S-BANK PLC HALF-YEAR REPORT 1 JANUARY—30 JUNE 2021

S-Bank

STRONG RESULT AND IMPROVED OUTLOOK

PEKKA YLIHURULA, CEO

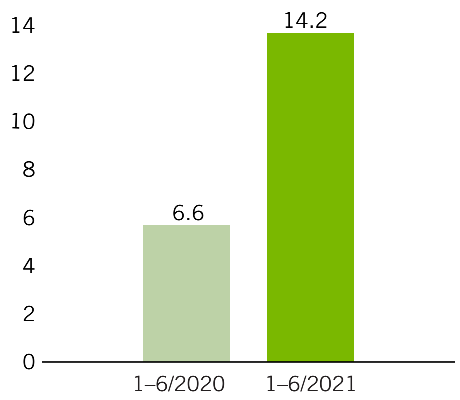
"During the first half of the year, our operating income and profit improved markedly year-on-year. The vaccination situation improved substantially during the spring, which has increased the likelihood that many activities in society can be reopened during the second half of the year. We expect our good performance to continue in the second half of the year."

JANUARY–JUNE 2021

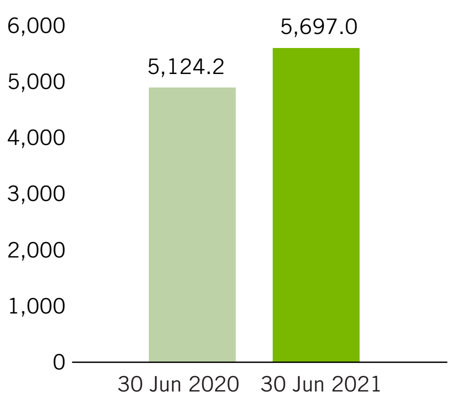
- Operating profit increased to EUR 14.2 million (6.6).
- Lending increased to EUR 5.7 billion (5.1).
- Assets under management increased to EUR 11.8 billion (8.4).
- The capital adequacy ratio decreased to 15.2 per cent (15.8).

The S-Bank Group's operating profit increased by 114.3 per cent in January–June and was EUR 14.2 million (6.6). Earnings growth was boosted by a solid 12.4 per cent increase in total returns. The cost-to-income ratio improved year-on-year and was 0.73 (0.76).

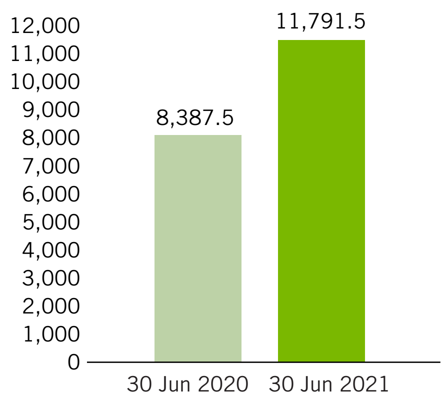
OPERATING PROFIT (EUR MILLION)



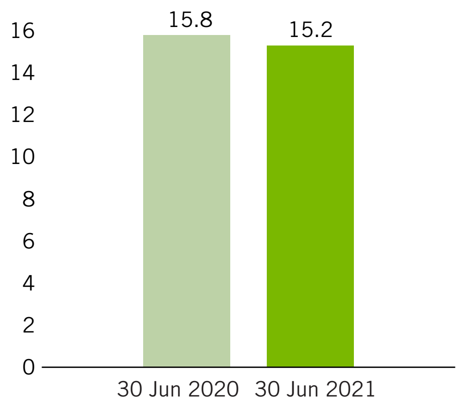
LENDING (EUR MILLION)



ASSETS UNDER MANAGEMENT (EUR MILLION)



CAPITAL ADEQUACY RATIO (%)



OUTLOOK FOR THE REST OF THE YEAR

We expect our good performance to continue in the second half of the year, and our operating profit to increase on the previous year. However, despite the positive outlook, there is still uncertainty regarding economic recovery.

Our earlier estimate was for our operating profit for 2021 to remain at the same level as in the previous year.

KEY FIGURES

(EUR million)	1–6/2021	1–6/2020	Change	Q2 2021	Q2 2020	Change
Net interest income	44.1	44.8	-1.7%	22.7	22.3	1.6%
Net fee and commission income	37.6	29.8	26.1%	19.8	14.4	37.1%
Total income	90.6	80.6	12.4%	45.4	40.3	12.5%
Operating profit	14.2	6.6	114.3%	7.7	2.7	178.8%
Cost-to-income ratio	0.73	0.76	-0.03	0.73	0.76	-0.03

(EUR million)	30 Jun 2021	31 Dec 2020	Change
Liabilities to customers, deposits	7,281.7	6,925.0	5.2%
Receivables from customers, lending	5,697.0	5,444.4	4.6%
Debt securities	1,220.0	1,228.8	-0.7%
Equity	502.8	488.6	2.9%
Expected credit losses (ECL)	21.3	19.6	8.9%
Assets under management	11,791.5	10,785.1	9.3%
Return on equity	4.6%	3.3%	1.4
Return on assets	0.3%	0.2%	0.1
Equity ratio	6.3%	6.4%	-0.1
Capital adequacy ratio	15.2%	15.7%	-0.5

The S-Bank Group (S-Bank hereinafter) figures for the corresponding period of 2020 are used in the result comparisons. For comparisons of balance sheet items and other breakdown items the figures refer to the end of 2020 unless otherwise is indicated.

CEO'S REVIEW

The coronavirus pandemic continued to affect Finnish society in the spring of 2021. During the first quarter of the year, infections increased in many areas in Finland, but the situation improved again towards the summer. As a result of this, the authorities eased and removed restrictions and recommendations concerning the functions of society. As the infection and restriction situation continued to change, we adjusted our ways of working as before.

During the first half of the year, our operating income and profit improved markedly year-on-year. In our Banking business, the sales of housing loans and consumer loans grew strongly. The use of payment cards increased, and demand for loans for leisure homes grew substantially. As a result of the coronavirus pandemic, most housing loan negotiations now take place remotely.

The number of users of our S-mobiili app, which combines the services of S Group and S-Bank, exceeded 1.5 million. Customers are increasingly taking care of their banking through S-mobiili, and the number of consumer loan applications submitted via the app was higher than expected in the first half of the year. During the spring, user authentication for various services through S-mobiili became easier and more user-friendly. In addition, its fund savings functionalities were further developed by making it possible to invest in our popular housing and forest funds via S-mobiili.

The sales of our Wealth Management business also developed favourably during the first half of the year, particularly in real estate funds, and the assets under our management increased markedly. We also introduced a new fund. The number of investors in our S-Bank and FIM funds, as well as net subscriptions to our funds, increased significantly year-on-year.

At the end of June, our owners (SOK and S Group's regional cooperatives) announced that they would acquire the LocalTapiola Group's holding in S-Bank. Elo Mutual Pension Insurance Company announced that it would sell its shares in S-Bank to S Group. At the same time, we announced that the fund cooperation between S-Bank and LocalTapiola would end. In the future, we will focus on serving S-Bank's more than 250,000 mutual fund customers even better than before. The corporate acquisition and the changes planned for the fund cooperation require approval from the authorities before they can be implemented.

The vaccination situation improved substantially during the spring, which has increased the likelihood that many activities in society can be reopened during the second half of the year. However, there is still uncertainty related to future development. As a responsible operator, we will take care of our customers' and employees' safety and well-being under all circumstances.

I would like to thank S-Bank's employees for their good work during the spring. I would also like to thank our customers, owners and partners for their trust.

PEKKA YLIHURULA
CEO, S-Pankki

CONTENTS

OPERATIONS IN THE REVIEW PERIOD

KEY EVENTS

In January, S-Bank's Wealth Management business completed an integration project related to the corporate acquisition concluded at the end of July 2020 in which S-Bank acquired the asset management and real estate investment services of the Fennia insurance company. Two new funds were added to the selection of real estate funds open to all customers in early 2021.

The credit rating agency Standard and Poor's (S&P) raised S-Bank's outlook to stable. The previous outlook had been negative, in line with the rest of the Finnish banking sector. S&P justified the upgrading of the banking sector's outlook by referencing Finland's superior macroeconomic environment in relation to the rest of Europe and the country's successful handling of the coronavirus pandemic.

In February, S-Bank's Board of Directors appointed Hanna Porkka, Head of Wealth Management, as Executive Vice President and Deputy CEO of the Group, effective as of 2 February 2021. Funds managed by companies in the S-Bank Group sold a portfolio of nearly 400 apartments to a fund managed by Avara in February. The housing portfolio consisted of 17 properties, eight of which were wholly owned companies and nine partially owned companies. Later in February, funds managed by companies in the S-Bank Group announced a project to build a new head office for the Varuste.net sports equipment store in the Konala district of Helsinki.

For the ninth consecutive year, Finns voted S-Bank as the most responsible bank in Finland in the annual Sustainable Brand Index survey. The survey was published in March.

In the first quarter of the year, S-Bank also announced that a charge would be imposed on some of the old chipless payment cards later in 2021. The changes will not affect the daily banking services that are offered free of charge. S-Bank will continue to offer its co-op members and their family members a bank account, the S-Etukortti Visa card, online banking codes and the S-mobiili app free of charge.

Fennia Asset Management Ltd merged with FIM Private Equity Funds Ltd on 1 April 2021.

S-Bank's Board of Directors appointed Markus Lahtinen, SVP, Sales, as a member of the Group Management Team from 1 May 2021. The responsibilities of some other Group Management Team members were further specified in connection with this.

In May, S-Bank and S Group announced that the number of users of the S-mobiili app, which combines retail and banking services, had exceeded 1.5 million. The app has around 850,000 users per week.

The S-Bank Global Private Assets non-UCITS fund was introduced at the beginning of June. The fund invests its assets in equities and bonds of unlisted companies and fund units bought in the secondary market. The fund is managed by FIM Asset Management Ltd, which is part of the S-Bank Group.

At the end of June, SOK and S Group's regional cooperatives announced that they would acquire the LocalTapiola Group's holding in S-Bank. Elo Mutual Pension Insurance Company announced that it would sell its shares in S-Bank to S Group. At the same time, it was announced that the fund co-operation between S-Bank and LocalTapiola would end. The corporate acquisition and the changes planned for the fund cooperation require approval from the authorities before they can be implemented.

SUMMARY OF THE EFFECTS OF THE CORONAVIRUS PANDEMIC ON BUSINESS

The new coronavirus caused a pandemic in 2020 that is still continuing. It is being counteracted worldwide by the enforcement of various regulations, guidelines and recommendations. The guidelines issued by the Finnish authorities and other preparedness measures were continued at S-Bank in the first half of 2021.

During the first half of the year a significant proportion of S-Bank's personnel continued to work remotely, while the bank focused on ensuring that its operations would continue, even in the event of a further decline in the overall situation. We observed hygiene, health and safety guidelines, and paid attention to obtaining necessary supplies and complying with official recommendations. For our customers, we recommended the use of S-mobiili and the online bank.

Despite the fact that the infection situation varied in many parts of Finland in early 2021, S-Bank was able to adjust its operations and working methods to meet the demands of the situation.

In the first half of the year, confidence among households concerning their financial situations and outlooks grew. Employment declined slightly, but housing prices remained stable throughout the country. Retail and consumer staples trades grew distinctly on the corresponding period last year.

For 2021, a key factor will be how quickly and comprehensively vaccinations can be carried out and how well the vaccines will protect against new variants of the virus. The mere fact that a solution exists and that governments and central banks have implemented extensive stimulus measures will boost growth, both in Finland and globally, towards the end of the year. In the first half-year, uncertainty and caution continued to affect business decisions and consumer behaviour. Unemployment may increase further and banks' credit losses may be higher than normal. In the second half-year, it is expected that there will be a release of pent-up consumer demand. In the longer term, however, growth may plateau as the effects of economic stimulus programmes decrease, and as the realisation comes that structural problems predating the pandemic must be addressed and resolved.

The effects of the coronavirus pandemic on the bank's risk position are described in more detail in the section 'Risks and capital adequacy and their management'

OPERATING ENVIRONMENT

The first half of the year was characterised by the gradual reopening of societies in anticipation of better circumstances. With the progress of vaccination programmes, the coronavirus situation improved in many countries, albeit more slowly than expected because of new waves and infections in new countries. However, during the second quarter of the year, Western countries began to reopen their activities on a more extensive scale, which facilitated economic growth. During the initial period after the outbreak of the coronavirus, economic growth had mainly been driven by industry and the public sector, but many operations in the service sector were also reopened during the second quarter.

The economies of the world are in different stages of recovering from the coronavirus pandemic. The pandemic hit China first, and the country has also recovered more rapidly than others. China has already started to discontinue stimulus measures and prevent overheating risks in its economy. The Western countries are following suit. The US economy will achieve a growth rate of more than 6 per cent this year, thanks to exceptional stimulus measures by the Federal Reserve and the federal government. Coronavirus vaccinations have progressed more slowly in Europe, which is why the best phase in terms of the economy will not be reached until late 2021 and next year. This also applies to Finland, where the goal is to have 100 per cent of the adult population vaccinated during the summer. In some emerging economies, such as India, the coronavirus pandemic worsened at the beginning of the year, and the recovery phase will not be reached until next year.

Inflation accelerated during the spring, becoming a threat to the economic outlook and the financial market. With the improved economic outlook, consumption has increased rapidly. At the same time, however, production has been running at low capacity, which has created bottlenecks in the economy. The prices of many raw materials, as well as sea freight rates, for example, have increased considerably. As a result, the inflation rate is at its highest level since the financial crisis. So far, central banks and the markets have been relying on the fact that inflation is only a short-term problem that will ease when the economy normalises. The extent to which the higher costs will be transferred to sales prices is crucial, as is the extent to which there will be pressures to increase salaries.

Clear signs of recovery were also seen in the Finnish economy. The coronavirus pandemic slowed down recovery, but restrictions were lifted towards the summer. Many economic restrictions steered demand to sectors where consumption was possible, meaning that many areas within the retail sector, for example, recorded good results. Strong demand for housing caused prices to increase markedly in growth centres. Consequently, demand for housing loans was record high. The reopening of services started to boost footfall in high streets towards the summer.

The financial markets had a good start to the year. The upward trend in equities, which began in the spring of 2020, continued and exceeded 10 per cent on an extensive scale. There were also signs of overheating in the stock market, with incredible increases in the prices of individual shares, driven by small investors in the United States in particular. New company listings have increased, which indicates good stock exchange performance. Long-term interest rates increased somewhat as a result of inflation concerns, but their increase stabilised towards the summer. Interest rate levels continued to be very low. For example, despite having increased by 0.5 percentage points, Germany's ten-year interest rate is still negative. Short-term interest rates remained stable at an exceptionally low level, because the time is not yet ripe for interest rate hikes by central banks.

FINANCIAL POSITION

Key figures

(EUR million)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	1–6/2021	1–6/2020
Net interest income	22.7	21.4	21.6	23.0	22.3	44.1	44.8
Net fee and commission income	19.8	17.8	20.8	16.4	14.4	37.6	29.8
Total income	45.4	45.2	51.2	42.1	40.3	90.6	80.6
Operating profit	7.7	6.6	8.3	6.1	2.7	14.2	6.6
Cost-to-income ratio	0.73	0.74	0.74	0.77	0.76	0.73	0.76

(EUR million)	30 Jun 2021	31 Mar 2021	31 Dec 2020	30 Sep 2020	30 Jun 2020	30 Jun 2021	31 Dec 2020
Liabilities to customers, deposits	7,281.7	7,098.0	6,925.0	6,721.4	6,473.5	7,281.7	6,925.0
Receivables from customers, lending	5,697.0	5,557.0	5,444.4	5,298.1	5,124.2	5,697.0	5,444.4
Debt securities	1,220.0	1,268.4	1,228.8	1,301.4	1,302.0	1,220.0	1,228.8
Equity	502.8	495.5	488.6	479.4	471.2	502.8	488.6
Expected credit losses (ECL)	21.3	20.8	19.6	19.3	20.2	21.3	19.6
Assets under management	11,791.5	11,452.3	10,785.1	9,770.7	8,387.5	11,791.5	10,785.1
Return on equity	4.6%	3.9%	3.3%	3.0%	3.3%	4.6%	3.3%
Return on assets	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%	0.2%
Equity ratio	6.3%	6.4%	6.4%	6.5%	6.6%	6.3%	6.4%
Capital adequacy ratio	15.2%	15.3%	15.7%	15.1%	15.8%	15.2%	15.7%

RESULT 4–6/2021

S-Bank Group's operating profit for April–June nearly tripled year-on-year and was EUR 7.7 million (2.7). The operating profit also improved on the previous quarter (6.6).

INCOME

Total income increased to EUR 45.4 million (40.3), an increase of 12.5 per cent. Net interest income grew by 1.6 per cent, totalling EUR 22.7 million (22.3). Net fee and commission income increased by 37.1 per cent to EUR 19.8 million (14.4). The fees of the Wealth Management business, in particular, continued to grow strongly. This was influenced by the positive performance of the equity markets and the returns from real estate funds and services. Card payment fees in Finland were also higher than in the previous year, but overall performance continued to be affected by the low level of foreign travel. Net income from investing activities amounted to EUR 1.8 million (2.2). Other operating income totalled EUR 1.2 million (1.4).

EXPENSES

Operating expenses totalled EUR 33.1 million (30.4). This represents an increase of 8.9 per cent on the previous year. Personnel expenses accounted for EUR 11.7 million (9.1) of operating expenses. Other administrative expenses were EUR 17.5 million (17.2). Depreciation and impairment of tangible and intangible assets amounted to EUR 3.1 million (3.2). The Group's other operating expenses totalled EUR 0.8 million (1.0).

EXPECTED AND FINAL CREDIT LOSSES

In the second quarter, expected and final credit losses of EUR 6.0 (8.2) million were recognised in the consolidated income statement. Reversals, or recovered credit losses, amounted to EUR 1.4 million (1.0). Consequently, the total net effect on profit of expected and final credit losses was EUR 4.6 million (7.2).

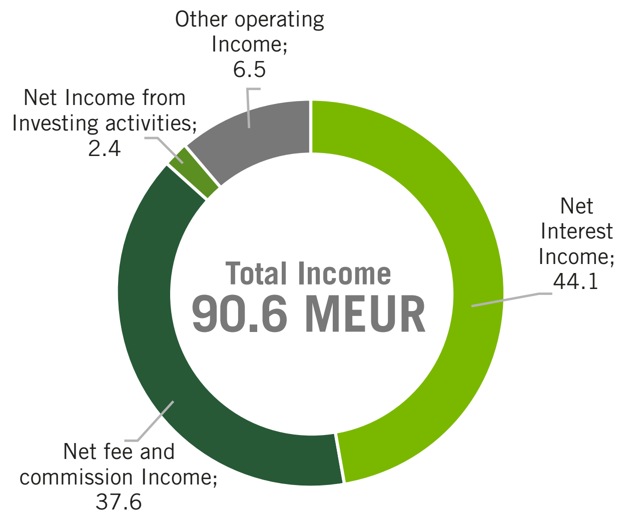
RESULT AND BALANCE SHEET 1–6/2021

S-Bank's operating profit was EUR 14.2 million (6.6), an increase of 114.3 per cent on the previous year. The profit for the period after taxes was EUR 11.5 million (5.2). Return on equity rose to 4.6 per cent (3.3).

INCOME

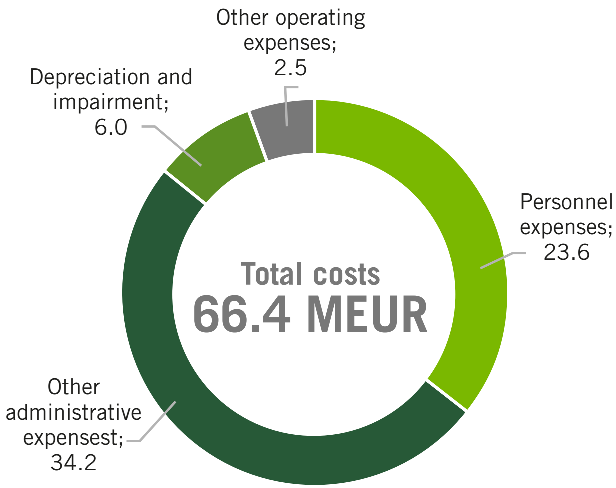
Total income developed positively during the review period. Total income amounted to EUR 90.6 million (80.6), a growth of 12.4 per cent.

Net interest income fell by 1.7 per cent on the previous year, totalling EUR 44.1 million (44.8). The decrease in net interest income was attributable to a decline in interest income from investing activities and an increase in interest expenses on hedging derivatives. Net fee and commission income increased by 26.1 per cent to EUR 37.6 million (29.8). The increase in net fee and commission income was influenced by the corporate acquisition concluded in the Wealth Management business at the end of July 2020, as well as an increase in net subscriptions and favourable market performance. Net income from investing activities amounted to EUR 2.4 million (2.3). Other operating income totalled EUR 6.5 million (3.7). The growth was affected by revenue from receivables recognised in the first quarter.



EXPENSES

Operating expenses totalled EUR 66.4 million (61.3) during the review period. This represents an increase of 8.3 per cent year-on-year. Personnel expenses accounted for EUR 23.6 million (19.5) of operating expenses. The increase was due to an increase in the number of personnel as a result of the acquisition, completed co-determination negotiations and fewer capitalised employee hours than previous year, among other factors. Other administrative expenses were EUR 34.2 million (33.1). Depreciation and impairment of tangible and intangible assets amounted to EUR 6.0 million (6.2). Other operating expenses totalled EUR 2.5 million (2.5).



EXPECTED AND FINAL CREDIT LOSSES

Expected and final credit losses of EUR 12.5 million (14.7) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 2.6 million (1.9). Consequently, the total net effect on profit of expected and final credit losses was EUR 9.9 million (12.8). Credit and impairment losses continue to remain at a low level in relation to the size of the loan portfolio and within the risk appetite established by S-Bank's Board of Directors.

DEPOSITS

Total deposits continued to grow and were EUR 7,281.7 million (6,925.0) at the end of the review period. Deposits repayable on demand totalled EUR 7,277.4 million (6,920.2) and time deposits EUR 4.3 million (4.7) at the end of the review period. During the past 12 months, total deposits grew by 12.5 per cent. Deposits by household customers were EUR 6,305.1 million (an increase of 12.3 per cent) and deposits by corporate customers were EUR 976.6 million (an increase of 13.8 per cent).

At the close of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 5,882.5 million (5,573.9).

LENDING

Long-term lending growth continued. At the end of the review period, the credit portfolio was EUR 5,697.0 million (5,444.4). During the past 12 months, the credit portfolio grew by 11.2 per cent. Credit to household customers amounted to EUR 4,779.6 million (14.4 per cent), while credit to corporate customers totalled EUR 917.4 million (-3.0 per cent).

As in the previous year, the growth of the housing loan portfolio outperformed the rest of the market and was 14.8 per cent.

The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 78 per cent (78).

Deposits (EUR million)	30 Jun 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	6,305.1	5,964.1	5.7%	12.3%
Corporate customers	976.6	960.9	1.6%	13.8%
Total	**7,281.7**	**6,925.0**	**5.2%**	**12.5%**

Lending (EUR m)	30 Jun 2021	31 Dec 2020	Change from beginning of the year	12-month change
Household customers	4,779.6	4,483.1	6.6%	14.4%
Corporate customers	917.4	961.2	-4.6%	-3.0%
Total	**5,697.0**	**5,444.4**	**4.6%**	**11.2%**

INVESTING ACTIVITIES

At the end of the review period, the bank's debt securities totalled EUR 1,220.0 million (1,228.8 million at the end of 2020).

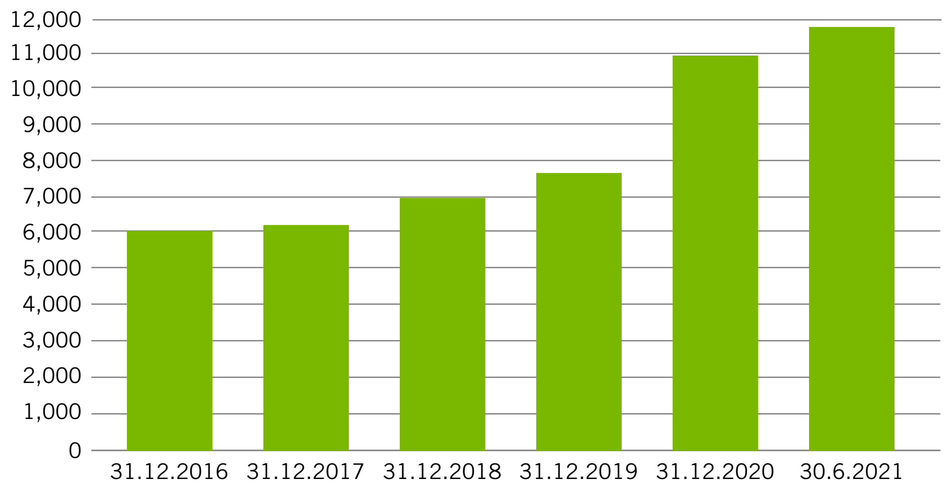
EQUITY

At the end of the review period, S-Bank's equity was EUR 502.8 million (488.6 million at the end of 2020). The equity ratio was 6.3 per cent (6.4).

ASSETS UNDER MANAGEMENT

The S-Bank Group's assets under management were EUR 11,791.5 million (10,785.1) at the end of the review period. This represents an increase of 9.3 per cent year-to-date. Of assets under management, the share of fund capital was EUR 8,003.1 million (7,156.4), and the share of wealth management capital was EUR 3,788.4 million (3,628.7). In addition, S-Bank Properties Ltd managed EUR 428.5 million in customer assets, consisting of real estate and joint ventures. Net subscriptions in the S-Bank and FIM mutual funds amounted to EUR 179.4 million (-41.0) in the review period.

ASSETS UNDER MANAGEMENT (MEUR)



BUSINESS OPERATIONS AND RESULT BY SEGMENT

The S-Bank Group's segments 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.

Operating profit increased to EUR 19.0 million (14.4) in January–June. Total income increased by 4.3 per cent to EUR 70.7 million (67.8). The growth was influenced by revenue from the sale of receivables during the first quarter. Expenses increased by 2.8 per cent to EUR 41.8 million (40.7), and impairment on receivables decreased to EUR 9.9 million (12.8).

According to the latest available information, S-Bank's contribution to the increase in the financial institutions' housing loan volume was 11.8 per cent (14.2) for the preceding 12-month period in May. Compared with the market as a whole, the housing loan portfolio's growth was 4.0-fold in the same period. In January–June, the number of housing loan applications increased substantially on the previous year.

The use of S-Etukortti Visa cards developed favourably in January–June. In January–June, the use of cards in euros increased by 14.2 per cent on the previous year.

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 and services for institutional investors.

The corporate acquisition concluded with Fennia at the end of July 2020 had a marked impact on business performance. The operating result increased to EUR 3.5 million (-0.05). Total income increased by 66 per cent to EUR 18.9 million (11.4). Expenses increased by 34.4 per cent to EUR 15.4 million (11.5). The substantial increase in income and expenses is mainly explained by the acquisition mentioned above.

Net subscriptions to the S-Bank and FIM funds totalled EUR 179.4 million (-41.0) in January–June. The increase in net subscriptions to the S-Bank and FIM funds was higher than the market average. In the overall market, net subscriptions totalled EUR 6,888.23 million (-2,106.7) in January–June.

The total number of unit holders in all of the funds under management increased to around 369,000 from around 305,000 a year earlier. On the Finnish market as a whole, the total number of unit holders rose to around 3.8 million from 3.4 million a year earlier.

Banking (EUR million)	1–6/2021	1–6/2020	Change
Operating income	70.7	67.8	4.3%
Operating expenses	-41.8	-40.7	2.8%
Impairment of receivables	-9.9	-12.8	-22.6%
Operating profit (loss)	**19.0**	**14.4**	**32.4%**

Wealth Management (EUR million)	1–6/2021	1–6/2020	Change
Operating income	18.9	11.4	66.0%
Operating expenses	-15.4	-11.5	34.4%
Operating profit (loss)	**3.5**	**-0.0**	**7,452.3%**

CALCULATION OF KEY PERFORMANCE INDICATORS

Total incom:

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 investing activities + Other operating income

Cost-to-income ratio:

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

Return on equity (ROE), %:

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

Return on assets (ROA), %:

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

Equity ratio, %:

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

Capital adequacy ratio, %:

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

Tier 1 capital adequacy ratio, %:

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

Leverage ratio, %:

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

RISKS AND CAPITAL ADEQUACY AND THEIR MANAGEMENT

S-BANK GROUP'S RISK POSITION

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.

Vaccination programmes continued to progress rapidly in the second quarter, which resulted in the easing of restrictions on mobility and the continued reopening of economies. This caused demand to grow substantially, which resulted in increases in the prices of many raw materials and raised concerns about a sudden increase in inflation and a consequent rise in interest rates in the coming years. However, despite the price increases, the interest rate level has remained very low, and housing market performance and demand for housing loans have continued to be favourable. S-Bank's capital adequacy, liquidity and financial position have remained stable.

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'S KEY RISK INDICATORS

EUR million	30 June 2021	31 Dec 2020
Risk-weighted exposure amounts (in euros)		
Total risk-weighted exposure amounts	3,174.6	3,035.2
Credit and counterparty risk, standardised approach	2,868.5	2,729.2
Market risk	0.0	0.0
Operational risk, basic indicator approach	306.0	306.0
Credit Valuation Adjustment (CVA)	0.0	0.0
Own funds (in euros)		
Common Equity Tier 1 (CET1) capital	428.3	416.4
Tier 2 (T2) capital	55.2	59.5
Total capital	483.5	475.9
Pillar 1 requirement (%)	12.76%	12.76%
Capital adequacy ratio (as a percentage of total risk-weighted exposure amounts)		
Common Equity Tier 1 (CET1) ratio	13.5%	13.7%
Total capital ratio (%)	15.2%	15.7%
Non-Performing Loans (NPL)		
NPL ratio (%)*	0.6%	0.6%
Leverage Ratio (LR)		
Leverage Ratio (%)	5.8%	5.8%
Leverage Ratio (%) (excluding the impact of any applicable temporary exemption of central bank exposures)	5.2%	5.3%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	150.5%	146.8%
Net Stable Funding Ratio (NSFR)		
Net Stable Funding Ratio (%)	152.3%	151.2%

*The NPL ratio presents the book value of gross non-performing loans in relation to loans and advances (excluding central bank cash and demand deposits).

CREDIT RISK

Credit risk constitutes 90 per cent (EUR 2.9 billion) of S-Bank's total risk (Risk Exposure Amount, REA). 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 mortgages on immovable property, retail exposures and corporate exposures. The housing loans of household customers continued to grow significantly during the review period. There were no major shifts in the credit portfolio distribution between different credit types during the review period. S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by active risk management and monitoring measures.

The new definition of default taken into use in January harmonised the concepts of defaulted exposures and non-performing loans. The tightened criteria for the recovery of defaulted exposures, as well as the growth of the loan portfolio, are reflected as an increase in the gross carrying amount of non-performing loans to EUR 37.0 million (32.4). The impact of the introduction of the new definition of default on the increase in non-performing loans was around EUR 2.3 million. The NPL ratio of non-performing loans to loans and advances (excluding central bank cash and demand deposits), increased to 0.65 per cent (0.59). All non-performing loans are household customers' exposures. The delayed impacts of the coronavirus pandemic are reflected in an increase in the number of forbearance measures during the review period, although the rate of increase slowed slightly during the second quarter. Gross forborne exposures totalled EUR 91.0 million (65.7) at the end of the review period. Of the on-balance sheet forborne exposures, 87 per cent (84) were performing. The carrying amount of gross performing forborne exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 1.4 per cent (1.0). The corresponding ratio of non-performing forborne exposures remained at 0.2 per cent (0.2) All forborne exposures are related to household customers.

The volume of household customer loans subject to repayment holiday or other changes to the payment schedule decreased to EUR 424 million (680), representing 8.8 per cent (15.1) of total household customer exposure. Repayment holidays have primarily been granted to household customers, and the number of repayment holidays in relation to the loan portfolio returned close to the pre-pandemic level towards the end of the second quarter. S-Bank's corporate exposure does not include any specific groups of customers or sectors that would have been offered repayment holidays or changes to their payment schedules.

The accounting of expected credit losses in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, forward-looking information and the macroeconomic situation are taken into account using the management factor. The management factor, which is confirmed monthly, takes into account the latest available information on the macroeconomic outlook and the uncertainty factors related to model risk and model assumptions. The total ECL provision at the end of the review period was EUR 21.3 million (19.6). The ECL provision increased by EUR 1.7 million during the first half of the year, of which around EUR 1 million was attributable to the introduction of the new definition of default. Expected and final credit losses are discussed under 'Result and balance sheet' and in Note 9 ('Impairment of receivables').

MARKET RISK

S-Bank's market risks mainly consist of the interest rate risk in the banking book and the spread risk of debt securities. The interest rate risk in the banking book consists of lending and borrowing by the Banking business and the investments and funding of the Treasury unit. Market risks are assessed from the perspective of the economic value and interest income risk of the banking book and the spread risk. The economic value risk for items measured at fair value (+100 basis points) was EUR -9.9 million (-9.3). The interest income risk (-100 basis points) for all interest-bearing instruments on the balance sheet was EUR -9.8 million (-11.6) and the spread risk was EUR -7.4 million (-6.1) at the end of the review period. The increase in the spread risk is mainly due to the update of the spread risk model parameters during the second quarter of the year. S-Bank is not significantly exposed to other direct market risks, such as equity, currency or real estate risks.

In addition, market risk is measured using internal risk models as part of the Pillar 2 economic capital requirement processes. S-Bank does not have a trading book and is not subject to the Pillar 1 capital requirement for market risk.

OPERATIONAL RISK

Operational risk accounts for 10 per cent of S-Bank's total REA. The basic indicator approach is used for calculating the capital requirement (Pillar 1) for the operational risk. Losses attributable to operational risks realised in the review period were low in relation 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.

OWN FUNDS AND CAPITAL ADEQUACY

S-Bank's capital adequacy ratio remained stable, exceeding the regulatory requirements and the minimum level of risk appetite set by S-Bank's Board of Directors. The total capital adequacy ratio was 15.2 per cent (15.7) at the end of the review period. S-Bank's total RWAs increased by EUR 139.3 million as a result of an increase in lending to household customers and corporate exposures in particular. S-Bank is adequately capitalised to ensure the continuity of its operations even under the results of stress test analyses. Total own funds at the end of the review period stood at EUR 483.5 million (475,9).

LIQUIDITY RISK

S-Bank's liquidity position was stable and robust during the review period. The liquidity coverage ratio (LCR) was 150 per cent (147). With respect to the liquidity portfolio, very high-quality Level 1 assets amounted to 88 per cent (86) and Level 2 assets to 12 per cent (14). The portfolio consists of unencumbered, high-quality liquid assets that can be monetised in a timely fashion. The table 'S-Bank's liquidity portfolio' illustrates the structure of the liquidity portfolio by product.

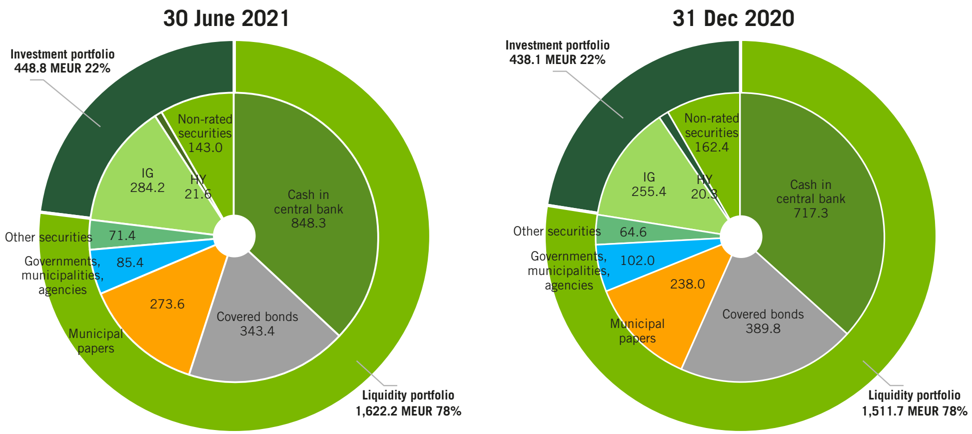
The Treasury portfolio consists of the liquidity portfolio (LCR liquidity buffer) and the investment portfolio. The figure below illustrates the structure of the Treasury portfolio at market values at the end of the review period.

The net stable funding ratio (NSFR), which describes the sufficiency of stable funding, was at a robust level at the end of the review period at 152 per cent (151). The NSFR requirement of the Capital Requirements Regulation is 100 per cent and entered into force in June 2021.

LEVERAGE RATIO

S-Bank's leverage ratio (LR) of 5.8 per cent (5.8) was strong and exceeded the regulatory and internal minimums. The leverage ratio requirement of 3 per cent in accordance with the Capital Requirements Regulation entered into force in June 2021. S-Bank has made use of the Financial Supervisory Authority's decision to temporarily exempt certain central bank exposures from the total leverage ratio exposure. This decision is valid until 31 March 2022. Without the above-mentioned exemption, S-Bank's leverage ratio (LR) was 5.2 per cent (5.3), which exceeded the regulatory and internal minimum.

BREAKDOWN OF THE TREASURY PORTFOLIO BY INVESTMENT INSTRUMENT



S-BANK'S LIQUIDITY PORTFOLIO

Liquidity portfolio (EUR million)	30 June 2021 Market value	30 June 2021 Buffer value	31 Dec 2020 Market value	31 Dec 2020 Buffer value
Central bank deposit	848.3	848.3	717.3	717.3
Government, municipal and other public sector bonds	85.4	85.4	102.0	102.0
Covered bonds	343.4	305.4	389.8	347.0
Municipal papers	273.6	273.6	238.0	238.0
Other	71.4	35.7	64.6	32.3
Total	**1,622.2**	**1,548.4**	**1,511.7**	**1,436.6**

OWN FUNDS REQUIREMENTS

S-Bank's total capital requirement was 12.76 per cent (12.76) at the end of the review period. The capital requirement consists of the minimum capital requirement, the capital conservation buffer, the countercyclical capital buffer and the discretionary, institution-specific Pillar 2 requirement.

The discretionary Pillar 2 requirement valid at the end of the review period was 2.25 per cent and will remain valid until 30 September 2021. The requirement imposed by the Financial Supervisory Authority on 30 January 2018 is based on interest rate risk of the banking book and the concentration of credit risk. On 31 March 2021, the Financial Supervisory Authority set a discretionary Pillar 2 requirement of 1.5 per cent for S-Bank. This requirement will enter into force on 30 September 2021 and will remain in force until 30 September 2024 at the latest.

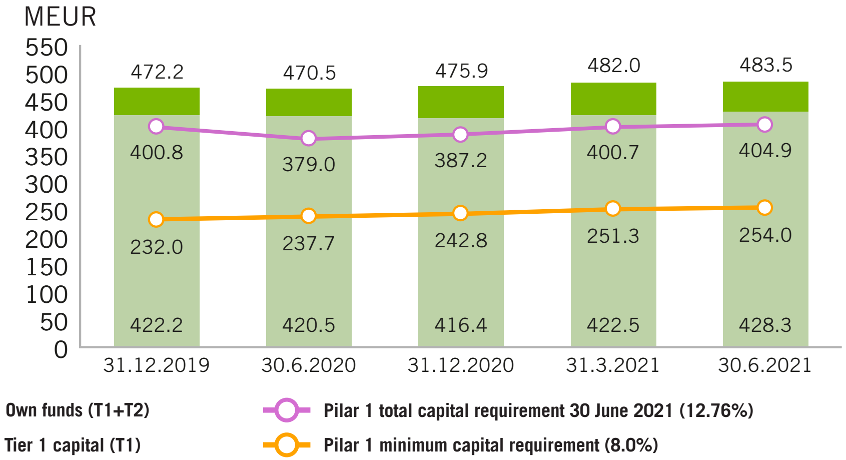
The table 'S-Bank's total capital requirement on 30 June 2021 (Pillar 1)' illustrates the distribution of the total regulatory capital requirement at S-Bank at the end of the review period.

The figure 'Changes in own funds and the capital requirement' presents a summary of the development of the Pillar 1 minimum and total capital requirements and own funds. At the end of the review period, the capital buffer in relation to the Pillar 1 minimum requirement (8.0 per cent) was EUR 229.5 million, and the capital buffer in relation to the Pillar 1 total capital requirement (12.76 per cent) was EUR 78.6 million.

S-BANK'S TOTAL CAPITAL REQUIREMENT ON 30 JUNE 2021 (PILLAR 1)

Capital	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Pillar 2 (SREP) additional capital requirement		Capital requirement,	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4.5%	142.9	2.5%	79.4	0.01%	0.2	2.25%	71.4	9.26%	293.8
AT1	1.5%	47.6							1.50%	47.6
T2	2.0%	63.5							2.00%	63.5
Total	**8.0%**	**254.0**	**2.5%**	**79.4**	**0.01%**	**0.2**	**2.25%**	**71.4**	**12.76%**	**404.9**

CHANGES IN OWN FUNDS AND CAPITAL REQUIREMENT



CAPITAL ADEQUACY POSITION AND OTHER MATERIAL INFORMATION

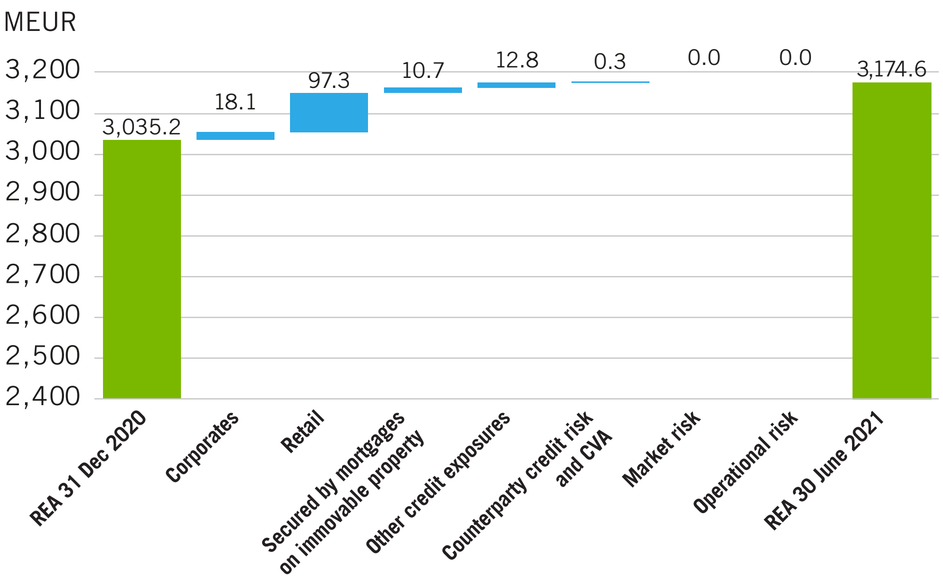
S-Bank's capital adequacy ratio was 15.2 per cent (15.7) at the end of the review period. Through profit performance, the amount of own funds increased by EUR 7.6 million. The main reason for the change in the capital adequacy ratio was the increase in overall credit risk exposures, which was primarily due to the growth of the loan portfolio and the repayments of debentures, which resulted in a decrease in total capital adequacy. S-Bank's Tier 2 capital consists of three debentures with a total nominal value of EUR 55.2 million (59.5) and a maturity of over five years.

The risk exposure amount increased by EUR 139.3 million. The growth was mainly related to retail exposures. During the review period, exposures were reallocated from the class of exposures secured by mortgages on immovable property to the retail exposure class, which is used in capital adequacy calculations, when S-Bank introduced a new collateral assessment model and process. With the introduction, the values of collateral were updated conservatively, taking into account only decreases in collateral values. The change in the risk exposure amount (REA) by exposure class is presented in the figure 'Split of changes in risk exposure amount and risk-weighted assets'.

SUMMARY OF CAPITAL ADEQUACY INFORMATION

Own funds (EUR million)	30 June 2021	31 Dec 2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**502.8**	**488.6**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	134.4	122.4
Profit/loss from previous financial periods	122.8	106.7
Profit/loss for the year	11.5	15.7
Fair value reserve	1.7	-0.5
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**74.4**	**72.3**
Intangible assets	73.2	71.0
Value adjustments due to the requirements for prudent valuation	1.3	1.3
Common Equity Tier 1 (CET1) capital	**428.3**	**416.4**
Additional Tier 1 (AT1) 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	**428.3**	**416.4**
Tier 2 (T2) capital before adjustments	**55.2**	**59.5**
Debentures	55.2	59.5
Adjustments to Tier 2 (T2) capital	**0.0**	**0.0**
Tier 2 (T2) capital	**55.2**	**59.5**
Total capital	**483.5**	**475.9**
Total capital	483.5	475.9
Minimum requirement for own funds	254.0	242.8
Capital adequacy ratio	**15.2%**	**15.7%**
Tier 1 capital	428.3	416.4
Minimum requirement for own funds	254.0	242.8
Tier 1 capital adequacy ratio	**13.5%**	**13.7%**
Total risk-weighted exposure amounts (RWAs)	**3,174.6**	**3,035.2**
of which credit risk	2,868.5	2,729.2
of which market risk	0.0	0.0
of which operational risk	306.0	306.0
of which risk associated with credit valuation adjustment (CVA)	0.0	0.0
Ratio of CET1 capital to risk-weighted exposure amounts (%)	**13.5%**	**13.7%**
Ratio of Tier 1 capital to risk-weighted exposure amounts (%)	**13.5%**	**13.7%**
Ratio of own funds to risk-weighted exposure amounts (%)	**15.2%**	**15.7%**

SPLIT OF CHANGES IN RISK EXPOSURE AMOUNT AND RISK-WEIGHTED ASSETS



MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

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

S-Bank will take the necessary measures to cover the MREL requirement within the set time.

REPORTING OF RISK AND CAPITAL ADEQUACY INFORMATION

S-Bank complies with its disclosure obligation by publishing information on risks, risk management and capital adequacy in its financial statements. The published information on capital adequacy and risks is always available on S-Bank’s website at www.s-pankki.fi.

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

SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD

No significant events occurred after the end of the review period.

OUTLOOK FOR THE REST OF THE YEAR

As a whole, the global economy is expected to grow by around 6 per cent this year, driven by pent-up demand caused by the coronavirus pandemic, accumulated savings and strong support measures implemented by governments. Next year, growth will stabilise to a more normal level of 3–4 per cent. There are major differences in growth rates between regions. Finland suffered less from the coronavirus pandemic than many other economies, decreasing by only 3 per cent last year. On the other hand, its growth will remain lower in the future than in many other countries. The Finnish economy is expected to grow by 2.5–3 per cent in 2021 and 2022.

Acceleration of inflation is a key question concerning the remainder of the year. If inflationary pressures are prolonged, central banks will have to reduce their stimulus measures sooner and more strongly than planned, which could slow the otherwise good growth of the economy. The risks are lower in the eurozone, while overheating risks are high in the United States. The most probable scenario is that central banks will begin to phase out their stimulus measures, but the pace will remain moderate and interest rates will remain low, while uncertainty about the measures will increase.

In terms of share prices, performance will no longer improve as strongly as before. Inflation creates risks for equities through tighter monetary policy and growing cost pressures, which may be reflected in companies' profit margins if increased costs are not transferred to sales prices. However, share prices are not expected to decrease significantly unless there is a sharp decline in the economic outlook.

We expect our good performance to continue in the second half of the year, and our operating profit to increase on the previous year. However, despite the positive outlook, there is still uncertainty regarding economic recovery.

Our earlier estimate was for our operating profit for 2021 to remain at the same level as in the previous year.

OTHER INFORMATION

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) was held on 24 March 2021. The AGM adopted the financial statements for 2020 and discharged the members of the Board of Directors and the CEO from liability. The AGM elected seven members and three deputy members to the Board of Directors. KPMG Oy Ab was elected as the company's auditor, with Petri Kettunen as the principally responsible 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 Helsinki Cooperative Society Elanto; Jorma Vehviläinen, CFO of SOK; Matti Kiviniemi, Head of Corporate Lending, LocalTapiola; and Erik Valros, CEO of LocalTapiola Uusimaa. In addition, Heli Arantola, Managing Director of Leipurin Plc, was re-elected as an independent member of the Board.

The following deputy members were re-elected to S-Bank's Board of Directors: Harri Miettinen, Managing Director of the Kymi Region Cooperative Society; Kim Biskop, Managing Director of the KPO Cooperative Society; and Pasi Aakula, CEO of LocalTapiola Satakunta.

Jari Annala was re-elected as Chair of the Board. Matti Kiviniemi was re-elected as Vice Chair.

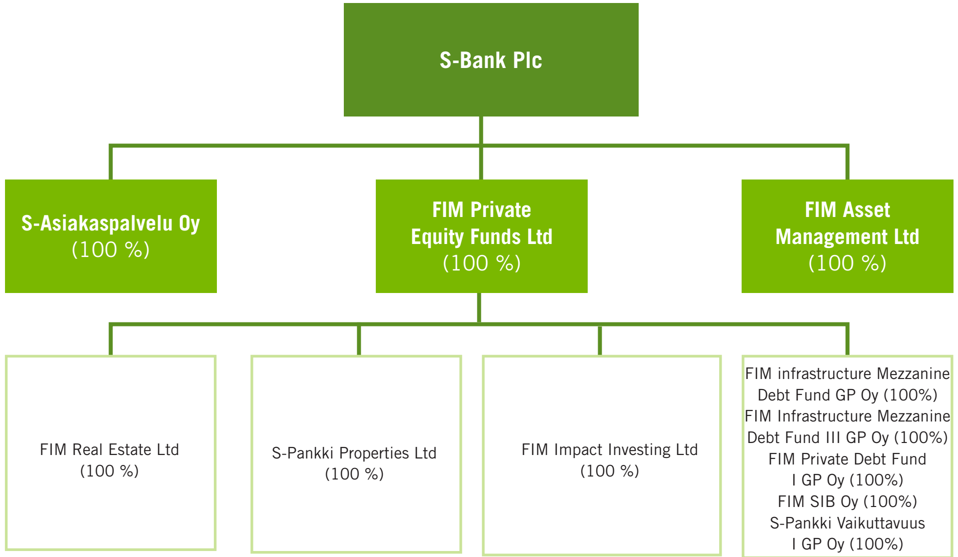
CEO

Pekka Ylihurula is the CEO of S-Bank Plc. Hanna Porkka has been the Deputy CEO since 2 February 2021.

PERSONNEL

At the end of the review period, the S-Bank Group employed a total of 695 people (658). Of these, 538 (525) persons worked at S-Bank Plc, 64 (45) persons at the subsidiaries of the Wealth Management business, and 93 (88) persons at S-Asiakaspalvelu Oy. The salaries and remuneration paid to personnel at the S-Bank Group totalled EUR 19.4 million (15.8).

CORPORATE STRUCTURE



The name of Fennia Properties Ltd was changed to S-Bank Properties Ltd on 18 January 2021.

During the first quarter of 2021, FIM Infrastructure Mezzanine Debt Fund III GP Oy was incorporated into the Group as a new company. The company serves as a general partner for the fund, which is managed by FIM Private Equity Funds Ltd. The company does not have any other business operations. It is fully owned by FIM Private Equity Funds Ltd.

Fennia Asset Management Ltd was merged into FIM Private Equity Funds Ltd on 1 April 2021.

S-Pankki Vaikuttavuus I GP Oy was incorporated into the Group as a new company in April. The company serves as a general partner in funds managed by FIM Private Equity Funds Ltd. The company does not have any other business operations. It is fully owned by FIM Private Equity Funds Ltd.

In other respects, the corporate structure and the Group companies are described in more detail in the 2020 financial statements.

HALF-YEAR REPORT FOR 1 JANUARY–30 JUNE 2021: TABLES

CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	1–6/2021	1–6/2020
Interest income		50,153	48,995
Interest expenses		-6,092	-4,179
Net interest income	3	44,062	44,816
Fee and commission income		60,520	50,986
Fee and commission expenses		-22,924	-21,182
Net fee and commission income	4	37,596	29,804
Net income from investing activities	5	2,363	2,259
Dividends		0	0
Other operating income		6,533	3,720
Total income		**90,554**	**80,599**
Personnel expenses		-23,604	-19,493
Other administrative expenses		-34,246	-33,078
Depreciation and impairment		-6,047	-6,152
Other operating expenses		-2,547	-2,473
Total costs		**-66,444**	**-61,195**
Impairment of receivables	9	-9,876	-12,758
Share of the profits of associated companies		0	-3
OPERATING PROFIT (LOSS)		**14,234**	**6,642**
Income taxes		-2,702	-2,027
Profit (loss) for the period		**11,533**	**4,615**
Of which:			
To the parent company's shareholders		11,533	4,615
TOTAL		**11,533**	**4,615**

*Deferred taxes have been adjusted after the publication of the half-year report for January–June 2020. The impact on the profit for the comparison period was EUR 615 thousand.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	1–6/2021	1–6/2020
PROFIT (LOSS) FOR THE PERIOD		**11,533**	**4,615**
Other comprehensive income items:			
Items that will not be reclassified to profit or loss			
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income		5	0
Tax effect		-1	0
Items that will not be reclassified to profit or loss		**4**	**0**
Items that may be reclassified subsequently to profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		2,708	-7,548
Tax effect		-565	1,525
Items that may be reclassified subsequently to profit or loss		**2,143**	**-6,023**
Other comprehensive income items, after taxes		**2,147**	**-6,023**
COMPREHENSIVE INCOME, TOTAL		**13,679**	**-1,407**
Of which:			
To the parent company's shareholders		13,679	-1,407
COMPREHENSIVE INCOME, TOTAL		**13,679**	**-1,407**

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets				
Cash and cash equivalents	6, 7	894,892	775,734	576,235
Debt securities eligible for refinancing with central banks	6, 7	670,570	721,541	737,630
Receivables from credit institutions	6, 7	29,714	33,863	28,721
Receivables from customers	6, 7	5,697,005	5,444,362	5,124,190
Debt securities	6, 7, 8	549,396	507,288	564,330
Derivatives	6, 7, 8	46	0	93
Shares and interests	6, 7	29,725	28,126	27,459
Holdings in associated companies		2	2	5
Intangible assets		73,162	70,995	50,545
Tangible assets		9,501	10,720	9,663
Tax assets		2,075	1,597	4,494
Prepayments and accrued income		24,671	25,060	23,760
Other assets		5,358	6,064	4,987
Total assets		**7,986,117**	**7,625,351**	**7,152,112**

(EUR '000)	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
Liabilities				
Liabilities to credit institutions	6, 7	0	0	0
Liabilities to customers	6, 7	7,320,165	6,976,500	6,524,113
Subordinated debts	6, 7	55,167	59,500	50,000
Derivatives	6, 7, 8	12,117	16,157	17,072
Provisions		397	397	302
Tax liabilities*		6,960	6,345	5,826
Accrued expenses		38,832	30,547	21,920
Other liabilities		49,723	47,260	61,721
Total liabilities		**7,483,361**	**7,136,707**	**6,680,954**
Equity				
Share capital		82,880	82,880	82,880
Reserves		285,513	283,366	277,014
Retained earnings		134,362	122,397	111,264
Parent company's shareholders		**502,756**	**488,644**	**471,158**
Total equity		**502,756**	**488,644**	**471,158**
Liabilities and equity, total		**7,986,117**	**7,625,351**	**7,152,112**

*Since the publication of the half-year report for January–June 2020, deferred taxes have been adjusted by EUR 1,215 thousand.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to parent company shareholders				
(EUR '000)	**Share capital**	**Reserve for invested non-restricted equity**	**Other reserves**	**Retained earnings**	**Total equity**
EQUITY 1 JAN 2020	**82,880**	**283,828**	**-792**	**106,921**	**472,838**
Comprehensive income					
Profit (loss) for the period				4,615	4,615
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**	**4,615**	**-1,407**
Other changes	0	0	0	-272	-272
TOTAL EQUITY 30 JUN 2020*	**82,880**	**283,828**	**-6,814**	**111,264**	**471,158**

*Since the publication of the half-year report for January–June 2020, deferred taxes have been adjusted by EUR 1,215 thousand.

(EUR '000)	Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total equity
	Equity attributable to parent company shareholders				
EQUITY 1 JAN 2020	**82,880**	**283,828**	**-792**	**106,921**	**472,838**
Comprehensive income					
Profit (loss) for the period				15,670	15,670
Other comprehensive income items:					
Profit or loss on financial assets measured at fair value through other comprehensive income			106	0	106
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income			224	0	224
Remeasurements of defined benefit plans				-149	-149
Comprehensive income, total	**0**	**0**	**330**	**15,521**	**15,851**
Other changes	0	0	0	-45	-45
TOTAL EQUITY 31 DEC 2020	**82,880**	**283,828**	**-462**	**122,397**	**488,644**

(EUR '000)	Equity attributable to parent company shareholders: Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total equity
EQUITY 1 JAN 2021	**82,880**	**283,828**	**-462**	**122,397**	**488,644**
Comprehensive income					
Profit (loss) for the period				11,533	11,533
Other comprehensive income items:					
Profit or loss on financial assets measured at fair value through other comprehensive income			2,143	0	2,143
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income			4	0	4
Comprehensive income, total	**0**	**0**	**2,147**	**11,533**	**13,679**
Other changes	0	0	0	432	432
TOTAL EQUITY 30 JUN 2021	**82,880**	**283,828**	**1,685**	**134,362**	**502,756**

CONSOLIDATED CASH FLOW STATEMENT

(EUR '000)	Note	1–6/2021	1–6/2020
Profit (loss) for the period		**11,533**	**4,615**
Depreciation and impairment		6,047	6,152
Shares of the profit of companies consolidated with the equity method		0	3
Credit losses		12,590	14,585
Other non-payment income and expenses		-1,595	-1,789
Income taxes		2,702	2,027
Other adjustments		-6	-44
Adjustments for financial income and expenses		1,546	2,158
Adjustments, total		21,283	23,092
Cash flows before changes in operating assets and liabilities		**32,815**	**27,707**
Increase/Decrease in operating assets (+/-)			
Receivables from credit institutions, other than repayable on demand		3,458	4,220
Receivables from customers		-265,333	-358,679
Derivatives		0	400
Investment assets		7,595	-226,238
Other assets		177	-191
Total Increase/Decrease in operating assets		**-254,103**	**-580,487**
Increase/Decrease in operating liabilities (+/-)			
Liabilities to credit institutions		0	0
Liabilities to customers		343,665	523,288
Other liabilities		12,706	11,080
Total Increase/Decrease in operating liabilities		**356,371**	**534,368**
Taxes paid		-3,141	-3,151
Cash flows from operating activities		**131,943**	**-21,563**

(EUR '000)	Note	1–6/2021	1–6/2020
Cash flows from investing activities			
Investments in tangible and intangible assets		-7,123	-5,355
Additional purchase prices paid		-609	-92
Proceeds from other investments		0	0
Cash flows from investing activities		**-7,732**	**-5,447**
Cash flows from financing activities			
Repayments of Long-term loans	6, 7	-4,333	0
Repayment of lease liabilities		-1,421	-1,128
Dividends paid		0	-272
Cash flows from financing activities		**-5,755**	**-1,400**
Difference in cash and cash equivalents		**118,456**	**-28,410**
Cash and cash equivalents, opening balance sheet		783,408	608,741
Difference in cash and cash equivalents		118,456	-28,410
Impact of changes in exchange rates		11	-27
Cash and cash equivalents		**901,875**	**580,304**
Cash and cash equivalents consist of the following items			
Cash and cash equivalents	6, 7	894,892	576,235
Repayable on demand		6,983	4,069
Cash and cash equivalents		**901,875**	**580,304**
Interest paid	3	**-5,776**	**-2,920**
Dividends received		**0**	**0**
Interest received	3	**51,302**	**50,103**

The comparative information for the cash flow statement has been restated since the publication of the half-year report for 2020.

GROUP'S QUARTERLY PROFIT PERFORMANCE

Consolidated income statement

(EUR '000)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	1–6/2021	1–6/2020
Interest income	25,512	24,642	24,991	25,170	24,605	50,153	48,995
Interest expenses	-2,848	-3,244	-3,434	-2,210	-2,306	-6,092	-4,179
Net interest income	22,664	21,398	21,556	22,960	22,299	44,062	44,816
Fee and commission income	31,607	28,913	29,706	27,578	24,125	60,520	50,986
Fee and commission expenses	-11,828	-11,096	-8,894	-11,175	-9,698	-22,924	-21,182
Net fee and commission income	19,779	17,817	20,812	16,403	14,427	37,596	29,804
Net income from investing activities	1,752	610	353	567	2,190	2,363	2,259
Other operating income	1,159	5,374	8,476	2,127	1,396	6,533	3,720
Total income	**45,355**	**45,199**	**51,197**	**42,057**	**40,312**	**90,554**	**80,599**
Personnel expenses	-11,683	-11,921	-13,500	-11,895	-9,062	-23,604	-19,493
Other administrative expenses	-17,526	-16,720	-17,152	-14,535	-17,165	-34,246	-33,078
Depreciation and impairment	-3,101	-2,946	-3,823	-3,447	-3,158	-6,047	-6,152
Other operating expenses	-754	-1,793	-1,785	-1,840	-1,012	-2,547	-2,473
Total costs	**-33,064**	**-33,380**	**-36,260**	**-31,716**	**-30,396**	**-66,444**	**-61,195**
Impairment of receivables	-4,635	-5,240	-6,610	-4,265	-7,166	-9,876	-12,758
Share of the profits of associated companies	0	0	2	0	-3	0	-3
OPERATING PROFIT (LOSS)	**7,656**	**6,579**	**8,329**	**6,077**	**2,746**	**14,234**	**6,642**
Income taxes	-1,633	-1,069	-2,175	-1,176	-669	-2,702	-2,027
PROFIT (LOSS) FOR THE PERIOD	**6,023**	**5,509**	**6,154**	**4,901**	**2,077**	**11,533**	**4,615**
Of which:							
To the parent company's shareholders	6,023	5,509	6,154	4,901	2,077	11,533	4,615
TOTAL	**6,023**	**5,509**	**6,154**	**4,901**	**2,077**	**11,533**	**4,615**

Consolidated comprehensive income statement

(EUR '000)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	1–6/2021	1–6/2020
PROFIT (LOSS) FOR THE PERIOD	**6,023**	**5,509**	**6,154**	**4,901**	**2,077**	**11,533**	**4,615**
Other comprehensive income items:							
Items that will not be reclassified to profit or loss							
Items due to remeasurements of defined benefit plans	0	0	12	-198	0	0	0
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income	5	0	288	0	0	5	0
Tax effect	-1	0	-66	40	0	-1	0
Items that will not be reclassified to profit or loss	**4**	**0**	**234**	**-159**	**0**	**4**	**0**
Items that may be reclassified subsequently to profit or loss							
Profit or loss on financial assets measured at fair value through other comprehensive income	1,031	1,678	3,296	4,355	9,703	2,708	-7,548
Tax effect	-205	-360	-648	-875	-1,942	-565	1,525
Items that may be reclassified subsequently to profit or loss	**825**	**1,318**	**2,648**	**3,480**	**7,761**	**2,143**	**-6,023**
Other comprehensive income items, after taxes	**829**	**1,318**	**2,882**	**3,322**	**7,761**	**2,147**	**-6,023**
COMPREHENSIVE INCOME, TOTAL	**6,852**	**6,827**	**9,036**	**8,222**	**9,839**	**13,679**	**-1,407**
Of which:							
To the parent company's shareholders	6,852	6,827	9,036	8,222	9,839	13,679	-1,407
COMPREHENSIVE INCOME, TOTAL	**6,852**	**6,827**	**9,036**	**8,222**	**9,839**	**13,679**	**-1,407**

SEGMENT REPORT

The S-Bank Group's operating segments are Banking and Wealth Management. Operations that do not fall under these business segments are reported under 'Other activities'. The Group reports segment data in accordance with the IFRS 8 Operating Segments standard. The reporting of business segments is identical to the internal reporting provided to company management. The S-Bank Group's highest executive decision-maker is the Group Management Team.

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 production of 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 and services for institutional investors.

Income statement 1 Jan–30 Jun 2021 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	44,138	-72	-4		44,062
Net fee and commission income	18,797	18,842	-43		37,596
Net income from investing activities	2,331	28	4		2,363
Other operating income	5,445	146	4,955	-4,014	6,533
Total income	**70,711**	**18,944**	**4,912**	**-4,014**	**90,554**
Total costs *	**-41,803**	**-15,408**	**-13,246**	**4,014**	**-66,444**
Impairment of receivables	-9,872		-3		-9,876
Share of the profits of associated companies				0	0
Operating profit (loss)	**19,036**	**3,536**	**-8,338**	**0**	**14,234**

External income from Banking was EUR 70,601 thousand and from Wealth Management EUR 18,872 thousand.

Income statement 1 Jan–30 Jun 2020 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	44,864	-28	-20		44,816
Net fee and commission income	18,334	11,219	251		29,804
Net income from investing activities	2,237	37	-16		2,259
Other operating income	2,376	187	4,842	-3,685	3,720
Total income	**67,812**	**11,415**	**5,058**	**-3,685**	**80,599**
Total costs *	**-40,677**	**-11,463**	**-12,741**	**3,685**	**-61,195**
Impairment of receivables	-12,758				-12,758
Share of the profits of associated companies				-3	-3
Operating profit (loss)	**14,376**	**-48**	**-7,683**	**-3**	**6,642**

External income from Banking was EUR 67,732 thousand and from Wealth Management EUR 11,332 thousand.

*The 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 costs'.

'Other activities' include Group support and headquarter functions. Most of the net expenses of the support and headquarter functions are allocated to the Banking and Wealth Management business segments. This cost allocation is included in the segments' item 'Total costs'. The result of 'Other activities' consists of items not allocated to the segments.

The most significant individual cost item under 'Other activities' is depreciation, which is primarily a result of the harmonisation of the computer systems and processes at Group level. 'Other activities' also include common costs, such as those related to financial statements, auditing, the Board of Directors and General Meetings, as well as those of the management, including the CEO, in support and headquarter functions. In addition, the income and expenses of functions subject to restructuring are allocated to 'Other activities'.

Balance sheet 30 Jun 2021 (EUR '000)	**Banking**	**Wealth Management**	**Other activities**	**Group, total**
Receivables from customers	5,697,005			5,697,005
Liquid and investment assets of banking	2,174,343			2,174,343
Intangible and tangible assets	1,897	34,261	46,508	82,666
Cash and other assets	12,716	8,965	10,422	32,104
Total assets	**7,885,961**	**43,226**	**56,930**	**7,986,117**
Banking liabilities	7,387,449			7,387,449
Provisions and other liabilities	37,580	10,958	47,374	95,912
Equity			502,756	502,756
Liabilities and equity, total	**7,425,029**	**10,958**	**550,130**	**7,986,117**

Balance sheet 31 Dec 2020 (EUR '000)	**Banking**	**Wealth Management**	**Other activities**	**Group, total**
Receivables from customers	5,444,362			5,444,362
Liquid and investment assets of banking	2,066,552			2,066,552
Intangible and tangible assets	3,321	34,548	43,848	81,717
Cash and other assets	12,199	6,927	13,594	32,720
Total assets	**7,526,433**	**41,475**	**57,442**	**7,625,351**
Banking liabilities	7,052,157			7,052,157
Provisions and other liabilities	33,985	6,572	43,994	84,550
Equity			488,644	488,644
Liabilities and equity, total	**7,086,142**	**6,572**	**532,638**	**7,625,351**

Material customer business items, as well as 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'.

QUARTERLY PROFIT PERFORMANCE BY SEGMENT

Banking (EUR '000)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	1–6/2021	1–6/2020
Net interest income	22,698	21,440	21,608	22,993	22,329	44,138	44,864
Net fee and commission income	9,944	8,854	11,110	8,988	9,690	18,797	18,334
Net income from investing activities	1,734	597	316	538	2,182	2,331	2,237
Other operating income	789	4,656	7,996	1,211	912	5,445	2,376
Total income	**35,164**	**35,547**	**41,030**	**33,730**	**35,112**	**70,711**	**67,812**
Total costs	**-21,141**	**-20,662**	**-23,575**	**-19,780**	**-20,679**	**-41,803**	**-40,677**
Impairment of receivables	-4,633	-5,239	-6,608	-4,265	-7,166	-9,872	-12,758
Operating profit (loss)	**9,390**	**9,646**	**10,847**	**9,686**	**7,266**	**19,036**	**14,376**

S-Asiakaspalvelu Oy's operations were transferred from Banking to 'Other activities' at the beginning of 2021. The change decreased the income from banking operations by around EUR 6.2 million and expenses by around EUR 5.9 million in 2020, and had a negative impact on Banking's profit by the amount of S-Asiakaspalvelu's profit. The income and expenses mentioned above are mainly intra-Group.

Wealth Management (EUR '000)	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	1–6/2021	1–6/2020
Net interest income	-35	-38	-40	-19	-17	**-72**	-28
Net fee and commission income	9,812	9,029	9,787	7,554	4,713	18,842	11,219
Net income from investing activities	22	6	38	35	9	28	37
Other operating income	66	80	87	3	123	146	187
Total income	**9,866**	**9,078**	**9,872**	**7,573**	**4,828**	**18,944**	**11,415**
Total costs	**-8,005**	**-7,403**	**-8,485**	**-6,933**	**-5,545**	**-15,408**	**-11,463**
Impairment of receivables	0	0	-2	0	0	0	0
Operating profit (loss)	**1,861**	**1,675**	**1,385**	**640**	**-717**	**3,536**	**-48**

NOTES TO THE HALF-YEAR REPORT

NOTE 1: BASIC INFORMATION

The S-Bank Group consists of S-Bank Plc 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 such tasks of the Group companies that must be carried out in a centralised manner, such as the Group's administration, guidance and supervision.

S-Bank'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 half-year report for 1 January–30 June 2021 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 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 2020 financial statements.

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

The calculation of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain assumptions of a change in credit risk. A management factor is also used in the calculation of expected credit loss. In addition to considering the macroeconomic situation, the management factor takes into account the uncertainties surrounding the model and its underlying assumptions, as well as the model risk. The management factor is confirmed monthly, and it takes into account the latest available information about the macroeconomic outlook and the underlying assumptions of the models.

IFRS IC finalized in April 2021 its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customisation costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. As the S-Bank Group has cloud computing arrangements in place, it has started to analyse, if this agenda decision has an impact to the accounting policies applied to implementation costs in cloud computing arrangements. The Group will undertake this analysis under the fall 2021, and the possible impacts will be implemented in the financial statements 2021 at the latest.

NOTE 3: NET INTEREST INCOME

	1–6/2021	1–6/2020
Interest income		
Debt securities eligible for refinancing with central banks		
measured at fair value through other comprehensive income	1,298	1,799
Receivables from credit institutions	13	-60
Receivables from customers	47,705	45,691
Debt securities		
measured at fair value through other comprehensive income	1,366	1,458
measured at fair value through profit or loss	-229	64
Derivatives	0	45
Other interest income	0	-2
Total interest income using the effective interest method	50,382	48,888
Other interest income	-229	107
Interest income, total	**50,153**	**48,995**
Interest income from stage 3 financial assets	800	821
Interest expenses		
Liabilities to credit institutions	-757	-359
Liabilities to customers	-1,620	-1,964
Derivatives	-3,130	-1,403
Subordinated debts	-564	-431
Other interest expenses	-9	-3
Interest expenses on leases	-13	-18
Total interest expenses using the effective interest method	-2,940	-2,754
Other interest expenses	-3,151	-1,425
Interest expenses, total	**-6,092**	**-4,179**
NET INTEREST INCOME	**44,062**	**44,816**
Of which negative interest income	-229	-62
Of which negative interest expenses, which are included in interest income	383	256

NOTE 4: NET FEE AND COMMISSION INCOME

	1–6/2021	1–6/2020
Fee and commission income by segment		
Fee and commission income from Banking		
From lending	12,821	12,816
From borrowing	1,228	1,143
From payment transactions	7,625	7,147
From legal duties	189	168
From insurance brokerage	690	572
From issuance of guarantees	16	37
Total fee and commission income from Banking	22,569	21,883
Total fee and commission income from Wealth Management		
From funds	33,331	26,909
From wealth management	2,370	1,072
Total fee and commission income from Wealth Management	35,701	27,981
Fee and commission income from other activities		
From securities brokerage	107	534
Other fee and commission income	537	589
Total fee and commission income from other activities	644	1,122
Total fee and commission income	**60,520**	**50,986**
Fee and commission expenses		
From funds	-17,674	-16,070
From wealth management	-23	-317
From securities brokerage	-742	-819
From card business	-3,944	-3,742
Banking fees	-243	-79
Other expenses	-144	-155
Fee and commission expenses, total	**-22,924**	**-21,182**
Net fee and commission income	**37,596**	**29,804**

NOTE 5: NET INCOME FROM INVESTING ACTIVITIES

	1–6/2021	1–6/2020
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	15	42
Changes in fair value	1	129
Shares and interests		
Capital gains and losses	12	-90
Changes in fair value	1,542	702
Derivatives		
Capital gains and losses	0	-126
Changes in fair value	24	784
Net income from financial assets measured at fair value through profit or loss, total	**1,594**	**1,441**
Net income from financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	391	390
Other income and expenses	-7	-7
Shares and interests		
Capital gains and losses	309	125
Net income from financial assets measured at fair value through other comprehensive income, total	**692**	**508**
Net income from currency operations	**173**	**29**
Net income from hedge accounting		
Net result from hedging instruments	4,062	-1,155
Net result from hedged items	-4,158	1,436
Net income from hedge accounting	**-96**	**281**
Net income from investing activities, total	**2,363**	**2,259**

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

NOTE 6: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

			Fair value through profit or loss		
Classes of financial assets, 30 Jun 2021	**Amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	894,892				894,892
Debt securities eligible for refinancing with central banks		670,570			670,570
Receivables from credit institutions	29,714				29,714
Receivables from customers	5,697,005				5,697,005
Debt securities		203,358	346,037		549,396
Derivatives				46	46
Shares and interests		811	28,913		29,725
Total	**6,621,611**	**874,740**	**374,951**	**46**	**7,871,348**

		Fair value through profit or loss		
Classes of financial liabilities, 30 Jun 2021	**Amortised cost**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Liabilities to credit institutions	0			0
Liabilities to customers	7,320,165			7,320,165
Subordinated debts	55,167			55,167
Derivatives		9	12,108	12,117
Lease liabilities	8,191			8,191
Total	**7,383,523**	**9**	**12,108**	**7,395,640**

			Fair value through profit or loss		
Classes of financial assets, 31 Dec 2020	**Amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	775,734				775,734
Debt securities eligible for refinancing with central banks		721,541			721,541
Receivables from credit institutions	33,863				33,863
Receivables from customers	5,444,362				5,444,362
Debt securities		184,769	322,519		507,288
Derivatives				0	0
Shares and interests		765	27,360		28,126
Total	**6,253,959**	**907,076**	**349,879**	**0**	**7,510,914**

		Fair value through profit or loss		
Classes of financial liabilities, 31 Dec 2020	**Amortised cost**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Liabilities to credit institutions	0			0
Liabilities to customers	6,976,500			6,976,500
Subordinated debts	59,500			59,500
Derivatives		32	16,125	16,157
Lease liabilities	9,437			9,437
Total	**7,045,437**	**32**	**16,125**	**7,061,594**

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 2021	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	894,892	0	894,892	894,892
Receivables from credit institutions	0	29,706	0	29,706	29,714
Receivables from customers	0	6,122,665	0	6,122,665	5,697,005
Total	**0**	**7,047,264**	**0**	**7,047,264**	**6,621,611**
Financial assets measured at fair value through profit or loss					
Debt securities	0	346,037	0	346,037	346,037
Derivatives	0	46	0	46	46
Shares and interests	15,868	13,045	0	28,913	28,913
Total	**15,868**	**359,128**	**0**	**374,996**	**374,996**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	672,203	0	0	672,203	670,570
Debt securities	204,464	0	0	204,464	203,358
Shares and interests	0	605	207	811	811
Total	**876,667**	**605**	**207**	**877,478**	**874,740**
Fair values of assets, total	**892,535**	**7,406,997**	**207**	**8,299,738**	**7,871,348**

Financial assets, fair values 31 Dec 2020	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	775,734	0	775,734	775,734
Receivables from credit institutions	0	33,853	0	33,853	33,863
Receivables from customers	0	5,890,630	0	5,890,630	5,444,362
Total	**0**	**6,700,216**	**0**	**6,700,216**	**6,253,959**
Financial assets measured at fair value through profit or loss					
Debt securities	0	322,519	0	322,519	322,519
Derivatives	0	0	0	0	0
Shares and interests	14,417	12,942	1	27,360	27,360
Total	**14,417**	**335,461**	**1**	**349,879**	**349,879**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	723,634	0	0	723,634	721,541
Debt securities	186,363	0	0	186,363	184,769
Shares and interests	0	549	217	765	765
Total	**909,998**	**549**	**217**	**910,763**	**907,076**
Fair values of assets, total	**924,415**	**7,036,225**	**218**	**7,960,858**	**7,510,914**

Fair values of financial liabilities at 30 Jun 2021	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	0	0	0	0	0
Liabilities to customers	0	7,387,961	0	7,387,961	7,320,165
Subordinated debts	0	55,927	0	55,927	55,167
Total	**0**	**7,443,889**	**0**	**7,443,889**	**7,375,332**
Financial liabilities measured at fair value through profit or loss					
Derivatives	0	14,063	0	14,063	12,117
Total	**0**	**14,063**	**0**	**14,063**	**12,117**

Fair values of financial liabilities at 31 Dec 2020	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	0	0	0	0	0
Liabilities to customers	0	7,050,404	0	7,050,404	6,976,500
Subordinated debts	0	60,094	0	60,094	**59,500**
Total	**0**	**7,110,498**	**0**	**7,110,498**	**7,036,000**
Financial liabilities measured at fair value through profit or loss					
Derivatives	0	16,157	0	16,157	16,157
Total	**0**	**16,157**	**0**	**16,157**	**16,157**

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 derivatives (excluding futures) are determined by discounting future cash flows to the present value and applying market interest rates on the closing date. Bonds, investment fund units and futures are measured at market value. Financial assets measured 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 measured 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, including when instruments are no longer actively traded. No transfers between Levels 1 and 2 took place during the period.

Changes at level 3	Shares and interests
Shares and interests, carrying amount 1 Jan 2021	218
Purchases	4
Sales	-16
Shares and interests, carrying amount 30 Jun 2021	**206**

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

NOTE 8: DERIVATIVES AND HEDGE ACCOUNTING

Nominal and fair values of derivatives	30 Jun 2021 Nominal value	30 Jun 2021 Positive fair value	30 Jun 2021 Negative fair value	31 Dec 2020 Nominal value	31 Dec 2020 Positive fair value	31 Dec 2020 Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	541,200	46	-12,108	571,200	0	-16,125
Total interest rate derivatives designated for hedge accounting	**541,200**	**46**	**-12,108**	**571,200**	**0**	**-16,125**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate swaps	140,000	0	-9	140,000	0	-32
Total interest rate derivatives, other than for hedging purposes	**140,000**	**0**	**-9**	**140,000**	**0**	**-32**
Total derivatives	**681,200**	**46**	**-12,117**	**711,200**	**0**	**-16,157**

Maturities of derivatives	30 Jun 2021 less than one year	30 Jun 2021 1–5 years	30 Jun 2021 over 5 years	30 Jun 2021 Total	31 Dec 2020 less than one year	31 Dec 2020 1–5 years	31 Dec 2020 over 5 years	31 Dec 2020 Total
Designated for hedge accounting								
Interest rate derivatives	85,000	439,000	17,200	**541,200**	40,000	524,000	7,200	**571,200**
For non-hedging purposes								
Interest rate derivatives	90,000	40,000	10,000	**140,000**	70,000	70,000	0	**140,000**
Total derivatives	**175,000**	**479,000**	**27,200**	**681,200**	**110,000**	**594,000**	**7,200**	**711,200**

Changes in the fair value of hedged items attributable to the hedged risk are recognised in the income statement under ‘Net income 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 income from hedge accounting’. When hedging is effective, the changes in fair value offset each other and the net result is close to zero.

30 Jun 2021	Nominal value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedging derivatives					
Fair value hedge					
Interest rate derivatives	561,200	0	-14,028	Derivatives and other liabilities subject to trading	4,062
Hedging derivatives, total	**561,200**	**0**	**-14,028**		**4,062**

30 Jun 2021	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		
Hedged item						
Debt securities	847,902	0	14,010	0	Debt securities	-4,158
Hedged items, total	**847,902**	**0**	**14,010**	**0**		**-4,158**

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 2021		Profit / loss on hedging relationship			
Hedged item	Hedging instrument	Hedged item	Hedging instrument	Ineffective portion of hedging relationship	Income statement line to which the ineffective portion is booked
Debt securities	Interest rate derivatives	-4,158	4,062	-96	Net income from investment operations: net result of hedge accounting

31 Dec 2020	Nominal value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedging derivatives					
Fair value hedge					
Interest rate derivatives	571,200	0	-16,125	Derivatives and other liabilities subject to trading	-265
Hedging derivatives, total	**571,200**	**0**	**-16,125**		**-265**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2020	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item i ncluding the hedged item**	**Ineffective portion recognised in the income statement**
Hedged item						
Debt securities	855,433	0	16,110	0	Debt securities	453
Hedged items, total	**855,433**	**0**	**16,110**	**0**		**453**

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.

31 Dec 2020		Profit / loss on hedging relationship			
Hedged item	**Hedging instrument**	**Hedged item**	**Hedging instrument**	**Ineffective portion of hedging relationship**	**Income statement line to which the ineffective portion is booked**
Debt securities	Interest rate derivative	453	-265	188	Net income from investment operations: Net income from hedge accounting

NOTE 9: IMPAIRMENT OF RECEIVABLES

Expected and final credit losses of EUR 12.5 (14.7) million were recognised in the consolidated income statement during the reporting period. Reversals, or recovered credit losses, amounted to EUR 2.6 million (1.9). Consequently, the total net effect on profit of expected and final credit losses was EUR 9.9 million (12.8).

EXPECTED CREDIT LOSSES AND IMPAIRMENT LOSSES RECOGNISED DURING THE PERIOD

Expected credit losses and impairment losses (EUR ’000)	1–6/2021	1–6/2020
Receivables written off as credit and guarantee losses	10,736	11,589
Reversal of receivables written off	-2,600	-1,904
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	1,854	2,996
Expected credit losses (ECL) on investment activities	-118	77
Total	**9,872**	**12,758**

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 risk exposure summary table presents the exposures and commitments subject to credit risk and the related ECL provisions by impairment stage. The coverage ratio illustrates the proportion of the exposure in the ECL reservation.

The total ECL provision at the end of the review period was EUR 21.3 million (19.6). The ECL provision increased by EUR 1.7 million during the reporting period, mainly due to an increase in the proportion of household customers. The coverage ratio of the total portfolio has remained relatively stable at 0.23 per cent and within the risk appetite defined by S-Bank’s Board of Directors in its credit risk strategy.

RISK EXPOSURE, SUMMARY

30 Jun 2021 (EUR million)	Stage 1		Stage 2		Stage 3				
	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments, total	ECL provision, total	Coverage ratio, %
Lending to household customers*	4,116.5	-1.7	665.2	-11.6	37.1	-5.9	4,818.7	-19.2	-0.40%
Lending to corporate customers*	909.6	-0.4	7.8	-0.1	0.0	0.0	917.4	-0.5	-0.05%
Investing activities**	874.6	-0.4	2.0	-0.2	0.0	0.0	876.7	-0.6	-0.07%
Off-balance sheet commitments***	2,415.8	-0.3	75.5	-0.7	0.4	0.0	2,491.7	-1.0	-0.04%
Total	**8,316.5**	**-2.7**	**750.5**	**-12.6**	**37.4**	**-6.0**	**9,104.5**	**-21.3**	**-0.23%**

*The ECL provision is recognised as a single amount in order 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 2020 (EUR million)	Stage 1		Stage 2		Stage 3				
	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments subject to credit risk	ECL provision	Exposures and commitments, total	ECL provision, total	Coverage ratio, %
Lending to household customers*	3,896.4	-1.6	593.2	-11.6	28.6	-4.2	4,518.2	-17.4	-0.39%
Lending to corporate customers*	953.3	-0.3	7.9	-0.1	0.0	0.0	961.2	-0.4	-0.04%
Investing activities**	910.0	-0.7	0.0	0.0	0.0	0.0	910.0	-0.7	-0.08%
Off-balance sheet commitments***	2,031.9	-0.2	99.8	-0.7	0.5	0.0	2,132.1	-1.0	-0.05%
Total	**7,791.5**	**-2.8**	**700.9**	**-12.5**	**29.1**	**-4.3**	**8,521.6**	**-19.6**	**-0.23%**

*The ECL provision is recognised as a single amount in order 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 present the cash amounts exposed to credit risks, excluding collateral or other credit risk mitigation measures. The information is distributed across credit risk 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 constitutes 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.

EXPOSURE TO CREDIT RISK (HOUSEHOLD CUSTOMERS)

	Lending to household customers			
30 Jun 2021, (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	3,349,015	327,310	0	3,676,325
Category 2	243,134	56,877	0	300,010
Category 3	201,406	61,843	0	263,249
Category 4	77,107	38,347	0	115,455
Category 5	165,949	52,404	0	218,354
Category 6	78,650	46,635	0	125,286
Category 7	1,240	81,737	0	82,977
In default	0	0	37,050	37,050
Gross carrying amount	**4,116,501**	**665,154**	**37,050**	**4,818,705**
ECL provision*	-1,689	-11,600	-5,927	-19,216
Net carrying amount	**4,114,812**	**653,554**	**31,123**	**4,799,490**

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

	Lending to household customers			
31 Dec 2020, (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	3,122,358	291,204	0	3,413,563
Category 2	242,529	43,372	0	285,901
Category 3	203,942	48,815	0	252,757
Category 4	74,521	35,527	0	110,048
Category 5	164,850	45,524	0	210,374
Category 6	87,478	45,123	0	132,601
Category 7	728	83,633	0	84,361
In default	0	0	28,618	28,618
Gross carrying amount	**3,896,406**	**593,198**	**28,618**	**4,518,222**
ECL provision*	-1,583	-11,615	-4,246	-17,444
Net carrying amount	**3,894,823**	**581,583**	**24,372**	**4,500,779**

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

The corporate loan portfolio focuses on the secured financing of housing companies that are new or under construction. As mortgage-backed loans, these are considered to be less risky, which also reduces the expected credit losses. Corporate exposures and investment activities focus on 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 2021 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	2,855,032	47,253	0	2,902,285
Category 2	445,132	7,918	0	453,050
Category 3	278,947	6,846	0	285,793
Category 4	304,365	4,398	0	308,763
Category 5	280,131	3,256	0	283,388
Category 6	35,341	11,053	0	46,394
Category 7	1,093	4,621	0	5,714
In default	0	0	394	394
Total	**4,200,041**	**85,346**	**394**	**4,285,782**
ECL provision*	-1,049	-1,021	-26	-2,097

*The ECL provision for corporate customers is recognised as a single amount in order 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 2020 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	2,519,608	49,812	0	2,569,420
Category 2	443,191	14,709	0	457,900
Category 3	278,597	7,655	0	286,252
Category 4	328,868	15,365	0	344,232
Category 5	276,475	5,116	0	281,592
Category 6	47,549	9,483	0	57,032
Category 7	841	5,563	0	6,404
In default	0	0	496	496
Total	**3,895,130**	**107,702**	**496**	**4,003,328**
ECL provision*	-1,219	-883	-31	-2,133

*The ECL provision for corporate customers is recognised as a single amount in order 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 transfers and changes in expected credit losses during the review period. The tables present the reconciliation between the opening and closing balances of the loss allowance. Changes in risk parameters reduced the ECL provision by EUR 0.6 million from the beginning of the reporting period. This item is affected by estimates from risk models and factors reflecting the macroeconomic situation and the management's estimate, for example. The change in the factor reflecting the macroeconomic situation and the management's estimate increased the ECL provision by around EUR 0.2 million during the reporting period. The new definition of default increased exposures classified under Stage 3, which affected transfers of ECL provisions from Stage 1 to Stage 3 and from Stage 2 to Stage 3 during the reporting period.

RECONCILIATION OF EXPECTED CREDIT LOSSES (HOUSEHOLD CUSTOMERS)

	Household customers			
30 Jun 2021 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1 Jan 2021	**1,583**	**11,615**	**4,246**	**17,444**
Transfers from stage 1 to stage 2	-237	4,194	0	3,957
Transfers from stage 1 to stage 3	-27	0	1,141	1,114
Transfers from stage 2 to stage 1	177	-2,659	0	-2,482
Transfers from stage 2 to stage 3	0	-1,027	2,397	1,370
Transfers from stage 3 to stage 1	6	0	-145	-139
Transfers from stage 3 to stage 2	0	124	-488	-364
Changes in the risk parameters	43	-124	-131	-211
Increases due to origination and acquisition	224	607	163	994
Decreases due to derecognition	-74	-411	-81	-565
Decrease in the allowance account due to write-offs	-7	-719	-1,175	-1,901
Net change in ECL	106	-15	1,681	1,772
ECL 30 Jun 2021	**1,689**	**11,600**	**5,927**	**19,216**

RECONCILIATION OF EXPECTED CREDIT LOSSES (CORPORATE LENDING, 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 2021 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1 Jan 2021	**1,219**	**883**	**31**	**2,133**
Transfers from stage 1 to stage 2	-9	190	0	181
Transfers from stage 1 to stage 3	0	0	15	15
Transfers from stage 2 to stage 1	10	-193	0	-183
Transfers from stage 2 to stage 3	0	-31	6	-25
Transfers from stage 3 to stage 1	10	0	-24	-15
Transfers from stage 3 to stage 2	0	2	-2	-1
Changes in the risk parameters	-247	-139	0	-386
Increases due to origination and acquisition	195	416	4	615
Decreases due to derecognition	-129	-63	-3	-194
Decrease in the allowance account due to write-offs	0	-42	-1	-43
Net change in ECL	-170	139	-5	-36
ECL 30 Jun 2021	**1,049**	**1,021**	**26**	**2,097**

NOTE 10: COLLATERAL GIVEN

	Other collateral	
	30 Jun 2021	**31 Dec 2020**
Collateral given for own debt		
Liabilities to credit institutions	168,725	174,131
Derivative contracts and liabilities held for trading	17,519	22,865
Collateral given for own debt, total	**186,244**	**196,997**
of which cash	17,519	22,865
of which securities	168,725	174,131
Other collateral given on own behalf	**362**	**362**
of which cash	362	362

NOTE 11: OFF-BALANCE SHEET COMMITMENTS

Impairment of off-balance sheet items is presented above (Note 9: Impairment of Receivables).

	30 Jun 2021	**31 Dec 2020**
Guarantees	12,933	14,280
Other commitments given to third parties	175	207
Undrawn credit facilities	231,120	208,917
Total	**244,228**	**223,405**

The expected credit loss on off-balance sheet items is EUR 990 thousand (1,010 thousand).

NOTE 12: RELATED PARTIES

Related-party information is described in more detail in the 2020 financial statements.

NOTE 13: EVENTS AFTER THE REVIEW PERIOD

No significant events occurred after the end of the review period.

FINANCIAL CALENDAR 2021

In 2021, S-Bank will publish financial information as follows:
Interim report January–September 2021: 9 November 2021

29 July 2021
S-Bank Plc's Board of Directors

REPORT ON REVIEW OF THE HALF-YEAR FINANCIAL REPORT OF S-BANK PLC AS OF AND FOR THE SIX MONTHS PERIOD ENDING JUNE 30, 2021

TO THE BOARD OF DIRECTORS OF S-BANK PLC

INTRODUCTION

We have reviewed the balance sheet as of June 30, 2021 and the related income statement, statement of other comprehensive income, statement of changes in equity capital and cash flow statement of S-Bank Plc Group for the six-month period then ended, as well as other explanatory notes to the consolidated financial statements. The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of this Half-Year Financial Report in accordance with IAS 34 Interim Financial Reporting and other Finnish rules and regulations governing the preparation of interim reports. We will express our conclusion on the Half-Year Financial Report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and other generally accepted auditing practices and consequently does not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Half-Year Financial Report, in all material respects, is not prepared in accordance with IAS 34 Interim Financial Reporting and other applicable rules and regulations governing Half-Year Financial Report reporting preparation in Finland.

Helsinki, 29 July 2021

KPMG OY AB

Petri Kettunen
Authorised Public Accountant, KHT

This document is an English translation of the Finnish report on review of the interim report. Only the Finnish version of the report is legally binding.

S-Bank

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