S-BANK PLC ANNUAL REPORT 2022

S BANK

THE NUMBER ONE BANK FOR MORE PEOPLE – BEST RESULT IN HISTORY

Hanna Porkka, Interim CEO

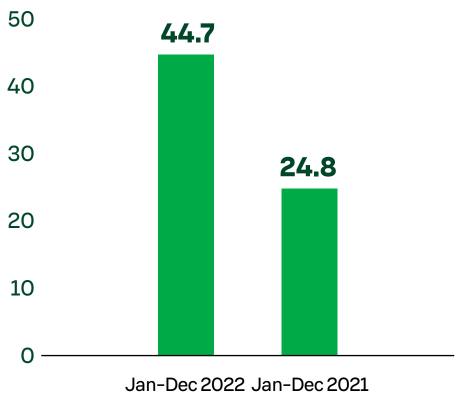
"The S-Bank Group achieved the best result in its history. The rise in interest rates had an impact on the net interest income particularly in the second half of the year. At the end of December, S-Bank had around 592 000 active customers, whereas the corresponding figure a year earlier was around 532 000."

JANUARY–DECEMBER 2022

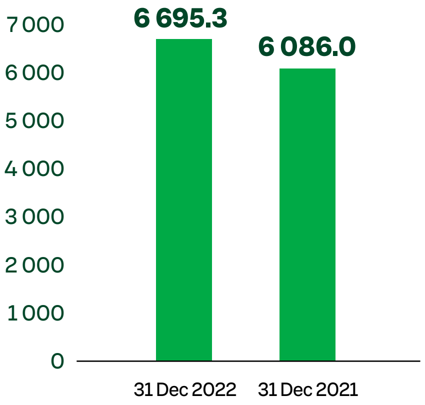
- Lending increased to EUR 6.7 billion (6.1)
- Assets under management decreased to EUR 5.9 billion (7.7)
- Operating profit increased to EUR 44.7 million (24.8)
- The capital adequacy ratio was 16.3 per cent (16.3)

The S-Bank Group's operating profit was EUR 44.7 million (24.8) increasing 80.3 per cent on the previous year. The improvement in performance was driven by an 18.6 per cent increase in total income and, in particular, a stronger increase in net interest income towards the end of the year. The improved cost-to-income ratio was 0.74 (0.78), and impairment losses decreased compared to the previous year.

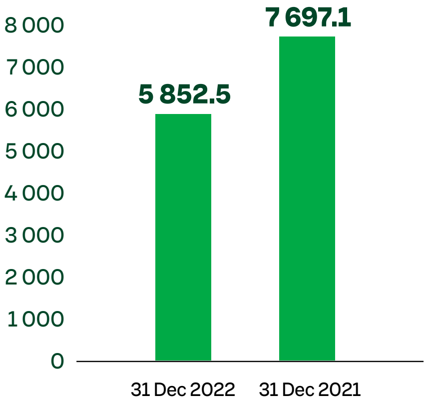
Operating profit (EUR million)



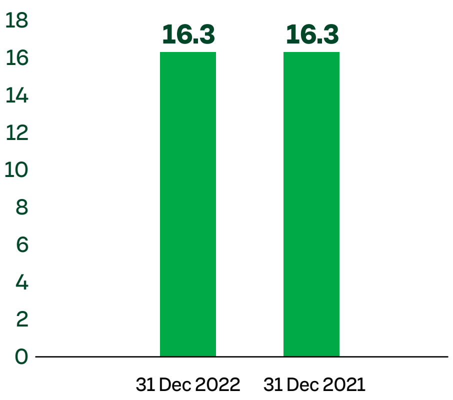
Lending (EUR million)



Assets under management (EUR million)



Capital adequacy ratio (%)



OUTLOOK FOR 2023

We expect operating profit for the whole year to increase by more than 50 per cent (44.7) on the previous year's level. The rise in interest rates has a positive impact on the bank's performance. However, the operating environment is very uncertain.

KEY FIGURES

(EUR million)	2022	2021	Change	Q4 2022	Q4 2021	Change
Net interest income	121.7	90.3	34.7%	43.5	23.0	89.3%
Net fee and commission income	87.2	80.8	7.9%	24.3	24.5	-0.8%
Total income	221.8	187.0	18.6%	70.9	52.9	34.0%
Operating profit	44.7	24.8	80.3%	20.6	4.2	391.9%
Cost-to-income ratio	0.74	0.78	-0.04	0.74	0.78	-0.04

(EUR million)	31 Dec 2022	31 Dec 2021	Change
Liabilities to customers, deposits	7 925.6	7 554.9	4.9%
Receivables from customers, lending	6 695.3	6 086.0	10.0%
Debt securities	696.7	1 149.1	-39.4%
Equity	524.2	509.3	2.9%
Expected credit losses (ECL)	22.5	20.6	9.2%
Assets under management	5 852.5	7 697.1	-24.0%
Return on equity	6.9%	3.9%	3.0
Return on assets	0.4%	0.2%	0.2
Equity ratio	5.9%	6.0%	-0.1
Capital adequacy ratio	16.3%	16.3%	0.0

The S-Bank Group (hereinafter 'S-Bank') figures for the corresponding period of 2021 are used in the result comparisons. For comparisons of balance sheet items and other breakdown items, the figures refer to the end of 2021 unless otherwise indicated.

CEO'S REVIEW

S-Bank's business developed positively in 2022. In the period under review, our income and profit increased by 18.6 per cent year-on-year, and our operating profit was EUR 44.7 million (24.8). In the final quarter of the year, the operating profit was a record EUR 20.6 million.

At the end of the year, S-Bank had around 592 000 active customers, as opposed to around 532 000 at the end of 2021. Our strategic goal is to achieve one million active customers. The total euro amount of the purchases made with the S-Etukortti Visa card in 2022 grew by 19.8 per cent on the amount for the previous year. The number of card purchases also increased significantly and was 20.0 per cent higher than a year earlier. At the end of 2022, purchases made with S-Bank cards accounted for 24.1 per cent (23.2) of all Bonus purchases made in S Group stores.

Despite the challenging market conditions, we continued to grow strongly in housing s and our housing loan volume growth exceeded market growth almost tenfold. Year-on-year, our lending grew by 10.9 per cent and our deposit portfolio by 4.9 per cent. The number of unit holders in our funds increased by around 21 000 year-on-year to approximately 361 000, and our funds attracted the most net subscriptions in the Finnish market. However, total assets under management declined under the pressure of the general market downturn and the termination of a significant portfolio management contract outsourced to S-Bank. Assets under management were EUR 5.9 billion (7.7) at the end of the year.

The positive performance of 2022 provides a solid foundation on which to start building 2023. In fact, the mood at the beginning of the new year has been expectant but confident at S-Bank.

The economic outlook is muted and uncertain, and many people are having to rethink their finances amid rising costs and interest rates. I believe that our product range, our service concept and our ambition to make a slightly more affluent tomorrow possible for everyone will appeal to many this year.

At the end of last year, we conducted a survey that showed that the things Finns value the most when it comes to services provided by banks is good digital services, affordable prices and being able to access all the services they need from the same bank. These are all competitive factors that are in good shape at S-Bank.

This year, in line with our strategy, we will focus on offering superior ease and benefits, especially to our household customers. We are a full-service bank for the co-op members of S Group cooperative stores and we offer them an account, a card, online banking and a mobile app free-of-charge.

For the bank's shareholders, SOK and the S Group's regional cooperative stores, we want to be an attractive investment also in 2023. At the same time, we will make sure that the Bank's bonds are appealing to institutional investors.

Our staff play a key role in achieving these goals. That is why we were delighted to discover that Eezy Flow, a company that conducts personnel surveys, had awarded us the Finland's most inspiring workplaces award for the second time. We intend to be an attractive employer in the future, as well.

I would like to thank our staff for their excellent performance in 2022. I would also like to thank our customers, owners and partners for their confidence in us. I wish you all a successful year in 2023!

HANNA PORKKA
Interim CEO

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BOARD OF DIRECTOR'S REPORT

KEY EVENTS

S-Bank's Board of Directors decided on dividend policy in December. S-Bank's policy is to pay shareholders a steady and growing dividend annually of 5 to 15 per cent of the financial year's profit. When drafting its proposal for the annual payment of dividend, the Board of Directors takes into account the Bank's financial situation, the current regulatory framework, the achievement of strategic objectives, and investment needs, as well as the liquidity, credit risk and capital adequacy positions. Based on the adopted dividend policy and S-Bank's performance, the Board of Directors will propose to S-Bank's Annual General Meeting that a dividend for the financial year 2022 be distributed.

S-Bank raised its S-Prime interest rate twice in the second half of the year. The decisions were based on the increase in market rates. S-Prime is S-Bank's own reference rate and it is used as the reference rate for deposits and some types of loans. The most recent interest rate change came into force on 8 November 2022, after which the interest rate was 1.0 per cent.

At the end of October the Board of Directors of S-Bank Plc appointed Riikka Laine-Tolonen, M.Sc. (Econ.), as the new CEO. Laine-Tolonen previously worked as Head of Personal Customers at Danske Bank. Deputy CEO Hanna Porkka will continue in her role as Interim CEO. She has held the position of Interim CEO since Pekka Ylihurula stepped down at the end of May. After that Porkka will return to the posts of Deputy CEO, EVP, Wealth Management.

S-Bank continued to develop its Wealth Management business by merging S-Bank Private Equity Funds Ltd into S-Bank Fund Management Ltd. The merger was completed on 30 September 2022.

On 22 September 2022, credit rating agency Standard & Poor's (S&P) published a report where it affirmed S-Bank's long-term rating of BBB. The credit rating of long-term borrowing is BBB, that of short-term borrowing is A-2, and the outlook is stable.

In middle of September S-Bank informed on a malfunction that occurred in the authentication with S-Bank online banking IDs during the period from 20 April to 5 August 2022. The malfunction affected a group of a few hundred people. A very small group of individuals also misused the system malfunction, e.g. for unauthorised payments and for logging into third-party online services. The malfunction was corrected as soon as it was detected. S-Bank has requested the police to investigate the incident.

Also various scam messages circulated during the summer and autumn, claiming to be from S-Bank and other banks. Unfortunately, also our customers fell victim to these phishing campaigns. Scam messages and previously mentioned system malfunction also had a financial impact in the third quarter.

The Financial Supervisory Authority (FIN-FSA) imposed an administrative fine of EUR 60 000 on S-Bank on 24 August 2022. The reason for the fine were the inadequacies in S-Bank's reporting on derivative contracts it had entered into during June 2019–March 2021. The inadequacies related to an obligation to report all derivative contracts to a trade repository (European Union regulation on OTC derivatives, central counterparties and trade repositories, European Market Infrastructure Regulation, "EMIR"). The inadequacies were immediately corrected when the bank became aware of them. The inadequate reporting did not affect S-Bank or its customers.

At the beginning of August, S-Bank launched a new fund that enables customers to acquire a portfolio that is diversified between various real estate classes with a single investment. S-Bank Real Estate Asset Management non-UCITS Fund invests mainly in other real estate funds that invest their assets in residential and office real estate, plots, forest and fields, for example.

On 6 July 2022, the Financial Supervisory Authority (FIN-FSA) made a decision regarding S-Bank concerning the formation of certain client groups. According to the Financial Supervisory Authority, S-Bank had not fully complied with the regulations on establishing interconnectedness based on economic dependency. The Financial Supervisory Authority obliged S-Bank to form the certain groups of connected clients as required by regulation, and S-Bank has formed these groups by the required date. The formation of groups of connected clients as obliged by the Financial Supervisory Authority will not have financial consequences for S-Bank.

On 30 June 2022, the Financial Supervisory Authority (FIN-FSA) authorised S-Bank to engage in mortgage banking activities in accordance with the new Act on Mortgage Credit Banks. S-Bank had also been authorised to carry out mortgage banking activities under the previous legislation.

In June S-Bank issued an increase of EUR 50 million in the original amount of its bond (tap issue). The tap issue concerns the Senior Preferred MREL Eligible Notes serial bonds in the original amount EUR 170 million issued on 4 October 2021 and maturing on 4 April 2025. The increased amount was accepted for trading on the official list of Nasdaq Helsinki Ltd on 10 June 2022.

In March, S-Bank introduced incoming SEPA instant transfers that allow the bank's customers to receive incoming payments as SEPA instant transfers. They are transmitted to recipients within ten seconds around the clock every day of the year. A SEPA instant transfer is a method of transferring funds in the Single Euro Payments Area (SEPA), payer to payee, in almost real time.

During the review period, multiple surveys were published on company reputation, in which S-Bank performed well. In the Sustainable Brand Index survey on perceptions of brand sustainability, commissioned annually by the Swedish company SB Insight, Finns voted S-Bank as the most responsible bank brand in Finland for the tenth consecutive time. In a financial sector reputation and trust survey (Finanssialan Luottamus&Maine 2021) carried out by T-Media Finns ranked S-Bank as the most reputable organisation in 2021. In a survey carried out by Taloustutkimus for Sortter, a credit comparison company, S-Bank was the bank with the highest scores when Finns were asked about their level of satisfaction with and confidence in banks. In a brand valuation survey (Brändien arvostus 2022) carried out by Taloustutkimus Finns selected S-Bank as the most valued brand in financial sector for the fifth consecutive year. S-Bank had the most loyal customers for the third consecutive year according to the customer loyalty index survey of Data & Marketing Association of Finland (DMA Finland). Eezy Flow, a personnel research company, awarded S-Bank with the Finland's most inspiring workplaces recognition for the second time.

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

Long-term financial objectives:

Growth and capital adequacy	Targeted profitability level
Over 10 per cent annual income growth	Cost-to-income ratio below 60 per cent
Capital adequacy ratio at least 13.5 per cent*	Return on equity over 8 per cent
Annual dividend of 5–15 per cent of profit**	

* The minimum limit has been set at 1.5 percentage points above the regulatory requirement (12.03 per cent in December 2022)
** Dividend policy decided by the Board of Directors of S-Bank, published on 14 December 2022

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.

SUMMARY OF THE IMPACTS OF THE WAR BETWEEN RUSSIA AND UKRAINE AND THE CORONAVIRUS PANDEMIC ON BUSINESS OPERATIONS

During the first half of the year, two phenomena stood out in S-Bank's operating environment: the Russian attack on Ukraine and the coronavirus pandemic.

In February, Russia attacked Ukraine, which had a limited impact on S-Bank's operations. Indirectly, the war had an operational impact because it changed the operating environment. Energy and commodity prices rose and inflation accelerated. In Europe in particular, Russia's attack worsened the situation into an energy crisis. Accelerating inflation prompted central banks to tighten their monetary policies. A rapid increase of interest rates led to lower bond valuations and consequently, the bank's fair value reserve decreased during the year. International sanctions were also imposed as a result of the war. However, the impact of the war on S-Bank has been limited because of S-Bank's chosen strategy to focus on household customers in Finland.

S-Bank's customers have been able to take care of their daily payments, as before, with S-Bank's Visa cards and S-mobiili and via the online bank. Due to the sanctions and payment restrictions, however, S-Bank has interrupted payment transmissions with Russian and Belarusian banks for the time being.

According to the Bank Barometer survey carried out by Finance Finland in November, household demand for loans during the second half of the year was markedly lower than in the corresponding period of the previous year. Finance Finland expects demand for credit from households and businesses to slow down and saving to increase as the economic situation weakens. Bank managers surveyed expected demand for credit to become weaker in early 2023. In investments, deposits were increasing in popularity and mutual funds were decreasing in popularity.

In the review period, the Covid-19 situation varied regionally in Finland but expanding vaccination coverage and the emergence of the Omicron variant increased hopes that the serious form of the disease was becoming rarer. The authorities eased and removed many restrictions and recommendations regulating various activities in society.

S-Bank continued to comply with the guidelines issued by the Finnish authorities. S-Bank is paying particular attention to ensuring that its operations will continue in the event that the infection situation becomes worse. S-Bank is continuing to recommend that its customers use the S-mobiili app and the online bank for their banking needs.

In the last quarter of the year, the Advisory Board on Communicable Diseases proposed to the Ministry of Social Affairs and Health that the coronavirus no longer meets the criteria of a generally hazardous infectious disease and that the coronavirus should be treated as a normal disease. As a result, the S Group decided to abandon Covid-19 recommendations for the whole group and S-Bank also decided to start treating Covid-19 as a normal disease.

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. Should the pandemic situation turn worse, S-Bank is prepared to swiftly react to the changed situation in the ways required. During the review period, the Covid-19 pandemic did not have a negative impact on S-Bank's operations.

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

OPERATING ENVIRONMENT

Considering all the unfortunate and unexpected events that took place in 2022, the economy weathered the year quite well. Russia's invasion of Ukraine in February significantly changed the global political and economic landscape. Inflation increased sharply to reach its highest levels in decades, rapidly pushing up interest rates, which will affect the economy in the coming years. Although the economy experienced substantial shocks, its performance was surprisingly robust in the end and economic growth continued around the world. In Finland, growth is expected to be just over 2 per cent in 2022.

Going into 2022, the expectation was that the recovery from the collapse following the Covid-19 pandemic would continue and that economies would be propelled into strong growth. Right from the start of the year, however, it became clear that there were new challenges ahead. Inflation rose sharply already at the beginning of the year. The acceleration was explained by both supply-side production and logistics problems and strong growth in demand in the wake of the previous years' stimulus measures. The start of Russia's war of aggression in February pushed energy prices up to unprecedented levels, especially in Europe. Indeed, throughout the year, there was considerable concern about how the economy would cope in an environment of rising prices.

The employment situation remained strong in Finland and globally, however, which supported the economy. Similarly, the release of savings accumulated during the Covid-19 pandemic sustained consumption. Companies were able to pass on their higher costs to prices and in nominal terms sales remained on the rise, even though in real terms they have already declined. In view of the challenges, 2022 can be seen as a tactical victory.

On the other hand, the gap between the actual outcome and expectations was very wide. The year was in many respects stronger than expected, but at the same time the outlook for the coming year has deteriorated as purchasing power weakens due to rising prices and interest rates. Indeed, a recession is generally expected in the West for 2023. The labour market remains tight due to labour shortages in many sectors, but construction, for example, is set to slow down. In the autumn, economic challenges increasingly started to emerge, which was reflected in a sharp fall in housing transactions, for example.

The worsening economic outlook hit the financial markets. The central banks' tighter monetary policy and their fight against inflation increased interest rates, pushing bond yields to their weakest levels in decades. In the stock markets, the downturn was fuelled by fears of recession and a reassessment of high valuation levels after years of strong growth. In the real estate market the year started with a strong upward trend, but towards the end of the year prices started to come under downward pressure.

FINANCIAL POSITION

FINANCIAL PERFORMANCE AND PROFITABILITY

S-Bank Group's operating profit was EUR 44.7 million (24.8), an increase of 80.3 per cent on the previous year. The profit for the period after taxes was EUR 35.8 million (19.6). Return on equity rose to 6.9 per cent (3.9). The Group's cost-to-income ratio was 0.74 (0.78).

Key figures

(EUR million)	2022	2021	2020
Net interest income	121.7	90.3	89.3
Net fee and commission income	87.2	80.8	67.0
Total income	221.8	187.0	173.9
Operating profit	44.7	24.8	21.0
Cost-to-income ratio	0.74	0.78	0.74

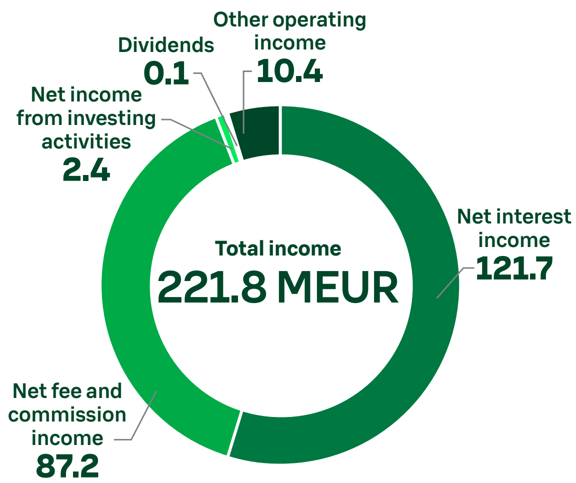
(EUR million)	31 Dec 2022	31 Dec 2021	31 Dec 2020
Liabilities to customers, deposits	7 925.6	7 554.9	6 925.0
Receivables from customers, lending	6 695.3	6 086.0	5 444.4
Debt securities	696.7	1 149.1	1 228.8
Equity	524.2	509.3	488.6
Expected credit losses (ECL)	22.5	20.6	19.6
Assets under management *	5 825.5	7 697.1	10 785.1
Return on equity	6.9%	3.9%	3.3%
Return on assets	0.4%	0.2%	0.2%
Equity ratio	5.9%	6.0%	6.4%
Capital adequacy ratio	16.3%	16.3%	15.7%

* 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.

INCOME

During the review period, total income developed positively. Total income amounted to EUR 221.8 million (187.0), a growth of 18.6 per cent.

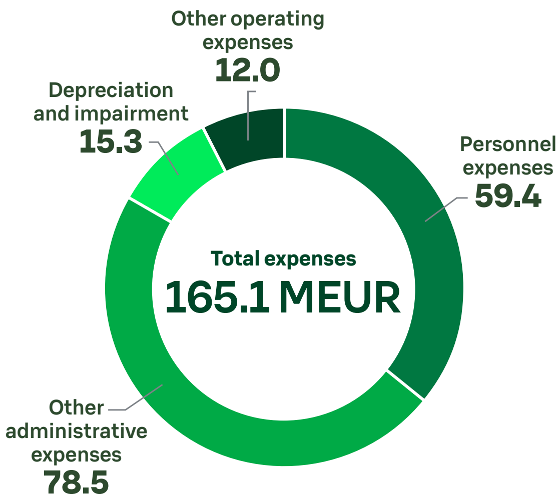
Net interest income grew by 34.7 per cent, totalling EUR 121.7 million (90.3). Net interest income grew significantly during the second half of the year due to the higher interest rate levels. Net fee and commission income increased by 7.9 per cent to EUR 87.2 million (80.8). The change was mainly due to the growth in the fees from card payments. Net income from investing activities decreased and was EUR 2.4 million (3.1). Other operating income decreased to EUR 10.4 million (12.7). Other income includes EUR 3.8 million (3.0) in revenue from sales of receivables previously recognised as credit losses. Similarly, the previous year included the previously mentioned LocalTapiola fund transfer transaction EUR 3.1 million.



EXPENSES

Operating expenses totalled EUR 165.1 million (146.5) during the review period. This is 12.7 per cent more year-on-year, mainly due to increases in personnel expenses, IT- and development costs as well as regulatory fees. Personnel expenses accounted for EUR 59.4 million (56.1) of operating expenses. The change was due to an increase in the number of personnel.

Other administrative expenses totalled EUR 78.5 million (71.0). The changes are mainly due to an increase in IT and development costs, use of rental labour, as well as volume based card manufacturing and agency fees. Depreciation and impairment of tangible and intangible assets amounted to EUR 15.3 million (13.0). Other operating expenses totalled EUR 12.0 million (6.3), which includes EUR 6.7 million (1.0) in financial stability contribution and deposit guarantee contribution and losses from fraudulent events EUR 2.0 million (0.4).



EXPECTED AND FINAL CREDIT LOSSES

Expected and final credit losses of EUR 18.5 million (21.4) were recognised in the consolidated income statement during the review period. Reversals, or recovered credit losses, amounted to EUR 6.6 million (5.7). Consequently, the total net effect on profit of expected and final credit losses was EUR 12.0 million (15.7). The positive development has been affected by the economic recovery, which began in the previous year and has supported high employment. In addition, the calculation of expected credit losses, which was updated in early 2022, has a positive impact. A rise in inflation and interest rates, as well as a weakening of the economic outlook, may have a negative impact on development in the future. 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 and were EUR 7 925.6 million (7 554.9) at the end of the review period. Deposits repayable on demand totalled EUR 7 845.4 million (7 550.2) and time deposits EUR 80.2 million (4.7) at the end of the review period. During the past 12 months, total deposits grew by 4.9 per cent. Household customers' deposit portfolio grew 8.3 per cent on the previous year and was EUR 7 078.8 million. Corporate customers' deposit portfolio contracted 16.7 per cent on the previous year and was EUR 846.8 million.

At the end of the review period, the total amount of deposits in S-Bank covered by the deposit guarantee scheme was EUR 6 580.2 million (6 063.6).

Deposits

(EUR million)	31 Dec 2022	31 Dec 2021	Change
Household customers	7 078.8	6 537.9	8.3%
Corporate customers	846.8	1 017.0	-16.7%
Total	**7 925.6**	**7 554.9**	**4.9%**

LENDING

Lending growth continued to be strong. At the end of the review period, the loan portfolio totalled EUR 6 695.3 million (6 086.0). During the past 12 months, the loan portfolio grew by 10.0 per cent. The household loan portfolio grew by 9.9 per cent on the previous year and was EUR 5 588.9 million, while the corporate loan portfolio grew 10.4 per cent on the previous year and was EUR 1 106.3 million.

The loan-to-deposit ratio, which describes the ratio between the loan portfolio and deposits, was 84 per cent (81).

Lending

(EUR million)	31 Dec 2022	31 Dec 2021	Change
Household customers	5 588.9	5 083.7	9.9%
Corporate customers	1 106.3	1 002.3	10.4%
Total	**6 695.3**	**6 086.0**	**10.0%**

LIQUIDITY PORTFOLIO AND INVESTING ACTIVITIES

At the end of the review period, the bank's debt securities totalled EUR 696.7 million (EUR 1 149.1 million at the end of 2021). Deposits in central banks and cash totalled EUR 1 368.2 million (1 092,0). S-Bank has increased the share of central bank deposits in its liquidity portfolio, which has influenced the development. The breakdown of the liquidity and investment portfolio is illustrated in chapter Risks and Capital Adequacy and their management under section S-Bank Group's risk position in paragraph Liquidity and funding.

EQUITY

At the end of the review period, S-Bank's equity was EUR 524.2 million, compared with EUR 509.3 million at the end of 2021. The equity was affected by the value of the fair value reserve, which has decreased by EUR 21.1 million since the end of 2021. The rapid rise in interest rates has affected that development. During the second half of the year, however, the decrease in the fair value reserve has been more moderate. The equity ratio was 5.9 per cent (6.0).

ASSETS UNDER MANAGEMENT

Assets under management were EUR 5 852.5 million (7 697.1) at the end of the review period. Assets under management decreased under the pressure of the general market decline and the termination of a significant portfolio management contract outsourced to S-Bank. Of assets under management, fund capital accounted for EUR 3 925.8 million (3 925.3), and wealth management capital accounted for EUR 1 926.7 million (3 771.8). Comparison amounts related to the split between fund capital and wealth management capital have been adjusted after 2021 financial statement has been published. In addition, S-Bank Properties Ltd managed EUR 347.5 million in customer assets, consisting of real estate and joint ventures (442.4). The decrease was caused by a real estate that was sold during the third quarter. The net subscriptions in S-Bank funds amounted to EUR 225.5 million (317.1) during the review period.

BUSINESS OPERATIONS AND RESULT BY SEGMENT

The S-Bank Group's segments are Banking and Wealth Management. Operations that do not fall under these business segments are reported under 'Other 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 Group's note 1.

Banking

Banking is responsible for producing the S-Bank'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 61.8 million (36.2) in 2022. Total income increased 26.8 per cent to EUR 180.6 million (142.4). Both net interest income and net fee income grew significantly. Expenses increased by 18.1 per cent to EUR 106.9 million (90.5). Impairment of receivables decreased to EUR 12.0 million (15.7).

According to the latest available information, the increase in housing loan volume for the financial institutions operating in Finland was 1.0 per cent for the preceding 12-month period in November. S-Bank's housing loan volume grew by 9.5 per cent (almost ten times the market growth) in the same period. In 2022, the number of housing loan applications decreased on the previous year.

The use of S-Etukortti Visa cards developed very favourably in 2022. The total euro sum of purchases made with the cards increased by 19.8 per cent (14.8) on the previous year and was record-high. The number of purchases made with cards increased by 20.0 per cent (11.1).

Wealth Management

Wealth Management is responsible for producing the S-Bank'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.

Operating profit decreased to EUR 1.7 million (5.0). Total income increased by 0.9 per cent to EUR 40.3 million (39.9). Expenses increased by 10.3 per cent to EUR 38.6 million (35.0). Profit performance was affected by geopolitical uncertainty, rising interest rates and the investments into operational efficiency.

Net subscriptions to S-Bank funds totalled EUR 255.5 million (317.1). The development of net subscriptions to the S-Bank funds was strongest out of all fund management companies. Net subscriptions totalled EUR -4 363.1 million (9 112.4) in the market as a whole.

The total number of unit holders in the S-Bank funds increased to around 361 000 from around 340 000 a year earlier. On the Finnish market as a whole, total number of unit holders rose to around 4.0 million from 3.9 million a year earlier.

Banking

(EUR million)	2022	2021	Change
Operating income	180.6	142.4	26.8%
Operating expenses	-106.9	-90.5	18.1%
Impairment of receivables	-12.0	-15.7	-23.9%
Operating profit (loss)	**61.8**	**36.2**	**70.4%**

Wealth Management

(EUR million)	2022	2021	Change
Operating income	40.3	39.9	0.9%
Operating expenses	-38.6	-35.0	10.3%
Operating profit (loss)	**1.7**	**5.0**	**-65.3%**

RISKS AND CAPITAL ADEQUACY AND THEIR MANAGEMENT

GENERAL DESCRIPTION OF RISK MANAGEMENT

S-Bank provides banking and wealth management services to its customers. S-Bank's strategy is to offer superior ease and benefit, especially to household customers, and the strategic goal is to grow to become a bank serving one million active customers. 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 values and strategy, and sound banking, lending, and securities market practices. The objective of risk management is to maintain the risk position within the target levels set by the Board of Directors, to manage the reputation risk and to secure disturbance-free operations in both the short and long term.

Further information on the Group's risks and their management and governance is provided in Group's Note 2. Information on capital and liquidity management can also be found on 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 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 the 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

Type of risk	Indicator
Capital risk	· Capital ratios · Economic capital · Leverage ratio · Profitability
Credit risk	· Expected and final credit losses · Indicators for asset quality · Concentration risk · 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 risk	· 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.

The year 2022 was defined by significant changes in the external operating environment. Russia's war of aggression in Ukraine, high inflation, the energy crisis, the unprecedented rise of interest rates and stock market uncertainty have affected the daily lives of consumers and the operations of businesses and banks. Towards the end of the year, the demand for new housing loans slowed down and the strong growth in household deposits in recent years levelled off in the Finnish market as a whole.

The changes in the external environment are also reflected in S-Bank's balance sheet and risk position. Considering the year as a whole, S-Bank's business volumes continued to grow, particularly in household customers' housing loan and deposit portfolios. In the fourth quarter growth slowed down, however. The amounts of forborne and defaulted exposures increased during the year, partly due to a more effective forbearance identification process, but also due to an increase in customer spending in the final quarter. The increasing interest expenses and prices are expected to weaken the financial standing of customer households, in response to which credit loss provisions based on management judgement were increased during the review period. Final loan losses remained at a low level during the year.

The Bank's liquidity position remained strong and total capital adequacy strengthened slightly, remaining nearly at the same level as year before, as own funds increased on the back of strong profit performance.

S-Bank Group's key risk indicators

EUR million	31 Dec 2022	31 Dec 2021
Risk-weighted exposure amounts (in euros)		
Total risk-weighted exposure amounts	3 385.4	3 346.0
Credit and counterparty risk, standardised approach	3 022.6	3 018.7
Market risk	0.0	0.0
Operational risk, basic indicator approach	362.8	327.4
Credit valuation adjustment (CVA)	0.0	0.0
Own funds (in euros)		
Common Equity Tier 1 (CET1) capital	448.2	434.8
Tier 2 (T2) capital	104.8	110.5
Own funds in total	552.9	545.3
Pillar 1 requirement (%)	12.03%	12.01%
Capital adequacy ratio (as a percentage of total risk-weighted exposure amounts)		
Common Equity Tier 1 (CET1) ratio (%)	13.2%	13.0%
Total capital ratio (%)	16.3%	16.3%
Non-performing loan (NPL)		
NPL ratio (%)*	0.9%	0.6%
Leverage ratio (LR):		
Leverage ratio (%)	4.9%	5.0%
Liquidity Coverage Ratio (LCR)		
Liquidity Coverage Ratio (%)	164.4%	149.9%
Net Stable Funding Ratio (NSFR)		
Net Stable Funding Ratio (%)	151.4%	151.1%

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

Credit risk

The growth of the secured and unsecured portfolio of household customer credits continued, although at a slightly slower pace in the latter part of the year. There were no major shifts in the credit portfolio distribution between different credit types during the review period. S-Bank sustains a low credit risk profile in line with its conservative risk appetite, supported by prudent risk management and monitoring measures.

The total amount of ECL provision increased by EUR 1.9 million to EUR 22.5 million (20.6) during the financial year. The changes in management judgement during the financial year contributed to the growth in the ECL provision by approximately EUR 1.6 million. The management judgement was updated, as increases in interest expenses and prices are expected to weaken the financial standing of customer households. Expected and final credit losses are discussed under section Financial position and in Group Note 11.

The volume of household customer loans subject to repayment holidays or other changes to the payment schedule was EUR 448.1 million (419.9), representing 8.0 per cent (8.2) of total household customer exposures. Repayment holidays deviating from the original payment plan have primarily been granted to household customers.

The enhancements implemented in the forbearance identification process and the stricter recovery criteria caused an increase in reported forbearance measures and non-performing loans, as expected. In addition, the increase in general price level has contributed to the growth of forbearance measures. Gross forborne exposures in the balance sheet totalled EUR 158.9 million (109.9) at the end of the review period. The carrying amount of performing forborne exposures in relation to loans and advances was at the level of 2.0 per cent (1.6). The corresponding ratio of non-performing forborne exposures was 0.4 per cent (0.2).

The amount of non-performing loans (NPL) in the balance sheet increased by EUR 20.1 million to EUR 59.4 million (39.3) during the review period. Of this, EUR 12.1 million was due to an increase in non-performing forborne exposures.

The NPL ratio, which describes non-performing exposures in relation to loans and advances, rose to 0.9 per cent (0.6). All non-performing loans were household customer exposures.

Own funds and capital adequacy

During the review period, S-Bank's capital adequacy position has been strong and within the risk appetite set by S-Bank's Board of Directors. The capital adequacy position improved slightly, while remaining at almost the same level as at the end of the previous year. Total capital ratio stood at 16.3 per cent (16.3) and CET1 capital adequacy ratio at 13.2 per cent (13.0). In the period under review, own funds were positively affected especially by profit performance, while the deterioration of the fair value reserve due to market uncertainty had a negative impact on own funds.

Total own funds at the end of the review period stood at EUR 552.9 million (545.3) and CET1 capital at EUR 448.2 million (434.8). Tier 2 capital stood at EUR 104.8 million (110.5). Tier 2 capital decreased slightly, due to debenture loans with a residual maturity of less than five years being gradually eliminated from Tier 2 capital, as required by regulation.

Risk-weighted exposure amount was EUR 3 385.4 million (3 346.0) and it grew by EUR 39.4 million. The increase was mainly due to a rise in operational risk, with credit risk increasing only slightly compared to the end of the previous year. In line with S-Bank's strategy, credit risk growth was related to exposures secured on immovable property and retail exposures. Risk-weighted assets relating to corporate exposures decreased due to reallocation of investments.

S-Bank is adequately capitalised to ensure the continuity of its operations even in circumstances portrayed in stress tests.

Leverage ratio

S-Bank's leverage ratio (LR) of 4.9 per cent (5.0) was strong and exceeded the regulatory and internally set risk appetite minimum.

Market risk

S-Bank's market risks mainly consist of the interest rate risk in the banking book and the spread risk of debt securities. The interest rate risk in the banking book consists of lending and borrowing by the Banking business and the investments, derivatives and funding of the Treasury unit. Market risks are assessed from the perspective of the economic value and interest income risk of the banking book and the spread risk. The economic value risk for items measured at fair value (+100 basis points) was EUR -6.6 million (-11.1). The interest income risk (-100 basis points) for all interest-bearing instruments on the balance sheet was EUR -8.7 million (-9.1). The interest income risk is calculated as the effect of one percentage point decrease on the net interest income for the next 12 months. The strong increase in interest rates caused the interest income risk to grow during the period, but the risk decreased to previous year's level by end of the period. The spread risk was EUR -4.5 million (-7.1) at the end of the review period. S-Bank is not significantly exposed to other direct market risks, such as equity, currency or real estate risks.

Liquidity and funding

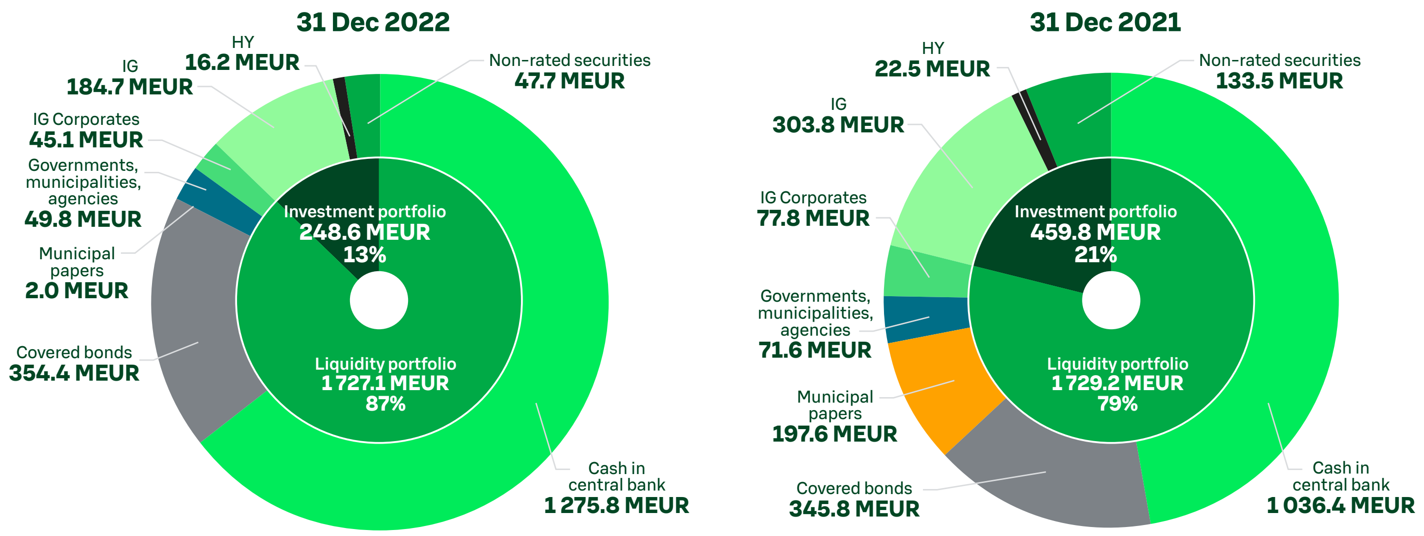
S-Bank's liquidity position was steady and strong during the review period. The liquidity coverage ratio (LCR) was 164 per cent (150). The net stable funding ratio (NSFR), which describes the sufficiency of stable funding, was at a robust level at the end of the review period at 151 per cent (151).

The Treasury portfolio totalled EUR 1 975.6 million (2 189.0) and it consists of the liquidity portfolio (LCR liquidity buffer) and the investment portfolio. The decrease in the total portfolio size was concentrated in the investment portfolio. There were no significant changes in the total liquidity portfolio. In the liquidity portfolio, the amount of central bank deposits increased and the amount of municipal papers decreased.

Minimum Requirement for own funds and Eligible Liabilities (MREL) entered into force on 1 January 2022. In the decision issued by the Financial Stability Authority on 6 April 2022, the requirement based on total risk exposure amount is 20.34 per cent (20.04) and the requirement based on the total amount of exposures used in the calculation of the leverage ratio is 8.41 per cent (5.91). The requirement based on total risk exposure amount must be met gradually so that the 17.23 per cent requirement entered into force on 1 January 2022 and the full requirement will enter on 1 January 2024. The requirement based on the total amount of exposures used in the calculation of the leverage ratio enters into force in full on 1 January 2024. The requirement of 5.91 per cent, based on the previous decision, is in force until 31 December 2023. For the requirement based on total risk exposure amount, additional CBR (Combined Buffer Requirement) must also be fulfilled. For S-Bank, the CBR was equal to 2.53 per cent on 31 December 2022.

S-Bank covers the MREL requirement with instruments qualifying for own funds and Senior Preferred bond issued under bond program. The notional amount of Senior Preferred bonds were 220 million euros (170). In June, a tap issue of EUR 50 million was made in the amount of the bond. The MREL ratio based on total risk exposure amount (MREL, TREA) was 22.8 per cent (21.4), and the MREL ratio based on leverage ratio exposure (MREL, LRE) was 8.4 per cent (8.2). The comparison figure as of 31 December 2021 is presented without the temporary exemption of central bank exposures for leverage ratio.

Breakdown of the liquidity and investment portfolio



S-Bank's liquidity portfolio

Liquidity portfolio (EUR million)	31 Dec 2022 Market value	31 Dec 2022 Buffer value	31 Dec 2021 Market value	31 Dec 2021 Buffer value
Central bank deposit	1 275.8	1 275.8	1 036.4	1 036.4
Government, municipal and other public sector bonds	49.8	49.8	71.6	71.6
Covered bonds	354.4	315.8	345.8	306.5
Municipal papers	2.0	2.0	197.6	197.6
Other	45.1	22.5	77.8	38.9
Total	**1 727.1**	**1 665.9**	**1 729.2**	**1 651.0**

Operational risk

Losses attributable to operational risks realised in the review period were low in relation to the regulatory capital requirement for operational risk. S-Bank's operational risk profile is materially impacted by system failures and disruptions, process related issues, fraud and possible deficiencies in services procured from external service providers.

Current situation in Ukraine and the implication in sanctions regime continues to have an increased focus to sanctions screening in S-Bank. However, due to S-Bank's customer base, the implications have been limited. S-Bank has also put on hold all payments to and from Russia and Belarus during this spring. A malfunction occurred in the authentication with S-Bank online banking IDs during the period from 20 April to 5 August 2022, affecting a limited group of customers. The malfunction has been resolved.

OWN FUNDS REQUIREMENTS

S-Bank's total capital requirement was 12.03 per cent (12.01) 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 (FIN-FSA) 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. The FIN-FSA announced, in its macroprudential decision published on 16 December 2022, that it was preparing to make a new decision on the systemic risk buffer. A warning issued by the European Systemic Risk Board (ESRB) on raising levels of systemic risks in the EU financial system, as well as FIN-FSA's own views on its risk indicators are being in favour of raising the buffer requirements, are listed as reasons for reviewing the systemic risk buffer level. The FIN-FSA is aiming at making the decision during the first quarter of 2023.

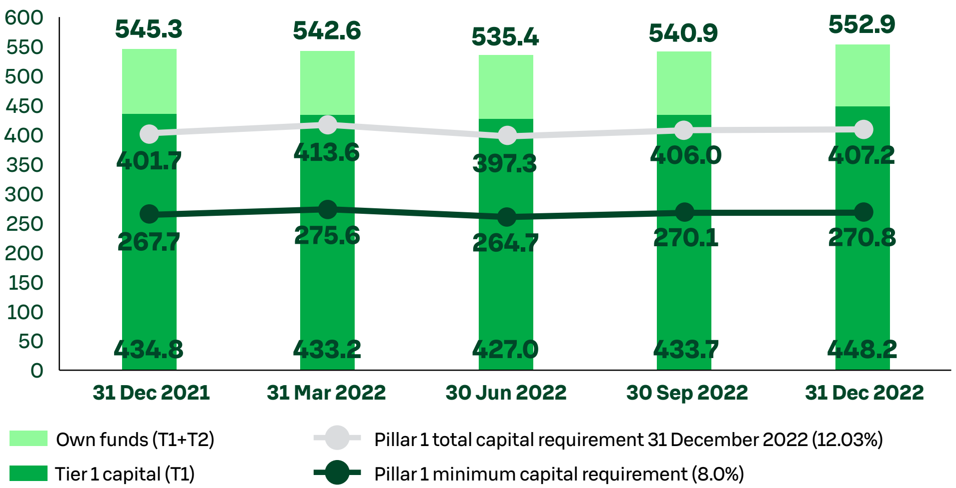
Apart from the announcement on the systemic risk buffer, the FIN-FSA's latest macroprudential decision did not include changes to any capital requirements S-Bank is subject to.

The discretionary Pillar 2 requirement imposed on S-Bank was 1.5 per cent of the total risk exposure. The requirement entered 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 (T1), of which a further 75 per cent must be met with Common Equity Tier 1 capital (CET1).

S-Bank's total capital requirement on 31 December 2022 (Pillar 1)

Capital	Minimum capital requirement		Capital conservation buffer		Countercyclical capital buffer		Pillar 2 (SREP) additional capital requirement		Total capital requirement	
	%	EUR million	%	EUR million	%	EUR million	%	EUR million	%	EUR million
CET1	4.5%	152.3	2.5%	84.6	0.03%	1.0	0.84%	28.6	7.87%	266.5
AT1	1.5%	50.8					0.28%	9.5	1.78%	60.3
T2	2.0%	67.7					0.38%	12.7	2.38%	80.4
Total	**8.0%**	**270.8**	**2.5%**	**84.6**	**0.03%**	**1.0**	**1.50%**	**50.8**	**12.03%**	**407.2**

Changes in own funds and capital requirements (EUR million)



CAPITAL ADEQUACY POSITION

At the end of the review period, S-Bank's CET1 capital adequacy ratio was 13.2 per cent (13.0) and the total capital ratio stood at 16.3 per cent (16.3). CET1 capital increased by EUR 13.4 million and T2 capital decreased by EUR 5.7 million as the debentures with a remaining maturity of under five years where gradually eliminated from T2 capital. The profit-driven increase in CET1 capital was partially offset by macroeconomic factors causing a decrease in the fair value reserve. S-Bank's Tier 2 capital consists of four debentures with a total value of EUR 104.8 million (110.5) eligible as T2 capital. Two of the debentures have a residual maturity of over five years and are thus fully recognised as Tier 2 capital. The debentures with a residual maturity of less than five years are being gradually removed from Tier 2 capital, as required by regulations. The amount of foreseeable dividend for 2022 has been deducted from retained earnings, in line with S-Bank's dividend policy and Commission Delegated Regulation (EU) No 241/2014.

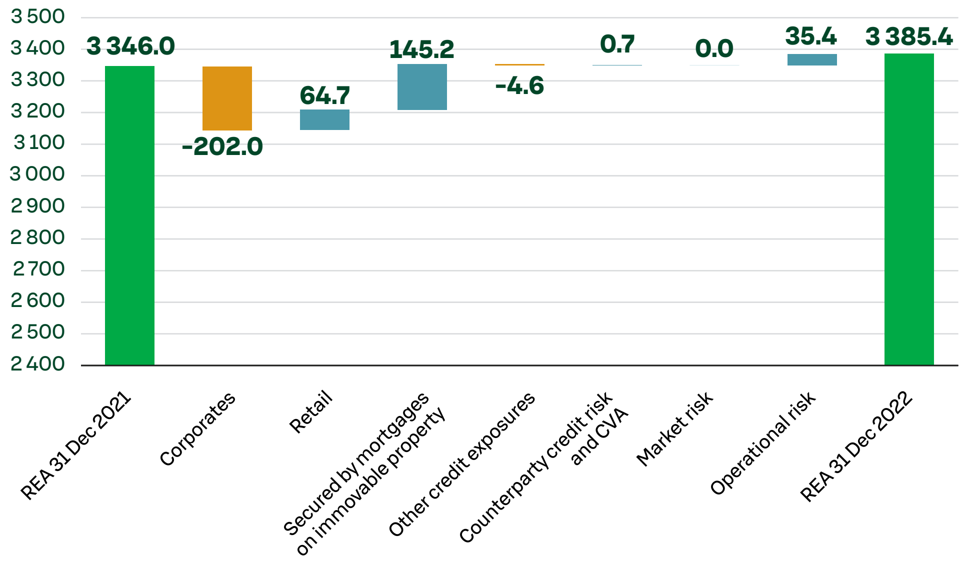
S-Bank's risk exposure amount (REA) was EUR 3 385.4 million (3 346.0) at the end of the review period. Credit risk constitutes 89 per cent or EUR 3.0 billion of the risk exposure amount. The most substantial items requiring capital are exposures secured by mortgages on immovable property, retail exposures and corporate exposures. The standardised approach is used for calculating the Pillar 1 capital requirement for credit risk. Operational risk accounts for 11 per cent of S-Bank's risk exposure amount. The basic indicator approach is used for calculating the capital requirement (Pillar 1) for operational risk. Market risk is measured using internal risk models as part of the Pillar 2 economic capital requirement. The notional 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 risk exposure amount (REA) increased by EUR 39.4 million during the review period. The change was largely due to an increase in the risk exposure amount of operational risk, mainly driven by higher net interest income and net fee and commission income. Total risk-weighted assets for credit risk remained close to the previous year-end level. In terms of credit risk, the risk-weighted assets in retail exposures and mortgage exposures increased as the loan portfolio grew in line with the strategy. Corporate exposures decreased in the review period as the allocation of S-Bank's investments was adjusted as part of normal risk management because of the exceptional market situation. The reduction in corporate exposures caused the amount of risk-weighted assets to decrease.

Summary of capital adequacy information

Own funds (EUR million)	31 Dec 2022	31 Dec 2021
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**519.2**	**509.3**
Share capital	82.9	82.9
Reserve for invested non-restricted equity	283.8	283.8
Retained earnings	173.2	142.1
Fair value reserve	-20.7	0.4
Regulatory adjustments to Common Equity Tier 1 (CET1) capital	**71.1**	**74.5**
Intangible assets	70.3	73.3
Value adjustments due to the requirements for prudent valuation	0.7	1.2
Common Equity Tier 1 (CET1) capital	**448.2**	**434.8**
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)	**448.2**	**434.8**
Tier 2 (T2) capital before adjustments	**104.8**	**110.5**
Debentures	104.8	110.5
Adjustments to Tier 2 (T2) capital	**0.0**	**0.0**
Tier 2 (T2) capital	**104.8**	**110.5**
Own funds in total (TC = T1 + T2)	**552.9**	**545.3**
Total risk-weighted assets (RWAs)	**3 385.4**	**3 346.0**
of which credit risk	3 022.6	3 018.7
of which market risk	0.0	0.0
of which operational risk	362.8	327.4
of which risk associated with credit valuation adjustment (CVA)	0.0	0.0
Ratio of Common Equity Tier 1 capital to risk exposure amount (%)	**13.2%**	**13.0%**
Ratio of Tier 1 capital to risk exposure amount (%)	**13.2%**	**13.0%**
Ratio of total own funds to risk exposure amount (%)	**16.3%**	**16.3%**

Split of changes in risk exposure amount and risk-weighted assets (EUR million)



SIGNIFICANT EVENTS AFTER THE END OF THE REVIEW PERIOD

S-Bank raised its S-Prime interest rate once after the end of the review period. The decision was based on the increase in market rates. S-Prime is S-Bank's own reference rate and it is used as the reference rate for deposits and some types of loans. The most recent interest rate change came into force on 10 January 2023, after which the interest rate was 1.5 per cent.

On 26 January 2023, credit rating agency Standard & Poor's (S&P) published a report where it affirmed S-Bank's long-term rating of BBB. The credit rating of long-term borrowing is BBB, that of short-term borrowing is A-2, and the outlook is stable. Also, S&P assigned resolution counterparty ratings (RCRs) for S-Bank for the first time. The credit rating of long-term borrowing is BBB+ and that of short-term borrowing is A-2.

OUTLOOK FOR THE REST OF THE YEAR

Looking ahead to 2023, the mood is muted and uncertain. Economic growth is weakening as a result of the rise in prices and interest rates and Russia's invasion of Ukraine, but it remains to be seen just how steep and long-lasting the economic downturn will be. Strong employment and government stimulus will underpin the economy and consumption. On the other hand, higher prices and depleted savings will restrict consumption opportunities. The Finnish economy is generally expected to enter a mild recession in the first half of the year. The outlook is expected to improve towards the end of the year, but uncertainty is high and risks portend negatively.

Peak inflation will be left behind during the winter as commodity prices fall and year-on-year benchmarks rise. Inflation will slow, but it will remain well above the level accustomed to during the last decade in 2023. Higher costs and labour expenses will continue to be passed on to sales prices, which will keep prices rising. A big question mark is pay rises. Salary demands have risen, and increases could prolong high inflation. Central banks will have to continue their tight monetary policy as long as concerns about the wage-inflation spiral persist. The central banks' sharpest interest rate hikes are behind us, and further tightening will depend on economic developments. If the economy were to weaken, the interest rate hikes could end as early as spring. The expectation would then be for interest rates to gradually stabilise close to current levels or even fall slightly lower.

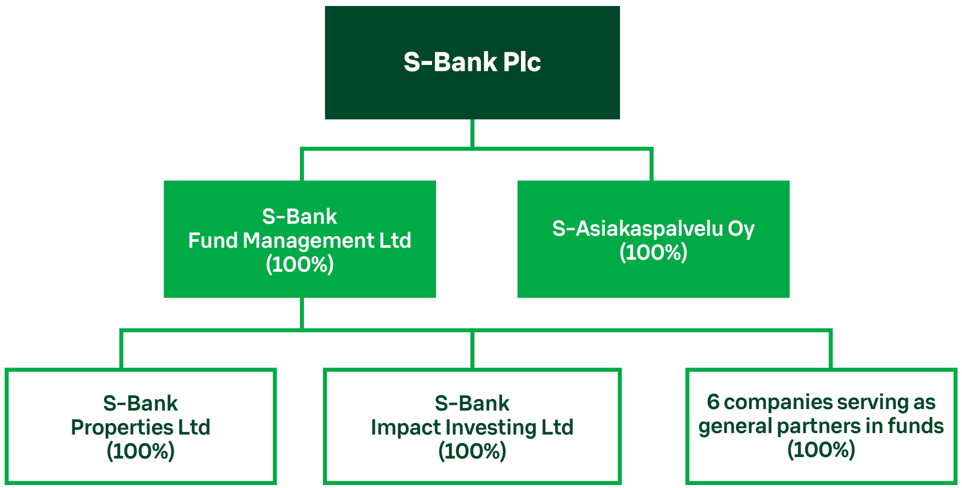
There is a lot of uncertainty in the financial markets as economic developments determine their direction. The end of rising interest rates is good news for the market, but the recession caused by the slowdown in growth is bad news. Adjusting to the new higher interest rates will be a major challenge for markets in 2023.

The housing market will be quiet early in the year, as buyers and sellers seek new price levels in a changed environment. The higher interest rates are choking the market, but on the other hand, new housing supply is dwindling as construction slows. The direction taken by the stock markets will depend on the severity of the downturn. A slight economic slowdown is already largely reflected in prices, but a deep recession would push equities further downhill.

We expect operating profit for the whole year to increase by more than 50 per cent (44.7) on the previous year's level. The rise in interest rates has a positive impact on the bank's performance. However, the operating environment is very uncertain.

GROUP STRUCTURE AND OPERATIONS OF S-BANK'S SUBSIDIARIES

LEGAL STRUCTURE OF S-BANK GROUP



S-Bank Fund Management Ltd

S-Bank Fund Management Ltd is a wholly owned subsidiary of S-Bank Plc. It manages the S-Bank funds. The company also previously managed the FIM and LocalTapiola funds. In the fourth quarter of 2021, the FIM funds were renamed S-Bank funds and the management of LocalTapiola funds was discontinued as part of a broader corporate transaction.

S-Bank Private Equity Funds Ltd merged with S-Bank Fund Management Ltd on 30 September 2022. As a result of the merger, S-Bank Fund Management Ltd now provide portfolio management services for private equity funds for the group and is responsible for the portfolio management of those non-UCITS funds that invest in real estate, forests and unlisted companies.

S-Bank Fund Management Ltd's operating profit for the reporting period was EUR 2.2 million (7.1).

S-Asiakaspalvelu Oy

S-Asiakaspalvelu Oy is a wholly owned subsidiary of S-Bank Plc. 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 7.4 million (6.0), of which intra-group revenue accounted for EUR 5.9 million (4.4). 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 for the reporting period was EUR 0.1 million (-0.1).

S-Bank Properties Ltd

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 Fund Management 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 0.6 million (0.7).

S-Bank Impact Investing Ltd

S-Bank Impact Investing Ltd is a wholly owned subsidiary of S-Bank Fund Management Ltd. The company manages impact investment funds, acts as general partner and manages interventions.

S-Bank Impact Investing Ltd's operating profit for the reporting period was EUR 0.0 million (0.0).

FIM Real Estate 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, S-Pankki Vaikuttavuus I GP Oy

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

GOVERNANCE

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) was held on 7 April 2022. The AGM adopted the financial statements for 2021 and discharged the members of the Board of Directors and the CEO from liability. The AGM elected six members and one deputy member 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, Master of Science (Economics), CEO of SOK Liiketoiminta Oy; Olli Vormisto, Master of Science (Economics), Managing Director of the Hämeenmaa Cooperative Society; Veli-Matti Liimatainen, Master of Science (Economics), Managing Director of Helsinki Cooperative Society Elanto and Jorma Vehviläinen, Master of Science (Economics), CFO of SOK. In addition, Heli Arantola, Doctor of Science in Economic Sciences, Managing Director of Leipurin Plc (CEO of A-lehdet Oy from 20 October 2022), and Hillevi Mannonen, M.Sc (Math), SHV (actuary approved by the Ministry of Social Affairs and Health) was re-elected as independent members of the Board.

Kim Biskop, Master of Science (Economics), Managing Director of the KPO Cooperative Society, was re-elected as a deputy member of the Board.

Jari Annala was re-elected as Chair of the Board. Jorma Vehviläinen was elected as Vice Chair.

The Board convened 22 times (16) during the financial year, and the average attendance rate of members was 98 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 was the CEO of S-Bank Plc until 31 May 2022. Hanna Porkka is the Interim CEO of S-Bank Plc.

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

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 can be found under Group's note 2.

Internal control and risk management of the financial reporting process

The objective of the internal control and risk management of the S-Bank'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. 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'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 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, 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, 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'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.

The financial performance and results of the S-Bank 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 employed a total of 776 (687) people. Of these, 606 (571) persons worked at S-Bank Plc, 38 (36) persons at the subsidiaries of the Wealth Management business, and 132 (80) persons at S-Asiakaspalvelu Oy.

SALARIES AND REMUNERATION

The S-Bank'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 the Chairman appointed by the bank's Board of Directors from among its number.

The remuneration model consists of a basic salary and a performance-based variable bonus. The objective of the bonus models is to encourage employees to focus on the key activities that are needed to reach the strategic and operational goals. The bonus systems 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 has a personnel fund to which the employees can transfer their bonuses.

The salaries and remunerations paid to personnel totalled EUR 48.6 million (46.3) in 2022. A total of EUR 1.6 million (1.2) was transferred to the personnel fund. The salaries and remunerations of S-Bank Plc totalled EUR 40.7 million (37.1), which includes EUR 197 775 (29 250) in remuneration paid to the Members of the Board. In addition, the S-Bank paid EUR 0.6 million (0.4) in supplementary pensions.

In 2022, S-Bank paid EUR 5.6 million (10.2) in salaries and EUR 1.0 million (1.4) 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 (0.4) was transferred to the personnel fund. 37 persons (113) received salaries and remuneration under this category. The number of risk takers decreased as a result of a reassessment of risk profiles. In accordance with remuneration policies, an individual's bonus will be deferred if the bonus exceeds EUR 50 000 for a one-year earnings period. In 2022, the variable bonuses were postponed for 14 persons (6).

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

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

The Board of Directors proposes to the 2023 Annual General Meeting of S-Bank Plc that the profit of the parent company for the financial period 1 January–31 December 2022, amounting to EUR 44 667 712.18, be entered in retained earnings and that a dividend of EUR 0.75 per share, totalling EUR 5 010 135.00, be paid from parent company's distributable assets.

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 + Dividends + 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

Established in 2007, S-Bank is a Finnish bank that aims to offer everyone a chance to have a slightly more affluent tomorrow. S-Bank's operations are based on solid cooperative values, and responsibility is also one of its core values. Responsibility is at the centre of S-Bank's strategy, and it develops its operations accordingly.

The responsibility themes identified as fundamental to S-Bank are "acting in the interest of customers and society" and "ensuring the well-being of personnel". In addition to operating responsibly, S-Bank offers services that also give customers the opportunity to make responsible savings and investment decisions, for example.

This has also come across to our customers, as Finns chose S-Bank as the most responsible bank in 2022 for the tenth year in a row in the Sustainable Brand Index*, the largest survey on sustainable development in the Nordic countries.

* In Finland, 9 150 people responded to the 2022 Sustainable Brand Index survey between December 2021 and February 2022.

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 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 is there to support you in daily life and in life's major turning points. S-Bank wants to help its customers make smart decisions regarding their own finances, plan for the future and grow their wealth responsibly. Daily banking services – a bank account, card and banking IDs for electronic services – that S-Bank offers free-of-charge to all co-op members and their families form the cornerstone of S-Bank's responsibility.

S-Bank'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, 54.3 per cent (54.8) of those who started fund savings in 2022 were investing for the first time in their lives.

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 pricing, easy-to-use products and services, and clear and open communications are essential to this vision.

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 2022, as in previous years, S-Bank customers awarded high marks for the service they received at customer service points.

The phone service NPS declined on the previous year. The decline was affected by, among other things, an occasional increase in call waiting times. Nevertheless, customers were satisfied with the service they received. One of the reasons for the high number of customer service contacts was the large number of scam messages that were circulating in the summer and autumn, both in the name of S-Bank and other banks.

From 20 April to 5 August 2022, there was a system failure associated with authentication using S-Bank's online banking credentials, as a result of which a limited number of S-Bank's customers were able to log into another customer's online banking account in certain situations. This was taken advantage of by a very small number of people to abuse the system. This also increased the workload of the customer service team to some extent, which extended the waiting times for the call centre. The increase in customer contacts due to the increased number of customers has also resulted in longer waiting times.

S-Bank takes the security of its services very seriously and is constantly developing new ways to make them secure. There are many different ways to ensure the security of customer data, including various security audits, guidelines and risk assessments. In addition, S-Bank actively monitors scam campaigns and does its best to stop them. Customers are also regularly informed about secure banking.

In 2022, S-Bank's Customer Service recruited a significant number of new employees. S-Bank aims to reduce the phone service waiting times in 2023 by improving personnel competence

S-Bank customer service channels' NPS index *

	2022	2021	2020
Telephone service	47.6	52.7	56.8
Customer service points	75.6	74.1	74.1

* The figures are channel-specific average scores from 2022. 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 2022 (conducted by Bisnode).

through coaching and by developing operations and processes to improve their efficiency.

A HAPPY AND MOTIVATED 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 spring 2022, when the Covid-19 restrictions were lifted, all S-Bank employees moved to the hybrid work model that aims to combine the advantages of both teleworking and working at the office. In 2023, S-Bank will continue to monitor and improve this model and to make it an established routine. S-Bank was able to serve its customers normally, right through the exceptional times of the pandemic.

NUMBER OF PERSONNEL

The number of S-Bank Group personnel increased in 2022 and at the end of the year, a total of 776 (687) people were in an active employment relationship with the 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 59 (67), of whom 41 (66) were women and 18 (1) were men. At the end of the year, 9 (5) employees were on study leave.

During 2022, a total of 205 (171) new employees started work at S-Bank. A total of 107 (127) employees left the bank, with 2 (5) employees retiring. No (0) employees retired on a disability pension.

At S-Bank, 62 per cent of the personnel are aged 25–44. At the end of 2022, 61 per cent of the personnel were women and 39 per cent were men. Of supervisors, 52 per cent were women and 48 per cent men.

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 2022, the job satisfaction index consisting of key issues was 74.6 (75.7) (on a scale of 0–100). This result was 1.1 percentage points lower than in the previous year but still at a high level and above the norm for specialist positions in Finland. The response rate was excellent in 2022, at 95 per cent (94).

As in previous years, S-Bank's strengths were, in particular, front-line management and a good working atmosphere, according to the survey. On individual issues, the survey scored higher than usual in terms of receiving sufficient feedback, having the opportunity to participate and take initiatives, and adhering to S-Bank's values and principles in everyday work. For the first time, the survey also examined personnel experience of psychological safety, and the results were also very good in this area. Thanks to these good results, S-Bank won the Most Inspiring Workplace prize given annually to the companies participating in Eezy Flow's PeoplePower® survey that receive the best results.

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

DEVELOPMENT OF EXPERTISE

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

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

In 2022, the experiences and expectations of personnel in relation to competence development were studied using service design with personnel participation. The process identified a number of different ways of developing competences, which will be tested in 2023.

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

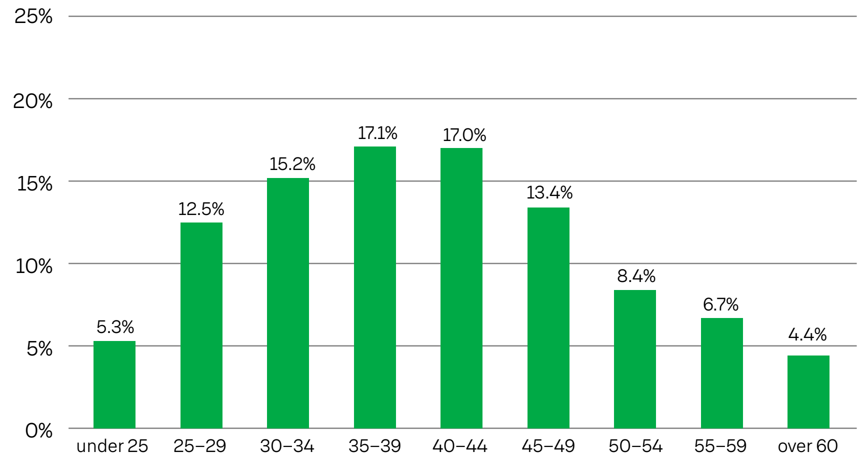
REMUNERATION

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.

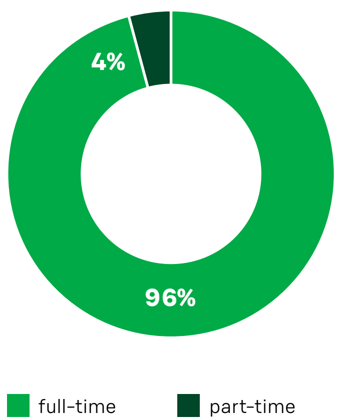
S-Bank's remuneration consists of a basic salary and variable bonuses. The aim of the variable bonus models is to supplement salaries and promote the achievement of strategic and operational goals. S-Bank uses a variety of annual bonus models for different personnel groups. They are based on the results 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 2022. 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.

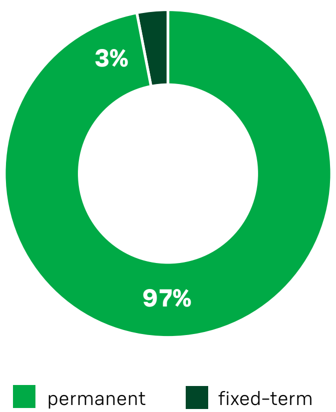
Personnel age distribution



Working hours



Type of employment



Personnel gender distribution

	Men	Women	Total
Permanent full-time	291	431	722
Permanent part-time	1	26	27
Fixed-term full-time	4	16	20
Fixed-term part-time	4	3	7
Total	**300**	**476**	**776**

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. During 2022, a Code of Conduct was drawn up for S-Bank in cooperation between management and personnel. The Code of Conduct does not contain new guidelines but brings together the key practices based on S-Bank's values, with more detailed guidance in the policies and principles approved by S-Bank's Board of Directors. The purpose of the Code of Conduct is to help ensure that the actions of both personnel and partners are aligned with the bank's values.

S-Bank's Code of Conduct contains guidelines on, among other things, customer due diligence, prevention of money laundering and terrorist financing, management of conflicts of interest, prevention of bribery and corruption, information security and data protection, responsibility, bank values and whistleblowing.

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 2022, 96 per cent of employees newly recruited during the year had completed code of ethics training.

The bank's Compliance function monitors compliance with internal guidelines, the code of ethics and official regulations in accordance with its annual plan, which is approved by the Board of Directors. Moreover, the operational and support functions perform internal control measures to ensure compliance with guidelines and regulations.

Identifying and preventing conflicts of interest

S-Bank aims to identify and prevent conflicts of interest in all its operations before they arise. The personal interests of the employees or those of their related parties may not influence their decisions in the course of their duties in the bank. Employees are obliged to report any observed or potential conflicts of interest to their supervisor or to the Compliance function.

Ethical violations and conflicts of interest or suspicions thereof may be reported confidentially through a whistleblowing channel. S-Bank has an internal whistleblowing channel, enabling completely anonymous reporting if needed.

Risk survey and management

S-Bank surveys its operational risks as part of its continuing operations. The key risks to which S-Bank is exposed are described in the Board of Directors' 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. Risk surveys are updated on a risk basis whenever changes take place in operations or the operating environment.

S-Bank also started a human rights impact, risk and opportunity survey in late 2022, in line with the UN Guiding Principles on Business and Human Rights. The survey and possible follow-up measures will be further developed in 2023. S-Bank is committed to respecting all internationally recognised human rights. According to S-Bank's outsourcing and purchasing principles the same is also expected of the bank's partners.

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 is obliged to know its customers and to carry out continuous monitoring to detect and report any suspicious transactions to the Financial Intelligence Unit FIU. 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 and to comply with political sanctions.

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.

Preventing bribery and corruption

S-Bank expects its employees and partners to act honestly and transparently. S-Bank has a zero-tolerance policy towards bribery and corruption. The bank's anti-bribery and anti-corruption policy and guidelines apply to personnel and management. Compliance maintains the bank's anti-bribery and anti-corruption policy and guidelines and continuously monitors compliance with the policy.

Insider and trading guidelines

S-Bank's insider and trading guidelines include regulations applicable to all employees and 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 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 conflicts of interest that their connections may lead to. The trustworthiness, suitability and competence of members of the Boards of the Group companies, executive management and persons in key positions are assessed when they are appointed and thereafter regularly during their service.

Data protection

Trust is the foundation of credit institutions. It is of paramount importance for S-Bank to ensure responsible, secure and transparent processing of personal data in order to maintain the trust of its customers, personnel and partners. S-Bank expects the same from its partners.

Ensuring the protection of personal data is an important part of any development project. Appropriate risk assessment is part of all product and service development and as a result, the required data protection and security elements are built-in. S-Bank regularly assesses its processes from a data protection perspective and each employee undergoes data protection training when starting in their role and at regular intervals thereafter.

ENVIRONMENT

In spring 2020, S Group announced its ambitious climate targets. These apply to all business areas and therefore also to S-Bank. According to the targets, S Group aims to be carbon-negative in its own operations by 2025. S Group has also set a Science Based Target (SBT), which was updated in 2020. The updated SBT and an associated emission reduction plan are in line with the Paris 1.5°C target.

S Group also aims to reduce climate emissions from its own operations by 90 percent from the 2015 level by 2030. 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 offsetting will decrease as the emission reduction targets are met.

S-Bank has calculated its emissions from its own operations according to the Greenhouse Gas Protocol (GHG) (Scope 1 and Scope 2) and has also partially included the indirect emissions of Scope 3. In addition to the headquarters and

Carbon footprint of S-Bank's own activities

EMISSIONS			CONSUMPTION		
Scope 1 and Scope 2	**2022**	**2021**		**2022**	**2021**
CO^2 emissions from energy consumption (tn CO^2e)					
– district heating and electricity[1]	147	115	Total electricity consumption at business locations (MWh)	1 718	1 764
– leased cars	66.3	n/a	Total consumption of district heat at business locations (MWh)	828	791
Scope 3	**2022**	**2021**		**2022**	**2021**
CO^2 emissions from business travel (tn CO^2e)					
– air travel[2]	113.3	7.29	Air travel (km)	441 168	n/a
Other CO^2 emissions (tn CO^2e)					
– waste	6.25	n/a	Waste (tn)	6.012	n/a
– water consumption[3]	0.689	0.425	Water consumption (m^3)	2 038	1 258

[1] The most recent emission factor available (Motiva 2021; 177 g/kWH) was used to calculate emissions from district heat; the electricity used by S-Bank is emission-free.
[2] The most recent emission factor available was used to calculate emissions from air travel. The calculation includes the radiative forcing effect of different compounds from flight emissions (UK BEIS [Defra] 2021). The specific emission factor varies according to the type of flight.
[3] Water consumption emissions are calculated using the most recent emission factor available (HSY 2021; 338 g/m^3); total consumption estimated for all sites based on consumption data from the Ässäkeskus.

other S-Bank locations, the calculation covers all customer service outlets managed by the S Group's regional cooperative stores. When comparing the 2021 and 2022 data, it is important to take into account the impact of the corona epidemic in the 2021 figures.

Efforts will continue to improve the emissions calculation, to ensure that emissions in the value chain are taken into account more comprehensively, for example. At the same time, S-Bank aims to develop its services and operating models in a way that helps stakeholders avoid emissions and mitigate climate change.

RESPONSIBLE FINANCING

S-Bank's strategy places responsibility at the centre of its operations and the bank's activities are continuously developed accordingly. In its 2021 financial statements, S-Bank reported items related to its financing activities for the first time in accordance with the EU Taxonomy Regulation (EU 2020/852). EU taxonomy sets out clear criteria for the classification of financing targets, which can be used as part of strategic target setting. So far, S-Bank has not set such strategic objectives for lending, but opportunities for doing so will be explored in the future. As the criteria and reporting of the EU taxonomy become more precise, it will also play an increasingly important role in the development of responsible products and services. S-Bank is reporting environmentally sustainable economic activities in accordance with the Comission Delegated Regulation (EU) 2021/2178 concerning credit institutions.

Among S-Bank's services, the financing of housing and housing construction and wealth management services are relevant to the EU taxonomy. Housing loans make up a significant part of S-Bank's balance sheet and therefore also of the environmental impact of its lending.

The receivables on S-Bank's balance sheet consist mostly of lending to households and housing companies, of which only household housing loans collateralised by residential immovable property and loans granted to households for the renovation of a building or house are EU taxonomy-eligible receivables. Of the debt securities in S-Bank's portfolios, the majority have been issued by public sector entities or banks and have therefore not been identified as taxonomy-eligible. S-Bank does not have a trading book. The bank engages in the actual financing of companies only to a minor extent. Corporate exposures covered by the EU taxonomy account for less than 2 per cent of the balance sheet.

In 2022, a new taxonomy-related disclosure obligation (Delegated Regulation 2022/1214) entered into force for nuclear and fossil gas activities and their financing. S-Bank does not engage in or finance any related activities.

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, the amounts included and excluded from the scope of the taxonomy regulation are related to the total assets to be taken into account in accordance with Commission Delegated Regulation 2021/2178.

The distinction between taxonomy-eligible and non-eligible receivables is based on information provided by companies on the taxonomy-eligibility of their activities or on the purpose and collateral information of loans to households. Information on sectors and other customer information and contract information has been obtained either from the customers or from information they have published. Due to improved reporting, the comparative data for 2021 has been changed to reflect the 2022 sampling principles.

The overall eligibility percentage is calculated in accordance with the delegated regulation on taxonomy (2021/2178) on the basis of taxonomy eligibility data based on the turnover and capital expenditures of corporate counterparties. S-Bank's overall taxonomy eligibility based on turnover is 57.1 per cent (56.4) and 57.1 per cent (56.3) based on capital expenditures. The households' contribution is the same in both cases, as double reporting only applies to corporate counterparties.

Key performance indicators (KPI) of the Taxonomy Regulation

Exposures	31 Dec 2022 Based on turnover (EUR million)	%	Based on capital expenditures (EUR million)	%
Taxonomy eligible				
corporate exposures	139.1	1.9%	134.1	1.8%
residential real estate lending	4 111.0	55.3%	4 111.0	55.3%
Taxonomy non-eligible	3 187.4	42.9%	3 192.5	42.9%
Total covered assets	**7 437.5**	**100.0%**	**7 437.5**	**100.0%**

Exposures	31 Dec 2021 Based on turnover (EUR million)	%	Based on capital expenditures (EUR million)	%
Taxonomy eligible				
corporate exposures	199.7	2.8%	196.4	2.8%
residential real estate lending	3 776.4	53.5%	3 776.4	53.5%
Taxonomy non-eligible	3 077.0	43.6%	3 080.3	43.7%
Total covered assets	**7 053.2**	**100.0%**	**7 053.2**	**100.0%**

In the table above, taxonomy-eligible receivables include housing loans collateralised by residential immovable property and loans granted to households for the renovation of a building or house as well as receivables from companies that report non-financial information according to the NFRD. With regard to companies, reporting is based on the taxonomy-eligibility data on their business operations disclosed by the companies themselves.

Receivables specified in the table that are not taxonomy-eligible include:

- Receivables from households, excluding loans collateralised by residential immovable property and renovation loans
- Receivables from corporate customers who do not prepare NFRD reports
- Receivables from other credit institutions, repayable on demand
- Debt securities (excluding those covered by taxonomy), derivatives and shares

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 2022 (EUR million)	% of total assets
Exposures to central governments and central banks	1 357.7	15.1%
Exposures to undertakings that are not obliged to publish non-financial information (NFRD)	1 179.1	13.1%
Derivatives	24.5	0.3%
On-demand interbank loans and trading portfolio *	1 319.1	14.7%

Other information about balance sheet items	31 Dec 2021 (EUR million)	% of total assets
Exposures to central governments and central banks	1 305.6	15.3%
Exposures to undertakings that are not obliged to publish non-financial information (NFRD)	1 288.0	15.1%
Derivatives	0.6	0.0%
On-demand interbank loans and trading portfolio *	1 061.5	12.5%

* S-Bank does not have a trading portfolio.

RESPONSIBLE INVESTMENT

The responsibility and impact are recognised and important focus areas in S-Bank's investment activity. S-Bank systematically integrates sustainability and associated themes into its investment activities. By doing so, S-Bank wants to deliver the best possible results for its customers, while at the same time making a positive contribution to moving the investment and business world in a more sustainable direction.

S-Bank became a signatory to the UN Principles for Responsible Investment (UNPRI) as far back as 2009. The UNPRI lays down general guidelines on how to incorporate responsibility issues into investment processes. In addition, S-Bank is one of the founding members of Finsif, Finland's Sustainable Investment Forum, and is also involved in several investor interaction projects.

During 2022, S-Bank tightened its carbon-based exclusion in line with its climate strategy. The revenue limit was lowered from 20 per cent to 15 per cent. In addition, S-Bank has voted more often at general meetings abroad. During 2022, S-Bank's funds voted at around 100 foreign general meetings. S-Bank also implemented requirements of the EU's sustainable finance regulatory framework in 2022.

Towards the end of 2022, S-Bank launched a biodiversity influencing dialogue with six Finnish companies. Biodiversity and the ecosystem services nature offers are fundamental to the functioning of the global economy and societies. The business of these companies is heavily dependent on natural capital and biodiversity. S-Bank wants to ensure that its investments take biodiversity into account and consider how their business activities are dependent on and impact nature. It is important that companies take measures that are necessary to minimise negative impacts and also identify the biodiversity-related risks and opportunities in their own operations. Various biodiversity indicators are still in the development phase, but S-Bank has taken the first steps in this area through influencing. The methods applied will evolve in the coming years and S-Bank will continue its work in this area.

Strategies of responsible investment

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 principles. The UN Global Compact includes principles governing human rights, labour and corruption. The human rights principles include the elimination of all forms of forced and compulsory labour and the abolition of child labour. 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 is a pioneer in impact investing in the Nordic countries. The aim of impact investment funds is to achieve positive and quantifiable social or environmental impacts in addition to financial gain. The Social Impact Bond (SIB) funds managed by the Bank focus on the prevention of social exclusion and long-term unemployment among children and young people. Projects funded by the FIM Lapset ja nuoret I Ky fund (FIM children and youth I Ky) have to date provided support to more than 500 children, young people and their parents. The welfare and cost-effectiveness outcomes achieved have exceeded targets. More than 1 000 long-term unemployed people have already been employed with the support of the FIM Työllistäminen I Ky fund (FIM employment I Ky), and preliminary results show that the fund is clearly meeting not only its impact targets but also its return targets.

In addition to the social impact funds, S-Bank manages the S-Bank Regenerative Agriculture Non-UCITS Fund. The fund supports the development of agriculture as part of Finland's climate solution by enabling agricultural entrepreneurs who engage in renewable agriculture and carbon farming practices to expand their business. At the same time, the fund improves the environmental sustainability and profitability of primary production, and the self-sufficiency of Finland's food supply. This real estate fund, which invests in long-term real assets and arable land, has attracted great interest and more than a thousand Finnish investors have already joined.

Ownership control is an important responsible investment strategy for S-Bank. The ownership control carried out by its funds is guided by an ownership policy that specifies why and how ownership control should be pursued. Ownership control includes elements such as exercising voting rights at general meetings, influencing companies directly and participating in joint influence campaigns with other investors. In 2022, S-Bank funds attended 146 general meetings, of which 45 were Finnish and 101 foreign. By the end of 2022, nine companies were being influenced directly. During 2022, S-Bank will complete most of the previously initiated influencing initiatives. S-Bank started to renew its influencing process in 2022 and will continue the renewal in 2023. The focus in influencing will be on biodiversity and climate change.

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 is also a signatory to the CDP. The CDP (formerly the Carbon Disclosure Project) is an important and long-standing influencing channel for investors that collects environmental data from companies. The CDP is divided into separate climate, water and forest programmes. S-Bank is involved in all three. S-Bank's Wealth Management 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 third 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 revenue depends to a significant extent (more than 15 per cent) on coal to generate energy. Companies that violate international norms can also be excluded from S-Bank's investments.

Responsible investment reports

S-Bank publishes comprehensive fund-specific responsibility reports on a quarterly basis, and they are available on the bank's website. They offer a balanced description of the funds' ESG features, such as ESG ratings, violations of international norms, portfolio companies' ability to transition to a low-carbon society and the fossil reserves they own, and comprehensive emission data. S-Bank also publishes a semi-annual responsible investment report which specifies S-Bank's activities in responsible investment. The report describes, among other things, voting at general meetings and influencing activities. The carbon footprints, calculated in four ways, of S-Bank's mutual funds are published as part of responsible investment reports in order to increase transparency and comparability with regard to the carbon emissions of the funds. Carbon footprints are published for direct equity and corporate bond funds where reported or externally-estimated emissions data is available for more than 50 per cent of the fund's investments.

The EU taxonomy in Wealth Management

The Taxonomy Regulation establishes criteria for environmental sustainability. S-Bank assessed the taxonomy alignment of the investments of selected funds under its management and reported on it for the first time in early 2022. The taxonomy's role in steering investment activity is so far rather modest, as regulation is still incomplete and target companies have not yet been obliged to report on their taxonomy alignment.

Some of S-Bank's investment products have minimum commitments regarding taxonomy alignment. In the case of products for which a minimum commitment has been established, taxonomy steers investment activities to ensure that a minimum level of taxonomy alignment is achieved. In addition, as of June 2022, S-Bank has asked customers about their sustainability preferences in connection with the suitability assessment when offering asset management, investment advice and investment insurance. Among other things, customers can set a minimum number of taxonomy-compliant investment targets. When developing investment products, S-Bank takes into account the need to report on the taxonomy alignment of certain products and to ask customers questions about taxonomy

Responsible investment

	2022	2021	2020
S-Bank fund participation in general meetings	146 general meetings	71 general meetings	17 general meetings
Direct corporate influence	9 companies	22 companies	17 companies
The amount of capital in the Responsibility Plus family of funds	EUR 1 023.6 million	EUR 1 036.9 million	EUR 730.9 million

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(EUR '000)	Note	2022	2021
Interest income		139 295	102 925
Interest expenses		-17 608	-12 583
Net interest income	4	121 687	90 341
Fee and commission income		101 179	123 674
Fee and commission expenses		-13 985	-42 863
Net fee and commission income	5	87 195	80 811
Net income from investing activities	6	2 436	3 107
Dividends		84	46
Other operating income	7	10 395	12 690
Total income		**221 796**	**186 995**
Personnel expenses *	8	-59 406	-56 146
Other administrative expenses *		-78 452	-71 017
Depreciation and impairment	9	-15 301	-12 985
Other operating expenses	10	-11 986	-6 345
Total expenses		**-165 145**	**-146 492**
Impairment of receivables	11	-11 960	-15 721
Share of the profits of associated companies	12	1	2
OPERATING PROFIT (LOSS)		**44 693**	**24 784**
Income taxes	13	-8 884	-5 233
PROFIT (LOSS) FOR THE PERIOD		**35 809**	**19 551**
of which:			
To the parent company's shareholders		35 809	19 551

* The comparison period has been amended since the publication of the 31 December 2021 financial statements. Payments to personnel fund were moved from Other administrative expenses to Personnel expenses.

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(EUR '000)	Note	2022	2021
PROFIT (LOSS) FOR THE PERIOD		**35 809**	**19 551**
Other comprehensive income items:			
Items that will not be reclassified to profit or loss			
Items due to remeasurements of defined benefit plans		179	-290
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income		42	-79
Tax effect		-44	74
Items that will not be reclassified to profit or loss		**177**	**-296**
Items that may be reclassified subsequently to profit or loss			
Profit or loss on financial assets measured at fair value through other comprehensive income		-26 411	1 262
Tax effect		5 248	-288
Items that may be reclassified subsequently to profit or loss		**-21 163**	**974**
Other comprehensive income items, after taxes		**-20 986**	**679**
COMPREHENSIVE INCOME, TOTAL		**14 823**	**20 229**
of which:			
To the parent company's shareholders		14 823	20 229

CONSOLIDATED BALANCE SHEET

(EUR '000)	Note	31 Dec 2022	31 Dec 2021
Assets			
Cash and cash equivalents	14, 15, 16, 17	1 368 195	1 091 962
Debt securities eligible for refinancing with central banks	14, 15, 16, 18	556 923	684 859
Receivables from credit institutions	14, 15, 16, 19	9 215	25 064
Receivables from customers	14, 15, 16, 20	6 695 255	6 086 022
Debt securities	14, 15, 16, 21	139 785	464 228
Derivatives	14, 15, 16, 22, 35	24 261	582
Shares and interests	14, 15, 23	20 665	31 575
Holdings in associated companies	12	5	4
Intangible assets *	24	70 331	73 351
Tangible assets *	25	5 268	7 449
Tax assets	13	7 398	2 051
Prepayments and accrued income	26	45 979	28 322
Other assets	27	8 967	5 414
Assets, total		**8 952 247**	**8 500 883**

(EUR '000)	Note	31 Dec 2022	31 Dec 2021
Liabilities			
Liabilities to credit institutions	14, 15, 16, 28	23 156	108
Liabilities to customers	14, 15, 16, 28	7 983 559	7 611 265
Issued bonds	14, 15, 16, 29	219 270	169 699
Subordinated debts	14, 15, 16, 30	107 000	112 667
Derivatives	14, 15, 16, 22, 35	7	8 383
Provisions	32	303	649
Tax liabilities	13	8 984	7 183
Accrued expenses	31	30 250	32 299
Other liabilities	32	55 477	49 325
Liabilities, total		**8 428 006**	**7 991 577**
Equity			
Share capital		82 880	82 880
Reserves		263 148	284 277
Retained earnings		178 213	142 148
Parent company's shareholders		**524 241**	**509 306**
Equity, total	33	**524 241**	**509 306**
Liabilities and equity, total		**8 952 247**	**8 500 883**

* The comparison period has been amended since the publication of the 31 December 2021 financial statements. Prepayments and acquisitions in progress of ICT-systems were moved from Tangible assets to Intangible assets.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to parent company shareholders				
(EUR '000)	**Share capital**	**Reserve for invested non-restricted equity**	**Other reserves**	**Retained earnings**	**Total equity**
EQUITY 1 JAN 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**

(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 2022	**82 880**	**283 828**	**449**	**142 148**	**509 306**
Comprehensive income					
Profit (loss) for the period				35 809	35 809
Other comprehensive income items:					
Profit or loss on financial assets measured at fair value through other comprehensive income			-21 163		-21 163
Profit or loss on financial assets measured irrevocably at fair value through other comprehensive income			34		34
Remeasurements of defined benefit plans				143	143
Other comprehensive income items, total			-21 129	143	-20 986
COMPREHENSIVE INCOME, TOTAL			**-21 129**	**35 952**	**14 823**
Other changes				112	112
TOTAL EQUITY 31 DEC 2022	**82 880**	**283 828**	**-20 680**	**178 213**	**524 241**

CONSOLIDATED CASH FLOW STATEMENT

(EUR '000)	Note	2022	2021
Cash flows from operating activities			
Profit (loss) for the period		**35 809**	**19 551**
Depreciation and impairment		15 301	12 985
Shares of the profit of companies consolidated with the equity method		-1	-2
Credit losses		18 703	21 569
Other non-payment income and expenses		4 130	-1 597
Income taxes		8 884	5 233
Other adjustments *		-2	-3 114
Adjustments for financial income and expenses		-7 580	-161
Adjustments total *		**39 435**	**34 913**
Cash flows from operating activities before changes in operating assets and liabilities		**75 244**	**54 464**
Increase/decrease in operating assets (-/+)			
Receivables from credit institutions, other than repayable on demand		13 740	5 867
Receivables from customers		-630 058	-663 719
Investment assets		401 952	71 047
Other assets		-12 867	-1 319
Total increase/decrease in operating assets		**-227 233**	**-588 124**
Increase/decrease in operating liabilities (+/-)			
Liabilities to credit institutions		23 049	108
Liabilities to customers		372 294	634 765
Other liabilities		6 704	6 953
Total increase/decrease in operating liabilities		**402 047**	**641 825**
Taxes paid		-7 226	-5 072
Cash flows from operating activities		**242 831**	**103 094**

(EUR '000)	Note	2022	2021
Cash flows from investing activities			
Investments in tangible and intangible assets *		-9 987	-13 253
Purchase prices paid for acquisitions *		-300	-609
Purchase prices received from acquisitions *		0	4 000
Cash flows from investing activities *		**-10 287**	**-9 862**
Cash flows from financing activities			
Payments received from the issue of bonds and debentures	11, 12	49 324	227 199
Repayments of issued bonds and debentures	11, 12	-5 667	-4 333
Repayments of lease liabilities		-2 321	-2 826
Cash flows from financing activities		**41 336**	**220 040**
Difference in cash and cash equivalents		**273 880**	**313 272**
Cash and cash equivalents, opening balance sheet		1 096 705	783 408
Difference in cash and cash equivalents		273 880	313 272
Impact of changes in exchange rates		244	25
Cash and cash equivalents consist of the following items:			
Cash and cash equivalents	8, 9	1 368 195	1 091 962
Repayable on demand		2 633	4 743
Cash and cash equivalents		**1 370 828**	**1 096 705**
Interests paid		**-17 868**	**-11 801**
Dividends received		**84**	**46**
Interests received		**129 881**	**101 631**

* Cash flows from acquisitions have been adjusted from operating cash flows to investing cash flows since the publication of the financial statements on 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GROUP'S 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 2022.

The Board of Directors of S-Bank approved the financial statements at its meeting on 2 February 2023. 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.

The financial statements are presented in thousands of euros, unless otherwise stated. Since the figures have generally been rounded and do not include decimals, the sums of individual figures in euros may differ from the total figures presented in the report.

Consolidation principles

The consolidated financial statements include S-Bank 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 2022 financial statements: S-Bank Fund Management Ltd, S-Asiakaspalvelu Oy, S-Bank Properties Ltd, S-Bank Impact Investing Ltd, FIM Real Estate 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 and 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 in Group's note 3.

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 2022 or in the comparison period as at 31 December 2021.

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.

Financial assets are recognised on the balance sheet once the company becomes the instrument's contractual party and financial liabilities when the payment is received. S-Bank applies settlement date practice in recognising financial assets on the balance sheet. Derivatives are recognised on the balance sheet using trading date practice. According to settlement date practice, buying or selling financial assets, must be recognised or derecognised on the balance sheet either on trade date or on settlement date.

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, receivables from the public and public sector entities and cash and cash equivalents. Deposits and other investments in central banks with original maturity less than 3 months may be included in cash and cash equivalents.

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 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 Group's note 2.

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.

Level 2 and 3 items are described in more detail in Group's note 15.

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. 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 timeliness of payment transactions. The estimates provided by the risk models as well as the effects related to payment delays 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:

- the receivable has been past due for a maximum of 30 days, and
- other criteria for significant increase in credit risk are not met and contract is not credit-impaired.

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, but which are not credit-impaired yet. 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 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:

- a payment of capital or interest has been past due for more than 30 days,
- the PD estimate has increased significantly (limit for significant increase between 0.9% and 5.1%-points), or
- the contract is classified as a performing forborne exposure (forbearance is described in the section Contractual changes in financial assets).

In addition to above-mentioned criteria, certain backstop criteria are defined for significant increase in credit risk. Pursuant to backstop criteria, the credit risk is deemed to have increased significantly, if PD estimate exceeds 20 %, or PD estimate exceeds 5 % and is simultaneously tripled relative to credit origination. PD estimates include forward looking information estimated with macroeconomic model. If PD estimate is not available on a contract level, the origination PD is estimated on group level. 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.

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 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.
- The contract involves a non-performing forbearance (see the section 'Contractual changes to financial assets').
- Payment in accordance with the contract is unlikely to be received before the receivable becomes defaulted (unlikely-to-pay items). Such situations include bankruptcy, corporate restructuring, distressed restructuring, or other indications of unlikely repayment based on expert assessment.

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. 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. If any of the criteria above 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. If amendment does not involve any material risks and is mutually beneficial, contract terms can be amended according to customer's request, i.e., on commercial grounds. 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 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 contract, depending on the current risk level of the credit. PD, LGD and EAD are calculated for every future month and each separate contract. These three components are multiplied by one another. The income for each future month is discounted to the reporting date and added together. The discount rate used in the ECL calculation is the interest rate of the original contract.

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

Customer group	Credit risk model	Use	Modelling method
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 parameters derived from a market database and S-Bank's credit portfolio
	LGD model: S-Bank's final credit loss after collection measures.	As a parameter in ECL calculation	Parameters derived from a market database
	CCF/EAD model: exposure at default	As a parameter in ECL calculation	Parameters derived from S-Bank's credit portfolio
Investing activities	**PD** and **LGD**	As a parameter in ECL calculation	Parameters derived from a market database

Classification of credit risk and probability of default

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

PD estimates in calculating expected credit loss are mainly calculated on contract of customer level. 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 changes in nominal wages and net wealth as key economic variables that have an impact on credit risk. Three 30-year scenarios are modelled for these economic variables: optimistic, neutral, and pessimistic. The effect of the scenarios is included in the risk estimates and the weights of the scenarios at the time of reporting were 30%, 40% and 30%, respectively. The estimated impact of the scenarios is based on statistical modeling for non-performing retail credits in Finland. The model-based estimates are complemented with management judgement, which is described further in the chapter accounting policies requiring management judgment and key uncertainties related to estimates.

PD estimates for the credit risk categories

Credit category	PD minimum (%)	PD maximum (%)
1		under 0.15
2	0.15	under 0.25
3	0.25	under 0.50
4	0.50	under 0.75
5	0.75	under 2.50
6	2.50	under 10.00
7	10.00	
In default		Default criteria are met

INCOME AND EXPENSES 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

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. 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 5 000 in value will not be recognised on the balance sheet. S-Bank will recognise these short-term lease agreements and low-value assets as costs during the lease period.

Depreciation and interest expense is recognised in the income statement for items 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. The model-based estimate is complemented with management judgement, which takes into account the uncertainty related to model parameters and assumptions, as well as model risk. Management judgement is also applied to definition of backstop criteria for estimation of significant increase in credit risk.

NEW STANDARDS AND INTERPRETATIONS

New and amended standards applied in the financial year ended 31 December 2022

- 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)
- When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

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. The amendments clarify the following standards:

- 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. The example was not clear as to why such payments are not a lease incentive.

- 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)
- Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.
- 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 makes further reference related amendments.

Adoption of new and amended standards in future financial years

- IFRS 17 Insurance Contracts, including Amendments Initial Application of IFRS 17 and IFRS 9 – Comparative Information (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)
- The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.
- The amendments to IFRS 17 alleviate mismatches in comparative information arising from the different transition requirements of IFRS 9 and IFRS 17. The amendments also allow the comparative information about financial assets to be presented in a manner that is more consistent with the requirements in IFRS 9 Financial Instruments.
- 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.
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 Leases* (effective for financial years beginning on or after 1 January 2024, early application is permitted)
- The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current; Classification of Liabilities as Current or Non-current - Deferral of Effective Date; and Non-current Liabilities with Covenants (effective for financial years beginning on or after 1 January 2024, early application is permitted)
- The amendments are to promote consistency in application and clarify the requirements for determining if a liability is current or non-current. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. The amendments require to disclose information about these covenants in the notes to the financial statements.
- 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.

GROUP'S 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 term.

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) and S-Bank Capital Adequacy tables required by the EU's Capital Requirements Regulation, which deals comprehensively risk management practices and risk position, is published in separate documents from the financial statements. The report and tables, 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 AND DECISION MAKING

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, Risk and Compliance, consists of the Group-level functions that are independent of business operations.

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 and Compliance functions.

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.

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.

CEO and Group Management Team

S-Bank's CEO, assisted by the Group Management Team, is responsible for the practical execution of the Group operations and governance, risk management and internal risk management practices in accordance with the principals set by the Board. CEO, with assistance of the Group Management Team, is responsible for assuring, that risk appetite and risk capacity are considered in the S-Bank's 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.

CEO has established committees to prepare and make decisions by executive managers. Most essential committees for Risk Management purposes are Risk Committee, Asset and Liability Committee and Credit Committee.

Risk management committees

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 Risk and Audit Committee and to the Board of Directors is sufficient and appropriate to assist them in discharging their duties and responsibilities and in making decisions. The Committee confirms the key risk management strategies, policies, limits, and reports for processing by the Risk and Audit Committee and for approval by the Board of Directors. Risk Committee is a second line of defence committee, where the Chief Risk Officer acts as a chairman.

Asset and Liability Committee's main duty is to ensure capital adequacy, liquidity and to forecast, monitor and manage capital adequacy and balance sheet. Asset and Liability Committee is a first line of defence committee.

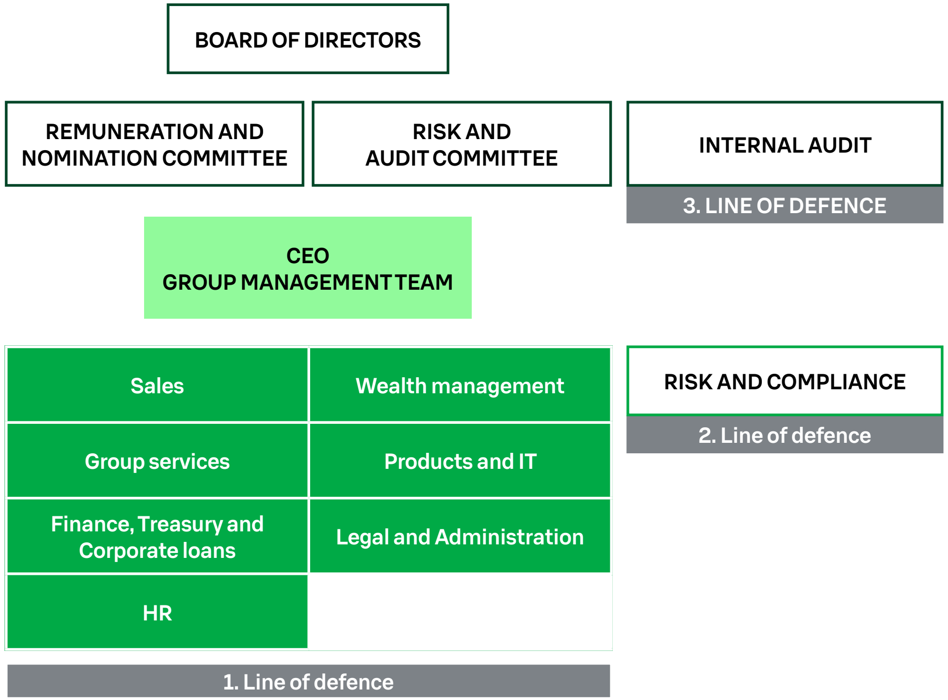
Credit Committee is responsible for setting up credit granting targets, processes, methods, and credit risk limits in accordance with the risk appetite set by the Board. Credit Committee makes credit decisions, and it is a first line of defence committee.

Business and support functions

Within the first line of defence, S-Bank has business and support functions, which conduct business operations in accordance with S-Bank's strategy and business plan. The second line of defence is Risk and Compliance and Internal Audit is the third line of defence. The Business and support functions are listed in the diagram S-Bank Group's administrative structure.

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, and the prerequisites for risk management, are described clearly and adequately.

S-Bank Group's administrative structure



Independent functions

The Risk Control, Compliance, Operational Risk Control, and Internal Audit are Group-level control functions, that are independent of business operations.

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 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.

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 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 risk 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.

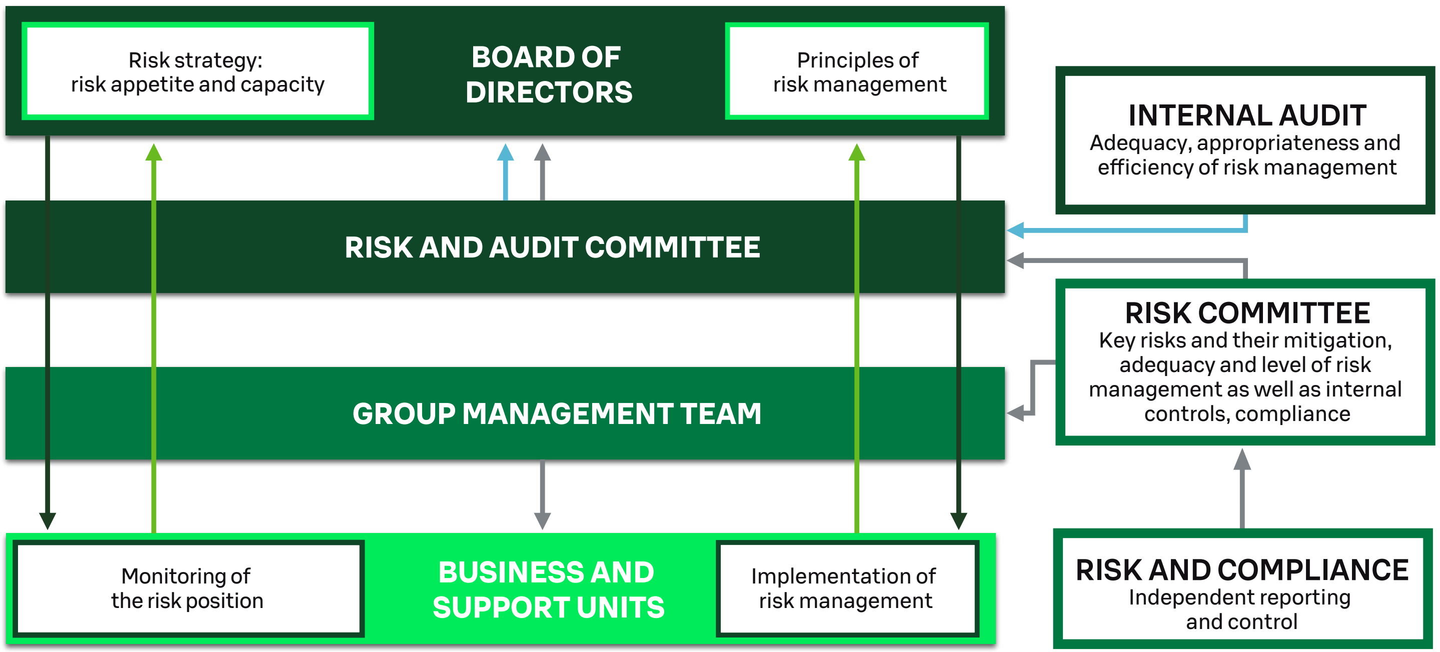
Risks are continuously being monitored in S-Bank as part of work duties. It is the responsibility of all employees to follow the execution of risk management within their area of responsibility and to report any deviations and deficiencies in risk management in accordance with agreed procedures.

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.

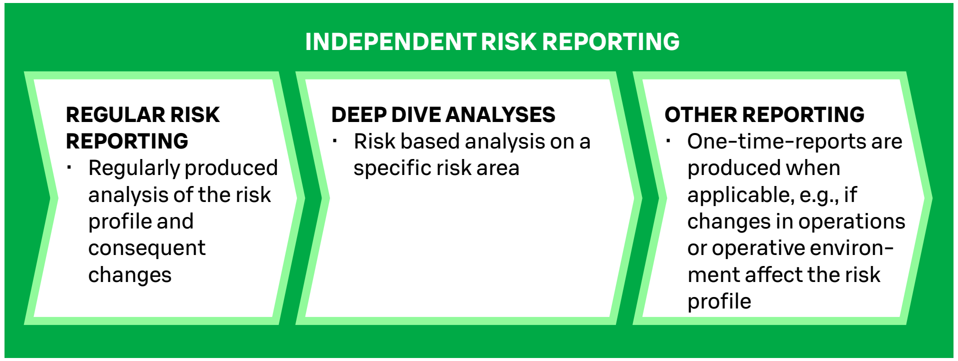
In addition to regular reports, the aforementioned bodies are provided with a separate report and analysis if any major changes or deviations occur that may influence S-Bank's risk position or capital adequacy.

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.

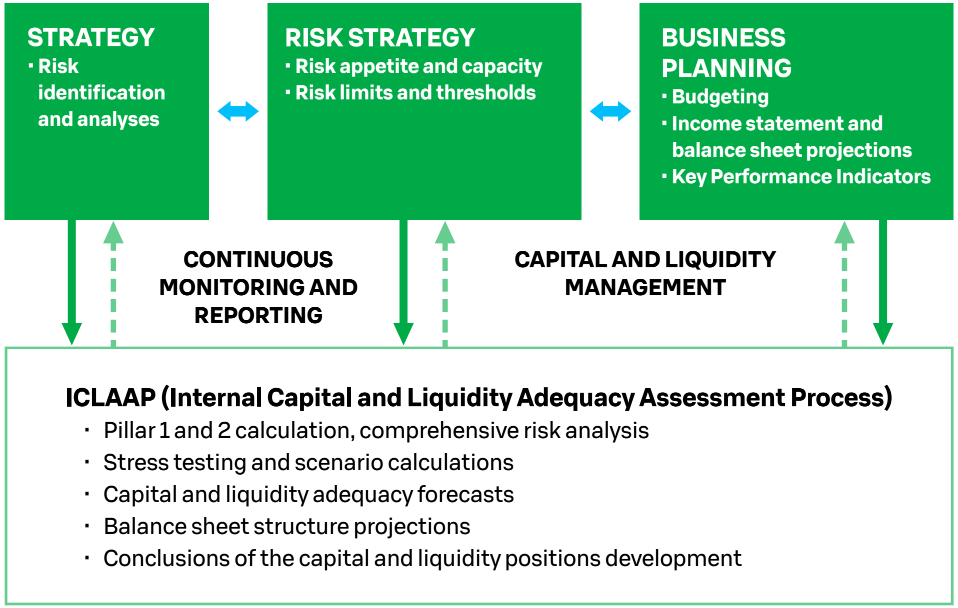
The overall risk reporting in S-Bank



Independent Risk Reporting



Capital adequacy and liquidity management framework



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.

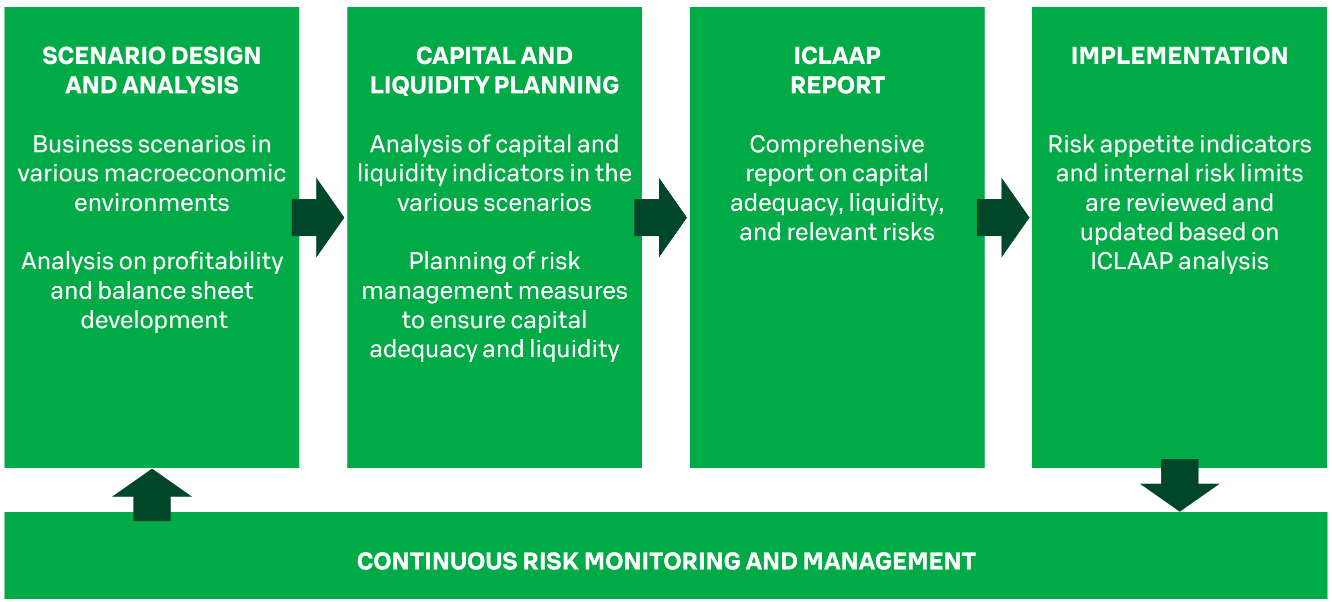
ICLAAP PROCESS

The results of the regularly performed ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) are combined into a comprehensive ICLAAP report which S-Bank compiles at least annually and as often as necessary. The process begins with strategic analysis and comprehensive identification of risks associated with S-Bank's business. S-Bank utilises a variety of stress scenarios to estimate how potentially unfavourable developments could affect capital adequacy, profitability, and liquidity at the Group level as well as at an individual subsidiary level over a certain time frame. Factors taken into consideration include various development patterns in the business, macroeconomic and competitive environment. The process also includes forecasts of capital requirements, available capital as well as the impact of new regulations. Moreover, the scenarios include potential changes in S-Bank's business volumes and in the behaviour of its customers.

ICAAP provides a comprehensive overview of S-Bank's capital and risk positions in various stress scenarios. The process also takes into account business continuity under stressed conditions by laying out a detailed plan for increasing capital adequacy and lowering S-Bank's risk profile. Liquidity stress tests are conducted as a part of the ILAAP, which provides a comprehensive overview of the S-Bank's liquidity risk position in various stress scenarios. The main point of liquidity stress testing is to ensure the adequacy of S-Bank's liquid assets in order to cover unexpected liquidity outflows encompassed in the stress scenarios and concurrently to confirm that the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) fluctuate in the accepted limits. S-Bank is prepared to withstand unexpectedly large cash outflows and recover its liquidity buffer under stressed conditions. The results of stress tests outline policies for managing liquidity position, profitability and solvency under stressed conditions and enhance risk management activities. Results are also used to limit the key risk factors to fit S-Bank's risk tolerance. The ICLAAP takes into account all relevant risk types for the bank.

Internal models are used to determine the required minimum amount of economic capital. For each of the major risks, the economic capital requirement is quantified as follows:

ICLAAP process



- the risk measurements already covered by Pillar 1 are reviewed and, where necessary, completed by economic capital adjustments.

- the risks absent from Pillar 1 are subject to a specific calculation of economic capital needs, based on internal approaches.

During 2022 all the major risks identified during the risk identification process were taken into account for assessing the economic capital requirement. S-Bank notably measures market risks, business and strategic risk, concentration risk, credit risk, and operational risk with its internal models. S-Bank ensures that its own funds always cover the economic capital requirement.

CREDIT RISK

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 risk of a counterparty failing to meet its contractual payment obligations, thus causing a credit loss to S-Bank. The risk may arise when granting of the credit was not based on correct and sufficient information, or if changes occur in the customer's financial situation or in the value of the collateral pledged by the customer over the lifetime of the credit.

The Board of Directors approves S-Bank's credit risk strategy and principles for credit risk management and risk-taking mandates, which are in line with good banking and lending practices and regulation. Credit risk strategy defines the strategy for credit risk-taking within the risk appetite indicators set in S-Bank's risk strategy and action plan which are derived from the strategy of S-Bank. The principles for credit risk management describes the principles of credit risk management, mitigation, monitoring, and control.

Credit risk is managed by the business and support units within the principles and limits set in S-Bank's risk strategy, credit risk strategy and principles of credit risk management. Credit risks arising from the Treasury investing activities are described and limited in the Treasury's annual investment plan approved by the Board of Directors. Credit risk strategy defines the target segments for lending, including low risk secured lending to households and housing corporations, credit cards and unsecured consumer loans. The structure of credit portfolio is managed by setting segment level growth targets and allocation limits. The credit risk management framework includes prudent credit origination process, limits, credit risk mitigation measures such as collaterals and guarantees, credit risk modelling and risk-based pricing, and credit risk monitoring, control and reporting.

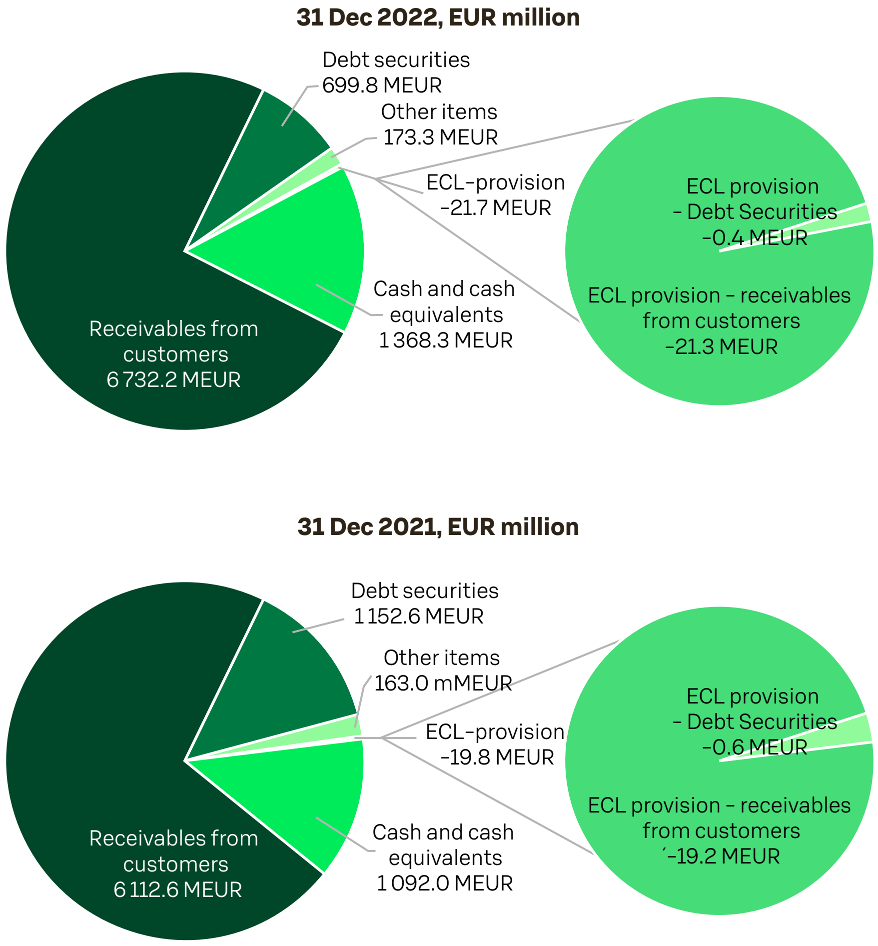
S-Bank's credit risk position

S-Bank's on-balance credit exposures consist mainly of receivables from customers, debt securities and cash. The gross carrying amount of these items was EUR 8,973.6 million (8,520.1) at the end of the financial year. The growth is mainly attributable to increase of lending in line with strategy. 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 21.7 million (19.8). 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 0.4 million (0.6) on debt securities are recognised through the fair value reserve, whereas the rest of the ECL, EUR 21.3 million (19.2), is deducted directly from the gross carrying amount of the item Receivables from customers.

S-Bank's most significant credit risk exposure, 75 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 provision, 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 22.5 million (20.6) at the end of the review period. The coverage ratio of the total portfolio increased to 0.23 per cent (0.22) and remained within the risk appetite defined by S-Bank's Board in its credit risk strategy.

Gross carrying amounts of balance sheet items and expected credit losses



Repayment holidays and changes to payment programmes

The volume of household customer loans subject to repayment holidays or other changes to the payment schedule was EUR 448.1 million (419.9), representing 8.0 per cent (8.2) of total household customer exposures. Repayment holidays deviating from the original payment plan have primarily been granted to household customers. S-Bank's corporate portfolio does not include any specific groups of customers or sectors that have been granted repayment holidays or other changes to their original payment schedules.

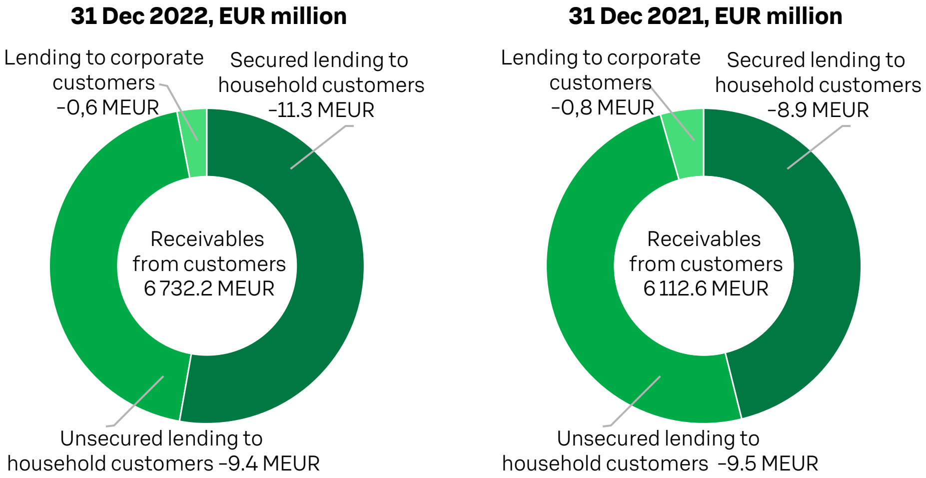
Forborne exposures and non-performing loans

Forbearance measures refer to the restructuring of credit agreements (including repayment holidays), which is intended to help customers cope with temporary payment difficulties. The more detailed definition of forbearance is described in Group's note 1. 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.

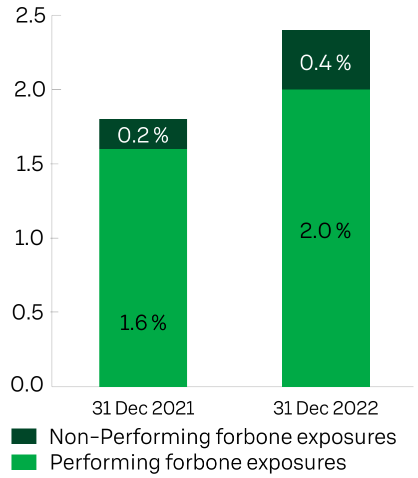
The enhancements implemented in the forbearance identification process and the stricter recovery criteria caused an increase in forbearance measures and non-performing loans, as expected. In addition, the increase in general price level has contributed to the growth of forbearance measures. Gross forborne exposures in the balance sheet totalled EUR 158.9 million (109.9) at the end of the review period. Of the on-balance-sheet forborne exposures, 84 per cent (88) were performing. The carrying amount of performing forborne exposures in relation to loans and advances was at the level of 2.0 per cent (1.6). The corresponding ratio of non-performing forborne exposures was 0.4 per cent (0.2). All forborne exposures were related to household customers.

The amount of non-performing loans (NPL) in the balance sheet increased by EUR 20.1 million to EUR 59.4 million (39.3) during the review period. Of this, EUR 12.1 million was due to an increase in non-performing forborne exposures. The NPL ratio, which describes non-performing exposures in relation to loans and advances, rose to 0.9 per cent (0.6). All non-performing loans were household customer exposures.

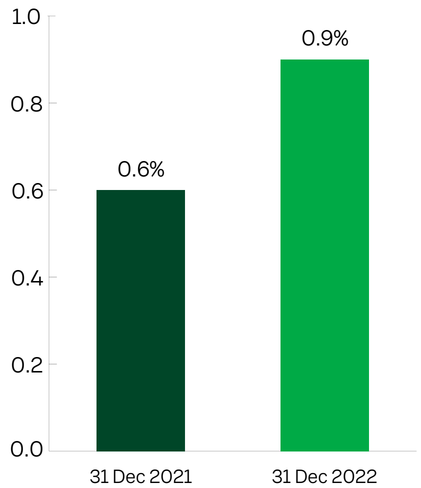
Receivables from customers and expected credit losses related to the item by credit portfolio



Forborne exposures



NPL ratio



S-Bank applies harmonized definition for the concepts of defaulted exposures, non-performing exposures and IFRS 9 -credit impaired exposures. The definition is described in further detail in Group's note 1.

Impairment of receivables

Expected and final credit losses of EUR 18.5 million (21.4) were recognised in the consolidated income statement during the financial year. Reversals, or recovered credit losses, amounted to EUR 6.6 million (5.7). Consequently, the total net effect on profit of expected and final credit losses was EUR 12.0 million (15.7).

ECL provision increased during the financial year by EUR 1.9 million, which was affected by increases due to origination and decreases due to derecognition and write-offs, in addition to changes in risk levels. The ECL provision related to stage 3 exposures increased by EUR 3,7 million, mainly due to the growth in defaulted household customer exposures. Changes in risk parameters decreased the ECL provision by EUR 2.0 million relative to previous year. This item is affected by estimates from risk models and changes in provisions based on the management judgement.

The estimates from risk models were affected by updates in ECL calculation. During the first half of the year, S-Bank updated its criteria for identifying significant increase in credit risk based on statistical analysis, which decreased the amount of receivables classified in stage 2. In addition, a new macro model was introduced to assess the impact of macroeconomic forecasts on expected credit losses. The updates in calculation methods reduced ECL provision by approximately EUR 2.1 million, including related changes in management judgement.

Forward-looking information is complemented by a management judgement, which takes into account the uncertainty related to model parameters and assumptions as well as model risk. The changes in management judgement during the financial year contributed to the growth in the ECL provision by approximately EUR 1.6 million. The management judgement was updated, as increases in interest expenses and prices are expected to weaken the financial standing of customer households.

For S-Bank, the largest amount of credit losses is 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 13.8 million (20.1) 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 in Group's note 11. S-Bank has no financial instruments consisting of purchased or originated credit impaired assets. Measurement of the impairment and classification of financial instruments and the models for calculating credit losses are discussed in the Group's note 1.

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).

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 combined. This risk is taken into account as part of S-Bank's assessment of its economic capital (Pillar 2).

Majority of S-Bank's exposures are not classified by industry, as they consist mainly of household customers credits, which reduces industry concentration risk. 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 previous year.

BREAKDOWN OF ON-BALANCE-SHEET AND OFF-BALANCE-SHEET EXPOSURES BY INDUSTRY

Balance sheet items 31 Dec 2022, EUR million	Financial and insurance	Real estate	Wholesale and retail trade	Manufacturing	Public administration and defence, compulsory social security	Other industries	No industry	Total
Cash and cash equivalents	1 368.3	0.0	0.0	0.0	0.0	0.0	0.0	1 368.3
Receivables from credit institutions	9.2	0.0	0.0	0.0	0.0	0.0	0.0	9.2
Receivables from customers	66.3	1 028.6	0.4	0.1	0.0	14.3	5 601.2	6 710.9
Debt securities	550.4	33.9	0.0	49.7	41.7	24.1	0.0	699.8
Shares and interests	20.3	0.0	0.0	0.0	0.0	0.4	0.0	20.7
Derivatives	24.5	0.0	0.0	0.0	0.0	0.0	0.0	24.5
Other items	5.2	0.0	0.0	0.0	1.3	0.0	112.5	118.9
Off-balance sheet items	58.6	97.0	119.6	0.0	0.0	16.0	1 931.1	2 222.3
Total	**2 102.7**	**1 159.5**	**120.0**	**49.8**	**43.0**	**54.7**	**7 644.8**	**11 174.5**

Balance sheet items 31 Dec 2021, EUR million	Financial and insurance	Real estate	Wholesale and retail trade	Manufacturing	Public administration and defence, compulsory social security	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	1.0	0.1	0.0	17.8	5 089.9	6 093.4
Debt securities	660.2	50.0	7.0	92.9	269.2	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	0.0	0.0	0.6	0.0	104.0	105.8
Off-balance sheet items	50.7	136.5	251.2	0.0	0.0	39.1	1 981.9	2 459.4
Total	**1 943.0**	**1 089.0**	**259.2**	**93.0**	**269.8**	**130.5**	**7 175.8**	**10 960.3**

From a geographical perspective, the majority, about 96 per cent (94), of S-Bank exposures are in Finland, followed by the rest of the Nordic countries at about 3 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. The exposures outside Finland derive mainly from the investments of the Treasury unit.

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. 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. Regional concentration risk within Finland is mitigated by diversification across large number of individual loans and collaterals due to broad customer base. The regional distribution of credit portfolio is guided by the credit risk strategy, in which mortgage credit granting is directed to the largest cities and their commuting areas. The credit risk strategy also guides portfolio allocation between different credit products. Collateral values also monitored and revalued during mortgage lifetime 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.

Collateral and credit risk mitigation

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

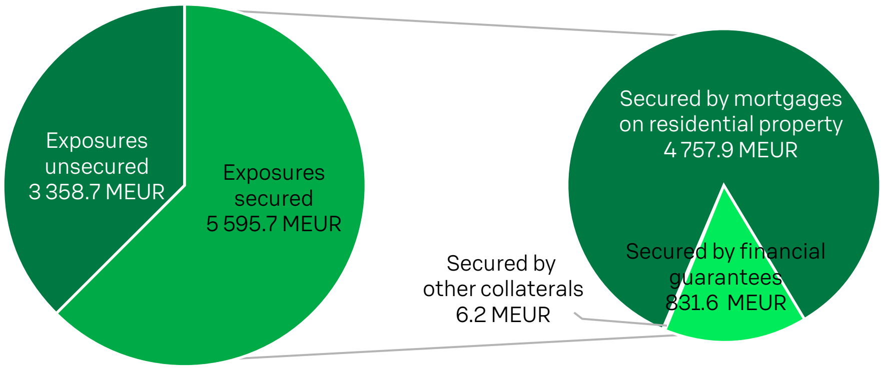
Depending on its type, collateral is measured at market value or fair value. A haircut is applied to the value of collateral in credit processes, and the amount of this haircut depends on various criteria. The values of real estate collateral are monitored and updated regularly over the lifetime of the credit. Statistical modelling method 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 capital adequacy requirement for credit risk 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.

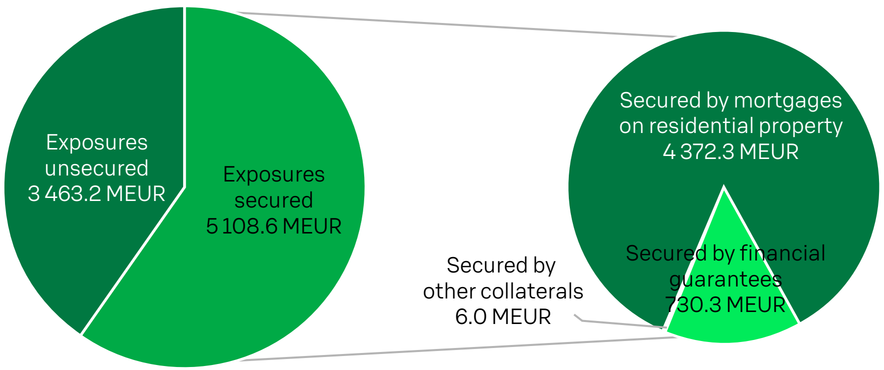
Approximately 62.5 per cent (59.6) of the gross carrying amount of 'Receivables from customers' and the related off-balance sheet commitments are secured by the collateral and guarantees used in capital adequacy calculation. Exposures secured by immovable property collateral account for approximately 85.0 per cent (85.6), whereas exposures secured by guarantees account for approximately 14.9 per cent (14.3) of the covered exposures. No significant changes occurred in S-Bank collateral categories, applied valuation principles, or in the coverage of secured exposures during the financial year.

Breakdown of collateral and guarantees used in capital adequacy calculation

31 Dec 2022, EUR million



31 Dec 2021, EUR million



The Loan-to-Value (LTV) ratio is the outstanding amount of mortgage loan as a percentage of the real estate collateral value. 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 process of LTV calculation at the point of origination was updated and the LTV distribution for comparison period has been the revised to reflect the change.

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

LTV category 31 Dec 2022	Proportion of exposures
0 – 50%	17%
50 – 60%	13%
60 –70%	18%
70 – 80%	31%
80 – 90%	17%
90 – 100%	3%
over 100%	1%
Total	**100%**

LTV category 31 Dec 2021	Proportion of exposures
0 – 50%	17%
50 – 60%	13%
60 –70%	17%
70 – 80%	30%
80 – 90%	19%
90 – 100%	3%
over 100%	1%
Total	**100%**

Collateral associated with impaired exposures (stage 3)

Credit-impaired financial assets, 31 Dec 2022, EUR million	Gross carrying amount	ECL provision	Net carrying amount	Fair value of collateral
Lending to household customers	59.4	10.0	49.4	79.7
Lending to corporate customers	0.0	0.0	0.0	0.0
Credit-impaired financial assets, total	**59.4**	**10.0**	**49.4**	**79.7**

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**

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

Counterparty risk

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 original exposure method referred to in the Capital Requirements Regulation to calculate the counterparty risk. The 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 55.9 million (21.0). The change in exposure value is due to increase in the notional value and positive fair value of derivatives. The counterparty risk consisted entirely of derivatives that are cleared through qualifying central counterparty (CCP). The minimum capital requirement for counterparty risk was very low due to CCP clearing.

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 classification and valuation of derivatives is discussed in the Note 1 of the Group. Derivatives and hedge accounting are also discussed in the note 22 of the Group and in Notes 17 and 18 of the Bank.

Monitoring and reporting

The business units in charge of the Banking business are responsible for credit risk management together with credit risk management unit. 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

Liquidity risk refers to the risk that the bank is unable to meet its payment obligations in due time or that it will be forced to fund its liquidity obligations at an unfavorable cost. Liquidity risk consists of shorter-term liquidity risk and funding risk, i.e. longer-term uncertainty about the stability, quality and availability of funding. In addition, the adequacy of collateral required for funding is part of the liquidity risk management. The reasons behind the materialisation of a liquidity risk may be specific to the bank or to the market.

S-Bank is exposed to liquidity risk in customer lending, deposits, investment activities and funding. S-Bank's most significant liquidity risk factors are deposit flight in different customer segments, a sudden increase in the utilization rate of financing limits and an increase in possible collateral requirements. S-Bank's liquidity position is strong, and the liquidity risk appetite set by the Board of Directors is conservative.

Managing liquidity risk

Liquidity position is maintained with active risk management and continuous monitoring. Treasury function's main objective in investing activities is to ensure that the liquidity position is continuously above the minimum regulatory requirements and the internal limits. 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 bucket, due to the fact that S-Bank's funding is based on deposits by household customers (please see Note 15). From a liquidity risk perspective, however, these deposits are stable source of funding, as, according to depositor behavior statistics, their maturity is considerably longer than one month. The maturity of derivative liabilities is focused on the 0–3 month bucket.

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. There were no significant changes in the total liquidity portfolio. In the liquidity portfolio, the amount of central bank deposits increased and the amount of municipal papers decreased.

The liquidity coverage ratio (LCR) was 164 per cent (150). With respect to the liquidity buffer, very high-quality Level 1 assets accounted for 90 per cent (88) and Level 2 assets for 10 per cent (12). The buffer consists of unencumbered, high-quality liquid assets that can be monetised in a timely fashion.

The Net Stable Funding Ratio (NSFR) measures the adequacy of the bank's structural liquidity and stable funding. The increase in available stable funding items is explained by the growth of the deposit portfolio, an increase of EUR 50 million in the original amount of bond (tap issue) and the strengthening of own funds. Items requiring stable funding were increased primarily by growth in lending. S-Bank's NSFR ratio is generally stable and strong.

Net Stable Funding Ratio (NSFR)

Net Stable Funding Ratio (NSFR)	31 Dec 2022 Buffer value	31 Dec 2021 Buffer value
Available stable funding, total	7 735.1	7 260.5
Required stable funding, total	5 109.7	4 803.6
Net Stable Funding Ratio (NSFR)	151.4%	151.1%

Main items for the liquidity coverage ratio

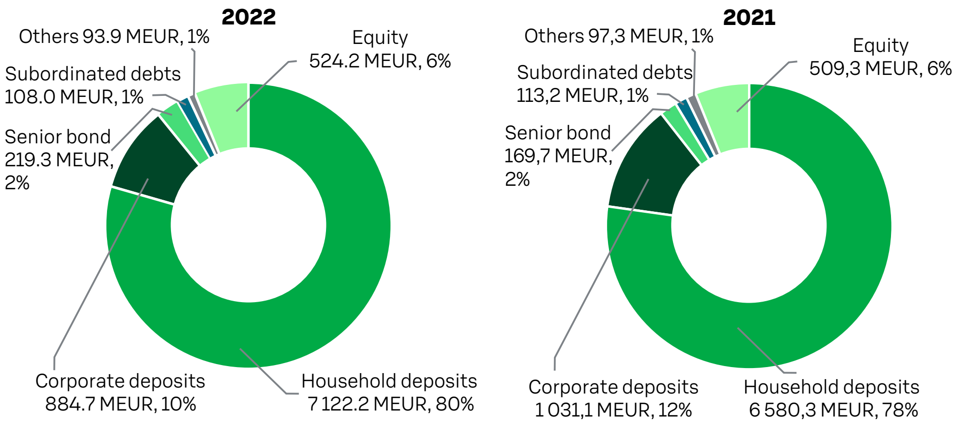
Liquidity Coverage Ratio (LCR), EUR million	31 Dec 2022		31 Dec 2021	
	Market value	Buffer value	Market value	Buffer value
Level 1a	**1 327.6**	**1 327.6**	**1 305.6**	**1 305.6**
Assets from regional governments or local authorities	30.1	30.1	257.4	257.4
Funds from central administrations	21.7	21.7	11.8	11.8
Central bank reserves available for withdrawal	1 275.8	1 275.8	1 036.4	1 036.4
Level 1b	**181.7**	**169.0**	**157.3**	**146.2**
Extremely high-quality covered bonds	181.7	169.0	157.3	146.2
Level 2A	**172.7**	**146.8**	**188.5**	**160.3**
High-quality covered bonds (third country, CQS1)	122.1	103.8	126.7	107.7
High-quality covered bonds (CQS2)	50.7	43.1	61.9	52.6
Corporate bonds (CQS1)	0.0	0.0	0.0	0.0
Level 2B	**45.1**	**22.5**	**77.8**	**38.9**
Corporate bonds (CQS2 and CQS3)	45.1	22.5	77.8	38.9
Total	**1 727.1**	**1 665.9**	**1 729.2**	**1 651.0**
Liquidity outflows, total		1 079.5		1 141.4
Liquidity inflows, total		**66.1**		**39.9**
Liquidity Coverage Ratio (%)		**164%**		**150%**

Funding structure

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. Under its Medium Term Note (MTN) programme, S-Bank can issue senior preferred bonds, covered bonds or AT1 instruments. Other sources of funding include the Treasury unit's wholesale market deposits from companies and other credit institutions, as well as certificates of deposits.

The following figure illustrates the funding structure of S-Bank's funding, which totalled EUR 8 952.2 million (8 500.9) at the end of 2022. 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 2022 financial year, the amount of retail deposits continued to grow and the amount of corporate deposits decreased.

Funding structure



Monitoring and reporting

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 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

In general, market risk refers to the impact of changes in securities prices, market interest rates, exchange rates or the market value fluctuation of balance sheet items on the bank's profit and balance sheet. The market risk of S-Bank's banking business mainly consists of the structural interest rate risk of lending and borrowing and the interest rate risk of investments and funding as well as the spread risk of debt securities. S-Bank's banking business is not significantly exposed to other direct market risks, such as equity, foreign exchange or real estate risks.

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), the net interest income risk for the whole banking book and the spread risk of debt securities.

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 sensitivity figures, allocation, stress tests and scenario analyses. 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 economic value risk (EV) methods. Additionally, 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. 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 or maximum amounts 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.

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).

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, investments and funding. 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 2022. Derivatives and hedge accounting are described in the Group's Note 22.

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 the 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 net interest income risk is calculated as the effect of one percentage point decrease on the net interest income for the next 12 months. The strong increase in interest rates caused the net interest income risk to grow during the period, but the risk decreased to previous year's level by end of the period. The NII risk in the -100 bps scenario was EUR -8.7 million (-9.1). 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 -6.6 million (-11.1).

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 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 Treasury unit is responsible for the operational management of market risks.

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 the Group's Note 16. 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).

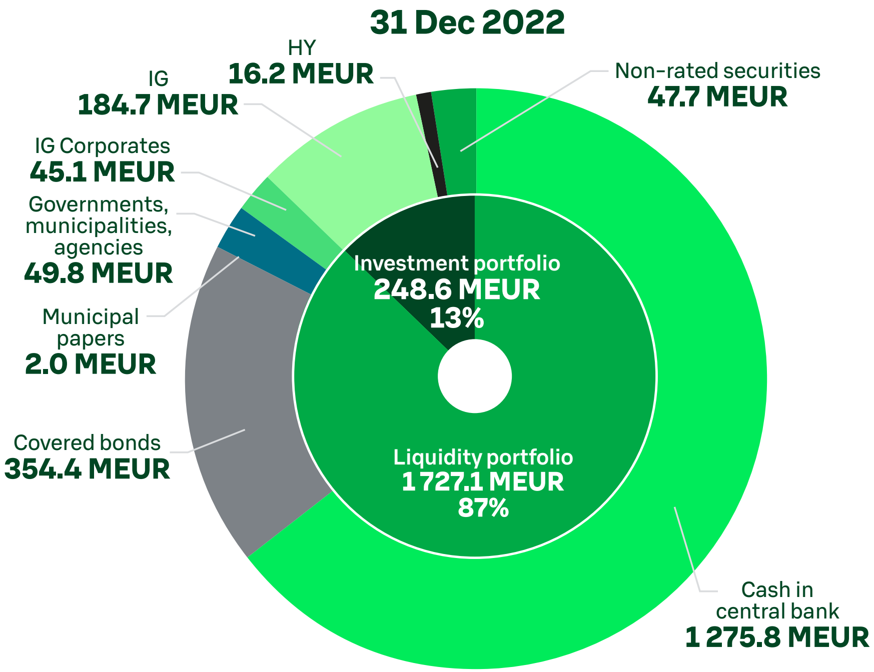
Breakdown of financial assets and liabilities by interest rate fixing

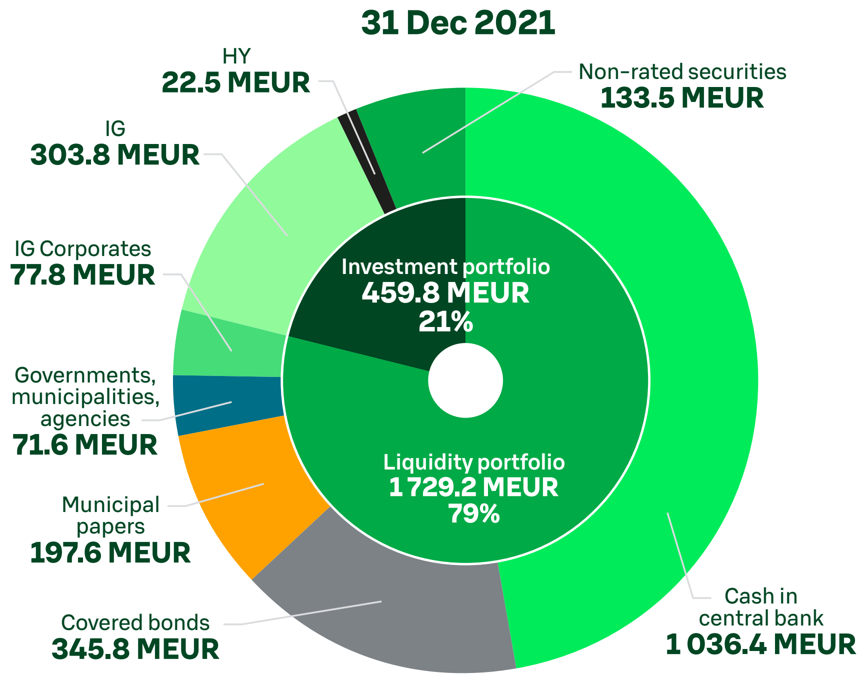
Financial assets and liabilities, 31 Dec 2022, EUR million	0–3 months	3–12 months	1–5 years	5–10 years	More than 10 years	Total
Cash and cash equivalents	1 368.2	0.0	0.0	0.0	0.0	1 368.2
Debt securities eligible for refinancing with central banks	54.9	146.7	307.7	47.6	0.0	556.9
Receivables from credit institutions	9.2	0.0	0.0	0.0	0.0	9.2
Receivables from customers	2 668.9	3 848.5	130.8	47.1	0.0	6 695.3
Debt securities	11.0	12.1	99.2	17.5	0.0	139.8
Derivatives	8.3	9.1	6.8	0.0	0.0	24.3
Financial assets, total	**4 120.4**	**4 016.4**	**544.5**	**112.2**	**0.0**	**8 793.6**
Liabilities to credit institutions	23.2	0.0	0.0	0.0	0.0	23.2
Liabilities to customers	7 908.6	58.8	16.2	0.0	0.0	7 983.6
Bonds issued to the public	219.3	0.0	0.0	0.0	0.0	219.3
Subordinated debts	0.0	107.0	0.0	0.0	0.0	107.0
Derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	4.8	0.0	0.0	4.8
Financial liabilities, total	**8 151.0**	**165.8**	**21.0**	**0.0**	**0.0**	**8 337.8**
Financial assets and liabilities, total	**-4 030.6**	**3 850.7**	**523.5**	**112.2**	**0.0**	**455.9**

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**

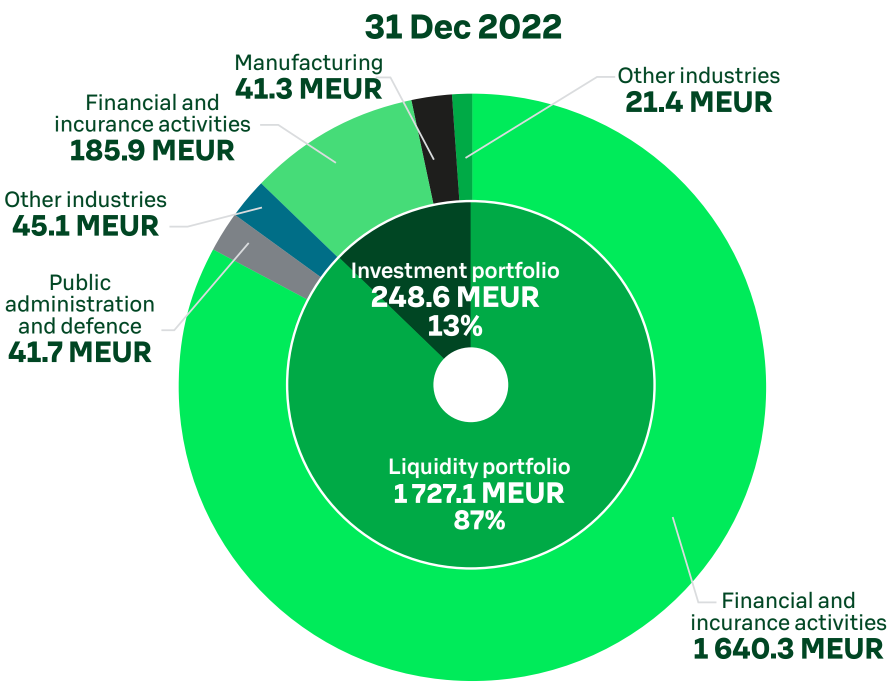
The following figures illustrate the distribution of Treasury unit's investment and liquidity portfolios by investment instrument and industry. The Treasury portfolio totalled EUR 1 975.6 million (2 189.0). The decrease in the total portfolio size was concentrated in the investment portfolio during the year 2022 due to increase in the lending portfolio.

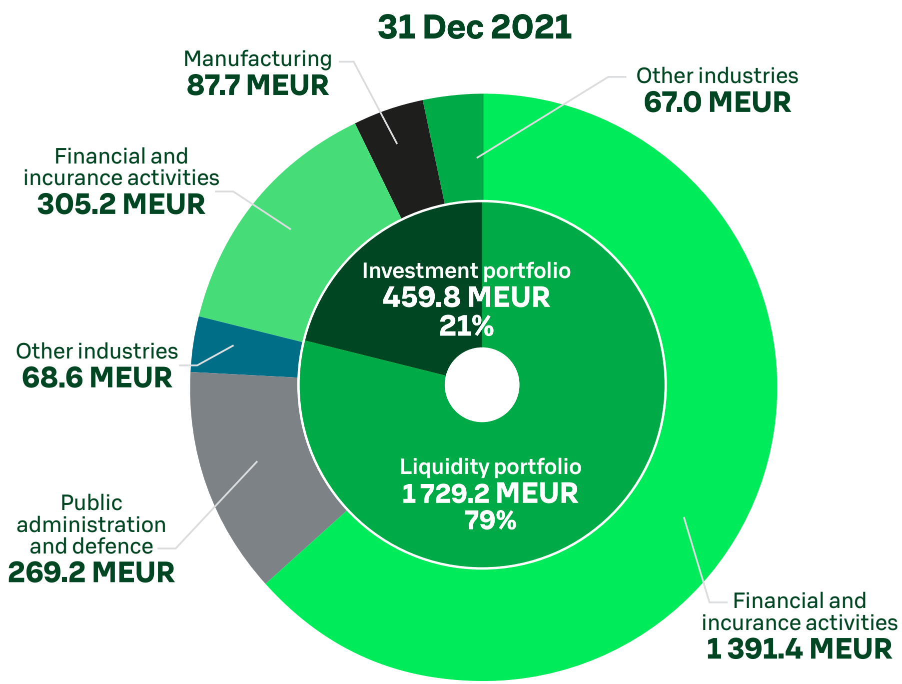
Breakdown of the liquidity and investment portfolios by investment instrument





Breakdown of liquidity and investment portfolios by sector





The table below illustrates the sensitivity of the economic value and net interest income risks in positive and negative interest rate scenarios for financial instruments. The sensitivity analysis reflects the effect of the parallel-level change of the applicable market interest rate curve on the balance sheet items for all maturities of the interest rate curve when regulatory floors are applied for the rate curves. The largest annual changes in the economic value risk occurred in loans and non-maturity deposits, where the change in the sensitivity of the economic value risk was impacted by the strong rise in interest rates during the year. Change from the negative interest rate environment to a positive one also explains the annual change of the net interest income risk. In both scenarios, the biggest changes in the net interest income risk happened in loans and non-maturity deposits due to the increased net interest income sensitivity.

Sensitivity analysis for the interest rate risk in the banking book

Economic Value (EV) risk, EUR million	31 Dec 2022	31 Dec 2021
Total +100 basis points	**21.4**	**7.6**
Loans	-34.8	-53.4
Debt securities	-14.3	-20.3
Other financial assets	-1.6	-2.2
Financial assets, total	-50.6	-75.9
Non-maturity deposits	62.8	73.3
Other financial liabilities	1.6	1.0
Financial liabilities, total	64.4	74.3
Derivatives	7.6	9.2
Total -100 basis points	**-22.7**	**93.5**
Loans	37.8	144.4
Debt securities	14.9	13.9
Other financial assets	1.6	1.9
Financial assets, total	54.3	160.2
Non-maturity deposits	-67.3	-59.1
Other financial liabilities	-1.6	-1.0
Financial liabilities, total	-68.9	-60.1
Derivatives	-8.1	-6.7

Net Interest Income (NII) risk, EUR million	31 Dec 2022	31 Dec 2021
Total +100 basis points	**3.4**	**31.4**
Loans	41.3	23.7
Debt securities	3.4	2.8
Other financial assets	15.0	6.7
Financial assets, total	59.6	33.2
Non-maturity deposits	-55.5	-1.2
Other financial liabilities	-2.9	-3.9
Financial liabilities, total	-58.4	-5.1
Derivatives	2.2	3.2
Total -100 basis points	**-8.7**	**-9.1**
Loans	-41.2	-3.4
Debt securities	-3.4	0.0
Other financial assets	-15.0	-5.6
Financial assets, total	-59.6	-9.1
Non-maturity deposits	50.2	0.0
Other financial liabilities	2.9	1.4
Financial liabilities, total	53.0	1.4
Derivatives	-2.2	-1.4

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 amount of items measured at fair value decreased significantly during the year 2022. The change is due to the decrease in the amount of Treasury portfolio's debt securities.

Spread risk

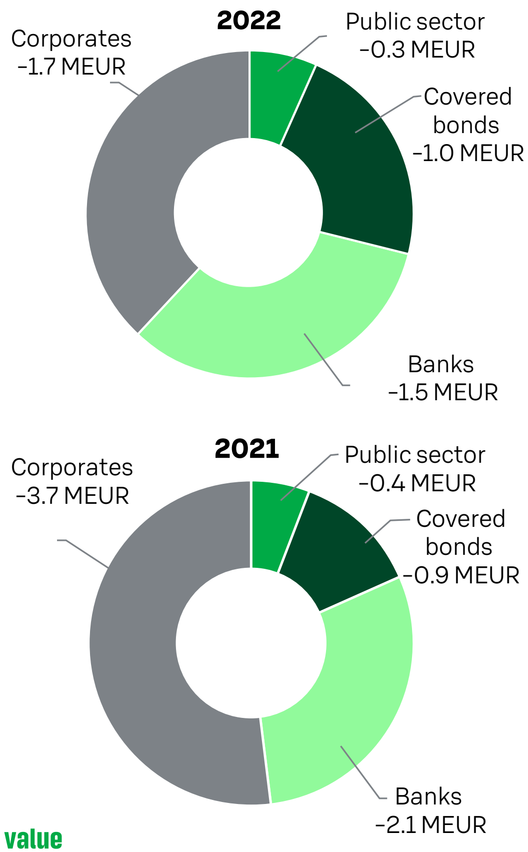
The operations of the Treasury unit are subject to a credit spread risk, which is calculated on the portfolio's debt securities. The spread risk is related to changes in the market's general opinion of the creditworthiness of an investment instrument's issuer, or to an unfavorable shift in the general 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 risk model. The spread parameters used in the spread 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 spread risk 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.

The following figure illustrates the exposure to the spread risk of debt securities, which, according to the internal risk model, totalled EUR -4.5 million (-7.1) at the end of the financial year. The spread risk decreased by EUR 2.6 million on 2022. The change is due to the decrease in the amount of Treasury portfolio's debt securities.

Breakdown of spread risk



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 2022			31 Dec 2021		
Interest rate shock	Portfolio	Sensitivity	Sensitivity, %	Portfolio	Sensitivity	Sensitivity, %
+100 basis points	723.5	-6.6	-0.9%	1 142.1	-11.1	-1.0%
-100 basis points		6.8	0.9%		7.3	0.6%

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

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.

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 2.87 million (2.4) in 2022.

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.

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. 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.

Sustainability risk

Sustainability risk is defined as an environmental, social or governance event or circumstance the occurrence of which could have an actual or potential adverse material effect on the value of an individual financial instrument or, more broadly, on the value of the bank. Sustainability risks can be divided into environmental, social and governance risks and can materialise in the short, medium or long term.

In its 2022 financial statements S-Bank reports items related to financial activities in accordance with EU taxonomy (EU Taxonomy Regulation, EU 2020/852) in the Annual Report section 'Responsible financing'. The receivables on S-Bank's balance sheet consist mostly of lending to households and housing companies, of which only household housing loans collateralised by residential immovable property are EU taxonomy-eligible receivables.

The war between Russia and Ukraine

In February, Russia attacked Ukraine, which had a limited impact on S-Bank's operations. Indirectly, the war had an operational impact because it changed the operating environment. Energy and commodity prices rose, and inflation accelerated. In Europe in particular, Russia's attack worsened the situation into an energy crisis. Accelerating inflation prompted central banks to tighten their monetary policies. A rapid increase of interest rates led to lower bond valuations and consequently, the bank's fair value reserve decreased during the year. International sanctions were also imposed as a result of the war. However, the impact of the war on S-Bank has been limited because of S-Bank's chosen strategy to focus on household customers in Finland.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

GROUP'S NOTE 3: 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 2022 (EUR '000)	Banking	Wealth Management	Other activities	Eliminations	Group, total
Net interest income	121 687	5	-5		121 687
Net fee and commission income	47 603	39 664	-72		87 195
Net income from investing activities	2 410	26			2 436
Dividends	80		3		84
Other operating income	8 830	595	10 221	-9 250	10 395
Total income	**180 610**	**40 290**	**10 147**	**-9 250**	**221 796**
Total expenses *	**-106 872**	**-38 559**	**-28 963**	**9 250**	**-165 145**
Impairment of receivables	-11 960				-11 960
Share of the profits of associated companies				1	1
Operating profit (loss)	**61 777**	**1 731**	**-18 816**	**1**	**44 693**

External income from Banking was EUR 180 703 thousand and from Wealth Management EUR 39 677 thousand.

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 expenses *	**-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.

* 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 expenses.

Other activities include Group support and headquarter functions. Most of the net expenses of the support and headquarter functions are allocated to the Banking and Wealth Management business segments. This cost allocation is included in the segments' item 'Total expenses'. 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 2022 (EUR '000)	Banking	Wealth Management	Other activities	Group, total
Receivables from customers	6 695 255			6 695 255
Liquid and investment assets of banking	2 119 045			2 119 045
Intangible and tangible assets	2 565	29 836	43 203	75 604
Other assets	26 273	6 752	29 319	62 344
Assets, total	**8 843 138**	**36 588**	**72 522**	**8 952 247**
Banking liabilities	8 332 992			8 332 992
Provisions and other liabilities	44 333	5 974	44 708	95 014
Equity			524 241	524 241
Liabilities and equity, total	**8 377 325**	**5 974**	**568 949**	**8 952 247**

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
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**

Material customer business items, as well as the tangible and intangible assets 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'.

GROUP'S NOTE 4: NET INTEREST INCOME

	2022	2021
Interest income		
Debt securities eligible for refinancing with central banks		
measured at fair value through other comprehensive income	2 751	2 684
Receivables from credit institutions	3 869	12
Receivables from customers	130 480	98 163
Debt securities		
measured at fair value through other comprehensive income	1 836	2 653
measured at fair value through profit or loss	45	-847
Derivatives	313	258
Other interest income	2	1
Total interest income using the effective interest method	138 936	103 513
Other interest income	359	-588
Interest income, total	**139 295**	**102 925**
Interest income from stage 3 financial assets	2 291	1 848
Interest expenses		
Liabilities to credit institutions	-1 975	-1 868
Liabilities to customers	-6 395	-2 576
Issued bonds	-1 941	-134
Derivatives	-4 177	-6 604
Subordinated debts	-2 674	-1 366
Other interest expenses	-427	-12
Interest expenses on leases	-19	-24
Total interest expenses using the effective interest method	-12 986	-5 944
Other interest expenses	-4 622	-6 640
Interest expenses, total	**-17 608**	**-12 583**
Net interest income	**121 687**	**90 341**
of which negative interest income	0	-847
of which negative interest expenses, which are included in interest income	-475	-808

GROUP'S NOTE 5: NET FEE AND COMMISSION INCOME

	2022	2021
Fee and commission income by segment		
Fee and commission income from Banking		
From lending	33 240	26 939
From borrowing	3 323	2 728
From payment transactions	17 307	15 669
From legal duties	424	433
From insurance brokerage	1 601	1 445
From issuance of guarantees	34	51
Total fee and commission income from Banking	55 929	47 264
Fee and commission income from Wealth Management		
From funds *	37 974	67 759
From wealth management	2 498	4 066
From property management	3 087	3 352
Total fee and commission income from Wealth Management	43 560	75 177
Fee and commission income from other activities		
From securities brokerage	577	169
Other fee and commission income	1 114	1 063
Total fee and commission income from other activities	1 691	1 232
Fee and commission income, total	**101 179**	**123 674**
Fee and commission expenses		
From funds *	-3 552	-33 288
From wealth management	-97	-232
From securities brokerage	-973	-1 542
From card business	-8 494	-6 379
From property management	-292	-313
Banking fees	-466	-527
Other expenses	-112	-581
Fee and commission expenses, total	**-13 985**	**-42 863**
Net fee and commission income	**87 195**	**80 811**

* The year-on-year decrease in fee and commission income and expenses from funds is due to the changes in the management of LocalTapiola funds.

GROUP'S NOTE 6: NET INCOME FROM INVESTING ACTIVITIES

	2022	2021
Net income from financial assets measured at fair value through profit or loss		
Debt securities		
Capital gains and losses	0	25
Changes in fair value	-225	-81
Shares and interests		
Capital gains and losses	6 328	122
Changes in fair value	-4 691	1 654
Derivatives		
Changes in fair value	1 028	-25
Net income from financial assets measured at fair value through profit or loss, total	**2 440**	**1 695**
Net income from financial assets measured at fair value through other comprehensive income		
Debt securities		
Capital gains and losses	-316	683
Other income and expenses	-23	-17
Shares and interests		
Capital gains and losses	362	535
Net income from financial assets measured at fair value through other comprehensive income, total	**23**	**1 201**
Net income from currency operations	**401**	**362**
Net income from hedge accounting		
Net result from hedging instruments	31 097	8 311
Net result from hedged items	-31 527	-8 463
Net income from hedge accounting	**-429**	**-152**
Net income from investing activities, total	**2 436**	**3 107**

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.

GROUP'S NOTE 7: OTHER OPERATING INCOME

	2022	2021
Other operating income	10 395	12 690
Other operating income, total	**10 395**	**12 690**

Other operating income includes example administrative fees charged to the S Group and revenue from the sale of receivables. The income for comparative period includes revenue from transferring the management of the LocalTapiola funds.

GROUP'S NOTE 8: PERSONNEL EXPENSES

Personnel expenses	2022	2021
Salaries and fees *	-48 593	-46 326
Indirect personnel expenses	-1 681	-1 461
Pension expenses		
Defined contribution pension plans	-9 299	-8 397
Defined benefit plans	167	39
Personnel expenses, total *	**-59 406**	**-56 146**

Number of personnel	31 Dec 2022	31 Dec 2021
Permanent full-time	722	632
Permanent part-time	27	27
Fixed-term	27	28
Personnel, total	**776**	**687**

* Payments to personnel fund were moved from Other administrative expenses to Personnel expenses since the publication of the 31 December 2021 financial statements.
Related party remuneration is disclosed in Group's note 37. The defined benefit pension liabilities are specified in Group's note 32.

GROUP'S NOTE 9: DEPRECIATION AND IMPAIRMENT

	2022	2021
Depreciation of tangible and intangible assets		
Intangible assets	-12 230	-9 362
Tangible assets	-282	-359
Right-to-use assets	-2 377	-2 822
Depreciation of tangible and intangible assets, total	**-14 889**	**-12 543**
Impairment of tangible and intangible assets		
Intangible assets	-411	-263
Tangible assets	0	-179
Impairment of tangible and intangible assets, total	**-411**	**-442**
Depreciation and impairment of tangible and intangible assets, total	**-15 301**	**-12 985**

Impairment losses are recognised for information systems and intangible assets not yet available for use. The impairment testing of goodwill is specified in Group's note 24.

GROUP'S NOTE 10: OTHER OPERATING EXPENSES

	2022	2021
Other operating expenses		
Costs related to leases		
Lease expenses on short-term leases	-300	-440
Rental expenses for low value assets	-576	-429
Other operating expenses	-11 110	-5 476
Other operating expenses, total	**-11 986**	**-6 345**
Breakdown of the fees paid to the audit firm		
Audit	-299	-297
Tax consultancy	-17	-7
Other services	-105	-74
Fees paid to the audit firm, total	**-420**	**-377**
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-1 526	-993
Deposit guarantee fund contribution	-7 214	-7 201
Administrative fee	-36	-30
Fees paid to the Finnish Financial Stability Authority, total	**-8 776**	**-8 225**

The Deposit Guarantee Fund reimbursed the deposit guarantee contribution collected for the Financial Stability Fund. The impact on the profit from The Deposit Guarantee Fund contribution was EUR 5 206 thousand for the financial year 2022. This did not result impact on profit for the comparative period.

GROUP'S NOTE 11: IMPAIRMENT OF RECEIVABLES

Expected and final credit losses of EUR 18.5 (21.4) million were recognised in the consolidated income statement during the reporting period. Reversals, or recovered credit losses, amounted to EUR 6.6 million (5.7). Consequently, the total net effect on profit of expected and final credit losses was EUR 12.0 million (15.7).

Expected credit losses and impairment losses recognised during the period

Expected credit losses and impairment losses (EUR '000)	2022	2021
Receivables written off as credit and guarantee losses	-16 642	-20 324
Reversal of receivables written off	6 572	5 675
Expected credit losses (ECL) on receivables from customers and off-balance sheet commitments	-2 060	-1 246
Expected credit losses (ECL) on investing activities	171	177
Total	**-11 960**	**-15 718**

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. During the first half of the year, S-Bank updated its criteria for identifying significant increase in credit risk based on statistical analysis, which decreased the amount of receivables classified in stage 2. 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 22.5 million (20.6). The ECL provision increased by EUR 1.9 million during the reporting period. The ECL provision related to stage 3 exposures increased by EUR 3,7 million, mainly due to the growth in defaulted household customer exposures. The coverage ratio of the total portfolio increased to 0.23 per cent (0.22) and remained within the risk appetite defined by S-Bank's Board in its credit risk strategy.

Risk exposure, summary

31 Dec 2022 (EUR million)	Stage 1 Exposures and commitments subject to credit risk	Stage 1 ECL provision	Stage 2 Exposures and commitments subject to credit risk	Stage 2 ECL provision	Stage 3 Exposures and commitments subject to credit risk	Stage 3 ECL provision	Exposures and commitments, total	ECL provision, total	Coverage ratio, %
Lending to household customers*	5 317.4	-1.4	244.8	-9.3	59.4	-10.0	5 621.6	-20.7	-0.37%
Lending to corporate customers*	1 090.0	-0.2	16.3	-0.4	0.0	0.0	1 106.3	-0.6	-0.05%
Investing activities**	696.4	-0.3	1.5	-0.1	0.0	0.0	697.8	-0.4	-0.05%
Off-balance sheet commitments***	2 197.6	-0.2	14.6	-0.6	0.7	0.0	2 212.9	-0.8	-0.04%
Total	**9 301.4**	**-2.1**	**277.2**	**-10.3**	**60.1**	**-10.1**	**9 638.7**	**-22.5**	**-0.23%**

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

31 Dec 2021 (EUR million)	Stage 1 Exposures and commitments subject to credit risk	Stage 1 ECL provision	Stage 2 Exposures and commitments subject to credit risk	Stage 2 ECL provision	Stage 3 Exposures and commitments subject to credit risk	Stage 3 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 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 2022 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
Category 1	4 217 771	88 320	0	4 306 091
Category 2	334 005	8 871	0	342 876
Category 3	288 692	10 296	0	298 988
Category 4	132 924	5 659	0	138 583
Category 5	239 125	11 552	0	250 678
Category 6	102 451	42 927	0	145 377
Category 7	2 436	77 154	0	79 591
In default	0	0	59 409	59 409
Gross carrying amount	**5 317 404**	**244 780**	**59 409**	**5 621 593**
ECL provision*	-1 438	-9 256	-10 026	-20 720
Net carrying amount	**5 315 966**	**235 525**	**49 382**	**5 600 873**

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

	Lending to household customers			
31 Dec 2021 (EUR '000)	**Stage 1 12 kk 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**

The corporate loan portfolio focuses on the secured financing of housing companies that are new or under construction. As mortgage-backed loans, these are considered to be less risky, which also reduces the amount of expected credit losses. Corporate exposures and investment 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)

31 Dec 2022 (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
Category 1	2 609 370	98	0	2 609 468
Category 2	538 713	0	0	538 713
Category 3	318 178	14	0	318 192
Category 4	130 189	6	0	130 194
Category 5	358 479	5 450	0	363 929
Category 6	25 661	19 548	0	45 209
Category 7	3 442	7 288	0	10 729
In default	0	0	656	656
Total	**3 984 030**	**32 404**	**656**	**4 017 091**
ECL provision*	-697	-1 081	-38	-1 815

31 Dec 2021 (EUR '000)	Corporate lending, investing activities and off-balance sheet commitments Stage 1 12 kk 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 investment 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'.

The following tables describe transfers and changes in expected credit losses during the financial year. 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 2.0 million compared to the situation at the beginning of the financial year. This item is affected by estimates from risk models and changes in provisions based on the management judgement, for example. The estimates from risk models were affected by updates in ECL calculation, which decreased ECL provision approximately by EUR 2.1 million. The changes in management judgement increased ECL provision approximately by EUR 1.6 million during the financial year. The changes in ECL calculation and management judgement are described further in chapter credit risk.

Reconciliation of expected credit losses (household customers)

31 Dec 2022 (EUR '000)	Household customers Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
ECL 1 Jan 2022	**1 734**	**10 371**	**6 301**	**18 406**
Transfers from Stage 1 to Stage 2	-255	3 951	0	3 696
Transfers from Stage 1 to Stage 3	-55	0	2 356	2 301
Transfers from Stage 2 to Stage 1	102	-3 101	0	-2 999
Transfers from Stage 2 to Stage 3	0	-882	3 392	2 511
Transfers from Stage 3 to Stage 1	2	0	-287	-285
Transfers from Stage 3 to Stage 2	0	107	-785	-678
Changes in the risk parameters	-404	-1 136	-164	-1 703
Increases due to origination and acquisition	555	1 592	911	3 058
Decreases due to derecognition	-209	-835	-549	-1 593
Decrease in the allowance account due to write-offs	-31	-813	-1 150	-1 994
Net change in ECL	-295	-1 116	3 726	2 314
ECL 31 Dec 2022	**1 438**	**9 256**	**10 026**	**20 720**

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**

Reconciliation of expected credit losses (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 2022 (EUR '000)	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
ECL 1 Jan 2022	**914**	**1 297**	**29**	**2 240**
Transfers from Stage 1 to Stage 2	-20	278	0	258
Transfers from Stage 1 to Stage 3	-1	0	12	12
Transfers from Stage 2 to Stage 1	12	-306	0	-294
Transfers from Stage 2 to Stage 3	0	-12	7	-5
Transfers from Stage 3 to Stage 1	0	0	-13	-13
Transfers from Stage 3 to Stage 2	0	2	-1	1
Changes in the risk parameters	-128	-194	1	-322
Increases due to origination and acquisition	178	269	10	458
Decreases due to derecognition	-258	-192	-5	-455
Decrease in the allowance account due to write-offs	-1	-62	-2	-65
Net change in ECL	-217	-217	9	-425
ECL 31 Dec 2022	**697**	**1 081**	**38**	**1 815**

	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**
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**

GROUP'S NOTE 12: 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 Plc 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**	**2022**	**2021**
S-Crosskey Ab	Mariehamn	40 %	40 %

Associated companies have been consolidated by using the equity method.

	S-Crosskey Ab	
Summary of financial information concerning significant associates	**2022**	**2021**
Total assets	1 035	1 226
Total liabilities	999	1 193
Revenue	12 868	14 656
Profit (loss) for the period	3	4

	S-Crosskey Ab	
Reconciliation of associate financial information to book value on the balance sheet	**2022**	**2021**
Associated company net assets	36	33
Group holding	40%	40%
Adjustments	-9	-9
The balance sheet value of the associated company in the consolidated balance sheet	5	4

GROUP'S NOTE 13: INCOME TAXES

Tax assets and liabilities	31 Dec 2022	31 Dec 2021
Tax assets		
Deferred tax assets	6 132	1 455
Tax assets based on taxable income for the financial year	1 266	596
Tax assets, total	**7 398**	**2 051**
Tax liabilities		
Deferred tax liabilities	4 526	5 667
Tax liabilities based on taxable income for the financial year	4 458	1 517
Tax liabilities, total	**8 984**	**7 183**

Reconciliation of taxes at current tax rates with those in the income statement	2022	2021
Profit before tax	44 693	24 784
Income tax rate	20%	20%
Proportion of profit by tax rate	-8 939	-4 957
Persistent differences	509	-158
Tax-exempt income	0	0
Non-deductible expenses	-444	-340
Taxes for previous periods	-11	222
Income taxes, total	**-8 884**	**-5 233**
Average effective tax rate	20%	21%

Income taxes	2022	2021
Taxes for the period	-9 487	-5 687
Taxes for previous periods	-11	222
Change in deferred taxes	614	232
Income taxes, total	**-8 884**	**-5 233**

Deferred taxes in the comprehensive income statement	2022	2021
Deferred taxes on financial assets	5 240	-272
Deferred taxes on defined benefit plans	-36	58
Deferred taxes in the comprehensive income statements, total	**5 204**	**-214**

Changes in deferred tax assets and liabilities

	31 Dec 2021	Business combinations	Through other comprehensive income	Through profit or loss	31 Dec 2022
Deferred tax assets					
Measured at fair value	0		4 800	108	4 908
Fee accruals	476			35	511
Confirmed losses	19			0	19
Mergers and acquisitions	830			-196	634
Other items *	130		-36	-33	61
Deferred tax assets, total	**1 455**		**4 764**	**-87**	**6 132**
Deferred tax liabilities					
Measured at fair value	496		-440	0	57
Mergers and acquisitions	751			-151	600
Intangible assets	1 204			-152	1 052
Appropriations **	948			-37	911
Provisions and loan impairment	2 267			-360	1 907
Deferred tax liabilities, total	**5 667**		**-440**	**-701**	**4 526**

	31 Dec 2020	Business combinations	Through other comprehensive income	Through profit or loss	31 Dec 2021
Deferred tax assets					
Fee accruals	488			-12	476
Confirmed losses	819			-800	19
Mergers and acquisitions	0			830	830
Other items *	79		58	-8	130
Deferred tax assets, total	**1 386**		**58**	**10**	**1 455**
Deferred tax liabilities					
Measured at fair value	257		272	-32	496
Mergers and acquisitions	894	9		-151	751
Intangible assets	1 170			34	1 204
Appropriations **	684			264	948
Provisions and loan impairment	2 604			-337	2 267
Deferred tax liabilities, total	**5 608**	**9**	**272**	**-222**	**5 667**

* Other items include changes in employee benefits.
** 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.

GROUP'S NOTE 14: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

Classes of financial assets 31 Dec 2022	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	1 368 195				1 368 195
Debt securities eligible for refinancing with central banks		556 923			556 923
Receivables from credit institutions	9 215				9 215
Receivables from customers	6 695 255				6 695 255
Debt securities		137 806	1 979		139 785
Derivatives			978	23 283	24 261
Shares and interests		752	19 913		20 665
Total	**8 072 665**	**695 481**	**22 870**	**23 283**	**8 814 299**

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 liabilities 31 Dec 2022	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	23 156			23 156
Liabilities to customers	7 983 559			7 983 559
Issued bonds	219 270			219 270
Subordinated debts	107 000			107 000
Derivatives		4	3	7
Lease liabilities	4 783			4 783
Total	**8 337 768**	**4**	**3**	**8 337 775**

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**

GROUP'S NOTE 15: 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 2022	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial assets measured at amortised cost					
Cash and cash equivalents		1 368 195		1 368 195	1 368 195
Receivables from credit institutions		9 843		9 843	9 215
Receivables from customers		6 993 283		6 993 283	6 695 255
Total		**8 371 322**		**8 371 322**	**8 072 665**
Financial assets measured at fair value through profit or loss					
Debt securities		1 979		1 979	1 979
Derivatives		24 261		24 261	24 261
Shares and interests	7 226	12 687		19 913	19 913
Total	**7 226**	**38 927**		**46 153**	**46 153**
Financial assets measured at fair value through other comprehensive income					
Debt securities eligible for refinancing with central banks	539 811	18 923		558 734	556 923
Debt securities	135 614	3 500		139 114	137 806
Shares and interests		631	121	752	752
Total	**675 425**	**23 053**	**121**	**698 600**	**695 481**
Fair values of assets, total	**682 652**	**8 433 302**	**121**	**9 116 075**	**8 814 299**

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		1 091 962		1 091 962	1 091 962
Receivables from credit institutions		25 022		25 022	25 064
Receivables from customers		6 495 290		6 495 290	6 086 022
Total		**7 612 275**		**7 612 275**	**7 203 049**
Financial assets measured at fair value through profit or loss					
Debt securities		252 056		252 056	252 056
Derivatives		582		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		686 814	684 859
Debt securities	204 420	9 261		213 681	212 172
Shares and interests		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 liabilities, fair values 31 Dec 2022	Level 1	Level 2	Level 3	Fair value, total	Carrying amount
Financial liabilities measured at amortised cost					
Liabilities to credit institutions		23 156		23 156	23 156
Liabilities to customers		7 765 861		7 765 861	7 983 559
Issued bonds	215 087			215 087	219 270
Subordinated debts		107 987		107 987	107 000
Total	**215 087**	**7 897 005**		**8 112 092**	**8 332 985**
Financial liabilities measured at fair value through profit or loss					
Derivatives		7		7	7
Total		**7**		**7**	**7**

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

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 2022	127
Other changes	-6
Shares and interests, carrying amount 31 Dec 2022	**121**

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.

GROUP'S NOTE 16: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

31 Dec 2022	0-3 months	3-12 months	1-5 years	5-10 years	More than 10 years	Total
Cash and cash equivalents	1 368 195					1 368 195
Debt securities eligible for refinancing with central banks	45 910	146 676	316 706	47 631	0	556 923
Receivables from credit institutions	9 215	0	0	0	0	9 215
Receivables from customers	190 343	386 584	1 641 762	1 401 914	3 074 650	6 695 255
Debt securities	10 963	12 139	99 176	17 507	0	139 785
Derivatives	104	1 838	12 340	9 979	0	24 261
Financial assets, total	**1 624 731**	**547 238**	**2 069 984**	**1 477 031**	**3 074 650**	**8 793 634**
Liabilities to credit institutions	23 156	0	0	0	0	23 156
Liabilities to customers	7 908 579	58 752	16 228	1	0	7 983 559
Issued bonds	0	0	219 270	0	0	219 270
Subordinated debts	0	5 667	40 033	61 300	0	107 000
Derivatives	7	0	0	0	0	7
Lease liabilities	3	164	4 615	0	0	4 783
Financial liabilities, total	**7 931 745**	**64 583**	**280 146**	**61 301**	**0**	**8 337 775**

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**

GROUP'S NOTE 17: CASH AND CASH EQUIVALENTS

	31 Dec 2022	31 Dec 2021
Cash	59 413	55 541
Receivables from central banks	1 308 782	1 036 422
Cash and cash equivalents, total	**1 368 195**	**1 091 962**

GROUP'S NOTE 18: DEBT SECURITIES ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS

	31 Dec 2022	31 Dec 2021
Measured at fair value through other comprehensive income		
Public corporations	39 543	71 325
Credit institutions	486 023	565 310
Other financial institutions	7 129	0
Companies outside the financial sector	24 228	48 225
Debt securities eligible for refinancing with central banks, total	**556 923**	**684 859**

The credit risk of debt securities and the effects of expected credit losses are described in Group's note 2.

GROUP'S NOTE 19: RECEIVABLES FROM CREDIT INSTITUTIONS

	31 Dec 2022	31 Dec 2021
Repayable on demand	2 633	4 743
Other than repayable on demand	6 582	20 322
Receivables from credit institutions, total	**9 215**	**25 064**

Credit risk on receivables from credit institutions and the effects of expected credit losses are described in Group's note 2.

GROUP'S NOTE 20: RECEIVABLES FROM CUSTOMERS

	31 Dec 2022	Loss allowance *
Household customers	5 600 647	20 720
Secured loans	4 753 697	11 292
Unsecured loans	846 949	9 429
Corporate customers	1 094 608	591
Receivables from customers, total	**6 695 255**	**21 312**

	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**

* 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 Group's note 2.

GROUP'S NOTE 21: DEBT SECURITIES

	31 Dec 2022	31 Dec 2021
Measured at fair value through other comprehensive income		
Debt securities		
Credit institutions	54 582	67 986
Companies outside the financial sector	83 224	144 186
Measured at fair value through other comprehensive income, total	**137 806**	**212 172**
of which publicly quoted	137 806	212 172
Measured at fair value through profit or loss		
Commercial papers		
Other financial institutions		6 408
Companies outside the financial sector		43 073
Commercial papers, total		49 481
of which publicly quoted		
Municipal papers		
Public corporations	1 979	197 554
Municipal papers, total	1 979	197 554
of which publicly quoted		
Certificates of deposit		
Credit institutions		5 020
Certificates of deposit, total		5 020
of which publicly quoted		
Measured at fair value through profit or loss, total	**1 979**	**252 056**
Debt securities, total	**139 785**	**464 228**

The credit risk of debt securities and the effects of expected credit losses are described in Group's note 2.

GROUP'S NOTE 22: DERIVATIVES AND HEDGE ACCOUNTING

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 2022			31 Dec 2021		
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	612 200	23 283	-3	531 200	540	-8 285
Total interest rate derivatives designated for hedge accounting	**612 200**	**23 283**	**-3**	**531 200**	**540**	**-8 285**
For non-hedging purposes						
Interest rate derivatives						
Interest rate swaps	30 000	978	-4	50 000	41	-98
Total interest rate derivatives, other than for hedging purposes	**30 000**	**978**	**-4**	**50 000**	**41**	**-98**
Total derivatives	**642 200**	**24 261**	**-7**	**581 200**	**582**	**-8 383**

	31 Dec 2022				31 Dec 2021			
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	245 000	317 200	50 000	612 200	69 000	422 200	40 000	531 200
For non-hedging purposes								
Interest rate derivatives	20 000	0	10 000	30 000	30 000	10 000	10 000	50 000
Total derivatives	**265 000**	**317 200**	**60 000**	**642 200**	**99 000**	**432 200**	**50 000**	**581 200**

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 2022	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	612 200	23 283	-3	Derivatives	31 097
Hedging derivatives, total	**612 200**	**23 283**	**-3**		**31 097**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2022	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Balance sheet item including the hedged item**	**Ineffective portion recognised in the income statement**
Hedged item						
Debt securities	694 729	0	23 762	0	Debt securities	-31 527
Hedged items, total	**694 729**	**0**	**23 762**	**0**		**-31 527**

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 2022		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	-31 527	31 097	-429	Net income from investing activities: Net income from hedge accounting

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	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 from hedge accounting

The accounting policies for hedge accounting are described in the Group's note 1 under Derivates and hedge accounting.

GROUP'S NOTE 23: SHARES AND INTERESTS

	31 Dec 2022	31 Dec 2021
Measured at fair value through other comprehensive income		
Other financial institutions *	18	25
Companies outside the financial sector *	734	707
Measured at fair value through other comprehensive income, total	**752**	**732**
Measured at fair value through profit or loss		
Credit institutions *	5 091	8 972
Companies outside the financial sector *	14 822	21 871
Measured at fair value through profit or loss, total	**19 913**	**30 843**
of which publicly quoted	19 913	30 843
Shares and interests, total	**20 665**	**31 575**

* The presentation has been amended since the publication of the 31 December 2021 financial statements.

The fair value hierarchy levels of shares and interests are specified in Group's note 15.

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.

GROUP'S NOTE 24: INTANGIBLE ASSETS

Changes in intangible assets in 2022	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost 1 Jan 2022	5 039	109 132	14 436	37 997	166 605
Increases	0	37	9 965	0	10 001
Decreases	0	-565	-100	0	-665
Transfers between items	0	12 301	-12 511	0	-210
Acquisition cost 31 Dec 2022	5 039	120 905	11 789	37 997	175 731
Accumulated amortisation, depreciation and impairment at 1 Jan 2022	-1 282	-79 224		-12 748	-93 254
Accumulated amortisation for allowances and transfers	0	395		0	395
Depreciation	-757	-11 473		0	-12 230
Impairments	0	-311		0	-311
Accumulated amortisation, depreciation and impairment at 31 Dec 2022	-2 039	-90 613		-12 748	-105 400
Carrying amount 1 Jan 2022	3 757	29 908	14 436	25 250	73 351
Carrying amount 31 Dec 2022	**3 000**	**30 292**	**11 789**	**25 250**	**70 331**

Changes in intangible assets in 2021	Intangible rights	IT systems	Projects in progress	Goodwill	Total
Acquisition cost 1 Jan 2021	4 993	91 687	19 430	42 115	158 224
Increases *	54	740	13 966	1	14 762
Decreases	-8	-857	-1 220	-892	-2 977
Transfers between items	0	17 562	-17 739	-3 227	-3 404
Acquisition cost 31 Dec 2021 *	5 039	109 132	14 436	37 997	166 605
Accumulated amortisation, depreciation and impairment 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 31 Dec 2021	-1 282	-79 224		-12 748	-93 254
Carrying amount 1 Jan 2021	4 468	20 956	19 430	26 141	70 995
Carrying amount 31 Dec 2021 *	**3 757**	**29 908**	**14 436**	**25 250**	**73 351**

* Prepayments and acquisitions in progress of ICT-systems were moved from Tangible assets to Intangible assets since the publication of the 31 December 2021 financial statements.

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 2022, the most significant increases in projects in progress were due to work on S-mobiili and digital services development projects. Intangible assets, most of which are IT projects, are evaluated annually in conjunction with the budgeting process. Based on an assessment, an impairment loss of EUR 311 thousand (236) was recognised in the reporting period.

Goodwill-impairments testing

Goodwill is allocated to the following cash-generating unit:

	31 Dec 2022	31 Dec 2021
Goodwill		
Wealth Management	25 250	25 250
Goodwill, total	**25 250**	**25 250**

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 2022 and 31 December 2021 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 12.1 per cent on 31 December 2022 and 5.5 per cent on 31 December 2021.

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. The cash flows are based on a three-year financial planning. The terminal value of cash flows beyond this period is calculated based on the average of the cash flows for previously mentioned three-year period. The amount of cash that, based on the calculation, can be accrued from the business exceeded the cash-flow generating units balance value by approximately EUR 10 million in impairment testing as per 31 December 2022. According to our estimate, a change of +2 percentage points in the discount rate or -1 percentage point in the growth factor beyond a three-year period could be possible. Such changes, however, would not lead to a situation that would result a need for write-down.

GROUP'S NOTE 25: TANGIBLE ASSETS

Changes in tangible assets in 2022	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Right-to-use assets	Total tangible assets
Acquisition cost 1 Jan 2022	865	1 514	0	10 043	12 422
Increases	0	0	55	233	288
Decreases	0	0	0	-340	-340
Contractual changes	0	0	0	-868	-868
Transfers between items	0	38	-38	-125	-125
Acquisition cost 31 Dec 2022	865	1 553	17	8 942	11 377
Accumulated amortisation, depreciation and impairment 1 Jan 2022	-861	-722		-3 390	-4 973
Accumulated amortisation for allowances and transfers	0	0		1 523	1 523
Depreciation	-1	-281		-2 377	-2 659
Accumulated amortisation, depreciation and impairment 31 Dec 2022	-862	-1 003		-4 244	-6 109
Carrying amount 1 Jan 2022	4	792	0	6 653	7 449
Carrying amount 31 Dec 2022	**3**	**549**	**17**	**4 699**	**5 268**

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 1 Jan 2021	4 001	1 777	195	14 750	20 723
Increases *	0	3	41	620	664
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 31 Dec 2021 *	865	1 514	0	10 043	12 422
Accumulated amortisation, depreciation and impairment 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
Impairments	0	-179		0	-179
Accumulated amortisation, depreciation and impairment 31 Dec 2021	-861	-722		-3 390	-4 973
Carrying amount 1 Jan 2021	5	1 090	195	9 430	10 720
Carrying amount 31 Dec 2021 *	**4**	**792**	**0**	**6 653**	**7 449**

* Prepayments and acquisitions in progress of ICT-systems were moved from Tangible assets to Intangible assets since the publication of the 31 December 2021 financial statements.

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 2022	Buildings and structures, right-to-use	Machinery and equipment, right-to-use	Right-to-use assets, total
Acquisition cost 1 Jan 2022	9 242	801	10 043
Increases	0	233	233
Decreases	-295	-45	-340
Contractual changes	-831	-37	-868
Transfers between items	0	-125	-125
Acquisition cost 31 Dec 2022	8 116	826	8 942
Accumulated amortisation, depreciation and impairment 1 Jan 2022	-3 068	-322	-3 390
Accumulated amortisation for allowances and transfer	1 303	221	1 523
Depreciation	-2 097	-280	-2 377
Accumulated amortisation, depreciation and impairment 31 Dec 2022	-3 862	-381	-4 244
Carrying amount 1 Jan 2022	6 174	479	6 653
Carrying amount 31 Dec 2022	**4 253**	**445**	**4 699**

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 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 31 Dec 2021	9 242	801	10 043
Accumulated amortisation, depreciation and impairment 1 Jan 2021	-4 821	-499	-5 320
Accumulated amortisation for allowances and transfer	4 301	451	4 752
Depreciation	-2 548	-274	-2 822
Accumulated amortisation, depreciation and impairment 31 Dec 2021	-3 068	-322	-3 390
Carrying amount 1 Jan 2021	9 094	336	9 430
Carrying amount 31 Dec 2021	**6 174**	**479**	**6 653**

Lease liabilities	31 Dec 2022	31 Dec 2021
Long-term lease liabilities	2 452	4 120
Short-term lease liabilities	2 330	2 561
Lease liabilities, total	**4 783**	**6 681**

Lease liabilities are included in Other liabilities.
The maturity breakdown of lease liabilities is presented in Group's note 16.

Items recognised in the income statement	2022	2021
Interest expenses on leases	1	-21
Lease expenses on short-term leases	-300	-440
Rental expenses for low value assets	-595	-428
Depreciation of right-to-use assets, buildings	-2 097	-2 548
Depreciation of right-to-use assets, machinery and equipment	-280	-274
Items recognised in the income statement, total	**-3 271**	**-3 711**

Cash flow from leases	2022	2021
Cash flow from leases, total	**-3 235**	**-3 717**

GROUP'S NOTE 26: PREPAYMENTS AND ACCRUED INCOME

	31 Dec 2022	31 Dec 2021
Interest receivables	19 359	11 178
Fee claims	8 678	9 372
Other receivables	17 304	7 378
Prepayments	638	395
Prepayments and accrued income, total	**45 979**	**28 322**

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

GROUP'S NOTE 27: OTHER ASSETS

	31 Dec 2022	31 Dec 2021
Receivables from payment transactions	5 161	1 188
Accounts receivable	3 492	3 857
Other receivables	314	369
Other assets, total	**8 967**	**5 414**

GROUP'S NOTE 28: LIABILITIES TO CREDIT INSTITUTIONS AND CUSTOMERS

	31 Dec 2022	31 Dec 2021
Liabilities to credit institutions		
Liabilities to credit institutions, repayable on demand	1	108
Liabilities to credit institutions, other than repayable on demand	23 156	0
Liabilities to credit institutions, total	**23 156**	**108**
Liabilities to customers		
Deposits		
Deposits payable on demand	7 845 434	7 550 209
Deposits other than repayable on demand	80 156	4 741
Other liabilities		
Other liabilities repayable on demand, total	54 283	52 213
Liabilities other than repayable on demand	3 686	4 102
Liabilities to customers, total	**7 983 559**	**7 611 265**
Liabilities to credit institutions and customers, total	**8 006 716**	**7 611 373**

GROUP'S NOTE 29: ISSUED BONDS

	31 Dec 2022		31 Dec 2021			
	Carrying amount	Nominal value	Carrying amount	Nominal value	Interest	Maturity
S-Bank Plc's Senior Preferred MREL Eligible Notes 1/2021, Tranche 1	169 946	170 000	169 699	170 000	Euribor 3 m + 0.75%	4 Apr 2025
S-Bank Plc's Senior Preferred MREL Eligible Notes 1/2021, Tranche 2	49 324	50 000	0	0	Euribor 3 m + 0.75%	4 Apr 2025

GROUP'S NOTE 30: SUBORDINATED DEBTS

	31 Dec 2022		31 Dec 2021			
	Carrying amount	Nominal value	Carrying amount	Nominal value	Interest	Maturity
Debenture I/2016 *	17 333	17 333	21 667	21 667	Euribor 12 m + 1.8%	30 Jun 2026
Debenture I/2017	6 666	6 666	8 000	8 000	Euribor 12 m + 1.8%	18 Dec 2027
Debenture I/2020	25 500	25 500	25 500	25 500	Euribor 12 m + 2.0%	1 Dec 2030
Debenture I/2021	57 500	57 500	57 500	57 500	Euribor 12 m + 2.0%	8 Oct 2031

* The nominal value for comparison period has been amended with the value of amortisation.

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.

GROUP'S NOTE 31: ACCRUED EXPENSES

	31 Dec 2022	31 Dec 2021
Interest payable	3 183	3 443
Accrued expenses associated with personnel expenses	17 601	16 483
Other accrued expenses	9 466	12 373
Accrued expenses, total	**30 250**	**32 299**

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

GROUP'S NOTE 32: OTHER LIABILITIES AND PROVISIONS

	31 Dec 2022	31 Dec 2021
Lease liabilities	4 783	6 681
Payables arising from payment transactions	34 913	29 269
Other	15 782	13 375
Other liabilities, total	**55 477**	**49 325**
Defined benefit plans	303	649
Provision, total	**303**	**649**
Other liabilities and provisions, total	**55 780**	**49 973**

Lease liabilities are further specified under Group's note 25.
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 2022	31 Dec 2021
Present value of the defined benefit obligation	1 354	2 968
Fair value of defined benefit plan assets	-1 051	-2 320
Net debt arising from a defined benefit plan	**303**	**649**

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	
	2022	2021	2022	2021	2022	2021
Opening balance sheet at 1 Jan	**2 968**	**2 662**	**2 320**	**2 265**	**649**	**397**
Items recognised in the income statement:						
Expense based on time of service in the period	319	337			319	337
Interest expense/income	27	25	23	23	4	3
Total	**346**	**363**	**23**	**23**	**323**	**340**
Items recognised in other comprehensive income:						
Items due to reassessment:						
Actuarial gains/losses (-/+) based on changes in financial factors	-979	228			-979	228
Actuarial gains/losses (-/+) based on empirical changes	-97	-42			-97	-42
Return on plan assets excluding interest income/expense (+/-)			-898	-104	898	104
Total	**-1 076**	**186**	**-898**	**-104**	**-179**	**290**
Other:						
Benefits paid	-884	-242	-884	-242	0	0
Contributions to defined benefit plan			490	378	-490	-378
Total	**-884**	**-242**	**-394**	**136**	**-490**	**-378**
Closing balance sheet at 31 Dec	**1 354**	**2 968**	**1 051**	**2 320**	**303**	**649**

The duration based on the weighted average of the obligation is 27 years (26 years). S-Bank estimates that the expected payment under the defined benefit plan will be approximately EUR 135 thousand in 2022 (388).

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

	S-Bank Plc	
	2022	2021
Discount rate	3.30%	0.90%
Increase in wages	2.70%	1.90%
Inflation	2.70%	1.90%

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.

	2022		2021	
	Increase	Decrease	Increase	Decrease
Change (EUR '000) when the discount rate changes by +/- 0.5 percentage points	246	371	507	817

GROUP'S NOTE 33: EQUITY ITEMS

	31 Dec 2022	31 Dec 2021
Share capital	82 880	82 880
Reserves	263 148	284 277
Fair value reserve	-20 680	449
Reserve for invested non-restricted equity	283 828	283 828
Retained earnings	178 213	142 148
Retained earnings (losses)	142 404	122 598
Profit (loss) for the period	35 809	19 551
Total equity	**524 241**	**509 306**
Parent company's shareholders	524 241	509 306

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.

Number of shares	31 Dec 2022	31 Dec 2021
Shares outstanding at the beginning of the period	6 680 180	6 680 180
Shares outstanding at the end of the period	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 reserve for invested non-restricted equity.

Fair value reserve

The reserve 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 Group's note 15.

Reserve for invested non-restricted equity

The reserve is made up of shareholders' investments and was established by a decision of the general meeting. New capital may be recorded in the reserve, 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.

Dividend distribution to the parent company's shareholders

The Board of Directors proposes to the 2023 Annual General Meeting of S-Bank Plc that a dividend shall be paid from parent company’s distributable assets:

EUR per share	0.75
Total dividend (EUR)	5 010 135.00

OTHER NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

GROUP'S NOTE 34: COLLATERAL GIVEN

	Other collateral	
	31 Dec 2022	31 Dec 2021
Collateral given for own debt		
Liabilities to credit institutions	170 543	181 632
Derivatives	5 171	13 660
Collateral given for own debt, total	**175 714**	**195 292**
of which cash	5 171	13 660
of which securities	170 543	181 632
Other collateral given on own behalf	**357**	**362**
of which cash	357	362

Collateral given in form of securities are pre-pledged as collateral for central bank in case of possible secured lending from central bank.

GROUP'S NOTE 35: OFFSETTING FINANCIAL ASSETS AND LIABILITIES

31 Dec 2022	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	23 751	510	24 261		
Financial liabilities					
Derivatives	307	-28	279	17 985	18 264

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

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.

GROUP'S NOTE 36: OFF-BALANCE SHEET COMMITMENTS

	31 Dec 2022	31 Dec 2021
Guarantees	2 539	9 722
Other commitments given to third parties	93	150
Undrawn credit facilities	188 334	258 147
Off-balance sheet commitments, total	**190 967**	**268 019**

The expected credit loss on off-balance sheet items is EUR 841 thousand (870 thousand).

GROUP'S NOTE 37: 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 two wholly owned subsidiaries: S-Bank Fund Management Ltd and S-Asiakaspalvelu Oy. S-Bank Private Equity Funds Ltd merged with S-Bank Fund Management Ltd on 30 September 2022.

S-Bank Fund Management Ltd manages the S-Bank funds. In addition, after the merger of S-Bank Private Equity Funds Ltd, S-Bank Fund Management Ltd provides 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.

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 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 manages impact investment funds, acts as general partner and manages interventions.

FIM Real Estate 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 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:

Subsidiaries	Domicile	Share of ownership 2022	2021
S-Bank Fund Management Ltd	Helsinki	100%	100%
S-Asiakaspalvelu Oy	Helsinki	100%	100%
S-Bank Properties Ltd	Helsinki	100%	100%
S-Bank Impact Investing Ltd	Helsinki	100%	100%
FIM Real Estate Ltd	Helsinki	100%	100%
FIM Infrastructure Mezzanine Debt Fund GP Oy	Helsinki	100%	100%
FIM Infrastructure Mezzanine Debt Fund III GP Oy	Helsinki	100%	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%	100%
S-Bank Private Equity Funds Ltd	Helsinki	-	100%

The subsidiaries have been consolidated using the acquisition method.

Business combinations in 2022

No business combinations were carried out in 2022 nor in comparison period 2021.

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 Fund Management 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 three funds.

Structured entities not included in the consolidated financial statements	**2022**	**2021**
Structured entities in which the Group has an investment		
Total assets	18 580	222 744
Group investment	2 207	6 958
Total liabilities	16 373	215 786
Structured entities in which the Group has no exposure		
Total assets	3 907 208	3 861 180
Total liabilities	3 907 208	3 861 180

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.

Management compensation in 2022	Salaries and other short-term employee benefits	Post-employment benefits	Long-term defined contribution pension plans	Other long-term employee benefits
Pekka Ylihurula, CEO *	370	127	94	
Hanna Porkka, Interim CEO **	347		75	
Group Management Team excl.CEO and Interim CEO	1 408		248	
Management compensation, total	**2 125**	**127**	**417**	**0**

Management compensation in 2021	Salaries and other short-term employee benefits	Post-employment benefits	Long-term defined contribution pension plans	Other long-term employee benefits
Pekka Ylihurula, CEO	337		88	31
Hanna Porkka, Deputy CEO	261		69	61
Group Management Team excl.CEO and Deputy CEO	1 508		442	393
Management compensation, total * **	**2 106**	**0**	**599**	**485**

* Until 31 May 2022.
** Deputy CEO until 31 May 2022.
*** The comparation period has been amended with payments to personnel fund.

Board of Directors' remuneration in 2022	2022	2021
Jari Annala, Chair of the Board	39	
Jorma Vehviläinen, Vice Chair of the Board	28	
Heli Arantola	35	29
Veli-Matti Liimatainen	26	
Hillevi Mannonen	42	
Olli Vormisto	28	
Board of Directors' remuneration, total	**198**	**29**

Transactions with persons in management 2022	CEO and Interim CEO *	Group Management Team excl.CEO and Interim CEO	Board of Directors
Assets			
Loans 1 January	1 184	722	1 172
Increases	2 420	269	1 129
Decreases	-1 830	-193	-293
Loans 31 December	1 774	799	2 009
Off-balance sheet commitments			
Loan commitments	12	165	63

Transactions with persons in management 2021	CEO and Deputy CEO	Group Management Team excl.CEO and Deputy CEO	Board of Directors
Assets			
Loans 1 January	855	787	842
Increases	1 031	609	377
Decreases	-703	-674	-47
Loans 31 December	1 184	722	1 172
Off-balance sheet commitments			
Loan commitments	817	47	65

* Deputy CEO until 31 May 2022.

Related party transactions in 2022	Owner community	Associated companies	Persons in management	Other related parties
Assets				
Loans	0	0	4 581	1 426
Other receivables	0	5	0	0
Accounts receivable	46	0	0	0
Liabilities				
Deposits	92 031	0	1 913	1 072
Accounts payable	916	955	0	0
Off-balance sheet commitments				
Loan commitments	70 000	0	240	56
Income and expenses				
Interest income	331	0	26	11
Fee and commission income	113	0	2	2
Service sales	1 461	0	0	0
Interest expenses	0	0	2	1
Service purchases	20 979	13 080	0	0

Related party transactions in 2021	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
Other liabilities	0	0	0	0
Accounts payable	758	803	0	0
Off-balance sheet commitments				
Loan commitments	80 000	0	928	64
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
Interest expenses	0	0	1	1
Service purchases	18 437	14 489	0	0

FINANCIAL STATEMENTS OF S-BANK PLC

S-BANK PLC – INCOME STATEMENT

(EUR '000)	Note	2022	2021
Interest income	2	**139 321**	**103 040**
Interest expenses	2	**-17 703**	**-12 540**
NET INTEREST INCOME		**121 618**	**90 499**
Return on equity investments	3	**11 584**	**1 361**
From Group entities		11 500	1 316
From other companies		84	45
Fee and commission income	4	**82 587**	**59 774**
Fee and commission expenses	4	**-11 220**	**-6 892**
Net income from securities and currency operations	5	**2 808**	**2 027**
Net income from securities trading		2 407	1 664
Net income from currency operations		401	362
Net income from financial assets recognised at fair value through the fair value reserve	6	**23**	**1 201**
Net income from hedge accounting	7	**-429**	**-152**
Other operating income	8	**12 193**	**11 462**
Administrative expenses		**-132 121**	**-114 871**
Personnel expenses *		-51 027	-46 211
Salaries and fees *		-41 548	-38 245
Indirect personnel expenses		-9 479	-7 967
Pension expenses		-8 017	-6 712
Other indirect personnel expenses		-1 463	-1 255
Other administrative expenses *		-81 094	-68 659

(t€)	Note	2022	2021
Depreciation and impairment on tangible and intangible assets	10	**-10 733**	**-9 149**
Other operating expenses	9	**-13 518**	**-8 166**
Expected credit losses on financial assets carried at amortised cost	11	**-12 131**	**-15 894**
Expected credit losses and impairment losses on other financial assets	11	**171**	**177**
OPERATING PROFIT (LOSS)		**50 832**	**11 377**
Appropriations		**2 208**	**699**
Income taxes		**-8 373**	**-2 672**
PROFIT (LOSS) FOR THE PERIOD		**44 668**	**9 404**

* The comparison period has been amended since the publication of the 31 December 2021 financial statements. Payments to personnel fund were moved from Other administrative expenses to Personnel expenses.

S-BANK PLC – BALANCE SHEET

ASSETS (EUR '000)	Note	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	12, 30, 31, 32	**1 368 195**	**1 091 962**
Debt securities eligible for refinancing with central banks	12, 15, 30, 31, 32	**556 923**	**684 859**
Other		556 923	684 859
Receivables from credit institutions	12, 13, 30, 31, 32	**8 299**	**21 570**
Repayable on demand		1 717	1 249
Other		6 582	20 322
Receivables from the public and public sector entities	12, 14, 30, 31, 32	**6 695 255**	**6 086 022**
Repayable on demand		2 916	2 190
Other		6 692 339	6 083 832
Debt securities	12, 15, 30, 31, 32	**139 785**	**464 228**
From others		139 785	464 228
Shares and interests	12, 16, 30, 31	**20 564**	**31 342**
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	**24 261**	**582**
Intangible assets	19, 31	**37 446**	**38 819**
Tangible assets	20, 31	**406**	**668**
Other tangible assets		406	668
Other assets	21, 31	**8 055**	**4 655**
Accrued income and prepayments made	22, 31	**44 708**	**23 994**
Deferred tax assets	23, 31	**5 322**	**74**
ASSETS, TOTAL		**8 965 161**	**8 504 717**

LIABILITIES (EUR '000)	Note	31 Dec 2022	31 Dec 2021
LIABILITIES			
Liabilities to credit institutions	12, 30, 31, 32	**23 156**	**0**
To credit institutions		23 156	0
Repayable on demand		0	0
Liabilities to the public and public sector entities	12, 30, 31, 32	**8 026 001**	**7 656 519**
Deposits		7 968 031	7 600 204
Repayable on demand		7 887 876	7 595 463
Other		80 156	4 741
Other liabilities		57 969	56 315
Repayable on demand		54 283	52 213
Other		3 686	4 102
Issued bonds	12, 24, 30, 31, 32	**219 270**	**169 699**
Bonds		219 270	169 699
Derivatives	12, 17, 30, 31, 32	**7**	**8 383**
Other liabilities	25, 31	**49 737**	**41 540**
Other liabilities		49 737	41 540
Accrued expenses and prepayments received	26, 31	**30 837**	**28 095**
Subordinated debts	12, 27, 30, 31, 32	**107 000**	**112 667**
Other		107 000	112 667
Deferred tax liabilities	23, 31	**57**	**48**
LIABILITIES, TOTAL		**8 456 063**	**8 016 950**
ACCUMULATED APPROPRIATIONS			
Depreciation difference		**4 495**	**4 703**
Taxation-based reserves		**23 000**	**25 000**
ACCUMULATED APPROPRIATIONS, TOTAL		**27 495**	**29 703**

LIABILITIES (EUR '000)	Note	31 Dec 2022	31 Dec 2021
EQUITY			
Share capital	28, 29	**82 880**	**82 880**
Other restricted reserves	28	**-20 680**	**449**
Fair value reserve			
Measured at fair value		-20 680	449
Non-restricted reserves	28	**283 828**	**283 828**
Reserve for invested non-restricted equity		283 828	283 828
Retained earnings (losses)	28	**90 907**	**81 502**
Profit (loss) for the period	28	**44 668**	**9 404**
EQUITY, TOTAL		**481 602**	**458 064**
EQUITY AND LIABILITIES, TOTAL		**8 965 161**	**8 504 717**

OFF-BALANCE SHEET LIABILITIES (EUR '000)	35	31 Dec 2022	31 Dec 2021
Commitments given to third parties in favour of customers		**2 633**	**9 872**
Guarantees and pledges		2 539	9 722
Other		93	150
Irrevocable commitments given in favour of customers		**188 334**	**258 147**
Other		188 334	258 147

S-BANK PLC – CASH FLOW STATEMENT

(EUR '000)	Note	2022	2021
Cash flows from operating activities			
Profit (loss) for the period		**44 668**	**9 404**
Depreciation and impairment		10 733	9 149
Credit losses		18 703	21 569
Other non-payment income and expenses		4 120	-1 567
Appropriations		-2 208	-699
Income taxes		8 373	2 672
Adjustments for financial income and expenses		-7 580	-161
Adjustments, total		**32 140**	**30 963**
Cash flows from operating activities before changes in operating assets and liabilities		**76 808**	**40 367**
Increase/decrease in operating assets (-/+)			
Receivables from credit institutions, other than repayable on demand		13 740	5 867
Receivables from customers		-630 058	-663 719
Investment assets		401 849	71 037
Other assets		-16 324	-6 054
Increase/decrease in operating assets, total		**-230 793**	**-592 869**
Increase/decrease in operating liabilities (+/-)			
Liabilities to credit institutions		23 156	0
Liabilities to customers		369 482	646 911
Other liabilities		6 860	14 552
Increase/decrease in operating liabilities, total		**399 497**	**661 463**
Taxes paid		-3 668	-2 848
Cash flows from operating activities		**241 844**	**106 112**

(EUR '000)	Note	2022	2021
Cash flows from investing activities			
Investments in tangible and intangible assets		-9 043	-13 779
Cash flows from investing activities		**-9 043**	**-13 779**
Cash flows from financing activities			
Payments received from the issue of bonds and debentures	24, 27	49 324	227 199
Repayments of bonds and debentures	24, 27	-5 667	-4 333
Cash flows from financing activities		**43 657**	**222 866**
Difference in cash and cash equivalents		**276 458**	**315 199**
Cash and cash equivalents, opening balance sheet		1 093 211	777 987
Difference in cash and cash equivalents		276 458	315 199
Impact of changes in exchange rates		244	25
Cash and cash equivalents consist of the following items			
Cash and cash equivalents		1 368 195	1 091 962
Repayable on demand		1 717	1 249
Cash and cash equivalents		**1 369 912**	**1 093 211**
Interest paid		**-17 964**	**-11 758**
Dividends received		**11 584**	**1 361**
Interest received		**129 907**	**101 746**

S-BANK PLC – NOTES TO THE FINANCIAL STATEMENTS

S-BANK PLC - 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 2023, the Board of Directors approved the financial statements for the period 1 January–31 December 2022.

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 Group's note 1, section '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 intangible assets:
IT systems and licence fees: 3–5 years
Goodwill: 5 years

Tangible assets

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

Depreciation periods for tangible assets:
Machinery and equipment: 3 years
Renovations of 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.

S-BANK PLC – NOTE 2: NET INTEREST INCOME

	2022	2021
Interest income		
Receivables from credit institutions	3 865	12
Receivables from the public and public sector entities	130 511	98 278
Debt securities	4 632	4 490
Derivatives	313	258
Other interest income	0	1
Interest income, total	**139 321**	**103 040**
of which intra-Group items	32	115
Interest income from stage 3 financial assets	2 291	1 848
Interest expenses		
Liabilities to credit institutions	-1 973	-1 851
Liabilities to the public and public sector entities	-6 523	-2 576
Issued bonds	-1 941	-134
Derivatives	-4 177	-6 604
Subordinated debts	-2 674	-1 366
Other interest expenses	-415	-10
Interest expenses, total	**-17 703**	**-12 540**
of which intra-Group items	-128	0
Net interest income	**121 618**	**90 499**

S-BANK PLC – NOTE 3: RETURN ON EQUITY INVESTMENTS

	2022	2021
From Group entities	11 500	1 316
From other companies	84	45
Dividend income measured at fair value through other comprehensive income	84	45
Return on equity investments, total	**11 584**	**1 361**

S-BANK PLC – NOTE 4: FEE AND COMMISSION INCOME AND EXPENSES

	2022	2021
Fee and commission income		
From lending	32 998	26 608
From borrowing	3 323	2 728
From payment transactions	17 310	15 674
From funds	4 769	294
From wealth management	2 456	608
From legal duties	424	433
From securities brokerage	577	169
From insurance brokerage	1 601	1 445
From issuance of guarantees	34	51
From other activities	19 096	11 765
Fee and commission income, total	**82 587**	**59 774**
of which intra-Group items	26 677	12 161
Fee and commission expenses		
From funds	-1 767	-9
From asset management	-77	-40
From securities brokerage	-336	-169
From card business	-8 494	-6 379
Banking fees	-435	-214
Other expenses	-112	-81
Fee and commission expenses, total	**-11 220**	**-6 892**
of which intra-Group items	0	0

S-BANK PLC – NOTE 5: NET INCOME FROM SECURITIES AND CURRENCY OPERATIONS

2022	Capital gains and losses (net)	Changes in fair value (net)	Total
From debt securities	0	-225	-225
From shares and interests	6 264	-4 661	1 603
From derivatives	0	1 028	1 028
Net income from securities trading, total	**6 265**	**-3 858**	**2 407**
Net income from currency operations	405	-3	401
Income statement item, total	**6 669**	**-3 861**	**2 808**

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**

S-BANK PLC – NOTE 6: NET INCOME FROM FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH THE FAIR VALUE RESERVES

	2022	2021
Net income from disposal of financial assets	-316	683
Other income and expenses from other comprehensive income	339	518
Net income from financial assets recognised at fair value through the fair value reserve	**23**	**1 201**

S-BANK PLC – NOTE 7: NET INCOME FROM HEDGE ACCOUNTING

	2022	2021
Net result from hedging instruments	31 097	8 311
Net result from hedged items	-31 527	-8 463
Net income from hedge accounting, total	**-429**	**-152**

S-BANK PLC – NOTE 8: OTHER OPERATING INCOME

	2022	2021
Other income	12 193	11 462
Other operating income, total	**12 193**	**11 462**
of which from the Group	3 361	3 560

S-BANK PLC – NOTE 9: OTHER OPERATING EXPENSES

	2022	2021
Other operating expenses		
Lease expenses	-3 023	-3 671
Other expenses	-10 495	-4 495
Other operating expenses, total	**-13 518**	**-8 166**
Breakdown of the fees paid to the audit firm		
Audit	-187	-164
Tax consultancy	-17	-6
Other services	-104	-71
Fees paid to the audit firm, total	**-307**	**-241**
Breakdown of fees paid to the Finnish Financial Stability Authority		
Financial stability contribution	-1 526	-993
Deposit Guarantee Fund contribution	-7 214	-7 201
Administrative fee	-36	-30
Fees paid to the Finnish Financial Stability Authority, total	**-8 776**	**-8 225**

The Deposit Guarantee Fund reimbursed the deposit guarantee contribution collected for the Financial Stability Fund. The impact on the profit from The Deposit Guarantee Fund contribution was EUR 5 206 thousand for the financial year 2022. This did not result impact on profit for the comparative period.

S-BANK PLC – NOTE 10: DEPRECIATION AND IMPAIRMENT ON TANGIBLE AND INTANGIBLE ASSETS

	2022	2021
Depreciation according to plan		
Intangible assets	-9 783	-7 353
Goodwill	-304	-1 018
Tangible assets	-280	-358
Depreciation according to plan, total	**-10 367**	**-8 729**
Impairment losses on non-current assets		
Intangible assets	-366	-241
Tangible assets	0	-179
Impairment losses on non-current assets, total	**-366**	**-420**
Depreciation and impairment on tangible and intangible assets, total	**-10 733**	**-9 149**

S-BANK PLC – 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 9 638.7 million (9 447.7). The ECL provision at the end of the reporting period totalled EUR 22.5 million (20.6). S-Bank's credit and counterparty risk is consistent, in terms of both 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 2022	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	29	0	0	0
From receivables from the public and public sector entities	-2 118	2 083	6 572	-16 642
Commitments given on behalf of, and in favour of, customers	28	73	0	0
Total	**-2 060**	**2 155**	**6 572**	**-16 642**
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	171	0	0	0
Total	**171**	**0**	**0**	**0**
Expected credit losses, total	**-1 889**	**2 155**	**6 572**	**-16 642**

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**
Expected credit losses, total	**-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.

S-BANK PLC – NOTES TO THE BALANCE SHEET

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

S-BANK PLC – NOTE 12: CLASSES OF FINANCIAL ASSETS AND LIABILITIES

			Fair value through profit or loss		
Classes of financial assets 31 Dec 2022	**Amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value**	**Derivatives in hedge accounting**	**Total**
Cash and cash equivalents	1 368 195				1 368 195
Debt securities eligible for refinancing with central banks		556 923			556 923
Receivables from credit institutions	8 299				8 299
Receivables from the public and public sector entities	6 695 255				6 695 255
Debt securities		137 806	1 979		139 785
Shares and interests		651	19 913		20 564
Derivatives			978	23 283	24 261
Total	**8 071 749**	**695 380**	**22 870**	**23 283**	**8 813 282**

			Fair value through profit or loss		
Classes of financial assets 31 Dec 2021	**Amortised cost**	**Measured at fair value through other comprehensive income**	**Measured at fair value**	**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	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 liabilities 31 Dec 2022	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	23 156			23 156
Liabilities to the public and public sector entities	8 026 001			8 026 001
Issued bonds	219 270			219 270
Derivatives		4	3	7
Subordinated debts	107 000			107 000
Total	**8 375 426**	**4**	**3**	**8 375 433**

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		98	8 285	8 383
Subordinated debts	112 667			112 667
Total	**7 938 884**	**98**	**8 285**	**7 947 267**

S-BANK PLC – NOTE 13: RECEIVABLES FROM CREDIT INSTITUTIONS

31 Dec 2022	Repayable on demand	Other than repayable on demand	Total
From Finnish credit institutions	1 469	4 208	5 678
From foreign credit institutions	511	5 171	5 682
Receivables from credit institutions, total	**1 980**	**9 379**	**8 299**

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**

S-BANK PLC – NOTE 14: RECEIVABLES FROM THE PUBLIC AND PUBLIC SECTOR ENTITIES

31 Dec 2022	Receivables from the public and public sectorentities	Loss allowance *
Corporates and housing companies	1 044 052	522
Financial and insurance institutions	60 308	68
Households	5 583 445	20 717
Non-profit organisations serving households	1 374	1
Foreign countries	6 075	3
Receivables from the public and public sector entities, total	**6 695 255**	**21 312**

31 Dec 2021	Receivables from the public and public sectorentities	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**

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

S-BANK PLC – NOTE 15: DEBT SECURITIES

31 Dec 2022	Publicly quoted	Other	Total	Loss allowance *
Debt securities issued by public sector entities				
Financial assets measured at fair value through profit or loss		1 979	1 979	
Municipal papers		1 979	1 979	
Financial assets measured at fair value through other comprehensive income	39 543		39 543	-10
Debt securities issued by public sector entities, total	**39 543**	**1 979**	**41 522**	**-10**
Debt securities issued by other than public sector entities				
Financial assets measured at fair value through profit or loss				
Certificates of deposit issued by banks				
Commercial papers				
Financial assets measured at fair value through other comprehensive income	655 186		655 186	-372
Debt securities issued by other than public sector entities, total	**655 186**		**655 186**	**-372**
Debt securities, total	**694 729**	**1 979**	**696 708**	
of which eligible for refinancing with central banks	556 923		556 923	
of which those that accumulate no interest, total		11 823	11 823	

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	

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

S-BANK PLC – NOTE 16: SHARES AND INTERESTS

31 Dec 2022	Publicly quoted	Other	Total
Shares and interests			
Financial assets measured at fair value through profit or loss	19 833	80	19 913
Equity instruments recognised at fair value through other comprehensive income in accordance with IFRS 9.4.1.4		651	651
Shares and interests in Group companies		55 938	55 938
Shares and interests in associated companies		3	3
Shares and interests, total	**19 833**	**56 672**	**76 505**

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		632	632
Shares and interests in Group companies		55 938	55 938
Shares and interests in associated companies		3	3
Shares and interests, total	**30 569**	**56 714**	**87 283**

S-BANK PLC – 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.

Nominal and fair values of derivatives	31 Dec 2022 Nominal value	Positive fair value	Negative fair value	31 Dec 2021 Nominal value	Positive fair value	Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	612 200	23 283	-3	531 200	540	-8 285
Total interest rate derivatives designated for hedge accounting	**612 200**	**23 283**	**-3**	**531 200**	**540**	**-8 285**
Maturities of derivative exposures designated for hedge accounting						
Less than one year	245 000			69 000		
1–5 years	317 200			422 200		
More than five years	50 000			40 000		
For non-hedging purposes						
Interest rate derivatives						
Interest rate swaps	30 000	978	-4	50 000	41	-98
Total interest rate derivatives, other than for hedging purposes	**30 000**	**978**	**-4**	**50 000**	**41**	**-98**
Maturities of derivative exposures other than for hedging purposes						
Less than one year	20 000			30 000		
1–5 years	0			10 000		
More than five years	10 000			10 000		

S-BANK PLC – 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 2022 Nominal value	31 Dec 2022 Positive fair value	31 Dec 2022 Negative fair value	31 Dec 2021 Nominal value	31 Dec 2021 Positive fair value	31 Dec 2021 Negative fair value
Designated for hedge accounting						
Interest rate derivatives						
Interest rate swaps	612 200	23 283	-3	531 200	540	-8 285
Total interest rate derivatives designated for hedge accounting	**612 200**	**23 283**	**-3**	**531 200**	**540**	**-8 285**
For non-hedging purposes						
Interest rate derivatives						
Interest rate swaps	30 000	978	-4	50 000	41	-98
Total interest rate derivatives, other than for hedging purposes	**30 000**	**978**	**-4**	**50 000**	**41**	**-98**
Total derivatives	**642 200**	**24 261**	**-7**	**581 200**	**582**	**-8 383**

Maturities of derivatives	31 Dec 2022 Less than one year	31 Dec 2022 1-5 years	31 Dec 2022 Over 5 years	31 Dec 2022 Total	31 Dec 2021 Less than one year	31 Dec 2021 1-5 years	31 Dec 2021 Over 5 years	31 Dec 2021 Total
Designated for hedge accounting								
Interest rate derivatives	245 000	317 200	50 000	612 200	69 000	422 200	40 000	531 200
For non-hedging purposes								
Interest rate derivatives	20 000	0	10 000	30 000	30 000	10 000	10 000	50 000
Total derivatives	**265 000**	**317 200**	**60 000**	**642 200**	**99 000**	**432 200**	**50 000**	**581 200**

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 2022	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	612 200	23 283	-3	Derivatives	31 097
Hedging derivatives, total	**612 200**	**23 283**	**-3**		**31 097**

	Carrying amount		Cumulative change in balance sheet value			
31 Dec 2022	Assets	Liabilities	Assets	Liabilities	Balance sheet item including the hedged item	Ineffective portion recognised in the income statement
Hedged item						
Debt securities	694 729	0	23 762	0	Debt securities	-31 527
Hedged items, total	**694 729**	**0**	**23 762**	**0**		**-31 527**

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 2022		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	-31 527	31 097	-429	Net income from investing activities: Net income from hedge accounting

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	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 from hedge accounting

The accounting policies for hedge accounting are described in Group's note 1 under Derivatives and hedge accounting.

S-BANK PLC – NOTE 19: INTANGIBLE ASSETS

Changes in intangible assets in 2022	Information systems	Projects in progress	Goodwill	Total
Acquisition cost 1 Jan 2022	100 742	12 266	19 148	132 155
Increases	15	9 065	0	9 080
Decreases	-185	-100	0	-285
Transfers between items	10 337	-10 557	0	-220
Acquisition cost 31 Dec 2022	110 908	10 674	19 148	140 730
Accumulated amortisation, depreciation and impairment 1 Jan 2022	-75 632		-17 704	-93 336
Accumulated amortisation for allowances and transfers	405		0	405
Depreciation	-9 783		-304	-10 087
Impairments	-266		0	-266
Accumulated amortisation, depreciation and impairment 31 Dec 2022	-85 276		-18 008	-103 284
Carrying amount 1 Jan 2022	25 110	12 266	1 444	38 819
Carrying amount 31 Dec 2022	**25 632**	**10 674**	**1 140**	**37 446**

Changes in intangible assets in 2021	Information systems	Projects in progress	Goodwill	Total
Acquisition cost 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 31 Dec 2021	100 742	12 266	19 148	132 155
Accumulated amortisation, depreciation and impairment 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 31 Dec 2021	-75 632		-17 704	-93 336
Carrying amount 1 Jan 2021	17 508	15 642	942	34 091
Carrying amount 31 Dec 2021	**25 110**	**12 266**	**1 444**	**38 819**

S-BANK PLC – NOTE 20: TANGIBLE ASSETS

Changes in tangible assets in 2022	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost 1 Jan 2022	726	1 391	0	2 116
Increases	0	0	17	17
Acquisition cost 31 Dec 2022	726	1 391	17	2 134
Accumulated amortisation, depreciation and impairment 1 Jan 2022	-726	-722		-1 448
Depreciation	0	-280		-280
Accumulated amortisation, depreciation and impairment 31 Dec 2022	-726	-1 002		-1 728
Carrying amount 1 Jan 2022	0	668	0	668
Carrying amount 31 Dec 2022	**0**	**389**	**17**	**406**

Changes in tangible assets in 2021	Machinery and equipment	Other tangible assets	Prepayments and acquisitions in progress	Total
Acquisition cost 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 31 Dec 2021	726	1 391	0	2 116
Accumulated amortisation, depreciation and impairment 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 31 Dec 2021	-726	-722		-1 448
Carrying amount 1 Jan 2021	0	966	195	1 161
Carrying amount 31 Dec 2021	**0**	**668**	**0**	**668**

S-BANK PLC – NOTE 21: OTHER ASSETS

	31 Dec 2022	31 Dec 2021
Receivables from payment transactions	5 161	1 188
Receivables from securities	0	287
From others	0	287
Other	2 894	3 180
Other assets, total	**8 055**	**4 655**
of which from the Group	0	120

S-BANK PLC – NOTE 22: ACCRUED INCOME AND PREPAYMENTS MADE

	31 Dec 2022	31 Dec 2021
Interest receivables	19 359	11 178
Fee claims	2 132	1 734
Other receivables	22 877	10 688
Prepayments made	341	395
Accrued income and prepayments made, total	**44 708**	**23 994**
of which from the Group	6 062	3 328

S-BANK PLC – NOTE 23: DEFERRED TAX ASSETS AND LIABILITIES

	31 Dec 2022	31 Dec 2021
Recognised deferred tax assets		
Deferred tax assets 1 Jan	74	298
Deferred tax assets arising from fair value reserve	5 248	-224
Deferred tax assets 31 Dec	**5 322**	**74**
Recognised deferred tax liabilities		
Deferred tax liabilities 1 Jan	48	0
Deferred tax liabilities arising from fair value reserve	8	48
Deferred tax liabilities 31 Dec	**57**	**48**
Unrecognised deferred tax liabilities		
Deferred tax liability from appropriations	5 499	5 941
Deferred tax liability on financial instrument classification changes	414	522
Unrecognised deferred tax liabilities, total	**5 913**	**6 463**

S-BANK PLC – NOTE 24: ISSUED BONDS

	31 Dec 2022		31 Dec 2021			
	Carrying amount	Nominal value	Carrying amount	Nominal value	Interest	Maturity
S-Bank Plc's Senior Preferred MREL Eligible Notes 1/2021, Tranche 1	169 946	170 000	169 699	170 000	Euribor 3 m + 0.75%	4 Apr 2025
S-Bank Plc's Senior Preferred MREL Eligible Notes 1/2021, Tranche 2	49 324	50 000	0	0	Euribor 3 m + 0.75%	4 Apr 2025

S-BANK PLC – NOTE 25: OTHER LIABILITIES

	31 Dec 2022	31 Dec 2021
Payables arising from payment transactions	34 913	29 269
Payables from securities	0	291
Other	14 824	11 980
Other liabilities, total	**49 737**	**41 540**
of which to the Group	250	391

S-BANK PLC – NOTE 26: ACCRUED EXPENSES AND PREPAYMENTS RECEIVED

	31 Dec 2022	31 Dec 2021
Interest payable	3 183	3 443
Accrued expenses	27 654	24 651
Accrued expenses, total	**30 837**	**28 095**
of which to the Group	0	127

S-BANK PLC – NOTE 27: SUBORDINATED DEBTS

	31 Dec 2022		31 Dec 2021			
	Carrying amount	Nominal value	Carrying amount	Nominal value	Interest	Maturity
Debenture I/2016 *	17 333	17 333	21 667	21 667	Euribor 12 m + 1.8%	30 Jun 2026
Debenture I/2017	6 666	6 666	8 000	8 000	Euribor 12 m + 1.8%	18 Dec 2027
Debenture I/2020	25 500	25 500	25 500	25 500	Euribor 12 m + 2.0%	1 Dec 2030
Debenture I/2021	57 500	57 500	57 500	57 500	Euribor 12 m + 2.0%	8 Oct 2031

* The nominal value for comparison period has been amended with the value of amortisation.

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.

S-BANK PLC – NOTE 28: EQUITY ITEMS

	31 Dec 2022	31 Dec 2021
Share capital, 1 Jan	82 880	82 880
Share capital, 31 Dec	**82 880**	**82 880**
Other restricted reserves		
Fair value reserve, 1 Jan	449	-462
Profit/loss from measurement at fair value, other financial securities	-26 240	1 439
Amount transferred to the income statement, other financial securities	-171	-177
Proportion of deferred tax assets of changes in the period, other financial securities	5 248	-288
Profit/loss from measurement at fair value, equity instruments	42	-79
Proportion of deferred tax liability of changes in the period, equity instruments	-8	16
Fair value reserve, 31 Dec	**-20 680**	**449**
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	90 907	81 502
Retained earnings (losses), 31 Dec	**90 907**	**81 502**
Profit (loss) for the period	**44 668**	**9 404**
Total equity	**481 602**	**458 064**

S-BANK PLC – 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.

S-BANK PLC – NOTE 30: FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES, AND THE HIERARCHY OF FAIR VALUES

	31 Dec 2022		31 Dec 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1 368 195	1 368 195	1 091 962	1 091 962
Receivables from credit institutions	8 299	8 927	21 570	21 528
Receivables from the public and public sector entities	6 695 255	6 993 283	6 086 022	6 495 290
Debt securities	696 708	699 827	1 149 087	1 152 550
Shares and interests	20 564	20 564	31 342	31 342
Shares and interests in associated companies	3	13	3	11
Shares and interests in Group companies	55 938	55 938	55 938	55 938
Derivatives	24 261	24 261	582	582
Financial liabilities				
Liabilities to credit institutions	23 156	23 156	0	0
Liabilities to the public and public sector entities	8 026 001	7 765 861	7 656 519	7 591 312
Issued bonds	219 270	215 087	169 699	170 101
Derivatives	7	7	8 383	8 383
Subordinated debts	107 000	107 987	112 667	113 215

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 2022	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Shares and interests	7 226	12 687		19 913
Debt securities		1 979		1 979
Total	**7 226**	**14 666**		**21 892**
Financial assets measured at fair value through other comprehensive income				
Debt securities eligible for refinancing with central banks	539 811	18 923		558 734
Debt securities	135 614	3 500		139 114
Shares and interests		632	55 970	56 602
Total	**675 425**	**23 055**	**55 970**	**754 450**
Derivative receivables		24 261		24 261
Derivative liabilities		7		7
Total		**24 268**		**24 268**

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		252 056		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		686 814
Debt securities	204 420	9 261		213 681
Shares and interests		605	55 974	56 579
Total	**846 671**	**54 429**	**55 974**	**957 073**
Derivative receivables		582		582
Derivative liabilities		8 383		8 383
Total		**8 964**		**8 964**

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.

S-BANK PLC – NOTE 31: BREAKDOWN OF BALANCE SHEET ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCIES AND BELONGING TO THE SAME GROUP

31 Dec 2022	Domestic currency	Foreign currency	Total	From Group entities	From associated companies
Receivables from credit institutions	7 986	313	8 299		
Receivables from the public and public sector entities	6 695 255		6 695 255		
Debt securities	696 708		696 708		
Derivatives	24 261		24 261		
Shares and interests	76 505		76 505	55 938	3
Intangible assets	37 446		37 446		
Tangible assets	406		406		
Other assets (including cash and cash equivalents)	1 426 281		1 426 281	6 062	
Total	**8 964 848**	**313**	**8 965 161**	**62 000**	**3**
Liabilities to credit institutions	23 156		23 156		
Liabilities to the public and public sector entities	8 026 001		8 026 001	42 442	
Issued bonds	219 270		219 270		
Derivatives	7		7		
Other liabilities	80 630		80 630	250	
Subordinated debts	107 000		107 000		
Total	**8 456 063**		**8 456 063**	**42 692**	

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

S-BANK PLC – NOTE 32: BREAKDOWN OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO MATURITY

31 Dec 2022	0-3 months	3-12 months	1-5 years	5-10 years	More than 10 years	Total
Cash and cash equivalents	1 368 195	0	0	0	0	1 368 195
Debt securities eligible for refinancing with central banks	45 910	146 676	316 706	47 631	0	556 923
Receivables from credit institutions	8 299	0	0	0	0	8 299
Receivables from the public and public sector entities	190 343	386 584	1 641 762	1 401 914	3 074 650	6 695 255
Debt securities	10 963	12 139	99 176	17 507	0	139 785
Derivatives	104	1 838	12 340	9 979	0	24 261
Financial assets, total	**1 623 815**	**547 238**	**2 069 984**	**1 477 031**	**3 074 650**	**8 792 718**
Liabilities to credit institutions	23 156	0	0	0	0	23 156
Liabilities to the public and public sector entities	7 951 020	58 752	16 228	1	0	8 026 001
Issued bonds	0	0	219 270	0	0	219 270
Subordinated debts	0	5 667	40 033	61 300	0	107 000
Derivatives	7	0	0	0	0	7
Financial liabilities, total	**7 974 183**	**64 419**	**275 531**	**61 301**	**0**	**8 375 433**

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**

S-BANK PLC – NOTE 33: COLLATERAL GIVEN

	Other collateral	
	31 Dec 2022	31 Dec 2021
Collateral given for own debt		
Liabilities to credit institutions	170 543	181 632
Derivatives	5 171	13 660
Collateral given for own debt, total	**175 714**	**195 292**
Other collateral given on own behalf	**357**	**362**

S-BANK PLC – NOTE 34: LEASE LIABILITIES

	31 Dec 2022	31 Dec 2021
Within one year	2 245	2 509
Due in 1–5 years	2 348	3 729
Lease liabilities, total	**4 593**	**6 238**

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

S-BANK PLC – NOTE 35: OFF-BALANCE SHEET COMMITMENTS

	31 Dec 2022	31 Dec 2021
Guarantees	2 539	9 722
Other commitments given to third parties	93	150
Undrawn credit facilities	188 334	258 147
Off-balance sheet commitments, total	**190 967**	**268 019**

S-BANK PLC – NOTE 36: BROKERAGE RECEIVABLES AND PAYABLES

	31 Dec 2022	31 Dec 2021
Savings in accordance with the Finnish Act on Long-Term Savings Schemes	1 060	1 287
Brokerage receivables and payables, total	**1 060**	**1 287**

S-BANK PLC – NOTE 37: NOTES REGARDING TRUSTEE SERVICES AND TOTAL AMOUNT OF CUSTOMER FUNDS HELD

	31 Dec 2022	31 Dec 2021
Assets under management		
Assets under wealth management *	1 926 702	3 771 839
Mutual fund assets *	3 925 788	3 925 307
Assets under consultative wealth management	16 639	18 377

* The comparison period has been amended since the publication of the 31 December 2021 financial statements.

S-BANK PLC – NOTE 38: PERSONNEL AND MANAGEMENT

	2022		2021	
	Average number	Number at the end of the period	Average number	Number at the end of the period
Permanent full-time personnel	549	562	496	529
Permanent part-time personnel	15	17	14	16
Temporary personnel	32	27	27	26
Total	**595**	**606**	**537**	**571**

Management compensation in 2022	Salaries and fees	Pension commitments
Pekka Ylihurula, CEO *	528	94
Hanna Porkka, Interim CEO **	347	75
Management compensation, total	**875**	**169**

Management compensation in 2021	Salaries and fees	Pension commitments
Pekka Ylihurula, CEO	337	88
Hanna Porkka, Deputy CEO	261	69
Management compensation, total * **	**598**	**157**

* Until 31 May 2022
** Deputy CEO until 31 May 2022.
*** The comparation period has been amended with payments to personnel fund.

Board of Directors' remuneration in 2022	2022	2021
Jari Annala, Chair of the Board	39	
Jorma Vehviläinen, Vice Chair of the Board	28	
Heli Arantola	35	29
Veli-Matti Liimatainen	26	
Hillevi Mannonen	42	
Olli Vormisto	28	
Board of Directors´ remuneration, total	**198**	**29**

The amount of loans granted to the management is provided in Group's note 37.

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.

S-BANK PLC – NOTE 39: RELATED PARTIES

	Receivables from the public and public sector entities	
	31 Dec 2022	31 Dec 2021
Basis for classification as a related party		
Management	4 581	3 078
Kinship	1 426	1 354
Total	**6 007**	**4 433**
Expected credit losses		
At the beginning of financial year	-1	0
During financial year	1	-1
At the end of financial year	0	-1
Total	**0**	**-1**

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

Related party and transactions with persons in management is provided in Group's note 37.

S-BANK PLC – 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%	2 063	68
S-Bank Fund Management Company Ltd	Helsinki	100%	43 217	2 181
S-Crosskey Ab	Mariehamn	40%	36	3

S-BANK PLC – 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 2023

Jari Annala
Chair of the Board of Directors

Jorma Vehviläinen
Vice Chair of the Board of Directors

Heli Arantola
Member of the Board of Directors

Veli-Matti Liimatainen
Member of the Board of Directors

Hillevi Mannonen
Member of the Board of Directors

Olli Vormisto
Member of the Board of Directors

Hanna Porkka
Interim CEO

AUDITOR'S NOTE

A report has been issued today on the audit performed.

Helsinki, 2 February 2023

KPMG OY AB
Authorised Public Accountants
Petri Kettunen, APA

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

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, 2022. 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.

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 10 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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.

The key audit matter

Measurement of receivables (Receivables from customers); Notes 1, 2, 11 and 20 to the consolidated financial statements and notes 1, 11 and 14 to the parent company's financial statements

- Receivables from customers, totalling EUR 6.7 billion, are the most significant item on S-Bank Plc's consolidated balance sheet representing 75 percent of the total assets.
- Calculation of expected credit losses (ECL) 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. During the financial year, the model-based ECL amount was complemented based on management judgements made to capture the expected impact of increase in the interest rates and inflation, weakening the financial standing of customer households
- 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.

How the matter was addressed in the audit

- 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 impairment models, the key assumptions used in determining expected credit losses, and the basis for management estimates that complement the said models.
- 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 5 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.

How the matter was addressed in the audit

- 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.
- 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 significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 12 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 2023

KPMG OY AB
PETRI KETTUNEN
Authorised Public Accountant, KHT