CAPITAL AND RISK MANAGEMENT REPORT 2021

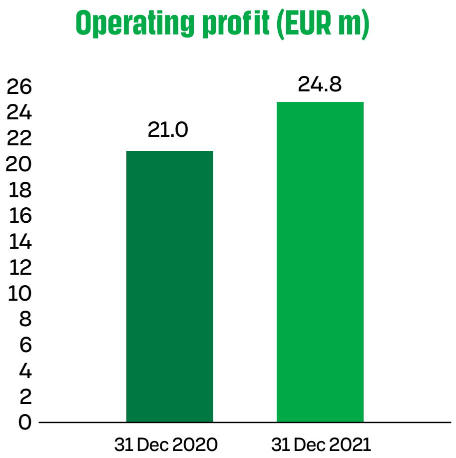
S PANKKI

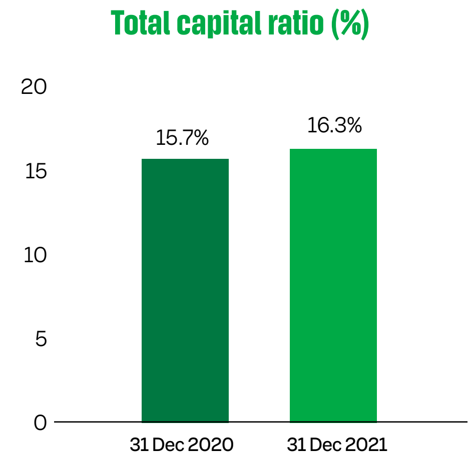
CONTENT

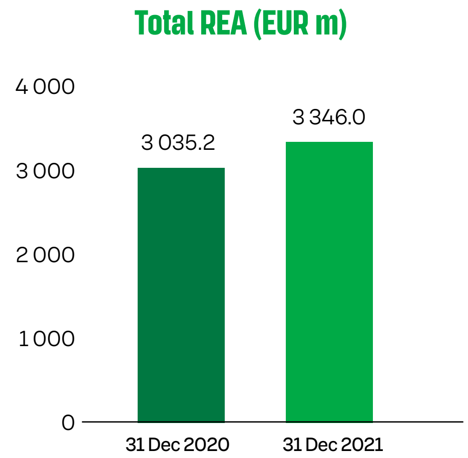
1 INTRODUCTION AND SUMMARY OF RISK MANAGEMENT IN 2021

STRONG CAPITAL POSITION

S-Bank's capital position has remained strong throughout the year despite the continued COVID-19 situation. At the end of the year, the total capital ratio of S-Bank was 16.3% (15.7), which was 4.3% above the regulatory requirement. The internal target level, set by the board, is 150 bps above the regulatory requirement. The development of own funds was affected by the operating profit and increase in the T2 debenture loans. S-Bank's operating profit for the year 2021 amounted to EUR 24.8 million (21.0). S-Bank is adequately capitalised to ensure continuity of its operations even under stressed conditions.



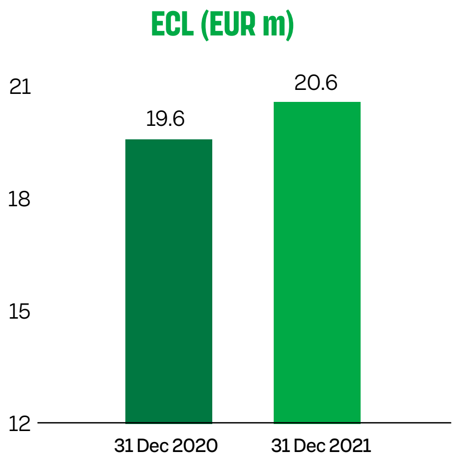


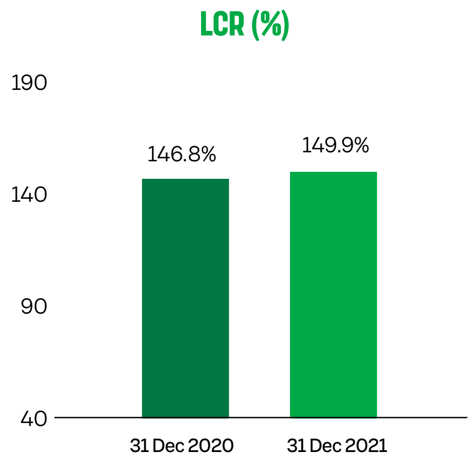


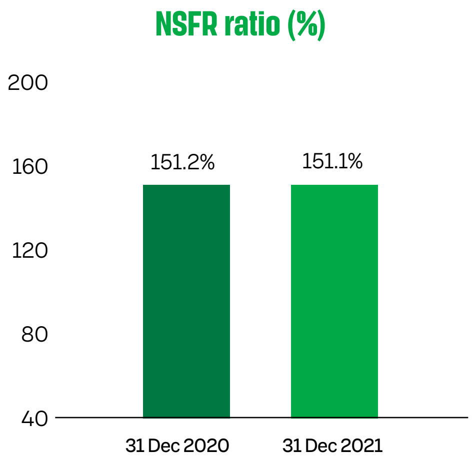
CREDIT RISK POSITION AND STRONG CREDIT QUALITY

During 2021 the core business remained on healthy growth track and demand for the housing loans remained strong. The housing loan portfolio grew 12.5% during the year, in line with the strategy. Total lending grew by 11.8% and REA grew by 10.6%, mainly due to the increase in retail housing loan portfolio.

Net expected and final credit losses recognised during the year were EUR 15.7 million (23.6), of which EUR 14.6 million (21.2) were







net write-offs and EUR 1.1 million (2.5) were net change in expected credit loss provisions. Expected credit loss (ECL) provisions amounted to EUR 20.6 million (19.6 million) at year end. The size of ECL provision has grown in line with the loan portfolio growth.

STRONG LIQUIDITY POSITION AND NEW FUNDING SOURCES

At the end of 2021 S-Bank successfully issued its first bond – nominal value of EUR 170 million – to Finnish and foreign investors. The main purpose of the issue was to meet the coming MREL requirement based on total risk exposure amount. The binding MREL level of 17.23% must be met on 1 January 2022. With the new issue of MREL eligible bond and the increase in the debentures, S-Bank's MREL ratio was 21.4%, well above the regulatory requirement.

S-Bank has credit rating from Standard & Poor's (S&P). The credit rating of long-term borrowing is BBB, short-term borrowing is A-2, and the outlook is stable.

The main source of S-Bank's funding is customer deposits, that grew 9.1% during 2021. S-Bank's liquidity position has maintained robust, LCR ratio being 149.9% and NSFR ratio 151.1% at the year end.

ESG TASKFORCE AND SUSTAINABILITY

S-Bank has established an internal ESG Task Force in 2021 and it is comprised of experts from banking and wealth management, legal, risk management and other supporting units. Task Force follows the ESG regulation and assesses the effects on governance, risk and compliance, products and services as well as data and disclosure. S-Bank's report on ESG and sustainability can be found from the Annual Report.

1.1 KEY RISK METRICS

S-Bank's capital adequacy, liquidity and funding position have remained on a steady footing during 2021.

S-Bank's capital position has remained stable. It has been above the regulatory requirement of 12.01% and the internal minimum target level, that is 150 bps above the regulatory requirement. The regulatory requirement decreased by 0.75% due to Pillar 2 capital requirement that came into force on 30 September 2021. S-Bank's total capital adequacy ratio was 16.3% and the Tier 1 ratio was 13.0% as of 31 December 2021. As of 31 December 2021, all S-Bank's Tier 1 capital comprised of CET1 capital instruments.

CET1 capital increased by EUR 18.4 million and total own funds increased by EUR 69.4 million during 2021. The development of CET 1 capital was mainly affected by the operating profit but also by the growth in intangible assets. Tier 2 capital increased by EUR 50.1 million as the LocalTapiola Group invested in S-Bank's debenture loans in conjunction with the corporate transaction, where S Group acquired all S-Bank shares from the LocalTapiola Group and Elo.

Total REA increased by EUR 311 million to EUR 3.3 billion, mainly due to strategic growth in lending to household customers.

S-Bank's leverage ratio (LR) of 5.7% was strong and exceeded the minimum regulatory requirement and the internal minimum target level. The 3% regulatory requirement for LR became binding on 28 June 2021.

The liquidity position was stable and strong at the year-end. The 12-month moving average of the Liquidity Coverage Ratio was at 149.9%, while the Net Stable Funding Ratio stood at 151.1%. The regulatory re-quirement of 100% for the NSFR became binding on 28 June 2021.

The following two tables provide an overview of S-Bank's key metrics and risk weighted exposure amounts. Please note that the Liquidity Coverage Ratio is presented as a moving average over 12 months.

Table 1: EU KM1 – Key risk metrics

EUR million		a 31 Dec 2021	b 30 June 2021	c 31 Dec 2020	d 30 June 2020	e 31 Dec 2019
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	434.8	428.3	416.4	420.5	422.2
2	Tier 1 capital	434.8	428.3	416.4	420.5	422.2
3	Total capital	545.3	483.5	475.9	470.5	472.2
	Risk-weighted exposure amounts					
4	Total risk exposure amount	3 346.0	3 174.6	3 035.2	2 971.5	2 900.3
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	12.99%	13.49%	13.72%	14.15%	14.56%
6	Tier 1 ratio (%)	12.99%	13.49%	13.72%	14.15%	14.56%
7	Total capital ratio (%)	16.30%	15.23%	15.68%	15.83%	16.28%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	2.25%	2.25%	2.25%	2.25%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84%	2.25%	2.25%	2.25%	2.25%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13%	N/A	N/A	N/A	N/A
EU 7d	Total SREP own funds requirements (%)	9.50%	10.25%	10.25%	10.25%	10.25%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	N/A	N/A	N/A	N/A	N/A
9	Institution specific countercyclical capital buffer (%)	0.01%	0.01%	0.00%	0.01%	0.07%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%	0.00%	1.00%
10	Global Systemically Important Institution buffer (%)	N/A	N/A	N/A	N/A	N/A
EU 10a	Other Systemically Important Institution buffer (%)	N/A	N/A	N/A	N/A	N/A
11	Combined buffer requirement (%)	2.51%	2.51%	2.50%	2.51%	3.57%
EU 11a	Overall capital requirements (%)	12.01%	12.76%	12.75%	12.76%	13.82%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.14%	4.24%	4.46%	4.89%	4.24%
	Leverage ratio					
13	Total exposure measure	7 693.3	7 377.0	7 171.0	7 380.5	6 807.3
14	Leverage ratio (%)	5.65%	5.81%	5.81%	5.70%	6.20%

EUR million		a 31.12.2021	b 30.6.2021	c 31.12.2019	d 30.6.2020	e 31.12.2019
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%			
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.00%	0.00%			
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%			
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	N/A	N/A			
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%			
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	1 548.4	1 391.9	1 260.7	1 080.7	1 052.2
EU 16a	Cash outflows - Total weighted value	1113.8	1055.3	981.9	870.7	827.4
EU 16b	Cash inflows - Total weighted value	65.7	70.4	69.2	71.6	82.2
16	Total net cash outflows (adjusted value)	1 048.1	984.9	912.6	800.6	748.5
17	Liquidity coverage ratio (%)	147.57%	141.28%	138.23%	134.93%	137.52%
	Net Stable Funding Ratio					
18	Total available stable funding	7 260.5	6 873.7	6 513.1	6 130.8	5 648.4
19	Total required stable funding	4 803.6	4 512.0	4 308.1	4076.7	3 892.2
20	NSFR ratio (%)	151.10%	152.30%	151.20%	150.40%	145.12%

Table 2: EU OV1 – Overview of total risk exposure amounts

S-Bank has not disclosed certain rows in EU OV1 that refer to approaches or methods, that are not used by S-Bank or rows, where S-Bank does not have any exposures.

EUR million		Total risk exposure amounts (TREA)		Total own funds requirements	
		a	b	c	-
		31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
1	**Credit risk (excluding CCR),**	**3 014.8**	**2 725.7**	**241.2**	**218.1**
2	Of which the standardised approach	**3 014.8**	**2 725.7**	**241.2**	**218.1**
6	**Counterparty credit risk - CCR**	**0.4**	**0.1**	**0.0**	**0.0**
EU 8a	Of which exposures to a CCP	0.4	0.1	0.0	0.0
EU 8b	Of which credit valuation adjustment - CVA	0.0	0.0	0.0	0.0
9	Of which other CCR	0.0	0.0	0.0	0.0
23	**Operational risk. basic indicator approach**	**327.4**	**306.0**	**26.2**	**24.5**
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**3.5**	**3.5**	**0.3**	**0.3**
29	**Total**	**3 346.0**	**3 035.2**	**267.7**	**242.8**

1.2 KEY CHANGES AND DEVELOPMENT DURING 2021

During 2021, the main tasks of risk management was to maintain and further improve risk management practices and clarify the role of risk control function. Several regulatory changes, like the new definition of default, guidelines for loan origination and implementation of CRR2 were completed during 2021. Risk appetite framework and respective risk appetite indicators were evaluated and calibrated, and the related internal policies on risk management practices were updated according to the annual plan. New operative processes were introduced for real estate collateral valuation and process enhancements were done for identification of forborne loans.

Compliance risk

During 2021 S-Bank has continued to further develop solutions and processes in order to manage and report compliance recommendations. In order to facilitate the requirements of changing regulatory environment S-Bank has initiated a specific process to track and manage regulatory changes. S-Bank was also able to close the two-year long KYC-project successfully. In order to continue the development a specific committee has been set to oversee AML, KYC and Sanctions matters going forward.

Financial Supervisory Authority imposed a EUR 1.65 million penalty on S-Bank for deficiencies in its identification and reporting processes related to suspicious orders in share brokerage. S-Bank is not itself suspected of misconduct, and the company no longer offers its customers share brokerage services.

Operational risk

During 2021 S-Bank has participated to FATO and TIBER tests to test, develop and strengthen bank´s processes in continuity and cyber security. The level of incidents has remained steady (excluding the fine), policies and processes for the management of outsourcings have been further enhanced. Operational risk team has grown in numbers by 50% during the year, allowing more comprehensive monitoring program going forward.

Credit risk management

In 2021, S-Bank further strengthened its credit risk management organisation and established a new team within risk and compliance department to focus on credit risk management. In addition, credit risk management and reporting processes were under continuous development to further improve performance of the credit risk management. The management process for forbearance measures was revised including enhanced identification and stricter cure criteria, which led into increase of forbearance exposures during the review period. New collateral valuation process based on the combination of advanced statistical modelling and expert valuation was implemented for regular revaluation of collateral properties. Credit risk reporting capabilities were further enhanced in connection with the database solutions developed for the implementation of new definition of default.

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. S-Bank implemented new definition of default where the concept of IFRS 9 -credit impaired exposures was harmonized with defaulted exposures and non-performing exposures. In addition, the cure criteria of the defaulted exposures and forborne exposure were tightened. The expected credit loss impact attributable to the change was approximately EUR 1 million. S-Bank is currently in process to review its ECL calculation framework to further improve its performance and accuracy.

Liquidity and funding

During the year 2021, S-Bank executed its first bond issuance. The sale and pricing of S-Bank's first MTN (Medium Term Note) bond was carried out in September and the issuance took place in October 2021. The nominal amount of the issued Senior Preferred bond is EUR 170 million and is considered an eligible liability intended to meet the MREL requirement.

S-Bank has BBB rating for long-term funding and A-2 for short-term funding with stable outlook from Standard & Poor's (S&P).

1.3 KEY DEVELOPMENT DUE TO REGULATORY CHANGES

Definition of default

S-Bank has applied new definition of default on 1st of January 2021 according to the EBA guidelines. The concepts of defaulted exposures, non-performing exposures and IFRS 9 -credit impaired exposures were harmonised at S-Bank due to regulatory reform. In addition, the cure criteria of defaulted exposures were tightened with the change. The ECL provision increased by approximately EUR 1 million due to the introduction of the new definition of default.

The revised rules on capital requirements (CRD V/CRR II)

The revised rules on capital requirements (CRD V/CRR II) were applied from June 2021. The revisions are mostly focused 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.

The revised rules on capital requirements did not have measurably effect on S-Bank's risk position nor capital requirements.

Revised Pillar 3 disclosure framework

The European Banking Authority (EBA) introduced revised Pillar 3 disclosure requirements according to CRR2. The application of the disclosure requirements and the Implementing Technical Standards (ITS) came into force from June 2021. As S-Bank published its Pillar 3 report on annual basis, the revised Pillar 3 disclosure framework has been adapted into Capital and Risk Management report 2021.

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. Guidelines were applied to new loan origination from 30 June 2021 and transitional period regarding existing loan portfolio continues until 30 June 2022. 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.

S-Bank reviewed its loan granting and monitoring processes considering EBA Guidelines and made required amendments and enhancements. For example, documentation practices regarding corporate loans were enhanced, based on gap analysis between the new guidelines and S-Banks practices.

Minimum requirement for own funds and eligible liabilities (MREL)

The Financial Stability Authority is the Finnish crisis resolution authority. It is responsible for planning crisis resolution for credit institutions and investment firms. The Financial Stability Authority has issued a Minimum Requirement for own funds and Eligible Liabilities (MREL) to be applied at the level of the S-Bank Group. In the decision issued by the Financial Stability Authority on 28 April 2021, the requirement based on total risk exposure amount is 20.04 per cent and the requirement based on the total amount of exposures used in the calculation of the leverage ratio is 5.91 per cent. The requirement based on total risk exposure amount must be met gradually so that the 17.23 per cent requirement will enter into force on 1 January 2022 and the full requirement on 1 January 2024. The requirement based on the total amount of exposures used in the calculation of the leverage ratio will enter into force in full on 1 January 2022.

2 RISK DECLARATION AND STATEMENT

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 Group (hereinafter "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 15 presents the disclosure index demonstrating where the information required by CRR Articles 435-451 can be found.

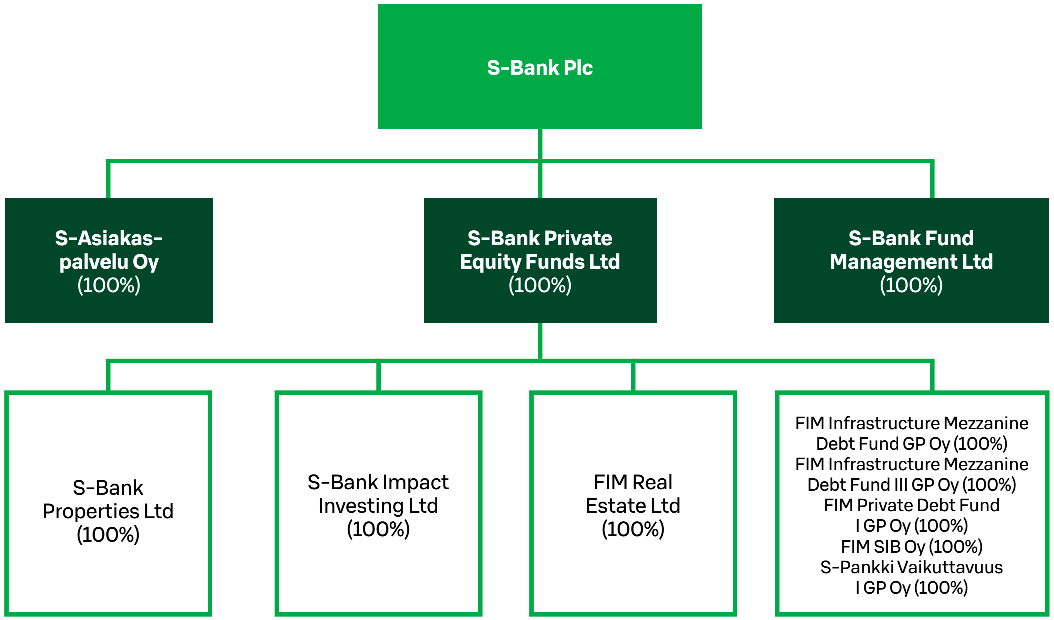
Risk management, capital adequacy and other risk related information are also described and disclosed as a part of the Board of Directors' Report and the financial statements. In its interim reports, S-Bank discloses risk management and capital adequacy information that is to be published more frequently 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.

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

This report has not been externally audited. However, figures presented in this report are based on Annual Report 2021, which has been audited. The report is subject to the internal review and control processes as defined in S-Bank's disclosure policy. Material in this report applies to S-Bank's consolidated figures as of 31 December 2021 if not otherwise stated.

3 DESCRIPTION OF S-BANK GROUP

Figure 1: Corporate structure of S-Bank Group



3.1 CORPORATE STRUCTURE AND CONSOLIDATION

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 S-Bank Group includes the parent company S-Bank Plc and all its subsidiaries as presented in following figure. The owners of S-Bank are SOK Corporation and the regional co-operatives belonging to S 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 S-Bank Fund Management Ltd.

S-Bank Fund Management Ltd manages the S-Bank funds. The company operated under the name FIM Asset Management Ltd until 30 September 2021. As part of the brand renewal, the company's name was changed to S-Bank Fund Management Ltd on 1 October 2021. Portfolio management was also concentrated under S-Bank Plc within the S-Bank Group.

As part of the corporate transaction completed on 5 October 2021, SOK Corporation and the regional co-operatives of the S Group acquired the shares held by LocalTapiola General, LocalTapiola Life, the Local-Tapiola regional companies and the Elo Mutual Pension Insurance Company in S-Bank Plc. As a part of the transaction, fund cooperation between S-Bank and LocalTapiola ended. The management of a total of 28 LocalTapiola funds were transferred in stages from S-Bank Fund Management Ltd to Seligson & Co Fund Management Company Plc (owned by the LocalTapiola Group). In turn, two LocalTapiola funds merged with S-Bank funds in November. S-Bank owns 100 per cent of S-Bank Fund Management Ltd's share capital.

S-Bank Private Equity Funds Ltd (FIM Private Equity Funds Ltd until 30 September 2021) is an alternative fund manager, providing the S-Bank Group with portfolio management services for private equity funds. S-Bank Private Equity Funds Ltd is also responsible for the portfolio management of those non-UCITS funds managed by S-Bank Fund Management Ltd that invest in real estate, forests and unlisted companies. Fennia Asset Management Ltd was merged into S-Bank Private Equity Funds Ltd on 31 March 2021. S-Bank owns 100 per cent of S-Bank Private Equity Funds Ltd's share capital.

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

S-Bank Properties Ltd (Fennia Properties Ltd until 17 January 2021) specialises in property management and offers its services to investors, property owners and tenants. In addition to property portfolio management, property management services and property development, the company focuses on the implementation and management of joint venture projects. S-Bank Private Equity Funds Ltd owns 100 per cent of S-Bank Properties Ltd's share capital.

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

S-Asiakaspalvelu Oy is a 100% owned subsidiary of S-Bank Plc. S-Asiakaspalvelu provides customer service, data processing services 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).

Table 3: EU LI3 - Outline of the differences in the scopes of consolidation

S-Bank uses same method of consolidation for accounting and for prudential consolidation. All subsidiaries are included in the consolidation. There are no impediments to the prompt transfer of own funds or to the repayment of liabilities within the group. S-Bank uses same method of consolidation for accounting and for prudential consolidation. All subsidiaries are included in the consolidation. There are no impediments to the prompt transfer of own funds or to the repayment of liabilities within the group. Main changes in the S-Bank Group's corporate structure in 2021 were brand renewal of S-Bank Fund Management Ltd (former FIM Asset management Ltd) and S-Bank Private Equity Funds Ltd (former FIM Private Equity Funds Ltd) and corporate merger of Fennia Asset Management Ltd into S-Bank Private Equity Funds Ltd.

a	b	c	d	e	f	g	h
		Method of prudential consolidation					Description of the entity
Name of the entity	Method of accounting consolidation	Full consoli-dation	Proportional consolidation	Equity method	Neither consolida-ted nor deducted	Deducted	
S-Bank Fund Management Ltd	Purchase method	X					Asset management
S-Bank Private Equity Funds Ltd	Purchase method	X					Asset management
FIM Real Estate Ltd	Purchase method	X					Real estate activities
S-Bank Properties Ltd	Purchase method	X					Real estate activities
S-Bank Impact Investing Ltd	Purchase method	X					Asset management
FIM Infrastructure Mezzanine Debt Fund GP Oy	Purchase method	X					Asset management
FIM Infrastructure Mezzanine Debt Fund III GP Oy	Purchase method	X					Asset management
FIM Private Debt Fund I GP Oy	Purchase method	X					Asset management
FIM SIB Oy	Purchase method	X					Asset management
S-Pankki Vaikuttavuus GP I Oy	Purchase method	X					Asset management
S-Asiakaspalvelu Oy	Purchase method	X					Service entity
S-Crosskey Ltd	Equity method			X			IT-service entity

3.2 INFORMATION ON THE SCOPE OF APPLICATION OF THE REGULATORY FRAMEWORK

For prudential purposes only credit risk and counterparty credit risk (CCR) frameworks are applicable to S-Bank. Items classified to the trading book are below the thresholds for market risk framework and are thus treated under the credit risk framework. S-Bank does not hold any items classified to the securitisation framework. Thus, S-Bank has not disclosed the columns e and f for template EU LI1 and columns c and e for template EU LI2.

Table 4: EU LI1 - Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

S-Bank uses the same carrying values for financial statements and for prudential consolidation. (EU LIA).

		a&b	c	d	g
			Carrying values of items		
31 Dec 2021, EUR million		**Carrying values as reported in published financial statements & Carrying values under scope of prudential consolidation**	**Subject to the credit risk framework**	**Subject to the CCR framework**	**Not subject to own funds requirements or subject to deduction from own funds**
	Breakdown by asset classes according to the balance sheet in the published financial statements				
1	Cash and cash equivalents	1 092.0	1 092.0	0.0	0.0
2	Debt securities eligible for refinancing with central banks	684.9	684.9	0.0	0.0
3	Receivables from credit institutions	25.1	25.1	0.0	0.0
4	Receivables from customers	6 086.0	6 086.0	0.0	0.0
5	Debt securities	464.2	464.2	0.0	0.0
6	Derivative contracts	0.6	0.0	0.6	0.0
7	Shares and interests	31.6	31.6	0.0	0.0
8	Holdings in associated companies	0.0	0.0	0.0	0.0
9	Intangible assets	73.3	0.0	0.0	73.3
10	Tangible assets	7.5	7.5	0.0	0.0
11	Tax assets	2.1	2.1	0.0	0.0
12	Accrued income	28.3	28.3	0.0	0.0
13	Other assets	5.4	5.4	0.0	0.0
14	**Total assets**	**8 500.9**	**8 427.0**	**0.6**	**73.3**
	Breakdown by liability classes according to the balance sheet in the published financial statements				
1	Liabilities to credit institutions	0.1	0.0	0.0	0.0
2	Liabilities to customers	7 611.3	0.0	0.0	0.0
3	Debt securities in issue	169.7	0.0	0.0	0.0
4	Subordinated debts	112.7	0.0	0.0	0.0
5	Derivative contracts	8.4	0.0	0.0	0.0
6	Provisions	0.6	0.0	0.0	0.0
7	Tax liabilities	7.2	0.0	0.0	0.0
8	Accrued expenses	32.3	0.0	0.0	0.0
9	Other liabilities	49.3	0.0	0.0	0.0
10	**Total liabilities**	**7 991.6**	**0.0**	**0.0**	**0.0**

Table 5: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

The differences between regulatory exposure amounts and carrying values in financial statements are due to exposure value calculated for derivatives (EU LIA). As there are no other differences between regulatory exposure amounts and carrying values in financial statements, S-Bank has not disclosed rows 5-11 on differences in templated EU LI2.

		a	b	d
			Items subject to	
31 Dec 2021, EUR million		Total	Credit risk framework	CCR framework
1	Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	8 427.5	8 427.0	0.6
2	Liabilities carrying value amount under the scope of prudential onsolidation (as per template LI1)	7 991.6	0.0	0.0
3	Total net amount under the scope of prudential consolidation	436.0	8 427.0	0.6
4	Off-balance-sheet amounts	2 459.4	2 459.4	0.0
12	Exposure amounts considered for regulatory purposes	10 886.9	10 886.3	0.0

EU PV1 - Prudent valuation adjustments (PVA)

S-Bank applies the simplified approach for prudent valuation adjustment and thus does not disclose the template EU PV1, that refers to the core approach. The prudent valuation adjustment at the end of the year was EUR 1.2 million (1.3).

4 GOVERNANCE OF RISK

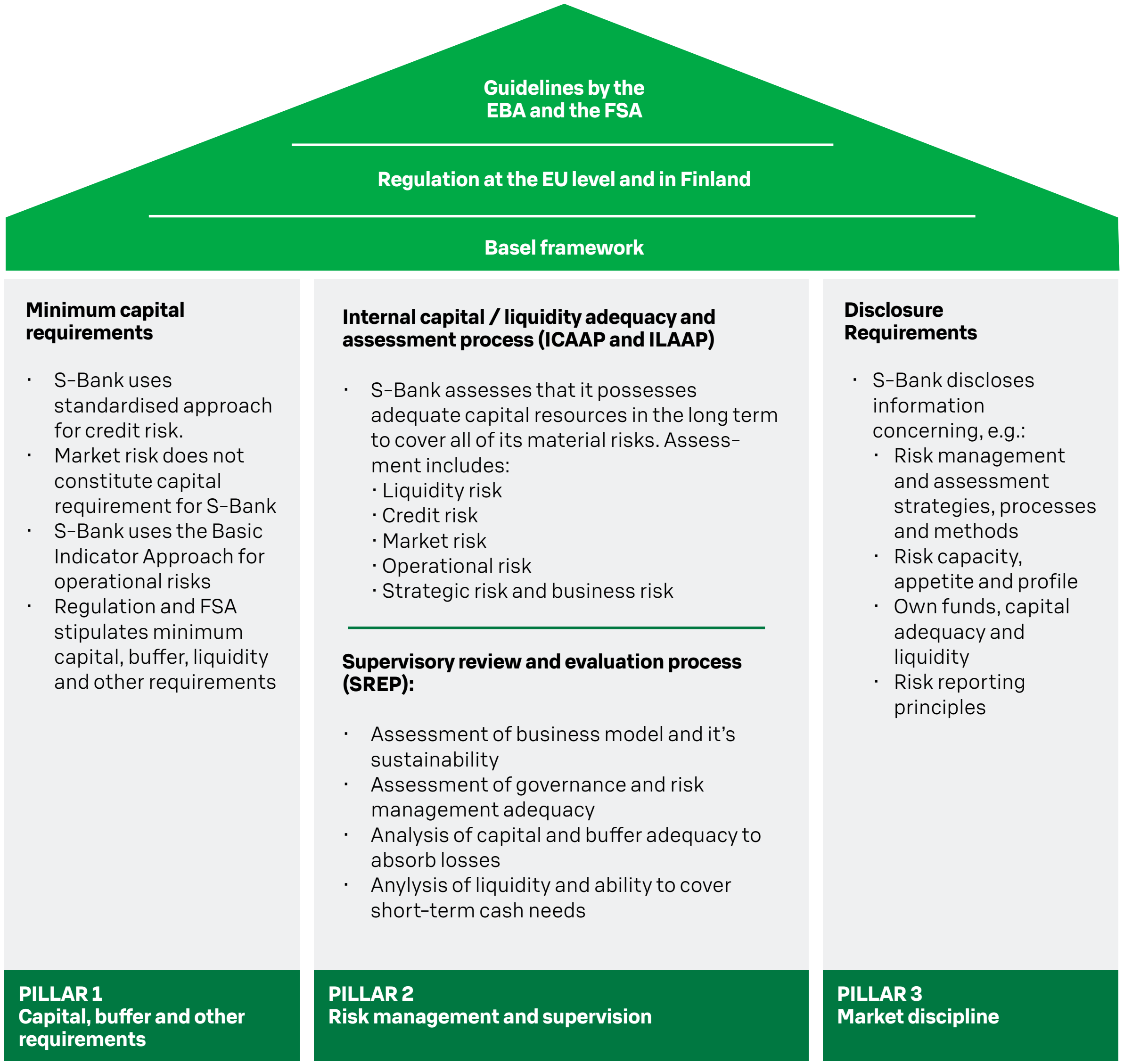
The regulatory framework for banks comprises of three Pillars: (1) minimum requirements addressing risk, (2) risk management and supervisory review and (3) market discipline. The framework is implemented through EU-level by directives, regulations, standards, guidelines, and national legislation. The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

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

4.1 RISK MANAGEMENT APPROACH (EU OVA)

S-Bank has a risk strategy approved by the parent company's Board of Directors. The

Figure 2: Basel international regulatory framework



strategy defines risk appetite and capacity and sets key risk indicators and limits. The strategy also describes S-Bank's risk management objectives and escalation process for limit breaches. The risk strategy is supplemented with general principles for roles and responsibilities in risk management and 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 operations.

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.

The objective of risk management is to support the level of profitability, and to maintain the capital adequacy and the liquidity as well as other risk indicators 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. The Board of Directors defines annually 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 funding 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 the internal minimum target levels as well as early warning levels for key indicators, such as 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 and 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' key metrics.

S-Bank's risk management is built on three lines of defence. The first line of defence is responsible for risk-taking, the identifica-

Figure 3: Summary of S-Banks' risk appetite framework 31 Dec 2021

Risk type	Indicator
Strategy, Capital Adequacy and Profitability	· Capital ratios · Economic capital · Leverage ratio · Profitability
Credit Risk	· Expected and final credit losses · Indicators of asset quality · Concentration risks · Distribution of credit portfolio by segment and product
Market Risk	· Interest rate risk in economic value and net interest income · Spread risk · Other market risks
Liquidity and Funding	· Indicators for short- and medium-term liquidity · Adequacy of stable funding · Asset encumbrance · Structure of funding
Compliance Risk	· Regulatory compliance monitoring indicators · Indicators to prevent financial crimes
Operational Risk	· Realised operational risks · Continuity management indicators · Indicators of service availability

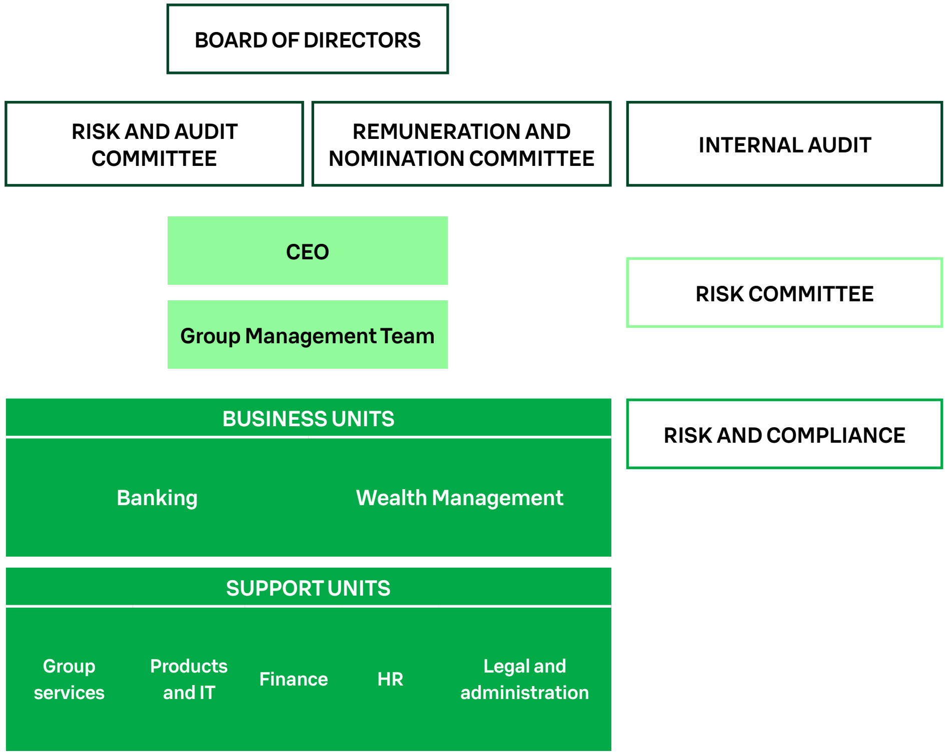
tion of risks, day-to-day risk management, risk mitigation, and risk monitoring and reporting.

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 progress 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.

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 frame-work 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 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 are responsible for the clear and adequate description of the pertinent frameworks, operations, and risk management requirements.

The business units have separate management teams and committees comprising of relevant business unit directors and senior managers. The Executive Teams and committees are responsible for the execution, implementation and monitoring of the quantitative and qualitative goals. Executive Teams and committees can apply stricter risk limits than those set 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

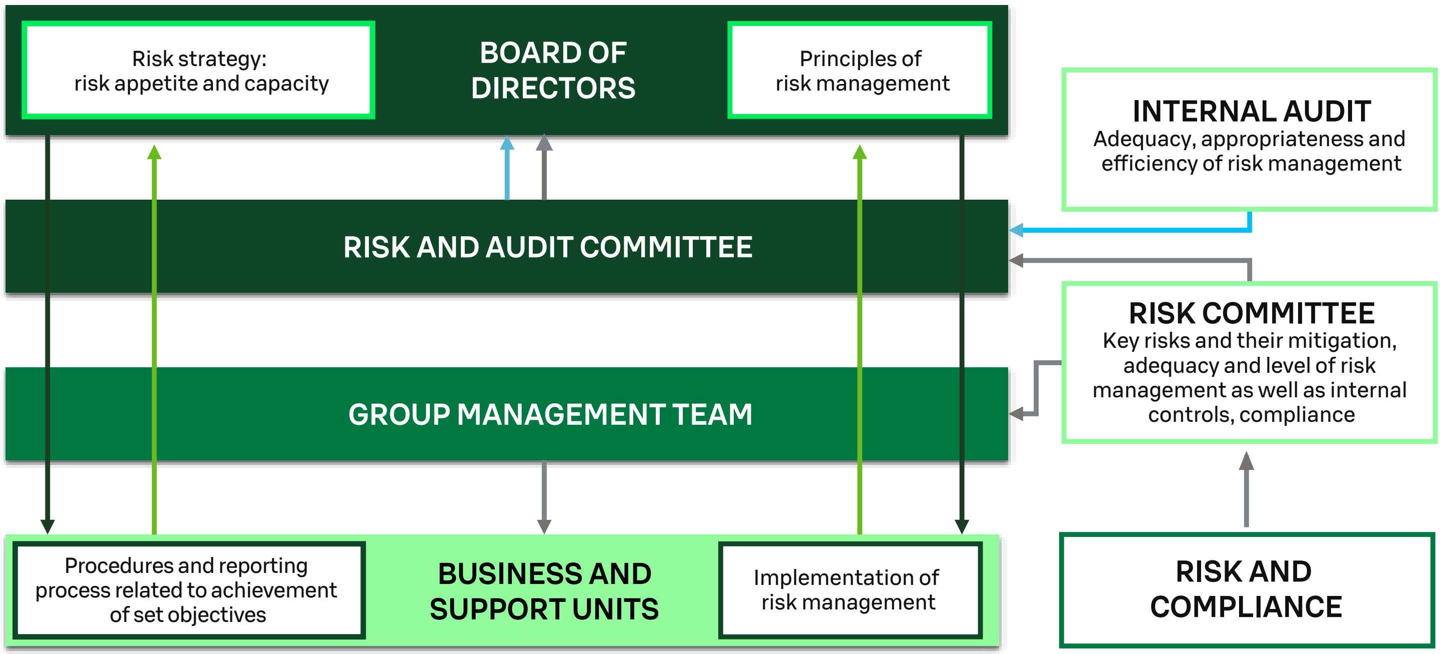
S-Bank's Board of Directors has established independent internal control functions to ensure effective and comprehensive internal control and risk management. These functions consist of the Risk Control and Compliance functions and Internal Audit.

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 frame-works 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.

Figure 5: The overall risk reporting in S-Bank



4.2 RISK MONITORING AND REPORTING

Information flow on risk to the management body

Risks are measured, monitored, and reported in such a way that the Board of Directors and line management have adequate and relevant information on risk position and risk 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.

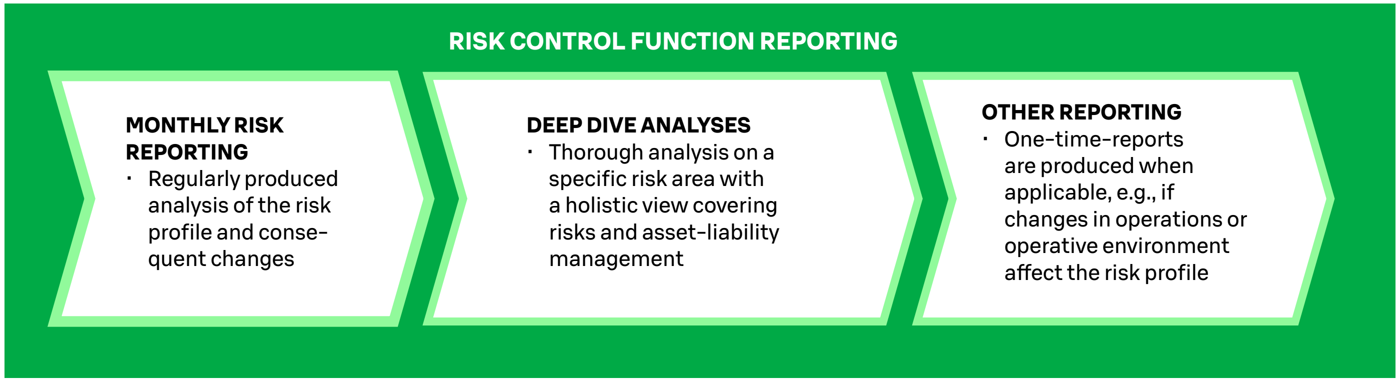
S-Bank monitors risks on a continuous basis as part of its day-to-day routines. Each employee must be aware of their own responsibilities related to risk management, and they are responsible for with observing the implementation of risk management procedures within their area of responsibility. Employees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

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 daily. 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, management receives a separate report and analysis if any major changes or deviations occur that may influence S-Bank's risk position or capital adequacy.

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.

Figure 6: Risk Control function reporting



5 CAPITAL AND LIQUIDITY MANAGEMENT

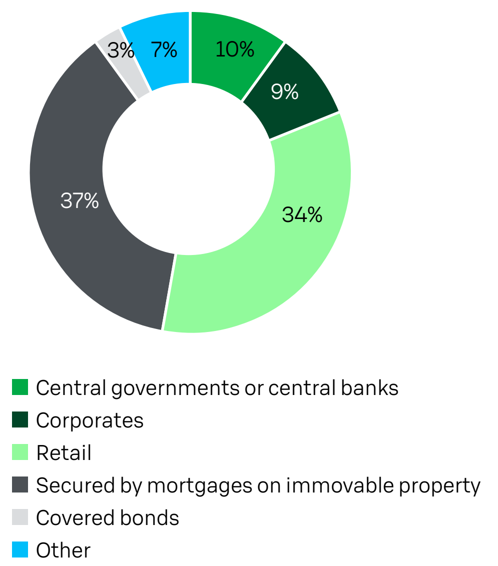
5.1 HIGHLIGHTS 2021 AND OVERVIEW

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 increased to 16.3% in 31 Dec 2021 (15.7).
  - Total REA increased by EUR 311 million to EUR 3.3 billion, mainly due to strategic growth in lending to household customers.
  - The increase of own funds was mainly due to good operating profit of the financial year and the increase of debenture loans.
  - CET1 ratio was 13.0% in 31 Dec 2021 (13.7). The ratio decreased as the REA grew accordingly to the strategic growth in customer lending.
- S-Bank's total capital requirement at the end of the reporting period was 12.01%, consisting of the minimum capital requirement (8%), capital conservation buffer (2.5%), Pillar 2 SREP requirement (1.50%) and countercyclical buffer requirement (0.01%).
  - Pillar 2 SREP requirement is based on an assessment performed by the FIN-FSA on bank-specific risks. During the year 2021 the Pillar 2 requirement decreased by 0.75 percentage points.
- Leverage ratio was also strong 5.7% (5.8%) and exceeded the 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 150% (147%).
- The Net Stable Funding Ratio (NSFR), which is defined as the available stable funding relative to the required stable funding, was 151% (151%).

Figure 7 shows the distribution of credit risk exposures, taking into account both on-balance-sheet exposures (EUR 8.43 billion) and off-balance-sheet exposures (EUR 2.46 billion).

Figure 7: Distribution of credit risk exposures by exposure classes



5.2 CAPITAL AND LIQUIDITY MANAGEMENT

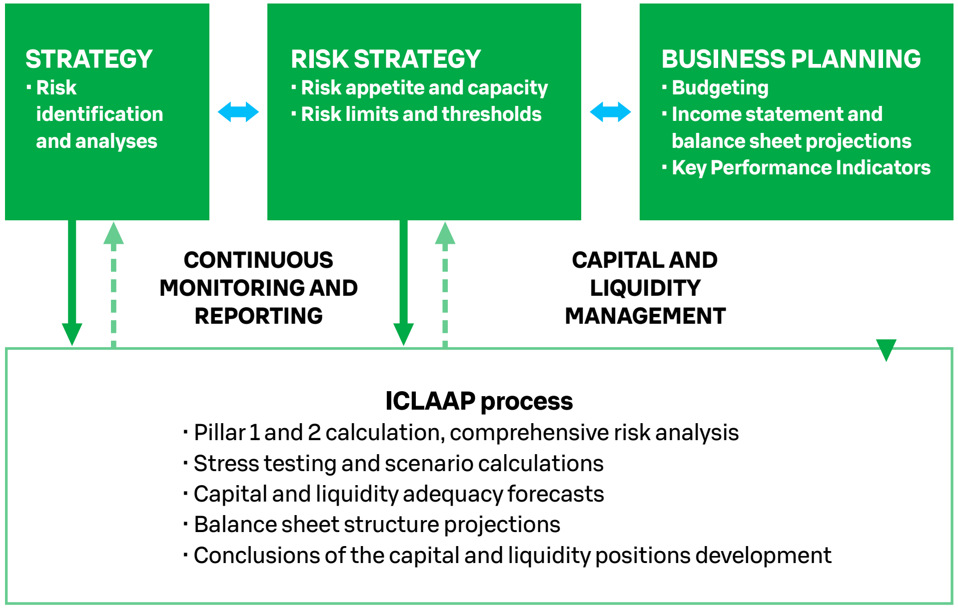
Capital and liquidity management are fundamental parts of the risk management process. The objective of sound capital and liquidity management is to ensure that S-Bank has continuously an appropriate capital and liquidity position required to achieve its strategic business goals. Furthermore, the aim 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.

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.

ICAAP and ILAAP information (EU OVC)

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.

Figure 8: Capital and liquidity management framework



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.

For each of the major risks, the economic capital requirement is quantified as follows:

- the risk measurements already covered by Pillar 1 are reviewed and, where necessary, completed by economic capital adjustments.
- the risks absent from Pillar 1 are subject to a specific calculation of economic capital needs, based on internal approaches.

During 2021 all the major risks identified during the risk identification process were taken into account for assessing the economic capital requirement. S-Bank notably measures market risks, business and strategic risk, concentration risk, credit risk, and operational risk. S-Bank ensures that its own funds always cover the economic capital requirement.

5.3 OWN FUNDS

S-Bank's CET1 ratio stood at 13.0 per cent and total capital adequacy ratio at 16.3 per cent (15.7) at the end of the reporting period. The change in CET1 capital during the year was mostly due to development in S-Bank's operating profit. Relatively calm market situation and tight credit spreads in the global fixed-income markets kept the fair value reserve at last year's level.

Tier 2 capital consists of four debentures with a total nominal value of EUR 110.5 million (59.5) and a maturity of over five years. During the last quarter of the year, S-Bank issued a new debenture totalling EUR 57.5 million. The main features of regulatory own funds instruments and eligible liabilities instruments are disclosed in Annex 1: EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments.

Figure 9: ICLAAP-process

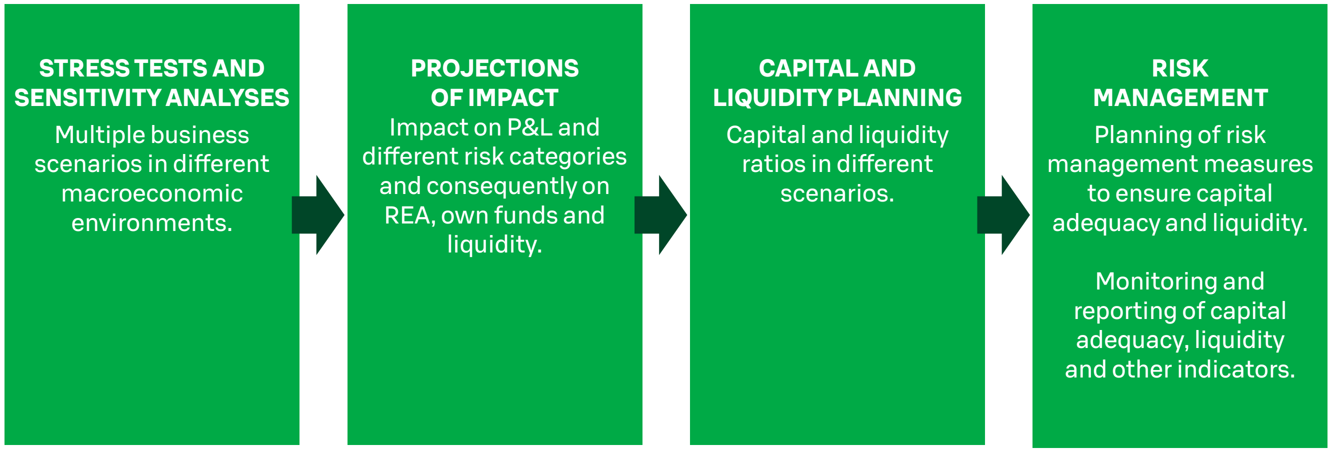


Table 6: EU CC1: Composition of regulatory own funds 31 Dec 2021

The regulatory adjustments made to own funds consist of the deduction of intangible assets from CET1 capital, as well as value adjustments made due to the requirements for prudent valuation. In table 6, reference letter h is used to mark the balance sheet elements subject to prudent valuation adjustments. The capital ratios are determined on the basis laid down in the CRR.

S-Bank has not disclosed certain rows in EU CC1 that refer to items or methods, that are not used by S-Bank or where S-Bank does not have anything to report. The comparison figures for 31 Dec 2020 are presented according to commission implementing regulation EU 1423/2013 as originally disclosed in the Capital and risk management report 2020.

		a	b
EUR million		**Amount on disclosure date**	**Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation**
		31 Dec 2021	
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	82.9	c
	of which: Share as published in Regulation (EU) No 575/2013 article 28	82.9	c
2	Retained earnings	122.6	f
3	Accumulated other comprehensive income (and other reserves)	284.3	d
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	19.6	g
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**509.3**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	-1.2	h
8	Intangible assets (net of related tax liability) (negative amount)	-73.3	a
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-74.5	
29	**Common Equity Tier 1 (CET1) capital**	434.8	
Additional Tier 1 (AT1) capital: instruments			
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	0,0	
Additional Tier 1 (AT1) capital: regulatory adjustments			
44	**Additional Tier 1 (AT1) capital**	**0.0**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**434.8**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	110.5	b
51	**Tier 2 (T2) capital before regulatory adjustments**	**110.5**	
Tier 2 (T2) capital: regulatory adjustments			
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**0.0**	
58	**Tier 2 (T2) capital**	**110.5**	
59	**Total capital (TC = T1 + T2)**	**545.3**	
60	**Total Risk exposure amount**	**3 346.0**	

EUR million		a Amount on disclosure date 31 Dec 2021	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	12.99%	
62	Tier 1 capital	12.99%	
63	Total capital	16.28%	
64	Institution CET1 overall capital requirements	7.85%	
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	0.01%	
67	of which: systemic risk buffer requirement	-	
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	5.14%	
Amounts below the thresholds for deduction (before risk weighting)			
75	**Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)**	1.5	

Table 7: EU 1423/2013: S-Bank's own funds 30 Dec 2020

EUR million	Amount on disclosure date 31 Dec 2020	Regulation (EU) No 575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1. Capital instruments and the related share premium accounts	82.9	26 (1), 27, 28, 29
2. Retained earnings	106.7	26 (1) (c)
3. Accumulated other comprehensive income (and other reserves)	283.4	26 (1)
5a. Independently reviewed interim profits net of any foreseeable charge or dividend	15.7	26 (2)
6. Common Equity Tier 1 (CET1) capital before regulatory adjustments	**488.6**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7. Additional value adjustments (negative amount)	-1.3	34, 105
8. Intangible assets (net of related tax liability) (negative amount)	-71.0	36 (1) (b), 37
28. Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-72.3**	
29. Common Equity Tier 1 (CET1) capital	**416.4**	
44. Additional Tier 1 (AT1) capital	**0.0**	
45. Tier 1 capital (T1 = CET1 + AT1)	**416.4**	
Tier 2 (T2) capital: instruments and provisions		
46. Capital instruments and the related share premium accounts	59.5	62, 63
58. Tier 2 (T2) capital	**59.5**	
59. Total capital (TC = T1 + T2)	**475.9**	
60. Total risk weighted assets	**3 035.2**	
Capital ratios and buffers		
61. Common Equity Tier 1 (as a percentage of total risk exposure amount)	13.72%	92 (2) (a)
62. Tier 1 (as a percentage of total risk exposure amount)	13.72%	92 (2) (b)
63. Total capital (as a percentage of total risk exposure amount)	15.68%	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%	CRD 128, 129, 130, 131, 133
65. of which: capital conservation buffer requirement	2.50%	
66. of which: countercyclical buffer requirement	0.01%	
67. of which: systemic risk buffer requirements	0.00%	
68. Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	9.22%	CRD 128

Table 8: EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Table 8 presents the differences between the scope of accounting consolidation and the scope of regulatory consolidation.
The table links S-Bank's balance sheet items to the composition of regulatory own funds, as disclosed in previous table (Table 6: EU CC1).

		a	b	c
		Balance sheet as in published financial statements	**Under regulatory scope of consolidation**	**Reference**
31 Dec 2021, EUR million		**As at period end**	**As at period end**	
Assets - Breakdown by asset clases according to the balance sheet in the published financial statements				
1	Cash and cash equivalents	1 092.0	1 092.0	
2	Debt securities eligible for refinancing with central banks	684.9	684.9	h
3	Receivables from credit institutions	25.1	25.1	
4	Receivables from customers	6 086.0	6 086.0	
5	Debt securities	464.2	464.2	h
6	Derivative contracts	0.6	0.6	h
7	Shares and interests	31.6	31.6	h
8	Holdings in associated companies	0.0	0.0	
9	Intangible assets	73.3	73.3	a
10	Tangible assets	7.5	7.5	
11	Tax assets	2.1	2.1	
12	Accrued income	28.3	28.3	
13	Other assets	5.4	5.4	
	Total assets	**8 500.9**	**8 500.9**	
Liabilities - Breakdown by liability clases according to the balance sheet in the published financial statements				
1	Liabilities to credit institutions	0.1	0.0	
2	Liabilities to customers	7 611.3	0.0	
3	Debt securities in issue	169.7	0.0	
4	Subordinated debts	112.7	110.5	b
5	Derivative contracts	8.4	0.0	h
6	Provisions	0.6	0.0	
7	Tax liabilities	7.2	0.0	
8	Accrued expenses	32.3	0.0	
9	Other liabilities	49.3	0.0	
	Total liabilities	**7 991.6**	**110.5**	
Shareholders' Equity				
1	Share capital	82.9	82.9	c
2	Reserves	284.3	284.3	d, e

31 Dec 2021, EUR million		a Balance sheet as in published financial statements As at period end	b Under regulatory scope of consolidation As at period end	c Reference
3	Of which: Fair value reserve	0.4	0.4	d
4	Of which: Reserve for invested non-restricted equity	283.8	283.8	e
5	Retained earnings	142.1	142.1	f, g
6	Of which: Retained earnings	122.6	122.6	f
7	Of which: Profit/loss for the period	19.6	19.6	g
	Total shareholders' equity	**509.3**	**509.3**	
	Total liabilities and shareholder's equity	**8 500.9**	**619.8**	

5.4 CAPITAL REQUIREMENTS

S-Bank's capital adequacy is on a solid basis and well above the minimum requirements set by the regulators. The capital requirement of 12.0% comprises the minimum requirement of 8%, the capital conservation buffer of 2.5%, the minimum requirement (P2R) of 1.50% (2.25% a year ago) set by the FIN-FSA and the institution-specific capital conservation buffers by country for foreign exposures (CCyB) of 0.0%.

Table 9: S-Bank's total capital requirement on 31 December 2021

	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Pillar 2 (SREP) additional capital requirement		Total capital requirement	
Capital	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**
CET1	4.5%	150.6	2.5%	83.7	0.01%	0.2	0.84%	28.2	7.85%	262.6
AT1	1.5%	50.2					0.28%	9.4	1.78%	59.6
T2	2.0%	66.9					0.38%	12.5	2.38%	79.5
Total	**8.0%**	**267.7**	**2.5%**	**83.7**	**0.01%**	**0.2**	**1.50%**	**50.2**	**12.01%**	**401.7**

Table 10: EU CCyB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

31 Dec 2021, EUR million		a	f	g	j	k	l	m
		General credit exposures		Own fund requirements				
		Exposure value under the standardised approach	Total exposure value	Relevant credit risk exposures - Credit risk	Total	Risk-weighted exposure amounts	Own fund requirements weights	Countercyclical buffer rate
010	**Breakdown by country:**							
	001: Finland	8 908.5	8 908.5	224.6	224.6	2 807.8	96.27%	0.00%
	002: Norway	111.6	111.6	1.2	1.2	15.5	0.53%	1.00%
	003: Canada	110.9	110.9	0.9	0.9	11.1	0.38%	0.00%
	004: Sweden	59.1	59.1	4.7	4.7	58.4	2.00%	0.00%
	005: Denmark	35.0	35.0	0.8	0.8	10.3	0.35%	0.00%
	006: Australia	11.3	11.3	0.1	0.1	1.3	0.04%	0.00%
	007: United States	10.5	10.5	0.8	0.8	9.6	0.33%	0.00%
	008: New Zealand	5.1	5.1	0.0	0.0	0.5	0.02%	0.00%
	009: France	2.0	2.0	0.0	0.0	0.2	0.01%	0.00%
	010: United Kingdom	1.2	1.2	0.0	0.0	0.4	0.01%	0.00%
	011: Estonia	1.1	1.1	0.0	0.0	0.4	0.01%	0.00%
	012: Netherlands	0.6	0.6	0.0	0.0	0.2	0.01%	0.00%
	013: Belgium	0.6	0.6	0.0	0.0	0.4	0.01%	0.00%
	014: Switzerland	0.5	0.5	0.0	0.0	0.1	0.00%	0.00%
	015: Germany	0.5	0.5	0.0	0.0	0.2	0.01%	0.00%
	016: Russian Federation	0.3	0.3	0.0	0.0	0.1	0.00%	0.00%
	017: Austria	0.2	0.2	0.0	0.0	0.1	0.00%	0.00%
	018: Spain	0.1	0.1	0.0	0.0	0.0	0.00%	0.00%
	019: Other countries	0.4	0.4	0.0	0.0	0.1	0.00%	0.00%
020	Total	9 259.6	9 259.6	233.3	233.3	2 916.7	100.00%	

Norway was the only country with countercyclical buffer rate, where S-Bank had exposures at 31 Dec 2021. S-Bank has not disclosed certain columns in EU CCyB1 that refer to approaches or methods, that are not used by S-Bank. The comparison figures for 31 Dec 2020 can be found from Capital and risk management report 2020.

Table 11: EU CCyB2 Amount of institution-specific countercyclical capital buffer

At the end of 2021 S-Bank's countercyclical buffer requirement was 0.2 million (0.2 million) and remained on the same level as year before. The comparison figures for 31 Dec 2020 can be found from Capital and risk management report 2020.

31 Dec 2020, EUR million		**a**
1	Total risk exposure amount	3 346.0
2	Institution specific countercyclical capital buffer rate	0.01%
3	Institution specific countercyclical capital buffer requirement (EUR million)	0.2

5.5 THE USE OF STANDARDISED APPROACH (EU CRD)

S-Bank uses the standardised approach for credit risk. 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 external ratings of ECAI's are mapped to the corresponding credit quality step, as defined and published by the EBA for determining the applicable risk weight for the issuer or the issue.

Table 12 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.

On-balance sheet exposures amount to approximately 77% of all credit risk exposures before Credit Conversion Factor (CCF) and Credit Risk Mitigation (CRM). The total RWA density has decreased by approximately 0.2 percentage points as compared to 2020.

Table 12: EU CR4 – standardised approach – Credit risk exposure and CRM effects

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes 31 Dec 2021, EUR million		**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA density**
		a	b	c	d	e	f
1	Central governments or central banks	1 048.8	0.0	1 585.6	8.0	0.0	0.00%
2	Regional governments or local authorities	259.1	0.0	259.1	0.0	0.3	0.13%
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.00%
6	Institutions	318.8	0.0	324.5	0.1	101.2	31.17%
7	Corporates	526.5	474.9	573.1	41.5	525.9	85.56%
8	Retail	1 754.3	1 957.2	1 165.2	7.6	876.9	74.77%
9	Secured by mortgages on immovable property	4 030.9	26.7	4 030.9	5.4	1 386.2	34.34%
10	Exposures in default	26.7	0.4	33.0	0.0	40.5	122.70%
12	Covered bonds	345.8	0.0	345.8	0.0	34.6	10.00%
14	Collective investments undertakings	21.9	0.1	21.9	0.1	18.3	83.51%
15	Equity	9.7	0.0	9.7	0.0	9.7	100.00%
16	Other items	78.1	0.0	78.1	0.0	24.7	31.56%
17	**Total**	**8 427.0**	**2 459.4**	**8 427.0**	**62.6**	**3 018.2**	**35.84%**

		Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes 31 Dec 2020, EUR million		**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA density**
		a	b	c	d	e	f
1	Central governments or central banks	729.6	0.0	1 153.9	7.0	0.0	0.00%
2	Regional governments or local authorities	330.4	0.0	330.4	0.0	0.5	0.15%
3	Public sector entities	0.0	0.0	0.0	0.0	0.0	0.00%
6	Institutions	289.2	0.0	294.0	0.0	82.4	28.04%
7	Corporates	513.0	357.9	566.5	39.5	511.0	84.33%
8	Retail	1 442.7	1 756.0	960.1	4.7	721.7	74.80%
9	Secured by mortgages on immovable property	3 723.2	48.2	3 723.2	10.2	1 288.9	34.52%
10	Exposures in default	24.6	0.5	24.6	0.0	30.2	122.74%
12	Covered bonds	389.8	0.0	389.8	0.0	39.0	10.00%
14	Collective investments undertakings	27.4	0.2	27.4	0.1	27.5	100.00%
15	Equity	0.8	0.0	0.8	0.0	0.8	100.00%
16	Other items	83.7	0.0	83.7	0.0	27.3	32.57%
17	**Total**	**7 554.4**	**2 162.8**	**7 554.4**	**61.6**	**2 729.2**	**35.84%**

Table 13: EU CR5 – standardised approach

Exposure classes 31 Dec 2021, EUR million		Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	1 593.5	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	0.0	1 593.5	0.0
2	Regional governments or local authorities	257.4	0.0	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	259.1	1.7
6	Institutions	5.7	34.7	0.0	0.0	172.4	0.0	132.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	345.6	-0.2
7	Corporates	0.0	0.0	0.0	0.0	47.7	0.0	100.7	0.0	0.0	466.2	0.0	0.0	0.0	0.0	0.0	614.6	355.9
8	Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1 172.8	0.0	0.0	0.0	0.0	0.0	0.0	1 172.8	1 172.8
9	Secured by mortgages on immovable property	0.0	0.0	0.0	0.0	0.0	4 036.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4 036.4	4 036.4
10	Exposures in default	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.0	15.0	0.0	0.0	0.0	0.0	33.0	33.0
12	Covered bonds	0.0	0.0	0.0	345.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	345.8	0.0
14	Collective investments undertakings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.1	0.0	0.0	0.0	0.5	14.3	21.9	21.9
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.7	0.0	0.0	0.0	0.0	0.0	9.7	9.7
16	Other items	55.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	21.2	0.0	1.4	0.0	0.0	0.0	78.1	22.6
17	**Total**	**1 912.2**	**34.7**	**0.0**	**345.8**	**221.8**	**4 036.4**	**233.6**	**0.0**	**1 172.8**	**522.3**	**15.0**	**1.4**	**0.0**	**0.5**	**14.3**	**8 510.6**	**5 653.8**

Exposure classes 31 Dec 2020, EUR million		Risk weight															Total	Of which unrated
		EUR million	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
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	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	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	330.4	2.4
6	Institutions	4.5	25.6	0.0	0.0	171.0	0.0	95.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	296.7	0.3
7	Corporates	0.0	0.0	0.0	0.0	57.1	0.0	100.4	0.0	0.0	446.0	2.5	0.0	0.0	0.0	0.0	606.0	363.6
8	Retail	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	964.9	0.0	0.0	0.0	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	0.0	3 733.4	0.0	0.0	0.0	0.0	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	0.0	0.0	13.4	11.2	0.0	0.0	0.0	0.0	24.6	24.6
12	Covered bonds	0.0	0.0	0.0	389.8	0.0	0.0	0.0	0.0	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	0.0	0.0	27.5	0.0	0.0	0.0	0.0	0.0	27.5	27.5
15	Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.0	0.0	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	0.0	0.0	23.8	0.0	1.4	0.0	0.0	0.0	83.7	25.2
17	**Total**	**1 552.0**	**25.6**	**0.0**	**389.8**	**230.6**	**3 733.4**	**195.9**	**0.0**	**964.9**	**511.5**	**13.7**	**1.4**	**0.0**	**0.0**	**0.0**	**7 618.7**	**5 142.7**

6 LEVERAGE RATIO (EU LRA)

Management of the risk of excessive leverage

The risk of excessive leverage is managed as part of the capital management process. Capital management process is based on a proactive approach considering S-Bank's strategy, business plan, and Risk Strategy.

In the Risk Strategy, S-Bank has set internal minimum level of 4.0% for the Group's leverage ratio. Within the annual business plan, the growth targets are evaluated taking into consideration the risk of excessive leverage. The ICLAAP process further describes stress scenarios and identifies mitigation measures for leverage ratio. The mitigation measures may include but are not limited to adjusting the balance sheet and increasing the Tier 1 capital. Leverage ratio is set as one of the indicators in the Group's Recovery Plan.

S-Bank monitors and reports the leverage ratio as part of monthly risk report to the Board of Directors. The goal for active monitoring of the leverage ratio exposure and Tier 1 capital development is to prevent in-stances where leverage ratio would exceed S-Bank's risk appetite. S-Bank has described escalation process in the Risk Strategy for any internal limit breaches.

Changes in leverage ratio during 2021

S-Bank's leverage ratio (LR) of 5.7% (5.8) was strong and exceeded the regulatory requirement of 3.0% and internal minimum level of 4.0%. S-Bank has made use of the Financial Supervisory Authority's decision to temporarily exempt certain central bank exposures from the total leverage ratio exposure. This decision is valid until 31 March 2022. Without the above-mentioned exemption, S-Bank's leverage ratio (LR) was 5.0% (5.3), which also exceeded the regulatory and internal minimum.

The change during the financial year is attributable to the increase of EUR 886.0 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 increased by EUR 18.4 million mainly due to the development of operating profit. As a result of these changes, the leverage ratio decreased by 0.5%.

Table 14: EU LR1 - LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

	EUR million	a 31 Dec 2021 Applicable amount
1	Total assets as per published financial statements	8 500.9
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-1 036.4
8	Adjustment for derivative financial instruments	20.4
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	281.8
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-1.2
12	Other adjustments	-72.2
13	**Total exposure measure**	**7 693.3**

EUR million	31 Dec 2020 Applicable Amount
Total assets as per published financial statements	7 625.4
Adjustments for derivative financial instruments	2.8
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	255.5
Other adjustments	-712.6
Leverage ratio total exposure measure	**7 171.0**

Table 15: EU LR2 - LRCom: Leverage ratio common disclosure

The CRR2 introduced modification for calculation methods of derivative exposures and thus the disclosure template for EU LR2 was changed. S-Bank has not disclosed certain rows in EU LR2 - LRCom that refer to items or methods, that are not used by S-Bank or where S-Bank does not have anything to report. The common disclosure for leverage ratio as of 31 Dec 2020 is thus presented using the template used in the 2020 Capital and Risk Management Report.

		a
		CRR leverage ratio exposures
EUR million		**31 Dec 2021**
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	7 390.5
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	7 390.5
Derivative exposures		
EU-9b	Exposure determined under Original Exposure Method	21.0
13	Total derivatives exposures	21.0
Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	2 459.4
20	(Adjustments for conversion to credit equivalent amounts)	-2 177.6
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	0.0
22	Off-balance sheet exposures	281.77
Capital and total exposure measure		
23	**Tier 1 capital**	434.8
24	**Total exposure measure**	**7 693.3**
Leverage ratio		
25	Leverage ratio (%)	5.65%
EU-25	Leverage ratio (excluding the impact of the exemption of public s ector investments and promotional loans) (%)	5.65%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.98%
26	Regulatory minimum leverage ratio requirement (%)	3.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%
Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Fully phased in

EUR million		a CRR leverage ratio exposures 31 Dec 2020
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
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)	7 554.4
Derivative exposures		
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	0.0
5	Add-on amounts for PFE associated with all derivatives transactions (mark- to-market method)	2.8
11	Total derivatives exposures	2.8
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	2 162.8
18	(Adjustments for conversion to credit equivalent amounts)	-1 907.3
19	Other off-balance sheet exposures	255.5
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
Capital and total exposure measure		
20	**Tier 1 capital**	**416.4**
21	**Leverage ratio total exposure measure**	**7 171.0**
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%**

Table 16: EU LR3 - LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a	b
		CRR leverage ratio exposures	
EUR million		31 Dec 2021	31 Dec 2020
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	7 390.5	6 912.70
EU-2	Trading book exposures	30.4	0.00
EU-3	Banking book exposures, of which:	7 360.2	6 912.70
EU-4	Covered bonds	345.8	389.78
EU-5	Exposures treated as sovereigns	271.5	418.26
EU-6	Exposures to regional governments, MDB,international organisations and PSE not treated as sovereigns	0.0	0.00
EU-7	Institutions	318.8	289.24
EU-8	Secured by mortgages of immovable properties	4 030.9	3 723.24
EU-9	Retail exposures	1 754.3	1 442.71
EU-10	Corporate	526.5	513.05
EU-11	Exposures in default	33.0	24.61
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	79.3	111.81

7 CREDIT RISK

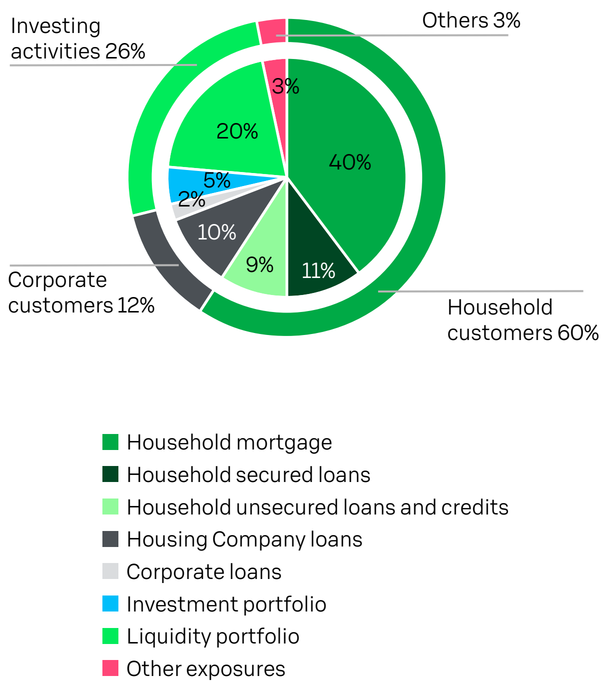
7.1 HIGHLIGHTS 2021 AND OVERVIEW

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

- Credit risk constitutes 90% (EUR 3,0 billion) of S-Bank's total REA. Household customer lending increased 13,4% and represented 83,5% (82,3%) of total lending.
- S-Bank's key credit risk quality metrics remained stable during 2021
  - The NPL ratio was 0,6% (0,6%).
  - Expected Credit Losses provision increased by EUR 1,1 million to EUR 20,6 million (19,6) and coverage ratio relative to total credit exposure decreased to 0,22% (0,23%).
  - Total net effect on profit from expected and final credit losses was EUR 15,7 million (23,6) and it was at a low level of 0,3% (0,4%) in relation to the loan portfolio.
- S-Bank has applied new definition of default since 1st of January 2021 due to regulatory reform. Stricter cure criteria were also applied to defaulted exposures. These changes contributed to the increase of gross carrying amount of non-performing exposures to EUR 39.3 million (32.4).
- Delayed effects of COVID-19, more efficient identification process and stricter cure criteria for forborne exposures resulted in an increase of forborne exposures to EUR 109,9 million (65,7). However, the amount of payment holidays returned to the pre-pandemic levels at 8% (15%) of the retail credit portfolio.
- Credit risk management was enhanced by a new team focusing solely on credit risk management and by implementation of new collateral revaluation process based on the combination of advanced statistical modelling and expert valuation.

Figure 10: Distribution of on-balance-sheet assets

Total lending increased by 11.8% to EUR 6.1 billion during 2021. The growth was mainly attributable to growth in household customers portfolio.



7.2 MANAGEMENT OF CREDIT RISK (EU CRA)

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 and regulation. Credit risk management approach and risk appetite indicators set by the board of directors are presented with general risk management principles in chapter 4.1. 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 prudent credit origination process, credit risk mitigation, credit risk modelling and pricing, and credit risk monitoring and reporting. Credit risk is managed continuously by the business and support units within the framework of the set principles and limits. Monitoring is performed on contract and customer level throughout the lifecycle of credit. Necessary measures are taken to handle payment delays, overdrafts or other potential credit risk factors. Debt collection in S-Bank is organised by established procedures, external partners are utilized when deemed prudent. Credit losses are written-off in accordance with established procedures by authorized decision makers. In addition, continuous monitoring of the credit portfolio minimises the amount of non-performing loans.

7.2.1 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 sustainable 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 estimated. 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 type of customer, amount of credit applied and total customer exposure, potential collateral and guarantees. Credit proposals, decisions and changes to credit are prepared, executed and documented appropriately. The credit decision process is centralised and part of the household customers' credit decisions are made automatically based on risk scoring models and other credit granting criteria. Automation of the decision-making process enhances credit risk management, profitability, operational efficiency, and consistency of decisions. Significant credit decisions and factors related to credit origination process are reviewed and negotiated 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 2021, the average LTC-ratio for S-Bank's residential mortgage portfolio was 68.4% (67.3%).

7.2.2 Credit risk modelling

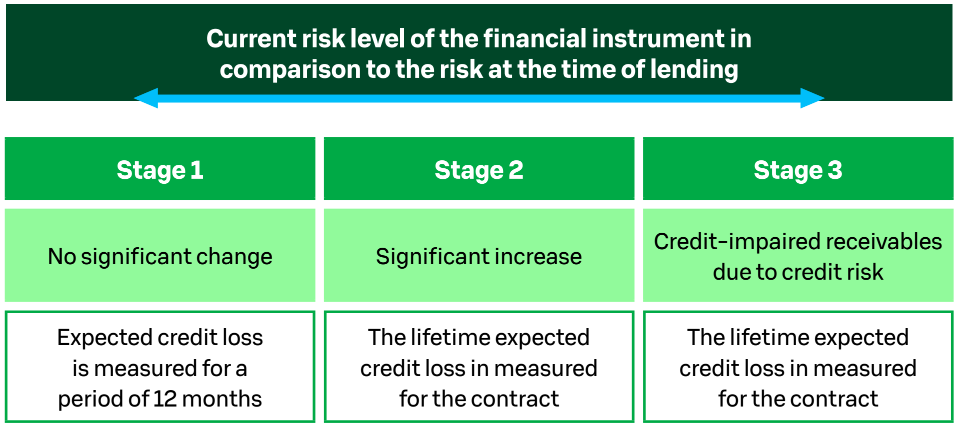
Internal risk models are used for the measurement of credit risk and consequently in the credit granting process, credit risk decisions, limit setting, pricing decisions, credit management and control measures. Internal credit risk models are also used to calculate Pillar 2 capital requirements as well as Expected Credit Losses (ECL) as per IFRS 9 standard requirements.

S-Bank uses the probability of default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) models for measuring credit risks. The CCF parameter is used to determine the amount of future liability i.e. Exposure at Default (EAD). Table 17 presents the credit risk models that S-Bank employs for each customer group.

Table 17: 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, classification of financial instruments for impairment	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, classification of financial instruments for impairment	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

Figure 11: Grouping of financial instruments into three stages for the impairment measurement



All exposures are grouped into three stages for the calculation of provisions. This classification is made at the time origination and thereafter updated if the risk level of a credit contract has increased significantly. Figure 11 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. S-Bank has performed historical analyses to evaluate forward-looking information and its impact on credit risk and ECL calculation and identified housing prices and unemployment as key economic variables to affect potential credit risks. The effects of the macroeconomic environment are implemented through management factor, which also accounts for the probability of different economic scenarios, uncertainty of macroeconomic factors and other identified factors inadequately captured by credit risk models.

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 performance the credit risk models is monitored 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 18 summarises the amount of credit risk exposure without considering collateral or other arrangements to mitigate credit risks. The coverage ratio illustrates the share of ECL provision in relation to the respective loan portfolio. Certain low risk items, such as central bank cash reserves and money market instruments are not included in the table.

The ECL provision at the end of the financial year amounted to EUR 20.6 million (19.6). The portfolio of household customers forms the largest exposure to credit risk in terms of credit risk exposure and expected credit losses. The portfolio of household customers consists principally of secured housing loans and unsecured consumer credits. The portfolio of corporate loans is primarily financing of cooperative housing companies secured by apartment buildings. As these exposures are mortgage secured, they pose a smaller risk which reduces their respective ECL provision. The exposures of corporate customers and Treasury invest-ing activities focus on large companies with good credit ratings.

The amount of total ECL has grown in line with the increase in credit risk exposure.

During 2021 household customers ECL provision increased by EUR 1 million whereas other parts of the portfolio remained rather stable. Coverage ratios have been stable and within the risk appetite limits set in the credit risk strategy by the S-Bank Board of Directors.

7.2.3 Concentration risk

Concentration risk may arise from concentrated exposures in geographical area, industry sector, type of collateral or large single name exposures. Concentration risks are managed within the defined limits and followed regularly in the management risk reporting. In addition, concentration risks are assessed through stress testing in the context of capital planning (ICLAAP process) and they are included in the calculation of pillar 2 economic capital requirement.

Geographically most of the exposures are in Finland (94%) and in other Nordic countries (4%). There were no substantial changes in the geographical distribution of exposure as compared to previous year. Regional concentration risk within Finland is mitigated by diversification across different areas due to large number of individual loans in the retail mortgage portfolio. The regional distribution of credit portfolio is guided by goals in the credit risk strategy, which ensures mortgage credit granting is

Table 18: Portfolios, stages and ECL provisions, 31 Dec 2021

31 Dec 2021, EUR million	Stage 1		Stage 2		Stage 3				
	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	**Total credit risk exposure**	**Total ECL provision**	**Coverage ratio %**
Household customers	4 365.1	-1.7	707.1	-10.4	39.3	-6.3	5 111.5	-18.4	-0.36%
Corporate customers	982.1	-0.2	20.3	-0.6	0.0	0.0	1 002.3	-0.8	-0.08%
Investing activities	898.5	-0.4	2.0	-0.1	0.0	0.0	900.5	-0.6	-0.06%
Off-balance sheet commitments	2 335.0	-0.3	97.9	-0.6	0.5	0.0	2 433.4	-0.9	-0.04%
Total	**8 580.6**	**-2.6**	**827.3**	**-11.7**	**39.8**	**-6.3**	**9 447.7**	**-20.6**	**-0.22%**

targeted to largest cities and their commuting areas. Exposures outside Finland are primarily Treasury investments. Geographical concentration risk is considered minor. Majority of S-Bank's portfolio is retail lending and does not have industry category. Therefore, industry concentration risk is also considered minor. In addition, corporate lending portfolio focuses on housing corporations, where credit risk is diversified between multiple owners after construction of property is finished. There have been no significant changes in the industry distribution relative to previous year. Further information on portfolio distribution is presented in Table 24 and Table 25.

Immovable property is S-Bank's largest individual type of collateral in terms of concentration risk. The development of housing prices impacts S-Bank's risk position as immovable property collaterals are mainly residential properties. However, the portfolio is diversified on large number of individual collaterals. This risk is managed by targeting credit granting in large cities and their commuting areas Collateral values also monitored and revalued during mortgage lifetime (the process is described in chapter 7.4) and collateral information is maintained to identify and manage possible collateral concentration risks. Possible changes in immovable property collateral values are also considered as a part of stress scenarios (chapter 5.2).

The concentration risk of large single name exposures can be due to large credit institution or corporate exposures. Single name risk is managed by assessing the interconnectedness of corporate clients, limiting these exposures, and closely monitoring their development on individual level and as concentration of top holdings. The risk is reflected in the calculation of S-Bank pillar 2 economic capital.

7.2.4 Credit risk monitoring and reporting

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

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 policies, principles, and 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 4 Governance of risk.

7.3 CREDIT RISK QUALITY OF EXPOSURES (EU CRB)

This chapter presents the essential concepts related to the credit quality of exposures, provisions, and credit risk adjustments. Tables provide further numerical information concerning the credit quality of on- and off-balance-sheet exposure.

Past Due exposures are comprised of exposures with payments past due without considering materiality thresholds. Payment delays, customer's' payment ability and other aspects affecting the quality of loans are monitored daily. Necessary measures are taken as soon as possible to ensure the repayment of the loan. S-Bank's 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.

Forborne exposures refer to the restructured credit agreements (e.g. repayment holidays), which are intended to help customers to cope with temporary payment difficulties. When restructuring credit agreements, material regulatory requirements must be met, including the assessment of the customer's financial situation and a risk-based assessment of the application. Forbearance measures always aim to return the exposure to a situation of sustainable repayment.

Forbearance is classified as performing when default criteria are not met. In this case, the contract is classified under stage 2 in impairment measurement for a cure period of at least two years. If defaulted receivable is granted forbearance, it becomes non-performing forborne credit. Performing forborne credit becomes non-performing if any of the factor's 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 subject to a minimum of a 12-month cure period and is classified under stage 3 in impairment measurement (defaulted exposure). After cure period of non-performing forbearance, the contract is treated as performing forborne for a cure period of at least two years.

Delayed effects of coronavirus pandemic increased the total amount of forborne exposures during the first quarter. In addition, more efficient identification process and stricter cure criteria contributed to the growth of forborne exposures. However, the effects of the pandemic decreased during the second half of 2021 due to which the overall growth of new forbearances stabilized and the proportion of performing forborne exposures increased. The amount of on-balance-sheet forborne exposures was EUR 109.9 million (65.7) at the end of the review period. At the end of 2021, 88 per cent (84) of total on-balance-sheet forborne exposures were performing. The gross carrying amount of performing forborne exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 1.6 per cent (1.0 per cent). The corresponding ratio of non-performing forborne exposures remained at the level of 0.2 per cent (0.2 per cent). All forborne exposures are related to household customers. Further information can be found in Table 22: EU CQ1 - Credit quality of forborne exposures.

Non-performing exposures (NPE) is comprised of exposures with material payment more than 90 days past due or the contract has non-performing forbearance or meets other unlikely-to-pay criteria. The material payment is defined through both absolute and relative thresholds. Absolute threshold for material payment, coming from the regulation, is minimum 100 euros for retail exposures or 500 euros for corporate exposures and relative threshold is minimum 1% of the gross carrying amount.

S-Bank has applied new definition of default since 1st of January 2021 due to regulatory reform. The concepts of defaulted exposures, non-performing exposures and IFRS 9 -credit impaired exposures were harmonized. In addition, the cure criteria of the defaulted exposures were tightened due to the reform. Defaulted exposure has

Figure 12: Forborne exposures

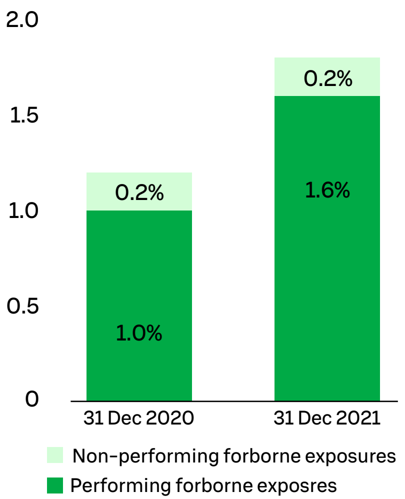


Figure 13: NPL ratio

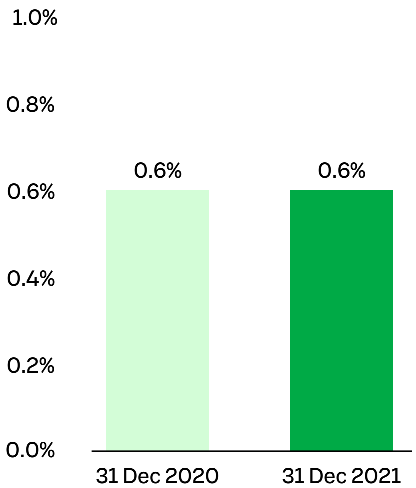
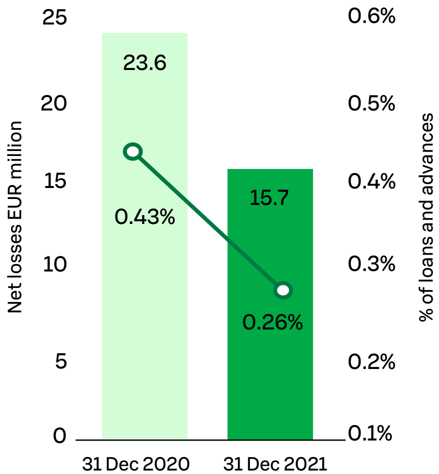


Figure 14: Net effect on profit of expected and final credit losses



a probation period of at least 3 months after all default criteria have been removed. The probation period is extended until condition of full 3-month period without 30-day delinquency is fulfilled.

The gross carrying amount of non-performing exposures increased to EUR 39.3 million (32.4), which reflects the impact of the new definition default. The increase was booked mainly during the first quarter of the year. Despite the increase in non-performing receivables, 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 per cent (0.6 per cent) due to increase in the credit portfolio. All non-performing loans are household customers' exposures. Further information can be found in Table 23: EU CQ3 - Credit quality of performing and non-performing exposures by past due days.

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 information on such losses in 2021, so the amount for general credit risk adjustments is zero. Hence, all credit risk adjustments are specific.

Recognition of losses

The receivable or part of it will be recognized as final credit loss when it is not likely to be repaid. S-Bank has internal product specific definitions for recognition of final credit losses. For S-Bank, the largest amount of credit losses is generated by unsecured credit, which are recognised as a credit loss typically within 4-7 months after the receivable is past due. Credit losses on secured receivables are recorded at the earliest when the collateral has been realised and allocated to the receivable. In this case, the remaining receivable may not be recorded as a credit loss if a payment schedule has been created for it.

After recognition of final credit loss, the contract is excluded from expected credit loss calculation and ECL provision. However, collection agencies are still applying active measures to collect debt recorded as final credit losses. These recoveries are booked as reversals of final credit losses and will eventually reduce the net 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 14 describes the net amount of expected and final credit losses during 2021. During the period under review, EUR 21.4 million (28.0) was recognised as expected and final credit losses on the income statement. Reversals were EUR 5.7 million (4.4) during 2021. The total net effect on profit from expected and final credit losses was EUR 15.7 million (EUR 23.6 million). The percentage of net credit losses relative to the size of the on-balance-sheet credit portfolio decreased during 2021 and remained still at low level. Accrued change of expected credit losses (ECL) during 2021 amounted to EUR 1.1 million (2.5).

Table 19: EU CR1 - Performing and non-performing exposures and related provisions

The increase of gross carrying amount is mainly explained by housing loan portfolio growth. New definition of default and stricter cure criteria contributed to transfers of exposures from stages 1 and 2 to stage 3. Cash balances presented as separate row due to new reporting guidelines.

	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**							**Collateral and financial guarantees received**	
Exposure classes 31 Dec 2021, 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**			**Accumu lated partial write-off**	On performing exposures	On non-perfforming 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			
005 Cash balances at central banks and other demand deposits	**1 061.5**	**1 061.5**	**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**
010 Loans and advances	**6 073.3**	**5 345.5**	**727.8**	**39.3**	**0.0**	**39.3**	**-12.9**	**-2.0**	**-11.0**	**-6.3**	**0.0**	**-6.3**	**0.0**	**4 924.8**	**21.8**
020 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
030 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
040 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	0.0
050 Other financial corporations	76.7	76.7	0.0	0.0	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	71.1	0.0
060 Non-financial corporations	925.9	905.6	20.3	0.0	0.0	0.0	-0.7	-0.1	-0.6	0.0	0.0	0.0	0.0	899.9	0.0
070 Of which SMEs	508.7	494.9	13.7	0.0	0.0	0.0	-0.5	-0.1	-0.5	0.0	0.0	0.0	0.0	492.3	0.0
080 Households	5 070.7	4 363.2	707.5	39.3	0.0	39.3	-12.1	-1.7	-10.4	-6.3	0.0	-6.3	0.0	3 953.8	21.8
090 Debt securities	**1 152.6**	**1 150.5**	**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**
100 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
110 General governments	269.2	269.2	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
120 Credit institutions	639.6	639.6	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
130 Other financial corporations	6.4	6.4	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
140 Non-financial corporations	237.4	235.4	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

Exposure classes 31 Dec 2021, 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-perfforming 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			
150	**Off-balance-sheet exposures**	**2 458.9**	**2 361.0**	**97.9**	**0.5**	**0.0**	**0.5**	**-0.8**	**-0.3**	**-0.6**	**0.0**	**0.0**	**0.0**		**197.7**	**0.0**
160	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
170	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
180	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
190	Other financial corporations	50.1	50.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0
200	Non-financial corporations	427.3	427.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		131.2	0.0
210	Households	1 981.5	1 883.6	97.9	0.5	0.0	0.5	-0.8	-0.2	-0.6	0.0	0.0	0.0		66.5	0.0
220	**Total**	**10 746.2**	**9 918.5**	**827.7**	**39.8**	**0.0**	**39.8**	**-13.8**	**-2.2**	**-11.5**	**-6.3**	**0.0**	**-6.3**	**0.0**	**5 122.5**	**21.8**

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Exposure classes 31 Dec 2020, EUR million		**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-perfforming 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**

Table 20: EU CR1-A - Maturity of exposures

The distribution of the maturity of exposures remained stable during 2021.

		a	b	c	d	e	f
		Net exposure value					
Exposure classes 31 Dec 2021, EUR million		**On demand**	**<= 1 year**	**> 1 years <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Loans and advances	6.3	35.8	457.0	5 298.3	296.1	6 093.4
2	Debt securities	0.0	391.3	695.7	65.6	0.0	1 152.6
3	**Total**	**6.3**	**427.0**	**1 152.6**	**5 363.9**	**296.1**	**7 245.9**

		a	b	c	d	e	f
		Net exposure value					
Exposure classes 31 Dec 2020, EUR million		**On demand**	**<= 1 year**	**> 1 years <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
1	Loans and advances	12.7	46.2	470.2	4 640.8	281.0	5 450.9
2	Debt securities	0.0	459.2	772.3	1.0	0.0	1 232.5
3	**Total**	**12.7**	**505.4**	**1 242.5**	**4 641.8**	**281.0**	**6 683.4**

Table 21: EU CR2 - Changes in the stock of non-performing loans and advances

Non-performing exposures increased by EUR (6.9) million during 2021. The implementation of new definition of default with stricter cure criteria contributed to the increase in non-performing loans. Non-performing off-balance-sheet exposures remained stable at EUR 0.5 million. Comparison period figures are not available as the template EU CR2 was introduced as a new template within CRR2.

		a
31 Dec 2021, EUR million		**Gross carrying amount**
010	**Initial stock of non-performing loans and advances**	32.4
020	Inflows to non-performing portfolios	49.5
030	Outflows from non-performing portfolios	-42.6
040	Outflows due to write-offs	-19.5
050	Outflow due to other situations	-23.1
060	**Final stock of non-performing loans and advances**	39.3

Table 22: EU CQ1 - Credit quality of forborne exposures

Delayed effects of coronavirus pandemic, more efficient processes of forbearance recognition, and stricter cure criteria resulted in growth of forborne exposures during 2021. The total amount of forborne exposures increased by EUR 44.2 million, of which EUR 42.1 million is due to increase in performing forborne exposures.

		a	b	c	d	e	f	g	h
Exposure classes 31 Dec 2021, EUR million		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				
005	**Cash balances at central banks and other demand deposits**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
010	**Loans and advances**	97.2	12.7	12.7	12.7	-0.9	-2.1	91.0	7.8
020	Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
030	General governments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
040	Credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
050	Other financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
060	Non-financial corporations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070	Households	97.2	12.7	12.7	12.7	-0.9	-2.1	91.0	7.8
080	**Debt Securities**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
090	**Loan commitments given**	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100	**Total**	**97.3**	**12.7**	**12.7**	**12.7**	**-0.9**	**-2.1**	**91.0**	**7.8**

		a	b	c	d	e	f	g	h
Exposure classes 31 Dec 2020, EUR million		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**

Table 23: EU CQ3 - Credit quality of performing and non-performing exposures by past due days

The NPL ratio, representing the amount of non-performing exposure in relation to loans and advances remained at 0.6% (0.6%). The share of non-performing exposures in the lowest past due category (past due ≤ 90 days) increased during 2021. This was due to stricter cure criteria of defaulted exposures that were applied in accordance with the new definition of default.

		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 2021, 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
005	**Cash balances at central banks and other demand deposits**	**1 061.5**	**1 061.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
010	**Loans and advances**	**6 073.3**	**6 057.2**	**16.0**	**39.3**	**20.5**	**9.4**	**3.6**	**2.5**	**2.3**	**0.6**	**0.3**	**39.3**
020	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
030	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
040	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
050	Other financial corporations	76.7	76.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
060	Non-financial corporations	925.9	925.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070	Of which SMEs	508.7	508.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
080	Households	5 070.7	5 054.6	16.0	39.3	20.5	9.4	3.6	2.5	2.3	0.6	0.3	39.3
090	**Debt securities**	**1 152.6**	**1 152.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
100	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
110	General governments	269.2	269.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
120	Credit institutions	639.6	639.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
130	Other financial corporations	6.4	6.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
140	Non-financial corporations	237.4	237.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
150	**Off-balance-sheet exposures**	**2 458.9**			**0.5**								**0.5**
160	Central banks	0.0			0.0								0.0
170	General governments	0.0			0.0								0.0
180	Credit institutions	0.0			0.0								0.0
190	Other financial corporations	50.1			0.0								0.0
200	Non-financial corporations	427.3			0.0								0.0
210	Households	1 981.5			0.5								0.5
220	**Total**	**10 746.2**	**8 271.3**	**16.0**	**39.8**	**20.5**	**9.4**	**3.6**	**2.5**	**2.3**	**0.6**	**0.3**	**39.8**

	Exposure classes 31 Dec 2020, 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**	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

Table 24: EU CQ4 – Quality of non-performing exposures by geography

There have not been significant changes in the geographical allocation and the respective impairments as compared to 2020.

	Exposure classes 31 Dec 2021, 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				
010	**On-balance-sheet exposures**	**8 326.6**	**39.3**	**39.3**	**8 074.6**	**-19.2**		**0.0**
020	Finland	7 718.1	39.3	39.3	7 480.1	-19.2		0.0
030	Nordic countries	416.0	0.0	0.0	401.9	0.0		0.0
040	Other EU member countries	29.5	0.0	0.0	29.5	0.0		0.0
070	Other countries	163.1	0.0	0.0	163.1	0.0		0.0
080	**Off-balance-sheet exposures**	**2 459.4**	**0.5**	**0.5**			**-0.9**	
090	Finland	2 458.1	0.5	0.5			-0.9	
100	Nordic countries	0.2	0.0	0.0			0.0	
110	Other EU member countries	0.5	0.0	0.0			0.0	
140	Other countries	0.6	0.0	0.0			0.0	
150	**Total**	**10 786.0**	**39.8**	**39.8**	**8 074.6**	**-19.2**	**-0.9**	**0.0**

	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**

Table 25: EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

There have not been significant changes in the industry distribution and the respective impairments as compared to 2020.

31 Dec 2021, EUR million		A	b	c	d	E	f
		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			
030	Manufacturing	0.1	0.0	0.0	0.1	0.0	0.0
040	Electricity. gas. steam and air conditioning supply	5.0	0.0	0.0	5.0	0.0	0.0
060	Construction	0.5	0.0	0.0	0.5	0.0	0.0
070	Wholesale and retail trade	1.0	0.0	0.0	1.0	0.0	0.0
080	Transport and storage	0.3	0.0	0.0	0.3	0.0	0.0
100	Information and communication	0.1	0.0	0.0	0.1	0.0	0.0
110	Financial and insurance activities	5.7	0.0	0.0	5.7	-0.1	0.0
120	Real estate activities	903.1	0.0	0.0	903.1	-0.6	0.0
130	Professional. scientific and technical activities	6.7	0.0	0.0	6.7	0.0	0.0
140	Administrative and support service activities	1.8	0.0	0.0	1.8	0.0	0.0
170	Human health services and social work activities	1.2	0.0	0.0	1.2	0.0	0.0
180	Arts. entertainment and recreation	0.4	0.0	0.0	0.4	0.0	0.0
200	**Total**	**925.8**	**0.0**	**0.0**	**925.8**	**-0.7**	**0.0**

31 Dec 2020, EUR million		A	b	c	d	E	f
		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 activities	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
	No industry	0.0	0.0	0.0	0.0	0.0	0.0
20	**Total**	**893.0**	**0.0**	**0.0**	**893.0**	**-0.3**	**0.0**

EU CQ7 – Collateral obtained by taking possession and execution processes

No loan collaterals were obtained for S-Bank's possession during 2021. If the exposure is non-performing, the collateral may be sold by the customer or a distraint officer to cover for the remaining debt.

7.4 CREDIT RISK MITIGATION (EU CRC)

S-Bank applies collateral and guarantees as principal credit risk mitigation measures. The Board of Directors decides on the eligible collateral categories and their valuation principles. To mitigate credit risk related to derivatives, S-Bank utilizes central counterparty clearing and has CSA netting agreements with all eligible derivatives counterparties (further information in chapter 8.1).

Exposures secured by immovable property form the largest part of S-Bank's credit portfolio. S-Bank requires adequate collateral to reduce credit risk. The methods for assessing collateral value, its coverage, acceptability, extension options, and liquidation are instructed thoroughly and employed in conjunction with credit granting process. The value of the immovable property collateral is calculated based on the market value or fair value of the asset, reduced by a haircut. The size of the haircut used, depends on several criteria. ECL calculation process accounts for the effect of collateral and the uncertainties and costs associated with its realisation as a part of the LGD-modelling.

Immovable property collateral values are monitored and revalued regularly during the lifecycle of the credit. S-Bank implemented new process for collateral revaluation that uses frequent advanced statistical modelling together with expert valuations to monitor changes in collateral value and significant declines in valuation are updated accordingly. Certain predefined groups of collaterals are assessed separately by an independent appraiser. The regular revaluation process is defined by transparent documentation justifying the fair value of the collateral base.

Credit risk mitigation techniques used in the calculation of capital requirements include in principal collateral secured by immovable property and unfunded guarantee arrangements (such as government guarantees for student, residential and housing companies' mortgage as well as financial mortgage guarantees by an external service provider). By using guarantees, the customer risk is transferred from the counterparty to the guarantor. Main types of guarantors are sovereign guarantors, such as Finnish government and external insurance companies with high quality credit ratings. Guarantor exposures are managed within the limits set for large exposures. In addition, S-Bank uses other collateral and guarantees to reduce credit risk, but these are not considered in the capital adequacy calculation.

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 26 presents the LTV ratio distribution for household mortgage customers.

Figure 15: Distribution of credit risk mitigation measures

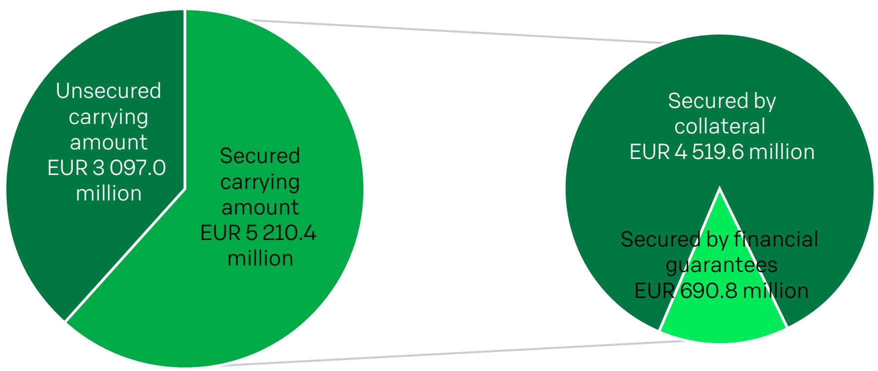


Table 26: Loan-to-value distribution of household customers

LTV Band 31 Dec 2021	Proportion of exposures
0 - 50%	16%
50 - 60%	13%
60 - 70%	17%
70 - 80%	29%
80 - 90%	19%
90 - 100%	4%
> 100%	2%
Total	**100%**

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%**

Table 27: EU CR3 - CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

Distribution of exposures and different CRM techniques remained stable during 2021. The concepts of non-performing exposures and defaulted exposures were harmonized with the implementation of the new definition of default.

		a	b	c	d	e
Exposure value 31 Dec 2021, EUR million		**Unsecured carrying amount**	**Secured carrying amount**			
				Of which secured by collateral	**Of which secured by financial guarantees**	
						Of which secured by credit derivatives
1	Loans and advances	1 944.4	5 210.4	4 519.6	690.8	0.0
2	Debt securities	1 152.6	0.0	0.0	0.0	
3	**Total**	**3 097.0**	**5 210.4**	**4 519.6**	**690.8**	**0.0**
4	Of which non-performing exposures	8.6	24.4	20.9	3.5	0.0
EU-5	Of which defaulted	8.6	24.4			

		a	b	c	d	e
Exposure value 31 Dec 2020, EUR million		**Unsecured carrying amount**	**Secured carrying amount**			
				Of which secured by collateral	**Of which secured by financial guarantees**	
						Of which secured by credit derivatives
1	Loans and advances	1 562.7	4 639.4	4 054.2	585.2	0.0
2	Debt securities	1 232.5	0.0	0.0	0.0	
3	**Total**	**2 795.2**	**4 639.4**	**4 054.2**	**585.2**	**0.0**
4	Of which non-performing exposures	9.4	18.6	16.5	2.1	0.0
EU-5	Of which defaulted	8.4	16.2			

8 COUNTERPARTY CREDIT RISK

8.1 EU CCRA QUALITATIVE DISCLOSURE RELATED TO CCR

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 9.2). S-Bank uses the original exposure method in the calculation of CCR exposures, in which the alpha used for computing regulatory exposure value, positive market value and the potential future exposure of the contract constitute the risk exposure. At the end of 2021 The CCR exposure was EUR 21.0 million (2.8). The increase was due to the new calculation method for counterparty credit risk.

Derivative contracts are also prone to the risk of a credit valuation adjustment (CVA), which refers to an adjustment of the fair value (or price) of derivative instruments to account for counterparty credit risk. The CVA framework includes counterparty credit spreads as well as on the market risk factors that drive the derivative's values and, therefore, exposure. S-Bank uses the standard approach for own funds requirement for CVA risk. As of 31.12.2021 there was no credit valuation adjustment (CVA) charge for S-Bank since all derivatives were cleared through a qualifying central counterparty.

Counterparty credit risk and credit valuation adjustment are considered as a part of the total Pillar 2 capital requirement for credit risk. S-Bank uses the same methodology when assigning internal capital to counterparty credit risk as in the Pillar 1 regulatory capital requirement. S-Bank has internal credit limits for all derivative counterparties, including central counterparty. Counterparty credit risk, credit valuation adjustment and any other exposures towards the counterparty are included within the internal credit limits.

S-Bank uses ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements with its derivative counterparties. These agreements reduce counterparty risk, but they have not been used to mitigate the regulatory counterparty credit risk. The agreements specify the general terms and conditions to derivatives and collaterals between the counterparties. S-Bank uses clearing broker to access central clearing counterparty.

According to the regulation, an institution shall give due consideration to exposures that give rise to a significant degree of wrong-way risk. Wrong-way risk is defined as the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. S-Bank has not identified a wrong-way risk with its derivative exposures, as all derivatives are cleared through a qualifying central counterparty.

Downgrade of S-Bank's credit rating would not have any impact on the amount of collateral the institution has provided.

Table 28: Derivative contracts and remaining maturity breakdown

The derivative portfolio decreased by 130 million. The fair value of the derivative portfolio remained on the same level as year before.

EUR million	31 Dec 2021			31 Dec 2020		
	Nominal value	Positive fair values	Negative fair values	Nominal value	Positive fair values	Negative fair values
Hedge accounting						
Interest rate derivatives						
Interest rate swaps	531.2	0.5	-8.3	571.2	0.0	-16.1
Hedge accounting total	**531.2**	**0.5**	**-8.3**	**571.2**	**0.0**	**-16.1**
Items outside hedge accounting						
Interest rate swaps						
Bought options	0	-	-	0.0	0.0	0.0
Sold options	0	-	-	0.0	0.0	0.0
Interest rate swaps	50	0.0	-0.1	140.0	0.0	0.0
Items outside hedge accounting total	**50**	**0.0**	**-0.1**	**140.0**	**0.0**	**0.0**
Derivatives total	**581.2**	**0.6**	**-8.4**	**711.2**	**0.0**	**-16.2**

Maturities of derivatives, EUR million	31 Dec 2021				31 Dec 2020			
	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	69	422.2	40	**531.2**	40.0	524.0	7.2	**571.2**
Items outside hedge accounting								
Interest rate swaps	30	10	10	**50**	70.0	70.0	0.0	**140.0**
Derivatives total	**99**	**432.2**	**50**	**581.2**	**110.0**	**594.0**	**7.2**	**711.2**

EU CCR1 - Analysis of CCR exposure by approach

Exposures cleared through central counterparty (CCP) are not included in the table EU CCR1. By the end of 2021 and 2020 all derivatives in S-Bank were cleared through a qualifying central counterparty. Exposures towards CCPs are disclosed in template EU CCR8 – Exposures to CCPs.

EU CCR2 – Transaction subject to own funds requirements for CVA risk

At the end of year 2021 and 2020 all derivatives in S-Bank were cleared through a qualifying central counterparty, thus there was no capital charge for the CVA.

EU CCR3 - Standardised approach - CCR exposures by regulatory exposure class and risk weights

Template EU CCR3 applies to institutions using the standardised approach for counterparty credit risk. S-Bank uses the original exposure method in the calculation of CCR exposures. At the end of 2021 CCR exposure were EUR 2.8 million (2.8) and subject to 2% risk weight.

EU CCR5 - Composition of collateral for CCR exposures

At the end of the year, the amount of collateral posted to CCP's was EUR 13.7 million (22.9). S-Bank does not use collaterals when calculating the counterparty credit risk exposure and thus, does not disclose the template EU CCR5.

Table 29: EU CCR8 - Exposures to CCPs

The exposures to CCPs increased during 2021, when the original exposure method for counterparty credit risk was applied as part of implementation of CRR2. However, the amount of risk weighted assets remained on low level. S-Bank has not disclosed certain rows in EU CCR8 that refer to items or methods, that are not used by S-Bank or where S-Bank does not have anything to report.

	31 Dec 2021, EUR millions	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		0.4
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	21.0	0.4
3	(i) OTC derivatives	21.0	0.4
7	Segregated initial margin	3.3	

	31 Dec 2020, EUR millions	a Exposure value	b RWEA
1	**Exposures to QCCPs (total)**		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	

9 MARKET RISK

9.1 HIGHLIGHTS 2021 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.

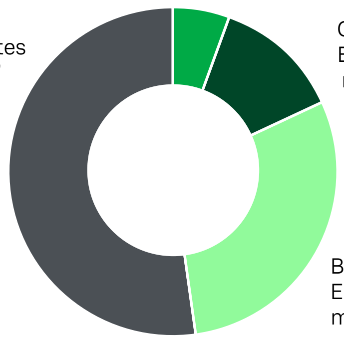
S-Bank's market risks are mainly comprised of interest rate risk in the banking book (IRRBB) and spread risk. S-Bank is not significantly exposed to other market risks, such as equity risks, real estate risks and foreign exchange rate risks. The market risk profile is controlled with conservative risk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

- S-Bank's trading book in accordance with the Capital Requirements Regulation is non-significant. As S-Bank's market risks arise from the banking book, these are – in accordance with the Pillar 1 requirements and methods – included in the regulatory capital requirements for credit risk. In addition, market risk is measured with internal market model as part of the Pillar 2 and ICAAP process.
- S-Bank's economic value-based interest risk for instruments measured at fair value increased, economic value-based interest risk for the full banking book decreased and earnings-based interest rate risk decreased. Economic value-based interest risk for the full banking book decreased due to higher interest rate expectations in the market, which lowered the interest rate sensitivity of contracts with applied market rate floors.
  - Economic value of equity (EVE) risk for instruments measured at fair value (+100 bps) was EUR -11.1 million (increase of EUR 1.7 million).
  - Economic value of equity (EVE) risk for the full banking book (+100 bps) was EUR 7.6 million (decrease of EUR 50.7 million).
  - Net interest income (NII) risk (-100 bps) was EUR -9.1 million (decrease of EUR 2.5 million).
- Spread risk increased due to updated internal model's calculation parameters and increased position in A-grade bank bonds.
  - Spread risk was EUR -7.1 million (increase of EUR 1.0 million)
- At the end of 2021, Treasury's portfolio was EUR 2 189.0 million (increase of EUR 239.2 million), which was driven by continued strong growth in the customer deposits during 2021 and raised funding.

Table 30: Sensitivity analysis for the interest rate risk

Interest rate risk, EUR million	31 Dec 2021		
Interest rate shock	EVE risk, instruments measured at fair value	EVE risk, full banking book	NII risk
+100 bps	-11.1	7.6	31.4
-100 bps	7.3	93.5	-9.1

Figure 16: Bond spread risk



9.2 MANAGEMENT OF MARKET RISK (EU MRA)

In general, market risk refers to the impact of unfavourable changes in security prices, interest rates or volatilities of financing agreements and hence on the bank's profits and balance sheet. S-Bank's market risks consist mainly of the interest rate risk in the banking book and the spread risk of debt securities. The interest rate risk in the banking book consists of lending and borrowing by the banking business and the investments and funding of the Treasury unit. Additionally, the S-Bank's banking book includes equity, foreign exchange and real estate risks to a minor extent. Market risks are assessed from the perspective of the economic value of equity and the net interest income risks of the banking book and the spread risk. Market risks are measured by means of allocation, sensitivity figures, stress tests and scenario analyses.

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

The aim of S-Bank's market risk management is to manage unexpected changes in the bank's profits and capital adequacy as a result of fluctuations in market prices and to optimise the return on equity within the scope of the risk appetite. Market risk management is based on a conservative risk appetite and the risk limits derived from it. The Board of Directors has set the Principles for market risk management and risk limits for each market risk type, which are monitored and reported actively to the management of S-Bank. Monitoring and prediction of the external business environment are particularly emphasised in market risk management. Market risk concentrations are managed with limits that are set at the Group and business unit levels and which are determined as market risk sensitivities in monetary terms. The Treasury unit is tasked with the day-to-day management of the Group's market risks within the scope of its authorisations. Treasury's strategic goals are set in S-Bank's risk strategy and risk appetite, then integrated into Treasury's annual Investment Plan. S-Bank uses derivatives to hedge the interest rate risk on the banking book. All hedging derivative instruments at the end of the year 2021 were interest rate swaps and hedge accounting is applied for the eligible positions.

S-Bank's Treasury function monitors market risks on a daily basis and the Asset and Liability Committee is responsible for the operational measuring, monitoring, and reporting of market risks in compliance with the organisation's agreed upon internal procedures. Market risks are also monitored by the Risk Control function on a daily basis. 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 4.

9.3 INTEREST RATE RISK IN THE BANKING BOOK (EU IRRBBA)

The interest rate risk in the banking book (IRRBB) consists of lending and borrowing by the banking business and the investments and funding of the Treasury unit. The structural interest rate risk in the banking book arises from differences between the interest rate fixings and maturities of assets and liabilities, which is why the future net interest income of the banking business (net interest income (NII) risk) and the net present value of the balance sheet (economic value of equity (EVE) risk) are not entirely foreseeable. The NII risk and the EVE risk measure risks from different perspectives. The EVE risk measures the net present value of financial assets and liabilities on the balance sheet, i.e. the theoretical economic value of equity. The NII risk is used to simulate the effects of the realisation of risks on S-Bank's profits within a set period of time. S-Bank calculates the EVE risk for all interest rate sensitive instruments and also separately for instruments measured at fair value. Rapid and even momentary changes in the interest rate curve may result in an immediate profit/loss on items measured at fair value, which is reflected as a change either in the fair value reserve or in the result.

S-Bank's market risk management is based on a conservative risk appetite and the Board of Directors has set risk limits the EVE risk (EVE for instruments measured at fair value) and the NII risk, which are monitored and reported actively to the management of S-Bank. The IRRBB risk is managed by planning the balance sheet structure, such as the maturity and interest rate fixings of assets and liabilities, and also by using interest rate derivatives. S-Bank applies hedge accounting for the eligible hedged positions as described in the notes of the financial statement. The Treasury unit is tasked with the day-to-day management of the Group's market risks within the scope of its authorisations. S-Bank's risk governance is described in more detail in chapter 4.

IRRBB risk is monitored daily for the EVE risk (EVE for instruments measured at fair value) and monthly for the EVE and the NII risk. Monthly EVE risk is calculated for both instruments measured at fair value and for all interest rate sensitive instruments. IRRBB risk is also monitored monthly using interest rate gap analysis, in which financial assets and liabilities are grouped over time periods based on their interest rate fixings.

S-Bank uses the six supervisory interest rate shock scenarios (please see Table 31) for calculating the EVE and the NII risks. In addition, two internal interest rate shock scenarios are used for calculating the EVE and the NII risks, and these are 100 basis points parallel shift up for the EVE risk (EVE for instruments measured at fair value) and 100 basis points parallel shift down for the NII risk. In the internal capital and liquidity adequacy assessment process (ICLAAP), the capital requirement for IRRBB is evaluated in EVE (EVE for instruments measured at fair value) and NII risks using parallel interest rate shock scenarios based on internal market risk model.

Key modelling and parametric assumptions used for the IRRBB measures in disclosure EU IRRBB1 are:

- Commercial margins have been included in the cash flows in the computation of EVE risk and swap rate curve is used as a discount rate.
- Average repricing maturity of non-maturity deposits has been determined based on historical deposit outflows and deposit rate pass-through rate. Longest average maturities used for core retail non-maturity deposits is five years and three months for core wholesale non-maturity deposits. One day maturity is used for all non-core non-maturity deposits.
- Prepayment rates has been determined based on historical prepayment rates for of retail customer loans.

Table 31: EU IRRBB1 Interest rate risks of non-trading book activities

The most significant scenarios for the S-Bank's EVE and NII risk measures are the Short rates up and the Parallel down, respectively. In majority of the shock scenarios, the IRRBB risk position decreased since the last reporting period mainly due to the higher level of yield curve, which lowered the interest rate sensitivity of contracts with applied market rate floors.

		a	b	c	d
Supervisory shock scenarios, EUR million		**Changes of the economic value of equity**		**Changes of the net interest in-come**	
		31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
1	Parallel up	27.9	-21.3	67.0	69.8
2	Parallel down	93.5	47.9	-9.1	-11.6
3	Steepener	67.0	23.0		
4	Flattener	-15.9	14.1		
5	Short rates up	-43.5	-45.8		
6	Short rates down	77.8	46.6		

10 LIQUIDITY RISK

10.1 HIGHLIGHTS 2021 AND OVERVIEW

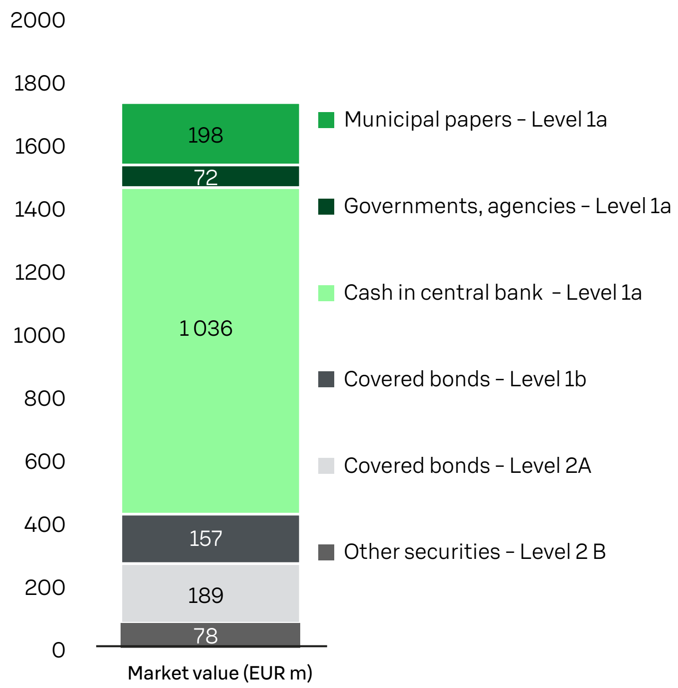
Liquidity risk is defined as the risk that the bank is unable to meet its payment obligations in due time or that it will be forced to fund its liquidity obligations at an unfavourable cost. Liquidity risk arises from the difference between the maturities of cash in- and outflows. Generally, the role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

S-Bank is exposed to liquidity risk in customer lending, 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 149.9% (146.8%).
  - At year-end the liquidity buffer was EUR 1 651.0 (1 436.6) million and net outflows were EUR 1101.7 million (978.6).
- The Net Stable Funding Ratio (NSFR), which is defined as the available stable funding relative to the required stable funding, was 151.1% (151.2%).
- 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 MTN (Medium Term Note) bond was listed in October 2021. The nominal amount of the issued Senior Preferred bond is EUR 170 million and is considered an eligible liability intended to meet the MREL requirement.
- On 25 August 2021, 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 stable.

Figure 17: Composition of the liquidity buffer

EUR m	Level 1 a	Level 1b	Level 2 A	Level 2 B	Total
Amount held (% of total market value)	1 306 (75.5%)	157 (9.1%)	189 (10.9%)	78 (4.5%)	1 729



10.2 LIQUIDITY RISK MANAGEMENT (EU-LIQA)

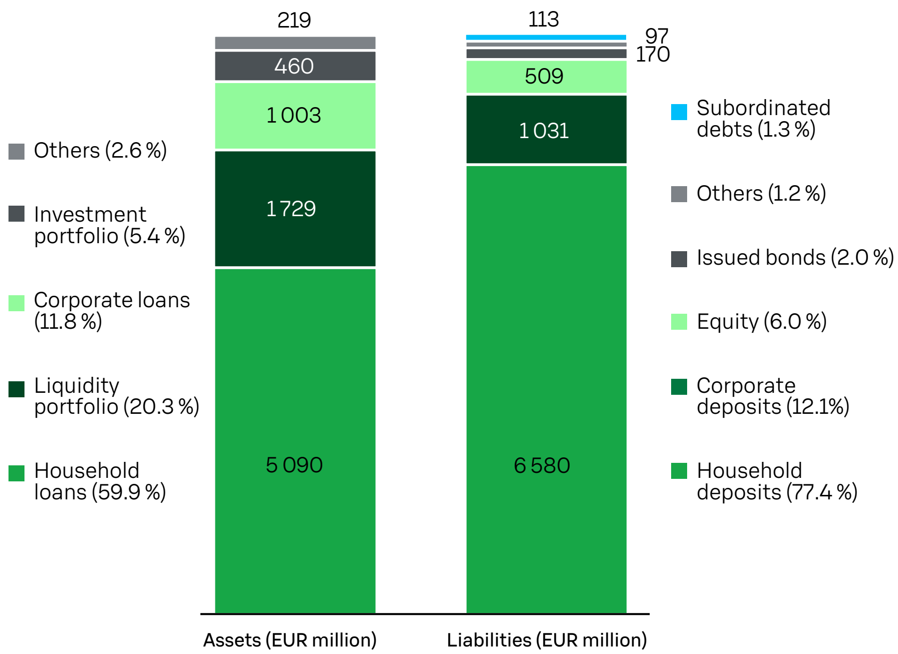
The liquidity and funding risk management in S-Bank is based on S-Bank's Risk Strategy, Liquidity Risk Management Principals, Funding Strategy and Liquidity Contingency Plan approved by the Board of Directors. The Risk Strategy defines and sets key limits for the risk appetite and capacity. Liquidity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

S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits. Sources of funding increased in 2021, as S-Bank's first MTN (Medium Term Note) bond was listed in October 2021. The nominal amount of the issued Senior Preferred bond is EUR 170 million and is considered an eligible liability intended to meet the MREL requirement. S-Bank's has EUR 1.5 billion bond programme, under which the bank can issue unsecured and secured bonds on the wholesale market.

S-Bank Group's liquidity and funding risk management has been delegated to the Treasury unit, which is responsible for the operational execution of the risk appetite pursuant to S-Bank's liquidity risk strategy, taking into consideration S-Bank's business model, risk limit structure and funding and investment plans. The Risk Control function assesses the management of S-Bank's 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 4.

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

Figure 18: Balance sheet and funding structure



encumbrance ratio. The key aspects of the liquidity risk are reported by the Treasury and Risk Control to S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors. For a concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy, please refer to the chapter 2.

Minimum requirement for liquidity management includes meeting the regulatory Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), MREL requirement and the central bank's minimum reserve obligation requirements considering the internal risk limit structure. In addition, liquidity management includes collateral management, i.e. ensuring that S-Bank has an adequate number of eligible liquid securities at its disposal to cover the collateral required for Central Bank facilities and monetary policy operations.

The internal capital and liquidity adequacy assessment process (ICLAAP) provides a comprehensive overview of S-Bank's liquidity risk position in various stressed business scenarios. Further, the Liquidity Contingency Plan determines the measures needed for preserving an adequate liquidity position in normal and stressed market environments. Liquidity risks are mitigated maintaining sufficient liquidity buffer for unexpected events and S-Bank has pre-positioned central bank eligible debt securities for Central Bank facilities and monetary policy operations, that can be used as additional liquidity sources. In addition, S-Bank has a certificates of deposits program for short term funding needs and EUR 1.5 billion bond programme, under which the bank can issue unsecured and secured bonds on the whole-sale market.

S-Bank's internal liquidity modelling is an integral part of the annual internal capital and liquidity adequacy assessment process (ICLAAP). In this process, different stresses and scenario analyses are used to prepare forecasts of changes in S-Bank's liquidity position in various scenarios affecting the balance sheet and the external operating environment, and of the impact of these changes on the liquidity indicators. The internal capital and liquidity adequacy assessment process (ICLAAP) is described in more detail in the chapter 5.2.

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

10.3 QUALITATIVE INFORMATION ON LCR COMPLEMENTING TEMPLATE EU LIQ1 (EU LIQB)

LCR disclosure template (EU LIQ1) presents the liquidity buffer as averages of month-end over 12-months preceding the end of each quarter in 2021.The liquidity coverage ratio has remained on stable during 2021. The growth in customer deposits has impacted the liquidity outflows, that have increased steadily during the year. The growth in the liquidity buffer has focused to the Level 1a assets.

S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. Sources of funding increased in 2021, as S-Bank's first MTN (Medium Term Note) bond was listed in October 2021. The nominal amount of the issued Senior Preferred bond is EUR 170 million and is considered an eligible liability intended to meet the MREL requirement. Other sources of funding include the certificates of deposits from wholesale markets. S-Bank has also pre-positioned central bank eligible debt securities for Central Bank facilities and monetary policy operations, that can be used as additional liquidity sources. 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. Breakdown of the S-Bank's funding structure is presented in the Figure 18.

S-Bank's liquidity buffer consists of high-quality level 1 and 2 unencumbered liquid assets. For a description of the composition of the S-Bank's liquidity buffer, please refer to the Figure 17.

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. S-Bank does not have any material exposures or liabilities in foreign currency. S-Bank considers that all relevant items within its operations have been captured in the LCR disclosure template (EU LIQ1).

Table 32: EU LIQ1 Quantitative information of LCR

		a	b	c	d	e	f	g	h
Scope of consolidation (consolidated) **Currency and units (EUR million)**		**Total unweighted value (average)**				**Total weighted value (average)**			
EU 1a	**Quarter ending on**	31 March 2021	30 June 2021	30 Sept 2021	31 Dec 2021	31 March 2021	30 June 2021	30 Sept 2021	31 Dec 2021
EU 1b	**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)**					**1 357.6**	**1 391.9**	**1 482.0**	**1 548.4**
Cash – outflows									
2	**Retail deposits and deposits from small business customers, of which:**	**5 859.5**	**6 036.0**	**6 206.3**	**6 357.9**	**320.8**	**330.7**	**340.3**	**349.0**
3	Stable deposits	5 400.2	5 561.5	5 718.6	5 852.7	270.0	278.1	285.9	292.6
4	Less stable deposits	455.4	470.4	483.7	501.4	50.5	52.4	54.1	56.1
5	**Unsecured wholesale funding**	**861.9**	**888.3**	**943.0**	**953.2**	**549.0**	**555.3**	**586.5**	**592.0**
6	Operational deposits (all counterparties)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Non-operational deposits (all counterparties)	861.9	888.3	943.0	953.2	549.0	555.3	586.5	592.0
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**	**0.0**	**0.0**	**0.0**
10	**Additional requirements**	**1 203.8**	**1 236.3**	**1 276.8**	**1 324.8**	**99.6**	**96.6**	**94.0**	**93.5**
11	Outflows related to derivative exposures and other collateral requirements	23.4	20.7	17.3	15.4	23.4	20.7	17.3	15.4
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	1 180.4	1 215.6	1 259.6	1 309.4	76.2	75.9	76.8	78.1
14	**Other contractual funding obligations**	**9.9**	**6.9**	**6.0**	**6.9**	**1.3**	**1.3**	**0.0**	**0.4**
15	**Other contingent funding obligations**	**1 055.4**	**1 130.5**	**1 148.9**	**1 170.1**	**68.5**	**71.4**	**71.4**	**78.9**
16	**Total cash outflows**					**1 039.2**	**1 055.3**	**1 092.3**	**1 113.8**
Cash – inflows									
18	Inflows from fully performing exposures	73.4	71.1	72.4	63.2	41.4	40.6	41.1	36.1
19	Other cash inflows	8.2	5.6	6.2	5.3	8.2	5.6	6.2	5.3
20	**Total cash inflows**	**105.2**	**100.9**	**102.7**	**92.9**	**73.3**	**70.4**	**71.5**	**65.7**
EU-20c	**Inflows subject to 75% cap**	105.2	100.9	102.7	92.9	73.3	70.4	71.5	65.7
Total adjusted value									
EU-21	**Liquidity buffer**					**1 357.6**	**1 391.9**	**1 482.0**	**1 548.4**
22	**Total net cash outflows**					**965.9**	**984.9**	**1 020.8**	**1 048.1**
23	**Liquidity coverage ratio (%)**					**140.56%**	**141.28%**	**145.06%**	**147.57%**

10.4 NET STABLE FUNDING RATIO

Table 33,Table 34 and Table 35 illustrates the Net Stable Funding Ratio (NSFR) as of 31.12.2021, 30.9.2021 and 30.6.2021, as required by the template EU LIQ2. 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 issued senior bond.

Table 33: EU LIQ2 Net Stable Funding Ratio as of Q4 2021

		a	b	c	d	e
(EUR million)		**Unweighted value by residual maturity**				**Weighted value**
		No maturity	**< 6 months**	**6 months to < 1yr**	**≥ 1yr**	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**509.3**	**0.0**	**110.5**	**0.0**	**509.3**
2	Own funds	509.3	0.0	110.5	0.0	509.3
3	Other capital instruments		0.0	0.0	0.0	0.0
4	**Retail deposits**		**6 567.7**	**0.5**	**1.6**	**6 214.7**
5	Stable deposits		6 035.3	0.5	1.5	5 735.5
6	Less stable deposits		532.3	0.0	0.2	479.3
7	**Wholesale funding:**		**1 037.0**	**0.00**	**169.7**	**529.5**
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		1 037.0	0.0	169.7	529.5
10	**Interdependent liabilities**		**0.00**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**3.0**	**84.1**	**0.5**	**6.7**	**6.9**
12	NSFR derivative liabilities	**3.0**				
13	All other liabilities and capital instruments not included in the above categories		84.1	0.5	6.7	6.9
14	**Total available stable funding (ASF)**					**7 260.5**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**0.0**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**		**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**		**394.6**	**326.1**	**5 824.5**	**4 471.6**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		31.7	0.7	74.8	78.3
20	Performing loans to non- financial corporate clients. loans to retail and small b usiness customers. and loans to sovereigns. and PSEs. of which:		159.2	118.2	980.4	4 024.5
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3.9	4.3	370.2	2 921.4

(EUR million)		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
22	Performing residential mortgages. of which:		137.1	153.3	4 429.9	0.0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		121.3	135.0	3 920.8	0.0
24	Other loans and securities that are not in default and do not qualify as HQLA. including exchange-traded equities and trade finance on-balance sheet products		66.6	53.9	339.4	368.8
25	**Interdependent assets**		**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**		**86.3**	**3.5**	**145.2**	
27	Physical traded commodities				0.0	0.0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.0	0.0	0.0	0.0
29	NSFR derivative assets		0.0			0.0
30	NSFR derivative liabilities before deduction of variation margin posted		3.0			0.2
31	All other assets not included in the above categories		83.2	0.4	142.2	185.7
32	**Off-balance sheet items**		**1 351.7**	**0.0**	**0.0**	**68.0**
33	**Total RSF**					**4 803.6**
34	**Net Stable Funding Ratio (%)**					151.15%

Table 34: EU LIQ2 Net Stable Funding Ratio as of Q3 2021

(EUR million)		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**507.9**	**33.5**	**20.6**	**0.0**	**507.9**
2	Own funds	507.9	33.5	20.6	0.0	507.9
3	Other capital instruments		0.0	0.0	0.0	0.0
4	**Retail deposits**		**6 521.8**	**0.8**	**1.5**	**6 171.9**
5	Stable deposits		6 001.7	0.7	1.4	5 703.7
6	Less stable deposits		520.1	0.0	0.1	468.2
7	**Wholesale funding:**		**1 109.1**	**0.0**	**0.0**	**370.8**
8	Operational deposits		0.0	0.0	0.0	0.0

	(EUR million)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
9	Other wholesale funding		1 109.1	0.0	0.0	370.8
10	**Interdependent liabilities**		**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**2.5**	**196.7**	**0.1**	**7.5**	**7.6**
12	NSFR derivative liabilities	2.5				
13	All other liabilities and capital instruments not included in the above categories		196.7	0.1	7.5	7.6
14	**Total available stable funding (ASF)**					**7 058.2**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**0.0**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**		**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**		**427.2**	**336.3**	**5 613.8**	**4 336.5**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		33.7	9.5	74.7	82.8
20	Performing loans to non- financial corporate clients. loans to retail and small business customers. and loans to sovereigns. and PSEs. of which:		148.2	112.7	965.3	3 881.2
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3.8	3.8	377.3	2 842.6
22	Performing residential mortgages. of which:		141.1	146.1	4 259.7	0.0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		126.1	130.1	3 793.1	0.0
24	Other loans and securities that are not in default and do not qualify as HQLA. including exchange-traded equities and trade finance on-balance sheet products		104.2	68.0	314.2	372.5
25	**Interdependent assets**		**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**		**142.3**	**3.6**	**142.6**	0.0
27	Physical traded commodities				0.0	0.0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.0	0.0	0.0	0.0
29	NSFR derivative assets		0.4			0.4
30	NSFR derivative liabilities before deduction of variation margin posted		2.8			0.1
31	All other assets not included in the above categories		139.1	0.4	139.4	210.9
32	**Off-balance sheet items**		**1 355.3**	**0.0**	**0.0**	**68.2**
33	**Total RSF**					**4 694.2**
34	**Net Stable Funding Ratio (%)**					150.36%

Table 35: EU LIQ2 Net Stable Funding Ratio as of Q2 2021

(EUR million)		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	**Capital items and instruments**	**502.8**	**33.5**	**0.0**	**21.7**	**524.4**
2	Own funds	502.8	33.5	0.0	21.7	524.4
3	Other capital instruments		0.0	0.0	0.0	0.0
4	**Retail deposits**		**6 346.9**	**1.4**	**1.7**	**6 007.9**
5	Stable deposits		5 853.2	1.4	1.5	5 563.4
6	Less stable deposits		493.7	0.0	0.1	444.5
7	**Wholesale funding:**		**967.8**	**0.0**	**0.0**	**333.2**
8	Operational deposits		0.0	0.0	0.0	0.0
9	Other wholesale funding		967.8	0.0	0.0	333.2
10	**Interdependent liabilities**		**0.0**	**0.0**	**0.0**	**0.0**
11	**Other liabilities:**	**2.0**	**88.2**	**0.0**	**8.2**	**8.2**
12	NSFR derivative liabilities	2.0				
13	All other liabilities and capital instruments not included in the above categories		88.2	0.0	8.2	8.2
14	**Total available stable funding (ASF)**					**6 873.7**
Required stable funding (RSF) Items						
15	**Total high-quality liquid assets (HQLA)**					
EU-15a	**Assets encumbered for a residual maturity of one year or more in a cover pool**		**0.0**	**0.0**	**0.0**	**0.0**
16	**Deposits held at other financial institutions for operational purposes**		**0.0**	**0.0**	**0.0**	**0.0**
17	**Performing loans and securities:**		**392.6**	**315.1**	**5 443.0**	**4 195.9**
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		0.0	0.0	0.0	0.0
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		31.0	9.8	73.5	81.5
20	Performing loans to non- financial corporate clients. loans to retail and small business customers. and loans to sovereigns. and PSEs. of which:		143.4	114.8	925.9	3 759.4
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		3.7	3.9	350.1	2 737.3
22	Performing residential mortgages. of which:		136.1	138.9	4 128.4	0.0
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		122.0	123.3	3 666.6	0.0

	(EUR million)	a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
24	Other loans and securities that are not in default and do not qualify as HQLA. including exchange-traded equities and trade finance on-balance sheet products		82.1	51.5	315 .2	354.9
25	**Interdependent assets**		**0.0**	**0.0**	**0.0**	**0.0**
26	**Other assets:**		**75.4**	**2.4**	**141.3**	
27	Physical traded commodities				0.0	0.0
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		0.0	0.0	0.0	0.0
29	NSFR derivative assets		0.0			0.0
30	NSFR derivative liabilities before deduction of variation margin posted		2.0			0.1
31	All other assets not included in the above categories		73.4	0.5	139.3	178.4
32	**Off-balance sheet items**		**1 270.3**	**0.0**	**0.0**	**63.9**
33	Total RSF					**4 512.0**
34	Net Stable Funding Ratio (%)					152.34%

11 ENCUMBERED AND UNENCUMBERED ASSETS

EU AE4 – ACCOMPANYING NARRATIVE INFORMATION

The disclosures on asset encumbrance are presented using median values of carrying amounts. Median values are rolling quarterly medians over the year 2021. 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.

Asset encumbrance has had very low impact on S-Bank's business model in 2021, since S-Bank does not have covered bond issuances and moderately cash collaterals related to derivatives. The asset encumbrance ratio was 2.3% at the end of 2021. 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. All encumbered assets are within the parent entity of the group.

The asset encumbrance ratio for S-Bank is below 15.0% and total assets are under EUR 30 billion. Hence the additional asset quality information in columns 030, 050, 080 and 100 of the template EU AE1 or columns 030 and 060 of the template EU AE2 are not applicable to S-Bank.

Table 36: EU AE1 - Encumbered and unencumbered assets

31 Dec 2021 EUR million		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**	187.7	0.0			8 014.4	0.0		
030	Equity instruments	0.0	0.0			29.7	0.0		
040	Debt securities	168.8	0.0	168.8	0.0	1 078.1	0.0	1 078.1	0.0
050	of which: covered bonds	0.0	0.0	0.0	0.0	348.9	0.0	348.9	0.0
060	of which: asset-backed securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
070	of which: issued by general governments	0.0	0.0	0.0	0.0	366.2	0.0	366.2	0.0
080	of which: issued by financial corporations	168.8	0.0	168.8	0.0	462.7	0.0	462.7	0.0
090	of which: issued by non-financial corporations	0.0	0.0	0.0	0.0	252.0	0.0	252.0	0.0
120	Other assets	0.3	0.0			156.9	0.0		

Table 37: EU AE2 - Collateral received and own debt securities issued

S-Bank has not disclosed certain rows or columns in EU AE2 that refer to items or methods, that are not used by S-Bank or where S-Bank does not have anything to report.

31 Dec 2021 EUR million		Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
				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	0.0
250	**Total assets, collateral received and own debt securities issued**	187.7	0.0		

Table 38: EU AE3 - Sources of encumbrance

31 Dec 2021 EUR million		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**	13.9	16.7
011	of which: over-the-counter (OTC) derivatives	13.9	16.7

12 OPERATIONAL RISK

12.1 HIGHLIGHTS 2021 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 2021 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 2021 total operational risk losses were EUR 2,44 million (0,72), of which solely operational risk losses attributable for year 2021 were EUR 0,79 million (0,72). In order to facilitate comparability, following figures represent basic operational risks.
  - 94 per cent (58) of the total net operational risk losses are due to individual events with a loss value less than EUR 10 thousand.
  - 14 per cent (48) of total operational risk losses are caused by external fraud. S-Bank continues to work against fraud on various preventative initiatives.
- In September, the Financial Supervisory Authority imposed a EUR 1.65 million penalty on S-Bank for deficiencies in the identification and reporting processes related to suspicious orders in the share brokerage services that S-Bank offered from 2016 to 2018.
- The level of incidents has remained steady (excluding the penalty), policies and processes for the management of outsourcings have been further enhanced. Operational risk team has grown in numbers by 50% during the year, allowing more comprehensive monitoring program going forward.
- During 2021 S-Bank has participated to FATO and TIBER tests to test, develop and strengthen bank´s processes in continuity and cyber security.
- At the end of 2021 a serious fire occurred in a building next to the S-Bank main offices. The fire was put out in three days' time and was kept from spreading to S-Bank premises. However, S-Bank offices suffered water and smoke damage from the efforts to put down the flames. Due to the efficient contingency processes the impact to S-Bank´s operational processes were kept minimal.

12.2 MANAGEMENT OF OPERATIONAL RISK (EU ORA)

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.

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.

Table 39: EU OR1 - Operational risk own funds requirements and risk-weighted exposure amounts

S-Bank uses the basic indicator approach (BIA) for calculating the capital requirement for operational risk. Information at financial year ends is based on audited figures.

31 Dec 2021, EUR million Banking activities		a	b	c	d	e
		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	148.6	152.7	158.1	26.2	327.4

13 COMPLIANCE RISKS

13.1 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, specific 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.

- Financial Supervisory Authority imposed a EUR 1.65 million penalty on S-Bank for deficiencies in its identification and reporting suspicious brokerage orders from 2016 to 2018.
- Bank continued to enhance solutions and processes to manage compliance recommendations and changes coming from regulations.
- Bank closed successfully a two-year long project on KYC processes during 2021.

13.2 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 counterterrorist 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.

13.3 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.

14 ANNEX 1: EU CCA MAIN FEATURES OF REGULATORY OWN FUNDS INSTRUMENTS AND ELIGIBLE LIABILITIES INSTRUMENTS

		a	b	c	d	e	f
		Qualitative or quantitative information	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative i nformation**	**Qualitative or quantitative information**	**Qualitative or quantitative information**
1	Issuer	S-Bank Ltd (currently S-Bank Plc)	S-Bank Ltd (currently S-Bank Plc)	S-Bank Ltd (currently S-Bank Plc)	S-Bank Plc	S-Bank Plc	S-Bank Plc
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	FI4000210877	FI4000292735	FI4000466628	FI4000512702	FI4000512058
2a	Public or private placement	N/A	Private	Private	Private	Private	Public
3	Governing law(s) of the instrument	Finnish law	Finnish law	Finnish law	Finnish law	Finnish law	Finnish law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	Yes	Yes	Yes	Yes	Yes
	Regulatory treatment						
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	N/A
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2	Tier 2	Tier 2	N/A
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	Solo and consolidated	N/A
7	Instrument type (types to be specified by each jurisdiction)	Share as published in Regulation (EU) No 575/2013 article 28	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Tier 2 as published in Regulation (EU) No 575/2013 article 63	Eligible liability instrument as published in Regulation (EU) No 575/2013 article 72b
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, 31 Dec 2021)	EUR 82,9M	EUR 19,5M	EUR 8,0M	EUR 25,5M	EUR 57,5M	EUR 169,7M
9	Nominal amount of instrument	EUR 82,9M	EUR 21,7M	EUR 8,0M	EUR 25,5M	EUR 57,5M	EUR 170,0M
EU-9a	Issue price	N/A	100%	100%	100%	100%	99,82%
EU-9b	Redemption price	N/A	100% of nominal amount	100% of nominal amount	100% of nominal amount	100% of nominal amount	100% of nominal amount
10	Accounting classification	Shareholders' equity	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
11	Original date of issuance	N/A	30 June 2016	18 December 2017	1 December 2020	8 October 2021	4 October 2021

		a	b	c	d	e	f
		Qualitative or quantitative information	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**
12	Perpetual or dated	Perpetual	Dated	Dated	Dated	Dated	Dated
13	Original maturity date	No maturity	30 June 2026	18 December 2027	1 December 2030	8 October 2031	4 April 2025
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes	No
15	Optional call date, contingent call dates and redemption amount	N/A	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instal-ment 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. In addition tax or capital event redemption. Note: Any early repayment of the debenture is subject to prior supervisory approval.	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. In addition tax or capital event redemption. Note: Any early repayment of the debenture is subject to prior supervisory approval.	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first in-stalment 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. In addition tax or capital event redemption. Note: Any early repayment of the debenture is subject to prior supervisory approval	The debenture will be repaid based on its nominal value in equal instalments annually on 8 October, with the first instalment being paid on 8 October 2027 and the last on 8 October 2031. 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.In addition tax or capital event redemption. Note: Any early repayment of the debenture is subject to prior supervisory approval.	N/A
16	Subsequent call dates, if applicable	N/A	30 June each year afer the first call date.	18 December each year afer the first call date.	1 December each year afer the first call date.	8 October each year afer the first call date.	N/A
	Coupons / dividends						
17	Fixed or floating dividend/coupon	N/A	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	N/A	EURIBOR of 12 months + 1.8% annual interest	EURIBOR of 12 months + 1.8% annual interest	EURIBOR of 12 months + 2.0% annual interest	EURIBOR of 12 months + 2.0% annual interest	EURIBOR of 3 months + 0,75% annual interest
19	Existence of a dividend stopper	N/A	No	No	No	No	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory

		a	b	c	d	e	f
		Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information	Qualitative or quantitative information
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No	No	No	No	No
22	Noncumulative or cumulative	N/A	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	N/A	Convertible	Convertible	Convertible	Convertible	Convertible
24	If convertible, conversion trigger(s)	N/A	The instrument may be subject of a conversion by decision of the Finnish Financial Stability Authority.	The instrument may be subject of a conversion by decision of the Finnish Financial Stability Authority.	The instrument may be subject of a conversion by decision of the Finnish Financial Stability Authority.	The instrument may be subject of a conversion by decision of the Finnish Financial Stability Authority.	The instrument may be subject of a conversion by decision of the Finnish Financial Stability Authority.
25	If convertible, fully or partially	N/A	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially	Fully or Partially
26	If convertible, conversion rate	N/A	To be determined by the resolution authority.	To be determined by the resolution authority.	To be determined by the resolution authority.	To be determined by the resolution authority.	To be determined by the resolution authority.
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	N/A	S-Bank Plc	S-Bank Plc	S-Bank Plc	S-Bank Plc	S-Bank Plc
30	Write-down features	N/A	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger(s)	N/A	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.	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.	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. In addition, a write-down may trigger if the issuer's CET1 capital ratio falls below seven (7) percent on a regular observation date or on an additional observation date.	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. In addition, a write-down may trigger if the issuer's CET1 capital ratio falls below seven (7) percent on a regular observation date or on an additional observation date.	The instrument may be subject of a write-down by decision of the Finnish Financial Stability Authority.
32	If write-down, full or partial	N/A	Full or partial	Full or partial	Full or partial	Full or partial	Full or partial
33	If write-down, permanent or temporary	N/A	Permanent	Permanent	Permanent	Permanent	Permanent

		a	b	c	d	e	f
		Qualitative or quantitative information	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**	**Qualitative or quantitative information**
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A	N/A
34a	Type of subordination (only for eligible liabilities)	N/A	N/A	N/A	N/A	N/A	Statutory
EU-34b	Ranking of the instrument in normal insolvency proceedings	1	2	2	2	2	7
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Tier 2 (columns b-e)	Eligible liability instrument (column f)	Eligible liability instrument (column f)	Eligible liability instrument (column f)	Eligible liability instrument (column f)	FFSA´s claim for the costs resulting from using resolution tools
36	Non-compliant transitioned features	No	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	The terms and conditions of the instrument can be found on issuers website: s-pankki.fi > investors (https://www.s-pank-ki.fi/fi/Investors/investment-materials/)	The terms and conditions of the instrument can be found on issuers website: s-pankki.fi > investors (https://www.s-pankki.fi/fi/Investors/investment-materials/)	The terms and conditions of the i nstrument can be found on issuers website: s-pankki.fi > investors (https://www.s-pankki.fi/fi/Investors/investment-materials/)	The terms and conditions of the i nstrument can be found on issuers website: s-pankki.fi > investors (https://www.s-pankki.fi/fi/Investors/investment-materials/)	The terms and conditions of the i nstrument can be found on issuers website: s-pankki.fi > investors (https://www.s-pankki.fi/fi/Investors/investment-materials/)

(1) ‘N/A’ is used if the question is not applicable.

15 ANNEX 2 – 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)			Article name and disclosure requirement	Section in CAR report / other reference
435			**Risk management objectives and policies**	
	1	a)	the strategies and processes to manage those categories of risks	Chapters 4, 6, 7, 8, 9 , 10, 11, 12
		b)	the structure and organisation of the relevant risk management function including information on the basis of its authority, its power and accountability in accordance with the institution's incorporation and governing documents	Chapters 4, 9.2, 10.2, 12
		c)	the scope and nature of risk reporting and measurement systems	Chapter 4 and risk specific information in chapters 7.2, 9, 10, 12, 13.3
		d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Chapter 4, and risk specific information in chapters 5, 6, 7, 8, 9, 10, 11, 12, 13
		e)	a declaration approved by the management body on the adequacy of risk management arrangements of the relevant institution providing assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy	Chapter 2, 10.2 , Chapter 12
		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 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. This statement shall include also information on intragroup transactions and transactions with related parties that may have a material impact of the risk profile of the consolidated group.	Chapter 1, 2, 4 and risk specific information in chapters 7.1, 8.1, 9.1, 10.1, 11.1, 12.1
	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-pankki.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-pankki.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-pankki.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 4.2
436			**Scope of application**	
		a)	the name of the institution to which this Regulation applies	Chapter 3

Article of the CRR (575/2013)				Disclosure requirement	Section in CAR 2021 report / other reference
		b)		a reconciliation between the consolidated financial statements prepared in accordance with the applicable accounting framework and the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One; that reconciliation shall outline the differences between the accounting and regulatory scopes of consolidation and the legal entities included within the regulatory scope of consolidation where it differs from the accounting scope of consolidation; the outline of the legal entities included within the regulatory scope of consolidation shall describe the method of regulatory consolidation where it is different from the accounting consolidation method, whether those entities are fully or proportionally consolidated and whether the holdings in those legal entities are deducted from own funds	Chapter 3
		c)		a breakdown of assets and liabilities of the consolidated financial statements prepared in accordance with the requirements on regulatory consolidation pursuant to Sections 2 and 3 of Title II of Part One, broken down by type of risks as referred to under this Part	Chapter 3
		d)		a reconciliation identifying the main sources of differences between the carrying value amounts in the financial statements under the regulatory scope of consolidation as defined in Sections 2 and 3 of Title II of Part One, and the exposure amount used for regulatory purposes; that reconciliation shall be supplemented by qualitative information on those main sources of differences	Chapter 3
		e)		for exposures from the trading book and the non-trading book that are adjusted in accordance with Article 34 and Article 105, a breakdown of the amounts of the constituent elements of an institution's prudent valuation adjustment, by type of risks, and the total of constituent elements separately for the trading book and non-trading book positions.	Chapter 3
		f)		any current or expected material practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries	Chapter 3.1
		g)		the aggregate amount by which the actual own funds are less than required in all subsidiaries that are not included in the consolidation, and the name or names of those subsidiaries	Chapter 3.1
		h)		where applicable, the circumstances under which use is made of the derogation referred to in Article 7 or the individual consolidation method laid down in Article 9.	Not applicable Chapter 3.1
437				**Disclosure of own funds**	
	1	a)		a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and the filters and deductions applied to own funds of the institution pursuant to Articles 32 to 36, 56, 66 and 79 with the balance sheet in the audited financial statements of the institution;	Chapter 5.4
		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;	Chapter 15
		c)		the full terms and conditions of all Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments	Chapter 15 S-Bank's website: https://www.s-pankki.fi/fi/Investors/investment-materials/
		d)		A separate disclosure of the nature and amounts of the following:	
			i)	each prudential filter applied pursuant to Articles 32 to 35;	Chapter 1.1
			ii)	each deduction made pursuant to Articles 36, 56 and 66;	Chapter 1.1
			iii)	items not deducted in accordance with Articles 47, 48, 56, 66 and 79;	Chapter 1.1
		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.

Article of the CRR (575/2013)		Disclosure requirement	Section in CAR 2021 report / other reference
	f)	a comprehensive explanation of the basis on which capital ratios are calculated where those capital ratios are calculated by using elements of own funds determined on a basis other than the basis laid down in this Regulation.	Not applicable. S-Bank does not use elements of own funds calculation other than those described in CRR 575/2013.
437a		**Disclosure of own funds and eligible liabilities**	
	a)	the composition of their own funds and eligible liabilities, their maturity and their main features	Chapter 15
	b)	the ranking of eligible liabilities in the creditor hierarchy	Chapter 15
	c)	the total amount of each issuance of eligible liabilities instruments referred to in Article 72b and the amount of those issuances that is included in eligible liabilities items within the limits specified in Article 72b(3) and (4)	Chapter 15
	d)	the total amount of excluded liabilities referred to in Article 72a(2)	Chapter 15
438		**Disclosure of own funds requirements and risk-weighted exposure amounts**	
	a)	a summary of their approach to assessing the adequacy of their internal capital to support current and future activities	Chapter 5.2
	b)	the amount 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 and its composition in terms of Common Equity Tier 1, additional Tier 1 and Tier 2 instruments	Chapters 1.1, 5.4 Results of S-Bank's results on internal capital assessment process are provided upon request.
	c)	upon demand from the relevant competent authority, the result of the institution's internal capital adequacy assessment process	Chapter 5.2
	d)	the total risk-weighted exposure amount and the corresponding total own funds requirement determined in accordance with Article 92, to be broken down by the different risk categories set out in Part Three and, where applicable, an explanation of the effect on the calculation of own funds and risk-weighted exposure amounts that results from applying capital floors and not deducting items from own funds	Chapters 1.1, 12
	e)	the on- and off-balance-sheet exposures, the risk-weighted exposure amounts and associated expected losses for each category of specialised lending referred to in Table 1 of Article 153(5) and the on- and off-balance-sheet exposures and risk-weighted exposure amounts for the categories of equity exposures set out in Article 155(2)	Chapter 5.5. S-Bank does not have specialized lending exposures.
	f)	the exposure value and the risk-weighted exposure amount of own funds instruments held in any insurance undertaking, reinsurance undertaking or insurance holding company that the institutions do not deduct from their own funds in accordance with Article 49 when calculating their capital requirements on an individual, sub-consolidated and consolidated basis	Not applicable.
	g)	the supplementary own funds requirement and the capital adequacy ratio of the financial conglomerate calculated in accordance with Article 6 of Directive 2002/87/EC and Annex I to that Directive where method 1 or 2 set out in that Annex is applied;	Not applicable.
	h)	the variations in the risk-weighted exposure amounts of the current disclosure period compared to the immediately preceding disclosure period that result from the use of internal models, including an outline of the key drivers explaining those variations.	Not applicable. S-Bank does not use internal models.
439		**Disclosure of exposures to counterparty credit risk**	
	a)	a description of the methodology used to assign internal capital and credit limits for counterparty credit exposures, including the methods to assign those limits to exposures to central counterparties;	Chapter 8
	b)	a description of policies related to guarantees and other credit risk mitigants, such as the policies for securing collateral and establishing credit reserves;	Not applicable. S-Bank does not have credit reserves.
	c)	a description of policies with respect to General Wrong-Way risk and Specific Wrong-Way risk as defined in Article 29	Not applicable. The wrong-way risk does not apply to S-Bank.

Article of the CRR (575/2013)		Disclosure requirement	Section in CAR 2021 report / other reference
	d)	the amount of collateral the institution would have to provide if its credit rating was downgraded	Chapter 8
	e)	the amount of segregated and unsegregated collateral received and posted per type of collateral, further broken down between collateral used for derivatives and securities financing transactions	Chapter 8
	f)	for derivative transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Sections 3 to 6 of Chapter 6 of Title II of Part Three, whichever method is applicable, and the associated risk exposure amounts broken down by applicable method	Chapter 8. S-Bank does not use IRB approach.
	g)	for securities financing transactions, the exposure values before and after the effect of the credit risk mitigation as determined under the methods set out in Chapters 4 and 6 of Title II of Part Three, whichever method is used, and the associated risk exposure amounts broken down by applicable method	Not applicable. S-Bank does not use credit derivative hedges.
	h)	the exposure values after credit risk mitigation effects and the associated risk exposures for credit valuation adjustment capital charge, separately for each method as set out in Title VI of Part Three;	Chapter 8
	i)	the exposure value to central counterparties and the associated risk exposures within the scope of Section 9 of Chapter 6 of Title II of Part Three, separately for qualifying and non-qualifying central counterparties, and broken down by types of exposures	Chapter 8
	j)	the notional amounts and fair value of credit derivative transactions; credit derivative transactions shall be broken down by product type; within each product type, credit derivative transactions shall be broken down further by credit protection bought and credit protection sold	Not applicable. S-Bank does not use credit derivatives.
	k)	the estimate of alpha where the institution has received the permission of the competent authorities to use its own estimate of alpha in accordance with Article 284(9)	Not applicable. S-Bank does not use IRB approach.
	l)	separately, the disclosures included in point (e) of Article 444 and point (g) of Article 452	Not applicable. S-Bank does not use Standardised approach.
	m)	for institutions using the methods set out in Sections 4 to 5 of Chapter 6 of Title II Part Three, the size of their on- and off-balance-sheet derivative business as calculated in accordance with Article 273a(1) or (2), as applicable.	Chapter 8
440		**Disclosure of countercyclical capital buffers**	
	a)	the geographical distribution of the exposure amounts and risk-weighted exposure amounts of its credit exposures used as a basis for the calculation of their countercyclical capital buffer;	Chapter 5.5
	b)	the amount of their institution-specific countercyclical capital buffer	Chapter 5.5
441		**Disclosure of indicators of global systemic importance**	Not applicable. S-Bank is not identified as a G-SII.
442		**Disclosure of exposures to credit risk and dilution risk**	
	a)	the scope and definitions that they use for accounting purposes of 'past due' and 'impaired' and the differences, if any, between the definitions of 'past due' and 'default' for accounting and regulatory purposes	Chapter 7.3
	b)	a description of the approaches and methods adopted for determining specific and general credit risk adjustments	Chapter 7.3
	c)	information on the amount and quality of performing, non-performing and forborne exposures for loans, debt securities and off-balance-sheet exposures, including their related accumulated impairment, provisions and negative fair value changes due to credit risk and amounts of collateral and financial guarantees received	Chapter 7.3
	d)	an ageing analysis of accounting past due exposures;	Chapter 7.3

Article of the CRR (575/2013)		Disclosure requirement	Section in CAR 2021 report / other reference
	e)	the gross carrying amounts of both defaulted and non-defaulted exposures, the accumulated specific and general credit risk adjustments, the accumulated write-offs taken against those exposures and the net carrying amounts and their distribution by geographical area and industry type and for loans, debt securities and off-balance-sheet exposures;	Chapter 7.3
	f)	any changes in the gross amount of defaulted on- and off-balance-sheet exposures, including, as a minimum, information on the opening and closing balances of those exposures, the gross amount of any of those exposures reverted to non-defaulted status or subject to a write-off;	Chapter 7.3
	g)	the breakdown of loans and debt securities by residual maturity.	Chapter 7.3
443		**Disclosure of encumbered and unencumbered assets**	Chapter 11
444		**Disclosure of the use of the Standardised Approach**	
	a)	the names of the nominated ECAIs and ECAs and the reasons for any changes in those nominations over the disclosure period	Chapter 5.5
	b)	the exposure classes for which each ECAI or ECA is used	Chapter 5.5
	c)	a description of the process used to transfer the issuer and issue credit ratings onto items not included in the trading book	Chapter 5.5
	d)	the association of the external rating of each nominated ECAI or ECA with the risk weights that correspond to the credit quality steps as set out in Chapter 2 of Title II of Part Three, taking into account that it is not necessary to disclose that information where the institutions comply 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 as set out in Chapter 2 of Title II of Part Three, by exposure class, as well as the exposure values deducted from own funds	Chapter 5.5, 8
445		**Disclosure of exposure to market risk**	
		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 points. In addition, own funds requirements for the specific interest rate risk of securitisation positions shall be disclosed separately	Chapter 9
446		**Disclosure of operational risk management**	
		Institutions shall disclose the following information about their operational risk management:	
	a)	the approaches for the assessment of own funds requirements for operation risk that the institution qualifies for	Chapter 12
	b)	where the institution makes use of it, a description of the methodology set out in Article 312(2), which shall include a discussion of the relevant internal and external factors being considered in the institution's advanced measurement approach	Not applicable. S-Bank does not use an advanced measurement approach.
	c)	in the case of partial use, the scope and coverage of the different methodologies used.	Chapter 12
447		**Disclosure of key metrics**	

Article of the CRR (575/2013)			Disclosure requirement	Section in CAR 2021 report / other reference
			Institutions shall disclose the following key metrics in a tabular format:	
	a)		the composition of their own funds and their own funds requirements as calculated in accordance with Article 92	Chapter 1.1
	b)		the total risk exposure amount as calculated in accordance with Article 92(3)	Chapter 1.1
	c)		where applicable, the amount and composition of additional own funds which the institutions are required to hold in accordance with point (a) of Article 104(1) of Directive 2013/36/EU	Chapter 1.1
	d)			Chapter 1.1
	e)		their leverage ratio and the total exposure measure as calculated in accordance with Article 429	Chapter 1.1
	f)		the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1)	
		i)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Chapter 1.1
		ii)	the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-themonth observations over the preceding 12 months for each quarter of the relevant disclosure period	Chapter 1.1
		iii)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Chapter 1.1
	g)		the following information in relation to their net stable funding requirement as calculated in accordance with Title IV of Part Six:	Chapter 1.1
		i)	the net stable funding ratio at the end of each quarter of the relevant disclosure period	Chapter 1.1
		ii)	the available stable funding at the end of each quarter of the relevant disclosure period	Chapter 1.1
		iii)	the required stable funding at the end of each quarter of the relevant disclosure period	Chapter 1.1
	h)		their own funds and eligible liabilities ratios and their components, numerator and denominator, as calculated in accordance with Articles 92a and 92b and broken down at the level of each resolution group, where applicable.	Not applicable.
448			**Disclosure of exposures to interest rate risk on positions not held in the trading book**	
1	a)		the changes in the economic value of equity calculated under the six supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods;	Chapter 9.3
	b)		the changes in the net interest income calculated under the two supervisory shock scenarios referred to in Article 98(5) of Directive 2013/36/EU for the current and previous disclosure periods	Chapter 9.3
	c)		a description of key modelling and parametric assumptions, other than those referred to in points (b) and (c) of Article 98(5a) of Directive 2013/36/EU used to calculate changes in the economic value of equity and in the net interest income required under points (a) and (b) of this paragraph	Chapter 9.3
	d)		an explanation of the significance of the risk measures disclosed under points (a) and (b) of this paragraph and of any significant variations of those risk measures since the previous disclosure reference date	Chapter 9.3

Article of the CRR (575/2013)			Disclosure requirement	Section in CAR 2021 report / other reference
	e)		the description of how institutions define, measure, mitigate and control the interest rate risk of their nontrading book activities for the purposes of the competent authorities' review in accordance with Article 84 of Directive 2013/36/EU, including:	Chapter 9.3
		i)	a description of the specific risk measures that the institutions use to evaluate changes in their economic value of equity and in their net interest income	Chapter 9.3
		ii)	a description of the key modelling and parametric assumptions used in the institutions' internal measurement systems that would differ from the common modelling and parametric assumptions referred to in Article 98(5a) of Directive 2013/36/EU for the purpose of calculating changes to the economic value of equity and to the net interest income, including the rationale for those differences	Chapter 9.3
		iii)	a description of the interest rate shock scenarios that institutions use to estimate the interest rate risk	Chapter 9.3
		iv)	the recognition of the effect of hedges against those interest rate risks, including internal hedges that meet the requirements laid down in Article 106(3);	Chapter 9.3
		v)	an outline of how often the evaluation of the interest rate risk occurs;	Chapter 9.3
	f)		the description of the overall risk management and mitigation strategies for those risks;	Chapter 9.3
	g)		average and longest repricing maturity assigned to non-maturity deposits.	Chapter 9.3
2			By way of derogation from paragraph 1 of this Article, the requirements set out in points (c) and (e)(i) to (e) (iv) of paragraph 1 of this Article shall not apply to institutions that use the standardised methodology or the simplified standardised methodology referred to in Article 84(1) of Directive 2013/36/EU.	Chapter 9.3
449			**Disclosure of exposures to securitisation positions**	Not applicable. S-Bank does not have securitisation positions.
449a			Disclosure of environmental, social and governance risks (ESG risks)	Not applicable. Disclosure requirement not yet in force.
			From 28 June 2022, large institutions which have issued securities that are admitted to trading on a regu-lated market of any Member State, as defined in point (21) of Article 4(1) of Directive 2014/65/EU, shall disclose information on ESG risks, including physical risks and transition risks, as defined in the report re-ferred to in Article 98(8) of Directive 2013/36/EU. The information referred to in the first paragraph shall be disclosed on an annual basis for the first year and biannually thereafter.	
450			**Disclosure of remuneration policy**	S-Bank's website: www.s-pankki.fi > S-Pankki yrityksenä > Johto ja hallinto > S-Pankin palkitsemisjärjestelmät
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
	b)		information about the link between pay of the staff and performance	S-Bank's website
	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
	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
	e)		information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based	S-Bank's website
	f)		the main parameters and rationale for any variable component scheme and any other non-cash benefits;	S-Bank's website

Article of the CRR (575/2013)			Disclosure requirement	Section in CAR 2021 report / other reference
		g)	aggregate quantitative information on remuneration, broken down by business area	S-Bank's website
		h)	aggregate quantitative information on remuneration, broken down by senior management and members of staff whose professional activities have a material impact on the risk profile of the institution, indicating the following	S-Bank's website
		i)	the amounts of remuneration awarded for the financial year, split into fixed remuneration including a description of the fixed components, and variable remuneration, and the number of beneficiaries	S-Bank's website
		ii)	the amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types separately for the part paid upfront and the deferred part	S-Bank's website
		iii)	the amounts of deferred remuneration awarded for previous performance periods, split into the amount due to vest in the financial year and the amount due to vest in subsequent years	S-Bank's website
		iv)	the amount of deferred remuneration due to vest in the financial year that is paid out during the financial year, and that is reduced through performance adjustments	S-Bank's website
		v)	the guaranteed variable remuneration awards during the financial year, and the number of beneficiaries of those awards	S-Bank's website
		vi)	the severance payments awarded in previous periods, that have been paid out during the financial year	S-Bank's website
		vii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and highest payment that has been awarded to a single person;	Not applicable.
		i)	the number of individuals that have been remunerated EUR 1 million or more per financial year, with the remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and with the remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;	Not applicable.
		j)	upon demand from the relevant Member State or competent authority, the total remuneration for each member of the management body or senior management.	Not applicable.
		k)	Information on whether the institution benefits from a derogation laid down in Article 94(3) of Directive 2013/36/EU	S-Bank's website
	2		For large institutions, the quantitative information on the remuneration of institutions' collective management body referred to in this Article shall also be made available to the public, differentiating between executive and non-executive members.	Not applicable.
451			**Disclosure of the leverage ratio**	
	1		Institutions that are subject to Part Seven shall disclose the following information regarding their leverage ratio as calculated in accordance with Article 429 and their management of the risk of excessive leverage:	Chapter 6
		a)	the leverage ratio and how the institution apply Article 499(2)	Chapter 6
		b)	a breakdown of the total exposure measure referred to in Article 429(4), as well as a reconciliation of the total exposure measure with the relevant information disclosed in published financial statements	Chapter 6
		c)	where applicable, the amount of exposures calculated in accordance with Articles 429(8) and 429a(1) and the adjusted leverage ratio calculated in accordance with Article 429a(7);	Chapter 6
		d)	a description of the processes used to manage the risk of excessive leverage	Chapter 6
		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 6

Article of the CRR (575/2013)			Disclosure requirement	Section in CAR 2021 report / other reference
	2		Public development credit institutions as defined in Article 429a(2) shall disclose the leverage ratio without the adjustment to the total exposure measure determined in accordance with point (d) of the first subparagraph of Article 429a(1).	Not applicable.
	3		In addition to points (a) and (b) of paragraph 1 of this Article, large institutions shall disclose the leverage ratio and the breakdown of the total exposure measure referred to in Article 429(4) based on averages calculated in accordance with the implementing act referred to in Article 430(7).	Not applicable.
451a			**Disclosure of liquidity requirements**	
	1		Institutions that are subject to Part Six shall disclose information on their liquidity coverage ratio, net stable funding ratio and liquidity risk management in accordance with this Article.	Chapter 10
	2		Institutions shall disclose the following information in relation to their liquidity coverage ratio as calculated in accordance with the delegated act referred to in Article 460(1):	Chapter 10.3
		a)	the average or averages, as applicable, of their liquidity coverage ratio based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period	Chapter 10.3
		b)	the average or averages, as applicable, of total liquid assets, after applying the relevant haircuts, included in the liquidity buffer pursuant to the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period, and a description of the composition of that liquidity buffer;	Chapter 10.3
		c)	the averages of their liquidity outflows, inflows and net liquidity outflows as calculated in accordance with the delegated act referred to in Article 460(1), based on end-of-the-month observations over the preceding 12 months for each quarter of the relevant disclosure period and the description of their composition.	Chapter 10.3
	3		Institutions shall disclose the following information in relation to their net stable funding ratio as calculated in accordance with Title IV of Part Six:	Chapter 10.4
		a)	quarter-end figures of their net stable funding ratio calculated in accordance with Chapter 2 of Title IV of Part Six for each quarter of the relevant disclosure period;	Chapter 10.4
		b)	an overview of the amount of available stable funding calculated in accordance with Chapter 3 of Title IV of Part Six;	Chapter 10.4
		c)	an overview of the amount of required stable funding calculated in accordance with Chapter 4 of Title IV of Part Six.	Chapter 10.4
	4		Institutions shall disclose the arrangements, systems, processes and strategies put in place to identify, measure, manage and monitor their liquidity risk in accordance with Article 86 of Directive 2013/36/EU.	Chapter 10.2
452			**Not applicable. S-Bank does not use IRB-Approach.**	Not applicable. S-Bank does not use IRB-Approach.
453			**Disclosure of the use of credit risk mitigation techniques**	
		a)	the core features of the policies and processes for on- and off-balance-sheet netting and an indication of the extent to which institutions make use of balance sheet netting;	Chapter 7.4
		b)	the core features of the policies and processes for eligible collateral evaluation and management	Chapter 7.4
		c)	a description of the main types of collateral taken by the institution to mitigate credit risk	Chapter 7.4
		d)	for guarantees and credit derivatives used as credit protection, the main types of guarantor and credit derivative counterparty and their creditworthiness used for the purpose of reducing capital requirements, excluding those used as part of synthetic securitisation structures	Chapter 7.4. S-Bank does not use credit derivatives.

Article of the CRR (575/2013)		Disclosure requirement	Section in CAR 2021 report / other reference
	e)	information about market or credit risk concentrations within the credit mitigation taken;	Chapter 7.4
	f)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach or the IRB Approach, the total exposure value not covered by any eligible credit protection and the total exposure value covered by eligible credit protection after applying volatility adjustments; the disclosure set out in this point shall be made separately for loans and debt securities and including a breakdown of defaulted exposures;	Chapter 7.4
	g)	the corresponding conversion factor and the credit risk mitigation associated with the exposure and the incidence of credit risk mitigation techniques with and without substitution effect;	Not applicable. S-Bank does not use IRB-Approach.
	h)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the on- and off-balance-sheet exposure value by exposure class before and after the application of conversion factors and any associated credit risk mitigation	Chapter 5.5
	i)	for institutions calculating risk-weighted exposure amounts under the Standardised Approach, the risk-weighted exposure amount and the ratio between that risk-weighted exposure amount and the exposure value after applying the corresponding conversion factor and the credit risk mitigation associated with the exposure; the disclosure set out in this point shall be made separately for each exposure class	Not applicable. S-Bank does not use IRB-Approach.
	j)	for institutions calculating risk-weighted exposure amounts under the IRB Approach, the risk-weighted exposure amount before and after recognition of the credit risk mitigation impact of credit derivatives; where institutions have received permission to use own LGDs and conversion factors for the calculation of riskweighted exposure amounts, they shall make the disclosure set out in this point separately for the exposure classes subject to that permission.	Not applicable. S-Bank does not use IRB-Approach.
454		**Disclosure of the 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 does not use the Internal Model Approach (IMA).
468		**Temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in view of the COVID-19 pandemic**	Not applicable.
473a		**Introduction of IFRS 9**	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.

16 ANNEX 3 – INFORMATION NOT DISCLOSED DUE TO NON-MATERIALITY, PROPRIETARY OR CONFIDENTIAL NATURE OR NOT APPLICABLE TO S BANK GROUP

General remarks	S-Bank has not disclosed certain rows or columns in Pillar 3 templates, that refer to items or methods, that are not used by S-Bank or where S-Bank does not have any exposures or items to report.	Disclosure of the scope of application
Disclosure of key metrics and overview of risk-weighted exposure amounts	Template EU INS1 - Insurance participations Template EU INS2 - Financial conglomerates information on own funds and capital adequacy ratio	Not applicable. S-Bank is not a insurance company.
Disclosure of the scope of application	Template EU PV1 - Prudent valuation adjustments (PVA) Table EU LIB - Other qualitative information on the scope of application	Not applicable. S-Bank does not use the method. Not applicable.
Disclosure of exposures to credit risk, dilution risk and credit quality	Template EU CR2a: Changes in the stock of non-performing loans and advances and related net accumulated recoveries Template EU CQ2: Quality of forbearance Template EU CQ6: Collateral valuation - loans and advances Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown	Not applicable. NPL threshold ratio is under 5%.
Disclosure of the use of the irb a pproach to credit risk	Template EU CR6: IRB approach – Credit risk exposures by exposure class and PD range Template EU CR6-A: Scope of the use of IRB and SA approaches Template EU CR7: IRB approach – Effect on the RWEAs of credit derivatives used as CRM techniques Template EU CR7-A: IRB approach – Disclosure of the extent of the use of CRM techniques Template EU CR8: RWEA flow statements of credit risk exposures under the IRB approach Template CR9: IRB approach – Back-testing of PD per exposure class (fixed PD scale) Template CR9.1: IRB approach – Back-testing of PD per exposure class (only for PD estimates according to point (f) of Article 180(1) CRR) Table EU CRE – Qualitative disclosure requirements related to IRB approach	Not applicable. S-Bank does not use IRB-Approach.
Disclosure of specialised lending and equity exposures under the simple risk weight approach	Template EU CR10.1: Specialised lending : Project finance (Slotting approach) Template EU CR10.2: Specialised lending : Income-producing real estate and high volatility commercial real estate (Slotting approach) Template EU CR10.3: Specialised lending : Object finance (Slotting approach) Template EU CR10.4: Specialised lending : Commodities finance (Slotting approach) Template EU CR10.5: Equity exposures under the simple risk-weighted approach	Not applicable. S-Bank has no specialised lending exposures.

Disclosure of exposures to counterparty credit risk	Template EU CCR4: IRB approach – CCR exposures by exposure class and PD scale Template EU CCR6: Credit derivatives exposures Template EU CCR7 : RWEA flow statements of CCR exposures under the IMM	Not applicable. S-Bank does not use IRB-Approach. Not applicable. S-Bank has no credit derivatives exposures. Not applicable. S-Bank does not use the IMM.
Disclosure of exposures to securitisation positions	Table EU SECA: Qualitative disclosure requirements related to securitisation exposures Template EU-SEC1: Securitisation exposures in the non-trading book Template EU SEC2: Securitisation exposures in the trading book Template EU SEC3: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as originator or as sponsor Template EU SEC4: Securitisation exposures in the non-trading book and associated regulatory capital requirements - institution acting as investor Template EU SEC5: Exposures securitised by the institution - Exposures in default and specific credit risk adjustments	Not applicable. S-Bank does not have securitisation positions.
Disclosure of use of standardized approach and internal model for market risk	Template EU MR1: Market risk under the standardised approach Template EU MR2-A: Market risk under the Internal Model Approach (IMA) Template EU MR2-B: RWEA flow statements of market risk exposures under the IMA Template EU MR3: IMA values for trading portfolios Template EU MR4: Comparison of VaR estimates with gains/losses Template EU MRB: Qualitative disclosure requirements for institutions using the Internal Market Risk Models	Not applicable. S-Bank does not use the standardised approach. Not applicable. S-Bank does not use the Internal Model Approach (IMA).
Disclosure of remuneration policy	Template EU REM4 - Remuneration of 1 million EUR or more per year	Not applicable to S-Bank.

17 ANNEX 4: LIST OF FIGURES

18 ANNEX 5: LIST OF TABLES

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