S-BANK PLC ANNUAL REPORT 2021

S BANK

EARNINGS IMPROVED YEAR-ON-YEAR – RECORD-BREAKING AMOUNT OF CARD PURCHASES IN EUROS CLEARLY EXCEEDS THAT OF THE PERIOD BEFORE THE COVID-19 PANDEMIC

Pekka Ylihurula, CEO

"The S-Bank Group's operating profit increased in January–December from that of a year earlier, as we had estimated in July when we raised the outlook for 2021. The total euro amount of the purchases made with S-Etukortti Visa cards grew by 14.8 per cent on the previous year and was record-high. This sum also clearly exceeds the 2019 level before the Covid-19 pandemic."

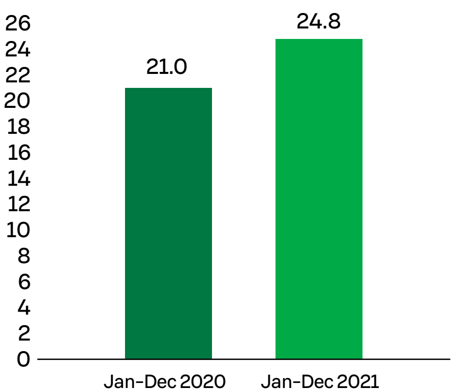
JANUARY–DECEMBER 2021

- Operating profit increased to EUR 24.8 million (21.0)
- Lending increased to EUR 6.1 billion (5.4)
- Comparable assets under management increased to EUR 7.7 billion (6.5) *
- The capital adequacy ratio rose to 16.3 per cent (15.7).

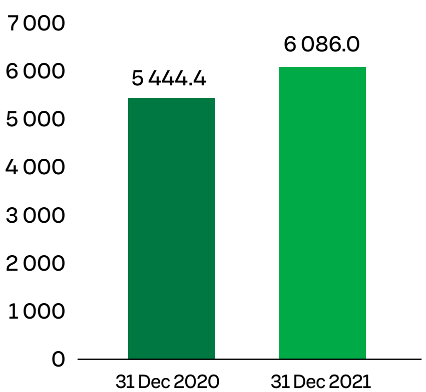
* The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. The comparable amount of assets under management, excluding LocalTapiola funds, was EUR 6 496.5 million at the end of 2020.

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

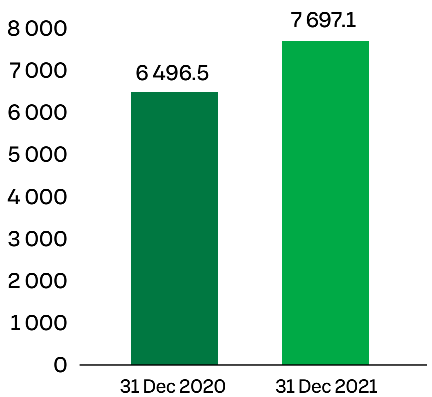
Operating profit (EUR million)



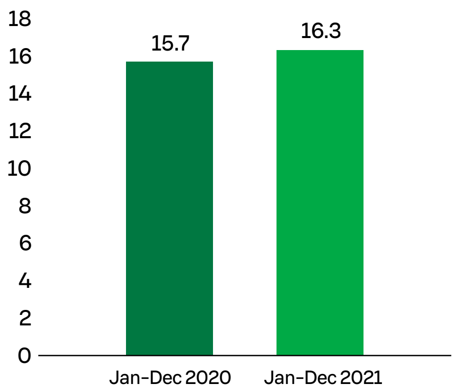
Lending (EUR million)



Assets under management (EUR million)



Capital adequacy ratio (%)



OUTLOOK FOR 2022

We expect operating profit for the whole year to exceed the previous year's level.

Key figures

(EUR million)	2021	2020	Change	Q4 2021	Q4 2020	Change
Net interest income	90.3	89.3	1.1%	23.0	21.6	6.7%
Net fee and commission income	80.8	67.0	20.6%	24.5	20.8	17.9%
Total income	187.0	173.9	7.6%	52.9	51.2	3.4%
Operating profit	24.8	21.0	17.8%	4.2	8.3	-49.6%
Cost-to-income ratio	0.78	0.74	0.04	0.78	0.74	0.04

(EUR million)	31 Dec 2021	31 Dec 2020	Change
Liabilities to customers, deposits	7 554.9	6 925.0	9.1%
Receivables from customers, lending	6 086.0	5 444.4	11.8%
Debt securities	1 149.1	1 228.8	-6.5%
Equity	509.3	488.6	4.2%
Expected credit losses (ECL)	20.6	19.6	5.5%
Assets under management*	7 697.1	10 785.1	-28.6%
Return on equity	3.9%	3.3%	0.7
Return on assets	0.2%	0.2%	0.0
Equity ratio	6.0%	6.4%	-0.4
Capital adequacy ratio	16.3%	15.7%	0.6

* The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Comparable assets under management, excluding the LocalTapiola funds, were EUR 6 496.5 million at the end of 2020.

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

CEO'S REVIEW

The S-Bank Group's operating profit increased in January–December compared with the previous year, as we had estimated in July when we raised the outlook for 2021. In Banking, the total euro amount of the purchases made with S-Etukortti Visa cards grew by 14.8 per cent on the previous year and was record-high. This sum also clearly exceeds the 2019 level before the Covid-19 pandemic. At the end of 2021, purchases made with S-Bank's payment cards constituted 23.2 per cent (22.4) of all Bonus purchases made in S Group stores. Year-on-year, our lending grew by 11.8 per cent and the deposit portfolio by 9.1 per cent. The Wealth Management business performed excellently, with the result being 2.5 times greater than that of the previous year. The total number of unit holders in all of the S-Bank funds increased by roughly 71 000 to around 340 000 year-on-year.

Similarly to the previous year, 2021 was also defined above all by the Covid-19 pandemic and the fight against the disease. The disease situation varied throughout the year, both globally and in Finland. As the second half of the year got underway, there were signs of improvement in Finland, and the increase in vaccination coverage reinforced optimism that the situation would abate. As a result of this development, the authorities eased and cancelled the restrictions and recommendations imposed on various activities in society. However, in the last quarter of the year, the situation started to deteriorate again and many of the restrictions were re-imposed by the authorities. As the pandemic has persisted, S-Bank has become accustomed to operating in a new environment marked by the increasing use of digital banking channels and services. Thus, we have kept adjusting and readjusting our ways of working as required by changes in the disease situation and the restrictions imposed. We will continue to do so in the future.

Among the most significant events for S-Bank in 2021 was the corporate transaction that took place at the beginning of October. In this transaction the S Group acquired all of the S-Bank shares previously held by the LocalTapiola Group and Elo. This will enable us to work more closely together and to develop better services in the S Group. The autumn was also marked by a milestone in the history of S-Bank: we issued our first publicly quoted bond, the nominal value of which is EUR 170 million. The autumn was very busy otherwise, too, as we started a brand renewal process. As part of this, Wealth Management began to operate under a single integrated S-Bank brand, and the FIM brand was relinquished. Our customers have welcomed the brand renewal.

According to our strategy, updated at the end of 2020, S-Bank's strategic objective is to achieve one million active customers. An active customer is a customer who considers S-Bank to be their primary bank. I am pleased to be able to say that in 2021, we made consistent progress towards our strategic goal. The number of active clients increased by about 57 000 and exceeded 532 000 at the end of the year. In my opinion, the past few years have demonstrated two facts: that the future always involves unpredictability and that it is possible to adapt to any operating environment. S-Bank's vision is to offer customers superior ease and benefits. I am certain that we are well-positioned to continue to develop in line with our strategy. How people outside S-Bank rate the bank gives a good indication of our status. In 2021, S-Bank was voted as not only Finland's most responsible bank, but also the most innovative actor and the most highly valued brand in the Finnish financial sector. According to surveys, S-Bank also has the most satisfied and the most loyal customers. S-Bank was awarded for its even-handed treatment of employees and was also singled out as one of the most inspirational workplaces. In addition, the job satisfaction index in the annual personnel survey rose year-on-year and clearly exceeded the norm for expert positions in Finland. This is an excellent foundation on which to start the new year.

I would like to thank S-Bank's employees for their outstanding work – and likewise our customers, owners and partners for the confidence they have shown in us. I wish everyone a successful year 2022!

PEKKA YLIHURULA
CEO

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OPERATIONS IN THE REVIEW PERIOD

KEY EVENTS

The Standard and Poor's (S&P) credit rating agency raised S-Bank's outlook to stable in January. The previous outlook had been negative, in line with the rest of the Finnish banking sector. S&P justified their upgrading of the banking sector's outlook by referencing Finland's superior macro-economic environment, compared with the rest of Europe, and the country's successful handling of the Covid-19 pandemic. S&P confirmed the rating and outlook in August.

During the first half of the year, S-Bank completed its project to integrate the asset management and real estate investment services acquired from Fennia insurance company. Fennia Asset Management Ltd was merged into FIM Private Equity Funds Ltd on 31 March 2021.

S-Bank's Board of Directors appointed Hanna Porkka, previously Head of Wealth Management, as Executive Vice President and Deputy CEO of the Group, effective as of 2 February 2021, and Markus Lahtinen, Director, Sales, was appointed as a member of the Group Management Team as of 1 May 2021. The responsibilities of some other Group Management Team members were further adjusted in connection with this.

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

In June, we introduced a service that enables new customers to become not only co-op members of the S Group's Cooperative stores, but also S-Bank customers, directly by means of the S-mobiili app.

At the beginning of September, S-Bank announced that it would undertake a renewal of its brand, while simultaneously starting to use the S-Bank brand in wealth management in place of the FIM brand. According to a survey that had been published a month earlier in August by the Taloustutkimus market research company and the Kauppalehti financial newspaper, the S-Bank brand was rated as the most highly respected brand in the financial sector for the fourth consecutive year. As a result of the brand renewal announced in September, the names of several FIM companies were changed on 1 October 2021. FIM Asset Management Ltd became S-Bank Fund Management Ltd, FIM Private Equity Funds Ltd became S-Bank Private Equity Funds Ltd, and FIM Impact Investing Ltd became S-Bank Impact Investing Ltd. Portfolio management was also concentrated to S-Bank Plc within the S-Bank Group. The names of the FIM funds changed on 7 October 2021.

In mid-September, the Financial Supervisory Authority imposed a EUR 1.65 million penalty on S-Bank for deficiencies in its identification and reporting processes related to suspicious orders in share brokerage. According to the Financial Supervisory Authority, there were deficiencies in S-Bank's processes used in identifying and reporting suspicious brokerage orders from 2016 to 2018. S-Bank is not itself suspected of misconduct, and the company no longer offers its customers share brokerage services.

At the end of the third quarter, S-Bank successfully issued a EUR 170 million senior preferred MREL eligible bond. The bond is S-Bank's first issuance under its MTN (Medium Term Note) programme. Trading with the floating-rate bond that matures on 4 April 2025 began on 6 October 2021 on Nasdaq Helsinki.

A charge has been imposed on some of the old chipless payment cards since 1 October 2021. This change will not affect those daily banking services that are offered free-of-charge. S-Bank will continue to offer its co-op members and their family members a bank account, the S-Etukortti Visa card, online banking and the S-mobiili app free-of-charge.

On 5 October 2021, the owners of S-Bank – the S Group, the LocalTapiola Group and Elo – concluded a corporate transaction that had been first announced in June, and in which SOK Corporation and the regional cooperatives of the S Group acquired the shares held by LocalTapiola General, LocalTapiola Life, the LocalTapiola regional companies and the Elo Mutual Pension Insurance Company in S-Bank Plc, the parent company of the S-Bank Group. As a result of the transaction, the S Group now owns all of S-Bank's shares. Consequently, the representatives of the LocalTapiola Group resigned from S-Bank's Board of Directors. An Extraordinary General Meeting of S-Bank, held on 8 November 2021, elected Hillevi Mannonen, M.A., SHV (actuary approved by the Ministry of Social Affairs and Health), as a new member (independent of the owners) of the bank's Board of Directors.

Fund cooperation between S-Bank and LocalTapiola ended as part of the transaction completed on 5 October 2021. The management of all 28 LocalTapiola funds was transferred in stages from S-Bank Fund Management Ltd to Seligson & Co Fund Management Company Plc (owned by the LocalTapiola Group). The total fund capital of the transferred funds is approximately EUR 4 billion. Two LocalTapiola funds merged with S-Bank funds in November. In addition, the LocalTapiola Group invested EUR 57.5 million in S-Bank's debenture loans as part of the transaction.

In 2021, S-Bank launched five new funds. The new funds are the S-Bank Property non-UCITS Fund, the S-Bank Building Plot non-UCITS Fund, the S-Bank Global Private Assets non-UCITS Fund, the S-Bank Regenerative Agriculture non-UCITS Fund, and S-Pankki Vaikuttavuus I Ky.

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, vision and strategic objective of S-Bank's operations to become a bank serving one million active customers.

The purpose of S-Bank's operations is to offer everyone a chance for a slightly more affluent tomorrow. 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 with 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 13.5 per cent *

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

* The minimum limit has been set at 1.5 percentage points above the regulatory requirement (12.01 per cent in December 2021)

SUMMARY OF THE EFFECTS OF THE CORONAVIRUS PANDEMIC ON BUSINESS

The advent of the coronavirus caused a pandemic in 2020 that is still continuing. In the third quarter, however, many countries moved to a new phase in managing the pandemic as vaccination coverage and the health situation showed signs of improvement. As a result, the authorities eased and removed restrictions and recommendations regulating various activities in society. This was also the case in Finland. However, in the last quarter of the year, the situation started to deteriorate again and many of the restrictions were re-imposed by the authorities.

In 2021, S-Bank complied with the guidelines issued by the Finnish authorities. S-Bank has paid particular attention to ensuring the continuity of its operations in the event of a further decline in the infection situation. For example, it has followed hygiene, health and safety guidelines, and has paid attention to purchasing supplies. S-Bank has recommended that its customers use the S-mobiili app and the online bank to take care of their banking needs.

As the pandemic has persisted, S-Bank has become accustomed to operating in a new environment marked by the increasing use of digital banking channels and services. S-Bank was able to adjust its operations and ways of working in accordance with the infection situation. In 2021, the Covid-19 pandemic did not have a negative impact on S-Bank's operations.

The effects of the pandemic on the bank's risk position are described in more detail in the section 'Note 2: Group Risks and Risk Management'.

OPERATING ENVIRONMENT

2021 was still overshadowed by the Covid-19 pandemic, even though people's lives and the economy gradually started to normalise. The growing number of administered Covid-19 vaccinations made it possible to open up the economy and contributed to the easing of the pandemic as the year progressed. A new setback took place in the autumn, however, when the disease started to spread again as a result of the new Omicron variant of the virus. This variant forced many countries to reintroduce various restrictions. As a result, the mood at the end of the year was again uncertain, as the timetable for a permanent economic recovery to a 'new normal' was obscured once again.

Despite this setback, 2021 was, on the whole, a good year for the global economy, as recovery from the previous year's economic collapse continued. Global economic growth was nearly 6 per cent, and the Finnish economy also bounced back from the rapid decline experienced in 2020 with an increase of about 3.5 per cent. Consumption was robust, even though demand for services did not return to normal. Countries continued their stimulus measures. The employment situation improved sharply as employees were able to return to their workplaces. In many countries around the world and in Finland, unemployment even turned into labour shortages as the economy grew but the number of employees declined.

Inflation had been largely absent in the global economy in recent decades, but price rises made a strong return in 2021. They were mainly triggered by high demand for raw materials and bottlenecks in manufacturing and logistics. Thus, inflation gradually started to spread in the economy, as housing costs increased and power shortages struck the European markets. At the end of the year, inflation rose to its highest level in decades, with consumer prices up by 6.8 per cent in the USA and by 4.9 per cent in the euro area. Higher inflation forced central banks to embark on a change-of-course in their monetary policy at the end of the year, as it became necessary to start scaling back the strong stimulus measures used during the Covid-19 pandemic. This will continue in the current year.

For the financial markets, economic recovery and the strong stimulus measures initiated by governments and central banks were an excellent combination. Speculation on interest rate hikes came and went during the year, but, on the whole, interest rates remained low, despite the rise. On the other hand, low interest rates prompted investors to seek returns from other markets. The prices of housing and other real estate increased substantially due to both investment demand and people using more and more of their saved assets for housing. Consequently, the demand for housing loans was higher than ever.

The rise in the equity markets, which had started at the time of the Covid-19 collapse in the spring of 2020, continued. Corporate earnings growth was very strong, as sales increased together with economic growth, while costs were kept under tight control. Global corporate earnings growth was more than 50 per cent higher than in the previous year, which boosted the equity markets. At the same time, as more assets flowed into equities, the global equity markets rose by over 25 per cent, measured in euros. Globally, equity markets have already risen nearly 30 per cent higher than the pre-Covid-19 peak.

FINANCIAL POSITION

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank Group's operating profit was EUR 24.8 million (21.0), an increase of 17.8 per cent on the previous year. The profit for the period after taxes was EUR 19.6 million (15.7). Return on equity rose to 3.9 per cent (3.3). The Group's cost-to-income ratio was 0.78 (0.74).

Key figures

(EUR million)	2021	2020	2019
Net interest income	90.3	89.3	86.1
Net fee and commission income	80.8	67.0	60.3
Total income	187.0	173.9	168.1
Operating profit	24.8	21.0	29.0
Cost-to-income ratio	0.78	0.74	0.74

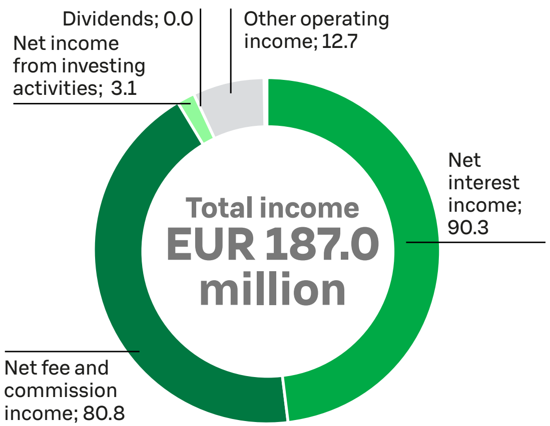
(EUR million)	31 Dec 2021	31 Dec 2020	31 Dec 2019
Liabilities to customers, deposits	7 554.9	6 925.0	5 948.1
Receivables from customers, lending	6 086.0	5 444.4	4 780.6
Debt securities	1 149.1	1 228.8	1 081.0
Equity	509.3	488.6	472.8
Expected credit losses (ECL)	20.6	19.6	17.1
Assets under management *	7 697.1	10 785.1	9 041.1
Return on equity	3.9 %	3.3 %	5.2 %
Return on assets	0.2 %	0.2 %	0.4 %
Equity ratio	6.0 %	6.4 %	7.1 %
Capital adequacy ratio	16.3 %	15.7 %	16.3 %

* The fund cooperation between S-Bank and LocalTapiola ended in the final quarter of 2021. Comparable assets under management, excluding the LocalTapiola funds, totalled EUR 6 496.5 million on 31 December 2020 and EUR 4 539.4 million on 31 December 2019.

Income

During the review period, total income developed positively. Total income amounted to EUR 187.0 million (173.9), a growth of 7.6 per cent.

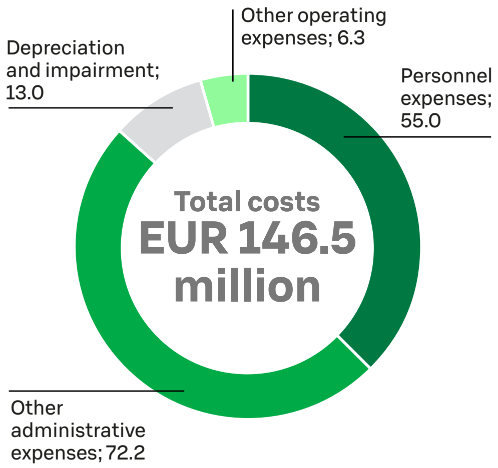
Net interest income grew by 1.1 per cent, totalling EUR 90.3 million (89.3). Net interest income was affected by a decline in interest income from investing activities and an increase in interest expenses on hedging derivatives. However, the net from interests received from and paid by customers increased by 7.7 per cent to EUR 95.6 million (88.7). Net fee and commission income increased by 20.6 per cent year-on-year to EUR 80.8 million (67.0). The increase in net fees was attributable to the corporate acquisition carried out by Wealth Management at the end of July 2020, the increase in net subscriptions, allocation choices between asset classes in portfolio management and the increase in performance-based fees. Net income from investing activities were EUR 3.1 million (3.2). Other operating income totalled EUR 12.7 million (14.3), which includes a net effect of EUR 3.1 million from the ending of the fund cooperation with LocalTapiola. The other non-recurring items of the comparison period were higher than in the review period.



Expenses

Operating expenses totalled EUR 146.5 million (129.2) during the review period. This represents an increase of 13.4 per cent year-on-year. Personnel expenses accounted for EUR 55.0 million (44.9) of operating expenses. The increase was due to the higher personnel expenses that resulted from a corporate acquisition, co-determination negotiations, fewer capitalised hours performed than in the comparison period and an increase in performance bonus provisions, among other factors.

Other administrative expenses were EUR 72.2 million (64.8). Items contributing to the increase include IT and development costs and an increase in agency fees. Depreciation and impairment of tangible and intangible assets amounted to EUR 13.0 million (13.4). Other operating expenses totalled EUR 6.3 million (6.1), which includes a penalty payment of EUR 1.65 million to the Financial Supervisory Authority.



Expected and final credit losses

Expected and final credit losses of EUR 21.4 million (28.0) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 5.7 million (4.4). Consequently, the total net effect on profit of expected and final credit losses was EUR 15.7 million (23.6). The positive development was affected by the recovery of the economy and the measures taken to manage credit risks. Credit and impairment losses are at a low level in relation to the size of the loan portfolio and within the risk appetite established by S-Bank's Board of Directors.

Deposits

Total deposits continued to grow strongly and were EUR 7 554.9 million (6 925.0) on the balance sheet date. Deposits repayable on demand were EUR 7 550.2 million (6 920.2) and time deposits EUR 4.7 million (4.7) at the end of the financial year.

During the past 12 months, total deposits grew by 9.1 per cent. Deposits by household customers were EUR 6 537.9 million (annual growth 9.6 per cent) and deposits by corporate customers were EUR 1 017.0 million (annual growth 5.8 per cent). 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 end of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 6 063.6 million (5 573.9).

Deposits

(EUR million)	31 Dec 2021	31 Dec 2020	Change from beginning of the year
Household customers	6 537.9	5 964.1	9.6 %
Corporate customers	1 017.0	960.9	5.8 %
Total	**7 554.9**	**6 925.0**	**9.1 %**

Lending

Lending growth continued to be strong. At the balance sheet date, the credit portfolio totalled EUR 6 086.0 million (5 444.4).

During the past 12 months, the credit portfolio grew by 11.8 per cent. Credits to household customers totalled EUR 5 083.7 million (annual growth 13.4 per cent), and credits to corporate customers totalled EUR 1 002.3 million (annual growth 4.3 per cent).

The housing loan portfolio increased by 12.5 per cent.

The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 81 per cent (79).

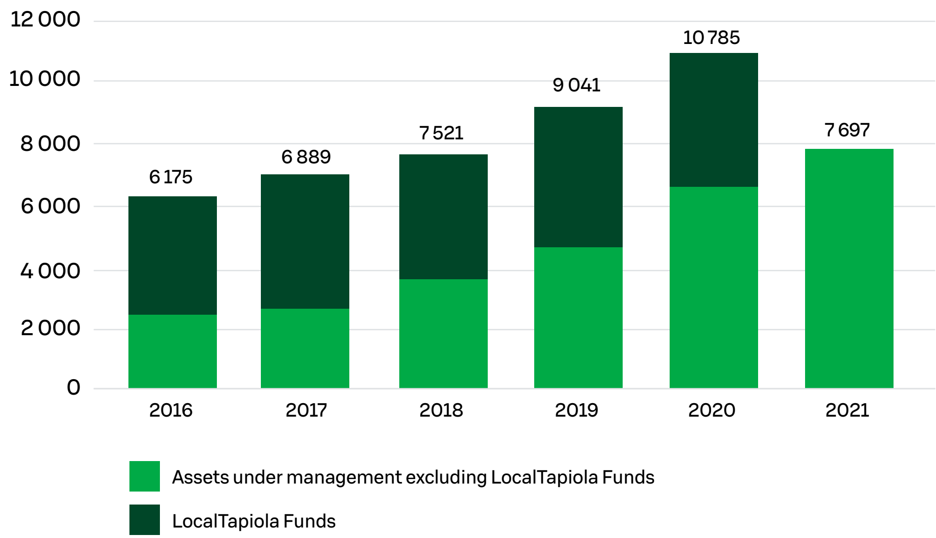
Assets under management

The S-Bank Group's assets under management were EUR 7 697.1 million (10 785.1) at the end of the review period. The fund cooperation between S-Bank and LocalTapiola ended in the fourth quarter of 2021. Comparable assets under management excluding the LocalTapiola funds was EUR 6 496.5 million at the end of 2020. This year's growth was 18.5 per cent. Of comparable assets under management, fund capital accounted for EUR 3 786.1 million (2 867.8), and wealth management capital accounted for EUR 3 911.0 million (3 628.7). In addition, S-Bank Properties Ltd managed EUR 442.4 million in customer assets, consisting of real estate and joint ventures (428.5). The net subscriptions in S-Bank funds amounted to EUR 317.1 million (119.2) during the review period.

Lending

(EUR million)	31 Dec 2021	31 Dec 2020	Change from beginning of the year
Household customers	5 083.7	4 483.1	13.4 %
Corporate customers	1 002.3	961.2	4.3 %
Total	**6 086.0**	**5 444.4**	**11.8 %**

Assets under management (EUR million)



Investing activities

At the end of the review period, the bank's debt securities totalled EUR 1 149.1 million (1 228.8 million at the end of 2020).

Equity

At the end of the review period, S-Bank's equity was EUR 509.3 million, At the end of 2020, equity was EUR 488.6 million. The equity ratio was 6.0 per cent (6.4).

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 activities. The Group reports segment data in accordance with the IFRS 8 Operating Segments standard. The reporting of business segments is identical to the internal reporting provided to company management. The reporting complies with the accounting principles of IFRS financial statements, which are presented under note 1.

Banking

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

Operating profit was EUR 36.2 million (34.9) in 2021. Total income declined 0.1 per cent to EUR 142.4 million (142.6). Expenses increased by 7.7 per cent to EUR 90.5 million (84.0). The increase in expenses was mainly attributable to the increase in agency fees. Impairment of receivables decreased to EUR 15.7 million (23.6).

According to the latest available information, S-Bank's contribution to the increase in the financial institutions' housing loan volume was 10.4 per cent (14.5) for the preceding 12-month period in October. Compared with the market as a whole, the housing loan portfolio's growth was 3.3-fold in the same period. In 2021, the number of housing loan applications grew substantially on the previous year.

The use of S-Etukortti Visa cards developed favourably in 2021. The total euro sum of purchases made with the cards increased by 14.8 per cent (6.1) on the previous year and was record-high.

Wealth Management

Wealth Management is responsible for producing the S-Bank Group's asset management services, customer relationships and business development. The segment offers saving and investing services to consumer customers, private banking services and services for institutional investors.

The corporate acquisition concluded with Fennia at the end of July 2020 had a marked impact on business performance. The operating profit increased to EUR 5.0 million (2.0). Total income increased by 38.4 per cent to EUR 39.9 million (28.9). Expenses increased by 30.1 per cent to EUR 35.0 million (26.9). The increase in income was attributable to increased net subscriptions, portfolio management allocation choices between asset classes and an increase in performance-based fees. The increase in expenses was attributable to an increase in staff and performance bonus provisions, the brand renewal and investments in IT.

Net subscriptions to S-Bank funds totalled EUR 317.1 million in 2021 (119.2). The increase in net subscriptions to the S-Bank funds was higher than the median for fund management companies. Net subscriptions totalled EUR 9 112.4 million (1 221.6) in the market as a whole.

The total number of unit holders in the S-Bank funds increased to around 340 000 from around 270 000 at the end of 2020. On the Finnish market as a whole, the total number of unit holders rose to around 3.9 million from 3.5 million a year earlier.

Banking

(EUR million)	2021	2020	Change
Operating income	142.4	142.6	-0.1 %
Operating expenses	-90.5	-84.0	7.7 %
Impairment of receivables	-15.7	-23.6	-33.5 %
Operating profit (loss)	**36.2**	**34.9**	**3.8 %**

Wealth Management

(EUR million)	2021	2020	Change
Operating income	39.9	28.9	38.4 %
Operating expenses	-35.0	-26.9	30.1 %
Operating profit (loss)	**5.0**	**2.0**	**152.3 %**

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.

Risk management supports compliance with S-Bank´s strategy, sound banking, lending practices and securities market practices. The objective of risk management is to maintain the level of profitability, capital adequacy and liquidity above the minimum target levels defined by the Board of Directors, to manage the reputation risk and to secure disturbance-free operations in both the short and long terms.

Further information on the Group's risks and their management and governance is provided below (Note 2 to the consolidated financial statements: Group risks and risk management). Information on capital and liquidity management can also be found from the same context.

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 defines the quantitative and qualitative targets of the S-Bank Group's risk capacity and risk appetite as part of the overall risk strategy. The quantitative and qualitative targets are assessed regularly and whenever required by changes in the business or the operating environment. The risk appetite indicators are monitored and controlled as part of regular reporting.

Risk capacity determines the maximum levels for risk-taking, business growth and the Group's negative profitability, that can be carried in the short and long term, while considering regulatory minimum requirements and limitations.

Risk appetite reflects the types and levels of approved risks that S-Bank is willing to take in its normal business operations while pursuing its targets. Factors affecting risk appetite are related to selected strategy, business plan and budget. The starting point for the Bank's risk appetite is to achieve a stable and sufficient return on the Group's equity in the short and long term in accordance with strategy.

The risk appetite framework and indicators

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

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.

At the end of 2021, economic recovery continued despite the Covid-19 pandemic. The employment situation has improved, and consumption has increased, which has been positively reflected in the trends related to credit losses and defaulted exposures. Growth in demand has also had a heavy impact on inflation rates, and substantial changes have been seen in commodity and energy price levels. Interest rates, however, have remained low. Employment and housing prices have developed favourably, which, together with low interest rates, has supported demand for housing loans.

In 2021, S-Bank's business volumes continued to grow, with growth occurring particularly in household customers' housing loan and deposit portfolios. Although the amount of credit risk exposures increased, the associated risk position remained stable in relation to the portfolio. S-Bank's financial position strengthened during the year as the deposit portfolio grew and as a result of S-Bank's first market-based senior preferred MREL eligible notes bond issue. The total capital ratio became stronger due to strong profit performance and an increase in Tier 2 capital, while risk-weighted assets increased as a result of balance sheet growth.

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

S-Bank Group's key risk indicators

EUR million	31 Dec 2021	31 Dec 2020
Risk-weighted exposure amounts (in euros)		
Total risk-weighted exposure amounts	3 346.0	3 035.2
Credit and counterparty risk, standardised approach	3 018.7	2 729.2
Market risk	0.0	0.0
Operational risk, basic indicator approach	327.4	306.0
Credit valuation adjustment (CVA)	0.0	0.0
Own funds (in euros)		
Common Equity Tier 1 (CET1) capital	434.8	416.4
Tier 2 (T2) capital	110.5	59.5
Own funds in total	545.3	475.9
Pillar 1 requirement (%)	12.01%	12.76%
Capital adequacy ratio (as a percentage of total risk-weighted exposure amounts)		
Common Equity Tier 1 (CET1) ratio	13.0%	13.7%
Total capital ratio (%)	16.3%	15.7%
Non-performing loan (NPL)		
NPL ratio (%)*	0.6%	0.6%
Leverage ratio (LR):		
Leverage ratio (%)	5.7%	5.8%
Leverage ratio (%) (excluding the impact of any applicable temporary exemption of central bank exposures)	5.0%	5.3%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	149.9%	146.8%
Net Stable Funding Ratio (NSFR)		
Net Stable Funding Ratio (%)	151.1%	151.2%

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

Credit risk constitutes 90 per cent (EUR 3.0 billion) of S-Bank's total risk – the Risk Exposure Amount (REA). The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. Lending growth was strong, especially in housing loans for household customers. The most substantial items requiring capital include exposures secured by immovable property and retail exposures and corporate exposures. The ratio of non-performing loans (NPL) remained at a low level. S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by prudent risk management and monitoring measures.

The amount of items allocated to the small trading book, in accordance with the Capital Requirements Regulation, has been very low due to the internally set limits, and therefore S-Bank is not subject to the Pillar 1 capital requirement for market risk. The items included in the trading book correspond to certain fund investments and direct equity investments. The capital requirement they are subject to is calculated as part of the capital requirement for credit risk. In addition, market risk is measured by internal market risk models as part of the Pillar 2 and ICAAP processes (Internal Capital Adequacy Assessment Process). S-Bank did not have credit valuation adjustment (CVA) risk at the end of the financial year, as all derivatives have been cleared through a qualifying central counterparty (CCP).

Operational risk accounts for 10 per cent of S-Bank's risk exposure amount (REA). The basic indicator approach (Pillar 1) is used for calculating the capital requirement for the operational risk. Losses attributable to operational risks realised during 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. In mid-September, the Financial Supervisory Authority imposed a EUR 1.65 million penalty on S-Bank for deficiencies in the identification and reporting processes related to suspicious orders in the share brokerage services that S-Bank offered from 2016 to 2018.

S-Bank's total capital adequacy ratio strengthened during the year, exceeding the regulatory requirements and the minimum level of risk appetite set by S-Bank's Board of Directors. At the end of the review period, S-Bank's total capital adequacy ratio was 16.3 per cent (15.7) and the CET1 capital adequacy ratio 13.0 per cent (13.7). S-Bank's risk-weighted assets (RWAs) increased by a total of EUR 310.8 million due particularly to increases in lending to household customers and in corporate exposures. S-Bank is adequately capitalised to ensure the continuity of its operations even under the results of stress test analyses. Total own funds at the end of the review period stood at EUR 545.3 million (475.9). Own funds grew during the year especially as a result of subscriptions to new debenture loans and profit for the financial year.

S-Bank's leverage ratio of 5.7 per cent (5.8) was strong and exceeded the regulatory and internally set minimums. The leverage ratio requirement of 3 per cent in accordance with the Capital Requirements Regulation entered into force in June 2021. S-Bank has made use of the Financial Supervisory Authority's decision to temporarily exempt certain central bank exposures from the total leverage ratio exposure. This decision will be valid until 31 March 2022. Without the above-mentioned exemption, S-Bank's leverage ratio was 5.0 per cent (5.3), which exceeded both the regulatory and the internally set minimums.

S-Bank's liquidity position was stable and strong in 2021. The Liquidity Coverage Ratio (LCR) was 150 per cent (147). The Net Stable Funding Ratio (NSFR), which depicts the sufficiency of stable funding, was at 151 per cent (151) at the end of the year. The NSFR requirement of the Capital Requirements Regulation is 100 per cent and entered into force in June 2021.

Own funds requirements, capital adequacy and own funds

S-Bank's total capital requirement was 12.01 per cent (12.76) at the end of the review period. The capital requirement consists of the minimum capital requirement, the capital conservation buffer, the countercyclical capital buffer and the discretionary, institution-specific Pillar 2 requirement. The Finnish Financial Supervisory Authority decided on 6 April 2020 to remove the set systemic risk buffer for credit institutions covered by CET1 capital. The requirement for S-Bank was one per cent. As the buffer was removed especially to secure lending by banks in the very exceptional circumstances of the Covid-19 pandemic, one should assume that the buffer will be returned when the pandemic eases.

The discretionary Pillar 2 requirement imposed on S-Bank decreased during the review period from 2.25 per cent to 1.5 per cent of the total risk exposure. This requirement will enter into force on 30 September 2021 and will remain in force no longer than until 30 September 2024. The Pillar 2 capital requirement complements the minimum capital requirement laid down in the Capital Requirements Regulation. Of the requirement, 75 per cent must be met with Tier 1 capital.

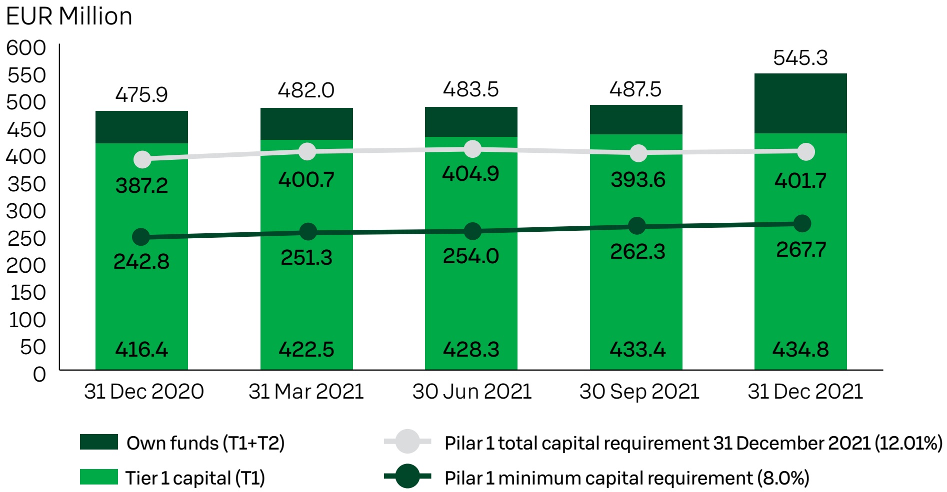
The table 'S-Bank's total capital requirement on 31 December 2021 (Pillar 1)' illustrates the distribution of the total regulatory capital requirement at S-Bank at the end of the review period.

S-Bank's total capital requirement on 31 December 2021 (pillar 1)

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

CHANGES IN OWN FUNDS AND THE CAPITAL ADEQUACY POSITION, EUR MILLION

The change in the discretionary Pillar 2 requirement (SREP) (–0.75 percentage points) lowered the total capital requirement in the latter half of 2021. At the end of the year, the capital buffer was EUR 277.6 million in relation to the Pillar 1 minimum capital requirement (8.0%) and EUR 143.6 million in relation to the Pillar 1 total capital requirement (12.0%).



CAPITAL ADEQUACY AND OWN FUNDS

At the end of the review period, S-Bank's CET1 capital adequacy ratio was 13.0 per cent (13.7) and the total capital adequacy ratio was 16.3 per cent (15.7). The amount of Tier 1 capital (CET1) increased by EUR 18.4 million, mainly through profit performance, and the amount of Tier 2 capital increased by EUR 51.0 million through an increase in debentures. The decrease in CET1 capital adequacy was mainly due to the increase in total liabilities in the loan portfolio, but, on the other hand, the decrease in capital adequacy requirements increased the euro-denominated buffer to the CET1 minimum requirement. The total capital adequacy rose, despite the increase in overall exposure, as the amount of own funds increased. S-Bank's Tier 2 capital consists of four debentures with a total nominal value of EUR 110.5 million (59.5) and a maturity of over five years. At the beginning of October 2021, S-Bank's owners completed a corporate transaction announced in June in which the S Group acquired all S-Bank's shares owned by the LocalTapiola Group and Elo. In conjunction with completion of the transaction, the LocalTapiola Group invested EUR 57.5 million in S-Bank's debenture loans, which increased own funds in the final quarter of the year.

The risk exposure amount (REA) increased by EUR 310.8 million compared with the end of the year. The increase concerned mainly retail exposures and exposures secured by mortgaged immovable property. During the first quarter of the review period, when S-Bank introduced a new collateral assessment model and process, exposures were reallocated from the class of exposures secured by mortgages on immovable property to the retail exposure class used in capital adequacy calculations. The change in the risk exposure amount by exposure class is presented in the figure Split of changes in risk exposure amount and risk-weighted assets.

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

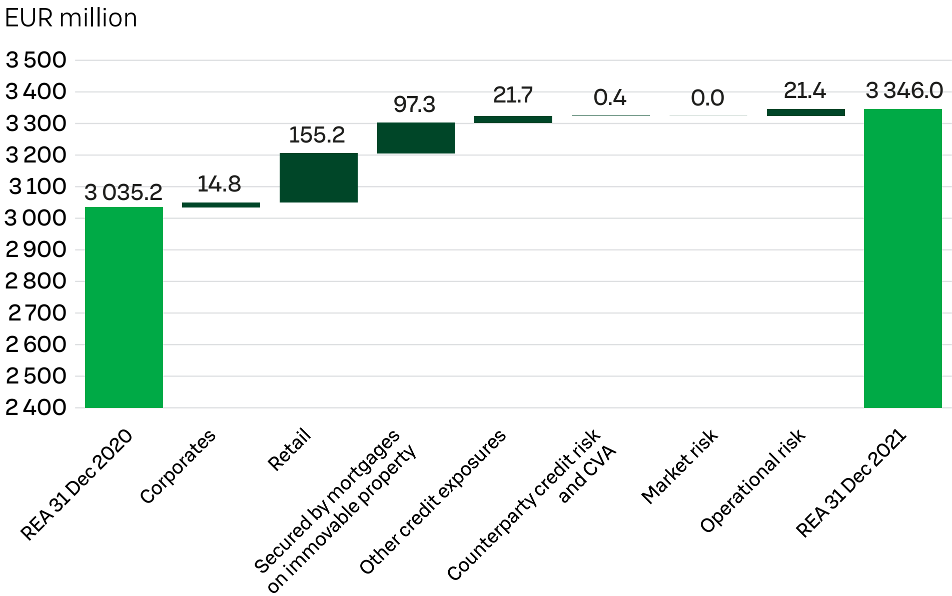
Summary of capital adequacy information

Own funds (EUR million)	31 Dec 2021	31 Dec 2020
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**509.3**	**488.6**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	142.1	122.4
Profit/loss from previous financial periods	122.6	106.7
Profit/loss for the year	19.6	15.7
Fair value reserve	0.4	-0.5
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**74.5**	**72.3**
Intangible assets	73.3	71.0
Value adjustments due to the requirements for prudent valuation	1.2	1.3
Common Equity Tier 1 (CET1) capital	**434.8**	**416.4**
Additional Tier 1 (AT1) capital before deductions	**0.0**	**0.0**
Deductions from Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Additional Tier 1 (AT1) capital	**0.0**	**0.0**
Tier 1 (T1 = CET1 + AT1)	**434.8**	**416.4**
Tier 2 (T2) capital before adjustments	**110.5**	**59.5**
Debentures	110.5	59.5
Adjustments to Tier 2 (T2) capital	**0.0**	**0.0**
Tier 2 (T2) capital	**110.5**	**59.5**
Own funds in total (TC = T1 + T2)	**545.3**	**475.9**
Total risk-weighted exposure assets (RWAs)	**3 346.0**	**3 035.2**
of which credit risk	3 018.7	2 729.2
of which market risk	0.0	0.0
of which operational risk	327.4	306.0
of which risk associated with credit valuation adjustment (CVA)	0.0	0.0
Ratio of Common Equity Tier 1 capital to risk exposure amount (%)	**13.0%**	**13.7%**
Ratio of Tier 1 capital to risk exposure amount (%)	**13.0%**	**13.7%**
Ratio of total own funds to risk exposure amount (%)	**16.3%**	**15.7%**

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

Total risk increased by EUR 310.8 million, mainly due to the increase in retail exposures and mortgage-backed exposures in accordance with strategy. During the first quarter of the review period, exposures were reallocated from the class of exposures secured by immovable property to the retail exposure class, when S-Bank introduced a new collateral valuation model and process.

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



MINIMUM REQUIREMENT FOR OWN FUNDS AND ELIGIBLE LIABILITIES (MREL)

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

In 2021 S-Bank prepared for its future MREL requirement by increasing its own funds and eligible liabilities. The sale and pricing of S-Bank's first MTN (Medium Term Note) bond was carried out in September and the issuance took place in October 2021. The nominal amount of the issued Senior Preferred bond is EUR 170 million and is considered an eligible liability intended to meet the MREL requirement. In addition, the nominal amount of debenture loans increased by EUR 57.5 million in the final quarter. As a result of the measures, on 31 December 2021, the MREL ratio based on S-Bank's total risk exposure (MREL, TREA) was 21.4 per cent, and the MREL ratio based on leverage ratio exposure (MREL, LRE) was 9.3 per cen. Consequently, the requirements have been met by a good margin.

SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL PERIOD

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

OUTLOOK FOR 2022

The year has unfortunately started in a mood of uncertainty as the Covid-19 pandemic still continues, despite hopes of it being behind us. On the other hand, Covid-19 is hardly likely to cause the same kind of economic damage as occurred when it first began to spread. Vaccines have alleviated the worst fears of the spread of the disease and people have also grown used to living with the virus. Consequently, the economic outlook for the current year is reasonable, even though the protracted pandemic is taking the edge off growth. Consumption will continue to grow and investment will pick up. Countries are starting to gradually scale back their stimulus measures, but cautiously to avoid adverse effects on growth. Globally, economic growth is expected to slow down to about 4 per cent and to just under 3 per cent in Finland.

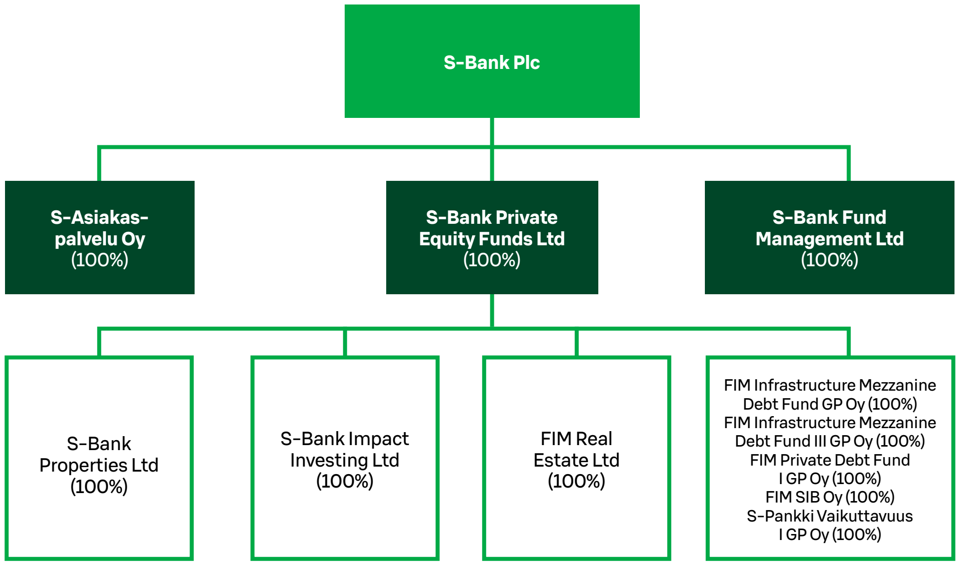
The greatest risks for 2022 are a possible worsening of the Covid-19 pandemic and the impact of higher consumer prices. Accelerating and protracted inflation may force central banks to reduce their stimulus measures and tighten monetary policy sooner than planned. A substantial rise in interest rates would be toxic for an economy built on high debt. Inflation is expected to decline from its peak when commodity prices stabilise, but at the same time, wage pressures have increased. In addition, making the economy more environmentally friendly may also cause a longer-than-expected rise in energy prices. The USA has already started reducing its monetary policy stimulus measures. In addition to the discontinuation of quantitative easing, interest rate hikes are expected in the USA over the course of the year. In Europe, interest rates will not be raised for a long time to come, because the long-term inflation risks are lower and economic growth weaker. Stimulus measures are nevertheless being reduced here, as well.

The period of rapidly rising financial markets is now over. There is upward pressures on interest rates, which limits economic growth as a whole and, consequently, the growth of risky markets. Compared to past periods, interest rates will continue to be low and investors will seek returns elsewhere than from the fixed income markets. Both equity and real estate prices are expected to rise, but at a clearly slower rate than in 2021. On the other hand, after the long and rapid rise, risks have also increased. Valuations are high on the financial markets, which makes them sensitive to occasional disappointment if the market outlook falters.

Nevertheless, despite the uncertainty we expect S-Bank's full-year operating profit to exceed the previous year's level.

GROUP STRUCTURE AND OPERATIONS OF S-BANK'S SUBSIDIARIES

LEGAL STRUCTURE OF S-BANK GROUP



S-Bank Fund Management Ltd (FIM Asset Management Ltd until 30 September 2021)

S-Bank Fund Management Ltd manages the S-Bank funds. The company operated under the name FIM Asset Management Ltd until 30 September 2021. As part of the brand renewal, the company's name was changed to S-Bank Fund Management Ltd on 1 October 2021. Portfolio management was also concentrated to S-Bank Plc within the S-Bank Group, where the company's portfolio management services were transferred. The company also previously managed the FIM and LocalTapiola funds. In the fourth quarter of 2021, the FIM funds were renamed S-Bank funds as part of the brand renewal. The management of LocalTapiola funds was discontinued, however, as part of a broader corporate transaction that was completed on 5 October 2021.

S-Bank owns 100 per cent of S-Bank Fund Management Ltd's share capital.

In the reporting period, the operating profit of S-Bank Fund Management Ltd was EUR 7.1 million (4.6).

S-Bank Private Equity Funds Ltd (FIM Private Equity Funds Ltd until 30 September 2021)

S-Bank Private Equity Funds Ltd is an alternative fund manager, providing the S-Bank Group with portfolio management services for private equity funds. S-Bank Private Equity Funds Ltd is also responsible for the portfolio management of those non-UCITS funds managed by S-Bank Fund Management Ltd that invest in real estate, forests and unlisted companies. Fennia Asset Management Ltd was merged into S-Bank Private Equity Funds Ltd on 31 March 2021.

S-Bank owns 100 per cent of S-Bank Private Equity Funds Ltd's share capital. In the reporting period, the operating profit of S-Bank Private Equity Funds Ltd was EUR 4.7 million (0.9).

FIM Real Estate Ltd

FIM Real Estate Ltd is the general partner in the S-Bank Group's real estate funds. S-Bank 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 was EUR 0.9 million (0.8).

S-Bank Properties Ltd (Fennia Properties Ltd until 17 January 2021)

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

S-Bank Properties Ltd's operating profit for the reporting period was EUR 0.7 million (the profit for the period 1 September – 31 December 2020 was EUR 0.5 million).

S-Bank Impact Investing Ltd (FIM Impact Investing Ltd until 30 September 2021)

S-Bank Impact Investing Ltd is a wholly owned subsidiary of S-Bank 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 reporting period was EUR 0.0 million (0.0).

FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund III GP Oy, FIM Private Debt Fund I GP Oy, FIM SIB Oy, S-Pankki Vaikuttavuus I GP Oy,

These companies serve as general partners in funds managed by S-Bank Private Equity Funds Ltd. These companies have no other business activities and are fully owned by S-Bank Private Equity Funds Ltd.

S-Asiakaspalvelu Oy

S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank. It provides customer service and data processing-related and other services relevant 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 6.0 million (5.9), of which intra-group revenue accounted for EUR 4.4 million (4.2). The remaining revenue derived from telephone services offered to the cooperatives for the benefit of co-op members. Its expenses mostly consisted of personnel expenses. S-Asiakaspalvelu's operating profit was EUR 0.0 million (0.2).

GOVERNANCE

Annual General Meeting

The Annual General Meeting (AGM) was held on 24 March 2021. The AGM adopted the financial statements for 2020 and discharged the members of the Board of Directors and the CEO from liability. The AGM elected seven members and three deputy members to the Board of Directors. KPMG Oy Ab was elected as the company's auditor, with Petri Kettunen as the principally responsible auditor.

Board of Directors

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 has confirmed rules of procedure, according to which it is responsible for the strategic development of the bank, steering and controlling its operations, as well as deciding on the company's main operating principles and general values in accordance with the applicable legislation and regulations.

At the Annual General Meeting of S-Bank, the following members were re-elected to S-Bank Ltd's Board of Directors: Jari Annala, CEO of SOK Liiketoiminta Oy; Olli Vormisto, Managing Director of the Hämeenmaa Cooperative Society; Veli-Matti Liimatainen, Managing Director of Helsinki Cooperative Society Elanto; Jorma Vehviläinen, CFO of SOK; Matti Kiviniemi, Head of Corporate Lending, LocalTapiola; and Erik Valros, CEO of LocalTapiola Uusimaa. In addition, Heli Arantola, Managing Director of Leipurin Plc, was re-elected as an independent member of the Board.

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

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

The representatives of the LocalTapiola Group resigned from the Board of Directors as part of the corporate transaction that entered into force on 5 October 2021. At the same time, the Board elected Veli-Matti Liimatainen as its Vice Chairman.

An Extraordinary General Meeting of S-Bank, held on 8 November 2021, elected Hillevi Mannonen, M.A., SHV (actuary approved by the Ministry of Social Affairs and Health), as a new member (independent of the owners) of the bank's Board of Directors.

The Board convened 16 times (14) during the financial year, and the average attendance rate of members was 97 per cent (97).

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. Hanna Porkka has been the Deputy CEO since 2 February 2021.

Governance and control system

This section outlines how S-Bank, in its capacity as a bond issuer, arranges internal control and risk management related to its financial reporting processes.

Internal control and risk management generally in the S-Bank Group

The appropriate organisation of operations includes arranging and maintaining sufficient and effective internal control in the bank group and in its agency network. Internal control is an integral part of the Group's management, decision-making and strategic and operational planning. Internal control ensures that operations are goal-oriented, appropriate and effective, and that they fulfil the regulatory requirements. The Board of Directors bears primary responsibility for the bank's internal control. The Board of Directors is responsible for governance and for the appropriate organisation of operations throughout the bank group.

A more detailed description about how the risk management is organized in S-Bank Group can be found under notes to the consolidated financial statements, Note 2: The Group's risks and risk management.

Internal control and risk management of the financial reporting process

The objective of the internal control and risk management of the S-Bank Group's financial reporting process is to ensure accurate, high quality and adequate financial reporting in all circumstances. The basic principles of internal control in S-Bank's financial reporting are a clear division of responsibilities, a sufficient understanding of the business operations by each part of the organisation, up-to-date guidance, and comprehensive and regular reporting practices throughout the S-Bank Group. In order to ensure the correctness of financial reporting, internal control is carried out as a continuous activity as part of financial administration processes. These actions ensure the functionality of all relevant processes, while the continuous monitoring of income and expenses and daily reconciliation guarantee the correctness and timeliness of data. Control is carried out at the level of the Group, legal entities and segments, in order to detect any deviations in the various dimensions. The risks associated with the financial reporting process are analysed and monitored by means of continuous risk mapping, and all operations and processes are constantly developed to minimise risks.

The S-Bank Group's financial reporting organisation consists of a finance unit operating at the Group level, which is responsible for external and internal accounting and reporting to the authorities. The unit's responsibilities include financial reporting and reporting to the authorities, participation in risk reporting, accounting and financial statements, profitability monitoring, budgeting, tax matters, the accounting policies applied in financial statements, and internal guidelines.

Parts of the accounting of S-Bank Group companies and of the accounting of the mutual funds managed by S-Bank Fund Management Ltd, as well as some financial support functions, are outsourced. Service providers supply their services under contract between the parties and comply with the regulations and instructions of the Financial Supervisory Authority and other authorities. The operations of the service providers and the quality of their work are monitored by the finance unit. Internal items between Group companies are reconciled monthly. The most significant items are discussed with the service provider during the period as part of the reporting process. Regular meetings are arranged with the service providers as a means of developing and evaluating cooperation.

The tasks and responsibilities of the S-Bank Group have been assigned so that those persons taking part in financial reporting have only very limited access rights to the systems and business applications of the business areas. The Head of Finance of the S-Bank Group, who is responsible for external accounting, the Head of Regulatory Reporting, who is responsible for reporting to the authorities, and the persons in charge of internal reporting are not involved in direct business decisions. The Head of Finance, the Head of Regulatory Reporting and the persons in charge of internal reporting report to the Chief Financial Officer of the S-Bank Group, who is a member of the Group Management Team responsible for the financial reporting process.

The Group's financial reporting and risk reporting are centralised and based on a common external accounting system and on data obtained from ledger systems. This enables coordinated reporting at all levels of decision-making. Separate accountants have been appointed for the parent company and the key subsidiaries, while business controllers, responsible for financial monitoring and analysis, have been appointed for the business segments. As part of internal control, the Financial Controller in charge of Group accounting and the Head of Accounting and the Head of Finance familiarise themselves with financial reporting on a monthly basis to detect any inconsistencies. In addition, an independently-operating team, responsible for reporting to the authorities, reports to external accounting any deviations it detects.

S-Bank Group's internal reports and monthly financial statements are prepared in accordance with the same policies as are demanded for interim reports and annual financial statements. The monthly reports, which include an analysis of deviations from previous periods, the budget and the forecast for the current year, as well as the key analytical monitoring indicators for each segment, are submitted to the management of the S-Bank Group.

The financial performance and results of the S-Bank Group are discussed monthly by the Group Management Team. A corresponding detailed review is carried out at all meetings of the Group's Board of Directors and of the Risk and Audit Committee. In addition, the Board of Directors and the Risk and Audit Committee examine the interim and annual reports.

New or changed accounting policies are approved by the Group's Board of Directors and the Risk and Audit Committee.

Personnel

At the end of the review period, the S-Bank Group employed a total of 687 (652) people. Of these, 571 (514) persons worked at S-Bank Plc, 36 (66) persons at the subsidiaries of the Wealth Management business, and 80 (72) persons at S-Asiakaspalvelu Oy. The salaries and remuneration paid to personnel at the S-Bank Group totalled EUR 45.2 million (37.6).

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 45.2 million (37.6) in 2021. The salaries and remunerations of S-Bank Plc totalled EUR 36.2 million (30.1), which includes EUR 29 250 (30 000) in remuneration paid to Board members. A total of EUR 0.9 million (1.0) was transferred to the personnel fund. The salaries and remunerations of S-Asiakaspalvelu Oy totalled EUR 2.8 million (2.5). EUR 18 600 (7 000) was transferred to the personnel fund. Other companies' salaries and remunerations totalled EUR 6.2 million (5.0), including EUR 44 040 (9 640) in remunerations paid to Board members of S-Bank Properties Ltd and EUR 0 (3 600) paid to the Board members of FIM Real Estate Ltd. Remunerations of EUR 0.2 million (0.1) were transferred to the personnel fund. In addition, the S-Bank Group paid EUR 0.4 million (0.2) in supplementary pensions.

In 2021, S-Bank Plc paid EUR 7.2 million (5.2) in salaries and EUR 0.9 million (0.6) 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 (0.3) was transferred to the personnel fund. A total of 76 persons (57) received salaries and remuneration under this category. With regards to the other companies, persons in this category were paid a total of EUR 3.0 million (3.9) in salaries and EUR 0.5 million (0.4) in other remuneration in 2021. A total of EUR 0.1 million (0.0) was transferred to the personnel fund. A total of 37 persons (52) received salaries and remuneration under this category. 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 2021, the variable bonuses were postponed for 6 persons (9).

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 9 404 355.61, be recognised in retained earnings and that no dividend be distributed.

CALCULATION OF KEY PERFORMANCE INDICATORS

Total income:

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

Net interest income:

Interest income – interest expenses

Net fee and commission income:

Fee and commission income – fee and commission expenses

Other income:

Net income from investing activities + Other operating income

Cost-to-income ratio:

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

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, %:

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

RESPONSIBILITY AND NON-FINANCIAL INFORMATION

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.

All of this has been recognised by our customers, too, as in 2021, for the ninth consecutive year, Finns chose S-Bank as Finland's most responsible bank in the Sustainable Brand Index [1], the Nordic region's most comprehensive sustainable development comparison.

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 for daily banking, saving and investment, and for the financing of purchases. S-Bank also offers private banking services and 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.

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

1) In 2021, 9 900 people responded to the Sustainable Brand Index survey in Finland.

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.

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, a 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, 54.8 per cent (51.9) of those who started fund savings in 2021 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

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 2021, as in previous years, S-Bank customers awarded high marks for the service they received at customer service points. The phone service NPS declined somewhat from the previous year as the result of phone service waiting times which were occasionally longer than before, when the change in the pricing of S-Etukortti debit cards led to large number of contacts with the customer service, for example. The increase in customer contacts due to the increased number of customers has also resulted in longer waiting times. Nevertheless, customers were satisfied with the service they received. S-Bank aims to reduce the phone service waiting times in 2022 by continuing to recruit more personnel and by developing operations and processes to improve their efficiency.

S-Bank customer service channels' NPS index *

	2021	2020	2019
Telephone service	52.7	56.8	55.7
Customer service points	74.1	74.1	75.3

*The figures are channel-specific average scores from 2021. 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 2021 (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.

In 2021 S-Bank continued to operate under the exceptional circumstances of the Covid-19 pandemic. As most of S-Bank's employees have been teleworking for all of 2021, attention has been paid to teleworking ergonomics. Supervisors have played a big role in nurturing team spirit and a sense of community. In the autumn, S-Bank introduced a new hybrid work model that aims to combine the advantages of both teleworking and working at the office. In 2022, S-Bank will continue to improve this model and to make it an established routine next year. S-Bank was able to serve its customers normally, right through the exceptional times of the pandemic.

The long-term work carried out at S-Bank on non-discrimination and the equality of all employees was rewarded when the Trade Union Pro gave its annual equality award to S-Bank in November 2021. S-Bank's 'modified work' model, the aim of which is to support employees' opportunities to continue working when their working capacity weakens, was among the innovations praised.

Number of personnel

At the end of 2021, a total of 687 (652) people were in an active employment relationship with the S-Bank Group.

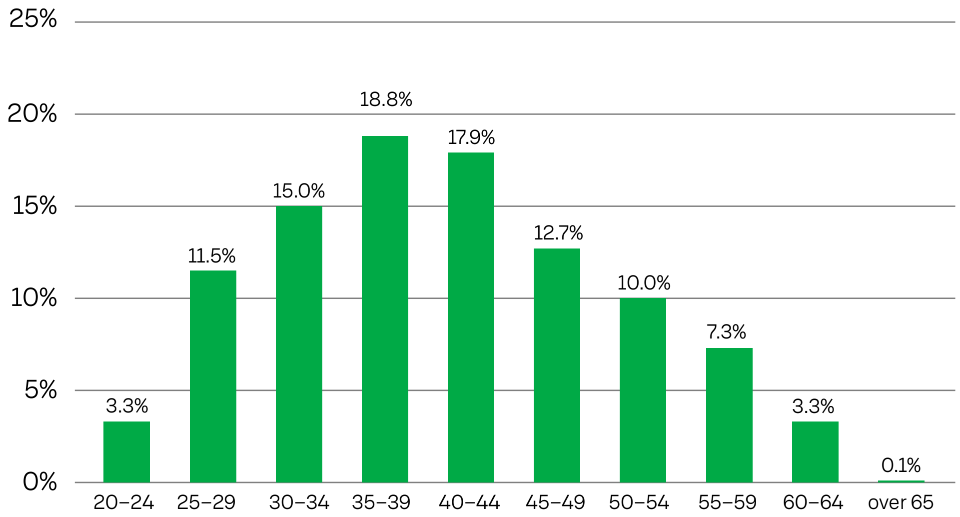
Most employment relationships with S-Bank are permanent and full-time. However, there are also positions in customer service and the back office where part-time employment is appropriate. Part-time work may also be the employee's own choice, in cases where they want to work flexibly while studying, for 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 67 (45), of whom 66 (44) were women and 1 (1) were men. At the end of the year, 5 (9) employees were on study leave.

During 2021, a total of 171 (164) new employees started work at S-Bank. A total of 127 (105) employees left the bank, with 5 (1) employees retiring, and no (0) employees retired on a disability pension. In the first half of the 2021, S-Bank held statutory negotiations with employees concerning redundancies, which led to a reduction of 8 employees. S-Bank supported those who lost their jobs by, for example, providing training to support their re-employment.

At S-Bank, 63 (65) per cent of the personnel are aged 25–44. At the end of 2021, 58.1 per cent of the S-Bank Group personnel were women and 41.9 per cent were men. An equal number of women and men were supervisors.

Personnel age distribution



Personnel satisfaction and good management

S-Bank is growing and developing continuously. Employees have job descriptions that are varied, they are given plenty of responsibility and can contribute to the development of operations and the services offered to more than three million S-Bank customers.

S-Bank monitors employee satisfaction, well-being at work and the employees' perceptions of the progress made in achieving equality at the workplace by means of an annual work community survey. In 2021, the job satisfaction index consisting of key issues was 75.7 (72.8) (on a scale of 0–100). This result was 2.9 percentage points higher than in the previous year and clearly exceeded the norm for specialist positions in Finland. The response rate was excellent in 2021, at 94 per cent (95). The survey showed improved results in each sub-area, with a positive employer image, job proficiency, supervisory skills, communication and participation as particular strengths. Thanks to these good results, S-Bank won the most inspiring workplace prize given annually to companies receiving the best results in Eezy Flow's PeoplePower® survey.

S-Bank has identified good management as a key factor influencing personnel motivation and commitment. The bank focuses on developing and supporting supervisors in their work by actively communicating with them and arranging training and discussion events and supervisor days. In 2021, group coaching sessions were arranged for supervisors, and an internal mentoring programme was launched for the entire personnel.

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 and the achievement of its strategic goals. 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.

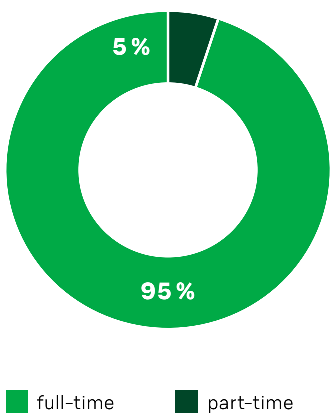
S-Bank's remuneration consists of a basic salary and variable bonuses. The aim of the variable bonus models is to supplement salaries and promote the achievement of strategic and operational goals. S-Bank uses a variety of annual bonus models for different personnel groups. They are based on the results 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 2021. In connection with salary increases, care is always taken to ensure that gender does not affect decisions and that no gender-based differences will emerge. When filling positions, the person best suited is always recruited, irrespective of age, gender or other factors that do not affect the competence of the employee and their ability to fulfil their duties.

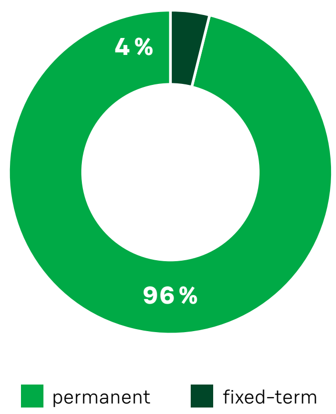
Personnel gender distribution

	Men	Women	Total
Permanent full-time	272	360	632
Permanent part-time	4	23	27
Fixed-term full-time	7	13	20
Fixed-term part-time	5	3	8
Total	**288**	**399**	**687**

Working hours



Nature of employment



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 complying with its own code of ethics, which is founded on the principles of openness, fairness and transparency. The code of ethics is also founded on 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 2021, 89 per cent of active personnel had completed code of ethics training.

Employees are obliged to report any observed or potential conflicts of interest to their supervisor or to the compliance function. S-Bank has an internal whistleblowing channel, enabling completely anonymous reporting. The channel will also be made available for external reporting use during 2022. 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

In spring 2020, the S Group announced its ambitious climate targets. These apply to all business areas and therefore also to S-Bank, which is part of the S Group. According to the targets, the S Group aims to be carbon-negative in its own operations by 2025. It also aims to reduce climate emissions from its own operations by 90 percent from the 2015 level by 2030.In practice, as of 2025, the S Group will start to compensate any emissions that will continue to arise despite the reduction measures. In 2020, it had already achieved a 70 per cent reduction in emissions compared with 2015. In addition to these radical cuts, attainment of the target will require actions to compensate for any remaining emissions – such as those from district heating – through various carbon sequestration projects. However, the need for compensation will decrease during the current decade as the S Group approaches its emissions reduction target.

Since 2016, the S Group, including S-Bank, has been involved at group level in the international CDP (Carbon Disclosure Project) climate assessment. In the most recent assessment, it gained a grade of A-, which is at the Leadership level. The S Group performed especially well in the following sectors: energy, governance, scope 1, 2 and 3 emissions, the setting of targets and commitment to the value chain.

S-Bank is also included in the S Group's Science-Based Target (SBT), which was updated in 2020. In the assessment of SBTi, the goal is in line with the 1.5 degree target of the Paris Agreement.

Emissions from S-Bank's operations are included in the S Group's reporting. The S Group publishes an annual responsibility report on the use of energy and climate emissions at the S Group level. The figures published also include S-Bank's operations and its investments.

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 S-Bank's branch network arise as part of the power and heating consumption of the S Group's network of business locations. For the time being, S-Bank's share of the S Group's total emissions cannot be separated out sufficiently accurately.

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 2022, 69.4 per cent (65.7) 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 FINANCING

S-Bank reported in its 2021 financial statements, for the first time, items related to its financing activities in accordance with the EU Taxonomy Regulation (EU 2020/852).

The receivables on S-Bank's balance sheet consist mostly of lending to households and housing companies, of which only household mortgage loans are covered by the EU Taxonomy Regulation. Of the debt securities in the bank's portfolios, the majority have been issued by public sector entities or banks and are therefore currently outside the scope of the regulation. The bank does not have a trading book. The bank engages in the actual financing of companies only to a minor extent.

In accordance with regulation, the figures presented in the two tables below are in line with the gross carrying amount, which means they exclude the effects of expected credit losses (ECL). In the tables, receivables are compared to the balance sheet total, which is the total gross carrying amount of S-Bank Group's balance sheet, or the balance sheet total, excluding ECL.

Key performance indicators (KPI) of the Taxonomy Regulation in relation to the balance sheet as a whole:

	31 Dec 2021	
Receivables	**(EUR million)**	**Share of the Balance sheet**
Taxonomy Regulation Eligible exposures in		
corporate receivables	229.46	2.7%
mortgage receivables	3 787.92	44.5%
Out of the scope of Taxonomy	3 035.83	35.6%
Receivables, total	**7 053.21**	**82.8%**

The distinction between receivables that fall within and those that fall outside the scope of taxonomy is based on the bank's own estimate, which in turn is based mainly on the customer's line of business or on the purpose of the loans granted to households. Information on sectors and other customer information and contract information has been obtained either from the customers or from public sources.

In the above table, the Taxonomy Regulation eligible receivables include mortgage receivables from households and receivables from other than small and medium-sized enterprises in the following NACE codes (including corporate debt securities):

- Manufacturing
- Electricity, gas, steam and air conditioning supply
- Water supply, sewerage, waste management and remediation activities
- Construction of buildings
- Transport and storage
- Information and communications

Receivables not within the scope of the Taxonomy Regulation include:

- eceivables from customers, excluding mortgage receivables from households
- Receivables from other credit institutions, repayable on demand
- Debt securities (excluding public sector entities and taxonomy eligible corporate debt securities), derivatives and equities

Other information about S-Bank's balance sheet items in relation to the balance sheet as a whole:

Other information about balance sheet items	31 Dec 2021 (EUR million)	Share of the Balance sheet
Receivables from public sector entities and central banks	1 305.6	15.3%
Receivables from customers that do not prepare an NFRD (Non-Financial Reporting Directive) report *	2 182.2	25.6%
Receivables from banks and central banks payable on demand, and trading book **	1 061.5	12.5 %

* Households (other than housing loans), housing companies and small and medium-sized enterprises
** S-Bank does not have a trading book.

RESPONSIBLE INVESTMENT

S-Bank is a pioneer in responsible and impact investment. S-Bank strongly believes that customers can achieve even better results by systematically taking responsibility issues into account in their investment activities.

S-Bank became a signatory to the UN Principles for Responsible Investment (UN PRI) as far back as 2009. The UN PRI lays down general guidelines on how to incorporate responsibility issues into investment processes. In addition to the UN PRI, S-Bank 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.

Taking climate change and the measures to combat it into account is in the long-term interest of investors. In 2021, three S-Bank funds switched to using benchmarks aligned with the Paris Climate Agreement. These indices have been adjusted to the 1.5 degrees scenario and include an annual carbon intensity reduction target of 10 per cent. Benchmark indices aim to reduce carbon intensity by at least 50 per cent compared with the parent index, with emphasis on companies that set emission reduction targets, and on companies that are well prepared for the transition to a low-carbon society. In addition, the indices focus on companies that produce solutions for environmental and climate problems. On the other hand, the indices also place underweight on the largest CO_2 emitters, as well as on companies that are exposed to climate transition risks.

The responsible investment strategies observed by S-Bank 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. If a company's operations are not in line with international norms it is possible either to engage with the company or, alternatively, to exclude it.

S-Bank reinforced its position as the leading player in the Nordic impact investment sector by launching the S-Bank Regenerative Agriculture Non-UCITS Fund, which is the first fund to focus on agriculture in the Nordic countries. As in all of S-Bank's impact investment funds, the aim is to achieve positive and quantifiable social or environmental impacts in addition to financial gain. The fund supports the development of agriculture as part of Finland's climate solution by enabling the expansion of business for agricultural entrepreneurs that engage in renewable agriculture and carbon farming practices. At the same time, the fund improves the environmental sustainability and profitability of primary production, and the self-sufficiency of Finland's food supply.

In addition, S-Bank launched an entirely new type of impact investment product, S-Pankki Vaikuttavuus I Ky. This fund of funds invests in target funds that support the environment in Finland's neighbouring areas, the well-being and health of Finns and/or the improvement of the national economic dependency ratio. The fund's first investment targets will be SIB funds that promote the well-being of children and young people and the employment of the long-term unemployed.

S-Bank continued to manage the SIB fund which had already been launched. The results of the fund supporting children and young people and the fund for reducing long-term unemployment have been positive, and the targeted impacts have been achieved. As a result, the financial targets of the funds have also been achieved so far.

S-Bank is continuously developing new impact investment products and strives to launch new solutions that contribute to the achievement of social goals while providing investors with returns.

Ownership control is an important responsible investment strategy for S-Bank and increasing it has been a key focus for S-Bank in 2021. S-Bank funds' ownership control is guided by an ownership policy that describes why and how this strategy is used. 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 2021, S-Bank funds attended 71 (17) general meetings, of which 36 were Finnish and 35 foreign. All-in-all, 22 (17) companies were influenced directly in 2021, and S-Bank again participated in several investor interaction projects. During the year, S-Bank funds became more active in influencing foreign companies at their general meetings when a Finnish candidate, backed by the S-Bank Passive USA ESG Equity and S-Bank USA Equity funds, was elected to the Board of Exxon Mobil.

S-Bank continued to participate in the international Climate Action 100+ advocacy project, which involves a significant number of international investors. The five-year project aims to influence more than 160 companies that will play a key role in achieving the targets of the Paris Climate Agreement. S-Bank also continued to participate in the Tobacco-Free Finance Pledge. The anti-tobacco initiative seeks to raise awareness in the financial sector of its role in promoting the introduction of anti-tobacco policies in the sector. Another influencing project, launched earlier, the Mining & Tailings Safety Initiative targets mining companies. The aim is to provide investors and other stakeholders with more information about mining pools around the world, and in particular their safety risks.

S-Bank joined two CDP (Carbon Disclosure Project) campaigns for the second time. The CDP's Non-Disclosure campaign engages with those companies that have not responded to the CDP's survey and request to disclose 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, in support of their investment decisions. The CDP's Science-Based Targets initiative encourages companies to set scientifically-based climate targets in order to reduce the risks from climate change faced by these companies.

S-Bank excludes companies in certain sectors from its direct investments. Its funds do not invest in the manufacturers of weapons that are 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. S-Bank 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 S-Bank's investments.

S-Bank publishes comprehensive fund-specific responsibility reports on a quarterly basis, and they are available on the bank's website. S-Bank also publishes a semi-annual responsible investment report, in which the carbon footprints of mutual funds are disclosed. 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.

Responsible investment

Indicator	2021	2020	2019	2018
S-Bank fund participation in general meetings	71 Annual General Meetings	17 Annual General Meetings	25 Annual General Meetings 2 Extraordinary General Meetings	
Direct corporate influence	22 companies	17 companies	5 companies	
The amount of capital in the Responsibility Plus family of funds	EUR 1 036.9 million	EUR 730.9 million	EUR 521.9 million	EUR 216.5 million

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	2021	2020
Interest income		102 925	99 156
Interest expenses		-12 583	-9 823
Net interest income	3	90 341	89 333
Fee and commission income		123 674	108 270
Fee and commission expenses		-42 863	-41 251
Net fee and commission income	4	80 811	67 019
Net income from investing activities *	5	3 107	3 160
Dividends *		46	19
Other operating income	6	12 690	14 323
Total income		**186 995**	**173 853**
Personnel expenses	7	-54 993	-44 887
Other administrative expenses		-72 170	-64 765
Depreciation and impairment	8	-12 985	-13 422
Other operating expenses	9	-6 345	-6 097
Total costs		**-146 492**	**-129 172**
Impairment of receivables	10	-15 721	-23 633
Share of the profits of associated companies	11	2	-1
OPERATING PROFIT (LOSS)		**24 784**	**21 047**
Income taxes	12	-5 233	-5 378
PROFIT (LOSS) FOR THE PERIOD		**19 551**	**15 670**
Of which:			
To the parent company's shareholders		19 551	15 670

* The presentation has been amended since the publication of the 31 December 2020 financial statements.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	2021	2020
PROFIT (LOSS) FOR THE PERIOD		**19 551**	**15 670**
Other comprehensive income items:			
Items that will not be reclassified to profit or loss			
Items due to remeasurements of defined benefit plans		-290	-186
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income		-79	288
Tax effect		74	-27
Items that will not be reclassified to profit or loss		**-296**	**75**
Items that may be reclassified subsequently to profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		1 262	103
Tax effect		-288	3
Items that may be reclassified subsequently to profit or loss		**974**	**106**
Other comprehensive income items, after taxes		**679**	**181**
COMPREHENSIVE INCOME, TOTAL		**20 229**	**15 851**
Of which:			
To the parent company's shareholders		20 229	15 851

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	31 Dec 2021	31 Dec 2020
Assets			
Cash and cash equivalents	13, 14, 15, 16	1 091 962	775 734
Debt securities eligible for refinancing with central banks	13, 14, 15, 17	684 859	721 541
Receivables from credit institutions	13, 14, 15, 18	25 064	33 863
Receivables from customers	13, 14, 15, 19	6 086 022	5 444 362
Debt securities	13, 14, 15, 20	464 228	507 288
Derivatives	13, 14, 15, 21, 34	582	0
Shares and interests	13, 14, 22	31 575	28 126
Holdings in associated companies	11	4	2
Intangible assets	23	73 341	70 995
Tangible assets	24	7 458	10 720
Tax assets	12	2 051	1 597
Prepayments and accrued income	25	28 322	25 060
Other assets	26	5 414	6 064
Assets, total		**8 500 883**	**7 625 351**

(EUR '000)	Note	31 Dec 2021	31 Dec 2020
Liabilities			
Liabilities to credit institutions	13, 14, 15, 27	108	0
Liabilities to customers	13, 14, 15, 27	7 611 265	6 976 500
Issued bonds	13, 14, 15, 28	169 699	0
Subordinated debts	13, 14, 15, 29	112 667	59 500
Derivatives	13, 14, 15, 21, 34	8 383	16 157
Provisions	31	649	397
Tax liabilities	12	7 183	6 345
Accrued expenses	30	32 299	30 547
Other liabilities	31	49 325	47 260
Liabilities, total		**7 991 577**	**7 136 707**
Equity			
Share capital		82 880	82 880
Reserves		284 277	283 366
Retained earnings		142 148	122 397
Parent company's shareholders		**509 306**	**488 644**
Equity, total	32	**509 306**	**488 644**
Liabilities and equity, total		**8 500 883**	**7 625 351**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(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		106
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income			224		224
Remeasurements of defined benefit plans				-149	-149
Other comprehensive income items, total			330	-149	181
COMPREHENSIVE INCOME, TOTAL			**330**	**15 521**	**15 851**
Other changes				-45	-45
TOTAL EQUITY 31 DEC 2020	**82 880**	**283 828**	**-462**	**122 397**	**488 644**

(EUR '000)	Equity attributable to parent company shareholders				
	Share capital	Reserve for invested non-restricted equity	Other reserves	Retained earnings	Total equity
EQUITY 1 JAN 2021	**82 880**	**283 828**	**-462**	**122 397**	**488 644**
Comprehensive income					
Profit (loss) for the period				19 551	19 551
Other comprehensive income items:					
Profit or loss on financial assets measured at fair value through other comprehensive income			974		974
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income			-64		-64
Remeasurements of defined benefit plans				-232	-232
Other comprehensive income items, total			911	-232	679
COMPREHENSIVE INCOME, TOTAL			**911**	**19 319**	**20 229**
Other changes				432	432
TOTAL EQUITY 31 DEC 2021	**82 880**	**283 828**	**449**	**142 148**	**509 306**

CONSOLIDATED CASH FLOW STATEMENT

EUR '000	Note	2021	2020
Cash flows from operating activities			
Profit (loss) for the period		**19 551**	**15 670**
Depreciation and impairment		12 985	13 422
Shares of the profit of companies consolidated with the equity method		-2	1
Credit losses		21 569	27 891
Other non-payment income and expenses		-1 597	-2 150
Income taxes		5 233	5 378
Other adjustments *		-6	895
Adjustments for financial income and expenses		-161	2 351
Adjustments, total		**38 021**	**47 788**
Cash flows from operating activities before changes in operating assets and liabilities		**57 571**	**63 458**
Increase/decrease in operating assets (+/-)			
Receivables from credit institutions, other than repayable on demand		5 867	2 683
Receivables from customers		-663 719	-692 241
Derivatives		0	400
Investment assets		71 047	-146 750
Other assets		-1 319	-1 689
Total increase/decrease in operating assets		**-588 124**	**-837 597**
Increase/decrease in operating liabilities (+/-)			
Liabilities to credit institutions		108	0
Liabilities to customers		634 765	975 675
Other liabilities *		6 953	2 112
Total increase/decrease in operating liabilities		**641 825**	**977 786**
Taxes paid		-5 072	-5 379
Cash flows from operating activities		**106 201**	**198 269**

EUR '000	Note	2021	2020
Cash flows from investing activities			
Investments in tangible and intangible assets *		-12 360	-11 869
Subsidiary shares purchased less cash at the date of acquisition *		-609	-18 877
Proceeds from companies consolidated with the equity method		0	3
Proceeds from other investments		0	430
Cash flows from investing activities		**-12 969**	**-30 312**
Cash flows from financing activities			
Payments received from the issue of bonds and debentures	13, 14	227 199	9 500
Repayments of issued bonds and debentures		-4 333	0
Repayments of lease liabilities	24	-2 826	-2 485
Dividends paid		0	-272
Cash flows from financing activities		**220 040**	**6 742**
Difference in cash and cash equivalents		**313 272**	**174 699**
Cash and cash equivalents, opening balance sheet		783 408	608 741
Difference in cash and cash equivalents		313 272	174 699
Impact of changes in exchange rates		25	-33
Cash and cash equivalents consist of the following items:			
Cash and cash equivalents	13, 14	1 091 962	775 734
Repayable on demand		4 743	7 674
Cash and cash equivalents		**1 096 705**	**783 408**
Interest paid		**-11 801**	**-8 078**
Dividends received *		**46**	**19**
Interest received		**101 631**	**99 891**

* Cash flows have been adjusted between cash flows from operations and cash flows from investing and between items within cash flows from investing since the publication of the financial statements on 31 December 2020.

SEGMENT REPORT

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

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

Wealth Management is responsible for producing the S-Bank Group's asset management services and for its customer relationships and business development. The segment offers saving and investing services to consumer customers, private banking services, and services to institutional investors.

Income statement 2021 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	90 496	-142	-12		90 341
Net fee and commission income	41 150	39 742	-82		80 811
Net income from investing activities	3 032	68	7		3 107
Dividends	26		20		46
Other operating income	7 727	282	12 889	-8 209	12 690
Total income	**142 432**	**39 950**	**12 822**	**-8 209**	**186 995**
Total costs *	**-90 469**	**-34 963**	**-29 269**	**8 209**	**-146 492**
Impairment of receivables	-15 718		-3		-15 721
Share of the profits of associated companies				2	2
Operating profit (loss)	**36 245**	**4 986**	**-16 450**	**2**	**24 784**

External income from Banking was EUR 142 218 thousand and from Wealth Management EUR 39 820 thousand. Other operating income for 'Other activities' includes a net effect of EUR 3,1 million from the ending of the fund cooperation with LocalTapiola.

Income statement 2020 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	89 465	-87	-45		89 333
Net fee and commission income	38 432	28 561	26		67 019
Net income from investing activities **	3 073	109	-22		3 160
Dividends **	19		0		19
Other operating income	11 583	277	9 854	-7 391	14 323
Total income	**142 572**	**28 859**	**9 812**	**-7 391**	**173 853**
Total costs *	**-84 032**	**-26 881**	**-25 666**	**7 407**	**-129 172**
Impairment of receivables	-23 631	-2			-23 633
Share of the profits of associated companies				-1	-1
Operating profit (loss)	**34 910**	**1 977**	**-15 854**	**15**	**21 047**

External income from Banking was EUR 142 401 thousand and from Wealth Management EUR 28 730 thousand.

* The net expenses of support and headquarter functions are allocated from 'Other activities' to the Banking and Wealth Management business segments. This cost allocation is included in the segments' item 'Total costs'.
** Dividends were moved from Net income from investing activities to Dividends since the publication of the 31 December 2020 financial statements

The comparative information for the Banking business for 2020 has been modified because the operations of S-Asiakaspalvelu Oy, which were previously included in 'Other activities', have been included under Banking since the beginning of 2021. The change decreased the income from banking operations by around EUR 6.3 million and expenses by around EUR 5.9 million and had a negative impact on Banking's profit by the amount of S-Asiakaspalvelu Oy's profit. The income and expenses mentioned above are mainly intra-Group.

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

'Other activities' include common costs, such as those related to financial statements, auditing, the Board of Directors and General Meetings, as well as those of the management, including the CEO, in support and headquarter functions. In addition, the income and expenses of functions subject to restructuring are allocated to 'Other activities'.

Balance sheet 31 Dec 2021 (EUR '000)	**Banking**	**Wealth Management**	**Other activities**	**Group, total**
Receivables from customers	6 086 022			6 086 022
Liquid and investment assets of banking	2 298 270			2 298 270
Intangible and tangible assets	4 237	31 344	45 223	80 804
Cash and other assets	13 842	7 833	14 112	35 787
Assets, total	**8 402 372**	**39 176**	**59 335**	**8 500 883**
Banking liabilities	7 902 121			7 902 121
Provisions and other liabilities	39 844	5 967	43 645	89 456
Equity			509 306	509 306
Liabilities and equity, total	**7 941 965**	**5 967**	**552 951**	**8 500 883**

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
Assets, total	**7 526 433**	**41 475**	**57 442**	**7 625 351**
Banking liabilities	7 052 157			7 052 157
Provisions and other liabilities	33 985	6 572	43 994	84 550
Equity			488 644	488 644
Liabilities and equity, total	**7 086 142**	**6 572**	**532 638**	**7 625 351**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: 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 2021.

The Board of Directors of S-Bank approved the financial statements at its meeting on 2 February 2022. 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 have been consolidated in the 2021 financial statements: S-Bank Fund Management Ltd (formerly FIM Asset Management Ltd), S-Asiakaspalvelu Oy, S-Bank Private Equity Funds Ltd (formerly FIM Private Equity Funds Ltd), FIM Real Estate Ltd, S-Bank Impact Investing Ltd (formerly FIM Impact Investing Ltd), S-Bank Properties Ltd (formerly Fennia Properties Ltd), FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund III GP Oy, FIM Private Debt Fund I GP Oy, FIM SIB Oy ja S-Pankki Vaikuttavuus I GP Oy.

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, 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. 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.

Segment reporting

The operating segments are defined on the basis of the financial information that is regularly monitored by the decision-maker in charge of the operations. The S-Bank Group's highest executive decision-maker is the Group Management Team.

S-Bank reports income statements and balance sheets in the following business segments: Banking and Wealth Management. Operations that do not fall under these business segments are reported under 'Other activities'. The reporting of the business segments is identical to the internal reporting provided for company management. The description of the operating segments and the accounting policies is presented in conjunction with segment-specific data.

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 2021 or in the comparison period as at 31 December 2020.

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. The classification depends on the contractual terms and conditions of the instruments in question and, with respect to financial assets, on the business model applied to their management.

- 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 business models defined at S-Bank.

A business model refers to the method by which financial assets are managed in order to accumulate cash flows. The business model is not assessed on an instrument-by-instrument basis, but at a general level. 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. Two different business models have been identified at S-Bank for managing financial assets:

- Possession of financial assets to accumulate contractual cash flows.
- Accumulation of contractual cash flows and sale of financial assets.

In addition to defining the business model, S-Bank must assess the contractual terms and conditions of financial assets to determine whether they pass the so-called solely payment of principal and interest (SPPI) test. The test assesses the cash flow characteristics based on the contract, and they should only consist of the repayment of principal and interest in order for the contract to pass the test.

At S-Bank, 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

Financial assets measured at fair value through profit or loss

After initial recognition, financial assets are measured at fair value through profit or loss, unless they are measured at amortised cost or fair value through other comprehensive income. 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. Change in fair value is recognised in other comprehensive income and in the fair value reserve adjusted by deferred taxes. 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 measurement of impairment is based on a model of expected credit loss, which is described in more detail in 'Calculation of expected credit loss'.

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.

The measurement of impairment is based on a model of expected credit loss, which is described in more detail in 'Calculation of expected credit loss'.

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

Amortised cost

In general, financial liabilities are measured at the amortised cost on the balance sheet date 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. Interest accumulated on the liabilities is recognised through profit or loss under 'Interest expenses'.

Financial liabilities measured at amortised cost comprise liabilities to credit institutions, liabilities to creditors' customers, debt securities issued to the public (bonds and certificates of deposit) and subordinated loans (debentures).

Fair value through profit or loss

A financial liability is classified at fair value through profit or loss unless it is classified at amortised cost. Subsequent changes in fair value are presented in the income statement under 'Net income from investing activities'. Interest accumulated on the liabilities is recognised through profit or loss under 'Interest expenses'.

This group includes all derivative contracts in the S-Group.

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 for balance sheet items measured at amortised cost or at fair value through other comprehensive income at the time of contract origination 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 impairment calculation. 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 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 expiration of the credit. The estimates provided by the risk model as well as the effects of expiration related and other criteria on the grouping of financial instruments are constantly monitored.

Stage 1 – no significant changes in credit risk

Stage 1 applies to receivables in which credit risk has not increased significantly since origination and which are not credit 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.

Classification of financial instruments into three stages for the measurement of impairment

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 in measured for the contract	The lifetime expected credit loss in measured for the contract

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 probability of default limits and other criteria for assessing significant increase in credit risk are determined for each product and customer group and they are based on expert opinions and analyses of S-Bank's data.

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

- the PD estimate exceeds the limit value determined for the specific product (between 0.5% and 18% depending on the product),
- the PD estimate has increased significantly (limit of significant increase between 0.4% to 8.7%, depending on product) within the aforementioned limit values since origination,
- a payment of capital or interest has been past due for more than 30 days but the receivable has not been impaired due to the credit risk yet,
- 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 where the receivable is impaired due to credit risk. The lifetime expected credit loss is measured for the contract and the effective interest is calculated on the net carrying amount. A contract is deemed to be credit-impaired if:

- Material payment of capital or interest has been past due for more than 90 days.

- If the part of liability on the balance sheet has been classified as defaulted, 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).
  - Credit impairment is extended to all liabilities of the debtor if more than 20 per cent of the debtor's on-balance-sheet liabilities are classified as credit impaired.
- The contract involves a non-performing forbearance (see the section 'Contractual changes to financial assets').

If any of the above criteria are no longer met, a probation period of at least three months shall be applied to a receivable classified as stage 3 prior to its return to stage 1 treatment. The trial period will be extended until the condition of a continuous three-month period without a payment delay of more than 30 days is met. 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 payment difficulties, 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 deterioration of borrowers' payment difficulties, or to enable non-performing borrowers to exit their non-performing status. Forbearance measures always aim to return the exposure to a situation of sustainable repayment.

Forbearance is classified as a performing forborne exposure if the criteria for default are not met. In this case, the contract is classified under stage 2 in impairment measurement for a probation period of at least two years.

A forbearance measure carried out on a defaulted receivable is considered a non-performing forborne exposure. A performing forborne exposure becomes non-performing if one of the factors causing non-performance is triggered. Also, a forbearance will become non-performing as a result of a second forbearance or a payment delay of more than 30 days during the probation period. A non-performing forborne exposure is given a minimum of a 12-month probation period and classified in impairment testing under stage 3. The contract will be transferred to the probation of a performing forborne exposure for at least two years when the probation of the non-performing forborne exposure ends.

Recognition of final credit loss

A receivable or a part of it is recognised as a credit loss when it is unlikely that its amount will be recovered. On the basis of S-Bank's specifications and 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.

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. Even if a receivable is accepted and recorded as a credit loss, collection will nevertheless continue in the form of post-collection. Collection of the receivable will continue until there are sufficient grounds for discontinuing it. If payment is made on a receivable recognised as credit loss, it is recognised as a recovered credit loss in the income statement. The impairments for the reporting period are presented in the notes to the financial statements.

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 the calculation of 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 losses for each customer group.

Credit risk models used by S-Bank in the calculation of expected credit losses

Customer group	Credit risk model	Use	Internal/external model
Household customers	PD model: probability of default within the next 12 months	Determining the risk at initial recognition and currently, classification of financial instruments for impairment	S-Bank internal model, parameters derived from S-Bank's credit portfolio
	LGD model: S-Bank's final 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, classification of financial instruments for impairment	S-Bank's internal model for corporate customers and PD estimates derived from a market database for housing companies
	LGD model: S-Bank's final 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

PD estimates for the credit categories

Credit category	PD minimum (%)	PD maximum (%)
1		< 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	
In default		Default criteria are met

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.

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 credit 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.

Performance 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 average 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 risk and expected credit loss entails making forward-looking estimates. S-Bank has analysed historical data and identified housing price trends and unemployment rate as key economic variables that have an impact on credit risk.

The effects of the macroeconomic environment are included in the management factor, which takes into account the probability of macroeconomic scenarios, uncertainty of macroeconomic factors and other possible information that is not adequately captured by the models used to calculate expected credit loss. The application of management factor is described further in the chapter accounting policies requiring management judgment and key uncertainties related to estimates.

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.

Prepayments and accrued expenses

The Group observes the principles of the agenda decision issued by IFRIC in April 2021 on the accounting costs related to the configuration and customisation of cloud computing arrangements (IAS 38 Intangible Assets). Start-up costs are capitalised on the balance sheet and spread over a longer period when the start-up service is inseparable from a service that provides access to the programme or when the costs relate to the creation of a separate intangible asset. Any prepayments incurred will be amortised during the validity of the SaaS Agreement, but for no longer than 5 years.

Start-up costs which can be separated from the service are recognised as an expense at the time when the costs are deemed to have been incurred.

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 leased premises: term of lease, maximum 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 lease 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 calculation of expected credit loss in accordance with the IFRS 9 standard is based on internal models that contain assumptions of a change in credit risk. In addition, a management factor is used in the calculation of expected credit loss. The assessment of management factor takes into account the uncertainties in variables and assumptions of the model as well as model risk, in addition to the macroeconomic situation. The management factor is confirmed monthly, and it considers the latest available information about the macroeconomic outlook and the underlying assumptions of the models.

IFRS IC finalised in April 2021 its agenda decision Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognised, how the customer accounts for the configuration or customisation costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible.

As the S-Bank Group uses cloud computing arrangements, we have analysed this agenda decision to determine whether it has an impact on the start-up costs of cloud computing services and related accounting policies. The agenda decision has minimal impact on the Group in 2021, but the Bank is aware that the impact may be significant with regard to the broader SaaS services, if the start-up costs do not fulfil the activation criteria.

With regard to section 1.1.1.8. Intangible and tangible assets, the accounting policies have been supplemented for 2021 by adding the item 'Prepayments and accrued income' to the policies.

NEW STANDARDS AND INTERPRETATIONS

New and amended standards applied in the financial year ended 31 December 2021

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 Leases (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021)

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (effective for financial years beginning on or after 1 January 2021)

Amendments assist companies in providing useful information about the effects of interest rate benchmark reform on financial statements.

New and amended standards to be applied in future financial years

* = not yet endorsed for use by the European Union as of 31 December 2021

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for financial years beginning on or after 1 January 2022)

Annual Improvements to IFRS Standards 2018–2020 (effective for financial years beginning on or after 1 January 2022)

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually.

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent. A subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements.
- IAS 41 Agriculture – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. When a economic value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 Property, Plant and Equipment (effective for financial years beginning on or after 1 January 2022)

Reference to the Conceptual Framework — Amendments to IFRS 3 Business Combinations (effective for financial years beginning on or after 1 January 2022)

The amendments update a reference in IFRS 3 and made further reference related amendments.

IFRS 17 Insurance Contracts (effective for financial years beginning on or after 1 January 2023, early application permitted for companies that also apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers)

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify the application of materiality to disclosure of accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, with a primary focus on the definition of and clarifications on accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes * (effective for financial years beginning on or after 1 January 2023, early application is permitted)

The amendments narrow the initial recognition exemption (IRE) and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations which give rise to equal and offsetting temporary differences.

Comparative Information – Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 * (effective for financial years beginning on or after 1 January 2023)

Amendment to IFRS 17 to alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures * (available for optional adoption, effective date deferred indefinitely)

The amendments address the conflict between the existing guidance on consolidation and equity accounting and require the full gain to be recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations.

Effects:

The above-mentioned future changes are not expected to have significant impact on the financial statements of future financial years.

NOTE 2: 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 quantity and quality of S-Bank's own funds must always be sufficient to cover risks related to its business operations. The most significant risk types from the perspective of capital requirements are credit risks and operational risks. In addition to calculating the regulatory capital requirements, S-Bank undertakes an internal capital adequacy assessment process in order to assess all the material risks related to its operations and to ensure a comprehensive overview of its risk profile. S-Bank is exposed to the following risks arising from financial instruments: credit and counterparty risk, liquidity risk, market risk and operational risk.

Reporting of risk and capital adequacy information

S-Bank complies with its disclosure requirements 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) required by the EU's Capital Requirements Regulation, which deals comprehensively with risk management and risk position, 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

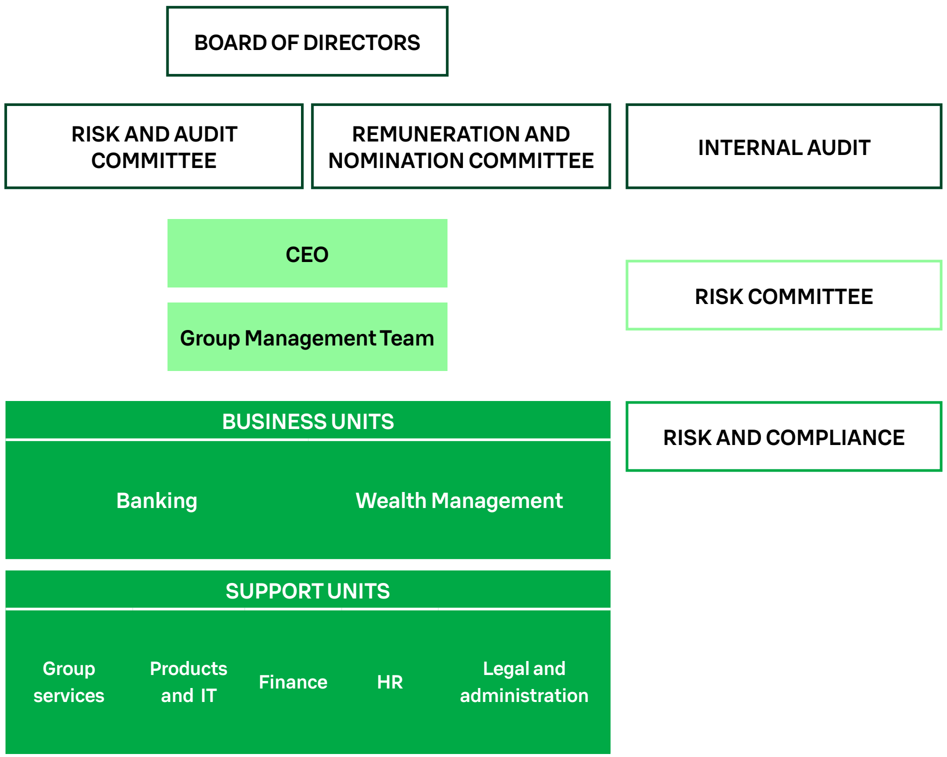
S-Bank's risk management is built on three lines of defence. The first line of defence consists of S-Bank's business and support units, which conduct business operations in accordance with S-Bank's strategy and business plan. They are responsible for risk-taking, the identification of risks, day-to-day risk management and risk reporting.

The second line of defence consists of the Group-level functions that are independent of business operations, namely Risk and Compliance. They are responsible for the framework for the Group's risk management and internal control, for its timeliness, and for reporting on the risk position to senior management. Risk control 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.

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 following figure illustrates S-Bank's administrative structure from the perspective of risk management.

S-Bank Group's administrative structure



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, as well as sufficient internal control. In addition, the Board approves the management and control policies related to specific risk categories, and the principles of model risk management, 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, assisted by the Group Management Team, is 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. CEO, with assistance of the Group Management Team, is responsible for assuring, that risk appetite and risk capacity are considered in the S-Banks strategy process and operational planning. In addition, they are responsible for achievement of set goals and for managing and controlling any risks that may threaten these goals.

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 and support unit directors. The executive teams are responsible for the setting, execution, and monitoring of quantitative and qualitative targets, as well as for business development and profitability. Committees that function in accordance with their rules of procedure have been set up to support the execution of business and support tasks. 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 and operational risk control assess and monitors S-Bank's compliance with the relevant external regulations, internal policies and the decisions of S-Bank's management. Compliance and operational risk control are tasked with ensuring that S-Bank has adequate and appropriate policies and procedures to ensure compliance with regulatory requirements and the management of operational risks.

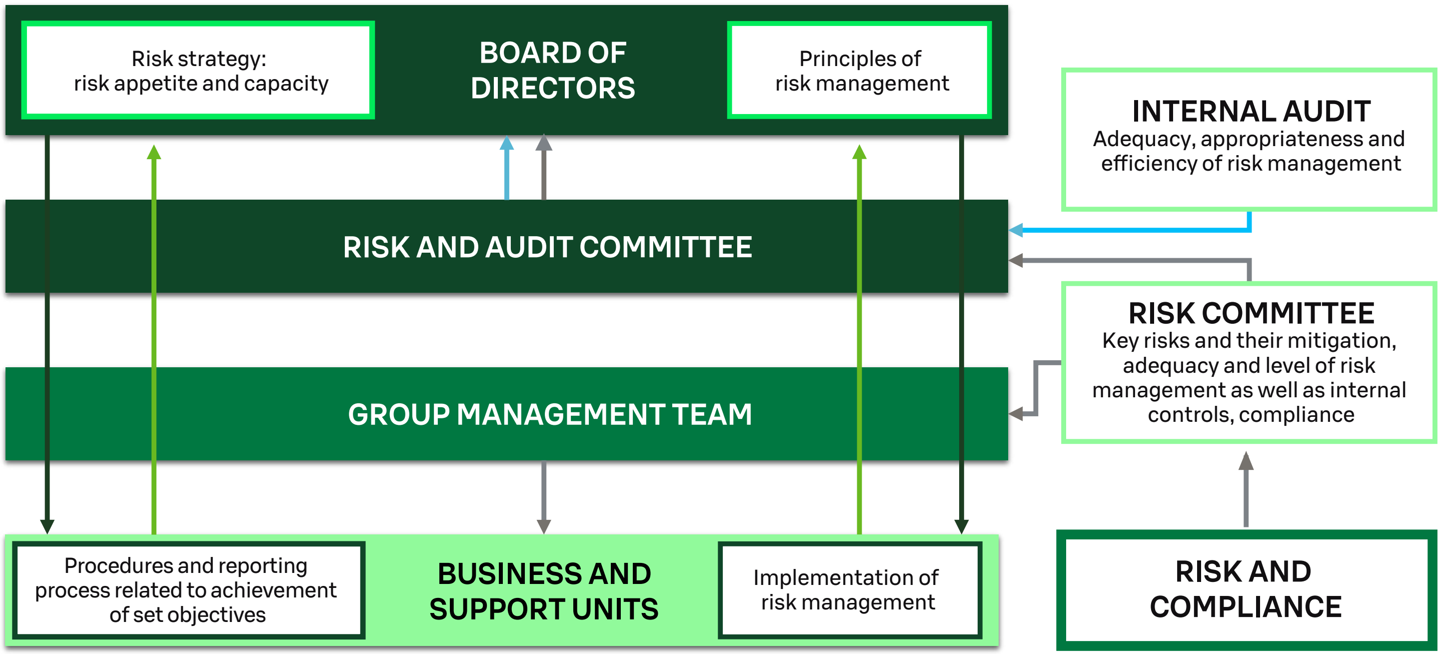
The Internal Audit function performs independent reviews and verification activities that focus on the adequacy, functionality and effectiveness of internal control and risk management across the entire Group. These features are evaluated with a risk-oriented approach in accordance with the auditing plan approved annually by the Board of Directors. When conducting audits according to plan, the Internal Audit function bases the auditing criteria on external regulations, internal guidelines and the set objectives. Internal Audit also reviews the Risk Control and Compliance functions.

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 control in accordance with the annual plan.

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.

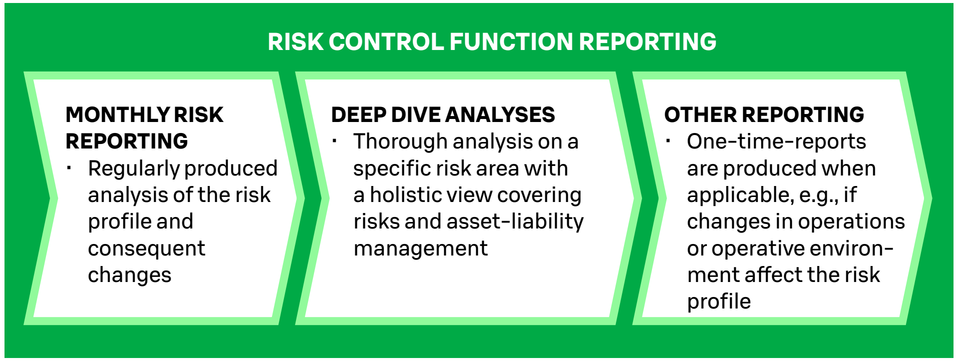
The Risk Control function is responsible for producing reports on the key risks and the level of risk management for S-Bank's management, the Risk Committee, the Risk and Audit Committee and the Board of Directors, as illustrated in the figure below. In addition to regular reports, the aforementioned 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.

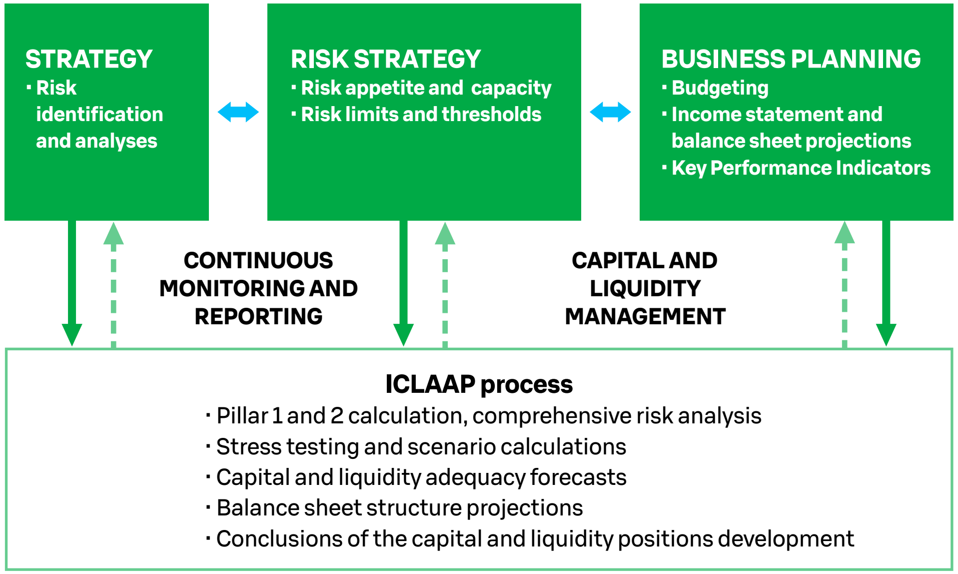
CAPITAL ADEQUACY AND LIQUIDITY MANAGEMENT

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.

Risk Control reporting independent of the business functions



Capital adequacy and liquidity management framework



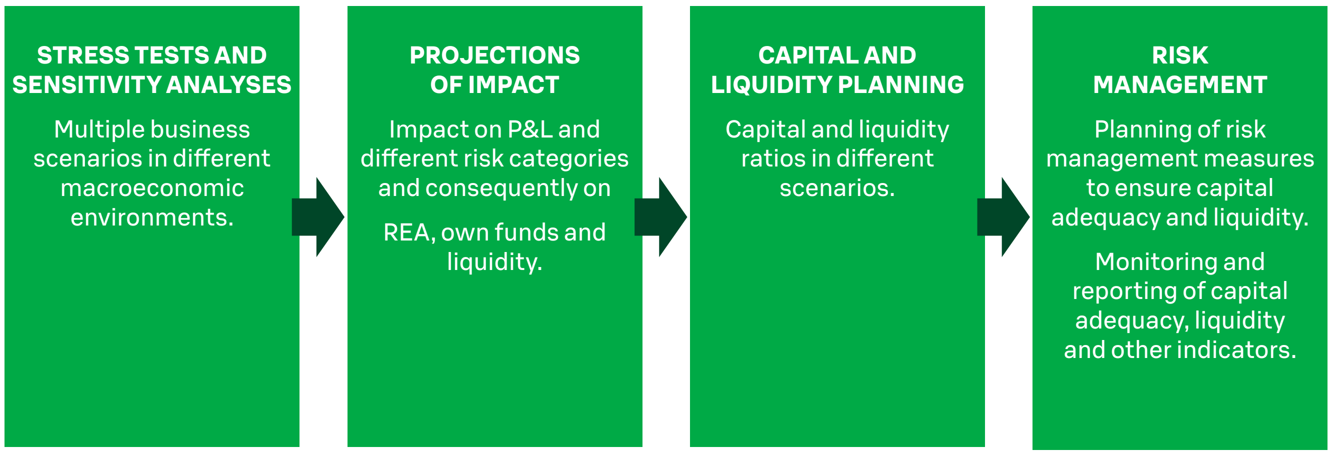
ICLAAP PROCESS

The results of the regular ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are combined in an ICLAAP report which S-Bank prepares at least once a year and as needed. The process begins with strategic and comprehensive risk analyses. S-Bank utilises a variety of stress scenarios 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 particular 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.

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 liquidity plan (ILAAP) together with the capital plan provide a comprehensive overview of S-Bank's liquidity risk position in various stressed business and market 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 plans also describe the measures that could be taken in negative scenarios, if necessary, in order to restore the capital to levels that are in line with risk capacity. The Internal Capital Adequacy Assessment Process (ICAAP) takes into account the material risk types to which S-Bank is exposed. The figure below illustrates the progress of the ICLAAP process.

The amount of items allocated to the small trading book, in accordance with the Capital Requirements Regulation, has been very low due to the internally set limits, and therefore S-Bank is not subject to the Pillar 1 capital requirement for market risk. However, in the ICLAAP process and in the calculation of the economic capital requirement (Pillar 2), the capital adequacy of market-risk generating items is assessed under the market risk reference framework, in accordance with S-Bank's internal parameters and models.

ICLAAP process



CREDIT AND COUNTERPARTY RISKS

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

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 investment plan.

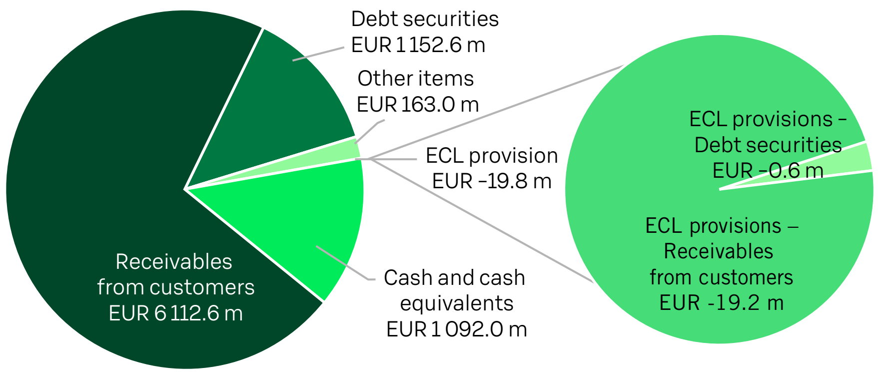
Credit risks are managed by the business and support units within the framework of the policies and limits set in the Group's risk strategy, the credit risk strategy and the Treasury unit's investment plan. This ensures that the bank has sufficient capital reserves to cover the risk exposure and that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

S-Bank's credit risk position

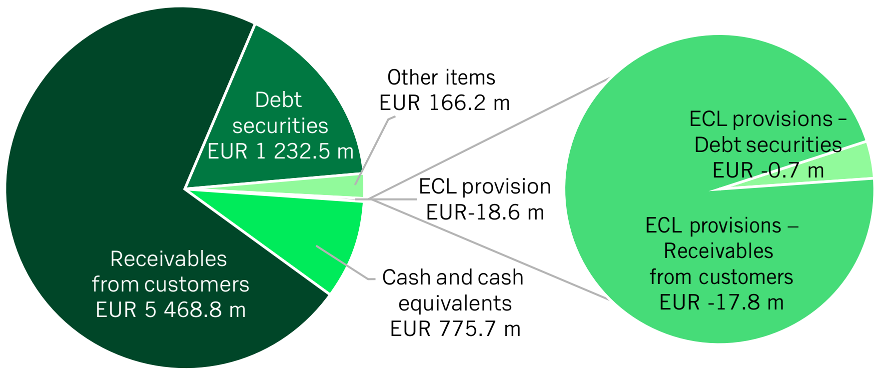
Credit risk is the most significant risk type at S-Bank. The gross carrying amount of balance sheet items, of which credit risk mostly consists, was EUR 8,520.1 million (7,643.2) at the end of the financial year. The growth is mainly attributable to increase of lending in line with strategy, which particularly applied to mortgage lending for household customers. The figure presents the on-balance-sheet values of S-Bank's credit exposures and the provisions related to their expected credit losses, which amounted to EUR 19.8 million (18.6). The item 'Receivables from customers' mainly consists of the carrying amount of loans to household and corporate customers, including their accrued interest. Expected credit losses of EUR 0.6 million (0.7) on debt securities are recognised through the fair value reserve, whereas the rest of the ECL, EUR 19.2 million (17.8), is deducted directly from the gross carrying amount of the item Receivables from customers.

Gross carrying amounts of balance sheet items and expected credit losses

31 Dec 2021, EUR million



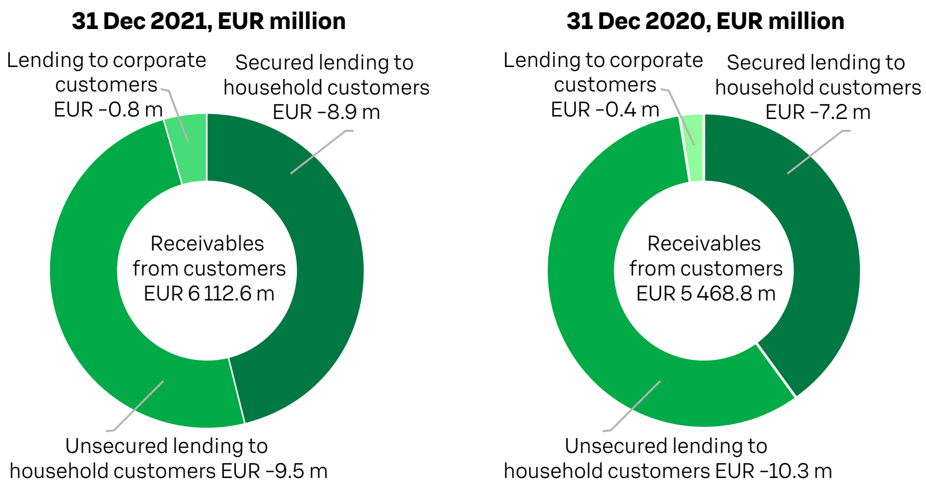
31 Dec 2020, EUR million



S-Bank's most significant credit risk exposure, about 72 per cent (72) of the gross on-balance sheet carrying amount, consist of the item Receivables from customers. This item is also subject to the most significant ECL charge, and its distribution is illustrated in the adjacent figure. On a more detailed level, most of this ECL provision is related to unsecured and secured household customer lending.

The total provision for expected credit losses, including the ECL provision for off-balance sheet liabilities, was EUR 20.6 million (19.6) at the end of the review period. The coverage ratio of the total portfolio declined to 0.22 per cent (0.23) and remained within the risk appetite defined by S-Bank's Board in its credit risk strategy.

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



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 through the set limits and are monitored regularly as part of the management risk reporting. Moreover, concentration risks are assessed through stress testing in the context of the capital plan (ICLAAP) and they are taken into account in the calculation of the economic capital requirement (Pillar 2).

From a geographical perspective, the majority, about 94 per cent (94), of S-Bank exposures are in Finland, followed by the rest of the Nordic countries at about 4 per cent (4). 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 collaterals across different areas, due to large customer base in S-Bank's 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 large cities and their commuting areas. The exposures outside Finland derive from the investments of the Treasury unit.

The following table illustrates the break-down 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. Corporate lending is targeted mainly at financing of new housing companies under construction. 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 2020.

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

Balance sheet items 31 Dec 2021, EUR million	Financial and insurance	Real estate	Public administration and defence, compulsory social security	Wholesale and retail trade	Manufacturing	Other industries	No industry	Total
Cash and cash equivalents	1 092.0	0.0	0.0	0.0	0.0	0.0	0.0	1 092.0
Receivables from credit institutions	25.1	0.0	0.0	0.0	0.0	0.0	0.0	25.1
Receivables from customers	82.1	902.5	0.0	1.0	0.1	17.8	5 089.9	6 093.4
Debt securities	660.2	50.0	269.2	7.0	92.9	73.3	0.0	1 152.6
Shares and interests	31.1	0.0	0.0	0.0	0.0	0.4	0.0	31.6
Derivatives	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.6
Other items	1.2	0.0	0.6	0.0	0.0	0.0	104.0	105.8
Off-balance sheet items	50.7	136.5	0.0	251.2	0.0	39.1	1 981.9	2 459.4
Total	**1 943.0**	**1 089.0**	**269.8**	**259.2**	**93.0**	**130.5**	**7 175.8**	**10 960.3**

Balance sheet items 31 Dec 2020, EUR million	Financial and insurance	Real estate	Public administration and defence, compulsory social security	Wholesale and retail trade	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	0.0	3.4	0.1	15.9	4 488.4	5 450.9
Debt securities	666.4	36.6	331.0	10.0	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
Derivatives	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 items	28.9	86.5	0.0	223.5	0.0	38.4	1 785.4	2 162.8
Total	**1 604.5**	**994.8**	**331.0**	**237.0**	**119.3**	**124.1**	**6 377.5**	**9 788.1**

Real estate collateral is S-Bank's most significant type of collateral from the perspective of concentration risks. As a significant part of the real estate collateral portfolio comprises housing, the price trends of housing affect S-Bank's risk position. However, real estate collateral is spread over a large number of individual collateral items. This risk is managed by directing lending to large cities and their commuting areas. Collateral values are monitored and updated over the lifetime of a loan and collateral information is maintained to identify and manage possible collateral risk concentrations. Possible changes in immovable property collateral values are also considered as a part of stress scenarios 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 risks are managed by assessing the connections between corporate customers, setting limits on the exposures of customer entities, and monitoring the changes in these exposures individually and as a whole. This risk is taken into account as part of S-Bank's assessment of its economic capital (Pillar 2).

Repayment holidays and changes to payment programmes

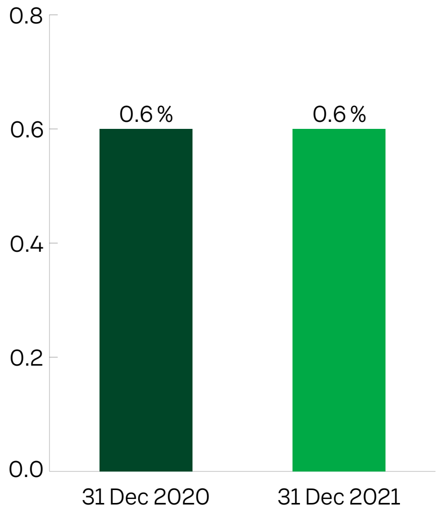
The volume of household customer loans subject to repayment holiday or other changes to the payment schedule decreased significantly to EUR 420 million (680) during the financial year, corresponding to 8 per cent (15) of total household customer exposures. The amount of repayment holidays in relation to the loan portfolio returned to pre-Covid-19 level in the second half of the year. 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 concentrations of customers or sectors that would have been offered repayment holidays or changes to their payment schedules.

Non-performing loans and forborne exposures

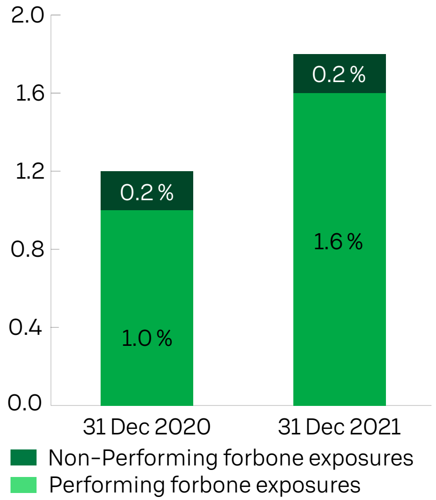
As of 1 January 2021, S-Bank has applied the new definition of default resulting from regulatory reform. As a result, the concepts of defaulted exposures, non-performing loans and credit-impaired receivables in accordance with IFRS 9 were combined. The cure criteria of defaulted exposures were also tightened in connection with the reform.

These changes contributed to the increase in the gross carrying amount of non-performing loans to EUR 39.3 million (32.4). The increase was recorded mainly in the first quarter of the year. Despite the increase, the ratio of non-performing loans to loans and advances (excluding central bank cash and demand deposits) has remained rather stable at 0.6 per cent (0.6) thanks to loan portfolio growth. All non-performing loans are household customer exposures.

NPL ratio



Forborne exposures



Forbearance measures refer to the restructuring of credit agreements (including repayment holidays), which is intended to help customers cope with temporary payment difficulties. When credit agreements are restructured, material regulatory requirements must be met, including the assessment of the customer's financial situation and a risk-based assessment of the application. The delayed effects of the Covid-19 pandemic increased forbearance during the first half of the year. More efficient forbearance recognition processes and stricter cure criteria also contributed to the increase of forborne exposures. The increase in forbearance influenced the amount of loans classified to stage 2 in the impairment calculation, which is discussed in more detail in note 10: Impairment of receivables. However, the effects of the pandemic decreased in the second half, which was reflected in a levelling-off of the increase in new forbearance and an increase in the proportion of performing forborne exposures.

Gross forborne exposures in the balance sheet totalled EUR 109.9 million (65.7) at the end of the review period. Of the on-balance-sheet forborne exposures, 88 per cent (84) were performing. The figure below 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) was at the level of 1.6 per cent (1.0). The corresponding ratio of non-performing forborne exposures remained at 0.2 per cent (0.2) All forborne exposures are related to household customers.

Impairment of receivables

The accounting of expected credit losses in accordance with the IFRS 9 standard is based on internal models that contain an assumption of a change in credit risk. In addition, forward-looking information and the macroeconomic situation are taken into account using the management factor. The management factor, which is confirmed monthly, takes into account the latest available information on the macroeconomic outlook and the uncertainty factors related to model risk and model assumptions.

Expected and final credit losses of EUR 21.4 (28.0) million were recognized in the consolidated income statement during the financial year. Reversals, or recovered credit losses, amounted to EUR 5.7 million (4.4). Consequently, the net expected and final credit losses were EUR 15.7 million (23.6).

The ECL provision increased by EUR 1.1 million during the financial year, of which approximately EUR 1 million was attributable to the introduction of the new definition of default. Changes in risk parameters reduced the ECL provision by EUR 1.4 million on the previous year. The change in the factor reflecting the macroeconomic situation and the management estimate increased the ECL provision by around EUR 1.6 million during the reporting period.

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). However, collection agencies are still applying active measures to collect these debts, which will eventually reduce the amount of credit losses recognised in the income statement through recoveries. During the financial year, a total of EUR 20.1 million (23.5) in financial assets were written off as final credit losses that are still subject to collection measures.

The ECL numbers 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).

Collateral and credit risk mitigation

S-Bank uses collateral and other credit risk mitigation arrangements in the credit risk management. Such arrangements include customary types of guarantees, such as government guarantees, personal guarantees and institutional guarantee commitments. The Board of Directors of S-Bank decides on the accepted collateral types and their valuation principles. The methods specified in the credit granting guidelines are used to ensure that the collateral and guarantees are acceptable, binding, comprehensive and liquid. The guiding principle is that credit may only be granted to customers with an adequate repayment ability, regardless of the value of any collateral.

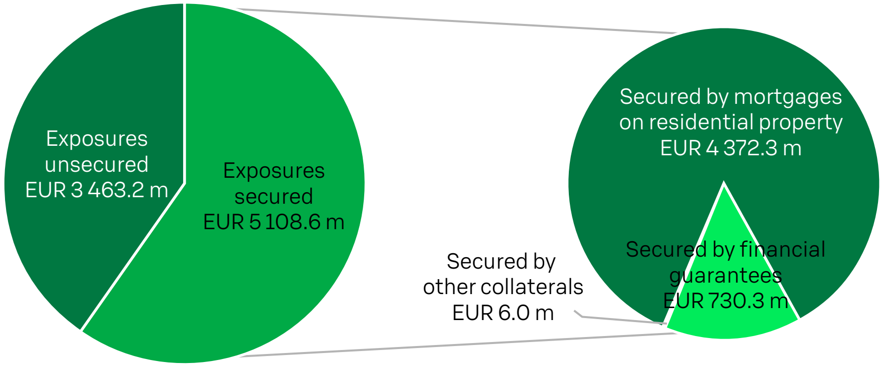
Depending on its type, collateral is measured at market value or fair value. Based on the principle of prudence, a haircut is applied to the value of collateral in order to mitigate credit risk, and the amount of this haircut depends on various criteria. The values of real estate collateral are monitored and updated regularly over the lifetime of the credit. During the financial year, S-Bank adopted a new method for valuing real estate collateral, based on statistical modelling, which is used conservatively in determining the fair values of property collateral together with other methods. S-Bank does not take possession of collateral pledged to it. In the event of the non-performance of a receivable, the customer or the debt collection agency may sell the security to cover the remaining debt.

Expected credit loss calculations take into account the effect of guarantees and collateral and the uncertainties and costs associated with its liquidation through the parameters indicating the Loss Given Default (LGD). The principal risk-mitigating factors used when calculating the credit risk capital adequacy requirement are immovable property collateral 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.

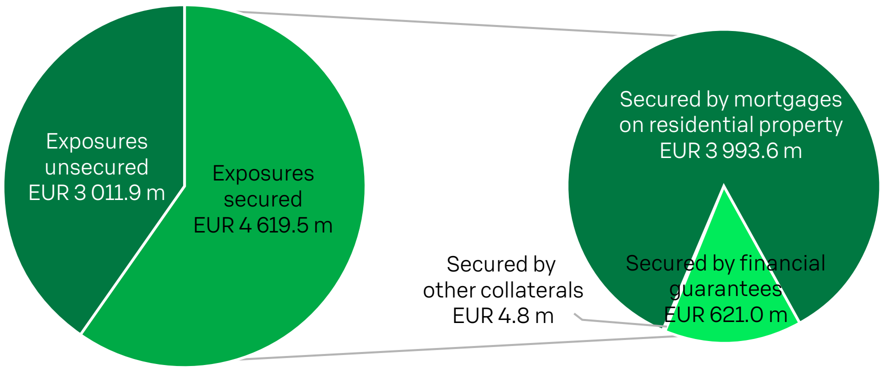
The picture Breakdown of collateral and guarantees used in capital adequacy calculation presents in more detail the breakdown of credit risk mitigation techniques used in capital adequacy calculation. Approximately 59.6 per cent (60.5) of the gross carrying amount of 'Receivables from customers' and the related off-balance sheet commitments are secured by the collateral and guarantees used in capital adequacy calculation. Exposures secured by immovable property collateral account for approximately 85.6 per cent (86.5), whereas exposures secured by guarantees account for approximately 14.3 per cent (13.4) of the covered exposures. No significant changes occurred during 2021 in S-Bank collateral categories, applied valuation principles, or in the coverage of secured exposures.

Breakdown of collateral and guarantees used in capital adequacy calculation

31 Dec 2021, EUR million



31 Dec 2020, EUR million



The Loan-to-Value (LTV) ratio is the outstanding amount of mortgage loan as a percentage of the real estate collateral value. S-Bank's LTV calculation uses the fair value of the real estate collateral at the time of origination. Guarantee insurance for housing loans is included in the calculation. The table below provides an LTV breakdown of household customer mortgage loans.

Loan-to-value (LTV) distribution of household customers

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

LTV category 31 Dec 2020	Proportion of exposures
0–50%	17%
50–60%	13%
60–70%	18%
70–80%	29%
80–90%	19%
90–100%	3%
> 100%	1%
Total	**100%**

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.

Collateral associated with impaired exposures (stage 3)

Credit-impaired financial assets, 31 Dec 2021, EUR million	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	39.3	6.3	33.0	50.3
Lending to corporate customers	0.0	0.0	0.0	0.0
Credit-impaired financial assets, total	**39.3**	**6.3**	**33.0**	**50.3**

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**

Counterparty risks

S-Bank is exposed to counterparty risk arising from derivatives used by the Bank to hedge the interest rate risk in the banking book. S-Bank uses the revised original exposure method referred to in the Capital Requirements Regulation to calculate the counterparty risk. The revised original exposure method takes into account the scaling factor in accordance with the Capital Requirements Regulation, the current replacement cost of derivative contracts and the potential future credit risk exposure. The counterparty risk is managed by means of netting agreements and by clearing the derivatives with a qualifying central counterparty. 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 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 risk was EUR 21.0 million (2.8). The increase in exposure value is due to the new calculation method. The counterparty risk consisted entirely of derivatives that are eligible for central counterparty credit. The minimum capital requirement for counterparty 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). Derivatives and hedge accounting are also discussed in the notes (Note 21: Derivatives and hedge accounting, Note 17: Derivative contracts and Note 18: Hedge accounting).

Monitoring and reporting

The business units in charge of the Banking business are responsible for credit risk management, and the business and support functions regularly monitor the development 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 businesses operate in accordance with the overall risk strategy and the principles, limits and decision-making authorisations defined for each type of risk. 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.

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 liquidity by using the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) defined by the authorities and its 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 and internal liquidity indicators are used to monitor S-Bank's liquid assets and to manage short, medium and long-term liquidity risk. The 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: 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 stressed business and market scenarios 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 strong during the review period. The following table illustrates the main components of the liquidity coverage ratio (LCR) and their changes. The table presents the liquidity buffer at market values and buffer values. The figures account for the valuation haircuts applied to the market values.

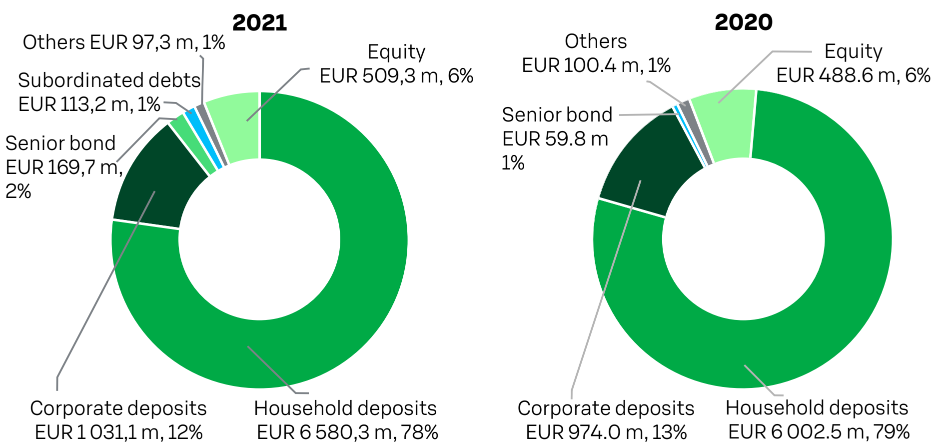
The liquidity coverage ratio (LCR) was 150 per cent (147). With respect to the liquidity buffer, very high-quality Level 1 assets accounted for 88 per cent (86) and Level 2 assets for 12 per cent (14). The buffer consists of unencumbered, high-quality liquid assets that can be monetised in a timely fashion.

Main items for the liquidity coverage ratio

Liquidity Coverage Ratio (LCR), EUR million	31 Dec 2021		31 Dec 2020	
	Market value	Buffer value	Market value	Buffer value
Level 1a	**1 305.6**	**1 305.6**	**1 057.3**	**1 057.3**
Assets from regional governments or local authorities	257.4	257.4	328.0	328.0
Funds from central administrations	11.8	11.8	12.1	12.1
Central bank reserves available for withdrawal	1 036.4	1 036.4	717.3	717.3
Level 1b	**157.3**	**146.2**	**196.2**	**182.5**
Extremely high-quality covered bonds	157.3	146.2	196.2	182.5
Level 2a	**188.5**	**160.3**	**193.6**	**164.5**
High-quality covered bonds (third country, CQS1)	126.7	107.7	120.8	102.7
High-quality covered bonds (CQS2)	61.9	52.6	72.8	61.9
Corporate bonds (CQS1)	0.0	0.0	0.0	0.0
Level 2b	**77.8**	**38.9**	**64.6**	**32.3**
Corporate bonds (CQS2 and CQS3)	77.8	38.9	64.6	32.3
Total	**1 729.2**	**1 651.0**	**1 511.7**	**1 436.6**
Liquidity outflows, total		**1 141.4**		**1 026.3**
Liquidity inflows, total		**39.9**		**47.6**
Liquidity Coverage Ratio (%)		**150 %**		**147 %**

S-Bank's funding is primarily based on the deposit portfolio and thus the main sources of funding are the deposit and savings accounts of its household customers. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits. Sources of funding increased in 2021 when S-Bank successfully issued a EUR 170 million senior preferred MREL eligible notes bond at the end of the third quarter. The bond is S-Bank's first issuance under its MTN (Medium Term Note) programme. Trading with the floating-rate bond that matures on 4 April 2025 began on 6 October 2021 on Nasdaq Helsinki. The following figure illustrates the financing structure of S-Bank's funding, which totalled EUR 8 500.9 million (7 625.4). 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 2021 financial year, the amount of retail and corporate deposits continued to grow.

Funding structure



Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR)	31 Dec 2021 Buffer value	31 Dec 2020 Buffer value
Available stable funding, total	7 260.5	6 513.1
Required stable funding, total	4 803.6	4 308.1
Net Stable Funding Ratio (NSFR)	151.1 %	151.2 %

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 growth of the deposit portfolio and the issued bond. 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 daily by a cash flow forecast and are reported for both LCR and internal indicators. Monthly reporting includes NSFR, asset encumbrance and funding structure indicators. 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.

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 market values, interest rates and volatility on the market value of financing agreements and hence on the bank's profit 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.

The amount of items allocated to the small trading book, in accordance with the Capital Requirements Regulation, has been very low due to the internally set limits, and therefore S-Bank is not subject to the Pillar 1 capital requirement for market risk. Market risk is measured using internal risk models as part of the Pillar 2 economic capital requirement. 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 2021. Derivatives and hedge accounting are described in the accounting policies (Derivatives and hedge accounting) and Note 21: 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 -9.1 million (-11.6). 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 -11.1 million (-9.3). 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: 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).

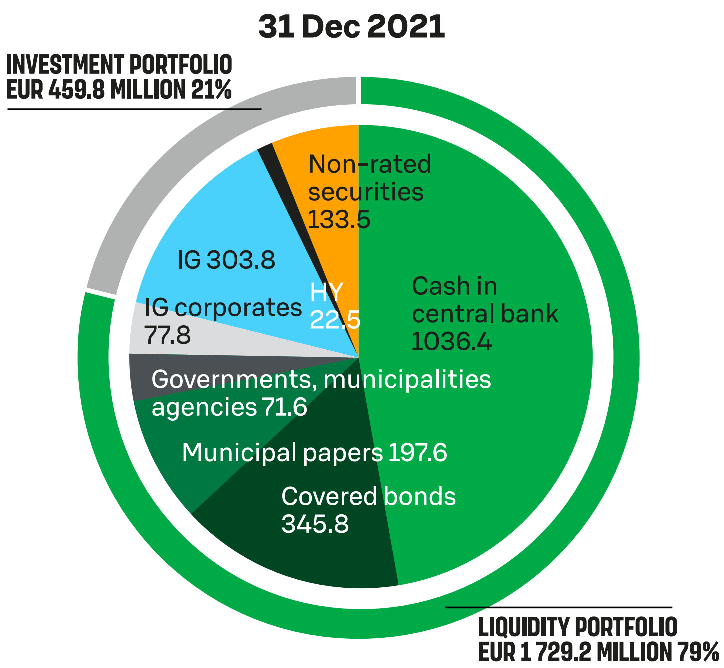
Breakdown of financial assets and liabilities by interest rate fixing

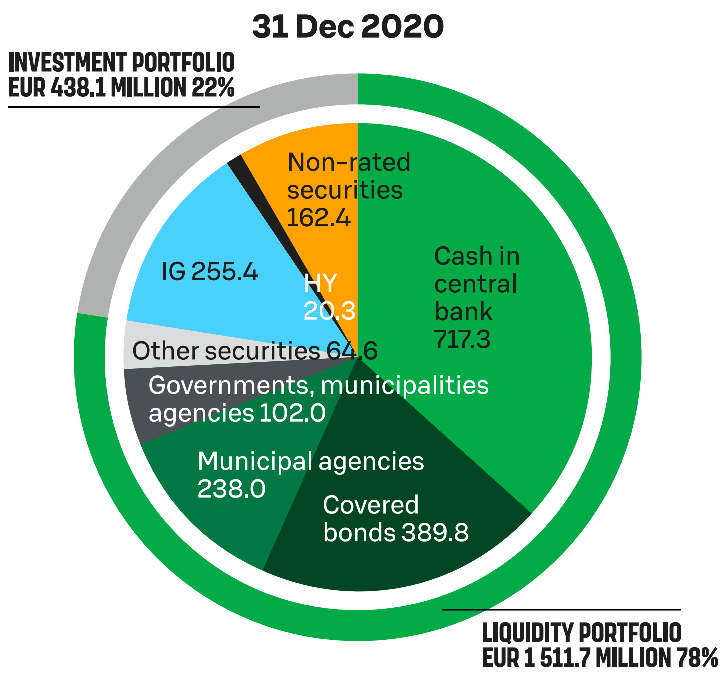
Financial assets and liabilities, 31 Dec 2021, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	1 092.0	0.0	0.0	0.0	0.0	1 092.0
Debt securities eligible for refinancing with central banks	61.2	85.2	497.6	41.0	0.0	684.9
Receivables from credit institutions	25.1	0.0	0.0	0.0	0.0	25.1
Receivables from customers	2 363.0	3 600.2	89.5	33.2	0.0	6 086.0
Debt securities	179.4	81.2	179.1	24.5	0.0	464.2
Derivatives	0.0	0.0	0.5	0.0	0.0	0.6
Financial assets, total	**3 720.6**	**3 766.6**	**766.7**	**98.7**	**0.0**	**8 352.7**
Liabilities to credit institutions	0.1	0.0	0.0	0.0	0.0	0.1
Liabilities to customers	7 608.5	1.2	1.6	0.0	0.0	7 611.3
Bonds issued to the public	169.7	0.0	0.0	0.0	0.0	169.7
Subordinated debts	0.0	112.7	0.0	0.0	0.0	112.7
Derivatives	5.3	2.8	0.3	0.0	0.0	8.4
Lease liabilities	0.0	0.0	6.7	0.0	0.0	6.7
Financial liabilities, total	**7 783.6**	**116.7**	**8.6**	**0.0**	**0.0**	**7 908.8**
Financial assets and liabilities, total	**-4 063.0**	**3 650.0**	**758.2**	**98.7**	**0.0**	**443.9**

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 debts	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**

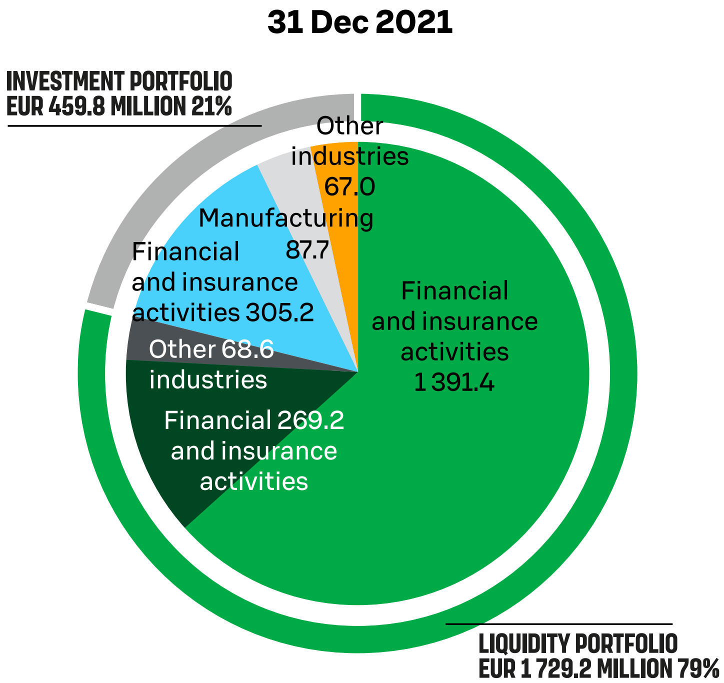
The following figures illustrate the Treasury unit's distribution of investment and liquidity portfolios by investment instrument and industry. The Treasury portfolio totalled EUR 2 189.0 million (1 949.8). In 2021, the Treasury portfolio grew due to the strong growth of the deposit portfolio and the funding raised.

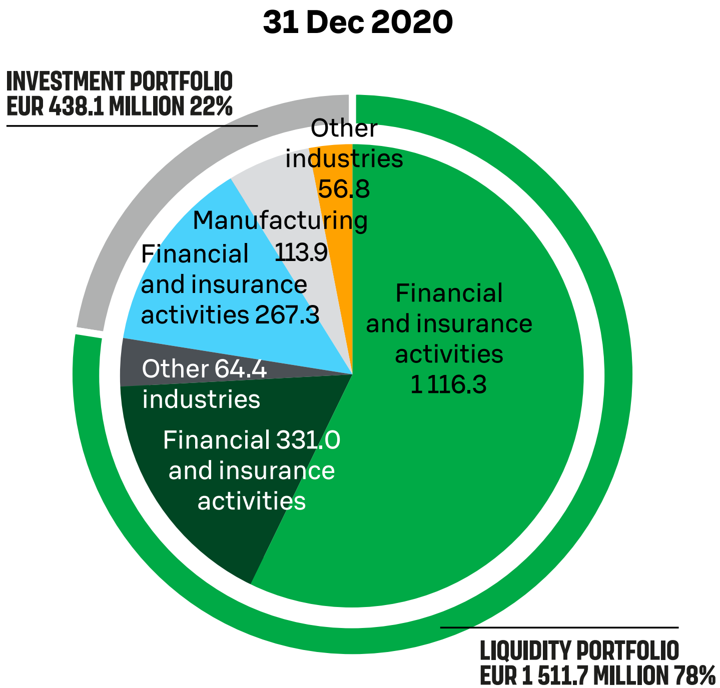
Breakdown of the Treasury portfolio by investment instrument





Breakdown of Treasury portfolio by sector





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. Increased market interest rate expectations have contributed to a decrease in the economic value sensitivity in the +100 bps scenario. The economic value sensitivity in the -100 bps scenario has increased as a result of higher interest rate expectations and the applicable interest rate curve floors, which increased the impact on interest rate sensitivity.

Sensitivity analysis for the interest rate risk in the banking book

Economic Value (EV) risk, EUR million	31 Dec 2021	31 Dec 2020
Total +100 basis points	**7.6**	**-43.1**
Loans	-53.4	-103.1
Debt securities	-20.3	-20.6
Other financial assets	-2.2	-1.0
Financial assets, total	-75.9	-124.7
Non-maturity deposits	73.3	69.7
Other financial liabilities	1.0	0.6
Financial liabilities, total	74.3	70.2
Derivatives	9.2	11.3
Total -100 basis points	**93.5**	**47.9**
Loans	144.4	64.6
Debt securities	13.9	7.6
Other financial assets	1.9	0.4
Financial assets, total	160.2	72.6
Non-maturity deposits	-59.1	-20.5
Other financial liabilities	-1.0	-0.2
Financial liabilities, total	-60.1	-20.8
Derivatives	-6.7	-4.0

Net Interest Income (NII) risk, EUR million	31 Dec 2021	31 Dec 2020
Total +100 basis points	**31.4**	**34.3**
Loans	23.7	23.1
Debt securities	2.8	3.8
Other financial assets	6.7	6.0
Financial assets, total	33.2	32.9
Non-maturity deposits	-1.2	-0.8
Other financial liabilities	-3.9	-1.6
Financial liabilities, total	-5.1	-2.4
Derivatives	3.2	3.8
Total -100 basis points	**-9.1**	**-11.6**
Loans	-3.4	-3.7
Debt securities	0.0	-1.6
Other financial assets	-5.6	-4.6
Financial assets, total	-9.1	-10.0
Non-maturity deposits	0.0	0.0
Other financial liabilities	1.4	0.1
Financial liabilities, total	1.4	0.1
Derivatives	-1.4	-1.7

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 2021			31 Dec 2020		
Interest rate shock	Portfolio	Sensitivity	Sensitivity, %	Portfolio	Sensitivity	Sensitivity, %
+100 basis points	1 142.1	-11.1	-1.0 %	1 214.1	-9.3	-0.8 %
-100 basis points		7.3	0.6 %		3.6	0.3 %

The following table 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 valued decreased moderately in 2021.

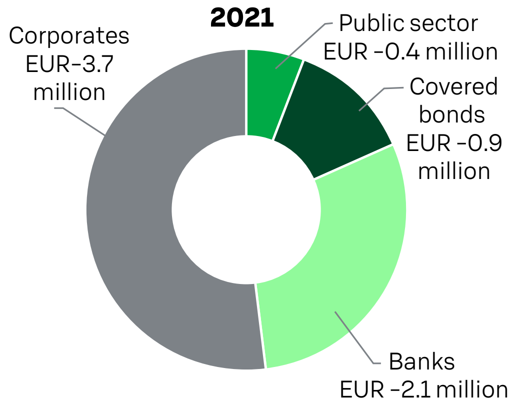
Spread risk

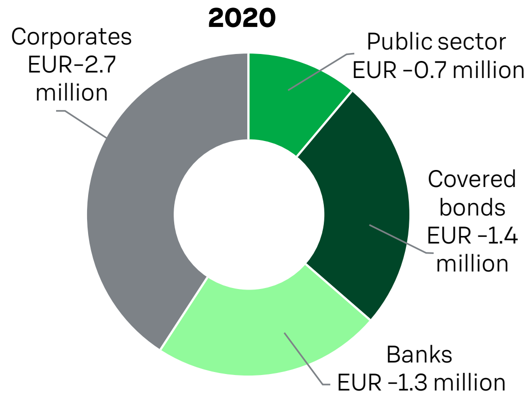
The operations of the Treasury unit are subject to a credit spread risk, which is calculated on the portfolio's debt securities. The spread risk is related to changes in the market's general opinion of the creditworthiness of an investment instrument's issuer, or to an unfavourable shift in the general 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 risk limit and the Pillar 2 capital requirement for spread risk are calculated based on the internal market risk model.

The following figure illustrates the exposure to the spread risk of debt securities, which, according to the internal risk limit, totalled EUR -7.1 million (-6.1) at the end of the financial year. The spread risk increased by EUR 1.0 million on 2021. The change is mainly due to an update of the internal model parameters during 2021 and an increase in the exposure in banks with an A credit rating.

Breakdown of spread risk in the internal model





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.

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 on a daily basis and the asset and liability management committee is responsible for the operational measurement, monitoring and reporting of market risks in accordance with the procedures agreed within the organisation. 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 most important entities related to 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.

OPERATIONAL RISKS

S-Bank's operational risk profile is materially impacted by system failures and disruptions, fraud and possible deficiencies in the operations of external service providers. Realised losses from operational risk amounted to EUR 2.4 million (0.72) in 2021.

Operational risk refers to the possibility of losses arising from unclear or inadequate processes, deficient systems, actions by the personnel, or external factors. The consequences of realised operational risks may include financial losses or a deterioration in S-Bank's reputation and its esteem and trustworthiness in the eyes of the public. Operational risks at S-Bank include internal and external malpractice, problems related to personnel and occupational safety, property damage and external events, disruptions and interruption damage related to the IT system and issues with processes. The realised losses from operational risk in 2021 were EUR 2.4 million, of which EUR 1.65 million was due to a penalty payment imposed by the Financial Supervisory Authority for deficiencies in the identification and reporting processes related to suspicious orders in the share brokerage services offered by S-Bank from 2016 to 2018.

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 Control function regularly reports on S-Bank's most significant realised operational risks, and on the level of risk management, to S-Bank's senior and executive management and to the authorities. The Compliance function monitors compliance and adequacy of procedures, makes recommendations for development measures and monitors the implementation of said 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 reputational risk associated with abnormal situations. 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.

ESG RISKS

In its 2021 financial statements, S-Bank reports, for the first time, items related to financial activities in accordance with EU taxonomy (EU Taxonomy Regulation, EU 2020/852) in the Annual Report section 'Responsible financing'.

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

	2021	2020
Interest income		
Debt securities eligible for refinancing with central banks		
measured at fair value through other comprehensive income	2 684	3 362
Receivables from credit institutions	12	0
Receivables from customers	98 163	92 949
Debt securities		
measured at fair value through other comprehensive income *	2 653	2 709
measured at fair value through profit or loss *	-847	94
Derivatives	258	45
Other interest income	1	-2
Total interest income using the effective interest method *	103 513	99 019
Other interest income *	-588	137
Interest income, total	**102 925**	**99 156**
Interest income from stage 3 financial assets	1 848	1 740
Interest expenses		
Liabilities to credit institutions	-1 868	-828
Liabilities to customers	-2 576	-4 216
Issued bonds	-134	0
Derivatives	-6 604	-3 837
Subordinated debts	-1 366	-892
Other interest expenses	-12	-5
Interest expenses on leases	-24	-45
Total interest expenses using the effective interest method	-5 944	-5 936
Other interest expenses	-6 640	-3 887
Interest expenses, total	**-12 583**	**-9 823**
NET INTEREST INCOME	**90 341**	**89 333**
Of which negative interest income	-847	-2
Of which negative interest expenses, which are included in interest income	-808	-616

* The comparison period has been amended between items measured at fair value through other comprehensive income and measured at fair value through profit or loss since the publication of the 31 December 2020 financial statements.

NOTE 4: NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income by segment		
Fee and commission income from Banking		
From lending	26 939	25 903
From borrowing	2 728	2 329
From payment transactions	15 669	14 206
From legal duties	433	360
From insurance brokerage	1 445	1 194
From issuance of guarantees	51	55
Total fee and commission income from Banking	47 264	44 048
Fee and commission income from Wealth Management		
From funds	67 759	58 060
From wealth management	4 066	3 010
From property management	3 352	0
Total fee and commission income from Wealth Management	75 177	61 071
Fee and commission income from other activities		
From securities brokerage	169	644
Other fee and commission income	1 063	2 508
Total fee and commission income from other activities	1 232	3 152
Fee and commission income, total	**123 674**	**108 270**
Fee and commission expenses		
From funds	-33 288	-32 618
From wealth management	-232	-428
From securities brokerage	-1 542	-1 398
From card business	-6 379	-6 072
From property management	-313	0
Banking fees	-527	-263
Other expenses	-581	-471
Fee and commission expenses, total	**-42 863**	**-41 251**
Net fee and commission income	**80 811**	**67 019**

NOTE 5: NET INCOME FROM INVESTING ACTIVITIES

	2021	2020
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	25	101
Changes in fair value	-81	180
Shares and interests		
Capital gains and losses	122	-51
Changes in fair value	1 654	1 230
Derivatives		
Capital gains and losses	0	-170
Changes in fair value	-25	693
Net income from financial assets measured at fair value through profit or loss, total	**1 695**	**1 983**
Net income from financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	683	577
Other income and expenses	-17	-20
Shares and interests		
Capital gains and losses *	535	325
Net income from financial assets measured at fair value through other comprehensive income, total *	**1 201**	**882**
Net income from currency operations	**362**	**107**
Net income from hedge accounting		
Net result from hedging instruments	8 311	-265
Net result from hedged items	-8 463	453
Net income from hedge accounting	**-152**	**188**
Net income from investing activities, total *	**3 107**	**3 160**

* Dividends were moved from Net income from investing activities to Dividends since the publication of the 31 December 2020 financial statements.

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 result from hedge accounting. When hedging is effective, the changes in the fair value offset each other and the net result is close to zero.

NOTE 6: OTHER OPERATING INCOME

	2021	2020
Other operating income	12 690	14 323
Other operating income, total	**12 690**	**14 323**

Other operating income includes administrative fees charged to the S Group, revenue from transferring the management of the LocalTapiola funds, and revenue from the sale of receivables.

NOTE 7: PERSONNEL EXPENSES

Personnel expenses	2021	2020
Salaries and fees	-45 173	-37 598
Indirect personnel expenses	-1 461	-1 266
Pension expenses		
Defined contribution pension plans	-8 397	-6 115
Defined benefit plans	39	91
Personnel expenses, total	**-54 993**	**-44 887**

Number of personnel	31 Dec 2021	31 Dec 2020
Permanent full-time	632	596
Permanent part-time	27	24
Fixed-term	28	32
Personnel, total	**687**	**652**

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: DEPRECIATION AND IMPAIRMENT

	2021	2020
Depreciation of tangible and intangible assets		
Intangible assets	-9 362	-10 415
Tangible assets	-359	-328
Right-to-use assets	-2 822	-2 451
Depreciation on tangible and intangible assets, total	**-12 543**	**-13 195**
Impairment of tangible and intangible assets		
Intangible assets	-263	-208
Tangible assets	-179	-19
Impairment of tangible and intangible assets, total	**-442**	**-227**
Depreciation and impairment on tangible and intangible assets, total	**-12 985**	**-13 422**

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

NOTE 9: OTHER OPERATING EXPENSES

	2021	2020
Other operating expenses		
Costs related to leases		
Lease expenses on short-term leases	-440	-822
Rental expenses for low value assets	-429	-432
Other operating expenses	-5 476	-4 844
Other operating expenses, total	**-6 345**	**-6 097**
Breakdown of the fees paid to the audit firm		
Audit	-297	-318
Tax consultancy	-7	-1
Other services	-74	-128
Fees paid to the audit firm, total	**-377**	**-447**
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-993	-1 045
Deposit guarantee fund contribution	-7 201	-4 944
Administrative fee	-30	-27
Fees paid to the Finnish Financial Stability Authority, total	**-8 225**	**-6 016**

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. The impact on the profit was EUR 993 thousand (484 thousand) for the financial year 2021.

NOTE 10: IMPAIRMENT OF RECEIVABLES

Expected and final credit losses of EUR 21.4 (28.0) million were recognised in the consolidated income statement during the reporting period. Reversals, or recovered credit losses, amounted to EUR 5.7 million (4.4). Consequently, the total net effect on profit of expected and final credit losses was EUR 15.7 million (23.6).

Expected credit losses and impairment losses recognised during the period

Expected credit losses and impairment losses (EUR '000)	2021	2020
Receivables written off as credit and guarantee losses	20 324	25 535
Reversal of receivables written off	-5 675	-4 375
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	1 246	2 355
Expected credit losses (ECL) on investing activities	-177	116
Total	**15 718**	**23 631**

S-Bank is exposed to credit risk arising from household and corporate customer exposures, investing activities (debt securities) and off-balance sheet commitments. The risk exposure summary table presents the exposures and commitments subject to credit risk and the related ECL provisions by impairment stage. The coverage ratio illustrates the proportion of the ECL provision to the exposure amount.

The total ECL provision at the end of the review period was EUR 20.6 million (19.6). The ECL provision increased by EUR 1.1 million during the reporting period, mainly due to an increase in the proportion of household customers. The coverage ratio of the total portfolio declined to 0.22 (0.23) per cent and remained within the risk appetite defined by S-Bank's Board in its credit risk strategy.

Risk exposure, summary

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

*The ECL provision is recognised as a single amount in order to reduce the balance sheet item Receivables from customers.
**The ECL provision is recognised in the fair value reserve under other comprehensive income.
***The ECL provision is recognised on the balance sheet under 'Other liabilities'.

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

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

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

Exposure to credit risk (household customers)

	Lending to household customers			
31 Dec 2021 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	3 570 789	360 914	0	3 931 704
Category 2	247 879	56 992	0	304 870
Category 3	215 619	67 371	0	282 990
Category 4	76 444	43 660	0	120 104
Category 5	168 320	56 674	0	224 994
Category 6	83 849	46 970	0	130 819
Category 7	2 151	74 498	0	76 649
In default	0	0	39 344	39 344
Gross carrying amount	**4 365 050**	**707 079**	**39 344**	**5 111 473**
ECL provision*	-1 734	-10 371	-6 301	-18 406
Net carrying amount	**4 363 317**	**696 708**	**33 043**	**5 093 067**

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

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

The corporate loan portfolio focuses on the secured financing of housing companies that are recently completed or under construction. As mortgage-backed loans, these are considered to be less risky, which also reduces the expected credit losses. Corporate exposures and investing activities focus on large companies with good credit ratings.

Exposure to credit risk (corporate customers, 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 2021 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	2 953 617	52 948	0	3 006 565
Category 2	423 553	10 350	0	433 903
Category 3	270 117	8 809	0	278 926
Category 4	314 244	15 682	0	329 927
Category 5	230 138	4 022	0	234 159
Category 6	22 247	23 474	0	45 722
Category 7	1 589	4 928	0	6 517
In default	0	0	465	465
Total	**4 215 506**	**120 213**	**465**	**4 336 184**
ECL provision*	-914	-1 297	-29	-2 240

*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 on the balance sheet under 'Other liabilities'.

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

The following tables describe transfers and changes in expected credit losses during the review period. The tables present the reconciliation between the opening and closing balances of the loss allowance. Changes in risk parameters reduced the ECL provision by EUR 1.4 million compared with the situation at the beginning of the reporting period. This item is affected by estimates from risk models and factors reflecting the macroeconomic situation and the management estimate, for example. The change in the factor reflecting the macroeconomic situation and the management estimate increased the ECL provision by around EUR 1.6 million during the reporting period. The new definition of default increased exposures classified under Stage 3, which affected transfers of ECL provisions from Stage 1 to Stage 3 and from Stage 2 to Stage 3 during the reporting period.

Reconciliation of expected credit losses (household customers)

31 Dec 2021 (EUR '000)	Household customers Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1 Jan 2021	**1 583**	**11 615**	**4 246**	**17 444**
Transfers from Stage 1 to Stage 2	-228	4 564	0	4 337
Transfers from Stage 1 to Stage 3	-35	0	1 976	1 941
Transfers from Stage 2 to Stage 1	162	-3 368	0	-3 206
Transfers from Stage 2 to Stage 3	0	-1 208	2 475	1 267
Transfers from Stage 3 to Stage 1	7	0	-66	-60
Transfers from Stage 3 to Stage 2	0	99	-675	-576
Changes in the risk parameters	-3	-603	-264	-870
Increases due to origination and acquisition	430	1 245	282	1 958
Decreases due to derecognition	-153	-831	-245	-1 229
Decrease in the allowance account due to write-offs	-28	-1 143	-1 427	-2 599
Net change in ECL	151	-1 243	2 055	962
ECL 31 Dec 2021	**1 734**	**10 371**	**6 301**	**18 406**

31 Dec 2020 (EUR '000)	Household customers 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**

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

31 Dec 2021 (EUR '000)	Corporate lending, investing activities and off-balance sheet commitments Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
ECL 1 Jan 2021	**1 219**	**883**	**31**	**2 133**
Transfers from Stage 1 to Stage 2	-10	570	0	560
Transfers from Stage 1 to Stage 3	-1	0	18	17
Transfers from Stage 2 to Stage 1	7	-327	0	-319
Transfers from Stage 2 to Stage 3	0	-35	4	-31
Transfers from Stage 3 to Stage 1	8	0	-23	-15
Transfers from Stage 3 to Stage 2	0	0	-3	-2
Changes in the risk parameters	-354	-155	0	-508
Increases due to origination and acquisition	294	503	7	805
Decreases due to derecognition	-250	-45	-4	-299
Decrease in the allowance account due to write-offs	-1	-97	-1	-100
Net change in ECL	-306	415	-2	107
ECL 31 Dec 2021	**914**	**1 297**	**29**	**2 240**

31 Dec 2020 (EUR '000)	Corporate lending, investing activities and off-balance sheet commitments Stage 1 12-month ECL	 Stage 2 Lifetime ECL	 Stage 3 Lifetime ECL	 Total
ECL 1 Jan 2020	**1 154**	**1 435**	**20**	**2 608**
Transfers from Stage 1 to Stage 2	-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**

NOTE 11: SHARE OF THE PROFITS OF ASSOCIATED COMPANIES

At the end of the financial year, S-Bank had one associated company, S-Crosskey Ab.

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**	**2021**	**2020**
S-Crosskey Ab	Mariehamn	40 %	40 %

Associated companies have been consolidated using the equity method.

	S-Crosskey Ab	
Summary of financial information concerning significant associates	**2021**	**2020**
Total assets	1 226	889
Total liabilities	1 193	860
Revenue	14 656	15 999
Profit (loss) for the period	4	-3

	S-Crosskey Ab	
Reconciliation of associate financial information to book value on the balance sheet	**2021**	**2020**
Associated company net assets	33	28
Group holding	40 %	40 %
Adjustments	-9	-9
The balance sheet value of the associated company in the consolidated balance sheet	4	2

NOTE 12: INCOME TAXES

	31 Dec 2021	31 Dec 2021
Tax assets		
Deferred tax assets	1 455	1 386
Tax assets based on taxable income for the financial year	596	210
Tax assets, total	**2 051**	**1 597**
Tax liabilities		
Deferred tax liabilities	5 667	5 608
Tax liabilities based on taxable income for the financial year	1 517	738
Tax liabilities, total	**7 183**	**6 345**

Reconciliation of taxes at current tax rates with those in the income statement	2021	2020
Profit before tax	24 784	21 047
Income tax rate	20 %	20 %
Proportion of profit by tax rate	-4 957	-4 209
Persistent differences	-158	-322
Tax-exempt income	0	0
Non-deductible expenses	-340	-464
Taxes for previous periods	222	-382
Income taxes, total	**-5 233**	**-5 378**

Income taxes	2021	2020
Taxes for the period	-5 687	-5 087
Taxes for previous periods	222	-382
Change in deferred taxes	232	91
Income taxes, total	**-5 233**	**-5 378**

Deferred taxes in the comprehensive income statement	2021	2020
Deferred taxes on financial assets	-272	-61
Deferred taxes on defined benefit plans	58	37
Deferred taxes in the comprehensive income statements, total	**-214**	**-24**

Changes in deferred tax assets and liabilities	31 Dec 2020	Business combinations	Fair value through other comprehensive income	Recognised through profit or loss	31 Dec 2021
Deferred tax assets					
Fee accruals	488	0	0	-12	476
Confirmed losses	819	0	0	-800	19
Mergers and acquisitions	0	0	0	830	830
Other items *	79	0	58	-8	130
Deferred tax assets, total	**1 386**	**0**	**58**	**10**	**1 455**
Deferred tax liabilities					
Fair value through other comprehensive income	-298	0	272	0	-26
Fair value through profit or loss	555	0	0	-32	522
Mergers and acquisitions	894	9	0	-151	751
Intangible assets	1 170	0	0	34	1 204
Appropriations **	684	0	0	264	948
Provisions and loan impairment	2 604	0	0	-337	2 267
Deferred tax liabilities, total	**5 608**	**9**	**272**	**-222**	**5 667**

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

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

NOTE 13: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

Classes of financial assets 31 Dec 2021	Amortised cost	Measured at fair value through other comprehensive income	Fair value through profit or loss: Measured at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Cash and cash equivalents	1 091 962				1 091 962
Debt securities eligible for refinancing with central banks		684 859			684 859
Receivables from credit institutions	25 064				25 064
Receivables from customers	6 086 022				6 086 022
Debt securities		212 172	252 056		464 228
Derivatives			41	540	582
Shares and interests		732	30 843		31 575
Total	**7 203 049**	**897 764**	**282 940**	**540**	**8 384 293**

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

Classes of financial liabilities 31 Dec 2021	Amortised cost	Fair value through profit or loss: Measured at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Liabilities to credit institutions	108			108
Liabilities to customers	7 611 265			7 611 265
Issued bonds	169 699			169 699
Subordinated debts	112 667			112 667
Derivatives		98	8 285	8 383
Lease liabilities	6 681			6 681
Total	**7 900 419**	**98**	**8 285**	**7 908 802**

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

NOTE 14: FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES, AND THE HIERARCHY OF FAIR VALUES

Classification of financial instruments according to the valuation method

Financial assets, fair values 31 Dec 2021	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents	0	1 091 962	0	1 091 962	1 091 962
Receivables from credit institutions	0	25 022	0	25 022	25 064
Receivables from customers	0	6 495 290	0	6 495 290	6 086 022
Total	**0**	**7 612 275**	**0**	**7 612 275**	**7 203 049**
Financial assets measured at fair value through profit or loss					
Debt securities	0	252 056	0	252 056	252 056
Derivatives	0	582	0	582	582
Shares and interests	18 208	12 573	61	30 843	30 843
Total	**18 208**	**265 211**	**61**	**283 480**	**283 480**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	642 251	44 563	0	686 814	684 859
Debt securities	204 420	9 261	0	213 681	212 172
Shares and interests	0	605	128	732	732
Total	**846 671**	**54 429**	**128**	**901 227**	**897 764**
Fair values of assets, total	**864 879**	**7 931 914**	**189**	**8 796 982**	**8 384 293**

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

Fair values of financial liabilities 31 Dec 2021	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to credit institutions	0	108	0	108	108
Liabilities to customers	0	7 591 312	0	7 591 312	7 611 265
Issued bonds	170 101	0	0	170 101	169 699
Subordinated debts	0	113 215	0	113 215	112 667
Total	**170 101**	**7 704 635**	**0**	**7 874 736**	**7 893 738**
Financial liabilities measured at fair value through profit or loss					
Derivatives	0	8 383	0	8 383	8 383
Total	**0**	**8 383**	**0**	**8 383**	**8 383**

Fair values of financial liabilities 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
Issued bonds	0	0	0	0	0
Subordinated debts	0	60 094	0	60 094	59 500
Total	**0**	**7 110 498**	**0**	**7 110 498**	**7 036 000**
Financial liabilities measured at fair value through profit or loss					
Derivatives	0	16 157	0	16 157	16 157
Total	**0**	**16 157**	**0**	**16 157**	**16 157**

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

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

Transfers between Levels 1 and 2

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

Changes at Level 3	Shares and interests
Shares and interests, carrying amount 1 Jan 2021	218
Purchases	11
Sales	-18
Other changes	-84
Shares and interests, carrying amount 31 Dec 2021	**127**

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

NOTE 15: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

31 Dec 2021	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	1 091 962					**1 091 962**
Debt securities eligible for refinancing with central banks	17 557	112 743	513 606	40 953	0	**684 859**
Receivables from credit institutions	25 064	0	0	0	0	**25 064**
Receivables from customers	166 385	404 694	1 691 484	1 343 465	2 479 995	**6 086 022**
Debt securities	179 385	81 188	179 108	24 547	0	**464 228**
Derivatives	0	0	174	408	0	**582**
Financial assets, total	**1 480 353**	**598 625**	**2 384 373**	**1 409 372**	**2 479 995**	**8 352 718**
Liabilities to credit institutions	108	0	0	0	0	**108**
Liabilities to customers	7 608 488	1 156	1 622	0	0	**7 611 265**
Issued bonds	0	0	169 699	0	0	**169 699**
Subordinated debts	0	4 333	22 433	85 900	0	**112 667**
Derivatives	86	694	7 051	552	0	**8 383**
Lease liabilities	11	49	6 621	0	0	**6 681**
Financial liabilities, total	**7 608 692**	**6 232**	**207 425**	**86 452**	**0**	**7 908 802**

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**
Derivatives	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**
Issued bonds	0	0	0	0	0	**0**
Subordinated debts	0	4 333	17 333	37 833	0	**59 500**
Derivatives	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**

NOTE 16: CASH AND CASH EQUIVALENTS

	31 Dec 2021	31 Dec 2020
Cash	55 541	58 476
Bank of Finland checking account	1 036 422	717 258
Cash and cash equivalents, total	**1 091 962**	**775 734**

NOTE 17: DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

	31 Dec 2021	31 Dec 2020
Measured at fair value through other comprehensive income		
Public corporations	71 325	101 735
Credit institutions	565 310	582 562
Companies outside the financial sector	48 225	37 244
Debt securities eligible for refinancing with central banks, total	**684 859**	**721 541**

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: RECEIVABLES FROM CREDIT INSTITUTIONS

	31 Dec 2021	31 Dec 2020
Repayable on demand	4 743	7 674
Other than repayable on demand	20 322	26 189
Receivables from credit institutions, total	**25 064**	**33 863**

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: RECEIVABLES FROM CUSTOMERS

	31 Dec 2021	Loss allowance *
Household customers	5 092 881	18 406
Secured loans	4 322 081	8 863
Unsecured loans	770 800	9 543
Corporate customers	993 142	817
Receivables from customers, total	**6 086 022**	**19 223**

	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**

* 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: DEBT SECURITIES

	31 Dec 2021	31 Dec 2020
Measured at fair value through other comprehensive income		
Debt securities		
Credit institutions	67 986	49 018
Companies outside the financial sector	144 186	135 751
Measured at fair value through other comprehensive income, total	**212 172**	**184 769**
of which publicly quoted	212 172	184 769
Measured at fair value through profit or loss		
Commercial papers		
Other financial institutions	6 408	8 420
Companies outside the financial sector	43 073	64 068
Commercial papers, total	49 481	72 488
of which publicly quoted		
Municipal papers		
Public corporations	197 554	238 014
Municipal papers, total	197 554	238 014
of which publicly quoted		
Certificates of deposit		
Credit institutions	5 020	12 017
Certificates of deposit, total	5 020	12 017
of which publicly quoted		
Measured at fair value through profit or loss, total	**252 056**	**322 519**
Debt securities, total	**464 228**	**507 288**

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: DERIVATIVES AND HEDGE ACCOUNTING

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Group's 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 Group's note 2. 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 2021			31 Dec 2020		
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	531 200	540	-8 285	571 200	0	-16 125
Total interest rate derivatives designated for hedge accounting	**531 200**	**540**	**-8 285**	**571 200**	**0**	**-16 125**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate swaps	50 000	41	-98	140 000	0	-32
Total interest rate derivatives, other than for hedging purposes	**50 000**	**41**	**-98**	**140 000**	**0**	**-32**
Total derivatives	**581 200**	**582**	**-8 383**	**711 200**	**0**	**-16 157**

	31 Dec 2021				31 Dec 2020			
Maturities of derivatives	**Less than one year**	**1–5 years**	**Over 5 years**	**Total**	**Less than one year**	**1–5 years**	**Over 5 years**	**Total**
Designated for hedge accounting								
Interest rate derivatives	69 000	422 200	40 000	**531 200**	40 000	524 000	7 200	**571 200**
For non-hedging purposes								
Interest rate derivatives	30 000	10 000	10 000	**50 000**	70 000	70 000	0	**140 000**
Total derivatives	**99 000**	**432 200**	**50 000**	**581 200**	**110 000**	**594 000**	**7 200**	**711 200**

Changes in the fair value of hedged items attributable to the hedged risk are recognised in the income statement under 'Net income from hedge accounting'. Changes in the fair value not attributable to the hedged risk are recognised in the fair value reserve. Changes in the fair value of the hedging items included in hedge accounting are recognised in the income statement under Net result 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 2021	**Nominal value, total**	**Assets, fair values**	**Liabilities, fair values**	**Balance sheet item including the hedged item**	**Ineffective portion recognised in the income statement**
Hedging derivatives					
Fair value hedge					
Interest rate derivatives	531 200	540	-8 285	Derivatives and other liabilities subject to trading	8 311
Hedging derivatives, total	**531 200**	**540**	**-8 285**		**8 311**

	Carrying amount		**Cumulative change in balance sheet value**			
31 Dec 2021	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item including the hedged item**	**Ineffective portion recognised in the income statement**
Hedged item						
Debt securities	841 394	0	7 719	0	Debt securities	-8 463
Hedged items, total	**841 394**	**0**	**7 719**	**0**		**-8 463**

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 2021		**Profit / loss on hedging relationship**			
Hedged item	**Hedging instrument**	**Hedged item**	**Hedging instrument**	**Ineffective portion of hedging relationship**	**Income statement line on which the ineffective portion is booked**
Debt securities	Interest rate derivatives	-8 463	8 311	-152	Net income from investing activities: net income of hedge accounting

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

31 Dec 2020	Carrying amount		Cumulative change in balance sheet value		Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
	Assets	Liabilities	Assets	Liabilities		
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 on which the ineffective portion is booked
Debt securities	Interest rate derivatives	453	-265	188	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 Derivates and Hedge Accounting.

NOTE 22: SHARES AND INTERESTS

	31 Dec 2021	31 Dec 2020
Measured at fair value through other comprehensive income		
Companies outside the financial sector	732	765
Measured at fair value through other comprehensive income, total	**732**	**765**
Measured at fair value through profit or loss		
Companies outside the financial sector	30 843	27 360
Measured at fair value through profit or loss, total	**30 843**	**27 360**
of which publicly quoted	30 843	27 360
Shares and interests, total	**31 575**	**28 126**

The fair value hierarchy levels of shares and interests are specified in Group's note 14.

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: INTANGIBLE ASSETS

Changes in intangible assets in 2021	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 2021	4 993	91 687	19 430	42 115	158 224
Increases	54	740	13 956	1	14 752
Decreases *	-8	-857	-1 220	-892	-2 977
Transfers between items *	0	17 562	-17 739	-3 227	-3 404
Acquisition cost at 31 Dec 2021	5 039	109 132	14 426	37 997	166 595
Accumulated amortisation, depreciation and impairment at 1 Jan 2021	-525	-70 730		-15 974	-87 229
Accumulated amortisation for allowances and transfers *	0	374		3 227	3 600
Depreciation	-757	-8 604		0	-9 362
Impairments	0	-263		0	-263
Accumulated amortisation, depreciation and impairment at 31 Dec 2021	-1 282	-79 224		-12 748	-93 254
Carrying amount at 1 Jan 2021	4 468	20 956	19 430	26 141	70 995
Carrying amount at 31 Dec 2021	**3 757**	**29 908**	**14 426**	**25 250**	**73 341**

Changes in intangible assets in 2020	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 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**

* In connection with ending of the fund cooperation, the original goodwill related to the acquisition of the fund management of the LocalTapiola funds has been derecognised from the balance sheet.

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 2021, the most significant increases in projects in progress were due to work on S-mobiili, customer identification and digital services 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 an assessment, an impairment loss of EUR 236 thousand was recognised in the reporting period and EUR 86 thousand in the comparison period.

Goodwill-impairments testing

Goodwill is allocated to the following cash-generating unit:

	31 Dec 2021	31 Dec 2020
Goodwill		
Wealth Management	25 250	26 141
Goodwill	**25 250**	**26 141**

In the S-Bank Group, goodwill is currently allocated to the Wealth Management segment.

Impairments

The S-Bank Group has tested goodwill as per 31 December 2021 and 31 December 2020 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 5.5 per cent on 31 December 2021 and 7.1 per cent on 31 December 2020.

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: TANGIBLE ASSETS

Changes in tangible assets in 2021	**Machinery and equipment**	**Other tangible assets**	**Prepayments and acquisitions in progress**	**Right-to-use assets**	**Total tangible assets**
Acquisition cost at 1 Jan 2021	4 001	1 777	195	14 750	20 723
Increases	0	3	51	620	673
Decreases	0	-502	0	-1 023	-1 525
Contractual changes	0	0	0	-213	-213
Transfers between items	-3 136	236	-236	-4 091	-7 227
Acquisition cost at 31 Dec 2021	865	1 514	10	10 043	12 431
Accumulated amortisation, depreciation and impairment at 1 Jan 2021	-3 996	-688		-5 320	-10 003
Accumulated amortisation for allowances and transfers	3 136	502		4 752	8 390
Depreciation	-1	-358		-2 822	-3 181
Impairment	0	-179		0	-179
Accumulated amortisation, depreciation and impairment at 31 Dec 2021	-861	-722		-3 390	-4 973
Carrying amount at 1 Jan 2021	5	1 090	195	9 430	10 720
Carrying amount at 31 Dec 2021	**4**	**792**	**10**	**6 653**	**7 458**

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 Jan 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 at 1 Jan 2020	0	1 352	0	3 344	4 696
Carrying amount at 31 Dec 2020	**5**	**1 090**	**195**	**9 430**	**10 720**

Right-to-use assets and lease liabilities

Right-to-use assets consist of premises under leases, leased vehicles, and IT systems and equipment.

Changes in right-to-use assets in 2021	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Right-to-use assets, total
Acquisition cost at 1 Jan 2021	13 915	835	14 750
Increases	0	620	620
Decreases	-795	-228	-1 023
Contractual changes	-200	-13	-213
Transfers between items	-3 678	-413	-4 091
Acquisition cost at 31 Dec 2021	9 242	801	10 043
Accumulated amortisation, depreciation and impairment at 1 Jan 2021	-4 821	-499	-5 320
Accumulated amortisation for allowances and transfers	4 301	451	4 752
Depreciation	-2 548	-274	-2 822
Accumulated amortisation, depreciation and impairment at 31 Dec 2021	-3 068	-322	-3 390
Carrying amount at 1 Jan 2021	9 094	336	9 430
Carrying amount at 31 Dec 2021	**6 174**	**479**	**6 653**

Changes in right-to-use assets in 2020	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Right-to-use assets, total
Acquisition cost at 1 Jan 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 at 1 Jan 2020	3 000	344	3 344
Carrying amount at 31 Dec 2020	**9 094**	**336**	**9 430**

Lease liabilities	31 Dec 2021	31 Dec 2020
Long-term lease liabilities	4 120	6 693
Short-term lease liabilities	2 561	2 744
Lease liabilities, total	**6 681**	**9 437**

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	2021	2020
Interest expenses on leases	-21	-36
Lease expenses on short-term leases	-440	-822
Rental expenses for low value assets	-428	-423
Depreciation of right-to-use assets, buildings	-2 548	-2 224
Depreciation of right-to-use assets, machinery and equipment	-274	-228
Items recognised in the income statement, total	**-3 711**	**-3 731**

Cash flow from leases	2021	2020 *
Cash flow from leases, total	**-3 717**	**1 427**

* The comparison data for 2020 has been updated with rental expenses for low value assets.

NOTE 25: PREPAYMENTS AND ACCRUED INCOME

	31 Dec 2021	31 Dec 2020
Interest receivables	11 178	10 241
Fee claims	9 372	8 345
Other receivables	7 378	6 474
Prepayments	395	0
Prepayments and accrued income, total	**28 322**	**25 060**

Muihin siirtosaamisiin kirjataan jaksotettuihin ostolaskuihin, henkilöstökuluihin, saatavakauppaan ja muihin saamisiin liittyvät siirtosaamiset.

NOTE 26: OTHER ASSETS

	31 Dec 2021	31 Dec 2020
Receivables from payment transactions	1 188	497
Accounts receivable	3 857	5 193
Other receivables	369	373
Other assets, total	**5 414**	**6 064**

NOTE 27: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

	31 Dec 2021	31 Dec 2020
Liabilities to credit institutions		
Liabilities to credit institutions, repayable on demand	108	0
Liabilities to credit institutions, total	**108**	**0**
Liabilities to customers		
Deposits		
Deposits payable on demand	7 550 209	6 920 234
Deposits other than repayable on demand	4 741	4 726
Other liabilities		
Other liabilities repayable on demand, total	52 213	47 940
Liabilities other than repayable on demand	4 102	3 600
Liabilities to customers, total	**7 611 265**	**6 976 500**
Liabilities to credit institutions and customers, total	**7 611 373**	**6 976 500**

NOTE 28: ISSUED BONDS

31 Dec 2021	Carring amount	Nominal value	Interest	Maturity
S-Bank Plc Senior Preferred MREL Eligible Notes 1/2021	169 699	170 000	Euribor 3 months + 0.75%	4 Apr 2025

NOTE 29: SUBORDINATED DEBTS

	31 Dec 2021		31 Dec 2020			
	Carrying amount	Nominal value	Carrying amount *	Nominal value	Interest	Maturity
Debenture I/2016	21 667	26 000	26 000	26 000	Euribor 12 months + 1.8%	30 Jun 2026
Debenture I/2017	8 000	8 000	8 000	8 000	Euribor 12 months + 1.8%	18 Dec 2027
Debenture I/2020	25 500	25 500	25 500	25 500	Euribor 12 months + 2.0%	1 Dec 2030
Debenture I/2021	57 500	57 500			Euribor 12 months + 2.0%	8 Oct 2031

* The comparative information for 2020 has been restated since publication of the 31 December 2020 financial statements.

Terms of debenture loans:

Debenture loans are subordinated to the bank's other debt obligations. In capital adequacy calculation, debenture loans are classified under Tier 2 capital in accordance with the CRR Regulation.

The detailed terms and conditions of the debenture loans are described in the EU CCA table of the Pillar 3 report ('Capital and Risk Management Report'). The report is published separately from the financial statements and is available on S-Bank's website

NOTE 30: ACCRUED EXPENSES

	31 Dec 2021	31 Dec 2020
Interest payable	3 443	2 661
Accrued expenses associated with personnel expenses	16 483	11 611
Other accrued expenses	12 373	16 275
Accrued expenses, total	**32 299**	**30 547**

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

NOTE 31: OTHER LIABILITIES AND PROVISIONS

	31 Dec 2021	31 Dec 2020
Lease liabilities	6 681	9 437
Payables arising from payment transactions	29 269	25 753
Other	13 375	12 071
Other liabilities	**49 325**	**47 260**
Defined benefit plans	649	397
Provisions	**649**	**397**
Other liabilities and provisions, total	**49 973**	**47 657**

Lease liabilities are further specified under Note 24: 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.

Pension liability on the balance sheet	31 Dec 2021	31 Dec 2020
Present value of the defined benefit obligation	2 968	2 662
Fair value of defined benefit plan assets	-2 320	-2 265
Net debt arising from a defined benefit plan	**649**	**397**

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

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	
	2021	2020	2021	2020	2021	2020
Opening balance sheet at 1 Jan	**2 662**	**2 191**	**2 265**	**1 889**	**397**	**302**
Items recognised in the income statement:						
Expense based on time of service in the period	337	233			337	233
Change in arrangement	0	-16	0	0	0	-16
Interest expense / income	25	23	23	21	3	2
Total	**363**	**241**	**23**	**21**	**340**	**220**
Items recognised in other comprehensive income:						
Items due to reassessment:						
Actuarial gains / losses (- / +) based on changes in financial factors	228	-59			228	-59
Actuarial gains / losses (- / +) based on empirical changes	-42	-90			-42	-90
Changes related to mergers and acquisitions *	0	560	0	362	0	198
Return on plan assets excluding interest income / expense (+/-)			-104	-136	104	136
Total	**186**	**412**	**-104**	**226**	**290**	**186**
Other:						
Benefits paid	-242	-181	-242	-181	0	0
Contributions to defined benefit plan			378	311	-378	-311
Total	**-242**	**-181**	**136**	**130**	**-378**	**-311**
Closing balance sheet at 31 Dec	**2 968**	**2 662**	**2 320**	**2 265**	**649**	**397**

* The presentation has been amended since publication of the 31 December 2020 financial statements.

The duration based on the weighted average of the obligation is 26 years (30 years). S-Bank estimates that the expected payment under the defined benefit plan will be approximately EUR 388 thousand in 2022.

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

	S-Bank Plc		Fennia Asset Management Ltd *	
	2021	2020	2021	2020
Discount rate	0.90 %	1.10 %	-	0.50 %
Increase in wages	1.90 %	1.40 %	-	1.40 %
Inflation	1.90 %	1.40 %	-	1.10 %

* Fennia Asset Management Ltd was merged into FIM Private Equity Funds Ltd (now S-Bank Private Equity Funds Ltd) on 1 April 2021. The defined benefit plans were transferred to S-Bank Plc.

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.

	2021		2020	
	Increase	Decrease	Increase	Decrease
Change (EUR '000) when the discount rate changes by +/- 0.5 percentage points	507	817	286	528

NOTE 32: EQUITY ITEMS

	31 Dec 2021	31 Dec 2020
Share capital	82 880	82 880
Reserves	284 277	283 366
Fair value reserve	449	-462
Reserve for invested non-restricted equity	283 828	283 828
Retained earnings	142 148	122 397
Retained earnings (losses)	122 598	106 728
Profit (loss) for the period	19 551	15 670
Total equity	**509 306**	**488 644**
Parent company's shareholders	509 306	488 644

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.

	31 Dec 2021	31 Dec 2020
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

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 33: COLLATERAL GIVEN

	Other collateral	
	31 Dec 2021	31 Dec 2020
Collateral given for own debt		
Liabilities to credit institutions	181 632	174 131
Derivatives and liabilities held for trading	13 660	22 865
Collateral given for own debt, total	**195 292**	**196 997**
of which cash	13 660	22 865
of which securities	181 632	174 131
Other collateral given on own behalf	**362**	**362**
of which cash	362	362

NOTE 34: OFFSETTING FINANCIAL ASSETS AND LIABILITIES

31 Dec 2021	Gross amount financial assets and liabilities netted on the balance sheet incl. interests	Financial assets and liabilities netted on the balance sheet	Financial assets and liabilities netted on the balance sheet incl. interests	Cash provided as collateral	Net amount
Financial assets					
Derivatives	525	56	582		
Financial liabilities					
Derivatives	11 223	-30	11 193	-13 660	-2 467

31 Dec 2020	Gross amount financial assets and liabilities netted on the balance sheet incl. interests	Financial assets and liabilities netted on the balance sheet	Financial assets and liabilities netted on the balance sheet incl. interests	Cash provided as collateral	Net amount
Financial assets					
Derivatives	0	0	0		
Financial liabilities *					
Derivatives	18 538	-24	18 514	-22 865	-4 351

* The comparative information for 2020 has been restated since publication of the 31 December 2020 financial statements with the amount of the interests.

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 35: OFF-BALANCE SHEET COMMITMENTS

	31 Dec 2021	31 Dec 2020
Guarantees	9 722	14 280
Other commitments given to third parties	150	207
Undrawn credit facilities	258 147	208 917
Total	**268 019**	**223 405**

The expected credit loss on off-balance sheet items is EUR 870 thousand (1 010 thousand).

NOTE 36: CORPORATE STRUCTURE AND RELATED PARTIES

S-Bank Plc is a deposit bank that engages in credit institution activities and related activities in accordance with the Act on Credit Institutions and provides investment services in accordance with 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 three wholly owned subsidiaries: S-Asiakaspalvelu Oy, S-Bank Fund Management Ltd and S-Bank Private Equity Funds Ltd.

S-Asiakaspalvelu Oy provides customer services and data processing-related and other services related to the core operations of a credit institution in its capacity as a service company in accordance with the Act on Credit Institutions.

S-Bank Fund Management Ltd manages the S-Bank funds. The company operated under the name FIM Asset Management Ltd until 30 September 2021. On 1 October 2021, portfolio management was concentrated to S-Bank Plc within the S-Bank Group. The company also previously managed the FIM and LocalTapiola funds. In the fourth quarter of 2021, the FIM funds were renamed S-Bank funds as part of the brand renewal. The management of LocalTapiola funds was discontinued, however, as part of a broader corporate transaction that was completed on 5 October 2021.

S-Bank 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 and non-UCITS funds that invest in unlisted companies managed by S-Bank Fund Management Ltd. S-Bank Private Equity Funds Ltd has eight wholly owned subsidiaries.

- FIM Real Estate Ltd is the general partner in the S-Bank Group's real estate funds.
- S-Bank Properties Ltd specialises in property management services for 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.
- S-Bank Impact Investing Ltd offers impact investing services, manages one impact investment fund and acts as its general partner.
- FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund III GP Oy, FIM Private Debt Fund I GP Oy, FIM SIB Oy and S-Pankki Vaikuttavuus I GP Oy act as general partners in the funds managed by S-Bank Private Equity Funds Ltd. These companies do not engage in any other business operations.

S-Bank's subsidiaries include the following companies:

		Share of ownership	
Subsidiaries	**Domicile**	**2021**	**2020**
S-Asiakaspalvelu Oy	Helsinki	100 %	100 %
S-Bank Fund Management Ltd	Helsinki	100 %	100 %
S-Bank Private Equity Funds Ltd	Helsinki	100 %	100 %
S-Bank Properties Ltd	Helsinki	100 %	100 %
FIM Real Estate Ltd	Helsinki	100 %	100 %
S-Bank Impact Investing Ltd	Helsinki	100 %	100 %
FIM Infrastructure Mezzanine Debt Fund GP Oy	Helsinki	100 %	100 %
FIM Infrastructure Mezzanine Debt Fund III GP Oy	Helsinki	100 %	–
FIM Private Debt Fund I GP Oy	Helsinki	100 %	100 %
FIM SIB Oy	Helsinki	100 %	100 %
S-Pankki Vaikuttavuus I GP Oy	Helsinki	100 %	–
Fennia Asset Management Ltd	Helsinki	–	100 %

The subsidiaries have been consolidated using the acquisition method.

BUSINESS COMBINATIONS IN 2021

No business combinations were carried out in 2021.

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 (now S-Bank Properties Ltd), a wholly owned subsidiary of Fennia Asset Management Ltd. Fennia Asset Management Ltd was merged into S-Bank Private Equity Funds Ltd on 31 March 2021. S-Bank Properties Ltd specialises in property management 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.

As a result of this acquisition, S-Bank became 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. 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 2020, 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 included EUR 1.0 million in acquisition-related costs.

Calculated as if all the business combinations that took place during 2020 had been carried out at the beginning of the financial year, the total income and the profit for the review period of the entity formed in the acquisition were EUR 180 million and EUR 17 million, respectively.

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 S-Bank Fund Management Ltd,
- alternative funds managed by S-Bank Private Equity Funds Ltd, with FIM Infrastructure Mezzanine Debt Fund GP Oy, FIM Infrastructure Mezzanine Debt Fund III GP Oy, FIM Private Debt Fund GP Oy, FIM SIB Oy and S-Pankki Vastuullisuus I GP Oy as general partners,
- alternative funds managed by S-Bank Impact Investing Ltd, and
- real estate funds with FIM Real Estate Ltd as the general partner.

The management companies steer the relevant activities of the funds by confirming their rules and investment policies. Portfolio management makes investment decisions in accordance with the fund rules. The Group mainly acts as a management company in the funds. The Group has direct investments in only six funds.

Structured entities not included in the consolidated financial statements	2021	2020
Structured entities in which the Group has an investment		
Total assets	222 744	142 091
Group investment	6 958	4 900
Total liabilities	215 786	137 191
Structured entities in which the Group has no exposure		
Total assets	3 861 180	7 358 183
Total liabilities	3 861 180	7 358 183

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. Related parties include S-Bank's subsidiaries and associated companies, SOK (which owns 49.99 per cent of S-Bank), and SOK Corporation's subsidiaries, joint ventures and associated companies. 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.

Related party transactions in 2021	Transactions with the owner community	Associated companies	Persons in management	Other related parties
Assets				
Loans	0	0	3 078	1 354
Other receivables	0	4	0	0
Accounts receivable	140	0	0	0
Liabilities				
Deposits	68 747	0	1 696	1 298
Accounts payable	758	803	0	0
Off-balance sheet commitments	80 000	0	928	64
Loan commitments				
Income and expenses				
Interest income	1 902	0	11	5
Fee and commission income	34	0	2	2
Service sales	1 408	0	0	0
Service purchases	18 437	14 489	0	0

Related party transactions in 2020	Transactions with the owner community	Associated companies	Persons in management	Other related parties
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
Interest expenses	315	0	2	2
Service purchases	13 634	14 970	0	0

Management compensation in 2021	Salaries and other short-term employee benefits	Long-term defined contribution pension plans
CEO and Group Management Team	2007	442
Members of the Board of Directors	29	
Management compensation, total	**2 036**	**442**

Management compensation in 2020	Salaries and other short-term employee benefits	Long-term defined contribution pension plans
CEO and Group Management Team	1746	376
Members of the Board of Directors	43	
Management compensation, total	**1 789**	**376**

FINANCIAL STATEMENTS OF S-BANK PLC

S-BANK PLC – INCOME STATEMENT

(EUR '000)	Note	2021	2020
Interest income	2	**103 040**	**99 222**
Interest expenses	2	**-12 540**	**-9 758**
NET INTEREST INCOME		**90 499**	**89 464**
Return on equity investments *	3	**1 361**	**19**
From Group entities		1 316	0
From other companies		45	19
Fee and commission income	4	**59 774**	**52 175**
Fee and commission expenses	4	**-6 892**	**-6 789**
Net income from securities and currency operations	5	**2 027**	**2 082**
Net income from securities trading		1 664	1 975
Net income from currency operations		362	107
Net income from financial assets recognised at fair value through the fair value reserve*	6	**1 201**	**882**
Net income from hedge accounting	7	**-152**	**188**
Other operating income	8	**11 462**	**15 564**
Administrative expenses		**-114 871**	**-100 680**
Personnel expenses		-45 266	-38 044
Salaries and fees		-37 300	-32 035
Indirect personnel expenses		-7 967	-6 009
Pension expenses		-6 712	-4 905
Other indirect personnel expenses		-1 255	-1 104
Other administrative expenses		-69 604	-62 636
Depreciation and impairment on tangible and intangible assets	10	**-9 149**	**-11 682**
Other operating expenses	9	**-8 166**	**-6 658**
Expected credit losses on financial assets carried at amortised cost	11	**-15 894**	**-23 515**
Expected credit losses and impairment losses on other financial assets	11	**177**	**-116**
OPERATING PROFIT (LOSS)		**11 377**	**10 933**
Appropriations		**699**	**6 342**
Income taxes		**-2 672**	**-4 366**
PROFIT (LOSS) FOR THE PERIOD		**9 404**	**12 909**

* The presentation has been amended since publication of the financial statements as at 31 December 2020.

S-BANK PLC – BALANCE SHEET

ASSETS (EUR '000)	Note	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	12, 30, 31, 32	**1 091 962**	**775 734**
Debt securities eligible for refinancing with central banks	12, 15, 30, 31, 32	**684 859**	**721 541**
Other		684 859	721 541
Receivables from credit institutions	12, 13, 30, 31, 32	**21 570**	**28 442**
Repayable on demand		1 249	2 253
Other		20 322	26 189
Receivables from the public and public sector entities	12, 14, 30, 31, 32	**6 086 022**	**5 444 362**
Repayable on demand		2 190	3 653
Other		6 083 832	5 440 710
Debt securities	12, 15, 30, 31, 32	**464 228**	**507 288**
From others		464 228	507 288
Shares and interests	12, 16, 30, 31	**31 342**	**27 912**
Shares and interests in associated companies	12, 16, 30, 31	**3**	**3**
Shares and interests in Group companies	12, 16, 30, 31	**55 938**	**55 938**
Derivatives	12, 17, 18, 30, 31, 32	**582**	**0**
Intangible assets	19, 31	**38 819**	**34 091**
Tangible assets	20, 31	**668**	**1 161**
Other tangible assets		668	1 161
Other assets	21, 31	**4 655**	**4 631**
Accrued income and prepayments made	22, 31	**23 994**	**16 456**
Deferred tax assets	23, 31	**74**	**298**
TOTAL ASSETS		**8 504 717**	**7 617 856**

LIABILITIES (EUR '000)	Note	31 Dec 2021	31 Dec 2020
LIABILITIES			
Liabilities to credit institutions	12, 30, 31, 32	**0**	**0**
To credit institutions		0	0
Repayable on demand		0	0
Liabilities to the public and public sector entities	12, 30, 31, 32	**7 656 519**	**7 009 608**
Deposits		7 600 204	6 958 068
Repayable on demand		7 595 463	6 953 342
Other		4 741	4 726
Other liabilities		56 315	51 540
Repayable on demand		52 213	47 940
Other		4 102	3 600
Issued bonds	12, 24, 30, 31, 32	**169 699**	**0**
Bonds		169 699	0
Derivatives	12, 17, 30, 31, 32	**8 383**	**16 157**
Other liabilities	25, 31	**41 540**	**35 679**
Other liabilities		41 540	35 679
Accrued expenses and prepayments received	26, 31	**28 095**	**18 760**
Subordinated debts	12, 27, 30, 31, 32	**112 667**	**59 500**
Other		112 667	59 500
Deferred tax liabilities	23, 31	**48**	**0**
TOTAL LIABILITIES		**8 016 950**	**7 139 705**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**4 703**	**3 402**
Taxation-based reserves		**25 000**	**27 000**
ACCUMULATED APPROPRIATIONS, TOTAL		**29 703**	**30 402**

LIABILITIES (EUR '000)	Notes	31 Dec 2021	31 Dec 2020
EQUITY			
Share capital	28, 29	**82 880**	**82 880**
Other restricted reserves	28	**449**	**-462**
Fair value reserve			
Measured at fair value		449	-462
Non-restricted reserves	28	**283 828**	**283 828**
Reserve for invested non-restricted equity		283 828	283 828
Retained earnings (losses)	28	**81 502**	**68 593**
Profit/loss for the period	28	**9 404**	**12 909**
TOTAL EQUITY		**458 064**	**447 749**
TOTAL EQUITY AND LIABILITIES		**8 504 717**	**7 617 856**

OFF-BALANCE SHEET LIABILITIES (EUR '000)	35	31 Dec 2021	31 Dec 2020
Commitments given to third parties in favour of customers		**9 872**	**14 487**
Guarantees and pledges		9 722	14 280
Other		150	207
Irrevocable commitments given in favour of customers		**258 147**	**214 187**
Other		258 147	214 187

S-BANK PLC – CASH FLOW STATEMENT

(EUR '000)	Note	2021	2020
Cash flows from operating activities			
Profit (loss) for the period		**9 404**	**12 909**
Depreciation and impairment		9 149	11 682
Credit losses		21 569	27 891
Other non-payment income and expenses		-1 567	-2 143
Appropriations		-699	-6 342
Income taxes		2 672	4 366
Adjustments for financial income and expenses		-161	2 351
Adjustments, total		30 963	37 804
Cash flows from operating activities before changes in operating assets and liabilities		**40 367**	**50 713**
Increase/decrease in operating assets (- / +)			
Receivables from credit institutions, other than repayable on demand		5 867	2 683
Receivables from customers		-663 719	-692 253
Derivatives		0	400
Investment assets		71 037	-146 660
Other assets		-6 054	-173
Increase/decrease in operating assets, total		**-592 869**	**-836 003**
Increase/decrease in operating liabilities (- / +)			
Liabilities to customers		646 911	984 515
Other liabilities		14 552	1 450
Increase / decrease in operating liabilities, total		**661 463**	**985 964**
Taxes paid		-2 848	-4 871
Cash flows from operating activities		**106 112**	**195 803**

(EUR '000)	Note	2021	2020
Cash flows from investing activities			
Investments in tangible and intangible assets		-13 779	-8 912
Subsidiary shares purchased less cash at the date of acquisition		0	-25 996
Proceeds from other investments		0	423
Cash flows from investing activities		**-13 779**	**-34 485**
Cash flows from financing activities			
Payments received from the issue of bonds and debentures	24.27	227 199	9 500
Repayments of bonds and debentures	24.27	-4 333	0
Cash flows from financing activities		**222 866**	**9 500**
Difference in cash and cash equivalents		**315 199**	**170 818**
Cash and cash equivalents, opening balance sheet		777 987	607 201
Difference in cash and cash equivalents		315 199	170 818
Impact of changes in exchange rates		25	-33
Cash and cash equivalents consist of the following items			
Cash and cash equivalents		1 091 962	775 734
Repayable on demand		1 249	2 253
Cash and cash equivalents		**1 093 211**	**777 987**
Interest paid		**-11 758**	**-8 012**
Dividends received		**1 361**	**19**
Interest received		**101 746**	**99 957**

S-BANK PLC – NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: 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 centralized 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 2022, the Board of Directors approved the financial statements for the period 1 January–31 December 2021.

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 1: 'Accounting policies of the consolidated financial statements', section 1.1.1.5 'Financial Assets and Liabilities', paragraphs '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 intangibleassets:
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 leased premises: term of lease, maximum 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: NET INTEREST INCOME

	2021	2020
Interest income		
Receivables from credit institutions	12	0
Receivables from the public and public sector entities	98 278	93 015
Debt securities	4 490	6 165
Derivatives	258	45
Other interest income	1	-2
Interest income, total	**103 040**	**99 222**
of which intra-Group items	115	66
Interest income from stage 3 financial assets	1 848	1 740
Interest expenses		
Liabilities to credit institutions	-1 851	-810
Liabilities to the public and public sector entities	-2 576	-4 216
Issued bonds	-134	0
Derivatives	-6 604	-3 837
Subordinated debts	-1 366	-892
Other interest expenses	-10	-4
Interest expenses, total	**-12 540**	**-9 758**
Net interest income	**90 499**	**89 464**

NOTE 3: RETURN ON EQUITY INVESTMENTS

	2021	2020
From Group entities	1 316	0
From associated companies	0	0
From other companies *	45	19
Return on equity investments, total	**1 361**	**19**

* Dividend income has been transferred from 'Net income from financial assets recognised at fair value through the fair value reserves' to 'Return on equity investments' since publication of the financial statements as at 31 December 2020.

NOTE 4: FEE AND COMMISSION INCOME AND EXPENSES

	2021	2020
Fee and commission income		
From lending	26 608	25 558
From borrowing	2 728	2 329
From payment transactions	15 674	14 209
From funds	294	0
From wealth management	608	2
From legal duties	433	360
From securities brokerage	169	652
From insurance brokerage	1 445	1 194
From issuance of guarantees	51	55
From other activities	11 765	7 816
Fee and commission income, total	**59 774**	**52 175**
of which intra-Group items	12 161	6 694
Fee and commission expenses	**2021**	**2020**
From funds	-9	0
From asset management	-40	-127
From securities brokerage	-169	-380
From card business	-6 379	-6 072
Banking fees	-214	-119
Other expenses	-81	-91
Fee and commission expenses, total	**-6 892**	**-6 789**
of which intra-Group items	**0**	**0**

NOTE 5: NET INCOME FROM SECURITIES AND CURRENCY OPERATIONS

2021	Capital gains and losses (net)	Changes in fair value (net)	Total
From debt securities	25	-81	-56
From shares and interests	122	1 623	1 745
From derivatives	0	-25	-25
Net income from securities trading, total	**147**	**1 517**	**1 664**
Net income from currency operations	337	25	362
Income statement item, total	**485**	**1 542**	**2 027**

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 derivatives	-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**

NOTE 6: NET INCOME FROM FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH THE FAIR VALUE RESERVES

	2021	2020
Net income from disposal of financial assets	683	577
Other income and expenses from other comprehensive income*	518	305
Net income from financial assets recognised at fair value through the fair value reserve*	**1 201**	**882**

* Dividend income has been transferred from 'Net income from financial assets recognised at fair value through the fair value reserves' to 'Return on equity investments' since publication of the financial statements as at 31 December 2020.

NOTE 7: NET INCOME FROM HEDGE ACCOUNTING

	2021	2020
Net result from hedging instruments	8 311	-265
Net result from hedged items	-8 463	453
Net income from hedge accounting, total	**-152**	**188**

NOTE 8: OTHER OPERATING INCOME

	2021	2020
Other income	11 462	15 564
Other operating income, total	**11 462**	**15 564**
of which from the Group	3 560	3 024

NOTE 9: OTHER OPERATING EXPENSES

	2021	2020
Other operating expenses		
Lease expenses	-3 671	-3 683
Other expenses	-4 495	-2 975
Other operating expenses, total	**-8 166**	**-6 658**
Breakdown of the fees paid to the audit firm		
Audit	-164	-181
Tax consultancy	-6	-1
Other services	-71	-125
Fees paid to the audit firm, total	-241	-308
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-993	-1 045
Deposit guarantee fund contribution	-7 201	-4 944
Administrative fee	-30	-27
Fees paid to the Finnish Financial Stability Authority, total	-8 225	-6 016

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. The impact on the profit for the comparison period was EUR 993 thousand (484 thousand) for the financial year 2021

NOTE 10: DEPRECIATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

	2021	2020
Depreciation according to plan		
Intangible assets	-7 353	-8 950
Goodwill	-1 018	-2 261
Tangible assets	-358	-327
Depreciation according to plan, total	**-8 729**	**-11 538**
Impairment losses on non-current assets		
Intangible assets	-241	-144
Tangible assets	-179	0
Impairment losses on non-current assets, total	**-420**	**-144**
Depreciation and impairment on tangible and intangible assets, total	**-9 149**	**-11 682**

NOTE 11: 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 9 447.7 million (8 512.6). The ECL provision at the end of the reporting period totalled EUR 20.6 million (19.6). 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 2021	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	-13	0	0	0
From receivables from the public and public sector entities	-1 373	2 712	5 675	-20 324
Commitments given on behalf of, and in favour of, customers	140	109	0	0
Total	**-1 246**	**2 821**	**5 675**	**-20 324**
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	177	0	0	0
Total	**177**	**0**	**0**	**0**
Total expected credit losses	**-1 069**	**2 821**	**5 675**	**-20 324**

*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 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.

S-BANK PLC – NOTES TO THE BALANCE SHEET

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

NOTE 12: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

Classes of financial assets, 31 Dec 2021	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss		Total
			Measured at fair value	Derivatives in hedge accounting	
Cash and cash equivalents	1 091 962				1 091 962
Debt securities eligible for refinancing with central banks		684 859			684 859
Receivables from credit institutions	21 570				21 570
Receivables from the public and public sector entities	6 086 022				6 086 022
Debt securities		212 172	252 056		464 228
Shares and interests		632	30 710		31 342
Derivatives			41	540	582
Total	**7 199 555**	**897 663**	**282 807**	**540**	**8 380 565**

Classes of financial assets, 31 Dec 2020	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss		Total
			Measured at fair value	Derivatives in hedge accounting	
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
Derivatives			0	0	0
Total	**6 248 538**	**906 968**	**349 772**	**0**	**7 505 278**

Classes of financial liabilities, 31 Dec 2021	Amortised cost	Fair value through profit or loss: Measured at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Liabilities to credit institutions	0			0
Liabilities to the public and public sector entities	7 656 519			7 656 519
Issued bonds	169 699			169 699
Derivatives and other liabilities held for trading		98	8 285	8 383
Subordinated debts	112 667			112 667
Total	**7 938 884**	**98**	**8 285**	**7 947 267**

Classes of financial liabilities, 31 Dec 2020	Amortised cost	Fair value through profit or loss: Measured at fair value	Fair value through profit or loss: Derivatives in hedge accounting	Total
Liabilities to credit institutions	0			0
Liabilities to the public and public sector entities	7 009 608			7 009 608
Issued bonds	0			0
Derivatives and other liabilities held for trading		32	16 125	16 157
Subordinated debts	59 500			59 500
Total	**7 069 108**	**32**	**16 125**	**7 085 265**

NOTE 13: RECEIVABLES FROM CREDIT INSTITUTIONS

31 Dec 2021	Repayable on demand	Other than repayable on demand	Total
From Finnish credit institutions	603	6 662	7 265
From foreign credit institutions	645	13 660	14 305
Receivables from credit institutions, total	**1 249**	**20 322**	**21 570**

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**

NOTE 14: RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES

31 Dec 2021	Receivables from the public and public sector entities	Loss allowance *
Corporates and housing companies	923 642	717
Financial and insurance institutions	76 212	97
Households	5 076 936	18 394
Non-profit organisations serving households	1 715	4
Foreign countries	7 517	12
Receivables from the public and public sector entities, total	**6 086 022**	**19 223**

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**

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

NOTE 15: DEBT SECURITIES

31 Dec 2021	Publicly quoted	Other	Total	Loss allowance *
Debt securities issued by public sector entities				
Financial assets measured at fair value through profit or loss		197 554	197 554	
Municipal papers		197 554	197 554	
Financial assets measured at fair value through other comprehensive income	71 325		71 325	-17
Debt securities issued by public sector entities, total	**71 325**	**197 554**	**268 879**	**-17**
Debt securities issued by other than public sector entities				
Financial assets measured at fair value through profit or loss		54 501	54 501	
Certificates of deposit issued by banks		5 020	5 020	
Commercial papers		49 481	49 481	
Financial assets measured at fair value through other comprehensive income	825 707		825 707	-536
Debt securities issued by other than public sector entities, total	**825 707**	**54 501**	**880 208**	**-536**
Debt securities, total	**897 031**	**252 056**	**1 149 087**	
Of which eligible for refinancing with central banks	684 859		684 859	
Of which those that accumulate no interest, total	40 815		40 815	

31 Dec 2020 **	Publicly quoted	Other	Total	Loss allowance *
Debt securities issued by public sector entities				
Financial assets measured at fair value through profit or loss		238 014	238 014	
Municipal papers		238 014	238 014	
Financial assets measured at fair value through other comprehensive income	101 735		101 735	-26
Debt securities issued by public sector entities, total	**101 735**	**238 014**	**339 749**	**-26**
Debt securities issued by other than public sector entities				
Financial assets measured at fair value through profit or loss		84 505	84 505	
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	804 575		804 575	-704
Debt securities issued by other than public sector entities, total	**804 575**	**84 505**	**889 080**	**-704**
Debt securities, total	**906 310**	**322 519**	**1 228 829**	
Of which eligible for refinancing with central banks	721 541		721 541	
Of which those that accumulate no interest, total	45 815	13 228	59 043	

* The loss allowance is the expected credit loss for each item.
** The presentation has been amended since publication of the financial statements as at 31 December 2020.

NOTE 16: SHARES AND INTERESTS

31 Dec 2021	Publicly quoted	Other	Total
Shares and interests			
Financial assets measured at fair value through profit or loss	30 569	141	30 710
Equity instruments recognised at fair value through other comprehensive income in accordance with IFRS 9.4.1.4	0	632	632
Shares and interests in Group companies	0	55 938	55 938
Shares and interests in associated companies	0	3	3
Shares and interests, total	**30 569**	**56 573**	**87 283**

31 Dec 2020	Publicly quoted	Other	Total
Shares and interests			
Financial assets measured 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
Shares and interests, total	**27 542**	**56 311**	**83 853**

NOTE 17: DERIVATIVES

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Group's note 1, Section Derivatives and hedge accounting. 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 Group's note 2. 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 2021			31 Dec 2020		
	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	531 200	540	-8 285	571 200	0	-16 125
Total interest rate derivatives designated for hedge accounting	**531 200**	**540**	**-8 285**	**571 200**	**0**	**-16 125**
Maturities of derivative exposures designated for hedge accounting						
less than one year	69 000			40 000		
1–5 years	422 200			524 000		
more than five years	40 000			7 200		
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate swaps	50 000	41	-98	140 000	0	-32
Total interest rate derivatives, other than for hedging purposes	**50 000**	**41**	**-98**	**140 000**	**0**	**-32**
Maturities of derivative exposures designated for hedge accounting						
less than one year	30 000			70 000		
1–5 years	10 000			70 000		
more than five years	10 000			0		

NOTE 18: HEDGE ACCOUNTING

Derivatives, hedge accounting and evaluation of its effectiveness are discussed in Group's note 1, Section Derivatives and hedge accounting. 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 Group's note 2. 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.

Nominal and fair values of derivatives	31 Dec 2021 Nominal value	31 Dec 2021 Positive fair value	31 Dec 2021 Negative fair value	31 Dec 2020 Nominal value	31 Dec 2020 Positive fair value	31 Dec 2020 Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	531 200	540	-8 285	571 200	0	-16 125
Total interest rate derivatives designated for hedge accounting	**531 200**	**540**	**-8 285**	**571 200**	**0**	**-16 125**
For non-hedging purposes						
Interest rate derivatives						
Options, bought	0	0	0	0	0	0
Options, written	0	0	0	0	0	0
Interest rate swaps	50 000	41	-98	140 000	0	-32
Total interest rate derivatives, other than for hedging purposes	**50 000**	**41**	**-98**	**140 000**	**0**	**-32**
Total derivatives	**581 200**	**582**	**-8 383**	**711 200**	**0**	**-16 157**

Maturities of derivatives	31 Dec 2021 Less than one year	31 Dec 2021 1–5 years	31 Dec 2021 Over 5 years	31 Dec 2021 Total	31 Dec 2020 Less than one year	31 Dec 2020 1–5 years	31 Dec 2020 Over 5 years	31 Dec 2020 Total
Designated for hedge accounting								
Interest rate derivatives	69 000	422 200	40 000	531 200	40 000	524 000	7 200	571 200
For non-hedging purposes								
Interest rate derivatives	30 000	10 000	10 000	50 000	70 000	70 000	0	140 000
Total derivatives	**99 000**	**432 200**	**50 000**	**581 200**	**110 000**	**594 000**	**7 200**	**711 200**

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

31 Dec 2021	Nominal value, total	Assets, fair values	Liabilities, fair values	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedging derivatives					
Fair value hedge					
Interest rate derivatives	531 200	540	-8 285	Derivatives and other liabilities subject to trading	8 311
Hedging derivatives, total	**531 200**	**540**	**-8 285**		**8 311**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2021	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item including the hedged item**	**Ineffective portion recognised in the income statement**
Hedged item						
Debt securities	841 394	0	7 719	0	Debt securities	-8 463
Hedged items, total	**841 394**	**0**	**7 719**	**0**		**-8 463**

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 2021		Profit / loss on hedging relationship			
Hedged item	**Hedging instrument**	**Hedged item**	**Hedging instrument**	**Ineffective portion of hedging relationship**	**Income statement line on which the ineffective portion is booked**
Debt securities	Interest rate derivatives	-8 463	8 311	-152	Net income from investing activities: net income of hedge accounting

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

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2020	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item 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 on which the ineffective portion is booked**
Debt securities	Interest rate derivatives	453	-265	188	Net income from investing activities: net income of hedge accounting

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

NOTE 19: INTANGIBLE ASSETS

Changes in intangible assets in 2021	Information systems	Projects in progress	Goodwill	Total
Acquisition cost at 1 Jan 2021	85 793	15 642	17 628	119 063
Increases	651	11 339	1 520	13 509
Decreases	-196	-120	0	-316
Transfers between items	14 495	-14 595	0	-100
Acquisition cost at 31 Dec 2021	100 742	12 266	19 148	132 155
Accumulated amortisation, depreciation and impairment at 1 Jan 2021	-68 285		-16 686	-84 971
Accumulated amortisation for allowances and transfers	247		0	247
Depreciation	-7 353		-1 018	-8 371
Impairments	-241		0	-241
Accumulated amortisation, depreciation and impairment at 31 Dec 2021	-75 632		-17 704	-93 336
Carrying amount at 1 Jan 2021	17 508	15 642	942	34 091
Carrying amount at 31 Dec 2021	**25 110**	**12 266**	**1 444**	**38 819**

Changes in intangible assets in 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 at 1 Jan 2020	22 892	10 699	3 203	36 794
Carrying amount at 31 Dec 2020	**17 508**	**15 642**	**942**	**34 091**

NOTE 20: TANGIBLE ASSETS

Changes in tangible assets in 2021	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost at 1 Jan 2021	726	1 654	195	2 574
Increases	0	3	41	44
Decreases	0	-502	0	-502
Transfers between items	0	236	-236	0
Acquisition cost at 31 Dec 2021	726	1 391	0	2 116
Accumulated amortisation, depreciation and impairment at 1 Jan 2021	-726	-688		-1 413
Accumulated amortisation for allowances and transfers	0	502		502
Depreciation	0	-358		-358
Impairments	0	-179		-179
Accumulated amortisation, depreciation and impairment at 31 Dec 2021	-726	-722		-1 448
Carrying amount at 1 Jan 2021	0	966	195	1 161
Carrying amount at 31 Dec 2021	**0**	**668**	**0**	**668**

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 at 1 Jan 2020	0	1 229	0	1 229
Carrying amount at 31 Dec 2020	**0**	**966**	**195**	**1 161**

NOTE 21: OTHER ASSETS

	31 Dec 2021	31 Dec 2020
Receivables from payment transactions	1 188	497
Receivables from securities	287	0
From others	287	0
Other	3 180	4 133
Other assets, total	**4 655**	**4 631**
of which from the Group	120	61

NOTE 22: ACCRUED INCOME AND PREPAYMENTS MADE

	31 Dec 2021	31 Dec 2020
Interest receivables	11 178	10 241
Fee claims	1 734	1 418
Other receivables	10 688	4 797
Prepayments made	395	0
Accrued income and prepayments made, total	**23 994**	**16 456**
of which from the Group	3 328	965

NOTE 23: DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets	31 Dec 2021	31 Dec 2020
Deferred tax assets 1 Jan	298	359
Deferred tax assets arising from the fair value reserve	-224	-61
Deferred tax assets 31 Dec	**74**	**298**

Recognised deferred tax liabilities	31 Dec 2021	31 Dec 2020
Deferred tax liabilities 1 Jan	0	0
Deferred tax liabilities arising from the fair value reserve	48	0
Deferred tax liabilities 31 Dec	**48**	**0**

Unrecognised deferred tax liabilities	31 Dec 2021	31 Dec 2020
Deferred tax liability from appropriations	5 941	6 080
Deferred tax liability on financial instrument classification changes	522	555
Unrecognised deferred tax liabilities, total	**6 463**	**6 635**

NOTE 24: ISSUED BONDS

31 Dec 2021	Carrying amount	Nominal value	Interest	Maturity
S-Bank Plc Senior Preferred MREL Eligible Notes 1/2021	169 699	170 000	Euribor 3 months + 0.75 %	4 Apr 2025

NOTE 25: OTHER LIABILITIES

	31 Dec 2021	31 Dec 2020
Payables arising from payment transactions	29 269	25 753
Payables from securities	291	0
Other	11 980	9 926
Other liabilities, total	**41 540**	**35 679**
of which to the Group	391	0

NOTE 26: ACCRUED EXPENSES AND PREPAYMENTS RECEIVED

	31 Dec 2021	31 Dec 2020
Interest payable	3 443	2 661
Accrued expenses	24 651	16 100
Accrued expenses, total	**28 095**	**18 760**
of which to the Group	127	10

NOTE 27: SUBORDINATED DEBTS

	31 Dec 2021		31 Dec 2020			
	Carrying amount	Nominal value	Carrying amount *	Nominal value	Interest	Maturity
Debenture I/2016	21 667	26 000	26 000	26 000	Euribor 12 months + 1.8%	30 Jun 2026
Debenture I/2017	8 000	8 000	8 000	8 000	Euribor 12 months + 1.8%	18 Dec 2027
Debenture I/2020	25 500	25 500	25 500	25 500	Euribor 12 months + 2.0%	1 Dec 2030
Debenture I/2021	57 500	57 500			Euribor 12 months + 2.0%	8 Oct 2031

*The comparative information for 2020 has been restated since publication of the financial statements as at 31 December 2020.

Terms of debenture loans:

Debenture loans are subordinated to the bank's other debt obligations. In capital adequacy calculation, debenture loans are classified under Tier 2 capital in accordance with the CRR Regulation.

The detailed terms and conditions of the debenture loans are described in the EU CCA table of the Pillar 3 report ('Capital and Risk Management Report'). The report is published separately from the financial statements and is available on S-Bank's website.

NOTE 28: EQUITY ITEMS

	31 Dec 2021	31 Dec 2020
Share capital, 1 Jan	82 880	82 880
Share capital, 31 Dec	**82 880**	**82 880**
Other restricted reserves		
Fair value reserve, 1 Jan	-462	-792
Profit/loss from measurement at fair value, other financial securities	1 439	-13
Amount transferred to the income statement, other financial securities	-177	116
Proportion of deferred tax assets of changes in the period, other financial securities	-288	3
Profit/loss from measurement at fair value, equity instruments	-79	288
Proportion of deferred tax assets of changes in the period, equity instruments	0	-64
Proportion of deferred tax liability of changes in the period, equity instruments	16	0
Fair value reserve, 31 Dec	**449**	**-462**
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	81 502	68 355
Other changes	0	238
Retained earnings (losses), 31 Dec	**81 502**	**68 593**
Profit (loss) for the period	**9 404**	**12 909**
Total equity	**458 064**	**447 749**

NOTE 29: 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

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

NOTE 30: FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES, AND THE HIERARCHY OF FAIR VALUES

	31 Dec 2021		31 Dec 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1 091 962	1 091 962	775 734	775 734
Receivables from credit institutions	21 570	21 528	28 442	28 442
Receivables from the public and public sector entities	6 086 022	6 495 290	5 444 362	5 890 630
Debt securities	1 149 087	1 152 550	1 228 829	1 232 516
Shares and interests	31 342	31 342	27 912	27 912
Shares and interests in associated companies	3	11	3	13
Shares and interests in Group companies	55 938	55 938	55 938	55 938
Derivatives	582	582	0	0
Financial liabilities				
Liabilities to credit institutions	0	0	0	0
Liabilities to the public and public sector entities	7 656 519	7 591 312	7 009 608	7 050 404
Issued bonds	169 699	170 101	0	0
Derivatives and other liabilities held for trading	8 383	8 383	16 157	16 157
Subordinated debts	112 667	113 215	59 500	60 094

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 2021	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Shares and interests	18 178	12 471	61	30 710
Debt securities	0	252 056	0	252 056
Total	**18 178**	**264 526**	**61**	**282 766**
Financial assets measured at fair value through other comprehensive income				
Debt securities eligible for refinancing with central banks	642 251	44 563	0	686 814
Debt securities	204 420	9 261	0	213 681
Shares and interests	0	605	55 974	56 579
Total	**846 671**	**54 429**	**55 974**	**957 073**
Derivative receivables	0	582	0	582
Derivative liabilities	0	8 383	0	8 383
Total	**0**	**8 964**	**0**	**8 964**

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 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 31: BREAKDOWN OF BALANCE SHEET ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCIES AND BELONGING TO THE SAME GROUP

31 Dec 2021	Domestic currency	Foreign currency	Total	From Group entities	From associated companies
Receivables from credit institutions	21 320	250	21 570	0	
Receivables from the public and public sector entities	6 086 022	0	6 086 022	0	
Debt securities	1 149 087	0	1 149 087	0	
Derivatives	582	0	582	0	
Shares and interests	87 283	0	87 283	55 938	3
Intangible assets	38 819	0	38 819	0	
Tangible assets	668	0	668	0	
Other assets (including cash and cash equivalents)	1 120 685	0	1 120 685	3 448	
Total	**8 504 467**	**250**	**8 504 717**	**59 386**	**3**
Liabilities to credit institutions	0	0	0	0	
Liabilities to the public and public sector entities	7 656 519	0	7 656 519	45 254	
Issued bonds	169 699	0	169 699	0	
Derivatives and liabilities held for trading	8 383	0	8 383	0	
Other liabilities	69 683	0	69 683	518	
Subordinated debts	112 667	0	112 667	0	
Total	**8 016 950**	**0**	**8 016 950**	**45 771**	**0**

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	
Derivatives	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	
Issued bonds	0	0	0	0	
Derivatives 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**

NOTE 32: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

31 Dec 2021	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	1 091 962	0	0	0	0	1 091 962
Debt securities eligible for refinancing with central banks	17 557	112 743	513 606	40 953	0	684 859
Receivables from credit institutions	21 570	0	0	0	0	21 570
Receivables from the public and public sector entities	166 385	404 694	1 691 484	1 343 465	2 479 995	6 086 022
Debt securities	179 385	81 188	179 108	24 547	0	464 228
Derivatives	0	0	174	408	0	582
Financial assets, total	**1 476 859**	**598 625**	**2 384 373**	**1 409 372**	**2 479 995**	**8 349 224**
Liabilities to credit institutions	0	0	0	0	0	0
Liabilities to the public and public sector entities	7 653 741	1 156	1 622	0	0	7 656 519
Issued bonds	0	0	169 699	0	0	169 699
Subordinated debts	0	4 333	22 433	85 900	0	112 667
Derivatives	86	694	7 051	552	0	8 383
Financial liabilities, total	**7 653 827**	**6 183**	**200 805**	**86 452**	**0**	**7 947 267**

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
Derivatives	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
Issued bonds	0	0	0	0	0	0
Subordinated debts	0	4 333	17 333	37 833	0	59 500
Derivatives	48	283	14 967	860	0	16 157
Financial liabilities, total	**7 006 359**	**5 958**	**34 254**	**38 693**	**0**	**7 085 265**

NOTE 33: COLLATERAL GIVEN

	Other collateral	
	31 Dec 2021	**31 Dec 2020**
Collateral given for own debt		
Liabilities to credit institutions	181 632	174 131
Derivatives and other liabilities held for trading	13 660	22 865
Collateral given for own debt, total	**195 292**	**196 997**
Collateral given on behalf of others	**362**	**362**

NOTE 34: LEASE LIABILITIES

	31 Dec 2021	31 Dec 2020
Within one year	2 509	2 626
Due in 1–5 years	3 729	5 908
Lease liabilities, total	**6 238**	**8 534**

Leasing and other rental liabilities concern the renting of business premises, vehicles, telephones and office equipment. The agreements cannot be cancelled mid-term.

NOTE 35: OFF-BALANCE SHEET COMMITMENTS

	31 Dec 2021	31 Dec 2020
Guarantees	9 722	14 280
Other commitments given to third parties	150	207
Undrawn credit facilities	258 147	214 187
Off-balance sheet commitments, total	**268 019**	**228 675**
Of which intra-group off-balance sheet commitments:		
Undrawn credit facilities	0	5 270

NOTE 36: BROKERAGE RECEIVABLES AND PAYABLES

	31 Dec 2021	31 Dec 2020
Savings in accordance with the Finnish Act on Long-Term Savings Schemes	1 287	529
Brokerage receivables and payables, total	**1 287**	**529**

NOTE 37: NOTES REGARDING TRUSTEE SERVICES AND TOTAL AMOUNT OF CUSTOMER FUNDS HELD

	31 Dec 2021	31 Dec 2020
Assets under management		
Assets under wealth management	3 911 092	0
Mutual fund assets	3 786 054	0
Assets under consultative wealth management	18 377	16 976

NOTE 38: PERSONNEL AND MANAGEMENT

	2021		2020	
	Average number	Number at the end of the period	Average number	Number at the end of the period
Permanent full-time personnel	496	529	464	470
Permanent part-time personnel	14	16	16	16
Temporary personnel	27	26	33	28
Total	**537**	**571**	**514**	**514**

	2021	2020
Salaries and fees paid to management (EUR '000)		
CEO and CEO's deputy	570	492
Board of Directors	29	30
Pension commitments to management (EUR '000)		
CEO and CEO's deputy	160	142

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 39: RELATED PARTIES

	Receivables from the public and public sector entities	
	31 Dec 2021	31 Dec 2020
Basis for classification as a related party		
Management	3 078	1 697
Management of holding company		1 373
Kinship	1 354	434
Total	**4 433**	**3 504**

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

As of the 2021 financial year, the definition of related parties is identical with the definition of related parties used in the Group. The Group's related parties are defined in Note 36 to the consolidated financial statements. Due to the change in the definition, the information presented is not entirely comparable between the 2021 and 2020 financial years.

NOTE 40: HOLDINGS IN OTHER COMPANIES

	Domicile	Share of ownership	Equity (EUR '000)	Profit/loss for the period (EUR '000)
S-Asiakaspalvelu Oy	Helsinki	100 %	1 995	-93
S-Bank Private Equity Funds Ltd	Helsinki	100 %	21 899	4 679
S-Bank Fund Management Company Ltd	Helsinki	100 %	28 363	7 067
S-Crosskey Ab	Mariehamn	40 %	33	4

NOTE 41: MAJOR SHAREHOLDERS AND DISTRIBUTION OF SHAREHOLDINGS

Shareholder	Share of ownership
SOK Corporation	49.99 %
Helsinki Cooperative Society Elanto	10.01 %
Cooperative Society Hämeenmaa	5.05 %
Pirkanmaa Cooperative Society	3.59 %
Cooperative Society Arina	3.53 %
Cooperative Society Keskimaa	3.33 %
Cooperative Society KPO	2.85 %
Kymi Region Cooperative Society	2.59 %
Southern Ostrobothnia Cooperative Society	2.40 %
Suur-Seutu Cooperative (SSO)	2.25 %
Turku Cooperative Society	2.24 %
Cooperative Society PeeÄssä	2.17 %
Northern Karelia Cooperative Society	2.16 %
Suur-Savo Cooperative Society	1.83 %
Varuboden-Osla	1.48 %
Satakunta Cooperative Society	1.48 %
Southern Karelia Cooperative Society	1.15 %
Keula Cooperative Society	0.78 %
Maakunta Cooperative Society	0.74 %
Koillismaa Cooperative Society	0.38 %
Total	**100.00 %**

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

Helsinki, 2 February 2022

Jari Annala
Chair of the Board of Directors

Veli-Matti Liimatainen
Vice Chair of the Board of Directors

Heli Arantola
Member of the Board of Directors

Hillevi Mannonen
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 2022

Petri Kettunen, APA
KPMG Oy AB
Authorised Public Accountants

AUDITOR'S REPORT

To the Annual General Meeting of S-Bank Plc

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, 2021. 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

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 6.1 billion, are the most significant item on
- S-Bank Plc's consolidated balance sheet representing 72 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.
- 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 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.

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.

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 sig-

nificant 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 11 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 2022

KPMG OY AB
Petri Kettunen
Authorised Public Accountant, KHT

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This is voluntary published pdf report, so it does not fulfill the disclosure obligation pursuant to Section 7:5§ of the Securities Markets Act.