HALF-YEAR REPORT 2020

S-Bank

TOWARDS A NEW NORMAL

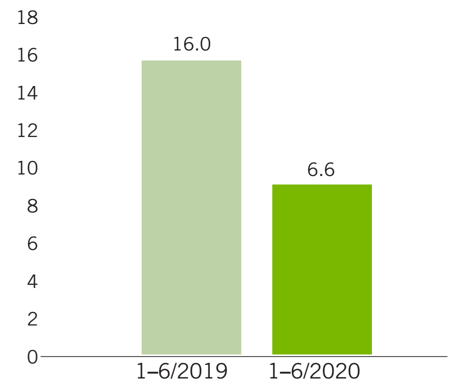
PEKKA YLIHURULA, CEO

"The pandemic caused by the coronavirus is affecting us all. In relative terms, however, S-Bank is in a good position. Income from our core business improved and expenses remained under control in the first half-year. I believe we will eventually emerge from the crisis stronger than we were before."

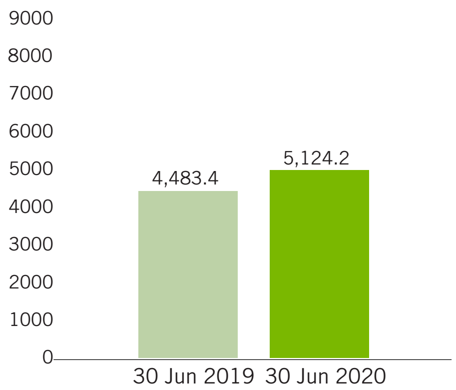
JANUARY–JUNE 2020

- Operating profit decreased to EUR 6.6 million (EUR 16.0 million).
- Lending increased to EUR 5.1 billion (EUR 4.5 billion).
- Assets under management decreased to EUR 8.4 billion (EUR 8.5 billion).
- The capital adequacy ratio decreased to 15.8 per cent (16.4).
- Outlook for 2020 (adjusted): Although we can identify some positive signals, the outlook for the next few months remains uncertain. We expect the S-Bank Group's operating profit to fall in 2020 compared with the previous year.

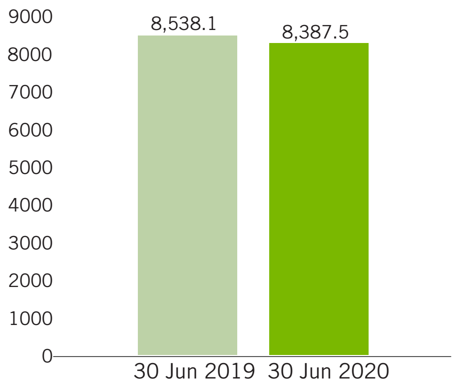
Operating profit (EUR m)



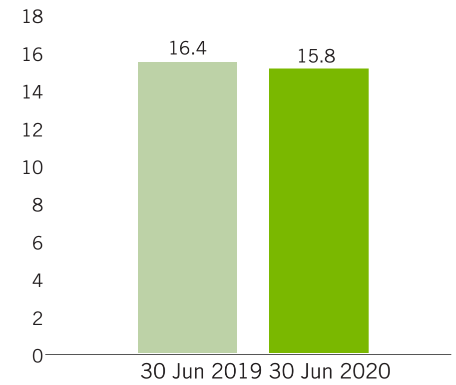
Lending (EUR m)



Assets under management (EUR m)



Capital adequacy ratio, %



CEO'S REVIEW

The year 2020 will stand out in history. At the turn of the year, few people anticipated how much the unprecedented coronavirus would change the world.

At the beginning of the crisis, we focused on ensuring the safety of our customers and personnel. Thus, a significant proportion of our personnel started working remotely in the first weeks of the crisis and we recommended that our customers use S-mobiili and the online bank.

Finns voted S-Bank as the most responsible bank for the eighth consecutive year, and, from the very beginning of the crisis, it was clear to us that we must help our customers manage in a completely new world. We started by offering them a repayment holiday for both housing loans and credit cards, and I'm delighted that so many have made use of this facility.

The effects of the crisis were particularly evident in the early stages. For example, in the last week of March, the number of our card transactions fell by 31 per cent from the level of January, due to Finns staying at home. However, this situation subsequently recovered and, by the late spring, cards were being used more than at the beginning of the year.

On the investment markets, the crisis caused some exceptional price fluctuations. For instance, in March, equity prices declined by nearly 16 per cent on the Finnish markets and the total number of unit holders in all balanced funds fell sharply. Overall, however, the markets stabilised during the spring, and, by the late spring, equity prices had actually recovered very strongly.

The coronavirus pandemic is not over yet, and it is obvious that the return to a new normal will come only gradually. Despite the exceptional nature of the times, our core business performed strongly: both net interest income and net fee and commission income developed very positively. Expenses were also kept under control in the first half of the year. But the result was adversely affected by an expected increase in loan impairment charges, and by a lack of the non-recurring income included in the result one year ago. S-Bank's operating profit for January–June was EUR 6.6 million (EUR 16.0 million).

Fortunately, some promising signs of economic recovery are already discernible. Many factors also attest that S-Bank has a strong relative position within the banking sector and that our strategic focus on household customers is working well.

Our strong liquidity position was an advantage in the spring and provided us with room to manoeuvre. In addition, last year's record result and efficiency improvements are now also bearing fruit.

Our acquisition, disclosed in May, of the Fennia insurance group's asset management and real estate investment operations, and our investments in asset management, show that we have the capacity and the will to utilise those opportunities that arise.

The changes in the behaviour of Finns triggered by the coronavirus also highlight how well our centralised operating model suits these times. Our network of business locations is comprehensive but light, our product selection is clear, and our digital service channels and brands are very competitive. In the housing market, we have focused especially on growth centres.

The current operating environment is new for us all, and nobody will be able to say with certainty how the pandemic will develop in the coming months. However, I sincerely hope that we will be able to take many steps towards a new normal in the second half of the year. I have good reason to believe that S-Bank will emerge from this crisis stronger than it was before.

We probably all agree that the spring was stressful, and therefore I would like to thank S-Bank's personnel for the special efforts they have made. And I would also like to thank our customers, owners and partners for their confidence in us. Together, we will survive this crisis too!

PEKKA YLIHURULA
CEO, S-Bank

CONTENTS

This is a translation of a Finnish document, which should be taken into account in case of any discrepancy between the original document and the translation.
If there are any discrepancies, the Finnish document takes precedence over the translated version.

OPERATIONS IN THE REVIEW PERIOD

The S-Bank Group (S-Bank hereinafter) January–June 2019 figures are used in the result comparisons. For comparisons of balance sheet items and other breakdown items the figures refer to the end of 2019 unless otherwise is indicated.

KEY EVENTS

The new version of the S-mobiili app, which combines services from S-Bank and the S Group, passed the threshold of one million users in January. By the end of June, 92 per cent of all log-ins to the bank's electronic services were made using S-mobiili.

The DIAS digital housing market platform was expanded in January to cover an increasingly significant share of Finnish housing sales. The number of real estate agents within the scope of the scheme exceeded 2 000, and several new banks also joined in. S-Bank is one of the owners of DIAS Oy, the company that is developing the platform.

S-Bank continued to focus on its core business. In January, the Bank announced that it will focus on turnkey solutions in asset management, and discontinue its S-Osakekauppa and FIM Direct Online services, as well as its securities brokerage and custody services. In connection with this, a cooperation agreement was announced between S-Bank Ltd and Nordnet Bank AB whereby customers of S-Bank's securities brokerage and custody operations were transferred to Nordnet.

In March, the coronavirus pandemic also began to rapidly spread through Finland. S-Bank had already begun preparations at an early stage and made a resolute response. A significant proportion of our personnel started working remotely in the first weeks of the crisis, and we advised our customers to use S-mobiili and the online bank.

Finns voted S-Bank as the most responsible bank for the eighth time, and in the spring we offered our customers the opportunity to apply for a housing loan repayment holiday for up to 12 months, free of charge. Customers were also offered the opportunity to make changes to their card credit, free of charge. By the end of June, nearly one third of our housing loan customers had applied for a repayment holiday.

In May, S-Bank and the FIM funds accelerated their climate focus and published a wealth management climate strategy, in conjunction with which a fossil-free mutual fund was also launched. The fund does not invest in companies whose business is based on fossil fuels such as oil, natural gas or coal.

At the end of May, a corporate acquisition was announced by which the operations of Fennia Asset Management Ltd and Fennia Properties Ltd (part of the Fennia Group) were to be transferred to S-Bank's Wealth Management business. As a result, S-Bank will become one of Finland's most significant real estate asset managers.

The goal of expanding S-Bank's operations to include mortgage banking proceeded as planned in the spring. The Bank aims to obtain a mortgage bank license in 2020. The purpose of the project is to improve the competitiveness of the S-Bank Group's funding and thereby its operating conditions.

OPERATING ENVIRONMENT

The coronavirus pandemic that spread around the world from China had huge consequences. By the end of June, the disease had caused millions of infections and more than half a million deaths. It had also led to an unprecedented global economic collapse as business operations were shut down all over the world in order to prevent the spread of the disease.

Global economies drifted unexpectedly into widespread recession following a period of growth that had lasted for over a decade. They had already taken a hit in the first quarter, but the steepest decline took place in the second quarter. The service sector, in particular, suffered severely as shops, hotels, restaurants and other services had to be kept closed for several weeks, or even months. Unemployment soared and, in many sectors, operations came to an almost complete standstill. This was in part the result of governmental regulations to close down operations, but the ominous disease in itself also restricted people's activities.

In Finland, the coronavirus had been reined in relatively quickly by the summer, allowing the dismantling of shutdown measures to begin. In the second half of the year, economies are likely to pick up again. However, fears of a new wave of the disease, which have in fact already been realized in some parts of the world, are still hindering a quick economic recovery and will affect many sectors for a long time to come. The Finnish government's massive stimulus and support programmes are designed to protect the economy from a surge of bankruptcies and collapses. As a result, however, the national deficit and indebtedness will increase substantially, and debt repayments will limit economic growth in the coming years.

In the financial markets, the coronavirus initially caused a sharp decline in risk investments during February-March. However, as a result of the massive stimulus measures taken by central banks and the dissipation of the worst fears of economic collapse, the financial markets began to turn up again in late March. Ultimately, the market decline of the first half year was surprisingly mild in view of the economic shock, as global equities were only just over 5 per cent lower than at the turn of the year. Interest rates have remained low and confidence in the continuation of the long-term zero-interest period has strengthened further. Housing prices have so far remained rather stable and have not been extensively affected by the weakness of the economy.

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank's operating profit for January–June was EUR 6.6 million (EUR 16.0 million) and net profit for the period was EUR 5.2 million (EUR 12.8 million). The capital adequacy ratio was 15.8 per cent (16.4). The cost-to-income ratio was 0.76 (0.73) and return on equity was 3.5 per cent (4.2).

The coronavirus pandemic affected the result and balance sheet in many ways. In terms of profit, the main impacts were related to the performance of net fee and commission income and expected credit losses (ECL), which are described in more detail below. In the investment market, the liquidity of several investment instruments weakened, causing the bank to pay special attention to this in its investing operations. The fair values of investments declined as a result of the coronavirus pandemic during the review period, which lowered the amount of own funds.

Key figures

(EUR million)	1–6/2020	1–6/2019	1–12/2019
Net interest income	44.8	41.4	86.1
Net fee and commission income	29.8	28.8	60.3
Total income	80.6	82.2	168.1
Operating profit	6.6	16.0	29.0
Cost-to-income ratio	0.76	0.73	0.74
(EUR million)	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Liabilities to customers, deposits	6,473.5	5,763.8	5,948.1
Receivables from customers, lending	5,124.2	4,483.4	4,780.6
Debt securities	1,302.0	1,548.0	1,081.0
Equity	472.4	468.0	473.4
Expected credit losses (ECL)	20.2	15.4	17.1
Assets under management	8,387.5	8,538.1	9,053.6
Return on equity	3.5%	4.2%	5.3%
Return on assets	0.2%	0.3%	0.4%
Equity ratio	6.6%	7.3%	7.2%
Capital adequacy ratio	15.8%	16.4%	16.3%

Return on equity and total return on equity are presented as a 12-month rolling value.

INCOME

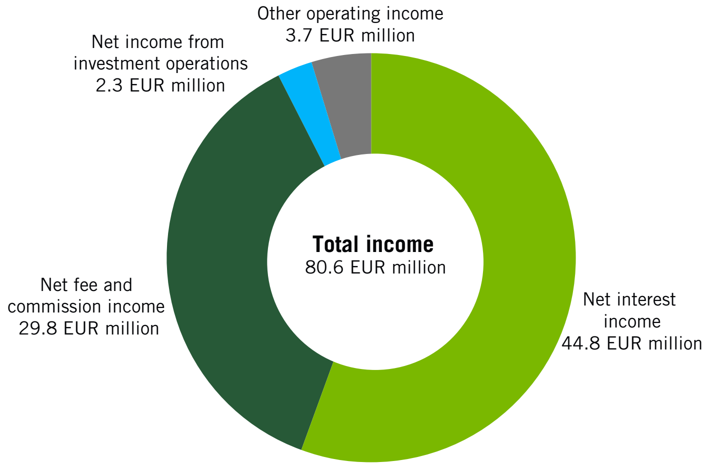
During the review period, net interest income and net fee and commission income developed very positively in view of the operating environment. Net interest income grew by 8.1 per cent on the previous year, totalling EUR 44.8 million (41.4). The increase in net interest income was due to the strong volume growth of lending to household customers and the effect of the pricing changes related to loans and deposits that were carried out earlier. Group's net commission income was EUR 29.8 million (EUR 28.8 million). The coronavirus crisis caused slower growth in net fee and commission income, especially in the second quarter, and card payment fees were influenced by the extensive restrictions imposed by governments. On the asset management side, strong fluctuations in the equity and fixed income markets and the climate of uncertainty negatively affected the amount of assets under management and net subscriptions. On the other hand, the fees charged for payment transactions and loans increased on the previous year. Net income from investment operations amounted to EUR 2.3 million (EUR 3.1 million). due to the adverse market performance described above, which was less favourable than in the previous year. Other operating income totalled EUR 3.7 million (EUR 8.9 million). The comparison year included non-recurring income.

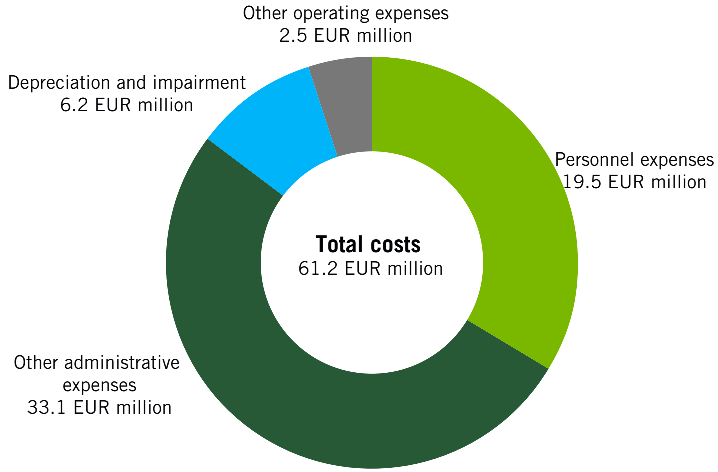
EXPENSES

Other operating expenses totalled EUR 61.2 million (EUR 59.7 million) during the period under review. This represents an increase of 2.4 per cent on the previous year. Personnel expenses accounted for EUR 19.5 million (EUR 22.0 million) of operating expenses. The reduction in personnel expenses was influenced by the co-determination negotiations that took place in the spring of 2019, due to which the average number of personnel was lower during the review period than a year earlier. The company had already invested in business development under plans made before the coronavirus. This was reflected in an increase in other administrative expenses and depreciation. Other administrative expenses were EUR 33.1 million (30.8). The increase in other administrative expenses was due to an increase in IT and development expenses and agency fees related to our network of sites. Depreciation and impairment of tangible and intangible assets amounted to EUR 6.2 million (EUR 5.5 million). The Group's other operating expenses totalled EUR 2.5 million (1.5). Their growth was influenced by increases in government fees, for example.

IMPAIRMENT OF RECEIVABLES

Expected and final credit losses of EUR 14.7 (8.7) million were recognised in the consolidated income statement during the review period. Reversals or recovered credit losses amounted to EUR 1.9 million (2.2). Consequently, the total net effect on profit of expected and actual credit losses was EUR 12.8 million (EUR 6.5 million). The increase in credit and impairment losses is explained by the growth of the loan portfolio and the expected increase in non-performing loans during the coronavirus pandemic. Non-performing loans include exposures that are experiencing financial difficulties and are subject





to credit restructuring (forbearance), loans whose repayment has been delayed by more than 90 days, as well as impaired and other non-performing debt. Even though credit and impairment losses have increased in relation to the size of the loan portfolio, the ratios are still at a very low level and within the risk appetite established by S-Bank's Board of Directors. The impairment of receivables is presented in greater detail in note 11.

DEPOSITS

At the end of the review period, total deposits were EUR 6 473.5 million. At the end of the year, total deposits were EUR 5 948.1 million. Deposits repayable on demand totalled EUR 6 453.5 million (EUR 5 908.0 million) at the end of the review period. Time deposits amounted to EUR 20.0 million (EUR 40.1 million). Deposits by household customer amounted to EUR 5 615.0 million, while deposits by corporate customers totalled EUR 858.5 million. At the end of the year, deposits by household customers amounted to EUR 5 134.9 million, and deposits by corporate customers amounted to EUR 813.2 million. The growth of the deposit portfolio was influenced by the social restrictions caused by the coronavirus pandemic, the reduction in household consumption due to these restrictions, and the general uncertainty – which was reflected in an increase in the willingness to save.

During the past 12 months, total deposits grew by 12.3 per cent. Total deposits in the corresponding period of 2019 were EUR 5 763.8 million. Deposits by household customers were EUR 4 944.3 million (an increase of 13.6 per cent in 12 months) and deposits by corporate customers were EUR 819.4 million (a decrease of 4.8 per cent in 12 months).

At the close of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 5 274.9 million. At the end of the year, the total amount of deposits was EUR 4 790.2 million.

LENDING AND INVESTING ACTIVITIES

Lending growth continued to be strong. At the end of the period, the credit portfolio was EUR 5 124.2 million (EUR 4 780.6 million). Of the total, credit to household customers amounted to EUR 4 178.0 million, while credit to corporate customers totalled EUR 946.2 million. At the end of the year, the corresponding figures were EUR 3 951.6 million for household customers and EUR 829.0 million for corporate customers. The effect on growth of the repayment holidays granted during the review period was limited.

During the past 12 months, the credit portfolio grew by 14.3 per cent. The credit portfolio in the corresponding period of 2019 was EUR 4 483.4 million. Credit to household customers amounted to EUR 3 704.8 million (annual growth 12.8 per cent), while credit to corporate customers totalled EUR 778.6 million (annual growth 21.5 per cent). The housing loan portfolio increased by 15.3 per cent during the corresponding period.

In addition to lending, S-Bank invested in the money and capital markets. At the end of the period, the bank's debt securities totalled EUR 1 302.0 million compared with EUR 1 081.0 million at the end of 2019. The lending/borrowing ratio, which describes the ratio between the loan portfolio and deposits, was 79 per cent at the end of the review period, compared with 80 per cent at the beginning of the year.

EQUITY

At the end of the review period, S-Bank's equity was EUR 472.4 million, compared with EUR 473.4 million at the end of 2019. The improvement in equity was attributable to the result and also to the decrease in the fair value reserve from the beginning of the year. This was due to changes in the market valuations of debt securities. The equity ratio was 6.6 per cent compared with 7.2 per cent at the end of 2019.

ASSETS UNDER MANAGEMENT

The S-Bank Group's assets under management were EUR 8 387.5 million (EUR 9 053.6 million) at the end of the review period compared with EUR 8 538.1 million at the end of the corresponding period in 2019. Of the managed assets, the share of fund capital was EUR 6 346.4 million (EUR 6 825.4 million), and the share of wealth management capital was EUR 2 041.1 million (EUR 2 228.2 million). Fund capital accounted for EUR 6 382.2 million and wealth management capital for EUR 2 155.9 million at the end of the corresponding period in 2019. Net subscriptions in the S-Bank and FIM mutual funds amounted to EUR -41.0 million (EUR 223.7 million) in the review period. The total number of unit holders in the funds was 305 000 at the end of June 2020, compared with 268 000 a year earlier.

BUSINESS OPERATIONS AND RESULT BY SEGMENT

The operating segments of the S-Bank Group are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other operations. The reporting of business segments is identical to the internal reporting provided to company management.

BANKING

Banking is responsible for the household and corporate customer banking services of the S-Bank Group and their development. The products and services offered by Banking include those for daily banking and the financing of purchases. Banking also includes the Group's treasury.

The operating result decreased to EUR 14.5 million (21.0). Total income increased by 0.4 per cent to EUR 70.9 million (70.6). Expenses increased by 1.0 per cent to EUR 43.6 million (43.2). The increase in credit losses and provisions to EUR 12.8 million (6.5) mainly explains the result.

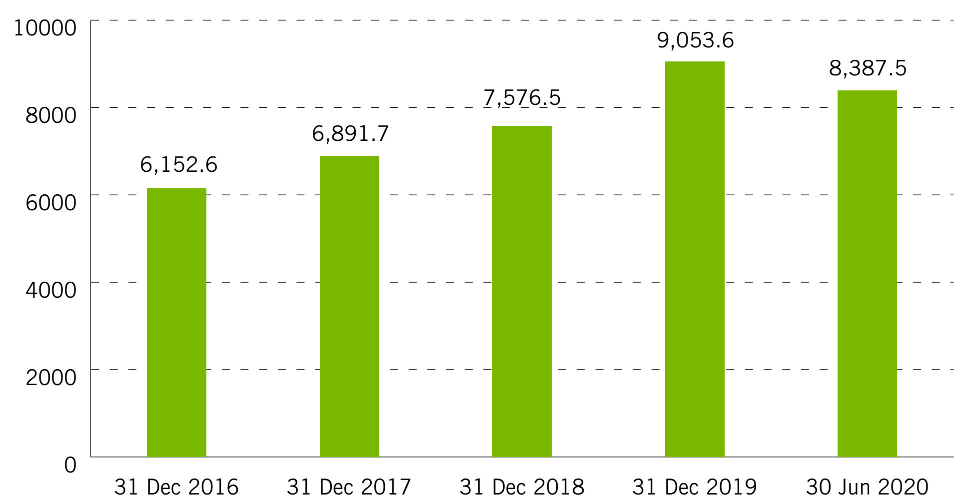
S-Bank's contribution to the increase in the financial institutions' housing loan volume was 14.0 per cent (22.1) for the preceding 12-month period. Compared to the market as a whole, the housing loan portfolio grew 5.4-fold. The number of housing loan applications decreased momentarily in the spring, but then rose to a level higher than in the previous year.

The use of S-Etukortti Visa cards also declined at the beginning of the coronavirus crisis.

Borrowing (EUR million)	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2019**	**Change from the beginning of the year**	**Change 12 months**
Household customers	5,615.0	5,134.9	4,944.3	9.3%	13.6%
Corporate customers	858.5	813.2	819.4	5.6%	4.8%
Total	**6,473.5**	**5,948.1**	**5,763.8**	**8.8%**	**12.3%**

Lending (EUR million)	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2019**	**Change from the beginning of the year**	**Change 12 months**
Household customers	4,178.0	3,951.6	3,704.8	5.7%	12.8%
Corporate customers	946.2	829.0	778.6	14.1%	21.5%
Total	**5,124.2**	**4,780.6**	**4,483.4**	**7.2%**	**14.3%**

Assets under management (EUR million)



However, as general domestic consumption grew stronger, the use of cards increased in the late spring compared with the same period a year earlier. Despite the interest rate, the use of cards in euros increased by 1.6 per cent in the first half-year.

The popularity of contactless payment also buckled momentarily, but started to rise in the late spring. At the end of June, 70.2 per cent of all debit card payments were contactless compared with 57.2 per cent a year earlier. Of all purchases paid for with a Finnish debit or credit card, some 9.8 per cent were paid with S-Bank cards in 2019. In 2018, the corresponding figure was 9.1 per cent.

WEALTH MANAGEMENT

Wealth Management is responsible for producing the S-Bank Group's asset management services, customer relationships and business development. The business offers saving and investing services to household customers under the S-Bank brand. Under the FIM brand, the bank offers private banking services as well as services for institutional investors.

The coronavirus pandemic had a strong impact on the market and hence on business development. The operating result decreased to EUR -0.0 million (0.2). Total income increased by 1.6 per cent to EUR 11.4 million (11.2). Expenses increased by 3.8 per cent to EUR 11.5 million (11.0).

Net subscriptions to the S-Bank and FIM funds totalled EUR -41.0 million (223.7) in January–June. The increase in net subscriptions to the S-Bank and FIM funds was lower than average for the market during the first half of the year. In the overall market, net subscriptions were EUR -2 106.7 million (EUR -970.1 million) in the first half of the year.

The goal of Wealth Management is to offer the best selection of responsible and impact investing products in Finland. The FIM Responsibility Plus fund family raises the bar for responsible investing even higher than that required by the general principles for responsible investing applied by S-Bank and FIM. The number of funds in the family grew to six. A year earlier, the number was four. In the first half of the year, the number of Säästäjä users exceeded 39 000. Of these, 74.0 per cent use the Säästäjä microsaving functions and set aside a sum of their choosing for each payment card purchase they make. Säästäjä is Finland's leading digital investment advice service, enabling users to save money in the most affordable balanced funds on the market.

The number of unit holders in the S-Bank and FIM balanced funds increased substantially to 175 000 from 139 000 a year earlier. Taking the Finnish market as a whole, the total number of unit holders in balanced funds rose by 83 000 in one year to approximately 1.2 million.

The number of unit holders in all of the funds under management also grew substantially to 305 000 from 268 000 a year earlier. The total number of unit holders rose to 3.4 million from 3.2 million one year earlier.

CALCULATION OF KEY PERFORMANCE INDICATORS

Total income

Net interest income + net fee and commission income + other income

Net interest income:

Interest income – interest expenses

Net fee and commission income:

Fee and commission income – fee and commission expenses

Other income:

Net income from investment operations + Other operating income

Cost-to-income ratio:

$$\frac{\text{Personnel expenses + Other administrative expenses + Depreciation and impairment + Other operating expenses (excl. impairment losses)}}{\text{Net interest income + Net fee and commission income + Net income from investment operations + Dividends + Other operating income + Share of the profits of associated companies (net)}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit (loss) for the period}}{\text{Average equity}} \times 100$$

Return on assets (ROA), %:

$$\frac{\text{Profit (loss) for the period}}{\text{Balance sheet total, average}} \times 100$$

Equity ratio, %:

$$\frac{\text{Total equity}}{\text{Balance sheet total}} \times 100$$

Capital adequacy ratio, %:

$$\frac{\text{Total capital}}{\text{Total minimum capital requirement}} \times 8\%$$

Tier 1 capital adequacy ratio, %:

$$\frac{\text{Tier 1 capital, total}}{\text{Total minimum capital requirement}} \times 8\%$$

Leverage ratio, %:

$$\frac{\text{Tier 1 capital, total}}{\text{Balance sheet and off-balance sheet exposures}} \times 100$$

RISKS AND CAPITAL ADEQUACY AND THEIR MANAGEMENT

S-Bank complies with its disclosure obligation by publishing information on risks, risk management and capital adequacy in its financial statements (S-Bank Group Board of Directors' report and IFRS financial statements for 2019: Note 2 to the consolidated financial statements). The published information on capital adequacy and risks is always available on S-Bank's website, at www.s-pankki.fi. During the review period, no material changes were made regarding the goal, principles or organisation of the risk and capital adequacy management presented in the financial statements.

The Pillar 3 report (Capital and Risk Management Report) in accordance with the EU's Capital Requirements Regulation is published in a document separate from the financial statements. The report, as well as information on S-Bank's governance and management systems and on its remuneration systems, are available on S-Bank's website.

THE S-BANK GROUP'S RISK POSITION

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

The coronavirus pandemic that broke out in March affects the general economic situation, the banking sector as a whole, and S-Bank and its customers. Through direct and indirect impacts, the coronavirus can cause exposure to risks related to S-Bank's lending, liquidity management, investment activities and business processes. The duration of the crisis will determine to what extent unemployment, bankruptcies and the likelihood of credit losses will increase. Indeed, the authorities have announced a number of measures aimed at facilitating the ability of credit institutions to finance companies and households and to mitigate the negative economic impact of the pandemic. S-Bank constantly monitors and analyses the impact of the pandemic on its risk position. S-Bank's capital adequacy, liquidity and financial position are stable and, on the basis of the information currently available, are at a sufficient level in relation to the possible effects of the crisis. The measures taken to ensure the continuity of S-Bank's operations have been appropriate and sufficient.

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

S-Bank group key risk ratios

EUR million	30 Jun 2020	31 Dec 2019
Risk-weighted exposure amounts (in euros)		
Total risk-weighted exposure amounts	2,971.5	2.900.3
Credit and counterparty risk, standardised approach	2,681.4	2,610.1
Market risk	0.0	0.0
Operational risk, basic indicator approach	290.1	290.1
Credit valuation adjustment (CVA)	0.0	0.1
Own funds		
Common Equity Tier 1 (CET1) capital	420.5	422.2
Tier 2 (T2) capital	50.0	50.0
Total capital	470.5	472.2
Pillar 1 total capital requirement (%)	12.76%	13.82%
Capital ratios (as a percentage of total risk-weighted exposure amounts)		
Common Equity Tier 1 (CET1) ratio	14.2%	14.6%
Total capital ratio (%)	15.8%	16.3%
Non-Performing Loans*		
Non-performing loan (NPL) ratio (%) **	0.7%	0.6%
Leverage ratio (LR):		
Leverage ratio (%)	5.7%	6.2%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	136.9%	142.0%
Net stable funding ratio (NSFR)		
Net stable funding ratio (%)	150.4%	145.1%

*Non-performing loans include exposures that are experiencing financial difficulties and are subject to credit restructuring (forbearance), loans whose repayment has been delayed by more than 90 days, as well as impaired and other non-performing debt.
**The NPL ratio presents a breakdown of the book value of gross non-performing exposures in relation to loans and advances (excluding central bank cash and demand deposits).

Credit risk

Credit risk constitutes 90 per cent (EUR 2.7 billion) of S-Bank's total risk (REA=Risk Exposure Amount). The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. The most substantial items requiring capital include exposures secured by immovable property, retail exposures and corporate exposures. In the review period, the housing loans of household customers continued to grow particularly strongly during the review period. Corporate exposures decreased as a result of changes made to the investment portfolio. There were no major shifts in the credit portfolio distribution between different credit types during the review period.

Indicators of non-performing loans increased during the review period but remained at a very low level, nevertheless. The gross carrying amount of non-performing loans was EUR 33.9 million (28.4). All non-performing loans are household customers' exposures. S-Bank has followed the general trend in the financial sector by granting repayment holidays in connection with the coronavirus crisis. When granting a repayment holiday, material regulatory requirements must be met, including an assessment of the customer's financial situation and a risk-based assessment of the application. Some of the applications meet the criteria for forbearance, which is reflected in the growth of forborne exposures. Gross forborne exposures totalled EUR 48.5 million (EUR 31.4 million) at the end of the review period. At the end of the review period, 83 per cent (83 per cent) of total forborne exposures were performing. The carrying amount of gross forborne exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 0.8 per cent (0.5 per cent). The corresponding ratio of non-performing forborne exposures increased to 0.2 per cent (0.1 per cent). All forborne exposures are related to household customers.

The accounting of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, a macroeconomic model is used to account for information concerning the future. The macroeconomic changes caused by the coronavirus pandemic will be significant and remain unclear at the time of writing this report. The effects of the pandemic have been reflected in increased lay-offs and uncertain future prospects for companies. No reliable projections are available regarding the trend in unemployment or the change in housing prices. For these reasons, S-Bank's Group Management Team decided in March 2020 to remove a separate macro factor from the calculation of expected credit losses and to include macroeconomic forecasts in the management factor. The management factor, which is confirmed monthly, takes into account the latest available information on the macro effects of the coronavirus pandemic and the uncertainty factors related to model risk and model assumptions. Expected and realised credit losses are discussed in the operating profit and profitability section and in note 11.

S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by active risk management and monitoring measures.

Market risk

Market risk is measured using internal risk models as part of the Pillar 2 economic capital requirement processes. S-Bank's market risk mainly consists of the structural interest rate risk in the banking book and the Treasury unit's interest rate risk, as well as the spread risk arising from the credit risk component of debt securities. The interest rate risk of investment activities was EUR 11.9 (12.8) million, and the spread risk was EUR 7.2 (11.0) million at the end of the review period.

Because S-Bank does not have a trading book, it is not subject to the Pillar 1 capital requirement for market risk. As S-Bank's market risks arise from the banking book, they are included in credit risk in accordance with the Pillar 1 standardised approach.

Operational risk

Operational risk accounts for 10 per cent of S-Bank's total REA. The basic indicator approach (Pillar 1) is used for calculating the capital requirement for the operational risk. Losses attributable to operational risks realised in the review period were very low in comparison to the regulatory capital requirement for operational risk. S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud and possible deficiencies in services procured from external service providers.

Total capital and capital adequacy

S-Bank's capital position remained stable, exceeding the regulatory requirements and the internal minimum target level. The total capital adequacy ratio was 15.8 per cent (16.3) at the end of the review period. S-Bank's total RWAs increased by EUR 71.1 million, mainly due to growth in lending to household customers in accordance with strategy. S-Bank is adequately capitalised to ensure the continuity of its operations even under the results of stress test analyses.

The capital buffer in relation to the total regulatory capital requirement (12.76 per cent) was EUR 91.4 million.

Liquidity risk

S-Bank's liquidity position was stable at the end of the review period. The liquidity ratio

(LCR) was 137 per cent (142). The liquidity buffer (after haircuts) was EUR 1.31 billion (1.11) at the end of the review period, and net outflows were EUR 958.9 million (780.9). Level 1 assets amounted to 81 per cent and level 2 assets to 19 per cent of the liquidity buffer. The buffer consists of unencumbered, high-quality liquid assets that can be monetised in a timely fashion. The table S-Bank's liquidity buffer on 30 June 2020 illustrates the distribution of the liquidity buffer by product type.

The net stable funding ratio (NSFR), which describes the sufficiency of stable funding, was at a good level at the end of the review period at 150 per cent. The NSFR requirement of the Capital Requirements Regulation is 100 per cent and it will enter into force in June 2021.

The Treasury portfolio consists of an investment portfolio and a liquidity portfolio (LCR liquidity buffer). The figure below illustrates the structure of the Treasury portfolio at market values at the end of the review period.

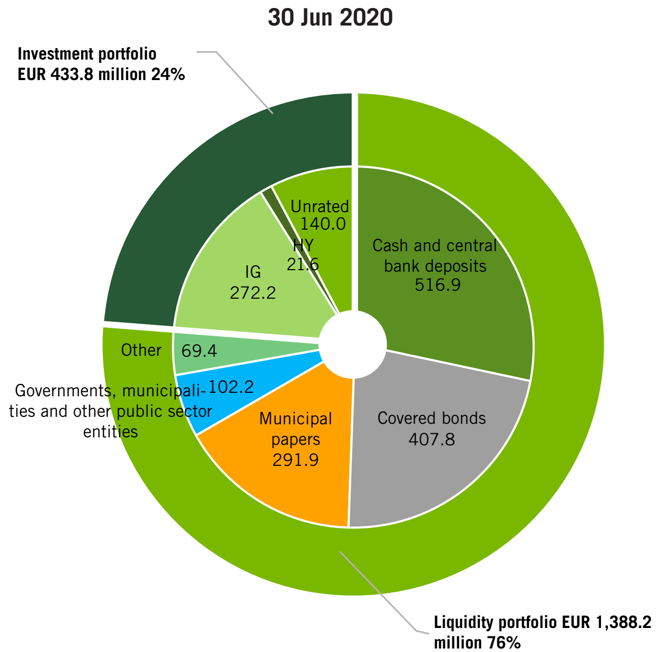
Other risk indicators

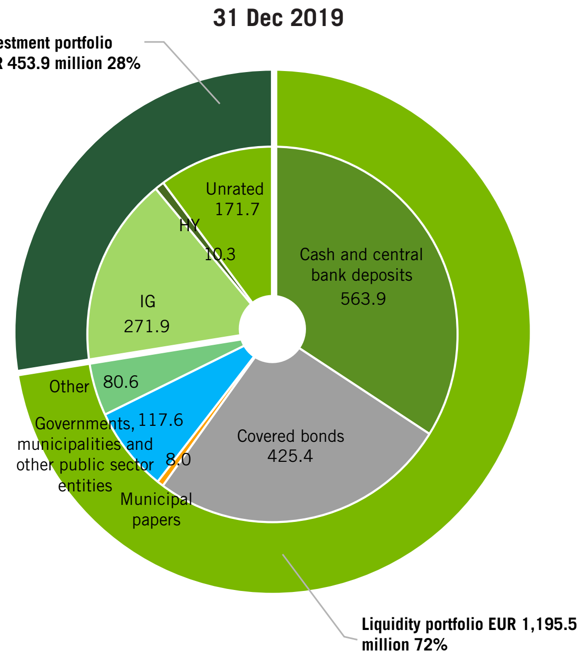
S-Bank's leverage ratio (LR) of 5.7 per cent (6.2) is also strong and exceeded the minimum regulatory requirement set at 3 per cent. The leverage ratio requirement of 3 per cent in accordance with the Capital Requirements Regulation will enter into force in June 2021.

S-Bank's liquidity buffer 30 June 2020

Liquidity buffer with buffer values (EUR million)	30 Jun 2020	31 Dec 2019
Central bank deposit	516.9	563.9
Government, municipal and other public sector bonds	102.2	117.6
Covered bonds	363.8	378.8
Municipal papers	291.9	8.0
Other	38.2	40.3
Total	**1,313.0**	**1,108.6**

Breakdown of treasury portfolio by industry, 30 June 2020





OWN FUNDS REQUIREMENTS

On 30 January 2018, the Finnish Financial Supervisory Authority (FSA) set a discretionary Pillar 2 additional capital requirement (Supervisory Review and Evaluation Process, SREP) for S-Bank, based on interest rate risk in the banking book and the concentration of credit risk. The requirement amounts to 2.25 per cent and became effective on 30 September 2018. The additional capital requirement was set on the basis that the risks in question have not been included in the regulatory capital requirement (Pillar 1). The discretionary additional capital requirement is valid until further notice with expiry on 30 September 2021 at the latest. The requirement must be met with CET1 capital.

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

S-Bank's total capital requirement, 30 June 2020 (pillar 1)

Capital	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Pillar 2 (SREP) additional capital requirement		Capital requirement, total	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4.5%	133.7	2.5%	74.3	0.01%	0.2	2.25%	66.9	9.26%	275.0
AT1	1.5%	44.6							1.50%	44.6
T2	2.0%	59.4							2.00%	59.4
Total	**8.0%**	**237.7**	**2.5%**	**74.3**	**0.01%**	**0.2**	**2.25%**	**66.9**	**12.76%**	**379.0**

SOLVENCY POSITION AND OTHER MATERIAL INFORMATION

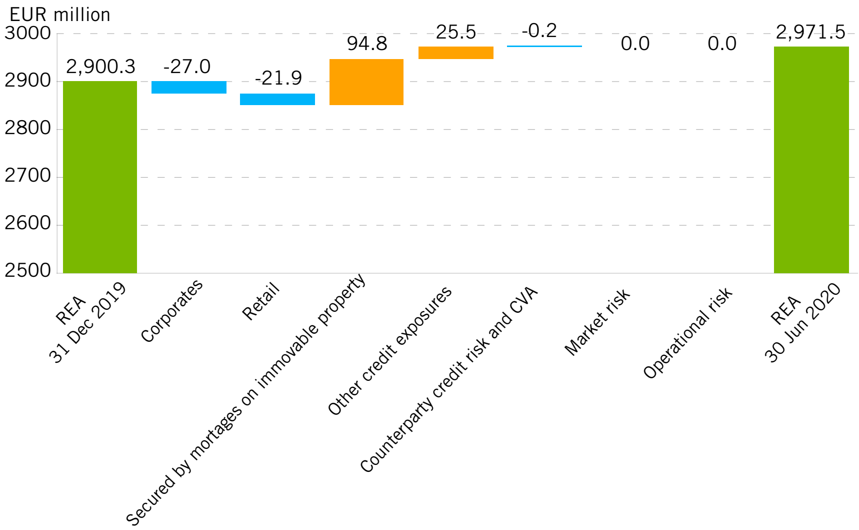
The table below presents a summary of the capital adequacy information. S-Bank's total capital adequacy ratio was 15.8 per cent (16.3) at the close of the review period. The development of own funds was affected not only by the operating profit, but also by rapid changes in the financial markets. The decrease in valuations caused by the increasing of the spread risk, in particular, had a diminishing effect on the fair value reserve during the review period. The retained earnings for the period have been included in Tier 1 capital under an authorisation granted by the Financial Supervisory Authority in accordance with article 26 of the EU Capital Requirements Regulation.

Summary of capital adequacy information

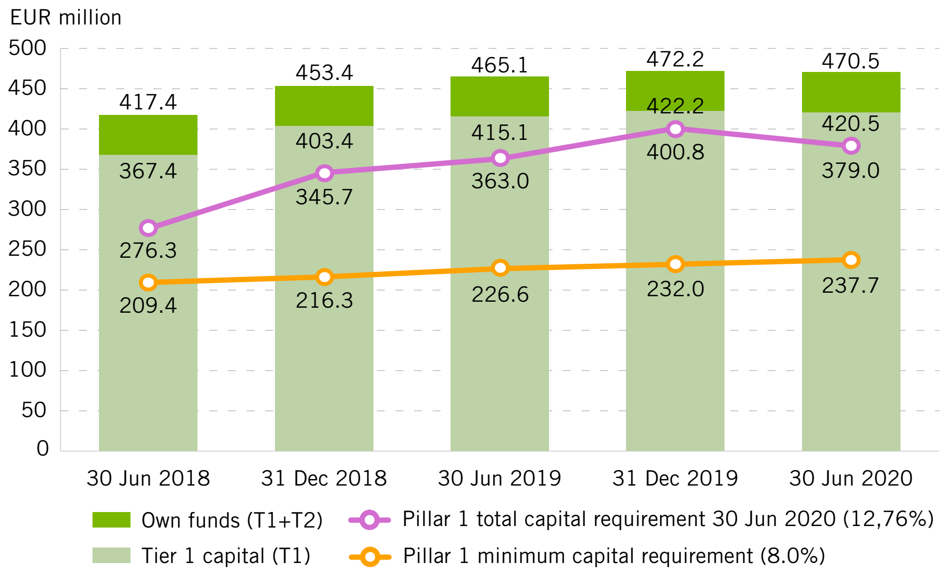
Own funds (EUR million)	30 Jun 2020	31 Dec 2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**472.4**	**473.4**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	112.5	107.5
Profit/loss from previous financial periods	107.2	83.4
Profit/loss for the financial period	5.2	24.1
Fair value reserve	-6.8	-0.8
Other reserves	0.0	0.0
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**51.9**	**51.2**
Intangible assets	50.5	50.1
Value adjustments due to the requirements for prudent valuation	1.3	1.1
Common Equity Tier 1 (CET1) capital	**420.5**	**422.2**
Additional Tier 1 capital before deductions	**0.0**	**0.0**
Deductions from Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Tier 1 (T1) capital	**420.5**	**422.2**
Tier 2 (T2) capital before adjustments	**50.0**	**50.0**
Subordinated debt	50.0	50.0
Adjustments to Tier 2 (T2)	**0.0**	**0.0**
Tier 2 (T2) capital	**50.0**	**50.0**
Total capital	**470.5**	**472.2**

	30 Jun 2020	31 Dec 2019
Total capital	470.5	472.2
Minimum capital requirement	237.7	232.0
Capital adequacy ratio	**15.8%**	**16.3%**
Tier 1 capital	420.5	422.2
Minimum own funds requirement	237.7	232.0
Tier 1 capital adequacy ratio	**14.2%**	**14.6%**
Total risk-weighted exposure amounts (RWAs)	**2,971.5**	**2,900.3**
of which credit risk	2,681.4	2,610.1
of which market risk	0.0	0.0
of which operational risk	290.1	290.1
of which risk associated with credit valuation adjustment (CVA)	0.0	0.1
Ratio of CET1 capital to risk-weighted exposure amounts (%)	**14.2%**	**14.6%**
Ratio of Tier 1 capital to risk-weighted exposure amounts (%)	**14.2%**	**14.6%**
Ratio of own funds to risk-weighted exposure amounts (%)	**15.8%**	**16.3%**

Split of changes in REA and RWAs



Changes in own funds and the capital adequacy position



The figure Split of changes in REA and RWAs illustrates the split of changes in the total risk exposure amounts (REA) and the material individual risk-weighted assets (RWAs) during the financial period. Total risk increased by EUR 71.1 million, mainly due to the increase in exposures secured by immovable property in accordance with strategy.

Figure Changes in own funds and the capital adequacy position presents a summary of the semi-annual development of the Pillar 1 minimum capital requirement, the total capital requirement and own funds. The discretionary Pillar 2 (SREP) capital requirement raised the total capital requirement in the second half of 2018. The effects of the entry into force of the systemic risk buffer (1 per cent) in the second half of 2019 and the removal of this buffer during the review period are also visible. At the end of the reporting period, the capital buffer was EUR 232.8 million in relation to the Pillar 1 minimum capital requirement and EUR 91.4 million in relation to the Pillar 1 total capital requirement.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Financial Stability Authority is the Finnish resolution authority. It is responsible for planning resolution for credit institutions and investment firms. The Finnish Financial Stability Authority has decided to set a Minimum Requirement for own funds and Eligible Liabilities (MREL) to be applied on the level of the S-Bank Group. The requirement acts as a buffer to absorb losses and to re-capitalise institution, should it fail and be placed into resolution. The Financial Stability Authority revised its decision on S-Bank's MREL requirement on 21 April 2020. Under the revised decision, the requirement must be met on a gradual basis so that the 8.7 per cent requirement must be met as of 30 June 2021 and the full 9.9 per cent requirement as of 30 June 2022.

SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD

In May S-Bank announced a corporate acquisition in which it will purchase the asset management and real estate investment services of the Fennia insurance company. In the transaction, Fennia Asset Management Ltd and its subsidiary Fennia Properties Ltd will be incorporated into S-Bank's Wealth Management business. The authority approvals related to the execution of the transaction were received from the Financial Supervisory Authority and the Finnish competition and Consumer Authority in July. The parties expect the transaction to be completed by the end of July.

In July, S-Bank acquired a credit rating from Standard & Poor's (S&P). S&P granted a BBB rating for long-term funding and A-2 for short-term funding. S&P estimated the outlook for the rating to be negative as the coronavirus pandemic has weakened Finland's economic outlook for the near future.

PROSPECTS FOR THE REST OF THE YEAR

The second half of the year begins in an exceptionally uncertain mood, both in the economy and on the markets. The spreading of the coronavirus, the opening-up of economies, the pull of export markets, and consumer behaviour are all still uncertain. For the time being, it is not clear how much protracted trouble the pandemic will cause and how it can be minimised. Support from governments and central banks will continue to protect against worst-case scenarios, but the normalisation of the economy will take time, even in the best scenario.

Although we can identify some positive signals, the outlook for the next few months remains uncertain. We expect the S-Bank Group's operating profit to fall in 2020 compared with the previous year.

GOVERNANCE

ANNUAL GENERAL MEETING

The Annual General Meeting was held on 2 April 2020. The Annual General Meeting adopted the financial statements for 2019 and discharged the members of the Board of Directors and the CEO from liability. The meeting elected seven members and three deputy members to the Board of Directors. The meeting elected KPMG Oy Ab as the company's auditor.

BOARD OF DIRECTORS

At the Annual General Meeting of S-Bank, the following members were re-elected to S-Bank Ltd's Board of Directors: Jari Annala, CEO of SOK Liiketoiminta Oy; Olli Vormisto, Managing Director of the Hämeenmaa Cooperative Society; Veli-Matti Liimatainen, Managing Director of the Helsinki Cooperative Society Elanto; Jari Eklund, Director of the LocalTapiola Group, and Erik Valros, CEO of LocalTapiola Uusimaa. In addition, Heli Arantola, who has held management positions at HKScan and the Fazer Group, was re-elected as an independent member of the Board. SOK's CFO Jorma Vehviläinen was elected as a new member to the Board of Directors. Juha Ahola, Senior Financial Officer of SOK, resigned from the Board.

Harri Miettinen, Managing Director of the Kymi Region Cooperative Society, and Pasi Aakula, CEO of LocalTapiola Satakunta, were re-elected as deputy members. Kim Biskop, CEO of Osuuskauppa KPO, was elected as a new deputy member.

Jari Annala was re-elected as the Chair of the Board. Jari Eklund was re-elected as its Vice Chair.

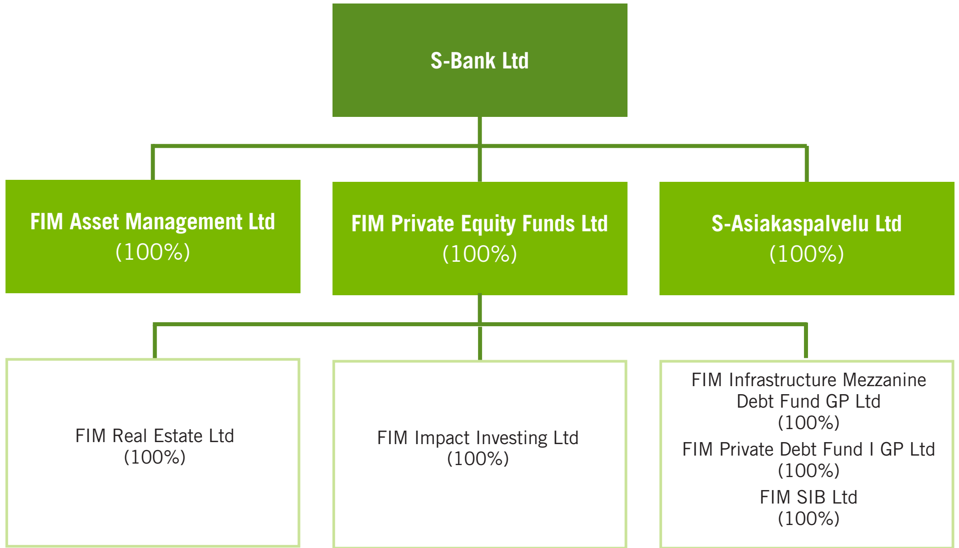
CEO

The CEO of S-Bank Ltd is Pekka Ylihurula and the Deputy CEO is Aki Gynther, Head of Banking.

PERSONNEL

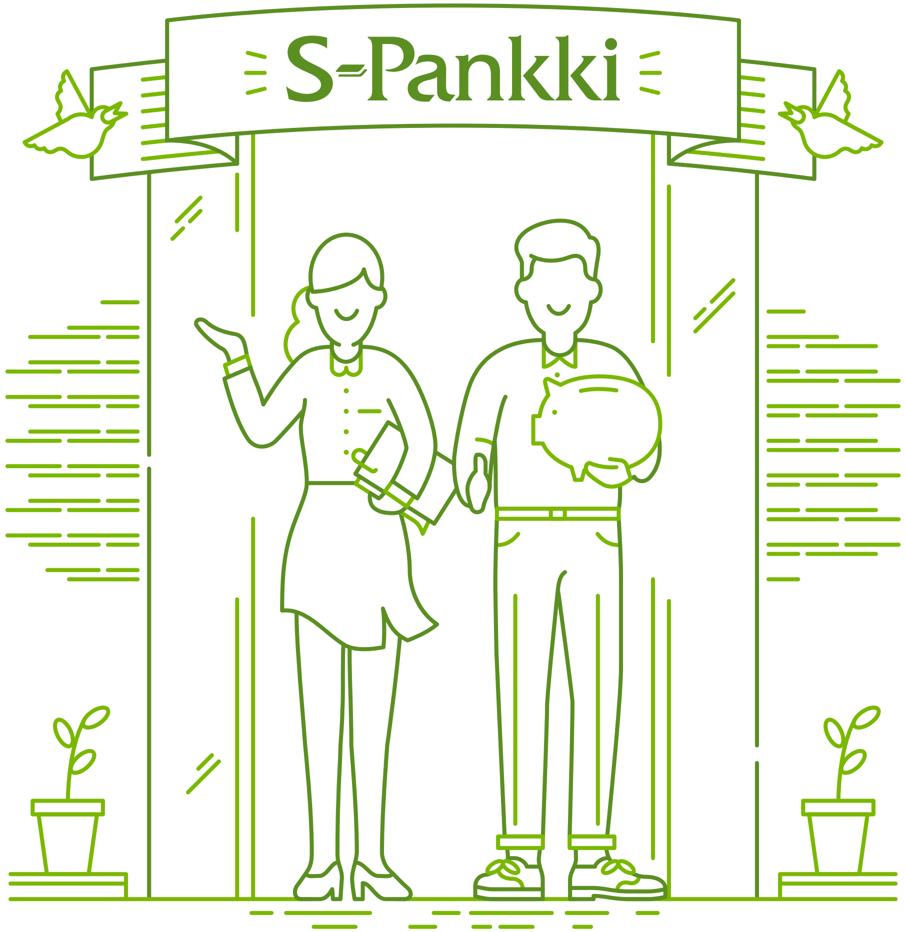
At the end of the review period, the S-Bank Group employed a total of 658 people (620). Of this number, 525 (498) worked for S-Bank Ltd, 45 (38) for the subsidiary FIM, and 88 (84) for S-Asiakaspalvelu Oy. The salaries and remunerations paid to personnel at the S-Bank Group totalled EUR 15.8 million (18.5).

Corporate structure



The Group structure and Group companies are described in more detail in the 2019 financial statements.

HALF-YEAR REPORT 1 JANUARY–30 JUNE 2020



CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	1–6/2020	1–6/2019
Interest income		48,995	45,515
Interest expenses		-4,179	-4,072
Net interest income	3	44,816	41,443
Fee and commission income		50,986	50,098
Fee and commission expenses		-21,182	-21,277
Net fee and commission income	4	29,804	28,821
Net income from investment operations	5	2,259	3,126
Other operating income		3,720	8,855
Total income		**80,599**	**82,245**
Personnel expenses		-19,493	-22,005
Other administrative expenses		-33,078	-30,757
Depreciation and impairment		-6,152	-5,494
Other operating expenses		-2,473	-1,541
Total costs		**-61,195**	**-59,757**
Impairment of receivables	11	**-12,758**	**-6,474**
Share of the profits of associated companies		**-3**	**2**
OPERATING PROFIT (LOSS)		**6,642**	**15,976**
Income taxes		**-1,412**	**-3,036**
PROFIT (LOSS) FOR THE PERIOD		**5,230**	**12,941**
Of which:			
To parent company's shareholders		5,230	12,801
To non-controlling interests		0	139
TOTAL		**5,230**	**12,941**

Comparative information for 1 January–30 June 2019 has been restated due to changes in recognition and measurement in the transition period to IFRS.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	1–6/2020	1–6/2019
PROFIT (LOSS) FOR THE PERIOD		**5,230**	**12,941**
Other comprehensive income items			
Items that may be reclassified subsequently to profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		-7,548	6,177
Tax effect		1,525	-1,141
Other comprehensive income items, after taxes		**-6,023**	**5,036**
COMPREHENSIVE INCOME, TOTAL		**-793**	**17,977**
Of which:			
To parent company's shareholders		**-793**	**17,837**
To non-controlling interests		**0**	**139**
COMPREHENSIVE INCOME, TOTAL		**-793**	**17,977**

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
Assets				
Cash and cash equivalents	6, 7, 8, 9	576,235	603,893	215,045
Debt securities eligible for refinancing with central banks	6, 7, 8, 9	737,630	787,214	951,014
Receivables from credit institutions	6, 7, 8, 9	28,721	33,721	27,200
Receivables from customers	6, 7, 8, 9	5,124,190	4,780,583	4,483,381
Debt securities	6, 7, 8, 9, 10	564,330	293,809	596,981
Derivative contracts	6, 7, 8, 9	93	400	400
Shares and interests	6, 7	27,459	27,620	26,585
Holdings in associated undertakings		5	8	12
Intangible assets		50,545	50,128	49,788
Tangible assets		9,663	4,696	5,370
Tax assets		4,494	2,348	2,581
Prepayments and accrued income		23,760	25,138	28,745
Other assets		4,987	4,429	22,760
Total assets		**7,152,112**	**6,613,987**	**6,409,863**
Liabilities				
Liabilities to credit institutions	6, 7, 8, 9	0	0	1
Liabilities to customers	6, 7, 8, 9	6,524,113	6,000,826	5,798,872
Subordinated debts	6, 7, 8, 9	50,000	50,000	50,000
Derivative contracts	6, 7, 8, 9	17,072	17,062	20,905
Provisions		302	302	264
Tax liabilities		4,610	5,733	8,526
Accrued expenses		21,920	30,320	23,174
Other liabilities		61,721	36,304	40,138
Total liabilities		**6,679,738**	**6,140,548**	**5,941,879**
Equity				
Share capital		82,880	82,880	82,880
Reserves		277,014	283,037	285,864
Retained earnings		112,480	107,522	99,060
Parent company's shareholders		**472,374**	**473,439**	**467,804**
Non-controlling interests		0	0	181
Total equity		**472,374**	**473,439**	**467,985**
Liabilities and total equity, total		**7,152,112**	**6,613,987**	**6,409,863**

The comparative information for 30 June 2019 has been restated due to changes in recognition and measurement in the transition period to IFRS.

STATEMENT OF CHANGES IN CONSOLIDATED TOTAL EQUITY

	Total equity belonging to parent company shareholders						
(EUR ’000)	Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 Jan 2019	**82,880**	**283,809**	**-2,981**	**85,954**	**449,662**	**240**	**449,902**
Comprehensive income							
Profit/loss for the period				12,801	12,801	139	12,941
Other comprehensive income items:							
Profit or loss on financial assets measured at fair value through other comprehensive income			5,036	0	5,036	0	5,036
Comprehensive income, total	**0**	**0**	**5,036**	**12,801**	**17,837**	**139**	**17,977**
Transactions with shareholders							
Dividend distribution	0	0	0	0	0	-199	-199
Transfers between items	0	0	0	305	305	0	305
Transactions with shareholders, total	**0**	**0**	**0**	**305**	**305**	**-199**	**106**
Total equity 30 Jun 2019	**82,880**	**283,809**	**2,055**	**99,060**	**467,804**	**181**	**467,985**

(EUR '000)	Total equity belonging to parent company shareholders						
	Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Equity 1 Jan 2019	**82,880**	**283,809**	**-2,981**	**85,954**	**449,662**	**240**	**449,902**
Comprehensive income							
Profit/loss for the period				24,127	24,127	251	24,378
Other comprehensive income items:							
Profit or loss on financial assets measured at fair value through other comprehensive income			2,189	0	2,189	0	2,189
Reassessment of the value of defined benefit plans			0	-122	-122	0	-122
Comprehensive income, total	**0**	**0**	**2,189**	**24,006**	**26,195**	**251**	**26,446**
Transactions with shareholders							
Dividend distribution	0	0	0	0	0	-199	-199
Changes in holdings in subsidiaries	0	20	0	-2,437	-2,418	-292	-2,710
Transactions with shareholders, total	**0**	**20**	**0**	**-2,437**	**-2,418**	**-491**	**-2,909**
Total equity 31 Dec 2019	**82,880**	**283,828**	**-792**	**107,522**	**473,439**	**0**	**473,439**

(EUR ’000)	Total equity belonging to parent company shareholders: Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total equity
Equity 1 Jan 2020	**82,880**	**283,828**	**-792**	**107,522**	**473,439**
Comprehensive income					
Profit/loss for the period				5,230	5,230
Other comprehensive income items:					
Profit or loss on financial assets measured at fair value through other comprehensive income			-6,023	0	-6,023
Comprehensive income, total	**0**	**0**	**-6,023**	**5,230**	**-793**
Other changes	0	0	0	-272	-272
Total equity 30 Jun 2020	**82,880**	**283,828**	**-6,814**	**112,480**	**472,374**

CONSOLIDATED CASH FLOW STATEMENT

(EUR '000)	Note	1–6/2020	1–6/2019
Profit (loss) for the period		**5,230**	**12,941**
Depreciation and impairment		6,152	5,494
Shares of the profit of companies consolidated with the equity method		3	-2
Credit losses		14,585	8,152
Other non-payment income and expenses		-1,789	-2,058
Income taxes		1,412	3,036
Other adjustments		0	20
Adjustments for financial income and expenses		2,158	-411
Adjustments, total		22,521	14,230
Cash flow before changes in receivables and liabilities		**27,751**	**27,171**
Increase / decrease in business receivables (- / +)			
Receivables from credit institutions, other than repayable on demand		4,220	-9,486
Receivables from customers		-358,679	-304,693
Derivative contracts		400	245
Investment assets		-226,238	135,938
Other assets		-191	-20,831
Total increase / decrease in trade receivables		**-580,487**	**-198,828**
Increase / decrease in operating liabilities (- / +)			
Liabilities to credit institutions		0	-301
Liabilities to customers		523,288	-84,935
Other liabilities		10,930	6,374
Total increase / decrease in operating liabilities		**534,218**	**-78,861**
Taxes paid		-3,151	-3,160
Cash flow from operating activities		**-21,670**	**-253,679**

	Note	1–6/2020	1–6/2019
Cash flow from investing activities			
Investments in tangible and intangible assets		-5,484	-7,387
Impairment of tangible and intangible assets		143	261
Subsidiary shares purchased less cash at the date of acquisition		0	-1,134
Cash flow from investing activities		**-5,341**	**-8,260**
Cash flow from financing activities			
Share issue against payment		0	3
Repayments of short-term loans		0	-1
Repayment of lease liabilities		-1,128	-1,486
Dividends paid		-272	-199
Cash flow from financing activities		**-1,400**	**-1,684**
Difference in cash and cash equivalents		**-28,410**	**-263,623**
Cash and cash equivalents, opening balance sheet		608,741	484,037
Difference in cash and cash equivalents		-28,410	-263,623
Impact of changes in exchange rates		-27	-29
Cash and cash equivalents consist of the following items			
Cash and cash equivalents	6, 7, 8, 9	576,235	215,045
Repayable on demand	6, 7, 8, 9	4,069	5,340
Cash and cash equivalents		**580,304**	**220,385**
Interest paid	3	**-2,920**	**-3,053**
Interest received	3	**50,103**	**44,053**

SEGMENT REPORT

The operating segments of the S-Bank Group are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other operations. The reporting of business segments is identical to the internal reporting provided to company management.

Banking is responsible for the household and corporate customer banking services of the S-Bank Group and their development. The products and services offered by Banking include those for daily banking and the financing of purchases. Banking also includes the Group's treasury.

Wealth Management is responsible for producing the S-Bank Group's asset management services, customer relationships and business development. The business offers saving and investing services to household customers under the S-Bank brand. Under the FIM brand, the bank offers private banking services as well as services for institutional investors.

Balance sheet 30 Jun 2020	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	44,863	-28	-18		44,816
Net fee and commission income	18,336	11,219	249		29,804
Net income from investment operations	2,237	37	-16		2,259
Other operating income	5,465	187	1,753	-3,685	3,720
Total income	**70,901**	**11,415**	**1,969**	**-3,685**	**80,599**
Total costs*	**-43,622**	**-11,462**	**-9,797**	**3,685**	**-61,195**
Impairment of receivables	-12,758				-12,758
Share of the profits of associated companies				-3	-3
Operating profit (loss)	**14,521**	**-47**	**-7,828**	**-3**	**6,642**

External income from Banking was EUR 68 549 000 and from Wealth Management EUR 11 332 000.

Income statement 1 Jan–30 Jun 2019	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	41,500	-48	-10		41,443
Net fee and commission income	17,207	11,078	535		28,821
Net income from investment operations	3,125	34	-33		3,126
Other operating income	8,793	173	2,623	-2,734	8,855
Total income	**70,626**	**11,238**	**3,115**	**-2,734**	**82,245**
Total costs*	**-43,182**	**-11,041**	**-8,309**	**2,734**	**-59,797**
Impairment of receivables	-6,474				-6,474
Share of the profits of associated companies				2	2
Operating profit (loss)	**20,970**	**197**	**-5,194**	**2**	**15,976**

External income from Banking was EUR 68 635 000 and from Wealth Management EUR 11 728 000.

S-Asiakaspalvelu Oy's operations, which were previously included in Other operations, have been included in Banking since the beginning of 2020. The comparative figures for 2019 have been restated accordingly. The change has increased the income from banking operations by approximately EUR 2.8 million and expenses by approximately EUR 2.5 million, and has had a positive effect on Banking's profit by the amount of S-Asiakaspalvelu Oy's profit. The above-mentioned income and expenses are mainly within the Group.

*Net expenses of support and headquarter functions are allocated from Other activities to the Banking and Wealth Management business segments. This cost allocation is included in the segments' item Total expenses.

Balance sheet 30 Jun 2020	Banking	Wealth Management	Other activities	Group, total
Receivables from customers	5,124,190			5,124,190
Liquid and investment assets of banking	1,934,468			1,934,468
Intangible and tangible assets	3,575	13,105	43,533	60,213
Cash and other assets	12,601	5,509	15,131	33,241
Total assets	**7,074,834**	**18,614**	**58,665**	**7,152,112**
Banking liabilities	6,591,185			6,591,185
Provisions and other liabilities	50,751	7,005	30,796	88,553
Equity			472,374	472,374
Liabilities and total equity, total	**6,641,937**	**7,005**	**503,170**	**7,152,112**

Balance sheet 31 Dec 2019	Banking	Wealth Management	Other activities	Group, total
Receivables from customers	4,780,583			4,780,583
Liquid and investment assets of banking	1,746,657			1,746,657
Intangible and tangible assets	2,814	12,274	39,744	54,832
Cash and other assets	12,253	5,485	14,177	31,915
Total assets	**6,542,308**	**17,759**	**53,920**	**6,613,987**
Banking liabilities	6,067,888			6,067,888
Provisions and other liabilities	4,958	5,884	61,819	72,661
Equity			473,439	473,439
Liabilities and total equity, total	**6,072,846**	**5,884**	**535,258**	**6,613,987**

Material customer business items, and also the tangible and intangible commodities of the business segments together with associated lease liabilities are allocated to Banking and Wealth Management in the balance sheet. The remaining balance sheet items, including equity, are allocated to Other activities.

NOTES TO THE HALF-YEAR REPORT

NOTE 1: BASIC INFORMATION

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

S-Bank's headquarters are located at Fleminginkatu 34, FI-00510 Helsinki, Finland.

NOTE 2: ACCOUNTING POLICIES

ACCOUNTING POLICIES USED IN THE PREPARATION OF THE HALF-YEAR REPORT

The 1 Jan–30 Jun 2020 half-year report has been prepared in accordance with the IAS 34 Interim Financial Reporting standard. The figures in the tables of the half-year report are presented in thousands of euros unless otherwise is indicated. Since the figures have generally been rounded and do not include decimals, the sums of individual figures in euros may differ from the total figures presented in the report. The half-year report has not been audited.

The half-year report complies with the accounting policies presented in the 2019 financial statements.

ACCOUNTING POLICIES REQUIRING MANAGEMENT JUDGEMENT AND THE KEY UNCERTAINTIES ASSOCIATED WITH ESTIMATES

The accounting of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, a macroeconomic model is used to account for information concerning the future. The macroeconomic changes caused by the coronavirus pandemic will be significant and remain unclear at the time of writing this report. The effects of the pandemic have been reflected in increased lay-offs and the uncertain outlook for companies. No reliable projections are available regarding the trend in unemployment or the change in housing prices. For these reasons, S-Bank's Executive Committee decided in March 2020 to remove a separate macro factor from the calculation of expected credit losses and to include macroeconomic forecasts in the management factor. The management factor, which is confirmed monthly, takes into account the latest available information on the macro effects of the coronavirus pandemic and the uncertainty factors related to model risk and model assumptions.

NOTE 3: NET INTEREST INCOME

	1–6/2020	1–6/2019
Interest income		
Debt securities eligible for refinancing with central banks		
Measured at fair value through other comprehensive income	1,799	2,192
Receivables from credit institutions	-60	-141
Receivables from customers	45,691	41,516
Debt securitie		
Measured at fair value through other comprehensive income	1,458	2,119
Measured at fair value through profit or loss	64	-244
Derivative contracts		
Measured at fair value through profit or loss	45	73
Other interest income	-2	0
Total interest income using the effective interest method	48,888	45,685
Other interest income	107	-171
Total interest income	**48,995**	**45,515**
Interest income from stage 3 financial assets	821	645

	1–6/2020	1–6/2019
Interest expenses		
Liabilities to credit institutions	-359	-179
Liabilities to customers	-1,964	-2,393
Derivative contracts		
Measured at fair value through profit or loss	-1,403	-1,082
Subordinated debts	-431	-388
Other interest expenses	-3	-14
Interest expenses on leases	-18	-16
Total interest expenses using the effective interest method	-2,754	-2,960
Other interest expenses	-1,425	-1,112
Interest expenses, total	**-4,179**	**-4,072**
NET INTEREST INCOME	**44,816**	**41,443**
Of which negative interest income	-60	-141

NOTE 4: NET FEE AND COMMISSION INCOME

	1–6/2020	1–6/2019
Fee and commission income by segment		
Fee and commission income from the banking business		
From lending	12,816	12,684
From borrowing	1,143	1,567
From payment transactions	7,147	5,244
From legal duties	168	135
From insurance brokerage	572	484
From issuance of guarantees		47
Total commissions and fees from the banking business	21,883	20,161
Fee and commission income from the Wealth Management business		
From funds	26,909	26,540
From wealth management	1,072	1,545
Total fee and commission income from Wealth Management	27,981	28,084
Fee and commission income from other activities		
From securities brokerage	534	1,313
Other fee and commission income	589	540
Total fee and commission income from other activities	1,122	1,852
Total commission income	**50,986**	**50,098**

	1–6/2020	1–6/2019
Fee and commission expenses		
From funds	-16,070	-16,455
From wealth management	-317	-250
From securities brokerage	-819	-850
Card business	-3,742	-3,366
Banking fees	-79	-55
Other expenses	-155	-301
Fee and commission expenses, total	**-21,182**	**-21,277**
Net fee and commission income	**29,804**	**28,821**

NOTE 5: NET INCOME FROM INVESTMENT OPERATIONS

	1–6/2020	1–6/2019
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	42	34
Changes in fair value	129	123
Shares and interests		
Capital gains and losses	-90	603
Changes in fair value	702	2,287
Derivative contracts		
Capital gains and losses	-126	-439
Changes in fair value	784	-54
Net income from financial assets measured at fair value through profit or loss, total	**1,441**	**2,553**
Net income from financial assets measured at fair value through other comprehensive income		
Debt securities eligible for refinancing with central banks		
Capital gains and losses	-68	-77
Changes in fair value	-1,895	-2,527
Other income and expenses	7	6
Debt securities		
Capital gains and losses	-323	-134
Changes in fair value	2,912	3,129
Shares and interests		
Capital gains and losses	-125	-93
Net income from financial assets measured at fair value through other comprehensive income, total	**508**	**304**

	1–6/2020	1–6/2019
Net income from currency operations	**29**	**34**
Net income from hedge accounting		
Net result from hedging instruments	-1,155	-7,806
Net result from hedged items	1,436	8,041
Net income from hedge accounting	**281**	**236**
Net income from investment operations, total	**2,259**	**3,126**

The fair values of investments declined as a result of the coronavirus pandemic during the review period. Net income declined in relation to the comparison period as the fair values of equities declined.

NOTE 6: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

Classes of financial assets, 30 Jun 2020	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss: Carried at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Cash and cash equivalents	576,235				576,235
Debt securities eligible for refinancing with central banks		737,630			737,630
Receivables from credit institutions	28,721				28,721
Receivables from customers	5,124,190				5,124,190
Debt securities		200,341	363,989		564,330
Derivative contracts				93	93
Shares and interests		600	26,859		27,459
Total	**5,729,146**	**938,572**	**390,847**	**93**	**7,058,658**

Classes of financial assets, 31 Dec 2019	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss: Carried at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Cash and cash equivalents	603,893				603,893
Debt securities eligible for refinancing with central banks		787,214			787,214
Receivables from credit institutions	33,721				33,721
Receivables from customers	4,780,583				4,780,583
Debt securities		231,238	62,571		293,809
Derivative contracts				400	400
Shares and interests		537	27,083		27,620
Total	**5,418,197**	**1,018,989**	**89,654**	**400**	**6,527,240**

Classes of financial liabilities, 30 Jun 2020	Amortised cost	Fair value through profit or loss: Carried at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Liabilities to customers	6,524,113			6,524,113
Subordinated debts	50,000			50,000
Derivative contracts		41	17,032	17,072
Lease liabilities	8,434			8,434
Total	**6,582,547**	**41**	**17,032**	**6,599,619**

Classes of financial liabilities, 31 Dec 2019	Amortised cost	Fair value through profit or loss: Carried at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Liabilities to the public and public sector entities	6,000,826			6,000,826
Subordinated debts	50,000			50,000
Derivative contracts		1,203	15,860	17,062
Lease liabilities	3,353			3,353
Total	**6,054,179**	**1,203**	**15,860**	**6,071,241**

NOTE 7: FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES

Classification of financial instruments according to valuation method

Financial assets, fair values 30 Jun 2020	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	576,235	0	576,235	576,235
Receivables from credit institutions	0	28,730	0	28,730	28,721
Receivables from customers	0	5,534,349	0	5,534,349	5,124,190
Total	**0**	**6,139,314**	**0**	**6,139,314**	**5,729,146**
Financial assets measured at fair value through profit or loss					
Debt securities	0	363,989	0	363,989	363,989
Derivative contracts	0	93	0	93	93
Shares and interests	8,028	18,830	0	26,859	26,859
Total	**8,028**	**382,912**	**0**	**390,940**	**390,940**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	724,266	15,039	0	739,305	737,630
Debt securities	201,760	0	0	201,760	200,341
Shares and interests	0	103	498	600	600
Total	**926,026**	**15,142**	**498**	**941,665**	**938,572**
Fair values of assets, total	**934,054**	**6,537,368**	**498**	**7,471,920**	**7,058,658**

Financial assets, fair values 31 Dec 2019	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	603,893	0	603,893	603,893
Receivables from credit institutions	0	33,723	0	33,723	33,721
Receivables from customers	0	5,124,454	0	5,124,454	4,780,583
Total	**0**	**5,762,070**	**0**	**5,762,070**	**5,418,197**
Financial assets measured at fair value through profit or loss					
Debt securities	0	62,571	0	62,571	62,571
Derivative contracts	0	400	0	400	400
Shares and interests	9,015	18,068	0	27,083	27,083
Total	**9,015**	**81,039**	**0**	**90,054**	**90,054**
Measured at fair value through other comprehensive income Financial assets					
Debt securities eligible for refinancing with central banks	774,492	15,068	0	789,560	787,214
Debt securities	233,434	0	0	233,434	231,238
Shares and interests	0	103	434	537	537
Total	**1,007,925**	**15,171**	**434**	**1,023,531**	**1,018,989**
Fair values of assets, total	**1,016,940**	**5,858,280**	**434**	**6,875,655**	**6,527,240**

Fair values of financial liabilities at 30 Jun 2020	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to customers	0	6,595,727	0	6,595,727	6,524,113
Subordinated debts	0	50,444	0	50,444	50,000
Total	**0**	**6,646,171**	**0**	**6,646,171**	**6,574,113**
Financial liabilities measured at fair value through profit or loss					
Derivative contracts	0	17,072	0	17,072	17,072
Total	**0**	**17,072**	**0**	**17,072**	**17,072**

Fair values of financial liabilities at 31 Dec 2019	Level 1	Level 2	Level 3	Fair value total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to customers	0	6,004,104	0	6,004,104	6,000,826
Subordinated debts	0	50,538	0	50,538	50,000
Total	**0**	**6,054,641**	**0**	**6,054,641**	**6,050,826**
Financial liabilities measured at fair value through profit or loss					
Derivative contracts	0	17,062	0	17,062	17,062
Total	**0**	**17,062**	**0**	**17,062**	**17,062**

The fair value of a financial instrument is determined on the basis of prices quoted in active markets, or by using measurement methods that are generally accepted in the markets. The fair values of certificates of deposit, commercial papers and derivative contracts (excluding futures) are determined by discounting future cash flows to the present value and applying market interest rates on the closing date. Bonds, investment funds units and futures are measured at market value. Financial assets recognised at fair value are measured using the bid price, while financial liabilities at fair value are measured using the ask price.

Financial assets and liabilities recognised at fair value are divided into three categories according to the method of determining fair value. Level 1 fair values are determined using the quoted, unadjusted prices of completely identical financial assets and liabilities in an active market. Level 2 fair values are determined using generally accepted valuation models in which the input data is, to a significant extent, based on verifiable market information. Level 3 market prices are based on input data concerning an asset or liability that are not based on verifiable market information but, to a significant extent, on the management's estimates.

Transfers between levels 1 and 2

Transfers between levels occur when there is evidence that market assumptions have changed, for example, when instruments are no longer actively traded. No transfers between levels 1 and 2 took place during the period.

Changes at level 3

The value of level 3 financial instruments recognised at fair value include those instruments whose fair value is estimated using valuation methods that are entirely or partly based on non-verifiable market values and prices.

Changes at level 3	Shares and interests
Shares and interests, carrying amount 1 Jan 2020	434
Purchases	102
Sales	-25
Other changes	-13
Shares and interests, carrying amount 30 Jun 2020	**498**

NOTE 8: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

30 Jun 2020	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	576,235					576,235
Debt securities eligible for refinancing with central banks	13,527	95,844	621,163	7,097	0	737,630
Receivables from credit institutions	28,721	0	0	0	0	28,721
Receivables from customers	166,635	391,753	1,502,944	1,130,199	1,932,659	5,124,190
Debt securities	315,216	57,779	191,334	0	0	564,330
Derivative contracts	93	0	0	0	0	93
Financial assets, total	**1,100,427**	**545,376**	**2,315,441**	**1,137,296**	**1,932,659**	**7,031,199**
Liabilities to customers	6,520,322	1,224	2,567	0	0	6,524,113
Subordinated debts	0	5,200	33,600	11,200	0	50,000
Derivative contracts	23	281	15,890	878	0	17,072
Lease liabilities	2	144	8,287	0	0	8,434
Financial liabilities, total	**6,520,348**	**6,849**	**60,344**	**12,078**	**0**	**6,599,619**

31 Dec 2019	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	603,893					603,893
Debt securities eligible for refinancing with central banks	0	110,778	668,610	7,826	0	787,214
Receivables from credit institutions	33,721	0	0	0	0	33,721
Receivables from customers	218,877	396,908	1,385,114	1,036,412	1,743,273	4,780,583
Debt securities	37,026	36,356	188,878	31,549	0	293,809
Derivative contracts	0	400	0	0	0	400
Financial assets, total	**893,516**	**544,441**	**2,242,602**	**1,075,788**	**1,743,273**	**6,499,620**
Liabilities to customers	5,996,973	862	2,990	0	0	6,000,826
Subordinated debts	0	0	33,600	16,400	0	50,000
Derivative contracts	0	913	14,695	1,454	0	17,062
Lease liabilities	1	209	3,144	0	0	3,353
Financial liabilities, total	**5,996,974**	**1,984**	**54,429**	**17,854**	**0**	**6,071,241**

NOTE 9: FINANCIAL ASSETS AND LIABILITIES BY INTEREST RATE LINKING

30 Jun 2020	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	576,235	0	0	0	0	576,235
Debt securities eligible for refinancing with central banks	75,412	64,739	590,383	7,097	0	737,630
Receivables from credit institutions	28,721	0	0	0	0	28,721
Receivables from customers	2,054,086	2,970,699	82,009	17,397	0	5,124,190
Debt securities	315,216	57,779	191,334	0	0	564,330
Derivative contracts	93	0	0	0	0	93
Financial assets, total	**3,049,763**	**3,093,216**	**863,726**	**24,494**	**0**	**7,031,199**
Liabilities to customers	6,520,325	1,222	2,567	0	0	6,524,113
Subordinated debts	0	50,000	0	0	0	50,000
Derivative contracts	9,320	7,337	415	0	0	17,072
Lease liabilities	0	0	8,434	0	0	8,434
Financial liabilities, total	**6,529,645**	**58,558**	**11,416**	**0**	**0**	**6,599,619**

31 Dec 2019	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	603,893	0	0	0	0	603,893
Debt securities eligible for refinancing with central banks	77,031	80,674	621,682	7,826	0	787,214
Receivables from credit institutions	33,721	0	0	0	0	33,721
Receivables from customers	2,027,778	2,668,305	73,580	10,921	0	4,780,583
Debt securities	37,026	36,356	188,878	31,549	0	293,809
Derivative contracts	400	0	0	0	0	400
Financial assets, total	**2,779,849**	**2,785,334**	**884,140**	**50,296**	**0**	**6,499,620**
Liabilities to customers	5,996,973	862	2,990	0	0	6,000,826
Subordinated debts	0	50,000	0	0	0	50,000
Derivative contracts	9,345	5,761	1,957	0	0	17,062
Lease liabilities	0	0	3,353	0	0	3,353
Financial liabilities, total	**6,006,318**	**56,623**	**8,300**	**0**	**0**	**6,071,241**

NOTE 10: DERIVATIVE CONTRACTS AND HEDGE ACCOUNTING

	30 Jun 2020			31 Dec 2019		
Nominal and fair values of derivatives	**Nominal value**	**Positive fair value**	**Negative fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	601,200	0	-17,032	631,200	0	-15,860
Total interest rate derivatives in hedge accounting	**601,200**	**0**	**-17,032**	**631,200**	**0**	**-15,860**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	50,000	23	0
Options, written	75,000	70	0	125,000	0	-798
Interest rate swaps	130,000	0	-17	110,000	0	-27
Total interest rate derivatives, other than for hedging purposes	**205,000**	**70**	**-17**	**285,000**	**23**	**-825**
Total derivatives	**806,200**	**70**	**-17,049**	**916,200**	**23**	**-16,685**

	30 Jun 2020				31 Dec 2019			
Maturities of derivatives	**Less than one year**	**1–5 years**	**Over 5 years**	**Total**	**Less than one year**	**1–5 years**	**Over 5 years**	**Total**
Designated for hedge accounting								
Interest rate derivatives	50,000	544,000	7,200	**601,200**	50,000	574,000	7,200	**631,200**
For non-hedging purposes								
Interest rate derivatives	75,000	130,000	0	**205,000**	125,000	160,000	0	**285,000**
Total derivatives	**125,000**	**674,000**	**7,200**	**806,200**	**175,000**	**734,000**	**7,200**	**916,200**

Changes in the fair value of hedged items that are attributable to the hedged risk are recognised in the income statement under Net result from hedge accounting. Changes in the fair value not attributable to the hedged risk are recognised in the fair value reserve. Changes in the fair value of the hedging items included in hedge accounting are recognised in the income statement under Net result from hedge accounting. When hedging is effective, the changes in the fair value offset each other and the net result is close to zero.

30 Jun 2020	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedging derivative contracts					
Fair value hedge					
Interest rate derivatives	601,200	0	-17,032	Derivative contracts and other liabilities subject to trading	-1,155
Total hedging derivatives	**601,200**	**0**	**-17,032**		**-1,155**

30 Jun 2020	Carrying amount		Cumulative change in balance sheet value		Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
	Assets	Liabilities	Assets	Liabilities		
Hedging target						
Debt securities	872,976	0	17,210	0	Debt securities	1,436
Total hedged items	**872,976**	**0**	**17,210**	**0**		**1,436**

The following table shows the change in the fair value of the hedged item and hedging instrument, i.e. the ineffective portion of the hedge.

30 Jun 2020	Hedging target	Hedging instrument	Profit / loss on hedging relationship		Ineffective portion of hedging relationship	The income statement line to which the ineffective portion is booked
			Hedging target	Hedging instrument		
	Debt securities	Interest rate derivatives	1,436	-1,155	281	Net income from investment operations: Net income from hedge accounting

31 Dec 2019	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedging derivative contracts					
Fair value hedge					
Interest rate derivatives	631,200	0	-15,860	Derivative contracts and other liabilities subject to trading	-4,362
Total hedging derivatives	**631,200**	**0**	**-15,860**		**-4,362**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2019	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item including the hedged item**	**Ineffective portion recognised in the income statement**
Hedging target						
Debt securities	866,972	0	15,774	0	Debt securities	4,462
Total hedged items	**866,972**	**0**	**15,774**	**0**		**4,462**

The following table shows the change in the fair value of the hedged item and hedging instrument, i.e. the ineffective portion of the hedge.

			Profit / loss on hedging relationship			
31 Dec 2019	**Hedging target**	**Hedging instrument**	**Hedging target**	**Hedging instrument**	**Ineffective portion of hedging relationship**	**The income statement line to which the ineffective portion is booked**
	Debt securities	Interest rate derivative	4,462	-4,362	100	Net income from investment operations: Net income from hedge accounting

NOTE 11: IMPAIRMENT OF RECEIVABLES

The table illustrates the impairment of receivables during the review period. The proportion of receivables written off as credit and guarantee losses grew in the review period but were within the risk appetite defined by the S-Bank Board of Directors. Although credit losses and impairments have increased relative to the size of the credit portfolio, the ratios are still at a very low level.

S-Bank is exposed to credit risk arising from exposures held by household and corporate customers, investing activities (debt securities) and off-balance sheet commitments. The summary table on the following page presents the exposures and commitments subject to credit risk and the related ECL provisions by impairment stage. The coverage rate illustrates the proportion of the ECL provision of the exposure. The total ECL provision of EUR 20.2 million (17.1) increased during the review period by EUR 3.1 million. The most significant change is evident in household customers' ECL provisions, which increased by EUR 3.0 million. The change is due to the increase in credit risk exposure and the increase in exposures at stages 2 and 3, which can be expected due to, e.g., an increase in non-performing exposures during the coronavirus pandemic. The coverage rate of loan portfolios and the total portfolio has remained relatively stable and within the risk appetite defined by S-Bank's Board in its credit risk strategy.

Expected credit losses and impairment losses (EUR '000)	1–6/2020	1–6/2019	1–12/2019
Receivables written off as credit and guarantee losses	11,589	7,813	15,714
Reversal of receivables written off	-1,904	-2,184	-4,315
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	2,996	339	2,909
Expected credit losses (ECL) on investment activities	77	505	-313
Total	**12,758**	**6,474**	**13,995**

Risk exposure, summary

30 Jun 2020 (EUR million)	Stage 1		Stage 2		Stage 3				
	Exposures subject to credit risk and commitments	ECL provision	Exposures subject to credit risk and commitments	ECL provision	Exposures subject to credit risk and commitments	ECL provision	Exposures and commitments, total	ECL provision combined	Coverage ratio (coverage ratio %)
Lending to household customers*	3,633.3	-1.5	550.3	-11.3	30.9	-4.6	4,214.5	-17.5	-0.41%
Lending to corporate customers*	930.9	-0.7	19.0	-0.4	0.0	0.0	949.8	-1.0	-0.11%
Investing activities**	941.1	-0.7	0.0	0.0	0.0	0.0	941.1	-0.7	-0.07%
Off-balance sheet items commitments***	1,974.1	-0.2	87.4	-0.7	0.5	0.0	2,062.0	-1.0	-0.05%
Total	**7,479.3**	**-3.1**	**656.7**	**-12.4**	**31.4**	**-4.6**	**8,167.4**	**-20.2**	**-0.25%**

*The ECL provision is recorded as a single amount to reduce the balance sheet item Receivables from customers.

**The ECL provision is recognised in the fair value reserve under other comprehensive income.

***The ECL provision is recognised in the balance sheet under other liabilities.

31 Dec 2019 (EUR million)	Stage 1		Stage 2		Stage 3				
	Exposures subject to credit risk and commitments	ECL provision	Exposures subject to credit risk and commitments	ECL provision	Exposures subject to credit risk and commitments	ECL provision	Exposures and commitments, total	ECL provision combined	Coverage ratio (coverage ratio %)
Lending to household customers*	3,468.2	-1.4	489.6	-9.4	26.0	-3.8	3,983.8	-14.5	-0.36%
Lending to corporate customers*	795.1	-0.4	37.8	-0.4	0.0	0.0	832.9	-0.7	-0.09%
Investing activities**	1,023.0	-0.6	0.0	0.0	0.0	0.0	1,023.0	-0.6	-0.06%
Off-balance sheet items commitments***	1,718.0	-0.2	117.2	-1.1	0.3	0.0	1,835.5	-1.2	-0.07%
Total	**7,004.3**	**-2.5**	**644.5**	**-10.8**	**26.3**	**-3.8**	**7,675.2**	**-17.1**	**-0.22%**

*The ECL provision is recorded as a single amount to reduce the balance sheet item Receivables from customers.

**The ECL provision is recognised in the fair value reserve under other comprehensive income.

***The ECL provision is recognised in the balance sheet under other liabilities.

The following tables describe the cash amounts exposed to credit risks, excluding collateral or other credit risk mitigation measures. The information is distributed across credit risk rating categories in the table. The probability of default is the lowest in credit category 1 and the highest in credit category 7.

Credit granted to household customers forms the largest exposure to credit risk in the form of expected credit losses. The exposures to household customers include housing loans and consumer loans, the latter of which generate a relatively larger credit risk, as they are unsecured credit products.

Credit risk exposure (household customers)

Lending to household customers 30 Jun 2020 (EUR '000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2,880,742	268,697	0	3,149,439
Category 2	226,922	42,050	0	268,972
Category 3	198,093	48,449	0	246,542
Category 4	77,073	26,993	0	104,066
Category 5	164,397	36,494	0	200,891
Category 6	85,544	41,758	0	127,302
Category 7	551	85,880	0	86,431
In default	0	0	30,905	30,905
Gross carrying amount	**3,633,321**	**550,322**	**30,905**	**4,214,548**
ECL provision*	-1,531	-11,339	-4,593	-17,464
Net carrying amount	**3,631,790**	**538,983**	**26,311**	**4,197,084**

*The ECL provision is recorded as a single amount to reduce the balance sheet item Receivables from customers.

Lending to household customers 31 Dec 2019 (EUR '000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2,736,052	246,073	0	2,982,124
Category 2	212,713	34,005	0	246,718
Category 3	183,229	38,089	0	221,318
Category 4	70,976	27,347	0	98,323
Category 5	190,654	35,101	0	225,755
Category 6	74,026	35,067	0	109,092
Category 7	551	73,897	0	74,448
In default	0	0	25,997	25,997
Gross carrying amount	**3,468,200**	**489,578**	**25,997**	**3,983,776**
ECL provision*	-1,366	-9,354	-3,778	-14,498
Net carrying amount	**3,466,834**	**480,224**	**22,220**	**3,969,278**

*The ECL provision is recorded as a single amount to reduce the balance sheet item Receivables from customers.

The corporate loan portfolio focuses on financing new and secured housing companies. As exposures secured by immovable property, these are considered to be less risky, which also reduces the expected credit losses. The exposures to corporate customers are mostly held by large companies with good credit ratings.

Exposure to credit risk (corporate, investing activities and off-balance sheet commitments, including the off-balance sheet accounts of household customers)

Corporate lending, investing activities and off-balance sheet commitments 30 Jun 2020 (EUR '000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2,274,893	39,986	0	2,314,879
Category 2	505,521	14,343	0	519,863
Category 3	390,309	6,867	0	397,176
Category 4	181,678	4,675	0	186,352
Category 5	419,868	3,920	0	423,788
Category 6	73,459	31,319	0	104,778
Category 7	297	5,241	0	5,538
In default	0	0	502	502
Total	**3,846,024**	**106,350**	**502**	**3,952,877**
ECL provision*	-1,575	-1,109	-31	-2,715

*The ECL provision for corporate customers is recorded as a single amount to reduce the balance sheet item Receivables from customers. The ECL provision for investment activities is recognised in the fair value reserve under Other comprehensive income.
The ECL provision for off-balance sheet receivables is recognised in the balance sheet under Other liabilities.

Corporate lending, investing activities and off-balance sheet commitments 31 Dec 2019 (EUR '000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2,127,534	58,252	0	2,185,786
Category 2	521,848	16,800	0	538,648
Category 3	347,297	7,157	0	354,454
Category 4	183,938	12,585	0	196,523
Category 5	332,677	13,052	0	345,729
Category 6	22,483	41,834	0	64,317
Category 7	328	5,284	0	5,612
In default	0	0	329	329
Total	**3,536,105**	**154,964**	**329**	**3,691,398**
ECL provision*	-1,154	-1,435	-20	-2,608

*The ECL provision for corporate customers is recorded as a single amount to reduce the balance sheet item Receivables from customers. The ECL provision for investment activities is recognised in the fair value reserve under Other comprehensive income.
The ECL provision for off-balance sheet receivables is recognised in the balance sheet under Other liabilities.

The following tables describe deferrals and changes in expected credit losses per financial instrument category during the review period. The tables present the reconciliation between the opening and closing balances of the loss allowance. Changes in the risk parameters totalled EUR -141 300 during the review period. The item in question was impacted by changes made during the period to the calculation of the loss allowance, among other things. Changes derive from macroeconomic model parameter updates and management estimates. In other respects, the changes and deferrals that occurred in the loss allowances are in line with the credit risk strategy and the prevailing economic conditions.

Reconciliation of expected credit losses (household customers)

Household customers 30 Jun 2020 (EUR '000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1 Jan 2020	**1,366**	**9,354**	**3,778**	**14,498**
Transfers from stage 1 to stage 2	-229	4,996	0	4,767
Transfers from stage 1 to stage 3	-25	0	1,278	1,253
Transfers from stage 2 to stage 1	141	-1,931	0	-1,790
Transfers from stage 2 to stage 3	0	-872	1,414	542
Transfers from stage 3 to stage 1	1	0	-95	-94
Transfers from stage 3 to stage 2	0	135	-350	-215
Changes in the risk parameters	162	54	-78	138
Increases due to origination and acquisition	187	609	101	897
Decreases due to derecognition	-63	-326	-129	-519
Decrease in the allowance account due to write-offs	-8	-680	-1,325	-2,013
Net change in ECL	166	1,985	816	2,966
ECL 30 Jun 2020	**1,531**	**11,339**	**4,593**	**17,464**

Reconciliation of expected credit losses
(corporate lending, investment and off-balance sheet commitments, including the off-balance sheet accounts of household customers)

Corporate lending, investment and off-balance sheet commitments 30 Jun 2020 (EUR ’000)	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1 Jan 2020	**1,154**	**1,435**	**20**	**2,608**
Transfers from stage 1 to stage 2	-8	127	0	119
Transfers from stage 1 to stage 3	0	0	11	11
Transfers from stage 2 to stage 1	9	-216	0	-207
Transfers from stage 2 to stage 3	0	-8	3	-6
Transfers from stage 3 to stage 1	0	0	-1	-1
Transfers from stage 3 to stage 2	0	0	-1	-1
Changes in the risk parameters	97	-375	-1	-279
Increases due to origination and acquisition	383	278	6	667
Decreases due to derecognition	-60	-104	-4	-169
Decrease in the allowance account due to write-offs	0	-27	-1	-28
Net change in ECL	421	-326	11	106
ECL 30 Jun 2020	**1,575**	**1,109**	**31**	**2,715**

NOTE 12: COLLATERAL GIVEN

	Other collateral	
	30 Jun 2020	**31 Dec 2019**
Collateral given for own debt		
Liabilities to credit institutions	171,867	152,252
Derivative contracts and liabilities held for trading	24,019	23,573
Collateral given for own debt, total	**195,886**	**175,825**
of which cash	24,019	23,573
of which securities	171,867	152,252
Other collateral given on own behalf	**100**	**225**
of which cash	100	225
Collateral given on behalf of others	**13**	**24**
of which cash	13	24

NOTE 13: OFF-BALANCE SHEET COMMITMENTS

Impairment of off-balance sheet items is presented above (Note 11: Impairment losses on receivables).

	30 Jun 2020	31 Dec 2019
Guarantees	16,896	19,018
Other commitments given to third parties	227	250
Unused credit arrangements and other commitments	248,580	255,275
Total	**265,703**	**274,543**

The expected credit loss on off-balance sheet items is EUR 991 000 (1 245 000).

NOTE 14: RELATED PARTIES

Related party information is described in more detail in the 2019 financial statements.

NOTE 15: EVENTS AFTER THE REPORTING DATE

In May S-Bank announced a corporate acquisition in which it will purchase the asset management and real estate investment services of the Fennia insurance company. In the transaction, Fennia Asset Management Ltd and its subsidiary Fennia Real Estate Ltd will be incorporated into S-Bank's Wealth Management business. The authority approvals related to the execution of the transaction were received from the Financial Supervisory Authority and the Finnish competition and Consumer Authority in July. The parties expect the transaction to be completed by the end of July.

In July, S-Bank acquired a credit rating from Standard & Poor's (S&P). S&P granted a BBB rating for long-term funding and A-2 for short-term funding. S&P estimated the outlook for the rating to be negative as the coronavirus pandemic has weakened Finland's economic outlook for the near future.

30 July 2020

S-Bank Ltd's Board of Directors

S-Bank

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