S-Bank

CONTENTS

GROWTH ON A BROAD FRONT – A STRONG FINISH FOR THE YEAR

PEKKA YLIHURULA, CEO

"Demand for our housing loans continued to be strong, and our housing loan portfolio grew at a rate 5.5 times higher than the market rate during the preceding 12 months. Our assets under management also grew substantially, boosted by a corporate acquisition. Although the corona pandemic isn't over yet, a return to normal life is already on the horizon."

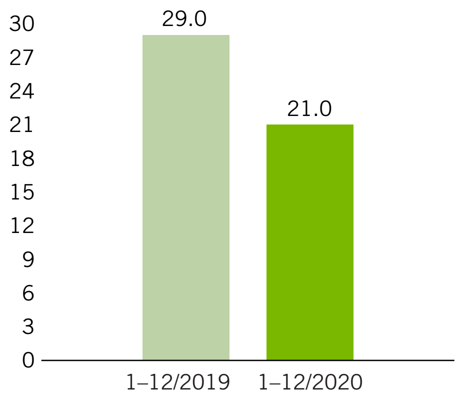
JANUARY–DECEMBER 2020

- Operating profit decreased to EUR 21.0 million (EUR 29.0 million).
- Lending increased to EUR 5.4 billion (EUR 4.8 billion).
- Assets under management increased to EUR 10.8 billion (EUR 9.0 billion).
- The capital adequacy ratio decreased to 15.7 per cent (16.3).

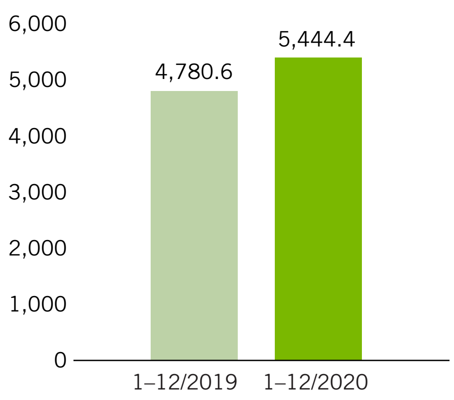
OCTOBER–DECEMBER 2020

The S-Bank Group's operating profit increased 41.6 per cent in October–December year-on-year and was EUR 8.3 million (5.9). Operating profit improved substantially from EUR 6.1 million in the previous quarter. Earnings growth was boosted by the good growth in total income, especially the 31.0 per cent growth in net fee and commission income. The cost-to-income ratio remained at the same level, at 0.74, as in the comparison period.

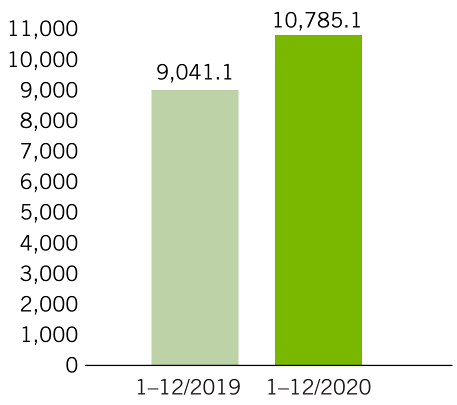
Operating profit (EUR million)



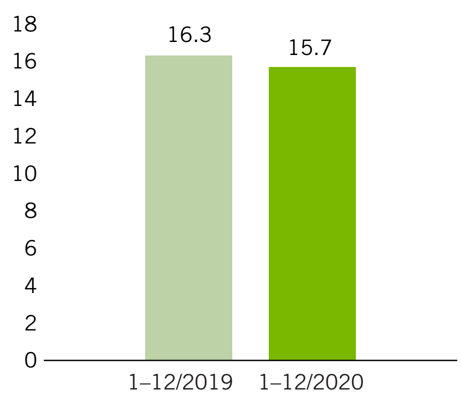
Lending (EUR million)



Assets under management (EUR million)



Capital adequacy ratio (%)



OUTLOOK FOR 2021

Despite the positive outlook, there is still uncertainty regarding economic recovery. We expect S-Bank Group's operating profit to remain at the same level in 2021 as in the previous year.

Key figures

(EUR million)	2020	2019	Change	Q4 2020	Q4 2019	Change
Net interest income	89.3	86.1	3.7%	21.6	22.2	-3.0%
Net fee and commission income	67.0	60.3	11.2%	20.8	15.9	31.0%
Total income	173.9	168.1	3.4%	51.2	45.1	13.5%
Operating profit	21.0	29.0	-27.4%	8.3	5.9	41.6%
Cost-to-income ratio	0.74	0.74	0.0	0.74	0.74	0.0

(EUR million)	31.12.2020	31.12.2019	Change
Liabilities to customers, deposits	6,925.0	5,948.1	16.4%
Receivables from customers, lending	5,444.4	4,780.6	13.9%
Debt securities	1,228.8	1,081.0	13.7%
Equity	488.6	472.8	3.3%
Expected credit losses (ECL)	19.6	17.1	14.4%
Assets under management	10,785.1	9,041.1	19.3%
Return on equity	3.3%	5.2%	-1.9
Return on assets	0.2%	0.4%	-0.2
Equity ratio	6.4%	7.1%	-0.7
Capital adequacy ratio	15.7%	16.3%	-0.6

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

CEO'S REVIEW

The year 2020 is now behind us and in the history books it will be remembered for the coronavirus pandemic. The pandemic affected Finnish society and S-Bank in many ways.

At the beginning of the crisis, we focused on ensuring the safety and wellbeing of our customers and personnel. Thus, in the first weeks of the crisis, a significant proportion of our staff started to work remotely, and, as the disease situation changed, we adjusted our working methods accordingly.

We recommended that our customers use S-mobiili and the online bank, as a result of which the popularity of S-mobiili, in particular, grew rapidly throughout the year. Many new features that customers had wished for were also added to the application: it is now possible to apply for a loan and invest in funds, for example.

In addition to digital banking, the pandemic was reflected in our customers' daily lives in many other ways. For example, travel abroad declined substantially and the significance of the home grew. In April–June, consumer uncertainty was reflected in weak demand for many banking products, while the second half of the year was a recovery period. Throughout the whole year, however, our core business continued to grow robustly despite the coronavirus pandemic.

The strong demand for our housing loans continued. Our housing loan portfolio grew at a rate 5.5 times higher than the market rate during the preceding 12 months. Our assets under management also grew substantially, boosted by a corporate acquisition. At the turn of July–August, we completed a corporate acquisition with the Fennia Group, which will make S-Bank one of Finland's most significant real estate asset managers.

We progressed with unwavering resolve in several of our key development projects and gained ground quickly in expanding our funding. This project will enable continuing strong growth in the long term. In the summer, S-Bank received its first credit rating, and in November the European Central Bank granted us a mortgage banking licence. We are investigating the available opportunities to seek financing from the market for covered and unsecured bonds within the framework of a EUR 1.5 billion bond programme approved by the Financial Supervisory Authority. In fact, many stakeholders have already shown interest in our programme.

Encouraged by these positive developments, we look forward to the year 2021 with confidence. Although the coronavirus pandemic is not yet over, a return to more normal daily life is already on the horizon, as many vaccine manufacturers have reported encouraging news about their coronavirus vaccines.

In my opinion, this year has also shown that we have made the right strategic choices. We are a full-service bank for S Group's co-op members, and we want to help everyone achieve a slightly more affluent tomorrow. We can offer our customers superior ease and benefits in daily life and in the major events of their lives. This is proven by the fact that there has been ample demand for our services in the middle of a pandemic, which has led to growth on a wide range.

The past year has demanded a lot from us all. I would like to thank S-Bank's personnel for their splendid efforts and perseverance. And I would also like to thank our customers, owners and partners for the trust they have shown in us. I also wish everyone a successful year 2021.

PEKKA YLIHURULA
CEO, S-Bank

OPERATIONS IN THE REVIEW PERIOD

KEY EVENTS

The new version of the S-mobiili app, which combines the services of S-Bank and the S Group, passed the threshold of one million users in January. By the end of 2020, 93 per cent of all log-ins to the bank's electronic services were made using S-mobiili.

The DIAS digital housing market platform was expanded in January to cover an increasingly substantial share of Finnish housing sales. The number of real estate agents within the scope of the scheme exceeded 3,000 during the year, and several new banks also joined. In December, S-Bank, the other founding banks of DIAS and the founding company Tomorrow Tech Oy announced that they would sell the majority of Digitaalinen asuntokauppa DIAS Oy to Alma Talent Oy. S-Bank will continue as a DIAS owner and will carry on participating in and developing the DIAS system.

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

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

The corona pandemic affected S-Bank's business throughout the year in many ways. Consumer behaviour changed and many Finns cut back on their travel abroad. This also affected the use of S-Bank's cards. On the investment markets, the values of many asset classes fluctuated radically throughout the year. The regulation of banks also changed in a number of ways. For example, regulation on consumer loans was made stricter due to the pandemic.

In the spring, Finns voted for S-Bank as the most responsible bank for the eighth time. S-Bank offered its customers the opportunity to apply for a housing loan repayment holiday for up to 12 months, free of charge. Customers were able to apply for the 12-month repayment holiday for their housing loan until the end of June. Customers were also offered the opportunity to make changes to their card credit, free of charge. At the end of December, 15 per cent of household customers' loans were on repayment holiday or customers had made use of other available changes to their payment schedules.

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

At the end of May, a corporate acquisition was announced through which the operations of Fennia Asset Management Ltd and Fennia Properties Ltd (part of the Fennia Group) were to be transferred to S-Bank's Wealth Management business. As a result of the acquisition, S-Bank will become one of Finland's most significant real estate asset managers. The authority approvals related to the execution of the transaction were granted by the Financial Supervisory Authority and the Finnish Competition and Consumer Authority in July. The transaction was concluded at the turn of August, after which S-Bank has made steady progress in integrating the acquired businesses into the Wealth Management business.

In August, the Taloustutkimus market research company and the Markkinointi & Mainonta magazine published a survey according to which S-Bank has the most respected brand recognition of all financial sector companies operating in Finland. In the same survey carried out a year ago, S-Bank was also the most respected financial sector brand in Finland.

S-Bank's project to improve the competitiveness of funding and, consequently, the bank's operating conditions made continuous progress during the year. In July, S-Bank acquired a credit rating from Standard & Poor's (S&P), which granted it a BBB rating for long-term funding and A-2 for short-term funding. S&P estimated the outlook for the ratings to be negative as the coronavirus pandemic has weakened Finland's economic outlook for the near future. S&P confirmed the rating and outlook in October.

In November, S-Bank, which had been a private limited company, became a public limited company, and the European Central Bank granted it a mortgage banking licence. The company's name changed from S-Bank Ltd to S-Bank Plc.

In December, the Financial Supervisory Authority approved S-Bank Plc's, the S-Bank Group's parent company's, EUR 1.5 billion bond programme. Within the framework of the programme, S-Bank Plc may issue unsecured and secured bonds to the wholesale market.

STRATEGY AND LONG-TERM OBJECTIVES

S-Bank's strategy was updated in December 2020. It sets S-Bank's course for 2021–2023. The strategy is based on the purpose and vision set for S-Bank's operations and its new strategic objective to become a bank with one million active customers.

The purpose of S-Bank's operations is to offer everyone a chance for a slightly more affluent future. We will continue to offer S Group's co-op members daily banking services free of charge, competitively priced loans and the opportunity to start saving and investing responsibly at a low threshold. We treat our customers fairly regardless of their financial situation.

Our vision is to offer customers superior ease and benefits. We will carry out our vision by further strengthening the bank's unique customer benefits. For customers this will mean low costs, smooth digital services, a unique service network and the sector's most responsible brand.

We seek strong and profitable growth by encouraging our three million customers to make more versatile use of our services. Our strategic goal is to achieve one million active customers. The increasing popularity of digital services creates the conditions for strong growth. The service offered to non-consumer customers, particularly in wealth management, supports S-Bank's growth and profitability.

LONG-TERM FINANCIAL OBJECTIVES:

Growth and capital adequacy
Over 10 per cent annual income growth
Capital adequacy ratio at least 14.3 per cent*

Targeted profitability level
Cost-to-income ratio below 60 per cent
Return on equity over 8 per cent

*The minimum limit is 1.5 percentage points above the regulatory requirement (12.76 per cent in December 2020).

SUMMARY OF THE EFFECTS OF THE CORONAVIRUS PANDEMIC ON BUSINESS AND THE MEASURES TAKEN

In 2020, the global pandemic affected Finnish society and S-Bank in many ways. The worst-case scenario did not materialise in Finland for the year as a whole, and Finland survived the pandemic better than many other countries. The confidence of households in their own finances strengthened during the year. Employment remained at a moderate level, and the housing market and the consumer staples trade grew substantially.

At the beginning of the crisis, we focused on ensuring the safety of our customers and personnel, and on securing critical services. Thus, in the first weeks of the crisis, a significant proportion of our staff started to work remotely, As the disease situation changed, we adjusted our working methods accordingly. Because of the second wave in the autumn, a significant proportion of our staff also worked remotely during the second half of the year – and we are prepared to continue teleworking until the disease situation has improved. We paid particular attention to hygiene, health and safety guidelines, supplies and compliance with official recommendations. Compliance with the guidelines and recommendations arising from the pandemic and other preparedness measures will continue in 2021.

We recommend that our customers use S-mobiili and the online bank. The use of S-mobiili, in particular, grew considerably throughout the year. The application was also developed on the basis of customers' wishes, allowing them to apply for a loan and invest in funds, for example.

In addition to the growth in digital banking, the pandemic was reflected in our customers' daily lives in many other ways. For example, travel abroad declined substantially and restaurants were closed in the spring. Restrictions on movement and on other services affected people's day-to-day lives. At the same time, layoffs and redundancies increased, which quickly affected consumption and card payment volumes. The size of the average card purchase increased in food purchases, but the number of transactions related to other consumption decreased. In some sectors, the number of card transactions plummeted. Although our customers' card use had returned to a level higher than in the previous year by the beginning of June, the pandemic affected commission income for the whole year. Regulations were tightened, too, by imposing a cap on interest rates and a marketing ban on consumer credits.

S-Bank also offered financial relief to its customers. Our customers were able to apply for the 12-month repayment holiday for their housing loan until the end of June. Customers were also offered the opportunity to make changes to their card credit, free of charge.

On the investment markets, the values of many asset classes fluctuated radically throughout the year. However, values recovered and even returned to positive towards the end of the year.

Changes in household consumption behaviour, combined with a climate of general uncertainty that led to increased willingness to save, had an effect on the growth of the deposit portfolio in 2020. On the Wealth Management side, customer cautiousness was reflected in net subscriptions.

Many restrictions related to the coronavirus pandemic were reintroduced in the autumn, but did not have a significant effect on profit performance in the second half of the year. For the whole year, the pandemic increased credit losses compared with the previous year. Considering the circumstances, S-Bank managed well in 2020.

For 2021, the speed and coverage of vaccinations will be crucial. The mere fact that a solution exists and that governments and central banks have implemented extensive stimulus programmes will boost growth in Finland and globally towards the end of the year. In the first half of the year, uncertainty and cautiousness may still affect business decisions and consumer behaviour. Unemployment is likely to increase further and banks' credit losses may remain higher than normal. In the second half of the year, it is expected that there will be a release of pent-up consumer demand. In the longer term, however, growth may plateau as the effects of economic stimulus programmes decrease, and as the needs to address and solve structural problems that predate the pandemic become current.

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

The effects of the coronavirus pandemic are described in more detail in the risk section.

OPERATING ENVIRONMENT

The coronavirus pandemic affected the whole of 2020. At the beginning of the year, strong economic growth was still anticipated. However, the arrival and spread of the new coronavirus epidemic into a global pandemic transformed the operating environment completely in the spring. Economies took a rapid and unprecedented nosedive as governments imposed heavy restrictions on society to curb the spread of the disease. In practice, the world sank into a deep recession for some months. Economies everywhere contracted by as much as 5–10 per cent during the second quarter.

However, the first wave of the pandemic eased quickly, and nascent economic revival was discernible by the summer. Although, in the spring, the markets had feared that economies would sink into long-term decline, the end of the year turned out to be better than had been feared. Economic growth recovered substantially when the lockdown measures were ended. The second wave of the coronavirus late in the year resulted in a new round of economic shut-downs, but its impact is expected to be much smaller than that of the first wave. The discovery of a coronavirus vaccine in November inspired optimism that the pandemic could be defeated in 2021. Confidence in the future clearly increased towards the end of the year.

Overall, 2020 was one of the weakest economic years on record, although growth fluctuated significantly during the year. The massive stimulus measures taken by governments and central banks immediately after the start of the pandemic prevented a downturn, which made it possible for economies to pick up rapidly again in a better direction. At the same time, however, sovereign debt grew at an unprecedented rate, casting a separate shadow over future economic performance.

The Finnish economy sustained the attack of the coronavirus better than most other countries and Finland was able to limit both the spread of the disease and its economic impact relatively effectively due to the rapid measures taken in the spring. For the year as a whole, economic contraction is likely to remain at 3–4 per cent, which is only half as bad as the worst fears of the spring.

The financial markets also moved quickly. In the spring, equities fell faster than ever in world history, but the upward turn was also very quick. Ultimately, equity market returns ended up clearly on the positive side after declining more than 30 per cent at worst. The rise in equity prices was strongly supported by central banks, whose stimulus measures were very robust. This further reinforced a sense that interest rates will remain even longer at zero or below. Low interest rates also supported the housing market. Housing loan portfolios expanded to record levels, and housing prices continued to rise, especially in growth centres.

FINANCIAL POSITION

FINANCIAL PERFORMANCE AND PROFITABILITY

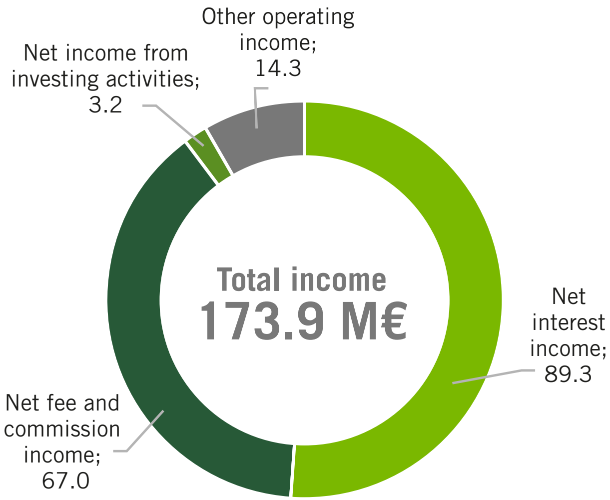
S-Bank Group's operating profit was EUR 21.0 million (29.0), a decrease of 27.4 per cent on the previous year. The profit for the financial period after taxes was EUR 15.7 million (23.8). The return on equity decreased to 3.3 per cent (5.2) and the return on assets totalled 0.2 per cent (0.4). The Group's cost-to-income ratio was 0.74 (0.74).

INCOME

During the review period, total income developed positively in view of the operating environment. Total income amounted to EUR 173.9 million (168.1), a growth of 3.4 per cent.

Net interest income grew by 3.7 per cent, totalling EUR 89.3 million (86.1). The net interest income increased mainly due to strong growth in the volume of secured loans. During the coronavirus period, the relative increase in net interest income was slowed by declining interest income from investing activities and also by increasing interest expenses from hedging derivatives and lower demand for, and use of, consumer loans. Net fee and commission income increased by 11.2 per cent to EUR 67.0 million (60.3).

The coronavirus crisis caused slower growth in net fee and commission income from card payments throughout the review period. In the Wealth Management business, this was reflected in net subscriptions. But the corporate acquisition that was concluded in the summer and favourable market performance at the end of the year had a positive effect on net fee and commission income. The fees charged for payment transactions and loans also increased on the previous year. Net income from investing activities amounted to EUR 3.2 million (5.9). Taking the whole year into consideration, performance was better than expected. Other operating income totalled EUR 14.3 million (15.8).



Key figures

(EUR million)	2020	2019	2018
Net interest income	89.3	86.1	79.5
Net fee and commission income	67.0	60.3	55.4
Total income	173.9	168.1	153.7
Operating profit	21.0	29.0	17.6
Cost-to-income ratio	0.74	0.74	0.83

(EUR million)	31 Dec 2020	31 Dec 2019	31 Dec 2018
Liabilities to customers, deposits	6,925.0	5,948.1	5,832.7
Receivables from customers, lending	5,444.4	4,780.6	4,186.9
Debt securities	1,228.8	1,081.0	1,668.0
Equity	488.6	472.8	448.3
Expected credit losses (ECL)	19.6	17.1	14.5
Assets under management	10,785.1	9,041.1	7,521.3
Return on equity	3.3%	5.2%	3.1%
Return on assets	0.2%	0.4%	0.2%
Equity ratio	6.4%	7.1%	6.9%
Capital adequacy ratio	15.7%	16.3%	16.8%

All information as of 2018 has been reported in accordance with the IFRS, which S-Bank adopted on 1 January 2019.

EXPENSES

Operating expenses totalled EUR 129.2 million (125.1) during the period under review. This represents an increase of 3.2 per cent on the previous year. Personnel expenses accounted for EUR 44.9 million (45.7) of operating expenses. The company has invested in business development on the basis of plans that were already made before the coronavirus pandemic. This was reflected in an increase in other administrative expenses and depreciation. Other administrative expenses were EUR 64.8 million (61.9). The increase in other administrative expenses was due to an increase in IT and development expenses and agency fees related to our network of sites. Depreciation and impairment of tangible and intangible assets amounted to EUR 13.4 million (12.8). The Group's other operating expenses totalled EUR 6.1 million (4.8). Their growth was influenced by the corporate acquisition and by increases in government fees, for example.

EXPECTED AND FINAL CREDIT LOSSES

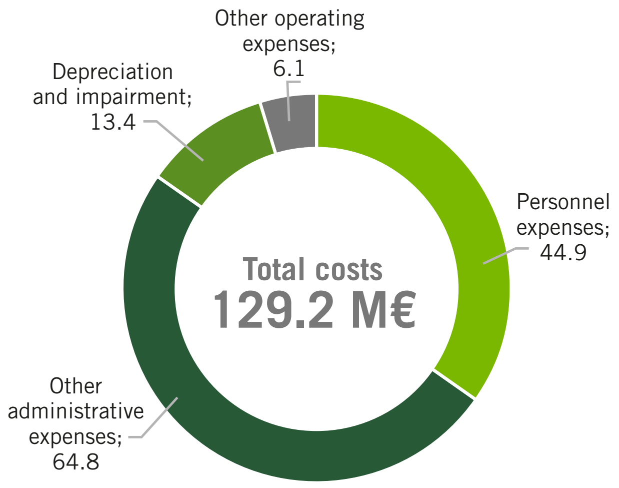
Expected and final credit losses of EUR 28.0 (18.3) million were recognised in the consolidated income statement during the review period. Reversals or recovered credit losses amounted to EUR 4.4 million (4.3). Consequently, the total net effect on profit of expected and final credit losses was EUR 23.6 million (EUR 14.0 million). The increase was mainly due to an increase in the recognition of credit losses during the coronavirus pandemic and an increase in the loan portfolio. Credit and impairment losses continue to remain at a very low level in relation to the size of the loan portfolio and within the risk appetite established by S-Bank's Board of Directors.

DEPOSITS

Total deposits grew strongly and were EUR 6 925.0 million (5 948.1) at the end of the year. Deposits repayable on demand were EUR 6 920.3 million (5 908.0) and time deposits EUR 4.7 million (40.1) at the end of the financial year.

During the past 12 months, total deposits grew by 16.4 per cent. Deposits by household customers were EUR 5 964.1 million (an increase of 16.1 per cent in 12 months) and deposits by corporate customers were EUR 960.9 million (an increase of 18.2 per cent in 12 months). The growth of the deposit portfolio was influenced by changes in household consumption behaviour and by an increased willingness to save due to the general climate of uncertainty.

At the close of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 5 573.9 million (4 790.2).



Deposits (EUR million)	31 Dec 2020	31 Dec 2019	Change from beginning of the year
Household customers	5,964.1	5,134.9	16.1%
Corporate customers	960.9	813.2	18.2%
Total	**6,925.0**	**5,948.1**	**16.4%**

LENDING

Lending growth continued to be strong. At the end of the period, the credit portfolio was EUR 5 444.4 million (EUR 4 780.6 million).

During the past 12 months, the credit portfolio grew by 13.9 per cent. Credit to household customers amounted to EUR 4 483.1 million (annual growth 13.5 per cent), whereas credit to corporate customers totalled EUR 961.2 million (annual growth 15.9 per cent). As in the previous year, the growth of the housing loan portfolio exceeded that of the market and was by 16.6 per cent.

INVESTING ACTIVITIES

At the end of the period, the bank's debt securities totalled EUR 1 228.8 million compared with EUR 1 081.0 million at the end of 2019. The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 78 per cent (80).

EQUITY

At the end of the review period, S-Bank's equity was EUR 488.6 million, compared with EUR 472.8 million at the end of 2019. The equity ratio was 6.4 per cent compared with 7.1 per cent at the end of 2019.

ASSETS UNDER MANAGEMENT

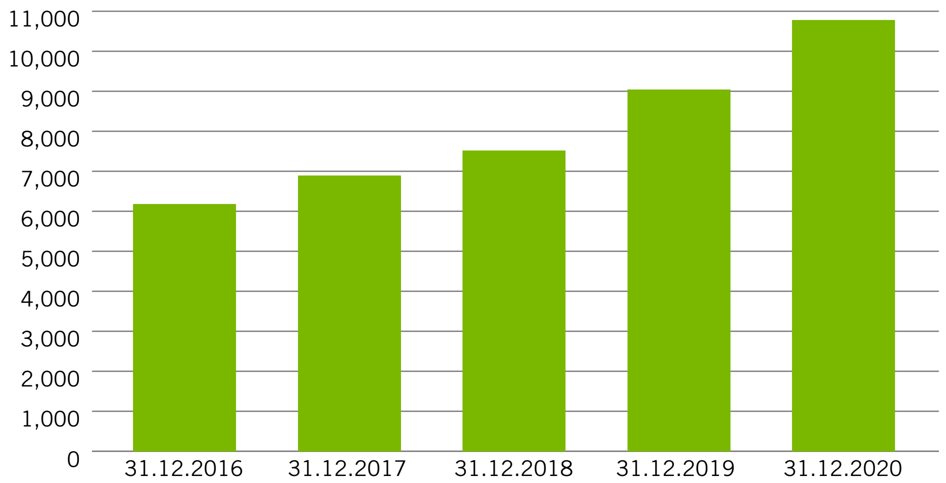
The S-Bank Group's assets under management were EUR 10 785.1 million (EUR 9 041.1 million) at the end of the review period. This represents a growth of 19.3 per cent on the previous year. Of assets under management, the share of fund capital was EUR 7 156.4 million (EUR 6 804.4 million), and the share of wealth management capital was EUR 3 628.7 million (EUR 2 236.7 million). In addition, Fennia Properties Ltd managed EUR 428.5 million in customer assets consisting of real estate and joint ventures. Net subscriptions in the S-Bank and FIM mutual funds amounted to EUR 119.2 million (EUR 420.1 million) in the review period.

BUSINESS OPERATIONS AND RESULT BY SEGMENT

The S-Bank Group's segments are Banking and Wealth Management. Operations that do not fall under these business segments are reported under Other operations. The 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.

Lending (EUR million)	31 Dec 2020	31 Dec 2019	Change from beginning of the year
Household customers	4,483.1	3,951.6	13.5%
Corporate customers	961.2	829.0	15.9%
Total	**5,444.4**	**4,780.6**	**13.9%**

Assets under management (EUR million)



Banking

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

Operating profit decreased to EUR 35.3 million (42.3) in January–December. Total income increased by 3.9 per cent to EUR 148.9 million (143.3). Expenses increased by 3.4 per cent to EUR 89.9 million (87.0). The lower profit is mainly the result of an increase in credit losses and expected credit losses to EUR 23.6 million (14.0).

S-Bank's contribution to the increase in the financial institutions' housing loan volume was 15.2 per cent (16.0) for the preceding 12-month period in November. Compared to the market as a whole, the housing loan portfolio's growth was 5.5-fold in the same period. The number of housing loan applications decreased momentarily in the spring, but then rose to a level higher than in the previous year and remained at that level for the rest of the year.

The use of S-Etukortti Visa cards also declined at the beginning of the coronavirus crisis. As general domestic consumption grew stronger, however, the use of cards increased in the late spring compared with the same period a year earlier and continued at a high level throughout the autumn. Despite the coronavirus, the use of cards in euros increased by 3.4 per cent on the previous year in January–December.

Wealth Management

Wealth Management is responsible for the 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.

The pandemic caused by the new coronavirus had a strong impact on the equity market in the first half of the year, but in the second half the market recovered and ended up positive. The transaction with Fennia had a marked effect on business performance. The operating result rose to EUR 2.0 million (0.7). Total income increased by 19.2 per cent to EUR 28.9 million (24.2). Expenses increased by 14.3 per cent to EUR 26.9 million (23.6).

Net subscriptions to the S-Bank and FIM funds totalled EUR 119.2 million (420.1) in January–December. The increase in net subscriptions to the S-Bank and FIM funds was stronger than average. Net subscriptions to funds acquired as a result of the transaction with Fennia were EUR -12.3 million in August–December. In the overall market, net subscriptions were EUR 919.1 million (376.1) in January–December.

The total number of unit holders in all of the funds under management also grew substantially to approximately 330 000 from approximately 292 000 a year earlier. On the Finnish market as a whole, the total number of unit holders rose to 3.5 million from 3.3 million one year earlier.

Banking (EUR million)	2020	2019	Change
Operating income	148.9	143.3	3.9%
Operating expenses	-89.9	-87.0	3.4%
Impairment of receivables	-23.6	-14.0	68.8%
Operating profit (loss)	**35.3**	**42.3**	**-16.6%**

Wealth management (EUR million)	2020	2019	Change
Operating income	28.9	24.2	19.2%
Operating expenses	-26.9	-23.6	14.3%
Operating profit (loss)	**2.0**	**0.7**	**188.4%**

RISK MANAGEMENT

GENERAL DESCRIPTION OF RISK MANAGEMENT

S-Bank provides banking and wealth management services to its customers. S-Bank's strategy aims at 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 aims 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 long terms. 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 of 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 fine-tuned by means of risk type-specific principles and procedures. Additionally, the business and support functions maintain more detailed guidelines and descriptions to implement 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 terms. Securing sufficient capital adequacy and liquidity and ensuring compliance with regulations are the key factors influencing the risk capacity.

Risk appetite reflects the approved risks and the associated levels that S-Bank is willing to take in its business operations in normal circumstances. It also defines such aspects as the internal minimum target levels for capital adequacy and liquidity. The starting point for risk appetite is to achieve a stable and adequate return on the Group's equity in the short and long terms. 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. The figure below illustrates the framework for the risk appetite and its indicators.

The risk capacity and appetite are implemented in S-Bank's operations and reflected in the risk limit structure. The Board of Directors sets the quantitative and qualitative targets, the limits and the acceptable levels of risk-taking per risk class necessary to implement the risk strategy. The targets and limits reflect potential regulatory constraints and take into account the internal buffers applicable to risk appetite. Decision-making mandates are defined and delegated to an appropriate level to ensure fluent daily control of business operations. These targets and limits are updated regularly and whenever needed if the 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.

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

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, the economic operating environment, unfavourable trends in credit losses, and the cost-efficiency of business operations.

Summary of S-Banks' risk appetite framework during 2020

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

The coronavirus pandemic that broke out in March affected the general economic situation, the banking sector as a whole, and S-Bank and its customers. The authorities announced a number of measures during the financial period aimed at facilitating the ability of credit institutions to finance companies and households and to mitigate the negative economic impact of the pandemic. In the spring, S-Bank offered its customers the opportunity to apply for a free-of-charge repayment holiday, which resulted in a record number of repayment holidays and other changes to payment schedules. Rapid changes in the macroeconomic environment caused uncertainty regarding the modelling of expected credit losses. The increase in expected credit losses in 2020 was due to the increase in the loan portfolio and changes in macro and management factors. The amount of realised credit losses also increased compared with the previous year. Due to economic uncertainty, the decline in valuation caused by the widening of spread risks reduced the fair value reserve during the first half of the year. But by the end of the year, valuations returned to the levels existing prior to the coronavirus pandemic. S-Bank's capital adequacy, liquidity and financing position have remained on a steady footing despite the pandemic, and the measures taken to ensure S-Bank's operational continuity have been appropriate and sufficient. Although uncertainty regarding the economic outlook remains high so far, the positive news about coronavirus vaccines suggests a cautious positive outlook for 2021.

The Group's most significant risk types from the perspective of the Pillar 1 minimum regulatory capital requirements are credit risks and operational risks. In addition to calculating the Pillar 1 capital requirements, S-Bank undertakes an internal capital adequacy assessment process (Pillar 2) 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 2.7 billion) of S-Bank's total risk (REA=Risk Exposure Amount). The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. Lending growth was strong, especially in household customers' housing loans. The most substantial items requiring capital include exposures secured by immovable property and retail exposures and corporate exposures. The 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 by internal market risk models as part

S-Bank Group's key risk ratios

(EUR million)	31 Dec 2020	31 Dec 2019
Risk-weighted assets (in euros)		
Total risk-weighted assets	3,035.2	2,900.3
Credit and counterparty risk, standardised approach	2,729.2	2,610.1
Market risk	0.0	0.0
Operational risk, basic indicator approach	306.0	290.1
Credit valuation adjustment (CVA)	0.0	0.1
Own funds (in euros)		
Common Equity Tier 1 (CET1) capital	416.4	422.2
Tier 2 (T2) capital	59.5	50.0
Own funds in total	475.9	472.2
Pillar 1 requirement (%)	12.76%	13.82%
Capital adequacy ratio (as a percentage of total risk-weighted exposure amounts)		
Common Equity Tier 1 (CET1) ratio	13.7%	14.6%
Total capital ratio	15.7%	16.3%
Non-performing loans (NPL)		
NPL ratio (%)*	0.6%	0.6%
Leverage ratio (LR)		
Leverage ratio (%)	5.8%	
Leverage ratio (%) (excluding the effects of any applicable temporary exemption of central bank exposures)	5.3%	6.2%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	146.8%	142.0%
Net Stable Funding Ratio (NSFR)		
Net Stable Funding Ratio (%)	151.2%	145.1%

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

of the Pillar 2 and ICAAP processes (Internal Capital Adequacy Assessment Process). S-Bank moved to settle all derivatives through a qualifying CCP during 2020, which resulted in no CVA risk for S-Bank at the end of the financial year.

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

S-Bank's capital position remained stable, exceeding the regulatory requirements and the internal minimum target level of 14.3 per cent. The internal minimum level was lowered by one percentage point during the financial year due to the Financial Supervisory Authority's decision to remove the systemic risk buffer (CET1) set for credit institutions. S-Bank's total capital adequacy ratio was 15.7 per cent at the close of the financial year. Total risk increased by EUR 134.9 million to EUR 3.0 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. Own funds grew EUR 3.7 million during the review period. The development of own funds was affected by the profit for the financial year, the growth in intangible assets and the increase of the nominal amount of the newly issued debenture. The fair value reserve returned to the pre-coronavirus level by the end of the financial year. The capital buffer in relation to the total regulatory Pillar 1 capital requirement (12.76 per cent) was EUR 88.7 million.

S-Bank's leverage ratio (LR) of 5.8 per cent (6.2) was strong and exceeded the regulatory and internal minimums. The leverage ratio requirement of 3 per cent in accordance with the Capital Requirements Regulation will enter into force in June 2021. S-Bank has made use of the Financial Supervisory Authority's decision to temporarily exempt certain central bank exposures from the total leverage ratio exposure as a result of the coronavirus pandemic. The current decision will expire on 27 June 2021. The figure for the comparison period does not take into account the above-mentioned decision.

In addition, S-Bank's liquidity position was stable and strong at the end of the reporting period. The liquidity coverage ratio (LCR) was 147 per cent (142). The Net Stable Funding Ratio (NSFR), which describes the sufficiency of stable funding, was at 151 per cent (145) at the end of the review period. The NSFR requirement of the Capital Requirements Regulation is 100 per cent and it will enter into force in June 2021.

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 Finnish Financial Supervisory Authority (FSA) set a discretionary Pillar 2 additional capital requirement (Supervisory Review and Evaluation Process, SREP) for S-Bank, based on interest rate risk in the banking book and the concentration of credit risk. The total requirement amounts to 2.25 per cent and became effective on 30 September 2018. The additional capital requirement was set on the basis that the risks in question 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 following table sets forth the distribution of the Pillar 1 total capital requirement in S-Bank on 31 December 2020. The Finnish Financial Supervisory Authority decided on 6 April 2020 to remove the set systemic risk buffer for credit institutions covered with CET1 capital. The requirement for S-Bank was one per cent.

S-Bank's capital requirement, 31 December 2020

	Minimum capital requirement		Capital conservation buffer		Countercyclical buffer		Pillar 2 (SREP) additional capital requirement		Capital requirement, total	
Capital	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**	**%**	**EUR million**
CET1	4.5%	136.6	2.5%	75.9	0.01%	0.2	2.25%	68.3	9.26%	280.9
AT1	1.5%	45.5							1.50%	45.5
T2	2.0%	60.7							2.00%	60.7
Total	**8.0%**	**242.8**	**2.5%**	**75.9**	**0.01%**	**0.2**	**2.25%**	**68.3**	**12.76%**	**387.2**

CAPITAL ADEQUACY AND OWN FUNDS

S-Bank's total capital adequacy ratio was 15.7 per cent (16.3) at the close of the financial year. The development of capital adequacy and own funds was affected by the growth in lending volumes and the profit for the financial year, and also by the growth in intangible assets. The increase in the amount of intangible assets to be deducted from the Common Equity Tier 1 capital was affected by the acquisition of Fennia Asset Management Ltd and Fennia Properties Ltd. As a result of the corona pandemic, the decrease in valuations caused especially by spread risk widening reduced the fair value reserve during the first half of the year, but by the end of the financial year the fair value reserve returned to the level preceding the pandemic.

Tier 2 capital consists of three debentures with a total nominal value of EUR 59.5 million (50.0) and a maturity of over five years.

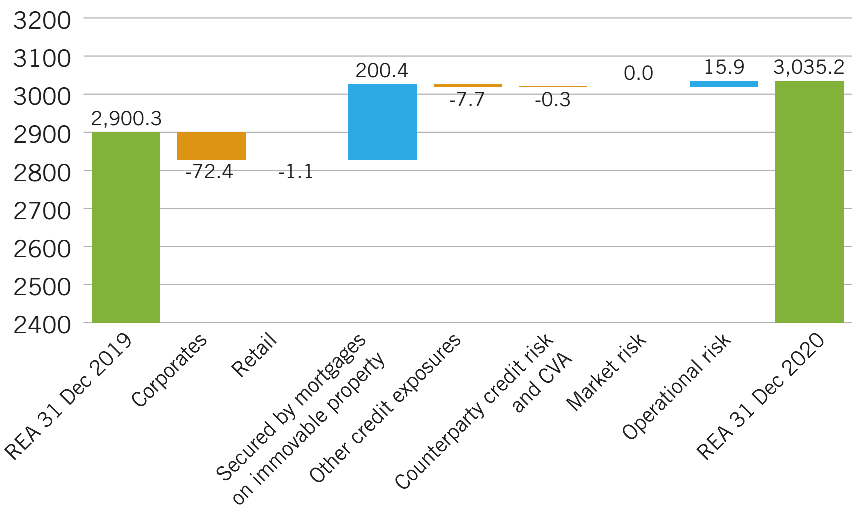
During the last quarter of the year, S-Bank repaid a debenture totalling EUR 16 million before the maturity date in accordance with the debenture's terms and conditions. In connection with the repayment, S-Bank replaced the repayable debenture with a new Tier 2 debenture as referred to in Article 63 of the EU Capital Requirements Regulation that has a nominal value of EUR 25.5 million and is subject to corresponding conditions. The conditions of these instruments are described below (Note 28 to the consolidated financial statements: Subordinated debts).

Summary of capital adequacy information

Own funds (EUR million)	31 Dec 2020	31 Dec 2019
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**488.6**	**473.4**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	122.4	107.5
Profit/loss from previous financial periods	106.7	83.4
Profit/loss for the year	15.7	24.1
Fair value reserve	-0.5	-0.8
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**72.3**	**51.2**
Intangible assets	71.0	50.1
Value adjustments due to the requirements for prudent valuation	1.3	1.1
Common Equity Tier 1 (CET1) capital	**416.4**	**422.2**
Additional Tier 1 (AT1) capital before deductions	**0.0**	**0.0**
Deductions from Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Tier 1 (T1) capital	**416.4**	**422.2**
Tier 2 (T2) capital before adjustments	**59.5**	**50.0**
Debentures	59.5	50.0
Adjustments to Tier 2 (T2) capital	**0.0**	**0.0**
Tier 2 (T2) capital	**59.5**	**50.0**
Own funds in total	**475.9**	**472.2**
Own funds in total	475.9	472.2
Minimum requirement for own funds	242.8	232.0
Capital adequacy ratio	**15.7%**	**16.3%**
Tier 1 capital	416.4	422.2
Minimum requirement for own funds	242.8	232.0
Tier 1 capital adequacy ratio	**13.7%**	**14.6%**
Total risk-weighted exposure amounts (RWAs)	**3,035.2**	**2,900.3**
of which credit risk	2,729.2	2,610.1
of which market risk	0.0	0.0
of which operational risk	306.0	290.1
of which risk associated with credit valuation adjustment (CVA)	0.0	0.1
Ratio of CET1 capital to risk-weighted exposure amounts (%)	**13.7%**	**14.6%**
Ratio of Tier 1 capital to risk-weighted exposure amounts (%)	**13.7%**	**14.6%**
Ratio of own funds to risk-weighted exposure amounts (%)	**15.7%**	**16.3%**

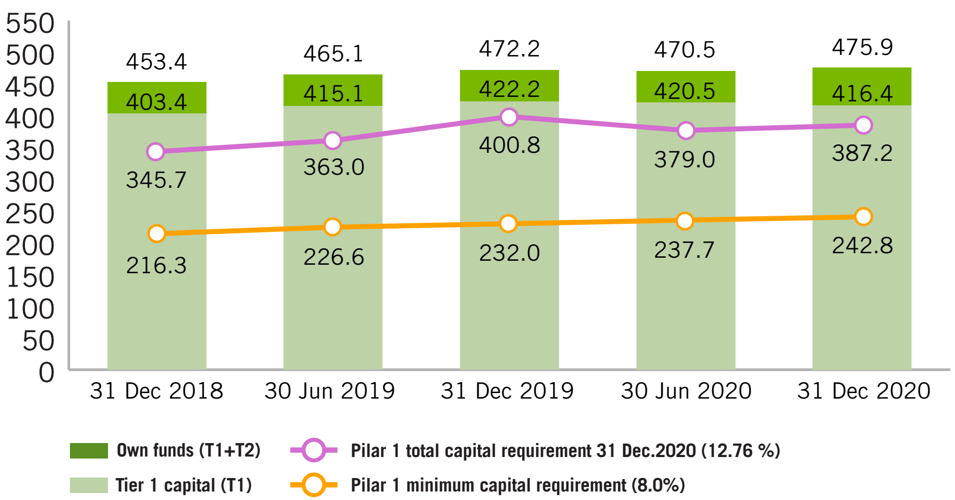
Split of changes in risk exposure amount and risk-weighted assets

EUR million



Changes in own funds and capital adequacy position

EUR million



The figure Split of changes in risk exposure amount and risk-weighted assets illustrates the changes in the total risk-weighted exposure amount (REA) and the material individual risk-weighted assets (RWAs) during the financial period. Total risk increased by EUR 134.9 million, mainly due to the increase in exposures secured by immovable property in accordance with strategy.

Figure Changes in own funds and capital adequacy position presents a summary of the semi-annual development of the Pillar 1 minimum capital requirement, the total capital requirement and own funds. The discretionary Pillar 2 (SREP) capital requirement raised the total capital requirement in the second half of 2018. The effects of the entry into force of the systemic risk buffer (1 per cent) in the second half of 2019 and the removal of this buffer in the first half of 2020 can also be seen. At the end of the reporting period, the capital buffer was EUR 233.1 million in relation to the Pillar 1 minimum capital requirement and EUR 88.7 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 crisis resolution authority. It is responsible for planning crisis resolution for credit institutions and investment firms. The Financial Stability Authority has decided to issue a Minimum Requirement for own funds and Eligible Liabilities (MREL) to be applied on the level of the S-Bank Group. The Financial Stability Authority revised its decision on S-Bank's MREL requirement on 21 April 2020. Under the revised decision, the requirement must be met on a gradual basis, so that an 8.7 per cent requirement must be met as of 30 June 2021 and the full 9.9 per cent requirement as of 30 June 2022. This revised decision is valid until the Financial Stability Authority sets a new MREL requirement, estimated to take place in Q1 or Q2 2021. The decision under the new MREL policy will enter into force on 1 January 2022 within the transition period. S-Bank will take the necessary measures to cover the MREL requirement within the set time.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

Fennia Asset Management Ltd, which was acquired by S-Bank in summer 2020, assigned the management of the non-UCITS funds under its management and its asset management services to FIM Asset Management Ltd as a business transfer in January. At the same time, the name of Fennia Properties Ltd, a subsidiary of Fennia Asset Management Ltd, was changed to S-Bank Properties Ltd.

In January 2021, Standard & Poor's (S&P), a credit rating company, raised S-Bank's rating outlook to stable. The outlook was negative in S&P's previous assessment. At the same time, S&P confirmed S-Bank's credit rating as BBB/A-2. S&P justified the improved banking sector outlook rating by referencing Finland's superior macro-economic environment in relation to the rest of Europe and its successful handling of the coronavirus pandemic.

OUTLOOK FOR 2021

We enter the year 2021 with optimism. With the distribution of the coronavirus vaccine, started at the beginning of the year around the world, the pandemic is expected to ease, enabling the economy to return toward a more normal situation. The first and second quarters of the year will still be overshadowed by social restrictions that will continue until vaccinations reach sufficient coverage. However, growth will gradually gain momentum as activities that were shut down due to the pandemic are opened at the approach of summer. The economy is expected to regain a more normal status in the second half of the year.

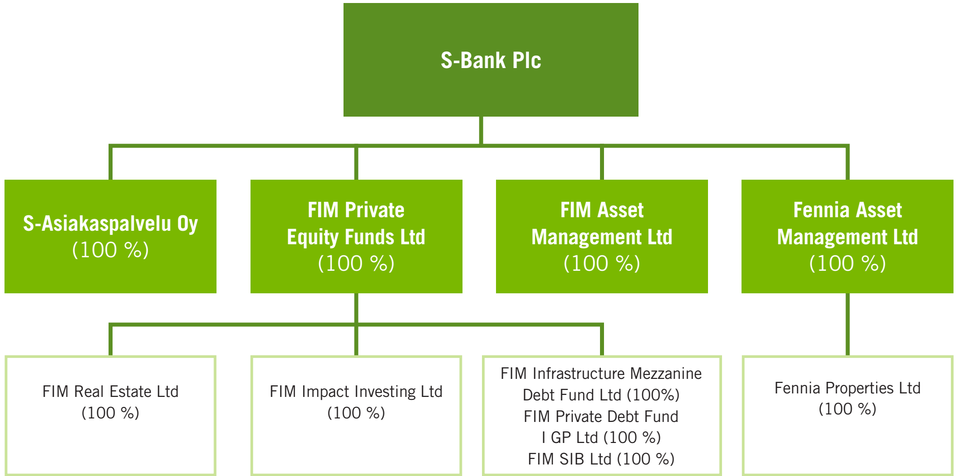
Overall, economic growth is expected to be rather strong in 2021. Growth will be boosted by the re-opening of activities and the stimulating impact of the release of savings accumulated during the coronavirus period and the stimulus measures taken by governments. However, growth is subject to uncertainties due to the speed at which society will be re-opened and the long-term economic effects of the pandemic. The national economy will eventually face a major balancing when the massive support measures are scaled back.

Confidence is strong also in the financial markets. Interest rates are expected to remain exceptionally low for a long time to come, which will boost all higher-risk investment markets as investors transfer assets from the fixed income markets to investments with better return expectations. Consequently, housing and equity prices are expected to continue to rise. However, as investors have already prepared for an improvement in the outlook, market valuations are high. The expectations will be difficult to exceed, which will curb returns, while, on the other hand, any failures to reach high expectations will cause market fluctuations.

Despite the positive outlook, there is still uncertainty regarding economic recovery. We continue to expect S-Bank Group's operating profit to remain at the same level in 2021 as in the previous year

GROUP STRUCTURE AND OPERATIONS OF S-BANK'S SUBSIDIARIES

Legal structure of S-Bank Group



FIM Asset Management Ltd
FIM Asset Management Ltd manages the investment funds of S-Bank, FIM and Local-Tapiola 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 4.6 million (2.6).

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 0.9 million (0.3).

FIM Real Estate Ltd
FIM Real Estate Ltd is the general partner in the S-Bank Group's real estate funds. FIM Private Equity Funds Ltd owns 100 per cent of FIM Real Estate Ltd's share capital. In the period under review, the operating profit of FIM Real Estate Ltd amounted to EUR 2.0 million (1.7).

FIM Impact Investing Ltd
FIM Impact Investing Ltd (formerly Epiqus Oy) is a wholly owned subsidiary of FIM Private Equity Funds Ltd. The company offers impact investment services, manages two impact investment funds and is their general partner. FIM Impact Investing Ltd's operating profit for the financial year amounted to EUR 0.0 million (0.1).

FIM Infrastructure Mezzanine Debt Fund GP Ltd, FIM Private Debt Fund I GP Ltd, FIM SIB Ltd
These companies serve as general partners in funds managed by FIM Private Equity Funds Ltd. These companies do not have any other business activity and are fully owned by FIM Private Equity Funds Ltd.

S-Asiakaspalvelu Oy
S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank. 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 5.9 million (5.1), of which intra-group revenue accounted for EUR 4.2 million (3.6). 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 amounted to EUR 0.2 million (0.8).

Fennia Asset Management Ltd
Fennia Asset Management Ltd manages alternative investment funds and offers asset management services to companies, entrepreneurs, institutions and private individuals. As of 1 August 2020, two new companies joined the S-Bank Group when, in a transaction executed on 31 July 2020, S-Bank acquired the entire share capital of Fennia Asset Management Ltd. The transaction also included the transfer of Fennia Asset Management Ltd's subsidiary, Fennia Properties Ltd.

In the financial period, the consolidated operating profit of Fennia Asset Management Ltd amounted to EUR 0.7 million.

Fennia Properties Ltd
Fennia Properties Ltd specialises in property management services and offers its services to investors, property owners and tenants. In addition to real estate portfolio management, property management services and real estate development, the company focuses on the implementation and management of joint venture projects. Fennia Asset Management Ltd owns 100 per cent of Fennia Properties Ltd's share capital.

The consolidated operating profit of Fennia real estate Ltd for the financial year was EUR 0.5 million.

GOVERNANCE

ANNUAL GENERAL MEETING

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

BOARD OF DIRECTORS

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's Board of Directors: Jari Annala, CEO of SOK Liiketoiminta Oy; Olli Vormisto, Managing Director of the Hämeenmaa Cooperative Society; Veli-Matti Liimatainen, Managing Director of the Helsinki Cooperative Society Elanto; Jari Eklund, Director of the LocalTapiola Group, and Erik Valros, CEO of LocalTapiola Uusimaa. In addition, Heli Arantola, the Managing Director of Leipurin Plc, was re-elected as an independent member of the Board. Jorma Vehviläinen, SOK's CFO, was elected as a new member to the Board of Directors. Juha Ahola, Treasurer at SOK, resigned from the Board.

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

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

On 16 October 2020, S-Bank's shareholders unanimously decided to elect Matti Kiviniemi, Head of Corporate Lending at LocalTapiola General Mutual Insurance Company, as the Vice Chair to replace Jari Eklund, who had resigned.

The Board convened 14 times (13) during the financial period, and the average attendance rate of members was 97 per cent (98).

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. Pekka Ylihurula is the CEO of S-Bank Plc. Aki Gynther was Deputy CEO from 1 January to 31 December 2020.

PERSONNEL

At the end of the review period, the S-Bank Group employed a total of 652 people (592). Of these, 514 (487) persons worked at S-Bank Plc, 66 (41) persons at the subsidiaries of Wealth Management, and 72 (64) persons at S-Asiakaspalvelu Oy. The salaries and remunerations paid to personnel at the S-Bank Group totalled EUR 37.6 million (38.5).

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, annually preparing performance-based compensation policies for the bank's personnel, in accordance with its rules of procedure, and submitting them to the Board 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 number.

The remuneration model used by the S-Bank Group 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 that are 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 37.6 million (38.5) in 2020. The salaries and remunerations of S-Bank Plc totalled EUR 30.1 million (31.7), which includes EUR 30 000 (30 000) in remuneration paid to Board members. A total of EUR 1.0 million (0.5) was transferred to the personnel fund. The salaries and fees of S-Asiakaspalvelu Oy totalled EUR 2.5 million (2.5). EUR 7 000 (11 000) was transferred to the personnel fund. The FIM companies' salaries and fees totalled EUR 3.7 million (4.3), including EUR 0 (12,000) for FIM Asset Management Ltd and EUR 3 600 (14 400) for FIM Real Estate Ltd. Remunerations of EUR 0.1 million (0.1) were transferred to the personnel fund. The salaries and fees of the Fennia companies from 1 August to 31 December 2020 totalled EUR 1.3 million. In addition, the S-Bank Group paid EUR 0.2 million (0.3) in supplementary pensions.

In 2020, S-Bank Plc paid EUR 5.2 million (5.6) in salaries and EUR 0.6 million (0.3) in other remuneration to persons whose activities have a material impact on the risk profile of the credit institution. A total of EUR 0.3 million (0.2) was transferred to the personnel fund. A total of 57 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 3.1 million (2.2) in salaries and EUR 0.4 million (0.4) in other remuneration in 2020. EUR 96 000 (83 000) was transferred to the personnel fund. A total of 33 persons (36) received salaries and remuneration under this category. At the Fennia companies, persons in this category of staff were paid a total of EUR 0.8 million from 1 August to 31 December 2020. A total of 19 persons received such salaries and remuneration. In accordance with S-Bank Plc's remuneration policies, an individual's bonus will be deferred if the bonus exceeds EUR 50,000 for a one-year earnings period. In 2020, the variable bonuses were postponed for 9 persons (0).

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 Plc's profit for the financial year, EUR 12 909 114.11, be recognised in retained earnings and that no dividend be distributed.

CALCULATION OF KEY PERFORMANCE INDICATORS

Total incom:

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

Net interest income:

Interest income – interest expenses

Net fee and commission income:

Fee and commission income – fee and commission expenses

Other income:

Net income from investing activities + Other operating income

Cost-to-income ratio:

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

Return on equity (ROE), %:

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

Return on assets (ROA), %:

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

Equity ratio, %:

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

Capital adequacy ratio, %:

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

Tier 1 capital adequacy ratio, %:

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

Leverage ratio, %:

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

CORPORATE RESPONSIBILITY REPORT

S-Bank is a Finnish bank that provides its customers with banking and wealth management services. S-Bank was established in 2007 on a foundation of solid co-operative values, which means that responsibility is inherently at the core of its operations. S-Bank also offers its customers the chance to make responsible choices.

This has also been passed on to our customers, as Finns chose S-Bank as the most responsible bank in 2020 for the eighth year in a row in the Sustainable Brand Index(1, the largest survey on sustainable development in the Nordic countries.

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 Plc 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 the 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 the customers' accounts in S-Bank. The bank's earnings model is mainly based on accepting customer deposits, granting loans and engaging in investment activities. The bank's largest source of income, net interest 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 customers' 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, extensively regulated and supervised by the authorities.

[1]In the Sustainable Brand Index survey carried out during November 2019–February 2020, approximately 9 500 respondents were interviewed in Finland.

FOR THE BENEFIT OF THE CUSTOMER

S-Bank treats its customers fairly, regardless of their financial situation. In accordance with its vision, “Superior ease and benefits”, S-Bank wants to make it easy and convenient to take care of financial matters. Many factors contribute to the ease of doing business with S-Bank. A well-functioning network of services, clear and open communications, clear pricing, and easy-to-use products and services are essential to this vision.

Daily banking services – a bank account, card and banking IDs for electronic services – that S-Bank offers free-of-charge to all 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 more affluent tomorrow. S-Bank’s goal is to make saving a new national pastime and to lower the threshold for saving by making saving in funds as easy and cheap as possible. In the Säästäjä service, 51.9 per cent (42.6) of those who started fund savings in 2020 were 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. In 2020, the chat service on S-Bank’s website was expanded to the online bank to meet customer wishes.

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 2020, the NPS declined somewhat on the previous year, but S-Bank’s customers particularly valued the service they had received at the customer service points. The decline was influenced by the temporary congestion caused by the corona pandemic in spring 2020, when many customers pondered the impact of the corona virus on their banking affairs and, for example, on investments.

S-Bank customer service channel NPS referral index*

	2020	2019	2018
Telephone service	56.8	55.7	59.6
Customer service points	74.1	75.3	60.5
Online bank	64.4	69.2	57.8

*The figures are channel-specific average scores from 2020. 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 2020 (conducted by Bisnode).

FOR THE WELL-BEING OF PERSONNEL

S-Bank aims to achieve a situation where customers always feel that their expectations have been exceeded. S-Bank also wants 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 the personnel and good management are thus important focus areas for S-Bank.

2020 has been quite exceptional due to the coronavirus pandemic. In these circumstances, S-Bank has focused on the safety and well-being of its personnel. As most of the bank's employees have been teleworking since the spring, attention has been paid to ergonomic matters, and personnel well-being has been monitored through surveys. Supervisors have played a big role in nurturing team spirit and a sense of community.

S-Bank was able to serve its customers normally, right through the exceptional times of the pandemic.

NUMBER OF PERSONNEL

At the end of 2020, a total of 652 (592) people were in an active employment relationship with the S-Bank Group.

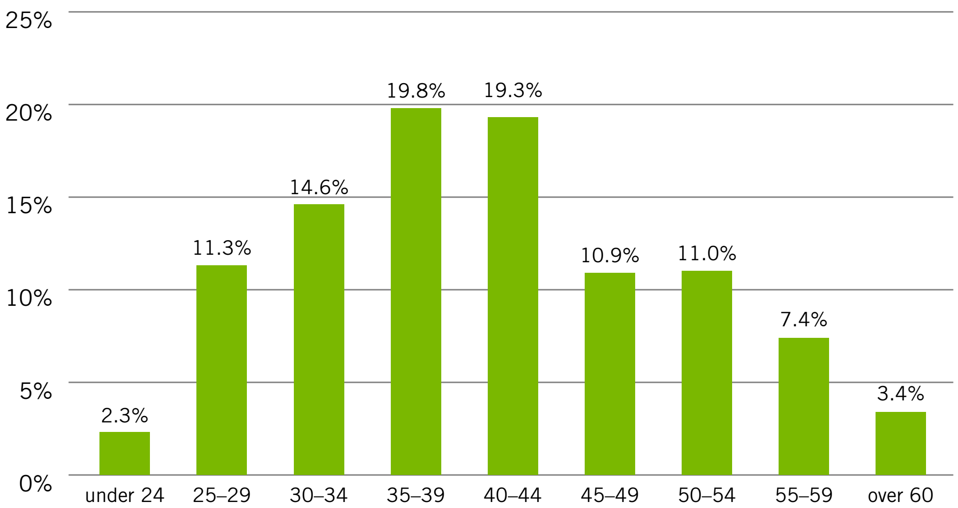
Most employment relationships with S-Bank are permanent and full-time. However, there are also positions in customer service and the back office where part-time employment is appropriate. Part-time work may also be the employee's own choice, in cases where they want to work flexibly while studying, for 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 45 (70), of whom 44 (45) were women and 1 (25) were men. At the end of the year, 9 (32) employees were on study leave.

During 2020, a total of 164 (85) new employees started work at S-Bank. A total of 105 (188) employees left the bank, with 1 (0) employees retiring, and no (4) employees retired on a disability pension. In autumn 2020, S-Bank held statutory negotiations with the employees concerning redundancies, which led to a reduction of 9 employees. S-Bank supported those who lost their jobs by, for example, providing training to support their re-employment.

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

Personnel age distribution



Personnel gender distribution

	Men	Women	Total
Permanent full-time	252	344	**596**
Permanent part-time	5	19	**24**
Fixed-term full-time	5	18	**23**
Fixed-term part-time	3	6	**9**
Total	**265**	**387**	**652**

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 by means of an annual personnel survey. In 2020, the job satisfaction index derived from the outcomes of key questions in the survey was 72.8 (68.7) (on a scale of 0–100). This result was 4.1 percentage points higher than in the previous year and clearly exceeded the norm for expert positions in Finland. In 2020, the response rate was excellent, at 95 per cent (92.5). The survey showed improved results in each sub-area, with employer image, job control, supervisory skills, communication and participation as particular strengths.

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 occasions and management-focused events. In 2020, supervisor group coaching was also piloted. S-Bank emphasises good cooperation and open discussion between the management and the employees.

DEVELOPMENT OF COMPETENCE

In order for S-Bank to execute its strategy successfully, it is crucial for it to possess the right kind of competence and for this competence 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 competence of individual employees is annually assessed in performance appraisals in which each team member assesses their competence together with their manager and agree on necessary development measures.

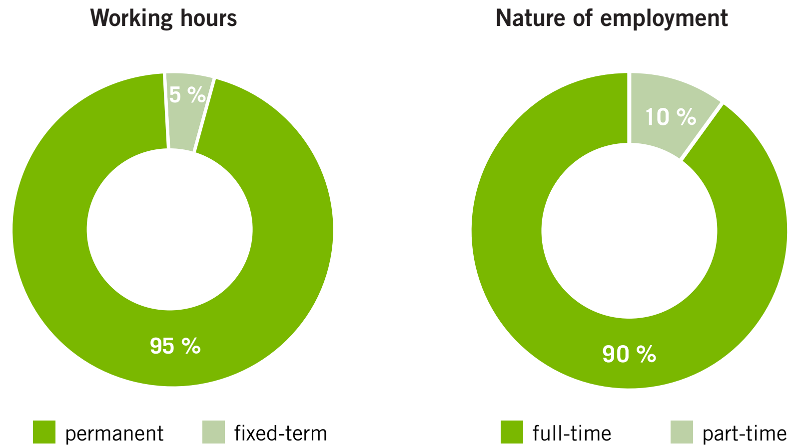
In a changing operating environment and with digitalisation becoming more ubiquitous, learning is a part of the day-to-day work of every employee, often occurring naturally during the performance of duties. In addition to personal learning, internal job mobility helps in improving communications and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

The development of competence is also supported with 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 over the long term. The principles of remuneration are confirmed every year.

Nature of employment and working hours



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. The S-Bank Group has a personnel fund, established on personnel initiative, to which the employees can transfer their bonuses. 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. Any wage gaps between men and women are reviewed annually. No gender gaps in salaries were detected in the review conducted in 2020.

FOR THE BENEFIT OF SOCIETY

S-Bank provides benefits and services, and thus well-being, for 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 practices – 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 2020, 85 per cent of active personnel had completed 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 and operational risk monitoring 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 Annual Report (S-Bank Group's risk position). Additionally, risks and risk management are described in more detail in note 2 to the consolidated 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 checked against 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.

THE 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 cooperatives. 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. In 2020, 65.7 per cent (60.4) of the invoices sent by S-Bank to its customers were electronic e-invoices.

In 2019, S-Bank introduced an electronic signature solution at all customer service points, which enables customers to electronically sign agreements at customer service points and archive their copies of agreements in the online bank. Well over a 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 Asset Management became a signatory to the UN Principles for Responsible Investment (UN PRI) in 2009. The UN PRI lays down general guidelines on how to incorporate responsibility issues into investment processes. In addition to the UN PRI, FIM Asset Management 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.

S-Bank's Wealth Management published its first climate strategy for 2020. The climate strategy describes how climate change is taken into account in investing activities and how Wealth Management strives to influence and be a part of the necessary changes that help to solve or adapt to climate change. The climate strategy also sets out a timetable for making the existing exclusion criterion stricter for coal-using companies.

In accordance with its climate strategy, S-Bank's Wealth Management aims at launching innovative products whose investment policy focuses on combatting climate change. During the year, the Bank launched the fund FIM Fossil Free Europe ESG. The fund invests in European companies and follows an extended exclusion policy for fossil fuels. The fund's investment policy is to exclude fossil energy producers, companies holding fossil energy reserves and companies focusing on electricity production that use fossil fuels for production purposes. The fund focuses on companies that are in a good position as societies move towards a low-carbon phase. These include companies that provide solutions to slow down climate change or adapt to its consequences.

In 2020, S-Bank's Wealth Management began to publish fund-specific responsibility reports. The reports are published four times a year and are available on the FIM website. They offer a balanced description of the funds' ESG features, such as ESG ratings, violations of international norms and fossil reserves owned by portfolio companies.

In 2020, FIM Asset Management also published its principles for responsible real estate and forest investment. The principles describe why and how responsible investment is implemented in real estate and forest investments. Responsibility considerations are already taken into account at the investment stage. Responsibility during use is nevertheless very important in these asset classes. Environmental considerations are especially significant in the real estate sector, as a substantial proportion of Finland's energy consumption and emissions originate from the sector. The principles outline how responsibility is taken into consideration during in-use steering and in the investment and construction stages. In forestry investment, FIM Asset Management uses continuous growing methods and seeks to acquire certification for the forests owned by the fund. Certification ensures that forests are managed in accordance with the principles of sustainable forest management and that biodiversity is upheld. All forests located in Finland are audited and double certified under the PEFC and FSC standards. Certification means that the forests are subject to annual inspection by an independent assessor. The purpose of audits is to verify the responsibility of forest management measures. FIM Asset Management listens to wildlife organisations and also engages in discussions with them as a part of its decision-making concerning forest management.

The responsible investment strategies observed by S-Bank Wealth Management consist of compliance with international norms, taking ESG (environmental, social and governance) into consideration in investment decisions, impact investing, exclusion, influencing, preference and thematic investing.

Compliance with international norms is monitored to ensure that investments adhere to international initiatives and recommendations related to responsibility and business practices, such as the UN Global Compact. The UN Global Compact includes principles related to human rights, labour and corruption. The human rights principles include the elimination of forced and compulsory labour and child labour. Investments' adherence to international norms is monitored through external analyses and ratings.

Taking ESG into consideration in investing activities involves assessing how climate change or other key ESG issues impact the companies being examined, for example. The importance of climate change in investing activities is increasing year by year. In 2020, portfolio managers were provided training on TCFD (Task Force on Climate-Related Financial disclosure) guidelines. The aim is to incorporate the use of the TCFD reference framework into the everyday work of portfolio managers. In practice, this involves assessing the risks caused and the opportunities offered by climate change when conducting analyses and making investment decisions.

Through the acquisition of the entire stock of Epiqus Oy in January 2019, S-Bank became the leading Nordic company in the impact investment sector. 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 SIB funds. 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 manages four SIB 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 2020, FIM was selected to execute an assignment that will enable the operations of a fund focusing on the well-being of children and young people to expand into four new municipalities (Jyväskylä, Tampere, Vihti and Karkkila). 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 S-Bank Wealth Management's key strategies for responsible investment. S-Bank and the FIM funds operate in accordance with an ownership policy that specifies why and how ownership control should be pursued. Ownership control includes elements such as exercising voting rights at general meetings, influencing companies directly and participating in joint influence campaigns with other investors.

In 2020, S-Bank and FIM funds attended 17 (27) general meetings all of which were held in Finland. By the end of 2020, the 17 (5) companies were being influenced directly.

S-Bank's Wealth Management 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. S-Bank's Wealth Management continued to participate in the Tobacco-Free Finance Pledge. The anti-tobacco initiative seeks to make the finance sector more aware of the role it plays and to promote anti-tobacco policies in the sector.

Responsible investment

Indicator	2020	2019	2018
S-Bank and FIM fund participation in general meetings	17 Annual General Meetings	25 Annual General Meetings, 2 Extraordinary General Meetings	
Direct corporate influence	17 companies	5 companies	
The amount of capital in the FIM Responsibility Plus family of funds	EUR 730.9 million	EUR 521.9 million	EUR 216.5 million

Launched earlier, the Mining & Tailings Safety Initiative is another influencing project, which 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.

As a new form of influencing, S-Bank's Wealth Management joined a CDP programme in 2020 which engages with companies that have not responded to CDP's questions and requests to provide environmental data related to their operations. It is important that as many companies as possible respond to the CDP's questionnaire because, by doing so, they provide important information for stakeholders such as S-Bank's Wealth Management in support of their investment decisions.

FIM Asset Management 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 which companies belong to these categories. Based on its own analyses, it also excludes those mining and electricity generation companies whose business depends to a significant extent (more than 20 per cent) on coal to generate energy. Companies that violate international norms can also be excluded from FIM's investments.

FIM publishes the carbon footprints of its investment funds in its responsible investment reports in order to increase transparency and comparability with regard to the carbon emissions of the funds. Carbon footprints are published for direct equity and corporate bond funds where reported or externally-estimated emissions data is available for more than 50 per cent of the fund's investments. The carbon footprints can also be seen in fund-specific responsibility reports.

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	2020	2019
Interest income		99,156	94,397
Interest expenses		-9,823	-8,255
Net interest income	3	89,333	86,142
Fee and commission income		108,270	104,351
Fee and commission expenses		-41,251	-44,079
Net fee and commission income	4	67,019	60,272
Net income from investing activities	5	3,179	5,914
Other operating income	6	14,323	15,811
Total income		**173,853**	**168,138**
Personnel expenses	7	-44,887	-45,652
Other administrative expenses		-64,765	-61,897
Depreciation and impairment	8	-13,422	-12,811
Other operating expenses	9	-6,097	-4,780
Total costs		**-129,172**	**-125,141**
Impairment of receivables	10	-23,633	-13,995
Share of the profits of associated companies	11	-1	-1
Operating profit (loss)		**21,047**	**29,000**
Income taxes*	12	-5,378	-5,223
Profit (loss) for the period		**15,670**	**23,778**
Of which:			
To the parent company's shareholders		15,670	23,527
To non-controlling interests		0	251
Total		**15,670**	**23,778**

*Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	2020	2019
PROFIT (LOSS) FOR THE PERIOD		**15,670**	**23,778**
Other comprehensive income items:			
Items that will not be reclassified to profit or loss			
Items due to remeasurements of defined benefit plans		-186	-122
Profit or loss on financial assets measured at fair value irrevocably through other comprehensive income		288	0
Tax effect		-27	0
Items that will not be reclassified to profit or loss		**75**	**-122**
Items that may be reclassified subsequently to profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		103	2,815
Tax effect		3	-626
Items that may be reclassified subsequently to profit or loss		**106**	**2,189**
Other comprehensive income items, after taxes		**181**	**2,068**
COMPREHENSIVE INCOME, TOTAL		**15,851**	**25,845**
Of which:			
To the parent company's shareholders		15,851	25,594
To non-controlling interests		0	251
COMPREHENSIVE INCOME, TOTAL		**15,851**	**25,845**

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	31 Dec 2020	31 Dec 2019
Assets			
Cash and cash equivalents	13, 14, 15, 16	775,734	603,893
Debt securities eligible for refinancing with central banks	13, 14, 15, 17	721,541	787,214
Receivables from credit institutions	13, 14, 15, 18	33,863	33,721
Receivables from customers	13, 14, 15, 19	5,444,362	4,780,583
Debt securities	13, 14, 15, 20	507,288	293,809
Derivative contracts	13, 14, 15, 21, 33	0	400
Shares and interests	13, 14, 22	28,126	27,620
Holdings in associated companies	11	2	8
Intangible assets	23	70,995	50,128
Tangible assets	24	10,720	4,696
Tax assets	12	1,597	2,348
Accrued income	25	25,060	25,138
Other assets	26	6,064	4,429
Total assets		**7,625,351**	**6,613,987**

(EUR '000)	Note	31 Dec 2020	31 Dec 2019
Liabilities			
Liabilities to credit institutions	13, 14, 15, 27	0	0
Liabilities to customers	13, 14, 15, 27	6,976,500	6,000,826
Subordinated debts	13, 14, 15, 28	59,500	50,000
Derivative contracts	13, 14, 15, 21, 33	16,157	17,062
Provisions	30	397	302
Tax liabilities*	12	6,345	6,334
Accrued expenses	29	30,547	30,320
Other liabilities	30	47,260	36,304
Total liabilities		**7,136,707**	**6,141,149**
Equity			
Share capital		82,880	82,880
Reserves		283,366	283,037
Retained earnings*		122,397	106,921
Parent company's shareholders		**488,644**	**472,838**
Equity, total	31	**488,644**	**472,838**
Liabilities and equity, total		**7,625,351**	**6,613,987**

*Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to parent company shareholders						
(EUR '000)	Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total	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				23,527	23,527	251	23,778
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
Remeasurements of defined benefit plans			0	-122	-122	0	-122
Comprehensive income, total	**0**	**0**	**2,189**	**23,405**	**25,594**	**251**	**25,845**
Transactions with shareholders							
Dividend distribution	0	0	0	0	0	-199	-199
Changes in holdings in subsidiaries	0	20	0	-2,437	-2,418	-292	-2,710
Transactions with shareholders, total	**0**	**20**	**0**	**-2,437**	**-2,418**	**-491**	**-2,909**
TOTAL EQUITY 31 DEC 2019*	**82,880**	**283,828**	**-792**	**106,921**	**472,838**	**0**	**472,838**

* Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

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

* Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

CONSOLIDATED CASH FLOW STATEMENT

(EUR '000)	Note	2020	2019
Profit (loss) for the period		**15,670**	**23,778**
Depreciation and impairment		13,422	12,811
Shares of the profit of companies consolidated with the equity method		1	1
Credit losses	2	27,891	18,623
Other non-payment income and expenses		-2,150	-4,056
Income taxes		5,378	5,223
Other adjustments		941	73
Adjustments for financial income and expenses		2,351	-1,546
Adjustments, total		47,834	31,130
Cash flows before changes in operating assets and liabilities		**63,504**	**54,907**
Increase/decrease in operating assets (- / +)			
Receivables from credit institutions, other than repayable on demand		2,683	-16,499
Receivables from customers		-692,241	-612,434
Derivative contracts		400	245
Investment assets		-146,750	598,578
Other assets		-1,689	565
Total increase/decrease in operating assets (- / +)		**-837,597**	**-29,546**
Increase/decrease in operating liabilities (- / +)			
Liabilities to credit institutions		0	-302
Liabilities to customers		975,675	117,019
Other liabilities		2,014	8,683
Total increase/decrease in operating liabilities		**977,689**	**125,401**
Change in reserves		0	-83
Taxes paid		-5,379	-6,790
Cash flows from operating activities		**198,217**	**143,888**

(EUR '000)	Note	2020	2019
Cash flows from investing activities			
Investments in tangible and intangible assets		-11,932	-14,010
Proceeds from tangible and intangible assets		23	167*
Subsidiary shares purchased less cash at the date of acquisition	35	-18,785	-2,144
Proceeds from companies consolidated with the equity method		3	0
Proceeds from other investments		430	0
Cash flows from investing activities		**-30,260**	**-15,987**
Cash flows from investing activities			
Issued bonds and debentures	28	9,500	0
Repayment of lease liabilities		-2,485	-2,989*
Dividends paid		-272	-199
Cash flows from financing activities		**6,742**	**-3,188**
Difference in cash and cash equivalents		**174,699**	**124,713**
Cash and cash equivalents, opening balance sheet		608,741	484,037
Difference in cash and cash equivalents		174,699	124,713
Impact of changes in exchange rates		-33	-9
Cash and cash equivalents consist of the following items			
Cash and cash equivalents	16	775,734	603,893
Repayable on demand	18	7,674	4,848
Cash and cash equivalents		**783,408**	**608,741**
Interest paid		**-8,078**	**-7,791**
Interest received		**99,891**	**91,930**

*The cash flow impact of the comparison period has been adjusted between items, due to a change in the presentation of lease amendments after the financial statements were published on 31 December 2019.

GROUP'S QUARTERLY PROFIT PERFORMANCE

Consolidated income statement

(EUR '000)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2020	2019
Interest income	24,991	25,170	24,605	24,390	24,208	99,156	94,397
Interest expenses	-3,434	-2,210	-2,306	-1,873	-1,977	-9,823	-8,255
Net interest income	21,556	22,960	22,299	22,517	22,231	89,333	86,142
Fee and commission income	29,706	27,578	24,125	26,861	26,567	108,270	104,351
Fee and commission expenses	-8,894	-11,175	-9,698	-11,484	-10,680	-41,251	-44,079
Net fee and commission income	20,812	16,403	14,427	15,377	15,887	67,019	60,272
Net income from investing activities	353	567	2,190	69	1,692	3,179	5,914
Other operating income	8,476	2,127	1,396	2,324	5,282	14,323	15,811
Total income	**51,197**	**42,057**	**40,312**	**40,287**	**45,092**	**173,853**	**168,138**
Personnel expenses	-13,500	-11,895	-9,062	-10,431	-12,968	-44,887	-45,652
Other administrative expenses	-17,152	-14,535	-17,165	-15,913	-16,382	-64,765	-61,897
Depreciation and impairment	-3,823	-3,447	-3,158	-2,994	-4,045	-13,422	-12,811
Other operating expenses	-1,785	-1,840	-1,012	-1,460	-2,388	-6,097	-4,780
Total costs	**-36,260**	**-31,716**	**-30,396**	**-30,799**	**-35,783**	**-129,172**	**-125,141**
Impairment of receivables	-6,610	-4,265	-7,166	-5,592	-3,423	-23,633	-13,995
Share of the profits of associated companies	2	0	-3	0	-4	-1	-1
OPERATING PROFIT (LOSS)	**8,329**	**6,077**	**2,746**	**3,896**	**5,882**	**21,047**	**29,000**
Income taxes *	-2,175	-1,176	-669	-1,358	-1,168	-5,378	-5,223
PROFIT (LOSS) FOR THE PERIOD	**6,154**	**4,901**	**2,077**	**2,538**	**4,714**	**15,670**	**23,778**
To the parent company's shareholders	6,154	4,901	2,077	2,538	4,670	15,670	23,527
To non-controlling interests	0	0	0	0	44	0	251
TOTAL	**6,154**	**4,901**	**2,077**	**2,538**	**4,714**	**15,670**	**23,778**

* Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

Consolidated comprehensive income statement

(EUR ’000)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2020	2019
PROFIT (LOSS) FOR THE PERIOD	**6,154**	**4,901**	**2,077**	**2,538**	**4,714**	**15,670**	**23,778**
Other comprehensive income items:							
Items that will not be reclassified to profit or loss							
Items due to remeasurements of defined benefit plans	12	-198	0	0	-122	-186	-122
Profit or loss on financial assets measured at fair value irrevocably through other comprehensive income	288	0	0	0	0	288	0
Tax effect	-66	40	0	0	0	-27	0
Items that will not be reclassified to profit or loss	**234**	**-159**	**0**	**0**	**-122**	**75**	**-122**
Items that may be reclassified subsequently to profit or loss							
Profit or loss on financial assets measured at fair value through other comprehensive income	3,296	4,355	9,703	-17,251	-2,365	103	2,815
Tax effect	-648	-875	-1,942	3,467	454	3	-626
Items that may be reclassified subsequently to profit or loss	**2,648**	**3,480**	**7,761**	**-13,784**	**-1,911**	**106**	**2,189**
Other comprehensive income items, after taxes	**2,882**	**3,322**	**7,761**	**-13,784**	**-2,032**	**181**	**2,068**
COMPREHENSIVE INCOME, TOTAL	**9,036**	**8,222**	**9,839**	**-11,246**	**2,682**	**15,851**	**25,845**
Of which:							
To the parent company’s shareholders	9,036	8,222	9,839	-11,246	2,637	15,851	25,594
To non-controlling interests	0	0	0	0	44	0	251
COMPREHENSIVE INCOME, TOTAL	**9,036**	**8,222**	**9,839**	**-11,246**	**2,682**	**15,851**	**25,845**

Key figures

(EUR million)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2020	2019
Net interest income	21.6	23.0	22.3	22.5	22.2	89.3	86.1
Net fee and commission income	20.8	16.4	14.4	15.4	15.9	67.0	60.3
Total income	51.2	42.1	40.3	40.3	45.1	173.9	168.1
Operating profit	8.3	6.1	2.7	3.9	5.9	21.0	29.0
Cost-to-income ratio	0.74	0.76	0.76	0.76	0.74	0.74	0.74

(EUR million)	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Liabilities to customers, deposits	6,925.0	6,721.4	6,473.5	6,225.4	5,948.1	6,925.0	5,948.1
Receivables from customers, lending	5,444.4	5,298.1	5,124.2	4,919.5	4,780.6	5,444.4	4,780.6
Debt securities	1,228.8	1,301.4	1,302.0	1,136.9	1,081.0	1,228.8	1,081.0
Equity	488.6	479.4	471.2	461.3	472.8	488.6	472.8
Expected credit losses (ECL)	19.6	19.3	20.2	18.9	17.1	19.6	17.1
Assets under management	10,785.1	9,770.7	8,387.5	8,068.8	9,041.1	10,785.1	9,041.1
Return on equity	3.3%	3.0%	3.3%	4.5%	5.2%	3.3%	5.2%
Return on assets	0.2%	0.2%	0.2%	0.3%	0.4%	0.2%	0.4%
Equity ratio	6.4%	6.5%	6.6%	6.7%	7.1%	6.4%	7.1%
Capital adequacy ratio	15.7%	15.1%	15.8%	15.8%	16.3%	15.7%	16.3%

SEGMENT REPORT

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

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

Wealth Management is responsible for the 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 2020 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	89,460	-87	-40		89,333
Net fee and commission income	38,432	28,561	26		67,019
Net income from investing activities	3,092	109	-22		3,179
Other operating income	17,871	310	3,566	-7,424	14,323
Total income	**148,855**	**28,893**	**3,530**	**-7,424**	**173,853**
Total costs *	**-89,939**	**-26,914**	**-19,759**	**7,441**	**-129,172**
Impairment of receivables	-23,631	-2	0		-23,633
Share of the profits of associated companies				-1	-1
Operating profit (loss)	**35,285**	**1,977**	**-16,229**	**15**	**21,047**

External income from Banking was EUR 144 092 000 and from Wealth Management EUR 28 730 000.

Income statement 2019 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	86,264	-99	-24		86,142
Net fee and commission income	35,018	24,073	1,182		60,272
Net income from investing activities	5,857	70	-14		5,914
Other operating income	16,153	199	4,926	-5,467	15,811
Total income	**143,292**	**24,243**	**6,070**	**-5,467**	**168,138**
Total costs *	**-86,964**	**-23,557**	**-20,087**	**5,467**	**-125,141**
Impairment of receivables	-13,995				-13,995
Share of the profits of associated companies				-1	-1
Operating profit (loss)	**42,333**	**685**	**-14,017**	**-1**	**29,000**

External income from Banking was EUR 139 302 000 and from Wealth Management EUR 24 808 000.

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

The comparative information for the Banking business for 2019 has been modified because the operations of S-Asiakaspalvelu Oy, which were previously included in Other operations, have been included under Banking since the beginning of 2020. The change has increased the income from banking operations by approximately EUR 5.1 million and expenses by approximately EUR 4.3 million and has had a positive effect on Banking's profit by the amount of S-Asiakaspalvelu Oy's profit. The income and expenses are mainly within the Group.

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

The most significant individual item under Other activities is depreciation which is primarily the result of the harmonisation of the computer systems and processes of S-Bank and LocalTapiola 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 restructuring are allocated to Other activities.

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

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 equity, total	**6,072,846**	**5,884**	**535,258**	**6,613,987**

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

QUARTERLY PROFIT PERFORMANCE BY SEGMENT

Banking (EUR '000)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2020	2019
Net interest income	21,606	22,991	22,327	22,536	22,271	89,460	86,264
Net fee and commission income	11,110	8,987	9,691	8,645	9,265	38,432	35,018
Net income from investing activities	316	538	2,182	55	1,682	3,092	5,857
Other operating income	9,613	2,794	2,466	2,998	5,239	17,871	16,153
Total income	**42,645**	**35,309**	**36,667**	**34,234**	**38,457**	**148,855**	**143,292**
Total costs	**-24,954**	**-21,343**	**-22,222**	**-21,420**	**-22,781**	**-89,939**	**-86,964**
Impairment of receivables	-6,608	-4,265	-7,166	-5,592	-3,423	-23,631	-13,995
Operating profit (loss)	**11,083**	**9,702**	**7,278**	**7,222**	**12,252**	**35,285**	**42,333**

Wealth Management (EUR '000)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	2020	2019
Net interest income	-40	-19	-17	-12	-32	**-87**	-99
Net fee and commission income	9,787	7,554	4,713	6,506	6,148	28,561	24,073
Net income from investing activities	38	35	9	28	16	109	70
Other operating income	120	3	123	64	-35	310	199
Total income	**9,905**	**7,573**	**4,828**	**6,587**	**6,097**	**28,893**	**24,243**
Total costs	**-8,518**	**-6,933**	**-5,545**	**-5,918**	**-6,991**	**-26,914**	**-23,557**
Impairment of receivables	-2	0	0	0	0	-2	0
Operating profit (loss)	**1,385**	**640**	**-717**	**669**	**-894**	**1,977**	**685**

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

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

General accounting policies

The S-Bank Group (hereinafter S-Bank) consolidated financial statements have been prepared in accordance with the IFRS accounting standards adopted by the EU and valid on 31 December 2020.

The Board of Directors of S-Bank approved the financial statements at its meeting on 2 February 2021. 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 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.

The comparative information published earlier and presented in the financial statements has been changed regarding corrections made to deferred taxes.

Consolidation principles

The consolidated financial statements include S-Bank Plc 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 2020 financial statements: FIM Asset Management Ltd, FIM Private Equity Funds Ltd, FIM Real Estate Ltd, S-Asiakaspalvelu Oy, FIM Impact Investing Ltd, FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Private Debt Fund I GP Oy and FIM SIB Oy, and, as of 1 August 2020, Fennia Asset Management Ltd and Fennia Properties 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 company S-Crosskey Ab has been consolidated using the equity method. Asian Pro Oy, which was previously presented as an associated company, was sold in December 2020. 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 2020 or in the comparison period as at 31 December 2019.

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 recognised in Net income from investing activities 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, such as derivatives.

- 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 in the income statement 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, derivatives 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 debt securities and other domestic and foreign securities and holdings 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 derivatives 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
Derivatives

Derivatives 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 investing activities in the income statement. Changes in the value of derivatives in hedge accounting are recognised in Net income from investing activities 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 investing activities 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 income from hedge accounting. Changes in the fair value of the hedging items included in hedge accounting are recognised in the income statement under Net income from hedge accounting. When hedging is effective, the changes in fair value offset each other and the net result is close to zero.

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 are not based on verifiable market information but, 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

A three-stage impairment model is used to measure credit risk, where a financial instrument is grouped under one of the stages based on the risk level of the credit contract. The figure below demonstrates the classification of financial instruments into three stages for the purposes of calculating impairment.

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.

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 (defaulted contracts).
    - If a receivable has been classified as defaulted on the balance sheet, the remaining undrawn off-balance sheet amount is also classified as defaulted.
- Payment in accordance with the contract is unlikely to be received before the receivable becomes defaulted (unlikely-to-pay items).
- The contract involves a non-performing forbearance (see the section “Contractual changes to 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, for example, 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 has been classified 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 credit’. In this case, the contract is classified under stage 2 in impairment measurement for a probation period of two years. If the receivable is already non-performing and it is granted forbearance, it becomes ‘non-performing forborne credit’. A performing forborne exposure 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 exposure is given a minimum of a 12-month probation 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 final 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 final credit loss is recognised on the receivable. Depending on the product, credit loss is recorded as follows:

- Credit losses on unsecured credit are typically recorded 4 to 7 months after the receivable has matured.
- 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 exposure, i.e. Exposure at Default (EAD). With these parameters, the amount of expected credit losses (ECL) is calculated using the formula PD x LGD x EAD.

Expected credit losses are 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 the figure Classification of financial instruments into three stages for the measurement of impairment).

The following table presents the credit risk models S-Bank uses 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.

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.

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.

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

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. The macroeconomic changes caused by the coronavirus pandemic have been significant and their final impact remains unclear. The effects of the pandemic were reflected in increased lay-offs, unemployment and uncertainty in businesses' outlooks. The rapid change in the macroeconomic situation increased the inaccuracy of modelling, which is why, in March 2020, S-Bank's Group Management Team decided to remove a separate macro factor from the calculation of expected credit losses and to include macroeconomic forecasts in the management factor for the time being. The management factor, which is confirmed monthly, takes into account the latest available information on the macro effects of the coronavirus pandemic and the uncertainty factors related to model risk and model assumptions.

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 recognised 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 investing activities
Net income from investing activities 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 capitalised on the balance sheet.

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 of 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 5000 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 recognised in the balance sheet as right-to-use assets and lease liabilities.

Right-to-use 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 balance sheet date and, if there is a change in tax rates, at the available new tax rate.

Deferred taxes are recognised 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 for 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, forward-looking information and the macroeconomic situation are taken into account using the management factor. Since the variables of the macroeconomic model influence each other in a complex way, expected credit losses are calculated by means of a management factor to take into account not only the uncertainties associated with the factors used in the model and their underlying assumptions, but also the model risk. Moreover, as the rapid change in the macroeconomic situation due to the coronavirus pandemic increased the inaccuracy of modelling, S-Bank's Group Management Team decided in March 2020 to remove a separate macro factor from the calculation of expected credit losses and to include macroeconomic forecasts in the management factor for the time being. The management factor, which is confirmed monthly, takes into account the latest available information on the macro effects of the coronavirus pandemic and the uncertainty factors related to model risk and model assumptions.

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 standards and interpretations

New and amended standards to be applied in future financial years
* = Not yet endorsed by the EU by 31 December 2020.

Amendments to IFRS 16 Leases — lease relief related to Covid-19 (effective for financial years beginning on or after 1 June 2020)
The amendment allows lessees to choose not to recognise lease relief as amendments to leases if the relief is the direct consequence of the Covid-19 pandemic and meets certain conditions.

Amendments to IFRS 9 Financial Instruments, to IAS 39 Financial Instruments: Recognition and measurement, to IFRS 7 Financial Instruments: Disclosures, to IFRS 4 Insurance Contracts, to IFRS 16 Leases* – Interest Rate Benchmark Reform – Phase 2 (effective for financial years beginning on or after 1 January 2021)
The amendments provide guidance for the period after the reference rate reform regarding the contractual cash flows and changes in hedging relationships, when these changes are specifically due to the entry into force of the reference rates benchmarks Regulation (changes caused by the IBOR reform). The changes will guide companies to describe the effects of the entry into force of the reform in the financial statements.

Amendments to IAS 16 Property, plant and equipment – Proceeds Before Intended Use* (effective for financial years beginning on or after 1 January 2022)
Under the changes, the revenue from the sale of products arising from the use of an intangible asset in progress and the related manufacturing costs must be recognised through profit or loss.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective for financial years beginning on or after 1 January 2022)
The amendments clarify that when a provision for a loss-making contract is entered on the basis of necessarily incurred expenditure, such expenditure includes not only additional direct expenditure but also an allocated share of other direct expenditure.

Annual improvements to IFRSs, collection of amendments 2018–2020* (effective for financial years beginning on or after 1 January 2022).
Through the Annual Improvements process, minor and less urgent amendments to standards are collected together and implemented once a year. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of IFRS – Subsidiary as a First-time Adopter: A subsidiary that becomes the first adopter after the parent company may decide to measure the cumulative translation differences to the same amount as in the consolidated financial statements.
- IFRS 9 Financial instruments – Fees in the 10 per cent test for derecognition of financial liabilities: The amendment clarifies the 10 per cent derecognition test for fees so that when determining the fees paid less the fees received, the borrower only includes the fees paid or received between the borrower and the lender, including those paid or received by the borrower or receiver on behalf of others.
- IFRS 16 Leases, example 13: The amendment removes from the example those payments made by the lessor for the renovation of leased premises, as the example was unclear as to why these payments are not an incentive.
- IAS 41 Agriculture – taxation in fair value measurements: The amendment removes the requirement in IAS 41 that an enterprise does not take tax cash flows into account when determining fair value.

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective for financial years beginning on or after 1 January 2023, prior application allowed)
The purpose of the amendments is to harmonise the application of IAS 1 and to clarify the classification of liabilities as either short or long-term.

IFRS 17 Insurance contracts* (effective for financial years beginning on or after 1 January 2023)
The new standard applies to insurance contracts and helps investors and other parties to better understand the risk exposure of insurers and their profitability and financial position. This standard replaces IFRS 4.

Effects:
The above-mentioned future changes are not expected to have a significant impact on the financial statements of future financial years. The potential effects of IFRS 17 can only be assessed when the content of the standard becomes available.

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, 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 long terms.

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

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 Board of Directors' report in the financial statements includes a general description of risk management and its objectives. The Board of Directors' report presents key information on S-Bank's risk position, capital adequacy and own funds.

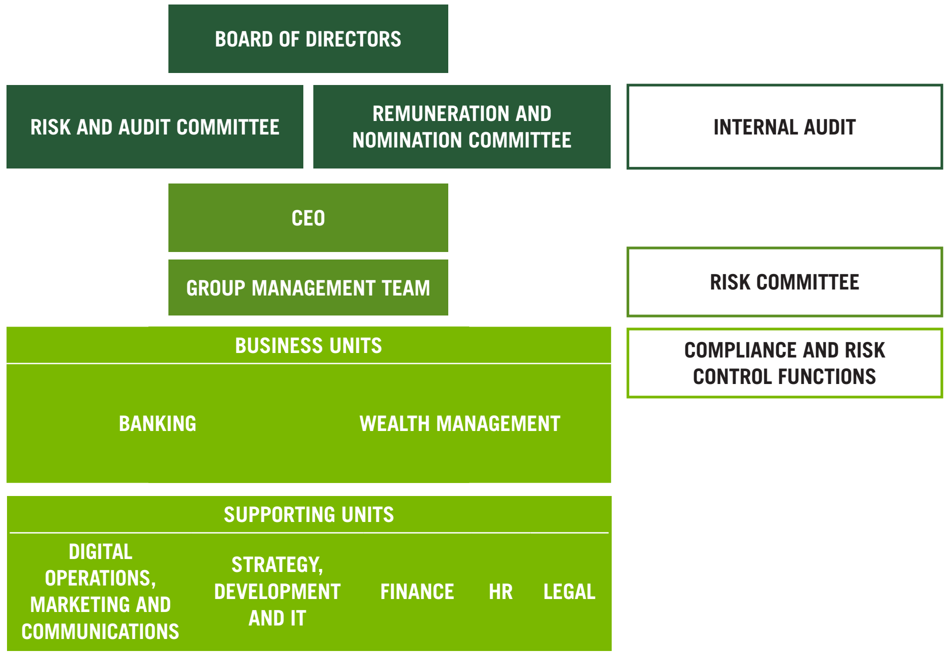
The Pillar 3 report (Capital and Risk Management Report) referred to in the EU Capital Requirements Regulation is published in a document separate from the financial statements. The report, as well as S-Bank's corporate governance statement and report on remuneration systems, are available on S-Bank's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

Governance of risk management

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, namely 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 overall 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.

S-Bank Group's administrative structure



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, Internal Audit also reviews the activities of the Risk Control and Compliance functions.

The figure above illustrates S-Bank's administrative structure, which is also the risk management organisation. 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 overall risk strategy and defines the risk-bearing capacity, risk appetite and risk management objectives of S-Bank and is responsible for ensuring that the Group has the operating and risk management policies necessary to support and implement them. In addition, the Board approves the management and control policies related to specific risk categories, and the risk modelling and calculation policies, and sets limits on risks as part of the overall 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 of Directors monitors the development of capital, its allocation and risk limits, and decides on the recapitalising and financing arrangements and their implementation.

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 and the organisation of internal control 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 to 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. They are hence responsible for identifying and assessing the risks associated with their operations, and for managing and monitoring them and for carrying out internal control. They must also each ensure that the parameters and conditions of their own operations as a whole, 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 to assist them in discharging their duties and responsibilities and in making decisions. The Committee confirms the key risk management policies and procedures for processing by the Risk and Audit Committee and for approval by the Board of Directors. The Committee also ensures that proposals for decision-making comply with the regulations and with the risk capacity and risk appetite confirmed by the Board of Directors. The Risk Committee confirms the risk models associated with different kinds of risks, which are used to assess the adequacy of capital and liquidity, for example.

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 overall 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 position and the risk management level for S-Bank's management, Risk Committee, Risk and Audit Committee, and Board of Directors, as well as for the authorities.

Compliance 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 regulatory changes and monitors compliance with them within the Group.

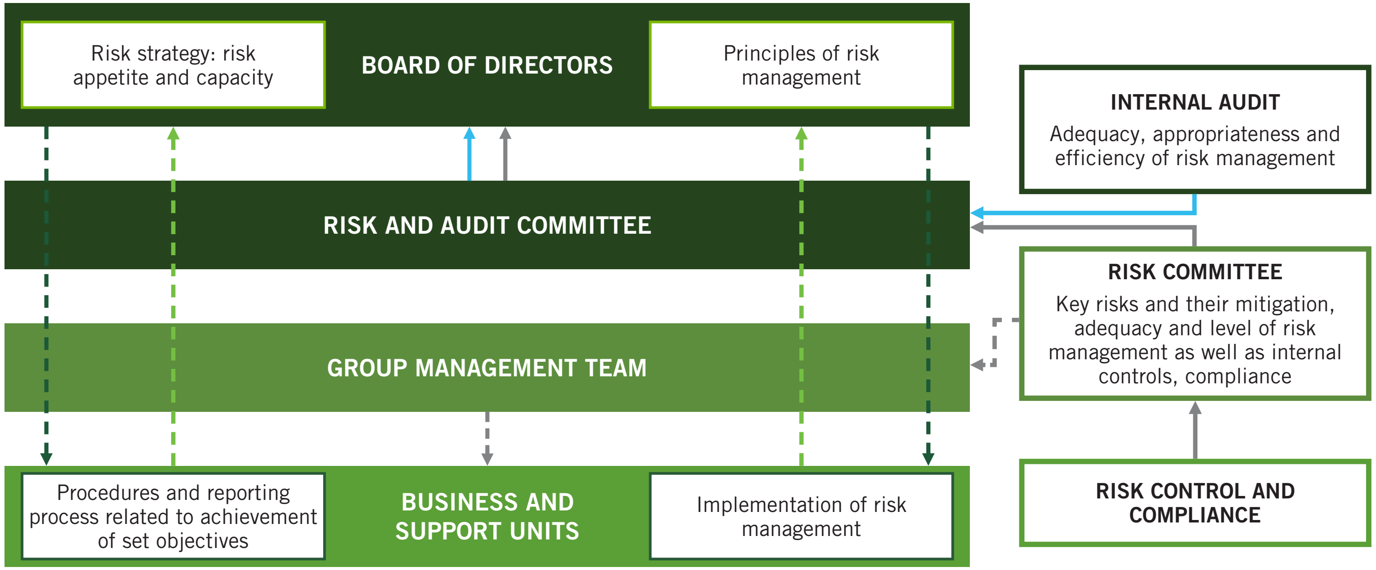
The Internal Audit function performs independent reviews and verification activities that focus on the adequacy, functionality and effectiveness of internal control and risk management across the entire Group. These features are evaluated with a risk-oriented approach in accordance with the auditing plan approved annually by the Board of Directors. 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. The figure below illustrates general risk reporting at S-Bank.

S-Bank continuously monitors risks as part of its work duties. It is the responsibility of all employees to follow the execution of risk management within their area of responsibility and to report any deviations and deficiencies in risk management in accordance with agreed procedures. Risk management control is based on the segregation of duties at S-Bank and on independent monitoring.

The overall risk reporting in S-Bank



As part of continuous risk reporting, the risk position 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 when 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, the Risk Committee, the Risk and Audit Committee and the Board of Directors, as illustrated in the figure 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. Internal Audit regularly reports on audit results, key audit observations, any operational improvement recommendations and compliance with 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.

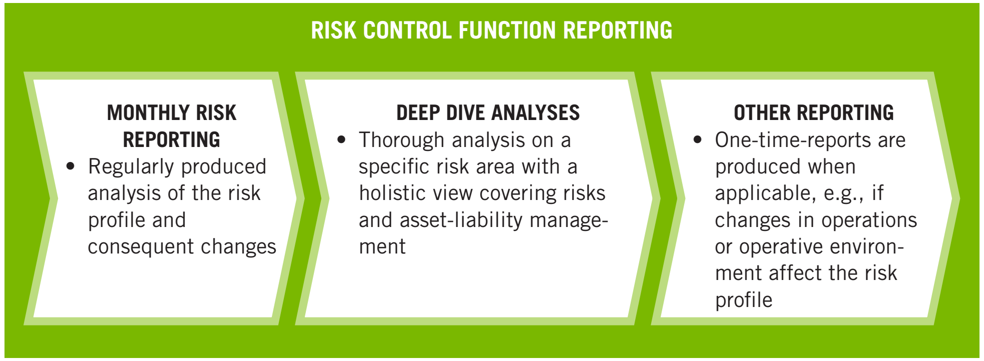
Capital and liquidity management

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 appropriate capital and liquidity position required to achieve its strategic business goals. Furthermore, the aim is to ensure that S-Bank continuously has sufficient capital and liquidity buffers to guard against any unexpected events. Capital and liquidity management are based on a proactive approach that takes into account S-Bank's strategy, business plan and overall risk strategy. The figure below illustrates the framework of capital adequacy and liquidity management.

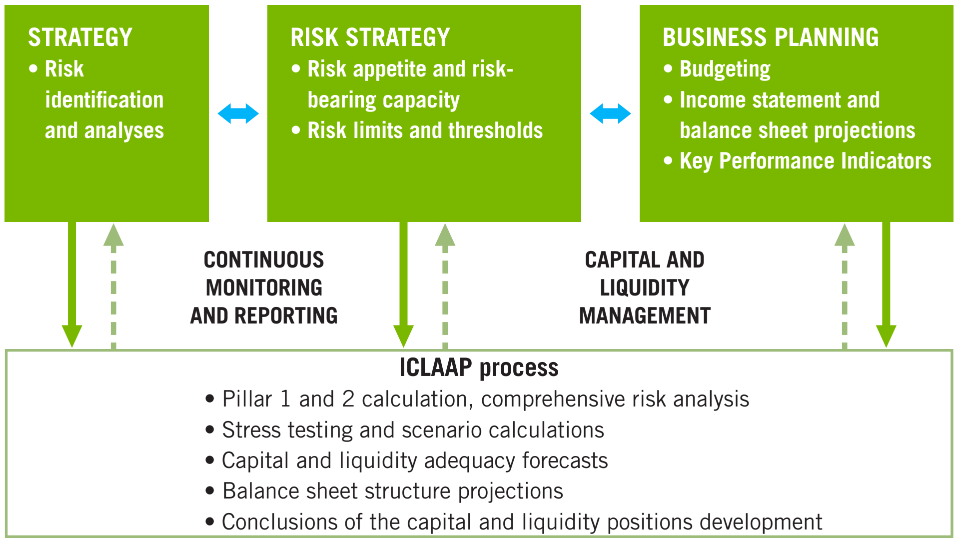
ICLAAP process

The results of the regular ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) have been combined in an ICLAAP report, which is prepared at least once a year 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 competitive environments. The process also includes forecasts of capital requirements, the 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.

Risk Control reporting independent of business functions



Capital and liquidity management framework



The internal capital plan and capital adequacy assessment process (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 internal liquidity plan together with the internal capital plan provide a comprehensive overview of S-Bank's liquidity risk position in various stressed business scenarios. The starting point for liquidity 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 process takes into account the material risk types to which S-Bank is exposed. The figure below 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 banking book and are therefore included in credit risk in the standardised approach for Pillar 1 accounting and regulation. However, in the internal ICLAAP process and in Pillar 2 accounting, the capital adequacy of market-risk generating items is assessed under the market risk framework, in accordance with S-Bank's internal parameters and models.

Credit and counterparty risks

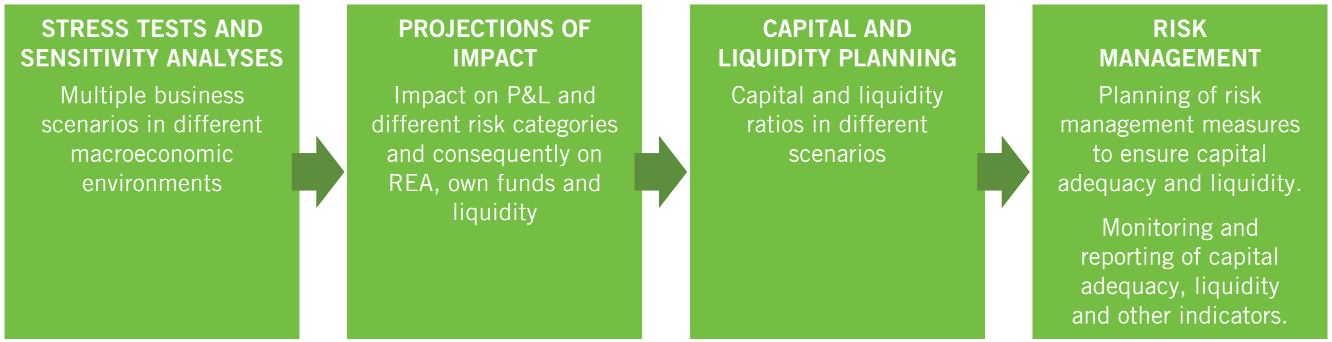
S-Bank's business focuses on card credit, as well as on consumer loans and housing loans granted to household customers. The corporate loan portfolio focuses on financing new and secured housing companies. S-Bank maintains a low credit risk profile in line with its conservative risk appetite, supported by active management and monitoring of credit 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 when 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 good banking and lending practices and with 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 overall risk strategy. Credit risks arising from the Treasury's investing activities and the associated limits are described in the Treasury's annual investing plan.

Credit risks are managed by the business and support units within the framework of

ICLAAP-process



the policies and limits set in the Group's risk strategy, the credit risk strategy and the Treasury unit's investing plan. This ensures that the bank has sufficient capital reserves to cover the risk exposure and that the aims of the risk appetite 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.

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 final credit losses are also described in the same context.

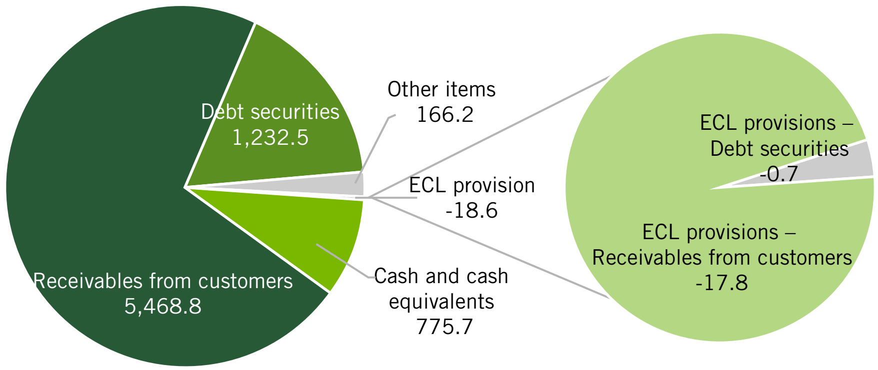
S-Bank's credit risk exposure

Credit risk is the most significant risk type in S-Bank. The gross carrying amount of balance sheet items of which credit risk mostly consists was EUR 7 643.2 million (6 629.2) at the end of the financial year. This growth is mainly attributable to lending increases in line with strategy, which particularly applied to mortgage lending for household customers. The number of debt securities increased by EUR 147.0 million during the financial year due to the strong growth of the deposit portfolio. The figure below presents the gross carrying amounts of S-Bank's balance sheet items and the related provisions for expected credit losses (ECL).

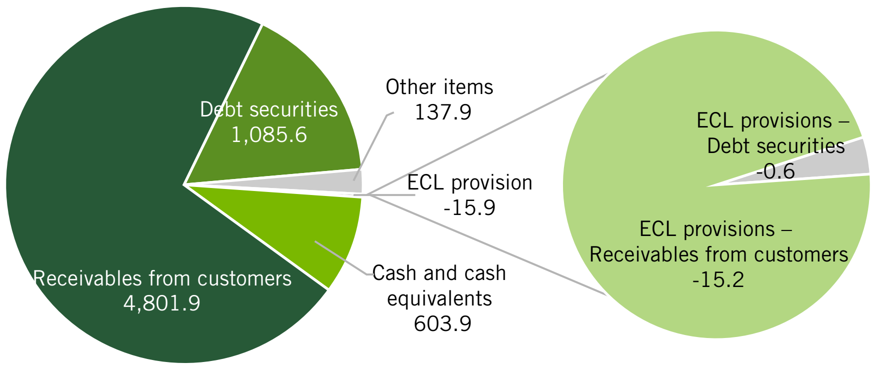
Receivables from customers mainly consist of lending to household and corporate customers. Expected credit losses of EUR 0.7 million (0.6) on debt securities are recognised through the fair value reserve, whereas the rest of the ECL, EUR 17.8 million (15.2), is deducted directly from the gross carrying amount of the item Receivables from customers. Exposures and commitments subject to credit risk and related ECL provisions are set out in more detail below (Risk exposure, summary and Note 10 to the consolidated financial statements: Impairment of receivables).

Gross carrying amounts of balance sheet items and expected credit losses

31 Dec 2020, EUR million



31 Dec 2019, EUR million



Receivables from customers are the most significant credit risk liability for S-Bank, accounting for about 72 per cent (72) of the gross on-balance sheet carrying amount. This item also causes the highest exposure to credit risk at S-Bank and is subject to the highest ECL provision. The following figure provides a more detailed ECL breakdown of the balance sheet item in question by credit portfolio. Expected credit losses are discussed in more detail in paragraph Expected and final credit losses, risk exposure and in note Note 10 to the consolidated financial statements: Impairment of receivables.

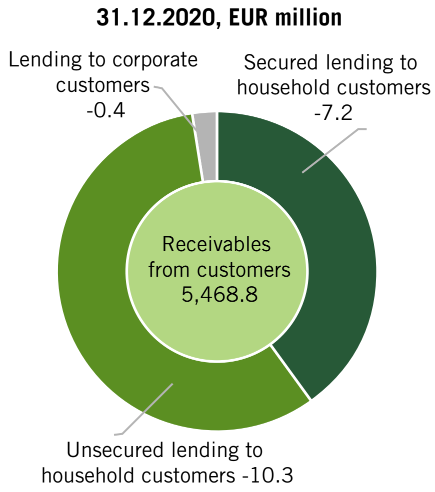
Risk concentrations

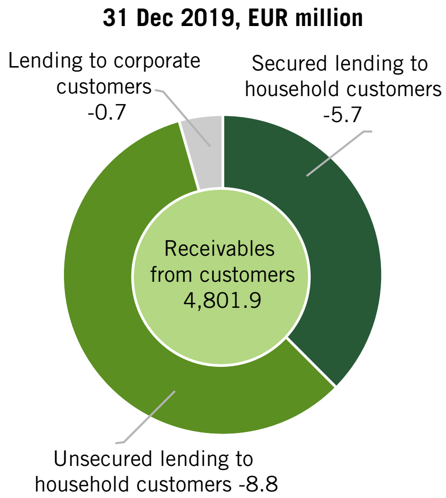
Risk concentrations may arise from a concentration of S-Bank's exposure in a geographical area, industry, collateral type or with certain major customers. Concentration risks are managed within the set limits and are monitored regularly as part of the management's risk reporting. Moreover, concentration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

From a geographical perspective, the majority, about 94 per cent (93), of S-Bank exposure is in Finland, followed by the rest of the Nordic countries at about 4 per cent (5). The geographical concentration risk is not considered relevant and no significant changes have taken place in the geographical distribution of exposures in relation to the previous year. Within Finland, the regional concentration risk is reduced by the distribution of customers and collateral across Finland, and furthermore, S-Bank's customer base is large in terms of household lending. The credit portfolios are also divided between different credit products. The regional distribution of loans is controlled by the objectives set in the credit risk strategy, the purpose of which is to ensure that loans, and in particular secured loans, are concentrated in the major towns and the municipalities surrounding them. The exposures outside Finland derive from the investments of the Treasury unit.

The table below illustrates the breakdown of S-Bank's balance sheet items and off-balance sheet exposures by industry. Almost 65 per cent (65) of S-Bank's exposures are not classified by industry, as they consist mainly of household customers' credits. The financial and insurance sector includes exposures to central banks and institutions and covered bonds that do not constitute an actual 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 2019.

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





Breakdown of on-balance-sheet and off-balance-sheet exposures by industry

Balance sheet items 31 Dec 2020. EUR million	Financial and insurance activities	Real estate activities	Wholesale and retail trade	Public administration and defence. compulsory social security	Manufacturing	Other industries	No industry	Total
Cash and cash equivalents	775,7	0,0	0,0	0,0	0,0	0,0	0,0	775,7
Receivables from credit institutions	33,9	0,0	0,0	0,0	0,0	0,0	0,0	33,9
Receivables from customers	71,4	871,7	3,4	0,0	0,1	15,9	4 488,4	5 450,9
Debt securities	666,4	36,6	10,0	331,0	119,2	69,3	0,0	1 232,5
Shares and interests	27,7	0,0	0,0	0,0	0,0	0,4	0,0	28,1
Derivative contracts	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other items	0,5	0,0	0,0	0,0	0,0	0,0	103,7	104,2
Off-balance sheet	28,9	86,5	223,5	0,0	0,0	38,4	1 785,4	2 162,8
Total	**1 604,5**	**994,8**	**237,0**	**331,0**	**119,3**	**124,1**	**6 377,5**	**9 788,1**

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	No industry	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 customers	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**

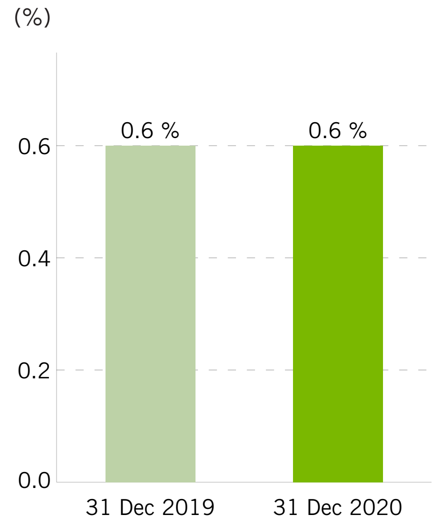
The value of collateral is monitored and updated over the lifetime of a loan, and information on the characteristics of the collateral is maintained in order to identify and manage potential risk concentrations. Real estate collateral is S-Bank's largest individual category of collateral. However, real estate collateral is distributed across a large number of individual loans and 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 its management are dealt with in more detail below (Collateral and credit risk mitigation).

Individual large credit institution entities and corporate customer entities are the principal source of customer-related concentration risk for S-Bank. Large customer exposures are the only form of concentration risk that generates capital requirements as part of the calculation of S-Bank's financial capital requirement (see section Capital and liquidity management). Large customer risks are managed by assessing relationships between corporate customers, setting limits on the exposures of customer entities, and monitoring the changes in these exposures individually and as a whole. Capital is allocated to this risk as part of S-Bank's capital plan.

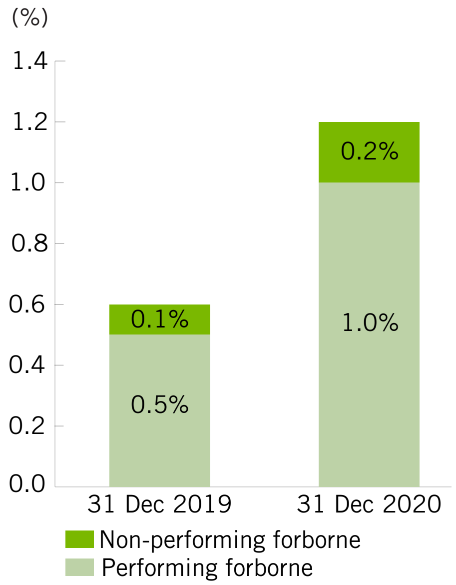
Repayment holidays and changes to payment programmes

In the spring, S-Bank offered its customers the opportunity to apply for a housing loan repayment holiday for up to 12 months, free of charge, which significantly increased the popularity of repayment holidays. The average repayment holiday periods granted during the spring were 7 months. The volume of household customer loans subject to repayment holiday or other changes to the payment schedule more than doubled to EUR 680 million (326) at the end of the financial year, corresponding to 15 per cent of total household customer exposure. The figures also take into account the use of the repayment holiday option included in the credit agreement. Repayment holidays are primarily granted to household customers. S-Bank's corporate exposure does not include any specific groups of customers or sectors that would have been offered repayment holidays or changes to their payment schedules.

NPL ratio



Forborne exposures



Non-performing exposures

Non-performing exposures consist of defaulted exposures, non-performing loans and forborne exposures. Non-performing loans include not only defaulted exposures but also non-performing forborne exposures and exposures subject to the pull effect due to 20 per cent in default principle. Defaulted exposures include credit impaired exposures where payment has been past due for more than 90 days. As of 1 January 2021, S-Bank will begin to apply the new definition of default resulting from regulatory reform.

Indicators of non-performing loans increased during the review period but remained at a low level, nevertheless. The non-performing loans (NPL) ratio presents the ratio of the gross carrying amount of non-performing loans to loans and prepayments (excluding central bank cash and demand deposits). The effects of the coronavirus pandemic were reflected in an increase in the gross carrying amount of non-performing loans to EUR 32.4 million (28.4). However, due to the increase in the loan portfolio, the NPL ratio remained at a low level, as in the previous year, at 0.6 per cent (0.6). The NPL ratio is described in the figure above. All non-performing loans are household customers exposures.

Forbearance measures refer to the restructuring of credit agreements (e.g. repayment holidays), which is intended to help customers cope with temporary payment difficulties. When restructuring credit agreements, material regulatory requirements must be met, including the assessment of the customer's financial situation and a risk-based assessment of the application. As a result of the coronavirus pandemic, the number of repayment holidays requested by customers increased, and, for some of the relief requested, the criteria for forbearance were met. This was reflected in the increase in forborne exposures during the year. Gross forborne exposures totalled EUR 65.7 million (31.4). At the end of 2020, 84 per cent (83) of total on-balance sheet forborne exposures were performing.

The figure above shows the relative share of forbearance measures. The carrying amount of gross performing forborne exposures in relation to loans and advances (excluding central bank cash and demand deposits) rose to 1.0 per cent (0.5). The corresponding ratio of non-performing forborne exposures increased to 0.2 per cent (0.1). All forborne exposures are related to household customers.

Expected and final credit losses, risk exposure
S-Bank is exposed to credit risk arising from household and corporate exposure, investing activities (debt securities) and off-balance sheet commitments. Risk exposure summary table presents exposures and commitments subject to credit risk and the related ECL provisions by impairment stage. The coverage ratio illustrates the proportion of the exposure in the ECL reservation. The total amount of the ECL provision was EUR 19.6 million (17.1) at the end of the financial year and has changed in proportion to the development in credit risk exposure. The ECL provision increased by EUR 2.5 million during the financial year, driven by an increase of EUR 2.9 million in the share of household customers and a decrease of EUR 0.4 million in the share of corporate customers. 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.

Expected and final credit losses of EUR 28.0 (18.3) million were recognised in the consolidated income statement during the financial year. Reversals recorded amounted to EUR 4.4 million (4.3). Thus the net expected and final credit losses and impairments totalled EUR 23.6 million (14.0). The increase in credit losses was mainly due to an increase in the recognition of credit losses during the coronavirus pandemic and growth of the loan portfolio. 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. 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 23.5 million (14.6) in financial assets was written off as final credit losses that are still subject to collection measures.

Changes in risk parameters reduced the ECL provision by EUR 0.1 million on the previous year. This item is affected by estimates from risk models and factors reflecting the macroeconomic situation and the management's estimate, for example. During the financial year the results of the risk models decreased the ECL provision, and changes in coefficients increased it, compared with a situation in which the estimates and coefficients would have remained unchanged. The macro factor calculated using the macroeconomic model was decommissioned in March 2020 when the rapid macroeconomic changes caused by the coronavirus pandemic increased the uncertainty related to modelling. Therefore, for the time being, the macroeconomic estimates are included in the management factor. The reasons for these changes are described in the accounting policies (Impairment of financial instruments and Accounting policies requiring management judgment and key uncertainties related to estimates).

In other respects, the changes and deferrals that occurred in the loss allowances are in line with the credit risk strategy and the prevailing economic conditions. The effects are discussed in more detail below (Note 10 to the consolidated financial statements: Impairment of receivables). S-Bank has no financial instruments consisting of acquired or originated financial assets that are impaired due to a credit risk. Measurement of the impairment of financial instruments and the models for calculating credit losses are discussed in the accounting policies used in preparing the financial statements (Impairment of financial instruments and Calculation of expected credit loss).

Risk Exposure, Summary

31 Dec 2020, EUR million	Stage 1 Credit risk exposure	Stage 1 ECL provision	Stage 2 Credit risk exposure	Stage 2 ECL provision	Stage 3 Credit risk exposure	Stage 3 ECL provision	Total credit risk exposure	Total ECL provision	Coverage ratio %
Household customers*	3,896.4	-1.6	593.2	-11.6	28.6	-4.2	4,518.2	-17.4	-0.39%
Corporate customers*	953.3	-0.3	7.9	-0.1	0.0	0.0	961.2	-0.4	-0.04%
Investing activities**	910.0	-0.7	0.0	0.0	0.0	0.0	910.0	-0.7	-0.08%
Off-balance sheet commitments***	2,031.9	-0.2	99.8	-0.7	0.5	0.0	2,132.1	-1.0	-0.05%
Total	**7,791.5**	**-2.8**	**700.9**	**-12.5**	**29.1**	**-4.3**	**8,521.6**	**-19.6**	**-0.23%**

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

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

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

31 Dec 2019, EUR million	Stage 1 Credit risk exposure	Stage 1 ECL provision	Stage 2 Credit risk exposure	Stage 2 ECL provision	Stage 3 Credit risk exposure	Stage 3 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 recognised as a single amount in order to reduce the balance sheet item Receivables from customers

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

***The ECL provision is recognised 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 specified in the credit granting guidelines are used to ensure that collateral is acceptable, binding, comprehensive and cashable.

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 various 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). 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 position. This risk is managed by directing lending regionally to major cities and the municipalities around them.

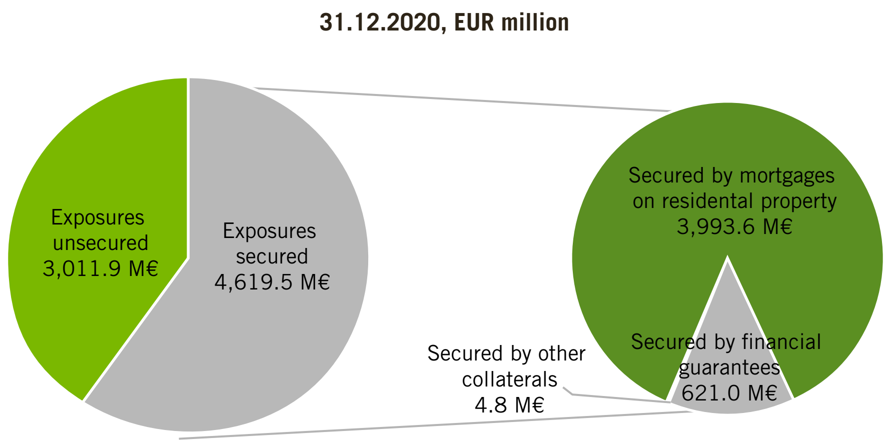
S-Bank uses normal financial guarantees, such as government guarantees or guarantee commitments given by a natural or legal person.

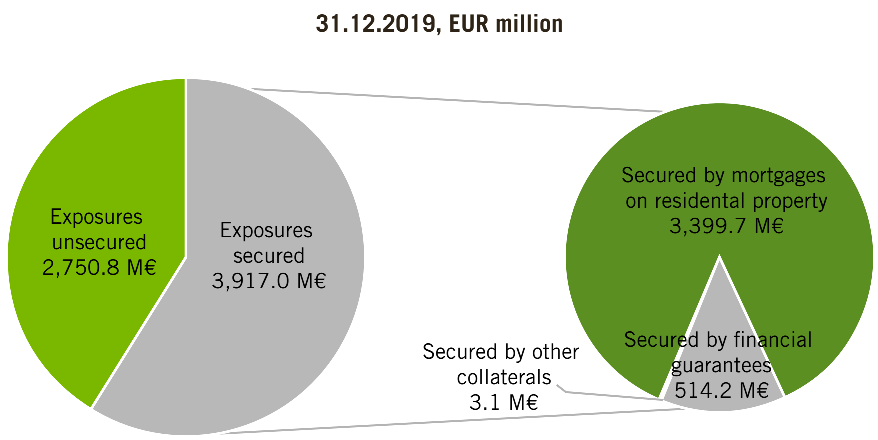
The main risk-mitigating techniques used when calculating the capital adequacy requirement for credit risk are property mortgages and unfunded credit protection (such as government guarantees for student and housing loans and S-Asuntotakaus guarantees provided by an external service provider for household customers' housing loans). 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.

S-Bank does not overtake collaterals pledged for it into possession. If a receivable becomes non-performing, the customer or the debt collection agency may sell the security to cover the remaining debt.

The figure Breakdown of collateral and guarantees used in capital adequacy presents a more detailed breakdown of the credit enhancement arrangements used in capital adequacy calculation. Approximately 60.5 per cent (58.7) of the gross carrying amount of the item Receivables from customers and of the off-balance sheet commitments of said item is hedged by the collateral and guarantees used for capital adequacy calculation. Exposures secured by immovable property account for approximately 86.5 per cent (86.8), whereas exposures secured with guarantees account for approximately 13.4 per cent (13.1) of the covered exposures. The Finnish government is the most significant individual guarantor. Guarantees also include a partner's guarantee insurance used to cover S-Asuntolaina housing loans. No significant changes occurred during 2020 in the categories of collateral held by S-Bank and the valuation policies applied or in the coverage of hedged exposures.

Breakdown of collateral and guarantees used in capital adequacy





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 actual purchase price of the property mortgage. Guarantee insurance for housing loans is included in the calculation. The table below provides an LTV breakdown of household customer's mortgage loans.

The table Collateral associated with impaired exposures (stage 3) illustrates the 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.

Counterparty credit risks

S-Bank is exposed to counterparty credit risk arising from derivatives used by the Bank to hedge the interest rate risk in the banking book. S-Bank uses the mark-to-market method of the Capital Requirements Regulation to calculate the counterparty credit risk. The mark-to-market method takes into account the positive market value and the potential future exposure of the contract. The counterparty credit risk is managed by means of netting agreements and by clearing the derivatives with a qualifying CCP. S-Bank enters into ISDA (International Swaps and Derivatives Association) and CSA (Credit Support Annex) agreements with its derivative counterparties. These agreements reduce the counterparty credit risk. The netting agreements specify the general terms and conditions related to derivatives and the collateral application methods between the counterparties. Derivatives and their risk management are discussed in more detail in section Market risk.

At the end of the financial year, the exposure value of the counterparty credit risk exposure was EUR 2.8 million (3.7). The counterparty credit risk consisted entirely of derivatives that are eligible for central counterparty clearing. The minimum capital requirement for counterparty credit risk was very low.

Derivative contracts also involve the risk of a credit valuation adjustment (CVA), which refers to an adjustment of the fair value 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. Due to the fact that the derivatives cleared with the CCP are not included in the CVA calculation, S-Bank did not have CVA risk at the end of the financial year.

The accounting policies describe the classification of derivatives and their calculation (Classification of financial assets and liabilities and Derivatives and hedge accounting).

Loan-to-value distribution of household customers

LTV category 31.12.2020	Proportion of exposures
0–50%	17%
50–60%	13%
60–70%	18%
70–80%	29%
80–90%	19%
90–100%	3%
> 100%	1%
Total	**100%**

LTV category 31.12.2019	Proportion of exposures
0–50%	17%
50–60%	13%
60–70%	19%
70–80%	32%
80–90%	15%
90–100%	3%
> 100%	1%
Total	**100%**

Collateral associated with impaired exposures (stage 3)

Credit-impaired financial assets, 31 Dec 2020, EUR million	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	28.6	4.2	24.4	36.5
Lending to corporate customers	0.0	0.0	0.0	0.0
Credit-impaired financial assets, total	**28.6**	**4.2**	**24.4**	**36.5**

Credit-impaired financial assets 31 Dec 2019, EUR million	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	26.0	3.8	22.2	27.9
Lending to corporate customers	0.0	0.0	0.0	0.3
Credit-impaired financial assets, total	**26.0**	**3.8**	**22.2**	**28.2**

Derivatives and hedge accounting are also discussed in the notes (Note 21 to the consolidated financial statements: Derivatives and hedge accounting, Note 16 to the financial statements of S-Bank Plc: Derivatives and Note 17 to the financial statements of S-Bank Plc: 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 monitors and ensures that the principles, limits and decision-making authorisations set in the overall 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. Realised losses on operational risk in 2020 amounted to EUR 0.72 million (0.82).

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 fraud, problems related to personnel and occupational safety, property damage and external events, 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 supports compliance with S-Bank´s values and strategy, good banking and lending practices, and good securities market practices. 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 taking account of 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 in case there are major disturbances in operations. Realised operational risks are managed by means of procedures 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 at 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 that 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 in order to prevent similar events in the future. Moreover, S-Bank has an internal whistleblowing channel through which employees can report violations confidentially.

The Operational Risk Monitoring 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 consist of spread risk and the structural interest rate risk of the banking book. 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 and interest rate derivatives.

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

S-Bank does not have a trading book and is not subject to the Pillar 1 capital requirement for market risk. The aforementioned types of market risk, as well as the diversification benefits that reduce their overall market risk, based on their correlations, are taken into account in the internal capital and liquidity adequacy assessment process (ICLAAP).

The aim of S-Bank's market risk management is to manage unexpected changes in the bank's profits and capital adequacy as a result of fluctuations in market prices and to optimise the return on equity within the scope of the risk appetite. 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. The Board of Directors has set a maximum limit for the economic value risk (EV for instruments measured at fair value), net interest income risk and spread risk. The interest rate risk in the banking book is monitored by means of interest rate gap analysis, in which liabilities and receivables 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 for balance sheet items measured at fair value, and also monthly using the earnings-based risk (NII) and other EV methods. 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. 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 interest rate risk in the banking book consists of lending and borrowing by the Banking business and the investments of the Treasury unit, which is part of Banking. S-Bank uses derivatives to hedge the interest rate risk in the banking book. Hedging derivative instruments consisted of interest rate swaps to be cleared with the CCP on 31 December 2020. Derivatives and hedge accounting are described in the accounting policies (Derivatives and hedge accounting) and Note 21 to the consolidated financial statements: Derivatives and hedge accounting.

The structural interest rate risk in the banking book 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) and the net present value of the balance sheet (economic value (EV) 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 NII risk is used to simulate the effects of the realisation of risks on S-Bank's profits within a set period of time. The return risk in the EUR -100 bps fixed income scenario was EUR -11.6 million (-14.3). S-Bank calculates the EV risk for items measured at fair value in addition to the balance sheet items. Rapid and even momentary changes in the interest rate curve may result in an immediate loss on items measured at fair value, which is reflected as a change either in the fair value reserve or in the result. In the +100bps interest rate scenario, the interest rate risk of the items measured at fair value was EUR -9.3 million (-12.8). The table Breakdown of financial assets and liabilities by interest rate risk fixing illustrates the bank's interest risk position at the end of the financial year.

Managing interest rate risk

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. The interest rate risk exposure is described by the following table, which presents the breakdown of financial assets and liabilities by interest rate fixing and by Note 15 to the consolidated financial statements: Breakdown of financial assets and liabilities according to maturity. In the interest rate fixing of S-Bank's assets and liabilities, the largest imbalance in economic value interest rate risk arises from non-maturity deposits with a deferred interest rate fixing date that is determined in accordance with the internal model. The internal model assumptions reflect the Guidelines on the management of interest rate risk arising from non-trading book activities (IRRBB).

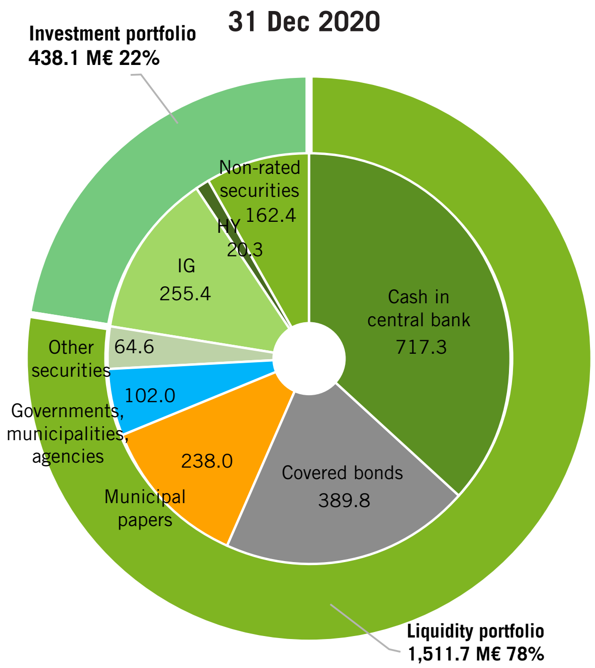
Breakdown of financial assets and liabilities by interest rate fixing

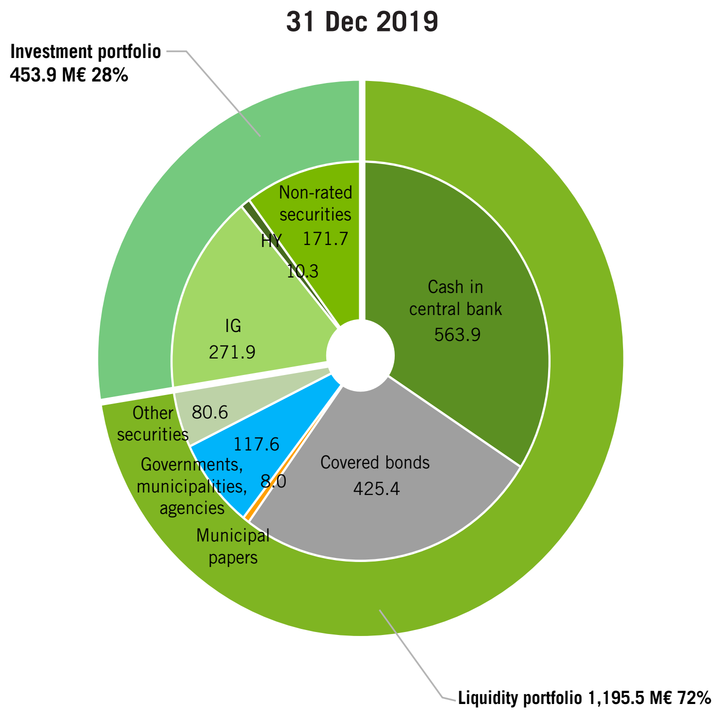
Financial assets and liabilities 31 Dec 2020, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	775.7	0.0	0.0	0.0	0.0	775.7
Debt securities eligible for refinancing with central banks	86.9	81.3	553.4	0.0	0.0	721.5
Receivables from credit institutions	33.9	0.0	0.0	0.0	0.0	33.9
Receivables from customers	2,132.1	3,241.0	48.5	22.8	0.0	5,444.4
Debt securities	211.1	111.4	183.8	1.0	0.0	507.3
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets total	**3,239.7**	**3,433.6**	**785.6**	**23.8**	**0.0**	**7,482.8**
Liabilities to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities to customers	6,973.2	1.3	2.0	0.0	0.0	6,976.5
Subordinated debt	0.0	59.5	0.0	0.0	0.0	59.5
Derivatives	10.1	5.5	0.5	0.0	0.0	16.2
Lease liabilities	0.0	0.0	9.4	0.0	0.0	9.4
Financial liabilities total	**6,983.3**	**66.4**	**11.9**	**0.0**	**0.0**	**7,061.6**
Financial assets and liabilities, total	**-3,743.7**	**3,367.3**	**773.8**	**23.8**	**0.0**	**421.2**

Financial assets and liabilities 31 Dec 2019, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash 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 customers	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 customers	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**

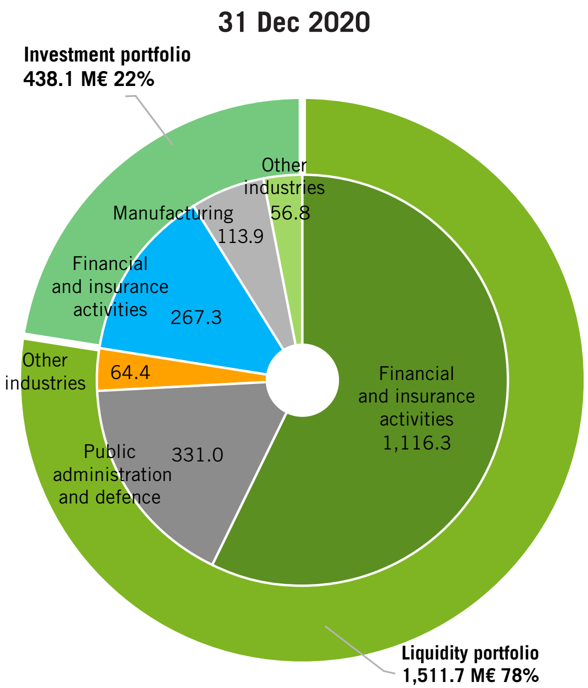
The following figures illustrate the Treasury unit's distribution of investment and liquidity portfolios by investment instrument and industry. The Treasury portfolio totalled EUR 1 949.8 million (1 649.5). In 2020, the Treasury portfolio grew due to the strong growth of the deposit portfolio. Excess liquidity was mainly invested in the very high liquidity instruments of the liquidity portfolio.

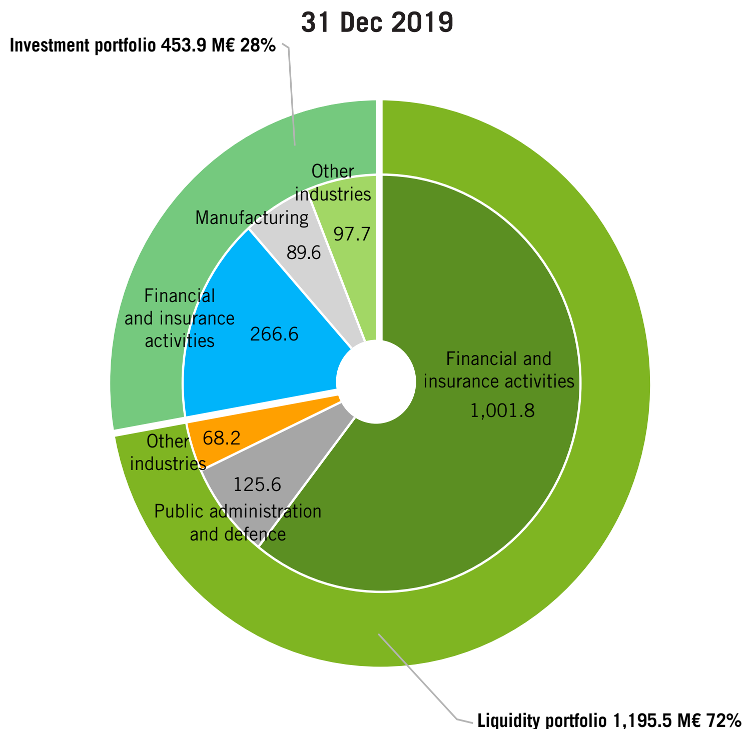
Breakdown of the Treasury portfolio by investment instrument





Breakdown of the Treasury portfolio by industry





The table below illustrates the sensitivity of the economic value and net interest income risks, categorised by type of financial instrument. 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 when regulatory floors are applied for the rate curves. The decline in market interest expectations has contributed to an increase in the economic value sensitivity in the +100 bps scenario. The economic value sensitivity in the -100 bps scenario has decreased as a result of falling interest rate expectations and the applicable interest rate curve floors, the effect of which on interest rate sensitivity declined.

Sensitivity analysis for the interest rate risk in the banking book

Economic Value (EV) risk EUR million	31 Dec 2020	31 Dec 2019
Total +100 basis points	**-43.1**	**-0.7**
Loans	-103.1	-47.0
Debt securities	-20.6	-27.4
Other financial assets	-1.0	-0.9
Financial assets, total	-124.7	-75.3
Non-maturity deposits	69.7	58.0
Other financial liabilities	0.6	0.5
Financial liabilities, total	70.2	58.6
Derivatives	11.3	16.0
Total -100 basis points	**47.9**	**67.7**
Loans	64.6	100.9
Debt securities	7.6	18.0
Other financial assets	0.4	0.4
Financial assets, total	72.6	119.4
Non-maturity deposits	-20.5	-40.5
Other financial liabilities	-0.2	-0.4
Financial liabilities, total	-20.8	-40.9
Derivatives	-4.0	-10.8

Net interest income (NII) risk, EUR million	31 Dec 2020	31 Dec 2019
Total +100 basis points	**34.3**	**35.2**
Loans	23.1	24.6
Debt securities	3.8	2.4
Other financial assets	6.0	6.2
Financial assets, total	32.9	33.2
Non-maturity deposits	-0.8	-1.2
Other financial liabilities	-1.6	-0.6
Financial liabilities, total	-2.4	-1.8
Derivatives	3.8	3.8
Total -100 basis points	**-11.6**	**-14.3**
Loans	-3.7	-5.4
Debt securities	-1.6	-1.2
Other financial assets	-4.6	-4.8
Total assets	-10.0	-11.3
Non-maturity deposits	0.0	0.0
Other financial liabilities	0.1	0.1
Financial liabilities, total	0.1	0.1
Derivatives	-1.7	-3.1

Sensitivity analysis for the interest rate risk in the banking book, instruments measured at fair value

Economic value (EV), instruments measured at fair value, EUR million	31 Dec 2020			31 Dec 2019		
Interest rate shock	Portfolio	Sensitivity	Sensitivity %	Portfolio	Sensitivity	Sensitivity %
+100 basis points	1,214.1	-9.3	-0.8 %	1,107.6	-12.8	-1.1 %
-100 basis points		3.6	0.3 %		8.2	0.7 %

The table above illustrates the sensitivity of the economic value risk of items measured at fair value on the balance sheet in a scenario that applies a one-percent level change to all maturities of the interest rate curve. The number of items to be measured increased moderately in 2020 as the Treasury portfolio grew.

Spread risk

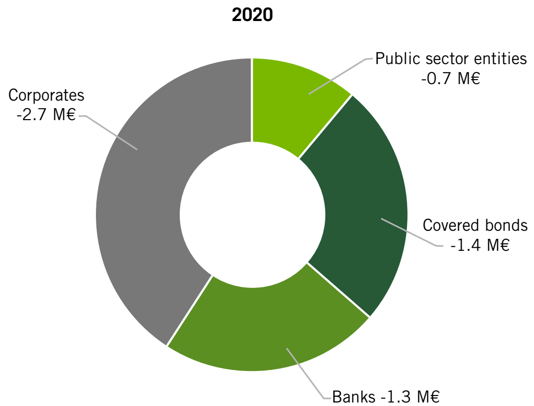
The operations of the Treasury unit are subject to a credit spread risk, which is calculated on the portfolio's debt securities. The spread risk is related to changes in the market's general opinion of the creditworthiness of an investment instrument's issuer, or to an unfavourable shift in the general market sentiment towards investments that involve a credit risk, as a result of which investments depreciate in value. The development of the spread risk is monitored regularly as part of day-to-day interest rate risk reporting.

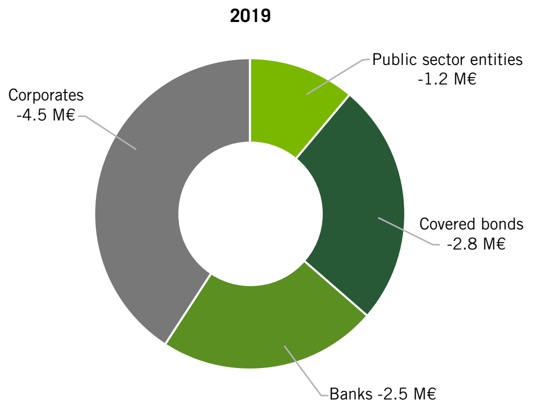
The spread risk is measured in accordance with S-Bank's internal market risk model. The spread parameters used in the model are historically based on stressed volatility levels. The market risk model applies a 12-month observation horizon and a 99.5 per cent confidence level. The internal Pillar 2 capital requirement for spread risk is also calculated based on the internal market risk model.

The following figure illustrates exposure to the spread risk of debt securities, which, in accordance with the internal model, totalled EUR -6.1 million (-11.0) at the end of the financial year. The spread risk decreased by EUR 4.9 million on 2019. The change is mainly due to an update of the internal model parameters in 2020 and a reduction in the risk position of banks and companies with BBB credit ratings, banks with credit rating A, and 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.

Breakdown of internal model spread risk





Other market risks

The Group's banking book also includes minor equity, foreign exchange and real estate risks. Risk-taking is managed by means of limits on risk appetite, and the risk position is kept low. Equity and fund risks arise as part of the Treasury unit's investing activities. Changes in the market prices of equities and mutual funds are recognised through profit or loss.

S-Bank may be exposed to foreign exchange risks as part of its investing activities and in connection with the use of foreign exchange accounts. The Board has set a moderate foreign exchange risk limit on the total net position and, in general, currency risks are hedged.

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 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, in relation to investing activities and through its financing position. 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 most significant risk factors from the perspective of S-Bank's liquidity risk are deposit flight in different customer segments and sudden increases in the utilisation of financing limits.

S-Bank measures its liquidity using the LCR ratio defined by the authorities and internal indicators. The indicators, their calculation parameters and the limits applied in internal modelling are approved by the Board of Directors of S-Bank and comply with the risk appetite defined in the overall risk strategy. The limit framework is used to ensure that the liquidity position always meets internal target levels and the minimum regulatory requirements.

Liquidity risk management is based on ensuring that the amount of S-Bank's liquid assets exceed the liquidity net outflows in normal and stressed operating environments in the short term (0–2 days), the medium term (0–30 days) and the 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 Net Stable Funding Ratio (NSFR), a longer-term liquidity indicator, is used to measure 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 stable 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 liquidity adequacy assessment process (ICLAAP) In the same process, scenario analyses are used to prepare forecasts of changes in S-Bank's liquidity position in various scenarios affecting the balance sheet and the external operating environment, and of the impact of these changes on the liquidity indicators. The 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 includes a liquidity continuity plan, which determines the measures needed for preserving an adequate liquidity position in normal and stressed market environments.

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 and stable funding. Moreover, minimum requirements for liquidity management include meeting the central bank's minimum reserve obligation, as well as the regulatory Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (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 position was stable and robust during the review period. The following table illustrates the main items and their changes in the liquidity ratio (LCR). The table presents the liquidity buffer at market values and buffer values. The buffer values account for the valuation haircuts applied to market values.

The liquidity coverage ratio (LCR) was 147 per cent (142). With respect to the liquidity buffer, very high-quality level 1 assets amounted to 86 per cent (85) and level 2 assets to 14 per cent (15). The buffer consists of unencumbered, high-quality liquid assets that can be monetised in a timely fashion.

Main items for the liquidity coverage ratio

Liquidity coverage ratio (LCR) EUR million	31 Dec 2020		31 Dec 2019	
	Market value	Buffer value	Market value	Buffer value
Level 1a	**1,057.3**	**1,057.3**	**689.5**	**689.5**
Assets from regional governments or local authorities	328.0	328.0	113.3	113.3
Funds from central administrations	12.1	12.1	12.2	12.2
Central bank reserves available for withdrawal	717.3	717.3	563.9	563.9
Level 1b	**196.2**	**182.5**	**214.9**	**199.9**
Extremely high-quality covered bonds	196.2	182.5	214.9	199.9
Level 2A	**193.6**	**164.5**	**210.5**	**178.9**
High-quality covered bonds (Third Country, CQS1)	120.8	102.7	120.4	102.3
High-quality covered bonds (CQS2)	72.8	61.9	90.1	76.6
Corporate bonds (CQS1)	0.0	0.0	0.0	0.0
Level 2b	**64.6**	**32.3**	**80.6**	**40.3**
Corporate bonds (CQS2/3)	64.6	32.3	80.6	40.3
Total	**1,511.7**	**1,436.6**	**1,195.5**	**1,108.6**
Liquidity outflows, total		1,026.3		819.5
Liquidity inflows, total		47.6		38.6
Liquidity coverage ratio (%)		147%		142%

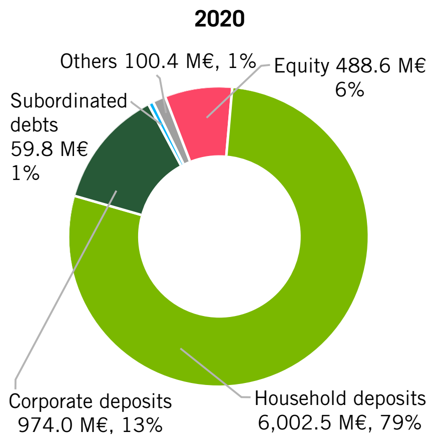
S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits. Sources of funding increased in 2020. In December 2020, the Financial Supervisory Authority approved S-Bank's EUR 1.5 billion bond programme, under which the bank can issue unsecured and secured bonds on the wholesale market. The following figure illustrates the financing structure of S-Bank's funding, which totalled EUR 7,625.4 million (6,614.0) at the end of the financial year. 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. In the 2020 financial year, the amount of retail and corporate deposits continued to grow.

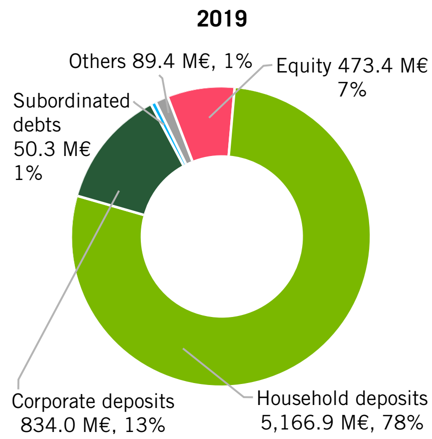
The Net Stable Funding Ratio (NSFR) measures the adequacy of the bank's structural liquidity and stable funding. The table below illustrates the main items and trends of S-Bank's NSFR ratio. The increase in available stable funding items is explained by the strong growth of the deposit portfolio and the strengthening of own funds. Items requiring stable funding were increased primarily by growth in lending. S-Bank's NSFR ratio is generally stable and strong.

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.

Funding structure





Net stable funding ratio (NSFR)

Net Stable Funding Ratio (NSFR)	31 Dec 2020 Buffer value	31 Dec 2019* Buffer value
Available Stable Funding	6,513.1	5,648.4
Required Stable Funding	4,308.1	3,892.2
Net Stable Funding Ratio (NSFR)	151.2%	145.1%

*Comparison period data calculated in accordance with Basel III

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Note 3: Net interest income

	2020	2019
Interest income		
Debt securities eligible for refinancing with central banks		
measured at fair value through other comprehensive income	3,362	4,097
Receivables from credit institutions	0	-125
Receivables from customers	92,949	86,626
Debt securities		
measured at fair value through other comprehensive income	2,718	3,994
measured at fair value through profit or loss	85	-289
Derivative contracts	45	91
Other interest income	-2	3
Total interest income using the effective interest method	99,028	94,592
Other interest income	128	-195
Interest income, total	**99,156**	**94,397**
Interest income from stage 3 financial assets	1,740	1,310
Interest expenses		
Liabilities to credit institutions	-828	-457
Liabilities to customers	-4,216	-4,652
Bonds issued to the public	0	3
Derivative contracts	-3,837	-2,258
Subordinated debts	-892	-842
Other interest expenses	-5	-21
Interest expenses on leases	-45	-29
Total interest expenses using the effective interest method	-5,936	-5,948
Other interest expenses	-3,887	-2,307
Interest expenses, total	**-9,823**	**-8,255**
NET INTEREST INCOME	**89,333**	**86,142**
Of which negative interest income	-2	-125
Of which negative interest expenses	-616	-332

Note 4: Net fee and commission income

	2020	2019
Fee and commission income by segment		
Fee and commission income from Banking		
From lending	25,903	26,661
From borrowing	2,329	3,066
From payment transactions	14,206	11,348
From legal duties	360	267
From insurance brokerage	1,194	1,036
From issuance of guarantees	55	160
Total commission and fee income from Banking	44,048	42,539
Total commission and fee income from Wealth Management		
From funds	58,060	55,689
From wealth management	3,010	3,150
Total commission and fee income from Wealth Management	61,071	58,839
Fee and commission income from other activities		
From securities brokerage	644	1,841
Other fee and commission income	2,508	1,133
Total fee and commission income from other activities	3,152	2,973
Fee and commission income, total	**108,270**	**104,351**
Fee and commission expenses		
From funds	-32,618	-33,589
From wealth management	-428	-427
From securities brokerage	-1,398	-1,642
Card business	-6,072	-7,728
Banking fees	-263	-136
Other expenses	-471	-558
Fee and commission expenses, total	**-41,251**	**-44,079**
Net fee and commission income	**67,019**	**60,272**

Note 5: Net income from investing activities

	2020	2019
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	101	66
Changes in fair value	180	94
Shares and interests		
Capital gains and losses	-51	615
Changes in fair value	1,230	3,268
Derivatives		
Capital gains and losses	-170	-1,720
Changes in fair value	693	289
Net income from financial assets measured at fair value through profit or loss, total	**1,983**	**2,612**
Net income from financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	577	2,713
Other income and expenses	-20	-14
Shares and interests		
Capital gains and losses	344	372
Net income from financial assets measured at fair value through other comprehensive income, total	**901**	**3,072**
Net income from currency operations	**107**	**130**
Net income from hedge accounting		
Net result from hedging instruments	-265	-4,362
Net result from hedged items	453	4,462
Net income from hedge accounting	**188**	**100**
Net income from investing activities, total	**3,179**	**5,914**

Note 6 to the consolidated financial statements: Other operating income

	2020	2019
Other operating income	14,323	15,811
Other operating income, total	**14,323**	**15,811**

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

Note 7 to the consolidated financial statements: Personnel expenses

Personnel expenses	2020	2019
Salaries and fees	-37,598	-38,488
Indirect personnel expenses	-1,266	-627
Pension expenses		
Defined contribution pension plans	-6,115	-6,620
Defined benefit plans	91	83
Personnel expenses, total	**-44,887**	**-45,652**

Number of personnel	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Permanent full-time	596	539
Permanent part-time	24	28
Fixed-term	32	25
Personnel, total	**652**	**592**

Related party remuneration is disclosed in the note Corporate structure and related parties to the consolidated financial statements. The defined benefit pension liabilities of the S-Bank Group are specified in the note Other liabilities and provisions to the consolidated financial statements.

Note 8 to the consolidated financial statements: Depreciation and impairment

	2020	2019
Depreciation of tangible and intangible assets		
Intangible assets	-10,415	-8,478
Tangible assets	-328	-335
Right-to-use assets	-2,451	-3,210
Depreciation on tangible and intangible assets, total	**-13,195**	**-12,024**
Impairment of tangible and intangible assets		
Intangible assets	-208	-788
Tangible assets	-19	0
Impairment of tangible and intangible assets, total	**-227**	**-788**
Depreciation and impairment on tangible and intangible assets, total	**-13,422**	**-12,811**

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

Note 9 to the consolidated financial statements: Other operating expenses

	2020	2019
Other operating expenses		
Costs related to leases		
Lease expenses on short-term leases	-822	-402
Rental expenses for low value assets	-432	-380
Other operating expenses	-4,844	-3,998
Other operating expenses, total	**-6,097**	**-4,780**
A breakdown of the fees paid to the audit firm		
Audit	-318	-335
Tax consultancy	-1	-87
Other services	-128	-132
Fees paid to the audit firm, total	-447	-554
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-1,045	-627
Deposit guarantee fund contribution	-4,944	-4,156
Administrative fee	-27	-37
Payments to the Finnish Financial Stability Authority, total	-6,016	-4,820

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

The following tables describe the cash amounts exposed to credit risks, excluding collateral or other credit risk mitigation 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 19.6 million (17.1). 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 set in the credit risk strategy by the Board of Directors.

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

Exposure to credit risk (household customers)

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

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

	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 recognised as a single amount in order to reduce the balance sheet item Receivables from customers.

The corporate loan portfolio focuses on financing new and secured housing companies. As mortgage-backed loans, these are considered to be less risky, which also reduces the expected credit losses. The exposures from corporate lending and investment activities are mostly to large companies with good credit ratings.

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

	Corporate lending, investing activities and off-balance sheet commitments			
31 Dec 2020 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	2,519,608	49,812	0	2,569,420
Category 2	443,191	14,709	0	457,900
Category 3	278,597	7,655	0	286,252
Category 4	328,868	15,365	0	344,232
Category 5	276,475	5,116	0	281,592
Category 6	47,549	9,483	0	57,032
Category 7	841	5,563	0	6,404
In default	0	0	496	496
Total	**3,895,130**	**107,702**	**496**	**4,003,328**
ECL provision*	-1,219	-883	-31	-2,133

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

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

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

The reconciliation tables describe the transfers and changes in expected credit losses per financial instrument category during the financial year. The tables present the reconciliation between the opening and closing balances of the loss allowance, where the first table contains the receivables from household customers and the second table concerns corporate customers, investing activities (debt securities) and off-balance sheet commitments. The total amount of expected credit losses (ECL) grew by EUR 2.5 million during the financial year (2.6). Changes and transfers in the allowance account for losses during the financial year are also described in the notes under Expected and final credit losses, risk exposure.

Reconciliation of expected credit losses (household customers)

	Household customers			
31 Dec 2020 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1 Jan 2020	**1,366**	**9,354**	**3,778**	**14,498**
Transfers from stage 1 to stage 2	-221	6,017	0	5,796
Transfers from stage 1 to stage 3	-21	0	1,396	1,375
Transfers from stage 2 to stage 1	126	-2,533	0	-2,407
Transfers from stage 2 to stage 3	0	-670	1,333	663
Transfers from stage 3 to stage 1	3	0	-161	-158
Transfers from stage 3 to stage 2	0	121	-383	-262
Changes in the risk parameters	133	-133	-60	-60
Increases due to origination and acquisition	358	1,345	269	1,972
Decreases due to derecognition	-124	-605	-211	-939
Decrease in the allowance account due to write-offs	-35	-1,281	-1,715	-3,031
Net change in ECL	218	2,261	468	2,946
ECL 31 Dec 2020	**1,583**	**11,615**	**4,246**	**17,444**

	Household customers			
31 Dec 2019 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1 Jan 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**

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 2020 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1.1.2020	**1,154**	**1,435**	**20**	**2,608**
Transfers from stage 1 to stage 2	-7	190	0	183
Transfers from stage 1 to stage 3	0	0	18	18
Transfers from stage 2 to stage 1	19	-878	0	-859
Transfers from stage 2 to stage 3	0	-7	2	-5
Transfers from stage 3 to stage 1	0	0	-6	-6
Transfers from stage 3 to stage 2	0	2	-2	-1
Changes in the risk parameters	46	-77	-1	-32
Increases due to origination and acquisition	288	400	9	697
Decreases due to derecognition	-279	-57	-6	-343
Decrease in the allowance account due to write-offs	-2	-124	-1	-127
Net change in ECL	66	-552	12	-475
ECL 31 Dec 2020	**1,219**	**883**	**31**	**2,133**

	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**

The following table below illustrates the impairment of receivables during the review period. The proportion of receivables written off as credit and guarantee losses grew during 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.

Expected credit losses and impairment losses recognised during the period

Expected credit losses and impairment losses (EUR '000)	2020	2019
Receivables written off as credit and guarantee losses	25,535	15,714
Reversal of receivables written off	-4,375	-4,315
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	2,355	2,909
Expected credit losses (ECL) on investment activities	116	-313
Total	**23,631**	**13,995**

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

At the end of the financial year, S-Bank had one associated company, S-Crosskey Ab. The Group divested its holding in Asian Pro Oy in December 2020.

S-Crosskey Ab is an IT services company jointly owned by S-Bank Ltd and Crosskey Banking Solutions Ab Ltd. S-Bank Plc 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 mostly provides services only to S-Bank Plc.

		Share of ownership	
Associated companies	**Domicile**	**2020**	**2019**
S-Crosskey Ltd	Mariehamn	40%	40%
Asian Pro Ltd	Helsinki	0%	40%

Associated companies have been consolidated using the equity method.

	S-Crosskey Ltd	
Summary of financial information concerning significant associates	**2020**	**2019**
Total assets	889	844
Total liabilities	860	812
Revenue	15,999	13,937
Profit/loss for the period	-3	-2

	S-Crosskey Ltd	
Reconciliation of associate financial information to book value on the balance sheet	**2020**	**2019**
Associated company net assets	28	31
Group holding	40%	40%
Adjustments	-9	-9
The balance sheet value of the associated company in the consolidated balance sheet	2	3

Note 12 to the consolidated financial statements: Income taxes

	31 Dec 2020	31 Dec 2019
Tax assets		
Deferred tax assets	1,386	2,348
Tax assets based on taxable income for the financial year	210	0
Tax assets, total	**1,597**	**2,348**
Tax liabilities		
Deferred tax liabilities*	5,608	5,799
Tax liabilities based on taxable income for the financial year	738	536
Tax liabilities, total	**6,345**	**6,334**

Income taxes	2020	2019
Taxes for the period	-5,087	-5,078
Taxes for previous periods	-382	-522
Change in deferred taxes*	91	378
Income taxes, total	**-5,378**	**-5,223**

Reconciliation of taxes at current tax rates with those in the income statement	2020	2019*
Profit before tax	21,047	29,000
Income tax rate	20%	20%
Proportion of profit by tax rate	-4,209	-5,800
Persistent differences	-322	534
Tax-exempt income	0	569
Non-deductible expenses	-464	-4
Taxes for previous periods	-382	-522
Income taxes, total	**-5,378**	**-5,223**

Deferred taxes in the comprehensive income statement	2020	2019
Deferred taxes on financial assets	-61	-626
Deferred taxes on defined benefit plans	37	0
Deferred taxes in the comprehensive income statements, total	**-24**	**-626**

*Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

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
Deferred tax assets, total	**3,015**	**0**	**-985**	**319**	**2,348**
Deferred tax liabilities					
Fair value through other comprehensive in-come	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	-700	3,180
Other items*	516	0	0	-516	0
Deferred tax liabilities, total* **	**6,057**	**161**	**-359**	**-59**	**5,799**

Changes in deferred tax assets and liabilities	31 Dec 2019	Business combinations	Fair value through other comprehensive income	Recognised through profit or loss	31 Dec 2020
Deferred tax assets					
Fee accruals	467	0	0	21	488
Confirmed losses	1,333	0	0	-514	819
Other items*	548	0	37	-506	79
Deferred tax assets, total	**2,348**	**0**	**37**	**-999**	**1,386**
Deferred tax liabilities					
Fair value through other comprehensive income	-359	0	61	0	-298
Fair value through profit or loss	572	0	0	-18	555
Mergers and acquisitions	134	838	0	-79	894
Intangible assets	918	0	0	252	1,170
Appropriations**	1,354	0	0	-670	684
Provisions and loan impairment	3,180	0	0	-576	2,604
Deferred tax liabilities, total	**5,799**	**838**	**61**	**-1,090**	**5,608**

*Other items include changes in employee benefits and taxation. ** Appropriations include changes in depreciation differences.
*** Since the publication of the financial statements on 31 December 2019, deferred taxes have been adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

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

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

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

			Measured at fair value through profit or loss		
Classes of financial assets, 31 Dec 2019	**Amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value**	**Derivatives designated for 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**

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

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

Classification of financial instruments according to valuation method

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

Financial assets, fair values 31 Dec 2019	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	603,893	0	603,893	603,893
Receivables from credit institutions *	0	33,723	0	33,723	33,721
Receivables from customers	0	5,124,454	0	5,124,454	4,780,583
Total *	**0**	**5,762,070**	**0**	**5,762,070**	**5,418,197**
Financial assets measured at fair value through profit or loss					
Debt securities	0	62,571	0	62,571	62,571
Derivative contracts	0	400	0	400	400
Shares and interests **	14,529	12,554	0	27,083	27,083
Total *	**14,529**	**75,525**	**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	**1,022,455**	**5,852,766**	**434**	**6,875,655**	**6,527,240**

*With respect to Receivables from credit institutions the comparison data for 2019 has been restated since the publication of the financial statements on 31 December 2019.

**The comparative information for shares and interests for 2019 has been restated between levels 1 and 2 since the publication of the financial statements on 31 December 2019.

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

Fair values of financial liabilities at 31 Dec 2019	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to 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**

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

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

Transfers between levels 1 and 2

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

Changes at level 3	Shares and interests
Shares and interests, carrying amount 1 Jan 2020	434
Purchases	105
Sales	-122
Transfers from level 3 to level 2	-189
Other changes	-11
Shares and interests, carrying amount 31 Dec 2020	**218**

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

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

31 Dec 2020	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	775,734					**775,734**
Debt securities eligible for refinancing with central banks	35,051	101,320	585,170	0	0	**721,541**
Receivables from credit institutions	33,863	0	0	0	0	**33,863**
Receivables from customers	172,066	381,659	1,573,258	1,202,310	2,115,070	**5,444,362**
Debt securities	211,144	111,375	183,760	1,009	0	**507,288**
Derivative contracts	0	0	0	0	0	**0**
Financial assets, total	**1,227,858**	**594,354**	**2,342,187**	**1,203,319**	**2,115,070**	**7,482,788**
Liabilities to credit institutions	0	0	0	0	0	**0**
Liabilities to customers	6,973,204	1,342	1,954	0	0	**6,976,500**
Subordinated debts	0	4,333	17,333	37,833	0	**59,500**
Derivative contracts	48	283	14,967	860	0	**16,157**
Lease liabilities	3	58	9,376	0	0	**9,437**
Financial liabilities, total	**6,973,254**	**6,017**	**43,630**	**38,693**	**0**	**7,061,594**

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	0	0	33,600	16,400	0	**50,000**
Derivative contracts	0	913	14,695	1,454	0	**17,062**
Lease liabilities	1	209	3,144	0	0	**3,353**
Financial liabilities, total	**5,996,974**	**1,984**	**54,429**	**17,854**	**0**	**6,071,241**

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

	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	58,476	39,996
Bank of Finland checking account	717,258	563,897
Cash and cash equivalents, total	**775,734**	**603,893**

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

	31 Dec 2020	31 Dec 2019
Measured at fair value through other comprehensive income		
Public corporations	101,735	117,271
Credit institutions	582,562	619,096
Other financial institutions	0	3,708
Companies outside the financial sector	37,244	47,139
Debt securities eligible for refinancing with central banks, total	**721,541**	**787,214**

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 2020	31 Dec 2019
Repayable on demand	7,674	4,848
Other than repayable on demand	26,189	28,872
Receivables from credit institutions, total	**33,863**	**33,721**

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 2020	Loss allowance*
Household customers	4,500,584	17,444
Secured loans	3,764,092	7,182
Unsecured loans	736,492	10,261
Corporate customers	943,778	394
Receivables from customers, total	**5,444,362**	**17,837**

	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
Receivables from customers, total	**4,780,583**	**15,246**

*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 2020	31 Dec 2019
Measured at fair value through other comprehensive income		
Debt securities		
Credit institutions	49,018	48,646
Companies outside the financial sector	135,751	182,591
Debt securities, total	184,769	231,238
Publicly quoted	184,769	231,238
Measured at fair value through profit or loss		
Commercial papers		
Other financial institutions	8,420	8,007
Companies outside the financial sector	64,068	38,538
Commercial papers, total	72,488	46,545
Publicly quoted	72,488	46,545
Local government securities		
Public corporations	238,014	8,009
Municipal certificates	238,014	8,009
Publicly quoted	238,014	8,009
Certificates of deposit		
Credit institutions	12,017	8,018
Certificates of deposit, total	12,017	8,018
Publicly quoted	12,017	8,018
Measured at fair value through profit or loss, total	**322,519**	**62,571**
Debt securities, total	**507,288**	**293,809**

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: Derivatives and hedge accounting

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Section Derivatives and hedge accounting of the consolidated financial statements. The same note also explains the treatment of derivatives' valuation in chapter Measuring financial instruments 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 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 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 their impact on S-Bank's financial position and results.

	31 Dec 2020			31 Dec 2019		
Nominal and fair values of derivatives	**Nominal value**	**Positive fair value**	**Negative fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	571,200	0	-16,125	631,200	0	-15,860
Total interest rate derivatives designated for hedge accounting	**571,200**	**0**	**-16,125**	**631,200**	**0**	**-15,860**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	50,000	23	0
Options, written	0	0	0	125,000	0	-798
Interest rate swaps	140,000	0	-32	110,000	0	-27
Total interest rate derivatives, other than for hedging purposes	**140,000**	**0**	**-32**	**285,000**	**23**	**-825**
Total derivatives	**711,200**	**0**	**-16,157**	**916,200**	**23**	**-16,685**

	31.12.2020				31.12.2019			
Maturities of derivatives	**Less than one year**	**1–5 years**	**More than 5 years**	**Total**	**Less than one year**	**1–5 years**	**More than 5 years**	**Total**
Designated for hedge accounting								
Interest rate derivatives	40,000	524,000	7,200	**571,200**	50,000	574,000	7,200	**631,200**
For non-hedging purposes								
Interest rate derivatives	70,000	70,000	0	**140,000**	125,000	160,000	0	**285,000**
Total derivatives	**110,000**	**594,000**	**7,200**	**711,200**	**175,000**	**734,000**	**7,200**	**916,200**

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

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

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

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

31 Dec 2020

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

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

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

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

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

The accounting policies for hedge accounting are described in the Group's accounting policies under Derivatives and hedge accounting.

Note 22 to the consolidated financial statements: Shares and interests

	31 Dec 2020	31 Dec 2019
Measured at fair value through other comprehensive income		
Companies outside the financial sector	765	537
Shares and interests measured at fair value through other comprehensive income, total	**765**	**537**
Measured at fair value through profit or loss		
Companies outside the financial sector	27,360	27,083
Measured at fair value through profit or loss, total	**27,360**	**27,083**
Publicly quoted	27,360	27,083
Shares and interests, total	**28,126**	**27,620**

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 Digitaalinen Asuntokauppa and APV Sijoitustutkinnot Oy are included in shares and interests measured at fair value through other comprehensive income.

Note 23 to the consolidated financial statements: Intangible assets

Changes in intangible assets 2020	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Dec. 2020	803	86,054	13,512	26,651	127,020
Corporate acquisitions	4,298	0	0	15,580	19,878
Increases	0	142	11,704	0	11,846
Decreases	-108	-174	-122	-116	-520
Transfers between items	0	5,664	-5,664	0	0
Acquisition cost at 31 Dec 2020	4,993	91,687	19,430	42,115	158,224
Accumulated amortisation, depreciation and impairment at 1 Jan 2020	-131	-60,786		-15,974	-76,891
Accumulated amortisation for allowances and transfers	0	163		0	163
Depreciation	-394	-10,021		0	-10,415
Impairments	0	-86		0	-86
Accumulated amortisation, depreciation and impairment at 31 Dec 2020	-525	-70,730		-15,974	-87,229
Carrying amount at 1 Jan 2020	672	25,268	13,512	10,676	50,128
Carrying amount at 31 Dec 2020	**4,468**	**20,956**	**19,430**	**26,141**	**70,995**

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
Decreases	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**

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 2020, the most significant increases in projects in progress were due to work on S-mobiili, Know Your Customers and other credit-process development 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 2020	31 Dec 2019
Goodwill		
Wealth Management	26,141	10,676
Goodwill	**26,141**	**10,676**

In the S-Bank Group, goodwill is currently allocated to the Wealth Management segment. In 2020, the segment's goodwill increased when S-Bank Plc acquired Fennia Asset Management Ltd.

Impairments

The S-Bank Group tested goodwill on 31 December 2020 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 the 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 7.1 per cent on 31 December 2020 and 9.0 per cent on 31 December 2019.

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 2020	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Right-to-use assets	Total tangible assets
Acquisition cost at 1 Dec. 2020	3,992	1,712	0	8,863	14,568
Increases	43	65	195	6,113	6,416
Decreases	-34	0	0	-64	-97
Contractual changes	0	0	0	-163	-163
Acquisition cost at 31 Dec 2020	4,001	1,777	195	14,750	20,723
Accumulated amortisation, depreciation and impairment at 1 Jan 2020	-3,992	-360		-5,520	-9,872
Accumulated amortisation for allowances and transfers	16	0		2,651	2,667
Depreciation	-1	-327		-2,451	-2,780
Impairment	-19	0		0	-19
Accumulated amortisation, depreciation and impairment at 31 Dec 2020	-3,996	-688		-5,320	-10,003
Carrying amount 1 Jan 2020	0	1,352	0	3,344	4,696
Carrying amount 31 Dec 2020	**5**	**1,090**	**195**	**9,430**	**10,720**

Changes in tangible assets in 2019	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Right-to-use assets*	Total tangible assets
Acquisition cost at 1 Jan 2019	3,992	1,023	0	8,174	13,189
Increases*	0	31	777	524	1,332
Decreases*	0	-119	0	-228	-347
Contractual changes	0	0	0	394	394
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 at 1 Jan 2019	14	865	0	5,803	6,682
Carrying amount at 31 Dec 2019	**0**	**1,352**	**0**	**3,344**	**4,696**

*The presentation of the changes to lease agreements has been amended since the publication of the financial statements on 31 December 2019.

Right-to-use assets and lease liabilities

Right-to-use assets consist of premises under leases and leasing vehicles. The lease negotiations for the Group's headquarters were completed in early 2020.

Changes in concessionary assets 2020	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Total right-to-use assets
Acquisition cost at 1 Dec. 2020	8,158	706	8,863
Increases	5,882	232	6,113
Decreases	0	-64	-64
Contractual changes	-125	-38	-163
Acquisition cost at 31 Dec 2020	13,915	835	14,750
Accumulated amortisation, depreciation and impairment at 1 Jan 2020	-5,158	-362	-5,520
Accumulated amortisation for allowances and transfers	2,560	91	2,651
Depreciation	-2,224	-228	-2,451
Accumulated amortisation, depreciation and impairment at 31 Dec 2020	-4,821	-499	-5,320
Carrying amount 1 Jan 2020	3,000	344	3,344
Carrying amount 31 Dec 2020	**9,094**	**336**	**9,430**

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*	287	237	524
Decreases*	-113	-115	-228
Contractual changes*	394	0	394
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**

Lease liabilities	31 Dec 2020	31 Dec 2019
Long-term lease liabilities	6,693	1,721
Short-term lease liabilities	2,744	1,632
Lease liabilities, total	**9,437**	**3,353**

Lease liabilities are included in Other liabilities.

The maturity breakdown of lease liabilities is presented in the note Breakdown of financial assets and liabilities according to maturity.

Items recognised in the income statement	2020	2019
Interest expenses on leases	-36	-27
Lease expenses on short-term leases	-822	-402
Rental expenses for low value assets	-423	-379
Depreciation of right-to-use assets, buildings	-2,224	-2,972
Depreciation of right-to-use assets, machinery and equipment	-228	-238
Total	**-3,731**	**-4,019**

Cash flow from leases	2020	2019*
Cash flow from leases, total	1,778	-3,164

*Redemptions of right-to-use items have been updated in the 2019 comparison data.

Note 25 to the consolidated financial statements: Accrued income

	31 Dec 2020	31 Dec 2019
Interest receivables	10,241	10,595
Fee claims	8,345	7,077
Other receivables	6,474	7,466
Accrued income, total	**25,060**	**25,138**

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 2020	31 Dec 2019
Receivables from payment transactions	497	1,754
Accounts receivable	5,193	2,554
Other receivables	373	121
Other assets, total	**6,064**	**4,429**

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

	31 Dec 2020	31 Dec 2019
Liabilities to credit institutions		
Liabilities to credit institutions, repayable on demand	0	0
Liabilities to credit institutions, total	**0**	**0**
Liabilities to customers		
Deposits		
Deposits payable on demand	6,920,234	5,908,038
Deposits other than repayable on demand	4,726	40,098
Other liabilities		
Other liabilities repayable on demand, total	47,940	50,521
Liabilities other than repayable on demand	3,600	2,168
Liabilities to customers, total	**6,976,500**	**6,000,826**
Liabilities to credit institutions and customers, total	**6,976,500**	**6,000,826**

Note 28 to the consolidated financial statements: Subordinated debts

31 Dec 2020	Carrying amount*	Nominal value	Interest rate	Maturity
Debenture I/2016	26,487	26,000	12-month Euribor + 1.8% annual interest	30 Jun 2026
Debenture I/2017	8,013	8,000	12-month Euribor + 1.8% annual interest	18 Dec 2027
Debenture I/2020	25,594	25,500	12-month Euribor + 2.0% annual interest	1 Dec 2030

*Includes accrued 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. Calling requires that loans can be resold to a new investor within a short period of time. The noteholders do not have the right to demand premature repayment of the loans.

Debenture loans are subordinated to the bank's other debt obligations. In capital adequacy calculation, 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/2016	Debenture I/2017	Debenture I/2020
Issuer	S-Bank Ltd (currently S-Bank Plc)	S-Bank Ltd (currently S-Bank Plc)	S-Bank Plc
Unique identifier (ISIN)	FI4000210877	FI4000292735	FI4000466628
Governing law of the instrument	Finnish law	Finnish law	Finnish law
Regulation			
Transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Post-transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Eligible at solo or consolidated / subconsolidated / solo and consolidated / sub-consolidation group 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)	26	8	25.5
Nominal amount of instrument (EUR million)	26	8	25.5
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
Original date of issuance	30 Jun 2016	18 Dec 2017	1 Dec 2020

Model of the key features of equity instruments	Debenture I/2016	Debenture I/2017	Debenture I/2020
Perpetual or dated	dated	dated	dated
Original maturity date	30 Jun 2026	18 Dec 2027	1 Dec 2030
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instalment being paid on 30 June 2021 and the last on 30 June 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 issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than 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 December 2022 and the last on 18 December 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 issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first instalment being paid on 1 December 2026 and the last on 1 December 2030. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than five (5) years.
Subsequent call dates, if applicable	See above	See above	See above
Coupons/dividends			
Fixed or floating dividend/coupon	Floating coupon	Floating coupon	Floating coupon
Coupon rate and any related indices	12-month Euribor + 1.8% annual interest	12-month Euribor + 1.8% annual interest	12-month Euribor + 2.0% annual interest
Existence of a dividend stopper	No	No	No
Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partly discretionary or mandatory (in terms of quantity)	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, 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/2016	Debenture I/2017	Debenture I/2020
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
Write-down features	Not applicable	Not applicable	Yes
If write-down, write-down trigger(s)	Not applicable	Not applicable	In accordance with the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), the debenture may be subject to write-down or conversion by decision of the Finnish Financial Stability Authority. A write-down event occurs when the issuer's CET1 capital ratio falls below seven (7) percent on a regular observation date (the last day of each six-month period) or on an additional observation date (the day (other than a regular observation date) on which the issuer's CET1 capital is calculated at the request of the Financial Supervisory Authority or another supervisory authority).
If write-down, full or partial	Not applicable	Not applicable	Full or partial
If write-down, permanent or temporary	Not applicable	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Note 29 to the consolidated financial statements: Accrued expenses

	31 Dec 2020	31 Dec 2019
Interest payable	2,661	915
Accruals associated with personnel expenses	11,611	12,686
Other accrued expenses	16,275	16,720
Accrued expenses, total	**30,547**	**30,320**

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 2020	31 Dec 2019
Lease liabilities	9,437	3,353
Payables arising from payment transactions	25,753	22,447
Other	12,071	10,504
Other liabilities	**47,260**	**36,304**
Defined benefit plans	397	302
Provisions	**397**	**302**
Other liabilities and provisions, total	**47,657**	**36,607**

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

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

Defined benefit pension plans

In addition to statutory pension insurance (TyEL), the S-Bank Group has two defined benefit pension plans. They are voluntary supplementary pension schemes that are provided by an insurance company and 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 plans consist mainly of the payments made by S-Bank to the scheme and their proceeds.

Pension liability on the balance sheet	31 Dec 2020	31 Dec 2019
Present value of the defined benefit obligation	2,662	2,191
Fair value of defined benefit plan assets	-2,265	-1,889
Net debt arising from a defined benefit plan	397	302

Reconciliation statement of the opening and closing balances of the net defined benefit liabilities and their components:

	Present value of the obligation		The fair value of plan assets		Net debt	
	2020	2019	2020	2019	2020	2019
Opening balance sheet at 1 Jan	**2,191**	**1,735**	**1,889**	**1,471**	**302**	**264**
Items recognised in the income statement:						
Expense based on time of service in the period	233	138			233	138
Change in arrangement	-16	-221	0	-151	-16	-70
Interest expense / income	23	42	21	38	2	4
Total	**241**	**-42**	**21**	**-113**	**220**	**71**
Items recognized in other comprehensive income:						
Items due to reassessment:						
Actuarial gains / losses (- / +) based on changes in financial factors	-59	588			-59	588
Actuarial gains / losses (- / +) based on empirical changes	-90	46			-90	46
Changes related to mergers and acquisitions	198	0			198	0
Return on plan assets excluding interest income / expense (+/-)			-136	512	136	-512
Total	**50**	**634**	**-136**	**512**	**186**	**122**
Other:						
Benefits paid	-181	-136	-181	-136	0	0
Contributions to defined benefit plan			311	155	-311	-155
Total	**-181**	**-136**	**130**	**19**	**-311**	**-155**
Closing balance sheet 31 Dec	**2,300**	**2,191**	**1,903**	**1,889**	**397**	**302**

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:

	S-Bank Plc		Fennia Asset Management Ltd	
	2020	2019	2020	2019
Discount rate	1.10%	1.00%	0.50%	-
Increase in wages	1.40%	1.40%	1.40%	-
Inflation	1.40%	1.40%	1.10%	-

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.

	2020		2019	
	Increase	Decrease	Increase	Decrease
Change (t €) when the discount rate changes by +/- 0.5 percentage points	286	528	233	386

Note 31 to the consolidated financial statements: Equity items

	31 Dec 2020	31 Dec 2019
Share capital	82,880	82,880
Reserves	283,366	283,037
Fair value reserve	-462	-792
Reserve for invested non-restricted equity	283,828	283,828
Retained earnings*	122,397	106,921
Retained earnings (losses)	106,728	83,395
Profit/loss for the period	15,670	23,527
Total equity	**488,644**	**472,838**
Parent company's shareholders	488,644	472,838

*Following the publication of the financial statements on 31 December 2019, deferred taxes were adjusted by EUR 601 000. The adjustment was made between income taxes and tax liabilities.

	31 Dec 2020	31 Dec 2019
Shares outstanding at the beginning of the period (number)	6,680,180	6,680,180
Shares outstanding at the end of the period (number)	6,680,180	6,680,180

S-Bank Plc 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 neither S-Bank nor its subsidiary holds 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 recognised 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 2020	**31 Dec 2019**
Collateral given for own debt		
Liabilities to credit institutions	174,131	152,252
Derivative contracts and liabilities held for trading	22,865	23,573
Collateral given for own debt, total	**196,997**	**175,825**
of which cash	22,865	23,573
of which securities	174,131	152,252
Other collateral given on own behalf	**362**	**225**
of which cash	362	225
Collateral given on behalf of others	**0**	**24**
of which cash	0	24

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

31.12.2020	**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	0	0	0		
Financial liabilities					
Derivative contracts	16,181	-24	16,157	-22,865	-6,708

31.12.2019	**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 received as collateral is included in the balance sheet item Receivables from credit institutions. Cash received as collateral is included in the balance sheet item Liabilities to credit institutions.

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

	31 Dec 2020	31 Dec 2019
Guarantees	14,280	19,018
Other commitments given to third parties	207	250
Undrawn credit facilities	208,917	255,275
Total	**223,405**	**274,543**

The expected credit loss on off-balance sheet items is EUR 1 010 000 (1 245 000).

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

S-Bank Plc is the parent company of the S-Bank Group. S-Bank Plc 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 such tasks of the Group companies that must be carried out in a centralised manner, such as the Group's administration, guidance and supervision. S-Bank has four wholly owned subsidiaries: S-Asiakaspalvelu Oy, FIM Asset Management Ltd and FIM Private Equity Funds Ltd and Fennia Asset Management Ltd.

S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank Plc. 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.

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 the 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 the S-Bank Group's real estate funds.
- FIM Impact Investing Ltd offers impact investing services and manages one impact investment fund and is its general partner.
- FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Private Debt Fund I GP Oy and FIM SIB Oy 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.

Fennia Asset Management Ltd manages alternative investment funds and the non-UCITS funds Fennica Properties I and Fennica Building Plot Fund, and offers asset management services to companies, entrepreneurs, institutions and private individuals. Fennia Asset Management Ltd has one wholly owned subsidiary.

- Fennia Properties Ltd specialises in property management services and offers its services to investors, property owners and tenants. In addition to real estate portfolio management, property management services and real estate development, the company focuses on the implementation and management of joint venture projects.

Business combinations in 2020

On 31 July 2020, S-Bank Plc acquired 100 per cent of the share capital and voting rights of Fennia Asset Management Ltd. The transaction also included Fennia Properties Ltd, a wholly owned subsidiary of Fennia Asset Management Ltd. Fennia Asset Management Ltd manages alternative investment funds and offers asset management services to companies, entrepreneurs, institutions and private individuals. Fennia Properties Ltd specialises in property management services and offers its services to investors, property owners and tenants. In addition to real estate portfolio management, property management services and real estate development, the company focuses on the implementation and management of joint venture projects.

With this acquisition, S-Bank will become one of Finland's most significant real estate asset managers.

The acquisition cost of the company was EUR 25 million, of which 62.4 per cent or EUR 15.6 million relates to goodwill. The goodwill includes anticipated synergy benefits, such as sales and cost synergies and competent staff. Of the acquisition cost, 17.2 per cent (EUR 4.3 million) is allocated to customer relationships identified separately from goodwill. A deferred tax liability which decreases in accordance with economic depreciation is allocated to this part of the acquisition price (depreciation in the period 1 Aug–31 Dec 2020 was EUR 0.27 million). Other assets acquired consist of EUR 7.2 million in financial assets, EUR 0.6 million in other receivables and EUR 1.8 million in operating liabilities. In addition, deferred tax liabilities amount to EUR 0.9 million. The entire transaction price was paid as a cash consideration.

The total post-acquisition income of Fennia Asset Management Ltd and Fennia Properties Ltd., included as of 1 August 2020 in the comprehensive consolidated income statement for the financial year, was EUR 3.6 million and the corresponding profit for the year was EUR 0.8 million. Other operating expenses in the consolidated income statement include EUR 1.0 million in acquisition-related costs.

Calculated as if all the business combinations that took place during the year had been carried out at the beginning of the financial year, the total income and the profit for the year of the entity formed in the acquisition were EUR 180 million and EUR 17 million, respectively.

Goodwill is included in the Group's goodwill testing as of 31 December 2020 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 and Fennia Asset Management Ltd,
- alternative funds managed by FIM Private Equity Funds Ltd, with FIM Private Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund GP Oy and FIM SIB Oy as general partners,
- alternative funds managed by FIM Impact Investing Ltd and Fennia Asset Management 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.

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

		Share of ownership	
Subsidiaries	**Domicile**	**2020**	**2019**
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%	100%
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%	100%
Fennia Asset Management Ltd	Helsinki	100%	0%
Fennia Properties Ltd	Helsinki	100%	0%

Subsidiaries are consolidated using the acquisition method.

Structured entities not included in the consolidated financial statements	2020	2019
Structured entities in which the Group has an investment		
Total assets	142,091	102,199
Group investment	4,900	5,868
Total liabilities	137,191	96,331
Structured entities in which the Group has no exposure		
Total assets	7,358,183	9,199,981
Total liabilities	7,358,183	9,199,981

Related party transactions in 2020	Transactions with the owner community	Partnership-companies	Persons in management	Basis for classification as a related party
Assets				
Loans	0	0	2,485	446
Accounts receivable	31	0	0	0
Liabilities				
Deposits	97,732	0	1,887	1,162
Other liabilities	8,048	0	0	0
Accounts payable	629	426	0	0
Off-balance sheet commitments				
Loan commitments	60,000	0	865	32
Income and expenses				
Interest income	20	0	10	3
Fee and commission income	29	0	2	1
service Sales	984	0	0	0
Interest expenses	315	0	2	2
Service purchases	13,634	14,970	0	0

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

Management compensation 2020	Salaries and other short-term employee benefits	Long-term defined contribution pension plans
CEO and Group Management Team	1,746	376
Members of the Board of Directors	43	0
Total compensation of senior management	**1,789**	**376**

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**

FINANCIAL STATEMENTS OF S-BANK PLC

S-BANK PLC – INCOME STATEMENT

(EUR '000)	Note	2020	2019
Interest income	2	99,222	94,488
Interest expenses	2	-9,758	-8,219
NET INTEREST INCOME		89,464	86,268
Fee and commission income	3	52,175	52,564
Fee and commission expenses	3	-6,789	-8,993
Net income from securities and currency operations	4	2,082	2,742
Net income from securities trading		1,975	2,612
Net income from currency operations		107	130
Net income from financial assets recognised at fair value through the fair value reserve	5	901	3,072
Net income from hedge accounting	6	188	100
Other operating income	7	15,564	15,944
Administrative expenses		-100,680	-99,333
Personnel expenses		-38,044	-40,232
Salaries and fees		-32,035	-34,115
Indirect personnel expenses		-6,009	-6,117
Pension expenses		-4,905	-5,569
Other indirect personnel expenses		-1,104	-548
Other administrative expenses		-62,636	-59,101

(EUR '000)	Note	2020	2019
Depreciation and impairment on tangible and intangible assets	9	-11,682	-11,397
Other operating expenses	8	-6,658	-7,305
Expected credit losses on financial assets carried at amortised cost	10	-23,515	-14,308
Expected credit losses and impairment losses on other financial assets	10	-116	313
OPERATING PROFIT (LOSS)		10,933	19,665
Appropriations		6,342	2,172
Income taxes		-4,366	-5,067
PROFIT (LOSS) FOR THE PERIOD		12,909	16,769

S-BANK PLC – BALANCE SHEET

ASSETS (EUR '000)	Note	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	11, 28, 29, 30	**775,734**	**603,893**
Debt securities eligible for refinancing with central banks	11, 14, 28, 29, 30	**721,541**	**787,214**
Other		721,541	787,214
Receivables from credit institutions	11, 12, 28, 29, 30	**28,442**	**32,180**
Repayable on demand		2,253	3,308
Other		26,189	28,872
Receivables from the public and public sector entities	11, 13, 28, 29, 30	**5,444,362**	**4,780,583**
Repayable on demand		3,653	4,864
Other		5,440,710	4,775,719
Debt securities	11, 14, 28, 29, 30	**507,288**	**293,809**
From others		507,288	293,809
Shares and interests	11, 15, 28, 29	**27,912**	**27,482**
Shares and interests in associated companies	11, 15, 28, 29	**3**	**3**
Shares and interests in Group companies	11, 15, 28, 29	**55,938**	**29,942**
Derivative contracts	11, 16, 17, 28, 29, 30	**0**	**400**
Intangible assets	18, 29	**34,091**	**36,794**
Tangible assets	19, 29	**1,161**	**1,229**
Other tangible assets		966	1,229
Other assets	20, 29	**4,631**	**3,977**
Accrued income and prepayments made	21, 29	**16,456**	**17,131**
Deferred tax assets	22, 29	**298**	**359**
TOTAL ASSETS		**7,617,856**	**6,614,997**

LIABILITIES (EUR '000)	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Liabilities to credit institutions	11, 28, 29, 30	**0**	**0**
To credit institutions		0	0
Repayable on demand		0	0
Liabilities to the public and public sector entities	11, 28, 29, 30	**7,009,608**	**6,025,093**
Deposits		6,958,068	5,972,403
Repayable on demand		6,953,342	5,932,305
Other		4,726	40,098
Other liabilities		51,540	52,690
Repayable on demand		47,940	50,521
Other		3,600	2,168
Derivative contracts	11, 16, 28, 29, 30	**16,157**	**17,062**
Other liabilities	23, 29	**35,679**	**31,177**
Other liabilities		35,679	31,177
Accrued expenses and prepayments received	24, 29	**18,760**	**20,649**
Subordinated debts	11, 25, 28, 29	**59,500**	**50,000**
Other		59,500	50,000
Deferred tax liabilities	22, 29	**0**	**0**
TOTAL LIABILITIES		**7,139,705**	**6,143,981**
ACCUMULATED APPROPRIATIONS			
Depreciation and amortisation difference		**3,402**	**6,745**
Taxation-based reserves		**27,000**	**30,000**
ACCUMULATED APPROPRIATIONS, TOTAL		**30,402**	**36,745**

LIABILITIES (EUR ’000)	Note	31 Dec 2020	31 Dec 2019
EQUITY			
Share capital	26, 27	**82,880**	**82,880**
Other restricted reserves	26	**-462**	**-792**
Fair value reserve			
Measured at fair value		-718	-792
Non-restricted reserves	26	**283,828**	**283,828**
Reserve for invested non-restricted equity		283,828	283,828
Other reserves			
Retained earnings (losses)	26	**68,593**	**51,586**
Profit/loss for the period	26	**12,909**	**16,769**
TOTAL EQUITY		**447,749**	**434,272**
TOTAL EQUITY AND LIABILITIES		**7,617,856**	**6,614,997**

OFF-BALANCE SHEET LIABILITIES (EUR ’000)	32	31 Dec 2020	31 Dec 2019
Commitments given to a third party in favour of a customer		**14,487**	**19,268**
Guarantees and pledges		14,280	19,018
Other		207	250
Irrevocable commitments given in favour of a customer		**214,187**	**260,545**
Other		214,187	260,545

S-BANK PLC – CASH FLOW STATEMENT

	Note	2020	2019
Profit (loss) for the period		**12,909**	**16,769**
Depreciation and impairment		11,682	11,397
Credit losses		27,891	18,623
Other non-payment income and expenses		-2,143	-4,054
Appropriations		-6,342	-2,172
Income taxes		4,366	5,067
Adjustments for financial income and expenses		2,351	-1,546
Adjustments, total		37,804	27,316
Increase/decrease in operating assets (- / +)			
Receivables from credit institutions, other than repayable on demand		2,683	-16,635
Receivables from customers		-692,253	-612,434
Derivative contracts		400	245
Investment assets		-146,660	598,604
Other assets		-173	2,199
Total increase/decrease in operating assets		**-836,003**	**-28,021**
Increase / decrease in operating liabilities (- / +)			
Liabilities to credit institutions		0	-302
Liabilities to customers		984,515	118,388
Other liabilities		1,450	8,077
Increase / decrease in operating liabilities		**985,964**	**126,164**
Taxes paid		-4,871	-6,392
Cash flow from operating activities		**195,803**	**135,836**

	Note	2020	2019
Cash flow from investing activities			
Investments in tangible and intangible assets		-8,912	-11,440
Subsidiary shares purchased less cash at the date of acquisition	14	-25,996	0
Proceeds from other investments		423	0
Cash flow from investing activities		**-34,485**	**-11,440**
Repayments of short-term loans			
Issued bonds and debentures	24	9,500	0
Cash flow from financing activities		**9,500**	**0**
Difference in cash and cash equivalents		**170,818**	**124,396**
Cash and cash equivalents, opening balance sheet		607,201	482,814
Difference in cash and cash equivalents		170,818	124,396
Impact of changes in exchange rates		-33	-9
Cash and cash equivalents consist of the following items			
Cash and cash equivalents		775,734	603,893
Repayable on demand		2,253	3,308
Cash and cash equivalents		**777,987**	**607,201**
Interest paid		**-8,012**	**-7,756**
Interest received		**99,957**	**92,021**

S-BANK PLC – NOTES TO THE FINANCIAL STATEMENTS

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

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

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

On 2 February 2021, the Board of Directors approved the financial statements for the period 1 January–31 December 2020.

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.

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 36 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 if the cost can be measured reliably and it is probable that the intangible asset will generate economic benefits. 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 economic lifetime.

Amortisation periods for intangible assets:
IT systems and licence fees: 3–5 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 balance sheet 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 PLC – 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 Plc: Net interest income

	2020	2019
Interest income		
Receivables from credit institutions	0	-125
Receivables from the public and public sector entities	93,015	86,717
Debt securities	6,165	7,801
Derivative contracts	45	91
Other interest income	-2	3
Interest income, total	**99,222**	**94,488**
of which intra-Group items	66	91
Interest income from stage 3 financial assets	1,740	1,310
Interest expenses		
Liabilities to credit institutions	-810	-457
Liabilities to the public and public sector entities	-4,216	-4,652
Derivative contracts	-3,837	-2,258
Subordinated debts	-892	-842
Other interest expenses	-4	-14
Interest expenses, total	**-9,758**	**-8,219**
Net interest income	**89,464**	**86,268**

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

	2020	2019
Fee and commission income		
From lending	25,558	26,325
From borrowing	2,329	3,066
From payment transactions	14,209	11,351
From wealth management	2	18
From legal duties	360	267
From securities brokerage	652	2,197
From insurance brokerage	1,194	1,014
From issuance of guarantees	55	160
From other activities	7,816	8,166
Fee and commission income, total	**52,175**	**52,564**
of which intra-Group items	6,694	7,392

	2020	2019
Fee and commission expenses		
From paid commission fees	-67	-54
Other	-91	-178
Fee and commission expenses, total	**-6,789**	**-8,993**

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

2020	Capital gains and losses (net)	Changes in fair value (net)	Total
From debt securities	101	180	281
From shares and interests	-61	1,232	1,171
From derivative contracts	-170	693	523
Net income from securities trading, total	**-130**	**2,104**	**1,975**
Net income from currency operations	140	-33	107
Income statement item, total	**10**	**2,072**	**2,082**

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**

Note 5 to the financial statements of S-Bank Plc: Net income from financial assets recognised at fair value through the fair value reserves

	2020	2019
Net income from disposal of financial assets	577	2,713
Other income and expenses from other comprehensive income	324	358
Net income from financial assets recognised at fair value through the fair value reserve	**901**	**3,072**

Note 6 to the financial statements of S-Bank Plc: Net income from hedge accounting

	2020	2019
Net result from hedging instruments	-265	-4,362
Net result from hedged items	453	4,462
Total	**188**	**100**

Note 7 to the financial statements of S-Bank Plc: Other operating income

	2020	2019
Other income	15,564	15,944
of which from the Group	3,024	1,882

Note 8 to the financial statements of S-Bank Plc: Other operating expenses

	2020	2019
Other operating expenses		
Lease expenses	-3,683	-4,097
Other expenses	-2,975	-3,208
Other operating expenses, total	**-6,658**	**-7,305**
A breakdown of the fees paid to the audit firm		
Audit	-181	-191
Tax consultancy	-1	-1
Other services	-125	-126
Fees paid to the audit firm, total	-308	-318
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-1,045	-627
Deposit guarantee fund contribution	-4,944	-4,156
Administrative fee	-27	-37
Fees paid to the Finnish Financial Stability Authority, total	-6,016	-4,820

The Deposit Guarantee Fund reimbursed the deposit guarantee contribution collected for the Financial Stability Fund. This did not result in a profit or loss for S-Bank.

Note 9 to the financial statements of S-Bank Plc: Depreciation and impairment on tangible and intangible assets

	2020	2019
Depreciation according to plan		
Intangible assets	-8 950	-7 823
Goodwill	-2 261	-2 528
Tangible assets	-327	-321
Depreciation according to plan, total	**-11 538**	**-10 672**
Impairment losses on non-current assets		
Intangible assets	-144	-725
Impairment losses on non-current assets, total	**-144**	**-725**
Depreciation and impairment on tangible and intangible assets, total	**-11 682**	**-11 397**

Note 10 to the financial statements of S-Bank Plc:
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 2020	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	30	0	0	0
From receivables from the public and public sector entities	-2,621	3,031	4,375	-25,535
Commitments given on behalf of, and in favour of, customers	236	127	0	0
Total	**-2,355**	**3,158**	**4,375**	**-25,535**
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	-116	0	0	0
Total	**-116**	**0**	**0**	**0**
Total expected credit losses	**-2,471**	**3,158**	**4,375**	**-25,535**

*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.

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.

S-BANK PLC – NOTES TO THE BALANCE SHEET

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

Note 11 to the financial statements of S-Bank Plc: Classes of financial assets and liabilities

			Fair value through profit or loss		
Classes of financial assets, 31 Dec 2020	**Amortised cost**	**Fair value through other comprehensive income**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	775,734				775,734
Debt securities eligible for refinancing with central banks		721,541			721,541
Receivables from credit institutions	28,442				28,442
Receivables from the public and public sector entities	5,444,362				5,444,362
Debt securities		184,769	322,519		507,288
Shares and interests		658	27,254		27,912
Derivative contracts				0	0
Total	**6,248,538**	**906,968**	**349,772**	**0**	**7,505,278**

			Fair value through profit or loss		
Classes of financial assets, 31 Dec 2019	**Amortised cost**	**Fair value through other comprehensive income**	**Measured 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**

Classes of financial liabilities, 31 Dec 2020	Amortised cost	Fair value through profit or loss		Total
		Measured at fair value	Derivatives in hedge accounting	
Liabilities to credit institutions	0			0
Liabilities to the public and public sector entities	7,009,608			7,009,608
Derivative contracts and other liabilities held for trading		0	16,125	16,157
Subordinated debts	59,500			59,500
Total	**7,069,108**	**0**	**16,125**	**7,085,265**

Classes of financial liabilities, 31 Dec 2019	Amortised cost	Fair value through profit or loss		Total
		Measured at fair value	Derivatives in hedge accounting	
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**

Note 12 to the financial statements of S-Bank Plc: Receivables from credit institutions

31 Dec 2020	Repayable on demand	Other than repayable on demand	Total
From Finnish credit institutions	1,034	3,324	4,357
From foreign credit institutions	1,219	22,865	24,084
Receivables from credit institutions, total	**2,253**	**26,189**	**28,442**

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
Repayable on demand, total	**3,308**	**28,872**	**32,180**

Note 13 to the financial statements of S-Bank Plc: Receivables from the public and public sector entities

31 Dec 2020	Receivables from the public and public sector entities	Loss allowance*
Corporates and housing companies	891,221	303
Financial and insurance institutions	67,191	84
Households	4,478,121	17,436
Non-profit organisations serving households	2,421	7
Foreign countries	5,408	7
Receivables from the public and public sector entities, total	**5,444,362**	**17,837**

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**

*The loss allowance is the expected credit loss included in each item.

Note 14 to the financial statements of S-Bank Plc: Debt securities

31 Dec 2020	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	238,014	238,014	
Debt securities issued by public sector entities, total	**238,014**	**238,014**	
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	12,017	12,017	
Commercial papers	72,488	72,488	
Financial assets measured at fair value through other comprehensive income	906,310	906,310	-730
Debt securities issued by other than public sector entities, total	**990,815**	**990,815**	**-730**
Debt securities, total	**1,228,829**	**1,228,829**	
Of which eligible for refinancing with central banks	721,541	721,541	
Of which those that accumulate no interest, total	36,815	36,815	

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	

*The loss allowance is the expected credit loss for each item.

Note 15 to the financial statements of S-Bank Plc: Shares and interests

31 Dec 2020	Publicly quoted	Other	Total
Shares and interests			
Financial assets recognised at fair value through profit or loss	27,542	0	27,542
Equity instruments recognised at fair value through other comprehensive income in accordance with IFRS 9.4.1.4	0	370	370
Shares and interests in Group companies	0	55,938	55,938
Shares and interests in associated companies	0	3	3
Total	**27,542**	**56,311**	**83,853**

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**

Note 16 to the financial statements of S-Bank Plc: Derivative contracts

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Section Derivatives and hedge accounting of the consolidated financial statements. The same note also explains the treatment of derivatives' valuation in chapter Measuring financial instruments 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 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 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 their impact on S-Bank's financial position and results.

	31 Dec 2020			31 Dec 2019		
	Nominal value	Positive fair value	Negative fair value	Nominal value	Positive fair value	Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	571,200	0	-16,125	631,200	0	-15,860
Total interest rate derivatives in hedge accounting	**571,200**	**0**	**-16,125**	**631,200**	**0**	**-15,860**
Maturities of derivative exposures designated for hedge accounting						
less than one year	40,000			50,000		
1–5 years	524,000			574,000		
more than five years	7,200			7,200		
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	50,000	23	0
Options, written	0	0	0	125,000	0	-798
Interest rate swaps	140,000	0	-32	110,000	0	-27
Total interest rate derivatives, other than for hedging purposes	**140,000**	**0**	**-32**	**285,000**	**23**	**-825**
Maturities of derivative exposures not designated for hedge accounting						
less than one year	70,000			125,000		
1–5 years	70,000			160,000		
more than five years	0			0		

Note 17 to the financial statements of S-Bank Plc: Hedge accounting

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Note 1, Section Derivatives and hedge accounting of the consolidated financial statements. Chapter Measuring financial instruments 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 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 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 their impact on S-Bank's financial position and results.

	31 Dec 2020			31 Dec 2019		
Nominal and fair values of derivatives	**Nominal value**	**Positive fair value**	**Negative fair value**	**Nominal value**	**Positive fair value**	**Negative fair value**
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	571,200	0	-16,125	631,200	0	-15,860
Total interest rate derivatives designated for hedge accounting	**571,200**	**0**	**-16,125**	**631,200**	**0**	**-15,860**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	50,000	23	0
Options, written	0	0	0	125,000	0	-798
Interest rate swaps	140,000	0	-32	110,000	0	-27
Total interest rate derivatives, other than for hedging purposes	**140,000**	**0**	**-32**	**285,000**	**23**	**-825**
Total derivatives	**711,200**	**0**	**-16,157**	**916,200**	**23**	**-16,685**

	31.12.2020				31.12.2019			
Maturities of derivatives	**Less than one year**	**1–5 years**	**More than 5 years**	**Total**	**Less than one year**	**1–5 years**	**More than 5 years**	**Total**
Designated for hedge accounting								
Interest rate derivatives	40,000	524,000	7,200	**571,200**	50,000	574,000	7,200	**631,200**
For non-hedging purposes								
Interest rate derivatives	70,000	70,000	0	**140,000**	125,000	160,000	0	**285,000**
Total derivatives	**110,000**	**594,000**	**7,200**	**711,200**	**175,000**	**734,000**	**7,200**	**916,200**

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

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

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

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

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

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

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

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

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

The accounting policies for hedge accounting are described in the Group's accounting policies under Derivatives and hedge accounting.

Note 18 to the financial statements of S-Bank Plc: Intangible assets

Changes in intangible assets 2020	Information systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 2020	82,299	10,699	17,628	110,626
Increases	48	8,604	0	8,652
Decreases	-94	-122	0	-216
Transfers between items	3,540	-3,540	0	0
Acquisition cost at 31 Dec 2020	85,793	15,642	17,628	119,063
Accumulated amortisation, depreciation and impairment at 1 Jan 2020	-59,407		-14,425	-73,832
Accumulated amortisation for allowances and transfers	94		0	94
Depreciation	-8,950		-2,261	-11,211
Impairments	-22		0	-22
Accumulated amortisation, depreciation and impairment at 31 Dec 2020	-68,285		-16,686	-84,971
Carrying amount 1 Jan 2020	22,892	10,699	3,203	36,794
Carrying amount 31 Dec 2020	**17,508**	**15,642**	**942**	**34,091**

Changes in intangible assets 2019	Information 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
Decreases	-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**

Note 19 to the financial statements of S-Bank Plc: Tangible assets

Changes in tangible assets in 2020	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost at 1 Jan 2020	726	1,589	0	2,314
Increases	0	65	195	260
Decreases	0	0	0	0
Transfers between items	0	0	0	0
Acquisition cost at 31 Dec 2020	726	1,654	195	2,574
Accumulated amortisation, depreciation and impairment at 1 Jan 2020	-726	-360		-1,086
Accumulated amortisation for allowances and transfers	0	0		0
Depreciation	0	-327		-327
Accumulated amortisation, depreciation and impairment at 31 Dec 2020	-726	-688		-1,413
Carrying amount 1 Jan 2020	0	1,229	0	1,229
Carrying amount 31 Dec 2020	**0**	**966**	**195**	**1,161**

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
Decreases	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**

Note 20 to the financial statements of S-Bank Plc: Other assets

	31 Dec 2020	31 Dec 2019
Receivables from payment transactions	497	1,754
Other	4,133	2,223
Total other assets	**4,631**	**3,977**
of which from the Group	61	43

Note 21 to the financial statements of S-Bank Plc: Accrued income and prepayments made

	31 Dec 2020	31 Dec 2019
Interest receivable	10,241	10,595
Fee claims	1,418	1,592
Other receivables	4,797	4,944
Accrued income, total	**16,456**	**17,131**
of which from the Group	965	531

Note 22 to the financial statements of S-Bank Plc: Deferred tax assets and liabilities

	31 Dec 2020	31 Dec 2019
Recognised deferred tax assets and liabilities		
Deferred tax assets arising from the fair value reserve	298	359
Recognised deferred tax assets and liabilities, total	**298**	**359**
Unrecognised deferred tax assets and liabilities		
Deferred tax liability from appropriations	6,080	7,349
Deferred tax liability on financial instrument classification changes	555	572
Unrecognised deferred tax assets and liabilities, total	**6,635**	**7,921**

Note 23 to the financial statements of S-Bank Plc: Other liabilities

	31 Dec 2020	31 Dec 2019
Payables arising from payment transactions	25,753	22,447
Other	9,926	8,730
Other liabilities	**35,679**	**31,177**

Note 24 to the financial statements of S-Bank Plc: Accrued expenses and prepayments received

	31 Dec 2020	31 Dec 2019
Interest payable	2,661	915
Accrued expenses	16,100	19,734
Accrued expenses	**18,760**	**20,649**
of which to the Group	10	0

Note 25 to the financial statements of S-Bank Plc: Subordinated debts

31 Dec 2020	Carrying amount*	Nominal value	Interest rate	Maturity
Debenture I/2016	26,487	26,000	12-month Euribor + 1.8% annual interest	30 Jun 2026
Debenture I/2017	8,013	8,000	12-month Euribor + 1.8% annual interest	18 Dec 2027
Debenture I/2020	25,594	25,500	12-month Euribor + 2.0% annual interest	1 Dec 2030

*Includes accrued 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. Calling requires that loans can be resold to a new investor within a short period of time. The noteholders do not have the right to demand premature repayment of the loans.

Debenture loans are subordinated to the bank's other debt obligations. In capital adequacy calculation, 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/2016	Debenture I/2017	Debenture I/2020
Issuer	S-Bank Ltd (currently S-Bank Plc)	S-Bank Ltd (currently S-Bank Plc)	S-Bank Plc
Unique identifier (ISIN)	FI4000210877	FI4000292735	FI4000466628
Governing law of the instrument	Finnish law	Finnish law	Finnish law
Regulation			
Transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Post-transitional CRR rules	Tier 2 (T2) capital	Tier 2 (T2) capital	Tier 2 (T2) capital
Eligible at solo or consolidated / subconsolidated / solo and consolidated / sub-consolidation group 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)	26	8	25.5
Nominal amount of instrument (EUR million)	26	8	25.5
Issue price	100%	100%	100%
Redemption price	100%	100%	100%
Accounting classification	Liability at amortised cost	Liability at amortised cost	Liability at amortised cost
Original date of issuance	30 Jun 2016	18 Dec 2017	1 Dec 2020

Model of the key features of equity instruments	Debenture I/2016	Debenture I/2017	Debenture I/2020
Perpetual or dated	dated	dated	dated
Original maturity date	30 Jun 2026	18 Dec 2027	1 Dec 2030
Issuer call subject to prior supervisory approval	Yes	Yes	Yes
Optional call date, contingent call dates, and redemption amount	The debenture will be repaid based on its nominal value in equal instalments annually on 30 June, with the first instalment being paid on 30 June 2021 and the last on 30 June 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 issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than 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 December 2022 and the last on 18 December 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 issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than five (5) years.	The debenture will be repaid based on its nominal value in equal instalments annually on 1 December, with the first instalment being paid on 1 December 2026 and the last on 1 December 2030. The issuer reserves the right to repay the debenture before the maturity date. The repayment can take place no earlier than five (5) years after issuance of the loan, unless the Financial Supervision Authority grants permission for repayment earlier than five (5) years.
Subsequent call dates, if applicable	See above	See above	See above
Coupons/dividends			
Fixed or floating dividend/coupon	Floating coupon	Floating coupon	Floating coupon
Coupon rate and any related indices	12-month Euribor + 1.8% annual interest	12-month Euribor + 1.8% annual interest	12-month Euribor + 2.0% annual interest
Existence of a dividend stopper	No	No	No
Fully discretionary, partly discretionary or mandatory (in terms of timing)	Mandatory	Mandatory	Mandatory
Fully discretionary, partly discretionary or mandatory (in terms of quantity)	Mandatory	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
If convertible, 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/2016**	**Debenture I/2017**	**Debenture I/2020**
If convertible, specify instrument type convertible into	Not applicable	Not applicable	Not applicable
If convertible, specify issuer of instrument it converts into	Not applicable	Not applicable	Not applicable
Write-down features	Not applicable	Not applicable	Yes
If write-down, write-down trigger(s)	Not applicable	Not applicable	In accordance with the Act on the Resolution of Credit Institutions and Investment Firms (1194/2014), the debenture may be subject to write-down or conversion by decision of the Finnish Financial Stability Authority. A write-down event occurs when the issuer's CET1 capital ratio falls below seven (7) percent on a regular observation date (the last day of each six-month period) or on an additional observation date (the day (other than a regular observation date) on which the issuer's CET1 capital is calculated at the request of the Financial Supervisory Authority or another supervisory authority).
If write-down, full or partial	Not applicable	Not applicable	Full or partial
If write-down, permanent or temporary	Not applicable	Not applicable	Permanent
If temporary write-down, description of write-up mechanism	Not applicable	Not applicable	Not applicable
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.	Debentures are subordinated debt instruments that belong to the T2 instruments referred to in Article 63 and to the eligible liabilities instruments referred to in Article 72a of Regulation (EU) No. 575/2013 of the European Parliament and of the Council, provided that the conditions set out in said articles and other conditions of the Regulation are met. Debentures are subordinated to the issuer's other commitments. Debentures cannot be used for setting off counterclaims.
Non-compliant transitioned features	No	No	No
If yes, specify non-compliant features	Not applicable	Not applicable	Not applicable

Note 26 to the financial statements of S-Bank Plc: Equity items

	31 Dec 2020	31 Dec 2019
Share capital, 1 Jan	82,880	82,880
Share capital, 31 Dec	**82,880**	**82,880**
Other restricted reserves		
Fair value reserve 1 Jan	-792	-2,981
Profit/loss from measurement at fair value, other financial securities	116	-313
Amount transferred to the income statement, other financial securities	-13	3,128
Proportion of deferred tax assets of changes in the period, other financial securities	3	-626
Profit/loss from measurement at fair value, equity instruments	288	0
Proportion of deferred tax assets of changes in the period, equity instruments	-64	0
Fair value reserve, 31 Dec	**-462**	**-792**
Non-restricted reserves		
Reserve for invested non-restricted equity, 1 Jan	283,828	283,828
Reserve for invested non-restricted equity, 31 Dec	**283,828**	**283,828**
Retained earnings (losses), 1 Jan	68,355	51,586
Retained earnings (losses), 31 Dec	**68,593**	**51,586**
Profit/loss for the period	**12,909**	**16,769**
Total equity	**447,749**	**434,272**

Note 27 to the financial statements of S-Bank Plc: 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 PLC – OTHER NOTES TO THE FINANCIAL STATEMENTS

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

Note 28 to the financial statements of S-Bank Plc: Fair values and carrying amounts of financial assets and liabilities, and the hierarchy of fair values

	31 Dec 2020		31 Dec 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	775,734	775,734	603,893	603,893
Receivables from credit institutions	28,442	28,442	32,180	32,180
Receivables from the public and public sector entities	5,444,362	5,890,630	4,780,583	5,124,454
Debt securities	1,228,829	1,232,516	1,081,023	1,085,565
Shares and interests	27,912	27,912	27,482	27,482
Shares and interests in associated companies	3	13	3	13
Shares and interests in Group companies	55,938	55,938	29,942	29,942
Derivative contracts	0	0	400	400
Financial liabilities				
Liabilities to credit institutions	0	0	0	0
Liabilities to the public and public sector entities	7,009,608	7,050,404	6,025,093	6,028,371
Derivative contracts	16,157	16,157	17,062	17,062
Subordinated debts	59,500	60,094	50,000	50,538

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 fund units and futures are measured at market value. Financial assets measured at fair value are measured using the bid price, while financial liabilities at fair value are measured using the ask price.

Financial instruments measured at fair value, 31 Dec 2020	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Shares and interests	14,417	12,837	0	27,254
Debt securities	0	322,519	0	322,519
Total	**14,417**	**335,355**	**0**	**349,772**
Financial assets measured at fair value through other comprehensive income				
Debt securities eligible for refinancing with central banks	723,634	0	0	723,634
Debt securities	186,363	0	0	186,363
Shares and interests	0	549	56,060	56,608
Total	**909,998**	**549**	**56,060**	**966,606**
Derivative receivables	0	0	0	0
Derivative liabilities	0	16,157	0	16,157
Total	**0**	**16,157**	**0**	**16,157**

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*	14,529	12,554	0	27,083
Debt securities	0	62,571	0	62,571
Total	**14,529**	**75,125**	**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	30,252	30,354
Total	**1,007,925**	**15,171**	**30,252**	**1,053,348**
Derivative receivables	0	400	0	400
Derivative liabilities	0	17,062	0	17,062
Total	**0**	**17,462**	**0**	**17,462**

*The comparative information for shares and interests for 2019 has been restated between levels 1 and 2 since the publication of the financial statements on 31 December 2019.

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

Note 29 to the financial statements of S-Bank Plc: Breakdown of balance sheet items into domestic and foreign amounts and amounts from Group entities

31 Dec 2020	Domestic currency	Foreign currency	Total	From Group entities	From associated companies
Receivables from credit institutions	28,147	295	28,442	0	
Receivables from the public and public sector entities	5,444,362	0	5,444,362	0	
Debt securities	1,228,829	0	1,228,829	0	
Derivative contracts	0	0	0	0	
Shares and interests	83,853	0	83,853	55,938	3
Intangible assets	34,091	0	34,091	0	
Tangible assets	1,161	0	1,161	0	
Other assets (including cash and cash equivalents)	797,118	0	797,118	1,026	
Total	**7,617,561**	**295**	**7,617,856**	**56,964**	**3**
Liabilities to credit institutions	0	0	0	0	
Liabilities to the public and public sector entities	7,009,608	0	7,009,608	33,107	
Derivative contracts and liabilities held for trading	16,157	0	16,157	0	
Other liabilities	54,425	15	54,440	10	
Subordinated debts	59,500	0	59,500	0	
Total	**7,139,690**	**15**	**7,139,705**	**33,117**	**0**

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**

Note 30 to the financial statements of S-Bank Plc: Breakdown of financial assets and liabilities according to maturity

31 Dec 2020	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	775,734	0	0	0	0	775,734
Debt securities eligible for refinancing with central banks	35,051	101,320	585,170	0	0	721,541
Receivables from credit institutions	28,442	0	0	0	0	28,442
Receivables from the public and public sector entities	172,066	381,659	1,573,258	1,202,310	2,115,070	5,444,362
Debt securities	211,144	111,375	183,760	1,009	0	507,288
Derivative contracts	0	0	0	0	0	0
Financial assets, total	**1,222,437**	**594,354**	**2,342,187**	**1,203,319**	**2,115,070**	**7,477,367**
Liabilities to credit institutions	0	0	0	0	0	0
Liabilities to the public and public sector entities	7,006,311	1,342	1,954	0	0	7,009,608
Subordinated debts, change than other debts	0	4,333	17,333	37,833	0	59,500
Derivative contracts	48	283	14,967	860	0	16,157
Financial liabilities, total	**7,006,359**	**5,958**	**34,254**	**38,693**	**0**	**7,085,265**

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**

Note 31 to the financial statements of S-Bank Plc: Collateral given

	Other collateral	
	31 Dec 2020	31 Dec 2019
Collateral given for own debt		
Liabilities to credit institutions	174,131	152,252
Derivative contracts and other liabilities held for trading	22,865	23,573
Collateral given for own debt, total	**196,997**	**175,825**
Other collateral given on own behalf	**362**	**225**
Collateral given on behalf of others	**0**	**16**

Note 32 to the financial statements of S-Bank Plc: Lease liabilities

	31 Dec 2020	31 Dec 2019*
Within one year	2,626	2,543
Due in 1–5 years	5,908	7,960
Total	**8,534**	**10,503**

*The comparative information has been restated since the publication of the financial statements on 31 December 2019.

Financial leasing and other lease liabilities concern the leasing of premises, vehicles and telephones. The agreements cannot be cancelled mid-term.

Note 33 to the financial statements of S-Bank Plc: Off-balance sheet commitments

	31 Dec 2020	31 Dec 2019
Guarantees	14,280	19,018
Commitments given to third parties in favour of customers	207	250
Undrawn credit facilities	214,187	260,545
Total	**228,675**	**279,813**
Of which intra-group off-balance sheet commitments:		
Undrawn credit facilities	5,270	5,270

Note 34 to the financial statements of S-Bank Plc: Brokerage receivables and payables

	31 Dec 2020	31 Dec 2019
Savings in accordance with the Finnish Act on Long-Term Savings Schemes	529	288
Other brokerage receivables and payables		
Purchases from brokers	0	311
Brokerage payables to customers	0	24
Total	**529**	**623**

Note 35 to the financial statements of S-Bank Plc: Notes regarding trustee services and total amount of customer funds held

	31 Dec 2020	31 Dec 2019
Assets under consultative wealth management	16,976	20,504

Note 36 to the financial statements of S-Bank Plc: Personnel and management

	2020		2019	
	Average number	Number at the end of the period	Average number	Number at the end of the period
Permanent full-time personnel	464	470	459	448
Permanent part-time personnel	16	16	28	19
Temporary personnel	33	28	22	20
Total	**514**	**514**	**509**	**487**

	2020	2019
Salaries and fees paid to management (EUR thousand)		
CEO and CEO's deputy	492	468
Board of Directors	30	30
Pension commitments to the management (EUR '000)		
CEO and CEO's deputy	142	156

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 supplementary pension insurance has been taken out for the management of the S-Bank Group. The insured may draw down their supplementary pensions at any time after they have turned 60 years old.

Note 37 to the financial statements of S-Bank Plc: Related parties

	Receivables from the public and public sector entities	
	31 Dec 2020	31 Dec 2019
Basis for classification as a related party		
Management	1,697	1,686
Management of holding company	1,373	681
Kinship	434	19
Total	**3,504**	**2,386**

The terms of credit granted to the company's related parties comply with the standard terms and conditions of lending to the public.

Note 38 to the financial statements of S-Bank Plc: Holdings in other companies

	Domicile	Share of ownership	Equity (EUR '000)	Profit/loss for the period (EUR '000)
S-Asiakaspalvelu Ltd	Helsinki	100%	2,089	180
FIM Private Equity Funds Ltd	Helsinki	100%	9,644	852
FIM Asset Management Ltd	Helsinki	100%	21,297	4,640
Fennia Asset Management Ltd	Helsinki	100%	5,948	1,316
S-Crosskey Ltd	Mariehamn	40%	28	-3

Note 39 to the financial statements of S-Bank Plc: 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	1.30%
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%

Shareholder	Share of ownership
LähiTapiola Vellamo Mutual Insurance Company	0.80%
LähiTapiola Länsi-Suomi Mutual Insurance Company	0.80%
Maakunta Cooperative Society	0.70%
LähiTapiola Etelä-Pohjanmaa Mutual Insurance Company	0.70%
LähiTapiola Varsinais-Suomi Mutual Insurance Company	0.60%
Keula Cooperative Society, Rauma	0.60%
LähiTapiola Itä Mutual Insurance Company	0.60%
LähiTapiola Uusimaa Mutual Insurance Company	0.50%
LähiTapiola Pirkanmaa Mutual Insurance Company	0.50%
LähiTapiola Keski-Suomi Mutual Insurance Company	0.50%
LähiTapiola Lappi 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	0.40%
LähiTapiola Savo Mutual Insurance Company	0.30%
Koillismaa Cooperative Society, Kuusamo	0.30%
LähiTapiola Kainuu-Koillismaa Mutual Insurance Company	0.30%
LokalTapiola Sydkusten Ömsesidigt Försäkringsbolag	0.10%
Total	**100.00%**

SIGNATURES OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CEO

Helsinki, 2 February 2021

Jari Annala
Chairman of the Board of Directors

Matti Kiviniemi
Member of the Board of Directors

Heli Arantola
Member of the Board of Directors

Veli-Matti Liimatainen
Member of the Board of Directors

Erik Valros
Member of the Board of Directors

Jorma Vehviläinen
Member of the Board of Directors

Olli Vormisto
Member of the Board of Directors

Pekka Ylihurula
CEO

AUDITOR'S NOTE

A report has been issued today on the audit performed.

Helsinki, 2 February 2021

Marcus Tötterman, APA
KPMG Oy AB
Authorised Public Accountants

AUDITOR'S REPORT

To the Annual General Meeting of S-Bank Plc

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of S-Bank Plc (business identity code 2557308-3) for the year ended 31 December, 2020. The financial statements comprise the consolidated balance sheet, income statement, comprehensive income statement, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 9 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

MOST SIGNIFICANT ASSESSED RISKS OF MATERIAL MISSTATEMENT

Below we have described our assessment of the most significant risks of material misstatement, including risks of material misstatement due to fraud, and presented a summary of our response to those risks.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Most significant assessed risks of material misstatement	Auditor's response to the risks
Measurement of receivables (Receivables from customers); Notes 1, 2, 10 and 19 to the consolidated financial statements and notes 1, 9 and 12 to the parent company's financial statements	
• Receivables from customers, totalling EUR 5.4 billion, are the most significant item on S-Bank Plc's consolidated balance sheet representing 71 percent of the total assets. • Calculation of expected credit losses in accordance with IFRS 9 Financial Instruments is based on the impairment models used by the company and involves assumptions, estimates and management judgment especially in respect of the probability of credit losses, significant increases in credit risk and valuation of collaterals. • In the financial year 2020 the COVID-19 pandemic has impacted the operating environment, credit risk level and components of accounting for expected credit losses of S-Bank. • Due to the significance of the carrying amount involved, complexity of the accounting methods used for measurement purposes and management judgement involved, measurement of receivables is addressed as a key audit matter.	• We evaluated compliance with the lending instructions and assessed the appropriateness of the recognition and measurement principles, as well as tested controls over recognition and monitoring of impairment losses and measurement of receivables. • We assessed the models and the key assumptions used in determining expected credit losses. • We considered the impacts of the COVID-19 pandemic on the credit risk position and the accounting for expected credit losses. • We utilised our IFRS and financial instrument specialists in our audit. • Furthermore, we considered the appropriateness of the notes provided in respect of receivables and impairment losses.

Most significant assessed risks of material misstatement	Auditor's response to the risks
Recognition of fee and commission income (fee income from funds); Notes 1 and 4 to the consolidated financial statements	
• The assets managed by S-Bank Plc Group entitle to management fees on the grounds of agreements with customers and partners. Fee income from funds represent a significant item in the consolidated income statement. • Calculation of fee and commission income is system-based relying on fee agreements and other source data. Owing to the large number of fee and commission bases, fee calculation involves various elements which may affect fee and commission amounts. • Appropriate timing of the recognition of fee and commission income at correct amount is essential in respect to the accuracy of the financial statements.	• We obtained an understanding of the fee and commission streams of the Group and assessed those areas which may involve the higher risk of error, due the manual processing of fee and commission-related elements, tailored or diverse contract terms. We focused our work on these areas. • We evaluated the business processes and IT systems related to fee and commission income and assessed the associated key controls. Our audit procedures also included comparison of the accounting data kept in subledgers to that in the general ledger, and substantive procedures performed in respect of fee and commission income using data analyses. • We recalculated the recognised fee and commission amounts and compared the parameters used to the underlying contract documentation, on a sample basis. Furthermore, we compared market-based data to the source data provided by third parties.

Most significant assessed risks of material misstatement	Auditor's response to the risks
Corporate structure and business combination; Note 35 to the consolidated financial statements	
• In the acquisition completed on 31 July 2020 S-Bank acquired all shares in and operations of Fennia Varainhoito Oy, comprising asset and alternative fund management and various real estate management services. • S-Bank has consolidated the acquired business since 1 August 2020. S-Bank mainly allocated the purchase price to goodwill and customer relationships. • Due to the one-off significance of the acquisition and management judgement involved in purchase price allocations, the business combination is addressed as a key audit matter.	• We observed the operations transferred in the acquisition and considered the related terms and conditions. • As part of the evaluation of the purchase price allocation we examined the facts underlying the assumptions, the market-based accounting parameters applied, and the contractual data used in the calculations. • We assessed the consolidation of the acquired operations and the accounting principles applied by reference to the requirements set under IFRS 3 Business Combinations. • Furthermore, we inspected the procedures applied in the impairment testing of goodwill, which has increased due to the purchase price allocation, and assessed if the parameters used in the calculations are market-conform.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

INFORMATION ON OUR AUDIT ENGAGEMENT

We were first appointed as auditors by the Annual General Meeting on 14 March 2011, and our appointment represents a total period of uninterrupted engagement of 10 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 2 February 2021

KPMG OY AB

Marcus Tötterman
Authorised Public Accountant, KHT

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