ANNUAL REPORT 2019

S-Bank

CONTENTS

A RECORD-BREAKING YEAR

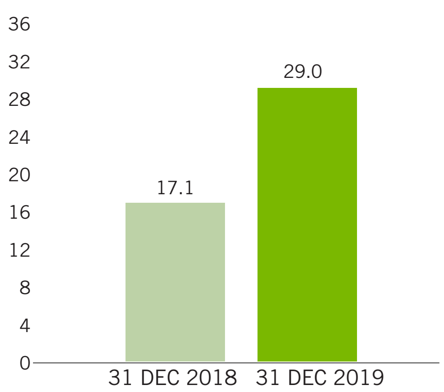
PEKKA YLIHURULA, CEO

”S-Bank succeeded in establishing itself among the major Finnish banks in the 2010s. Our rapid, but controlled, growth is evidence of this. S-Bank’s decade ended on an encouraging note: 2019 was a record-breaking year for us.”

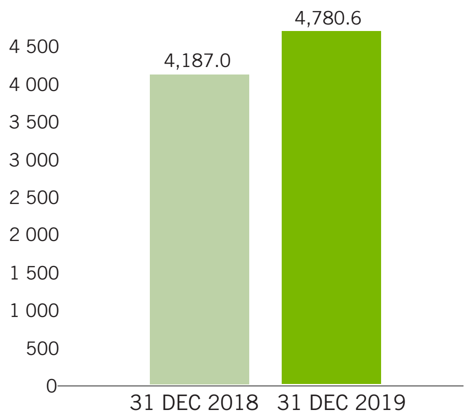
JANUARY-DECEMBER 2019

- Operating profit increased by 69.3 per cent to EUR 29.0 million (EUR 17.1 million).
- Lending increased by 14.2 per cent to EUR 4.8 billion (EUR 4.2 billion).
- Assets under management increased by 19.5 per cent to EUR 9.1 billion (EUR 7.6 billion).
- The capital adequacy ratio decreased to 16.3 per cent (16.8).
- Outlook for 2020: We expect S-Bank Group’s operating profit to grow moderately in 2020 compared with the previous year, despite a general slowdown in economic growth.

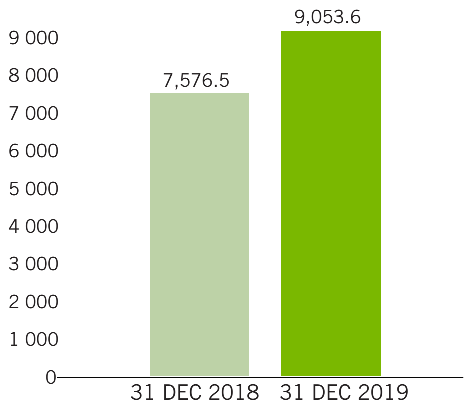
Operating profit (EUR m)



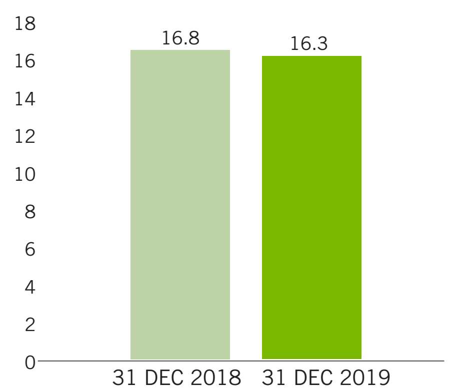
Lending (EUR m)



Assets under management (EUR m)



Capital adequacy ratio, %



CEO'S REVIEW

The past decade was in many ways an extraordinary time for banks and bank customers. Interest rates plunged to record lows throughout the world, and at the same time bank regulation was tightened.

Despite the challenging environment, S-Bank, founded in 2007, succeeded in establishing itself as a major Finnish bank in the 2010s. Our rapid, but controlled, growth is evidence of this.

S-Bank's decade ended on an encouraging note: 2019 was a record-breaking year for us. Our operating profit increased to EUR 29.0 million (17.1), up 69.3 per cent on the previous year. Total income increased by 9.8 per cent and expenses decreased by 1.7 per cent, while our capital adequacy ratio remained at a good level at 16.3 per cent (16.8).

All of our major products - loans, payment cards and wealth management services - performed well. Our lending increased to EUR 4.8 billion (4.2) and assets under management to EUR 9.1 billion (7.6).

I believe 2019 is proof that S-Bank is capable of elevating its business to the next level. In 2019, we introduced, among other things, an automated system for processing unsecured credits. This change will enable our loan portfolio to grow more strongly in the future.

In the spring, we launched a new version of the S-mobiili application that combines S-Bank and S-Group services. It has been well-received. By the end of 2018, 89 per cent of the log-ins in the bank's electronic services were accessed using S-Mobiili.

We also made many important choices. In the spring, we renewed our organization and focused our operations more tightly around two business units, Banking and Wealth Management. We are confident this reform will enhance the efficiency of our operations and reduce our expenses. We also updated the pricing and terms of our products and services.

The year 2020 will be demanding. In the light of current knowledge, interest rates will remain at a record low. On the other hand, the regulation of the sector will be further tightened. Based on the past year, however, I am confident with respect to the future.

This is a good foundation for the new decade. For my part, I would like to thank you – our customers, staff, owners and all of our partners – for your trust, and to wish you all a successful year 2020.

PEKKA YLIHURULA
CEO, S-Bank

OPERATIONS IN THE REVIEW PERIOD

KEY EVENTS

In January, S-Bank reinforced its position as a leader in responsible investing, and especially impact investing, through an acquisition. Epiqus Oy, a fund manager specialising in impact mutual funds, became a subsidiary of FIM Private Equity Funds Ltd and its employees will be transferred to S-Bank's Wealth Management business. The new name of the company is FIM Impact Investing Ltd.

In the first quarter of 2019 the bank presented two new impact investing projects. The Lapset SIB project focuses on promoting the wellbeing of children, families with children, and young people. The Työ SIB project offers and develops services that promote employment for the long-term unemployed. The first EUR 5 million funding round of the Lapset SIB project was completed in December.

In February, S-Bank announced changes to the pricing and terms of certain products and services. They included payment cards, loans and accounts. The new prices and terms came into force on 1 May 2019.

At the start of the second quarter S-Bank launched the FIM Passive Europe ESG fund, which combines responsible investing with a passive approach. The fund belongs to the FIM Vastuullisuus Plus family which consists of funds whose responsibility exceeds the general responsibility principles of S-Bank and the FIM funds. It was S-Bank's first passive fund. Later in the fall, FIM Passive USA ESG, a sister fund investing in the US market, was launched.

Later in March FIM Asset Management Ltd and the Varma Mutual Pension Insurance Company joined the international Tobacco -Free Finance Pledge initiative as the first Finnish members from the finance sector. The initiative seeks to make the finance sector more aware of the role it plays and to promote anti-tobacco policies in the sector.

In March the company also launched an initiative to reorganise the bank in order to further concentrate operations around the two business units, Banking and Wealth Management. Under the co-determination talks that were initiated in conjunction with the reorganisation, the employment contracts of 54 persons have been or will be terminated. FIM Asset Management Ltd closed its Swedish branch at the end of October.

In April S-Bank launched a new version of the S-Mobiili app that offers services both from the bank and from the S Group. New features of the app include the Omat ostot (My purchases) service which summarizes and illustrates the customer's spending, and Finland's first microsaving service called Säästäjä (Saver). With Säästäjä users can transfer one euro per each purchase and also the bonuses accumulated from purchases at S Group stores made with a payment card to a fund. In April, an unsecured credit processing system was also introduced, which is expected to enable stronger growth in the loan portfolio.

The maximum amount for contactless payments was increased from EUR 25 to EUR 50 in April. The higher limit was available to S-Etukortti Visa payment card users immediately. In spring, new features were added to the S-Etukortti Visa, including a PIN code that users can choose themselves.

In May S-Bank and the S Group launched a new look for the S-Etukortti Visa. The new card is the first vertical payment card in Finland. The new style makes on-line payment easier, among other benefits.

At the end of June the Finnish Financial Stability Authority (Rahoitusvakausvirasto, RVV) issued its decision on the Minimum Requirement for own funds and Eligible Liabilities (MREL) applied to the S-Bank Group. The requirement is 9.9 per cent of total liabilities and own funds (TLOF). The requirement must be met on a gradual basis by 30 June 2022. It will be in force for a maximum of two years as of its application unless the Finnish Financial Stability Authority revises its decision earlier.

In August, an electronic signature platform was introduced at S-Bank's outlets. The platform speeds up transactions and saves up to 100,000 sheets of paper per month. In the same month, S-Bank announced that its customers can continue using one-time code cards even after the new Payment Services Act enters into force in September. As an additional confirmation of identity, a text message will be used. However, almost 90 per cent of all customer sign-ups are already done with S-Mobiili authentication, which works with a PIN or fingerprint. On the other hand, recent evidence of the strength of the S-Bank brand emerged when the brand fared the best in the financial industry in both the

YouGov annual BrandIndex survey and the Marketing & Advertising magazine survey.

The DIAS digital housing market service was launched for the digital housing market. S-Bank completed its first home sale through DIAS in September.

The fall in market interest rates continued in the autumn, which affected the banking sector in many ways. In October, S-Bank lowered its S-Prime interest rate by 0.20 percentage points to 0.40 per cent. Due to the continuance of only moderate interest rates on deposit accounts, Finns' interest in fund savings remained strong, and the Säästäjä microsaving service surpassed the milestone of 20,000 users in October.

In November, S-Bank and Visa announced that they had renewed their cooperation agreements. Finns have 2.3 million S-Etukortti Visa cards and every tenth purchase made in Finland is paid for with an S-Bank card.

In December, a EUR 980,000 penalty was imposed on S-Bank Ltd by the Financial Supervisory Authority for omissions related to customer due diligence. In addition, FIM Asset Management Ltd was issued a public warning. According to the Financial Supervisory Authority, the companies' customer due diligence and risk-based assessment processes were deficient in 2014–2017.

During the second half of the month, FIM Private Equity Funds Ltd acquired the rest of the FIM Real Estate Ltd stock. FIM Real Estate Ltd acts as the general partner in S-Bank Group's real estate funds. FIM Private Equity Funds manages the S-Bank Group's alternative funds and is responsible for the portfolio management of the Group's real estate and forest funds.

In December, S-Bank's Board of Directors decided on a plan to expand its operations to include mortgage banking. The Bank aims to obtain a mortgage bank license in 2020. The aim of the project is to improve the competitiveness of the S-Bank Group's funding and thereby its operating conditions.

The S-Bank's customer awareness project continued throughout the year, visible to customers through, among other things, the updating of current customer information. The information can be updated in S-Mobiili, in the on-line bank, via the telephone service and at S-Bank branches. Like other banks, S-Bank has a statutory obligation to identify and know its customers. The project will continue in 2020.

OPERATING ENVIRONMENT

2019 was ultimately quite good, though full of surprises. The year started in a generally apprehensive mood. Compared to previous years, economic growth slowed down somewhat both globally and in Finland. Nevertheless, it was better than expected. There were many factors behind the slowdown. The main reasons were structural changes in China's economy and the increasing role consumption is playing in growth, the tightening of monetary policy by central banks in 2018 and the rise of protectionism. The rise of protectionism was particularly visible in the US-China trade war.

However, none of the threats were realized in their worst form. In China, the authorities launched a new economic recovery programme to compensate for the damage caused by the weakness of world trade. Under the leadership of the United States and the euro area, central banks turned their monetary policies around as the tightening of the previous year shifted rapidly to easing. The trade war between the United States and China gradually accelerated over the year, but its economic impact remained limited. Consequently, economic growth was finally maintained at a moderate pace.

The influence of the world economy is also felt in Finland, but here, too, the slowdown was moderate. The problems of many major exporting countries affected foreign trade, but domestic demand was sufficient to support the economy and the threat of recession subsided during the year. In turn, low interest rates, reasonably good economic conditions and gradual improvement in employment fuelled the housing market and the loan market in general. The mortgages portfolio grew by just over two per cent, as did the total household loan portfolio.

A Ministry of Finance working group on household debt released a report on curbing indebtedness in October 2019. The changes proposed in the report, such as changes to loan risk levels, would not affect existing loans. The possible impact on new loans will be specified later.

In the investment market, the year was excellent. The historically low interest rates boosted bond yields, and equities rose more sharply than ever in the past five years as economic fears abated. As a result, returns were excellent. Together with an increased demand for investment products, this increased fund capital.

FINANCIAL POSITION

FINANCIAL PERFORMANCE AND PROFITABILITY

The S-Bank Group's operating profit increased significantly on the previous year and was EUR 29.0 million (17.1). The profit for the period after taxes was EUR 24.4 million (12.5).

The Group's cost-to-income ratio improved and was 0.74 (0.83). Return on equity rose to 5.3 per cent (2.9). Return on assets was 0.4 per cent (0.2).

INCOME

Total income was EUR 168.1 million (153.1). This represents a growth of 9.8 per cent on the previous year. Net interest income was EUR 86.1 million (79.5). The net interest income increased by 8.3 per cent mainly due to strong volume growth in lending to household customers.

Net fee and commission income increased by 10.0 per cent year-on-year to EUR 60.3 million (54.8). This was mainly due to increases in card payment, payment transaction and asset management fees.

Net investment income amounted to EUR 5.9 million (4.0). The growth was brought about by favourable stock markets and fund performance. Other operating income totalled EUR 15.8 million (14.8). Its growth was brought about by improved revenue from sales of recovery stocks.

EXPENSES

Operating expenses totalled EUR 125.1 million (127.2). Expenses decreased by 1.7 per cent on 2018. Personnel expenses were EUR 45.7 million (47.3) of operating expenses. The decline was due to a decrease in the number of employees. Other administrative expenses were EUR 61.9 million (64.7). The decrease in other administrative expenses was mostly due to lower marketing, mailing and development expenses. Depreciation during the financial period grew on the previous year to EUR 12.8 million (11.1). The growth was due to the completion of many IT projects. The Group's other operating expenses totalled EUR 4.8 million (4.1). Other operating expenses increased due to government fees.

EXPECTED AND REALISED CREDIT LOSS

S-Bank booked a total of EUR 18.3 million (13.4) in expected and realised credit loss. Realised credit losses amounted to EUR 4.3 million (4.7). Net expected and realised credit loss totalled EUR 14.0 million (8.7). The increase in credit loss was mainly due to the growth of the credit portfolio. The decrease in recoveries, in turn, was affected by the sales of recovery stocks. Relative to the size of the credit portfolio, the percentage of credit and impairment losses is low.

Table 1: Key figures

(EUR million)	1–12/2019 IFRS	1–12/2018 IFRS	1–12/2017 FAS*
Operating profit	29.0	17.1	16.0
Total income	168.1	153.1	154.3
Deposits	5,948.1	5,832.7	5,005.8
Lending	4,780.6	4,187.0	3,724.9
Assets under management	9,053.6	7,576.5	6,891.7
Debt securities	1,081.0	1,668.0	1,324.8
Cost-to-income ratio	0.74	0.83	0.83
Return on equity	5.3%	2.9%	3.1%
Return on assets	0.4%	0.2%	0.2%
Equity ratio	7.2%	7.0%	7.3%
Capital adequacy ratio	16.3%	16.8%	16.7%

*The 2017 indicators have been prepared in accordance with the regulations and guidelines of the Finnish Financial Supervisory Authority concerning accounting, financial statements and the Board of Directors' Report (2/2016). All information as of 2018 has been reported in accordance with the IFRS, which S-Bank adopted on 1 January 2019.

DEPOSITS

At the balance sheet date, the total deposit portfolio amounted to EUR 5,948.1 million (5,832.7). The growth was 2.0 per cent on the previous year. Household customers showed a good growth rate of 12.7 per cent. By contrast, corporate deposits fell by 36.2 per cent. The change in corporate deposits was influenced by an expansion in the application of negative deposit interests and the changing of the fund custodian.

Deposits repayable on demand totalled EUR 5,908.0 million (5,827.5) and time deposits EUR 40.1 million (5.2) at the end of the review period. Deposits by household customers totalled EUR 5,134.9 million (4,557.9). Deposits by corporate customers totalled EUR 813.2 million (1,274.8).

At the close of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 4,790.2 million (4,288.8).

LENDING AND INVESTING ACTIVITIES

Strong lending growth continued in 2019. At the end of the year, the loan portfolio was EUR 4,780.6 million (4,187.0). This represented a growth of 14.2 per cent compared to the previous year. Credit to household customers amounted to EUR 3,951.6 million (3,393.0), while credit to corporate customers totalled EUR 829.0 million (794.0). The household loan portfolio grew by 16.5 per cent and the corporate loan portfolio by 4.4 per cent.

The housing loan portfolio grew by 16.9 per cent, outperforming the rest of the market as in the previous year. S-Bank's capital investments in the money and capital markets totalled EUR 1,081.0 million (1,668.0).

EQUITY

Equity at the end of the financial year was EUR 473.4 million (449.9). Shareholders' equity was boosted by the strong profit for the period. The equity ratio increased to 7.2 per cent (7.0).

ASSETS UNDER MANAGEMENT

The S-Bank Group's assets under management were EUR 9,053.6 million at the end of the review period. The figure was EUR 7,576.5 million at the end of 2018. This represents a growth of 19.5 per cent on the previous year. Of the managed assets, the share of fund capital was EUR 6,824.9 million, while wealth management capital accounted for EUR 2,228.7 million. In 2018 fund capital accounted for EUR 5,662.1 million and wealth management capital for EUR 1,914.4 million. Net subscriptions in the S-Bank and FIM mutual funds amounted to EUR 420.1 million (EUR 30.3 million) in the financial year. The number of unit holders in the funds was 292,000 at the end of the year, while at the end of 2018 the number was 242,000.

TRANSITION TO IFRS REPORTING

S-Bank adopted the International Financial Reporting Standards (IFRS) as of 1 January 2019. In accordance with the transitional provisions, the Group reports comparative 2018 information in accordance with IFRS in its 2019 financial statements.

The Group reports three segments: Banking, Wealth Management and other activities. The segments have been defined in accordance with the IFRS 8 Operating Segments standard.

Due to revisions to the regulations and guidelines of the Finnish Financial Supervisory Authority concerning accounting, financial statements and the report by the Board of Directors, the S-Bank Group adopted IFRS 9 as of 1 January 2018. Full adoption of IFRS reporting did not result in further significant changes to the consolidated balance sheet and income statement. The impact of the IFRS transition on the result, balance sheet and equity is explained under 1: The accounting policies of the Group are in the section Transition to IFRS.

BUSINESS OPERATIONS AND RESULT BY SEGMENT

The operating segments of the S-Bank Group are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other 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 reporting complies with the accounting principles of IFRS financial statements, which are presented under note 1.

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 the business include those for daily banking and the financing of purchases. Banking also includes the Group treasury.

The business year was strong. The operating result rose to EUR 41.5 million (29.6). Total income increased by 9.9 per cent to EUR 137.8 million (125.5). Expenses decreased by 5.5 per cent to EUR 82.4 million (87.2).

Housing loans, in particular, performed well. S-Bank's contribution to the increase in the financial institutions' housing loan volume was 14.4 per cent (19.3) for the preceding 12-month period. Compared to the market as a whole, the mortgage portfolio grew 5.9-fold. The number of housing loan applications remained high.

The popularity of contactless payment with the S-Etukortti Visa payment card continued to increase when the maximum payment sum was raised to EUR 50. At the end of December, 60 per cent of all debit card payments were contactless compared with 47 per cent a year earlier. The number of S-Bank card purchases increased by 15 per cent compared to 2018.

Several loan granting processes were improved. For example, a system for automating unsecured credit decision processing and a system for electronic signatures for the housing market were introduced. The DIAS digital housing market service was launched for the digital housing market. S-Bank is one of the owners of the service and contributed to its development. Initially, DIAS can be used for trading in housing shares where the share certificates are still on paper. In the future, DIAS can also be used for selling and buying electronic shares digitally.

With increasingly deep customer relationships in Banking, the number of repetitive transactions or customers receiving regular salary, and pension and other payments also grew. At the end of December the number of such customers was 11.7 per cent higher than a year earlier.

Wealth management

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

The business developed favourably. The operating result rose to EUR 0.7 million (-2.1). Total income increased by 22.1 per cent to EUR 24.2 million (19.9). Expenses increased by 7.3 per cent to EUR 23.6 million (21.9). Net subscriptions of the S-Bank and FIM funds were EUR 420.1 million (30.3). The net subscriptions in the S-Bank and FIM mutual funds were the fourth largest in the market. Net market subscriptions totalled EUR 376.1 million euros (-3,900.1).

The goal of Wealth Management is to offer the best selection of responsible and impact investment products in Finland. The FIM Vastuullisuus Plus family has taken responsible investing one step further than is required by the general principles for responsible investing applied by S-Bank and FIM. The number of funds in the family grew to five. In 2018, there were two funds in the FIM Responsibility Plus fund family.

The number of Säästäjä users exceeded 28,000. Of these, 65.3 per cent use the microsaving functions of the service and set aside one euro for each payment card purchase they make. Säästäjä is the leading digital investment advice service in Finland. Using this service, customers can save money in the most affordable balanced funds on the market.

The number of unit holders in S-Bank and FIM balanced funds increased substantially from 120,000 at the end of 2018 to 161 000 at the end of 2019. On the Finnish market as a whole, the total number of unit holders in balanced funds rose by 77,000 in one year to approximately 1.1 million.

The number of unit holders in all managed funds also grew substantially to 292 000 at the end of December from 242,000 a year earlier. On the Finnish market as a whole, the number of unit holders rose to 3.3 million from 3.2 million one year earlier.

RISK MANAGEMENT

INTRODUCTION TO THE 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.

Part Eight of the EU Capital Requirements Regulation sets out the requirements on disclosure of information concerning institutions' risks, risk management and capital adequacy. The so-called Pillar 3 report (Capital and Risk Management Report) in accordance with this regulation is published in a document separate from the financial statements. The report, as well as S-Bank's corporate governance statement and report on remuneration systems, are available on S-Bank's website.

GENERAL DESCRIPTION OF RISK MANAGEMENT

S-Bank provides banking and wealth management services to its customers. S-Bank's strategy aims at strong growth in the coming years, focusing particularly on services for household customers and on the wealth management business. The risk strategy defining S-Bank's key principles and objectives related to risks has been designed to support S-Bank's business model and growth strategy.

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

The primary objective of risk management is to maintain the level of profitability, maintain capital adequacy and liquidity above the minimum target levels defined by the Board of Directors, manage the reputation risk and secure disturbance-free operations in both the short and the long term. Further information on the Group's risks and their management is provided below (Note 2 to the consolidated financial statements: Group risks and risk management).

Risk strategy

S-Bank Group has a risk strategy approved by the parent company's Board of Directors that applies to all the Group companies and their business and support functions. The risk strategy defines the Group's risk capacity and risk appetite, as well as the risk management objectives and framework within the Group. The risk strategy is supplemented with risk type-specific principles and procedures. Additionally, the business and support functions maintain more detailed guidelines and descriptions to support risk management in their own organisations.

Risk capacity and risk appetite

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

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

Risk appetite reflects the approved amount and type of exposures that S-Bank is willing to take in its business operations over a certain period while pursuing its set objectives in normal circumstances. It also defines such aspects as the internal minimum target levels for capital adequacy and liquidity. The basis of risk appetite is to achieve a stable and an adequate return on the Group's equity in the short and long run. The purpose is also to secure business continuity, conduct operations responsibly and ensure that S-Bank's risk-taking is controlled and planned. Another purpose is to ensure that the confidentiality, integrity and availability of customer, personal and business data are not compromised. Figure 1 illustrates a framework for risk appetite and its metrics.

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

Figure 1: Summary of S-Banks' risk appetite framework during 2019

The key Risk Appetite indicators	
Capital and earnings	• Capital ratios • Leverage ratio, CRR • Profitability
Liquidity and funding	• Liquidity coverage ratio, LCR • Net Stable Funding Ratio, NSFR • Continuity of funding
Credit risk	• Credit losses • Non-performing loans (NPL) • Concentration risk • Risk limits
Market risk	• Interest rate risk • Spread risk • Other market risks
Non-financial risks	• Operational risk indicators • Compliance risk indicators

In addition to the Pillar 1 capital requirements set by the authorities, S-Bank calculates and complies with an internal capital adequacy requirement for its Pillar 2 risks. These requirements apply to the S-Bank Group, its parent company and its subsidiaries.

The governance, structure and organisation of risk management, as well as risk monitoring, control and reporting, are discussed in the note concerning the Group's risks and risk management (Note 2 to the consolidated financial statements: Group risks and risk management). Capital adequacy and liquidity management are also described in the same note.

S-BANK GROUP'S RISK POSITION

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

The most significant risk types from the perspective of the Pillar 1 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.

Credit risk constitutes 90 per cent (EUR 2.6 billion) of S-Bank's total risk (REA=Risk Exposure Amount). The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. Lending growth was strong, especially in household housing loans. The most substantial items requiring capital include exposures secured by immovable property, retail exposures and corporate exposures. Indicators of non-performing loans remained at a low level. S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by active risk management and monitoring measures.

S-Bank does not have a trading book. For this reason, S-Bank is not subject to the Pillar 1 capital requirement for market risk. As S-Bank's market risks arise from the banking book, they are – in accordance with the Pillar 1 requirement and methods – included in the regulatory capital requirements for credit risk using the standardised approach. In addition, market risk is measured using internal market risk models as part of the Pillar 2 and ICAAP processes (Internal Capital Adequacy Assessment Process).

Operational risk accounts for 10 per cent of S-Bank's total REA. The basic indicator

Table 2: Key risk ratios (at consolidated Group level)

EUR million	31 Dec 2019	31 Dec 2018
Risk weighted assets (amounts)		
Total risk-weighted assets	2,900.3	2,696.0
Credit and counterparty risk, standardised approach	2,610.1	2,419.7
Market risk	0.0	0.0
Operational risk, basic indicator approach	290.1	273.1
Credit valuation adjustment, CVA	0.1	3.1
Own funds (amounts)		
Common Equity Tier 1 (CET1) capital	422.2	401.8
Tier 2 (T2) capital	50.0	50.0
Total capital	472.2	451.8
Pillar 1 minimum capital requirement (8,0 %)	232.0	215.7
Pillar 1 total capital requirement (13,82 % in 2019 and 12,79 % in 2018)	400.8	344.8
Capital ratios (as a percentage of total risk exposure amount)		
Common Equity Tier 1 (CET1) ratio	14.6%	14.9%
Total capital ratio	16.3%	16.8%
Non-Performing Loans (NPL)		
NPL ratio	0.6%	0.5%
Leverage ratio (CRR)		
Leverage ratio (%)	6.2%	6.0%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	142.0%	156.4%
Net stable funding ratio (NSFR)		
NSFR ratio (%)	145.1%	148.2%

approach (Pillar 1) is used for calculating the capital requirement for the operational risk. Losses attributable to operational risks realised in 2019 were very low in comparison to the regulatory capital requirement for operational risk. S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud and possible deficiencies in services procured from external service providers.

Losses related to compliance risks are included in the S-Bank's operational risk. The most significant realised compliance risk in 2019 was a penalty payment of EUR 980,000 imposed on S-Bank by the Finnish Financial Supervisory Authority (FIN-FSA) on 13 December 2019 for deficiencies in customer due diligence processes. In addition, FIM Asset Management Ltd, part of the S-Bank Group, received a public warning. According to the FIN-FSA, the companies had deficiencies in customer knowledge and risk-based assessment processes in 2014–2017. The penalty payment and the public warning are related to the ongoing follow-up audit initiated in early 2017 under the previously enforced Anti-Money Laundering Act. Even before the audit conducted by the FIN-FSA, S-Bank had corrected its processes on its own initiative and is constantly developing its procedures associated with due diligence concerning its 3.1 million customers.

S-Bank's capital position remained stable, exceeding the regulatory requirements and the internal minimum target level of 15.3 per cent. S-Bank's total capital adequacy ratio was 16.3 per cent at the close of the financial year. Total REA increased by EUR 204.4 million to EUR 2.9 billion, mainly due to the growth in lending to household customers in accordance with strategy.

S-Bank is adequately capitalised to ensure the continuity of its operations even under the results of stress test analyses. The capital buffer in relation to the total regulatory Pillar 1 capital requirement (13.82 per cent) was EUR 71.4 million.

S-Bank's leverage ratio is strong at 6.2 per cent, while the minimum regulatory requirement is set at 3 per cent. In addition, S-Bank's liquidity position was first-rate at the end of the reporting period.

S-Bank improved and strengthened its three lines of defence in 2019, resulting in the appointment of Petri Viertiö, M.Sc. (Engineering) as S-Bank's Chief Risk Officer in August. Viertiö is responsible for risk control and compliance and also became a member of the Group Management Team.

OWN FUNDS REQUIREMENTS, CAPITAL ADEQUACY AND OWN FUNDS

Capital adequacy management is also discussed in the notes to the financial statements (Note 2 to the consolidated financial statements: Group risks and risk management). The S-Bank Group's risks and risk management are also presented in the same note.

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

The FIN-FSA set a systemic risk buffer (CET1) on 29 June 2018 for all credit institutions authorised in Finland. The requirement for S-Bank is one per cent. This requirement entered into force on 1 July 2019 and will be subject to a revision annually.

Table 3 sets forth the distribution of the Pillar 1 total capital requirement in S-Bank on 31 December 2019.

Table 3: S-Bank's capital requirement, 31 December 2019

Equity	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Systemic risk buffer		Pillar 2 (SREP) additional capital requirement		Total capital requirement	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4.5%	130.5	2.5%	72.5	0.07%	2.0	1.0%	29.0	2.25%	65.3	10.32%	299.3
AT1	1.5%	43.5									1.50%	43.5
T2	2.0%	58.0									2.00%	58.0
Total	**8.0%**	**232.0**	**2.5%**	**72.5**	**0.07%**	**2.0**	**1.0%**	**29.0**	**2.25%**	**65.3**	**13.82%**	**400.8**

CAPITAL ADEQUACY AND OWN FUNDS

Table 4 presents a summary of S-Bank's own funds. S-Bank's total capital adequacy ratio was 16.3 per cent (16.8) at the close of the financial year. Retained earnings increased by EUR 21.6 million. Tier 2 capital consists of three debentures with a total nominal value of EUR 50 million and a maturity of over five years. The terms of these instruments are described in Note 28 to the consolidated financial statements: Subordinated debts.

Table 4: Summary of capital adequacy information

Own funds (EUR million)	31 Dec 2019	31 Dec 2018
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**473.4**	**449.7**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	107.5	86.0
Profit/loss from previous financial periods	83.4	73.7
Profit/loss for the financial period	24.1	12.3
Fair value reserve	-0.8	-3.0
Other reserves	0.0	0.0
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**51.2**	**46.2**
Intangible assets	50.1	44.5
Value adjustments due to the requirements for prudent valuation	1.1	1.7
Common Equity Tier 1 (CET1) capital	**422.2**	**403.4**
Additional Tier 1 (AT1) capital before adjustments	**0.0**	**0.0**
Adjustments to Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Tier 1 (T1) capital	**422.2**	**403.4**
Tier 2 (T2) capital before adjustments	**50.0**	**50.0**
Subordinated debt	50.0	50.0
Adjustments to Tier 2 (T2) capital	**0.0**	**0.0**
Tier 2 (T2) capital	**50.0**	**50.0**
Total capital	**472.2**	**453.4**

	31 Dec 2019	31 Dec 2018
Total capital	472.2	453.4
Minimum capital requirement	232.0	216.3
Capital adequacy ratio	**16.3%**	**16.8%**
Tier 1 capital	422.2	403.4
Minimum own funds requirement	232.0	216.3
Tier 1 capital adequacy ratio	**14.6%**	**14.9%**
Total risk-weighted exposure amounts (RWAs)	**2,900.3**	**2,703.3**
of which credit risk	2,610.1	2,427.4
of which market risk	0.0	0.0
of which operational risk	290.1	272.7
of which risk associated with credit valuation adjustment (CVA)	0.1	3.1
Ratio of CET1 capital to risk-weighted exposure amounts (%)	**14.6%**	**14.9%**
Ratio of Tier 1 capital to risk-weighted exposure amounts (%)	**14.6%**	**14.9%**
Ratio of own funds to risk-weighted exposure amounts (%)	**16.3%**	**16.8%**

Figure 2: Split of changes in REA and RWAs

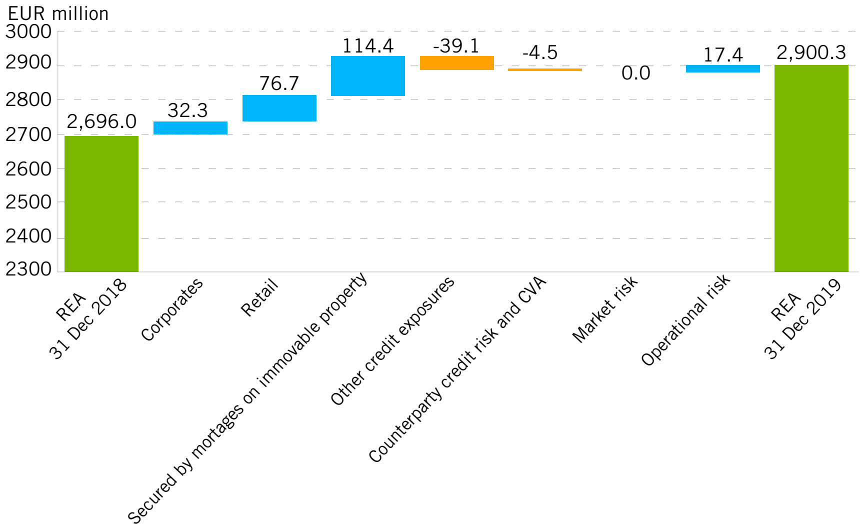


Figure 3: Changes in own fund and capital adequacy position

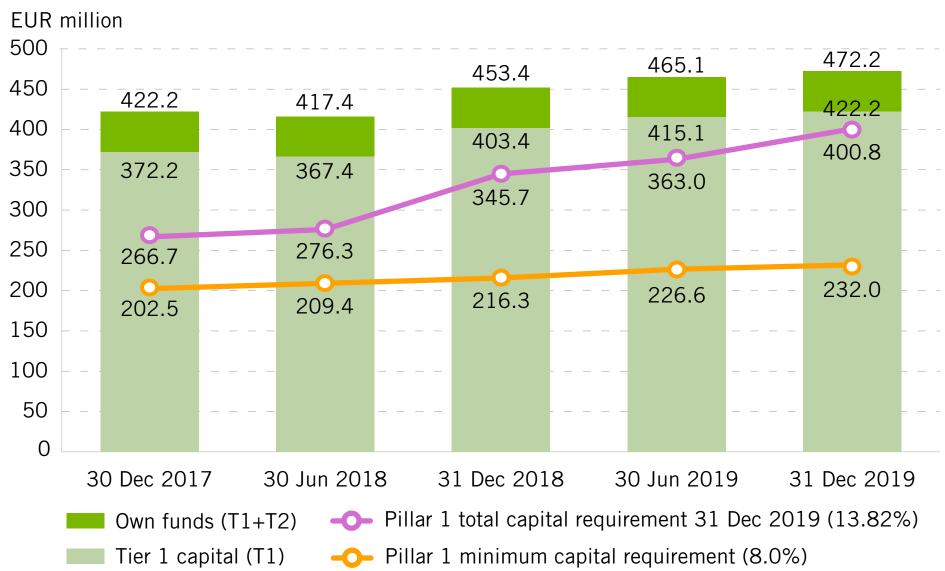


Figure 2 illustrates the change in REA and material individual risk weighted assets (RWAs) during the financial year. Total risk increased by EUR 197.1 million, mainly due to the increase in retail exposure and exposures secured by immovable property in accordance with strategy.

Figure 3 below presents a summary of the semi-annual development of the Pillar 1 minimum capital requirement, the total capital requirement and own funds. The discretionary Pillar 2 (SREP) capital requirement raised the total capital requirement in the second half of 2018. The effects of the entry into force of the systemic risk buffer (1 per cent) in the second half of 2019 are also visible. At the end of the reporting period, the capital buffer was EUR 240.2 million in relation to the Pillar 1 minimum capital requirement and EUR 71.4 million in relation to the Pillar 1 total capital requirement.

MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

The Financial Stability Authority is the Finnish authority responsible for planning crisis resolution for credit institutions and investment firms. The Financial Stability Authority has decided to set a Minimum Requirement for own funds and Eligible Liabilities (MREL) to be applied on the level of the S-Bank Group. The MREL requirement consists of the amount needed to cover losses and to recapitalise the institution.

The requirement is set at 9,9 % of total liabilities and own funds (TLOF) and it must be met gradually so that the requirement is completely fulfilled entirely by 30th of June 2022. The requirement represents approximately 22% of the total risk exposure amounts (REA). The requirement is valid for a maximum period of two years from the date of application, unless the Financial Stability Board reviews the decision beforehand. Necessary measures are being taken to fulfil the above requirements set stipulations.

*The figures at 31 December 2017 are presented in accordance with FAS (Finnish Accounting Standards) accounting principles. As of 1 January 2018, the figures are presented in accordance with IFRS standards.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

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

OUTLOOK FOR 2020

Global economic growth is expected to stabilise at a moderate level. Consumption is the driving force of the economy, while investment remains muted. Very accommodative monetary policies and government stimulus measures are supporting the economy. Economic risks foreshadow a downward trend, however. The clearest threats are political: the trade war and geopolitical discord may, at worst, have a distinct stifling effect on the economy. We do not expect major changes in Finland's economic growth. We expect it to continue to be rather subdued, driven by domestic demand.

Interest rates will remain exceptionally low also in 2020, which will further support the economy and lending. On the other hand, interest rates are no longer falling, which restricts increases in housing prices, for example. Provided definite disappointments are avoided in the economy, we expect a reasonable year for the stock market. Rising valuations do limit the potential of the market, however.

We expect S-Bank Group's operating profit to grow moderately in 2020 compared to the previous year, despite the expected general slowdown in economic growth.

KEY FIGURES

3.0 million customers

2.3 million international payment cards

2.0 million online banking IDs

EUR 5.9 billion in deposits

EUR 4.8 billion in granted loans

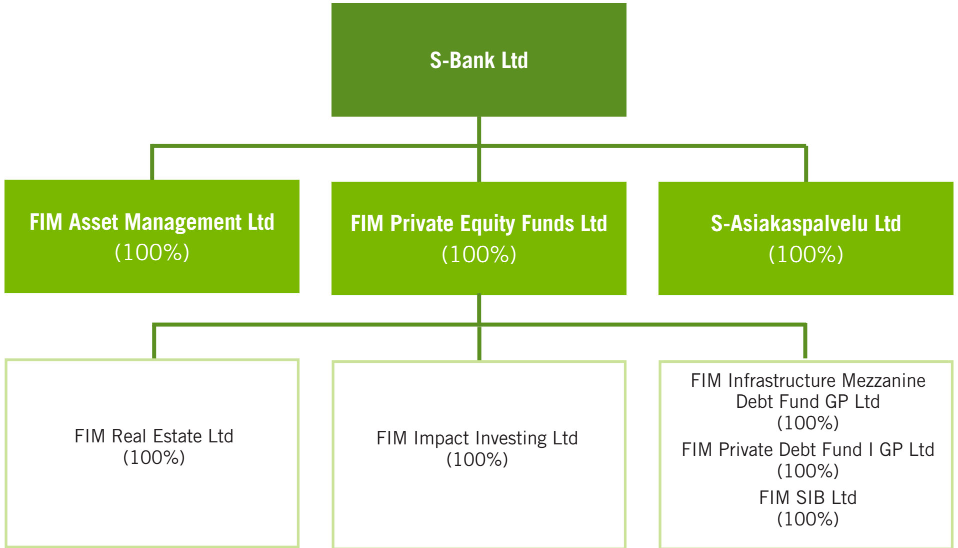
EUR 9.1 billion in assets under management

16.3% capital adequacy ratio

EUR 29.0 million operating profit

GROUP STRUCTURE AND OPERATIONS OF S-BANK'S SUBSIDIARIES

Figure 4: Legal structure of S-Bank Group



FIM Asset Management Ltd

FIM Asset Management Ltd manages the investment funds of S-Bank, FIM and LocalTapiola and provides portfolio management services for the entire S-Bank Group. S-Bank owns 100 per cent of FIM Asset Management Ltd's share capital. In the reporting period, the operating profit of FIM Asset Management Ltd amounted to EUR 2.6 million (-0.4).

FIM Private Equity Funds Ltd

FIM Private Equity Funds Ltd is an alternative fund manager, providing the S-Bank Group with portfolio management services for private equity funds. Additionally, FIM Private Equity Funds Ltd is the portfolio manager for the real estate and forest funds managed by FIM Asset Management Ltd. S-Bank owns 100 per cent of FIM Private Equity Funds Ltd's share capital. In the reporting period, the operating profit of FIM Private Equity Funds Ltd amounted to EUR 0.3 million (-0.2).

FIM Real Estate Ltd

FIM Real Estate Ltd is the general partner in the S-Bank Group's real estate funds. In December, FIM Private Equity Funds Ltd acquired the remaining shares in FIM Real Estate Ltd and now owns 100 per cent (previously 80 per cent) of the company.

In the period under review, the operating profit of FIM Real Estate Ltd amounted to EUR 1.7 million (1.2).

FIM Impact Investing Ltd

FIM Impact Investing Ltd (formerly Epiqus Oy) was acquired in January 2019 and is a wholly-owned subsidiary of FIM Private Equity Funds Ltd. The company offers impact investment services and manages two impact investment funds and is their general partner. FIM Impact Investing Ltd's operating profit for the financial year 2019 was EUR 0.1 million.

FIM Infrastructure Mezzanine Debt Fund GP Ltd, FIM Private Debt Fund I GP Ltd, FIM SIB Ltd

These companies act as general partners in funds managed by FIM Private Equity Funds Ltd. These companies do not have any other business operations. and are fully owned by FIM Private Equity Funds Ltd.

S-Asiakaspalvelu Oy

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

During the reporting period, S-Asiakaspalvelu Oy's revenue totalled EUR 5.1 million (5.7), of which intra-group revenue accounted for EUR 3.6 million (4.2). The remaining revenue derived from telephone services offered to the cooperatives for the benefit of co-op members. Its expenses mostly consist of personnel expenses. S-Asiakaspalvelu's operating profit was EUR 0.8 million (0.2).

GOVERNANCE

ANNUAL GENERAL MEETING

The Annual General Meeting was held on 4 April 2019.

The Annual General Meeting adopted the financial statements for 2018 and discharged the members of the Board of Directors and the CEO from liability. The meeting elected seven members and three deputy members to the Board of Directors.

The meeting elected KPMG Oy Ab as the company's auditor.

BOARD OF DIRECTORS

The Annual General Meeting confirms the number of members of the Board of Directors and elects the members of the Board for a term of one year at a time. The Board of Directors elects a Chair and Vice Chair from amongst its members. The Board of Directors has confirmed rules of procedure, according to which it is responsible for the strategic development of the bank, steering and controlling its operations, as well as deciding on the company's main operating principles and general values in accordance with the applicable legislation and regulations.

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; Juha Ahola, Treasurer of SOK; Olli Vormisto, Managing Director of the Hämeenmaa Cooperative Society; Veli-Matti Liimatainen, Managing Director of the Helsinki Cooperative Society Elanto, and Jari Eklund, Director of the LocalTapiola Group. In addition, Heli Arantola, who has held management positions at HKScan and the Fazer Group, was re-elected as an independent member of the Board. Erik Valros, CEO of LocalTapiola Uusimaa, was elected as a new member of S-Bank Ltd's Board of Directors. Juha Mäkinen, Senior Managing Director of LocalTapiola East, resigned from the Board.

Harri Miettinen, Managing Director of the Kymi Region Cooperative Society, was re-elected as a deputy member. Pasi Aakula, CEO of LocalTapiola Satakunta, and Jorma Vehviläinen, Group CFO of SOK, were elected as new deputy members.

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

The Board convened 13 times (13) during the financial period, and the average attendance rate of members was 98 per cent (96).

CEO

The CEO is appointed by the Board of Directors of S-Bank. The CEO is responsible for the bank's day-to-day management in accordance with the instructions and orders issued by the Board of Directors, applicable legislation and regulations, and the Articles of Association. The CEO acts as the Chair of the Group Management Team appointed by the Board of Directors. The Group Management Team assists the CEO in the bank's day-to-day management. The Deputy CEO will handle the CEO's duties if the CEO is prevented from attending to them.

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

PERSONNEL

At the end of the year, the S-Bank Group employed a total of 592 people (685). Of these, 487 (565) worked for S-Bank Ltd, 64 (80) for S-Asiakaspalvelu Ltd, and 41 (40) for the FIM companies. The S Group's regional cooperatives and the LocalTapiola Group's regional companies operate as S-Bank's agents.

SALARIES AND REMUNERATION

The S-Bank Group's remuneration policies are confirmed by the Board of Directors. S-Bank's Board of Directors decides on all available remuneration methods, and regularly tracks and assesses the performance of the remuneration systems and compliance with the decided operating policies and procedures.

The Compensation and Nomination Committee of S-Bank's Board of Directors is a body that assists the Board of Directors, annually preparing performance-based compensation policies for the bank's personnel, in accordance with its rules of procedure, and submitting them to the Board of Directors for confirmation. The Compensation and Nomination Committee works to ensure that the bank's policies concerning salaries and remuneration are consistent with sound and effective risk management and do not encourage excessive risk-taking. The Compensation and Nomination Committee consists of at least two members and a Chairman appointed by the bank's Board of Directors from among its members.

At the S-Bank Group, the remuneration model consists of a basic salary and a performance-based variable bonus. The objective of the bonus models is to encourage employees to focus on the key activities needed to reach the strategic and operational goals. The bonus systems used by the S-Bank Group are valid for a maximum of one calendar year at a time, with the exception of the long-term incentive scheme. The targets in the bonus models are based on the entire bank's shared targets, the unit-level targets and/or the personal targets, and they can vary by personnel group. The performance-based bonus is paid in cash. The S-Bank Group has a personnel fund to which the employees can transfer their bonuses.

The salaries and remunerations paid to personnel at the S-Bank Group totalled EUR 38.5 million (38.0) in 2019. The salaries and remunerations of S-Bank Ltd totalled EUR 31.7 million (31.6), which includes EUR 30 000 (30 000) in remuneration paid to members of the Board of Directors. A total of EUR 0.5 million was transferred to the personnel fund. The salaries and fees of S-Asiakaspalvelu Ltd totalled EUR 2.5 million (2.8). Remunerations of EUR 11 000 were transferred to the personnel fund. The FIM companies' salaries and fees totalled EUR 4.3 million (3.5), which includes EUR 12,000 (12,000) and EUR 14,400 (13,800) in remuneration paid to the members of the Board of Directors for FIM Asset Management Ltd and for FIM Real Estate Ltd respectively. Remunerations of EUR 0.1 million were transferred to the personnel fund. In addition, the S-Bank Group paid EUR 0.3 million (0.2) in supplementary pensions.

In 2019, S-Bank Ltd paid EUR 5.6 million (5.4) in salaries and EUR 0.3 million (1.0) in other remuneration to persons whose activities have a material impact on the risk profile of the credit institution. A total of EUR 0.2 million was transferred to the personnel fund. A total of 61 persons (61) received salaries and remuneration under this category. At the FIM companies, persons in this category of staff were paid a total of EUR 2.2 million (2.5) in salaries and EUR 0.2 million (0.4) in other remuneration in 2019. EUR 83 000 was transferred to the personnel fund. A total of 36 persons (28) received salaries and remuneration under this category. In accordance with S-Bank Ltd's remuneration policies, part of each individual's bonus is deferred when the bonus exceeds EUR 50,000 for an earnings period of one year. In 2019, no individual bonuses were deferred.

More information on the salary and remuneration policies is available on S-Bank's website at www.s-pankki.fi.

PROPOSAL BY THE BOARD OF DIRECTORS FOR THE DISPOSAL OF DISTRIBUTABLE FUNDS

The Board of Directors proposes that the parent company S-Bank Ltd's profit for the financial year of EUR 16,768,969.01 be entered in the retained earnings account and that no dividend be distributed.

CALCULATION OF KEY PERFORMANCE INDICATORS

Total income

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

Net interest income:

Interest income – interest expenses

Net fee and commission income:

Fee and commission income – fee and commission expenses

Other income:

Net income from investment operations + Other operating income

Cost-to-income ratio:

$$\frac{\text{Personnel expenses + Other administrative expenses + Depreciation and impairments + Other operating expenses (excl. impairment losses)}}{\text{Net interest income + Net fee income + Net investment income + Dividends + Other operating income + Share of associated undertakings' profit (net)}}$$

Return on equity (ROE), %:

$$\frac{\text{Profit (loss) for the period}}{\text{Total equity (average of year's beginning and end)}} \times 100$$

Return on assets (ROA), %:

$$\frac{\text{Profit (loss) for the period}}{\text{Average balance sheet total (the average at the beginning and end of the year)}} \times 100$$

Equity ratio, %:

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

Capital adequacy ratio, %:

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

Tier 1 capital adequacy ratio, %:

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

Leverage ratio, %:

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

CORPORATE RESPONSIBILITY REPORT

S-Bank is a Finnish bank that provides its customers with banking and wealth management services. The bank was established in 2007 on the basis of strong co-operative values, which means that responsibility is inherently at the core of its operations. Thus, S-Bank also offers its customers the chance to make responsible choices – something they clearly appreciate.

In 2019, for the seventh consecutive year, Finns chose S-Bank as the most responsible bank in the Sustainable Brand Index survey, the largest survey on sustainable development in the Nordic countries[1].

The responsibility themes identified as fundamental to the operations of S-Bank were "acting in the interest of customers and society", and "ensuring the well-being of personnel". These themes were identified through background analyses, surveys of key stakeholders, and the management workshops conducted in autumn 2017.

S-BANK GROUP'S BUSINESS MODEL

S-Bank Ltd focuses on offering products and services to household customers, while also offering targeted services to companies.

S-Bank provides services under two brands. The S-Bank brand is used to offer services for daily banking, saving and investment, and the financing of purchases. Under the FIM brand, the bank offers private banking services as well as services for institutional investors. The operations of the Group's subsidiaries are described in the section, "Group structure and operations of S-Bank's subsidiaries."

S-Bank serves its customers at customer service points located in the S Group's business locations and also through its telephone service, its online bank, the S-mobiili app and various social media channels. S-Bankers serve customers, mainly in matters related to housing loans, in 10 towns and cities, while FIM's private bankers offer their services in four cities.

The regional cooperatives of the S Group act as S-Bank's agents, offering its banking services at their business locations.

S-Bank's services are primarily offered to the co-op members of the S Group and their households, and they receive basic banking services free-of-charge. The aim is to maintain the prices of other services at a reasonable level and all services are priced transparently. The cash benefits paid to co-op members, such as bonuses earned from shopping and payment-method benefits, are paid into each customer's account in S-Bank. The bank's earnings model is mainly based on accepting customer deposits, granting loans and engaging in investment activities. Net interest income, the bank's largest source of income, is the difference between interest income received and interest expenses paid. Interest income is mainly earned from credits and loans granted to customers. The amount of interest expenses depends on the interest paid on deposits and the interest paid on funds obtained from other funding sources.

The bank's second largest source of income is net fee and commission income, i.e. the difference between fee & commission income and fee & commission expenses. Commissions and fees are derived from lending-related services, payment transactions, card-related services and asset management, among others. Expenses include returns of management fees charged to the funds and service fees paid to service providers on card payments. In the banking business, the amount of net fee and commission income is dependent on the degree and extent of the use of banking services. In the wealth management business, net fee and commission income is dependent on the amount of assets under management. The amount of these assets is influenced by the actions of the wealth management business as well as by the performance of the securities markets. Since the management fees for investment funds are calculated as percentages of the funds' net asset value, market performance is directly reflected in the amount of these fees.

Operating expenses mainly consist of personnel expenses, IT expenses and other administrative expenses, including agency fees paid to the cooperative societies. In addition, as customer's insolvency risks increase, the bank records credit loss provisions and, in the event of insolvency, the bank records credit losses.

In order for business operations to be profitable the bank must manage its balance sheet, risks and expenses effectively. The bank's duty is to ensure sufficient capital adequacy and liquidity under all conditions. S-Bank Group's business is subject to a licence, widely regulated and supervised by the authorities.

[1]In the Sustainable Brand Index survey carried out during January–March 2019, approximately 50,000 respondents were interviewed in the Nordic countries, 10,000 of them in Finland. The surveys are aimed at people 16 years-of-age or older.

FOR THE BENEFIT OF THE CUSTOMER

In accordance with its vision, "Superior ease and benefits", S-Bank aims to be a fair partner for its customers – one with which they can conduct their banking needs easily and conveniently. Many factors contribute to the ease of doing business with S-Bank. The key factors include open and easily understandable communications, clear pricing and easy-to-use services.

The basic banking services – a bank account, card and banking IDs for electronic services – that S-Bank offers free-of-charge to all the co-op members and their families form the cornerstone of S-Bank's responsibility. S-Bank aims to offer everyone a chance to have a slightly wealthier future. S-Bank's goal is to make saving a new national pastime, and to lower its threshold by making saving in funds as easy and affordable as possible. In the Säästäjä service, 42.6 per cent (30.5) of those who have started fund savings are investing for the first time in their lives.

S-Bank's services are easily accessible through digital channels and telephone services, or at one of the customer service points that are accessible during a shopping trip. Customers can also withdraw and deposit cash in the checkout areas of approximately 1,000 S Group stores around Finland. The aim is to provide seamless customer service through different channels.

The quality of customer service is measured continuously in the various channels during individual service encounters. The NPS Index, or Net Promoter Score, measures customer satisfaction, based on how willing customers are to recommend a company. In 2019, S-Bank's Customer Service received very good results in its different channels: most S-Bank customers would recommend the Bank's customer service to friends or acquaintances.

Table 5: S-Bank customer service channel NPS referral index*

	2019	2018
Telephone service	55.7	59.6
Customer service points	75.3	60.5
Online bank	69.2	57.8

*The figures are channel-specific average scores from 2019. Scale -100–100. Question: Based on this experience, how likely would it be that you would recommend our customer service to friends or acquaintances? Source: Results of S-Bank's customer service encounters, January–December 2019 (conducted by Bisnode).

FOR THE WELL-BEING OF PERSONNEL

S-Bank aims to achieve such a standard of service that its customers always feel their expectations have been exceeded. S-Bank also strives to challenge the traditional practices in the banking sector. Success in achieving these aims depends on a competent and committed personnel. The well-being and competence of its personnel and good management are thus important focus areas for S-Bank.

NUMBER OF PERSONNEL

At the end of 2019, a total of 592 (685) people were in an active employment relationship with the S-Bank Group.

Most employment relationships with S-Bank are permanent and full-time. However, there are also positions in customer service and the back office where part-time employment is appropriate. Part-time work may also be the employee's own choice, in cases where they want to work flexibly while studying, for example. S-Bank also offers students internships, in addition to part-time employment. Employment relationships may also be for a fixed term, for example, when recruiting substitutes for permanent employees or addressing temporary resource needs.

S-Bank makes it easy for its employees to combine work with their private lives. Over the course of the year, the number of employees who took family leave (excluding part-time child-care leave) was 70 (65), of whom 45 (50) were women and 25(15) were men. At the end of the year, 32 (28) employees were on study leave.

During 2019, a total of 85 (152) new employees started work at S-Bank. A total of 188 (133) employees left the bank, with 0 (6) employees retiring. Four (0) employees stopped working because of a disability. In spring 2019, S-Bank held statutory negotiations with the employees concerning redundancies, which led to a reduction of 54 employees. S-Bank supported those who lost their jobs by, for example, providing training to support their re-employment.

At S-Bank, 65 (66) per cent of the personnel are aged 25–44.

PERSONNEL SATISFACTION AND GOOD MANAGEMENT

S-Bank offers its employees versatile work tasks and the opportunity to influence their own job descriptions. Employees are given plenty of responsibility as they develop operations and the services offered to more than three million S-Bank customers.

S-Bank tracks employee satisfaction and the well-being of the personnel with an annual

Figure 5: Personnel age distribution

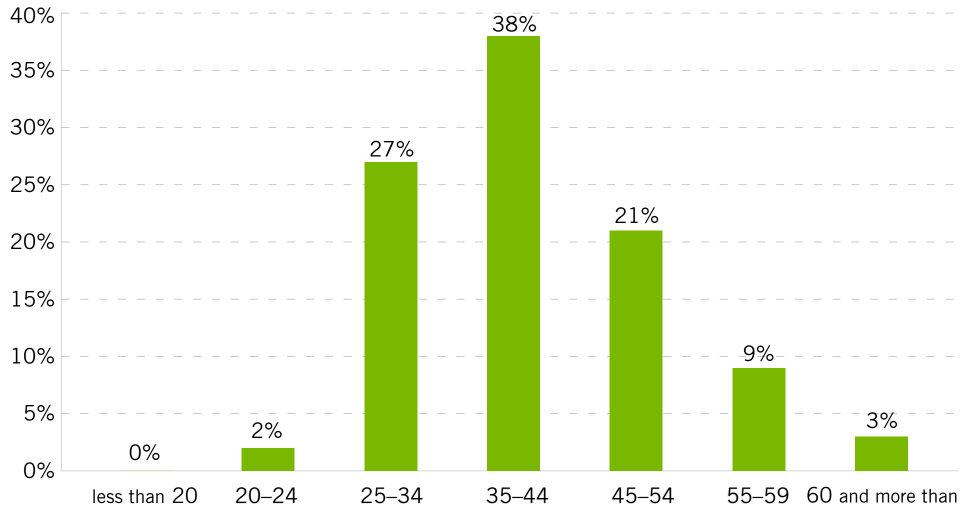


Table 6: Personnel gender distribution

	Men	Women	Total
Permanent full-time	229	310	**539**
Permanent part-time	2	26	**28**
Fixed-term full-time	5	16	**21**
Fixed-term part-time	0	4	**4**
Total	**236**	**356**	**592**

personnel survey. In 2019, the job satisfaction index derived from the outcomes of key questions in the survey was 68.7 (73.1) (on a scale of 0–100). Profit fell 4.4 percentage points from the previous year and was slightly below the Finnish expert standard. In 2019, the response rate was excellent, at 92.5 per cent (89.7). The surrounding work community was cited as the biggest strength of S-Bank. The personnel were particularly satisfied with the team-level communications and engagement, as well as with the work of their supervisors and with the management of their own work.

S-Bank has identified good management as a key factor influencing personnel motivation and commitment. The bank focuses on developing and supporting managers in their work by actively communicating with them and arranging training and discussion events and manager events, among other things.

S-Bank emphasises good cooperation and open discussion between the management and the employees.

DEVELOPMENT OF EXPERTISE

In order for S-Bank to execute its strategy successfully, it is crucial for it to possess the right kind of expertise and for this expertise to be constantly developed in a changing regulatory and operating environment.

Each year, S-Bank identifies critical competence development priorities for achieving its strategy and business objectives, and agrees on necessary development measures. The level of expertise of individual employees is annually assessed in performance appraisals in which each team member assesses their expertise together with their manager and comes to an agreement on any necessary development measures.

In a changing operating environment and with digitalisation becoming more ubiquitous, learning is a part of the day-to-day work of every employee, often occurring during the performance of duties. In addition to personal learning, internal job mobility helps to improve communications and cooperation between units.

The development of expertise is also supported by various training and coaching events.

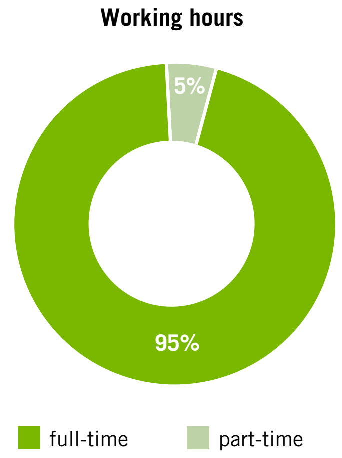
REMUNERATION

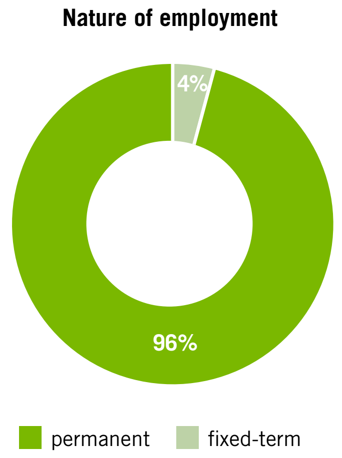
Employee remuneration supports S-Bank's vision, the achievement of its strategic goals and implementation of the bank's values. S-Bank aims, through competitive, motivating and fair remuneration, to commit its personnel to achieving profitable operations and to serving the company for the long term. The principles of remuneration are confirmed every year.

S-Bank's remuneration consists of a basic salary and variable bonuses. The aim of the variable bonus models is to supplement salaries and promote the achievement of strategic and operational goals. S-Bank uses a variety of annual bonus models for different personnel groups. They are based on the results of the business units and the individual performance of employees. In 2018, S-Bank established a personnel fund based on a proposal by the employees. S-Bank also offers its employees comprehensive personnel benefits.

S-Bank uses a system to assess the level of demand involved in each work task in order to help determine a fair and motivating salary level. The wage gaps between men and women are reviewed annually. No gender gaps in salaries were detected in the review conducted in 2019.

Figure 6: Nature of employment and working hours





FOR THE BENEFIT OF SOCIETY

S-Bank provides benefits and services, and thus well-being, to the co-op members of the S Group.

ETHICAL AND LEGALLY COMPLIANT OPERATIONS

In addition to complying with laws and regulations, S-Bank is committed to observing its own code of ethics, which is in line with the bank's values and underpinned by the principles of openness, fairness and transparency. The code of ethics also observes the good banking principles – including bank secrecy and privacy protection for customers – drawn up by Finance Finland.

The code of ethics is discussed with all new employees, and they must undertake to follow it before starting their employment relationship. In addition, code of ethics-related training is arranged for the entire personnel. At the end of 2019, 88 (87) per cent of the active personnel had completed the code of ethics training.

The personal interests of the employees or those of their related parties may not influence their decisions in the course of their duties. Employees are obliged to report any conflicts of interest they detect to their supervisor or to the compliance function. S-Bank's compliance function monitors compliance with internal guidelines, the code of ethics and official regulations in accordance with its annual plan, which is approved by the Board of Directors. Moreover, the operational and support functions perform internal control measures to ensure compliance with guidelines and regulations. Ethical violations and conflicts of interest may be reported confidentially through a whistleblowing channel. In 2019, a new whistleblowing channel, allowing reporting to be made completely anonymously, was introduced internally at S-Bank. S-Bank aims to identify and prevent conflicts of interest in all its operations before they arise.

S-Bank is committed to respecting all internationally recognised human rights. The same is also expected of the bank's partners.

S-Bank maps out its operational risks as part of its continuing operations. The key risks to which S-Bank is exposed are described in this Report by the Board of Directors (S-Bank Group's risk position). Additionally, risks and risk management are described in more detail in note 2 to the financial statements: Group risks and risk management.

Preventing money laundering and terrorist financing

Processes aimed at the prevention of money laundering and terrorist financing are part of S-Bank's day-to-day operations. They ensure that the bank's services and systems are not used directly or indirectly for any illegal activities. To prevent money laundering, S-Bank has an obligation to know its customers. S-Bank's customer registers and the account transactions of its customers are continuously monitored and compared with sanction lists published by the authorities in order to prevent terrorist financing. Continuous monitoring is also performed to identify any suspicious transactions referred to in money laundering regulations and to report to the Financial Intelligence Unit (FIU) of the Finnish National Bureau of Investigation (NBI).

The personnel and management of S-Bank and S-Bank's agency operations are regularly trained in the prevention of money laundering and terrorist financing. The aim of this training is to maintain competence in identifying money laundering risks and to ensure compliance with regulatory duties, as well as to ensure the trustworthiness and compliance of the bank's operations.

Insider and trading guidelines

S-Bank's insider and trading guidelines include regulations applicable to all employees and senior management concerning the possession of insider information, the keeping of insider registers and trading rules. The purpose of these guidelines is to ensure that insider information is properly managed and that trading is conducted in accordance with regulatory obligations. The trading conducted by all persons listed in the insider register and the register of persons exercising significant influence is regularly monitored, and the results of the monitoring are reported to the bank's senior management.

Related party lending

S-Bank's related party lending policy specifies the terms and procedures applied to credit or other forms of financing granted to the bank's related parties. S-Bank regularly monitors the terms and procedures applied to credit or other forms of financing granted to related parties in order to ensure compliance with regulations and ethical operations.

Assessment of trustworthiness

All new employees undergo an assessment of trustworthiness to determine any connections they have that could lead to conflicts of interest. The trustworthiness of members of the Boards of the Group companies, executive management and persons in key positions is assessed when they are appointed and thereafter regularly during their service.

ENVIRONMENT

S-Bank does not have an extensive network of its own branches, as it operates as a lessee mostly at the business locations of the S Group's regional cooperative stores. Similarly, S-Bank's headquarters are located in the same property as the headquarters of SOK, which means that the direct environmental impacts of the branch network arise as part of the power and heating consumption of the S Group's network of business locations. S Group aims to reduce emissions in its own operations primarily by cutting energy consumption and increasing the use of renewable energy.

S-Bank strives to promote paperless banking, including the use of e-invoices and electronic bank statements. Ever since S-Bank was founded, its bank statements have been delivered electronically to the customer's online bank, with less than one percent of customers also receiving a paper statement. At the close of 2019, 60.4 (54.3) per cent of the invoices sent by S-Bank to its customers were electronic e-invoices.

In 2018, S-Bank piloted the electronic signing of contracts as an option at customer service points and the archiving of their copies of the contracts in the online bank. An electronic signature solution was introduced at all customer service points in 2019. More than half of the documents covered by the solution are currently electronically signed, which means more than 100,000 saved sheets of papers per month.

S-Bank aims to reduce the number of customer letters sent by post by shifting its customer communications to its electronic channels.

RESPONSIBLE INVESTMENT

S-Bank is a pioneer in responsible and impact investment. The bank firmly believes that increasingly better results can be achieved for customers by systematically taking responsibility into account in investment activities. S-Bank's subsidiary FIM Asset Management Ltd manages the investment funds of S-Bank, FIM and LocalTapiola and provides the fund and wealth management services of the S-Bank Group.

FIM became a signatory to the UN Principles for Responsible Investment (UN PRI) as far back as 2009. The UN PRI lays down general guidelines on how to incorporate responsibility issues into investment processes. In addition to the UN PRI, FIM is a member of the Carbon Disclosure Project (CDP), an international investor-driven initiative for reporting environmental impacts, and also of Finland's Sustainable Investment Forum (Finsif), which promotes responsible investment.

The responsible investment strategies executed by FIM consist of observing international norms, taking ESG (environmental, social and governance) issues into consideration in its investment decisions, impact investing, excluding and influencing.

When observing international norms, FIM aims to ensure that it invests in companies that adhere to international initiatives and recommendations related to responsibility and business practices, such as the UN Global Compact. The UN Global Compact includes principles governing human rights, labour and corruption. The human rights principles include the elimination of all forms of forced and compulsory labour and the abolition of child labour. The implementation of international norms in the investments are monitored through external analyses and ratings.

ESG issues are considered in investment activities by, for example, assessing how climate change or other key ESG issues impact the companies being examined. The importance of climate change in investment operations is increasing year by year. In fact, additional training was provided in 2019 in portfolio management to utilise the TCFD (Task Force on Climate-related Financial Disclosure) in business analysis. In practice, it is about assessing the risks caused and the opportunities offered by climate change when conducting analyses and making investment decisions.

S-Bank became a leading player in the impact investment sector in the Nordic region after FIM Private Equity Funds Ltd acquired the entire share capital of FIM Impact Investments Ltd (formerly Epiqus Oy) in January 2019. In impact investing, capital is allocated to investments that aim to achieve positive and quantifiable social and environmental impacts in addition to financial gain. The financial instruments of impact investing include equity investments, various loan structures and so-called Social Impact Bonds (SIB). In SIB investment activities the Fund pays for third-party operations designed to address selected social issues. If the measured results are positive, the subscriber will pay the fund a portion of the savings generated from the benefits obtained.

FIM has implemented all four SIB funds that started operations in Finland by the end of 2019. FIM also manages these funds, which focus on improving well-being at work in municipal and governmental organizations, integrating and employing immigrants and refugees, preventing the exclusion of children and young people, and employing the long-term unemployed. In the future, FIM aims to expand its portfolio of impact investment products by introducing products that are not based on the SIB concept.

Impact investing is one of the strategies of responsible investment. S-Bank and FIM funds operate in accordance with the ownership policy revised in 2018. The new policy describes how and why an activist shareholder policy is pursued. Shareholder activism includes such elements as exercising voting rights at general meetings, exercising direct influence in companies and participating in joint influence campaigns with other investors.

In 2019, S-Bank and FIM funds attended 25 general meetings and two extraordinary general meetings. All meetings were held in Finland. At the end of 2019, 5 companies were directly influenced.

S-Bank's Wealth Management business continued to participate in the international Climate Action 100+ leverage project involving a significant number of international investors. The five-year project aims to influence more than 160 companies that play a key role in achieving the targets of the Paris Climate Agreement.

In 2019, S-Bank's Wealth Management Services joined two new international investor interaction programs. The Tobacco-Free Finance Pledge initiative aims to raise financial sector awareness of its own role in promoting the introduction of anti-tobacco policies in the industry. The Mining & Tailings Safety initiative targets mining companies. The aim is to provide investors and other stakeholders with more information about mining pools around the world, and in particular their safety risks.

FIM excludes companies in certain sectors from its direct investments. Its funds do not invest in the manufacturers of weapons banned under international treaties. This category includes nuclear, biological and chemical weapons, as well as cluster bombs and anti-personnel mines. Furthermore, the funds do not invest in tobacco manufacturers or recreational cannabis manufacturers. FIM uses external analyses to determine the companies belonging to the aforementioned categories. FIM has also used its own analyses to exclude mining and electricity generation companies whose business is heavily dependent on coal. Companies in violation of international norms can also be excluded from FIM's investments.

FIM publishes the carbon footprints of its investment funds in its responsible investment reports with the aim of increasing transparency and comparability with regard to the carbon emissions of the funds. The carbon footprint is published for direct equity and corporate bond funds, concerning which the emissions data (either reported or estimated by an external party) is available for more than 50 per cent of said fund's investments. In 2019, FIM launched three products in which responsible investment is taken a step further from FIM's general principles for responsible investment: FIM European HY ESG bond fund, FIM Passive Europe ESG equity fund and FIM Passive USA ESG equity fund. These funds increased the number of FIM's Responsibility Plus family of products to five. At the close of 2019, these funds, which belong to FIM's Responsibility Plus fund range, had a total of EUR 521.9 million in capital.

Table 7: Responsible investment

Indicator	2019	2018
S-Bank and FIM fund participation in general meetings	25 Annual General Meetings, 2 Extraordinary General Meetings	
Direct corporate influence	5 companies	
The amount of capital in the FIM Responsibility Plus family of funds	EUR 521.9 million	EUR 216.5 million

FINANCIAL STATEMENTS 2019

CONSOLIDATED FINANCIAL STATEMENTS 30

FINANCIAL STATEMENTS OF S-BANK LTD 120

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest income		94,397	86,669
Interest expenses		-8,255	-7,162
Net interest income	3	86,142	79,508
Fee and commission income		104,351	97,551
Fee and commission expenses		-44,079	-42,782
Net fee and commission income	4	60,272	54,770
Net income from investment operations	5	5,914	3,981
Other operating income	6	15,811	14,813
Total income		**168,138**	**153,072**
Personnel expenses	7	-45,652	-47,325
Other administrative expenses		-61,897	-64,671
Depreciation and impairment	8	-12,811	-11,111
Other operating expenses	9	-4,780	-4,128
Total costs		**-125,141**	**-127,235**
Impairment of receivables	10	**-13,995**	**-8,691**
Share of the profits of associated companies	11	**-1**	**-16**
OPERATING PROFIT (LOSS)		**29,000**	**17 131**
Income taxes	12	**-4,622**	**-4,639**
PROFIT (LOSS) FOR THE PERIOD		**24,378**	**12,492**
Of which:			
To the parent company's shareholders		24,127	12,293
To non-controlling interests		251	199
TOTAL		**24,378**	**12,492**

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
PROFIT (LOSS) FOR THE PERIOD		**24,378**	**12,492**
Other comprehensive income items:			
Items that will not later be recognised in profit or loss			
Items due to reassessment of the value of defined benefit plans		-122	26
Items that will not later be recognised in profit or loss		**-122**	**26**
Items that may later be recognised in profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		2,815	-13,413
Tax effect		-626	3,883
Items that may later be recognised in profit or loss		**2,189**	**-9,531**
Other comprehensive income items, after taxes		**2,068**	**-9,504**
COMPREHENSIVE INCOME, TOTAL		**26,446**	**2,987**
Of which:			
To the parent company's shareholders		**26,195**	**2,789**
To non-controlling interests		**251**	**199**
COMPREHENSIVE INCOME, TOTAL		**26,446**	**2,987**

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
Assets				
Cash and cash equivalents	13, 14, 15, 16	603,893	468,436	493,015
Debt securities eligible for refinancing with central banks	13, 14, 15, 17	787,214	1,002,523	860,478
Receivables from credit institutions	13, 14, 15, 18	33,721	27,974	25,737
Receivables from customers	13, 14, 15, 19	4,780,583	4,186,865	3,716,859
Debt securities	13, 14, 15, 20	293,809	665,438	464,280
Derivative contracts	13, 14, 15, 21, 33	400	649	999
Shares and interests	13, 14, 22	27,620	25,209	30,965
Holdings in associated undertakings	11	8	9	5
Intangible assets	23	50,128	44,537	39,501
Tangible assets	24	4,696	6,682	5,485
Tax assets	12	2,348	3,016	4,812
Prepayments and accrued income	25	25,138	23,657	22,038
Other assets	26	4,429	7,102	4,605
Total assets		**6,613,987**	**6,462,096**	**5,668,781**
Liabilities				
Liabilities to credit institutions	13, 14, 15, 27	0	302	10,109
Liabilities to customers	13, 14, 15, 27	6,000,826	5,883,806	5,047,522
Subordinated debts	13, 14, 15, 28	50,000	50,000	50,000
Derivative contracts	13, 14, 15, 21, 33	17,062	13,103	6,260
Provisions	30	302	264	367
Tax liabilities	12	5,733	7,784	8,363
Accrued expenses	29	30,320	17,461	19,512
Other liabilities	30	36,304	39,475	119,601
Total liabilities		**6,140,548**	**6,012,194**	**5,261,735**
Equity				
Share capital		82,880	82,880	82,880
Reserves		283,037	280,828	250,362
Retained earnings		107,522	85,954	73,635
Parent company's shareholders		**473,439**	**449,662**	**406,877**
Non-controlling interests		0	240	169
Total equity	31	**473,439**	**449,902**	**407,046**
Liabilities and total equity, total		**6,613,987**	**6,462,096**	**5,668,781**

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	Non-controlling interests	Total equity
Equity 31 Jan 2017 (FAS)	**82,880**	**243,813**	**11,590**	**75,614**	**413,897**	**169**	**414,066**
Impact of IFRS transition	0	0	-5,040	-1,979	-7,020	0	-7,020
Adjusted equity January 1, 2018 (IFRS)	82,880	**243,813**	**6,550**	**73,635**	**406,877**	**169**	**407,046**
Comprehensive income							
Profit/loss for the period				12,293	12,293	199	12,492
Other comprehensive income items:							
Profit or loss on financial assets measured at fair value through other comprehensive income			-9,531	0	-9,531	0	-9,531
Reassessment of the value of defined benefit plans			0	26	26	0	26
Comprehensive income, total	**0**	**0**	**-9,531**	**12,319**	**2,789**	**199**	**2,987**
Transactions with shareholders							
Dividend distribution	0	0	0	0	0	-127	-127
Issue of shares or consideration for unrestricted equity	0	39,996	0	0	39,996	0	39,996
Transactions with shareholders, total	**0**	**39,996**	**0**	**0**	**39,996**	**-127**	**39,869**
Total equity 31 Dec 2018	**82,880**	**283,809**	**-2,981**	**85,954**	**449,662**	**240**	**449,902**

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR '000)	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Profit (loss) for the period		**24,378**	**12,492**
Depreciation and impairment		12,811	11,111
Shares of the profit of companies consolidated with the equity method		1	16
Credit losses		18,623	13,214
Other non-payment income and expenses		-4,056	218
Income taxes		4,622	4,639
Other adjustments		73	0
Adjustments for financial income and expenses		-1,546	1,578
Adjustments, total		30,529	30,776
Cash flow before changes in receivables and liabilities		**54,907**	**43,268**
Increase / decrease in business receivables (- / +)			
Receivables from credit institutions, other than repayable on demand		-16,499	-1,459
Receivables from customers		-612,434	-483,881
Derivative contracts		245	99
Investment assets		598,578	-343,797
Other assets		565	-5,410
Total increase / decrease in trade receivables		**-29,546**	**-834,447**
Increase / decrease in operating liabilities (- / +)			
Liabilities to credit institutions		-302	-9,808
Liabilities to customers		117,019	836,284
Other liabilities		8,683	-82,336
Total increase / decrease in operating liabilities		**125,401**	**744,140**
Change in reserves		-83	-77
Taxes paid		-6,790	460
Cash flow from operating activities		**143,888**	**-46,655**

	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from investing activities			
Investments in tangible and intangible assets		-14,010	-15,939
Impairment of tangible and intangible assets		301	1,516
Subsidiary shares purchased less cash at the date of acquisition	35	-2,144	0
Investments in equity investments		0	-20
Cash flow from investing activities		**-15,853**	**-14,443**
Cash flow from financing activities			
Share issue against payment		0	39,996
Private equity investment by non-controlling interests		0	0
Repayment of lease liabilities		-3,123	-2,364
Dividends paid		-199	-127
Cash flow from financing activities		**-3,322**	**37,505**
Difference in cash and cash equivalents		**124,713**	**-23,593**
Cash and cash equivalents, opening balance sheet		484,037	507,838
Difference in cash and cash equivalents		124,713	-23,593
Impact of changes in exchange rates		-9	-207
Cash and cash equivalents consist of the following items			
Cash and cash equivalents	16	603,893	468,436
Repayable on demand	18	4,848	15,601
Cash and cash equivalents		**608,741**	**484,037**
Interest paid		**-7,791**	**-7,156**
Interest received		**91,930**	**88,093**

SEGMENT REPORT

The operating segments of the S-Bank Group are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other operations. The 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 the business 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 as well as services for institutional investors.

Income statement 1 Jan–31 Jun 2019 (EUR '000)	**Banking**	**Wealth Management**	**Other activities**	**Eliminations**	**Group, total**
Net interest income	86,264	-99	-23		86,142
Net fee and commission income	35,017	24,073	1,183		60,272
Net income from investment operations	5,857	70	-14		5,914
Other operating income	10,706	199	10,372	-5,467	15,811
Total income	**137,844**	**24,243**	**11,518**	**-5,467**	**168,138**
Total costs*	**-82,358**	**-23,557**	**-24,693**	**5,467**	**-125,141**
Impairment of receivables	-13,995				-13,995
Share of the profits of associated companies				-1	-1
Operating profit (loss)	**41,491**	**685**	**-13,175**	**-1**	**29,000**

*External income from Banking was EUR 137 751 000 and from Wealth Management EUR 24 808 000.

Income statement 1 Jan–31 Jun 2018 (EUR '000)	**Banking**	**Wealth Management**	**Other activities**	**Eliminations**	**Group, total**
Net interest income	79,609	-76	-25		79,508
Net fee and commission income	31,525	19,842	3,403		54,770
Net income from investment operations	4,125	19	-163		3,981
Other operating income	10,218	71	11,363	-6,839	14,813
Total income	**125,477**	**19,856**	**14,578**	**-6,839**	**153,072**
Total costs*	**-87,187**	**-21,952**	**-24,935**	**6,839**	**-127,235**
Impairment of receivables	-8,691				-8,691
Share of the profits of associated companies				-16	-16
Operating profit (loss)	**29,599**	**-2,096**	**-10,357**	**-16**	**17,131**

*External income from Banking was EUR 125,424,000 and from Wealth Management EUR 21 220,000.

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

The most significant individual item is depreciation of investments, which is primarily a result of the harmonisation of the computer systems and processes of S-Bank and Local-Tapiola Bank. Other activities also include common costs, such as those relating to financial statements, auditing, the Board of Directors and General Meetings, as well as those of the management, including the CEO, in support and staff functions. In addition, the income and expenses of functions subject to reorganisation are allocated to Other activities.

Balance sheet 31 Dec 2019 (EUR '000)	Banking	Wealth Management	Other activities	Group, total
Receivables from customers	4,780,583			4,780,583
Liquid and investment assets of banking	1,746,657			1,746,657
Intangible and tangible assets	2,814	12,274	39,744	54,832
Cash and other assets	12,253	5,485	14,177	31,915
Total assets	**6,542,308**	**17,759**	**53,920**	**6,613,987**
Banking liabilities	6,067,888			6,067,888
Provisions and other liabilities	4,958	5,884	61,819	72,661
Equity			473,439	473,439
Liabilities and total equity, total	**6,072,846**	**5,884**	**535,258**	**6 613,987**

Balance sheet 31 Dec 2018 (EUR '000)	Banking	Wealth Management	Other activities	Group, total
Receivables from customers	4,186,865			4,186,865
Liquid and investment assets of banking	2,190,229			2,190,229
Intangible and tangible assets	2,855	10,062	38,311	51,228
Cash and other assets	12,584	4,115	17,075	33,774
Total assets	**6,392,533**	**14,177**	**55,386**	**6 462 096**
Banking liabilities	5,947,211			5,947,211
Provisions and other liabilities	3,544	4,831	56,609	64,984
Equity			449,902	449,902
Liabilities and total equity, total	**5,950,754**	**4,831**	**506,511**	**6,462,096**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 TO THE CONSOLIDATED FINANCIAL STATEMENTS: ACCOUNTING POLICIES USED IN THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

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

General accounting policies

The S-Bank Group (later S-Bank) adopted the International Financial Reporting Standards (IFRS) on 1 January 2019 and the consolidated financial statements have been prepared in accordance with the IFRS adopted by the EU and valid on 31 December 2019. The accounting policies adopted in conjunction with the IFRS transition and the resulting changes are described below in 1.1.1.16 Transition to IFRS.

The Board of Directors of S-Bank approved the financial statements at its meeting on 4 February 2020. According to the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting held after their publication. The General Meeting may also decide to amend the financial statements.

The consolidated financial statements have been prepared under the historical cost convention, except for items measured at fair value. Financial assets and liabilities that are measured at fair value through profit or loss and hedge accounting items are measured at fair value.

The financial statements are presented in thousands of euros, unless otherwise stated. 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.

Consolidation principles

The consolidated financial statements include S-Bank Ltd and all the subsidiaries in which the bank has a controlling interest. Control arises when the Group, through its involvement in a company, is exposed to, or is entitled to, variable returns on the company and is able to influence those returns by exercising its power over the company. The following subsidiaries are consolidated into the 2019 financial statements: FIM Asset Management Ltd, FIM Private Equity Funds Ltd, FIM Real Estate Ltd, S-Asiakaspalvelu Ltd, FIM Impact Investing Ltd (former Epiqus Oy), FIM Infrastructure Mezzanine Debt Fund GP Ltd, FIM Private Debt Fund I GP Ltd and FIM SIB Ltd.

Subsidiaries established or acquired during the financial year are included in the consolidated financial statements from the date on which control was acquired by the Group, using the acquisition method. Divested subsidiaries are included in the consolidated financial statements until control ceases.

The consideration transferred and the acquiree's identifiable assets and adopted liabilities are measured at fair value at the acquisition date. The consideration transferred includes any assets disposed of, liabilities incurred by the acquirer with respect to previous owners of the acquiree, and the issued equity interests. The consideration transferred does not include any transactions that are treated separately from the acquisition, and which are therefore considered through profit or loss on acquisition. Acquisition-related costs are expensed in the periods in which the expenditure is incurred.

Intra-group transactions, receivables and liabilities have been eliminated in the consolidated financial statements. The allocation of the period's profit or loss between the parent company and non-controlling interests is presented in a separate income statement. Correspondingly, the division of comprehensive income is presented in the statement of comprehensive income. Non-controlling interests in equity are presented as a separate item under equity in the balance sheet.

Associates are companies in which the Group has significant influence. In the Group's view, significant influence generally arises when the Group holds between 20 per cent and 50 per cent of the voting power of an enterprise, or otherwise has significant influence but not control. The associated companies, S-Crosskey Ltd and Asian Pro Ltd, have been consolidated using the equity method. If the Group's share of an associate's losses exceeds the carrying amount of the investment, the investment is carried at zero and the losses exceeding the carrying amount are not consolidated unless the Group is committed to meeting the obligations of the associate.

Structured entities

Under IFRS 10 Consolidated Financial Statements, an investor has control over a structured entity when it has control over the investment, is exposed to variable returns by participating in the investment, or is entitled to variable returns and is able to exercise control over the investment and thereby influence the amount of returns it receives.

S-Bank (through its subsidiaries) has power over funds that are limited partnerships, because it acts as the general partner for these funds and exercises power as portfolio manager in the funds. S-Bank has not invested any significant capital (other than the capital contribution of the general partner) in funds or feeder funds, and a significant part of the funds' debt financing comes from outside S-Bank.

S-Bank is not significantly exposed to fluctuations in the returns from funds' operations and therefore S-Bank is not considered to have control.

S-Bank's funds have not been consolidated in the Group's IFRS financial statements as at 31 December 2019 or in the comparison period as at 31 December 2018.

Items denominated in foreign currencies

The financial statements are presented in euros. The euro is the operating currency of the Group and the parent company. Transactions in foreign currencies are recorded at the exchange rates prevailing on the transaction date. At the balance sheet date, foreign currency balance sheet items are converted into euro at the closing rate.

Exchange rate differences are recognised as exchange rate profits or losses in the income statement. With respect to financial items, exchange rate differences are recognized in Net investment income under Net foreign exchange income.

Financial assets and liabilities

Initial recognition and measurement of financial instruments

After initial recognition, the Group's financial assets are measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the purpose for which the financial assets and liabilities have been acquired.

- Items measured at amortised cost are initially measured at their acquisition cost, which is the fair value of the consideration paid, supplemented by directly attributable transaction costs. Subsequent to initial recognition, such items are measured at amortised cost.
- Items recognised at fair value through other comprehensive income are initially measured at fair value supplemented or reduced by direct transaction costs arising from the acquisition of each item.
- Items recognised at fair value through profit or loss are measured at fair value at initial recognition.

Financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities measured at fair value through profit or loss, namely derivative contracts, etc.

- Financial liabilities measured at amortised cost are recognised at fair value (acquisition cost less attributable expenses) when a contract is entered into, and subsequently at amortised cost.
- Liabilities measured at fair value through profit or loss are subsequently measured at fair value. The expenses attributable to transactions are recognised through profit or loss as they arise.

S-Bank applies settlement date practice in recognising financial assets and liabilities on the balance sheet, excluding financial assets and liabilities measured at fair value through profit or loss. These latter financial assets and liabilities are recognised on the balance sheet using trading date practice.

Financial assets are derecognised from the balance sheet once the contractual rights to the cash flows arising from the financial asset cease or once the rights with substantially all their risks and rewards are transferred to another party. Financial liabilities are removed from the balance sheet when they are extinguished, that is, when the obligation specified in the contract is discharged and it has expired.

Classification of financial assets and liabilities

Financial assets

Financial assets are divided into three classifications. Classification and measurement are based on the business model according to which a financial instrument is managed, and on the characteristics of the financial instrument's contractual cash flows. Financial instruments are classified as follows:

- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at amortised cost

The business model refers to the method by which financial assets are managed in order to collect cash flows. In different business models, cash flows arise from the collection of contractual cash flows, the sale of financial assets or a combination of the two.

Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss include financial assets held for trading, derivative contracts held for trading purposes and financial assets initially measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss include bonds and notes, and other domestic and foreign securities and participations that are traded actively and have been acquired for short-term gain or as part of the management of the short-term liquidity position, as well as derivative contracts to which hedge accounting has not been applied. Additionally, equity shares and fund units acquired for short-term gain are also measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss are measured at fair value. The change in fair value is recorded in the income statement. The difference between the closing date value of the financial instruments designated at fair value and the carrying value from the previous financial statements is recognised as the income or expense for the period in the income statement. If a financial instrument measured at fair value was acquired during the financial period, the difference between the closing date value of the financial instrument and its acquisition cost is recognised as the income or expense for the period.

Financial assets measured at fair value through other comprehensive income

Items that meet the following criteria are measured at fair value through other comprehensive income: the item is held in accordance with a business model that aims at the possession of financial assets in order to collect contractual cash flows and in order to sell financial assets, and the contractual terms specify payments at specific times that are solely payments of the capital as well as interest on the remaining capital.

Financial assets measured at fair value through other comprehensive income include debt securities and other domestic and foreign securities. Financial assets measured at fair value through other comprehensive income are carried at fair value. The fair value of publicly traded investments is defined on the basis of their market values. Investments that are not publicly quoted are measured by means of valuation methods that are generally approved in the market. Should this not yield a reliably determinable fair value, the acquisition cost is used. Change in fair value is recognised in other comprehensive income and in the fair value reserve. When a financial instrument is sold, the change in the fair value accrued in equity, together with accrued interest and capital gains or losses, is recognised in the income statement.

The expected credit losses are calculated on financial assets measured at fair value through other comprehensive income and are recognised through profit or loss. The changes in the fair value of financial assets measured at fair value through other comprehensive income and the loss allowance are recognised in the fair value reserve. More detailed information on these calculations is provided in the section Calculation of expected credit losses.

S-Bank has recognised some equity instruments at fair value through other comprehensive income. In their case, the bank has made an irreversible decision in conjunction with the initial recognition to recognise the changes in their fair value through other comprehensive income instead of through profit or loss. Gains or losses on the disposal of these equity instruments are not recognised through profit or loss. Instead, any dividends are recognised through profit or loss.

Financial assets measured at amortised cost

Items that meet the following criteria are measured at amortised cost: the item is held in accordance with a business model that aims at the possession of financial assets in order to collect contractual cash flows, and the contractual terms specify payments at specific times that are solely payments of the capital as well as interest on the remaining capital. At S-Bank, financial assets that are not quoted on active financial markets, for which the related payments are fixed or determinable, are measured at amortised cost. Financial assets of this type include receivables from credit institutions and receivables from the public and public sector entities.

After initial recognition, the assets measured at amortised cost are valued using the effective interest method. Transaction costs are included in the amortised cost measured using the effective interest method, and are amortised through profit or loss over the term-to-maturity of the receivable, provided they have been determined as part of the effective interest method in IFRS 9.

S-Bank calculates the expected credit losses on financial assets carried at amortised cost. More detailed information on these calculations is provided in the section Calculation of expected credit losses.

Financial liabilities

S-Bank classifies financial liabilities in accordance with IFRS 9 as follows:

- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through profit or loss

In general, financial liabilities are measured at the amortised cost on the balance sheet date using the effective interest method. Derivative contract liabilities held for trading are recognised at fair value through profit or loss.

Derivatives and hedge accounting

Derivative contracts

Derivative contracts are classified as hedging or held for trading, and at S-Bank, they include interest derivatives, currency derivatives and optional derivatives. Derivative contracts are primarily entered into for hedging purposes and are always measured at fair value.

In accordance with S-Bank's policies, the positive value changes of derivatives are presented as derivative assets, and the negative value changes are presented as derivative liabilities. The changes in the value of derivatives held for trading are recognised under Net income from investment operations in the income statement. Changes in the value of derivatives in hedge accounting are recognised in Net income from investment operations in the income statement under Net income from hedge accounting.

Embedded derivatives

An embedded derivative is part of a hybrid instrument that also contains a non-derivative main contract. For this reason, part of the cash flow from the hybrid instrument fluctuates in a manner similar to the cash flow from a standalone derivative contract. S-Bank had no embedded derivatives in the reporting periods.

Hedge accounting

All derivatives are measured at fair value. Derivative contracts are entered into primarily for hedging purposes. S-Bank applies fair value hedge accounting to the above-mentioned derivative contracts that meet the documented effectiveness and other requirements for hedge accounting. In these cases, exposure to interest rate risk through present values is hedged against by means of interest rate swaps and forward rate agreements. These contracts are still designated as hedging items in hedge accounting. Hedge accounting at S-Bank complies with IAS 39 Financial Instruments: Recognition and Measurement in accordance with IFRS 9.

Prior to applying hedge accounting, S-Bank assesses the economic relationship between the hedged item and the hedging instrument, using qualitative methods. This review assumes that the fair values of the hedged item and the hedging instrument respond similarly to changes in a particular risk. For example, in hedging against interest rate risk, the fair values of fixed-rate debt securities and the hedging interest rate swaps are considered to react in the same proportion to changes in market rates. The qualitative evaluation is complemented by a performance analysis.

Hedging should be effective when hedge accounting is applied. Regression analysis is used to evaluate efficacy. The analysis should have a true value between 80 per cent and 125 per cent and a degree of regression (R squared) greater than 0.96. Effectiveness is measured monthly, both prospectively and retrospectively. If the hedging ratio does not meet the effectiveness requirements, hedge accounting is discontinued and the derivative is recognised under Net income from investment operations as in the previous effectiveness test. The most common reason for inefficiency and rejection from hedge accounting has been the difference between the maturities of the hedged item and the hedging instrument.

S-Bank applies fair value hedging to derivative contracts entered into for the purpose of hedging the fair value changes of assets exposed to the interest rate risk. S-Bank hedges the risk related to changes in fair value mainly in the case of securities with a fixed interest rate, which are exposed to the interest rate risk. The interest rate risk is described in Note 2 to the consolidated financial statements: Group risks and risk management.

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

Fair value hedging is discontinued in the following situations: the hedging instrument matures, is sold, dissolved or redeemed, the hedging relationship no longer meets the documented conditions of hedge accounting, or the hedging relationship is severed.

Measuring financial instruments at fair value

Fair value is the price that would be obtained from the sale of an asset or the transfer of debt between market participants in a customary business transaction executed on the valuation date.

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. A market is considered to be active if price quotes are readily and regularly available and they reflect actual and recurring market transactions between independent parties.

Valuations are determined on the basis of the prices of market transactions, the discounted cash flow method or the fair value at the balance sheet date of another essentially similar instrument. The valuation methods account for an estimate of the credit risk, the discount rates used, the possibility of early repayment and other factors that affect the reliable determination of the fair value of a financial instrument.

Financial assets and liabilities measured at fair value are divided into three categories according to the method with which their fair value is determined:

- 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 is not based on verifiable market information but is based, to a significant extent, on the management's estimates.

Impairment of financial instruments

The impairment model in accordance with IFRS 9 is based on the calculation of expected credit losses (ECL), where the expected credit loss is estimated at the time a contract is recognised for balance sheet items measured at amortised cost or at fair value through other comprehensive income and for off-balance sheet credit commitments and guarantee contracts. Any measurement of expected credit losses under IFRS 9 should reflect an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes. The measurement should also reflect the time value of money as well as reasonable and supportable information that is available on the reporting date without undue cost or effort and that concerns past events, current conditions and forecasts of future economic conditions.

Grouping of financial instruments for the measurement of impairment

Credit risk is measured using a three-step impairment model in which a financial instrument is classified into stages based on the level of risk of the credit agreement. Figure 5 illustrates the grouping of financial instruments into three stages for the purposes of impairment accounting. In order to be able to estimate whether the risk level of a credit contract has increased relative to the initial recognition, and for the purposes of classifying the financial instrument, S-Bank uses the probability of default (PD) risk model. This risk model generates a PD risk estimate illustrating the probability of default over a 12-month period in which variations are deemed to reasonably reflect changes in the credit risk over the lifetime of the contract. In addition to the aforementioned quantitative criteria (change in PD estimate between the date of recognition and the reporting date), the grouping of financial instruments is influenced by, among others, factors related to the maturing of the credit. The estimates provided by the risk model as well as the effects of maturity and other criteria on the grouping of financial instruments are constantly monitored.

Figure 7: Grouping of financial instruments into three stages for the impairment measurement

Current risk level of the financial instrument in comparison to the risk at the time of lending

Stage 1	Stage 2	Stage 3
No significant change	Significant increase	Credit-impaired receivables due to credit risk
Expected credit loss is measured for a period of 12 months	The lifetime expected credit loss is measured for the contract	The lifetime expected credit loss is measured for the contract

Stage 1 – no significant changes in the credit risk

Stage 1 applies to receivables in which the credit risk has not increased significantly since the credit was granted and in which the value is not impaired. The expected credit loss is measured for the contracts for a period of 12 months and the effective interest is calculated on the gross carrying amount. In other words, stage 1 includes contracts in which:

- an increase in the PD estimate is below the limits defined for the specific product, and
- the receivable has been past due for a maximum of 30 days.

Stage 2 – significant increase in credit risk

Stage 2 applies to receivables in which the credit risk has increased significantly since the credit was granted. The lifetime expected credit loss is measured for the contract and the effective interest is calculated on the gross carrying amount. The criteria for assessing significant increases in credit risk, and the limit values of the probability of default, are determined for each product and customer group, and they are based on analyses and expert opinions of S-Bank's data.

The credit risk is deemed to have increased significantly if the probability of default has materially increased since the time of recording of the contract, in other words:

- the PD estimate exceeds the limit value determined for the specific product,
- the PD estimate has increased significantly within the aforementioned limit values since the credit was granted,
- a payment of capital or interest has been past due for more than 30 days but the receivable has not been impaired yet due to the credit risk,
- changes in the credit risk since initial recognition cannot be estimated reliably, or
- the contract is classified as a performing forborne exposure (forbearance is described in the section "Contractual changes in financial assets").

If none of the above-mentioned stage 2 criteria are fulfilled, the contract should be treated according to stage 1. Thereafter the criteria for transferring receivables to stage 2 are observed for the contract consistently with other contracts in stage 1.

Stage 3 – credit-impaired receivables

Stage 3 applies to credit-impaired receivables. The lifetime expected credit loss is measured for the contract and the effective interest is calculated on the net carrying amount. A receivable is deemed to be credit-impaired if:

- A payment of capital or interest has been past due for more than 90 days (non-performing contracts).
  o If a liability has been classified in part as non-performing on the balance sheet, the remaining undrawn off-balance sheet amount is also classified as non-performing.
  o If more than 20 per cent of the receivables from the same borrower on the balance sheet are classified as non-performing liabilities, all of the lia bilities of the customer in question, both on-balance sheet and off-balance sheet, are classified as non-performing.
- Payment in accordance with the contract is unlikely to be received before the receivable becomes non-performing (unlikely-to-pay items).
- The contract is forborne and it becomes non-performing (see the section "Contractual changes in financial assets").

If the status of a stage 3 receivable changes so that none of the above-mentioned stage 3 criteria apply, the contract should be treated according to stage 1. Thereafter the criteria for transferring receivables to stage 2 are observed for the contract consistently with other contracts in stage 1.

A credit-adjusted effective interest rate is applied to purchased or originated credit-impaired (POCI) financial assets as of the date on which the financial asset measured at amortised cost was initially recognised. S-Bank does not have any financial assets of this type.

Contractual changes to financial assets

Changes to the terms of credit contracts are made either on commercial grounds or if the customer faces difficulties in performing payments under the contract. The contract terms can be amended on commercial grounds if a customer receives a better offer from a competitor and S-Bank considers it important to maintain the customer relationship. When amending contracts on commercial grounds, the customer's credit risk must not have increased significantly (stage 2) and the customer must not have payment difficulties. In this case, the customer's contract is classified automatically under stage 1 in impairment measurement and the changes to the contract do not change its status.

If a change is made to a credit agreement due to the customer's inability to pay, it is referred to as forbearance. Forbearance measures aim to assist the customer in managing short-term payment difficulties. The key objective of granting forbearance measures is either to prevent performing borrowers from reaching a non-performing status, or to pave the way for non-performing borrowers to exit their non-performing status. Forbearance measures always aim to return the exposure to a situation of sustainable repayment.

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

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

Recognition of realised credit loss

A credit contract or a part of it is recognised as a credit loss when it is unlikely that its amount will be recovered. S-Bank has internal definitions for cases where the probability of a credit loss is high and a realised credit loss is recognised on the receivable. Depending on the product, credit loss is recorded as follows:

- Credit losses on unsecured credit are recorded no later than 4 months after they have been transferred to collection.
- Credit losses on secured receivables are recorded at the earliest when the collateral has been realised and allocated to the receivable. In this case, the remaining receivable may not be recorded as a credit loss if a payment schedule has been created for it.

Even if a receivable is accepted and recorded as a credit loss, collection will continue in the form of post-collection. After the recognition of a credit loss, the credit in question will no longer be included in the calculation of expected credit loss and thus will no longer be impaired. Collection of the receivable will continue until there are sufficient grounds for discontinuing it.

The impairments for the reporting period are presented in the notes to the financial statements. In the future, the amount of expected credit loss is forecast to react sensitively to changes in the economic outlook. This may increase short-term fluctuation in profits.

Calculation of expected credit loss

S-Bank uses the probability of default (PD), Loss Given Default (LGD) and Credit Conversion Factor (CCF) parameters for measuring risks in the credit portfolio and for calculating the impairments of financial instruments. The CCF parameter can be employed to determine the amount of liability, i.e. Exposure at Default (EAD). By utilising these parameters, the expected credit loss (ECL) are calculated with the formula PD x LGD x EAD.

Expected credit loss is calculated either for a period of 12 months or for the lifetime of the original contract, depending on the current risk level of the credit (see the information on the classification of financial instruments presented in the previous section and Figure 4: Classification of financial instruments into three stages for the measurement of impairment).

Table 8 presents the credit risk models S-Bank employs in the calculation of expected credit risks for each customer group.

PD, LGD and EAD are calculated for every future month and each separate contract. These three components are multiplied by one another. The income for each future month is discounted to the reporting date and added together. The discount rate used in the ECL calculation is the interest rate of the original contract.

Table 8: Credit risk models used by S-Bank in the calculation of expected credit risks

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

Classification of credit risks and probability of default

As presented above, S-Bank uses various credit risk models to forecast the probability of default, depending on the product and customer group. When forecasting the probability of default for a customer, S-Bank uses either a classification of the contract at the application stage or a classification based on its credit history. The application-stage classification is based on the personal and credit data collected from the customer on the application (e.g. income and collateral information from household customers and revenue and sector information from corporate customers). The information obtained on the credit application is supplemented with external information, such as payment default information available from Suomen Asiakastieto. A classification based on the credit history of the contract is made for household customers who have had a valid credit agreement with S-Bank for at least six months. In other words, when forecasting the customer's probability of default, the customer information is supplemented using the customer's payment behaviour and other banking history, and if necessary, by an expert assessment by S-Bank, before calculating a final PD estimate for the liability.

Based on the PD estimates, loans are assigned a credit category. The 7-tier distribution of the categories is described below.

The probability of default is the lowest in credit category 1 and the highest in credit category 7. The credit categories are calibrated in such a way that the risk grows exponentially in the higher risk categories. Thus the difference in the probability of default (PD estimate) between credit categories 1 and 2 is smaller than that between credit categories 5 and 6, for example.

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

Table 9: PD estimates for the credit categories

Credit category	PD minimum (%)	PD maximum (%)
1	0.00	< 0.15
2	0.15	< 0.25
3	0.25	< 0.50
4	0.50	< 0.75
5	0.75	< 2.50
6	2.50	< 10.00
7	10.00	< 100.00
In default		100.00

Use of average parameters

S-Bank does not use group-specific PD estimates when calculating expected credit loss. If the PD estimate for a contract at initial recognition is unavailable, the receivable is classified in stage 2. In cases where the current PD estimate for a contract is not available, impairment is calculated using an averaged PD estimate for the same type of customer or product group.

Forward-looking information used in the calculation of expected credit loss

The calculation of a significant increase in credit and expected credit loss entails making forward-looking estimates. S-Bank has analysed historical data and identified trends in house prices and unemployment rates as key economic variables that have an impact on potential credit risk.

The development of the above financial variables is based on the macroeconomic scenarios prepared by S-Bank three times a year. Three scenarios are used – a strong scenario, a basic scenario and a weak scenario – and their probabilities are based on S-Bank's estimates. A macroeconomic model is used to account for macroeconomic scenarios and their likelihood, as well as for the evolution of economic variables, in the calculation of expected credit loss.

The macroeconomic model is complemented by management assessment. The assessment takes into account the uncertainty of the macroeconomic factors and the underlying assumptions, as well as any additional information that is not adequately captured by the models used to calculate expected credit loss.

Income in the income statement

Interest income and expenses

Interest on financial assets and liabilities and interest-rate derivatives is accrued as interest income or expenses for the financial periods to which they are to be allocated over time in accordance with IFRS 9. Fees that form an essential part of the effective interest on loans, receivables or deposits are recognised as interest income or expenses.

Fee and commission income
Fee and commission income arises from services rendered to clients, such as fund and payment services, and lending.

All fee and commission income under IFRS 15 is recognised at the time when control over performance obligations has been transferred to the customer. Income from the Group's customers is recognized at the amount the Group expects to be entitled to in return for services rendered to the customer. Fees are recognised, in accordance with the nature of the service in question, either over time or at a point in time.

Fee and commission expenses
Fee and commission expenses are the fees and commissions paid to third parties for the provision of services to customers, as well as other fees.

Net income from investment operations
Net investment income consists of gains and losses on the sale of investment instruments as well as valuation changes. The item also includes the net result of hedge accounting.

Other operating income
Other operating income includes income other than that arising from the preceding items.

Operating profit
The Group has defined the concept of operating profit in its financial statements as follows:

Operating profit (Earnings before tax) = Total income - Total expenses +/- Impairment of receivables +/- Share of profits of associated companies

Intangible and tangible assets

Intangible assets

Goodwill

Goodwill arising on a business combination represents the amount by which the consideration transferred, the non-controlling interest's share of the acquiree and the previously held interest exceed the fair value of the net assets acquired. Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. Goodwill is measured at cost less impairment in the consolidated financial statements.

Other intangible assets

Intangible assets mainly consist of internally generated information systems, related development work, and license and connection fees. Intangible assets are carried at cost if the cost can be measured reliably and it is probable that the intangible asset will generate economic benefits. The costs of modifications to licenses and the proportion of own work related to IT projects in accordance with IAS 38 Intangible Assets have been capitalised under Information systems. Intangible assets are amortised on a straight-line basis over their estimated economic lifetime.

Amortisation periods for intangible assets:
IT systems and licence fees: 3–5 years

The Group assesses depreciation periods and depreciation methods at least at the end of each financial year. Depreciation begins when an asset is ready for use. If an intangible asset is no longer of benefit to the Group, the non-depreciable cost of the asset is written off at once. If the benefit is considered to be significantly impaired compared to the non-depreciated amount of the acquisition cost, an impairment loss will be recognised.

Research and development expenditure

Research costs are expensed in the income statement through profit or loss, while development costs are recognised in intangible assets on the balance sheet when the recognition criteria are met. Development costs are recognised when they can be measured reliably, when it is technically feasible to complete the asset and when the Group is able to use or sell the asset and to demonstrate that the asset will generate probable future economic benefits. Previously recognised development costs are not subsequently capitalized.

Tangible assets

Tangible assets are measured at original acquisition cost, less accumulated depreciation and impairment, if any. The acquisition cost includes the costs that are directly attributable to the acquisition of the item. Straight-line depreciation is recorded on tangible assets in accordance with each item's economic life.

Depreciation periods for tangible assets:
Machinery and equipment: 3 years
Renovations of rented premises: 5 years

The estimated useful lives and residual values are reviewed at least at each balance sheet date. If they differ significantly from previous estimates, the depreciation periods will be adjusted accordingly. Depreciation will no longer be recognised when the asset is classified as held for sale.

Gains or losses on the removal and surrender of property, plant and equipment are measured as the difference between the selling price and the carrying amount and are recognised through profit or loss in other operating income or expenses.

Right-to-use asset items

Under IFRS 16, an agreement is a lease agreement if it grants right of control of the use a specified asset for a specified period of time in exchange for a consideration. At the time of concluding an agreement or when the terms of an agreement change, S-Bank will determine whether an agreement includes a lease agreement. Control exists when a material part of the financial benefit from the use of an independent asset specified by agreement is gained by the lessee and the lessee can determine the purpose of the asset. At the beginning of the agreement period, the lease liability is the present value of the leases payable during the lease period. The leases consist of fixed fees and variable leases that depend on indices. The sum of the lease liability will be re-evaluated anew if future lease payments change due to a change in indexes or prices or because the lease period has been extended. If the amount of lease liability is adjusted in conjunction with re-evaluation, the right-to-use asset item is also adjusted by the same sum.

The lease period begins on the date specified in the lease agreement. The lease ends on the date agreed in the lease agreement. If the lease agreement remains in force until further notice, the final date will be estimated.

The IFRS 16 standard includes two changes that provide relief concerning recognition and measurement. S-Bank has decided that lease agreements that do not exceed 12 months in duration and asset items that do not exceed EUR 5,000 in value will not be recognised on the balance sheet. S-Bank will recognise these short-term lease agreements and low-value assets as costs during the lease period. Depreciation and interest expense is recognised in the income statement for items recognized as right-to-use assets and lease liabilities.

Licensing assets are amortised during the contract period.

Impairment of tangible and intangible assets

Under IFRS, goodwill is not amortised. Instead, it is tested annually for impairment. Goodwill is allocated to cash flow-generating units. In the Group, goodwill is currently allocated to the Wealth Management business segment.

Impairment loss is recognised if the balance sheet value of an asset or unit generating cash flow exceeds the amount recoverable on it. The recoverable amount is defined as the fair value less cost to sell or the higher value in use. When determining value in use, estimated future cash flows are discounted to present value based on discount interest rates that represent the average cost of capital before taxes of the cash flow-generating unit in question.

The impairment loss of a cash flow-generating unit is first allocated to reduce the goodwill allocated to the cash flow-generating unit and then to symmetrically reduce the unit's other asset items. The impairment loss is recognised in the income statement. If the values used to determine the recoverable amount change, any impairment loss recognised earlier will be reversed. The maximum reversal amount is the amount that would have been determined as the carrying amount of the asset item, less depreciation, had it not been recognised as impairment loss in prior years. Impairment losses recognised on goodwill are not reversed.

Intangible assets not yet available for use, most of which are IT projects, are evaluated annually in conjunction with the budgeting process. Impairment will be recognised on the basis of the evaluation.

Income taxes

Income taxes include current taxes for the financial period and adjustments to taxes for previous periods, as well as changes in deferred tax assets and liabilities. The tax effects of items that are recognised directly in equity are correspondingly recognised directly in equity. Taxes are calculated using the tax rates valid on the closing date and, if there is a change in tax rates, at the available new tax rate.

Deferred taxes are recognized on temporary differences between the carrying amount and the taxable value. The Group's most significant temporary differences arise from expected credit loss (ECL) as well as from special-purpose vehicle's credit-loss provisions under the Accounting Act and depreciation differences.

The Group recognises a deferred tax asset for taxable temporary differences only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The amount of the deferred tax asset and the probability that it can be utilised are reassessed at the end of each reporting period.

Employee Benefits

Short-term employee benefits

Short-term employee benefits, such as salaries, fees, bonuses and associated costs, are recognised as an expense in the period to which they relate.

Post-employment benefits

Post-employment benefits are paid to their beneficiaries after their employment ends. At S-Bank, these benefits consist of pensions. The Group's pension arrangements have been managed by external pension insurance companies. Pension plans are classified as either defined contribution plans or defined benefit plans.

The major part of S-Bank's pension plans are defined contribution plans where S-Bank pays fixed premiums to an insurance company. The most significant defined contribution plan of S-Bank is the TyEL employee pension. The Group has no legal or factual obligation to make additional payments if the beneficiary does not have sufficient funds to pay all the retirement benefits. Payments to defined contribution plans are recognised through profit or loss for the periods to which they relate. Prepayments are recognised as an asset to the extent that they result in a reduction in future payments or a refund in cash.

S-Bank's defined benefit pension scheme is a voluntary supplementary pension scheme. For defined benefit plans, the amount of the obligation is calculated using the projected unit credit method. The cost of a defined benefit pension plan is recognised through profit or loss on the basis of actuarial calculations. Expenses for the period and net interest on a defined benefit plan are recognised through profit or loss and presented as expenses on employee benefits. Items arising from the re-measurement of a defined benefit net liability (or asset) (including actuarial gains and losses and the return on plan assets) are recognised in other comprehensive income in that period. The discount rate used to calculate the present value of a retirement obligation is the market yield on high quality corporate bonds. The net liability (or asset) of a defined benefit pension plan, which is the present value of the pension obligation less the pension plan assets at fair value at the end of the reporting period are recognised on the balance sheet.

Other long-term employee benefits

Other long-term employee benefits include all employee benefits other than short-term and post-employment benefits and benefits associated with the termination of an employment relationship.

Termination benefits

Termination benefits are not based on performance, but on termination of an employment relationship. These benefits consist of severance pay. Termination benefits arise either from the Group's decision to terminate employment or from the employee's decision to accept the benefits provided by the group in exchange for termination. Such benefits are recognised when S-Bank is no longer able to withdraw its offer of such benefits or when the Group recognises a restructuring expense in which termination benefits are provided, whichever is earlier.

Provisions

The Group recognises a provision when it has a legal or factual obligation as a result of a past event, it is probable that a payment obligation will be realised and the amount of the obligation can be reliably measured. Provisions are valued at present value.

Contingent liabilities and contingent assets

A contingent liability arises when the Group has a contingent liability that arises from past events and whose existence will be confirmed only by a future event that is not controlled by the Group. If the Group has an existing obligation that has arisen as a result of past events but the payment obligation is not probable, or the Group is not able to estimate the amount of the existing obligation with sufficient reliability.

Contingent assets arise when economic benefits to the group are probable but not certain in practice and the economic benefits depend on an event outside the control of the Group. Contingent assets and liabilities are disclosed in the notes to the consolidated financial statements.

Equity

S-Bank's equity consists of the items: Share capital, Fair value reserve, Reserve of invested non-restricted equity and Retained earnings.

Accounting policies requiring management judgment and key uncertainties related to estimates

The accounting of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, a macroeconomic model is used to account for information concerning the future. Given the complex interactions between the variables of the macroeconomic model, caution should be applied to the model's ability to forecast future economic developments. As a result, a management factor is used to calculate expected credit loss, which takes into account the uncertainties surrounding the model and its underlying assumptions as well as the model risk.

Goodwill impairment testing includes management estimates of future business performance. For more information on goodwill impairment, see section Note 23 to the consolidated financial statements: Intangible assets.

Judgement has been used to estimate the end-dates of the lease agreements of premises in order to recognise the agreements in accordance with the IFRS 16 standard. For more information on leases, see section Note 24 to the consolidated financial statements: Tangible assets".

New and amended standards

Adoption of new and amended standards in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2019.

Amendments to References to Conceptual Framework in IFRS Standards (effective for financial years beginning on or after 1 January 2020)

The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.

Definition of a Business (Amendments to IFRS 3) (effective for financial years beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set is a group of assets rather than a business.

Definition of Material (Amendments to IAS 1 and IAS 8) (effective for financial years beginning on or after 1 January 2020)

The amendments clarify the definition of material and include guidance to help improve consistency in the application of that concept across all IFRS Standards. In addition, the explanations accompanying the definition have been improved.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective for financial years beginning on or after 1 January 2020)

Amendments have been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

IFRS 17 Insurance Contracts* (IASB's proposal effective for financial years beginning on or after 1 January 2022)

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

Effects:
The new and amended standards are not expected to have any material impact on bank's annual accounts in the future. Potential impacts for S-Bank related to IFRS 17 can first be analysed when the exact content of the standard is clear.

Transition to IFRS

S-Bank has applied the IFRS standards as of 1 January 2019 in its consolidated reporting. The Group has applied IFRS 1 First-time Adoption of IFRS. The effects of the transition to IFRS on the consolidated income statement, balance sheet and cash flow statement are described below.

Until 31 December 2018, the Group's financial statements were prepared in accordance with the Finnish Accounting Standards (FAS) and in accordance with the Finnish Financial Supervisory Authority's regulations concerning the financial sector. New accounting policies concerning financial instruments were introduced at 1 January 2018 with the adoption of the IFRS 9 Financial Instruments standard and will therefore no longer affect comparability in 2019.

The following presents the adjustments associated with adopting the IFRS standards at 1 January 2018 and 31 December 2018.

a) Receivables from customers and reserves (adoption of IFRS 9)

The impact of the expected credit loss recognised in the transition to IFRS 9 on the opening balance sheet item Receivables from customers at 1 January 2018 was EUR 8.0 million. The effect of the transition on equity at 1 January 2018 was EUR 6.3 million. As a result of the reclassification, the fair value reserve decreased by EUR 5.1 million (net) and retained earnings increased correspondingly, with the reclassification having no impact on the amount of equity.

b) Intangible assets and goodwill

The S-Bank Group has capitalised its own work associated with IT projects in accordance with the IAS 38 Intangible Assets standard. The effect of the adjustments on intangible assets in the opening balance sheet at 1 January 2018 was EUR 0.8 million. During the financial year, intangible assets increased and personnel expenses decreased by EUR 2.1 million due to adjustments.

In the IFRS transition, the goodwill of the opening balance sheet at 1 January 2018 corresponds to the value in accordance with FAS accounting principles on the basis of the relief based on the IFRS 1 First-time Adoption of International Financial Reporting standard. Goodwill was EUR 9.8 million at 1 January 2018. In accordance with FAS accounting standards, goodwill amortisation (totalling EUR 4.3 million for the period 1 January–31 December 2018) has been reversed at the Group level. Under IFRS, goodwill is not amortised and instead, it is tested in accordance with the IAS 36 Impairment of Assets standard for impairment. S-Bank has tested goodwill at 1 January

2018, 31 December 2018 and 31 December 2019. Based on the tests, there is no need for impairment charges.

c) Tangible assets (property, plant and equipment)

Lease agreements on operating premises and leased vehicles presented in accordance with the IFRS 16 Leases standard have been booked as right-to-use items to tangible assets on the balance sheet. At 1 January 2018, property, plant and equipment and other liabilities increased by EUR 5.3 million due to adjustments. As a result of depreciation for the financial year, intellectual property rights decreased and depreciation increased by EUR 2.4 million.

S-Bank has decided that lease agreements that do not exceed 12 months in duration and asset items that do not exceed EUR 5000 in value will not be booked as right-to-use assets. Furthermore, no lease liability will be recognised on them. S-Bank recognizes these short-term leases and low value assets as expenses during the lease term.

d) Tax assets and liabilities

IAS 12 Income Taxes resulted in an increase of EUR 0.1 million in Group income taxes. The entries concern deferred taxes and are mostly the result of IFRS adjustments. At the date of transition, 1 January 2018, deferred tax assets increased by EUR 0.1 million and deferred tax liabilities decreased by EUR 2.7 million due to adjustments. Deferred tax assets increased by EUR 0.5 million and deferred tax liabilities by EUR 2.4 million due to adjustments.

e) Provisions

The voluntary defined benefit pension plan based on the IAS 19 Employee Benefits standard has been booked under Provisions on the balance sheet at 1 January 2018. During the financial year, balance sheet provisions and personnel expenses in the income statement decreased by EUR 0.1 million due to adjustments.

f) Other liabilities

Other liabilities include the lease liabilities of leasing agreements for operating premises and leased vehicles in accordance with the IFRS 16 Leases standard.

At 1 January 2018, at the time of transition, the remaining lease payments under lease agreements were booked to liabilities at their discounted present values. Lease liabilities were booked on the balance sheet under Other liabilities. The incremental borrowing rate at the time of transition or the internal interest rate of the lease agreement, if available, was used as the discount rate. An amount corresponding to the lease liability was booked as a right-to-use asset item under Tangible assets on the balance sheet. The impact of adapting the IFRS 16 standard on the assets and liabilities of the opening balance sheet at 1 January 2018 was EUR 5.3 million, mostly from premises and leased vehicles. Due to the adjustments, other liabilities and other operating expenses for the period decreased by EUR 2.4 million.

In accordance with IFRS 15 Revenue from Contracts with Customers, commission income is recognised on a time basis over the term of the contract. The resulting adjustment of EUR 1.1 million in accruals on commission income was recognised as a liability at the date of transition, 1 January 2018. During the financial year, the liability increased to EUR 1.7 million due to adjustments.

g) Retained earnings

The adoption of IFRS standards in the S-Bank Group had the following effects on retained earnings:

(EUR '000)	1 Jan 2018	31 Dec 2018
Retained earnings under FAS	**75,614**	**78,164**
IFRS adjustments:		
Receivables from customers (a)	-7,995	0
Intangible assets and goodwill (b)	805	6,941
Tangible assets (right-to-use assets) (c)	0	-7
Tax assets (d)	106	466
Provisions (e)	-367	-264
Tax liabilities (d)	2,669	2,391
Other liabilities (f)	-2,238	-1,737
Reserves (a)	5,041	0
Retained earnings under IFRS	**73,635**	**85,954**

Equity reconciliation

Consolidated balance sheet (EUR '000)	Note	FAS 31 Dec 2017	Impact of IFRS transition	IFRS 1 Jan 2018
Assets				
Cash and cash equivalents		493,015		493,015
Debt securities eligible for refinancing with central banks		860,478		860,478
Receivables from credit institutions		25,873		25,873
Receivables from customers	a)	3,724,718	-7,995	3,716,723
Debt securities		464,280		464,280
Derivative contracts		999		999
Shares and interests		30,965		30,965
Holdings in associated undertakings		5		5
Intangible assets	b)	38,696	805	39,501
Tangible assets	c)	232	5 253	5,485
Tax assets	d)	4,707	106	4,812
Accrued income and prepayments made		22,038		22,038
Other assets		4,605		4,605
Total capital		**5,670,612**	**-1,831**	**5,668,781**
Liabilities				
Liabilities to credit institutions		10,109		10,109
Liabilities to customers		5,047,522		5,047,522
Subordinated debts		50,000		50,000
Derivative contracts		6,260		6,260
Provisions	e)	0	367	367
Tax liabilities	d)	11,032	-2,669	8,363
Accrued expenses and prepayments received		19,512		19,512
Other liabilities	c), f)	112,110	7,491	119,601
Other liabilities, total		**5,256,546**	**5,189**	**5,261,735**

Consolidated balance sheet (EUR '000)	Note	FAS 31 Dec 2017	Impact of IFRS transition	IFRS 1 Jan 2018
Equity				
Share capital		82,880		82,880
Reserves	a)	255,403	-5,041	250,362
Retained earnings		75,614	-1,980	73,635
Parent company's shareholders	**g)**	**413,898**	**-7,021**	**406,877**
Non-controlling interests		169		169
Total equity		**414,066**	**-7,021**	**407,046**
Liabilities and total equity, total		**5,670,612**	**-1,831**	**5,668,781**

Consolidated balance sheet (EUR '000)	Note	FAS 31 Dec 2018	IFRS transition effects	IFRS 31 Dec 2018
Assets				
Cash and cash equivalents		468,436		468,436
Debt securities eligible for refinancing with central banks		1,002,523		1,002,523
Receivables from credit institutions		27,974		27,974
Receivables from customers		4,186,865		4,186,865
Debt securities		665,438		665,438
Derivative contracts		649		649
Shares and interests		25,209		25,209
Holdings in associated undertakings		9		9
Intangible assets	b)	37,596	6,941	44,537
Tangible assets	c)	879	5,803	6,682
Tax assets	d)	2,550	466	3,016
Accrued income and prepayments made		23,657		23,657
Other assets		7,102		7,102
Total capital		**6,448,887**	**13,209**	**6,462,096**
Liabilities				
Liabilities to credit institutions		302		302
Liabilities to customers		5,883,806		5,883,806
Subordinated debts		50,000		50,000
Derivative contracts		13,103		13,103
Provisions	e)	0	264	264
Tax liabilities	d)	10,175	-2,391	7,784
Accrued expenses and prepayments received		17,461		17,461
Other liabilities	c), f)	31,927	7,547	39,475
Other liabilities, total		**6,006,774**	**5,420**	**6,012,194**

Consolidated balance sheet (EUR '000)	Note	FAS 31 Dec 2018	IFRS transition effects	IFRS 31 Dec 2018
Equity				
Share capital		82,880		82,880
Reserves		280,828		280,828
Retained earnings		78,164	7,789	85,954
Parent company's shareholders	g)	**441,872**	**7,789**	**449,662**
Non-controlling interests		240		240
Total equity		**442,113**	**7,789**	**449,902**
Liabilities and total equity, total		**6,448,887**	**13,209**	**6,462,096**

Reconciliation of comprehensive income

Consolidated income statement (EUR '000)	Reference	FAS 1 Jan–31 Dec 2018	IFRS transition effects	IFRS 1 Jan–31 Dec 2018
Interest income		86,669		86,669
Interest expenses	c)	-7,142	-19	-7,162
Net interest income		79,527	-19	79,508
Fee and commission income	f)	98,227	-676	97,551
Fee and commission expenses		-42,782		-42,782
Net fee and commission income		55,445	-676	54,770
Net income from investment operations		3,981		3,981
Other operating income		14,813		14,813
Total income		**153,767**	**-695**	**153,072**
Personnel expenses	b), e)	-49,541	2,216	-47,325
Other administrative expenses		-64,671		-64,671
Depreciation and impairment	b), c)	-12,737	1,625	-11,111
Other operating expenses	f)	-6,511	2,384	-4,128
Total costs		**-133,460**	**6,225**	**-127,235**
Impairment of receivables		-8,691		-8,691
Share of the profits of associated companies		-16		-16
OPERATING PROFIT (LOSS)		**11,601**	**5,530**	**17,131**
Income taxes	d)	-4,720	81	-4,639
PROFIT (LOSS) FOR THE PERIOD		**6,881**	**5,611**	**12,492**
Of which:				
To the parent company's shareholders		6,682	5,611	12,293
To non-controlling interests		199		199
TOTAL		**6,881**	**5,611**	**12,492**

Consolidated comprehensive income statement (EUR '000)	Reference	IFRS 1 Jan-31 Jun 2018
PROFIT (LOSS) FOR THE PERIOD		**12,492**
Other comprehensive income items:		
Items that will not be later transferred to profit or loss		
Items due to reassessment of the value of defined benefit plans	e)	26
Items that may later be transferred to profit or loss		
Profit or loss on financial assets measured at fair value through other comprehensive income		-13,413
Tax effect		3,883
Other comprehensive income items, after taxes		**-9,504**
COMPREHENSIVE INCOME, TOTAL		**2,987**
Of which:		
To the parent company's shareholders		2,789
To non-controlling interests		199
COMPREHENSIVE INCOME, TOTAL		**2,988**

Effect on the cash flow statement

The previous cash flow statements of S-Bank are based on the FAS accounting principles. The effects of the IFRS transition on cash flow statement include, but are not limited to, a change in the concept of cash and cash equivalents and the capitalisation of tangible and intangible assets, as well as the treatment of lease liabilities as cash flow from financing activities.

NOTE 2 TO THE CONSOLIDATED FINANCIAL STATEMENTS: GROUP RISKS AND RISK MANAGEMENT

The S-Bank Group engages in banking and wealth management operations. Due to the nature of these operations, risks and risk management are critical to business management and the management of changes in the operating environment. The primary objective of risk management is to maintain the level of profitability, capital adequacy and liquidity above the minimum target levels defined by the Board of Directors, manage the reputation risk and secure disturbance-free operations in both the short and long terms.

The Group's most significant risk types from the perspective of the Pillar 1 minimum regulatory capital requirements are credit and operational risks. In addition to calculating the Pillar 1 capital requirements, S-Bank calculates an internal Pillar 2 capital requirement for all relevant risks to ensure a comprehensive evaluation of the risk profile.

The Board of Directors' Report (Risk Management section) accompanying the Financial Statements provides an overview of risk management and its objectives, and presents the key figures illustrating S-Bank's risk position. At the same time, it presents S-Bank's capital adequacy and own funds (Equity requirements, capital adequacy and own funds).

Part Eight of the EU Capital Requirements Regulation sets out the requirements for public disclosure of information concerning banks' risks, risk management and capital adequacy. The Pillar 3 report (Capital and Risk Management Report) required by this regulation is published in a document separate from the financial statements. The report is available on S-Bank's website, at www.s-pankki.fi.

Governance of risk management (2.1)

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

The second line of defence consists of the Group-level functions that are independent of the business units, Risk Control and Compliance. The Risk Control function monitors and assesses risk-taking, the identification of risks and the efficiency of risk management in the Group. The function also oversees the execution of the risk strategy and monitors the total risk exposures in relation to the risk capacity and appetite. The Compliance function assesses and monitors S-Bank's compliance with the relevant external regulations, internal policies and the decisions of S-Bank's management.

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

Figure 8: S-Bank's administrative structure

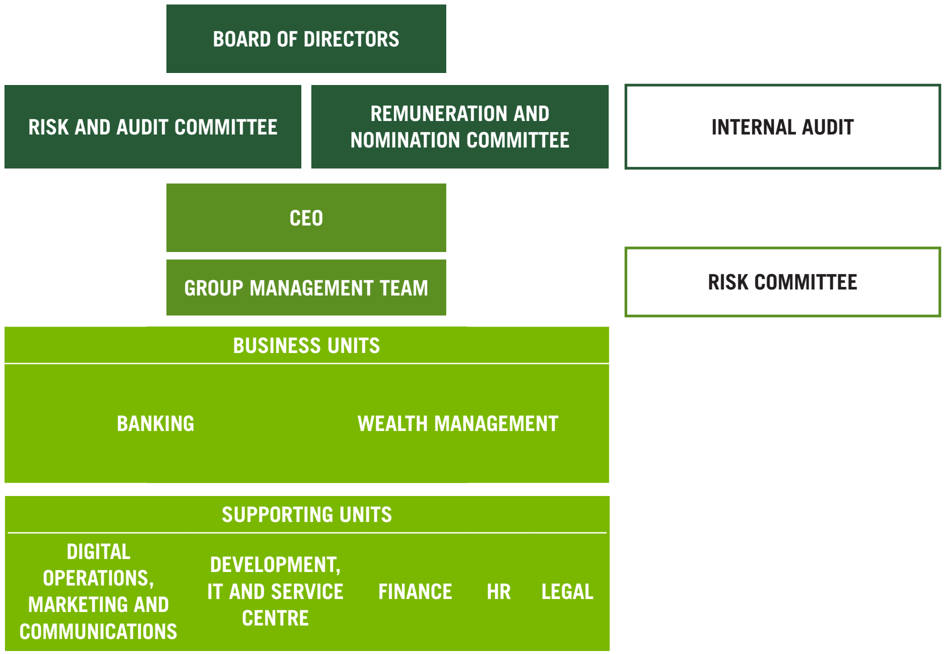


Figure 8 shows S-Bank's administrative structure, which also illustrates the organisation of risk management. The essential roles and responsibilities of the relevant bodies, with respect to risk management, are described in what follows.

Board of Directors

The parent company's Board of Directors bears overall responsibility for risk management in the S-Bank Group, ensuring that the Group's operations are appropriately organised in compliance with the applicable laws and regulations. The Board confirms the risk strategy, defines the risk-bearing capacity, risk appetite and risk management objectives of S-Bank, and ensures that the Group has the operating and risk management policies necessary to implement them. In addition, the Board approves the risk control policies related to specific risk categories, and the risk modelling and calculation policies, and sets limits on risks as part of the risk strategy.

The Board ensures that S-Bank continuously has adequate capital to cover all material risks arising from its business operations and changes in the operating environment and that the Group's risk-bearing capacity is sufficient. The Board monitors the development and allocation of the bank's capital, the sufficiency of liquidity and the risk limits.

The Board is assisted in its work by the Risk and Audit Committee and the Remuneration & Nomination Committee, neither of which have independent decision-making power. Both committees are composed of members of the Board.

CEO and Group Management Team

S-Bank's CEO and Group Management Team are responsible for the practical execution of risk management in accordance with the policies set by the Board of Directors. The CEO and the Management Team ensure that the objectives and limits set for risk-bearing capacity and risk appetite are considered in S-Bank's strategic processes, operational planning and risk management. Additionally, they are responsible for achieving the set objectives and for managing and monitoring the risks threatening these objectives.

Business and support functions

The directors of S-Bank's business and support functions take primary responsibility for the risks in their respective areas and for ensuring that their units operate in accordance with S-Bank's guidelines and policies. These business and support functions also bear responsibility for their own risks within the set limits. Thus, they are responsible for identifying and assessing the risks associated with their functions, and for managing and monitoring them. They must also each ensure that the parameters and conditions for their own operations, and the prerequisites for risk management, are described clearly and adequately.

The business functions also have their own executive teams that include the business unit directors. The executive teams are responsible for the setting, executing and monitoring of quantitative and qualitative targets, as well as for business development and profitability. The business functions may, if necessary, apply stricter risk limits than those confirmed by the Board of Directors.

Risk Committee

The Risk Committee's main duty is to ensure that the information on S-Bank's risks, risk management and capital adequacy provided to the Board of Directors and the Risk and Audit Committee is sufficient and appropriate enough to assist them in discharging their duties and responsibilities and support them in decision making. The Committee confirms the key risk management policies and procedures for processing by the Risk and Audit Committee and approval by the Board of Directors. Moreover, the Committee ensures that decision proposals comply with the regulations and with the risk capacity and risk appetite confirmed by the Board of Directors.

Independent functions

Risk Control is a function tasked with comprehensively monitoring and assessing S-Bank's risk-taking level and the implementation of risk management. The Risk Control function develops and maintains the risk management framework, monitors the execution of the risk strategy and the total risk exposure, ensuring that the risks taken by S-Bank are proportionate to its risk capacity and the set objectives. The Risk Control function maintains and develops methods for measuring, assessing and reporting risks, and supports the business functions in identifying and managing risks. The function prepares regular reports on S-Bank's risks, risk exposure and risk management level for S-Bank's management, Risk Committee, Risk and Audit Committee, and Board of Directors, as well as for the authorities.

The Compliance function is tasked with ensuring that S-Bank has adequate and appropriate policies and procedures in place for ensuring compliance with regulatory requirements. The function follows changes in legislation and regulations and monitors their compliance within the Group. In addition, Compliance monitors and assesses the adequacy and effectiveness of any measures taken to remedy non-compliance.

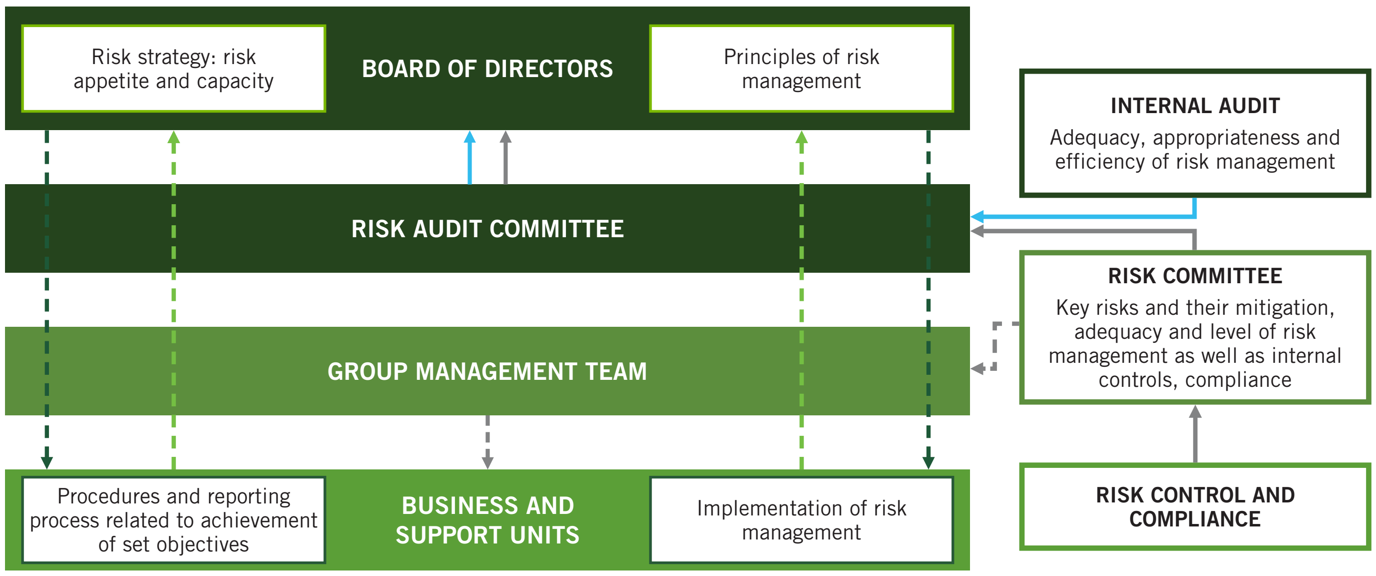
The Internal Audit function performs independent reviews and verification activities that focus on the adequacy, functionality and effectiveness of internal control and risk management across the entire Group. These features are evaluated with a risk-oriented approach in accordance with the auditing plan approved by the Board of Directors annually. The Internal Audit function uses auditing criteria that are based on external regulations, internal guidelines and the set objectives.

Risk monitoring, control and reporting

Risks are measured, monitored and reported to ensure that S-Bank's Board and executive management have adequate and essential information on risks and their management. S-Bank's internal risk reporting process includes both financial reporting and regular analyses of the degree to which the Board's objectives have been achieved. Risk-taking in relation to the risk appetite and capacity is monitored regularly and assessed, for example, when updating the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reports and recovery plan, and when processing strategy or making decisions concerning important business projects or investments for S-Bank. Risk reporting and monitoring practices help to communicate the achievement of set goals and maintain a sound risk culture within the organization. Figure 9 illustrates general risk reporting at S-Bank.

S-Bank monitors risks continuously, and each employee must be aware of their personal responsibilities in risk management. Employees are tasked with observing the implementation of risk management within their area of responsibility and are instructed to report any observed deviations and deficiencies in risk management in accordance with agreed procedures.

Figure 9: The overall risk reporting in S-Bank



As part of continuous risk reporting, the risk exposure of S-Bank and the Group companies, and the practical implementation of risk management in relation to the risk appetite and risk limits, are assessed daily. Market and liquidity risks are monitored and reported on daily. Credit risks, capital adequacy and operational risks are monitored continuously and reported on a monthly and quarterly basis, and always if necessary.

The Risk Control function is responsible for producing reports on the key risks and the level of risk management for S-Bank's management, Risk Committee, Risk and Audit Committee and Board of Directors, as illustrated in the figure (Figure 9) below. In addition to regular reports, the aforementioned bodies are provided with a separate report and analysis if any major changes or deviations occur that may influence S-Bank's risk position or capital adequacy.

The Internal Audit function evaluates the processes concerning risks and capital management in accordance with an annual auditing plan. The Internal Audit regularly reports on the audit results, key audit observations, any operational improvement recommendations and the realisation of the audit plan to the Risk and Audit Committee and the Board of Directors, as well as to all other relevant bodies in the organisation.

Capital and liquidity management

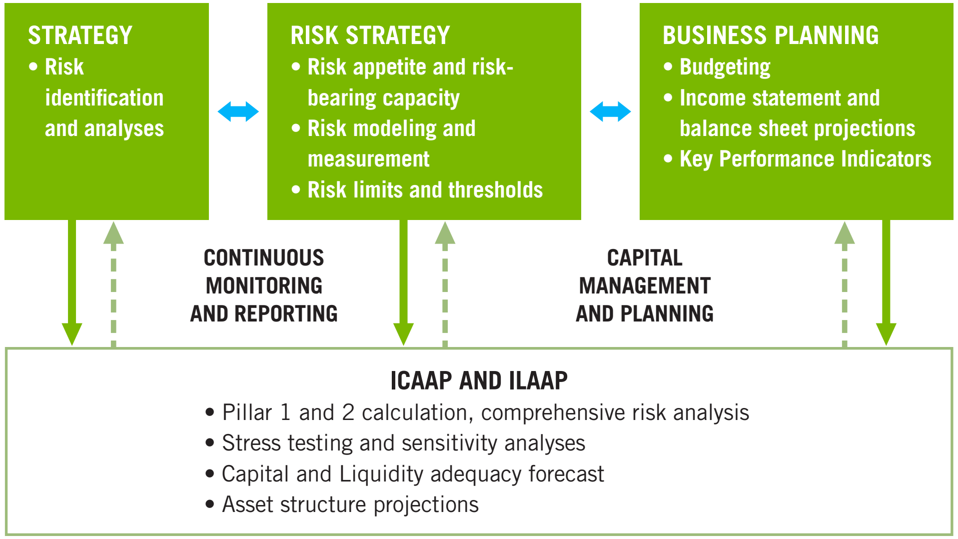
Capital and liquidity management are fundamental parts of the risk management process. The objective of sound capital and liquidity management is to ensure that S-Bank continuously has the capital and liquidity position that is necessary to achieve its business goals. Furthermore, the aim is to ensure that S-Bank continuously has sufficient capital and liquidity buffers for any unexpected events. Capital adequacy and liquidity management is based on a proactive approach that takes into account S-Bank's strategy, operational planning and risk strategy. Figure 11 illustrates the framework for capital adequacy and liquidity management.

ICAAP and ILAAP

The results of the regular ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are combined in a single ICLAAP report, which is prepared at least annually by S-Bank. The process begins with strategic and comprehensive risk analyses. S-Bank utilises a variety of stress scenarios and sensitivity analyses to estimate how potentially unfavourable changes could affect the development of capital adequacy, profitability and liquidity at the level of the Group or its individual companies over a certain time period. The factors taken into consideration include various development patterns in the macroeconomic, regulatory and com-

Figure 10: Risk Control function reporting

Figure 11: Capital and liquidity management framework



petitive environments. The process also includes forecasts of capital requirements, available capital and the impact of new regulations. Moreover, the scenarios include potential changes in S-Bank's business volumes and in the behaviour of its customers. ICAAP provides a comprehensive overview of the development of S-Bank's capital and exposures in various risk scenarios. Based on the results of the scenario analysis, appropriate measures and adjustment methods are identified to ensure a sufficient level of capital and own funds. The ILAAP and ICAAP reports together provide a comprehensive overview of S-Bank's liquidity risk position in various stressed business scenarios. The starting point for liquidity adequacy testing is to ensure the adequacy of liquid assets to cover unexpected liquidity outflows, and to keep the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) within the regulated limits. The results of the stress tests are used to manage the capital adequacy and liquidity positions, as well as profitability, and to set the risk appetite. The capital and liquidity plan also describes the measures that could be taken in negative scenarios in order to restore capital to the target levels, if necessary. The ICLAAP takes into account the material risk types to which S-Bank is exposed. Figure 12 illustrates the progress of the ICLAAP process.

Because S-Bank does not have a trading book, it is not subject to the Pillar 1 capital requirement for market risk. S-Bank's market risks arise from the financial balance sheet and are therefore included in credit risk in the standardised approach for Pillar 1 accounting and regulation. However, in the internal ICAAP process and in Pillar 2 calculations, the capital adequacy of market-risk generating items is assessed under the Market Risk Framework, in accordance with S-Bank's internal parameters and model.

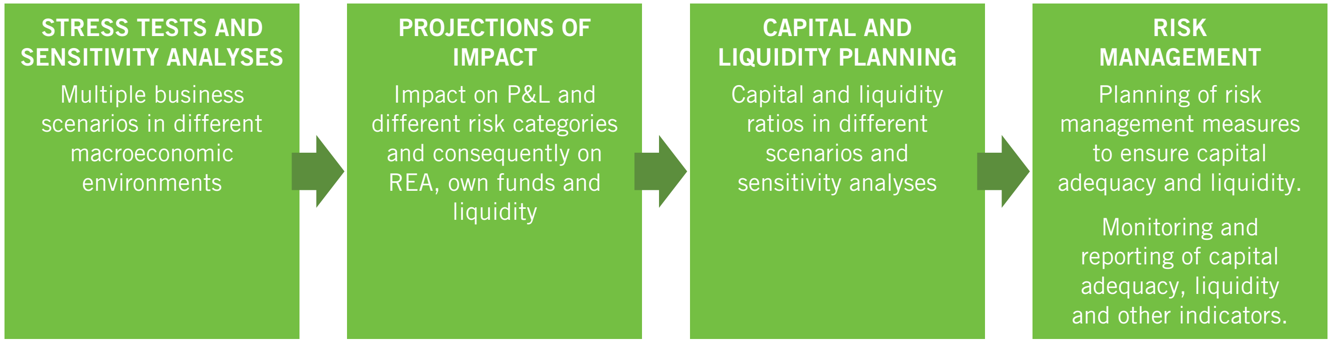
Credit and counterparty risks

Credit risk refers to the probability of a counterparty failing to meet its contractual payment obligations, thus causing a credit loss to S-Bank. The risk may arise in cases where lending is not based on accurate and sufficient information, or if changes occur in the customer's financial situation or in the value of the collateral pledged by the customer over the lifetime of the credit.

The Board of Directors approves S-Bank's credit risk strategy and credit decision mandates, which are in line with both good banking and lending practices and external regulation. The credit risk strategy contains key lending goals and limitations that are aligned with S-Bank's strategy and the business plan derived from it, as well as with the risk strategy. Credit risks arising from the Treasury portfolio and the limits set for them are described in the Treasury's annual investment plan.

Credit risks are managed by the business and support units within the framework of the policies and limits set in the Group's risk strategy, the credit risk strategy and the Treasury unit's investment plan. This ensures that the bank has sufficient capital reserves to cover the risk exposure and that the aims of the risk appetite

Figure 12: ICLAAP-process



and risk management are achieved. The credit risk management framework includes the credit granting process and limits, credit risk mitigating factors such as collateral management and guarantees, pricing, credit risk monitoring, control and reporting.

Various credit risk models are used in calculating the impairment of financial instruments, because they require estimates of the likelihood of default and the amount of credit loss involved. In addition, the calculation takes economic forecasts into account. Measurement of the impairment of financial instruments and calculation of credit losses are both described in the accounting policies used in preparing the financial statements (Impairment of financial instruments and Calculation of expected credit loss). Contractual changes in financial assets and the recognition of realised credit losses are also described in the same context.

Because S-Bank does not have a trading book and its market risks arise from the banking book, the risks of the Treasury investment portfolio are – as provided for by the Pillar 1 regulation and methods – included under Pillar 1 credit risk, using the standardised approach. In addition, market risk is measured by internal market risk models as part of the Pillar 2 calculations and ICAAP processes.

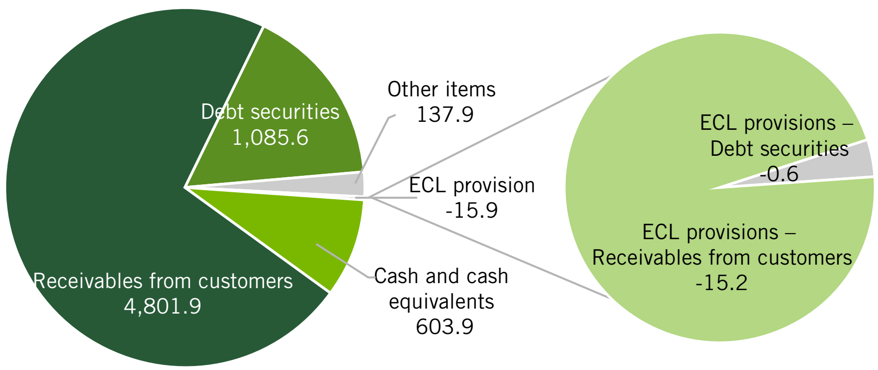
S-Bank's credit risk exposure

Credit risk is the most significant risk type for S-Bank, as it constitutes 90 per cent (EUR 2.6 billion) of S-Bank's total risk exposure (further information Table 4: Summary capital adequacy information). The gross carrying amount of the credit risk exposure at the end of the financial year was EUR 6,629.2 million (6,474.9). This growth is mainly attributable to lending increases in line with strategy, which particularly applied to mortgage lending for household customers. The volume of debt securities decreased by EUR 588.5 million during the financial year, which enabled S-Bank to finance the growth of lending and to improve the liquidity position.

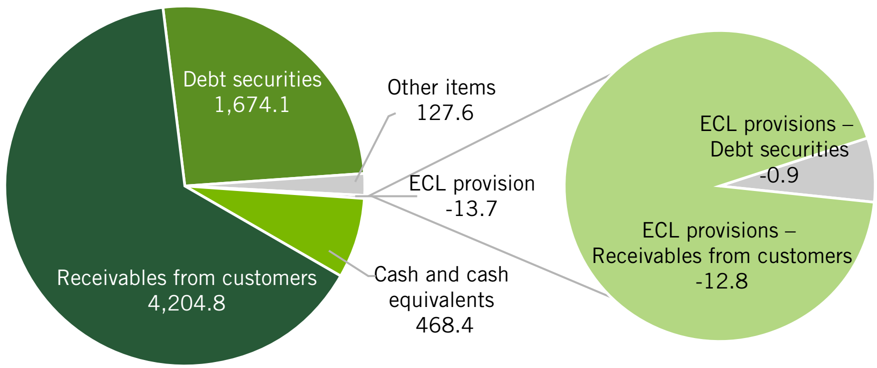
Figure 13 illustrates the gross book values of credit exposures included in S-Bank's balance sheet items and the related provisions for expected credit losses (ECL). Receivables from customers mainly consist of lending to household and corporate customers. Expected credit losses of EUR 0.6 million (0.9) on debt securities are recognized through the fair value reserve, whereas the rest of the ECL, EUR 15.2 million (12.8), is deducted directly from the gross carrying amount. Exposures and commitments subject to credit risk and related ECL provisions are set out in more detail below (Table 10: Risk exposure, summary and Note 10 to the consolidated financial statements: Impairment of receivables).

Figure 13: Gross book values and expected credit losses for credit exposures

31 Jan 2019, EUR million



31 Jan 2018, EUR million



Receivables from customers form the most significant credit risk exposure for S-Bank, accounting for about 72 per cent (65) of the on-balance sheet carrying amount. This item also causes the highest ECL provision. Figure 14 illustrates at a more detailed level the ECL breakdown of that balance sheet item between exposures. Expected credit losses are discussed in more detail in paragraph Quantitative and qualitative information on amounts arising from expected credit losses and exposure to credit risks and in Note 10 to the consolidated financial statements: Impairment of receivables.

Risk concentrations

Risk concentrations may arise from a concentration of S-Bank's exposure in a geographical area, industry, collateral type or with certain major customers. Concentration risks are managed within the set limits and are monitored regularly as part of the management's risk reporting. Moreover, concentration risks are assessed through stress testing in the context of capital planning (ICAAP) as a part of scenario analyses.

From a geographical perspective, the majority, about 93 per cent (92), of S-Bank exposure is in Finland, followed by the rest of the Nordic countries at 5 per cent (5). S-Bank's customer base is large in terms of household lending. The geographical concentration risk is reduced by the distribution of the customer base and collateral across Finland. The credit portfolios are also divided between different credit products. The exposures outside Finland derive from the investments of the Treasury unit. The geographical distribution of credit is guided by the credit risk strategy targets in order to ensure that especially credit secured by mortgage is granted to regionally viable growth centres. Consequently, household mortgage exposures are soundly diversified across Finland with a focus on growth areas. The geographical concentration risk is not considered to be material. No significant changes have taken place in the geographical distribution of exposures since 2018.

Table 10 describes the distribution of S-Bank's exposures by industry. Almost 65 per cent (59) of S-Bank's exposures are not classified by industry, as they consist mainly of household customers' credits. Financial and insurance activities includes exposures to central banks and institutions and covered bonds that do not constitute a real risk concentration. Lending to corporate customers consists mainly of financing for construction by new housing companies. After the construction stage, the credit risk is divided among the shareholders of the housing company and hence does not constitute a material risk concentration. No significant changes have taken place in the distribution of exposure by industry compared to 2018.

Figure 14: Receivables from customers and expected credit losses related to the item by credit portfolio

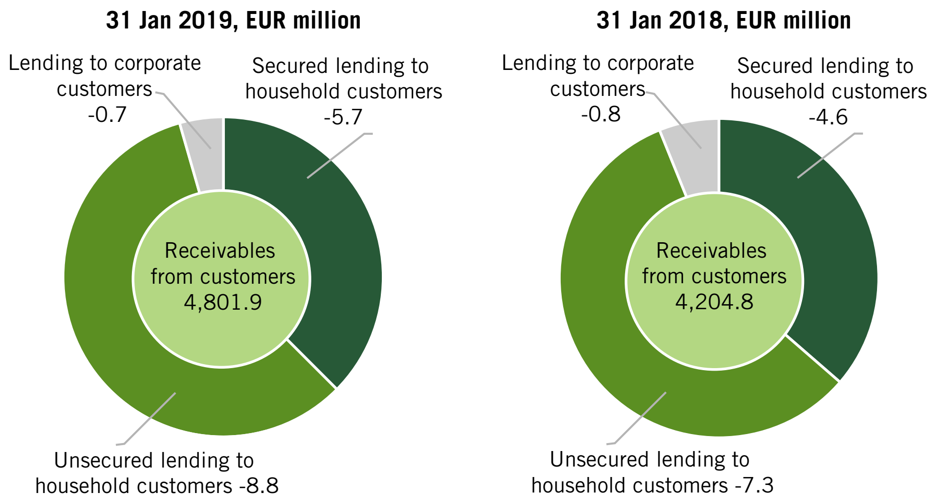


Table 10: Breakdown of exposures by industry

Balance sheet items 31 Dec 2019. EUR million	Financial and insurance activities	Real estate activities	Wholesale and retail trade	Public administration and defence. compulsory social security	Manufacturing	Other industries	Unclassified	Total
Cash and cash equivalents	603.9	0.0	0.0	0.0	0.0	0.0	0.0	603.9
Receivables from credit institutions	33.7	0.0	0.0	0.0	0.0	0.0	0.0	33.7
Receivables from the public and public sector entities	64.6	695.8	23.3	0.0	0.1	45.9	3,956.9	4,786.6
Debt securities	704.5	35.2	0.0	125.6	100.3	120.0	0.0	1,085.6
Shares and interests	17.7	9.7	0.0	0.0	0.0	0.2	0.0	27.6
Derivative contracts	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4
Other items	1.8	0.0	0.0	0.0	0.0	0.0	74.4	76.1
Off-balance sheet items	36.6	126.7	198.9	0.0	0.0	40.4	1,463.3	1,866.0
Total	**1,463.2**	**867.4**	**222.2**	**125.6**	**100.4**	**206.5**	**5,494.6**	**8,479.9**

Balance sheet items 31 Dec 2018, EUR million	Financial and insurance activities	Real estate activities	Public administration and defence, compulsory social security	Wholesale and retail trade	Manufacturing	Other industries	Unclassified	Total
Cash and cash equivalents	468.4	0.0	0.0	0.0	0.0	0.0	0.0	468.4
Receivables from credit institutions	27.8	0.0	0.0	0.0	0.0	0.0	0.0	27.8
Receivables from the public and public sector entities	69.3	654.9	0.0	24.6	0.1	46.7	3,396.5	4,192.0
Debt securities	903.8	18.5	512.9	10.0	111.2	117.8	0.0	1,674.1
Shares and interests	16.5	8.5	0.0	0.0	0.0	0.2	0.0	25.2
Derivative contracts	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.7
Other items	2.9	0.0	0.0	0.0	0.0	0.0	71.0	73.9
Off-balance sheet items	25.1	78.9	0.0	336.4	0.0	48.9	1,531.2	2,020.4
Total	**1,514.5**	**760.8**	**512.9**	**371.0**	**111.3**	**213.5**	**4,998.6**	**8,482.5**

The value of collateral is monitored and updated over the lifetime of a loan, and information on the characteristics of the collateral is maintained in order to identify and manage potential risk concentrations. Real estate collateral is S-Bank's largest individual category of collateral. However, real estate collateral is distributed across numerous individual loans and is geographically dispersed across Finland. The effects of potential changes in the value of real estate collateral on the Group's capital adequacy are assessed as part of the scenario analyses in the capital plan. Collateral and collateral management are also discussed in more detail below (Collateral and credit enhancement).

The concentration risk may arise for S-Bank mainly from credit institutions and corporate customers. Single name risk is the only form of concentration risk that generates capital requirements as part of the calculation of S-Bank's internal Pillar 2 capital requirement (see section Capital adequacy and liquidity management). This single name risk is managed by assessing the interconnectedness of corporate clients, limiting these exposures and closely monitoring their development.

Non-performing loans

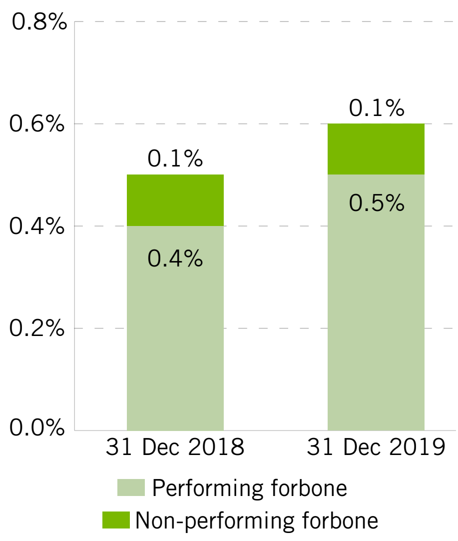
Non-performing loans (NPL) concept is comprised of exposures where the debtor is experiencing financial difficulties and therefore loan terms are modified (forbearance) and exposures with repayment delayed by more than 90 days (default) in addition to impaired and non-performing exposures. The main conditions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

Figure 15 presents the Non-Performing Loan (NPL) ratio, which compares the gross carrying amount, EUR 28.4 million (21.0), of non-performing loans to loans and advances (excluding central bank cash and demand deposits). All non-performing loans are the exposures to household customers. The NPL ratio is at a low level despite a slight increase in the 2019 fiscal year.

Figure 16 presents a breakdown of the book value of gross forbearance exposure totalling EUR 31.4 million (21.1) in relation to loans and advances (excluding central bank cash and demand deposits). All forborne exposures are related to household customers. At the end of 2019, 83 per cent (74) of total forborne exposures was healthy.

Figure 15: NPL ratio

Figure 16: Forbone exposures



Quantitative and qualitative information on amounts arising from expected credit losses and exposure to credit risks

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. Table 11 provides a summary of exposures and commitments subject to credit risk and the related ECL provisions by impairment stage.

The coverage ratio illustrates the share of ECL provision in relation to the respective loan portfolio. The total amount of the ECL provision has increased steadily during the financial year in close proportion to the increase in credit risk exposure. Household customers' ECL provisions increased by EUR 2.5 million and off-balance sheet commitments by EUR 0.5 million. Corporate customer lending and investment ECL decreased by a total of EUR 0.4 million. The coverage ratio of loan portfolios and the total portfolio has remained relatively stable and within the risk appetite defined by S-Bank's Board in its credit risk strategy.

S-Bank has no financial instruments consisting of acquired or originated financial assets that are impaired due to a credit risk.
The impairment of financial instruments and the calculation of expected credit losses are described in the financial statements' accounting policies (Impairment of financial instruments and Calculation of expected credit losses). The effects are discussed in more detail below (Note 10 to the consolidated financial statements: Impairment of receivables; Table 18 and Table 19).

Changes and deferrals in the loss allowance

The amount of credit losses expected at the end of the reporting period, EUR 17.1 million (14.5), increased steadily in line with the development of credit risk exposures. Expected credit losses (ECL) increased by EUR 2.6 million (EUR 361.6 thousand) during the financial year, mainly due to the increase in household customer exposure. The impact of changes in risk parameters during the financial year totalled EUR -1.0 million. The item in question was impacted by changes made during the period to the calculation of the loss allowance, among other things. Changes derive from macroeconomic model parameter updates and management estimates. The reasons for these changes are described in the accounting policies (Rahoitusinstrumenttien arvonalentuminen and Johdon harkintaa edellyttävät laatimisperiaatteet ja arvioihin liittyvät keskeiset epävarmuustekijät). In other respects, the changes and deferrals that occurred in the loss allowances are in line with the credit risk strategy and the prevailing economic conditions. The effects are discussed in more detail below (Note 10 to the consolidated financial statements: Impairment of receivables; Table 20 and Table 21).

Expected and realised credit losses of EUR 18.3 (13.4) million were recognized in the consolidated income statement during the financial year. Reversals recorded amounted to EUR 4.3 million (4.7). Thus, the net expected and realised credit losses and impairments totalled EUR 14.0 million (8.7). The increase in credit losses is mainly due to the growth of the credit portfolio. The decrease in recoveries, in turn, was affected by the sales of recovery stocks. Relative to the size of the credit portfolio, the percentage of credit losses and impairments is low. There are no differences in the recording or recognition of credit losses between S-Bank and the Group. Expected and realised credit losses are presented below (Note 10 to the consolidated financial statements: Impairment of receivables; Table 22).

For S-Bank, the largest amount of credit losses was generated by household customers' unsecured credit, which is recognised as a credit loss at an early stage (within 4–7 months after the receivable is past due). Early recognition as a credit loss means that the amount of expected credit losses is relatively low. However, collection agencies are still applying active measures to collect these debts, which will eventually reduce the amount of credit losses recognised on the income statement through recoveries. At the end of the reporting period, a total of EUR 14.6 million (12.2) in financial assets was written off as realised credit losses that are still subject to collection measures.

Table 11: Portfolios, stages and ECL provisions

31 Dec 2019, EUR million	Stage 1		Stage 2		Stage 3				
	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Total credit risk exposure	Total ECL provision	Coverage ratio %
Household customers*	3,468.2	-1.4	489.6	-9.4	26.0	-3.8	3,983.8	-14.5	-0.36%
Corporate customers*	795.1	-0.4	37.8	-0.4	0.0	0.0	832.9	-0.7	-0.09%
Investing activities**	1,023.0	-0.6	0.0	0.0	0.0	0.0	1,023.0	-0.6	-0.06%
Off-balance sheet commitments***	1,718.0	-0.2	117.2	-1.1	0.3	0.0	1,835.5	-1.2	-0.07%
Total	**7,004.3**	**-2.5**	**644.5**	**-10.8**	**26.3**	**-3.8**	**7,675.2**	**-17.1**	**-0.22%**

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

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

***The ECL provision is recorded in the balance sheet item other liabilities

31 Dec 2018, EUR million	Stage 1		Stage 2		Stage 3				
	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Credit risk exposure	ECL provision	Total credit risk exposure	Total ECL provision	Coverage ratio %
Household customers*	2,966.1	-1.3	431.7	-8.1	19.1	-2.6	3,417.0	-12.0	-0.35%
Corporate customers*	770.8	-0.7	28.2	-0.1	0.0	0.0	799.0	-0.8	-0.10%
Investing activities**	1,251.3	-0.9	0.0	0.0	0.0	0.0	1,251.3	-0.9	-0.07%
Off-balance sheet commitments***	1,736.9	-0.2	92.6	-0.6	0.2	0.0	1,829.6	-0.8	-0.04%
Total	**6,725.1**	**-3.1**	**552.5**	**-8.8**	**19.3**	**-2.6**	**7,296.9**	**-14.5**	**-0.20%**

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

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

***The ECL provision is recorded in the balance sheet item other liabilities

Collateral and credit risk mitigation

S-Bank uses collateral and guarantees to manage credit risks. The Board of Directors of S-Bank decides on the accepted collateral types and their valuation principles. The collateral and guarantees used are credit enhancement arrangements, and S-Bank requires comprehensive collateral to mitigate credit risk, primarily for all types of credit, with the exception of household customers' card credit and unsecured consumer credit and unsecured corporate loans. The methods for assessing collateral value, it's coverage, acceptability, extension options, and liquidation are instructed thoroughly and employed in conjunction with credit granting.

The guiding principle is that credit may only be granted to customers with an adequate repayment ability, regardless of the value of possible collateral. Depending on its type, collateral is measured at market value or fair value. Based on the principle of prudence, a haircut is applied to the value of collateral in order to mitigate credit risk, and the size of this haircut depends on several criteria. The values of real estate collateral are monitored and updated regularly over the lifetime of credit. Expected credit loss calculations take into account the effect of collateral and the uncertainties and costs associated with its realisation through the parameters indicating the Loss Given Default (LGD).

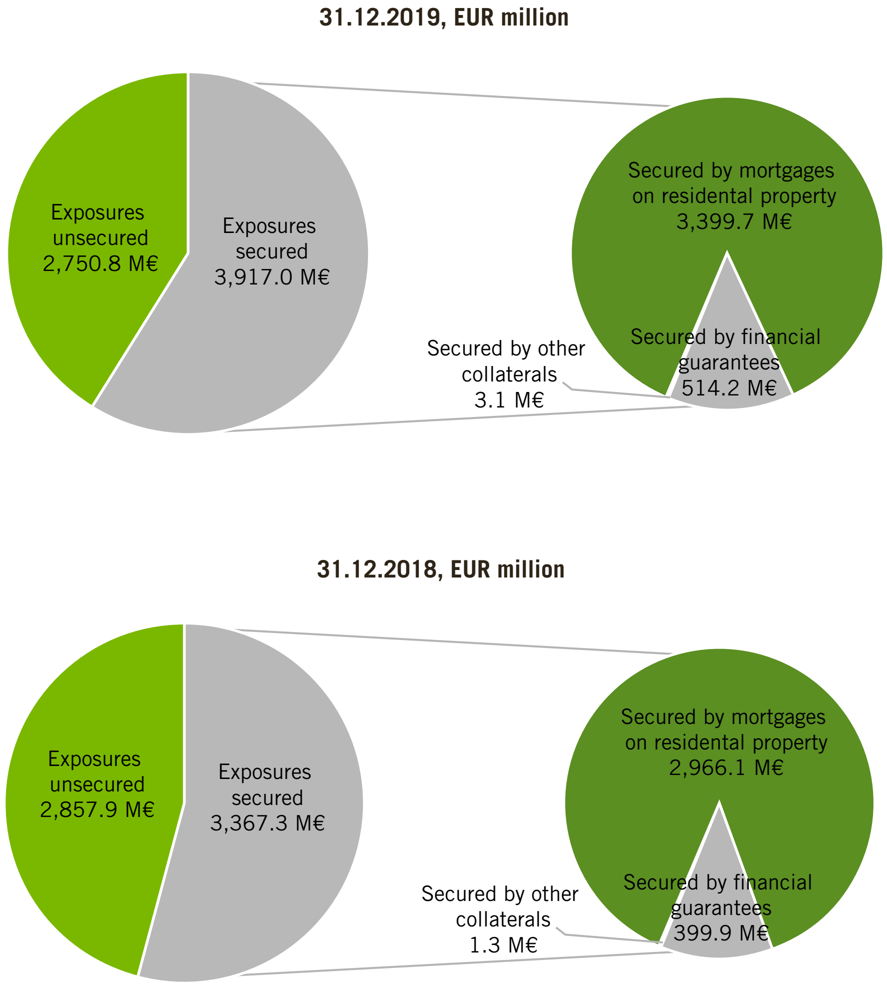
S-Bank uses normal financial guarantees, such as government guarantees or guarantee commitments given by a natural or legal person.

Credit risk management techniques used in the calculation of capital requirements include collateral secured by immovable property and unfunded guarantee arrangements (such as government guarantees for student, -residential and -housing companies' mortgage as well as financial mortgages guarantees by an external service provider). S-Bank also uses other collateral and guarantees to reduce its credit risk, but these are not taken into account in the capital adequacy calculation.

Loan collateral is not obtained for S-Bank's possession. In the event of the non-performance of a receivable, the customer or the debt collection agency may sell the security to cover the remaining debt.

Figure 17 provides a more detailed breakdown of the credit risk mitigation measures applicable in capital adequacy calculation. Approximately 58.7 per cent (54.1) of the of S-Banks total loans gross carrying amounts (EUR 6667,8 million) are secured. Of the secured exposures, 86.8 per cent (88.1) are secured by mortgages on residential property and the remaining 13.1 per cent (11.9) by financial guarantees. The State of Finland is the most significant individual guarantor. Guarantees also include a partner's guarantee insurance used to cover S-Asuntolaina housing loans. This item has grown strongly during the financial year together with the housing loan portfolio. No significant changes occurred during 2019 in the categories of collateral held by S-Bank and the valuation policies applied.

Figure 17: Distribution of credit risk mitigation measures (EUR million)



The Loan-to-Value (LTV) ratio is the amount of outstanding loans secured by immovable property as a percentage of the value of the real estate collateral. S-Bank's LTV calculation uses the original purchase price of real estate collateral, and thus positive changes in the value of the collateral are not taken into account. Guarantee insurance for housing loans is included in the calculation.

As a significant part of the collateral portfolio is comprised of housing and real estate collateral, the price trends of housing affect S-Bank's risk profile. This risk is managed by directing lending regionally to growth centres, such as large cities and the surrounding municipalities, where price trends are positive. Table 12 illustrates the breakdown of mortgage-backed loans for household customers.

Table 13 illustrates quantitative data on the collateral held for credit-impaired financial assets (stage 3). The collateral values of stage 3 secured exposures cover the gross carrying amounts of these exposures.

The calculation of expected credit losses uses the value zero for the Loss Given Default (LGD) parameter in secured investment account credit limits and in loans secured by mortgages on immovable property, if the amount of outstanding capital is less than 50 per cent of the fair value of the collateral given for the credit. In these cases, no loss allowance is recorded for the credit.

Counterparty risks

S-Bank's counterparty risk is very small. The minimum capital requirement for counterparty risk under Pillar 1 was EUR 0.0 million (0.4) at the end of the financial year.

According to the EU Capital Requirements Regulation, a counterparty credit risk (CCR) can arise from a derivative contract in which the counterparty is unlikely to meet its contractual obligations when the contract's market value is positive. Derivative contracts also involve the risk of a credit valuation adjustment (CVA), which refers to an adjustment of the fair value (or price) of derivative contracts to account for the counterparty credit risk. The CVA includes the counterparty's credit margins and market risk factors, which influence the valuation of derivatives and, thus, also the risk.

S-Bank uses derivatives to manage the interest rate risk of the banking book to hedge for a particular balance sheet item, position or cash flow against future changes in value. S-Bank uses derivatives solely for risk management purposes. S-Bank uses the fair value method under Article 274 of the Capital Requirements Regulation to calculate the counterparty risk. Derivatives and their risk management are discussed in more detail in section Market risk. Limits on counterparties are discussed in the section General description of risk management of the report.

Table 12: Loan-to-value distribution of household customers (31 Dec 2019)

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

Table 13: Credit-impaired exposures and their collateral

Credit-impaired financial assets, 31 Dec 2019, EUR '000	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	25,997.3	3,777.8	22,219.5	27,895.8
Lending to corporate customers	0.4	0.0	0.4	300.0
Credit-impaired financial assets, total	**25,997.7**	**3,777.8**	**22,219.9**	**28,195.8**

Credit-impaired financial assets 31 Dec 2018, EUR '000	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	19,113.5	2,594.7	16,510.9	21,868.5
Lending to corporate customers	14.9	0.6	14.3	300.0
Credit-impaired financial assets, total	**19,128.4**	**2,603.2**	**16,525.2**	**22,168.5**

S-Bank enters into ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements with its counterparties in derivative contracts. These agreements reduce the counterparty credit risk. The agreements specify the general terms and conditions related to derivatives and the collateral application methods between the counterparties. When calculating the maximum amount of counterparty credit risk related to financial instruments, the open position includes cash and cash equivalents, investments, deposits and other financing transactions, such as derivative contracts.

In 2019, S-Bank began to clear OTC derivative contracts through Central Counter Party (CCP) clearing. The arrangement is the result of the renewed European Market Infrastructure Regulation (EMIR) which requires that certain types of derivative contracts are cleared through CCP. The purpose of the revised EMIR regulation is to reduce systemic and individual counterparty risks. The clearing of OTC derivatives through a qualifying CCP has reduced the counterparty risk capital requirement.

The accounting policies describe the classification of derivatives and their calculation (Classification of financial assets and liabilities and Derivative contracts and hedge accounting). Derivatives and hedge accounting are also discussed in the notes (Note 21 to the consolidated financial statements: Derivative contracts and hedge accounting, Note 15 to S-Bank's financial statements: Derivative contracts and Note 16 to S-Bank's financial statements: Hedge accounting).

Monitoring and reporting

The Banking business is responsible for credit risk management and the regular monitoring of the balance sheet and the credit portfolio. Reports are used to monitor the fulfilment of the set objectives, the materialisation of risk levels, the distribution of the credit portfolio across different credit categories, the regional distribution of credit, risk concentrations, collateral values, realised margins, the performance of credit rating models, the consistency of the credit management processes, and non-performing loans and expected credit losses.

In addition, the Risk Control function oversees that the principles, limits and decision-making authorisations set in the risk and credit risk strategy are observed in business operations. Risk Control reports regularly on S-Bank's credit risk profile and on the success of risk management to S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors.

Operational risks

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. The realised losses attributable to operational risks in 2019 alone were very low at EUR 821,000 (633,000) in comparison with the regulatory capital requirement reserved for them. Due to the penalty associated with the compliance risk, the total operational risk losses come to EUR 1.8 million.

Operational risk refers to the possibility of losses arising from unclear or inadequate processes, deficient systems, actions by the personnel or external factors. The consequences of realised operational risks may include financial losses or a deterioration in S-Bank's reputation and its esteem and trustworthiness in the eyes of the public. Operational risks at S-Bank include internal and external malpractice, problems related to working conditions and safety, property damage, disruptions and interruption damage related to the IT system and issues with processes.

The primary objectives of S-Bank's operational risk management are to manage the reputational risk and to secure business continuity in both the short and long terms. Operational risk management ensures that S-Bank´s values and strategy are implemented and good banking and lending practices are observed. The risk management process covers all material operational risks related to business operations.

To support the achievement of S-Bank's objectives, risk management is conducted throughout the organisation using the following measures:

- Identifying, measuring, monitoring and reporting all of S-Bank's material operational risks and their effects on the risk capacity and risk appetite.
- Determining methods for risk management and ensuring that they are effective, appropriate, cost-efficient and adequate, while accounting for S-Bank's risk appetite and internal control measures.
- Integrating risk management into S-Bank's management system, decision-making and operating methods.

The identification and assessment of operational risks also considers risks associated with outsourcing. S-Bank's operational risk management also involves various procedures that aim to identify, assess and manage risks. New products and services are approved in accordance with a specific approval procedure before they are adopted or offered to the customers. A similar procedure is used to approve new counterparties and contractual partners before S-Bank starts cooperating with them. Continuity plans are prepared against major disturbances in operations. Realised operational risks are managed by means of a procedure for managing deviations. S-Bank prepares for potential operational risks by arranging insurance against damage caused by misuse or criminal activity and damage to property, for example.

The Operational Risk Control function, which is independent of S-Bank's business operations, supervises and assesses the scope, adequacy and effectiveness of S-Bank's operational risk management in a comprehensive manner. The Operational Risk Control function supports the implementation of risk management within the organisation and ensures that all risks are identified and assessed and that appropriate and adequate procedures are in place for managing risks. The function also maintains and develops methods for measuring, assessing and reporting risks, and supports the business units in identifying and managing risks.

Monitoring and reporting

S-Bank monitors and supervises its operations continuously on various levels of the organisation. Each employee is responsible for the implementation of risk management within their own area of responsibility and for reporting any deviations relating to operational risks.

S-Bank employs an operating model and reporting system for managing realised operational deviations. Notifications are made of any situations or events that hamper ordinary operations or violate regulatory requirements or S-Bank's guidelines. Actions by contracting parties or subcontractors that adversely affect S-Bank's operations are also considered to be deviations. The notifications must describe the reasons causing the event and assess the impacts of the event and the possible costs arising from it. If necessary, plans are made and procedures are determined for preventing similar events in the future. Moreover, S-Bank has an internal whistleblowing channel by which employees can report violations confidentially.

The Operational Risk Control function regularly reports on the most significant realised operational risks and on the level of risk management at S-Bank to the Board of Directors, the Risk and Audit Committee, the Risk Committee, the CEO and the Group Management Team, as well as to the authorities. The Compliance function supervises compliance with regulations and the adequacy of various procedures, in addition to providing recommendations for development measures and supervising the implementation of these measures.

Compliance risks

Compliance risk is defined as the risk of non-compliance with regulations, regulatory obligations, or ethical practices. The purpose of compliance risk management is to manage reputational risk and ensure regulatory compliance. The consequences of realised compliance risks often overlap with actual operational risks.

The purpose of compliance risk management is to ensure regulatory compliance and ethics, and to manage the reputation risk associated with incidents. The operations of, and the decisions made by, S-Bank must comply with the Bank's ethical values and must not harm the Bank's reputation. Decisions must be made in accordance with the approved powers and procedures defined in the code of conduct adopted by the S-Bank Board of Directors and the Group Management Team and in other documents guiding decision-making.

In order to manage compliance risks, compliance programs are in place to cover different regulatory entities and to ensure adequate guidance, oversight and training. In order to ensure compliance with regulatory obligations, there is also a process to monitor the compliance recommendations and thus to ensure that progress is made on dealing with identified compliance risks.

Monitoring and reporting

Compliance focuses its controls on various business and support activities in accordance with its risk-based, Board-approved annual plan and reports regularly to senior and executive management.

Market risk

S-Bank's market risks mainly comprise the spread risk and the interest rate risk in the banking book, which are attributable to the structural interest rate risk in the balance sheet and the investment operations of the Treasury unit. S-Bank is not significantly exposed to other market risks, such as equity, currency or real estate risks. The market risk profile is managed by means of a conservative risk appetite.

In general, market risk refers to the impact of fluctuation in the prices of securities, in interest rates and currency exchange rates and in the market values of balance sheet items on the bank's profits and balance sheet. S-Bank's market risk mainly consists of the structural interest rate risk in the banking book of the banking business and the Treasury unit's interest rate risk, as well as the market risk arising from the credit risk component of debt securities, known as the spread risk at S-Bank. Additionally, the Group's banking book also includes equity, foreign exchange and real estate risks to a minor extent. S-Bank does not have a trading book or a trading portfolio, and for this reason S-Bank is not subject to a Pillar 1 capital requirement for market risk. As S-Bank's market risks arise from the banking book, the aforementioned capital requirement is included in the regulatory capital requirement for credit risk.

In its internal Pillar 2 capital adequacy assessment process (ICAAP, see section Capital adequacy and liquidity management for more information), S-Bank takes into account the aforementioned types of market risk as well as the diversification benefits that reduce their overall market risk, based on their correlations.

The aim of S-Bank's market risk management is to manage unexpected changes in the bank's profits and capital adequacy as a result of fluctuations in market prices and to optimise the return on equity within the scope of the risk appetite. Monitoring and prediction of the external business environment are particularly emphasised in market risk management. Market risk management is based on a conservative risk appetite and the risk limits derived from it, which are monitored and reported actively to the management of S-Bank. Market risk concentrations are managed by means of limits that are set at the Group and business unit levels and are determined as market risk-sensitivities in monetary terms.

Market risks are reviewed in terms of present value, income and market price risks, and are thus measured from different perspectives. The market price risk always relates to the market price sensitivity of balance sheet items and derivatives, as well as to the effects of market price fluctuations on fair value. Market risks are measured by means of allocation, sensitivity figures, stress tests and scenario analyses.

The Treasury unit is tasked with the day-to-day management of the Group's market risks within the scope of its authorisations.

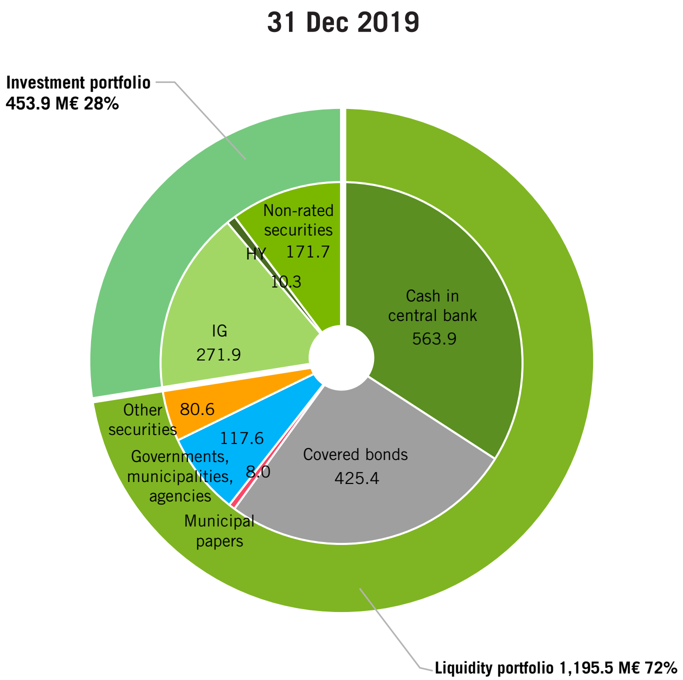
Interest rate risk in the banking book

Most of S-Bank's market risk arises from the interest rate risk in the banking book (IRRBB). The IRRBB is reviewed as a structural interest rate risk in the banking business and as the interest rate risk of debt securities in the Treasury unit's investment portfolio. S-Bank uses derivatives to hedge the interest rate risk on the banking book. Hedging derivative instruments are interest rate swaps and forward rate agreements. Derivatives and hedge accounting are described in the accounting policies (Derivative contracts and hedge accounting) and notes Note 21 to the consolidated financial statements: Derivative contracts and hedge accounting.

The structural interest rate risk in the banking business arises from differences between the interest rate fixings and maturities of receivables and liabilities, which is why the future net interest income of the banking business (Net interest income (NII) risk/earnings-based risk) and the net present value of the balance sheet (economic value (EV) based risk) are not entirely foreseeable. The NII risk and the EV risk measure risks from different perspectives. The EV risk measures the net present value of liabilities and receivables on the balance sheet, i.e. the theoretical economic value of equity. The earnings-based risk is used to simulate the effects of the materialisation of risks on S-Bank's profits within a set period of time.

In addition to the structural interest rate risk arising from deposit and lending operations, S-Bank is exposed to interest rate risks from the Treasury unit's investing activities. An interest rate risk arises when the values of debt securities in a portfolio change as a result of fluctuations in market rates (price risk). The price risk relates to the market price sensitivity of balance sheet items, as well as to the effects of market price fluctuations on fair value. Price risk is the present-value interest rate risk affecting both the balance sheet's ongoing valuation items and the fixed rate loans related to the Treasury unit's investment activities. Figure 18 illustrates the breakdown of the Treasury portfolio, totalling EUR 1,649.5 million (2,113.7), between the investment and liquidity portfolios. In addition, the chart shows the distribution of portfolios by investment instruments. Figure 19 shows the breakdown of portfolios by industry. In 2019, the size of the Treasury portfolio declined as the growth of the loan portfolio was partly financed from the investment portfolio. Funds were also allocated from municipal certificates in cash and the number of bank issues in the investment portfolio decreased.

Figure 18: Distribution of treasury portfolio



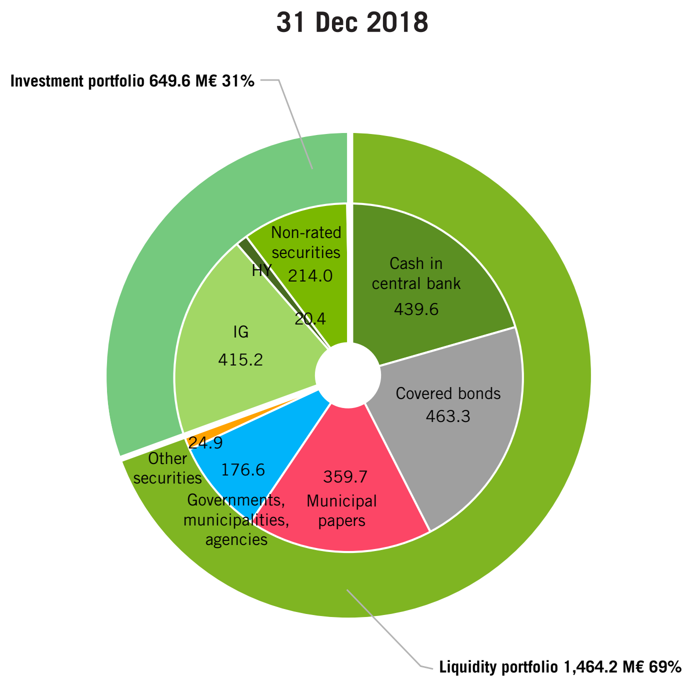
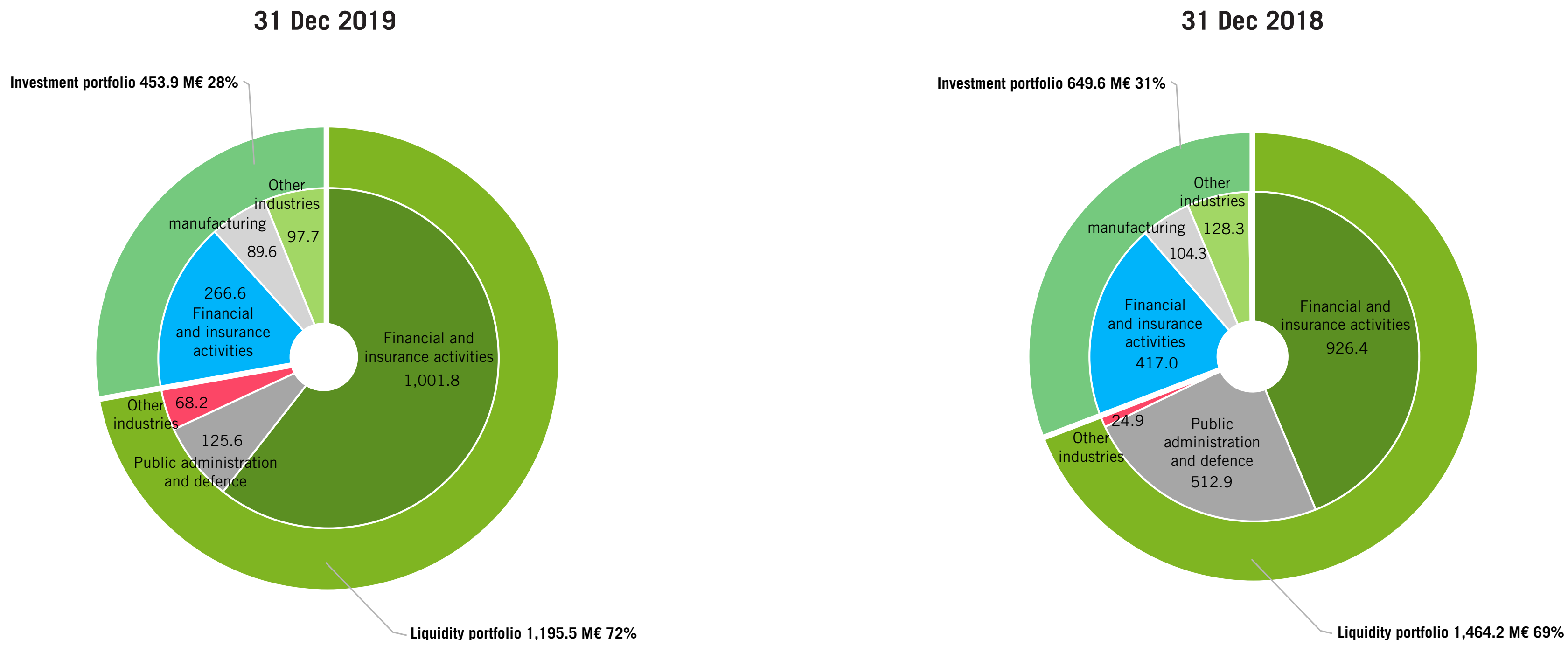


Figure 19: Distribution of treasury portfolio by industry



The interest rate risk is managed by planning the balance sheet structure, such as the maturity and interest rate fixings of assets and liabilities, and also by using interest rate derivatives. Table 14 illustrates the interest rate risk exposure by presenting the breakdown of financial assets and liabilities by interest rate fixings. Further information is also available in Note 15 to the consolidated financial statements: Breakdown of financial assets and liabilities according to maturity. In the interest rate linkage of S-Bank's liabilities and assets, the largest present-value imbalance in interest rate risk arises from non-maturity deposits with a deferred interest rate adjustment date that is determined in accordance with the revised internal model. The internal model assumptions have been updated to reflect the new guidance on IRRBB for non-trading book transactions. Breakdown of financial assets and liabilities by interest rate fixing was stable throughout 2019.

Table 14: Breakdown of financial assets and liabilities by interest rate fixing

Financial assets and liabilities 31 Dec 2019, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	603.9	0.0	0.0	0.0	0.0	603.9
Debt securities eligible for refinancing with central banks	77.0	80.7	621.7	7.8	0.0	787.2
Receivables from credit institutions	33.7	0.0	0.0	0.0	0.0	33.7
Receivables from the public and public-sector entities	2,027.8	2,668.3	73.6	10.9	0.0	4,780.6
Debt securities	37.0	36.4	188.9	31.6	0.0	293.8
Derivatives	0.4	0.0	0.0	0.0	0.0	0.4
Financial assets total	**2,779.8**	**2,785.3**	**884.1**	**50.3**	**0.0**	**6,499.6**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to the public and public-sector entities	5,997.0	0.9	3.0	0.0	0.0	6,000.8
Subordinated debt	0.0	50.0	0.0	0.0	0.0	50.0
Derivatives	9.3	5.8	2.0	0.0	0.0	17.1
Financial liabilities total	**6,006.3**	**56.6**	**4.9**	**0.0**	**0.0**	**6,067.9**
Financial assets and liabilities, total	**-3,226.5**	**2,728.7**	**879.2**	**50.3**	**0.0**	**431.7**

Financial assets and liabilities 31 Dec 2018, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	468.4	0.0	0.0	0.0	0.0	468.4
Debt securities eligible for refinancing with central banks	188.8	68.4	661.0	84.3	0.0	1,002.5
Receivables from credit institutions	27.8	0.0	0,0	0.0	0.0	27.8
Receivables from the public and public-sector entities	1,760.6	2,348.5	59.8	17.7	0.3	4,187.0
Debt securities	318.4	164.3	165.6	17.1	0.0	665.4
Derivatives	0.6	0.0	0.0	0.0	0.0	0.6
Financial assets total	**2,764.8**	**2,581.2**	**886.5**	**119.1**	**0.3**	**6,351.9**
Liabilities to credit institutions	0.3	0.0	0.0	0.0	0.0	0.3
Liabilities to the public and public-sector entities	5,879.5	0.8	3.4	0.0	0.0	5,883.8
Subordinated debt	0.0	50.0	0.0	0.0	0.0	50.0
Derivatives	4.6	2.1	6.4	0.0	0.0	13.1
Financial liabilities total	**5,884.5**	**52.9**	**9.8**	**0.0**	**0.0**	**5,947.2**
Financial assets and liabilities, total	**-3,119.7**	**2,528.3**	**876.7**	**119.1**	**0.3**	**404.7**

The Board of Directors has set a maximum amount for S-Bank's economic value risk, net interest income risk and price risk. The interest rate risk in the banking business is monitored by means of interest rate gap analysis, in which assets and liabilities are grouped over time periods on the basis of their interest rate fixings. The impacts of changes in the interest rate curves on the interest rate risk exposure of S-Bank are monitored daily using the net present-value method (price risk) for balance sheet items susceptible to market price fluctuations and monthly using the earnings-based risk and EV methods.

Table 15 illustrates the sensitivity analysis of interest rate risk broken down by balance sheet items. The sensitivity analysis reflects the effect of the parallel-level change of the applicable market interest rate curve on the balance sheet items for all maturities of the interest rate curve. The largest changes in the present-value risk are related to the renewed internal modelling of non-maturing deposits, where the modelling has been updated and the average deposit maturity has been extended to comply with the requirements of the IRRBB regulation. For loans, the change in the present-value risk relates to the fall in market interest rates and the floors applied in interest rate shocks.

Table 15: Interest rate risk sensitivity analyses

Economic Value (EV) EUR million	31 Dec 2019	31 Dec 2018
Total +100 bps	**-0.7**	**-31.0**
Loans	-47.0	-26.0
Bonds	-27.4	-34.0
Other assets	-0.9	-0.7
Total assets	-75.3	-60.7
Non-maturing deposits	58.0	9.6
Other liabilities	0.5	0.5
Total liabilities	16.0	19.6
Derivatives	58.6	10.1
Total -100 bps	**67.7**	**102.4**
Loans	100.9	97.4
Bonds	18.0	37.4
Other assets	0.4	0.7
Total assets	119.4	135.5
Non-maturing deposits	-40.5	-9.8
Other liabilities	-0.4	-0.5
Total liabilities	-40.9	-10.3
Derivatives	-10.8	-22.8

Net interest income (NII) "Earnings-based" risk, EUR million	31 Dec 2019	31 Dec 2018
Total +100 bps	**35.2**	**27.7**
Loans	24.6	21.8
Bonds	2.4	3.3
Other assets	6.2	6.4
Total assets	33.2	31.6
Non-maturing deposits	-1.2	-6.5
Other liabilities	-0.6	-0.1
Total liabilities	3.8	2.8
Derivatives	-1.8	-6.6
Total -100 bps	**-14.3**	**-16.0**
Loans	-5.4	-4.8
Bonds	-1.2	-2.5
Other assets	-4.8	-4.3
Total assets	-11.3	-11.6
Non-maturing deposits	0.0	0.0
Other liabilities	0.1	0.2
Total liabilities	0.1	0.2
Derivatives	-3.1	-4.6

Table 16: Interest rate risk sensitivity analysis in the banking book, Treasury portfolio price risk

Price risk, Treasury's portfolio, EUR million	**31 Dec 2019**			**31 Dec 2018**		
Interest rate shock	Portfolio	Sensitivity	Sensitivity %	Portfolio	Sensitivity	Sensitivity %
+100 bps	1,649.5	-13.4	-0.8 %	2,113.7	-17.4	-0.8 %
-100 bps		13.9	0.8 %		18.0	0.9 %

Table 16 illustrates the interest rate sensitivity of the Treasury portfolio in a scenario where a 1 per cent level change is applied to all interest rate maturities. The price risk includes continuously measured items in the balance sheet and fixed rate loans related to the operations of the Treasury unit. The size of the portfolio reflects the fair value of the Treasury portfolio. The portfolio declined in 2019, mainly as a result of sales of bank and public sector bonds.

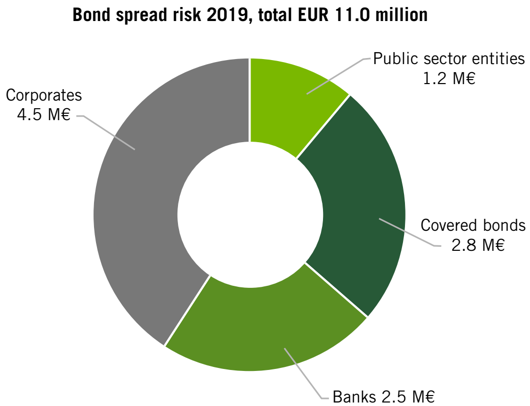
Spread risk

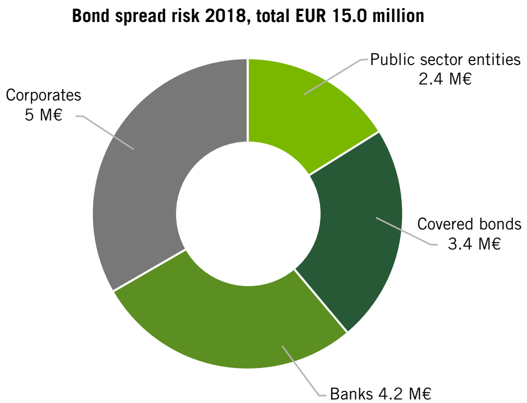
The operations of the Treasury unit are also exposed to the spread risk arising from fixed-rate and floating-rate bonds in the portfolio. The spread risk is related to a change in the market's general opinion of the creditworthiness of an investment instrument's issuer, or to a shift in the general market sentiment towards investments that involve a credit risk, due to which the investments depreciate in value. The amount of the spread risk is monitored regularly as part of day-to-day interest rate risk reporting.

The spread risk is assessed daily in accordance with S-Bank's internal market risk model, based on historical observations of stressed volatility levels for credit risk premiums. The market risk model applies a 12-month observation horizon and a 99.5 per cent confidence level. In addition, the internal market Pillar 2 capital requirement for spread risk is calculated on the basis of the market risk model. Figure 20 illustrates exposure to bond spread risk. The spread risk decreased by EUR 4.0 million from 2018. The change is mainly explained by the decrease in exposure to banks with BBB and A ratings as well as unrated companies.

The Board of Directors has set a maximum amount for the spread risk. Counterparty limits are defined by assessing the credit risk of counterparties, mainly on the basis of credit ratings provided by credit rating agencies. Investing activities are cautious, and assets are invested in liquid securities with a good credit rating.

Figure 20: Bond spread risk 2019, total EUR 11.0 million





Equity, foreign exchange and real estate risks and other market risks

Balance sheet equity risks materialise directly as a result of changes in the market prices of equities. Minor equity risks arise from the operations of the Treasury unit, and their management and limitation are based on simple allocation limits. S-Bank uses equities primarily to diversify market risks, and therefore the level of equity risks is kept moderate. Despite their low risk level, equity market risks are monitored regularly and the limits that regulate risk-taking are adjusted as necessary.

Real estate risks arise as part of S-Bank's investing activities, and they are mainly intended to diversify the market risks in the portfolio. Real estate risks are primarily managed with allocation limits, and the risk level is kept low.

S-Bank is exposed to foreign exchange risks only when it invests in bonds that are denominated in foreign currencies as part of its investing activities, or in connection with trading denominated in foreign currencies carried out by customers, or in connection with foreign currency accounts. The permitted currencies are specified in the foreign exchange risk limits and the risks are primarily hedged.

As part of its investing activities, S-Bank is exposed to indirect market risks through fund investments in forest real estate. This risk is kept extremely moderate by means of investment limits.

Monitoring and reporting

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

Risk Control function also monitors market risk exposures on a daily basis. In addition, the Risk Control function supervises the management of S-Bank's market risks and the effectiveness and use of the applied market risk models. The key aspects of market risks, the effectiveness of risk management and the impact of risks on capital adequacy are reported to S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors.

Liquidity risks

S-Bank is exposed to liquidity risks from lending to customers and in funding and Treasury operations. S-Bank's liquidity position is strong, and the liquidity risk appetite is conservative. The liquidity position is maintained through active risk management measures and continuous monitoring. The main objective of the Treasury unit's investing activities is to ensure that S-Bank's liquidity position is at all times above the minimum regulatory requirements and the minimum internal targets.

Liquidity risk refers, on the one hand, to the bank's inability to meet its payment obligations within the limits of its existing assets, and, on the other, to refinancing risk where the bank's ability to refinance is weakened or refinancing costs increase so significantly that the bank is unable to continue its normal operations. The reasons behind the materialisation of a liquidity risk may be specific to the bank or to the market. The key risk factors in S-Bank's liquidity risk are:

- a run on deposits in different customer segments
- a sudden increase in the utilisation rate of (committed) credit lines and limits
- an increase in S-Bank's collateral requirements
- a decrease in the mark-to-market prices of securities in the liquidity reserve

S-Bank measures its liquidity coverage ratio (LCR) in accordance with parameters determined by the authorities and with an internal liquidity risk model and parameters. The limits and calculation parameters applied in internal modelling are approved by the Board of Directors of S-Bank and they are in line with the risk appetite defined in the risk strategy. The framework of limits is used to ensure that the liquidity position is continuously above the minimum regulatory requirements and the internal target levels.

Liquidity risk management is based on ensuring that the amount of S-Bank's unencumbered, liquid assets exceed the liquidity net outflows in normal and stressed operating environments in the short term (0–2 days), medium term (0–30 days) and long term (more than 30 days). The LCR is used to monitor S-Bank's liquid assets and to manage medium-term liquidity risk. The NSFR, a longer-term liquidity indicator, is used to measure the structural liquidity risk in the banking business.

The distribution of financial liabilities based on contractual maturities is weighted towards the 0–1 month maturity band, due to the fact that S-Bank's funding is based on deposits by household customers (Note 15 to the consolidated financial statements: Breakdown of financial assets and liabilities according to maturity). From a liquidity risk perspective, however, these deposits are a permanent source of funding, as, according to statistics on depositor behaviour, their maturity is considerably longer than one month. The maturity of derivative liabilities is focused on the 1–5-year band, which corresponds to the average maturity of the hedged investment portfolio.

Liquidity risk concentrations arise from concentrations in the customer segments with deposits and financing limits, and also in the liquidity buffer. Liquidity concentration risks associated with customer segments are managed by segment-specific outflows in accordance with both the internal model and the LCR. In this case, the growth of risk concentrations in the liquidity risk segment is always taken into account by reserving more liquid assets to cover the increased concentrations. In turn, any concentration in the liquidity buffer is limited by counterparty-specific limits and requirements relating to the structure of the buffer in compliance with the LCR regulations.

S-Bank's internal liquidity modelling is an integral part of the annual ILAAP in which S-Bank's liquidity risk profile is assessed comprehensively from both the qualitative and quantitative perspectives. As part of the process, S-Bank reassesses its liquidity risk profile and updates the internal documentation for liquidity risk management and the model for adequacy. In the same process, scenario analyses are used to prepare forecasts for changes in S-Bank's liquidity position in various scenarios affecting the balance sheet and the external operating environment. The results of the process are reported to the management and Board of Directors of S-Bank. Liquidity stress tests are discussed in the section Capital adequacy and liquidity management. S-Bank's liquidity management also includes a liquidity continuity plan, which determines the measures needed for preserving an adequate liquidity position in a stressed market environment.

The management of S-Bank's liquidity risk has been delegated to the Treasury unit, which is responsible for the short-term adequacy of the bank's liquidity. Moreover, minimum requirements for liquidity management include meeting the central bank's minimum reserve obligation and the regulatory LCR and NSFR requirements. In addition, liquidity management includes collateral management, i.e. ensuring that S-Bank has an adequate number of eligible liquid securities at its disposal to cover the collateral required by various business operations.

S-Bank's liquidity risk position

S-Bank's liquidity risk position is very strong. Table 17 demonstrates the change in the liquidity buffer based on year-end information. The figures account for the valuation haircuts applied to balance sheet items. S-Bank's liquidity portfolio pursuant to the LCR requirements, which consists of unencumbered, high-quality liquid assets, amounted to EUR 1.1 billion at year-end. Level 1 high-quality assets amounted to 80 per cent and level 2 high-quality assets to 20 per cent of the total liquidity portfolio market value. The levels reflect the liquidity of the instruments they contain. Net outflows totalled EUR 781 million, and the LCR was 142 per cent (156). During the financial year, S-Bank's liquidity buffer assets were mainly transferred from municipal certificates to cash.

Table 17: Liquidity (LCR) by balance sheet items, including CRR hair-cuts

Liquidity coverage ratio (LCR) EUR million	31 Dec 2019		31 Dec 2018	
	Market value	Buffer value	Market value	Buffer value
Level 1a	**689.5**	**689.5**	**954.7**	**954.7**
Assets from regional governments or local authorities	113.3	113.3	494.4	494.4
Funds from central administrations	12.2	12.2	20.7	20.7
Central bank reserves available for withdrawal	563.9	563.9	439.6	439.6
Level 1b	**214.9**	**199.9**	**259.1**	**241.0**
Extremely high-quality covered bonds	214.9	199.9	259.1	241.0
Level 2A	**210.5**	**178.9**	**209.2**	**177.8**
High-quality covered bonds (Third Country, CQS1)	120.4	102.3	123.2	104.7
High-quality covered bonds (CQS2)	90.1	76.6	81.0	68.9
Corporate bonds (CQS1)	0.0	0.0	5.0	4.3
Level 2b	**80.6**	**40.3**	**24.9**	**12.5**
Corporate bonds (CQS2/3*)	80.6	40.3	24.9	12.5
Total	**1,195.5**	**1,108.6**	**1,447.9**	**1,385.9**
Liquidity out flows		819.5		931.8
Liquidity inflows		38.6		45.5
Liquidity coverage ratio (%)		142%		156%

*As defined in Regulations (EU) No 61/2015 and (EU) No 575/2013.

S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits. The figure below illustrates the structure of S-Bank's funding. Even though the structure of S-Bank's funding is concentrated on household customer deposits, the funding is highly diversified because the average deposit from S-Bank's household customers is very low. Household deposits continued to grow in the financial year 2019, while total corporate deposits continued to decline.

The NSFR measures the adequacy of the bank's structural long-term (less than 1 year) funding. The NSFR is defined as the ratio between the amount of funding available and the amount of funding required. Table 18 illustrates the trend of S-Bank's NSFR. The amount of funding required for household loans has increased since 2018, which further improves the ratio.

The total amount of the available stable funding was nearly 1.5 times the required stable funding on 31 December 2019. The ratio remained relatively stable compared to 2018. In 2019, S-Bank continued preparations for expanding its funding structure in order to ensure the availability of market-based, long-term funding at competitive pricing in the coming years.

Monitoring and reporting

Liquidity and refinancing risks are monitored on a daily basis by means of cash flow forecasts and LCR reports, and on a monthly basis by means of gap analyses, in which assets and liabilities are grouped over time periods according to their maturity. This distribution is presented in the notes to the consolidated financial statements (Note 15 to the consolidated financial statements: Breakdown of financial assets and liabilities according to maturity). In addition, Risk Control assesses the management of S-Bank's liquidity risks, as well as the effectiveness and use of the liquidity risk models. The key aspects of the liquidity risk are reported by the Treasury and Risk Control to S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors.

Figure 21: Funding structure

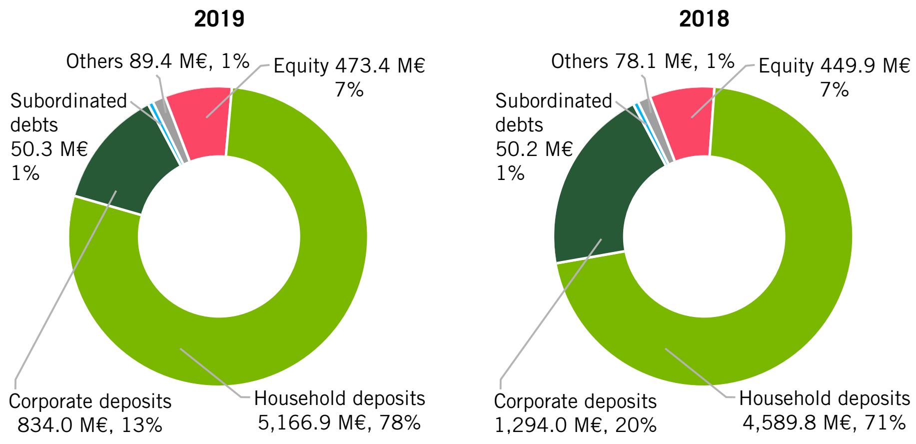


Table 18: Net stable funding ratio (NSFR)

Net Stable Funding Ratio (NSFR), EUR million	31 Dec 2019 Buffer value	31 Dec 2018 Buffer value
Available stable funding	5,648.4	5,296.6
Required stable funding	3,892.2	3,574.4
Net Stable Funding Ratio (NSFR)	145.1%	148.2%

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The information in the notes to the consolidated income statement is presented in thousands of euros.

Note 3 to the consolidated financial statements: Net interest income

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest income		
Debt securities eligible for refinancing with central banks		
measured at fair value through other comprehensive income	4,097	4,201
Receivables from credit institutions	-125	-299
Receivables from customers	86,626	77,654
Debt securities		
measured at fair value through other comprehensive income	3,994	5,174
measured at fair value through profit or loss	-289	-264
Derivative contracts		
measured at fair value through profit or loss	91	200
Other interest income	3	4
Total interest income	**94,397**	**86,669**
Total interest income using the effective interest method	94,592	86,729
Other interest income	-195	-60
Total interest income	**94,397**	**86,669**
Interest income from stage 3 financial assets	1,310	1,632

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Interest expenses		
Liabilities to credit institutions	-457	-364
Liabilities to customers	-4,652	-4,073
Bonds issued to the public	3	0
Derivative contracts		
measured at fair value through profit or loss	-2,258	-1,837
Subordinated debts	-842	-838
Other interest expenses	-21	-31
Interest expenses on leases	-29	-19
Interest expenses, total	**-8,255**	**-7,162**
Total interest expenses using the effective interest method	-5,948	-5,275
Other interest expenses	-2,307	-1,887
Interest expenses, total	**-8,255**	**-7,162**
NET INTEREST INCOME	**86,142**	**79,508**
Of which negative interest income	-125	-299
Of which negative interest expenses	332	0

Note 4 to the consolidated financial statements: Net fee and commission income

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Fee and commission income by segment		
Fee and commission income from the banking business		
From lending	26,661	24,210
From borrowing	3,066	3,341
From payment transactions	11,348	8,946
From legal duties	267	288
From insurance brokerage	1,036	527
From issuance of guarantees	160	119
Total commissions and fees from the banking business	42,539	37,430
Fee income from the Wealth Management business		
From funds	55,228	52,872
From wealth management	3,150	1,514
Total fee and commission income from Wealth Management	58,377	54,386
Fee and commission income from other activities		
From securities brokerage	1,841	4,386
Other fee and commission income	1,594	1,350
Total fee and commission income from other activities	3,435	5,736
Total commission income	**104,351**	**97,551**

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Fee and commission expenses		
From payment transactions	-135	-69
From funds	-33,589	-33,288
From wealth management	-540	-248
From securities brokerage	-1,642	-1,898
Other expenses	-8,174	-7,278
Fee and commission expenses, total	**-44,079**	**-42,782**
Net fee and commission income	**60,272**	**54,770**

Note 5 to the consolidated financial statements: Net income from investment operations

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	66	61
Changes in fair value	94	-11
Shares and interests		
Capital gains and losses	**615**	**2,171**
Changes in fair value	**3,268**	**518**
Derivative contracts		
Capital gains and losses	**-1,720**	**-419**
Changes in fair value	**289**	**50**
Net income from financial assets measured at fair value through profit or loss, total	**2,612**	**2,370**
Net income from financial assets measured at fair value through other com-prehensive income		
Debt securities eligible for refinancing with central banks		
Capital gains and losses	1,735	606
Changes in fair value	-5,088	-5,362
Other income and expenses	0	14
Debt securities		
Capital gains and losses	979	875
Changes in fair value	5,056	5,347
Shares and interests		
Capital gains and losses	358	610
Changes in fair value	32	0
Net income from financial assets measured at fair value through other com-prehensive income, total	**3,072**	**2,088**

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Net income from currency operations	**130**	**-105**
Net income from hedge accounting		
Net result from hedging instruments	-4,362	-7,252
Net result from hedged items	4,462	6,881
Net income from hedge accounting	**100**	**-371**
Net income from investment operations, total	**5,914**	**3,981**

Note 6 to the consolidated financial statements: Other operating income

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating income	15,811	14,813
Other operating income, total	**15,811**	**14,813**

Other operating income includes administrative fees charged to the S Group, income from customer identification services and revenue from receivables.

Note 7 to the consolidated financial statements: Personnel expenses

Personnel expenses	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Salaries and fees	38,488	37,980
Indirect personnel expenses	627	1,618
Pension expenses		
Defined contribution pension plans	6,453	7,650
Defined benefit plans	83	77
Personnel expenses, total	**45,652**	**47,325**

Number of personnel	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Permanent full-time	**539**	**584**
Permanent part-time	**28**	**42**
Fixed-term	**25**	**59**
Personnel, total	**592**	**685**

Related party remuneration is disclosed in note 35. The defined benefit pension liabilities of the S-Bank Group are specified in note 30 to the consolidated financial statements.

Note 8 to the consolidated financial statements: Depreciation and impairment

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Depreciation of tangible and intangible assets		
Intangible assets	-8,478	-8,488
Tangible assets	-335	-252
Right-to-use assets	-3,210	-2,371
Depreciation on tangible and intangible assets, total	**-12,024**	**-11,111**
Impairment of tangible and intangible assets		
Intangible assets	-788	0
Impairment of tangible and intangible assets, total	**-788**	**0**
Depreciation and impairment on tangible and intangible assets, total	**-12,811**	**-11,111**

Impairment losses are recognized for information systems and for intangible assets not yet available for use. For impairment testing of goodwill, see Intangible assets in the consolidated notes.

Note 9 to the consolidated financial statements: Other operating expenses

	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Other operating expenses		
Costs related to leases		
Lease expenses on short-term leases	-402	-1,203
Rental expenses for low value assets	-380	-589
Other operating expenses	-3,998	-2,336
Other operating expenses, total	**-4,780**	**-4,128**
A breakdown of the fees paid to the audit firm		
Audit	-335	-326
Tax consultancy	-87	-14
Other services	-132	-118
Total fees paid to the audit firm	-554	-458
Itemisation of payments to the Finnish Financial Stability Authority		
Financial stability contribution	-627	-814
Deposit guarantee fund contribution	-4,156	-3,317
Administrative fee	-37	-32
Payments to the Finnish Financial Stability Authority, total	-4,820	-4,163

The Deposit Guarantee Fund reimbursed the deposit guarantee contribution collected for the Financial Stability Fund, and the Financial Stability Fund reimbursed the stability contribution that had replaced the bank tax. These did not result in a profit or loss for S-Bank.

Note 10 to the consolidated financial statements: Impairment of receivables

Table 19 and Table 20 describe the cash amounts exposed to credit risks, excluding collateral or other credit risk management techniques. The information is distributed across credit risk rating categories in the table. The probability of default is the lowest in credit category 1 and the highest in credit category 7.

At the close of the financial period, the expected credit losses (ECL) totalled EUR 17.1 million. The ECL has grown steadily during the financial year in proportion to the increase in credit risk exposures. The expected credit losses were within the risk appetite limits set in the credit risk strategy by the Board of Directors.

Credit granted to household customers comprises 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.

Table 19: Credit risk exposure (household customers)

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

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

Lending to household customers 31 Dec 2018, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2,309,352	231,177	0	2,540,528
Category 2	182,340	26,119	0	208,459
Category 3	155,454	28,617	0	184,071
Category 4	63,499	23,599	0	87,097
Category 5	181,764	26,872	0	208,636
Category 6	73,140	28,041	0	101,181
Category 7	593	67,314	0	67,907
In default	0	0	19,113	19,113
Gross carrying amount	**2,966,141**	**431,739**	**19,113**	**3,416,993**
ECL provision*	-1,274	-8,108	-2,595	-11,977
Net carrying amount	**2,964,868**	**423,630**	**16,519**	**3,405,017**

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

The corporate loan portfolio focuses on financing new and existinghousing companies' apartment buildings. As these exposures are secured by mortgages on immovable property, they pose a smaller risk reducing the amount of pertinent ECL. The exposures to corporate customers and investing activities are mostly held by large companies with good credit ratings.

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

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

Corporate lending, investing activities and off-balance sheet commitments 31 Dec 2018, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Category 1	2 428 938	58 133	0	2 487 071
Category 2	368 826	14 623	0	383 449
Category 3	393 750	6 843	0	400 593
Category 4	122 107	12 011	0	134 118
Category 5	367 708	8 968	0	376 676
Category 6	77 561	15 791	0	93 352
Category 7	118	4 381	0	4 499
In default	0	0	174	174
Gross carrying amount	**3 759 007**	**120 750**	**174**	**3 879 931**
ECL provision*	-1 864	-661	-9	-2 533

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

Table 21 and Table 22 describe the deferrals and changes in expected credit losses per financial instrument category during the period. The tables present the reconciliation between the opening and closing balances of the loss allowance, where Table 21 contains the receivables from household customers and Table 22 the receivables from corporate customers as well as the calculations related to investing activities (debt securities) and off-balance sheet liabilities. The total amount of expected credit losses (ECL) grew by EUR 2.6 million during the financial period (EUR 361.6 thousand). Changes and deferrals in the loss allowance account during the financial year are also described in note 2 (Määrällinen ja laadullinen informaatio odotettavissa olevista luottotappioista aiheutuvista rahamääristä ja altistuminen luottoriskille) to the consolidated financial statements.

Table 21: Reconciliation of expected credit losses (household customers)

Household customers 31 Dec 2019, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1.1.2019	**1,274**	**8,108**	**2,595**	**11,977**
Transfers from stage 1 to stage 2	-178	4,355	0	4,177
Transfers from stage 1 to stage 3	-24	0	1,233	1,209
Transfers from stage 2 to stage 1	124	-2,451	0	-2,327
Transfers from stage 2 to stage 3	0	-628	1,053	426
Transfers from stage 3 to stage 1	0	0	-38	-37
Transfers from stage 3 to stage 2	0	77	-319	-242
Changes in the risk parameters	-54	-99	-139	-292
Increases due to origination and acquisition	373	1,349	417	2,139
Decreases due to derecognition	-126	-531	-270	-926
Decrease in the allowance account due to write-offs	-24	-828	-754	-1,606
Net change in ECL	92	1,246	1,183	2,521
ECL 31 Dec 2019	**1,366**	**9,354**	**3,778**	**14,498**

Household customers 31 Dec 2018, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1.1.2018	**1,209**	**7,994**	**1,664**	**10,867**
Transfers from stage 1 to stage 2	-183	3,581	0	3,397
Transfers from stage 1 to stage 3	-23	0	954	930
Transfers from stage 2 to stage 1	125	-2,356	0	-2,232
Transfers from stage 2 to stage 3	0	-612	791	180
Transfers from stage 3 to stage 1	1	0	-72	-71
Transfers from stage 3 to stage 2	0	27	-40	-13
Changes in the risk parameters	-18	-270	-173	-461
Increases due to origination and acquisition	302	1,058	83	1,443
Decreases due to derecognition	-113	-507	-181	-801
Decrease in the allowance account due to write-offs	-24	-805	-432	-1,261
Net change in ECL	65	114	931	1,110
ECL 31 Dec 2018	**1,274**	**8,108**	**2,595**	**11,977**

Table 22: 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 31 Dec 2019, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1.1.2019	**1,864**	**661**	**9**	**2,533**
Transfers from stage 1 to stage 2	-24	482	0	459
Transfers from stage 1 to stage 3	0	0	9	9
Transfers from stage 2 to stage 1	7	-153	0	-146
Transfers from stage 2 to stage 3	0	-6	5	-1
Transfers from stage 3 to stage 1	0	0	-1	-1
Transfers from stage 3 to stage 2	0	1	-1	0
Changes in the risk parameters	-776	22	-1	-754
Increases due to origination and acquisition	245	636	2	884
Decreases due to derecognition	-162	-117	-2	-281
Decrease in the allowance account due to write-offs	-1	-92	0	-94
Net change in ECL	-710	774	11	75
ECL 31 Dec 2019	**1,154**	**1,435**	**20**	**2,608**

Corporate lending, investing activities and off-balance sheet commitments 31 Dec 2018, EUR '000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1.1.2018	**2,574**	**703**	**6**	**3,282**
Transfers from stage 1 to stage 2	-14	331	0	317
Transfers from stage 1 to stage 3	0	0	5	5
Transfers from stage 2 to stage 1	7	-146	0	-139
Transfers from stage 2 to stage 3	0	-10	2	-9
Transfers from stage 3 to stage 1	0	0	0	0
Transfers from stage 3 to stage 2	0	0	0	0
Changes in the risk parameters	-98	20	-3	-81
Increases due to origination and acquisition	289	12	1	302
Decreases due to derecognition	-892	-165	-1	-1,059
Decrease in the allowance account due to write-offs	-1	-82	-1	-84
Net change in ECL	-710	-41	3	-748
ECL 31 Dec 2018	**1,864**	**661**	**9**	**2,533**

Table 23 illustrates the impairment of receivables during the reporting period. The proportion of receivables written off as bad and doubtful debts grew in the financial period, but were within the risk appetite defined by S-Bank's Board of Directors. Relative to the size of the credit portfolio, the percentage of credit losses and impairments is low.

Table 23: Expected credit losses and impairment losses recognised during the period

Expected credit losses and impairment losses (EUR '000)	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Receivables written off as bad or doubtful debt	15,714	13,049
Reversal of receivables written off	-4,315	-4,719
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	2,909	165
Expected credit losses (ECL) on investment activities	-313	197
Total	**13,995**	**8,691**

Note 11 to the consolidated financial statements: Share of the profits of associated companies

S-Bank's associated companies are S-Crosskey Ltd and Asian Pro Ltd.

S-Crosskey Ltd is an IT services company jointly owned by S-Bank Ltd and Crosskey Banking Solutions Ab Ltd. S-Bank Ltd owns 40 per cent and Crosskey 60 per cent of the company. The company sells banking information systems for banking and related activities and provides consulting services in these areas. The company mainly provides services only to S-Bank Ltd.

Asian Pro Ltd is the holding company of Asian Re Ltd. Asian Re Ltd acts as the general partner in the real estate fund investing in Asia. The fund has no investment activity and had no effect on results during the reporting periods.

		Share of ownership	
Associated companies	**Domicile**	**2019**	**2018**
S-Crosskey Ltd	Mariehamn	40%	40%
Asian Pro Ltd	Helsinki	40%	40%

Associated companies have been consolidated using the acquisition cost method.

	S-Crosskey Ltd	
Summary of financial information concerning significant associates	**2019**	**2018**
Total assets	844	1,401
Total liabilities	812	1,367
Revenue	13,937	12,985
Profit/loss for the period	-2	1

	S-Crosskey Ltd	
Reconciliation of associate financial information to book value on the balance sheet	**2019**	**2018**
Associated company net assets	31	33
Group holding	40%	40%
Adjustments	-9	-9
The balance sheet value of the associated company in the consolidated balance sheet	3	4

Note 12 to the consolidated financial statements: Income taxes

	31 Dec 2019	31 Dec 2018
Tax assets		
Deferred tax assets	2,348	3,015
Tax assets based on taxable income for the financial year	0	1
Total tax assets	**2,348**	**3,016**
Tax liabilities		
Deferred tax liabilities	5,198	6,057
Tax liabilities based on taxable income for the financial year	536	1,727
Total tax liabilities	**5,733**	**7,784**

Income taxes	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Taxes for the period	-5,078	-3,962
Taxes for previous periods	-522	-67
Change in deferred taxes	979	-610
Total income taxes	**-4,622**	**-4,639**

Reconciliation of taxes at current tax rates with those in the income statement	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Profit before tax	29,000	17,131
Income tax rate	20%	20%
Proportion of profit by tax rate	-5,800	-3,426
Persistent differences	1,283	-449
Tax-exempt income	516	7
Non-deductible expenses	-99	-703
Taxes for previous periods	-522	-67
Total income taxes	**-4,622**	**-4,639**

Deferred taxes in the comprehensive income statement	1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
Deferred taxes on financial assets	-626	3,883
Total deferred taxes in the comprehensive income statements	**-626**	**3,883**

Changes in deferred tax assets and liabilities	IFRS 1 Jan 2018	Fair value through other comprehensive income	Recognised through profit or loss	IFRS 31 Dec 2018
Deferred tax assets				
Fair value through other comprehensive in-come	0	985	0	985
Fair value through profit or loss	0	0	-631	-631
Fee accruals	212	0	135	347
Confirmed losses	1,494	0	248	1,742
Other items *	73	0	498	571
Total deferred tax assets and liabilities	**1,780**	**985**	**250**	**3,015**
Deferred tax liabilities				
Fair value through other comprehensive in-come	1,743	-1,743	0	0
Fair value through profit or loss	1,154	0	-1,154	0
Intangible assets	161	0	369	530
Appropriations **	1,197	0	-67	1,131
Provisions and loan impairment	3,838	0	41	3,880
Other items	0	0	516	516
Total deferred tax liabilities	**8,094**	**-1,743**	**-294**	**6,057**

Changes in deferred tax assets and liabilities	31 Dec 2018	Business combinations	Fair value through other comprehensive income	Recognised through profit or loss	31 Dec 2019
Deferred tax assets					
Fair value through other comprehensive in-come	985	0	-985	0	0
Fair value through profit or loss	-631	0	0	631	0
Fee accruals	347	0	0	119	467
Confirmed losses	1,742	0	0	-409	1,333
Other items *	571	0	0	-23	548
Total deferred tax assets and liabilities	**3,015**	**0**	**-985**	**319**	**2,348**
Deferred tax liabilities					
Fair value through other comprehensive income	0	0	-359	0	-359
Fair value through profit or loss	0	0	0	572	572
Mergers and acquisitions	0	161	0	-26	134
Intangible assets	530	0	0	388	918
Appropriations **	1,131	0	0	223	1,354
Provisions and loan impairment	3,880	0	0	-1,301	2,579
Other items *	516	0	0	-516	0
Total deferred tax liabilities	**6,057**	**161**	**-359**	**-660**	**5,198**

*Other items include changes in employee benefits and taxation. ** Appropriations include changes in depreciation differences.

NOTES TO THE CONSOLIDATED BALANCE SHEET

The information in the notes to the consolidated balance sheet is presented in thousands of euros.

Note 13 to the consolidated financial statements: Classes of financial assets and liabilities

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

Classes of financial assets, 31 Dec 2018	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss: Carried at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Cash and cash equivalents	468,436				468,436
Debt securities eligible for refinancing with central banks		1,002,523			1,002,523
Receivables from credit institutions	27,974				27,974
Receivables from customers	4,186,865				4,186,865
Debt securities		242,674	422,764		665,438
Derivative contracts				649	649
Shares and interests		469	24,740		25,209
Total	**4,683,275**	**1,245,666**	**447,504**	**649**	**6,377,094**

Classes of financial liabilities, 31 Dec 2019	Amortised cost	Fair value through profit or loss		Total
		Carried at fair value	Derivatives in hedge accounting	
Liabilities to credit institutions	0			0
Liabilities to customers	6,000,826			6,000,826
Subordinated debts	50,000			50,000
Derivative contracts		1,203	15,860	17,062
Lease liabilities	3,353			3,353
Total	**6,054,179**	**1,203**	**15,860**	**6,071,241**

Classes of financial liabilities, 31 Dec 2018	Amortised cost	Fair value through profit or loss		Total
		Carried at fair value	Derivatives in hedge accounting	
Liabilities to credit institutions	302			302
Liabilities to the public and public sector entities	5,883,806			5,883,806
Subordinated debts	50,000			50,000
Derivative contracts		1,601	11,502	13,103
Lease liabilities	5,810			5,810
Total	**5,939,918**	**1,601**	**11,502**	**5,953,020**

Note 14 to the consolidated financial statements: Fair values and carrying amounts of financial assets and liabilities, and the hierarchy of fair values

Classification of financial instruments according to valuation method.

Financial assets, fair values 31 Dec 2019	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	603,893	0	603,893	603,893
Receivables from credit institutions	0	33,718	0	33,718	33,721
Receivables from customers	0	5,124,454	0	5,124,454	4,780,583
Total	**0**	**5,762,065**	**0**	**5,762,065**	**5,418,197**
Financial assets measured at fair value through profit or loss					
Debt securities	0	62,571	0	62,571	62,571
Derivative contracts	0	400	0	400	400
Shares and interests	9,015	18,068	0	27,083	27,083
Total	**9,015**	**81,039**	**0**	**90,054**	**90,054**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	774,492	15,068	0	789,560	787,214
Debt securities	233,434	0	0	233,434	231,238
Shares and interests	0	103	434	537	537
Total	**1,007,925**	**15,171**	**434**	**1,023,531**	**1,018,989**
Fair values of assets, total	**1,016,940**	**5,858,276**	**434**	**6,875,650**	**6,527,240**

Fair values of financial assets at 31 Dec 2018	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	468,436	0	468,436	468,436
Receivables from credit institutions	0	27,835	0	27,835	27,974
Receivables from customers	0	4,512,474	0	4,512,474	4,186,865
Total	**0**	**5,008,745**	**0**	**5,008,745**	**4,683,275**
Financial assets measured at fair value through profit or loss					
Debt securities	0	422,764	0	422,764	422,764
Derivative contracts	0	649	0	649	649
Shares and interests	5,637	19,104	0	24,741	24,740
Total	**0**	**423,413**	**0**	**423,413**	**448,153**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	1,000,881	0	0	1,000,881	1,002,523
Debt securities	172,545	77,907	0	250,453	242,674
Shares and interests	0	103	366	469	469
Total	**1,173,427**	**78,010**	**366**	**1,251,803**	**1,245,666**
Fair values of assets, total	**1,173,427**	**5,510,168**	**366**	**6,683,961**	**6,377,093**

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

Fair values of financial liabilities at 31 Dec 2018	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	0	302	0	302	302
Liabilities to customers	0	5,885,743	0	5,885,743	5,883,806
Subordinated debts	0	50,245	0	50,245	50,000
Total	**0**	**5,936,290**	**0**	**5,936,290**	**5,934,108**
Financial liabilities measured at fair value through profit or loss					
Derivative contracts	0	13,103	0	13,103	13,103
Total	**0**	**13,103**	**0**	**13,103**	**13,103**

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

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

Transfers between levels 1 and 2

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

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

Changes at level 3	Shares and interests
Shares and interests, carrying amount 1 Jan 2019	365
Purchases	29
Shares and interests received from combining business operations	41
Shares and interests, carrying amount 31 Dec 2019	**434**

Note 15 to the consolidated financial statements: Breakdown of financial assets and liabilities according to maturity

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

31 Dec 2018	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	468,436					468,436
Debt securities eligible for refinancing with central banks	69,161	71,159	777,951	84,251	0	1,002,523
Receivables from credit institutions	27,838	0	0	0	0	27,838
Receivables from the public and public sector entities	179,852	421,948	1,269,697	872,647	1,442,856	4,187,001
Debt securities	307,721	164,275	176,329	17,113	0	665,438
Derivative contracts	160	89	400	0	0	649
Financial assets, total	**1,053,169**	**657,471**	**2,224,378**	**974,011**	**1,442,856**	**6,351,885**
Liabilities to credit institutions	302	0	0	0	0	302
Liabilities to the public and public sector entities	5,879,546	847	3,413	0	0	5,883,806
Subordinated debts, change than other debts	0	0	0	50,000	0	50,000
Derivative contracts	0	503	10,506	2,093	0	13,103
Lease liabilities	2	1,604	4,204	0	0	5,810
Financial liabilities, total	**5,879,850**	**2,954**	**18,123**	**52,093**	**0**	**5,953,020**

Note 16 to the consolidated financial statements: Cash and cash equivalents

	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	39,996	28,816
Bank of Finland checking account	563,897	439,621
Total cash and cash equivalents	**603,893**	**468,436**

Note 17 to the consolidated financial statements: Debt securities eligible for refinancing with central banks

	31 Dec 2019	31 Dec 2018
Measured at fair value through other comprehensive income		
Public corporations	117,270,77	152,718
Credit institutions	619,096,37	800,247
Other financial institutions	3,708,36	20,393
Companies outside the financial sector	47,138,70	29,164
Debt securities eligible for refinancing with central banks, total	**787,214**	**1,002,523**

The credit risk of debt securities and the effects of expected credit losses are described in note 2 to the consolidated financial statements.

Note 18 to the consolidated financial statements: Receivables from credit institutions

	31 Dec 2019	31 Dec 2018
Repayable on demand	4,848	15,601
Other than repayable on demand	28,872	12,373
Receivables from credit institutions, total	**33,721**	**27,974**

Credit risk on receivables from credit institutions and the effects of expected credit losses are described in note 2 to the consolidated financial statements.

Note 19 to the consolidated financial statements: Receivables from customers

	31 Dec 2019	Loss allowance*
Household customers	3,955,454	14,516
Secured loans	3,213,984	5,692
Unsecured loans	741,470	8,824
Corporate customers	825,129	731
Total receivables from customers	**4,780,583**	**15,246**

	31 Dec 2018	Loss allowance*
Household customers	3,397,023	11,997
Secured loans	2,736,413	4,663
Unsecured loans	660,610	7,335
Corporate customers	789,978	813
Total receivables from customers	**4,187,001**	**12,810**

*The loss allowance is the expected credit loss included in each item. The credit risk of receivables from customers and the impact of expected credit losses are described in note 2 to the consolidated financial statements.

Note 20 to the consolidated financial statements: Debt securities

	31 Dec 2019	31 Dec 2018
Measured at fair value through other comprehensive income		
Debt securities		
Credit institutions	48,646	52,091
Companies outside the financial sector	182,591	190,584
Debt securities, total	231,238	242,675
Publicly quoted	231,238	242,675
Fair value through profit or loss		
Commercial papers		
Other financial institutions	8,007	0
Companies outside the financial sector	38,538	63,037
Commercial papers, total	46,545	63,037
Publicly quoted	46,545	63,037
Local government securities		
Public corporations	8,009	359,727
Municipal certificates	8,009	359,727
Publicly quoted	8,009	359,727
Certificates of deposit		
Credit institutions	8,018	0
Certificates of deposit, total	8,018	0
Publicly quoted	8,018	0
Fair value through profit or loss, total	**62,571**	**422,764**
Debt securities, total	**293,809**	**665,438**

The credit risk of debt securities and the effects of expected credit losses are described in note 2 to the consolidated financial statements.

Note 21 to the consolidated financial statements: Derivative contracts and hedge accounting

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Chapter 1 of the consolidated financial statements: Financial instruments measured at fair value of the same note also discusses the valuation of derivatives.

S-Bank applies fair value hedging to derivative contracts entered into for the purpose of hedging the fair value changes of assets exposed to an interest rate risk. S-Bank hedges the risk related to changes in fair value mainly in the case of securities with a fixed interest rate, and which are exposed to an interest rate risk.

The principles of risk management are described in Note 2 to the Consolidated Financial Statements. Sections Market risk and in particular Interest rate risk in the banking book contain information on the use of derivatives in hedge accounting and its impact on S-Bank's financial position and results.

	31 Dec 2019			31 Dec 2018		
Nominal and fair values of derivatives	**Nominal value**	**Positive fair value**	**Negative fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**
Designated for hedge ac-counting						
Interest rate derivatives						
Interest rate swaps	631,200	5	-15,865	746,200	41	-11,264
Total interest rate deriva-tives in hedge accounting	**631,200**	**5**	**-15,865**	**746,200**	**41**	**-11,264**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	50,000	23	0	200,000	158	0
Options, written	125,000	0	-798	150,000	0	-809
Interest rate swaps	110,000	0	-27	50,000	0	-464
Total interest rate deriva-tives, other than for hedging purposes	**285,000**	**23**	**-825**	**400,000**	**158**	**-1,274**
Total derivatives	**916,200**	**28**	**-16,690**	**1,146,200**	**199**	**-12,538**

	31 Dec 2019				31 Dec 2018			
Maturities of derivatives	**less than one year**	**1–5 years**	**over 5 years**	**Total**	**less than one year**	**1–5 years**	**over 5 years**	**Total**
Designated for hedge accounting								
Interest rate derivatives	50,000	574,000	7,200	**631,200**	94,000	562,200	90,000	**746,200**
For non-hedging purposes								
Interest rate derivatives	125,000	160,000	0	**285,000**	100,000	270,000	30,000	**400,000**
Total derivatives	**175,000**	**734,000**	**7,200**	**916,200**	**194,000**	**832,200**	**120,000**	**1,146,200**

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

31 Dec 2019	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging derivative con-tracts					
Fair value hedge					
Interest rate derivatives	631,200	0	-10,707	Derivative contracts and other liabilities held for trading	-4,362
Total hedging derivatives	**631,200**	**0**			**-4,362**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2019	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item including the hedged item**	**Ineffective portion recognized in the income statement**
Hedging target						
Debt securities	866,972	0	885,719	0	Debt securities	4,462
Total hedged items	**866,972**	**0**	**885,719**	**0**		**4,462**

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

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

31 Dec 2018	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging derivative contracts					
Fair value hedge					
Interest rate derivatives	746,200	0	-11,223	Derivative contracts and other liabilities held for trading	-7,252
Total hedging derivatives	**746,200**	**0**	**-11,223**		**-7,252**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2018	Assets	Liabilities	Assets	Liabilities	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging target						
Debt securities	995,536	0	1,006,033	0	Debt securities	6,881
Total hedged items	**995,536**	**0**	**1,006,033**	**0**		**6,881**

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 2018		Profit / loss on hedging relationship			
Hedging target	Hedging instrument	Hedging target	Hedging instrument	Ineffective portion of hedging relationship	The income statement line to which the ineffective portion is booked
Debt securities	Interest rate derivative	6,881	-7,252	-371	Net income from investment operations: Net result of hedge accounting

The accounting policies for hedge accounting are described in the Group's accounting policies under Johdannaiset ja suojauslaskenta.

Note 22 to the consolidated financial statements: Shares and interests

	31 Dec 2019	31 Dec 2018
Measured at fair value through other comprehensive income		
Companies outside the financial sector	**537**	**469**
Total shares and interests valued at fair value through other comprehensive income	**537**	**469**
Fair value through profit or loss		
Companies outside the financial sector	27,083	24,740
Fair value through profit or loss, total	**27,083**	**24,740**
Publicly quoted	27,083	24,740
Total shares and interests	**27,620**	**25,209**

The fair value hierarchy levels of shares and interests are specified in note 14 to the consolidated financial statements.

The Group's subsidiaries' holdings and shares in Suomen Luotto-osuuskunta, SWIFT, DIAS Digital Housing and APV Sijoitustutkinnot Ltd are included in items measured at fair value through other comprehensive income.

Note 23 to the consolidated financial statements: Intangible assets

Changes in intangible assets 2019	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Dec. 2019	0	69,980	17,645	25,798	113,423
Increases	803	133	13,070	853	14,858
Allowances	0	-1,261	0	0	-1,261
Transfers between items	0	17,203	-17,203	0	0
Acquisition cost at 31 Dec 2019	803	86,054	13,512	26,651	127,020
Accumulated amortisation, depreciation and impairment at 1 Jan 2019	0	-52,912		-15,974	-68,886
Accumulated amortisation for allowances and transfers	0	1,261		0	1,261
Depreciation	-131	-8,348		0	-8,478
Impairments	0	-788		0	-788
Accumulated amortisation, depreciation and impairment at 31 Dec 2019	-131	-60,786		-15,974	-76,891
Carrying amount at 1 Jan 2019	0	17,068	17,645	9,824	44,537
Carrying amount at 31 Dec 2019	**672**	**25,268**	**13,512**	**10,676**	**50,128**

Changes in intangible assets 2018	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Dec. 2018	0	68,545	7,073	25,798	101,416
Increases	0	790	12,733	0	13,523
Allowances	0	-1,516	0	0	-1,516
Transfers between items	0	2,161	-2,161	0	0
Acquisition cost at 31 Dec 2018	0	69,980	17,645	25,798	113,423
Accumulated amortisation, depreciation and impairment at 1 Jan 2018	0	-45,940		-15,974	-61,914
Accumulated amortisation for allowances and transfers	0	1,516		0	1,516
Depreciation	0	-8,488		0	-8,488
Accumulated amortisation, depreciation and impairment at 31 Dec 2018	0	-52,912		-15,974	-68,886
Carrying amount at 1 Jan 2018	0	22,605	7,073	9,824	39,501
Carrying amount at 31 Dec 2018	**0**	**17,068**	**17,645**	**9,824**	**44,537**

Intangible assets include information systems that are essential for the Group's business operations and any work in progress related to the development of these information systems. During the reporting period 2019, the most significant increases in projects in progress were due to work on the PSD2, Unsecured PCO and Investor survey projects. Intangible assets not yet available for use, most of which are IT projects, are evaluated annually in conjunction with the budgeting process. Based on the valuation, no impairment losses were recognised during the reporting period or the comparison period.

Goodwill impairment testing

Goodwill is allocated to the following cash-generating unit

	31 Dec 2019	31 Dec 2018
Goodwill		
Wealth Management	10,676	9,824
Goodwill	**10,676**	**9,824**

In the S-Bank Group, goodwill is currently allocated to the Wealth Management segment. In 2019, the segment's goodwill increased when FIM Private Equity Funds Ltd acquired Epiqus Oy (FIM Impact Investing Ltd), which focuses on impact investing.

Impairments

The S-Bank Group tested goodwill on 1 January 2018, 31 December 2018 and 31 December 2019 and has not identified any need for impairment charges.

Testing and sensitivity analysis

Impairment testing compares the balance-sheet value of a cash-generating unit to the amount recoverable from the business in question. The amount recoverable from the Wealth Management business is based on its value in use, in which the estimated future cash flows of the business are discounted to their present value using a discount rate that reflects the pre-tax cost of capital of the cash generating unit.

The expected cash flows from the Wealth Management business are based on financial plans approved by management covering a three-year period. Cash flows beyond this period have been derived using a growth factor of 2 per cent, which is estimated not to exceed the long-term actual growth of the industry. The pre-tax Weighted Average Cost of Capital (WACC) used as the discount rate is influenced by risk-free interest rates, market and country risk premiums, industry beta, the cost of debt and the capital structure. The discount rate was 9.4 per cent on 1 January 2018, 9.0 per cent on 31 December 2018, and 9.0 per cent on 31 December 2018.

The key variables in impairment testing are the profit of the Wealth Management business, the discount rate and the growth factor after the three-year forecast period. When estimating the segment's goodwill, any foreseeable change in any of the key variables used would not result in a situation that would require an impairment loss.

Note 24 to the consolidated financial statements: Tangible assets

Changes in tangible assets in 2019	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	License inventories	Total tangible assets
Acquisition cost at 1 Dec. 2019	3,992	1,023	0	8,174	13,189
Increases	0	31	777	1,052	1,860
Allowances	0	-119	0	-363	-481
Transfers between items	0	777	-777	0	0
Acquisition cost at 31 Dec 2019	3,992	1,712	0	8,863	14,568
Accumulated amortisation, depreciation and impairment at 1 Jan 2019	-3,978	-158		-2,371	-6,507
Accumulated amortisation for allowances and transfers	0	119		61	180
Depreciation	-14	-321		-3,210	-3,545
Accumulated amortisation, depreciation and impairment at 31 Dec 2019	-3,992	-360		-5,520	-9,872
Carrying amount 1 Jan 2019	14	865	0	5,803	6,682
Carrying amount 31 Dec 2019	**0**	**1,352**	**0**	**3,344**	**4,696**

Changes in tangible assets in 2018	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	License inventories	Total tangible assets
Acquisition cost at 1 Jan 2018	3,992	124	0	5,253	9,369
Increases	0	571	328	2,921	3,820
Transfers between items	0	328	-328	0	0
Acquisition cost at 31 Dec 2018	3,992	1,023	0	8,174	13,189
Accumulated amortisation, depreciation and impairment at 1 Jan 2018	-3,884	0			-3,884
Depreciation	-94	-158		-2,371	-2,623
Accumulated amortisation, depreciation and impairment at 31 Dec 2018	-3,978	-158		-2,371	-6,507
Carrying amount at 1 Jan 2018	108	124	0	5,253	5,485
Carrying amount at 31 Dec 2018	**14**	**865**	**0**	**5,803**	**6,682**

Right-to-use assets and lease liabilities

Right-to-use assets consist of premises under leases, and leasing vehicles. The lease agreements for the Group's headquarters will expire in early 2020 and lease negotiations are still ongoing. The agreement under negotiation is expected to increase debt and right-to-use assets by a maximum of around EUR 8 million.

Changes in concessionary assets 2019	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Total right-to-use assets
Acquisition cost at 1 Dec. 2019	7,590	583	8,174
Increases	815	237	1,052
Allowances	-247	-115	-363
Acquisition cost at 31 Dec 2019	8,158	706	8,863
Accumulated amortisation, depreciation and impairment at 1 Jan 2019	-2,186	-185	-2,371
Accumulated amortisation for allowances and transfers	0	61	61
Depreciation	-2,972	-238	-3,210
Accumulated amortisation, depreciation and impairment at 31 Dec 2019	-5,158	-362	-5,520
Carrying amount 1 Jan 2019	5,405	398	5,803
Carrying amount 31 Dec 2019	**3,000**	**344**	**3,344**

Changes in concessionary assets 2018	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Total right-to-use assets
Acquisition cost at 1 Jan 2018	4,947	306	5,253
Increases	2,644	277	2,921
Acquisition cost at 31 Dec 2018	7,590	583	8,174
Accumulated amortisation, depreciation and impairment at 1 Jan 2018	0	0	0
Depreciation	-2,186	-185	-2,371
Accumulated amortisation, depreciation and impairment at 31 Dec 2018	-2,186	-185	-2,371
Carrying amount at 1 Jan 2018	4,947	306	5,253
Carrying amount at 31 Dec 2018	**5,405**	**398**	**5,803**

Lease liabilities	31 Dec 2019	31 Dec 2018
Long-term lease liabilities	1,721	1,540
Short-term lease liabilities	1,632	4,270
Total lease liabilities	**3,353**	**5,810**

Items recognised in the income statement	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Interest expenses on leases	-27	-19
Lease expenses on short-term leases	-402	-1,203
Rental expenses for low value assets	-379	-589
Depreciation of right-to-use assets, buildings	-2,972	-2,186
Depreciation of fixed assets, machinery and equipment	-238	-185
Total	**-4,019**	**-4,182**

Cash flow from leases	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Total cash flow from leases	-3,600	-3,783

Note 25 to the consolidated financial statements: Prepayments and accrued income

	31 Dec 2019	31 Dec 2018
Interest receivables	10,595	11,188
Fee claims	7,077	5,504
Other receivables	7,466	6,965
Total accrued income	**25,138**	**23,657**

Other accrued income includes accrued expenses related to amortised purchase invoices, personnel expenses, revenue from receivables and accrued income from other receivables.

Note 26 to the consolidated financial statements: Other assets

	31 Dec 2019	31 Dec 2018
Receivables from payment transactions	1,754	2,886
Accounts receivable	2,554	4,145
Other receivables	121	71
Total other assets	**4,429**	**7,102**

Note 27 to the consolidated financial statements: Liabilities to credit institutions and customers

	31 Dec 2019	31 Dec 2018
Liabilities to credit institutions		
Liabilities to credit institutions, repayable on demand	0	302
Other than repayable on demand	0	0
Total liabilities to credit institutions	**0**	**302**
Liabilities to customers		
Deposits		
Deposits payable on demand	**5,908,038**	**5,827,466**
Deposits other than repayable on demand	**40,098**	**5,203**
Other liabilities		
Other debt repayable on demand, total	**50,521**	**49,190**
Liabilities other than repayable on demand	**2,168**	**1,947**
Total liabilities to customers	**6,000,826**	**5,883,806**
Total liabilities to credit institutions and customers	**6,000,826**	**5,884,108**

Note 28 to the consolidated financial statements: Subordinated debts

31 Dec 2019	Carrying amount*	Notional value	Interest rate	Maturity
Debenture I/2015	16,042	16,000	12-month Euribor + 1.5% annual interest	1 Dec 2025
Debenture I/2016	26,484	26,000	12-month Euribor + 1.8% annual interest	30 Jun 2026
Debenture I/2017	8,012	8,000	12-month Euribor + 1.8% annual interest	18 Dec 2027

*Includes transferred interest.

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

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

Model of the key features of equity instruments	Debenture I/2015	Debenture I/2016	Debenture I/2017
Issuer	S-Bank Ltd	S-Bank Ltd	S-Bank Ltd
Unique identifier (ISIN)	FI4000185418	FI4000210877	FI4000292735
Governing law of the instrument	Finnish law	Finnish law	Finnish law
Regulation			
Transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Post-transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Eligible at solo or consolidated / subconsolidated / solo and consolidated / sub-consolidation group level	Solo and consolidated	Solo and consolidated	Solo and consolidated
Instrument type	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (EUR million, on the lmost recent reporting date)	16	26	8
Nominal amount of instrument (EUR million)	16	26	8
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
Original date of issuance	1 Dec 2015	30 Jun 2016	18 Dec 2017

Model of the key features of equity instruments	Debenture I/2015	Debenture I/2016	Debenture I/2017
Perpetual or dated	dated	dated	dated
Original maturity date	1 Dec 2025	30 Jun 2026	18 Dec 2027
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first instalment being paid on 1 Dec 2021 and the last on 1 Dec 2025. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instalment being paid on 30 Jun. 2022 and the last on 30 Jun. 2026. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 18 December, with the first instalment being paid on 18 Dec 2022 and the last on 18 Dec 2027. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.
Subsequent call dates, if applicable	See above	See above	See above
Coupons/dividends			
Fixed or floating dividend/coupon	Floating coupon	Floating coupon	Floating coupon
Coupon rate and any related indices	12-month Euribor + 1.5% annual interest	12-month Euribor + 1.8% annual interest	12-month Euribor + 1.8% annual interest
Existence of a dividend stopper	No	No	No
Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partly discretionary or mandatory (in terms of quantity)	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, fully or partially	Not applicable	Not applicable	Not applicable
If convertible, conversion rate	Not applicable	Not applicable	Not applicable
If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable

Model of the key features of equity instruments	**Debenture I/2015**	**Debenture I/2016**	**Debenture I/2017**
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
Write-down features	Not applicable	Not applicable	Not applicable
If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable
If write-down, full or partial	Not applicable	Not applicable	Not applicable
If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer’s other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer’s other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer’s other commitments. Debentures cannot be used for setting off counterclaims.
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Note 29 to the consolidated financial statements: Accrued expenses

(EUR ´000)	31 Dec 2019	31 Dec 2018
Interest payable	915	451
Accruals associated with personnel expenses	12,686	9,850
Other accrued expenses	16,720	7,161
Total accrued expenses	**30,320**	**17,461**

Other accrued expenses include accrued expenses related to amortised purchase invoices and not included in other liabilities.

Note 30 to the consolidated financial statements: Other liabilities and provisions

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Lease liabilities	3,353	5,810	5,253
Payables arising from payment transactions	22,447	20,786	100,492
Payables from securities	0	301	0
Other	10,504	12,355	13,856
Other liabilities	**36,304**	**39,253**	**119,601**
Defined benefit plans	**302**	**264**	**367**
Provisions	**302**	**264**	**367**
Total other liabilities and provisions	**36,607**	**39,739**	**119,968**

Lease liabilities are further specified under Note 24 to the consolidated financial statements: tangible assets

Item Other under Other liabilities includes the Group’s trade payables, withholding liabilities, commissions payable and impairment charges on guarantees and off-balance sheet items.

Defined benefit pension plan

In addition to statutory pension insurance (TyEL), the S-Bank Group has a defined benefit pension plan. It is a voluntary supplementary pension scheme that is provided by an insurance company and is financed by contributions to the insurance company. In defined benefit plans, the amount of the retirement benefit at the time of retirement is determined by certain factors such as salary and years of service.

The assets of the defined benefit plan consist mainly of the payments made by S-Bank to the scheme and their proceeds.

Pension liability on the balance sheet	31 Dec 2019	31 Dec 2018
Present value of the defined benefit obligation	2,191	1,735
Fair value of defined benefit plan assets	-1,889	-1,471
Net debt arising from a defined benefit plan		264

Reconciliation statement of the opening and closing balances of the net defined benefit liability and its components:

	Present value of the obligation		The fair value of plan assets		Net debt	
	2019	2018	2019	2018	2019	2018
Opening balance sheet at 1 Jan	**1,735**	**1,564**	**1,471**	**1,197**	**264**	**367**
Items recognised in the income statement:						
Expense based on time of service in the period	138	133			138	133
Change in arrangement	-221		-151		-70	
Interest expense / credit	42	38	38	29	4	9
Total	**-42**	**171**	**-113**	**29**	**71**	**142**
Items recognized in other comprehensive income:						
Items due to reassessment:						
Actuarial gains / losses (- / +) based on changes in financial factors	588				588	
Actuarial gains / losses (- / +) based on empirical changes	46	0			46	
Return on plan assets excluding interest income / expense (+/-)			512	26	-512	-26
Total	**634**	**0**	**512**	**26**	**122**	**-26**
Other:						
Interest paid	-136		-136		0	
Contributions to defined benefit plan			155	219	-155	-219
Total	**-136**	**0**	**19**	**219**	**-155**	**-219**
Closing balance sheet 31 Dec	**2,191**	**1,735**	**1,889**	**1,471**	**302**	**264**

The duration based on the weighted average of the obligation is 30 years (29 years). S-Bank estimates that the expected payment under the defined benefit plan will be approximately EUR 162 000 in 2020.

At the end of the reporting period, the following major actuarial assumptions were applied:

	2019	2018
Discount rate	1,00%	2,40%
Increase in wages	1,40%	2,00%
Inflation	1,40%	2,00%

Mortality assumptions are made based on actuarial guidance and are founded on published statistics and experience. These assumptions are used to derive an average life expectancy for a person retiring at the age of 65 years.

The following table presents a sensitivity analysis of the effect of the change in the discount rate used in the plan on the defined benefit pension liability. The sensitivity analysis is calculated in such a way that all other assumptions are assumed to remain unchanged when calculating the effect of a change in assumption.

	2019		2018	
	Increase	Decrease	Increase	Decrease
Change (t €) when the discount rate changes by +/- 0.5 percentage points	233	386	195	347

Note 31 to the consolidated financial statements: Equity items

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Share capital	82,880	82,880	82,880
Reserves	283,037	280,828	250,363
Fair value reserve	-792	-2,981	6,550
Reserve for invested non-restricted equity	283,828	283,809	243,813
Retained earnings	107,522	85,954	73,803
Retained earnings (losses)	83,395	73,661	
Profit/loss for the period	24,127	12,293	
Total equity	**473,439**	**449,902**	**407,046**
Parent company's shareholders	473,439	449,662	406,877
Non-controlling interests	0	240	169

	31 Dec 2019	31 Dec 2018	1 Jan 2018
Shares outstanding at the beginning of the period (number)	6,680,180	6,072,892	
Changes in	0	607,288	
Shares outstanding at the end of the period (number)	6,680,180	6,680,180	6,072,892

S-Bank Ltd has only one share class. The share class is not specifically named and the articles of association do not specify the maximum number of shares or the nominal value of a share. No rights or restrictions on the share class are specified in the Articles of Association. S-Bank has not issued its own shares to the public and S-Bank or its subsidiary does not hold any of its own shares.

Description of equity items

Share capital

The share capital includes shares subscribed and paid for by the owners of the parent company. The owners of the parent company also hold shares whose subscription price is recorded in the invested non-restricted equity fund.

Fair value reserve

The Fund includes the change in the cumulative fair value, less deferred tax, of financial assets and financial liabilities at fair value through other comprehensive income. The change in fair value is recognized in the income statement when these financial assets or liabilities are written off or impaired. Assets measured at fair value are classified in three hierarchy levels. The hierarchy levels are shown in note 14.

Reserve for invested non-restricted equity

The fund is made up of shareholders' investments and was established by a decision of the general meeting. New capital may be recorded in the fund, or it may be reduced, only by decision of a General Meeting to the extent permitted by law.

Retained earnings

Retained earnings are assets that have been accumulated in the previous financial years of Group companies and that have not been distributed to owners.

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The information in the other notes to the consolidated financial statements is presented in thousands of euros.

Note 32 to the consolidated financial statements: Collateral given

	Other collateral	
	31 Dec 2019	**31 Dec 2018**
Collateral given for own debt		
Liabilities to credit institutions	152,252	168,660
Derivative contracts and liabilities held for trading	23,573	12,007
Collateral given for own debt, total	**175,825**	**180,667**
of which cash	23,573	12,007
of which securities	152,252	168,660
Other collateral given on own behalf	**225**	**261**
of which cash	225	261
Collateral given on behalf of others	**24**	**31**
of which cash	24	31

Note 34 to the consolidated financial statements: Off-balance sheet commitments

	31 Dec 2019	31 Dec 2018
Guarantees	19,018	23,768
Commitments given to third parties in favour of customers	250	
Undrawn credit facilities	255,275	176,803
Total	**274,543**	**200,570**

The expected credit loss on off-balance sheet items is EUR 1 245 000 (773 000).

Note 33 to the consolidated financial statements: Offsetting financial assets and liabilities

	Gross net financial liabilities on the balance sheet	Financial assets netted on the balance sheet	Net financial debt shown on the balance sheet	Pledged collateral	Net amount
Financial assets					
Derivative contracts	405	-5	400		
Financial liabilities					
Derivative contracts	17,067	-5	17,062	-22,933	-5,871

Financial assets and financial liabilities are offset against each other and a net amount is recognised in the balance sheet when there is a legally enforceable right to set off the amounts recognised and a net settlement is to be made.

The following financial assets and liabilities are subject to enforceable master netting agreements:

Cash collateral is included in the balance sheet item Receivables from credit institutions, except for collateral given to CCPs, which is shown under Other assets in the balance sheet. Cash received as collateral is included in the balance sheet item Liabilities to credit institutions.

Note 35 to the consolidated financial statements: Corporate structure and related parties

S-Bank Ltd is the parent company of the S-Bank Group. S-Bank Ltd is a deposit bank engaged in credit institution activities under the Act on Credit Institutions and in related activities and provides investment services under the Act on Investment Services. As the parent company, S-Bank performs the tasks of the Group companies that must be carried out in a centralised manner, such as the Group's administration, guidance and supervision. S-Bank has three wholly owned subsidiaries: S-Asiakaspalvelu Ltd, FIM Asset Management Ltd and FIM Private Equity Funds Ltd.

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

FIM Asset Management Ltd manages the mutual funds of S-Bank, FIM and LocalTapiola and provides portfolio management services for the entire S-Bank Group.

FIM Private Equity Funds Ltd is an alternative fund manager, providing S-Bank Group with portfolio management services for private equity funds and is responsible for the portfolio management of the real estate and forest funds of FIM Asset Management Ltd. FIM Private Equity Funds Ltd has five wholly owned subsidiaries.

- FIM Real Estate Ltd is the general partner in S-Bank Group's real estate funds.
- FIM Impact Investing Ltd offers impact investing services and manages two impact investment funds and is their general partner.
- FIM Infrastructure Mezzanine Debt Fund GP Ltd, FIM Private Debt Fund I GP Ltd and FIM SIB Ltd act as the general partners in the funds managed by FIM Private Equity Funds Ltd. These companies do not engage in any other business operations.

Business combinations in 2019

FIM Private Equity Funds Ltd acquired 100 per cent of the share capital and voting rights of Epiqus Oy (now known as FIM Impact Investing Ltd) in a transaction executed on 10 January 2019. The company offers impact investment services and manages two impact investment funds and is their general partner. Through the acquisition, S-Bank became the leading Nordic company in the impact investment sector.

The acquisition cost of Epiqus Oy was EUR 1.5 million, of which 46.5 per cent or EUR 0.7 million relates to goodwill. Goodwill includes personnel expertise and stakeholder relationships. 53.5 per cent (EUR 0.8 million) of the acquisition price consists of the expected return on fund projects in progress or that were being launched. This part of the acquisition cost is tax deductible according to the economic depreciation period (depreciation of EUR 0.1 million in 2019).

S--Bank's subsidiaries include the following companies:

		Share of ownership	
Subsidiaries	**Domicile**	**2019**	**2018**
S-Asiakaspalvelu Ltd	Helsinki	100%	100%
FIM Asset Management Ltd	Helsinki	100%	100%
FIM Private Equity Funds Ltd	Helsinki	100%	100%
FIM Real Estate Ltd	Helsinki	100%	80%
FIM Infrastructure Mezzanine Debt Fund GP Ltd	Helsinki	100%	100%
FIM Private Debt Fund I GP Ltd	Helsinki	100%	100%
FIM SIB Ltd	Helsinki	100%	100%
FIM Impact Investing Ltd	Helsinki	100%	0%

Subsidiaries are consolidated using the acquisition method.

A cash consideration of EUR 1.2 million was paid for the company. One third of the maximum purchase price of EUR 0.6 million is conditional and will be paid when the conditions are met between 2020 and 2021. At the date of acquisition, EUR 0.3 million of the contingent consideration was recognised. The balance sheet total of the acquired company was EUR 0.1 million.

Goodwill is included in the Group's goodwill testing as of 31 December 2019 and no impairment has been recognised.

Information on structured non-consolidated entities:

S-Bank acts as the general partner in limited partnership funds, which are structured entities. The companies of the S-Bank Group do not have any holdings in these funds that would significantly expose the Group to variable returns and are therefore not consolidated in the consolidated financial statements.

Structured entities include:

- Mutual and non-UCITS funds managed by FIM Asset Management Ltd,
- Alternative funds managed by FIM Private Equity Funds Ltd, with FIM Private Debt Fund GP Ltd, FIM Infrastructure Mezzanine Debt Fund GP Ltd and FIM SIB Ltd as general partners,
- Alternative funds managed by FIM Impact Investing Ltd; and
- Real estate funds, with FIM Real Estate Ltd as the general partner.

The management companies direct the relevant activities of the funds by making investment decisions in accordance with the fund rules. The Group's maximum risk of loss in the funds is limited to the Group's direct investments in the funds, loans granted to the funds and the capital contribution in the general partner. The Group mainly acts as a management company in the funds. The Group has direct investments in only five funds.

Related party information

The related parties of S-Bank include key persons, their immediate family members and organisations that belong to the related parties. Key management persons include the members and deputies of S-Bank's Board of Directors, the CEO and Deputy CEO of S-Bank and the members of the Group Management Team. Organisations considered to be related parties include the subsidiaries and associated companies of S-Bank, SOK, which owns 37.5 per cent of S-Bank, and the subsidiaries, joint ventures and associated companies of SOK. In addition, the related parties include companies in which the persons considered to be related parties have control or significant influence.

Loans granted to related parties are subject to standard customer terms and conditions.

Structured non-consolidated entities:	2019	2018
Structured entities in which the Group has holdings		
Total assets	102,199	52,661
Group's holdings	5,868	5,008
Total liabilities	96,331	47,654
Structured entities in which the Group has no holdings		
Total assets	9,199,981	7,733,410
Total liabilities	9,199,981	7,733,410

Related party transactions in 2019	Transactions with the owner community	Partnership-companies	Persons in management	Basis for classification as a related party
Assets				
Loans	0	0	1,947	28
Accounts receivable	57	0	0	0
Liabilities				
Deposits	91,053	7	1,889	1,774
Other liabilities	20,062	0	0	0
Accounts payable	189	302	0	0
Off-balance sheet commitments				
Loan commitments	60,000	0	573	25
Income and expenses				
Interest income	14	0	9	1
Fee and commission income	25	0	1	1
service Sales	1,284	0	0	0
Interest expenses	386	0	2	1
Service purchases	11,949	13,770	0	0

Related party transactions in 2018	Transactions with the owner community	Partnership-companies	Persons in management	Basis for classification as a related party
Assets				
Loans	0	0	1,951	25
Accounts receivable	527	0	0	0
Liabilities				
Deposits	142,228	11	2,054	278
Other liabilities	20,056	0	0	0
Accounts payable	577	1,318	0	0
Off-balance sheet commitments				
Loan commitments	60,000	0	170	29
Income and expenses				
Interest income	147	0	9	1
Fee and commission income	27	0	1	1
service Sales	1,519	0	0	0
Interest expenses	211	0	2	0
Service purchases	12,192	13,683	0	0

Management compensation 2019	Salaries and other short-term employee benefits	Long-term defined contribution pension plans
CEO and Group Management Team	1,532	348
Members of the Board of Directors	56	
Total compensation of senior management	**1,588**	**348**

Management compensation 2018	Salaries and other short-term employee benefits	Long-term defined contribution pension plans
CEO and Group Management Team	1,561	338
Members of the Board of Directors	56	
Total compensation of senior management	**1,617**	**338**

FINANCIAL STATEMENTS OF S-BANK LTD

S-BANK LTD – INCOME STATEMENT

(EUR '000)	Note	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Interest income	2	**94,488**	**86,720**
Interest expenses	2	**-8,219**	**-7,119**
NET INTEREST INCOME		**86,268**	**79,601**
Fee and commission income	3	**52,564**	**51,256**
Fee and commission expenses	3	**-8,993**	**-9,063**
Net income from securities and currency operations	4	**2,742**	**2,252**
Net income from securities trading		2,612	2,357
Net income from currency operations		130	-105
Net income from financial assets recognised at fair value through the fair value reserve		**3,072**	**2,088**
Net income from hedge accounting	5	**100**	**-371**
Other operating income	6	**15,944**	**15,985**
Administrative expenses		**-99,333**	**-104,150**
Personnel expenses		-40,232	-41,707
Salaries and fees		-34,115	-33,611
Indirect personnel expenses		-6,117	-8,096
Pension expenses		-5,569	-6,677
Other indirect personnel expenses		-548	-1,419
Other administrative expenses		-59,101	-62,443
Depreciation and impairment on tangible and intangible assets	8	**-11,397**	**-12,604**
Other operating expenses	7	**-7,305**	**-5,778**
Expected credit losses on financial assets carried at amortised cost	9	**-14,308**	**-8,494**
Expected credit losses and impairment losses on other financial assets	9	**313**	**-197**
OPERATING PROFIT (LOSS)		**19,665**	**10,524**
Appropriations		**2,172**	**340**
Income taxes		**-5,067**	**-3,741**
PROFIT (LOSS) FOR THE PERIOD		**16,769**	**7,123**

S-BANK LTD – BALANCE SHEET

ASSETS (EUR '000)	Note	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	10, 27, 28, 29	**603,893**	**468,436**
Debt securities eligible for refinancing with central banks	10, 13, 27, 28, 29	**787,214**	**1,002,523**
Other		787,214	1,002,523
Receivables from credit institutions	10, 11, 27, 28, 29	**32,180**	**26,615**
Repayable on demand		3,308	14,378
Other		28,872	12,237
Receivables from the public and public sector entities	10, 12, 27, 28, 29	**4,780,583**	**4,186,865**
Repayable on demand		4,864	3,952
Other		4,775,719	4,182,913
Debt securities	10, 13, 27, 28, 29	**293,809**	**665,438**
From others		293,809	665,438
Shares and interests	10, 14, 27, 28	**27,482**	**25,139**
Shares and interests in associated companies	10, 14, 27, 28	**3**	**3**
Shares and interests in Group companies	10, 14, 27, 28	**29,942**	**29,942**
Derivative contracts	10, 15, 16, 27, 28, 29	**400**	**649**
Intangible assets	17, 28	**36,794**	**37,239**
Tangible assets	18, 28	**1,229**	**741**
Other tangible assets		1,229	741
Other assets	19, 28	**3,977**	**6,810**
Accrued income and prepayments made	20, 28	**17,131**	**17,090**
Deferred tax assets	21, 28	**359**	**985**
TOTAL ASSETS		**6,614,997**	**6,468,476**

LIABILITIES (EUR ’000)	Note	31 Dec 2019	31 Dec 2018
LIABILITIES			
Liabilities to credit institutions	10, 27, 28, 29	**0**	**302**
To credit institutions		0	302
Repayable on demand		0	302
Liabilities to the public and public sector entities	10, 27, 28, 29	**6,025,093**	**5,906,705**
Deposits		5,972,403	5,855,568
Repayable on demand		5,932,305	5,850,364
Other		40,098	5,203
Other liabilities		52,690	51,137
Repayable on demand		50,521	49,190
Other		2,168	1,947
Derivative contracts and other liabilities held for trading	10, 27, 28, 29	**17,062**	**13,103**
Other liabilities	22, 28	**31,177**	**31,459**
Other liabilities		31,177	31,459
Accrued expenses and prepayments received	23, 28	**20,649**	**12,678**
Subordinated debts	10, 24, 27, 28	**50,000**	**50,000**
Other		50,000	50,000
TOTAL LIABILITIES		**6,143,981**	**6,014,246**
ACCUMULATED APPROPRIATIONS			
Depreciation and amortisation difference		**6,745**	**5,576**
Taxation-based reserves		**30,000**	**33,341**
ACCUMULATED APPROPRIATIONS, TOTAL		**36,745**	**38,916**

LIABILITIES (EUR '000)	Note	31 Dec 2019	31 Dec 2018
EQUITY			
Share capital	25, 26	**82,880**	**82,880**
Other restricted reserves	25	**-792**	**-2,981**
Fair value reserve			
Carried at fair value		-792	-2,981
Non-restricted reserves	25	**283,828**	**283,828**
Reserve for invested non-restricted equity		283,828	283,828
Retained earnings (losses)	25	**51,586**	**44,463**
Profit/loss for the period	25	**16,769**	**7,123**
TOTAL EQUITY		**434,272**	**415,314**
TOTAL EQUITY AND LIABILITIES		**6,614,997**	**6,468,476**

OFF-BALANCE SHEET LIABILITIES (EUR '000)	32	31 Dec 2019	31 Dec 2018
Commitments given to a third party in favour of a customer		**19,268**	**23,768**
Guarantees and pledges		19,018	23,768
Other		250	0
Irrevocable commitments given in favour of a customer		**260,545**	**181,923**
Other		260,545	181,923

S-BANK LTD – CASH FLOW STATEMENT

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Profit (loss) for the period	**16,769**	**7,123**
Depreciation and impairment	11,397	12,604
Credit losses	18,623	13,214
Other non-payment income and expenses	-4,054	220
Appropriations	-2,172	-340
Income taxes	5,067	3,741
Adjustments for financial income and expenses	-1,546	1,578
Adjustments, total	27,316	31,017
Cash flow before changes in receivables and liabilities	**44,085**	**38,140**
Increase / decrease in business receivables (- / +)		
Receivables from credit institutions, other than repayable on demand	-16,635	-1,323
Receivables from customers	-612,434	-484,017
Derivative contracts	245	99
Investment assets	598,604	-343,785
Other assets	2,199	-3,845
Total increase / decrease in trade receivables	**-28,021**	**-832,870**
Increase / decrease in operating liabilities (- / +)		
Liabilities to credit institutions	-302	-9,808
Liabilities to customers	118,388	834,632
Other liabilities	8,077	-82,724
Increase / decrease in operating liabilities	**126,164**	**742,101**
Taxes paid	-6,392	818
Cash flow from operating activities	**135,836**	**-51,812**

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Cash flow from investing activities		
Investments in tangible and intangible assets	-11,440	-13,635
Impairment of tangible and intangible assets	0	1,516
Cash flow from investing activities	**-11,440**	**-12,119**
Cash flow from financing activities		
Share issue against payment	0	39,996
Cash flow from financing activities	**0**	**39,996**
Difference in cash and cash equivalents	**124,396**	**-23,934**
Cash and cash equivalents, opening balance sheet	482,814	506,956
Difference in cash and cash equivalents	124,396	-23,934
Impact of changes in exchange rates	-9	-207
Cash and cash equivalents consist of the following items		
Cash and cash equivalents	603,893	468,436
Repayable on demand	**3,308**	**14,378**
Cash and cash equivalents	**607,201**	**482,814**
Interest paid	**-7,756**	**-7,113**
Interest received	**92,021**	**88,144**

Cash and cash equivalents at the start of 2018 include an adjustment item due to a change in classification in accordance with IFRS 9. The definition of cash and cash equivalents is consistent with the definition of cash and cash equivalents in the consolidated cash flow statement, and therefore the comparative information for the cash flow statement for 2018 has been restated.

S-BANK LTD – NOTES TO THE FINANCIAL STATEMENTS

Note 1 to the financial statements of S-Bank Ltd: Accounting policies used in the preparation of the financial statements

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

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

On 4 February 2020, the Board of Directors approved the financial statements for the period 1 January–31 December 2019.

General accounting policies

The financial statements have been prepared in accordance with the Finnish Accounting Act and Decree; the Act on Credit Institutions; the Ministry of Finance Decree on the financial statements, consolidated financial statements and Board of Directors' reviews of credit institutions and investment service companies; as well as the Finnish Financial Supervisory Authority's regulations governing the financial sector. The general instructions issued by the Finnish Accounting Standards Board (KILA) have also been considered, as applicable, when preparing the financial statements.

In addition, the Capital Requirements Directive (CRD IV), the EU Capital Requirements Regulation ("CRR", EU 575/2013) and the related implementation regulations, as well as the regulations of the European Banking Authority and the reports of the Finnish Financial Supervisory Authority were observed when preparing the financial statements.

The financial statement information is presented in thousands of euros, unless stated otherwise.

Comparability

In 2019, S-Bank changed the content of some income statement and balance sheet items, and the corresponding changes have been made in the comparative information presented. Hence, the comparative information presented for 2018 in these 2019 financial statements is different from that presented in the 2018 financial statements. The changes are described in more detail in the notes to the items affected by the changes.

Principles of income recognition

Interest income and expenses

Interest on financial assets and liabilities and interest-rate derivatives is accrued as interest income or expenses for the financial periods to which they are to be allocated over time. Fees that form an essential part of the effective interest on loans, receivables or deposits are recognised as interest income or expenses.

Fee and commission income and expenses

Fee and commission income and expenses arise from services offered to customers and from the resources needed to provide these services. Fee and commission income is recognised on an accrual basis. Income and expenses for services distributed over several years are allocated to the appropriate years.

Financial assets and liabilities

S-Bank follows the S-Bank Group's accounting policies for recognising and measuring financial assets and financial liabilities and for impairment of financial assets. In this respect, the accounting policies of the parent company are consistent with those of the consolidated financial statements, as the Financial Supervisory Authority's regulations and guidance 2/2016 require the recognition of financial assets and liabilities to be in accordance with the IFRS 9 Financial Instruments standard. The classification of financial assets and liabilities and the impairment of financial assets are described in the financial statements of the S-Bank Group under "Note 37 to the consolidated financial statements": Accounting policies of the consolidated financial statements related to "Classification of financial assets and liabilities" and "Impairment of financial instruments".

Intangible and tangible assets

Intangible assets

Intangible assets consist mainly of internally generated information systems, related development work, and license and connection fees. Intangible assets are carried at cost, provided the cost can be measured reliably and it is probable that the intangible asset will generate financial benefit. Software expenses also include costs arising from the modification of software licensed to the Group. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

Amortisation periods for intangible assets:
IT systems and licence fees: 5 years
Goodwill: 5 years

Tangible assets

Tangible assets are measured at original acquisition cost, less accumulated depreciation and impairment, if any. Straight-line depreciation is recorded on tangible assets in accordance with each item's economic life.

Depreciation periods for tangible assets:
Machinery and equipment: 3 years
Renovations of rented premises: 5 years

Impairment of tangible and intangible assets

At the end of each financial period, S-Bank assesses whether there is any evidence that the value of an asset item has been impaired. If there is evidence of impairment, the recoverable amount from the asset item is estimated on the basis of objective criteria. The recoverable amount is defined as the higher of the asset's fair value less cost to sell and its value in use. An impairment loss is recognised when the carrying amount of an asset is higher than its recoverable amount. An impairment loss and its changes are recognised in profit or loss through an impairment test.

Income taxes

Income taxes include current taxes for the financial period and adjustments to taxes for previous periods, as well as changes in deferred tax assets and liabilities. The tax effects of items that are recognised directly in equity are correspondingly recognised directly in equity. Taxes are calculated using the tax rates valid on the closing date and, if there is a change in tax rates, at the available new tax rate.

For other items (excluding items that come under IFRS 16 Leases and IAS 19 Employee Benefits), the parent company follows the Group's accounting policies. The parent company has included items based on the requirement laid down in tax legislation concerning the matching of accounting with tax declarations. These items are presented as appropriations.

S-BANK LTD – NOTES TO THE INCOME STATEMENT

The information in the notes to the income statement is presented in thousands of euros.

Note 2 to the financial statements of S-Bank Ltd: Net interest income

	2019	2018
Interest income		
Receivables from credit institutions	-125	-299
Receivables from the public and public sector entities *	86,717	77,704
Debt securities	7,801	9,111
Derivative contracts	91	200
Other interest income	3	4
Total interest income	**94,488**	**86,720**
of which intra-Group items	91	50
Interest income from stage 3 financial assets	1,310	1,632
Interest expenses		
Liabilities to credit institutions	-457	-364
Liabilities to the public and public sector entities	-4,652	-4,073
Derivative contracts and other liabilities held for trading	-2,258	-1,837
Subordinated debts	-842	-838
Other interest expenses	-14	-7
Interest expenses, total	**-8,219**	**-7,119**
Net interest income	**86,268**	**79,601**

*The comparative information has been restated in accordance with IFRS 9 by recognising loan opening fees as net interest income instead of net fee income.

Note 3 to the financial statements of S-Bank Ltd: Fee and commission income and expenses

	2019	2018
Fee and commission income		
From lending *	26,325	23,753
From borrowing	3,066	3,341
From payment transactions	11,351	8,947
From wealth management	18	16
From legal duties	267	288
From securities brokerage	2,197	4,386
From insurance brokerage	1,014	527
From issuance of guarantees	160	119
From other activities	8,166	9,880
Total commission income	**52,564**	**51,256**
of which intra-Group items	7,392	7,398

*The comparative information has been restated by recognising loan opening fees as net interest income in accordance with the IFRS 9 standard.

	2019	2018
Fee and commission expenses		
From paid commission fees	-54	-41
Other*	-8,939	-9,022
Fee and commission expenses, total	**-8,993**	**-9,063**

*The comparative information has been restated by recognising bank charges from other operating. expenses as fee and commission expenses.

Note 4 to the financial statements of S-Bank Ltd: Net income from securities and currency operations

2019	Capital gains and losses (net)	Changes in fair value (net)	Total
From debt securities	66	94	160
From shares and interests	615	3,267	3,883
From derivative contracts	-1,720	289	-1,431
Net income from securities trading, total	**-1,039**	**3,650**	**2,612**
Net income from currency operations	139	-9	130
Income statement item, total	**-900**	**3,641**	**2,742**

2018	Capital gains and losses (net)	Changes in fair value (net)	Total
From debt securities	61	-11	50
From shares and interests	2,160	516	2,677
From derivative contracts	-419	50	-369
Net income from securities trading, total	**1,802**	**555**	**2,357**
Net income from currency operations	103	-207	-105
Income statement item, total	**1,904**	**348**	**2,252**

Note 5 to the financial statements of S-Bank Ltd: Net income from hedge accounting

	2019	2018
Net result from hedging instruments	-4,362	-7,252
Net result from hedged items	4,462	6,881
Total	**100**	**-371**

Note 6 to the financial statements of S-Bank Ltd: Other operating income

	31 Dec 2019	31 Dec 2018
Other income	15,944	15,985
of which from the Group	1,882	2,676

Note 7 to the financial statements of S-Bank Ltd: Other operating expenses

	31 Dec 2019	31 Dec 2018
Other operating expenses		
Lease expenses	-4,097	-3,793
Other expenses *	-3,208	-1,986
Other operating expenses, total	**-7,305**	**-5,778**
A breakdown of the fees paid to the audit firm		
Audit	-191	-155
Tax consultancy	-1	0
Other services	-126	-108
Total fees paid to the audit firm	-318	-263
Itemisation of payments to the Finnish Financial Stability Authority		
Financial stability contribution	-627	-814
Deposit guarantee fund contribution	-4,156	-3,317
Administrative fee	-37	-32
Payments to the Finnish Financial Stability Authority, total	-4,820	-4,163

*Chargeback and abuse losses have been recognised as other operating expenses instead of expected credit losses. ICT rental expenses have been recognised as other operating expenses instead of administrative expenses.

The Deposit Guarantee Fund reimbursed the deposit guarantee contribution collected for the Financial Stability Fund, and the Financial Stability Fund reimbursed the stability contribution that had replaced the bank tax. These did not result in a profit or loss for S-Bank.

Note 8 to the financial statements of S-Bank Ltd: Depreciation and impairment on tangible and intangible assets

	Jan 1–Dec 31, 2019	Jan 1–Dec 31, 2018
Depreciation according to plan		
Intangible assets	-7,823	-8,107
Goodwill	-2,528	-4,266
Tangible assets *	-321	-231
Depreciation according to plan, total	**-10,672**	**-12,604**
Impairment losses on non-current assets		
Intangible assets	-725	0
Total impairment losses on non-current assets	**-725**	**0**
Depreciation and impairment on tangible and intangible assets, total	**-11,397**	**-12,604**

*Apartment renovation expenditure has been recognised as other tangible assets instead of long-term expenditure.

Note 9 to the financial statements of S-Bank Ltd: Expected credit losses on financial assets, guarantees and other off-balance sheet liabilities measured at amortised cost, and expected credit losses and impairment losses on other financial assets

Credit risk

Liabilities and commitments exposed to credit risk totalled EUR 7 675.2 million (7 296.9). The ECL provision at the end of the reporting period totalled EUR 17.1 million (14.5). S-Bank's credit and counterparty risk is consistent, in terms of both corporate governance and exposure , with the qualitative and numerical descriptions of the Group which indicate S-Bank's exposure to credit risk and the deferrals and changes of expected credit losses during the financial year.

Expected credit losses

31 Dec 2019	Contract-specific expected credit losses, gross*	Reversals**	Reversals recognised in the income statement	Realised credit losses recognised in the income statement
Expected credit losses on financial assets, guarantees and other off-balance sheet commitments measured at amortised cost				
From receivables from credit institutions	55	0	0	0
From receivables from the public and public sector entities	-2,491	1,680	4,315	-15,714
Commitments given on behalf of, and in favour of, customers	-473	0	0	0
Total	**-2,909**	**1,680**	**4,315**	**-15,714**
Expected credit losses and impairment losses on other financial assets, total				
Expected credit losses on financial assets measured at fair value through other comprehensive income in accordance with IFRS 9.4.1.2A	313	0	0	0
Total	**313**	**0**	**0**	**0**
Total expected credit losses	**-2,596**	**1,680**	**4,315**	**-15,714**

*Contract-specific expected credit losses (ECL) recognised in the income statement during the reporting period. There are no group-specific ECLs at the moment.

**Expected credit loss as at the opening balance sheet on receivables recognised as realised credit losses during the reporting period.

[2]Note 2 to the consolidated financial statements: Luotto- ja vastapuoliriskit

[3]Note 2 to the consolidated financial statements: Luotto- ja vastapuoliriskit and Note 10 to the consolidated financial statements: Impairment of receivables

31 Dec 2018	Contract-specific expected credit losses, gross*	Reversals**	Reversals recognised in the income statement	Realised credit losses recognised in the income statementt***
Expected credit losses on financial assets, guarantees and other off-balance sheet commitments measured at amortised cost				
From receivables from credit institutions	24	0	0	0
From receivables from the public and public sector entities	-593	1,198	4,719	-13,049
Commitments given on behalf of, and in favour of, customers	404	0	0	0
Total	**-165**	**1,198**	**4,719**	**-13,049**
Expected credit losses and impairment losses on other financial assets, total				
Expected credit losses on financial assets measured at fair value through other comprehensive income in accordance with IFRS 9.4.1.2A	-197	0	0	0
Total	**-197**	**0**	**0**	**0**
Total expected credit losses	**-361**	**1,198**	**4,719**	**-13,049**

*Contract-specific expected credit losses (ECL) recognised in the income statement during the reporting period. There are no group-specific ECLs at the moment.

**Expected credit loss as at the opening balance sheet on receivables recognised as realised credit losses during the reporting period.

***Chargeback and misuse losses have been recognised as other operating expenses instead of expected credit losses.

S-BANK LTD – NOTES TO THE BALANCE SHEET

The information in the notes to the balance sheet is presented in thousands of euros.

Note 10 to the financial statements of S-Bank Ltd: Classes of financial assets and liabilities

			Fair value through profit or loss		
Classes of financial assets, 31 Dec 2019	**Amortised cost**	**Fair value through other comprehensive income**	**Carried at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	603,893				603,893
Debt securities eligible for refinancing with central banks		787,214			787,214
Receivables from credit institutions	32,180				32,180
Receivables from the public and public sector entities	4,780,583				4,780,583
Debt securities		231,238	62,571		293,809
Shares and interests		399	27,083		27,482
Derivative contracts				400	400
Total	**5,416,657**	**1,018,851**	**89,654**	**400**	**6,525,562**

			Fair value through profit or loss		
Classes of financial assets, 31 Dec 2018	**Amortised cost**	**Fair value through other comprehensive income**	**Carried at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	468,436				468,436
Debt securities eligible for refinancing with central banks		1,002,523			1,002,523
Receivables from credit institutions	26,615				26,615
Receivables from the public and public sector entities	4,186,865				4,186,865
Debt securities		242,674	422,764		665,438
Shares and interests		399	24,740		25,139
Derivative contracts				649	649
Total	**4,681,916**	**1,245,996**	**472,243**	**649**	**6,400,804**

		Fair value through profit or loss		
Classes of financial liabilities, 31 Dec 2019	**Amortised cost**	**Carried at fair value**	**Derivatives in hedge accounting**	**Total**
Liabilities to credit institutions	0			0
Liabilities to the public and public sector entities	6 025 093			6 025 093
Derivative contracts and other liabilities held for trading		1 203	15 860	17 062
Subordinated debts	50 000			50 000
Total	**6 075 093**	**1 203**	**15 860**	**6 092 155**

		Fair value through profit or loss		
Classes of financial liabilities, 31 Dec 2018	**Amortised cost**	**Carried at fair value**	**Derivatives in hedge accounting**	**Total**
Liabilities to credit institutions	302			302
Liabilities to the public and public sector entities	5 906 705			5 906 705
Derivative contracts and other liabilities held for trading		1 601	11 502	13 103
Subordinated debts	50 000			50 000
Total	**5 957 007**	**0**	**13 103**	**5 970 109**

Note 11 to the financial statements of S-Bank Ltd: Receivables from credit institutions

31 Dec 2019	Repayable on demand	Other than repayable on demand	Total
From Finnish credit institutions	1,732	5,814	7,546
From foreign credit institutions	1,576	23,058	24,635
Receivables from credit institutions, total	**3,308**	**28,872**	**32,180**

31 Dec 2018	Repayable on demand	Other than repayable on demand	Total
From Finnish credit institutions	1,314	11,801	13,115
From foreign credit institutions	13,064	436	13,500
Repayable on demand, total	**14,378**	**12,237**	**26,615**

Note 12 to the financial statements of S-Bank Ltd: Receivables from the public and public sector entities

31 Dec 2019	Receivables from the public and public sector entities	Loss allowance*
Corporates and housing companies	766,211	616
Financial and insurance institutions	58,917	115
Households	3,947,684	14,486
Non-profit organisations serving households	3,139	18
Foreign countries	4,631	12
Receivables from the public and public sector entities, total	**4,780,583**	**15,246**

31 Dec 2018	Receivables from the public and public sector entities	Loss allowance*
Corporates and housing companies	725,941	642
Financial and insurance institutions	62,191	168
Households	3,389,925	11,960
Non-profit organisations serving households	4,135	21
Foreign countries	4,673	20
Receivables from the public and public sector entities, total	**4,186,865**	**12,810**

*The loss allowance is the expected credit loss included in each item.

Note 13 to the financial statements of S-Bank Ltd: Debt securities

31 Dec 2019	Publicly quoted	Total	Loss allowance*
Debt securities issued by public sector entities			
Financial assets measured at fair value through profit or loss			
Municipal commercial paper	8,009	8,009	
Debt securities issued by public sector entities, total	**8,009**	**8,009**	
Debt securities issued by other than public sector entities			
Financial assets measured at fair value through profit or loss			
Certificates of deposit issued by banks	8,018	8,018	
Commercial papers	46,545	46,545	
Financial assets measured at fair value through other comprehensive income	1,018,452	1,018,452	-614
Debt securities issued by other than public sector entities, total	**1,073,014**	**1,073,014**	**-614**
Debt securities, total	**1,081,023**	**1,081,023**	
Of which eligible for refinancing with central banks	787,214	787,214	
Of which those that accumulate no interest, total	26,815	26,815	

31 Dec 2018	Publicly quoted	Total	Loss allowance*
Debt securities issued by public sector entities			
Financial assets measured at fair value through profit or loss			
Municipal commercial paper	359,727	359,727	
Debt securities issued by public sector entities, total	**359,727**	**359,727**	
Debt securities issued by other than public sector entities			
Financial assets measured at fair value through profit or loss			
Certificates of deposit issued by banks	0	0	
Commercial papers	63,037	63,037	
Financial assets measured at fair value through other comprehensive income	1,245,197	1,245,197	-927
Debt securities issued by other than public sector entities, total	**1,308,234**	**1,308,234**	**-927**
Debt securities, total	**1,667,961**	**1,667,961**	
Of which eligible for refinancing with central banks	1,002,523	1,002,523	
Of which those that accumulate no interest, total	25,807	25,807	

*The loss allowance is the expected credit loss for each item.

Note 14 to the financial statements of S-Bank Ltd: Shares and interests

31 Dec 2019	Publicly quoted	Other	Total
Shares and interests			
Financial assets recognised at fair value through profit or loss	27,083	0	27,083
Equity instruments recognised at fair value through other comprehensive income in accordance with IFRS 9.4.1.4	0	399	399
Shares and interests in Group companies	**0**	**29,942**	**29,942**
Shares and interests in associated companies	**0**	**3**	**3**
Total	**27,083**	**30,344**	**57,427**

31 Dec 2018	Publicly quoted	Other	Total
Shares and interests			
Financial assets recognised at fair value through profit or loss	24,740	0	24,740
Equity instruments recognised at fair value through other comprehensive income in accordance with IFRS 9.4.1.4	0	399	399
Shares and interests in Group companies	**0**	**29,942**	**29,942**
Shares and interests in associated companies	**0**	**3**	**3**
Total	**24,740**	**30,344**	**55,084**

Note 15 to the financial statements of S-Bank Ltd: Derivative contracts

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Chapter 1 of the consolidated financial statements. The same note also explains the treatment of derivatives valuation in chapter Measurement of financial assets at fair value.

S-Bank applies fair value hedging to derivative contracts entered into for the purpose of hedging the fair value changes of assets exposed to an interest rate risk. S-Bank hedges the risk related to changes in fair value mainly in the case of securities with a fixed interest rate, and which are exposed to an interest rate risk.

The principles of risk management are described in Note 2 to the Consolidated Financial Statements. Sections Market risk and in particular Interest rate risk in the banking book contain information on the use of derivatives in hedge accounting and its impact on S-Bank's financial position and results.

	31 Dec 2019			31 Dec 2018		
	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	631,200	5	-15,865	746,200	41	-11,264
Total interest rate derivatives in hedge accounting	**631,200**	**5**	**-15,865**	746,200	41	-11,264
Maturities of derivative exposures designated for hedge accounting						
less than one year	50,000			94,000		
1–5 years	574,000			562,200		
more than five years	7,200			90,000		
For non-hedging purposes						
Interest rate derivatives						
Options, bought	50,000	23	0	200,000	158	0
Options, written	125,000	0	-798	150,000	0	-809
Interest rate swaps	110,000	0	-27	50,000	0	-464
Total interest rate derivatives, other than for hedging purposes	**285,000**	**23**	**-825**	**400,000**	**158**	**-1,274**
Maturities of derivative exposures not designated for hedge accounting						
less than one year	125,000			100,000		
1–5 years	160,000			270,000		
more than five years	0			30,000		

Note 16 to the financial statements of S-Bank Ltd: Hedge accounting

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Chapter 1 of the consolidated financial statements. Chapter Measurement of financial assets at fair value of the same note also discusses the valuation of derivatives.

S-Bank applies fair value hedging to derivative contracts entered into for the purpose of hedging the fair value changes of assets exposed to an interest rate risk. S-Bank hedges the risk related to changes in fair value mainly in the case of securities with a fixed interest rate, and which are exposed to an interest rate risk.

The principles of risk management are described in Note 2 to the Consolidated Financial Statements. Sections Market risk and in particular Interest rate risk in banking book contain information on the use of derivatives in hedge accounting and its impact on S-Bank's financial position and results.

31 Dec 2019	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging derivative contracts					
Fair value hedge					
Interest rate derivatives	631,200	0	-10,707	Derivative contracts and other liabilities subject to trading	-4,362
Total hedging derivatives	**631,200**	**0**			**-4,362**

31 Dec 2019	Carrying amount		Cumulative change in balance sheet value			
	Assets	Liabilities	Assets	Liabilities	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging target						
Debt securities	866,972	0	885,719	0	Debt securities	4,462
Total hedged items	**866,972**	**0**	**885,719**	**0**		**4,462**

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

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

31 Dec 2018	Notional value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging derivative contracts					
Fair value hedge					
Interest rate derivatives	746,200	0	-11,223	Derivative contracts and other liabilities subject to trading	-7,252
Total hedging derivatives	**746,200**	**0**	**-11,223**		**-7,252**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2018	Assets	Liabilities	Assets	Liabilities	Balance sheet item including the hedged item	Ineffective portion recognized in the income statement
Hedging target						
Debt securities	995,536	0	1,006,033	0	Debt securities	6,881
Total hedged items	**995,536**	**0**	**1,006,033**	**0**		**6,881**

31 Dec 2018		Profit / loss on hedging relationship			
Hedging target	Hedging instrument	Hedging target	Hedging instrument	Ineffective portion of hedging relationship	The income statement line to which the ineffective portion is booked
Debt securities	Interest rate derivative	6,881	-7,252	-371	Net income from investment operations: Net income from hedge accounting

The accounting policies used in hedge accounting are described in the section Financial derivatives and hedge accounting.

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

Note 17 to the financial statements of S-Bank Ltd: Intangible assets

Changes in intangible assets 2019	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 2019 *	67,768	15,859	17,628	101,255
Increases	21	10,610	0	10,632
Allowances	-1,261	0	0	-1,261
Transfers between items	15,771	-15,771	0	0
Acquisition cost at 31 Dec 2019	82,299	10,699	17,628	110,626
Accumulated amortisation, depreciation and impairment at 1 Jan 2019	-52,120		-11,897	-64,016
Accumulated amortisation for allowances and transfers	1,261		0	1,261
Depreciation	-7,823		-2,528	-10,351
Impairments	-725		0	-725
Accumulated amortisation, depreciation and impairment at 31 Dec 2019	-59,407		-14,425	-73,832
Carrying amount 1 Jan 2019	15,648	15,859	5,731	37,239
Carrying amount 31 Dec 2019	**22,892**	**10,699**	**3,203**	**36,794**

Changes in intangible assets 2018	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 2018	67,288	6,636	17,628	91,552
Increases	307	10,913	0	11,220
Allowances	-1,516	0	0	-1,516
Transfers between items	1,689	-1,689	0	0
Acquisition cost at 31 Dec 2018	67,768	15,859	17,628	101,255
Accumulated amortisation, depreciation and impairment at 1 Jan 2018	-45,528		-7,630	-53,159
Accumulated amortisation for allowances and transfers	1,516		0	1,516
Depreciation	-8,107		-4,266	-12,374
Impairments	0		0	0
Accumulated amortisation, depreciation and impairment at 31 Dec 2018	-52,120		-11,897	-64,016
Carrying amount 1 Jan 2018	21,759	6,636	9,998	38,393
Carrying amount 31 Dec 2018	**15,648**	**15,859**	**5,731**	**37,239**

*Apartment renovation expenditure has been recognised as other tangible assets instead of long-term expenditure.

Note 18 to the financial statements of S-Bank Ltd: Tangible assets

Changes in tangible assets in 2019	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost at 1 Jan 2019 *	726	899	0	1,625
Increases	0	31	777	808
Allowances	0	-119	0	-119
Transfers between items	0	777	-777	0
Acquisition cost at 31 Dec 2019	726	1,589	0	2,314
Accumulated amortisation, depreciation and impairment at 1 Jan 2019	-726	-158		-884
Accumulated amortisation for allowances and transfers	0	119		119
Depreciation	0	-321		-321
Accumulated amortisation, depreciation and impairment at 31 Dec 2019	-726	-360		-1,086
Carrying amount 1 Jan 2019	0	741	0	741
Carrying amount 31 Dec 2019	**0**	**1,229**	**0**	**1,229**

Changes in tangible assets in 2018	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost at 1 Jan 2018	726	0	0	726
Increases	0	571	328	899
Allowances	0	0	0	0
Transfers between items	0	328	-328	0
Acquisition cost at 31 Dec 2018	726	899	0	1,625
Accumulated amortisation, depreciation and impairment at 1 Jan 2018	-653	0		-653
Accumulated amortisation for allowances and transfers	0	0		0
Depreciation	-73	-158		-231
Accumulated amortisation, depreciation and impairment at 31 Dec 2018	-726	-158		-884
Carrying amount 1 Jan 2018	73	0	0	73
Carrying amount 31 Dec 2018	**0**	**741**	**0**	**741**

*Apartment renovation expenditure has been recognised as other tangible assets instead of long-term expenditure.

Note 19 to the financial statements of S-Bank Ltd: Other assets

	31 Dec 2019	31 Dec 2018
Receivables from payment transactions	1,754	2,886
Trade receivables from securities	0	0
From investment firms	0	0
From others	0	0
Other	2,223	3,924
Total other assets	**3,977**	**6,810**
of which from the Group	43	31

Note 20 to the financial statements of S-Bank Ltd: Prepayments and accrued income

	31 Dec 2019	31 Dec 2018
Interest receivable *	10,595	11,188
Fee claims	1,592	1,389
Other receivables	4,944	4,514
Total accrued income	**17,131**	**17,090**
of which from the Group	531	688

*Uncertain interest receivables recognised as interest receivables instead of other receivables.

Note 21 to the financial statements of S-Bank Ltd: Deferred tax assets and liabilities

	31 Dec 2019	31 Dec 2018
Deferred tax assets arising from the fair value reserve	359	985

Note 22 to the financial statements of S-Bank Ltd: Other liabilities

	31 Dec 2019	31 Dec 2018
Payables arising from payment transactions	22,447	20,786
Payables from securities	0	301
Other	8,730	10,371
Other liabilities	**31,177**	**31,459**

Note 23 to the financial statements of S-Bank Ltd: Accrued expenses and prepayments received

	31 Dec 2019	31 Dec 2018
Interest payable	915	451
Accrued expenses	19,734	12,227
Accrued expenses	**20,649**	**12,678**

Note 24 to the financial statements of S-Bank Ltd: Subordinated debts

31 Dec 2019	Carrying amount *	Notional value	Interest rate	Maturity
Debenture I/2015	16,042	16 000	12-month Euribor + 1.5% annual interest	1 Dec 2025
Debenture I/2016	26,484	26 000	12-month Euribor + 1.8% annual interest	30 Jun 2026
Debenture I/2017	8,012	8 000	12-month Euribor + 1.8% annual interest	18 Dec 2027

*includes transferred interest

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

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

Model of the key features of equity instruments	Debenture I/2015	Debenture I/2016	Debenture I/2017
Issuer	S-Bank Ltd	S-Bank Ltd	S-Bank Ltd
Unique identifier (ISIN)	FI4000185418	FI4000210877	FI4000292735
Governing law of the instrument	Finnish law	Finnish law	Finnish law
Regulation			
Transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Post-transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Eligible at solo or consolidated / subconsolidated / solo and consolidated / sub-consolidation group level	Solo and consolidated	Solo and consolidated	Solo and consolidated
Instrument type	Subordinated loan	Subordinated loan	Subordinated loan
Amount recognised in regulatory capital (EUR million, on the last reporting date)	16	26	8
Nominal amount of instrument (EUR million)	16	26	8
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost

Model of the key features of equity instruments	**Debenture I/2015**	**Debenture I/2016**	**Debenture I/2017**
Original date of issuance	1 Dec 2015	30 Jun 2016	18 Dec 2017
Perpetual or dated	dated	dated	dated
Original maturity date	1 Dec 2025	30 Jun 2026	18 Dec 2027
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first instalment being paid on 1 Dec 2021 and the last on 1 Dec 2025. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instalment being paid on 30 Jun. 2022 and the last on 30 Jun. 2026. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 18 December, with the first instalment being paid on 18 Dec 2022 and the last on 18 Dec 2027. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after the issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than in five (5) years.
Subsequent call dates, if applicable	See above	See above	See above
Coupons/dividends			
Fixed or floating dividend/coupon	Floating coupon	Floating coupon	Floating coupon
Coupon rate and any related indices	12-month Euribor + 1.5% annual interest	12-month Euribor + 1.8% annual interest	12-month Euribor + 1.8% annual interest
Existence of a dividend stopper	No	No	No
Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partly discretionary or mandatory (in terms of quantity)	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, conversion trigger(s)	Not applicable	Not applicable	Not applicable
If convertible, fully or partially	Not applicable	Not applicable	Not applicable
If convertible, conversion rate	Not applicable	Not applicable	Not applicable

Model of the key features of equity instruments	Debenture I/2015	Debenture I/2016	Debenture I/2017
If convertible, mandatory or optional conversion	Not applicable	Not applicable	Not applicable
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
Write-down features	Not applicable	Not applicable	Not applicable
If write-down, write-down trigger(s)	Not applicable	Not applicable	Not applicable
If write-down, full or partial	Not applicable	Not applicable	Not applicable
If write-down, permanent or temporary	Not applicable	Not applicable	Not applicable
If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 of the European Parliament and the Council regulation (EU) No. 575/2013, provided that the requirements set by the Article and other requirements are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Note 25 to the financial statements of S-Bank Ltd: Equity items

	31 Dec 2019	31 Dec 2018
Share capital, 1 Jan	82,880	82,880
Share capital, 31 Dec	**82,880**	**82,880**
Other restricted reserves		
Fair value reserve (available for sale) 1 Jan	-2,981	11,590
Adjustments to opening balance according to IFRS 9	0	-5,041
Adjusted fair value reserve, 1 Jan	-2,981	6,550
Equity instruments	0	32
Changes in the period attributable to deferred tax liabilities	-626	3,883
Profit/loss from measurement at fair value, other financial securities	3,128	-13,641
Amount transferred to the income statement, other financial securities	-313	197
Fair value reserve (available for sale) 31 Dec	**-792**	**-2,981**
Non-restricted reserves		
Reserve for invested non-restricted equity, 1 Jan	283,828	243,832
Share issue	0	39,996
Reserve for invested non-restricted equity, 31 Dec	**283,828**	**283,828**
Retained earnings (losses), 1 Jan	51,586	48,593
Adjustments to opening balance according to IFRS 9	0	-4,130
Retained earnings (losses), 31 Dec	**51,586**	**44,463**
Profit/loss for the period	**16,769**	**7,123**
Total equity	**434,272**	**415,314**

Note 26 to the financial statements of S-Bank Ltd: Share capital

6,680,180 shares, totalling EUR 82,880,200

No share classes entitling their holders to a different number of votes or a different amount of dividend.

S-BANK LTD – OTHER NOTES TO THE FINANCIAL STATEMENTS

The information in the other notes to the financial statements is presented in thousands of euros.

Note 27 to the financial statements of S-Bank Ltd: Fair values and carrying amounts of financial assets and liabilities, and the hierarchy of fair values

	31 Dec 2019		31 Dec 2018	
Financial assets	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	603,893	603,893	468,436	468,436
Receivables from credit institutions	32,180	32,180	26,615	26,615
Receivables from the public and public sector entities	4,780,583	5,124,454	4,186,865	4,512,474
Debt securities	1,081,023	1,085,565	1,667,961	1,674,098
Shares and interests	27,482	27,482	25,139	25,139
Shares and interests in associated companies	3	13	3	13
Shares and interests in Group companies	29,942	29,942	29,942	29,942
Derivative contracts	400	400	649	649
Financial liabilities				
Liabilities to credit institutions	0	0	302	302
Liabilities to the public and public sector entities	6,025,093	6,028,371	5,906,705	5,902,829
Derivative contracts and other liabilities held for trading	17,062	17,062	13,103	13,103
Subordinated debts	50,000	50,538	50,000	50,245

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

Financial instruments measured at fair value, 31 Dec 2019	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Shares and interests	9,015	18,068	0	27,083
Debt securities	0	62,571	0	62,571
Total	**9,015**	**80,639**	**0**	**89,654**
Financial assets measured at fair value through other comprehensive income				
Debt securities eligible for refinancing with central banks	774,492	15,068	0	789,560
Debt securities	233,434	0	0	233,434
Shares and interests	0	103	29,942	30,044
Total	**1,007,925**	**15,171**	**29,942**	**1,053,038**
Derivative receivables	0	400	0	400
Derivative liabilities	0	17,062	0	17,062
Total	**0**	**17,462**	**0**	**17,462**

Financial instruments measured at fair value, 31 Dec 2018	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Shares and interests	5,637	19,103	0	24,740
Debt securities	0	422,764	0	422,764
Total	**5,637**	**441,867**	**0**	**447,503**
Financial assets measured at fair value through other comprehensive income				
Debt securities eligible for refinancing with central banks	1,000,881	0	0	1,000,881
Debt securities	172,545	77,907	0	250,453
Shares and interests	0	103	46,749	46,851
Total	**1,173,427**	**78,010**	**46,749**	**1,298,185**
Derivative receivables	0	649	0	649
Derivative liabilities	0	13,103	0	13,103
Total	**0**	**13,752**	**0**	**13,752**

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

Note 28 to the financial statements of S-Bank Ltd: Breakdown of balance sheet items into domestic and foreign amounts and amounts from Group entities

31 Dec 2019	Domestic currency	Foreign currency	Total	From Group entities	From associated companies
Receivables from credit institutions	31,646	534	32,180	0	
Receivables from the public and public sector entities	4,780,583	0	4,780,583	0	
Debt securities	1,081,023	0	1,081,023	0	
Derivative contracts	400	0	400	0	
Shares and interests	57,427	0	57,427	29,942	3
Intangible assets	36,794	0	36,794	0	
Tangible assets	1,229	0	1,229	0	
Other assets (including cash and cash equivalents)	625,360	0	625,360	574	
Total	**6,614,463**	**534**	**6,614,997**	**30,515**	**3**
Liabilities to credit institutions	0	0	0	0	
Liabilities to the public and public sector entities	6,025,093	0	6,025,093	24,267	
Derivative contracts and liabilities held for trading	17,062	0	17,062	0	
Other liabilities	51,799	27	51,825	0	
Subordinated debts	50,000	0	50,000	0	
Total	**6,143,954**	**27**	**6,143,981**	**24,267**	**0**

31 Dec 2018	Domestic currency	Foreign currency	Total	From Group entities	From associated companies
Receivables from credit institutions	16,249	10,366	26,615	0	
Receivables from the public and public sector entities	4,186,865	0	4,186,865	0	
Debt securities	1,667,961	0	1,667,961	0	
Derivative contracts	649	0	649	0	
Shares and interests	55,084	0	55,084	29,942	3
Intangible assets	37,980	0	37,980	0	
Other assets (including cash and cash equivalents)	493,322	0	493,322	719	
Total	**6,458,111**	**10,366**	**6,468,476**	**30,661**	**3**
Liabilities to credit institutions	0	302	302	0	
Liabilities to the public and public sector entities	5,896,546	10,159	5,906,705	22,898	
Derivative contracts and liabilities held for trading	13,103	0	13,103	0	
Other liabilities	44,091	46	44,137	46	
Subordinated debts	50,000	0	50,000	0	
Total	**6,003,739**	**10,507**	**6,014,246**	**22,945**	**0**

Note 29 to the financial statements of S-Bank Ltd: Breakdown of financial assets and liabilities according to maturity

31 Dec 2019	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	603,893	0	0	0	0	603,893
Debt securities eligible for refinancing with central banks	0	110,778	668,610	7,826	0	787,214
Receivables from credit institutions	32,180	0	0	0	0	32,180
Receivables from the public and public sector entities	218,877	396,908	1,385,114	1,036,412	1,743,273	4,780,583
Debt securities	37,026	36,356	188,878	31,549	0	293,809
Derivative contracts	0	400	0	0	0	400
Financial assets, total	**891,976**	**544,441**	**2,242,602**	**1,075,788**	**1,743,273**	**6,498,080**
Liabilities to credit institutions	0	0	0	0	0	0
Liabilities to the public and public sector entities	6,021,241	862	2,990	0	0	6,025,093
Subordinated debts, change than other debts	0	0	33,600	16,400	0	50,000
Derivative contracts	0	913	14,695	1,454	0	17,062
Financial liabilities, total	**6,021,241**	**1,775**	**51,285**	**17,854**	**0**	**6,092,155**

31 Dec 2018	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	468,436	0	0	0	0	468,436
Debt securities eligible for refinancing with central banks	69,161	71,159	777 951	84,251	0	1,002,523
Receivables from credit institutions	26,615	0	0	0	0	26,615
Receivables from the public and public sector entities	179,716	421,948	1 269 697	872,647	1,442,856	4,186,865
Debt securities	307,721	164,275	176 329	17,113	0	665,438
Derivative contracts	160	89	400	0	0	649
Financial assets, total	**1,051,810**	**657,471**	**2 224 378**	**974,011**	**1,442,856**	**6,350,526**
Liabilities to credit institutions	302	0	0	0	0	302
Liabilities to the public and public sector entities	5,902,445	847	3,413	0	0	5,906,704
Subordinated debts, change than other debts	0	0	0	50,000	0	50,000
Derivative contracts	0	503	10,506	2,093	0	13,103
Financial liabilities, total	**5,902,746**	**1,350**	**13,919**	**52,093**	**0**	**5,970,109**

Note 30 to the financial statements of S-Bank Ltd: Collateral given

	Other collateral	
	31 Dec 2019	**31 Dec 2018**
Collateral given for own debt		
Liabilities to credit institutions	152,252	168,660
Derivative contracts and other liabilities held for trading	23,573	12,007
Collateral given for own debt, total	**175,825**	**192,675**
Other collateral given on own behalf	**225**	**125**
Collateral given on behalf of others	**16**	**24**

Benchmark data restated. The figure in the 2018 financial statements was erroneously reported under Liabilities to the public and to the public sector and the figure was missing from the line Other collateral given on own behalf.

Note 31 to the financial statements of S-Bank Ltd: Lease liabilities

	31 Dec 2019	31 Dec 2018
Within one year	4,996	3,176
Due in 1–5 years	11,443	5,628
Total	**16,439**	**8,804**

Lease liabilities concern the leasing of premises, vehicles and telephones. The agreements cannot be cancelled mid-term.

Note 32 to the financial statements of S-Bank Ltd: Off-balance sheet commitments

	31 Dec 2019	31 Dec 2018
Guarantees	19,018	23,768
Commitments given to third parties in favour of customers	250	0
Undrawn credit facilities	260,545	181,923
Total	**279,563**	**205,690**
Of which intra-group off-balance sheet commitments:		
Undrawn credit facilities	**5,270**	**5,120**

Note 33 to the financial statements of S-Bank Ltd: Brokerage receivables and payables

	31 Dec 2019	31 Dec 2018
Savings in accordance with the Finnish Act on Long-Term Savings Schemes	288	235
Other brokerage receivables and payables		
Purchases from brokers	311	9,138
Brokerage payables to customers	24	3,044
Total	**623**	**12,417**

Note 34 to the financial statements of S-Bank Ltd: Notes regarding trustee services and total amount of customer funds held

	31 Dec 2019	31 Dec 2018
Assets under consultative wealth management	20,504	10,873

Note 35 to the financial statements of S-Bank Ltd: Personnel and management

	2019		2018	
	Average number	Number at the end of the period	Average number	Number at the end of the period
Permanent full-time personnel	459	448	504	499
Permanent part-time personnel	28	19	31	32
Temporary personnel	22	20	36	34
Total	**509**	**487**	**572**	**565**

	2019	2018
Salaries and fees paid to management (EUR thousand)		
CEO and CEO's deputy	468	506
Board of Directors	30	30
Pension commitments to the management (EUR '000)		
CEO and CEO's deputy	156	106

The amount of loans granted to the CEO, the CEO's deputy and the Board of Directors is provided in the note on related-party lending.

The statutory pensions of the personnel are arranged through the Elo Mutual Pension Insurance Company.

A voluntary additional pension insurance has been taken out for the management of the S-Bank Group. The insured may draw down their additional pensions at any time after they have turned 60 years old.

Note 36 to the financial statements of S-Bank Ltd: Related parties

	Receivables from the public and public sector entities	
Receivables from related parties	**31 Dec 2019**	**31 Dec 2018**
Basis for classification as a related party		
Management	1,686	1,499
Management of holding company	681	893
Kinship	19	15
Total	**2,386**	**2,408**

The terms of credit cards granted to the company's related parties comply with the standard terms and conditions of lending to the public.

Note 37 to the financial statements of S-Bank Ltd: Holdings in other companies

	Domicile	Share of ownership	Equity (EUR '000)	Profit/loss for the period (EUR '000)
S-Asiakaspalvelu Ltd	Helsinki	100%	1,908	661
FIM Private Equity Funds Ltd	Helsinki	100%	8,792	262
FIM Asset Management Ltd	Helsinki	100%	16,670	2,566
S-Crosskey Ltd	Mariehamn	40%	31	-2

Note 38 to the financial statements of S-Bank Ltd: Largest shareholders and distribution of ownership

Shareholder	Share of ownership
SOK Corporation	37,50%
LocalTapiola Mutual Insurance Company	10,00%
Helsinki Cooperative Society Elanto, Helsinki	7,50%
LocalTapiola Mutual Life Insurance Company	3,50%
Cooperative Society Hämeenmaa, Lahti	2,90%
Pirkanmaa Cooperative Society, Tampere	2,70%
Cooperative Society Keskimaa, Jyväskylä	2,50%
Cooperative Society Arina, Oulu	2,50%
Turku Cooperative Society, Turku	2,20%
Cooperative Society PeeÄssä, Kuopio	2,20%
Cooperative Society KPO, Kokkola	2,10%
Southern Ostrobothnia Cooperative Society, Seinäjoki	1,80%
Kymi Region Cooperative Society, Kouvola	1,80%
Suur-Seutu Cooperative (SSO), Salo	1,70%
Elo Mutual Pension Insurance Company	1,50%
Suur-Savo Cooperative Society, Mikkeli	1,40%
Northern Karelia Cooperative Society, Joensuu	1,20%
Varuboden-Osla, Vantaa	1,10%
Satakunta Cooperative Society, Pori	1,10%
LähiTapiola Pohjoinen Mutual Insurance Company	1,00%
Southern Karelia Cooperative Society, Lappeenranta	1,00%
LähiTapiola Pääkaupunkiseutu Mutual Insurance Company	0,90%
LähiTapiola Vellamo Mutual Insurance Company	0,80%

Shareholder	Share of ownership
Maakunta Cooperative Society	0,70%
LähiTapiola Etelä-Pohjanmaa Mutual Insurance Company	0,60%
LähiTapiola Varsinais-Suomi Mutual Insurance Company	0,60%
Keula Cooperative Society, Rauma	0,60%
LähiTapiola Itä Mutual Insurance Company	0,50%
LähiTapiola Uusimaa Mutual Insurance Company	0,50%
LähiTapiola Pirkanmaa Mutual Insurance Company	0,50%
LähiTapiola Keski-Suomi Mutual Insurance Company	0,40%
LähiTapiola Lappi Mutual Insurance Company	0,40%
LähiTapiola Lännen Mutual Insurance Company	0,40%
LähiTapiola Kaakkois-Suomi Mutual Insurance Company	0,40%
LähiTapiola Etelä Mutual Insurance Company	0,40%
LähiTapiola Loimi-Häme Mutual Insurance Company	0,40%
LähiTapiola Pohjanmaa Mutual Insurance Company	0,40%
LähiTapiola Savo-Karjala Mutual Insurance Company	0,30%
LähiTapiola Savo Mutual Insurance Company	0,30%
LähiTapiola Satakunta Mutual Insurance Company	0,30%
Koillismaa Cooperative Society, Kuusamo	0,30%
LähiTapiola Kainuu-Koillismaa Mutual Insurance Company	0,20%
Jukola Cooperative Society, Nurmes	0,10%
LokalTapiola Sydkusten Ömsesidigt Försäkringsbolag	100,00%
Total	**100,00%**

S-Bank

S-PANKKI.FI