of exposures at the end of the period	Average net exposures over the period
16	Central governments or central banks	729,6	617,8	576,1	320,0
17	Regional governments or local authorities	330,4	317,3	116,4	306,7
18	Public sector entities	0,0	5,0	0,0	10,0
21	Institutions	292,0	296,4	289,5	398,9
22	Corporates	870,9	925,3	956,6	951,2
24	Retail	3 198,8	3 137,9	2 789,0	2 763,5
26	Secured by mortgages on immovable property	3 771,4	3 533,5	3 170,8	3 035,0
28	Exposures in default	25,1	26,3	22,9	19,5
30	Covered bonds	389,8	404,2	425,4	437,8
32	Collective investments undertakings	27,6	26,9	27,3	26,5
33	Equity exposures	0,8	6,9	0,5	0,5
34	Other exposures	83,7	80,6	58,5	64,8
35	**Total standardised approach**	**9 719,9**	**9 377,9**	**8 433,1**	**8 334,4**

Table 15 provides a breakdown of on-balance-sheet and off-balance-sheet exposures by geographical areas and exposure classes. There were no substantial changes in the geographical distribution of exposure classes as compared to 2019.

Table 15: Geographical breakdown of exposures (EU CRB-C)

		b	a	k	j	n
Exposure classes 31 Dec 2020, EUR million		**Finland**	**Nordic countries**	**Other EU member countries**	**Other countries**	**Total**
7	Central governments or central banks	729,6	0,0	0,0	0,0	729,6
8	Regional governments or local authorities	292,8	15,7	0,0	21,8	330,4
9	Public sector entities	0,0	0,0	0,0	0,0	0,0
12	Institutions	85,4	160,9	33,3	12,3	292,0
13	Corporates	802,3	68,6	0,0	0,0	870,9
14	Retail	3 196,0	0,3	1,2	1,2	3 198,8
15	Secured by mortgages on immovable property	3 767,2	0,7	1,5	2,1	3 771,4
16	Exposures in default	25,1	0,0	0,0	0,0	25,1
18	Covered bonds	111,8	157,2	0,0	120,8	389,8
20	Collective investments undertakings	19,4	0,0	0,0	8,1	27,6
21	Equity exposures	0,6	0,0	0,1	0,0	0,8
22	Other exposures	83,7	0,0	0,0	0,0	83,7
23	**Total standardised approach**	**9 113,9**	**403,5**	**36,1**	**166,3**	**9 719,9**

		b	a	k	j	n
Exposure classes 31 Dec 2019, EUR million		**Finland**	**Nordic countries**	**Other EU member countries**	**Other countries**	**Total**
7	Central governments or central banks	576,1	0,0	0,0	0,0	576,1
8	Regional governments or local authorities	78,6	16,1	0,0	21,7	116,4
9	Public sector entities	0,0	0,0	0,0	0,0	0,0
12	Institutions	117,7	125,5	34,2	12,2	289,5
13	Corporates	888,4	67,6	0,6	0,0	956,6
14	Retail	2 785,9	0,5	1,3	1,3	2 789,0
15	Secured by mortgages on immovable property	3 168,1	0,9	1,4	0,5	3 170,8
16	Exposures in default	22,8	0,0	0,0	0,0	22,9
18	Covered bonds	129,1	176,0	0,0	120,4	425,4
20	Collective investments undertakings	19,4	0,0	0,0	7,9	27,3
21	Equity exposures	0,4	0,0	0,1	0,0	0,5
22	Other exposures	58,5	0,0	0,0	0,0	58,5
23	**Total standardised approach**	**7 845,1**	**386,5**	**37,6**	**163,9**	**8 433,1**

Table 16 provides a breakdown of exposures by industry and exposure classes. The table includes all industries determined as significant. Industries that have been deemed insignificant are included in column "Other services, total". Approximately 65 % (65 %) of S-Bank's credit exposures do not have an industry category; this column contains mainly household customers' credits. There have been no significant changes in the industry distribution of exposures as compared to 2019.

Table 16: Concentration of exposures by industry (EU CRB-D)

		c	d	f	g	h	m	v	l	n	o	s	w	u
Exposure classes 31 Dec 2020, EUR million		Manu-facturing	Electricity, gas, steam and air condition-ing supply	Construction	Wholesale and retail trade	Transport and storage	Professional, scientific and technical activities	Financial and insurance activities	Real estate activities	Administra-tive and support service activities	Public administra-tion and defence, compulsory social security	Other services, total	No Industry	**Total**
7	Central governments or central banks	0,0	0,0	0,0	0,0	0,0	0,0	717,3	0,0	0,0	12,3	0,0	0,0	**729,6**
8	Regional governments or local authorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	318,9	11,4	0,0	**330,4**
9	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	**0,0**
12	Institutions	0,0	0,0	0,0	0,0	0,0	0,0	292,0	0,0	0,0	0,0	0,0	0,0	**292,0**
13	Corporates	119,2	20,0	19,5	236,9	23,3	23,2	58,8	350,1	5,3	0,0	14,6	0,0	**870,9**
14	Retail	0,1	0,0	0,5	0,1	0,0	3,5	5,3	0,4	0,9	0,0	1,3	3 186,6	**3 198,8**
15	Secured by mortgages on immovable property	0,0	0,0	0,0	0,0	0,0	0,0	57,7	644,3	0,1	0,0	0,0	3 069,4	**3 771,4**
16	Exposures in default	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	25,1	**25,1**
18	Covered bonds	0,0	0,0	0,0	0,0	0,0	0,0	389,8	0,0	0,0	0,0	0,0	0,0	**389,8**
20	Collective investments undertakings	0,0	0,0	0,0	0,0	0,0	0,0	27,6	0,0	0,0	0,0	0,0	0,0	**27,6**
21	Equity exposures	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,0	0,0	0,4	0,0	**0,8**
22	Other exposures	0,0	0,0	0,0	0,0	0,0	0,0	58,5	0,0	0,0	0,0	0,0	25,2	**83,7**
23	**Total standardised approach**	**119,3**	**20,0**	**20,0**	**237,0**	**23,3**	**26,7**	**1 607,2**	**994,8**	**6,2**	**331,2**	**27,8**	**6 306,3**	**9 719,9**

Exposure classes 31 Dec 2019, EUR million		c Manufacturing	d Electricity, gas, steam and air conditioning supply	f Construction	g Wholesale and retail trade	h Transport and storage	m Professional, scientific and technical activities	v Financial and insurance activities	l Real estate activities	n Administrative and support service activities	o Public administration and defence, compulsory social security	s Other services, total	w No Industry	u **Total**
7	Central governments or central banks	0,0	0,0	0,0	0,0	0,0	0,0	563,9	0,0	0,0	12,2	0,0	0,0	**576,1**
8	Regional governments or local authorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	113,3	3,1	0,0	**116,4**
9	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	**0,0**
12	Institutions	0,0	0,0	0,0	0,0	0,0	0,0	289,5	0,0	0,0	0,0	0,0	0,0	**289,5**
13	Corporates	100,3	60,7	35,8	221,9	28,9	29,5	76,4	362,3	20,2	0,0	20,7	0,0	**956,6**
14	Retail	0,1	0,0	1,0	0,3	0,4	2,3	5,6	4,4	1,1	0,0	2,6	2 771,1	**2 789,0**
15	Secured by mortgages on immovable property	0,0	0,0	0,1	0,0	0,0	0,0	47,8	490,9	0,1	0,0	0,0	2 632,0	**3 170,8**
16	Exposures in default	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	22,9	**22,9**
18	Covered bonds	0,0	0,0	0,0	0,0	0,0	0,0	425,4	0,0	0,0	0,0	0,0	0,0	**425,4**
20	Collective investments undertakings	0,0	0,0	0,0	0,0	0,0	0,0	17,6	9,7	0,0	0,0	0,0	0,0	**27,3**
21	Equity exposures	0,0	0,0	0,0	0,0	0,0	0,0	0,3	0,0	0,0	0,0	0,2	0,0	**0,5**
22	Other exposures	0,0	0,0	0,0	0,0	0,0	0,0	40,0	0,0	0,0	0,0	0,0	18,5	**58,5**
23	**Total standardised approach**	**100,4**	**60,7**	**36,8**	**222,2**	**29,3**	**31,8**	**1 466,6**	**867,4**	**21,3**	**125,6**	**26,6**	**5 444,5**	**8 433,1**

Table 17 illustrates the distribution of net on-balance-sheet exposures by residual maturity and exposure classes. In a divergence from the tables presented above, this table does not include off-balance-sheet exposures. Approximately 62 % (61 %) of exposures have a residual maturity of more than five years, which is common for residential mortgages as well as other loans to the household customers (e.g. consumption and student loans included in the retail exposure).

Table 17: Maturity of exposures (EU CRB-E)

		a	b	c	d	e	f
Exposure classes 31 Dec 2020, EUR million		Net exposure value					
		On demand	**<= 1 year**	**> 1 years <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
7	Central governments or central banks	717,3	0,2	12,1	0,0	0,0	729,6
8	Regional governments or local authorities	0,0	268,2	62,2	0,0	0,0	330,4
9	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0
12	Institutions	7,7	65,5	218,7	0,1	0,0	292,0
13	Corporates	8,7	78,6	230,4	195,2	0,0	513,0
14	Retail	0,4	15,5	167,3	981,6	277,9	1 442,7
15	Secured by mortgages on immovable property	3,3	32,1	242,3	3 445,5	0,0	3 723,2
16	Exposures in default	0,2	0,6	1,7	19,0	3,1	24,6
18	Covered bonds	0,0	79,3	310,5	0,0	0,0	389,8
20	Collective investments undertakings	0,0	0,0	0,0	27,4	0,0	27,4
21	Equity exposures	0,0	0,0	0,0	0,0	0,8	0,8
22	Other exposures	0,0	74,1	9,6	0,0	0,0	83,7
23	**Total standardised approach**	**737,7**	**614,1**	**1 254,7**	**4 668,8**	**281,8**	**7 557,1**
24	**Total**	**737,7**	**614,1**	**1 254,7**	**4 668,8**	**281,8**	**7 557,1**

		a	b	c	d	e	f
Exposure classes 31 Dec 2019, EUR million		Net exposure value					
		On demand	**<= 1 year**	**> 1 years <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
7	Central governments or central banks	563,9	0,0	12,2	0,0	0,0	576,1
8	Regional governments or local authorities	0,0	23,1	93,3	0,0	0,0	116,4
9	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0
12	Institutions	4,8	94,2	190,0	0,4	0,0	289,5
13	Corporates	23,3	71,7	255,2	222,4	0,0	572,6
14	Retail	0,6	56,0	144,4	847,3	288,7	1 337,0
15	Secured by mortgages on immovable property	2,0	43,0	191,3	2 905,2	0,0	3 141,5
16	Exposures in default	0,2	0,7	1,6	15,8	4,1	22,5
18	Covered bonds	0,0	38,7	386,7	0,0	0,0	425,4
20	Collective investments undertakings	0,0	0,0	0,0	27,1	0,0	27,1
21	Equity exposures	0,0	0,0	0,0	0,0	0,5	0,5
22	Other exposures	0,0	55,0	3,5	0,0	0,0	58,5
23	**Total standardised approach**	**594,9**	**382,3**	**1 278,3**	**4 018,2**	**293,4**	**6 567,2**
24	**Total**	**594,9**	**382,3**	**1 278,3**	**4 018,2**	**293,4**	**6 567,2**

8.3.2 CREDIT QUALITY AND NON-PERFORMING LOANS

Table 18 illustrates the defaulted and non-defaulted exposures as well as the credit risk adjustments and credit losses. Defaulted exposures remained at a very low level. Specific credit risk adjustments (ECL) and accumulated write-offs increased in line with the growth of loan portfolios. The last column of the table shows the net values corresponding to the accounting values in financial statements. Hence, this definition differs from the net asset value used in capital requirement calculations.

Table 18: Credit quality of exposures by exposure class and instrument (EU CR1-A)

Exposure classes 31 Dec 2020, EUR million		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
37	Loans and advances	28,9	6 191,0	17,8	0,0	25,1	23,3	6 202,0
38	Debt securities	0,0	1 232,5	0,0	0,0	0,0	0,0	1 232,5
	Other	0,0	190,8	0,0	0,0	0,0	0,0	190,8
	On-balance-sheet amount, total	**28,9**	**7 614,3**	**17,8**	**0,0**	**25,1**	**23,3**	**7 625,4**
39	**Off-balance-sheet amount, total**	**0,5**	**2 162,3**	**1,0**	**0,0**	**0,0**	**-0,2**	**2 161,8**
	Total	**29,4**	**9 776,6**	**18,8**	**0,0**	**25,1**	**23,0**	**9 787,1**

Exposure classes 31 Dec 2019, EUR million		a	b	c	d	e	f	g
		Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment of the period	Net values
		Defaulted exposures	Non-defaulted exposures					
37	Loans and advances	26,3	5 373,2	15,2	0,0	15,5	13,6	5 384,2
38	Debt securities	0,0	1 112,6	0,0	0,0	0,0	0,0	1 112,6
	Other	0,0	117,1	0,0	0,0	0,0	0,0	117,1
	On-balance-sheet amount, total	**26,3**	**6 602,9**	**15,2**	**0,0**	**15,5**	**13,6**	**6 614,0**
39	**Off-balance-sheet amount, total**	**0,3**	**1 865,6**	**1,2**	**0,0**	**0,0**	**0,5**	**1 864,7**
	Total	**26,6**	**8 468,5**	**16,5**	**0,0**	**15,5**	**14,1**	**8 478,7**

Table 19 provides an overview of the quality of forborne exposures. Total amount of forborne on- and off-balance-sheet exposures increased by EUR 29,2 million during 2020.

Table 19: Credit quality of forborne exposures (CQ 1)

	Exposure classes 31 Dec 2020, EUR million	a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**55,1**	**10,6**	**8,9**	**8,9**	**-0,5**	**-1,3**	**53,4**	**7,0**
2	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Non-financial corporations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
7	Households	55,1	10,6	8,9	8,9	-0,5	-1,3	53,4	7,0
8	Debt Securities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
9	**Loan commitments given**	**0,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	**Total**	**55,2**	**10,6**	**9,0**	**9,0**	**-0,6**	**-1,3**	**53,4**	**7,0**

	Exposure classes 31 Dec 2019, EUR million	a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
1	**Loans and advances**	**25,9**	**5,4**	**5,3**	**5,3**	**-0,3**	**-0,9**	**23,2**	**2,6**
2	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Non-financial corporations	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
7	Households	25,9	5,4	5,3	5,3	-0,3	-0,9	23,2	2,6
8	Debt Securities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
9	**Loan commitments given**	**0,1**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	**Total**	**26,0**	**5,5**	**5,3**	**5,3**	**-0,3**	**-0,9**	**23,2**	**2,6**

Table 20 provides an ageing analysis of gross carrying amount of on- and off-balance-sheet past-due exposures. The NPL ratio, representing the amount of non-performing exposure in relation to loans and advances (excluding the cash balances at central banks and other demand deposits) amounts to 0,6 % (0,6%).

Table 20: Credit quality of performing and non-performing exposures by past due dates (CQ 3)

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
Exposure classes 31 Dec 2020, EUR million			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**6187,4**	**6164,9**	**22,6**	**32,4**	**11,1**	**10,9**	**4,7**	**2,8**	**2,4**	**0,3**	**0,3**	**28,9**
2	Central banks	717,3	717,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	33,9	33,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	67,5	67,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Non-financial corporations	893,0	893,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
7	*Of which SMEs*	432,8	432,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
8	Households	4475,8	4453,3	22,6	32,4	11,1	10,9	4,7	2,8	2,4	0,3	0,3	28,9
9	**Debt securities**	**1232,5**	**1232,5**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11	General governments	340,0	340,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
12	Credit institutions	645,2	645,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
13	Other financial corporations	8,4	8,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
14	Non-financial corporations	238,9	238,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
15	**Off-balance-sheet exposures**	**2162,2**			**0,6**								**0,5**
16	Central banks	0,0			0,0								0,0
17	General governments	0,0			0,0								0,0
18	Credit institutions	0,0			0,0								0,0
19	Other financial corporations	27,2			0,0								0,0
20	Non-financial corporations	350,1			0,0								0,0
21	Households	1784,8			0,6								0,5
22	**Total**	**9582,1**	**7397,4**	**22,6**	**33,1**	**11,1**	**10,9**	**4,7**	**2,8**	**2,4**	**0,3**	**0,3**	**29,4**

	Exposure classes 31 Dec 2019, EUR million	a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
			Performing exposures			Non-performing exposures							
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	**Loans and advances**	**5371,1**	**5353,3**	**17,9**	**28,4**	**5,4**	**13,0**	**4,7**	**2,7**	**2,2**	**0,5**	**0,0**	**26,3**
2	Central banks	563,9	563,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	33,7	33,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	59,1	59,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Non-financial corporations	768,2	768,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
7	Of which SMEs	245,4	245,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
8	Households	3946,2	3928,3	17,9	28,4	5,4	13,0	4,7	2,7	2,2	0,5	0,0	26,3
9	**Debt securities**	**1112,6**	**1112,6**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11	General governments	125,6	125,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
12	Credit institutions	677,5	677,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
13	Other financial corporations	38,8	38,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
14	Non-financial corporations	270,8	270,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
15	**Off-balance-sheet exposures**	**1865,5**			**0,5**								**0,3**
16	**Central banks**	0,0			0,0								0,0
17	**General governments**	0,0			0,0								0,0
18	**Credit institutions**	0,0			0,0								0,0
19	**Other financial corporations**	33,7			0,0								0,0
20	**Non-financial corporations**	368,3			0,0								0,0
21	**Households**	1463,5			0,5								0,3
22	**Total**	**8349,3**	**6465,9**	**17,9**	**28,8**	**5,4**	**13,0**	**4,7**	**2,7**	**2,2**	**0,5**	**0,0**	**26,6**

Table 21 provides an overview of gross carrying amount of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class. The amount of collateral and financial guarantees received in proportion to non-performing exposures reflects the volume of household customers' consumption loans.

Table 21: Performing and non-performing exposures and related provisions (CQ 4)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accu-mulated partial write-off**	**Collateral and financial guarantees received**	
	Exposure classes 31 Dec 2020, EUR million	**Performing exposures**			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**6 187,4**	**5 589,1**	**598,3**	**32,4**	**3,3**	**28,6**	**-13,4**	**-1,8**	**-11,6**	**-4,4**	**-0,2**	**-4,2**	**0,0**	**4 483,1**	**17,6**
2	Central banks	717,3	717,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	33,9	33,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	67,5	67,5	0,0	0,0	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0	0,0	0,0	61,8	0,0
6	Non-financial corporations	893,0	885,0	8,0	0,0	0,0	0,0	-0,3	-0,2	-0,1	0,0	0,0	0,0	0,0	870,5	0,0
7	Of which SMEs	432,8	428,6	4,2	0,0	0,0	0,0	-0,1	-0,1	-0,1	0,0	0,0	0,0	0,0	420,9	0,0
8	Households	4 475,8	3 885,5	590,3	32,4	3,3	28,6	-13,0	-1,6	-11,4	-4,4	-0,2	-4,2	0,0	3 550,8	17,6
9	**Debt securities**	**1 232,5**	**1 232,5**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11	General governments	340,0	340,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
12	Credit institutions	645,2	645,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
13	Other financial corporations	8,4	8,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
14	Non-financial corporations	238,9	238,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
15	**Off-balance-sheet exposures**	**2 162,2**	**2 067,6**	**94,6**	**0,6**	**0,1**	**0,5**	**-0,9**	**-0,2**	**-0,7**	**-0,1**	**0,0**	**0,0**		**148,3**	**0,0**
16	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
17	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
18	Credit institutions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
19	Other financial corporations	27,2	27,1	0,1	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
20	Non-financial corporations	350,1	349,8	0,3	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		80,2	0,0
21	Households	1 784,8	1 690,6	94,2	0,6	0,1	0,5	-0,9	-0,2	-0,7	-0,1	0,0	0,0		68,1	0,0
22	**Total**	**9 582,1**	**8 889,3**	**692,9**	**33,1**	**3,3**	**29,1**	**-14,3**	**-2,1**	**-12,3**	**-4,5**	**-0,2**	**-4,3**	**0,0**	**4 631,5**	**17,7**

Exposure classes 31 Dec 2019, EUR million		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	**Loans and advances**	**5 371,1**	**4 845,1**	**526,0**	**28,4**	**1,8**	**26,0**	**-11,3**	**-1,7**	**-9,5**	**-4,0**	**-0,2**	**-3,8**	**0,0**	**3 758,1**	**13,0**
2	Central banks	563,9	563,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
3	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
4	Credit institutions	33,7	33,7	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
5	Other financial corporations	59,1	57,7	1,4	0,0	0,0	0,0	-0,1	-0,1	0,0	0,0	0,0	0,0	0,0	46,6	0,0
6	Non-financial corporations	768,2	731,8	36,4	0,0	0,0	0,0	-0,6	-0,3	-0,4	0,0	0,0	0,0	0,0	687,0	0,0
7	Of which SMEs	245,4	225,0	20,4	0,0	0,0	0,0	-0,1	0,0	-0,1	0,0	0,0	0,0	0,0	230,4	0,0
8	Households	3 946,2	3 458,0	488,2	28,4	1,8	26,0	-10,6	-1,4	-9,2	-4,0	-0,2	-3,8	0,0	3 024,5	13,0
9	**Debt securities**	**1 112,6**	**1 112,6**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**	**0,0**
10	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
11	General governments	125,6	125,6	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
12	Credit institutions	677,5	677,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
13	Other financial corporations	38,8	38,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
14	Non-financial corporations	270,8	270,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
15	**Off-balance-sheet exposures**	**1 865,5**	**1 753,5**	**112,0**	**0,5**	**0,1**	**0,3**	**-1,2**	**-0,2**	**-1,1**	**0,0**	**0,0**	**0,0**		**165,8**	**0,0**
16	Central banks	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
17	General governments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
18	Credit institutions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
19	Other financial corporations	33,7	32,9	0,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0		0,0	0,0
20	Non-financial corporations	368,3	345,7	22,7	0,0	0,0	0,0	-0,5	0,0	-0,5	0,0	0,0	0,0		118,9	0,0
21	Households	1 463,5	1 374,9	88,5	0,5	0,1	0,3	-0,7	-0,1	-0,6	0,0	0,0	0,0		47,0	0,0
22	**Total**	**8 349,3**	**7 711,3**	**638,0**	**28,8**	**1,9**	**26,3**	**-12,5**	**-1,9**	**-10,6**	**-4,0**	**-0,2**	**-3,8**	**0,0**	**3 923,9**	**13,1**

Table 22 illustrates the credit quality of S-Bank's on- and off-balance-sheet exposures by geographical location. Distribution of defaulted exposures and accumulated write-offs are consistent with overall distribution of S-Bank's exposures.

Table 22: Quality of non-performing exposures by geography (CQ 5)

	Exposure classes 31 Dec 2020, EUR million	a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	**On-balance-sheet exposures**	**7 452,4**	**32,4**	**28,9**	**7 129,9**	**-17,8**		**0,0**
2	Finland	6 862,2	32,4	28,9	6 566,2	-17,8		0,0
3	Nordic countries	400,1	0,0	0,0	373,5	0,0		0,0
4	Other EU member countries	32,6	0,0	0,0	32,6	0,0		0,0
7	Other countries	157,5	0,0	0,0	157,5	0,0		0,0
8	**Off-balance-sheet exposures**	**2 162,8**	**0,6**	**0,5**			**-1,0**	
9	Finland	2 161,2	0,6	0,5			-1,0	
10	Nordic countries	0,2	0,0	0,0			0,0	
11	Other EU member countries	0,7	0,0	0,0			0,0	
14	Other countries	0,7	0,0	0,0			0,0	
15	**Total**	**9 615,2**	**33,1**	**29,4**	**7 129,9**	**-17,8**	**-1,0**	**0,0**

	Exposure classes 31 Dec 2019, EUR million	a	b	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	**On-balance-sheet exposures**	**6 512,1**	**28,4**	**26,3**	**6 420,9**	**-15,2**		**0,0**
2	Finland	5 930,7	28,4	26,3	5 864,0	-15,2		0,0
3	Nordic countries	384,3	0,0	0,0	367,8	0,0		0,0
4	Other EU member countries	33,6	0,0	0,0	33,6	0,0		0,0
7	Other countries	163,5	0,0	0,0	155,6	0,0		0,0
8	**Off-balance-sheet exposures**	**1 866,0**	**0,5**	**0,3**			**-1,2**	
9	Finland	1 864,8	0,5	0,3			-1,2	
10	Nordic countries	0,2	0,0	0,0			0,0	
11	Other EU member countries	0,5	0,0	0,0			0,0	
14	Other countries	0,4	0,0	0,0			0,0	
15	**Total**	**8 378,1**	**28,8**	**26,6**	**6 420,9**	**-15,2**	**-1,2**	**0,0**

Table 23 shows a breakdown of the credit quality of loans and advances to non-financial corporations and related impairments, provisions and valuation adjustments by industry.

Table 23: Credit quality of loans and advances by industry (CQ 6)

		a	b	c	d	e	f
31 Dec 2020, EUR million		**Gross carrying amount**				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
			Of which non-performing		**Of which loans and advances subject to impairment**		
				Of which defaulted			
3	Manufacturing	0,1	0,0	0,0	0,1	0,0	0,0
4	Electricity, gas, steam and air conditioning supply	6,2	0,0	0,0	6,2	0,0	0,0
6	Construction	0,2	0,0	0,0	0,2	0,0	0,0
7	Wholesale and retail trade	3,4	0,0	0,0	3,4	0,0	0,0
11	Financial and insurance actvities	4,0	0,0	0,0	4,0	0,0	0,0
12	Real estate activities	872,0	0,0	0,0	872,0	-0,3	0,0
13	Professional, scientific and technical activities	4,9	0,0	0,0	4,9	0,0	0,0
14	Administrative and support service activities	0,9	0,0	0,0	0,9	0,0	0,0
19	Other services	1,3	0,0	0,0	1,3	0,0	0,0
20	**Total**	**893,0**	**0,0**	**0,0**	**893,0**	**-0,3**	**0,0**

		a	b	c	d	e	f
31 Dec 2019, EUR million		**Gross carrying amount**				**Accumulated impairment**	**Accumulated negative changes in fair value due to credit risk on non-performing exposures**
			Of which non-performing		**Of which loans and advances subject to impairment**		
				Of which defaulted			
3	Manufacturing	0,1	0,0	0,0	0,1	0,0	0,0
4	Electricity, gas, steam and air conditioning supply	33,3	0,0	0,0	33,3	-0,2	0,0
6	Construction	0,3	0,0	0,0	0,3	0,0	0,0
7	Wholesale and retail trade	23,3	0,0	0,0	23,3	0,0	0,0
11	Financial and insurance actvities	5,6	0,0	0,0	5,6	0,0	0,0
12	Real estate activities	696,3	0,0	0,0	696,3	-0,5	0,0
13	Professional, scientific and technical activities	6,3	0,0	0,0	6,3	0,0	0,0
14	Administrative and support service activities	0,9	0,0	0,0	0,9	0,0	0,0
19	Other services	2,1	0,0	0,0	2,1	0,0	0,0
20	**Total**	**768,2**	**0,0**	**0,0**	**768,2**	**-0,6**	**0,0**

Collateral obtained by taking possession and execution processes (CQ 9)

Loan collateral was not obtained for S-Bank's possession during 2020. If the exposure is non-performing, the collateral may be sold by the customer or a distraint executor to cover for the remaining debt

Table 24 identifies the changes in the stock of specific credit risk adjustments held against loans and debt securities that are defaulted or impaired.

Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A)

	31 Dec 2020, EUR million	a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**17,1**	**0,0**
2	Changes due to change in credit risk (net)	4,2	0,0
3	Increases due to origination and acquisition	2,7	0,0
4	Decreases due to derecognition	-1,3	0,0
5	Decrease in allowance account due to write-offs	-3,2	0,0
6	**Closing balance**	**19,6**	**0,0**
7	Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	0,0	0,0
8	Amounts written-off directly to the statement of profit or loss	0,0	0,0

	31 Dec 2019, EUR million	a Accumulated specific credit risk adjustment	b Accumulated general credit risk adjustment
1	**Opening balance**	**14,5**	**0,0**
2	Changes due to change in credit risk (net)	1,1	0,0
3	Increases due to origination and acquisition	7,8	0,0
4	Decreases due to derecognition	-4,6	0,0
5	Decrease in allowance account due to write-offs	-1,7	0,0
6	**Closing balance**	**17,1**	**0,0**
7	Recoveries of previously written-off amounts recorded directly to the statement of profit or loss	0,0	0,0
8	Amounts written-off directly to the statement of profit or loss	0,0	0,0

Table 25 identifies the changes in the stock of defaulted loans and debt securities.

Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)

	31 Dec 2020, EUR million	a Gross carrying value defaulted exposures
1	**Opening balance**	**26,6**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	56,5
3	Returned to non-defaulted status	-20,7
4	Amounts written off	-25,0
5	Other changes	-8,1
6	**Closing balance**	**29,4**

	31 Dec 2019, EUR million	a Gross carrying value defaulted exposures
1	**Opening balance**	**19,6**
2	Loans and debt securities that have defaulted or impaired since the last reporting period	41,6
3	Returned to non-defaulted status	-13,7
4	Amounts written off	-15,4
5	Other changes	-5,5
6	**Closing balance**	**26,6**

8.3.3 CREDIT RISK MITIGATION

Table 26 illustrates information on net exposures secured by collateral and guarantees used as credit risk mitigants in terms of calculating the risk-weighted exposure amounts (RWAs). Exposures secured by collateral mostly includes immovable property, being S-Bank's largest category of collateral. In comparison to 2019, the amount of exposures secured by immovable property has increased in line with the strong growth of residential mortgages granted. The Finnish Government is the most significant individual guarantor. The other guarantors mainly consist of insurance guarantees covering residential mortgages.
Both guarantee categories have augmented during 2020 due to the growth of residential mortgages and student loans.

Table 26: CRM techniques – overview (EU CR3)

	Exposure value 31 Dec 2020, EUR million	a	b	c	d	e
		Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	3 752,0	4 612,6	3 992,3	620,3	0,0
2	Total debt securities	1 232,5	0,0	0,0	0,0	0,0
3	**Total exposures**	**4 984,5**	**4 612,6**	**3 992,3**	**620,3**	**0,0**
4	Of which defaulted	9,9	15,2	13,5	1,7	0,0

	Exposure value 31 Dec 2019, EUR million	a	b	c	d	e
		Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
1	Total loans	3 338,6	3 911,4	3 397,7	513,6	0,0
2	Total debt securities	1 112,9	0,0	0,0	0,0	0,0
3	**Total exposures**	**4 451,5**	**3 911,4**	**3 397,7**	**513,6**	**0,0**
4	Of which defaulted	10,8	12,0	10,4	1,6	0,0

Table 27 presents information regarding credit risk management (CRM) techniques at the end of the financial period. On-balance sheet exposures amount to approximately 78 % of all credit risk exposures before Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM). The total RWA density has decreased by approximately 3,4 percentage points as compared to 2019.

Table 27: Credit risk exposure and CRM effects (EU CR4)

	Exposure classes 31 Dec 2020, EUR million	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	729,6	0,0	1 153,9	7,0	0,0	0,0 %
2	Regional governments or local authorities	330,4	0,0	330,4	0,0	0,5	0,1 %
3	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0 %
6	Institutions	289,2	0,0	294,0	0,0	82,4	28,0 %
7	Corporates	513,0	357,9	566,5	39,5	511,0	84,3 %
8	Retail	1 442,7	1 756,0	960,1	4,7	721,7	74,8 %
9	Secured by mortgages on immovable property	3 723,2	48,2	3 723,2	10,2	1 288,9	34,5 %
10	Exposures in default	24,6	0,5	24,6	0,0	30,2	122,7 %
12	Covered bonds	389,8	0,0	389,8	0,0	39,0	10,0 %
14	Collective investments undertakings	27,4	0,2	27,4	0,1	27,5	100,0 %
15	Equity	0,8	0,0	0,8	0,0	0,8	100,0 %
16	Other items	83,7	0,0	83,7	0,0	27,3	32,6 %
17	**Total**	**7 554,4**	**2 162,8**	**7 554,4**	**61,6**	**2 729,2**	**35,8 %**

	Exposure classes 31 Dec 2019, EUR million	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
		On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
1	Central governments or central banks	576,1	0,0	901,9	6,1	0,0	0,0 %
2	Regional governments or local authorities	116,4	0,0	116,5	0,0	0,6	0,5 %
3	Public sector entities	0,0	0,0	0,0	0,0	0,0	19,8 %
6	Institutions	285,8	0,0	288,8	0,0	93,8	32,5 %
7	Corporates	572,6	384,1	630,1	52,0	583,4	85,5 %
8	Retail	1 337,0	1 452,0	950,6	16,0	722,8	74,8 %
9	Secured by mortgages on immovable property	3 141,5	29,4	3 141,5	6,7	1 088,4	34,6 %
10	Exposures in default	22,5	0,3	22,5	0,0	28,6	126,8 %
12	Covered bonds	425,4	0,0	425,4	0,0	42,5	10,0 %
14	Collective investments undertakings	27,1	0,3	27,1	0,1	27,2	100,0 %
15	Equity	0,5	0,0	0,5	0,0	0,5	100,0 %
16	Other items	58,5	0,0	58,5	0,0	21,9	37,5 %
17	**Total**	**6 563,4**	**1 866,0**	**6 563,4**	**81,0**	**2 609,9**	**39,3 %**

Table 28 presents the breakdown of on- and off-balance-sheet exposure classes and risk weights after the deduction of CRM and CCF.

S-Bank uses ratings disclosed by External Credit Assessment Institutions (ECAI's) such as Standard & Poor's, Moody's Investors Service and Fitch Ratings to determine applicable risk weights for central governments or central banks, regional governments, public sector entities, credit institutions, corporates, covered bonds and collective investments undertakings. The last column in the table represents the exposures for which an external credit institution's credit rating is unavailable.

Most of S-Bank's exposures fall into the 35 % risk weight category (EUR 3,7 billion). These are the mortgages secured by immovable properties

Table 28: Exposures by risk weight under the standardised approach (EU CR5)

	Exposure classes 31 Dec 2020, EUR million	Risk weight										Total	Of which unrated
		0 %	2 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %		
1	Central governments or central banks	1 161,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1 161,0	0,0
2	Regional governments or local authorities	328,0	0,0	0,0	2,4	0,0	0,0	0,0	0,0	0,0	0,0	330,4	2,4
3	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Institutions	4,5	25,6	0,0	171,0	0,0	95,5	0,0	0,0	0,0	0,0	296,7	0,3
7	Corporates	0,0	0,0	0,0	57,1	0,0	100,4	0,0	446,0	2,5	0,0	606,0	363,6
8	Retail	0,0	0,0	0,0	0,0	0,0	0,0	964,9	0,0	0,0	0,0	964,9	964,9
9	Secured by mortgages on immovable property	0,0	0,0	0,0	0,0	3 733,4	0,0	0,0	0,0	0,0	0,0	3 733,4	3 733,4
10	Exposures in default	0,0	0,0	0,0	0,0	0,0	0,0	0,0	13,4	11,2	0,0	24,6	24,6
12	Covered bonds	0,0	0,0	389,8	0,0	0,0	0,0	0,0	0,0	0,0	0,0	389,8	0,0
14	Collective investments undertakings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	27,5	0,0	0,0	27,5	27,5
15	Equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,8	0,0	0,0	0,8	0,8
16	Other items	58,5	0,0	0,0	0,0	0,0	0,0	0,0	23,8	0,0	1,4	83,7	25,2
17	**Total**	**1 552,0**	**25,6**	**389,8**	**230,6**	**3 733,4**	**195,9**	**964,9**	**511,5**	**13,7**	**1,4**	**7 618,7**	**5 147,4**

	Exposure classes 31 Dec 2019, EUR million	Risk weight 0 %	2 %	10 %	20 %	35 %	50 %	75 %	100 %	150 %	250 %	Total	Of which unrated
1	Central governments or central banks	908,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	908,0	0,0
2	Regional governments or local authorities	113,4	0,0	0,0	3,1	0,0	0,0	0,0	0,0	0,0	0,0	116,5	3,1
3	Public sector entities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Institutions	2,8	26,4	0,0	127,3	0,0	136,0	0,0	0,0	0,0	0,0	292,6	3,5
7	Corporates	0,0	0,0	0,0	64,0	0,0	93,9	0,0	524,2	0,0	0,0	682,1	417,1
8	Retail	0,0	0,0	0,0	0,0	0,0	0,0	966,6	0,0	0,0	0,0	966,6	966,6
9	Secured by mortgages on immovable property	0,0	0,0	0,0	0,0	3 148,1	0,0	0,0	0,0	0,0	0,0	3 148,1	3 148,1
10	Exposures in default	0,0	0,0	0,0	0,0	0,0	0,0	0,0	10,4	12,1	0,0	22,5	22,5
12	Covered bonds	0,0	0,0	425,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	425,4	0,0
14	Collective investments undertakings	0,0	0,0	0,0	0,0	0,0	0,0	0,0	27,2	0,0	0,0	27,2	27,2
15	Equity	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,5	0,0	0,0	0,5	0,5
16	Other items	40,0	0,0	0,0	0,1	0,0	0,0	0,0	16,1	0,0	2,3	58,5	58,5
17	**Total**	**1 064,2**	**26,4**	**425,4**	**194,4**	**3 148,1**	**229,9**	**966,6**	**578,5**	**12,1**	**2,3**	**6 648,1**	**4 647,3**

8.3.4 COUNTERPARTY CREDIT RISKS

Following table presents a review of exposures to which the counterparty credit risk framework is applied. Exposures cleared through CCPs are not included in this table. By the end of 2020 all derivatives were cleared through a qualifying central counterparty.

Table 29: Analysis of CCR exposure by approach (EU CCR1)

	31 Dec 2020, EUR million	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
1	Mark to market	0,0	0,0	0,0	0,0
11	**Total**				**0,0**

	31 Dec 2019, EUR million	Replacement cost/current market value	Potential future credit exposure	EAD post CRM	RWAs
1	Mark to market	0,0	0,3	0,3	0,1
11	**Total**				**0,1**

Table 30 presents the collaterals posted by S-Bank in relation to the ISDAs and CSAs. S-Bank uses cash as collateral for derivatives and all collateral posted as of 31 Dec 2020 were posted to the central counterparty. At the end of the year, the amount of collateral posted remained on the same level as year before. S-Bank did not hold any collaterals posted by derivative counterparties. Downgrade of S-Bank's credit rating would not have any impact on the amount of collateral the institution has provided.

Table 30: Composition of collateral for exposures to CCR (EU CCR5-B)

	31 Dec 2020, EUR million		31 Dec 2019, EUR million	
	c	d	c	d
	Collateral used in derivative transactions		Collateral used in derivative transactions	
	Fair value of posted collateral		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated
Derivative contracts	22,9	-	22,9	0,6
Total	**22,9**	**-**	**22,9**	**0,6**

Table 31 presents exposure values and RWAs of transaction subject to capital requirements for CVAs. At the end of year 2020 all derivatives were cleared through a qualifying central counterparty, thus there was no capital charge for the CVA.

Table 31: CVA capital charge (EU CCR2)

		31 Dec 2020, EUR million		31 Dec 2019, EUR million	
		a	b	a	b
		Exposure value	RWAs	Exposure value	RWAs
4	All portfolios subject to the standardised method	-	-	0,3	0,1
5	**Total subject to the CVA capital charge**	**-**	**-**	**0,3**	**0,1**

Table 32 discloses exposures of centrally cleared derivatives. In the end of 2020, all derivatives were centrally cleared.

Table 32: Exposures to CCPs (EU CCR8)

	31 Dec 2020, EUR millions	**a** **EAD post CRM**	**b** **RWAs**
1	**Exposures for trades at QCCPs**		**0,1**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,8	0,1
3	(i) OTC derivatives	2,8	0,1
7	Segregated initial margin	4,5	

	31 Dec 2019, EUR millions	**a** **EAD post CRM**	**b** **RWAs**
1	**Exposures for trades at QCCPs**		**0,1**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	3,5	0,1
3	(i) OTC derivatives	3,5	0,1
7	Segregated initial margin	6,6	

Following table provides a breakdown of counterparty credit risk by risk weights.

Table 33: CCR exposures by regulatory portfolio and risk (EU CCR3)

	Exposure classes 31 Dec 2020, EUR million	Risk weight				Total	Of which unrated
		2 %	20 %	50 %	100 %		
6	Institutions	2,8	0,0	0,0	0,0	2,8	0,0
11	**Total**	**2,8**	**0,0**	**0,0**	**0,0**	**2,8**	**0,0**

	Exposure classes 31 Dec 2019, EUR million	Risk weight				Total	Of which unrated
		2 %	20 %	50 %	100 %		
6	Institutions	3,5	0,0	0,3	0,0	3,7	0,0
11	**Total**	**3,5**	**0,0**	**0,3**	**0,0**	**3,7**	**0,0**

9 OPERATIONAL RISKS

9.1 HIGHLIGHTS 2020 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 manage reputational risk and to secure continuous operations in both the short and long term. Losses attributable to operational risks realized in 2020 were very low in comparison to the regulatory capital requirement reserved for them.

- Operational risk accounts for 10 % of S-Bank's total REA. The basic indicator approach is used for calculating the capital requirement for operational risk.
- In 2020 solely operational risk losses were EUR 0,72 million (0,82 in 2019). In order to facilitate comparability, following figures represent basic operational risks.
    - 58 % (65 %) of the net operational risk losses are due to individual events with a loss value less than EUR 10 thousand.
    - 48 % (70 %) of operational risk losses are caused by external fraud. S-Bank continues to work against fraud on various preventative initiatives.

9.2 MANAGEMENT OF OPERATIONAL RISK

The primary objective of S-Bank's operational risk management is to manage reputational risk and to secure business continuity in both the short and long term. 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.

9.3 OPERATIONAL RISK MONITORING AND REPORTING

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 Risk and Audit Committee, the 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.

10 COMPLIANCE RISKS

10.1 HIGHLIGHTS AND OVERVIEW

Compliance risk refers to a risk that arises from non-compliance of regulatory requirements and ethical principles. Compliance risks include conduct risks in relation to customer and decision processes, corporate culture, risks related to non-compliance of regulatory requirements, juridical risks, risks related to conflicts of interest and unethical behavior as well as risks in relation to anti-money laundering and terrorist financing. Compliance risks are non-financial risks and often overlapping with operational risks.

S-Bank's compliance risk profile is materially impacted by sanctions and fines. 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.

- In 2020 no sanctions of fines were imposed on S-Bank by the FIN-FSA.
- Bank continued to enhance customer due diligence on the Bank's AML and KYC processes during 2020.

10.2 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 requirements set out in S-Bank's policies, procedures and ethical standards, continuous AML and sanctions monitoring processes as well as ongoing compliance training. From a compliance perspective, the aim of enhanced product approval process is to ensure that all new products and services launched by S-Bank comply with the regulatory requirements. S-Bank's policies and procedures form the risk management framework. The policies that cover management of compliance risks include policies related to AML and counter-terrorist financing, conflicts of interest, customer complaints practices, data protection, internal controls, ethical principles, fit & proper requirements and insider trading guidelines. The Compliance function is responsible for updating and providing training on compliance policies and procedures on a regular basis.

Management of compliance risks is an ongoing process based on risk-assessments. All of 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 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.

10.3 COMPLIANCE RISK MONITORING AND REPORTING

Business and support units are required to report any compliance risks that occur through the group-wide operational risk 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.

The Compliance function has an important role in continuously assessing compliance risks and reporting them to the Board of Directors, the Risk and Audit Committee, the Risk Committee, the CEO and the senior management on the most significant compliance risks that have occurred.

11 MARKET RISKS

11.1 HIGHLIGHTS 2020 AND OVERVIEW

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

S-Bank's market risks are mainly comprised of spread risk and interest rate risk in the banking book (IRRBB). S-Bank is not significantly exposed to other market risks, which include equity risks, real estate risks and foreign exchange rate risks. The market risk profile is controlled with conservative risk appetite and interest rate derivatives.

- S-Bank does not have a trading book. 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 model as part of the Pillar 2 and ICAAP process.
- S-Bank's earnings-based interest rate risk decreased, and economic value-based interest risk increased due to lower interest rate expectations in the market.
  - Economic value-based interest risk for instruments measured at fair value (+100 bps) was EUR -9,3 million (decrease of EUR 3,5 million).
  - Economic value risk for the full banking book (+100 bps) was EUR -43,1 million (increase of EUR 42,4 million).
  - IRRBB earnings-based risk (-100 bps) was EUR -11,6 million (decrease of EUR 2,7 million).

- Spread risk decreased due to decrease in corporate and bank bonds as well as changes in the calculation parameters
  - Spread risk was EUR -6,1 million (decrease of EUR 4,9 million)

- At the end of 2020, Treasury's portfolio was EUR 1949,8 million (increase of EUR 300,3 million), which was mainly driven by strong growth in the customer deposits during 2020. The risk profile of the portfolio relative to its size, remained stable compared to previous year.

11.2 MANAGEMENT OF MARKET RISK

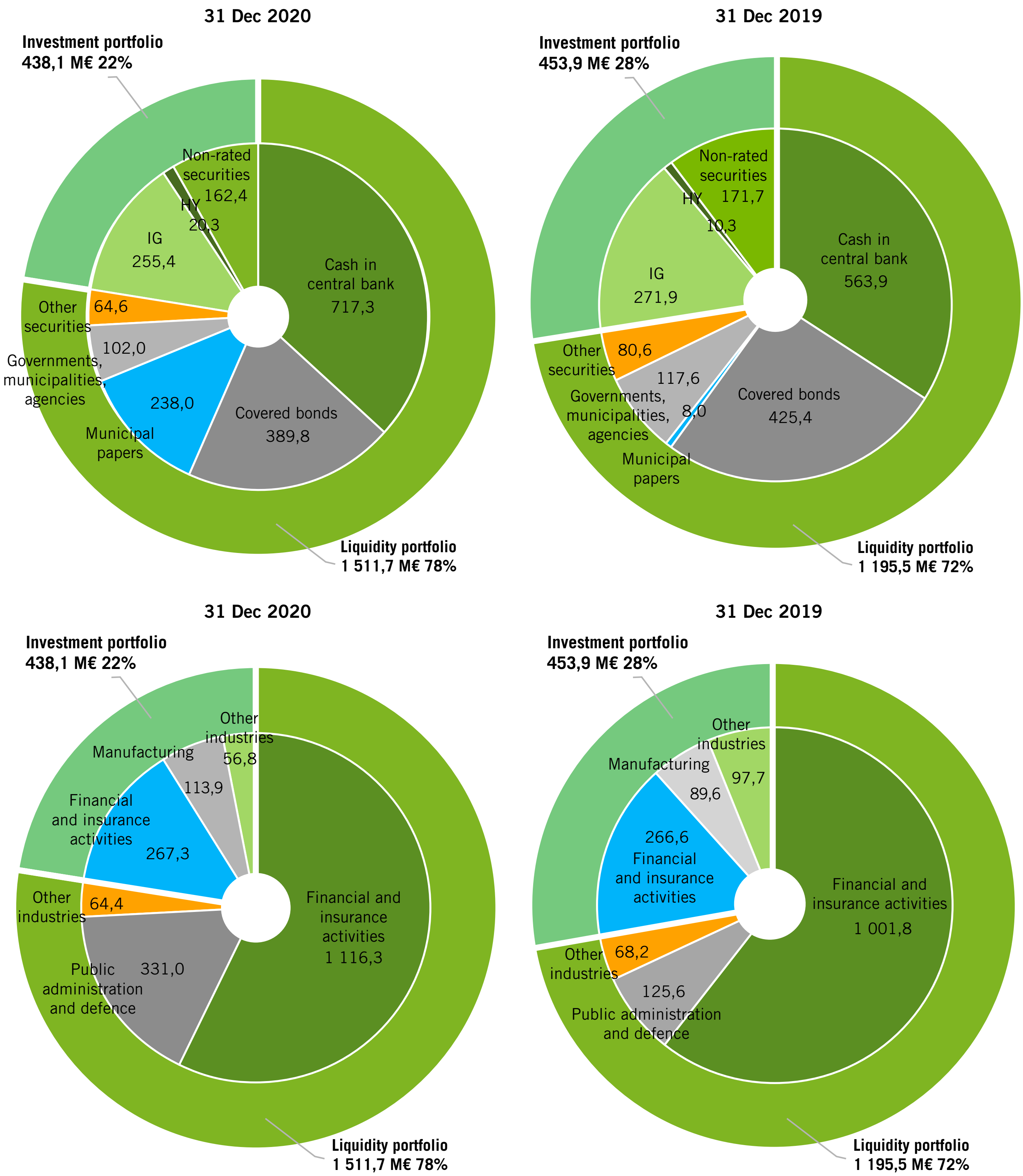
S-Bank's market risk mainly consists of spread risk and structural interest rate risk in the banking book (IRRBB). The structural interest rate risk in the banking book comes from the banking business (lending and deposits taking) and the treasury unit's investments and funding. S-Bank is not significantly exposed to other market risks.

Market risk in S-Bank's internal Pillar 2 capital review covers interest rate risks in the banking book, spread risk, equity risk, currency risk and real estate risks. Diversification effects between the categories of market risks are taken into account as a part of the total Pillar 2 capital requirement for market risk.

S-Bank's market risk management is based on a conservative risk appetite and the Board of Directors has set risk limits for each market risk type. The purpose is also to optimise returns on equity within the scope of the set risk appetite. Market risk concentrations and single name exposures are also managed through a limit framework. Limits are monitored and reported daily. Proactive monitoring of the external business environment is also an essential part of market risk management. S-Bank uses derivatives to hedge the interest rate risk on the banking book. All hedging derivative instruments at the end of the year 2020 were interest rate swaps.

The Treasury unit is responsible for managing market risk and Treasury acts as the Group's internal bank and internal hedging counterparty for business operations. Treasury's strategic goals are set in S-Bank's risk strategy and risk appetite, then integrated into Treasury's annual investment plan. Figure 22 illustrates the structure of the treasury portfolio (total EUR 1949,8 million) by instrument and by industry. In 2020, the size of the overall Treasury portfolio increased as the customer deposits grew. Additional liquidity from the deposits were invested mainly to the Liquidity portfolio's high-quality liquid assets.

Figure 22: Distribution of Treasury portfolio by classification and concentration by industry



The structural IR risk in the balance sheet is caused by differences in interest rate fixings and maturities of financial assets and liabilities. Therefore, the future Net Interest Income (NII) of S-Bank and the net present value of the balance sheet (Economic Value-based risk, EV) are not entirely foreseeable. In addition to the structural IR risk arising from mismatches in repricing profiles of deposit and lending operations, a significant part of the IR risk arises from the instruments in Treasury portfolio, hence S-Bank measures separately Economic value (EV), for instruments measured at fair value.

Economic value -based measure analyses the IR sensitivity of the net present value of all IR sensitive instruments over their remaining life until maturity. Earnings based analysis (NII) measures the sensitivity of expected future profitability of the bank resulting from IR movements over a specified time frame.

IR risk is managed by planning the balance sheet structure, such as the maturity and IR fixings of assets and liabilities, and by hedging the risk with IR derivatives. S-Bank applies hedge accounting for the hedged positions as described in the notes of the financial statement. The Board of Directors has set a limit both for S-Bank's EV and for NII interest rate risks. Table 34 presents the breakdown of financial assets and liabilities by IR fixings.

Table 34: Breakdown of financial assets and liabilities by interest rate fixing

Financial assets and liabilities 31 Dec 2020, EUR million	0–3 months	3– 12 months	1–5 years	5–10 years	More than 10 years	Total
Cash	775,7	0,0	0,0	0,0	0,0	775,7
Debt securities eligible for refinancing with central banks	86,9	81,3	553,4	0,0	0,0	721,5
Receivables from credit institutions	33,9	0,0	0,0	0,0	0,0	33,9
Receivables from the public and public-sector entities	2 132,1	3 241,0	48,5	22,8	0,0	5 444,4
Debt securities	211,1	111,4	183,8	1,0	0,0	507,3
Derivatives	0,0	0,0	0,0	0,0	0,0	0,0
Financial assets total	**3 239,7**	**3 433,6**	**785,6**	**23,8**	**0,0**	**7 482,8**
Liabilities to credit institutions	0,0	0,0	0,0	0,0	0,0	0,0
Liabilities to the public and public-sector entities	6 973,2	1,3	2,0	0,0	0,0	6 976,5
Subordinated debt	0,0	59,5	0,0	0,0	0,0	59,5
Derivatives	10,1	5,5	0,5	0,0	0,0	16,2
Other liabilities	0,0	0,0	9,4	0,0	0,0	9,4
Financial liabilities total	**6 983,3**	**66,4**	**11,9**	**0,0**	**0,0**	**7 061,6**
Financial assets and liabilities, total	**-3743,7**	**3367,3**	**773,8**	**23,8**	**0,0**	**421,2**

Financial assets and liabilities 31 Dec 2019, EUR million	0–3 months	3– 12 months	1–5 years	5–10 years	More than 10 years	Total
Cash	603,9	0,0	0,0	0,0	0,0	603,9
Debt securities eligible for refinancing with central banks	77,0	80,7	621,7	7,8	0,0	787,2
Receivables from credit institutions	33,7	0,0	0,0	0,0	0,0	33,7
Receivables from the public and public-sector entities	2 027,8	2 668,3	73,6	10,9	0,0	4 780,6
Debt securities	37,0	36,4	188,9	31,5	0,0	293,8
Derivatives	0,4	0,0	0,0	0,0	0,0	0,4
Financial assets total	**2 779,8**	**2 785,3**	**884,1**	**50,3**	**0,0**	**6 499,6**
Liabilities to credit institutions	0,0	0,0	0,0	0,0	0,0	0,0
Liabilities to the public and public-sector entities	5 997,0	0,9	3,0	0,0	0,0	6 000,8
Subordinated debt	0,0	0,0	0,0	0,0	0,0	50,0
Derivatives	9,3	5,8	2,0	0,0	0,0	17,1
Financial liabilities total	**6 006,3**	**56,6**	**4,9**	**0,0**	**0,0**	**6 067,9**
Financial assets and liabilities, total	**-3 226,5**	**2 728,7**	**879,2**	**50,3**	**0,0**	**431,7**

IRRBB is also monitored by means of IR gap analysis, in which assets and liabilities are grouped into different time periods based on their IR repricing's and maturities. The impacts of IR changes are monitored with the NII and with EV methods for the entire balance sheet. Furthermore, market risks are analysed by means of allocation distribution, sensitivity analyses and stress tests scenarios.

IR sensitivity is measured with several scenarios, including different parallel and non-parallel interest rate curve shifts. Interest rate risk resulting from these sensitivities are limited and used for internal Pillar 2 capital requirement calculations.

The results of the IRRBB sensitivity analyses are presented in Table 35. The figures illustrate the effect of parallel changes in the market interest rate curve applied to the balance sheet at all IR curve maturities. Results are divided further to balance sheet items having the most significant contribution on the IRRBB. S-Bank's earnings-based interest rate risk (NII) decreased in the +100 bps scenario and economic value-based interest risk (EV) increased in the +100 bps scenario due to lower interest rate expectations in the market.

Table 35: Interest rate risk sensitivity analyses

Economic value (EV), EUR million	31 Dec 2020	31 Dec 2019
Total +100 bps	**-43,1**	**-0,7**
Loans	-103,1	-47,0
Bonds	-20,6	-27,4
Other assets	-1,0	-0,9
Total assets	**-124,7**	**-75,3**
Non-maturing deposits	69,7	58,0
Other liabilities	0,6	0,5
Total liabilities	70,2	58,6
Derivatives	11,3	16,0
Total -100 bps	**47,9**	**67,7**
Loans	64,6	100,9
Bonds	7,6	18,0
Other assets	0,4	0,4
Total assets	**72,6**	**119,4**
Non-maturing deposits	-20,5	-40,5
Other liabilities	-0,2	-0,4
Total liabilities	**-20,8**	**-40,9**
Derivatives	-4,0	-10,8

Net interest income (NII) "Earnings-based" risk, EUR million	31 Dec 2020	31 Dec 2019
Total +100 bps	**34,3**	**35,2**
Loans	23,1	24,6
Bonds	3,8	2,4
Other assets	6,0	6,2
Total assets	**32,9**	**33,2**
Non-maturing deposits	-0,8	-1,2
Other liabilities	-1,6	-0,6
Total liabilities	-2,4	-1,8
Derivatives	3,8	3,8
Total -100 bps	**-11,6**	**-14,3**
Loans	-3,7	-5,4
Bonds	-1,6	-1,2
Other assets	-4,6	-4,8
Total assets	**-10,0**	**-11,3**
Non-maturing deposits	0,0	0,0
Other liabilities	0,1	0,1
Total liabilities	**0,1**	**0,1**
Derivatives	-1,7	-3,1

The results of the Economic value (EV) sensitivity analyses for instruments measured at fair value are presented in Table 36. Applied shock is a parallel shift of one percent in market interest rates across the curve. Total size of portfolio measured at fair value has increased moderately during 2020 as the overall Treasury portfolio grew.

Table 36: Interest rate risk sensitivity analysis in the banking book, instruments measured at fair value

Economic value (EV), instruments measured at fair value, EUR million	31 Dec 2020			31 Dec 2019		
Interest rate shock	Portfolio	Sensitivity	Sensitivity %	Portfolio	Sensitivity	Sensitivity %
+100 bps	1 214,1	-9,3	-0,8%	1 107,6	-12,8	-1,1 %
-100 bps		3,6	0,3%		8,2	0,7 %

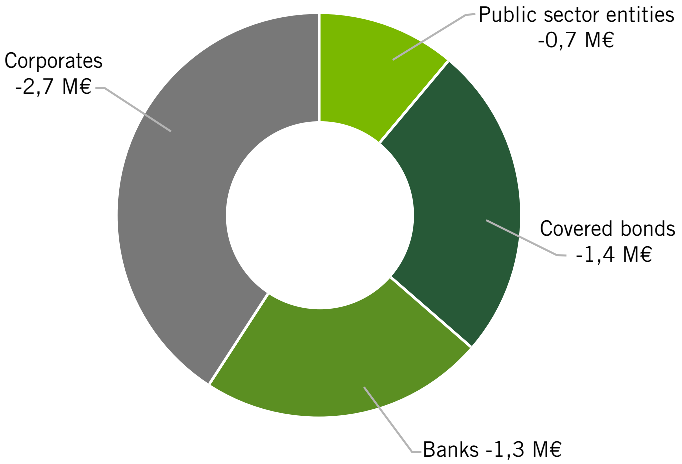
11.2.1 SPREAD RISKS

S-Bank calculates spread risk for the instruments measured at fair value through other comprehensive income in the Treasury's investment portfolio. Spread risk is primarily related to the credit quality of the specific bond issuer and secondarily to the general market assessment of credit risk. The spread risk limit structure is based on a conservative approach and Treasury's investment strategy is focused on issuers and instruments with investment grade ratings and high market liquidity. Figure 23 presents the breakdown of bond spread risk at the end of 2020.

Risk exposures and the internal Pillar 2 capital requirement for spread risk are calculated daily in accordance with S-Bank's internal market risk model. The measurement of spread risk is based on historically observed stressed volatility levels of spreads. The internal market risk model uses a 12-month horizon and a 99,5 % confidence level. Furthermore, internal market risk model is used for calculating the internal Pillar 2 capital requirement for spread risk.

The Board of Directors has set a limit on spread risk. Single name counterparty limits are defined by evaluating the credit risk of counterparties, mainly by using the credit ratings provided by External Credit Assessment Institutions (ECAI's). The amount of spread risk is monitored regularly as a part of daily and monthly risk reporting.

Figure 23: Bond spread risk 2020



11.2.2 OTHER MARKET RISKS

S-Bank has insignificant exposures in equity, foreign exchange rate and real estate risks. S-Bank's equity and real estate risks arise from Treasury operations. Foreign exchange rate risk may arise if the Treasury function invests in bonds that are denominated in foreign currencies or in connection with foreign currency accounts. Management and limitation of these risks is based on simple allocation limits set by the Board of Directors. Risks are monitored as a part of the daily and monthly risk reporting.

11.2.3 MARKET RISK MONITORING AND REPORTING

S-Bank's Treasury function monitors market risk daily and the banking business unit is responsible for the operational measuring, monitoring, and reporting of market risks in compliance with the organisation's agreed upon internal procedures.

The Risk Control function also monitors market risk exposures daily. In addition, the Risk Control function assesses the management of S-Bank's market risks and the functionality as well as usage of the applied internal market risk models. The key aspects of market risks, the effectiveness of risk management and the impact of risks on capital adequacy are reported within organisation in accordance with chapter 6.2.

12 LIQUIDITY RISKS

12.1 HIGHLIGHTS 2020 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 conversion, 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, investment and funding activities. S-Bank's liquidity position is strong, and the liquidity risk appetite is conservative, supported by active risk management and monitoring measures. The Treasury function's main objective in investment 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, remained at a robust level at 147 % (142 %).
  - At year-end the liquidity buffer was EUR 1436,6 (1108,6) million and net outflows were EUR 1026,3 million (819,5).
- The Net Stable Funding Ratio (NSFR), which is defined as the available stable funding relative to the required stable funding, was 151 % (145 %).
- 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.
- S-Bank's first bond programme of EUR 1.5 billion was approved by the Finnish Financial Supervisory Authority in December 2020. Under the bond programme, S-Bank may issue unsecured and secured bonds to the wholesale market.
- On 31 July 2020, credit rating agency Standard & Poor's (S&P) published its report on S-Bank. The credit rating of long-term borrowing was set BBB, that of short-term borrowing to A-2, and the outlook was negative.

Figure 24: Composition of LCR buffer

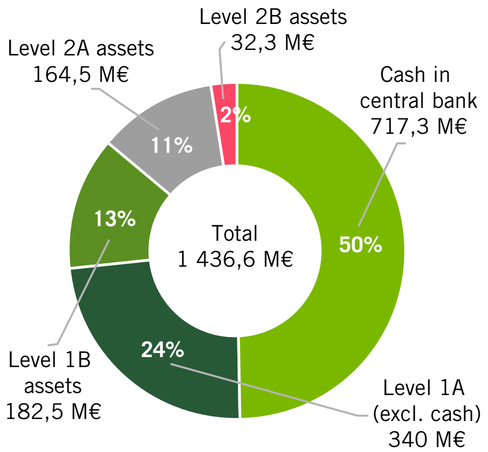
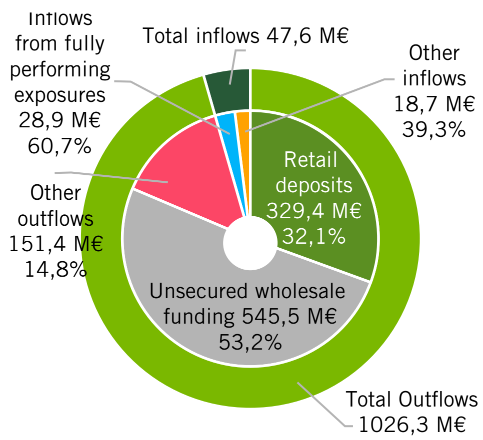


Figure 25: Weighted LCR in-and outflow



12.2 LIQUIDITY RISK MANAGEMENT (EU-LIQA)

The liquidity and funding risk management in S-Bank is based on S-Bank's risk strategy, Liquidity Risk Management Principals and Funding Strategy approved by the Board of Directors. The risk strategy defines and sets key limits for the risk appetite and capacity. Liquidity Risk Management Principals further define the roles and responsibilities, management, mitigation, monitoring and reporting of liquidity risk. As part of the Liquidity Risk Management Principals, S-Bank has a continuity plan 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.

As part of the annual ICLAAP process (described in section 7), S-Bank's assesses comprehensively its liquidity risk profile through various stress test within internal modelling.

S-Bank's liquidity risk appetite is conservative. Liquidity risk management in S-Bank is based on ensuring that the amount of S-Bank's unencumbered, liquid assets exceed the liquidity net outflows in normal and stressed market environments in the short (0–2 days), medium (0–30 days) and long (more than 30 days) term. The adequacy of the liquidity reserve is primarily ensured with a strict and conservative limit structure and asset quality requirements.

S-Bank's funding is primarily based on the deposit base and thus the main sources of funding are the deposit- and savings accounts of its household customers. Other sources of funding include the Treasury's short-term instruments, like wholesale market deposits and certificates of deposits. S-Bank's bond programme of EUR 1.5 billion was approved by the Finnish Financial Supervisory Authority in December 2020. Under the bond programme, S-Bank may issue unsecured and secured bonds to the wholesale market. For additional liquidity sources, S-Bank has pre-pledged securities to access Central Bank monetary policy operations and Central Bank credit facilities. Figure 24 illustrates the structure of S-Bank's funding which amounted to EUR 7 136,7 million (6 614,0) at the end of the year. Even though the structure of S-Bank's funding is focused on household customer deposits, the funding is highly decentralised, mostly because the average deposit amount among S-Bank's household customers is very low. During the year 2020, the volume of both household and corporate deposits continued to grow.

12.2.1 STRUCTURE AND ORGANISATION OF THE LIQUIDITY RISK MANAGEMENT

Management of S-Bank's liquidity risk has been delegated to the Treasury unit, which is responsible for the operational execution of the risk appetite pursuant to S-Bank's risk strategy, taking into consideration S-Bank's business model, risk limit structure and the Treasury's liquidity strategy. The Risk Control function assesses the management of S-Bank's 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 6.16.1.

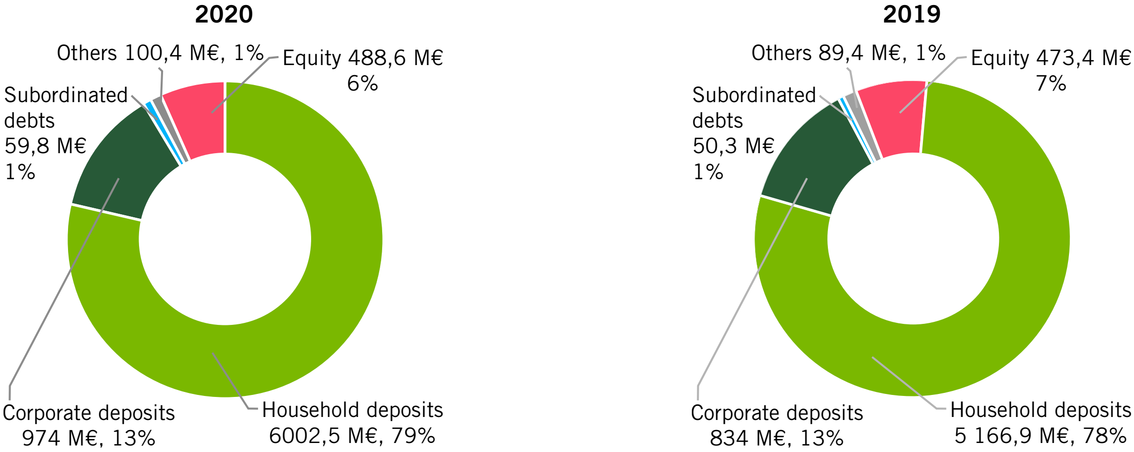
12.2.2 LIQUIDITY RISK MEASUREMENT, MONITORING AND REPORTING

S-Bank measures its liquidity position and adequacy in accordance with parameters and indicators defined by the authorities and with an internal liquidity risk model. The LCR measures liquidity risk over a 30-day stress period and the NSFR is used to measure structural liquidity risk. NSFR is defined as the available stable funding relative to the required stable funding. Available stable funding is defined as the portion of capital and liabilities expected to be reliable over one-year horizon.

Liquidity risk concentrations are linked to customer segments and the liquidity portfolio. Liquidity concentration risks related to potential liquidity outflows of different customer segments are managed by using segment-specific liquidity outflow factors. The outflow factors are conservatively evaluated in the internal liquidity risk model parametrisation. In addition to these internal metrics, the outflow factors set in CRR are used daily, when calculation the daily current and forecasted LCR and assessing the adequacy of the liquidity portfolio. The size and quality of the liquidity portfolio is continuously assessed and balanced, considering possible changes in the liquidity outflow factors. Furthermore, any concentrations in the liquidity portfolio are restricted with the limit structure.

S-Bank's Treasury and Risk Control functions monitor and assess S-Bank's liquidity exposures on daily basis. Key liquidity risk exposures are reported to S-Bank's management on a regular basis in accordance with chapter 6.2.

Figure 26: Structure of S-Bank's funding



12.3 KEY LIQUIDITY RISK INDICATORS AND QUALITATIVE INFORMATION ON LCR

Table 37 illustrates the change in the liquidity buffer (defined as in (EU) 2015/61) based on information at the end of the reporting period, while Table 38 LCR disclosure template (EU LIQ1) presents the liquidity buffer as averages of month-end over 12-months preceding the end of each quarter in 2020.

The liquidity coverage ratio has remained on stable level during 2020. The growth in customer deposits has impacted the liquidity outflows, that have increased steadily during the year. The additional outflows related to credit and liquidity facilities increased during the year, as FIN-FSA assigned outflow rates to be used for these off-balance sheet instruments. The growth in the liquidity buffer has focused to the Level 1a assets.

Table 37: Liquidity Coverage Ratio (LCR) by main items

Liquidity coverage ratio (LCR)	31 Dec 2020		31 Dec 2019	
	Market value	Buffer value	Market value	Buffer value
Level 1a	**1 057,3**	**1 057,3**	**689,5**	**689,5**
Assets from regional governments or local authorities	328,0	328,0	113,3	113,3
Funds from central administrations	12,1	12,1	12,2	12,2
Central bank reserves available for withdrawal	717,3	717,3	563,9	563,9
Level 1b	**196,2**	**182,5**	**214,9**	**199,9**
Extremely high-quality covered bonds	196,2	182,5	214,9	199,9
Level 2A	**193,6**	**164,5**	**210,5**	**178,9**
High-quality covered bonds (Third Country, CQS1)	120,8	102,7	120,4	102,3
High-quality covered bonds (CQS2)	72,8	61,9	90,1	76,6
Corporate bonds (CQS1)	0,0	0,0	0,0	0,0
Level 2b	**64,6**	**32,3**	**80,6**	**40,3**
Corporate bonds (CQS2/3)	64,6	32,3	80,6	40,3
Total	**1 511,7**	**1 436,6**	**1195,5**	**1108,6**
Liquidity out flows		**1 026,3**		**819,5**
Liquidity inflows		**47,6**		**38,6**
Liquidity coverage ratio (%)		**147 %**		**142 %**

Table 38: LCR disclosure template (EU LIQ1)

Scope of consolidation (consolidated) Currency and units (EUR million)		Total unweighted value (average)				Total weighted value (average)			
	Quarter ending on (DD Month YYYY)	31 March 2020	30 June 2020	30 Sept 2020	31 Dec 2020	31 March 2020	30 June 2020	30 Sept 2020	31 Dec 2020
	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	**Total high-quality liquid assets (HQLA)**					**1 014,6**	**1 080,7**	**1 160,1**	**1 260,7**
CASH – OUTFLOWS									
2	**Retail deposits and deposits from small business customers, of which:**	**5 088,6**	**5 257,4**	**5 441,9**	**5 649,1**	**280,2**	**289,0**	**298,7**	**309,7**
3	Stable deposits	4 673,5	4 833,5	5 004,9	5 200,4	233,7	241,7	250,2	260,0
4	Less stable deposits	94,2	93,3	92,9	95,3	14,1	14,0	14,0	14,3
5	**Unsecured wholesale funding**	**752,4**	**750,3**	**760,2**	**810,1**	**478,0**	**482,6**	**483,7**	**516,5**
6	Operational deposits (all counterparties)	6,6	0,0	0,0	0,0	1,7	0,0	0,0	0,0
7	Non-operational deposits (all counterparties)	745,8	750,3	760,2	810,1	476,3	482,6	483,7	516,5
8	Unsecured debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
9	**Secured wholesale funding**					**0,0**			
10	**Additional requirements**	**355,7**	**592,0**	**817,3**	**1 039,0**	**48,7**	**68,9**	**85,0**	**94,0**
11	Outflows related to derivative exposures and other collateral requirements	19,9	25,8	29,0	26,1	19,9	25,8	29,0	26,1
12	Outflows related to loss of funding on debt products	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
13	Credit and liquidity facilities	335,8	566,3	788,3	1 012,9	28,8	43,1	56,0	67,9
14	**Other contractual funding obligations**	**31,6**	**27,2**	**19,3**	**14,1**	**10,9**	**8,8**	**8,4**	**5,0**
15	**Other contingent funding obligations**	**82,7**	**318,7**	**588,0**	**858,8**	**5,5**	**21,4**	**39,3**	**56,7**
16	**TOTAL CASH OUTFLOWS**					**823,4**	**870,7**	**915,1**	**981,9**
CASH – INFLOWS									
18	Inflows from fully performing exposures	91,1	82,1	68,3	69,8	50,0	45,5	37,2	38,8
19	Other cash inflows	7,6	6,1	6,8	8,2	7,6	6,1	6,8	8,2
20	**TOTAL CASH INFLOWS**	**118,3**	**108,2**	**96,2**	**100,2**	**77,2**	**71,6**	**65,2**	**69,2**
20 c	**Inflows subject to 75% cap**	118,3	108,2	96,2	100,2	75,7	70,2	65,2	69,2
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					**1 014,6**	**1 080,7**	**1 160,1**	**1 260,7**
22	**TOTAL NET CASH OUTFLOWS**					**747,6**	**800,6**	**849,9**	**912,6**
23	**LIQUIDITY COVERAGE RATIO (%)**					**136 %**	**135 %**	**137 %**	**138 %**

CONCENTRATION OF FUNDING AND LIQUIDITY SOURCES

S-Bank's funding is primarily based on retail deposits. At the end of year 2020 S-Banks first public bond programme for senior unsecured and secured funding was approved by the FIN-FSA. Other sources of funding include the deposits and certificates of deposits from wholesale markets. 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.

DERIVATIVE EXPOSURES AND POTENTIAL COLLATERAL CALLS

At the end of the year, S-Bank had only EUR nominated interest rate swaps, that were all cleared through the Central Clearing Counterparty (CCP). S-Bank anticipates and calculates the potential future collateral calls with the historical look back approach.

CURRENCY MISMATCH IN THE LCR

S-Bank does not have any material exposures or liabilities in foreign currency.

A DESCRIPTION OF THE DEGREE OF CENTRALISATION OF LIQUIDITY MANAGEMENT AND INTERACTION BETWEEN THE GROUP'S UNITS

Liquidity Management has been delegated to the Treasury unit, which is responsible for the operational execution of the risk appetite pursuant to S-Bank's risk strategy, taking into consideration S-Bank's business model, risk limit structure and the Treasury's liquidity strategy.

OTHER ITEMS IN THE LCR CALCULATION THAT ARE NOT CAPTURED IN THE LCR DISCLOSURE TEMPLATE BUT THAT THE INSTITUTION CONSIDERS RELEVANT FOR ITS LIQUIDITY PROFILE

S-Bank considers that all relevant items within its operations have been captured in the LCR disclosure template (EU LIQ1).

Table 39 illustrates the development of the NSFR, which is defined as the available stable funding relative to the required stable funding. S-Bank has calculated the NSFR with CRR2 calculation parameters from June 2020 onwards. Prior to this, the calculation parameters have been according to Basel. The requirement for stable funding has increased due to growth in customer lending. The available stable funding has increased due to growth in customer deposits and own funds.

Table 39: Net stable funding ratio (NSFR)

Net Stable Funding Ratio (NSFR), EUR million	31 Dec 2020	31 Dec 2019
Available stable funding	6 513,1	5 648,4
Required stable funding	4 308,1	3 892,2
Net Stable Funding Ratio (NSFR)	151,2 %	145 %

*Calculation based on Basel parameters

12.4 ASSET ENCUMBRANCE

Table 40 illustrates the information on asset encumbrance in compliance with regulation (EU) 2017/2295

Table 40: Asset encumbrance (EU) 2017/2295

Template A – Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA* and HQLA**		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the reporting institution**	196,8				7 069,2			
030	Equity instruments	0,0				27,6			
040	Debt securities	173,2		173,2		1 095,2		1 095,2	
050	of which: covered bonds	0,0		0,0		401,5		401,5	
060	of which: asset-backed securities	0,0		0,0		0,0		0,0	
070	of which: issued by general governments	0,0		0,0		349,3		349,3	
080	of which: issued by financial corporations	173,2		173,2		503,8		503,8	
090	**of which: issued by non-financial corporations**	0,0		0,0		236,6		236,6	
120	Other assets	0,1				152,9			

Template B – Collateral received

				Unencumbered	
		Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance	
			of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	060
130	**Collateral received by the reporting institution**	0,0	0,0	0,0	
250	**Total assets, collateral received and own debt securities issued**	196,8			

Template C – Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and asset-backed securities (ABSs) encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	18,3	23,8
011	of which: over-the-counter (OTC) derivatives	18,3	23,8

TEMPLATE D – ACCOMPANYING NARRATIVE INFORMATION

The tables above present information on asset encumbrance and debts related to encumbered assets. The figures are presented as a median for the quarters of 2020. Assets are considered encumbered if they have been pledged or given as collateral, or if they guarantee a transaction included in the balance sheet. Other assets that are not freely available to the Group are also considered encumbered.

Within year 2020 nearly all S-Banks's assets have been unencumbered. S-Bank has pre-pledged securities to access Central Bank monetary policy operations and Central Bank credit facilities. These pre-pledged debt securities have been classified as encumbered within these disclosure tables. Other encumbered assets have been cash collateral posted by S-Bank related to derivatives.

13 RISK DECLARATION AND STATEMENT

Based on the continuous risk reporting it receives, and by approving this report, the Board of Directors considers that this report provides external stakeholders with a comprehensive view of S-Bank's risk management and risk profile associated with its' business strategy (EU Capital Requirements Regulation (CRR 575/2013, Article 435 (1f)). Based on the same grounds, the Board of Directors declares that the risk management systems put in place to be adequate with regards to S-Bank´s risk profile and strategy (CRR, 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.

Jari Annala
Chairman of the Board

Matti Kiviniemi
Board member

Heli Arantola
Board member

Veli-Matti Liimatainen
Board member

Erik Valros
Board member

Jorma Vehviläinen
Board member

Olli Vormisto
Board member

Pekka Ylihurula
Chief Executive Officer (CEO)

14 DISCLOSURE INDEX

The disclosure index table illustrates, where the disclosure information according to Part Eight of the CRR can be found from the CAR report or in other S-Bank reports.

Article of the CRR (575/2013)			Disclosure requirement	Section in CAR 2018 report / other reference
435			**Risk management objectives and policies**	
1	a)		the strategies and processes to manage those risks	Chapters 5, 7, 8, 9, 10, 11, 12.
	b)		the structure and organisation of the relevant Risk Control function including information on its authority and statute, or other appropriate arrangements	Chapter 6.1
	c)		the scope and nature of risk reporting and measurement systems	Chapter 6.2 and risk specific information in chapters 8.2.7, 9.3, 10.3, 11.2.3, 12.2.2
	d)		the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Chapters 5, and risk specific information in chapters 7, 8, 9, 10, 11, 12
	e)		a declaration approved by the management body on the adequacy of risk management arrangements of the institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	Chapter 13
	f)		a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body	Chapter 1 and 13
2	a)		the number of directorships held by members of the management body	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto
	b)		the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise	S-Bank's website: www.s-pankkki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin hallinto- ja ohjausjärjestelmät
	c)		the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;	S-Bank's website: www.-s-pankkki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin hallinto- ja ohjausjärjestelmät
	d)		whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	S-Bank's website: www.s-pankkki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin hallinto- ja ohjausjärjestelmät
	e)		the description of the information flow on risk to the management body.	Chapter 6.2
436			**Scope of application**	
	a)		the name of the institution to which the requirements of this Regulation apply	Chapter 2 and 3
	b)		an outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are:	Chapter 3 and Table 2: Outline of the differences in the scopes of consolidation (EU LI3)
		i)	fully consolidated;	Table 2: Outline of the differences in the scopes of consolidation (EU LI3)

		ii)	proportionally consolidated;	Not applicable.
		iii)	deducted from own funds;	Not applicable.
		iv)	neither consolidated nor deducted;	Not applicable.
	c)		any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries;	Not applicable.
	d)		the aggregate amount by which the actual own funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	Not applicable.
	e)		if applicable, the circumstance of making use of the provisions laid down in Articles 7 and 9.	Not applicable.
437			**Own funds**	
1	a)		a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and filters and deductions applied pursuant to Articles 32 to 35, 36, 56, 66 and 79 to own funds of the institution and the balance sheet in the audited financial statements of the institution	Chapter 7.3, Table 3: S-Bank's own funds summary and Table 4: S-Bank's own funds (EU 1423/2013)
	b)		a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution;	Annex 1: Terms and conditions of issued instruments
	c)		the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Annex 1: Terms and conditions of issued instruments
	d)		separate disclosure of the nature and amounts of the following:	
		i)	each prudential filter applied pursuant to Articles 32 to 35;	Chapter 7.3 and Table 4: S-Bank's own funds (EU 1423/2013)
		ii)	each deduction made pursuant to Articles 36, 56 and 66;	Chapter 7.3 and Table 4: S-Bank's own funds (EU 1423/2013)
		iii)	items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	Chapter7.3 and Table 4: S-Bank's own funds (EU 1423/2013)
	e)		a description of all restrictions applied to the calculation of own funds in accordance with this Regulation and the instruments, prudential filters and deductions to which those restrictions apply	Not applicable.
	f)		where institutions disclose capital ratios calculated using elements of own funds determined on a basis other than that laid down in this Regulation, a comprehensive explanation of the basis on which those capital ratios are calculated.	Not applicable. S-Bank does not use other elements of own fund calculation than described in CRR 575/2013.
438			**Capital requirements**	
	a)		a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities.	Chapter 7
	b)		upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process including the composition of the additional own funds requirements based on the supervisory review process as referred to in point (a) of Article 104(1) of Directive 2013/36/EU	Additional own funds requirements based on supervisory review process are described in Chapter 7.4. Results of S-Bank's results on internal capital assessment process are provided upon request.
	c)		for institutions calculating the risk-weighted exposure amounts in accordance with Chapter 2 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 112	Chapter 7.5 and Table 8: Overview of RWAs (EU OV1)
	d)		for institutions calculating risk-weighted exposure amounts in accordance with Chapter 3 of Part Three, Title II, 8 % of the risk-weighted exposure amounts for each of the exposure classes specified in Article 147	Not applicable. S-Bank does not use IRB-Approach.
	e)		own funds requirements calculated in accordance with points (b) and (c) of Article 92(3,) i.e capital requirements for market risk	S-Bank does not have a trading book. Therefore, there is no regulatory Pillar 1 capital requirement for market risk. Chapter 7.5 and Table 8: Overview of RWAs (EU OV1)
	f)		own funds requirements calculated in accordance with Part Three, Title III, Chapters 2, 3 and 4 and disclosed separately, i.e. capital requirements for operational risk	Chapter 7.5 and Table 8: Overview of RWAs (EU OV1)
439			**Exposure to counterparty credit risk**	
	a)		a discussion of the methodology used to assign internal capital and credit limits for counterparty credit exposures	Chapter 8.2.6 and 8.3.4

	b)	a discussion of policies for securing collateral and establishing credit reserves	Chapter 8.2.6. S-Bank does not have credit reserves.
	c)	a discussion of policies with respect to wrong-way risk exposures	Chapter 8.2.6. The wrong-way risk does not apply to S-Bank.
	d)	a discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating	Chapter 8.3.4
	e)	gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposure. Net derivatives credit exposure is the credit exposure on derivatives transactions after considering both the benefits from legally enforceable netting agreements and collateral arrangements	Chapter 8.2.6 and 8.3.4. Table 29: Analysis of CCR exposure by approach (EU CCR1), Table 30: Composition of collateral for exposures to CCR (EU CCR5-B), Table 31: CVA capital charge (EU CCR2), Table 32: Exposures to CCPs (EU CCR8), Table 33: CCR exposures by regulatory portfolio and risk (EU CCR3). Capital requirements for counterparty credit risk are presented in Table 8: Overview of RWAs (EU OV1)
	f)	measures for exposure value under the methods set out in Part Three, Title II, Chapter 6, Sections 3 to 6 whichever method is applicable	Chapter 8.2.6 and 8.3.4
	g)	the notional value of credit derivative hedges, and the distribution of current credit exposure by types of credit exposure	Not applicable (EU CCR6). S-Bank does not use credit derivative hedges.
	h)	the notional amounts of credit derivative transactions, segregated between use for the institution's own credit portfolio, as well as in its intermediation activities, including the distribution of the credit derivatives products used, broken down further by protection bought and sold within each product group	Not applicable (EU CCR6). S-Bank does not use credit derivative hedges.
	i)	the estimate of < if the institution has received the permission of the competent authorities to estimate >.	Not applicable.
440		**Capital buffers**	
	a)	the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer	Chapter 7.4, Table 5: Geographical breakdown of credit exposures relevant for the calculation of countercyclical capital buffer and capital requirement (1555/2015) and Table 6: Amount of institution-specific countercyclical capital buffer
	b)	the amount of its institution specific countercyclical capital buffer	Chapter 7.4, Table 5: Geographical breakdown of credit exposures relevant for the calculation of countercyclical capital buffer and capital requirement (1555/2015) and Table 6: Amount of institution-specific countercyclical capital buffer
441		**Indicators of global systemic importance**	Not applicable. S-Bank is not identified as a G-SII.
442		**Credit risk adjustments**	
	a)	the definitions for accounting purposes of 'past due' and 'impaired'	Chapter 8.2.5
	b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Chapter 8.2.5
	c)	the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes	Chapter 8.2.4 and 8.3.3. Table 14: Total and average net amount of exposures (EU CRB-B)
	d)	the geographic distribution of the exposures, broken down in significant areas by material exposure classes, and further detailed if appropriate	Chapter 8.2.3 and 8.3.1. Table 15: Geographical breakdown of exposures (EU CRB-C)
	e)	the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate;	Chapter 8.1 and 8.3.1. Table 16: Concentration of exposures by industry (EU CRB-D)
	f)	the residual maturity breakdown of all the exposures, broken down by exposure classes, and further detailed if appropriate	Chapter 8.3.1. and Table 17: Maturity of exposures (EU CRB-E)
	g)	by significant industry or counterparty type, the amount of	

	i)	impaired exposures and past due exposures, provided separately	Chapter 8.3.2 and Table 18: Credit quality of exposures by exposure class and instrument (EU CR1-A) and Table 23: Credit quality of loans and advances by industry (CQ 6)
	ii)	specific and general credit risk adjustments	Chapter 8.3.2 and Table 18: Credit quality of exposures by exposure class and instrument (EU CR1-A)
	iii)	charges for specific and general credit risk adjustments during the reporting period	Chapter 8.3.2 and Table 18: Credit quality of exposures by exposure class and instrument (EU CR1-A)
h)		the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area	Chapter 8.3.2 and Table 20: Credit quality of performing and non-performing exposures by past due dates (CQ 3), Table 21: Performing and non-performing exposures and related provisions (CQ 4) and Table 22: Quality of non-performing exposures by geography (CQ 5)
i)		the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately. The information shall comprise:	Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
	i)	a description of the type of specific and general credit risk adjustments	Chapter 8.2.5, Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
	ii)	the opening balances	Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
	iii)	the amounts taken against the credit risk adjustments during the reporting period	Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
	iv)	the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments	Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
	v)	the closing balances	Chapter 8.3.2 Table 24: Changes in the stock of specific credit risk adjustments (EU CR2-A) and Table 25: Changes in the stock of defaulted and impaired loans and debt securities (EU CR2-B)
443		**Unencumbered assets**	Chapter 12.4 and Table 40: Asset encumbrance (EU) 2017/2295
444		**Use of ECAIs**	
a)		the names of the nominated ECAIs and ECAs and the reasons for any changes	Chapter 8.3.3
b)		the exposure classes for which each ECAI or ECA is used	Chapter 8.3.3
c)		a description of the process used to transfer the issuer and issue credit assessments onto items not included in the trading book	Chapter 8.3.3 and Table 28: Exposures by risk weight under the standardised approach (EU CR5)
d)		the association of the external rating of each nominated ECAI or ECA with the credit quality steps prescribed in Part Three, Title II, Chapter 2, taking into account that this information needs not be disclosed if the institution complies with the standard association published by EBA	Not applicable. S-Bank complies with the standard association published by EBA.
e)		the exposure values and the exposure values after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 as well as those deducted from own funds	Chapter 8.3.3, Table 28: Exposures by risk weight under the standardised approach (EU CR5)

445		**Exposure to market risk** The institutions calculating their own funds requirements in accordance with points (b) and (c) of Article 92(3) shall disclose those requirements separately for each risk referred to in those provisions. In addition, the own funds requirement for specific interest rate risk of securitisation positions shall be disclosed separately.	Chapter 11
446		**Operational risk** Institutions shall disclose the approaches for the assessment of own funds requirements for operational risk that the institution qualifies for; a description of the methodology set out in Article 312(2), if used by the institution, including a discussion of relevant internal and external factors considered in the institution's measurement approach, and in the case of partial use, the scope and coverage of the different methodologies used.	Chapter 9
447		**Exposures in equities not included in the trading book**	
	a)	the differentiation between exposures based on their objectives, including for capital gains relationship and strategic reasons, and an overview of the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation and any significant changes in these practices	Notes to the financial statements (Group note 1: Accounting policies).
	b)	the balance sheet value, the fair value and, for those exchange-traded, a comparison to the market price where it is materially different from the fair value	Notes to the financial statements (Group note 14: Fair values and carrying amounts of financial assets and liabilities)
	c)	the types, nature and amounts of exchange-traded exposures, private equity exposures in sufficiently diversified portfolios, and other exposures	Not applicable.
	d)	the cumulative realised gains or losses arising from sales and liquidations in the period; and	Notes to the financial statements (Group note 5: Net income from investment activities)
	e)	the total unrealised gains or losses, the total latent revaluation gains or losses, and any of these amounts included in the original or additional own funds.	Not applicable.
448		**Exposure to interest rate risk on positions not included in the trading book**	
	a)	the nature of the interest rate risk and the key assumptions (including assumptions regarding loan prepayments and behaviour of non-maturity deposits), and frequency of measurement of the interest rate risk	Chapter 11.2
	b)	the variation in earnings, economic value or other relevant measure used by the management for upward and downward rate shocks according to management's method for measuring the interest rate risk, broken down by currency	Chapter 11.2 and Table 36: Interest rate risk sensitivity analysis in the banking book, instruments measured at fair value
449		**Exposure to securitisation positions**	Not applicable. S-Bank does not have securitisation positions.
450		**Remuneration policy**	
1	a)	information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	b)	information on link between pay and performance	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	c)	the most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	d)	the ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	e)	information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät

	f)		the main parameters and rationale for any variable component scheme and any other non-cash benefits;	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	g)		aggregate quantitative information on remuneration, broken down by business area	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	h)		aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		i)	the amounts of remuneration for the financial year, split into fixed and variable remuneration, and the number of beneficiaries	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		ii)	the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		iii)	the amounts of outstanding deferred remuneration, split into vested and unvested portions	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		iv)	the amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		v)	new sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
		vi)	the amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person	S-Bank’s website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
	i)		the number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million	Not applicable.
	j)		upon demand from the Member State or competent authority, the total remuneration for each member of the management body or senior management.	Not applicable.
2			For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information referred to in this Article shall also be made available to the public at the level of members of the management body of the institution.	Not applicable.
451			**Leverage**	
	a)		the leverage ratio and how the institution applies Article 499(2) and (3)	Chapter 7.6 and Table 9: CRR Leverage ratio (EU) 2016/200
	b)		a breakdown of the total exposure measure as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Chapter 7.6 and Table 9: CRR Leverage ratio (EU) 2016/200
	c)		where applicable, the amount of derecognised fiduciary items in accordance with Article 429(11)	Chapter 7.6 and Table 9: CRR Leverage ratio (EU) 2016/200
	d)		a description of the processes used to manage the risk of excessive leverage	Chapter 7.6 and Table 9: CRR Leverage ratio (EU) 2016/200
	e)		a description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	Chapter 7.6 and Table 9: CRR Leverage ratio (EU) 2016/200
452			**Use of the IRB Approach to credit risk**	Not applicable. S-Bank does not use IRB-Approach.
453			**Use of credit risk mitigation techniques**	
	a)		the policies and processes for, and an indication of the extent to which the entity makes use of, on- and off- balance sheet netting	Chapter 8.2.4 and 8.3.3
	b)		the policies and processes for collateral valuation and management	Chapter 8.2.4 and 8.3.3
	c)		a description of the main types of collateral taken by the institution	Chapter 8.2.4 and 8.3.3
	d)		the main types of guarantor and credit derivative counterparty and their creditworthiness	Chapter 8.2.4 and 8.3.3. S-Bank does not use credit derivatives.

	e)	information about market or credit risk concentrations within the credit mitigation taken;	Chapter 8.2.4 and 8.3.3
	f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, but not providing own estimates of LGs or conversion factors in respect of the exposure class, separately for each exposure class, the total exposure value (after, where applicable, on- or off-balance sheet netting) that is covered — after the application of volatility adjustments — by eligible financial collateral, and other eligible collateral;	Not applicable. S-Bank does not use IRB-Approach.
	g)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, separately for each exposure class, the total exposure (after, where applicable, on- or off-balance sheet netting) that is covered by guarantees or credit derivatives. For the equity exposure class, this requirement applies to each of the approaches provided in Article 155	Not applicable. S-Bank does not use IRB-Approach.
454		**Use of the Advanced Measurement Approaches to operational risk**	Not applicable. S-Bank uses basic indicator approach for calculation of operational risk.
455		**Use of Internal Market Risk Models**	Not applicable. S-Bank uses standardised approach for calculation of market risk.
468		**Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive i ncome in view of the COVID-19 pandemic in accordance with Article 468 CRR**	S-Bank does not apply the temporary treatment specified in Article 468. Own funds, capital and leverage ratios already reflect the full impact of unrealised gains and losses measured at fair value through other comprehensive income.
473a		**Transitional arrangements for IFRS9 or analogous ECL's in accordance with Article 473a CRR**	S-Bank does not apply the transitional arrangements for IFRS 9 or analogous ECLs. Own funds, capital and leverage ratios already reflect the full impact of IFRS 9 or analogous ECLs.

15 ANNEX 1: TERMS AND CONDITIONS OF ISSUED INSTRUMENTS

31 Dec. 2018	Carrying amount *	Notional value	Interest rate	Maturity
Debenture I/2016	26,487	26,000	12-month Euribor + 1.8 % annual interest	30 Jun. 2026
Debenture I/2017	8,013	8,000	12-month Euribor + 1.8 % annual interest	18 Dec. 2027
Debenture I/2020	25 594	25 500	12-month Euribor + 2,0 % annual interest	1 Dec 2030

Terms of debenture loans:

The issuer reserves the right to call the loans before maturity. The issuer or a company within the same group of companies may only call a minor part of a loan before maturity without the approval of the Finnish Financial Supervisory Authority. Calling requires that loans can be resold to a new investor within a short period of time. The noteholders do not have the right to demand premature repayment of the loans.

Debenture loans are subordinated to the bank's other debt obligations. In capital adequacy calculations, loans on debenture terms are grouped under Tier 2 capital in accordance with the CRR regulation.

*) Carrying amount includes accrued interest.

Model of the key features of equity instruments	Debenture I/2016	Debenture I/2017	Debenture I/2020
Issuer	S-Bank Ltd (currently S-Bank Plc)	S-Bank Ltd (currently S-Bank Plc)	S-Bank Plc
Unique identifier (ISIN)	FI4000210877	FI4000292735	FI4000466628
Governing law of the instrument	Finnish law	Finnish law	Finnish law
Regulation			
Transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Post-transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Eligible at solo or consolidated/subconsolidated/solo and consolidated/ sub-consolidation group	Solo and consolidated	Solo and consolidated	Solo and consolidated
Instrument type	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (EUR million, on the last reporting date)	26	8	25,5
Nominal amount of instrument (EUR million)	26	8	25,5
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost

Original date of issuance	30 Jun. 2016	18 Dec. 2017	1 Dec. 2020
Perpetual or dated	Dated	Dated	Dated
Original maturity date	30 Jun. 2026	18 Dec. 2027	1 Dec. 2030
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instalment being paid on 30 Jun. 2021 and the last on 30 Jun. 2026. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 18 December, with the first instalment being paid on 18 Dec. 2022 and the last on 18 Dec. 2027. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first instalment being paid on 1 Dec. 2026 and the last on 1 Dec. 2030. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.
Subsequent call dates, if applicable	See above	See above	See above
Coupons/dividends			
Fixed or floating dividend/coupon	Floating coupon	Floating coupon	Floating coupon
Coupon rate and any related indices	12-month Euribor + 1.8% annual interest	12-month Euribor + 1.8% annual interest	12-month Euribor + 2.0% annual interest
Existence of a dividend stopper	No	No	No
Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partly discretionary or mandatory (in terms of quantity)	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
If convertible, fully or partially	Not applicable	Not applicable	Not applicable
If convertible, conversion rate	Not applicable	Not applicable	Not applicable
If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
Write-down features	Not applicable	Not applicable	Yes

If write-down, write-down trigger(s)	Not applicable	Not applicable	In accordance with the Act on the Resolution of Credit Institutions and Investment firms (1194/2014), the debenture may be subject of a write-down or conversion by decision of the Finnish Financial Stability Authority. A write-down event occurs when the issuer's CET1 capital ratio falls below seven (7) percent on a regular observation date (the last day of each six-month period) or on an additional observation date (the day (other than regular observation date) on which the issuer's CET1 capital is calculated at the request of the Financial Supervisory Authority or another supervisory authority).
If write-down, full or partial	Not applicable	Not applicable	Full or partial
If write-down, permanent or temporary	Not applicable	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and eligible liabilities instruments as referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and eligible liabilities instruments as referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and eligible liabilities instruments as referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

16 ANNEX 2: LIST OF FIGURES

17 ANNEX 3: LIST OF TABLES

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